Department of Revenue

FY 2018 Revised
FY 2019 Recommended
FY 2019 – FY 2023 Capital
Staff Presentation
April 4, 2018
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)
## Summary by Source

<table>
<thead>
<tr>
<th>($ In millions)</th>
<th>FY 2018 Enacted</th>
<th>FY 2018 Revised</th>
<th>FY 2019 Gov.</th>
<th>Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$143.6</td>
<td>$148.0</td>
<td>$177.3</td>
<td>$33.7</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>1.6</td>
<td>1.5</td>
<td>2.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Restricted Receipts</td>
<td>4.0</td>
<td>3.9</td>
<td>2.1</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Other Funds</td>
<td>376.2</td>
<td>371.3</td>
<td>401.0</td>
<td>24.8</td>
</tr>
<tr>
<td><strong>Total – All Funds</strong></td>
<td><strong>$525.4</strong></td>
<td><strong>$524.7</strong></td>
<td><strong>$582.5</strong></td>
<td><strong>$57.1</strong></td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>All Sources</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology</td>
<td>$4.2</td>
<td>$4.2</td>
</tr>
<tr>
<td>Facilities</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>Human Resources</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6.3</strong></td>
<td><strong>$6.4</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Revenues</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology</td>
<td>$4.2</td>
<td>$4.2</td>
</tr>
<tr>
<td>Facilities</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Human Resources</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6.2</strong></td>
<td><strong>$6.2</strong></td>
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</tbody>
</table>
## Summary by Source

<table>
<thead>
<tr>
<th>($ In millions)</th>
<th>FY 2018 Enacted</th>
<th>FY 2018 Revised</th>
<th>FY 2019 Gov.</th>
<th>Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue</td>
<td>$143.6</td>
<td>$141.8</td>
<td>$171.0</td>
<td>$27.4</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>1.6</td>
<td>1.5</td>
<td>2.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Restricted Receipts</td>
<td>4.0</td>
<td>3.9</td>
<td>2.1</td>
<td>(1.9)</td>
</tr>
<tr>
<td>Other Funds</td>
<td>376.2</td>
<td>371.1</td>
<td>400.8</td>
<td>24.7</td>
</tr>
<tr>
<td><strong>Total – All Funds</strong></td>
<td><strong>$525.3</strong></td>
<td><strong>$518.3</strong></td>
<td><strong>$576.0</strong></td>
<td><strong>$50.7</strong></td>
</tr>
</tbody>
</table>

Excludes Centralized Services
## Summary by Program

<table>
<thead>
<tr>
<th>($ In millions)</th>
<th>FY 2018 Enacted</th>
<th>FY 2018 Revised</th>
<th>FY 2019 Gov.</th>
<th>Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director's Office</td>
<td>$1.2</td>
<td>$1.2</td>
<td>$1.4</td>
<td>$0.1</td>
</tr>
<tr>
<td>Revenue Analysis</td>
<td>0.8</td>
<td>0.7</td>
<td>0.9</td>
<td>0.1</td>
</tr>
<tr>
<td>Lottery</td>
<td>375.0</td>
<td>370.0</td>
<td>400.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Municipal Finance</td>
<td>3.1</td>
<td>2.9</td>
<td>2.2</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Taxation</td>
<td>26.3</td>
<td>25.5</td>
<td>30.4</td>
<td>4.1</td>
</tr>
<tr>
<td>DMV</td>
<td>23.5</td>
<td>23.9</td>
<td>24.9</td>
<td>1.4</td>
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<tr>
<td>State Aid</td>
<td>95.4</td>
<td>94.0</td>
<td>115.8</td>
<td>20.3</td>
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<tr>
<td>Collections Unit</td>
<td>-</td>
<td>-</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Total – All Funds</strong></td>
<td><strong>$525.3</strong></td>
<td><strong>$518.3</strong></td>
<td><strong>$576.0</strong></td>
<td><strong>$50.7</strong></td>
</tr>
</tbody>
</table>
FY 2019 Recommendation

