

## Department of Revenue

Expenditures By Program	FY2020	FY2021	FY2021	Change from		FY2022	Change from	
	Actual	Enacted	Governor	Enacted		Governor	Enacted	
Director of Revenue	\$2.0	\$1.9	\$48.7	\$46.7	2,402.0%	\$1.8	(\$0.1)	-6.6%
Division of Collections	0.7	0.8	0.8	0.0	0.3%	0.8	0.0	4.9%
Lottery Division	268.2	434.6	434.7	0.1	0.0%	434.4	(0.2)	0.0%
Municipal Finance	2.3	2.1	2.1	0.0	0.2%	1.7	(0.4)	-19.2%
Office of Revenue Analysis	0.8	0.9	0.9	0.0	0.3%	0.9	0.0	0.5%
Registry of Motor Vehicles	29.3	32.8	33.6	0.8	2.5%	32.0	(0.8)	-2.5%
State Aid	150.3	198.2	198.2	-	-	200.6	2.5	1.2%
Taxation	31.0	35.5	35.8	0.3	0.8%	34.2	(1.3)	-3.7%
<b>Total</b>	<b>\$484.4</b>	<b>\$706.7</b>	<b>\$754.7</b>	<b>\$47.9</b>	<b>6.8%</b>	<b>\$706.4</b>	<b>(\$0.3)</b>	<b>0.0%</b>

### Expenditures By Source

General Revenue	\$210.2	\$127.2	\$127.4	\$0.1	0.1%	\$267.2	\$140.0	110.0%
Federal Funds	1.7	138.1	185.7	47.5	34.4%	\$0.5	(137.6)	-99.7%
Restricted Receipts	3.2	5.6	5.8	0.2	3.7%	\$4.1	(1.4)	-25.6%
Other Funds	269.3	435.8	435.9	0.0	0.0%	\$434.5	(1.3)	-0.3%
<b>Total</b>	<b>\$484.4</b>	<b>\$706.7</b>	<b>\$754.7</b>	<b>\$47.9</b>	<b>6.8%</b>	<b>\$706.4</b>	<b>(\$0.3)</b>	<b>0.0%</b>

Authorized FTE Levels 602.5 602.5 602.5 - - 574.5 (28.0) -4.6%

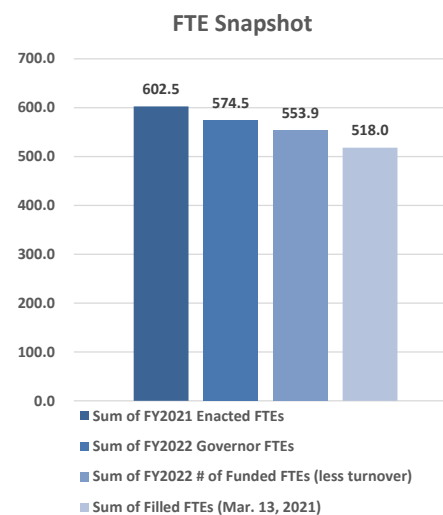
\$ in millions. Totals may vary due to rounding.

The Department of Revenue (DOR) was created as a separate department within the executive branch of government as part of the FY2007 Budget as Enacted. The Department is headed by a Director who is appointed by the Governor subject to the advice and consent of the Senate. The Department has eight program functions consisting of the Director's Office, the Division of Collections, the Lottery Division, Municipal Finance (formerly property valuation), the Office of Revenue Analysis (ORA), the Division of Motor Vehicles (DMV), the State Aid program, and the Division of Taxation.

### MAJOR ISSUES AND TRENDS

The Governor recommends \$754.7 million from all funds in the FY2021 Revised Budget, \$47.9 million more than the enacted level and \$270.2 million more than actual expenditures in FY2020. These large net increases are primarily the result of pandemic-related spending changes. Casino and gaming activity was severely curtailed in FY2020 as a result of pandemic restrictions, with commissions and prize payments down \$125.3 million from FY2019. The 2020 November Revenue Estimating Conference estimated that prize payments would grow 66.0 percent to \$162.7 million in FY2021 as the State starts to recover and gambling increases. Also contributing to the net all funds increase in FY2021 is an additional \$47.8 million for State Aid programs administered by the Division of Municipal Finance. The net increase includes an \$88.7 million State Aid general revenue savings made possible by the addition of \$136.5 million in federal Coronavirus Relief Funds (CRF) for cities and towns.

The \$47.9 million net increase in the FY2021 Revised Budget as compared to the FY2021 enacted level is also related to pandemic spending changes. The Governor tasked DOR with distributing \$46.1 million in



CRF funds to provide direct relief payments to assist businesses impacted by pandemic restrictions. An additional \$625,000 of CRF was used to repair damage to the offices of Division of Taxation.

