Governor’s FY 2019 Budget: Articles

Staff Presentation to the House Finance Committee
February 13, 2018
Introduction

- Article 7
  - Section 1 – Securities Fees
  - Section 3 – Insurance Adjusters
  - Sections 4 through 6 – Municipal Police Training Academy
- Article 8 – DMV
- Article 10
  - Section 10 – Insurance Transfer
  - Section 11 – Commercial Licensing Transfer
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
  - Appears to assume full year collections
  - Effective date August 1, 2018 – Governor requested amendment today to make that July 1
<table>
<thead>
<tr>
<th>State</th>
<th>Initial</th>
<th>Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rhode Island</td>
<td>$1,000 per Mutual Fund</td>
<td></td>
</tr>
<tr>
<td><strong>RI – Article 7</strong></td>
<td><strong>$1,500 per Mutual Fund</strong></td>
<td></td>
</tr>
<tr>
<td>Connecticut</td>
<td>$500 per series or portfolio</td>
<td></td>
</tr>
<tr>
<td>Massachusetts</td>
<td>$2,500 per share class</td>
<td>$1,250 per share class</td>
</tr>
<tr>
<td>Maine</td>
<td>$1,000 each class or type</td>
<td></td>
</tr>
<tr>
<td>Vermont</td>
<td>$2,000 per share class</td>
<td>$1,500 per share class</td>
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</table>
## Article 7, Sect. 1 – Securities Fees

### Closed End Mutual Funds

<table>
<thead>
<tr>
<th>State</th>
<th>Initial</th>
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</thead>
<tbody>
<tr>
<td>Rhode Island</td>
<td>0.1% of total offer $300 - 1,000</td>
</tr>
<tr>
<td>RI – Article 7</td>
<td>0.1% of total offer $300 - 1,500</td>
</tr>
<tr>
<td>Connecticut</td>
<td>0.1% of total offer $500 Max</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>0.05% of total offer $300 - $1,500</td>
</tr>
<tr>
<td>Maine</td>
<td>$1,000 for each class or type</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>$500 per class and $200 examination fee</td>
</tr>
<tr>
<td>Vermont</td>
<td>$2,000 per share class</td>
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</tbody>
</table>
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 today that would change effective date to July 1, 2018
# Article 7, Sect. 3 – Claims Adjusters Fees

<table>
<thead>
<tr>
<th>State</th>
<th>Initial</th>
<th>Renew</th>
<th>Adjusters</th>
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<tbody>
<tr>
<td>RI</td>
<td>$150</td>
<td>$150</td>
<td>Public, Independent, Corporate – 2 year</td>
</tr>
<tr>
<td>RI Art 7</td>
<td>$250</td>
<td>$250</td>
<td><em>Public, Independent, Corporate – 2 year</em></td>
</tr>
<tr>
<td>CT</td>
<td>$300</td>
<td>$250</td>
<td>Public – 2 year</td>
</tr>
<tr>
<td>MA</td>
<td>$200</td>
<td>$200</td>
<td>Individual – 3 year</td>
</tr>
<tr>
<td></td>
<td>$66.66</td>
<td>$66.66</td>
<td>Per member Corporate – 3 year</td>
</tr>
</tbody>
</table>
Article 7, Sect. 4-6 – Municipal Police Training Academy

- Authorizes Municipal Police Training Academy to charge applicants:
  - Physical training test and tuition
    - Amount to be determined through rules & reg.
    - Collections would go into a restricted account
    - Support operating costs for Academy
    - If receipts are not sufficient; Assembly to make an appropriation
- Budget assumes receipts of $0.3 million
Training Program
- Generally $1,500 - $5,000
- 20 hrs. or more per week
- 20 plus weeks program

Massachusetts charges $3,000/student
- A municipality may sponsor an individual

Legislation also repeals the prohibition on charging cities and towns
Article 7, Sect. 4-6 – Municipal Police Training Academy

- Deletes obsolete current law
  - Municipal Police Training Academy be maintained by the state & be located at URI
    - At CCRI in Lincoln since 1981
  - Academy will consolidate operations in Camp Fogarty in East Greenwich
    - Budget assumes savings of $19,475 from lease payments
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
Article 8, Section 1 – License Plate Issuance Delay

