

Department of Revenue

Staff Presentation

FY 2013 Revised, FY 2014 Recommended
and Capital Budgets

March 26, 2013

Summary by Program

<i>(in millions)</i>	FY 2013 Enacted	FY 2013 Revised	FY 2014 Rec.
Director's Office	\$0.8	\$1.0	\$1.2
Revenue Analysis	0.5	0.5	0.5
Lottery	232.7	238.2	245.4
Municipal Finance	2.6	2.4	2.4
Taxation	21.1	20.9	21.2
Motor Vehicles	19.7	20.1	20.7
State Aid	56.0	61.1	69.9
Total	\$333.5	\$344.1	\$361.4

Change to Enacted by Program

<i>(in millions)</i>	FY 2013 Revised	FY 2014 Governor
Director's Office	\$0.2	\$0.4
Revenue Analysis	(0.1)	-
Lottery	5.4	12.7
Municipal Finance	(0.2)	(0.2)
Taxation	(0.2)	0.1
Motor Vehicles	0.4	1.0
State Aid	5.1	13.9
Total	\$10.6	\$27.9

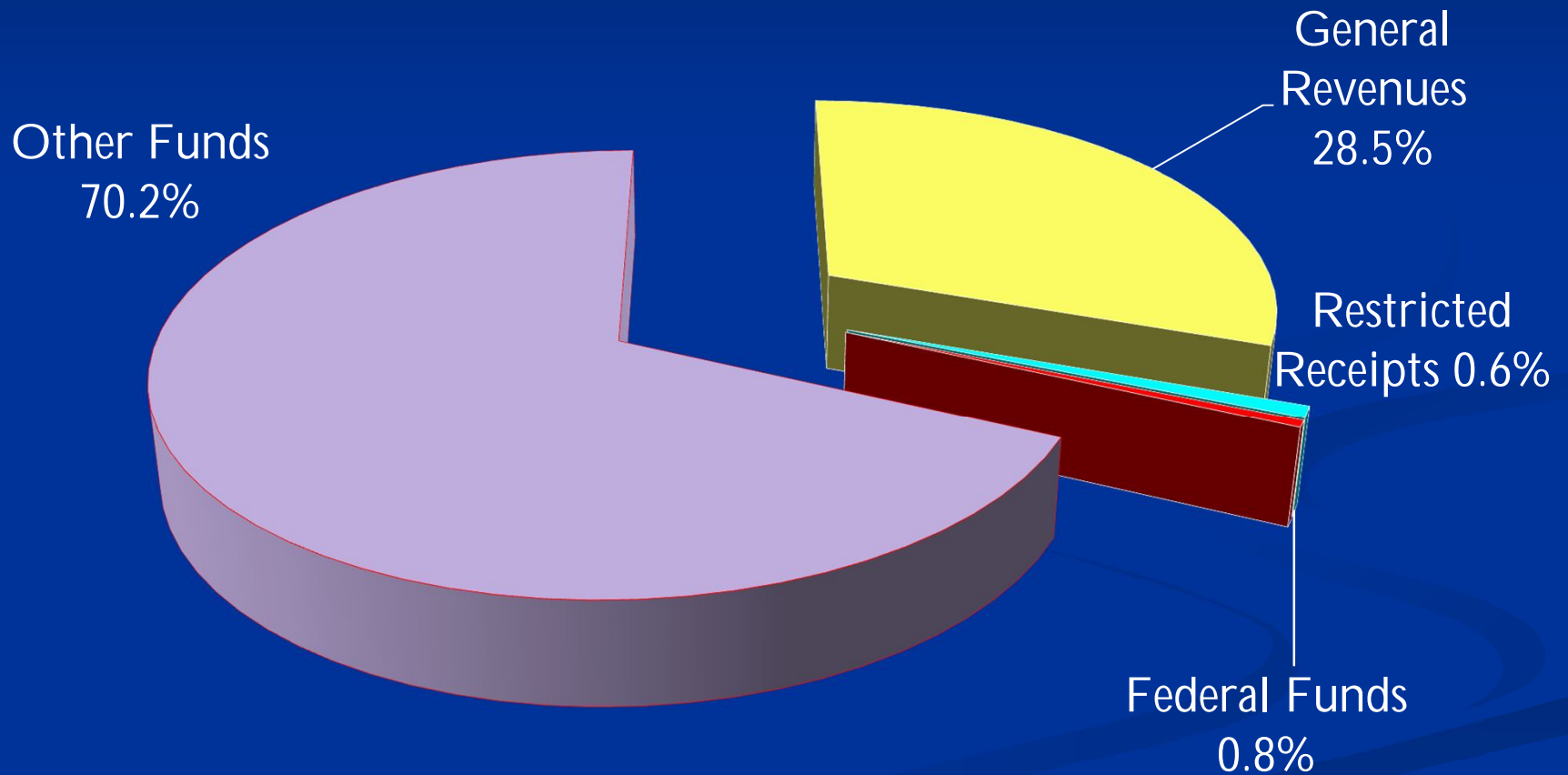
Target Proposal

- Budget Office provided a general revenue target of \$102.6 million
 - ❖ Current service adjustments of \$10.2 million
 - ❖ 7% reduction of \$3.0 million
- Department met target by proposing:
 - ❖ Reduction of 17.0 tax administrators in Division of Taxation
 - ❖ Reduction in actuarial and legal services for Distressed Communities
 - ❖ Other initiatives in Divisions of Taxation and of Motor Vehicles

