

Department of Business Regulation

Staff Presentation
FY 2019 Revised
FY 2020 Recommended and
FY 2020-2024 Capital Budgets
April 3, 2019

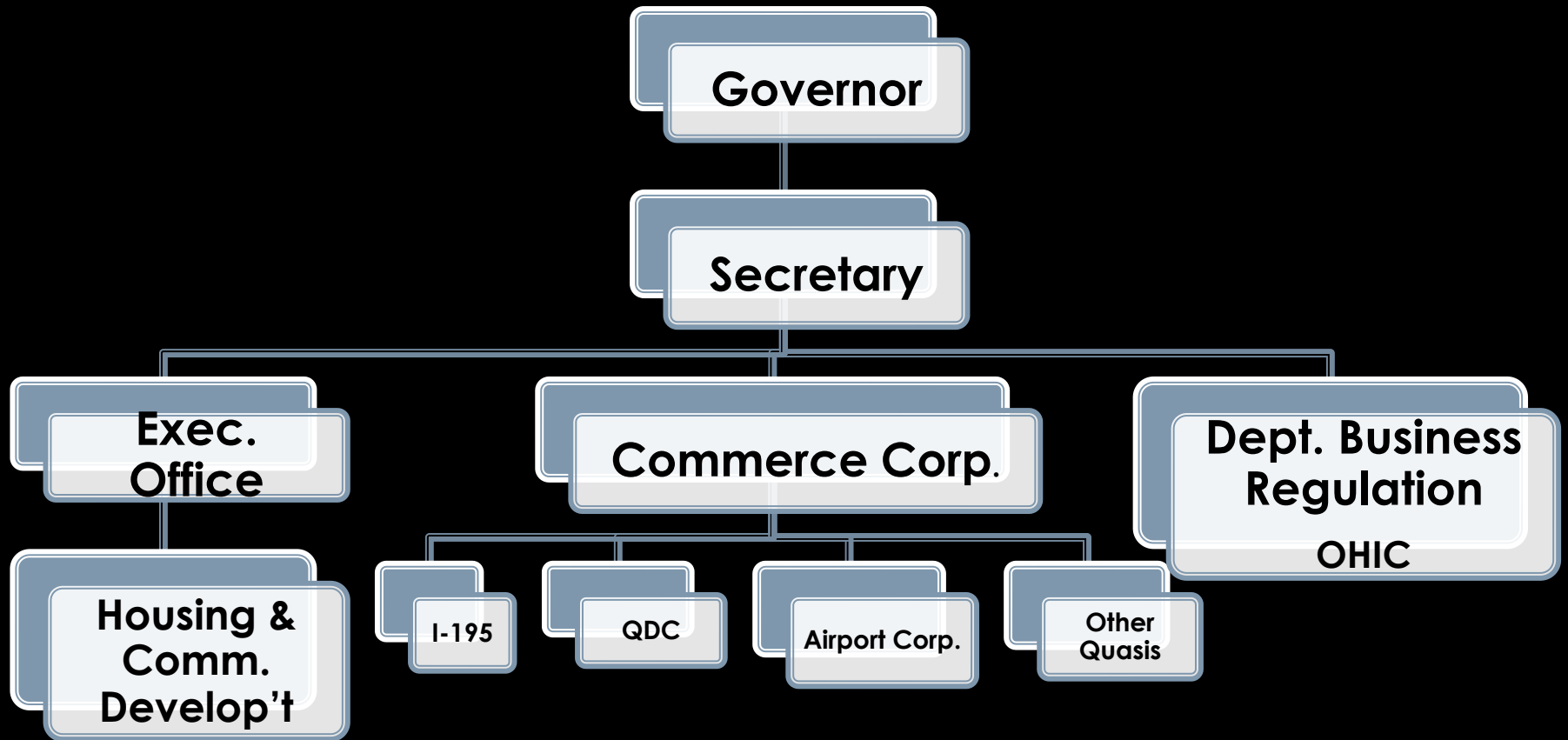
Introduction

- 2013 Assembly created Executive Office of Commerce
 - Oversee and serve as the lead agency of the executive branch for managing the promotion of commerce and the state's economy
 - Administered by a Secretary of Commerce
 - Statutes effective February 1, 2015

Introduction

- 2013 Legislation included power to operate Department of Business Regulation functions
 - Governor's FY 2016 recommendation maintained as stand-alone agency
 - Department falls under Secretary and Executive Office
 - Office of the Health Insurance Commissioner located within the Department of Business Regulation