- Division of Taxation restructuring
- Adds $2.6 million in new Taxation IT system funding
- Includes new staff for DMV to launch federal Real ID
- Delays license plate reissuance 1-year
- Adds new Collections Unit
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
- FY 2018 – $3.4 million
- FY 2019 - $0.6 million
## Undistributed Savings

<table>
<thead>
<tr>
<th>Item</th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel savings*</td>
<td>$0.8</td>
<td>$0.6</td>
</tr>
<tr>
<td>Twin River Payment</td>
<td>2.0</td>
<td>-</td>
</tr>
<tr>
<td>Lottery Expenditure Savings</td>
<td>0.6</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3.4</strong></td>
<td><strong>$0.6</strong></td>
</tr>
</tbody>
</table>

*In millions

*Some of this from voluntary retirement incentive program*
Target Issues

- Budget Office provided a general revenue target of $170.5 million
  - Current service adjustments of $31.8 million
  - 10.0% reduction of $4.9 million
- Budget submitted by the Department $5.7 million above the target
  - Included proposals for enhanced revenue activities of $5.7 million
  - Governor recommends $0.5 million more than target
Target Issues

- Department initiatives
  - Sales & use tax on digital products & streaming subscription services
    - Estimated collections $3.1 million
  - Governor did not recommend—incl. Art. 4
    - to expand sales & use tax to security services and vendor-hosted software; heard 3/15
  - Inspection Suspension Fees—est. $2.6 million
  - Governor delayed implementation pending Legislative action
  - Budget includes revenues
FY 2019 Recommended Sources of Funding

- General Revenue: 29.7%
- Federal Funds: 0.4%
- Restricted Receipts: 0.4%
- Other Funds: 69.6%
FY 2019 Funding by Category – Lottery Excluded

- General Revenue: 97.2%
- Federal Funds: 1.2%
- Restricted Receipts: 1.2%
- Other Funds: 0.5%

Pie chart showing the distribution of funding.
FY 2019 Funding by Category

- Operating Expenses: 68.50%
- Aid To Local Units Of Government: 20.11%
- Contract Professional Services: 1.32%
- Salary and benefits: 9.85%
- Operating Transfers: 0.01%
- Capital: 0.13%
- Grants: 0.07%
FY 2019 Funding by Category – Lottery Excluded

- Salary and Benefits: 26.0%
- Contract Services: 2.8%
- Operating Expenses: 4.9%
- Aid To Local Units Of Government: 65.8%
- Grants: 0.2%
- Capital: 0.3%
- Operating Transfers: 0.0%
## Staffing

<table>
<thead>
<tr>
<th>FY 2019 Governor Recommendation</th>
<th>DOR</th>
<th>Statewide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Salaries (in millions)</td>
<td>$37.9</td>
<td>$1,117.1</td>
</tr>
<tr>
<td>Turnover (in millions)</td>
<td>(2.9)</td>
<td>(42.9)</td>
</tr>
<tr>
<td>Turnover %</td>
<td>7.6%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Turnover FTE</td>
<td>46.4</td>
<td>592.2</td>
</tr>
<tr>
<td>FY 2019 FTE recommended</td>
<td>612.5</td>
<td>15,426.5</td>
</tr>
<tr>
<td>Funded FTE</td>
<td>566.1</td>
<td>14,834.3</td>
</tr>
<tr>
<td>Filled as of March 17</td>
<td>508.0</td>
<td>13,875.0</td>
</tr>
<tr>
<td>Funded but not filled*</td>
<td>58.1</td>
<td>959.3</td>
</tr>
</tbody>
</table>

*Data skewed by 79 net new positions and staggered start dates*
## Full-time Equivalent Positions