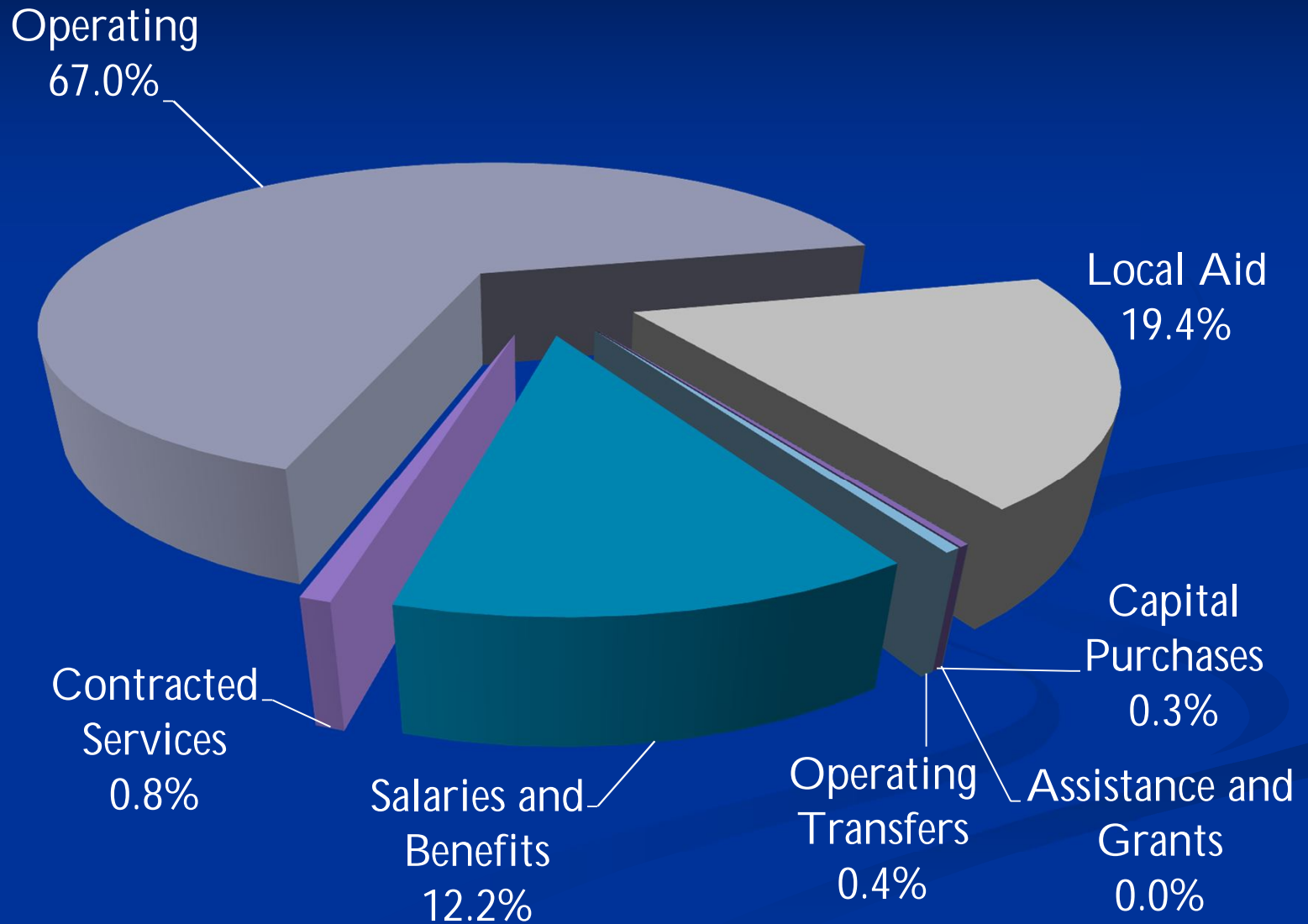
Target Proposal

Change to Current Services	Request	Governor
Tax Simulation Model	(\$30,000)	(\$30,000)
Actuarial and Legal	(193,000)	-
Staffing Reduction	(1,242,149)	-
Validation Stickers	(280,500)	(280,500)
Accident Reporting	(11,500)	(11,500)
Drivers' Manuals	(15,000)	(15,000)
Capitol Police Detail	(22,000)	-
All Other Operations	(12,608)	-
Total	(\$1,806,757)	(\$337,000)

FY 2014 Sources of Funding



FY 2014 Funding by Category



Formation of Department

- Created by 2006 Assembly, centralizing various divisions that deal with revenues
- Transferred from Dept. of Administration
 - ❖ State Lottery
 - ❖ Division of Municipal Finance
 - ❖ Taxation
 - ❖ Registry of Motor Vehicles
 - ❖ State Aid (transferred by 2011 Assembly)

Salaries and Benefits

Full-Time Equivalent Positions

<u>Full-Time Positions</u>	<u>FTEs</u>	<u>Chg. To Enacted</u>
Enacted Authorized	458.0	-
FY 2014 Request	495.0	37.0
FY 2014 Governor	492.0	34.0
FY 2012 Average Filled	411.8	(46.2)
<u>Filled as of March 9</u>	<u>426.1</u>	<u>(31.9)</u>

FY 2013 and FY 2014 Salaries and Benefits

<i>(in millions)</i>	FY 2013 Enacted	FY 2013 Rev.	Chg. to Enacted	FY 2014 Gov.	Chg. to Enacted
General Revenue	\$31.6	\$31.3	\$(0.3)	\$32.7	\$1.1
Federal Funds	1.2	1.2	-	1.2	-
Restricted Receipts	0.8	0.8	-	0.8	-