FY 2020 Governor



Department of Business Regulation

- Office of the Health Insurance Commissioner
- Business Regulation divisions include:
 - Central Management
 - Banking Regulation
 - Securities Regulation
 - Board of Accountancy
 - Insurance Regulation
 - Commercial Licensing, Gaming & Athletics
 - Building, Fire, & Design Professionals
 - *Office of Cannabis Regulation (Art. 20)*

Summary by Source

	FY 2019 Enacted	FY 2019 Rev.	FY 2020 Rec.	Chg. to Enacted
General Revenue	\$17.4	16.9	18.5	\$1.1
Federal Funds	0.9	1.3	0.8	(0.1)
Restrict Receipts	6.1	6.4	11.1	5.0
Other Funds	0.1	0.6	0.4	0.3
Total	\$24.5	\$25.1	\$30.8	\$6.3
FTE	161.0	162.0	187.0	26.0

\$ in millions

Centralized Services

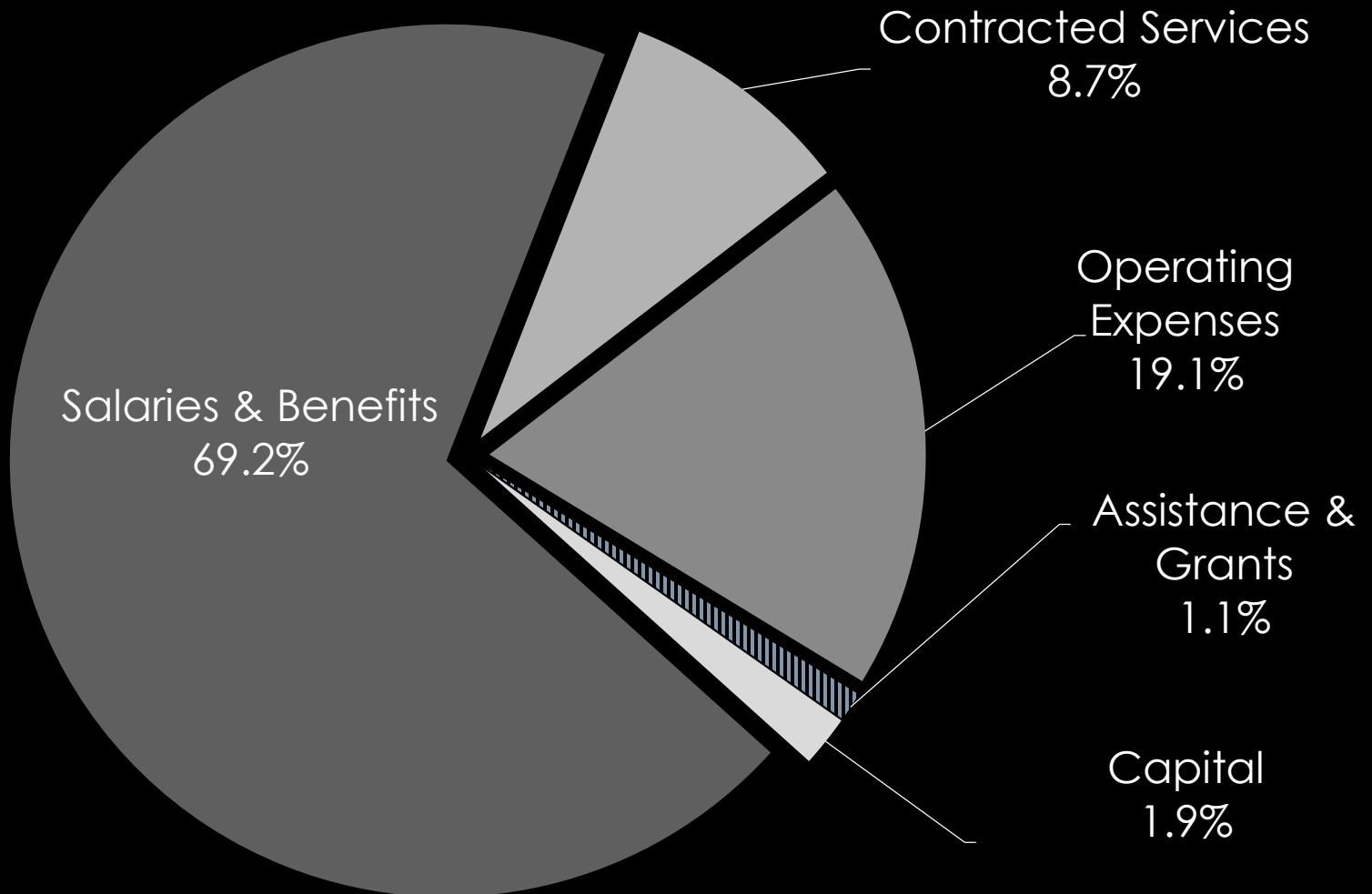
- 2017 Assembly authorized establishment of internal service funds for centralized services
 - Information technology, capital asset management & maintenance, & human resources
- Costs previously budgeted in DOA
 - 2018 Assembly included costs in user agency budgets
 - Final FY 2018 & FY 2019 budget

