

Department of Revenue

FY 2019 Revised
FY 2020 Recommended
FY 2020 – FY 2024 Capital
Staff Presentation
April 11, 2019

Background

- Created by 2006 Assembly to centralize administration of revenues
 - Office of Director
 - Office of Revenue Analysis
- Transferred from Dept. of Administration
 - State Lottery, Division of Municipal Finance, Taxation, & Registry of Motor Vehicles
 - State Aid (transferred by 2011 Assembly)
 - Collections Unit (established by the 2018 Assembly)

Summary by Source

	FY 2019 Enacted	FY 2019 Rev.	FY 2020 Rec.	Chg. to Enacted
General Revenue	\$178.8	\$178.3	\$193.8	\$14.9
Federal Funds	2.1	1.9	0.5	(1.6)
Restricted Receipts	2.1	1.9	4.5	2.5
Other Funds	401.0	420.6	424.9	23.8
Total	\$584.0	\$602.7	\$623.7	\$39.7

\$ in millions

Centralized Services

- 2017 Assembly authorized establishment of internal service funds for centralized services
 - Information technology, capital asset management & maintenance, & human resources
- Costs previously budgeted in DOA
 - 2018 Assembly included costs in user agency budgets
 - Final FY 2018 & FY 2019 budget

Centralized Services

All Sources	FY 2019 Enacted	FY 2019 Revised	Chg. to Enacted	FY 2020 Rec.	Chg. to Enacted
IT	\$4.29	\$3.35	\$(0.94)	\$3.25	\$(1.04)
Facilities	1.37	0.94	(0.44)	0.94	(0.44)
HR	0.77	0.77	-	0.77	-
Total	\$6.43	\$5.06	\$(1.37)	\$4.95	\$(1.48)
Total GR	\$6.24	\$4.87	\$(1.37)	\$4.76	\$(1.48)

\$ in millions

Statewide Savings Initiatives

- Governor distributes statewide general revenue savings enacted for FY 2019 in the Department of Administration
 - Contracts - \$3.0 million
 - Effort to reduce costs of certain commodities
 - Food, maintenance, office equipment, telecommunications
 - Prompt Payment - \$0.4 million
 - Vendors voluntarily offer a discount if payments are received within an agreed upon date
 - Insurance - \$0.5 million
 - Reductions in policies for property & crime

Statewide Savings Initiatives

Initiative	FY 2019 Rev.	FY 2020
Contracts	\$(283,830)	\$(298,984)
Prompt Payment	(11,034)	(11,034)
Insurance	(1,343)	(1,344)
Total	\$(296,207)	\$(311,362)

- Non general revenue savings are not reflected

Summary by Program

	FY 2019 Enacted	FY 2019 Rev.	FY 2020 Rec.	Chg. to Enacted
Director's Office	\$2.1	\$2.1	\$2.1	\$0.0
Revenue Analysis	0.9	0.8	0.8	(0.1)
Lottery	400.2	419.5	420.1	20.0
Municipal Finance	2.8	2.7	1.7	(1.1)
Taxation	30.9	32.3	32.4	1.5
DMV	30.7	27.5	32.7	2.0
State Aid	115.8	117.3	132.8	17.0
Collections Unit	0.6	0.6	0.9	0.3
Total	\$584.0	\$602.7	\$623.7	\$39.7