Other Funds	6.4	7.3	0.9	9.5	3.1
All Sources	\$40.1	\$40.7	\$0.6	\$44.2	\$4.1

Salaries and Benefits by Program

Change to Enacted (in millions)	FY 2013 Revised	FY 2014 Governor
Director's Office	\$0.2	\$0.4
Revenue Analysis	(0.1)	-
Lottery	1.0	3.2
Municipal Finance	-	0.1
Taxation	(0.2)	0.3
DMV	(0.3)	0.1
Total	\$0.6	\$4.1

Office of the Director

- Oversees overall operation of the Department
- Governor adds \$0.2 million for FY 2013
- Recommends 8.0 positions, 2.0 more than enacted for the Office but within total departmental authorization
 - ✓ Chief of Strategic Planning and Monitoring
 - ✓ Internal Auditor
 - ✓ As of March 9, 2013, 6.6 positions filled

Office of the Director

General Revenue Change to Enacted	FY 2014 Request	FY 2014 Gov.	Diff.
1.0 Chief of Strategic Planning	\$169,527	\$169,527	\$-
1.0 Internal Auditor	104,402	104,402	-
CFO (Partial Funds Requested)	76,623	122,588	45,965
All Other Operations	49,080	42,942	(6,138)
Total	\$399,632	\$439,459	\$39,827

Office of the Director

- Governor recommends \$1.2 million for FY 2014
 - ❖ \$0.4 million more than enacted
 - ❖ \$39,827 above request
 - ❖ Recommendation includes funding for:
 - ✓ Chief of Strategic Planning and Monitoring
 - ✓ Internal Auditor
 - ✓ Chief Financial Officer and 1.0 new full-time equivalent position

