

# Department of Business Regulation

Staff Presentation  
FY 2018 Revised and  
FY 2019 Recommended Budgets  
April 12, 2018

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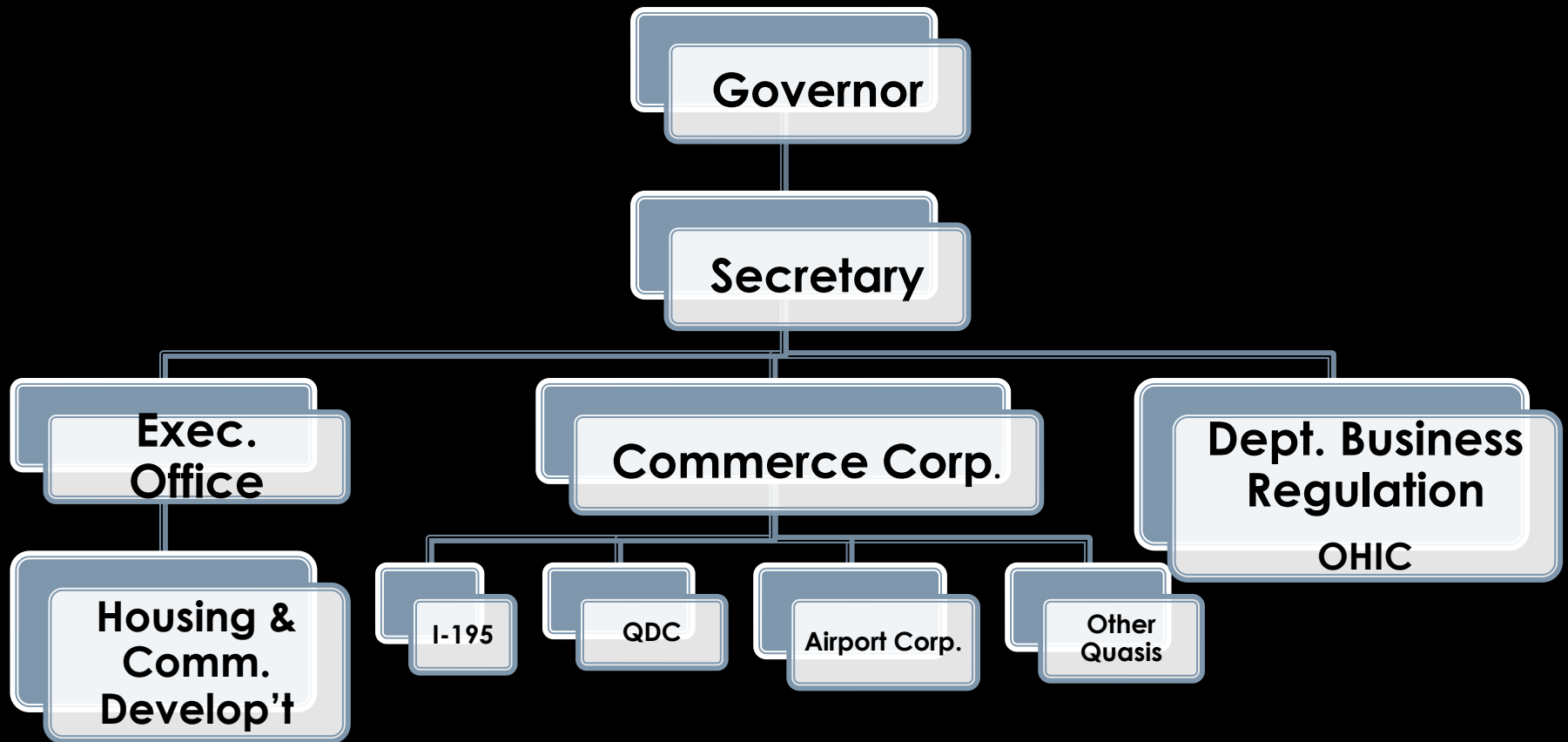
# Introduction

- 2013 Assembly created Executive Office of Commerce
  - Oversee and serve as the lead agency of the Executive Branch for managing the promotion of commerce and the state's economy
  - Administered by a secretary of commerce
  - Statutes effective February 1, 2015

