Governor’s FY 2019 Budget: Articles

Staff Presentation to the House Finance Committee
February 27, 2018
Introduction

- Article 2 – State Funds
  - State Budget
  - State Funds
  - Performance Improvement Fund
- Article 6 – Licensing - except
  - Section 16 – Interpreters for the Deaf
  - Section 14 - Hearing aid dealers and fitters
  - Postposed pending interpreter availability
Expands Westerly Higher Education & Job Skills Center restricted receipt account

- Allows for revenues collected from other Higher Ed Centers to be deposited

Westerly Center opened during FY 2017

- Facility administered by Office of Postsecondary Commissioner
- Partners w/ URI, RIC, CCRI, DLT, Electric Boat
- Financially self supporting from program fees
Article 2, Section 1 – Higher Education Centers

- $2.0 million from general revenues in FY 2017 & FY 2018 as part of lease agreement
- $2.0 million from RICAP to outfit CCRI needs
- GO bonds for brownfield remediation

<table>
<thead>
<tr>
<th>Amount in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royce Family Fund</td>
</tr>
<tr>
<td>Washington Trust</td>
</tr>
<tr>
<td>Westerly Comm. Credit Union</td>
</tr>
<tr>
<td>Roberts Foundation</td>
</tr>
<tr>
<td>Town of Westerly</td>
</tr>
<tr>
<td><strong>State Brownfield Grant-DEM</strong></td>
</tr>
<tr>
<td>Other Private</td>
</tr>
<tr>
<td><strong>General Revenues</strong></td>
</tr>
<tr>
<td><strong>RICAP</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>
Governor’s capital budget includes $4.0 million from RICAP to replicate public-private model being used at Westerly Center in northern RI

- RICAP would be used over FY 2019 & FY 2020 to construct 1 or more centers
  - Unclear if there are private funds available as there were for Westerly Center
  - Or if private funding is a condition of pursuing the second site
Article 2, Section 2 – State Budget

- **Current Law**
  - Unexpended/unencumbered balances of general revenues at end of fiscal year revert to surplus
  - May be reappropriated by the Governor in the ensuing fiscal year
    - To be used for the same purposes
Article 2, Section 2 – State Budget

- Governor must submit report to chairs of House & Senate Finance Committees
  - Report must include:
    - General revenue appropriation
    - Unexpended or unencumbered balance
    - Amount reappropriated
    - Explanation & reason
  - Fiscal year closes June 30
  - Report Due August 15
Article 2, Section 2 – State Budget

- Article 2 changes due date from August 15 to September 1
  - To coincide w/ preliminary closing
  - Letter has been issued past August 15 deadline in recent years
- May create new timing issue
  - Closing is also due September 1
  - How can both be done simultaneously?
    - Controller would need to know Governor’s reappropriation to incorporate it into the September 1 closing
Rhode Island Capital Fund Assessment

- Authorizes state budget officer to impose an indirect cost up to 10%
  - Project expenditures funded with RICAP funds
    - Over $100 million budgeted annually
  - To support direct project management costs

- Mechanics of the process not clear
  - Would assessment occur as funds are spent?
  - Uneven spending patterns would complicate budgeting depending on process
Article 2, Section 3 – Rhode Island Capital Plan Funds

- Budget assumes general revenue savings of $3.7 million
  - Undistributed in DOA budget
  - Savings appears based on partial survey of state agency costs for project management
- Not clear how these savings will accrue to general revenues
  - Most of the RICAP spending is for agencies funded by majority non-general revenue sources
  - Transportation accounts for about one-third of the total
  - Higher Education accounts for about 21 percent
1990 Assembly set up the “rainy day” fund to ensure adequate cash and budget reserves
Voter referendum in November 1992
Largest source of state funded pay-go
State spending limited to 97.0% of general revenues
  - FY 2013 was end of 5-year move from 98.0%
Article 2, Section 3 – Rhode Island Capital Plan Funds

- Remainder goes to Budget Stabilization & Cash Reserve Account
- When that reaches 5.0%, excess flows to the capital account
- Previously used mostly to pay debt
- Voters amended constitution in 2006 to limit use for projects only
- Dedication of pay-go sources to capital lessens need to issue debt
Article 2, Section 3 – Rhode Island Capital Plan Funds
Resources in the Fund have grown over time.