Office of Revenue Analysis

➤ Responsible for:

- ❖ Analyzing, evaluating and appraising the state's tax system
- ❖ Preparing the tax expenditures report
- ❖ Preparing cost benefit analysis of all tax expenditures

➤ 4.0 positions – enacted level

- ❖ No vacancies as of March 9, 2013

Office of Revenue Analysis

- Governor's FY 2013 revised budget is \$54,420 less than enacted, turnover savings
- He recommends \$0.5 million for FY 2014
 - ❖ \$9,564 less than enacted
 - ❖ Removes \$30,000 for Sales Tax Model Simulation
 - ✓ Reflects biennial update of tax model

Lottery Division

➤ Transferred from Dept. of Administration

- ❖ Created under the General Laws in 1974
- ❖ To operate lottery games: on-line games, Keno, instant games, Powerball tickets
- ❖ Collects all revenues and remits prize funds
- ❖ July 2005 made a division in Administration
- ❖ July 1, 2006 transferred to Dept. of Revenue

Lottery Division

- Governor recommends \$238.2 million and 84.0 positions for FY 2013
- Includes 31.0 new positions for table gaming regulation
 - ❖ Lottery funds are classified as “other funds”
 - ❖ \$5.4 million more than enacted
 - ❖ \$3.5 million of that is for payment of commissions
 - ❖ As of March 9, 51.0 positions were filled

Lottery Division

<i>(in millions)</i>	FY 2013 Enacted	FY 2013 Revised	FY 2014 Rec.
Commission Payments	\$219.1	\$222.5	\$227.3
Salaries and Benefits	5.5	6.4	8.6
Print Advertising	6.4	6.4	6.4
Capital Purchases	0.1	0.5	0.1
All Other Operations	1.7	2.3	3.0
Total	\$232.7	\$238.2	\$245.5

Lottery – Table Gaming Regulation

- Scheduled to begin July 1, 2013
- 31.0 new positions added for FY 2013 and FY 2014
 - ❖ \$1.0 million for FY 2013
 - ✓ Director of Casino Operations and Legal Counsel positions recently filled
 - ✓ Target hiring date assumed for other positions: February 2013
 - ❖ \$3.0 million for FY 2014

Lottery – Table Gaming Regulation

➤ Other Staffing:

❖ 8.0 Detectives through State Police

✓ \$0.4 million for FY 2013

✓ \$1.2 million for FY 2014

➤ Other Expenses

❖ Equipment and Training

✓ \$0.2 million for FY 2013

✓ \$0.1 million for FY 2014

Division of Municipal Finance

- Transferred from Dept. of Administration
 - ❖ Formerly the Office of Municipal Affairs
 - ❖ Provides technical support to municipalities
 - ❖ Distributes state aid
 - ❖ Determines community's wealth for use in school aid formulas
 - ❖ Administers the property revaluation program

Division of Municipal Finance

General Revenue - Change to Enacted	FY 2014 Request	FY 2014 Gov.	Diff.
HR Coordinator	\$122,527	\$122,257	\$-
Actuarial and Legal Services	(300,000)	(300,000)	-
Other Salaries and Benefits	141,629	(2,288)	(143,917)
Other Operations	(3,000)	(33,576)	(30,576)
Total	\$(39,114)	\$(213,607)	\$(174,493)

Division of Municipal Finance

- For FY 2013: Governor recommends \$2.4 million and 16.0 full-time positions
 - ❖ As of March 9, 14.0 positions filled
 - ❖ \$189,646 less from general revenues than enacted:
 - ✓ \$160,000 less for actuarial and legal services
 - ✓ \$25,576 less for computer expenses
 - ✓ \$4,070 less for all other operating expenses and salaries and benefits

Division of Municipal Finance

- For FY 2014: Governor recommends \$2.4 million and 17.0 full-time positions
 - ❖ \$0.3 million less for actuarial and legal services
 - ✓ Removes funding for Central Falls oversight
 - ❖ \$122,257 for new Human Resources Coordinator
 - ✓ For coordination of staffing in financially distressed cities and towns

