

Department of Business Regulation

Expenditures By Program	FY2020 Actual	FY2021 Enacted	FY2021 Governor	Change from Enacted		FY2022 Governor	Change from Enacted	
Central Management	\$2.9	\$5.4	\$3.2	(\$2.2)	-40.8%	\$4.7	(\$0.8)	-14.1%
Banking Regulation	1.6	1.6	1.7	0.0	0.3%	1.7	0.0	2.9%
Board of Accountancy	0.0	0.0	0.0	-	0.0%	0.0	-	0.0%
Commercial Licensing, Gaming & Athletics	1.7	2.0	2.1	0.1	7.2%	1.9	(0.0)	-0.4%
Building, Design & Fire Professionals	7.9	8.2	11.2	3.0	37.2%	9.7	1.5	19.0%
Insurance Regulation	5.4	5.9	5.9	(0.0)	-0.1%	6.5	0.6	9.8%
Office of Cannabis Regulation	0.9	1.4	1.4	0.0	0.2%	5.0	3.6	251%
Office of Health Insurance Commissioner	2.5	2.3	2.5	0.2	7.8%	2.5	0.2	6.7%
Securities Regulation	0.8	0.9	0.7	(0.2)	-21.2%	0.8	(0.1)	-8.9%
Total	\$23.6	\$27.8	\$28.7	\$1.0	3.5%	\$32.8	\$5.0	18.1%

Expenditures By Source	FY2020 Actual	FY2021 Enacted	FY2021 Governor	Change from Enacted		FY2022 Governor	Change from Enacted	
General Revenue	\$15.7	\$17.5	\$17.5	\$0.0	0.1%	\$19.6	\$2.1	12.3%
Federal Funds	2.2	3.2	4.2	0.9	28.7%	2.5	(0.8)	-24.2%
Restricted Receipts	0.4	0.1	0.1	0.0	0.4%	0.2	0.1	130%
Other Funds	5.3	7.0	7.0	0.0	0.2%	10.5	3.6	51.3%
Total	\$23.6	\$27.8	\$28.7	\$1.0	3.5%	\$32.8	\$5.0	18.1%

Authorized FTE Levels	161.0	161.0	161.0	-	-	176.0	15.00	9.3%
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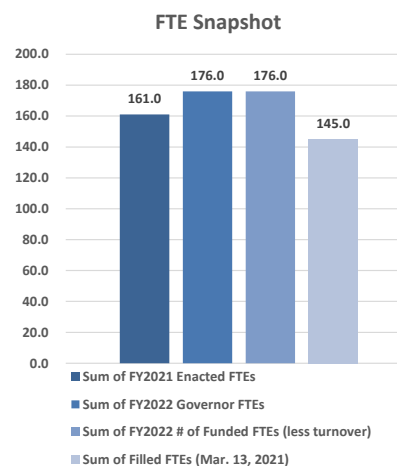
\$ in millions. Totals may vary due to rounding.

The Department of Business Regulation (DBR) implements state laws mandating the regulation and licensing of designated businesses, professions, occupations, and other specified activities. The Department is composed of nine programs: Central Management, Banking Regulation, Board of Accountancy, Commercial Licensing and Gaming and Athletics Licensing, Division of Building, Design and Fire Professionals, Insurance Regulation, Office of the Health Insurance Commissioner, Securities Regulation, and the Office of Cannabis Regulation.

MAJOR ISSUES AND TRENDS

The FY2022 Budget includes an all funds increase of \$5.0 million, or 18.1 percent, from the FY2021 Budget as Enacted. The Budget includes a \$2.1 million general revenue increase as compared to the FY2021 Budget as Enacted. The increase is primarily caused by a shift back to general revenue from funds that were previously allocated to Coronavirus Relief Funds.

Article 11 of the Budget establishes the Adult-Use of Marijuana Act and the Marijuana Regulation, Control, and Taxation Act to provide a framework for the legalization of adult-use marijuana, increasing restricted receipt expenditures by \$3.9 million. The Budget also includes an increase of 15.0 FTE positions, including 13.0 new FTEs for the proposed state-controlled adult-use marijuana program, 2.0 insurance regulator FTEs, 1.0 new bomb technician FTE, and 1.0 FTEs within the Office of the Health Insurance Commissioner (OHIC), offset by the elimination of 2.0 FTEs within the Medical Marijuana Program.