<table>
<thead>
<tr>
<th>Position</th>
<th>FY 2018 Enacted</th>
<th>FY 2018 Rev.</th>
<th>FY 2019 Gov.</th>
<th>Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director</td>
<td>11.0</td>
<td>11.0</td>
<td>11.0</td>
<td>-</td>
</tr>
<tr>
<td>Revenue Analysis</td>
<td>6.0</td>
<td>6.0</td>
<td>6.0</td>
<td>-</td>
</tr>
<tr>
<td>Municipal Finance</td>
<td>17.0</td>
<td>14.0</td>
<td>14.0</td>
<td>(3.0)</td>
</tr>
<tr>
<td>Taxation</td>
<td>236.0</td>
<td>233.0</td>
<td>255.0</td>
<td>19.0</td>
</tr>
<tr>
<td>DMV</td>
<td>179.5</td>
<td>182.5</td>
<td>214.5</td>
<td>35.0</td>
</tr>
<tr>
<td>Lottery</td>
<td>84.0</td>
<td>83.0</td>
<td>106.0</td>
<td>22.0</td>
</tr>
<tr>
<td>Collections</td>
<td>-</td>
<td>-</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Reconciliation</td>
<td>-</td>
<td>-</td>
<td>(1.0)</td>
<td>(1.0)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>533.5</strong></td>
<td><strong>529.5</strong></td>
<td><strong>612.5</strong></td>
<td><strong>79.0</strong></td>
</tr>
<tr>
<td>($ In millions)</td>
<td>FY 2018 Enacted</td>
<td>FY 2018 Rev.</td>
<td>FY 2019 Gov.</td>
<td>Change to Enacted</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------------</td>
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<td>--------------</td>
<td>------------------</td>
</tr>
<tr>
<td>General Revenue</td>
<td>$38.3</td>
<td>$37.8</td>
<td>$42.4</td>
<td>$4.1</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>1.4</td>
<td>1.3</td>
<td>1.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Restricted Receipts</td>
<td>0.9</td>
<td>0.9</td>
<td>0.6</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Other Funds</td>
<td>10.1</td>
<td>9.8</td>
<td>11.8</td>
<td>1.7</td>
</tr>
<tr>
<td>Total</td>
<td>$50.8</td>
<td>$49.7</td>
<td>$56.8</td>
<td>$6.0</td>
</tr>
<tr>
<td>FTE</td>
<td>533.5</td>
<td>529.5</td>
<td>612.5</td>
<td>79.0</td>
</tr>
</tbody>
</table>
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 2018 – $29,119 less than enacted
  - Statewide medical benefit savings and adjustments

- FY 2019 – $1.4 million
  - Essentially the enacted level of spending
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 2018 - $63,874 less than enacted
  - Turnover savings offset by forecasting software costs

- FY 2019 - $0.9 million
  - Fully funds the Offices 6.0 FTE
  - Biennial licensing software
Reporting Requirements

- Office of Director
  - Unified Economic Development report
    - Due each January
    - FY 2015 & FY 2016 reports submitted in June and September 2017, respectively
    - FY 2017 submitted in January 2018

- Office of Revenue Analysis
  - Tax Expenditures Report
    - Biennial – due January of even years
    - Last submitted July 2016
  - Tax Incentives Evaluation Report
# Tax Incentive Evaluation Reports

<table>
<thead>
<tr>
<th>Investment Credits; Biotech Investment Credits; Specialized Investment Credits</th>
<th><strong>Final Review May 2018 – 1 yr late</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D Deduction; R&amp;D Property Credits; R&amp;D Expense Credits; Small Business Wage Credit</td>
<td><strong>June 30, 2018 – 1 yr late</strong></td>
</tr>
<tr>
<td>Job Training Credits</td>
<td><strong>May 2018 – 1 yr late</strong></td>
</tr>
<tr>
<td>Artist Modification Reducing AGI</td>
<td><strong>June 30, 2018 – 1 yr late</strong></td>
</tr>
<tr>
<td>Musical and Theatrical Productions</td>
<td><strong>July 2018</strong></td>
</tr>
<tr>
<td>Artist Modification Reducing AGI</td>
<td><strong>June 30, 2018 – 1 yr late</strong></td>
</tr>
<tr>
<td>Anchor institution; Qualified Jobs; Rebuild and Sales tax exemption; Wavemaker</td>
<td><strong>June 2020</strong></td>
</tr>
<tr>
<td>Welfare Bonus Program; Innovation and Growth Incentives; Small Business Investment Deduction; Jobs Growth Act</td>
<td><strong>Analysis not possible due to lack of usage</strong></td>
</tr>
</tbody>
</table>
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 84.0 full-time positions
## Lottery Division