Centralized Services

All Sources	FY 2019 Enacted	FY 2019 Revised	Chg to Enacted	FY 2020	Chg to Enacted
Facilities	0.7	0.5	(0.2)	0.6	(0.1)
IT	0.6	0.7	0.1	0.7	0.1
HR	0.2	0.2	0.0	0.2	-
Total	1.5	1.5	(0.1)	1.5	(0.0)
Total GR	1.3	1.2	(0.1)	1.3	(0.0)

- Appears to be some disconnect w/ amounts showing as spent & budget expectation
 - Charges to non-general revenue sources are not occurring to same extent

FY 2020 Governor by Category



Expenditures by Program

	FY 2019 Enacted	FY 2019 Rev.	FY 2020 Gov.	Chg. to Enacted
OHIC	\$2.4	\$3.0	\$2.6	\$0.2
Central Mgmt.	2.4	2.4	2.5	0.1
Banking Reg.	1.8	1.6	1.7	(0.1)
Securities Reg.	1.0	1.1	1.1	0.1
Comm. Licensing	2.9	2.9	1.9	(1.0)
Insurance Reg.	6.0	5.7	5.9	(0.0)
Board of Acct.	0.0	0.0	0.0	(0.0)
Build, Design & Fire Pros.	8.0	8.4	9.4	1.4
Cannabis Regulation	-	-	5.6	5.6
Total	\$24.5	\$25.1	\$30.8	\$6.3

\$ in millions

Target Issues

- Department provided with general revenue target of \$17.2 million
 - Includes current service adjustments totaling \$0.6 million & 5.0 % reduction or \$0.8 million
- Budget submitted proposed savings of \$54,500 & enhanced revenue collections of \$0.8 million
 - Governor's recommendation \$0.5 million more than current service

Enacted Staffing Summary

- 2018 Assembly enacted 161.0 positions
 - 9.0 fewer than the Governor recommended
 - Business Regulation – 148.0 FTE
 - 60.0 more positions than FY 2018 enacted
 - Transfer of building related functions from other agencies
 - Office of the Health Insurance Commissioner – 13.0 FTE

Staffing

Full-Time Equivalent Positions

Full-Time Positions	FTEs	Chg. To Enacted
Enacted Authorized	161.0	-
FY 2019 Gov. Rev.	162.0	1.0
FY 2020 Request	162.0	1.0
FY 2020 Governor	187.0	26.0
FY 2020 Funded FTE	181.3	20.3
Filled as of March 30	158.6	(2.4)
FY 2019 Average Filled*	151.4	(9.6)

*Adjusted for phased positions transfer

Staffing

FY 2020 Governor Recommendation		
	DBR	Statewide
Gross Salaries (in millions)	\$15.2	\$1,117.1
Turnover (in millions)	0.5	(42.9)
Turnover %	3.0%	3.8%
Turnover FTE	5.7	592.2
FY 2020 FTE recommended	187.0	15,413.1
Funded FTE	181.3	14,884.1
Filled as of March 30	158.6	14,131.4
Funded but not filled - New	21.7	752.7
Funded but not filled - Current	2.0	752.7

Staffing Summary

- FY 2019 rev. includes 162.0 positions
 - Consistent with the Department's request
 - Shifts 2.0 positions, adds new medical marijuana legal counsel
- FY 2020 rec. includes 187.0 FTE
 - 26 new FTE
 - 8.0 for Streamline and Simplify
 - 17.0 for Adult Use marijuana
 - 1.0 for medical marijuana positions in revised

