Governor’s FY 2019 Revised and FY 2020 Budget: Articles

Staff Presentation to the House Finance Committee
February 26, 2019
Introduction

- 2019-H 5150
  - Article 1, Sections 17 – 24

- 2019-H 5151
  - Article 3, Sections 1 – 26
  - Article 5, Sections 2, 3, 8, 17 and 19
Summary

- DOR and DBR regulatory revisions affecting businesses
  - 5151 Article 3
- DBR Fees and DOR Interest
  - 5151 Article 5
- DEM fund transfers and fee increases
  - 5150 Article 1
  - 5151 Article 5
H 5151
Article 3, Sections 1 – 26

- Regulatory Changes
  - Sections 1-13 & 18-20
- Function Transfers
  - Sections 13 and 21
- Background Checks
  - Sections 14 – 17
- Revenue and Tax Authority
  - Sections 22 – 26
### H 5151
**Article 3, Sec. 1-13 & 18-20**

- Budget does not specifically account for lost revenue

<table>
<thead>
<tr>
<th>Item</th>
<th>Section</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport District Parking Permit Fees</td>
<td>1</td>
<td>($1,500)</td>
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<tr>
<td>$1 Duplicate Caterer Liquor License</td>
<td>2</td>
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<tr>
<td>Motor Carrier Fees &amp; Decals</td>
<td>12</td>
<td>(50,000)</td>
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<tr>
<td>Retail Gasoline Application Fee</td>
<td>13</td>
<td>(180)</td>
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<tr>
<td>Auto Salvage Yard Penalties</td>
<td>20</td>
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<tr>
<td><strong>Estimated Annual Loss</strong></td>
<td></td>
<td><strong>($51,680)</strong></td>
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</table>
Statutory Changes

- Obsolete Leather & Hide Inspector statute
- Eliminates notarization requirements for
  - Well installation
    - Also eliminates requirement for “good moral character”
  - Interpreters for the Deaf
    - “Good moral character” requirement remains
- Changes licensure to registration for all bedding & upholstery dealers & manufacturers
  - Technical change, no change in practice
Statutory Changes

- Institute $1,000 penalty for certified constable violations
  - No revenues assumed
  - Only current enforcement is revocation

- Technical changes to Mixed Martial Arts statutes consistent with boxing language
  - Exempts amateur competitions with prizes less than $25
  - Allows DBR to set fees for referees and officials
    - No revenues assumed
Contractors’ Licensing & Registration Board
- Technical changes with 2018 shift to DBR
- Roofing contractors
  - Increase insurance $1.5 million to $2.0 million
    - Removes individual project bonding requirement
      - Currently equal to project cost; minimum $0.1 million
  - “Good moral character” requirements remain
- Continuing Education changes
  - 10 hours per 2-yrs; annual under current law
  - Eliminates 10-hour OSHA safety certificate or equivalent
Section 10 clarifies standard for DEM to require remediation of contaminated vapors or gases into proposed school buildings

- Intent of law remains in place
- Specifies requirements by striking the term “reasonable potential” and requiring conceptual site modeling and environmental sampling instead
H 5151

Article 3, Sections 1 – 26

- Regulatory Changes
  - Sections 1-13 & 18-20
- **Function Transfers**
  - Sections 13 and 21
- Background Checks
  - Sections 14 – 17
- Revenue and Tax Authority
  - Sections 22 – 26
H 5151
Article 3, Sections 9 & 13

- Sections 9 and 13 transfer enforcement powers from DBR to DLT for violating:
  - Variety of price & brand display requirements or false advertisement
  - Counterfeit or fraudulent sales of fuel and lubricants

- Efficiency measure
  - DLT conducts weights and measures inspections
  - Under current practice DBR only conducts enforcement checks when notified by DLT
Section 21 transfers ombudsman position from DOA Office of Regulatory Reform to DBR

Governor recommended transfer of position as part of FY 2016 budget
  - Assembly maintained it in DOA

Position was created by 2010 Assembly
  - Help small business navigate through state and local permitting
H 5151
Article 3, Section 21

- MOU between DOA & Executive Office of Commerce
  - Effective Sept. 2017 - Sept. 2019
  - Cost of position to EOC
  - Maintain staffing authorization in DOA
- FY 2019 enacted assumes Commerce Corp will fund
  - FY 2019 rev. & FY 2020 rec. assume same
  - Transparency issues persist
H 5151
Article 3, Sections 1 – 26