<table>
<thead>
<tr>
<th>(In millions)</th>
<th>FY 2018 Enacted</th>
<th>FY 2018 Rev.</th>
<th>FY 2019 Gov.</th>
<th>Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prizes and Payments</strong></td>
<td>$352.6</td>
<td>$347.5</td>
<td>$373.7</td>
<td>$21.1</td>
</tr>
<tr>
<td><strong>Salaries and Benefits</strong></td>
<td>9.0</td>
<td>8.7</td>
<td>11.0</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>All Other</strong></td>
<td>13.5</td>
<td>14.0</td>
<td>15.5</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$375.0</td>
<td>$370.2</td>
<td>$400.2</td>
<td>$25.1</td>
</tr>
<tr>
<td><strong>FTE</strong></td>
<td>84.0</td>
<td>83.0</td>
<td>106.0</td>
<td>22.0</td>
</tr>
</tbody>
</table>
Twin River Tiverton

FY 2019 $2.6 Million
- $1.5 million for 23.0 full-time positions
- $0.9 million for the State Police Gaming Unit
- $0.2 million for technology and operations infrastructure

Governor’s budget assumes November 2018 Opening
# Lottery Division

<table>
<thead>
<tr>
<th>($ In millions)</th>
<th>Tiverton</th>
<th>Lincoln</th>
<th>Lottery Division</th>
<th>Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing</td>
<td>$1.5</td>
<td>$3.6</td>
<td>$6.0</td>
<td>$2.0</td>
</tr>
<tr>
<td>State Police Gaming Unit</td>
<td>0.9</td>
<td>1.7</td>
<td>-</td>
<td>1.0</td>
</tr>
<tr>
<td>Operations</td>
<td>0.2</td>
<td>0.1</td>
<td>13.7</td>
<td>3.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2.6</strong></td>
<td><strong>$5.4</strong></td>
<td><strong>$19.7</strong></td>
<td><strong>$4.0</strong></td>
</tr>
<tr>
<td><strong>FTE</strong></td>
<td><strong>23.0</strong></td>
<td><strong>32.0</strong></td>
<td><strong>51.0</strong></td>
<td><strong>22.0</strong></td>
</tr>
</tbody>
</table>
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 17.0 full-time positions
Division of Municipal Finance

- FY 2018 revised Eliminates 3.0 positions
  - Personnel savings of $0.2 million
  - $18,128 less for operations
    - Reflects Central Falls oversight reimbursement savings

- FY 2019 Funds 14.0 full time positions
  - Annualized personnel savings $0.4 million
  - Includes $0.1 million savings
    - Lower expenditures for oversight and operations
    - Eliminates $0.6 million an appropriation for Central Falls
Municipal Transparency Portal

- 2016 Assembly authorized online interface for municipal finances
  - Overseen by Division of Municipal Finance
- Also reduces reporting quarterly reports to 3 per year
  - Budget-to-actual expenditures
  - 6th month, 9th month, 12th month
- No change to current law on annual audit
Municipal Transparency Portal

- Anticipated January 2017 Launch
  - Delayed after feedback from municipalities to May 2017
  - Delayed again based on complexity of data to April 2018
    - All communities included, varying levels of functionality phased in over time
      - Interactive database vs. .pdf format
- FY 2019 Recommendation
  - Funds software license essentially as enacted
Division of Taxation - Sections

- **Tax Processing Unit**
  - Activities relating to receipt of cash payments; processes tax returns
- **Office of Assessment & Review**
  - Assesses and collects taxes; holds administrative hearings
- **Field Audit**
  - Audits corporations and individuals
- **Tax Compliance and Collection**
  - Collection enforcement
Division of Taxation

- FY 2019 - $22.7 million to fund 233.0 existing FTEs
  - $0.2 million less than enacted
  - $2.3 million for operations
    - $0.2 million more Multistate Tax Commission
  - Excludes $0.5 million for Tax Amnesty included in enacted budget
Department has been investigating restructuring for efficiency

OMB contracted study identified similar operational & organizational efficiencies

- Enhance discovery through improved intrasectional collaboration
- Separate compliance & collections activities to increase retention
Division of Taxation - Restructuring