\$ in millions

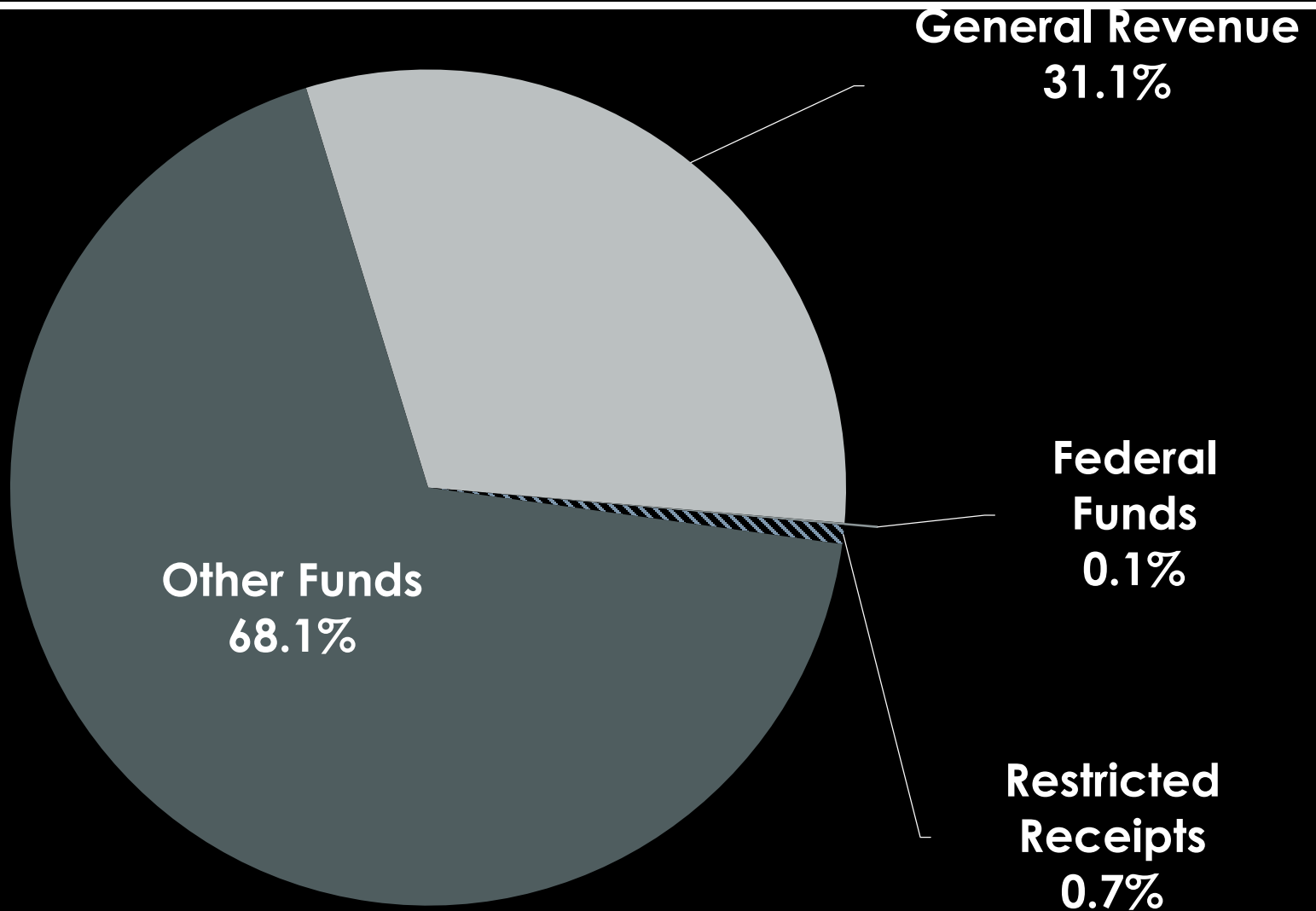
FY 2020 Recommendation

- FY 2020 Recommendation
 - Staffing Changes
 - Eliminates 5.0 positions from Municipal Finance
 - Transfers Employer Tax Division to DLT
 - Adds 14.0 Positions to Taxation for various revenue initiatives
 - Adds 10.0 positions to DMV for Real ID & License Plate enforcement
 - Adds 1.0 position to Collections
 - Operations
 - Adds technology expenses for Taxation & DMV

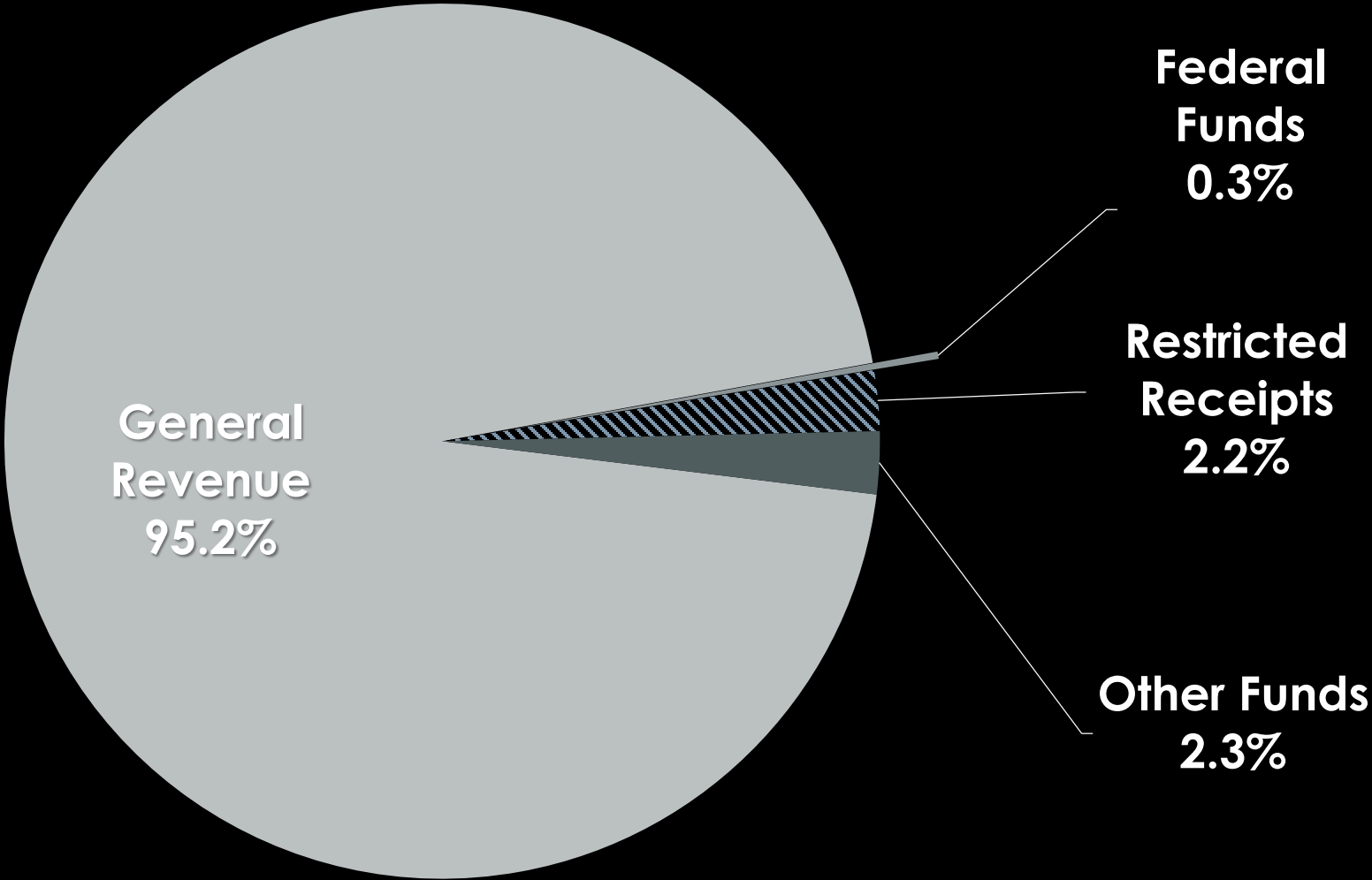
Target Issues

- Budget Office provided a general revenue target of \$218.6 million
 - Current service adjustments of \$42.8 million
 - 5.0% reduction of \$3.0 million
- DOR constrained budget proposed \$6.1 million of staff & technology reductions
- Governor recommends \$27.9 million less than current service
 - Mostly Local Aid & DMV changes