Division of Taxation

- Transferred from Dept. of Administration
 - ❖ Tax Processing Unit – performs activities relating to receipt of cash payments; processes tax returns
 - ❖ Office of Assessment & Review – assesses and collects taxes; holds administrative hearings
 - ❖ Field Audit – audits business corporations and individuals
 - ❖ Tax Compliance and Collection – enforces actions to collect overdue taxes

Division of Taxation

- FY 2013: Governor recommends \$20.9 million and 206.0 full-time positions
 - ❖ \$0.2 million less than enacted
 - ✓ Primarily from turnover savings
 - ✓ \$30,000 more for legal - hospital bankruptcies
 - ❖ As of March 9, 9.0 positions vacant
- FY 2014: \$21.2 million and 208.0 positions
 - ❖ \$0.1 million more than enacted
 - ✓ Excludes \$300,000 one-time tax amnesty expenses
 - ✓ \$176,000 for Special Investigative Unit

Division of Taxation

General Revenue Change to Enacted	FY 2014 Request	FY 2014 Gov.	Diff.
Tax Amnesty	\$(300,000)	\$(300,000)	\$-
Special Investigations	-	176,000	176,000
Salaries and Benefits	468,571	351,884	(116,687)
All Other Operations	(4,258)	(4,258)	-
Total	\$164,313	\$223,626	\$59,313

Division of Taxation – Special Investigative Unit

➤ FY 2014 Governor's initiative:

- ❖ 2.0 new investigative positions for a total of 9.0 investigators
- ❖ \$176,000 for new positions
- ❖ Budget assumes revenue of \$1.3 million
- ❖ Investigate violations and recommend prosecution
 - ✓ Property tax refund fraud
 - ✓ Earned income tax credit fraud

Division of Taxation – Collections by Outside Agencies

- Governor's recommendation: Article 9, Section 4
 - ❖ Heard on March 6
- For FY 2014:
 - ❖ Hire outside agencies to collect delinquent taxes from non-residents
 - ❖ 11,554 non-residents and \$28.9 million in outstanding accounts
 - ❖ Budget assumes revenue of \$750,000

Division of Taxation – Effect of Sequestration

➤ Unemployment Insurance

- ❖ Division receives \$3.0 million for administering the collection of employer taxes for the Department of Labor and Training
- ❖ Loss from Sequestration: \$167,000
- ❖ Division will absorb loss by leaving open vacancies for remainder of FY 2013

Division of Motor Vehicles

➤ Transferred from Dept. of Administration

- ❖ Administers and enforces laws pertaining to the operation and registration of motor vehicles
 - Suspension
 - Revocation
 - Inspection of motor vehicles
 - Issues licenses

Division of Motor Vehicles

➤ Branch offices

- ❖ Cranston (Pastore Center, Headquarters)
- ❖ Woonsocket
- ❖ Middletown
- ❖ Wakefield (Monday to Thursday)
- ❖ Warren (Tuesday and Wednesday)
- ❖ Westerly (Fridays only)

Division of Motor Vehicles

- FY 2013: Governor recommends \$20.1 million from all funds
 - ❖ \$0.4 million more than enacted
- FY 2014: Governor recommends \$20.7 million
 - ❖ \$1.0 million more than enacted

Division of Motor Vehicles

General Revenue - Change to Enacted	FY 2014 Request	FY 2014 Gov.	Diff.
Salaries and Benefits	\$411,542	\$60,308	\$(351,234)
DMV Mod. Project	513,160	513,160	-
Validation Stickers	-	(280,500)	(280,500)
Accident Reporting	-	(11,500)	(11,500)
Drivers' Manuals	-	(15,000)	(15,000)
Other Operations	23,660	22,786	(874)
Total	\$948,362	\$289,254	\$(659,108)

Division of Motor Vehicles – Salaries and Benefits

- FY 2013: Governor recommends \$12.9 million from all funds and 171.0 full-time positions
 - ❖ \$0.3 million less than enacted reflects primarily vacancies and statewide benefit savings
- FY 2014: Governor recommends \$13.2 million and 170.0 full-time positions
 - ❖ \$61,172 more than enacted; \$0.4 million less than requested, mostly general revenues
 - ❖ Turnover and statewide benefit savings
- As of March 9, 19.5 positions were vacant