# Introduction

- 2013 Legislation included power to operate Department of Business Regulation functions
  - Governor's FY 2016 recommendation maintained as stand-alone agency
  - Department falls under Secretary and Executive Office
    - Office of the Health Insurance Commissioner located within the Department of Business Regulation

# FY 2019 Governor



# Department of Business Regulation

- Office of the Health Insurance Commissioner
- Business Regulation divisions include:
  - Central Management
  - Banking Regulation
  - Securities Regulation
  - Board of Accountancy
  - Insurance Regulation
  - Commercial Licensing, Gaming & Athletics
  - Boards for Design Professionals

# Summary by Source

	FY 2018 Enacted	FY 2018 Revised	FY 2019	<i>Chg. to Enacted</i>
General Revenue	\$10.8	\$11.0	\$17.2	\$6.4
Federal Funds	0.9	1.0	0.9	0.0
Restrict Receipts	3.9	4.2	6.4	2.5
Other Funds	-	-	0.1	0.1
Total	\$15.6	\$16.2	\$24.5	\$8.9
FTE	101.0	106.0	170.0	69.0
<i>\$ In Millions</i>				

# Centralized Services

- 2017 Assembly authorized establishment of internal service funds for centralized services
  - Information technology, capital asset management & maintenance, & HR
- Costs previously budgeted in DOA
  - Methodology on distribution needs review
  - Long term impacts and transparency concerns

# Centralized Services

Governor's budget allocates costs to user agencies

<b>All Sources</b>	<b>FY 2018</b>	<b>FY 2019</b>
Information Technology	\$390,694	\$620,103
Human Resources	354,492	409,107
Facilities	143,215	204,636
<b>Total</b>	<b>\$888,401</b>	<b>\$1,233,846</b>



<b>General Revenues</b>	<b>FY 2018</b>	<b>FY 2019</b>
Information Technology	\$383,135	\$431,565
Human Resources	354,492	367,455
Facilities	143,215	192,036
<b>Total</b>	<b>\$880,842</b>	<b>\$991,056</b>