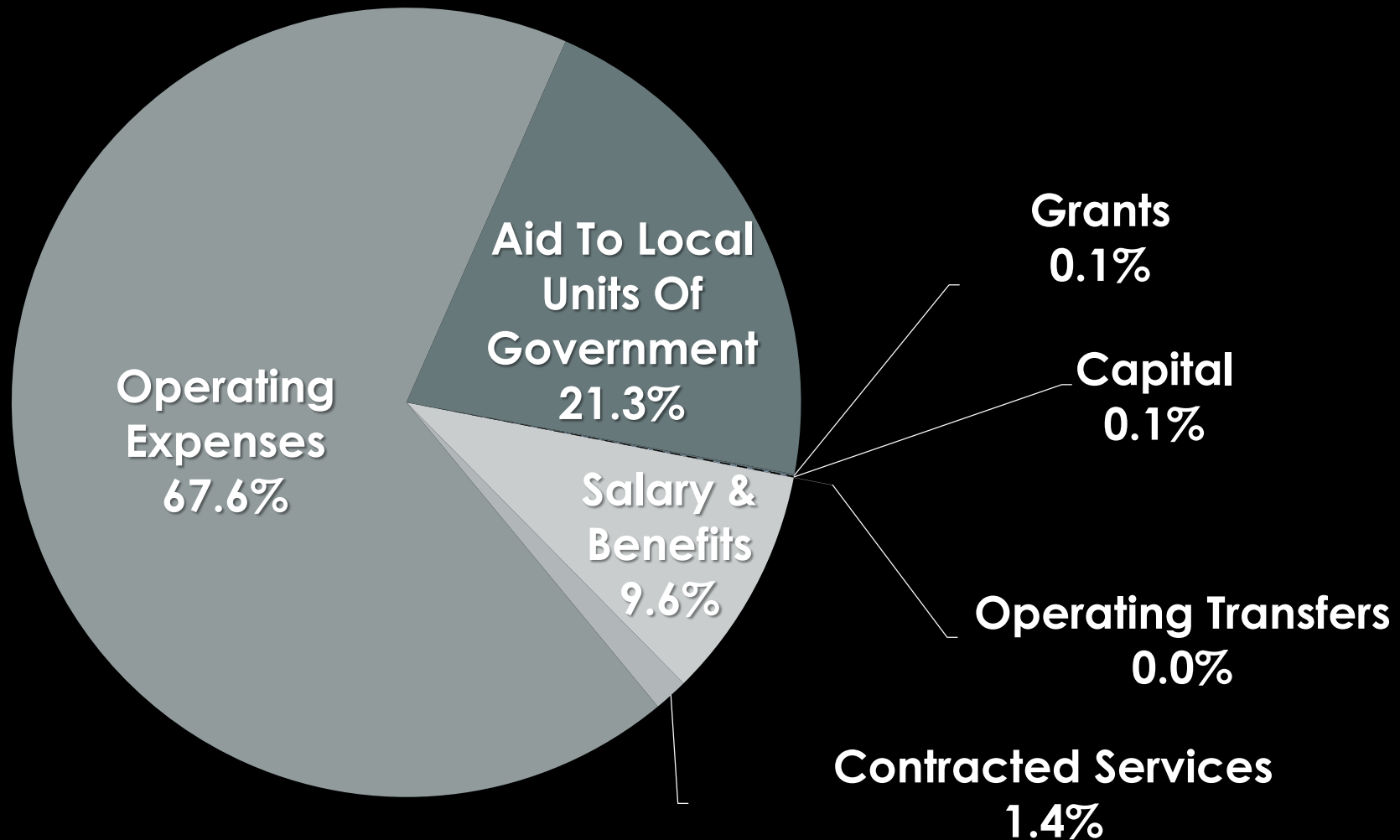
FY 2020 Recommended Sources of Funding



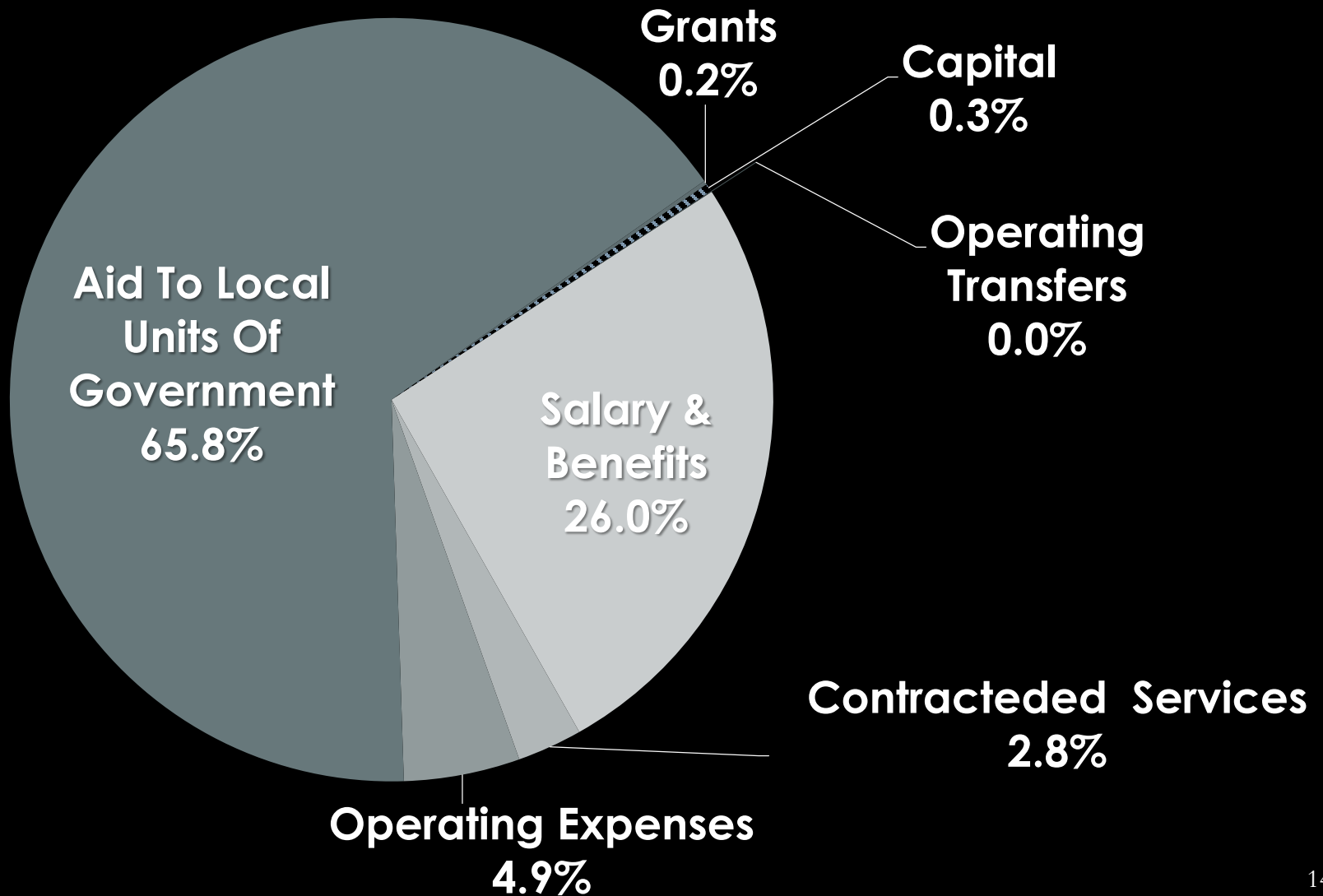
FY 2020 Funding by Category – Lottery Excluded