The Budget also includes a net \$140.0 million increase in general revenue (\$339,595 all funds reduction) for the DOR and a net reduction of 28.0 FTE positions in FY2022. Major budget initiatives include:

- **Division of Collections:** Article 3 permanently authorizes the Department of Revenue’s Division of Collections by eliminating its statutorily prescribed June 30, 2021, sunset date. The Division was established in July 2018 to assist state agencies in the collection of debts owed to the State. As of March 17, 2021, the Division has collected a total of \$1.0 million in FY2021 and \$1.5 million in total since it was established.
- **License Plate Reissuance Delay:** The Governor delays the license plate reissuance from June 1, 2020, to July 1, 2022. Under RIGL 33-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every 10 years. This would be the ninth time the mandated reissuance has been delayed since it was first required in 2011. The delay is estimated to reduce general revenue collections by \$3.4 million in FY2022. There are no funds provided in FY2022 to implement the reissuance.
- **CDL Road Test Administration:** The Governor transfers the administration of skills testing for commercial driver licensing (CDL) from the Community College of Rhode Island (CCRI) to the Division of Motor of Motor Vehicles (DMV). The Budget provides \$132,961 in personnel and operating expenses to the DMV in FY2022 for this new responsibility. These costs are offset by a \$32,101 reduction in payments made by the DMV to CCRI and \$94,000 in expected general revenue from testing fees.
- **State Aid:** The Budget includes \$198.1 million in general revenue across the three major Direct State Aid programs in FY2022. The FY2021 Budget as Enacted appropriated federal Coronavirus Relief Funds for these programs in addition to general revenue. These federal funds are not available in FY2022. The following tables summarize FY2021 and FY2022 appropriations by program:

Source	Payment in Lieu of Taxes	Distressed		Proportional Aid	FY2021 Total
		Communities Relief Fund	Motor Vehicle Excise Tax		
General Revenue	\$19.2	\$2.6	\$37.6	-	\$59.3
CRF Muni Aid	26.9	9.8	74.8	-	111.5
<b>Subtotal</b>	<b>\$46.1</b>	<b>\$12.4</b>	<b>\$112.4</b>	<b>-</b>	<b>\$170.9</b>
CRF Muni Aid (Bonus)	4.6	1.4	11.2	7.8	25.0
<b>Total</b>	<b>\$50.7</b>	<b>\$13.8</b>	<b>\$123.6</b>	<b>\$7.8</b>	<b>\$195.9</b>

*\$ in millions*

Source	Payment in Lieu of Taxes	Distressed Communities Relief Fund	Motor Vehicle Excise Tax	Proportional Aid	FY2022		
					Total	Change v. FY2021	
General Revenue	\$46.1	\$12.4	\$139.7	-	\$198.1	\$138.8	233.9%
CRF Muni Aid	-	-	-	-	-	(111.5)	-100.0%
<b>Subtotal</b>	<b>\$46.1</b>	<b>\$12.4</b>	<b>\$139.7</b>	<b>-</b>	<b>\$198.1</b>	<b>\$27.3</b>	<b>16.0%</b>
CRF Muni Aid (Bonus)	-	-	-	-	-	(25.0)	-100.0%
<b>Total</b>	<b>\$46.1</b>	<b>\$12.4</b>	<b>\$139.7</b>	<b>-</b>	<b>\$198.1</b>	<b>\$2.2</b>	<b>1.1%</b>

*\$ in millions*

- **Employer Tax Unit:** Article 3 of the Budget transfers the Employer Tax Unit and 35.0 FTE positions from the Department of Revenue (DOR) to the Department of Labor and Training (DLT). The transfer is intended to centralize the unit’s efforts related to UI and TDI benefits. The Employer Tax Unit administers the unemployment tax, the temporary disability tax, and the job development assessment tax. These taxes are used to fund Unemployment Insurance (UI) benefits and Temporary Disability Insurance (TDI) benefits.

**DIRECTOR OF REVENUE**

The Office of the Director is responsible for the administration of the Department. Functions include personnel management and legal support for the Department of Revenue.

<b>Director of Revenue</b>	<b>General Revenue</b>
FY2021 Enacted	\$1,945,426
<i>Target and Other Adjustments</i>	<i>15,528</i>
Internal Service Charges - Human Resources	(143,681)
<b>FY2022 Governor</b>	<b>\$1,817,273</b>
<b>Director of Revenue</b>	<b>Other Funds</b>
Pandemic Relief for Business (federal funds)	(\$41,600,000)
Office Repair (federal funds)	(625,000)

**Internal Service Charges – Human Resources (\$143,681)**

The Budget includes a \$143,681 reduction in general revenue centralized services spending as compared to the FY2021 enacted level. The savings reflects the office’s adjusted percentage share of human resources services based on its activity in FY2021.

