



Rhode Island Department of Revenue Division of Municipal Finance

April 3, 2025

The Honorable Marvin L. Abney
Chair, House Committee on Finance
State House
Providence, RI 02903

**Re: 2025 H-5389- AN ACT RELATING EDUCATION -- THE PAUL W. CROWLEY
RHODE ISLAND STUDENT INVESTMENT INITIATIVE**

Dear Chair Abney:

The Division of Municipal Finance (“DMF”) writes to provide information that may be of assistance to the Committee as it considers House Bill 5389, An Act Relating Education-The Paul W. Crowley Rhode Island Student Investment Initiative. This letter is not intended as a position in support of or opposition to the bill, but only as recommendations on drafting to provide clarity in the bill and to aid municipal tax administration.

As you know, this bill would amend R.I. Gen. Laws § 16-7.1-5 to: (1) revise the calculation used to determine the funding responsibility of school districts under State control; (2) prohibit the Commissioner of the Department of Elementary and Secondary Education (“RIDE”) from utilizing R.I. Gen. Laws § 16-5-30 to order the General Treasurer to deduct any amounts owed by the local school committee under § 16-7.1-5; and (3) require the Director of the Department of Revenue (“DOR”) to appoint a fiscal overseer, who is obligated to undertake specifically enumerated actions, if a school district is under State control. The bill is set to be effective upon passage.

This bill proposes to change the calculation for determining the funding responsibility of school districts under State control from “the same level as in the prior academic year increased by the same percentage as the state total of school aid is increased” to “at the same nominal amount as in the prior academic year increased by twenty percent (20%) of the increase of taxes issued by the municipality or town where the school or school district is located.” This proposed change could impact municipal tax administration in two ways:

- First, it is unclear how “the increase of taxes issued” should be measured. Language should be included to specify whether the levy increase as calculated under R.I. Gen. Laws § 44-5-2 or some other standard should be the basis for this calculation.
- Second, because the bill is set to be effective upon passage, there may be unintended consequences resulting from this proposed change on the November 2024 Settlement Agreement entered into between the State and the City of Providence which resolved disputes about the amount of funding the City of Providence is responsible for under § 16-7.1-5 in Fiscal Years 2024-2027.

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Language should be included to clarify whether it is the intent of the bill to impact this Settlement Agreement and the funding obligations thereunder.

This bill further proposes to require the DOR Director to appoint a fiscal overseer if a school district is under State control. The fiscal overseer would be obligated to undertake many of the same actions as fiscal overseers appointed by the DOR Director under R.I. Gen. Laws § 45-9-3. However, fiscal overseers appointed pursuant to § 45-9-3 oversee a city, town, or fire district. In this instance, the fiscal overseer would be overseeing a school district under State control. This would in effect result in one executive branch agency, the DOR, through the appointment of the fiscal overseer, participating in the oversight of RIDE, another executive branch agency. As this arrangement would be unsuitable given that both agencies are under the authority of the Governor, we respectfully request that the requirement that the DOR participate in any manner in the oversight of a sister executive branch agency be removed from the bill.

The DMF takes no position with respect to the remainder of the proposed legislation. Rather, the DMF is concerned solely with the issues of clarity and municipal tax administration.

Thank you for your consideration.

Sincerely,



Stephen E. Coleman Jr.
Chief

Cc: The Honorable Members of the House Committee on Finance
The Honorable Scott A. Slater
Nicole McCarty, Esq., Chief Legal Counsel to the Speaker
Thomas A. Verdi, Director, Department of Revenue