FY 2020 Funding by Category



FY 2020 Funding by Category – Lottery Excluded



Staffing

Full-Time Equivalent Positions

Full-Time Positions	FTEs	Chg. To Enacted
Enacted Authorized	604.5	-
FY 2019 Gov. Rev.	604.5	-
FY 2020 Request	613.5	9.0
FY 2020 Governor	587.5	(17.0)
FY 2020 Funded FTE	563.0	(41.5)
Filled as of March 30	556.0	(48.5)
FY 2018 Average Filled*	506.3	(98.2)

*Excludes 74.0 positions authorized for FY 2019

Staffing

FY 2020 Governor Recommendation		
	DOR	Statewide
Gross Salaries (in millions)	\$38.8	\$1,249.1
Turnover (in millions)	(1.6)	(42.9)
Turnover %	4.2%	3.4%
Turnover FTE	24.5	592.2
FY 2020 FTE recommended	587.5	15,426.5
Funded FTE	563.0	14,884.2
Filled as of March 30	556.0	14,131.4
Funded but not filled	7.0	752.8
<i>Adjusted for new & transfers</i>	18.0	

Full-time Equivalent Positions

Full-Time Equivalent Positions	FY 2019 Enacted	FY 2019 Rev.	FY 2020 Rec.	Change to Enacted
Director	11.0	11.0	11.0	-
Revenue Analysis	6.0	6.0	6.0	-
Lottery	106.0	106.0	106.0	-
Municipal Finance	14.0	14.0	9.0	(5.0)
Taxation	250.0	250.0	227.0	(23.0)
DMV	210.5	210.5	220.5	10.0
Collections	7.0	7.0	8.0	1.0
Total	604.5	604.5	587.5	(17.0)

Salaries and Benefits

	FY 2019 Enacted	FY 2019 Rev.	FY 2020 Rec.	Chg. to Enacted
General Revenue	\$43.3	\$42.8	\$42.5	\$(0.8)
Federal Funds	1.9	1.4	0.1	(1.9)
Restricted Receipts	0.6	0.9	0.3	(0.3)
Other Funds	11.8	12.3	16.7	4.8
Total	\$57.7	\$57.5	\$59.6	\$1.9
FTE	604.5	604.5	587.5	(17.0)

\$ in millions

Office of the Director

- Oversight of departmental operations
 - Administration
 - Legal services
 - Financial management
- Funded entirely from general revenues
- Nearly all expenses for personnel
- Authorized 11.0 full-time positions

Office of the Director

- FY 2020 – \$1.4 million
 - \$18,606 more than enacted for staffing expenses
- FY 2019 – \$32,418 less than enacted
 - Statewide medical benefit savings and adjustments

Office of Revenue Analysis

- Analyzes, evaluates and appraises state tax system
- Prepares the tax expenditures report
- Prepares cost benefit analysis of all tax expenditures
- Funded from general revenues
- Authorized 6.0 full-time positions

Office of Revenue Analysis

- FY 2020 - \$0.8 million
 - \$63,812 less than enacted
 - Fully funds current staffing
 - Includes funding for enhanced tax modeling software & data enhancements
- FY 2019 - \$0.1 million less than enacted
 - Turnover to reflect current staffing

Reporting Requirements

- Office of Director
 - Unified Economic Development report
 - Due each January
 - FY 2018 submitted in March 2019
 - FY 2017 submitted in January 2018
 - FY 2015 & FY 2016 reports submitted in June and September 2017, respectively
- Office of Revenue Analysis
 - Tax Expenditures Report
 - Biennial – due January of even years
 - Last submitted April 2018
 - Tax Incentives Evaluation Report

Reporting Requirements - Status

Tax incentive Evaluation Reports

Investment Credits; Biotech Investment Credits; Specialized Investment Credits; - June 29, 2018 – 1 year late
R&D Deduction; R&D Property Credits; R&D Expense Credits; Small Business Wage Credit - June 29, 2018 – 1 yr late

Job Training Credits – June 5, 2018 – 1 year late
Artist Modification Reducing AGI – July 26, 2018 – 1 year late

Welfare Bonus Program; Innovation and Growth Incentives; Small Business Investment Deduction; Jobs Growth Act – Analysis not possible due to lack of usage

Musical and Theatrical Productions – Not required, at ORA's discretion

Anchor institution; Qualified Jobs; Rebuild RI tax credit & sales tax exemption; Wavemaker - June 2020

Lottery Division

- Established in statute in 1974
 - Quasi-state agency until July 2005
 - Transferred to DOA then DOR in 2006
 - Operates Keno & Powerball and instant games
 - Administers video lottery and table games
 - Collects all revenues and remits prize funds
- Funded from Lottery funds
- Authorized 106.0 full-time positions

Lottery Division

	FY 2019 Enacted	FY 2019 Rev.	FY 2020 Rec.	Change to Enacted
Prizes & Payments	\$373.7	\$395.2	\$395.2	\$21.5
Salaries & Benefits	11.0	11.3	12.1	1.1
All Other	15.5	12.9	12.8	(2.5)
Total	\$400.2	\$419.5	\$420.1	\$20.0
FTE	106.0	106.0	106.0	-

\$ in millions

Lottery Division

- Excludes \$2.6 million budgeted in DPS for State Police Gaming Unit

	Tiverton	Lincoln	Lottery Division	Total
Staffing	\$2.2	\$3.5	\$6.4	\$12.1
Operations	-	0.1	12.7	12.8
Total	\$2.2	\$3.6	\$19.1	\$24.9
FTE	23.0	31.0	52.0	106.0