- $3.4 million to enhance revenue collections
  - $2.2 million for 22 new FTE for essentially a full year
  - $1.1 million for analytics & IT support
  - $0.1 million for operational infrastructure

- Multi-year process
  - Phase I underway, realigning structure
  - Has stabilized some position turnover
Budget assumes revenues of $13.5 million

Net impact $10.0 million

<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Income Tax</td>
<td>$4.4</td>
</tr>
<tr>
<td>Corporate Tax</td>
<td>1.1</td>
</tr>
<tr>
<td>Sales and Use Tax</td>
<td>4.4</td>
</tr>
<tr>
<td>Fines &amp; Penalties</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13.5</strong></td>
</tr>
</tbody>
</table>
Integrated Tax System

- $25.0 million Certificates of Participation authorized by the 2012 Assembly
  - $0.2 million of federal funds added for taxpayer portal functionality in FY 2017
- Consolidates separate programs into one computer system
  - Enhance customer service
  - Reduce operating costs
  - Enhance compliance and collection
Integrated Tax System

- FY 2019 $2.9 million more for contracted maintenance and support costs

- Budget assumes $0.5 million in savings from taxpayer portal launch
  - Personnel cost reduction of approx. 5 FTE
  - Unclear how the savings are achieved
Division of Taxation

- Required to submit 13 reports
  - 12 reports current
    - 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
Expand items subject to RI’s 7% sales tax effective July 1, 2018
- Software as a Service
- Security Services

<table>
<thead>
<tr>
<th>Item</th>
<th>FY 2019 Impact</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software as a Service</td>
<td>$4.8 million</td>
<td>$6.6 million</td>
</tr>
<tr>
<td>Security Services</td>
<td>$9.7 million</td>
<td>$9.8 million</td>
</tr>
<tr>
<td>Total</td>
<td>$14.5 million</td>
<td>$16.4 million</td>
</tr>
</tbody>
</table>
Article 4 Sec. 5 – Sales and Use Taxes

- **Software as a Service**
  - Software access not transferred to the user
    - Office 365
    - Google Apps
    - Citrix GoToMeeting
    - Salesforce

- Currently taxed in both MA and CT
Security Services – what’s included

Identified by North American Industrial Classification System (NAICS) code 5161:

- 611 - Investigation Services
  - Investigation and detective services
- 612 - Security Guards and Patrol Services
  - Bodyguard, guard dog, and parking security services
- 613 - Armored Car Services
  - Picking up and delivering money, receipts, or other properties in transit
State’s sales tax model used to develop estimate of $9.7 million in FY 2019
- Consumption of services in RI
  - Excluding items not proposed for taxation
- Revenues assume full year of collections
  - Consistent with July 1 start date
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 179.5 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)
- 9 AAA locations
  - Includes South Attleboro
Division of Motor Vehicles

- FY 2019 – $17.1 million for salaries and benefits
  - $2.1 million more than enacted for 214.5 full-time equivalent positions
    - 32.0 more than enacted for Real ID Issuance
  - $5.6 million for operations
    - $0.5 million more than enacted
    - Mostly general revenues for Real ID activities
- Article 8 – heard February 13, 2018
  - Delays plate reissuance 1-year
  - Increases license Fees to offset Real ID staff
Article 8 Section 1 – License Plate Issuance Delay

- Delays the mandatory reissuance of fully reflective license plates
  - January 1, 2019 to January 1, 2020
  - Reprioritization of system resources and programming for Real ID compliance
- As with prior years, the budget shifts expected revenues and expenditures to coincide with the new schedule
Eliminates the lower, $5 fee for routine information updates

- All updates would be subject to current $25 fee for duplicates
- Change assumed to generate $1.0 million
  - Section 3 exempts this fee and duplicate permits from Highway Maintenance Account transfer
  - Connected to Real ID compliance rollout
    - Budget also adds $2.1 million for 32 new FTE for Real ID implementation funded from increased revenues
Article 4 Secs. 3 & 4 – Collections Unit

- Authorizes Department of Revenue to establish a collections unit
  - Collect debts owed to other agencies that meet specific criteria
  - More expansive than current Taxation refund offset program
- Adds fees and penalties to the debt
- Assumes initial pilot program
  - FY 2019 impact $0.8 million
- Heard March 8, 2018
Governor’s FY 2019 Budget includes $0.6 million to support operations