Staffing

	FY 2019 Enacted	FY 2019 Rev.	Chg. to Enacted	FY 2020 Gov.	Chg. to Enacted
OHIC	13.0	13.0	-	13.0	-
Central Mgmt.	9.0	11.0	2.0	11.0	2.0
Banking Reg.	15.0	14.0	(1.0)	14.0	(1.0)
Securities Reg.	9.0	9.0	-	9.0	-
Comm. Licensing	19.0	20.0	1.0	15.0	(4.0)
Insurance Reg.	34.0	34.0	-	34.0	-
Build, Design & Fire Pros.	62.0	61.0	(1.0)	69.0	7.0
Cannabis Regulation	-	-	-	22.0	22.0
Total	161.0	162.0	1.0	187.0	26.0

Statewide Savings Initiatives

- Governor distributes statewide general revenue savings enacted for FY 2019 in the Department of Administration
 - Prompt Payment - \$0.4 million
 - Vendors voluntarily offer a discount if payments are received within an agreed upon date
 - Contracts - \$3.0 million
 - Effort to reduce costs of certain commodities
 - Food, maintenance, office equipment, telecommunications
 - Insurance - \$0.5 million
 - Reductions in policies for property & crime

Statewide Savings Initiatives

Initiative	FY 2019 Revised	FY 2020
Prompt Payment	\$(1,388)	\$(1,388)
Contract	(41,323)	(41,438)
Insurance	(780)	(781)
Total	\$(43,491)	\$(43,607)

- Non general revenue savings are not reflected

Office of the Health Insurance Commissioner

- Created by 2004 Assembly within the Department of Business Regulation
 - Established as a distinct program in FY 2012
- Positions funded through a variety of sources
 - 6.0 positions funded by general revenues
 - 5.5 positions federally funded from 3 grants
 - One grant closes during FY 2020; Office seeking an extension
 - 1.5 positions funded from restricted receipts

Office of the Health Insurance Commissioner – Gen. Rev.

- OHIC sets and enforces standards
 - Consumer protection, service provider fairness, insurer solvency, health system improvement
- 6.0 general revenue funded positions
 - \$1.2 million, \$0.1 million more than enacted to reflect current staffing
- \$0.2 million for office operations
 - \$12,084 less than enacted, after accounting for statewide savings

Office of the Health Insurance Commissioner – Federal Grants

- State Innovation Models:
 - Design or test innovative health care payment and service delivery models
 - FY 2020 includes funding equivalent to roughly 1 pay period as the grant funds exhaust
 - Office has applied for a no-cost extension; an approval would continue to fund commitments

Office of the Health Insurance Commissioner – Federal Grants

- Health Insurance Enforcement Grant
 - Implement & enhance policy form review, conduct market examinations & analysis, & investigate complaints
 - FY 2020 - \$56,060 less from federal funds
 - Reflect end of extension; positions transition to different federal source through 2-year period
 - FY 2019 – \$0.3 million more than enacted to reflect 1-year no-cost extension
 - Adds \$12,300 more for constituent management system shared with Utilization Review

Office of the Health Insurance Commissioner – Federal Grants

- New State Flexibility Grant
 - To increase state role to enhance and implement federal market reforms and consumer protections
 - FY 2020 - \$0.2 million from federal funds
 - Supports 1.5 positions and operating costs
 - Conduct a market scan of the 4 major insurance carriers
 - Analyze interstate benchmark plans & explore new affordable options
 - Oversight of adherence to existing renewable coverage requirements

Office of the Health Insurance Commissioner - Restricted

- Health Care Utilization Review
 - Administer certification, investigate complaints & compliance of state laws, rules & regulations
 - FY 2020 3.0 positions & \$0.5 million restricted receipts
 - 1.0 position and \$0.2 million more than enacted
 - Related supervisory time as reported at closing, percentage charged increases from FY 2019 & FY 2020
 - \$25,000 for FY 2019 constituent management system shared with enforcement grant

Office of the Health Insurance Commissioner – RI REACH

- Office's consumer assistance program,
 - Toll-free live answer helpline; operated by the Rhode Island Parent Information Network
 - Funding: FY 2014 – FY 2016 through federal rate review funds; FY 2017 general revenues
 - 2018 Assembly approved Medicaid reimbursements based on call volume beginning FY 2018
- Budget includes \$0.5 million
 - \$30,000 more from federal Medicaid match funds

Staffing

	FY 2019 Enacted	FY 2019 Rev.	Chg. to Enacted	FY 2020 Gov.	Chg. to Enacted
OHIC	13.0	13.0	-	13.0	-
Central Mgmt.	9.0	11.0	2.0	11.0	2.0
Banking Reg.	15.0	14.0	(1.0)	14.0	(1.0)
Securities Reg.	9.0	9.0	-	9.0	-
Comm. Licensing	19.0	20.0	1.0	15.0	(4.0)
Insurance Reg.	34.0	34.0	-	34.0	-
Build, Design & Fire Pros.	62.0	61.0	(1.0)	69.0	7.0
Cannabis Regulation	-	-	-	22.0	22.0
Total	161.0	162.0	1.0	187.0	26.0