\$ in millions

Lottery Division

- Governor's budget assumes \$0.9 million in additional revenue from making traditional lottery products available through mobile applications
 - Keno and Instant Tickets
 - No additional legislative authority requested
 - Implementation plans unclear

Capital

- FY 2020 - FY 2024 Capital
 - FY 2019 Lottery Roof
 - \$0.1 million from lottery funds in the operating budget essentially as enacted

Division of Municipal Finance

- Provides technical support to municipalities
- Administers and distributes local aid
- Determines communities' wealth for use in school aid formulas
- Funded from general revenues
- Authorized 14.0 full-time positions

Division of Municipal Finance

- FY 2019 revised recommendation
 - FY 2019 avg. 11.5 filled positions
 - Includes \$61,031 of additional turnover savings
 - Chief of Municipal Finance departed in March - 11.0 positions filled as of March 30
- FY 2020 funds 9.0 full time positions
 - Includes 5.0 fewer positions than enacted
 - \$0.5 million savings
 - 1.0 FTE transferred to DOA for Census 2020 initiative
 - 4.0 positions eliminated, 2.0 are unspecified
 - Impact to Division functions unclear

Division of Municipal Finance

- FY 2020 Recommendation
 - Eliminates \$0.6 million appropriation for Central Falls
 - Reduces oversight reimbursement expenses
 - Anticipates end of municipal oversight for Woonsocket
 - Reduces contracted expenses by \$20,000
 - Consistent with recent expenditures

Division of Taxation - Sections

Section	Responsibilities	FTE
Tax Administrator	Provides guidance & direction of the Department; oversees operations	22.0
Tax Processing	Management & security of all processing operations	25.0
Assessment & Review	Review & audit of tax returns	36.0
Field Audit	Tax audits of accounting & records	73.0
Compliance & Collections	Collection of delinquent taxes & returns	57.0
Employer Tax	Operates the Unemployment & Temporary Disability insurance, & Job Development Funds programs	37.0
Total Authorized FTE		250.0

Division of Taxation

FY 2020 Recommendation – Change to Enacted		
	Gen. Rev.	All Funds
Employer Tax	\$ -	\$(3.2)
Revenue Enhancement	1.2	1.2
Adult Use	-	0.8
Other Staff & Operations	\$2.0	1.9
One Time Restructuring	(1.2)	(1.2)
Total	\$2.0	\$(0.4)
Excluding Employer Tax	\$2.0	\$2.8

Division of Taxation

- Governor requested an amendment
April 5, 2019
 - Restores \$36,000 from general revenues
 - Taxation's records center expenses were inadvertently excluded from the recommendation

Division of Taxation

- FY 2020 – \$26.7 million for 227.0 positions, 23.0 fewer than enacted & operations
 - Employer tax unit shifted 37.0 FTEs to DLT
- Adjusted salaries & benefits \$2.8 million more than enacted
 - Adds 14.0 positions; 10.0 to support sales tax expansion, & 4.0 positions for Adult Use marijuana
 - Article 5 heard February 28
 - Article 20 heard March 20

Division of Taxation

	Remote Sellers	Sales Tax Expansion	E-Cig	Adult Use	Total
Sr. Legal Counsel	-	1.0	-	-	1.0
Legal Counsel	1.0	-	1.0	-	2.0
Revenue Agent I	2.0	1.0	1.0	2.0	6.0
Tax Aide I	-	-	1.0	-	1.0
Tax Investigator	-	-	1.0	2.0	3.0
Taxpayer Serv. Specialist	-	1.0	-	-	1.0
Staffing Subtotal	3.0	3.0	4.0	4.0	14.0
Staffing expenses	\$(0.3)	\$(0.3)	\$(0.4)	\$(0.3)	\$(1.3)
Operations	-	(0.3)	-	(0.5)	\$(0.7)
Revenues	\$11.5	\$14.4	\$0.9	\$2.6	\$29.5
Net Revenues	\$11.2	\$13.9	\$0.5	\$1.9	\$27.5

Sales Tax

- Article 5 expands the application of the state sales tax to more items and services
 - Budget assumes \$10.8 million of revenues
- The sales tax base has been changed in some way nearly annually
 - Keeping pace with buying habits and technology
 - Other policy choices

Sec. 5 – Sales and Use Taxes

- Expand items subject to RI's 7% sales tax effective October 1, 2019
 - Projected impacts revised since budget submission

Item/Service	FY 2020 Original	FY 2020 Revised	FY 2021
Hunting, Trapping, & Shooting Ranges	\$0.6	\$0.6	\$1.1
Digital Downloads	2.6	2.6	4.7
Lobbying	0.9	0.3	0.5
Interior Design	0.5	0.8	1.4
Commercial Building Services	6.2	10.1	18.2
Total	\$10.8	\$14.4	\$25.8

Sec. 5 – Sales and Use Taxes

- Budget also assumes implementation expenses for Division of Taxation

Sales Tax Expansion	FY 2020 Original	FY 2020 Revised	FY 2021
Revenues	\$10.8	\$14.4	\$25.8
Staffing (3.0 FTE)	(0.3)	(0.3)	(0.3)
Notices/Outreach	(0.3)	(0.3)	-
Net Impact	\$10.3	\$13.9	\$25.5

\$ in millions

Integrated Tax System

- \$25.0 million Certificates of Participation authorized by the 2012 Assembly
 - Federal funds added \$0.2 million for taxpayer portal functionality in FY 2017
- Consolidates separate programs into one computer system
- FY 2020 Recommendation
 - \$4.0 million, \$1.3 million more for contracted maintenance & support costs

Integrated Tax System

- FY 2018 Single Audit Report
- Issued April 2, 2019 by Auditor General
 - Reported major deficiencies around information technology
 - State has not sufficiently addressed IT security risks
 - State does not follow uniform enterprise-wide program change control procedures for the various information technology applications
 - DOR should address internal data security
 - Taxation has been actively working on this finding & anticipates having the issue resolved by Dec. 2020

Annual Reporting Requirements

- Division of Taxation
 - Required to submit 13 reports
 - 10 reports current
 - Historic Tax Credit report posted April 11, 2019
 - 2 statistics of income reports under review
 - Sales tax exemption on arts outstanding – jointly reports with Rhode Island State Council on the Arts
 - 2015 Assembly added reporting requirements associated with Commerce Corporation incentives
 - All current

