



RIPEC

Municipal Services in Rhode Island: How Cities and Towns Spend Their Money

Executive Summary December 2022

In Rhode Island, as in the United States generally, local governments provide essential services that most closely relate to quality of life—such as public safety, sanitation, and the maintenance of roads and parks. Expenditures on these services represent a substantial investment of taxpayer dollars; local governments in Rhode Island spent \$5.36 billion in total in fiscal year (FY) 2020, of which \$2.75 billion was spent on non-education services.

The relative power and prominence of municipalities has varied throughout Rhode Island’s history. Significant autonomy was granted to municipalities at Rhode Island’s 1951 constitutional convention, where delegates unanimously voted in favor of the “home rule” amendment to the state’s constitution, which intended to “grant and confirm to the people of every city and town in this state the right of self-government in all local matters.” While home rule autonomy was established, Rhode Island municipalities have no inherent power to raise revenues or issue debt and at the same time must comply with a multitude of state mandates which affect the delivery and cost of municipal services. There is a process enshrined in state law for municipalities to seek reimbursement for costs related to mandates, but no reimbursements have been provided since FY 1992.

To properly analyze non-education service spending, it is critical to recognize Rhode Island’s highly uncommon approach to local government. Rhode Island is a notable outlier among states in that it has no county governments, which alters the relative responsibilities of the state and local governments in providing services. This contributes to a degree of fragmentation—the Ocean State has a high concentration of local government units which are smaller in area than is typical of other states and generally provide similar or identical services. Fragmentation is associated with higher per capita expenditures, primarily due to the inability of smaller governments to achieve economies of scale. Research suggests that consolidation of certain services, particularly those that are more technical or capital-intensive among government units up to a range of 20,000-40,000 in population, may reduce expenditures overall. There has been no sustained effort however to establish these arrangements in Rhode Island.

RIPEC’s analysis relies heavily on municipal expenditure data from the Rhode Island Municipal Transparency Portal (MTP). While the MTP provides a wealth of standardized financial data, there remain important limitations, such as the separate accounting of other post-employment benefits (OPEB) costs from individual municipal departments. Additionally, the MTP does not include major capital expenditures, which are significant in services such as public works and parks and recreation. The MTP also does not include expenditures related to water, sewer, and stormwater operations. Statewide local government expenditures, which are provided by the US Census Bureau’s Annual Survey of State and Local

Government Finances, do include capital costs and other expenditures excluded by the MTP, and therefore offer a more complete picture of local government spending in these areas.

On a per capita basis, combined total state and local government expenditures in Rhode Island are relatively high, ranking 14th highest among states and third highest in New England in FY 2020. Local governments in Rhode Island however have relatively small total per capita expenditures on a regional and national basis, ranking 35th highest among states and fourth highest in New England. Local government spending in Rhode Island was even lower on a proportional basis, amounting to just 37.0 percent of combined total state and local spending, more than ten percentage points lower than the nation (50.4 percent), seventh least among states, and least in New England.

At the municipal level, per capita expenditures varied widely in Rhode Island—among the five municipalities with the highest per capita non-education expenditures in FY 2021 (Newport, Narragansett, Providence, Jamestown, and Little Compton), average spending was 94.6 percent higher than the average among the bottom five municipalities (South Kingstown, Hopkinton, Glocester, Richmond, and Exeter).¹ Several factors contribute to these disparities, including the range of services that cities and towns provide, particularly public safety, and stark inequalities in property wealth, which implicates the ability to raise funds through property taxes, the primary revenue source for Rhode Island municipalities.

Public safety functions make up a significant portion—50.0 percent as of FY 2021—of non-education expenditures by Rhode Island municipalities. Expenditures for police represented the largest non-education expense for Rhode Island municipalities overall, totaling \$375 per capita in FY 2020 and ranking seventh highest nationally and highest in New England. At the municipal level, the four Rhode Island municipalities that spent the most per capita on policing in FY 2021 (Newport, Providence, Johnston, and Narragansett) all exceeded statewide spending by more than 20 percent, with one municipality—Newport—exceeding that amount by more than 50 percent.²

As of FY 2021, fire department expenditures were the second largest non-education expense for Rhode Island municipalities. Twenty-two Rhode Island municipalities, including the six most populous in the state, operate fire departments. In the state's remaining 17 municipalities, fire services are provided by non-municipal entities, such as fire districts or private, non-profit volunteer fire departments. In FY 2020, Rhode Island's local governments spent \$297 per capita on fire protection, 37.4 percent more than Massachusetts, the next highest-spending state in the region, and ranking third nationally. Rhode Island is a significant outlier in terms of fire department staffing per capita, ranking first among states in 2020 with 2.1 firefighters per 1,000 residents. As with police spending, there is wide variation in spending on fire protection among Rhode Island municipalities. The four municipalities that spent the most per capita on fire department expenses in FY 2021 (Newport, Johnston, Warwick, and Cranston) all exceeded the Rhode Island municipal median by more than 30 percent, with one municipality—Newport—exceeding the median by more than 50 percent.