- Regulatory Changes
  - Sections 1-13 & 18-20
- Function Transfers
  - Sections 13 and 21
- **Background Checks**
  - Sections 14 – 17
- Revenue and Tax Authority
  - Sections 22 – 26
Establishes new requirements for who must undergo state and national fingerprint criminal background checks

- Volunteers and employees at RI Training School
- State employees and vendors who have access to federal tax information
Personnel administrator to coordinate background checks for employees

Requirement for vendors will be included in contracts

- New employees and current employees
  - Must be complete within time approved by agency director/designee
- Agency directors must be notified to determine if person is suitable for having access
Expands child care facility employment requirements to include criminal records checks

- Includes any adult household member in a licensed family day care home
- Attorney General’s Office, state or local police, or DCYF may receive applications to conduct background checks
- Criminal record checks conducted every five years of continuous employment
H 5151
Article 3, Sections 1 – 26

- Regulatory Changes
  - Sections 1-13 & 18-20
- Function Transfers
  - Sections 13 and 21
- Background Checks
  - Sections 14 – 17
- Revenue and Tax Authority
  - Sections 22 – 26
Public Inspection of Licenses

- Permits the Tax Administrator to periodically post active licenses for public inspection
  - Unspecified period
  - Includes all licensed tax-related activities
- Facilitate voluntary compliance and renewal of approx. 2,000 municipally administered liquor related licenses
H 5151
Article 3, Section 23

- Removes requirement that Division of Municipal Finance monitor and report statutory compliance of Central Coventry Fire District
- CCFD announced receivership 2012
  - 2013 Assembly enumerated District powers & duties including appropriation contingency
    - Authorized Division specific oversight powers
- Receivership dissolved October 2015
  - No Municipal Finance staff on site since
Corporate tax audits
- Incorporates a mechanism to deal with the results of the new federal audit regime for certain corporate partnerships
- Multi-state model language

Personal Income Tax withholding
- Adds casino gambling and sports wagering income withholding to existing law
Income Tax Withholding

- Requires employers to remit electronically
  - If average withholding of $200 per month
  - Fines for lack of compliance
  - Lesser of 5% or $500 for negligence
  - $50 otherwise

- Requires employee leasing companies to use prescribed withholding forms

- Adds interest charges for failure to remit withholding at prescribed times
  - Prime +2% between 18% - 21%
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H 5151
Article 5, Section 2

- Increases Mortgage Loan Originator License fee from $100 to $400
  - Current fee established in 2007
  - Massachusetts: $500
  - Connecticut: $300

- Budget assumes $1.2 million in new revenues
H 5151
Article 5, Section 3

- Increases registration fee for debt collector businesses from $100 to $500
  - Executive Summary describes an increase to $750
    - Governor requested amendment yesterday

- Budget assumes $0.6 million
  - Assumes 524 registrations & 365 branches
    - Branches for same entities subject to same fee
Collections Unit Interest Charges

- Upon referral from state agency, debt subject to interest
  - Consistent with current taxation rates
  - Prime + 2% between 18% - 21%

Budget proposes to lower rate

- Greater of 13% or the rate under law for the referring agency
Summary

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  - 5151 Article 5
Transfers to the general fund

<table>
<thead>
<tr>
<th>Item</th>
<th>Section</th>
<th>Impact</th>
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</thead>
<tbody>
<tr>
<td>OSPAR</td>
<td>17</td>
<td>$1.0</td>
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<tr>
<td>Underground Storage Tank</td>
<td>18</td>
<td>1.0</td>
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<tr>
<td>Excess DEM Bonds</td>
<td>19 – 24</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$3.4</strong></td>
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</tbody>
</table>

$ in millions
Oil Spill Prevention, Administration, & Response Fund

- Created 1996 in response to North Cape spill
- $0.05 per barrel
  - Out of state petroleum products
- Annual average collections - $1.5 million
- $10.0 million cap, adjusted for inflation after January 1, 1998, on fee collection
  - $15.6 million as of January 2019 using CPI
Eligible Uses

