

Department of Revenue

FY 2021 Revised

FY 2022 Recommended

May 12, 2021

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 2021 Enacted	FY 2021 Rev.	FY 2022 Gov.	Chg. to Enacted
General Revenue	127.2	127.4	267.2	140.0
Federal Funds	138.1	185.7	0.5	(137.6)
Restricted Receipts	5.6	5.8	4.1	(1.4)
Other Funds	435.8	435.9	434.5	(1.3)
Total	\$706.7	\$754.7	\$706.4	\$(0.3)

\$ in millions

Summary by Program

	FY 2021 Enacted	FY 2021 Rev.	FY 2022 Gov.	Chg. to Enacted
Director's Office	\$1.9	\$48.7	\$1.8	\$(0.1)
Revenue Analysis	0.9	0.9	0.9	0.0
Lottery	434.6	434.7	434.4	(0.2)
Municipal Finance	2.1	2.1	1.7	(0.4)
Taxation	35.5	35.8	34.2	(1.3)
DMV	32.8	33.6	32.0	(0.8)
State Aid	198.2	198.2	200.6	2.5
Collections Unit	0.8	0.8	0.8	0.0
Total	\$706.7	\$754.7	\$706.4	\$(0.3)

\$ in millions

Centralized Services

All Sources	FY 2021 Enacted	FY 2021 Rev.	Chg. to Enacted	FY 2022 Gov.	Chg. to Enacted
IT	\$4.1	\$4.1	\$-	3.7	(0.4)
Facilities	1.9	1.9	-	1.2	(0.7)
HR	0.7	0.7	-	0.6	(0.1)
Total	\$6.7	\$6.7	\$-	\$5.4	\$(1.3)
Total GR	\$6.5	\$6.5	-	\$5.3	\$(1.2)

\$ in millions

- FY 2022 provides \$5.3 million
 - Expenses have averaged \$5.6 million over last 3 years, including \$5.8 for FY 2020
 - FY 2021 projected ~ \$0.1 million less than enacted