CENTRAL MANAGEMENT

Central Management is composed of the Director's Office, and separate units for budgeting, regulatory standards, compliance, and enforcement. The specific functions include conducting administrative and rate hearings; providing legal services to the Director and Deputy Directors; compiling, submitting, and

monitoring the budgets of the respective divisions; approving vouchers and contracts; and providing management services.

Central Management	General Revenue
FY2021 Enacted	\$4,536,139
<i>Target and Other Adjustments</i>	30,187
COVID-19 Enforcement and Inspection	(1,700,000)
Turnover	149,311
FY2022 Governor	\$3,015,637

COVID-19 Enforcement and Inspection **(\$1.7 million)**

The Budget reduces general revenues by \$1.7 million for COVID-19 related expenditures. The FY2021 Budget as Enacted allocated \$1.7 million for enforcement and inspection to ensure compliance with COVID-19 related regulations. In FY2022, these activities are funded fully through federal funds.

Turnover **\$149,311**

The FY2021 Budget as Enacted included \$149,311 within Central Management in turnover savings which are eliminated in the FY2022 Governor's Budget. The eliminated savings are equivalent to 1.1 FTEs. The agency averaged 14.4 vacancies over FY2021.

BANKING REGULATION

Banking Regulation provides regulatory oversight of state-chartered financial institutions, credit unions, Rhode Island bank holdings companies, and licensees through financial examinations and reviews to determine compliance with state banking laws, financial solvency, and safety and soundness operations.

Banking Regulation	General Revenue
FY2021 Enacted	\$1,573,138
<i>Target and Other Adjustments</i>	(836)
Personnel	48,522
FY2022 Governor	\$1,620,824

Personnel Expenditures **\$48,522**

The Budget increases general revenue by \$48,522 to fully fund the 13.0 FTE positions within the Division of Banking Regulation. In the FY2021 Budget as Enacted, the positions were erroneously underfunded and the increase fully funds the Division's 13.0 FTEs. The increase also eliminates \$16,222 in turnover savings within the Division to reflect current turnover projections.

BOARD OF ACCOUNTANCY

The Board of Accountancy is an autonomous board that is responsible for the licensing of certified public accountants, public accountants, partnerships, corporations, and sole proprietorships. It processes applications and fees and issues initial certificates and permits to regulated businesses, occupations, and professions. The Board of Accountancy is 100.0 percent funded by general revenues. The FY2015 Budget as Enacted eliminated the sole Administrative Aide position for the program. Administrative responsibilities are assigned to other staff as needed. The remaining funds in the program support operating costs, such as national Certified Public Accountant (CPA) Society dues, legal expenses, and printing and mailings.

Board of Accountancy	General Revenue
FY2021 Enacted	\$5,883
<i>Target and Other Adjustments</i>	-
FY2022 Governor	\$5,883

COMMERCIAL LICENSING AND GAMING AND ATHLETICS LICENSING

The Division of Commercial Licensing and Gaming and Athletics Licensing is responsible for the licensing and regulation of auto body and auto glass repair shops, auto salvage yards, constables, health clubs, mobile food establishments, liquor enforcement, mobile and manufactured homes, real estate appraisers and agents, and other occupational licenses to protect the health, safety, and welfare of the public.

Commercial Licensing and Gaming and Athletics Licensing	General Revenue
FY2021 Enacted	\$1,008,450
<i>Target and Other Adjustments</i>	374
Personnel Adjustments	44,215
FY2022 Governor	\$1,053,039

Personnel Adjustments **\$44,215**

The Budget increases general revenues by \$44,215 for various statewide personnel adjustments. The adjustments include decreased costs in health plans, offset by increases in wages and retirement contributions.

DIVISION OF BUILDING, DESIGN AND FIRE PROFESSIONALS

The FY2019 Budget as Enacted established the Division of Building, Design, and Fire Professionals to consolidate the Office of the State Fire Marshal, the Fire Safety Code Board of Review and Appeal, the Office of the State Building Commissioner, the Board of Registration for Professional Engineers, Board of Registration for Professional Land Surveyors, Board of Examination and Registration of Architects, the Board of Examiners of Landscape Architects and the Contractors' Registration and Licensing Board. The Division provides a single point of contact for building and construction professionals seeking state approvals.