**Pandemic Relief for Business (federal funds) (\$41.6 million)**

For FY2021, the Budget includes \$41.6 million of federal CRF funds, equivalent to the enacted level, to assist businesses impacted by the pandemic. In response to increased COVID-19 infections the Governor initiated a three-week “pause” in November 2020 that reclosed many restaurants, gyms, and other businesses. To mitigate the financial impact, the Governor used \$46.1 million in CRF funds to provide direct relief payments to these businesses. The program is administered by the Director of Revenue and uses the Division of Taxation’s refund payment system to get money to businesses. The FY2022 Budget does not include funding for this program.

**Office Repair (federal funds) (\$625,000)**

For FY2021, the Budget includes \$625,000 of CRF funds, equivalent to the enacted level, to be used to repair and refurbish DOR facilities. In June 2020, the Division of Taxation’s office were extensively damaged as the result of a fire-bombing that occurred during protests in Providence. CRF funding was used to repair damage to the offices of Division of Taxation, replacing carpets, cubicles, and other equipment. The space was refurbished in a manner that allowed it to operate safely during the pandemic. The Governor does not include this funding FY2022.

**DIVISION OF COLLECTIONS**

The Division of Collections was established in FY2019 to assist State agencies in the collection of delinquent debt. The Division enters into agreements with willing State agencies to transfer the debts to the Division, which are remitted back to the appropriate agency once successfully recovered.

<b>Division of Collections</b>	<b>General Revenue</b>
FY2021 Enacted	\$790,223
<i>Target and Other Adjustments</i>	<i>(5,000)</i>
Salary and Benefits Changes	43,546
Permanent Authorization	Informational
<b>FY2022 Governor</b>	<b>\$828,769</b>

**Salary and Benefits Changes**

**\$43,546**

The Budget includes a net \$43,546 increase in general revenue for personnel costs within the Division of Collections. The Division has 8.0 FTE positions, including 1.0 Chief of Legal Services that runs the unit. Included in these funds is the restoration of \$10,250 in general revenue personnel expenditures that were included as savings in the FY2021 Budget as Enacted related to furloughed employees eligible to participate in the State’s Workshare program. Two employees in the Division of Collections participated in the program. The Workshare program allowed the State to achieve savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. The remaining \$33,296 is related to other statewide changes in healthcare and fringe benefits, and other personnel changes.

**Permanent Authorization**

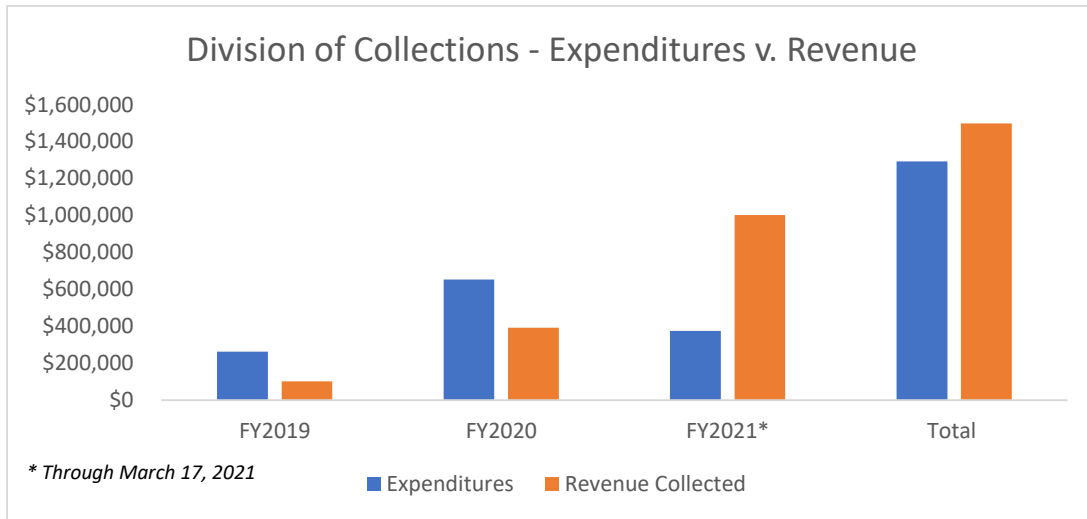
**Informational**

Article 3 of the Budget permanently authorizes the Department of Revenue’s Division of Collections by eliminating the statutory sunset date of June 30, 2021.

The FY2019 Budget as Enacted established the unit as a three-year demonstration pilot designed to improve the collection of delinquent debts owed to State agencies. The Division of Collections relies on agencies to voluntarily engage with it and enter into Memorandums of Understanding (MOUs) for its services. Implementation of the program began on July 1, 2018, and is set to expire on June 30, 2021. The program required several months to fully operationalize and the first revenues were collected in January 2019. The unit began in 2018 with a general revenue budget of \$601,755 and 7.0 FTE positions. In FY2021, it operates with 8.0 FTE positions and general revenue funding of \$792,634. For FY2022, the Governor recommends 8.0 FTE positions and a general revenue budget of \$828,769.