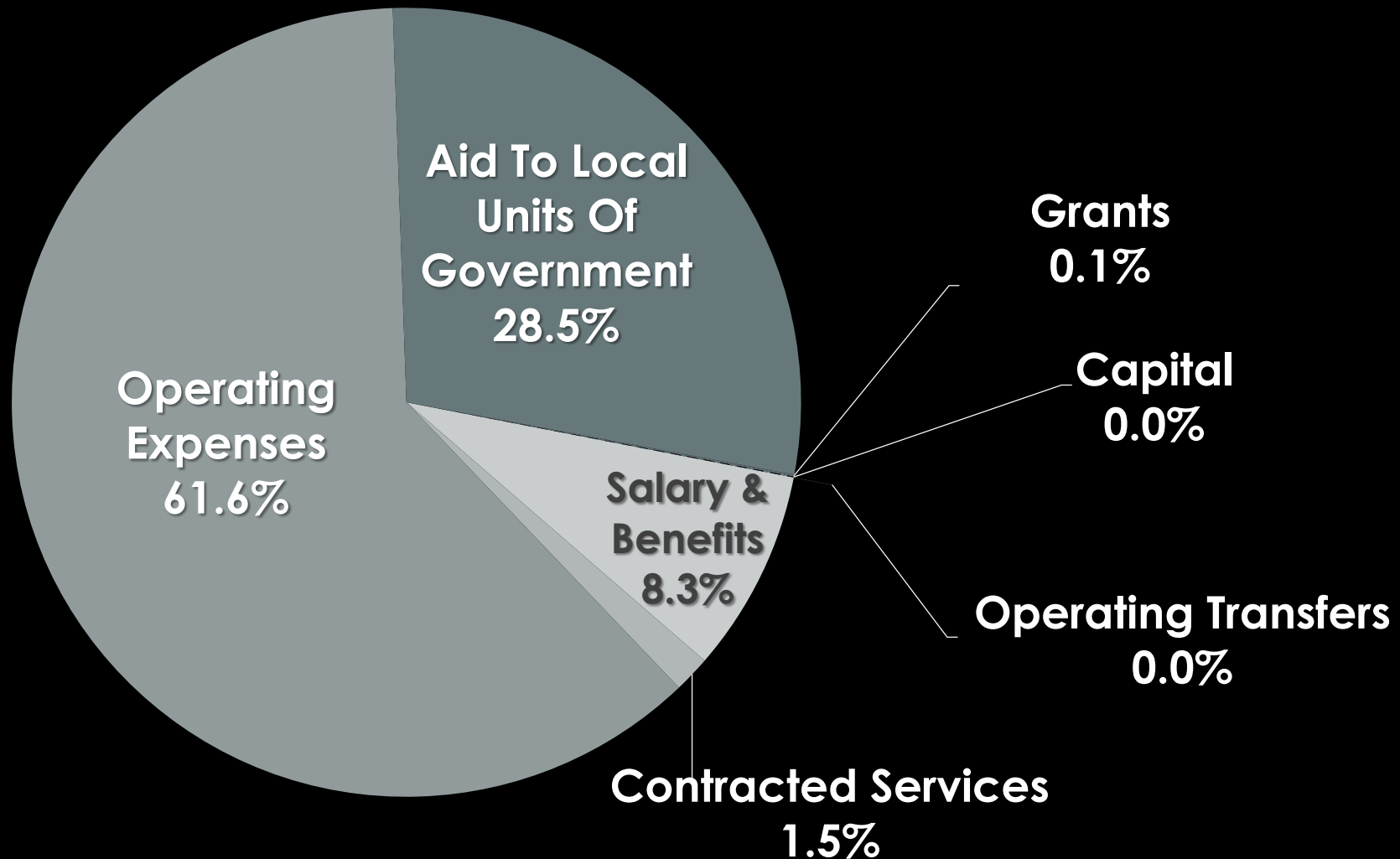
COVID-19

- Business Interruption Support – CARES Act funded support
 - Those experiencing disruptions from the pandemic including the November pause
 - For locally-owned RI tax filers impacted by the pause
 - Grants to reimburse losses from \$500 to \$50,000
 - Includes program administered by the Division of Taxation
- FY 2021 Rev. aligns budget w/ spending
 - Includes \$46.1 million for DOR
 - Previously budgeted in EOC