Division of Building, Design and Fire Professionals	General Revenue
FY2021 Enacted	\$4,293,409
<i>Target and Other Adjustments</i>	(7,170)
Shift from COVID-19 Funding	1,409,809
Turnover	661,135
Bomb Squad	594,837
Centralized Service Charges	102,735
FY2022 Governor	\$7,054,755

Shift from COVID-19 Funding **\$1.4 million**

The Budget increases general revenues by \$1.4 million to reflect a shift to general revenue for personnel expenditures. The FY2021 Budget as Enacted shifted personnel to COVID-19 related activities, and were therefore eligible for reimbursement through Coronavirus Relief Funds. The Budget shifts the personnel costs back from federal funds to general revenues.

Turnover **\$661,135**

The FY2021 Budget as Enacted included \$661,135 within the Division of Building, Design and Fire Professionals in turnover savings which are eliminated in the FY2022 Governor's Budget. The eliminated savings are equivalent to 4.7 FTEs. The agency averaged 14.4 vacancies over FY2021.

Bomb Squad **\$594,837**

The Budget adds \$594,837 in general revenues for personnel and operating costs within the Bomb Squad. The additional funding includes \$94,315 for 1.0 FTE position and \$500,522 for operating costs within the Fire Marshal's office for the Bomb Squad. Currently, the Bomb Squad meets the FBI's requirement of six technicians for the State with four full-time technicians and two volunteer technicians. With the retirement of one volunteer technician, the Bomb Squad requires an additional FTE to retain FBI accreditation. An

increase in operating costs is due to facility lease payments, fleet loan repayments, and the cost to furnish the new bomb tech with safety equipment.

Centralized Service Charges

\$102,735

The Budget increases general revenue expenditures by \$102,735 to reflect billed amounts for human resources, capital asset management and maintenance and information technology services. The FY2018 Budget as Enacted authorized the Governor to establish centralized accounts for information technology, capital asset management and maintenance, and human resources. These expenditures are reflected in each agency based on actual use, showing the true costs associated with a particular program or agency. The FY2021 Budget as Enacted appropriated \$90,110 for the centralized services, increased to \$192,485 in the FY2022 Budget.

INSURANCE REGULATION

Insurance Regulation conducts financial examinations of domestic insurance companies to ensure compliance with state and federal insurance statutes and regulations. The division also issues licenses for insurance companies, producers, adjusters and appraisers, and reviews rate and form filings of the life, accident and health, and property and casualty lines of business for compliance with state statutes and regulations. The division monitors and introduces legislation to maintain accreditation by the National Association of Insurance Commissioners.

Insurance Regulation	General Revenue
FY2021 Enacted	\$3,650,200
<i>Target and Other Adjustments</i>	<i>101,918</i>
Shift from COVID-19 Funding	222,500
Insurance Regulators	181,752
Turnover	158,313
FY2022 Governor	\$4,314,683

Shift from COVID-19 Funding

\$222,500

The Budget increases general revenues by \$222,500 to reflect a shift to general revenue for personnel expenditures. The FY2021 Budget as Enacted shifted personnel to COVID-19 related activities, and were therefore eligible for reimbursement through Coronavirus Relief Funds. The Budget shifts the personnel costs back from federal funds to general revenues.

Insurance Regulators

\$181,752

The Budget adds \$181,752 in general revenue for 2.0 FTE Insurance Examiners which would allow the Department to complete insurance examinations without relying on outside contractors. The Department has been relying on contractors to meet insurance examination requirements, as there has not been enough staffing to fulfill the workload and also train new individuals. Continuing to outsource the work would require current examiners to oversee the work of outside contractors, putting the Division in violation of the union contract.

Turnover

\$158,313

The FY2021 Budget as Enacted included \$158,313 within the Insurance Regulation Division in turnover savings which are eliminated in the FY2022 Governor's Budget. The eliminated savings are equivalent to 1.1 FTEs. The agency averaged 14.4 vacancies over FY2021.

Actuary Services (restricted receipts)

\$168,312

The Budget includes \$1.7 million for actuary services within the Insurance Regulation division, an increase of \$168,312 to fund a 10.0 percent contractually-required inflationary increase.

OFFICE OF CANNABIS REGULATION

The FY2020 Budget established the Office of Cannabis Regulation within the Department of Business Regulation. The division is responsible for licensing the medical marijuana program, cannabidiol (CBD) products and would be responsible for the proposed adult-use marijuana market. The division is funded entirely by restricted receipts. After all expenditures are paid, the remaining funds are transferred to the general fund.