Division of Motor Vehicles – DMV Modernization Expenditures

- DMV Modernization Project
 - ❖ Modernization of DMV website and technological infrastructure
- FY 2013:
 - ❖ \$86,840 less for lower costs for database administrators
 - ✓ Reflects lower anticipated expenditures
- FY 2014:
 - ❖ \$600,000 more for ongoing computer maintenance
 - ❖ \$86,840 less for lower contractor costs

Elimination of Validation Stickers

- \$280,500 savings from general revenues
 - ❖ \$275,000 in printing; \$5,500 in mailing
- Elimination may prevent law enforcement from identifying vehicles without registration
 - ❖ Department believes that database connected to license plates would partially overcome problem
- Connecticut and New Jersey do not require validation stickers

Elimination of Accident Reports

- Initiative would result in:
 - ❖ Elimination of requirement to file state report
 - ❖ Loss of \$287,000 from general revenues
 - ✓ Governor's budget inadvertently fails to account for revenue loss
 - ❖ Change assumes amending Division rules and regulations
- Currently failure to file report may result in:
 - ❖ Suspension of license
 - ❖ \$150 reinstatement fee

Elimination of Drivers' Manuals

➤ Budget includes:

- ❖ \$15,000 savings from general revenues
- ❖ Discontinue printing of manuals
 - ✓ Available only online
- ❖ Massachusetts provides manuals online
 - ✓ Charges \$5.00 fee for printed copy

License Plate Reissuance

- Article 6, Section 1 heard on January 31
 - ❖ Delays the mandatory reissuance of fully reflective license plates from September 1, 2013 to September 1, 2015
 - ❖ Current law suggests all reissuances would be done at once
 - ✓ Savings of \$5.5 million for FY 2014
 - ✓ Department assumes reissuance to take place over FY 2016 to FY 2018
 - ❖ Delay recommended to identify appropriate business and production methods

Division of Motor Vehicles – Sale of Bulk Information

- Requested Initiative (Not recommended)
- Companies requesting to purchase bulk data from Division
 - ❖ Searches for information on toll or parking violations
 - ❖ Inquiries related to investigation or litigation permitted under federal law
 - ❖ Department indicates that this request would generate \$348,000 for FY 2014

Division of Motor Vehicles – Effect of Sequestration

- Congestion Mitigation Air Quality Grant
 - ❖ Funds recertification training of 1,200 Certified Inspection Technicians (CITS)
 - ❖ Currently sole source of funding for retraining
 - ❖ Loss of \$60,000 over two-year period beginning in FY 2014
 - ❖ Retraining of technicians is a requirement of the Environmental Protection Agency

State Aid

- Transferred from DOA by 2011 Assembly
- Calculates and administers:
 - ❖ Distressed Communities Relief Fund
 - ❖ Municipal Incentive Aid
 - ❖ Motor Vehicles Excise Tax
 - ❖ Payment in Lieu of Taxes
 - ❖ Property Revaluation Reimbursement
 - ❖ Actuarial Valuations
- State aid for libraries remains in DOA

State Aid

<i>(in millions)</i>	FY 2013 Enacted	FY 2013 Revised	FY 2014 Governor
Distressed Communities	\$10.4	\$15.4	\$15.4
Municipal Incentive Aid	-	-	10.0
Payment in Lieu of Taxes	33.1	33.1	33.1
Motor Vehicle Excise Tax	10.0	10.0	10.0
Property Revaluation	1.6	1.6	0.5
Actuarial Valuation	-	0.1	-
Total	\$55.1	\$60.2	\$69.0

State Aid – Distressed Communities

- Established in 1990 to provide assistance to communities with highest property tax burdens relative to wealth
- Communities falling into the lowest 20.0% for at least 3 of 4 indices to be eligible
 - ❖ Percent of tax levy to full value of property
 - ❖ Per capita income
 - ❖ Personal income as percent of full value of property
 - ❖ Per capita full value of property

State Aid – Distressed Communities

- Governor recommends \$15.4 million for both FY 2013 and FY 2014:
 - ❖ \$5.0 million more than enacted
- Eligible communities:
 - ❖ Central Falls
 - ❖ Cranston
 - ❖ North Providence
 - ❖ Pawtucket
 - ❖ Providence
 - ❖ West Warwick
 - ❖ Woonsocket

State Aid – Municipal Incentive Aid

- FY 2014: Rewards municipalities without locally administered pension plans and those that submit Funding Improvement Plan
- Funding awarded to cities as share of state population
- Funding may be used for any purpose
- Article 11 hearing held on February 7