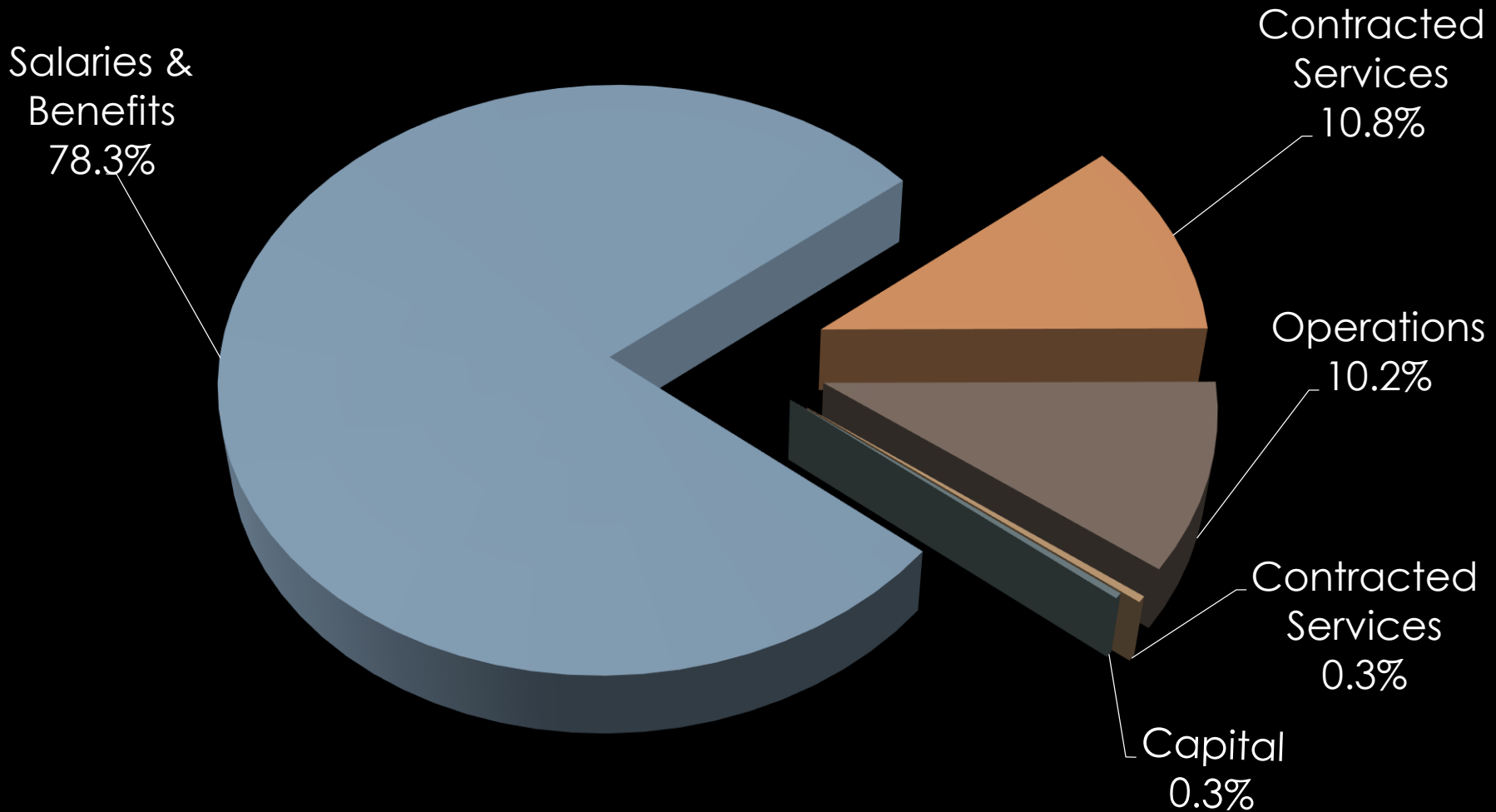


# Summary by Source

	FY 2018 Enacted	FY 2018 Revised	FY 2019	Chg. to Enacted
General Revenue	\$10.8	\$10.1	\$16.2	\$5.4
Federal Funds	0.9	1.0	0.9	0.0
Restrict Receipts	3.9	4.2	6.2	2.3
Other Funds	-	-	0.1	0.1
Total	\$15.6	\$15.3	\$23.3	\$7.7
FTE	101.0	106.0	170.0	69.0
<i>Excluding Centralized Services</i>				

\$ In Millions

# FY 2019 Governor by Category



# Expenditures by Program

	FY 2018 Enacted	FY 2018 Rev.	FY 2019 Gov.	Chg. to Enacted
OHIC	\$2.74	\$2.74	\$2.38	\$(0.36)
Central Mgmt.	1.30	1.23	1.34	0.04
Banking Reg.	1.79	1.65	1.90	0.10
Securities Reg.	0.99	0.97	1.01	0.02
Comm. Licensing	2.67	2.64	3.29	0.62
Insurance Reg.	5.75	5.76	5.85	0.10
Board of Acct.	0.01	0.01	0.01	-
Boards for Design Pros.	0.36	-	-	(0.36)
Build, Design & Fire Pros.	-	0.32	7.53	7.53
<b>Total</b>	\$15.61	\$15.33	\$23.30	\$7.69