- Includes 7.0 full-time equivalent positions
  - 3.0 Senior accountants
  - 2.0 Collections clerks
  - 1.0 Chief compliance & collections
  - 1.0 Billing specialist

- Assumes $1.3 million in revenues
  - Net impact $0.8 million
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

<table>
<thead>
<tr>
<th>Program</th>
<th>FY 2018 Enacted</th>
<th>FY 2018 Revised</th>
<th>FY 2019 Rec.</th>
<th>Change to Enacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>PILOT</td>
<td>$45.2</td>
<td>$45.2</td>
<td>$46.1</td>
<td>$0.9</td>
</tr>
<tr>
<td>Distressed Communities</td>
<td>12.4</td>
<td>12.4</td>
<td>12.4</td>
<td>-</td>
</tr>
<tr>
<td>Prop. Revaluation</td>
<td>0.9</td>
<td>0.9</td>
<td>1.6</td>
<td>0.7</td>
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<tr>
<td>Motor Vehicle Excise</td>
<td>36.0</td>
<td>34.5</td>
<td>54.7</td>
<td>18.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$94.5</strong></td>
<td><strong>$93.1</strong></td>
<td><strong>$114.9</strong></td>
<td><strong>$20.3</strong></td>
</tr>
</tbody>
</table>

$ in millions
Payment in Lieu of Taxes (PILOT)

- Program reimburses cities and towns for property taxes which would have been due on untaxable property
  - Private, nonprofit educational institutions, hospitals, or state-owned hospital, veterans’ facility, or correctional facility
- Reimbursement up to 27.0% tax that would have been collected
  - Subject to appropriation
Governor recommends $46.1 million for FY 2019
- Full funding
- FY 2018 payment of $45.2 million also full funding
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

- Recommends $12.4 million for FY 2019
- Eligible communities:
  - Central Falls
  - Cranston receives 50.0% allocation
  - Johnston
  - North Providence
  - Pawtucket
  - Providence
  - West Warwick
  - Woonsocket
Municipalities update property valuations every third and sixth year after a full revaluation.

Governor includes $0.9 million for FY 2018 and $1.6 million for FY 2019.

Expenditures fluctuate annually.

- Depends on communities conducting updates.
Motor Vehicle Excise Tax Phase-Out

- FY 2019 Recommendation
  - $34.5 million for FY 2018; $1.5 million less than enacted
  - $54.5 million for FY 2019, $18.7 million more than enacted
    - $6.3 million less than the original estimate
  - Recommendations reflect updated estimates
- 2017 Assembly restarted the phase-out
  - The schedule phases out collections in FY 2024
## Motor Vehicle Excise Tax Phase-Out

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>% of Retail Value</th>
<th>Rate Cap</th>
<th>Exemption Floor</th>
<th>No Tax After Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>100.0%</td>
<td>$ -</td>
<td>$ 500</td>
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<tr>
<td>2018</td>
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<td>2019</td>
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<td>2,000</td>
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<tr>
<td>2020</td>
<td>85.0%</td>
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<td>2021</td>
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<td>2022</td>
<td>75.0%</td>
<td>30</td>
<td>5,000</td>
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<tr>
<td>2023</td>
<td>70.0%</td>
<td>20</td>
<td>6,000</td>
<td>15</td>
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<tr>
<td>2024</td>
<td>No Tax Levied</td>
<td></td>
<td></td>
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</tbody>
</table>
FY 2019 - FY 2023 Capital

- Integrated Tax System
  - $0.6 million from Certificates of Participation for FY 2018 – reflects current year payment

- FY 2019 Lottery Roof
  - $0.1 million from lottery funds in the operating budget
  - Unclear why it was omitted from the Capital Budget
  - Eligible for RICAP funds as an asset protection project
Other Reporting Requirements

- Municipal Finance
  - Required to submit 4 reports
    - All are current

- DMV
  - Required to submit Vehicle Inspection Commission report
    - No members of Commission appointed
    - Commission has never met

- Lottery
  - Required to submit 2 reports – Both current