Division of Motor Vehicles

- Administers and enforces laws pertaining to the operation and registration of motor vehicles
 - Suspension
 - Revocation
 - Inspection of motor vehicles
 - Issues licenses
- Authorized 210.5 full-time positions

Division of Motor Vehicles

- Branch offices
 - Cranston (Pastore Center, Headquarters)
 - Woonsocket
 - Middletown
 - Wakefield (Monday to Thursday)
 - Warren (Tuesday and Wednesday)
 - Westerly (Fridays only)
 - 10 AAA locations
 - Includes South Attleboro

Division of Motor Vehicles – RI Motor Vehicle System (RIMS)

- Enacted budget included \$1.4 million
- FY 2020 Recommendation
 - Adds \$2.4 million from restricted receipts for maintenance & operations
 - Department requested as general revenues
 - Recommendation overstates available resources
 - Assumes technology surcharge is extended to vehicle inspections not previously assessed this charge

Division of Motor Vehicles – RI Motor Vehicle System (RIMS)

RIMS Expenses	FY 2019 Enacted	FY 2020 Rec.	Change to Enacted
General Revenues	\$0.9	\$0.9	\$(0.0)
Restricted Receipts	0.5	2.9	2.4
Total	\$1.4	\$3.8	\$2.4

- Article 7 increases surcharge to increase available resources
 - Increases surcharge amount & repeals sunset
 - Estimate short of budgeted amounts

Division of Motor Vehicles – RI Motor Vehicle System (RIMS)

- Governor requested amendment April 5, 2019 to address shortfall in revenues from proposed expenses
 - Shifts \$34,000 of expenses from restricted receipts to general revenues
 - Reduces restricted receipts by \$0.3 million
 - Assumes \$0.6 million of excess Information Technology Investment Fund receipts would be available to cover majority of commitments

Article 7, Section 1– Technology Surcharge

- 2006 Assembly authorized borrowing for a new DMV computer system
 - Debt funded from unspecified charge
 - \$1.50 technology surcharge implemented for period of 7 years through FY 2014
 - Law restricted use for debt service only
- 2009 Assembly extended surcharge from 7 to 10 years through FY 2017
 - Expanded use to include project costs

Article 7, Section 1– Technology Surcharge

- State filed suit against the vendor
November 1, 2016
 - Unanticipated major expense
 - Vendor repeatedly changed ownership; multiple contract amendments & project delays
 - Suit Settled April 12, 2017
 - Settlement included \$7.0 million payment to the vendor over 2-years
 - Payments were due July 2017/2018
 - Entered maintenance agreement worth \$2.9 million annually

Article 7, Section 1– Technology Surcharge

- 2017 Assembly
 - Transferred deposits from restricted receipts to IT Investment Fund
 - Fund used to pay the settlement expense
 - Deposits Intended to repay that expense over time with additional funding available later
 - Extended use to include maintenance and enhancements
 - Extended \$1.50 surcharge for 5 years through June 30, 2022

Article 7, Section 1– Technology Surcharge

- Surcharge has averaged \$2.1 million from FY 2011 through FY 2018
 - 5 extra years = \$10.4 million to \$11 million
 - IT Fund FY 2018 collections of \$2.2 million
 - IT Fund repayment anticipated by June 2022
- System launched July 5, 2017

Article 7, Section 1– Technology Surcharge

- Article 7, Section 1
 - Increases the fee to \$2.50 & makes it permanent
 - \$1.00 to restricted receipts for DMV use to generate \$1.6 million
 - Full amount to DMV as of FY 2023
 - DMV budget includes \$2.9 million of restricted receipt expenses
 - Assumes \$1.6 million from the surcharge increase, \$0.6 million from expansion to vehicle inspection, \$0.4 million from municipal tax blocks
 - Municipal tax blocks inadvertently included

Division of Motor Vehicles – License Plate Reissuance

- Enacted budget assumes Jan. 1, 2020
 - Statutory 10-year reissuance enhances registration compliance, improves visibility & safety
 - Budget reduces revenues & expenditures; net revenue loss \$0.4 million
- FY 2020 Recommendation
 - Adds 2.0 FTE & \$0.2 million for enforcement
 - To inspect 325 inspections stations, preferably twice annually
 - Includes Article 7 to repeal reissuance requirement

Article 7, Section 2 – License Plate Issuance Delay

- Current law requires 10-year reissuance
 - Planned plate issuance:
 - At the time of initial registration
 - Upon registration renewal
- Article repeals the mandatory reissuance of fully reflective license plates
 - January 1, 2020 under current law
 - Current issuance date represents 6th postponement
 - Postponed in part for Real ID

Article 7, Section 2 – License Plate Issuance Delay

- The budget reduces expected revenues and expenditures
 - Net revenue loss \$0.4 million
- Governor adds \$0.2 million for 2.0 FTE for license plate visibility enforcement
 - To ensure that stations only pass vehicles with legible license plates

Article 7, Section 2 – License Plate Issuance Delay

- Total expenditures previously estimated to be \$10.5 million over 24 months
 - \$5.2 million in revenues from charges for new plates for current registrants
 - Department anticipates cost may increase due to material and postage costs
 - Total per plate expense over \$12
 - \$6.00 per plate set cost in statute – unchanged throughout all revisions
 - Net state cost \$5.3 million

Article 7, Section 2 – License Plate Issuance Delay

- Last full reissuance was “Wave” plates done over 1996 and 1997

Assembly	Current Date	New Date
2011	9/2011	9/2013
2013	9/2013	9/2015
2015	9/2015	7/2016
2016	7/2016	4/2017
2017	4/2017	1/2019
2018	1/2019	01/2020
2019 – Art 7	01/2020	<i>Repeal</i>

Division of Motor Vehicles – REAL ID

- 2018 Assembly authorized \$2.1 million for federal Real ID issuance
 - General revenues for 32.0 FTE & operations
 - Intended as multi-year implementation
 - Revenues collected from the effort assumed to completely offset expenses
- FY 2020 Recommendation
 - Adds general revenues of \$1.0 million for existing staff & \$0.6 million for 8.0 new FTE
 - Operations includes additional outreach, security & license production
 - November REC assumes revenues offset expenses