*\$ In Millions*

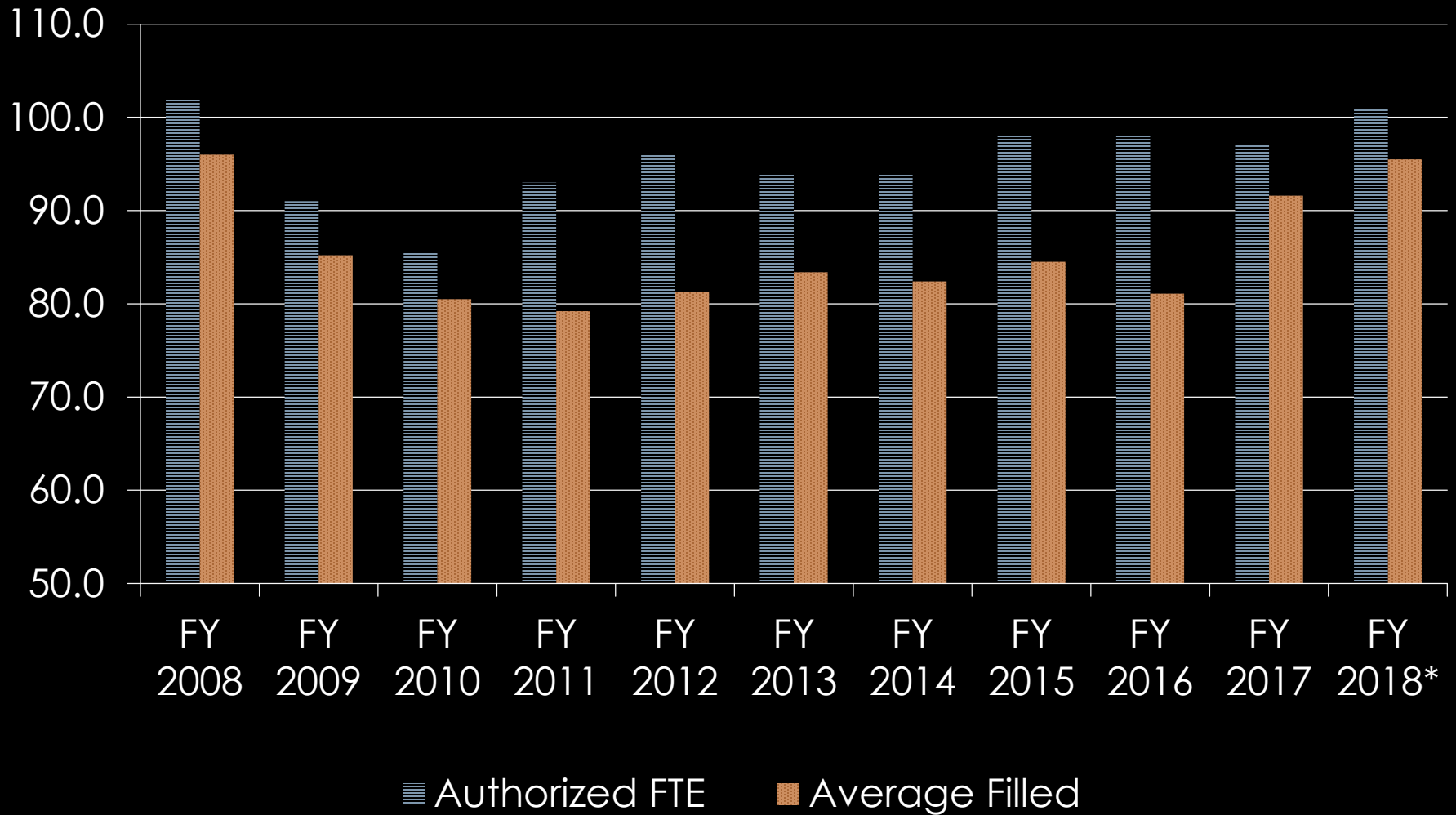
# Target Issues

- Department provided with general revenue target of \$9.8 million
  - Includes current service adjustments totaling \$0.1 million & 10.0 % reduction or \$1.1 million
- Budget submitted by the Department \$1.2 million above the target
  - Included \$0.1 million savings in OHIC & proposals for enhanced revenue collections of \$1.5 million
  - Governor's recommendation \$1.3 million more than target

# Enacted Staffing Summary

- 2017 Assembly enacted 101.0 positions
  - 5.0 fewer than the Governor recommended
  - Business Regulation – 88.0 FTE
    - 4.0 more positions than FY 2017 enacted
  - Office of the Health Insurance Commissioner – 13.0 FTE
    - 2.0 general revenue positions eliminated
    - Utilization Review transferred from Health, including 2.0 FTE funded from restricted receipts