*Analyst Note: The Governor’s FY2021 Budget recommended making State agency participation mandatory; however, this was not included in the FY2021 Budget as Enacted or recommended in the Governor’s FY2022 Budget.*

When the unit was initially proposed, the Governor indicated that the pilot unit would be a precursor to a fully mobilized collections division, and the authorizing legislation provided for an evaluation report on the performance of the pilot to be issued by September 1, 2020. At the November 2020 Revenue Estimating Conference, the DOR testified that since the pilot was established, 16 agencies have entered into 13 MOUs with the Division of Collections and 85 court cases have been filed. According to DOR, collections have increased over time. Total collections in the first quarter of FY2021 were \$170,175, with another \$84,462 in October 2020, as compared to \$392,392 in all of FY2020.



<b>Agency</b>	<b>Total Principal Debt Referred</b>	<b>Principal Collected in FY2021</b>	<b>Interest &amp; Fees Collected in FY2021</b>	<b>Total Collected in FY2021</b>
DLT	\$4,848,994	\$73,019	\$1,664	\$74,683
DEM	358,285	28,302	210	28,512
Ethics Commission	141,856	845	0	845
DOA	59,711	3,910	18	3,928
Commission for Human Rights	19,920	-	-	-
DOH	2,000	1,400	1	1,401
Traffic Tribunal	28,504,525	765,742	4	765,746
DCYF	190,480	-	-	-
SOS	4,512	50	-	50
DMV	1,277,722	65,106	3,035	68,140
EOHHS	197,443	59,202	-	59,202
Board of Elections	13,925	925	27	952
Taxation	2,830,252	-	-	-
<b>Total</b>	<b>\$38,449,625</b>	<b>\$998,500</b>	<b>\$4,958</b>	<b>\$1,003,459</b>

Source: DOR - FY2021 Data through March 17, 2021

Article 3 repeals RIGL 42-142-8(q) which set the expiration date for the Division of Collections pilot at June 30, 2021. The amendment results in the permanent authorization of the program. Because current law does not permit unit operations in FY2022, the November 2020 Revenue Estimating Conference did not include revenues attributable to the Collections Unit in its estimates. The Governor's FY2022 Budget anticipates an additional \$1.4 million in revenue with the unit fully operational.

## LOTTERY DIVISION

The Rhode Island Lottery was created in 1974 and was transferred into the Department of Revenue in 2006. The Lottery is responsible for promoting and selling games, including Daily Numbers, Keno, instant games (scratch tickets), multi-state pool games (PowerBall and MegaMillions), and Lucky 4 Life regional game, as well as the authorization and licensing of video lottery terminals (VLTs), table games, and sports betting at Twin River Lincoln and Tiverton. No general revenues support the Division; it is entirely funded with other funds derived from Lottery sales.

<b>Lottery Division</b>	<b>Other Funds</b>
FY2021 Enacted	\$434,567,292
<i>Target and Other Adjustments</i>	<i>126,133</i>
Reduced Marketing Costs	(360,000)
Salary and Benefits Changes	52,628
<b>FY2022 Governor</b>	<b>\$434,386,053</b>

***Reduced Marketing Costs (other funds)*** ***(\$360,000)***

The Budget reduces marketing and print advertising costs from the Lottery Fund by \$360,000 for FY2022. According to the Office of Management and Budget (OMB), the Lottery Division is eliminating or reducing several media campaigns in the coming fiscal year (but unlikely to negatively impact overall gaming activity). There is a corresponding increase in the transfer from the Lottery Fund to the General Fund.

***Salary and Benefits Changes (other funds)*** ***\$52,628***

The Budget provides a net \$52,628 in additional personnel expenditures in FY2022 within the Lottery Division compared to the FY2021 Budget as Enacted. The Division has 106.0 FTE positions. Included in these funds is the restoration of \$35,222 in general revenue personnel expenditures that were included as savings in the FY2021 Budget as Enacted related to furloughed employees eligible to participate in the State's Workshare program. Six employees in the Lottery Division participated in the program. The Workshare program allowed the State to achieve savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. The remaining \$17,406 is related to other statewide changes in healthcare and fringe benefits, and other personnel changes.

## **DIVISION OF MUNICIPAL FINANCE**

The Division of Municipal Finance (DMF) assists municipalities by providing data analysis and technical assistance as well as training on financial reporting, tax levy, and property valuation issues. The Division calculates the equalized property valuation information and State Aid distributions. The Motor Vehicle Value Commission is staffed by the Division and sets vehicle values that are subject to the motor vehicle excise tax. The Division plays an important role in administering the State's fiscal stability statutes. These laws provide a tiered set of interventions, from budget commissions to receiverships, when a municipality experiences financial distress.