Division of Motor Vehicles – REAL ID

	FY 2019 Enacted	FY 2020 Rec.	Change to Enacted
Staffing	\$1.4	\$3.0	\$1.6
Security	-	0.2	0.2
Advertising	0.1	0.3	0.1
Computers & Software	0.2	0.0	(0.1)
License Imaging	0.4	0.8	0.4
Total	\$2.1	\$4.3	\$2.2
FTE	32.0	40.0	8.0

- Essentially the current service level
 - Governor's requested amendment removes inadvertent \$70,000 added for advertising

Division of Motor Vehicles

- FY 2020 Staffing – \$16.3 million for salaries & benefits for 178.5 remaining positions

	General Revenues	Federal Funds	Highway Maintenance	Total
FY 2019 Enacted	\$16.0	\$0.1	\$ -	\$16.1
FY 2020 Gov. Rec.	11.7	0.1	4.5	16.3
Change to Enacted	\$(4.3)	\$0.0	\$4.5	\$0.3

- Article 8 requires DOT to reimburse DMV for staff collecting fees that go to Highway Maintenance Account
 - Budget assumes gen. rev. savings of \$4.5 million from this - Heard February 27, 2019

Article 5, Section 6 – Municipal Tax Registration Block

- Municipal tax collectors required to report unpaid property taxes to DMV by October 31
 - Registration blocks on vehicles for taxes owed
 - Vehicle/property - enhance compliance
- DMV notice requirements as of Jan. 1, 2019
 - Provide notice to those blocked including jurisdiction

Article 5, Section 6 – Municipal Tax Registration Block

- Section 6 makes reporting voluntary and requires a \$5 fee per request
 - Assumes \$0.4 million ~ 81,250 registration blocks
 - FY 2018 ~125,605 requested reg. blocks
 - FY 2019 ~ 82,954 as of Jan. 14, 2019
 - Assumes 35% attrition from prior collections
 - Division prohibited from adding new requests if a municipality owes for prior requests more than 30 days

Article 7, Section 3 – Vehicle Titles

- Current law – cars older than 2001 over 20 years, are exempt from title requirements
 - 2010 Assembly extended exemption from 10 years
 - Under prior law after 1973 vehicles were exempt from title requirements after 10 yrs.
 - Change prevents cars 2001 and newer from title exemption in the future

Collections Unit

- 2018 Assembly established a collections unit pilot program
 - Collect debts owed to other agencies that meet specific criteria
 - More expansive than current Taxation refund offset program
 - Includes 7.0 authorized positions
 - Includes a June 30, 2021 sunset date
- Assumes initial FY 2019 impact \$0.8 million

Collections Unit

- Governor's FY 2020 budget includes \$0.9 million to support operations
 - \$0.2 million more than enacted
 - Adds 1.0 full-time equivalent position & case management system
 - Assumes \$750,000 in additional revenues from these changes
 - Article 5 lowers potential interest rate
 - Heard February 26, 2019
- Governor's FY 2019 revised assumes turnover savings of \$25,083

State Aid

- Division of Municipal Finance calculates and administers multiple programs
 - Payment in Lieu of Taxes
 - Distressed Communities Relief Fund
 - Property Revaluation Reimbursement
 - Motor Vehicles Excise Tax
 - State aid for libraries remains in DOA

Local Aid Programs

Program	FY 2019 Enacted	FY 2019 Rev.	FY 2020 Rec.	Current Law/Full Funding	Change
Distressed Communities	\$12.4	\$12.4	\$12.4	\$12.4	\$ -
Prop. Revaluation	1.6	1.6	0.7	0.7	-
PILOT	46.1	46.1	40.8	46.8	(6.0)
MV Excise Phase-Out	54.7	56.3	78.0	94.3	(16.3)
Total	\$114.9	\$116.4	\$131.9	\$154.2	\$(22.3)

\$ in millions

Distressed Communities Relief Fund

- Established in 1990 to provide assistance to communities with highest property tax burdens relative to wealth
- Communities in 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

Distressed Communities Relief Fund

- Distressed Communities - \$12.4 million
- Same as enacted
- Redistribution among communities based on data
 - 8 recipients
 - Central Falls
 - North Providence
 - Pawtucket
 - Providence
 - West Warwick
 - Woonsocket
 - Cranston
 - Johnston receives 50% transition payment out

Property Revaluation Reimbursements

- Municipalities update property valuations every third and sixth year after a full revaluation
- Governor includes \$1.6 million for FY 2019 & \$0.7 million for FY 2020
- Expenditures fluctuate annually
 - Depends on communities conducting updates

Article 9 – Local Aid

- Article 9 proposes two changes to local property taxation
 - Allows municipalities to tax a portion of nonprofit properties currently exempt
 - Change to motor vehicle tax phase-out methodology

Article 9 – Local Aid

- Current law property tax exemptions
 - Property of the government
 - State or federally owned, military use, public school buildings, airports
 - Religious buildings & estates
 - Buildings & estates of public non-profit incorporated charities/entities
 - Libraries, schools, hospitals, specified charities
 - Property exempt by charter
 - Burial grounds

Article 9 – Local Aid

- Current law property tax exemptions under current law
 - Property of volunteer fire departments
 - Manufacturer's inventory
 - Household items
 - Limited and specific exemptions
 - \$10,000 for Brown University president & professors if claimed prior to Dec. 31, 1996
 - \$400,000 for veterans organizations incorporated by an act of Congress
 - \$1,500 for an EMA-approved fallout shelter

Article 9 – Local Aid

- Article 9 removes the tax exempt status from portions of properties of nonprofit higher education & hospitals
 - Those portions that are not used exclusively for educational or hospital activities
 - Removes exemption for all vacant lots, regardless of improvements
 - In some cases communities may see new tax revenues

Payment in Lieu of Taxes (PILOT)

- Program reimburses cities & towns for property taxes which would have been due on specific untaxable property
 - Private, nonprofit educational institutions, hospitals, or state-owned hospital, veterans' facility, or correctional facility
- Reimbursement up to 27% of the tax that would have been collected
 - Subject to appropriation

Payment in Lieu of Taxes (PILOT) - History

Assembly	Change
1986	Established a 25% reimbursement for private, nonprofit educational institutions, hospitals
1988	Expanded eligibility to state-owned hospital, veterans' facility, or correctional facility over 100 residents
1997	Increased the reimbursement rate to 27%
2002	Allowed a ratable reduction for all communities if appropriated at less than 27%