State Aid – Payment in Lieu of Taxes (PILOT)

- Program reimburses cities and towns for property taxes, which would have been due
- Reimbursement is based on 27.0% of the tax that would have been collected if the property had been taxable, subject to appropriation
- Recommends \$33.1 million for FY 2013 and FY 2014 – level funded
 - ❖ FY 2014: Represents reimbursement of 20.8 percent
- Distributions to communities reflect updated data

State Aid – Motor Vehicle Excise Tax

- Recommends the enacted amount of \$10.0 million in both FY 2013 and FY 2014
- 2010 legislation - \$500 exemption for which the state will reimburse municipalities an amount subject to appropriation
- Legislation allows municipalities to provide an additional exemption
 - ❖ Additional exemption not subject to reimbursement

State Aid – Motor Vehicle Excise Tax

- 2010 legislation removed the provision that restricted municipalities from taxing the difference in the event that the value of a vehicle is higher than the prior fiscal year
- It allowed for rates to be lowered from the current frozen levels
- Restored authority for fire districts to levy a motor vehicles excise tax

State Aid – Property Revaluation

- General Law requires municipalities update property valuations using statistical techniques every third and sixth year after a full revaluation
- Provides \$1.6 million in FY 2013 and \$0.5 million in FY 2014 to reimburse communities conducting property valuation updates
- Expenditures fluctuate annually:
 - ❖ \$1.1 million in FY 2012, \$0.7 million in FY 2011 and \$1.5 million in FY 2010

State Aid – Actuarial Valuation

- Governor reappropriates \$60,424 for FY 2013 for actuarial valuation payments to municipalities delayed in FY 2012
- No recommended appropriation for FY 2014

Capital Budget: FY 2014–FY 2018

Project	Status	Cost (millions)	Financing	End Date (FY)
Lottery HQ	New	\$0.4	RICAP	2013
DMV Mod.	Revised	15.5	COPS, surcharge	2013
Lifts Replace	Ongoing	0.3	RICAP	2014
Integrated Tax System	Ongoing	25.0	COPS	2017
Forand Bldg.	Ongoing	17.7	RICAP	2013

Lottery Headquarters Renovations

- Recommends \$400,000 from RICAP for new project for FY 2013
- Renovation to heating system and parking lot repairs

DMV Modernization Project

- Allows for more web site functionality to reduce wait times for transactions performed at the Registry such as titles and registrations
- Project includes:
 - ❖ Enhanced digital facial recognition
 - ❖ Use of barcode readers
 - ❖ Infrastructure upgrade

DMV Modernization Project

- 2006 Assembly authorized DOA to borrow \$13.0 million to modernize DMV computer system
 - ❖ Debt service supported by a \$1.50 surcharge on transaction
 - ❖ Extended surcharge from 7 to 10 years because receipts were yielding less than anticipated

DMV Modernization Project

➤ Project Status:

- ❖ Request for proposal was issued in December 2006
- ❖ Began testing (license module) in September 2009

➤ Estimated completion date Spring 2014

➤ Federal grants affected by delay:

- ❖ REAL ID
- ❖ Commercial Drivers License Modernization

Lifts Replacement

- Recommends \$0.3 million from RICAP to replace 3 lifts within the safety and emission control inspection garage
- Advances \$0.1 million from FY 2015 to FY 2013 and FY 2014, \$50,000 each year
- Lifts are used daily for the inspection of school buses and other vehicles
 - ❖ In service for more than 15 years
 - ❖ Require maintenance on a frequent basis

Integrated Tax System

- Recommends \$25.0 million from COPs for ongoing project
- Consolidates separate programs into one computer system
 - ❖ Enhance customer service
 - ❖ Reduce operating costs
 - ❖ Assist Division in collecting revenue
- Recommendation assumes \$5.0 million from COPs for each year through FY 2017

Registry of Motor Vehicles — Forand Building

- Recommends \$17.7 million from RICAP for ongoing project scheduled for completion in FY 2013
- Two remaining projects
 - ❖ Upgrade of Heating Ventilation and Air Conditioning
 - ❖ Changes to floor plan to improve workflow and customer service
- Request of \$115,114 for FY 2013

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