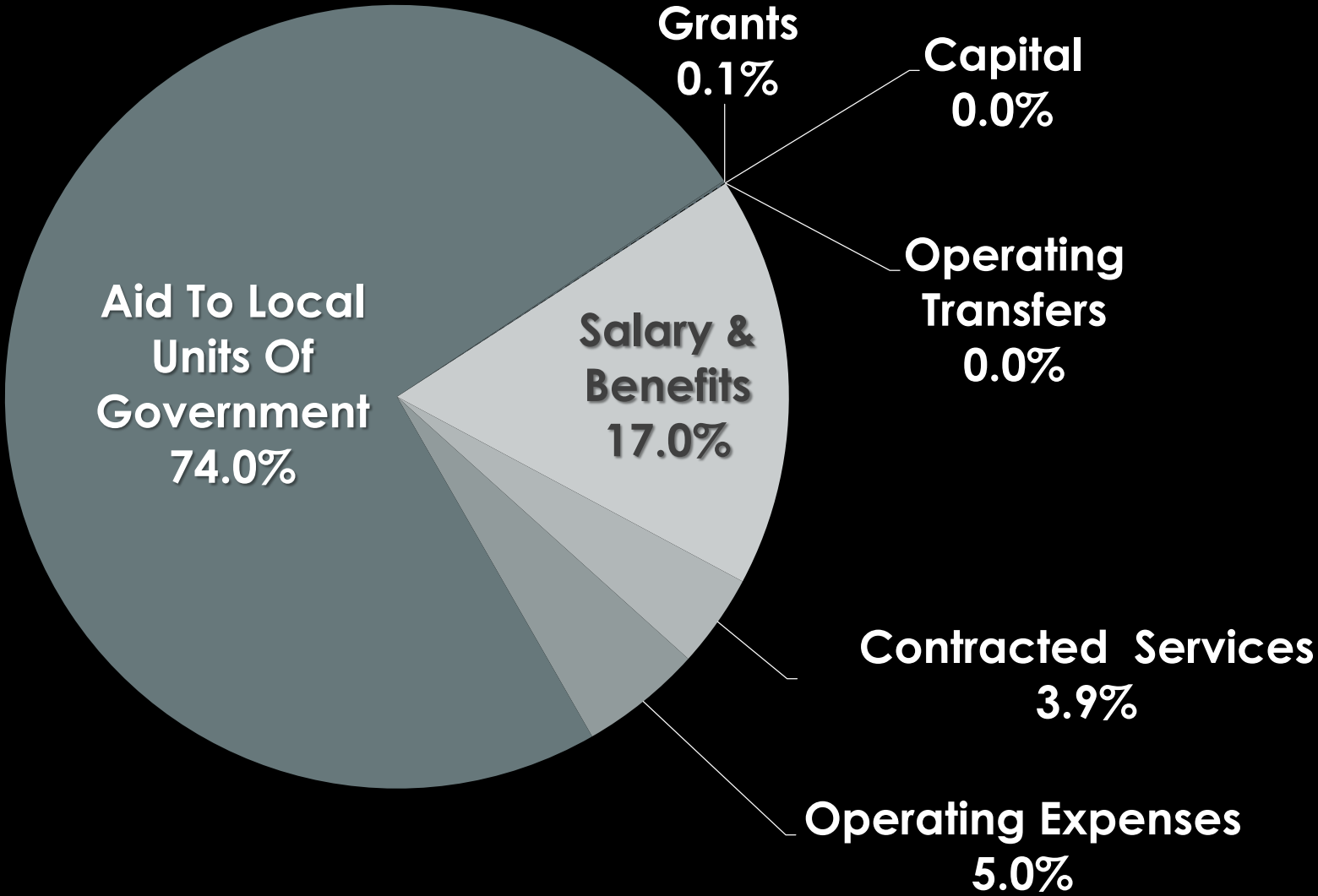
FY 2022 Recommendation

- FY 2022 Recommendation
 - Staffing Changes
 - Transfers 35.0 positions from Division of Taxation to the Department of Labor & Training
 - Adds 4.0 positions to Taxation for adult use marijuana tax collections
 - Adds 3.0 positions to DMV for CDL Road Testing
 - Operations
 - Adds appropriation for Pawtucket TIF project
 - Delays license plate reissuance 1-year

FY 2022 Funding by Category



FY 2022 Funding by Category – Lottery Excluded



Staffing

Full-Time Equivalent Positions		Chg. To Enacted
Enacted Authorized	602.5	-
FY 2021 Gov. Rev.	602.5	-
Filled as of April 10	527.0	-
FY 2022 Request	602.5	-
FY 2022 Governor	574.5	(28.0)
FY 2022 Funded FTE	542.7	(59.8)
Filled as of April 10 ¹	495.0	(72.5)
FY 2020 Average Filled	555.7	(46.8)

¹Adjusted for 35.0 FTE employer tax transfer

Staffing

FY 2022 Governor Recommendation		
	DOR	Statewide
Gross Salaries (in millions)	\$37.5	\$1,153.8
Turnover (in millions)	(2.1)	(55.4)
Turnover %	5.5%	4.8%
Turnover FTE	31.8	724.9
FY 2022 FTE Governor	574.5	15,089.2
Funded FTE	542.7	14,346.3
Filled as of April 10 ¹	495.0	13,817.9
Funded but not filled ¹	47.7	546.4

¹Adjusted for 35.0 FTE employer tax transfer

Full-time Equivalent Positions

FTE Positions	FY 2021 Enacted	FY 2021 Rev.	FY 2022 Gov.	Chg. to Enacted	Apr 10 Filled
Director	9.0	9.0	9.0	-	8.0
Revenue Analysis	6.0	6.0	6.0	-	6.0
Lottery	106.0	106.0	106.0	-	97.0
Municipal Finance	10.0	10.0	10.0	-	8.0
Taxation ¹	252.0	252.0	221.0	(31.0)	219.0
DMV	211.5	211.5	214.5	3.0	182.0
Collections	8.0	8.0	8.0	-	7.0
Total	602.5	602.5	574.5	(28.0)	527.0

Governor's 4/12 amendment requests 1.0 more FTE

Other Divisions

	FY 2021 Enacted	FY 2022 Gov.	Chg. to Enacted
Director's Office	\$1.9	\$1.8	\$(0.1)
Revenue Analysis	0.9	0.9	0.0
Municipal Finance	2.1	1.7	(0.4)
Total	\$5.0	\$4.4	\$(0.5)

\$ in millions

- Governor's FY 2022 recommendation reflects adjustments to current service
 - Revised support for Central Falls pensions based on costs incurred by the state

Reporting Requirements

- Office of Director
 - Unified Economic Development report
 - Due each January – submitted February 2021
 - Motor Vehicle Excise Tax Phase-Out
 - Due each January – submitted January 2021
- Office of Revenue Analysis
 - Tax Expenditures Report
 - Biennial – due January of even years
 - Submitted February 2020
 - Tax Incentive Evaluation Reports