Being used for its intended purpose: lowering the state’s borrowing needs:
- Annual $27.2 million to match federal transportation funds – avoid borrowing.
- Project costs were not adjusted to reflect cost of the assessment.
Article 2, Section 3 – Rhode Island Capital Plan Funds

- Improvements for state buildings
  - Courts, prisons, hospitals, higher education
- State facilities
  - Dams, piers, parks
- Designed to extend the life of facilities
  - Prevent the need for costly replacements
Article 2, Section 3 – Indirect Cost Recovery

- All revenues = general revenue, unless otherwise noted – RIGL 35-3-14 (a)
- 10% indirect charge unless:
  - Prohibited (federal or other)
  - Charitable
  - Specifically listed as exempt
- Represents overhead charges similar to those allowed on federal grants
  - For infrastructure and administration
Article 2, Section 3 – Indirect Cost Recovery

- Adds 3 accounts to list to be exempt from 10% charge:
  - Municipal Police Training Tuition and Fees
    - Article 7, Section 5 – HFC heard February 13
  - School Construction Services
    - Article 9, Section 2
      - Hearing scheduled March 22
  - School for the Deaf – School Breakfast and Lunch Program
    - No legislation to create account
Article 7, Section 5 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
Article 9 establishes a restricted account to be funded from RIHEBC fees and reserves

- Support expenses incurred from administering school construction program

FY 2019 Budget includes $0.7 million to fund 4.0 positions and operating expenses

- 3.0 positions currently filled & 1.0 new FTE
Article 2 – Section 4, Atomic Energy Reactor Fees

- Creates restricted account for Atomic Energy Commission’s reactor fees
  - Currently deposited as general revenues
    - Receipts have averaged $20,000 annually over past 5 years
  - Remaining funds in excess of $200,000 must be deposited into General Fund at end of each fiscal year
FY 1993 Commission began charging fees that were deposited into a restricted receipt account
- Converted to general revenues in FY 1996
- Fees last increased in 1998

Budget assumes that indirect cost recovery on new account is enough to replace lost general revenues
Article 2, Section 5 – Performance Improvement Fund

- Establishes Government Performance Improvement Fund
  - Provide incentives in support of innovative initiatives
  - Payments made only if performance targets are achieved
    - Determined by an independent evaluator
Legislation also requested last year intended for use with current Pay for Success Program

- Assembly provided $0.3 million from general revenues for FY 2018
- FY 2019 Budget includes $0.3 million
- Would transfer those funds to the Performance Improvement Fund
  - Current mechanism to avoid lapse to surplus is reappropriation language
Article 6 – Licensing

- Transfer of certain licensure from Department of Health to Department of Business Regulation
- Multiple changes with 3 stated goals
  - Administrative ease
  - Align statute and practice
  - Business regulatory improvement
Article 6 – Licensing: Transfer

- Center for Professional Licensing, Boards, and Commissions in Department of Health
  - Licenses, certifies and disciplines healthcare professionals
  - Identifies professional standards to ensure highest quality health care for and protection of the public
Article 6 – Licensing: Transfer

- Department of Health currently has 171K active licenses issued
  - More than 400 professions and facilities
    - Physicians, nurses and veterinarians
    - Nursing homes, hospitals and laboratories

- Transfers licensure of 9 professionals and associated boards/commissions to Department of Business Regulation
## Article 6 – Licensing: Transfer

<table>
<thead>
<tr>
<th>Profession</th>
<th>Active Licenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbers, hairdressers, estheticians, cosmeticians and manicurists</td>
<td>13,081</td>
</tr>
<tr>
<td>Electrolysis</td>
<td>2</td>
</tr>
<tr>
<td>Funeral directors/embalmers</td>
<td>357</td>
</tr>
<tr>
<td>Opticians</td>
<td>182</td>
</tr>
<tr>
<td>Speech pathology &amp; audiology</td>
<td>843</td>
</tr>
<tr>
<td><strong>Hearing aid dealers &amp; fitters</strong></td>
<td>51</td>
</tr>
<tr>
<td>Athletic trainers</td>
<td>209</td>
</tr>
<tr>
<td><strong>Interpreters for the deaf</strong></td>
<td>52</td>
</tr>
<tr>
<td>Music therapists</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14,786</td>
</tr>
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</table>
# Article 6 – Licensing: Transfer