Division of Building, Design & Fire Professionals

- 2018 Assembly established the new division
- Consolidates licensing and regulation relating to building and construction design, inspection, and enforcement of building and fire codes
 - Includes Contractors' Registration & Licensing Board, State Building Code Commission, Fire Safety Board of Appeal and Review, & State Fire Marshal

Division of Building, Design & Fire Professionals

- Enacted budget
 - \$8.0 million from all sources - 62.0 FTE
 - Savings from charging design professionals expenses to Contractors' Registration & Licensing Board restricted receipts
 - Staff noted at the time expenses may exceed projected revenues
 - Administration indicated it would seek administrative efficiencies to reduce expenses

Division of Building, Design & Fire Professionals

- Gov. FY 2020 - \$8.1 million all sources
 - Adds \$0.1 million gen. rev. for hazardous materials detection equipment
 - \$0.3 million from RICAP for Fire Academy
 - Converts vacant FTE to a Deputy Director
 - Funded from restricted receipts
 - \$0.1 million annually; position filled since Sept.
- FY 2019 Revised budget
 - Shifts a position to Central Management
 - Restricted receipts online licensing - \$21,000

Division of Building, Design & Fire Professionals

	FY 2017	FY 2018	FY 2019 Gov. Rev.	FY 2020 Gov. Rec
Balance Fwd.	\$910,743	\$705,603	\$548,103*	\$306,909
New Receipts	1,124,482	1,489,995	1,771,773	1,759,232
Indirect Cost	(112,448)	(149,000)	(177,177)	(175,923)
Available	\$1,922,777	\$2,046,599	\$2,142,699	\$1,890,218
Expenditures	1,217,174	1,203,267	1,500,147	1,809,290
Design Prof.	-	328,200	335,643	-
Balance	\$705,603	\$515,132	\$306,909	\$80,928

* Includes post audit adjustment

Division of Building, Design & Fire Professionals

- Governor's recommendation includes optimistic revenue collections
 - Historically fluctuate biennially
 - Shortage could be significant

	FY 2017	FY 2018	FY 2019	FY 2020
Receipts in Gov. Budget (19& 20)	1,124,482	1,489,995	1,771,773	1,759,232
Receipts based on History	1,124,482	1,489,995	1,289,403	1,545,608
Variance	\$ -	\$ -	\$482,370	\$213,624

* Includes post audit adjustment

Division of Building, Design & Fire Professionals

- New Streamline & Simplify initiative
 - Jointly with EOC to improve various licensing requirements which impact businesses
 - Support State & Local Partnership Council & Site Readiness implementation
- Adds \$0.5 million & 8.0 FTE positions
 - 1.0 for Small Business Ombudsman from OMB
 - Funded by Commerce Corporation
 - 4.0 fully funded for FY 2020
 - 3.0 not funded – unclear plan for filling all and out year impact