- Response, containment, and remediation
- Response readiness training & equipment
- Emergency loans to workers affected by a spill
- Damage compensation for claims that cannot otherwise be compensated by responsible parties
## H 5150 Article 1, Section 17
### OSPAR Fund

<table>
<thead>
<tr>
<th>Current Law – Fiscal Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019*</th>
<th>2020*</th>
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</thead>
<tbody>
<tr>
<td>Prior Balance</td>
<td>$4.6</td>
<td>$4.0</td>
<td>$3.3</td>
<td>$2.6</td>
<td>$1.8</td>
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<td>Receipts</td>
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<td>1.6</td>
<td>1.5</td>
<td>1.5</td>
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<tr>
<td><strong>Total Available</strong></td>
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<td>$5.5</td>
<td>$5.0</td>
<td>$4.1</td>
<td>$3.3</td>
</tr>
<tr>
<td>Staffing/Contracted</td>
<td>$1.5</td>
<td>$1.3</td>
<td>$1.6</td>
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<td>$1.7</td>
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<tr>
<td>Operations</td>
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<td>Grants</td>
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<td>-</td>
<td>0.4</td>
<td>0.4</td>
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<tr>
<td><strong>Total Expenses</strong>*</td>
<td>$2.3</td>
<td>$2.2</td>
<td>$2.3</td>
<td>$2.4</td>
<td>$2.6</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td><strong>$4.0</strong></td>
<td><strong>$3.3</strong></td>
<td><strong>$2.6</strong></td>
<td><strong>$1.8</strong></td>
<td><strong>$0.6</strong></td>
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</tbody>
</table>

* Governor’s recommendations including expanded use $ in millions
Section 17 requires the transfer of $1.0 million from the fund by June 30, 2019

- Average operating deficit of $0.7 million since FY 2016
- Estimated FY 2019 balance of $1.8 million
  - FY 2020 year end balance $0.6 million
  - Transfer lowers FY 2020 opening surplus and fund will go into deficit with recommended expenses
Section 19 doubles fee to $0.10 per barrel
Also expands eligible uses
- Support compliance and monitoring for stormwater management and brownfields
- Governor recommends $0.2 million to fund 3.0 new staff in FY 2020
Amendment submitted February 25 to further expand eligible uses

- Fund a grant program for municipalities or state agencies
- Projects which increase resiliency of infrastructure on public lands to impacts of climate change
  - In order to protect or enhance natural systems and habitats
## H 5150 Article 1, Sec. 17 and H 5151 Article 5, Sec. 19

<table>
<thead>
<tr>
<th>Gov Proposal – Fiscal Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019*</th>
<th>2020*</th>
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<td>$4.0</td>
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<td>$2.6</td>
<td>$0.8</td>
</tr>
<tr>
<td>Receipts</td>
<td>1.7</td>
<td>1.5</td>
<td>1.6</td>
<td>1.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Total Available</td>
<td>$6.3</td>
<td>$5.5</td>
<td>$5.0</td>
<td>$4.1</td>
<td>$3.8</td>
</tr>
<tr>
<td>Staffing/Contracted</td>
<td>$1.5</td>
<td>$1.3</td>
<td>$1.6</td>
<td>$1.4</td>
<td>$1.7</td>
</tr>
<tr>
<td>Operations</td>
<td>0.8</td>
<td>0.6</td>
<td>0.7</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Grants</td>
<td>0.0</td>
<td>0.2</td>
<td>-</td>
<td>0.4</td>
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<tr>
<td>Total Expenses</td>
<td>$2.3</td>
<td>$2.2</td>
<td>$2.3</td>
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<tr>
<td>Balance</td>
<td>$4.0</td>
<td>$3.3</td>
<td>$2.6</td>
<td>$0.8</td>
<td>$1.1</td>
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</table>

*Governor’s recommendations $ in millions
H 5150 Article 1, Section 18
UST Fund

- Created 1994, revenues from one cent per gallon motor fuel when product is sold to owners or operators of UST
  - Previous transfers of $2.0 million to general fund in both FY 2006 and FY 2008
  - Amended in 2009, one half cent for UST, one half cent for the Intermodal Surface Transportation Fund
  - $8.0 million cap on fee collection
Eligible uses include