<b>Municipal Finance</b>	<b>General Revenue</b>
FY2021 Enacted	\$2,125,828
<i>Target and Other Adjustments</i>	<i>(20,591)</i>
Assistance and Grants Changes	(421,466)
Salary and Benefits Changes	34,397
<b>FY2022 Governor</b>	<b>\$1,718,168</b>

***Assistance and Grants Changes*** ***(\$421,466)***

The Budget eliminates \$681,689 in general revenue from the Division's assistance and grants budget. The FY2021 Budget as Enacted included a one-time appropriation of \$681,689 to assist the City of Central Falls with operating and personnel costs as part of the State's ongoing financial partnership with the City following its emergence from bankruptcy in 2012. This appropriation is not included in FY2022. The Budget also includes \$260,223 in general revenue to pay the State's annually-required contribution towards the City of Central Falls pension liability. The payment is made by the Division to the Employee's Retirement System of Rhode Island.

**Salary and Benefits Changes****\$34,397**

The Budget provides a net \$34,397 in additional personnel expenditures in FY2022 within the Division of Municipal Finance compared to the FY2021 Budget as Enacted. The Division has 10.0 authorized FTE positions. Included in these funds is the restoration of \$31,775 in general revenue personnel expenditures that were included as savings in the FY2021 Budget as Enacted related to furloughed employees eligible to participate in the State's Workshare program. Four employees in the Division of Municipal Finance participated in the program. The Workshare program allowed the State to achieve the savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. The remaining \$2,622 are related to other statewide changes in healthcare and fringe benefits, and other personnel changes.

**OFFICE OF REVENUE ANALYSIS**

The Office of Revenue Analysis (ORA) analyzes the State's tax systems and revenue streams. The Office prepares the biennial Tax Expenditures Report, cost-benefit analyses of tax proposals, and fiscal notes for revenue-related legislation. The Office houses, and is the primary operator of, the State's sales tax and personal income tax models.

<b>Office of Revenue Analysis</b>	<b>General Revenue</b>
FY2021 Enacted	\$884,638
<i>Target and Other Adjustments</i>	
Salary and Benefits Changes	8,513
Training Expenses	(4,000)
<b>FY2022 Governor</b>	<b>\$889,151</b>

**Salary and Benefits Changes****\$8,513**

The Budget includes an additional \$8,513 in personnel costs within ORA for FY2022. According to the Department, the increase reflects statewide benefit changes, planned step increases, and other updated planning values. The Budget includes the Office's existing 6.0 FTE positions and reduces turnover savings by \$5,496.

**Training Expenses****(\$4,000)**

The Budget provides \$1,000 in general revenue in FY2022 to fund ORA training expenses, \$4,000 less than the FY2021 enacted level. According to the DOR, the FY2021 funding was to pay for staff travel to conferences and registration fees. With pandemic limitations on such activity, the DOR plans to accomplish staff training in less expensive methods such as video conferencing events.

**DIVISION OF MOTOR VEHICLES**

The Division of Motor Vehicles (DMV) is responsible for issuing, suspending, and revoking all motor vehicle licenses and registrations and for the motor vehicle inspection program. The Division operates a main branch in Cranston, with satellite branches in Middletown, Wakefield, Warren, Westerly, and Woonsocket. Additionally, AAA offers some DMV services at select branch locations.

<b>Registry of Motor Vehicles</b>	<b>General Revenue</b>
FY2021 Enacted	\$29,288,918
<i>Target and Other Adjustments</i>	
CDL Transfer	410,959
Real ID	104,465
License Plate Reissuance Delay	Informational
<b>FY2022 Governor</b>	<b>\$29,804,342</b>

**CDL Transfer****\$104,465**

Article 3 shifts the administration of the commercial driver’s license (CDL) road test from the Community College of Rhode Island (CCRI) to the Division of Motor Vehicles (DMV), effective January 1, 2022. This transfer impacts expenditures and revenues at both the DMV and CCRI. CCRI currently collects and retains approximately \$200,000 in restricted receipt revenue from a \$100 CDL road test fee. Under Article 3, this revenue would instead be collected by the DMV and deposited into the General Fund. Because the effective date of the article is January 1, 2022, the amount deposited as general revenues would be half of the annual revenue collected from the fee, or \$100,000, in FY2022. The Budget also includes \$132,961 for six months of additional personnel expenditures at the DMV required to administer the road testing. These expenditures are for 3.0 FTE positions, including 2.0 Senior Motor Vehicle Examiners and 1.0 Customer Service Specialist III. The Budget also adds \$3,605 for operating expenses.