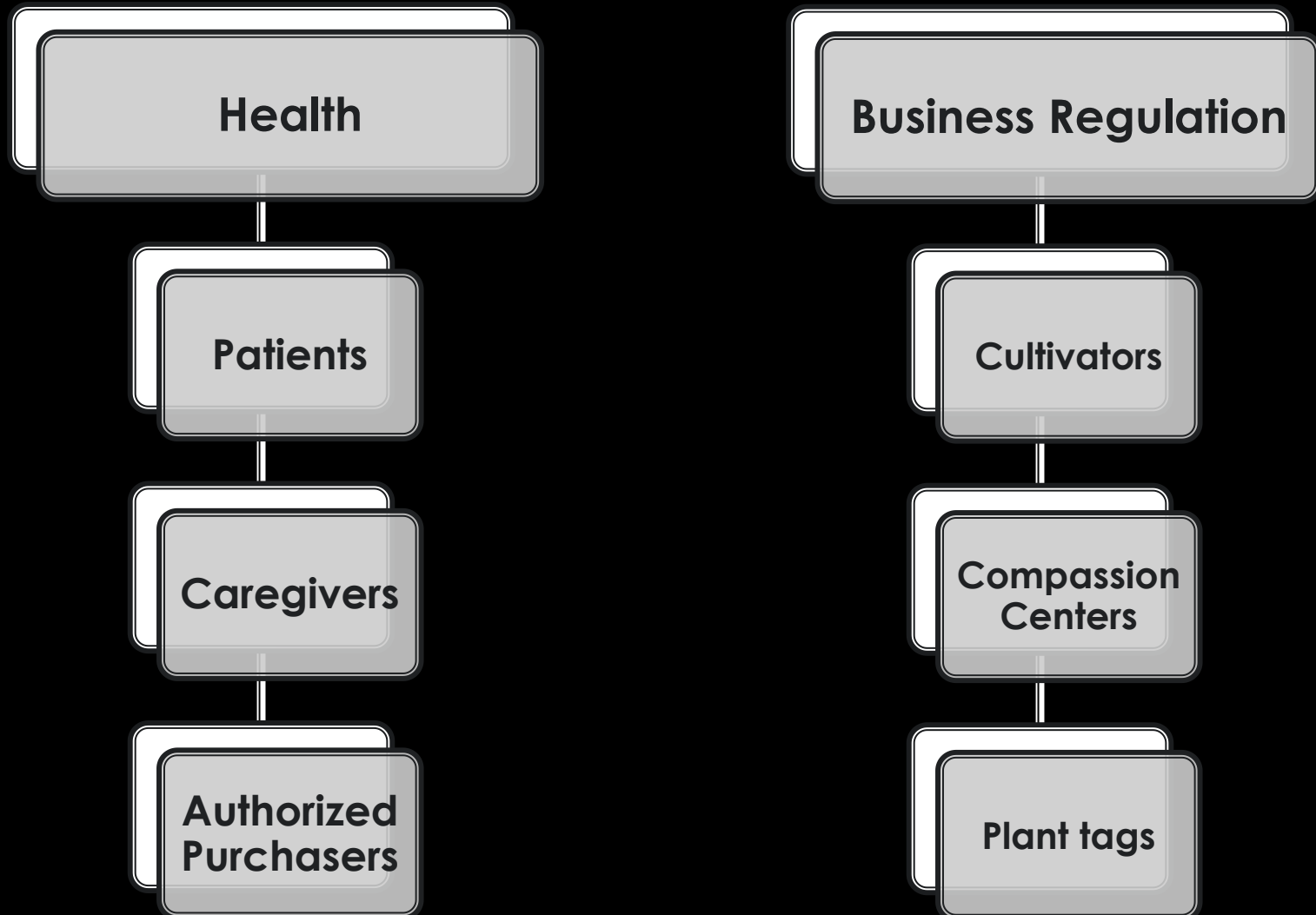
Office of Cannabis Regulation

- New Office of Cannabis Regulation
 - FY 2020 Recommendation includes \$5.5 million from restricted receipts
 - Recommendation shifts existing Medical Marijuana Licensing
 - Includes 5.0 positions with staffing costs of \$0.6 million & 0.6 million of operations
 - Adds 17.0 new positions for adult regulation
 - Includes \$1.9 million for staffing & \$2.5 million for operations