¹ Excludes New Shoreham, which had the highest per capita non-education expenditures of any municipality (\$7,485) in FY 2021 but is a statistical outlier due to its very low full-time resident population.

² Excludes New Shoreham, which had the state's highest per capita police expenditures (\$868) in FY 2021 but is a statistical outlier due to its low fulltime resident population.

For both police and fire, personnel costs—compensation, overtime, pension costs, health insurance, and other benefits—make up the vast majority of departmental costs. For this reason, attempts to benchmark expenditures often focus on staffing levels. While per capita staffing is a readily available metric that informs Rhode Island’s high public safety expenditures, this metric has limitations in that it may not capture municipal-specific factors that affect the need for public safety resources such as part-time residents or visitors. Calls for service (CFS) is seen as a more useful metric for measuring demand for public safety services, but CFS are reported only sparingly by Rhode Island municipal police and fire departments, and deeper analyses of calls for service data require resources not currently available in most municipalities.

While Rhode Island municipalities significantly overspend on public safety relative to other states, there is a relative lack of resources dedicated to other critical services. Although Rhode Island’s combined state and local spending on public works (including capital costs) is comparable to the region and nation, local governments take on a much smaller proportion of spending than in other states. In particular, the Ocean State’s local governments have low expenditures on roads and highways—including capital costs, Rhode Island municipalities ranked last in New England and fourth to last nationally in per capita spending on roads and highways in FY 2020.

Similarly, Rhode Island municipalities significantly underinvest in parks, recreation, and natural resources relative to local governments in other states. On a per capita basis, Rhode Island’s local governments spent \$57 (including capital costs) in this area in FY 2020, ranking second lowest in New England and fourth lowest nationally. Unlike public works, state spending on parks, recreation, and natural resources is also relatively low. Consequently, the Ocean State’s combined state and local spending of \$156 per capita (including capital costs) in FY 2020 was 51.3 percent less than national per capita spending and ranked 43rd highest among states.

While spending by Rhode Island local governments on administration is low relative to other states, this is due in part to the absence of county government, leading to greater proportional spending by Rhode Island state government on administration than in other states. Spending on administration by Rhode Island’s most populous municipalities is relatively low (apart from Providence), but administration spending by smaller municipalities in the state is relatively high. Excluding New Shoreham, a statistical outlier, the state’s ten least-populous municipalities spent an average of \$302 per capita on administration, 30.1 percent more than the statewide per capita figure.

Given these findings, RIPEC offers to policymakers the following recommendations:

Municipalities should seek to at least slow the growth of expenditures on police and fire departments and require that departments publish data on calls for service (CFS) annually to make more informed decisions about staffing and budgets. Rhode Island’s municipalities should aim to bring expenditures on public safety more in line with national and regional benchmarks. Municipalities should also seek to better understand both how their staffing levels compare to peer communities and their relative demand for public safety services based on CFS data, which should be published annually by police and fire departments.

Municipalities should pursue, and the General Assembly should incentivize, consolidation or shared services agreements. Research suggests that consolidation or shared service agreements may be appropriate for Rhode Island’s least-populous municipalities, many of which spend significantly more per capita than the state overall in services such as public works and administration. Given the outsized proportion of municipal spending going to public safety functions, consolidation or sharing of police and fire services across municipalities also deserves serious consideration. To make progress in this area, the state should be more aggressive in incentivizing these agreements.

The General Assembly should avoid enacting mandates which limit municipalities’ financial flexibility without careful consideration of costs. While the state’s constitution gives cities and towns home rule powers over local matters, municipalities have no inherent power to raise revenue. The General Assembly over time has enacted financial mandates that limit fiscal flexibility for municipalities and lead to increased costs. The General Assembly should refrain from enacting further mandates without a more careful consideration of the costs imposed on municipalities.

Municipalities should increase their investment into public works. While combined state and local expenditures on public works are on par with the rest of New England, local government spending lags significantly. In addition to roads and highways, where local governments in Rhode Island spend relatively little, solid waste management should also be a point of focus—municipalities are largely unsuccessful at meeting state-mandated targets for waste diversion, which implicates greater and more unpredictable costs and raises questions about the sustainability of the state’s central landfill.

Municipalities should increase their investment in parks, recreation, and natural resources. Outside of several coastal communities, which generally have the highest per capita spending on parks and recreation, municipalities should increase spending in this area to make up for systemic underinvestment at both the state and local levels.

The state should continue making improvements to the Municipal Transparency Portal (MTP) to allow for a more complete analysis of municipal service spending. The MTP is an important resource for municipalities and the public to better understand municipal revenues and expenditures. However, the separate reporting of OPEB costs and debt service from individual departments in the MTP, as well as the lack of reporting on capital spending and expenditures on water, sewer, and stormwater, make it more difficult to fully account for public expenditures in certain areas. The state Division of Municipal Finance should seek to make continuous improvements to this important data tool, with additional statutory and financial support from the General Assembly.