Office of Cannabis Regulation	Other Fund Changes
Adult-Use Marijuana	\$3,929,463
Medical Marijuana Program	(452,867)

Adult-Use Marijuana (restricted receipts) **\$3.9 million**

Article 11 of the Budget proposes legalizing the recreational, adult-use of marijuana, licensed and regulated by the Office of Cannabis Regulation (OCR), increasing restricted receipt expenditures within the Office of Cannabis Regulation by \$3.9 million, of which \$1.2 million is for the purchase of seed-to-sale software and \$1.2 million is for the administrative costs of the market including record keeping, office-related expenses, and obtaining outside legal counsel.

The Budget includes a \$1.5 million increase in restricted receipts to fund 13.0 FTEs to support the operations of the proposed adult-use marijuana market. This includes 4.0 Chief Public Protection Inspectors, 2.0 Licensing Aides, 2.0 Economic and Policy Analysts, 2.0 Interdepartmental Project Managers, 1.0 Administrative Officers, 1.0 Chief of Inspections, and 1.0 Investigative Auditors. The proposed positions have an average salary of \$67,440 and an average total cost of \$113,804 per FTE.

Medical Marijuana Program (restricted receipts) **(\$452,867)**

The Budget reduces restricted receipts by \$452,867 within the medical marijuana program. This includes \$252,867 in personnel to reflect the elimination of 1.0 Senior Policy Analyst and 1.0 Legal Counsel. The Budget decreases software maintenance agreements by \$200,000.

OFFICE OF HEALTH INSURANCE COMMISSIONER

The Office of the Health Insurance Commissioner (OHIC) was established by legislation in 2004 to broaden the accountability of health insurers operating in the State of Rhode Island. Through FY2011, this sub-program was contained in the Insurance Regulation program; however, it became a stand-alone program in the FY2012 Budget as Enacted.

The Health Insurance Commissioner is appointed by the Governor with the advice and consent of the Senate. OHIC regulates health insurers and hospital/medical service corporations, including company licensure, form and rate filing for regulatory compliance, and financial and market condition examinations. The Office is also engaged in policy and legislative development, rate hearing administration, regulatory development and promulgation, consumer affairs, and provider affairs.

Office of the Health Insurance Commissioner	General Revenue
FY2021 Enacted	\$1,710,887

<i>Target and Other Adjustments</i>	<i>17,847</i>
FY2022 Governor	\$1,728,734

Office of the Health Insurance Commissioner	Other Fund Changes
Director of Consumer Protection	\$126,867

Director of Consumer Protection (restricted receipts) **\$126,867**

The Budget increases restricted receipts by \$126,867 to reflect a new FTE that will oversee pre-examination analyses and examinations within the Office of the Health Insurance Commissioner (OHIC). Pre-examinations and examinations allow OHIC to collect and analyze information to identify if insurers have

policies or practices that may pose potential harm to consumers or if their activities may violate state or federal laws or regulations. Costs of the FTE would be the responsibility of the examined insurers. The article also establishes the Health Insurance Regulation and System Planning Cost Recovery restricted receipt account to be utilized for OHIC to collect the costs and conduct pre-examinations and examinations.

SECURITIES REGULATION

Securities Regulation is responsible for the registration of certain securities, and the licensing and regulation of broker-dealers, sales representatives, certain investment advisers, and certain investment adviser representatives.

Securities Regulation	General Revenue
FY2021 Enacted	\$691,321
<i>Target and Other Adjustments</i>	<i>2,351</i>
Turnover	123,446
FY2022 Governor	\$817,118

Turnover **\$123,446**

The FY2021 Budget as Enacted included \$123,446 within Securities Regulation turnover savings which are eliminated in the FY2022 Governor's Budget. The eliminated savings are equivalent to 0.9 FTEs. The agency averaged 14.4 vacancies over FY2021.

CAPITAL PROJECTS

The Budget includes including \$100,000 for asset protection for the Fire Marshal buildings, for a total of \$500,000 from FY2022 through FY2026. Upcoming projects include carpet cleaning, replacement of air and system filters, and painting work for the office located on Jefferson Boulevard in Warwick and the Fire Academy located in Exeter.