Lottery Division

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

Lottery Division

	FY 2021 Enacted	FY 2021 Rev.	FY 2022 Rec.	Chg. to Enacted
Prizes & Payments	\$409.2	\$409.2	\$409.2	\$-
Salaries & Benefits	12.5	12.5	12.5	0.1
All Other	12.6	12.7	12.5	(0.1)
Total	\$434.3	434.4	\$434.3	\$(0.1)
FTE	106.0	106.0	106.0	-

\$ in millions

Lottery Division

- FY 2022 - \$76,514 less than enacted
 - Includes \$0.4 million less for outreach expenses to increase year-end transfer
 - Transfer is estimated at Rev. Est. Conference
 - Recommendation exceeds historical spending levels
 - \$4.0 million more than average FY 2018 – FY 2020
 - Includes \$0.2 million for roof replacement
 - Completed & paid in FY 2020
 - \$0.2 million more for current service staffing and operations

Division of Taxation - Sections

Budget Section	Responsibilities	FTE	Apr.10 filled
Tax Administration	Provides guidance & direction of all aspects of the division	27.0	21.0
Tax Processing	Management & security of all processing operations	31.0	24.0
Assessment & Review	Review & audit of tax returns	34.0	31.0
Field Audit	Tax audits of accounting & records	71.0	62.0
Compliance & Collections	Collection of delinquent taxes & returns	54.0	49.0
Employer Tax	Operates the Unemployment & Temporary Disability insurance, & Job Development Funds programs	35.0	32.0
Total Authorized FTE		252.0	219.0

Division of Taxation

- FY 2022 – \$32.1 million for 221.0 positions
 - Staffing \$23.1 million, \$2.1 million less
 - 35.0 FTE transferred to DLT
 - *Article 3 heard March 30*
 - 4.0 new FTE for adult use marijuana taxes
 - Operations \$9.2 million, \$1.2 million more
 - Includes \$0.7 million for Pawtucket TIF transfer
 - Consistent with RIGL 45-33.4
 - FY 2021 Revised includes \$0.4 million
 - Adult use marijuana totals \$0.8 million
 - *Article 11 heard April 29*

Division of Taxation

	FY 2021 Enacted	FY 2021 Rev.	FY 2022 Gov.	Chng. To Enacted
Staffing				
Employer Tax (-35.0 FTE)	\$3.6	\$3.6	\$ -	\$(3.6)
Adult Use Marijuana (4.0 FTE)	-	-	0.3	0.3
Other Taxation Units	21.6	21.5	22.7	1.1
Operations				
Employer Tax	0.1	0.1	-	(0.1)
Adult Use Marijuana	-	-	0.5	0.5
Pawtucket TIF	-	0.3	0.7	0.7
Other Taxation Units	7.8	7.8	7.9	0.1
Change to Enacted	\$33.0	\$33.3	\$32.1	\$(0.9)
FTE	252.0	252.0	221.0	(31.0)

\$ in millions

Division of Taxation

- FY 2020 Reported Audit Finding
 - Controls over counter tax collections
 - Some tax payments in person; collections not integrated w/ STAARS. FY 2020 totaled \$64.4 million
 - Current cashiering application insufficient
 - Taxation actively integrating function w/ STAARS, anticipates completion by 6/2022
- Governor requested 4/12 amendment
 - Adds \$0.1 million & 1.0 FTE to taxation
 - To support Rite Share proposal in Article 15

Article 3, Sec. 1 – Employer Tax Unit Transfer

- Article 3 transfers employer tax collection responsibilities from DOR to DLT
 - Temporary Disability/Caregiver's Insurance
 - Employment Security
 - Job Development Fund
 - Gives broad authority for law revision office of the General Assembly to make changes to the statutes to effectuate the transfer
- Reverses transfer adopted in 1996

Article 3, Sec. 1 – Employer Tax Unit Transfer

- Employer Tax Unit
 - Budget transfers 35.0 FTE associated with these collections to DLT from DOR
 - Averaged 34.9 filled FTE for FY 2020
 - Recommendation transfers related funding for the full fiscal year
 - Intent is to align unit with source of funds
 - TDI/UI/JDF
 - 1996 change was intended to consolidate tax collection functions

