

South Kingstown high school bond tabled - reasons and solutions.

In September 2023, North Kingstown voters defeated the \$250 million dollar bond issue to build a new high school, safety center and recreation center by a 2-to-1 margin. In October, the South Kingstown school board tabled work on a \$153 million-dollar high school bond. Both bonds estimated an annual property tax increase by 2025 of \$832 per household depending upon the bond term.

Let me go out on a limb here and say the South Kingstown school committee made the right decision to table the bond. They read the chalk dust on the black board. Yes, schools are important but my ability to afford to live in South Kingstown is equally important. The bottom line for me is how much my property taxes will increase.

To understand the real impact of the school construction project, I investigated: (1) average cost to build a new 2-story high school, (2) construction project cost over runs, (3) actual vs. average Kingstown real estate assessments, (4) total employment in Rhode Island is negative, (5) school enrollment is declining in South Kingstown, (6) housing market and high interest rates, (7) high cost of living in Washington County, (8) tax base is predominately residential property tax. Fix these issues and the bond will pass.

1. Average cost to build a new 2-story high school.

I searched online for some cost estimates based on the number of square feet estimated for the new South Kingstown high school of 144,000 square feet. As of May 2023, the estimated cost per square foot for high school construction in the East United States is about \$400. Multiplying the two numbers equals \$57 million. The estimated cost for the South Kingstown high school is over twice that at \$133 million. That comes to over \$933 per square foot. That cost per square foot is extremely high and needs to come down.

2. Construction project overruns.

From reading the three Independent articles about the bond issues, I concluded that the initial bond was \$133 million. The \$153 million dollar figure included an estimated \$20 million cost overrun. A \$133 million project is a large project. Compared to smaller construction projects, large jobs were up to 80% over their budgets and took up to 20% longer than expected. So, let's assume the project cost overrun is only 50% and not 80%. The \$133 million project final cost could be \$199 million. Even a fixed price contract would not solve the problem.

3. Actual vs. average South Kingstown real estate assessments.

The Independent article on November 16, 2023, cited that you will have a \$832 annual property tax hike based on \$468,000 mean value. Typically, the assessed value is a percentage of the property's market value, known as the assessment ratio. In Rhode Island, the assessment ratio is 100%, meaning the assessed value is equivalent to the market value. However, the median home sold price in South Kingstown was \$562,000 in November 2023. So, we've got trouble

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right here in River City... And if the market drops, the tax rate most likely will increase to keep a steady tax stream revenue for the town.

South Kingstown Finance Director Brian Silvia said if the town was to elect for a 30-year bond, it would see a median household assessment increase by \$832 and see a 17.2% tax increase over six years. That's a big increase for seniors living on a fixed income.

Every home assessment is online. I used ChatGPT to calculate my estimated real estate tax increase based on actual data not a mean or median value. The solution is setting up an equation of proportions you learned in high school or using ChatGPT. I used ChatGPT.

In your browser go to 'ChatGPT' and create a log in identity. Create a question like the following: "If property tax increases \$832 for a \$460,000 house how much will tax increase be for \$782,000?" Here is a screenshot of the ChatGPT analysis.



ChatGPT

To find the increase in property tax for a \$782,000 house given that the tax increased by \$832 for a \$460,000 house, you can set up a proportion based on the ratio of the house values:

Let x represent the increase in tax for the \$782,000 house.

The ratio of the house values is: $\frac{782,000}{460,000}$

The ratio of the tax increases should be the same: $\frac{x}{832}$

Setting up the proportion:

$$\frac{782,000}{460,000} = \frac{x}{832}$$

Cross-multiply to solve for x :

$$x = \frac{782,000 \times 832}{460,000}$$

Calculate:

$$x = \frac{650,624,000}{460,000}$$

$$x \approx 1415.7$$

Therefore, the estimated increase in property tax for a \$782,000 house would be approximately \$1,415.70.



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Our annual real estate tax increase will be \$1,415.70 or 17% which is a big hit. Add that number to your current real estate tax to show the total tax. The seventeen percent (17%) increase is the same number the South Kingstown Finance Director estimated, too. To find out your home assessment, go to: <https://www.opaldata.net/ritaxrolls/>.

4. Total Employment in Rhode Island is Negative.

According to U.S. Census Bureau QuickFacts, total employment change in Rhode Island from 2020 to 2021 is a negative 7.4% versus United States overall employment change of negative 4.3%. Negative employment is bad because fewer people are working which means less employment tax revenue.

5. School Enrollment is Declining in South Kingstown.

People under 18 in Rhode Island are 18.6% of the population versus overall United States of 21.7%. Percent of persons under 5 in Rhode Island is 4.8% of the population versus 5.6% overall in the United States. Thus, fewer younger people live in Rhode Island compared to the rest of the states. The South Kingstown school district reported an 18% enrollment decline between 2019 and 2023, which was the steepest drop across all communities. The LEA report estimated a negative 12.1 decline over the next 10 years. Another source estimated a decrease in annual enrollment of 6.6%. The average decline is 12.3 percent. Fewer students are being enrolled over the next decade.