<table>
<thead>
<tr>
<th>Sec.</th>
<th>Profession</th>
<th>Board Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Barbers, hairdressers, estheticians, cosmeticians and manicurists</td>
<td>7 members</td>
</tr>
<tr>
<td>10</td>
<td>Electrolysis</td>
<td>Dissolved 20 yrs. ago</td>
</tr>
<tr>
<td>11</td>
<td>Funeral directors/embalmers</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Opticians</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Speech pathology &amp; audiology</td>
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<td><strong>Hearing aid dealers &amp; fitters</strong></td>
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</tr>
<tr>
<td>15</td>
<td>Athletic trainers</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td><strong>Interpreters for the deaf</strong></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Music therapists</td>
<td>No board</td>
</tr>
</tbody>
</table>
Article 6 – Licensing: Transfer

- Budget transfers 2.0 positions and $0.2 million to DBR
  - One health services licensing aide
    - Admin support to boards and commissions
  - One beauty shop inspector
- Appears to allow Department of Business Regulation to establish fees
  - Fees stricken from statutory table
  - Not enumerated elsewhere
Article 6 – Licensing: Administrative Ease

- Section 1
  - Allows use of electronic signatures of licensure boards and clerks
  - Current law requires signature “written by hand”

- Section 31
  - Eliminates requirement for proposed trucking companies to demonstrate current or future need for their service
Section 32

- Subjects sales tax permit expiration to Tax Administrator’s discretion
  - Current law: July 1 - June 30; apply by February
- Proposal designed to align the sales and litter control permitting processes
  - All businesses selling food and/or beverages are required to have a litter control permit
  - Current law: January 1 - December 31, apply by August
Article 6 – Licensing: Administrative Ease

Section 32

▪ As drafted, applies to all sales tax permits, granting wide discretion to Tax Administrator to extend permits
  ▪ Not limited to those that also require litter control permit
▪ There are over 30,000 retail sales tax permits issued annually - $10 each
  ▪ A shift in the payment schedule would have a fiscal impact
Section 4

- Eliminates $1 duplicate license fee for Class G license holders
  - Class G allows for sale and consumption of beverages on railroads, airplanes, and marine vessels

- Licenses are issued electronically
  - Fee is not currently collected
Article 6 – Licensing: Align Statute and Practice

- Section 30
  - Repeals $25 fee to file a complaint for any resident or owner of a mobile or manufacturing housing park
    - Fee may be collected at the discretion of Department of Business Regulation
    - Department does not currently collect
Section 2

- Eliminates surety bonds on alcohol manufacturers and wholesalers
  - Surety bond is a form of insurance against taxes owed and illegal actions
  - Amount set by regulation
- DBR has no record of prior bond drawdown

<table>
<thead>
<tr>
<th>Class</th>
<th>Bond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturer</td>
<td>$5,000</td>
</tr>
<tr>
<td>Class A &amp; B Wholesaler</td>
<td>$2,500</td>
</tr>
</tbody>
</table>
Article 6 – Licensing: Business Regulatory Improvement

- **Section 3**
  - Allows DBR to collect and transfer funds from alcohol related regulatory fees directly to the Treasury rather than through Taxation
    - Alcohol Manufacturer and Brewpub Manufacturers’ Licenses
    - Rectifiers’ Licenses
    - Wholesalers’ Class A, B, and C Licenses
    - Alcohol Industry Representative Agents’ Licenses
Article 6 – Licensing: Business Regulatory Improvement

- **Section 5**
  - Eliminates requirement for barbering and cosmetology businesses to provide a signed and sealed municipal zoning certificate prior to having its professional license issued

- **Section 27**
  - Eliminates $50 per chair fee on barbers and cosmetology businesses
  - Budget assumes revenue loss of $60,000
Section 25
- Eliminates additional $160 licensing fee for frozen desserts processing for registered food service establishments
  - Operates at a single location
  - Budget assumes revenue loss of $80,000

Section 26
- Extends food safety licensure from 3 to 5 years
  - Budget assumes revenue loss of $60,000
Section 27

- Reduces the wholesale producers’ license from $500 to $300
  - Manufacturer of food products in and out of Rhode Island
  - Does not include restaurants, brokers to large scale buyers like prisons or hospitals, or farmers
  - Retail food processors a separate class
- Budget assumes revenue loss of $104,200
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