

THE CITY OF PROVIDENCE
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

RESOLUTION OF THE CITY COUNCIL

No.

Approved

WHEREAS, The Rhode Island General Assembly has granted certain tax exemptions to nonprofit institutions to relieve them of the responsibility of paying municipal property tax; and

WHEREAS, Those institutions generate economic activity, which in turn generates sales tax and income tax revenues for the State; and

WHEREAS, The State receives the benefit of the sales and income tax revenues generated by the nonprofit institutions, while the host cities and towns bear the burden of providing services to them without receiving property tax revenues in return; and

WHEREAS, The Rhode Island General Assembly acknowledged this imbalance in 1986 by enacting a Payment In Lieu of Taxes (PILOT) program codified at Rhode Island General Laws Section 45-13-5.1; and

WHEREAS, The State PILOT program initially allocated to cities and towns an amount of State money equal to twenty-five per cent (25%) of what they otherwise would receive in property tax from major institutions if the exemption did not exist, subject to appropriation in any given year; and

WHEREAS, The General Assembly amended the State PILOT program in 1997 to increase the baseline reimbursement percentage from twenty five percent (25%) to twenty-seven per cent (27%) subject to appropriation in any given year; and

WHEREAS, For the last several years, the General has failed to appropriate adequate funds to achieve the baseline percentage intended by the PILOT program; and

WHEREAS, In Fiscal Year Ending June 30, 2012, the statewide appropriation of \$33.08 million was more than \$5.1 million less than what the General Assembly should have appropriated to fund the program completely; and

WHEREAS, The General Assembly allocated \$23.1 million in PILOT funds to Providence for Fiscal Year Ending June 30, 2012, as opposed to the fully-funded level of \$26.7 million; and

WHEREAS, The footprint of tax exempt institutions in Providence today far exceeds the conditions that prevailed when the PILOT system was first developed in Rhode Island, currently comprising approximately half of the City's real estate values; and

WHEREAS, In light of the erosion of its tax base, Providence now charges the second highest commercial tax rate among major cities in the country; and

WHEREAS, The premise of the State's PILOT program merely to reimburse host cities for the financial impact of services they provide directly to tax-exempt institutions is now obsolete, as the resulting burden imposed on the rest of the City's property owners for all municipal services is unsustainable; and

WHEREAS, The State of Connecticut has enacted a PILOT program that recognizes this reality; setting a fully-funded target of seventy-seven per cent (77%) of lost property tax revenue and a current funding level of fifty-three per cent (53%);

NOW, THEREFORE, BE IT RESOLVED, That the Providence City Council urges the General Assembly to enact legislation in the coming session that:

1. Fully funds the existing State PILOT program at the 27% level that has been written into the law since 1997; and
2. Amends and modernizes the State PILOT program to set a new baseline funding level of 77% of lost property tax revenue; and
3. Develops a plan to appropriate additional State funds over the next five (5) years to fund the State PILOT program fully at the 77% level by the end of that period.