6. Housing Market is Slowing Down With High Interest Rates.

The housing market is at its slowest pace in 13 years as mortgage rates increase. Mortgage rates soared in October 2023, with the standard 30-year fixed rate rising from 7.3 percent to 7.8 percent. In 2020, the average 30-year fixed mortgage rate was 2.7%. Home sales in the United States have slowed as people struggle to afford food, health insurance, heating oil, electricity, and other necessities to maintain their standard of living.

According to Rhode Island Current Conditions Index (CCI) developed by Dr. Leonard Lardaro, a URI professor of economics, the CCI indicated that the Rhode Island economy has been contracting monthly for more than a year. The CCI tracks 12 key economic indicators. This trend is not good. Overall, about 1,000 people moved to Rhode Island in 2022-2023 which is about a .001 percent increase. Hardly a booming employment increase. Washington County experienced a 0.4% decrease in population due mainly to lack of job opportunities outside of the tourist industry. Create jobs and the employment tax revenue will come.

7. High Cost of Living in Washington County.

Washington County has a particularly high cost of living, with an affordability index of 74 according to the website 'AZ Animals' in November 2023. Additionally, the total cost of food, childcare, transportation, healthcare, taxes, and other necessities are 24.3% higher than the

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U.S. average. These factors make Washington County one of the most expensive places to live in the state.

People are not being pinched by accumulated inflation or an inflation rate; they are being clobbered. The accumulated inflation since 2020 is 19%; everything is more expensive. Our car insurance increased 56%. Food is up 20%. Owning a car is up 22%. Household costs are up 26%. If you think prices are going to drop 25% in the next year, remember inflation is an annual rate rather than a fixed number. People are not getting wage increases to keep up with the accumulated inflation effect. Many people in South Kingstown are over 65 and likely living on a fixed income. Even SSI is not increasing annually at the same rate as inflation.

8. Tax Base is Predominately Residential.

South Kingstown includes the villages of Kingston, West Kingston, Wakefield, Peace Dale, Usquapaug, Snug Harbor, Tuckertown, East Matunuck, Matunuck, Green Hill, and Perryville. The three top employment sectors in Rhode Island are real estate, healthcare, and manufacturing. The biggest employer in South Kingstown is the University of Rhode Island with 5,472 employees. In 1939, URI was granted an exemption from federal income tax. South County Health hospital employs 1,500.

Let's face it. South Kingstown is not a magnet for high tech high revenue software development, pharmaceuticals, energy, household products, or information services companies. Eighty percent (80%) of South Kingstown tax revenue comes from property tax where property taxes comprise a larger portion of state and local revenue than other states. And your retirement income is taxable in Rhode Island. Twenty one percent (21%) of South Kingstown residents are 65 or over compared to sixteen percent (16%) nationwide. That means more people are on fixed incomes.

Rhode Island has tax and business problems. Here's an example. We shop at Costco for some bulk items. Eight years ago, I asked a checkout clerk at the Dedham, MA Costco why didn't Costco have a store in Rhode Island? Without stopping to scan items, she said Costco approached the city of Cranston because they found a spot they liked. But the town leadership said Costco would be responsible for all infrastructure, roads, lighting, electricity, sewer and waste removal and Costco would be taxed at the highest rate possible. No incentives were offered. Negotiations are ongoing. Does that sound business friendly? Rhode Island is ranked in the bottom ten states for business tax competitiveness.

9. I have two solutions.

(1) Ask residents how much they want to pay to build a new South Kingstown high school. Why not work backwards and see how much residents can afford via an increase in property taxes? Establish a commonsense realistic budget instead of blue-sky estimate. Why does it have to be \$933 per square foot based on a 144,000 square foot design? That's over double the national average. Conduct a survey to find out what people are willing to pay. Is that so difficult?

Richard Davids. 10 Queens River Drive, West Kingston, Rhode Island.

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(2) Build a less expensive high school. Why is high technology better and so expensive? Does the building have to be 100% green with the latest sensors, instrumentation, and networks that must be maintained? There is only a modest positive correlation between technology in the classroom and academic performance. Why is it so expensive to build a school in RI compared to other states? I learned in an elementary school with wood desks, seats, and floors, blackboards, hardcover books, windows for air conditioning, good furnaces, good lighting, great teachers, and good security. People learning in that environment landed astronauts on the moon in 1969.

Biography.

Richard Davids is a retired human factors engineer with 34 years at Lockheed Martin Space Systems Company, Sunnyvale, California. He grew up in River Edge, New Jersey. He was graduated from the University of Rhode Island (URI) with a Bachelor of Arts in Psychology in 1971 and from New Mexico State University (NMSU) in 1974 with a Master of Arts in Engineering Psychology.

Richard has donated hundreds of hours and spent thousands of dollars by sponsoring over a dozen university level senior design and capstone engineering projects at URI, RWU, and UConn. His projects study and propose solutions to environmental safety, homelessness, refugee shelter, human waste recycling, driving and police safety, fall and injury prevention, healthcare, flood control, physical therapy, traffic safety signage, and snow plowing.

Richard is a cancer survivor who received therapy at South County Health and manages a website dedicated to exercise and Alzheimer's Disease at www.deepsloweasy.com.