# FTE History



\*Through March 31, 2018

# Staffing

## *Full-Time Equivalent Positions*

Full-Time Positions	FTEs	Chg. To Enacted
Enacted Authorized	101.0	-
FY 2018 Gov. Rev.	106.0	5.0
FY 2019 Request	106.0	5.0
FY 2019 Governor	170.0	69.0
FY 2019 Funded FTE	168.5	67.5
Filled as of March 31	90.6	(10.4)
FY 2017 Average Filled*	91.6	(9.4)

*\*Data skewed positions currently filled in DOA proposed for transfer*

# Staffing

<b>FY 2019 Governor Recommendation</b>		
	DBR	Statewide
Gross Salaries (in millions) <sup>1</sup>	\$24.4	\$1,117.1
Turnover (in millions)	(0.2)	(42.9)
Turnover %	0.9%	3.8%
Turnover FTE	1.5	592.2
FY 2019 FTE recommended	170.0	15,426.5
Funded FTE	168.5	14,834.3
Filled as of March 31	90.6	13,849.4
Funded but not filled <sup>2</sup>	77.9	984.9

<sup>1</sup> Reporting error in the personnel supplement overstates cost

<sup>2</sup> Data skewed positions currently filled in DOA proposed for transfer



# Staffing Summary

- FY 2018 rev. includes 106.0 positions
  - Consistent with the Department's request
    - DBR has advocated for increased staffing related to accreditations for banking and insurance regulation
- FY 2019 rec. includes 170.0 FTE
  - Establishes Division Building, Design & Fire Professionals
    - Transfers 59.0 positions from DOA
  - Transfers various licensing activities from Health
    - Including 2.0 licensing aides
  - Adds 3.0 FTE to medical marijuana regulation

# Staffing

	FY 2018 Enacted	FY 2018 Rev.	FY 2019 Gov.	Change to Enacted
OHIC	13.0	13.0	13.0	-
Central Mgmt.	8.4	8.5	9.0	0.6
Banking Reg.	16.0	16.0	17.0	1.0
Securities Reg.	8.8	8.8	9.0	0.2
Insurance Reg.	35.0	36.0	35.0	-
Comm. Lic.	16.8	20.7	25.0	8.2
Design Prof.	3.0	-	-	(3.0)
Build, Design & Fire	-	3.0	62.0	62.0
<b>Total</b>	<b>101.0</b>	<b>106.0</b>	<b>170.0</b>	<b>69.0</b>

# Undistributed Savings

- FY 2018 enacted budget includes \$25.0 million of statewide savings
  - Undistributed in DOA's budget
- Governor's revised budget has proposals that total \$25.0 million
  - Not all repeat in FY 2019
- Business Regulation
  - FY 2018 revised - \$0.7 million
  - FY 2019 - \$0.6 million

# Undistributed Savings

<b>Item</b>	<b>FY 2018</b>	<b>FY 2019</b>
Personnel savings*	\$0.4	\$0.3
Shifting Expense for Design Professionals to restricted receipts	0.3	0.3
<b>Total</b>	<b>\$0.7</b>	<b>\$0.6</b>
*Some of this from voluntary retirement incentive program		

\$ In millions

# Office of the Health Insurance Commissioner

- Created by 2004 Assembly within the Department of Business Regulation
  - Established as a distinct program in FY 2012
- Positions funded through a variety of sources
  - 6.0 positions funded by general revenues
  - 5.0 positions federally funded from 2 grants
    - One grant closes during FY 2019
  - 2.0 positions funded from restricted receipts

# Office of the Health Insurance Commissioner – Gen. Rev.

- OHIC sets and enforces standards
  - Consumer protection, service provider fairness, insurer solvency, health system improvement
- 6.0 general revenue funded positions
  - \$1.1 million, \$0.1 million more than enacted to reflect current staffing
- \$0.2 million for office operations
  - Essentially as enacted, mostly advisory contracting services

# Office of the Health Insurance Commissioner – Federal Grants

- State Innovation Models:
  - Design or test innovative health care payment and service delivery models
    - Governor recommends \$0.3 million; 2.0 grant funded positions
    - Includes operational expenses previously paid through general revenues