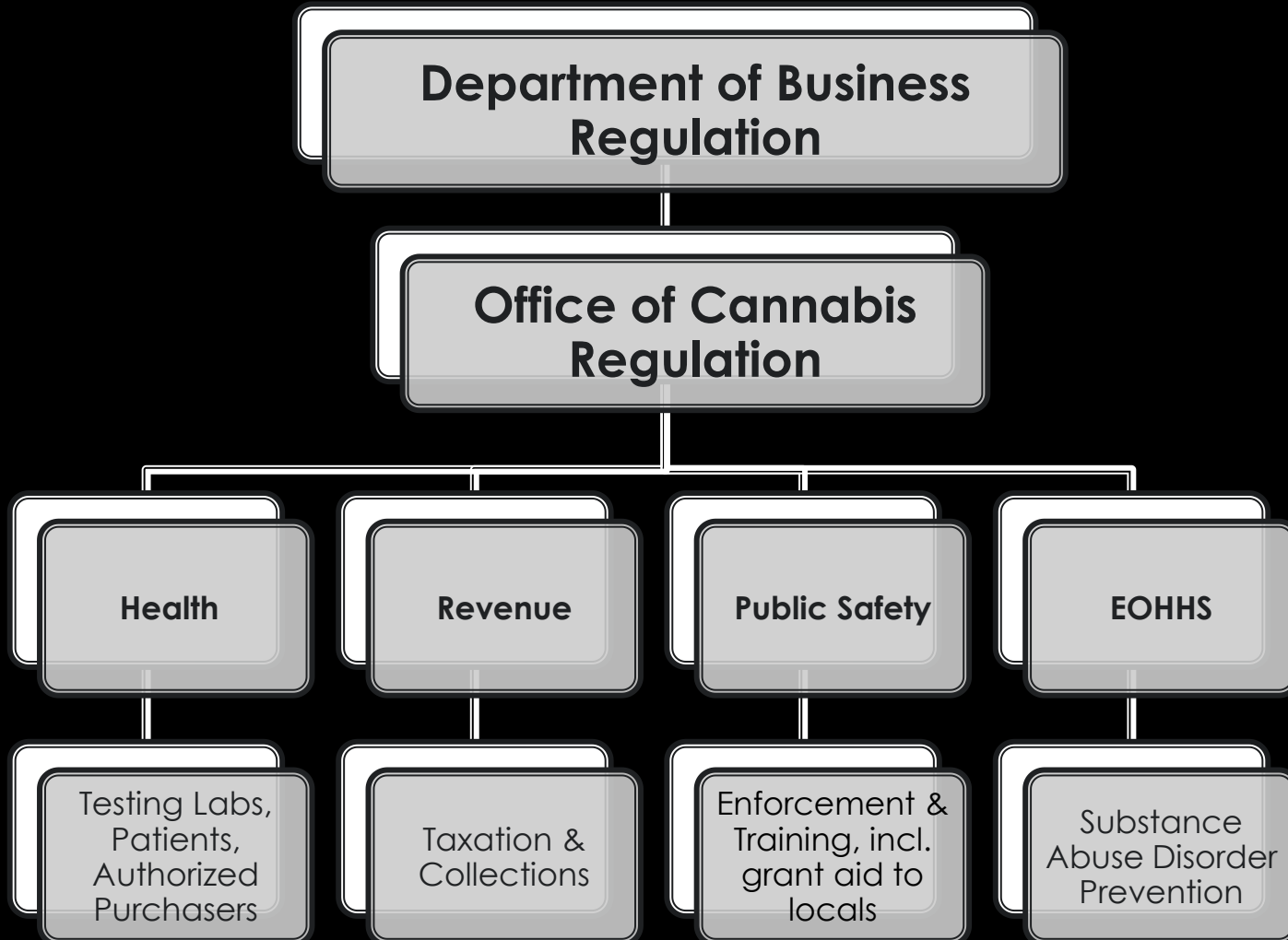
Article 20 – Centralization

- Establishes a new Office of Cannabis Regulation within the Department of Business Regulation
 - Provide oversight & coordination of all agency implementation, regulation, including strategic policy response
 - Providing guidance to municipalities
 - Report to officials the estimated projected revenues & distribution funds which assist in the oversight and regulation of all marijuana

Current Regulatory Hierarchy



Proposed Regulatory Hierarchy



Article 20 – Centralization

Powers	
Subject to Discretion	To Issue any license type, including future industry to support the market (online sale, delivery, etc...), permit a medical licensees' adult use activities if no risk to medical activity
Subject to Limitations	Number of industries licenses, production volume, potency level, number of licenses held by an entity
Define by Regulation	License application windows, industry sizes & fees, indoor/outdoor growth, streamline medical licensee applications for adult use activities, quarantine & destruction contraband & prohibited materials, renewal

Article 20 – Centralization

- Office of Cannabis Regulation with Department of Health to establish
 - Standards for laboratory proficiency, quality control, test standardization & round robin testing
 - Produce additional laboratory licenses pursuant to these standards
 - Annual license fees & related employee registration cards subject to the discretion of the Department of Health
 - Phase-in of laboratory testing requirements if the market lacks necessary capacity
 - 1 laboratory in process for approval

Article 20 – Enforcement

- Codifies DBR's areas of regulation and authority
 - Transportation/Delivery
 - Seizure/Destruction
 - Security requirements
 - Including use of a seed to sale tracking system
 - Marketing & Advertising practices
 - Extends grounds for registry card denial for caregivers & purchasers to prior violations
 - Currently only incomplete/falsified information

Article 20 – Enforcement

- Establishes fines for Compassion Centers
 - No threat to public health/safety - \$500
 - Threat to public health/safety - \$2,000
 - No collections assumed in budget
- Provides authority for show cause/ cease and desist orders for any program violation of a licensed activity
 - Decisions stand until Superior Court ruling