**FY2022 Net Fiscal Impact - Article 3 CDL Transfer**

<b>Budget Initiative</b>	<b>Expenditures</b>	<b>Revenues</b>	<b>Net Fiscal Impact</b>
DMV - Personnel	\$132,961	-	(\$132,961)
DMV - Operating	3,605	-	(3,605)
Transfer of CDL Fee Restricted Receipt Revenue to General Fund	-	\$100,000	\$100,000
Elimination of School Bus Training Payments to CCRI	(32,101)	-	32,101
<b>Total</b>	<b>\$104,465</b>	<b>\$100,000</b>	<b>(\$4,465)</b>

*Analyst Note: The DMV has been providing CCRI with approximately \$75,000 per year for several years. The funds were originally leveraged by the College to secure a school bus driver education grant. The DMV indicates, however, that CCRI does not currently have this type of grant, and has not for some time. According to OMB and the DMV, CCRI has been notified that they will no longer be receiving these funds. The DMV explained that CCRI charges tuition for its classes and does not need the funds to support the training. The elimination of this payment is shown as \$32,101 savings in FY2022. This is half of the full payment, presumably based on the January 1, 2022, effective date of Article 3.*

A base commercial driver’s license (CDL) permits the licensee to operate large, heavy, or hazardous materials vehicles for commercial purposes. In addition to the base CDL, licensees may obtain additional endorsements such as semi-trailer (T), school bus driver (S), or passenger vehicle (P). To obtain these endorsements, an individual must possess a valid CDL and typically pass both a written and driving test.

Testing and licensing standards for the base CDL and accompanying endorsements are developed by the Federal Motor Carrier Safety Administration (FMCSA) at the U.S. Department of Transportation (USDOT). States are required to ensure that their testing and licensing procedures conform to these standards and are subject to compliance reviews by FMCSA. States failing to administer written and road tests in accordance to these regulations risk losing up to 6.0 percent of their federal highway funding.

In addition to the base CDL and endorsement for school bus drivers, Rhode Island law requires an individual to attend and pass a 10-hour school bus driver certification course. Every five years, an individual must attend a 3-hour refresher course to renew the license.

Currently, training for the base CDL and accompanying endorsements are provided by private truck driving schools. CCRI also provides preparation classes for the base CDL, as well as the 10-hour and 3-hour school bus driver certification classes and tests. These classes are conducted at all three of its campuses. The written test for the CDL and its endorsements are administered by the DMV. CCRI currently administers the CDL road test on behalf of the DMV, which would shift to the DMV under Article 3.

According to the DMV and the State’s Office of Management and Budget (OMB), this shift would improve oversight and customer service.



- **Oversight:** Road testing for the CDL is closely regulated and audited by USDOT. Ensuring compliance with FMCSA standards is the responsibility of the DMV. Currently, because DMV staff are not present when CDL road testing occurs, they cannot guarantee that standards are being met. In-housing the road testing function mitigates the risk of non-compliant testing.
- **Customer Service and Efficiencies:** According to the DMV, Article 3 changes would improve customer service and create efficiencies. FMCSA rules require that an individual taking the road test present proof of insurance, copies of relevant permits, and proof of registration. If a customer does not bring these materials, the test cannot be taken. The DMV would be able to provide the individual with these materials at the time of the test, allowing the test to go forward. Similarly, upon successful completion of the test, the DMV would be able to provide the license to the customer immediately.

### **Real ID**

### **Informational**

Real ID is a minimum security standard for the issuance of driver’s licenses and state-issued identification cards that is mandated by Congress and regulated by the U.S. Department of Homeland Security (DHS). Congress enacted the Real ID Act in 2005 which prohibits federal agencies from accepting, for official purposes, licenses or ID cards from states that do not meet these standards. Rhode Island is currently among 25 states that have a waiver from complying with the law. The waiver was originally set to end in October 2020. In March 2020, the U.S. Department of Homeland Security extended the enforcement deadline to October 1, 2021 in response to the pandemic.

The DMV began issuing Real ID driver’s licenses and identification cards beginning in December 2018. Individuals are not required to have a Real ID; it is only necessary when interacting with federal agencies, and even then there are others forms of ID, such as passports, that are accepted. Because of this, the DMV estimates that just over half of current license/ID holders will eventually need a Real ID. Real IDs will be issued as part of a standard driver’s license renewal (\$61.50 renewal fee) or may be obtained sooner by purchasing a duplicate license (\$25.00 duplicate fee).

### **License Plate Reissuance Delay**

### **Informational**

Under RIGL 31-3-33, the DMV is required to issue new reflective license plates for all registered vehicles every ten years in order to reduce fraud, improve public safety and law enforcement, and to generate revenue. The reissuance was first scheduled to take place in September 2011. It has been delayed 8 times since, with a myriad of different rationales (see table).