- State law requires reissuance of plates every 10 years
  - Last full reissuance was “Wave” plates done over 1996 and 1997
- This would be 6th postponement

<table>
<thead>
<tr>
<th>Assembly</th>
<th>Current Date</th>
<th>New Date</th>
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</thead>
<tbody>
<tr>
<td>2013</td>
<td>9/2013</td>
<td>9/2015</td>
</tr>
<tr>
<td>2016</td>
<td>7/2016</td>
<td>4/2017</td>
</tr>
<tr>
<td>2017</td>
<td>4/2017</td>
<td>1/2019</td>
</tr>
<tr>
<td>2018 –Art 8</td>
<td>1/2019</td>
<td>01/2020</td>
</tr>
</tbody>
</table>
Article 8, Section 1 – License Plate Issuance Delay

- No change to issuance plan:
  - At the time of initial registration
  - Upon registration renewal
- Expenditures expected to be $10.7 million over 24 months
  - Partially offset by $5.2 million in revenues from charges for new plates
  - $6.00 per set cost in statute - unchanged
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
Reduces transfer of fees collected by DMV to Highway Maintenance Account
- From 80% to 60%

FY 2018 Revised Budget assumes additional revenues of $10.3 million from proposal

100% transfer for FY 2019
- Permanently excludes duplicate license fees from transfer
- Expected uptick duplicates from REAL ID
Article 8, Section 3 – Highway Maintenance Account

- HMA was created by 2013 Assembly
  - Receives specific surcharges and other revenues as appropriated
    - Phased in increases of surcharge from FY 2014 through FY 2016
    - Vehicle registration and licenses
  - Designed to be used as partial state match for federal funds in lieu of state issuing general obligation bonds
2014 Assembly adopted Article 21

- Transferring motor vehicle related fees to the Highway Maintenance Account
- Incremental transfers phase-in over 3yrs.
  - FY 2016 – 25%
  - FY 2017 – 75%
  - FY 2018 – 100%

- Part of larger plan to address transportation funding and long term maintenance issues
- RIPTA receives 5%
2017 Assembly also provided RIPTA with an additional $5.0 million:
- Reinstate bus pass program
- Cover debt service
### Article 8, Section 3 – Highway Maintenance Account

<table>
<thead>
<tr>
<th></th>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Year Receipts</td>
<td>$ -</td>
<td>$26.8</td>
</tr>
<tr>
<td>New Receipts</td>
<td>57.2</td>
<td>71.8</td>
</tr>
<tr>
<td>Available</td>
<td>$57.2</td>
<td>$98.6</td>
</tr>
<tr>
<td>Spent</td>
<td>$30.4</td>
<td>$36.2</td>
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<tr>
<td>Balance</td>
<td>$26.8</td>
<td>$62.4</td>
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</table>

*In millions*
Budget transfers excess funds from two accounts used to recapture regulatory costs

- $750,000 from Insurance Regulation
- $800,000 from Commercial Licensing, Gaming and Athletics
Article 10, Sec. 10 & 11,— Dept. of Business Regulation Transfers

- Insurance Regulation
  - Industry Assessment for actuary costs
    - DBR statutorily required to review insurer filings
    - Assessment paid by insurers
    - Licensed actuaries contracted to make the determination

- Commercial Licensing, Gaming and Athletics
  - Third-party reimbursement account
**Article 10, Sec. 10 & 11,— Dept. of Business Regulation Transfers**

- Projections based on 4-year historical revenues and expenditures

<table>
<thead>
<tr>
<th></th>
<th>Begin Balance</th>
<th>Rev.</th>
<th>Exp.</th>
<th>Balance</th>
<th>Transfer</th>
<th>End Balance</th>
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</thead>
<tbody>
<tr>
<td>Comm. Licensing</td>
<td>$1,287.9</td>
<td>$469.3</td>
<td>$288.1</td>
<td>$1,469.1</td>
<td>($800.0)</td>
<td>$669.1</td>
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<tr>
<td>Insurance regulation</td>
<td>$1,103.4</td>
<td>$670.3</td>
<td>$544.5</td>
<td>$1,229.1</td>
<td>($750.0)</td>
<td>$479.1</td>
</tr>
</tbody>
</table>

$ in Thousands