# Office of the Health Insurance Commissioner – Federal Grants

- Health Insurance Enforcement Grant
  - Implement and enhance policy form review, conduct market examinations and analysis, & investigate complaints
  - FY 2019 - \$0.1 million from federal funds
    - \$0.4 million less than enacted to reflect October 2018 closing
      - Supports 3.0 existing positions
      - Extension requests not available until July, 2018; the Office anticipates redistribution of available funding
  - FY 2018 – includes turnover savings for implementation delay



# Office of the Health Insurance Commissioner - Restricted

- Health Care Utilization Transfer
  - Administer certification, investigate complaints, conduct on-site surveys and investigate compliance of state laws, rules & regulations
    - OHIC currently reviews denial of benefits & claims processing & reviews adequacy of network coverage
  - 2.0 positions and funding transferred from Department of Health
    - \$0.2 million restricted receipts; essentially as enacted

# Office of the Health Insurance Commissioner – RI REACH

- Office's consumer assistance program,
  - Toll-free live answer helpline; operated by the Rhode Island Parent Information Network
  - FY 2014 – FY 2016 funded through federal rate review funds
  - General revenue funded since FY 2017
- Budget includes \$0.4 million
  - \$59,750 less than enacted from general revenues
  - \$70,000 from federal Medicaid match funds
    - Reflects volume of Medicaid-related calls

# Central Management

- Administers and oversees the statutory functions of the department
  - Excluding OHIC
- Support services: budgeting, accounting, personnel, legal and information technology
- FY 2019 includes \$43,785 more to fully fund 9.0 positions
  - Operations level funded for both years

# Banking Regulation

- Required by statute to conduct examinations of banks and credit unions every 18 months
- Monitors, regulates and examines financial institutions including state-chartered banks, bank holding companies, interstate banks, and credit unions and lending company licenses

# Banking Regulation

- Governor recommends \$1.9 million for FY 2019 and 17.0 FTEs
  - \$0.1 million more than enacted
  - Adds 2.0 Bank Examiner positions
    - Budget assumes \$0.2 million in related revenues
    - \$25,000 from restricted receipts for regulatory organization membership in both years
- FY 2018 adjustments
  - Includes \$0.2 million turnover & statewide savings

# Insurance Regulation

- Conducts financial examinations of domestic insurance companies
- Licenses foreign insurers and other financial companies, and over 120,000 producers, adjusters and appraisers
- FY 2019 \$4.2 million and 35 positions
  - Adds 1.0 Insurance examiner
    - Budget assumes \$0.1 million in related revenues
    - Operations as enacted
- FY 2018 incl. \$0.1 million turnover savings

# Insurance Regulation

- Actuarial Services for Rate Review Filings
  - Contracts with 5 firms employed to assist in preparation of insurance rate filings
  - Complex analysis of loss and premium data gathered by insurers over a period of years
  - Average 3-year expenditure is \$1.0 million
    - Costs are billed to the regulated corporations

# Securities Regulation

- Enforces compliance with state laws for the securities industry, franchises, charities, fundraisers and time-shares
- Licenses and regulates securities professionals



# Securities Regulation

- Governor recommends \$1.0 million
  - Mostly general revenues
  - Includes \$18,457 more than enacted for staffing
- FY 2018 includes turnover savings of \$21,673
  - Operations as enacted

# Commercial Licensing, Gaming & Athletics

- Licenses & regulates real estate agents, brokers, appraisers, auto body shops, glass installers, upholsters, liquor wholesalers, medical marijuana cultivators, compassion centers and cooperative cultivations
- Licenses casino employees & vendors

# Commercial Licensing, Gaming & Athletics

- Governor recommends \$2.0 million
  - \$1.8 million for salaries and benefits
    - \$0.2 million more from general revenues and restricted receipts
  - Includes 2.0 new licensing aides transferred from Health associated with Article 6 – heard March 1

# Comm. Licensing, Gaming & Athletics – Medical Marijuana

- Governor recommends \$1.3 million
- \$0.7 million for salaries and benefits
  - \$0.3 million more from restricted receipts
  - 4.0 positions above the enacted
  - Includes 3.0 licensing aides for the expansion of compassion centers & centralization of oversight