Article 11 – Tax Summary

Tax Structure	Sales Tax	Gross/Excise	Weight Based*	Eff. Rate
Current Law - Medical	7%	4%	-	11%
Article 11 - Medical	7%	4%	3%	14%
Article 11 - Adult Use	7%	10%	3%	20%

**Equivalent % based on estimated retail pricing ~\$300/oz.*

Article 11 – Fiscal Impact

Regulatory Expenses				
Department	FTE	Staffing	Operations	Total
Business Regulation	13.0	\$1.5	\$2.5	\$3.9
Health	-	0.2	0.1	0.4
Public Safety	3.0	0.2	0.7	0.8
Revenue	4.0	0.3	0.5	0.8
EOHHS / BHDDH	2.0	0.1	1.5	1.7
Subtotal	22.0	\$2.4	\$5.2	\$7.6
<i>Medical Marijuana*</i>	11.0	1.3	0.4	1.7
Total	33.0	\$3.7	\$5.7	\$9.4

\$ in millions; *existing program staff & expenses

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 211.5 full-time positions

Division of Motor Vehicles

- Branch offices
 - Cranston (Pastore Center, Headquarters)
 - Woonsocket
 - Middletown
 - Wakefield (Monday to Thursday)
 - Warren (Tuesday and Wednesday)
 - Closed, lease not renewed; RIGL requires site
 - Westerly (Fridays only)
 - Lease not renewed at town hall; relocating
 - 9 AAA locations

Division of Motor Vehicles

- Governor's FY 2022 recommendation includes
 - \$0.2 million less than enacted
 - \$1.1 million more for staffing expenses
 - Includes \$0.3 million of turnover restoration & \$0.5 million current service level adjustments
 - \$1.2 million less for all other operations
 - Primarily a correction to restricted receipts, offset by other changes
 - Adds 3.0 new FTE to transfer CDL road testing from CCRI to DMV
 - Delays license plate reissuance

Division of Motor Vehicles – REAL ID

- 2018 Assembly authorized additional staff & funding for Real ID issuance
 - General revenues for 40.0 FTE & operations
 - Intended as multi-year implementation
 - Revenues assumed to completely offset expenses
- FY 2022 Recommendation
 - Includes \$0.2 million less from general revenues for printing costs
 - Reflects decreased volume post-Oct. 2021 implementation
 - **Deadline subsequently extended to May 3, 2023**

Division of Motor Vehicles – REAL ID

	FY 2021 Enacted	FY 2022 Gov.	Change to Enacted
Staffing	\$1.8	\$1.8	\$-
Security	0.1	0.1	-
Advertising	0.1	0.1	-
Computers & Software	0.1	0.1	-
License Imaging	0.2	0.0	(0.2)
Total	\$2.3	\$2.1	\$(0.2)
FTE	40.0	40.0	-

\$ in millions

Division of Motor Vehicles

- Gov. Rec. includes \$0.5 million for new federal CDL grant
 - Facilitates sharing of information between states
 - Focus on violations & unsafe drivers who pose a danger to the general public
 - Supports 2.0 existing positions

Category	FY 2021 Rev.	FY 2022 Gov.
Salaries & Benefits	\$0.2	\$0.2
Operations	0.1	0.2
Change to Enacted	\$0.3	\$0.5

\$ in millions

Division of Motor Vehicles

- FY 2020 Audit Findings
 - Inadequate controls over Intermodal Surface Transportation Fund collections
 - Insufficient controls over monitoring, reconciliation, overages/shortages, legislative review
 - DMV notes overages/shortages controls began 7/2020, legislative review process in place, & 1st reconciliation in process
 - Inadequate RIMS security controls
 - 4-step remediation in place, to finish 8/2021

Article 3, Sec. 3 – License Plate Issuance Delay

- The budget reduces expected revenues and expenditures
 - \$0.1 million net positive impact
 - FY 2022 anticipated spending exceeded revenues
 - Total expenditures estimated to be \$8.9 million over 24 months
 - Total per plate set expense over \$11
 - \$6.1 million in revenues from \$8.00 per plate set cost in statute
 - Net state cost \$2.8 million

Article 3, Sec. 3 – License Plate Issuance Delay

- Current proposal represents 8th postponement

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	01/2020	06/2020
2021-Art. 3	06/2020	07/2022