Session	Date	Delay Date	Reason
2011	9/2011	9/2013	\$3.3 million savings initiative
2013	9/2013	9/2015	Budget reduction target initiative
2015	9/2015	7/2016	Need to align plate design w/ state tourism campaign
2016	7/2016	4/2017	RIMS - Staff would have to be taken away from implementation
2017	4/2017	1/2019	Launch of RIMS System/Reprogramming legacy IT system
2018	1/2019	1/2020	Real ID - Staff would have to be taken away from implementation
2019	1/2020	6/2020	Governor had proposed eliminating the reissuance altogether. By the time Budget was enacted, it was too late to timely implement
2020	6/2020	No new date	Delay due to impact of the pandemic
2021	6/2020	7/2022	Delay due to impact of the pandemic

The most recent change to the reissuance date was made in Article 7 of the FY2020 Budget as Enacted, which set June 1, 2020, as the new implementation date. Article 7 of the FY2020 Budget as Enacted also changed the fee for the plates from \$6.00 per reissued set to \$8.00. In January 2020, just prior to the COVID-19 pandemic emergency, the Division had reported that the DMV and its vendor, 3M were still in the early stages of preparing to implement. According to the Department, the complications surrounding operations during the COVID-19 pandemic made the implementation of the reissuance impractical in the near term.

Article 6 extends the reissuance deadline from June 1, 2020, to July 1, 2022. The Budget does not include any implementation expenditures in FY2022. The Budget assumes a \$3.4 million reduction in registration fee revenue in FY2022, based on a July 1, 2021, effective date.

## STATE AID

The Budget funds a number of State Aid payments. State aid is administered by staff in the Division of Municipal Finance.

(Additional information on the aid programs can be found in the Municipal Aid section of this report.)

State Aid	General Revenue
FY2021 Enacted	\$60,630,671
<i>Target and Other Adjustments</i>	
Motor Vehicle Excise Phase Out	101,928,356
Payments in Lieu of Tax Exempt Property	26,885,544
Distressed Communities Relief Fund	9,804,363
Property Revaluation Program	385,067
<b>FY2022 Governor</b>	<b>\$199,634,001</b>

### Motor Vehicle Excise Phase Out

**\$102.0 million**

The General Assembly enacted legislation in 2017 to phase out the motor vehicle excise tax by 2024. Municipalities are reimbursed annually for lost revenue. For FY2022, the Budget includes \$139.7 million in total general revenue reimbursement funding for cities and towns, consistent with the current law, \$102.0 million more than the FY2021 enacted level. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet \$112.4 million in statutorily-required FY2021 reimbursements to cities and towns, saving \$74.8 million in general revenue. The General Assembly also appropriated an additional \$11.2 million in CRF funds in FY2021 that was distributed to municipalities according to the phase-out formula. Funding for the phase-out is restored as general revenue only in FY2022.

#### Motor Vehicle Excise Tax Phase Out

Source	FY2021	FY2022	Change	
General Revenue	\$37,555,898	\$139,656,362	\$102,100,464	271.9%
COVID Muni Aid	74,838,213	-	(74,838,213)	-100.0%
<b>Subtotal</b>	<b>\$112,394,111</b>	<b>\$139,656,362</b>	<b>\$27,262,251</b>	<b>24.3%</b>
COVID Muni Aid Bonus	11,189,907	-	(11,189,907)	-100.0%
<b>Total</b>	<b>\$123,584,018</b>	<b>\$139,656,362</b>	<b>\$16,072,344</b>	<b>13.0%</b>

### Payment in Lieu of Tax Exempt Property

**\$26.9 million**

The Governor proposes \$46.1 million in general revenue for the State's PILOT program in FY2022, \$26.9 million more than the FY2021 enacted level. Current law requires reimbursement at 27.0 percent of forgone tax revenue, but allows for a ratable reduction if the appropriation is less than this amount. The Governor's recommendation for FY2022 represents a rate of 26.01 percent. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$46.1 million required to level-fund the program relative to FY2020, saving \$26.9 million in general revenue. The General Assembly also appropriated an additional \$4.6 million in CRF funds in FY2021 that was distributed to municipalities according to the PILOT formula. Funding for the program is restored as general revenue only in FY2022.