# Comm. Licensing, Gaming & Athletics – Medical Marijuana

- Governor recommends \$1.3 million
- \$0.6 million for operations
  - \$0.1 million more than enacted marijuana regulation office operations and equipment
    - \$20,000 more for security monitoring system similar to Lottery
    - \$30,000 more for encrypted card printer

# Board of Accountancy

- Autonomous board responsible for administration of licensing
  - Certified public accountants
  - Public accountants
  - Accountancy partnerships & corporations
- Governor recommends \$6,000
  - Consistent with the enacted budget
    - Primarily National Assoc. of State Boards of Accountancy Membership ~ 71%
    - Administrative expenses & hearing support

# Article 3 - Division of Building, Design & Fire Professionals

- Article hearing held March 1<sup>st</sup>
- Consolidates licensing and regulation relating to building and construction design, inspection, and enforcement of building and fire codes
- Establishes Division of Building, Design and Fire Professionals in Department of Business Regulation

# Article 3 - Division of Building, Design & Fire Professionals

- Component of \$25M savings target
  - \$0.3 million savings for FY 2018 & FY 2019
  - MOU signed on 1/12/18
    - DOA, DBR and Public Safety
    - Retroactive to July 1, 2017
    - Renames Div. of Design Professionals as Div. of Construction & Design Professionals
    - Outlines agreements on duties and controls of grant funds and other services and support



# Article 3 - Division of Building, Design & Fire Professionals

FY 2019 Governor's Recommendation					
	Design Pros	Contractor's Lic. Board	Building & Fire Codes	Fire Marshal	Total
Staffing	\$0.3	\$1.0	\$ 1.7	\$3.0	<b>\$6.0</b>
Contract Services	0.0	-	-	0.2	<b>0.2</b>
Operating Expenses	0.1	0.1	0.1	1.0	<b>1.3</b>
<b>Total</b>	<b>\$0.3</b>	<b>\$1.1</b>	<b>\$1.9</b>	<b>\$4.2</b>	<b>\$7.5</b>
FTE	3.0	9.0	14.0	36.0	62.0

Includes \$0.3 million savings for FY 2018 & FY 2019

# Article 3 - Division of Building, Design & Fire Professionals

- From Dept. of Administration
  - Contractors' Registration and Licensing Board
  - State Building Code Commission
  - Fire Safety Board of Appeal and Review
- From Public Safety
  - Division of State Fire Marshal

# Article 3 - Division of Building, Design & Fire Professionals

- Contractors' Registration & Licensing Board
  - Responsible for registering building contractors, licensing home inspectors and commercial roofers
  - Board investigates complaints and conducts consumer protection activities
    - Mediates disputes between property owners and contractors

# Article 3 - Division of Building, Design & Fire Professionals

	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018 Rev.</b>	<b>FY 2019 Gov.</b>
Balance Fwd.	\$603,016	\$910,743	\$705,603	\$110,557
New Receipts	1,549,681	1,124,482	1,511,000	1,012,034
Indirect Cost	(154,968)	(112,448)	(151,100)	(101,203)
Available	\$1,997,728	\$1,922,777	\$2,065,503	\$1,021,388
Expenditures	1,086,985	1,217,174	1,631,243	1,327,490
Design Prof.	-	-	323,703	335,643
<b>Balance</b>	<b>\$910,743</b>	<b>\$705,603</b>	<b>\$110,557</b>	<b>(\$641,745)</b>

# Article 3 - Division of Building, Design & Fire Professionals

- State Building Code Commission
  - Oversees approval of:
    - State projects
    - Accessibility programs
    - Building code standards
  - Monitors for compliance applicable structures
  - Operating budget of \$1.5 million; funded with general revenues
  - Staffed with 11.0 full-time positions; all filled

# Article 3 - Division of Building, Design & Fire Professionals

- Fire Safety Board of Appeal and Review
  - Provides interpretations of fire codes and hears all variance requests
  - Staffed by 3.0 full-time equivalent positions
    - All positions are filled
  - Operating budget of \$0.3 million
    - Supported with general revenues

# Article 3 - Division of Building, Design & Fire Professionals

- Division of State Fire Marshal
  - Responsible for enforcement of duties required by RI Fire Safety Code including
    - Prevention, Protection, Investigation, Education
  - Article establishes it as an office within DBR
    - Current law requires it to be in DPS
    - State Fire Marshal would still be appointed by Governor