Payment in Lieu of Taxes (PILOT)

- Governor recommends \$40.8 million for FY 2020
 - \$6.0 million less than full funding = 23.6%
 - \$5.3 million less than enacted
 - FY 2019 payment of \$46.1 million is the full 27% allowed under law

Payment in Lieu of Taxes (PILOT)

- Municipal Impact
 - Accrual-based accounting aligns revenues/expenses in a single reporting period
 - Accrual localities will likely have current year deficits, with little time to resolve

Uses Accruals	Non-Accrual
Bristol	Barrington
Burrillville	Central Falls
Cranston	East Greenwich
Pawtucket	East Providence
Providence	Smithfield
Warwick	South Kingstown
Westerly	Newport
	North Kingstown

Article 9 – Local Aid

Municipality	State	Higher Ed	Hospital	% Hosp./Ed
Barrington		X		100%
Bristol	X	X		65.3%
Burrillville	X			0%
Central Falls			X	100%
Cranston	X	X		6%
East Greenwich		X	X	100%
East Providence			X	100%
Newport		X	X	100%
North Kingstown			X	100%
Pawtucket			X	100%
Providence		X	X	100%
Smithfield		X		100%
South Kingstown			X	100%
Warwick		X	X	100%
Westerly			X	100%

Article 9 – Local Aid

- Article 9 proposes two changes to local property taxation
 - Allows municipalities to tax a portion of nonprofit properties currently exempt
 - Change to motor vehicle tax phase-out methodology

Motor Vehicle Excise - History

- General Laws authorize municipalities to administer and collect an excise tax on motor vehicles
- A phase-out plan was adopted in 1998 to begin with FY 2000 tax bills
 - Altered numerous times then frozen in 2002
 - Exemptions grew in 2005 and 2006 to \$6,000 using new lottery revenue
 - Rolled back in 2010 Session to \$500 including immediate reduction in aid

Motor Vehicle Excise: Exemption Change History

Session	1998	2000	2002	2005	2006	2010	2011
FY 2000	1,500	1,500	1,500	1,500	1,500	1,500	1,500
FY 2001	2,500	2,500	2,500	2,500	2,500	2,500	2,500
FY 2002	3,500	3,500	3,500	3,500	3,500	3,500	3,500
FY 2003	8,000	5,000	4,500	4,500	4,500	4,500	4,500
FY 2004	10,000	6,900	4,500	4,500	4,500	4,500	4,500
FY 2005	15,000	9,400	4,500	4,500	4,500	4,500	4,500
FY 2006	Full	13,000	4,500	5,000	5,000	5,000	5,000
FY 2007	Full	Full	4,500	5,000	6,000	6,000	6,000
FY 2008	Full	Full	4,500	5,000	6,000	6,000	6,000
FY 2009	Full	Full	4,500	5,000	6,000	6,000	6,000
FY 2010*	Full	Full	4,500	5,000	6,000	6,000*	6,000
FY 2011	Full	Full	4,500	5,000	6,000	500	500
FY 2012	Full	Full	4,500	5,000	6,000	500	500

*Current year budget reduction; paid 88% of total due

Motor Vehicle Excise - History

- 1998 plan froze rates at FY 1998 levels
 - Authorized inflation adjustments to account for lost growth
 - 2003 change ended adjustments
 - 2008 change reduced reimbursement to 98% to align with collection rates
- 2010 change allowed rates to be lowered but kept ceiling
 - Only Providence lowered rates

Motor Vehicle Excise - History

- 2017 Assembly restarted the phase-out
- Over time the phase-out
 - Reduces the tax rate levied
 - Reduces the percentage of value assessed
 - Increases the minimum exemption
 - Tax collections phased-out in FY 2024
 - Cars older than 15 years exempt since FY 2018

Article 9 – Motor Vehicle Excise Tax Phase-Out

- Article 9 proposes to continue the phase-out differently
 - More cost shifted to later years
- FY 2020 Recommendation
 - \$56.3 million for FY 2019; \$1.5 million more than enacted
 - Based on updated data
 - \$78.0 million for FY 2020
 - \$23.2 million more than enacted
 - \$16.3 million less than the current law

Article 9 – Motor Vehicle Excise Tax Phase-Out

Fiscal Year	Current Law			2019-H 5151		
	% of Retail Value	Rate cap / \$1,000	Exempt. Floor	% of Retail Value	Rate cap / \$1,000	Exempt. Floor
2017	100	\$ -	\$ 500	100	\$ -	\$ 500
2018	95	\$60	\$1,000	95	\$60	\$1,000
2019	90	\$50	\$2,000	90	\$50	\$2,000
2020	85	\$35	\$3,000	87.5	\$40	\$2,800
2021	80	\$35	\$4,000	84	\$35	\$3,800
2022	75	\$30	\$5,000	79	\$30	\$4,800
2023	70	\$20	\$6,000	67.5	\$25	\$6,000
2024	No Tax Levied					

Article 9 – Motor Vehicle Excise Tax Phase-Out

- Estimated funding increase

Fiscal Year	Current Law	Proposed	Variance
2018	\$24.5	\$24.5	\$ -
2019	21.7	21.7	-
2020	38.0	21.7	(16.3)
2021	21.0	25.7	4.7
2022	27.8	29.0	1.2
2023	34.6	38.8	4.2
2024	55.4	62.9	7.6

Article 9 – Motor Vehicle Excise Tax Phase-Out

- Total annual funding

Fiscal Year	Current Law	Proposed	Variance
2018	\$34.5	\$34.5	\$ -
2019	56.3	56.3	-
2020	94.3	78.0	(16.3)
2021	115.3	103.7	(11.6)
2022	142.9	132.8	(10.2)
2023	177.1	171.5	(5.6)
2024	234.4	234.4	-

Other Reporting Requirements

- Municipal Finance
 - Required to submit 4 reports
 - All are current
- DMV
 - Required to submit Vehicle Inspection Commission report
 - No Commission members of ever appointed, nor report commissioned or filed
 - Proposed for repeal in Article 4
- Lottery
 - Required to submit 2 reports – Both current

Department of Revenue

FY 2019 Revised
FY 2020 Recommended
FY 2020 – FY 2024 Capital
Staff Presentation
April 11, 2019
