

# Governor's FY 2019 Budget: Articles

Staff Presentation to the House Finance  
Committee  
February 27, 2018

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# 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

# Article 2, Section 1 – Higher Education Centers

- 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

Amount in millions	
Royce Family Fund	\$1.8
Washington Trust	0.1
Westerly Comm. Credit Union	0.1
Roberts Foundation	0.1
Town of Westerly	0.3
<b>State Brownfield Grant-DEM</b>	<b>0.7</b>
Other Private	0.0
<b>General Revenues</b>	<b>2.0</b>
<b>RICAP</b>	<b>2.0</b>
Total	\$7.0

# Article 2, Section 1 – Higher Education Centers

- 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



# Article 2, Section 3 – Rhode Island Capital Plan Funds

- 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

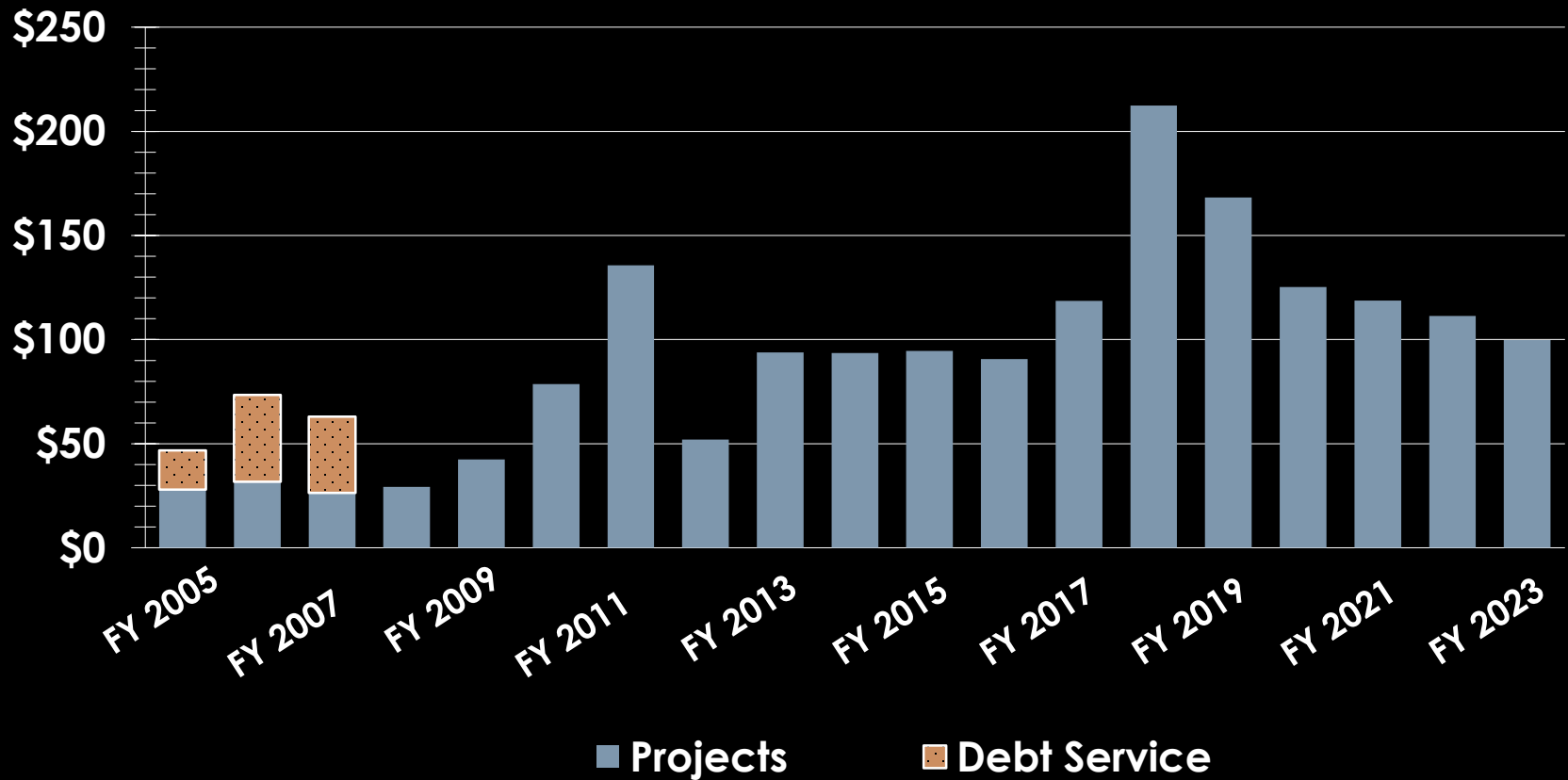
# Article 2, Section 3 – Rhode Island Capital Plan Funds

- 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



# 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 2, Section 3 – Indirect Cost Recovery

- 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 2, Section 3 – Indirect Cost Recovery

- 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

# Article 2 – Section 4, Atomic Energy Reactor Fees

- 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

# Article 2, Section 5 – Performance Improvement Fund

- 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

Profession	Active Licenses
Barbers, hairdressers, estheticians cosmeticians and manicurists	13,081
Electrolysis	2
Funeral directors/embalmers	357
Opticians	182
Speech pathology & audiology	843
<b>Hearing aid dealers &amp; fitters</b>	<b>51</b>
Athletic trainers	209
<b>Interpreters for the deaf</b>	<b>52</b>
Music therapists	9
<b>Total</b>	<b>14,786</b>

# Article 6 – Licensing: Transfer

Sec.	Profession	Board Composition
6	Barbers, hairdressers, estheticians cosmeticians and manicurists	7 members
10	Electrolysis	Dissolved 20 yrs. ago
11	Funeral directors/embalmers	5 members
12	Opticians	
13	Speech pathology & audiology	
<b>14</b>	<b>Hearing aid dealers &amp; fitters</b>	
15	Athletic trainers	
<b>16</b>	<b>Interpreters for the deaf</b>	No board
29	Music therapists	

# 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

# Article 6 – Licensing: Administrative Ease

- 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



# Article 6 – Licensing: Align Statute and Practice

- 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

# Article 6 – Licensing: Business Regulatory Improvement

- 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

Class	Bond
Manufacturer	\$5,000
Class A & B Wholesaler	\$2,500

# 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

# Article 6 – Licensing: Business Regulatory Improvement

- 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

# Article 6 – Licensing: Business Regulatory Improvement

- 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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