- Reimbursement of claims including property or natural resource damage
- DEM costs for investigation, remediation, and corrective action activities at sites of a release
<table>
<thead>
<tr>
<th>Current Law – Fiscal Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019*</th>
<th>2020*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Balance</td>
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<td>$1.4</td>
<td>$1.9</td>
<td>$2.3</td>
<td>$2.5</td>
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<td>2.0</td>
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<td>2.0</td>
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<tr>
<td><strong>Total Available</strong></td>
<td>$3.7</td>
<td>$3.3</td>
<td>$3.9</td>
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<td>$1.6</td>
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<td>$1.8</td>
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<td><strong>Balance</strong></td>
<td><strong>$1.4</strong></td>
<td><strong>$1.9</strong></td>
<td><strong>$2.3</strong></td>
<td><strong>$2.5</strong></td>
<td><strong>$2.6</strong></td>
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</table>

*Governor’s recommendations $ in millions
Section 18 requires transfer of $1.0 million from the fund by June 30, 2019

- Fund has operating surplus
  - $0.6 million in FY 2018, ending balance of $2.3 million
- FY 2019 estimated year-end balance of $2.5 million without transfer
  - With transfer, estimated balance is $1.5 million
### H 5150 Article 1, Section 18

**UST Fund**

<table>
<thead>
<tr>
<th>Gov Proposal – Fiscal Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019*</th>
<th>2020*</th>
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</thead>
<tbody>
<tr>
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<td>$1.4</td>
<td>$1.9</td>
<td>$2.3</td>
<td>$1.5</td>
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<tr>
<td>Receipts</td>
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<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total Available</strong></td>
<td>$3.7</td>
<td>$3.3</td>
<td>$3.9</td>
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<td>$2.3</td>
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<td>$1.6</td>
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</table>

* Governor’s recommendations $ in millions
Requires $1.4 million of excess bond funds to be transferred by June 30, 2019

<table>
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<tr>
<th>Year</th>
<th>Use</th>
<th>Amount</th>
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<tr>
<td>1986</td>
<td>Government Inceptors</td>
<td>$1,111,661</td>
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<tr>
<td>1986</td>
<td>Government Water Pollution Control</td>
<td>107,267</td>
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<tr>
<td>1986</td>
<td>Private Water Pollution Control</td>
<td>35,094</td>
</tr>
<tr>
<td>2000</td>
<td>State Rec. Facilities Development &amp; Renovations</td>
<td>11,908</td>
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<tr>
<td>2000</td>
<td>Local Rec. Facilities Distressed</td>
<td>1,226</td>
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<tr>
<td>2010</td>
<td>25 India Street – Shooter’s Property Acquisition</td>
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<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>$1,427,185</strong></td>
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</table>
In most cases debt has not been retired

<table>
<thead>
<tr>
<th>Project</th>
<th>Debt Remaining</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
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<td>Private Water Pollution Control</td>
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<tr>
<td>State Recreation Facilities</td>
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<td>Local Rec. Facilities Distressed</td>
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<td><strong>$1,707,329</strong></td>
<td><strong>$6,545,326</strong></td>
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</table>
Beverage Containers

- Fee imposed on each case of beverage containers sold by a wholesaler to retailer or consumer
  - Does not apply to reusable or refillable containers
- Established in 1984 at $0.05/case
- Lowered to $0.04/case in 1988
- Average annual collections - $1.1 million
Hard-to-Dispose Materials

- Fee imposed on different measurements of five different hard-to-dispose materials
  - Tires and vehicles
  - Motor oil, antifreeze, and organic solvents
- Collected upon sale of materials by wholesalers to retailers
- Fees established in 1988 - unchanged since
- Average annual collections - $2.4 million
H 5151 Article 5, Sec. 17 - Litter Fees

- Beverage Containers & Hard-to-Dispose Materials
  - Governor proposes to double fees

<table>
<thead>
<tr>
<th>Type</th>
<th>Unit</th>
<th>Current</th>
<th>Proposal</th>
<th>Revenue</th>
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<tbody>
<tr>
<td>Beverage Containers</td>
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<td>$0.10</td>
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<td>Antifreeze</td>
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<td>Gallon</td>
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<td>$0.005</td>
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<tr>
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<td>$1.00</td>
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<td>MV</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>$3.00</strong></td>
<td><strong>$6.00</strong></td>
<td><strong>$3.1</strong></td>
</tr>
</tbody>
</table>

$ in millions
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February 26, 2019