# Article 3 - Division of Building, Design & Fire Professionals

- Consolidates licensing and regulation relating to building and construction design, inspection, and enforcement of building and fire codes
- Establishes Division of Building, Design and Fire Professionals in Department of Business Regulation



# Article 3 - Division of Building, Design & Fire Professionals

- Boards For Design Professionals
  - Registers Professional engineers, land surveyors, landscape architects, & architects
- Examines & registers candidates, issues license renewals, proctors exams, and acts upon complaints
- Governor recommends consolidating the boards to a new Division in DBR
  - Transfers funding from general revenues to Contractor's Licensing Board restricted receipts to achieve \$0.3 million savings

# Revenues

- Department collects revenues through:
  - Applications, exams, license renewals, late penalties and miscellaneous fees
- Funds collected are deposited as general revenues
- Article 7 includes 2 revenue initiatives
  - Heard Feb.13, 2018
  - Budget assumes \$7.6 million of new revenue
    - \$6.0 million more than the Department's proposed increases

# Article 7, Sect. 1 – Securities Fees

- Increases annual fees for federally covered securities:
  - Established in 1997
    - 0.1% of maximum aggregate price; Minimum of \$300 and maximum of \$1,000
    - DBR's budget request proposed \$100 increase
  - Increases cap and renewal to \$1,500
    - Budget adds \$4.6 million in revenue from change
    - Full year collections
    - Effective date August 1, 2018 – Governor requested amendment to make that July 1

# Article 7, Sect. 1 – Securities Fees

## Open End Mutual Funds

<b>State</b>	<b>Initial</b>	<b>Renewal</b>
Rhode Island	\$1,000 per Mutual Fund	
RI – Article 7	\$1,500 per Mutual Fund	
Connecticut	\$500 per series or portfolio	
Massachusetts	\$2,500 per share class	\$1,250 per share class
Maine	\$1,000 each class or type	
Vermont	\$2,000 per share class	\$1,500 per share class

# Article 7, Sect. 1 – Securities Fees

## Closed End Mutual Funds

State	Initial
Rhode Island	0.1% of total offer \$300 - 1,000
RI – Article 7	0.1% of total offer \$300 - 1,500
Connecticut	0.1% of total offer \$500 Max
Massachusetts	0.05% of total offer \$300 - \$1,500
Maine	\$1,000 for each class or type
New Hampshire	\$500 per class and \$200 examination fee
Vermont	\$ 2,000 per share class

# Article 7, Sect. 3 – Claims Adjusters Fees

- Increases adjusters' license fees :
  - Public, company, or independent adjusters
    - From \$150 to \$250, biennial renewal
    - Department proposed an increase of \$20
  - History of fee changes
    - Prior to 2007 - \$50, and application fee
    - 2007: Fee changed from \$50 to set by DBR
    - 2009: \$120, and application fee set by DBR
    - 2014: \$120 to \$150, and no application fee

# Article 7, Sect. 3 – Claims Adjusters Fees

- Anticipated to generate \$3.0 million in new revenues
- Effective date January 1, 2019
- Revenues assume a full year of collections
- Governor requested an amendment to change effective date to July 1, 2018

# Article 7, Sect. 3 – Claims Adjusters Fees

State	Initial	Renew	Adjusters
RI	\$150	\$150	Public, Independent, Corporate – 2 year
RI Art 7	\$250	\$250	Public, Independent, Corporate – 2 year
CT	\$300	\$250	Public – 2 year
MA	\$200	\$200	Individual – 3 year
	\$66.66	\$66.66	Per member Corporate – 3 year



# Required Reporting

- OHIC
  - Annual Advisory Council Reports - 2018
  - Bi-Annual Hospital Payment Variation – 2012  
“subject to available resources”
- Commercial Licensing & Gaming
  - Annual Gaming and Athletics Report
    - Never filed – appears to be obsolete
  - Premium Jobs Committee
    - Min. 120 days prior to a rate change – not yet triggered

# Department of Business Regulation

Staff Presentation  
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April 12, 2018

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