Article 3, Sec. 4 – CDL Testing Transfer

- Section transfers CDL skills testing from CCRI to DMV
 - To streamline process & improve service
 - DMV employees can confirm all required documentation & process license on-site
 - Failure to provide documents can result in loss of \$100 testing fee & require re-registration at cost
- Governor includes \$0.1 million for 3 FTE
 - Assumes \$0.1 million of receipts
 - Currently collected as restricted receipts
- Effective January 1, 2022

Division of Motor Vehicles

- FY 2022 – \$25.4 million for staffing & operations for 209.5 remaining positions
 - Corrects funding for Rhode Island Motor Vehicle System (RIMS) funding
 - Erroneously included in enacted budget

	General Revenues	Federal Funds	Restricted Receipts	Total
FY 2021 Enacted	\$23.2	\$0.1	\$3.4	\$26.7
FY 2022 Gov. Rec.	23.7	-	1.7	25.4
Change to Enacted	\$0.5	\$(0.1)	\$(1.7)	\$(1.3)

\$ in millions

Collections Unit

- 2018 Assembly established a collections unit pilot program
 - Collect debts owed to other agencies that meet specific criteria
 - More expansive than tax refund offset program
 - Includes 8.0 authorized positions
 - Current law includes a June 30, 2021 sunset date
 - Nov. Revenue Estimating Conference assumes \$0.5 million for FY 2021

Collections Unit

- FY 2022 Gov. Rec. includes \$0.8 million to support the Unit
 - \$38,546 more than enacted
 - Essentially turnover restoration
- Article repeals June 30, 2021 sunset date
 - Gov. Rec. assumes \$1.4 million of revenues
 - Net revenues of \$0.5 million

Article 3 – Sec. 8 – Collections Unit

- As originally proposed, this was expected to generate \$1.3 million
 - \$0.1 million collected
- FY 2020 REC set estimate at \$2.0 million
 - Governor enhanced by \$0.8 from new staff
 - \$0.4 million collected
- FY 2021 enacted assumed \$1.0 million
 - November REC reduced to \$0.5 million
 - May REC testimony suggested \$1.7 million
 - \$1.2 million stays with the state of which \$1.0 million is from RI Traffic Tribunal receivables

Article 3 – Sec. 8 – Collections Unit

- Revenues have not met Administration's previous projections
 - FY 2022 Budget assumes pattern reversed

	FY 2019	FY 2020	FY 2021 Gov. Rev	FY 2022 Gov. Rec	Total
<i>Revenues</i>	\$ 0.1	\$ 0.4	\$ 0.5	\$ 1.4	\$ 2.4
Staffing	(0.3)	(0.6)	(0.7)	(0.7)	(2.3)
Other Expenses	(0.0)	(0.0)	(0.1)	(0.1)	(0.2)
Net Revenues	\$ (0.2)	\$ (0.3)	\$ (0.3)	\$ 0.5	\$ (0.2)

State Aid

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

Local Aid – General Aid Programs

	FY 2021 Enacted /Rev.	FY 2022 Gov.	Current Law/Full Funding	Chg.
Dist. Communities	\$13.8	\$12.4	\$12.4	\$ -
PILOT	50.7	46.1	47.9	(1.8)
MV Excise Phase-Out	123.8	139.7	139.7	-
Municipal CRF	7.8	-	-	-
Enhanced Total	\$196.0	\$198.1	\$199.9	\$1.8
Enhancement	(25.0)	-	-	-
Base Total	\$171.0	\$198.1	\$199.9	\$1.8

\$ in millions

Local Aid Programs

- Distressed Communities
 - \$12.4 million
 - Funding level since FY 2017
 - Redistribution among communities based on data
- 7 recipients
 - Central Falls
 - Cranston
 - North Providence
 - Pawtucket
 - Providence
 - West Warwick
 - Woonsocket

Local Aid Programs

- PILOT - \$46.1 million
 - Funding represents – 26.0% of the value
 - Same as FY 2020 enacted – represented 26.6%
 - Law allows up to 27%
 - \$1.8 million less full funding
- Motor Vehicle Phase-Out - \$139.7 million
 - \$15.9 million more than enacted
 - Fully funds the current law schedule
 - Next increment costs \$29.1 million
 - \$0.7 million less than previously estimated

Property Revaluation Reimbursements

- Municipalities update property valuations every third and sixth year after a full revaluation
- Governor includes \$1.1 million for FY 2021 & \$1.5 million for FY 2022
- Expenditures fluctuate annually
 - Depends on communities conducting updates

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