Article 20 – Fiscal Impact

- Municipalities
 - May not ban activity by regular business
 - Zoning compliant to Office regulation
 - By referendum; entities by separate question
 - Election by Nov. 5, 2019; authority in place by Jan. 1, 2020
 - May not prohibit existing medical operations

Distribution Basis	Share
All Communities	3.75%
By License type	3.75%
<i>Cultivators</i>	0.94%
<i>Processors</i>	0.94%
<i>Retailers</i>	1.88%
Volume of Sales	7.5%
Total	15%

Article 20 – Fiscal Impact

Marijuana Net New Revenues					
Item	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Adult Use	\$4.8	\$19.4	\$19.8	\$20.2	\$20.5
Medical Marijuana	1.6	2.2	2.3	2.3	2.3
Hemp	0.1	0.2	0.2	0.2	0.3
Total	\$6.5	\$21.8	\$22.2	\$22.7	\$23.0

\$ in millions

Article 20 – Fiscal Impact

Expenses				
Department	FTE	Staffing	Operations	Total
Business Regulation	12.0	\$2.5	\$3.0	\$5.6
Health	3.0	0.9	0.1	1.0
Public Safety	-	-	0.9	0.9
Revenue	4.0	0.3	0.5	0.8
EOHHS	-	-	1.0	1.0
BHDDH	1.0	-	-	-
Subtotal	20.0	\$2.6	\$4.8	\$7.3
<i>Medical Marijuana*</i>	9.0	1.2	0.7	1.9
Total	29.0	\$3.7	\$5.5	\$9.2

\$ in millions; * Existing program staff & expenses

FY 2020 Governor's Recommendation

	FY 2019 Enacted	FY 2019 Rev.	Chg. to Enacted	FY 2020 Gov.	Chg. to Enacted
Central Mgmt.	\$1.4	\$1.5	\$0.1	\$1.6	\$0.3
Banking Reg.	1.8	1.6	(0.2)	1.7	(0.1)
Securities Reg.	1.0	1.1	0.0	1.1	0.1
Insurance Reg.	5.9	5.7	(0.3)	5.9	(0.0)
Comm. Licensing	2.9	2.9	0.1	1.9	(0.9)
Accountancy	0.0	0.0	(0.0)	0.0	(0.0)
Total	\$13.0	\$12.8	\$(0.3)	\$12.3	\$(0.7)

\$ in millions

Central Management

- Administers & oversees the statutory functions of the department
 - Support services: budgeting, personnel, legal & information technology
 - Excluding OHIC
 - FY 2020 includes \$0.3 million for 2.0 positions for FTE shifted from other divisions
 - Fiscal support for Building Professionals shifted from that division
 - Legislative and PR FTE repurposed from Banking division vacancy

Banking Regulation

- Monitors, regulates and examines financial institutions
 - Required by statute to conduct examinations of banks & credit unions every 18 months
 - The Governor's recommendations reflect savings consistent with the reduced level of staffing

Securities Regulation

- Enforces compliance with state laws for the securities industry, franchises, charities, fundraisers and time-shares
 - Licenses and regulates securities professionals
 - Increase reflects reallocation of salaries previously charged to Commercial Licensing

Insurance Regulation

- Conducts financial examinations of domestic insurance companies
 - Licenses foreign insurers and other financial companies, and over 120,000 producers, adjusters and appraisers
 - FY 2020 recommendation reflects current staffing levels
- Actuarial services for rate filings
 - Avg. 3-year expenditure is \$1.1 million
 - Billed to the regulated corporations

Commercial Licensing, Gaming & Athletics

- Licenses & regulates real estate professionals, automotive, liquor, & medical marijuana industries, & casino employees & vendors
 - Adds \$48,000 of new restricted receipts in both years
 - Pursuant to Dodd-Frank Wall Street Reform Act
 - Article 2 of budget authorizes a new restricted account to carry this out

Comm. Licensing, Gaming & Athletics – Medical Marijuana

- Governor recommends \$1.2 million for FY 2019 revised
- \$0.5 million for salaries and benefits
 - \$0.1 million more from restricted receipts to fund 1.0 new position
 - Operations as enacted
- Transfers funding and staff to the Office of Cannabis Regulation for FY 2020

Board of Accountancy

- Autonomous board responsible for administration of licensing
 - Certified public accountants
 - Public accountants
 - Accountancy partnerships & corporations
- Governor recommends \$5,887
 - Primarily National Assoc. of State Boards of Accountancy Membership
 - Administrative expenses & hearing support

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