#### Payment in Lieu of Taxes Program

Source	FY2021	FY2022	Change	
General Revenue	\$19,203,960	\$46,089,504	\$26,885,544	140.0%
COVID Muni Aid	26,885,544	-	(26,885,544)	-100.0%
<b>Subtotal</b>	<b>\$46,089,504</b>	<b>\$46,089,504</b>	<b>-</b>	<b>-</b>
COVID Muni Aid Bonus	4,614,456	-	(4,614,456)	-100.0%
<b>Total</b>	<b>\$50,703,960</b>	<b>\$46,089,504</b>	<b>(\$4,614,456)</b>	<b>-9.1%</b>

**Distressed Communities Relief Fund****\$9.8 million**

The Governor recommends \$12.4 million in general revenue for the Distressed Community Relief Fund in FY2022, \$9.8 million more than the FY2021 enacted level. The FY2021 Budget as Enacted appropriated both general revenue and federal Coronavirus Relief Funds (CRF) to meet the \$12.4 million required to level-fund the program relative to FY2020, saving \$9.8 million in general revenue. The General Assembly also appropriated an additional \$1.4 million in CRF funds in FY2021 that was distributed to municipalities according to the Distressed Community Relief program formula. Funding for the program is restored as general revenue only in FY2022.

<b>Distressed Community Relief Program</b>				
<b>Source</b>	<b>FY2021</b>	<b>FY2022</b>	<b>Change</b>	
General Revenue	\$2,580,095	\$12,384,458	\$9,804,363	380.0%
COVID Muni Aid	9,804,363	-	(9,804,363)	-100.0%
<b>Subtotal</b>	<b>\$12,384,458</b>	<b>\$12,384,458</b>	-	-
COVID Muni Aid Bonus	1,445,637	-	(1,445,637)	-100.0%
<b>Total</b>	<b>\$13,830,095</b>	<b>\$12,384,458</b>	<b>(\$1,445,637)</b>	<b>-10.5%</b>

**Property Revaluation Program****\$385,067**

The Budget includes \$1.5 million for the Property Revaluation program in FY2022, an increase of \$385,067 from the FY2021 enacted level. The change is based on anticipated reimbursements, which are required by law. The following communities will be reimbursed for statistical updates in FY2022: Coventry, Glocester, Portsmouth, Richmond, Warren, and West Greenwich. Full revaluations will occur in Charlestown, Cumberland, Hopkinton, and North Providence.

**DIVISION OF TAXATION**

The Division of Taxation assesses and collects taxes while also enforcing the State's tax laws. It is responsible for promulgating rules and regulations and preparing taxpayer forms and instructions; registering and recording taxpayer accounts; assessing and collecting taxes due; and enforcing non-compliance through collections, audits, and liens.

<b>Taxation</b>	<b>General Revenue</b>
FY2021 Enacted	\$31,562,909
<i>Target and Other Adjustments</i>	65,683
Salary and Benefits Changes	1,264,626
Information Technology System Changes	(344,067)
<b>FY2022 Governor</b>	<b>\$32,549,151</b>

**Salary and Benefits Changes****\$1.3 million**

The Budget includes a net \$1.3 million increase in general revenue for personnel costs within the Division of Taxation. The Division has 217.0 FTE positions. Included in these funds is the restoration of \$825,479 in general revenue personnel expenditures that were included as savings in the FY2021 Budget as Enacted related to furloughed employees eligible to participate in the State's Workshare program. There were 135.0 employees in the Division of Taxation that participated in the program. The Workshare program allowed the State to achieve savings in the wake of the devastating financial impact of COVID-19. Through this program, eligible full-time employees were allowed to work 60.0 percent of their regular weekly hours (three business days) from June 14, 2020, to September 5, 2020. The remaining \$429,147 are related to other statewide changes in healthcare and fringe benefits, and other personnel changes.

**Information Technology System Changes****(\$344,067)**

The Budget includes a net savings of \$344,067 related to the maintenance and operations of the Division's IT system, known as the State Tax Administration and Revenue System (STAARS). In December 2017, Taxation went live with STAARS after five years of phased-in development. The system centralizes all taxpayer information in one computer system and assists in the administration of 57 different taxes and fees amounting to nearly \$3.0 billion in revenue annually. STAARS was originally paid for using certificates of participation (COPs), which were authorized up to \$25.0 million. The net savings in general revenue operating and contract services expenses in FY2022 includes a \$1.8 million increase to pay the estimated costs for licenses and support needs of the system and a \$2.1 million reduction in spending on computer hardware and software upgrades and other IT charges.

**Employer Tax Unit****Informational**

Article 3 authorizes the transfer of the Employer Tax Unit from the Department of Revenue (DOR) to the Department of Labor and Training (DLT). The Employer Tax Unit administers the unemployment tax, the temporary disability tax, and the job development assessment tax. These taxes are used to fund Unemployment Insurance (UI) benefits and Temporary Disability Insurance (TDI) benefits. Although the Employer Tax Unit has been housed in DOR, the funding they collect is used for DLT benefit programs. The transfer is intended to centralize the unit's efforts related to UI and TDI benefits. The transfer includes 35.0 FTE positions. There is no funding included as the Employer Tax Unit is already funded by DLT.