

Governor's FY 2019 Revised and FY 2020 Budget: Articles

Staff Presentation to the House Finance
Committee
February 26, 2019

Introduction

- 2019-H 5150
 - Article 1, Sections 17 – 24
- 2019-H 5151
 - Article 3, Sections 1 – 26
 - Article 5, Sections 2, 3, 8, 17 and 19

Summary

- DOR and DBR regulatory revisions affecting businesses
 - 5151 Article 3
- DBR Fees and DOR Interest
 - 5151 Article 5
- DEM fund transfers and fee increases
 - 5150 Article 1
 - 5151 Article 5

H 5151

Article 3, Sections 1 – 26

- ***Regulatory Changes***
 - Sections 1-13 & 18-20
- Function Transfers
 - Sections 13 and 21
- Background Checks
 - Sections 14 – 17
- Revenue and Tax Authority
 - Sections 22 – 26

H 5151

Article 3, Sec. 1-13 & 18-20

- Budget does not specifically account for lost revenue

Item	Section	Impact
Airport District Parking Permit Fees	1	(\$1,500)
\$1 Duplicate Caterer Liquor License	2	-
Motor Carrier Fees & Decals	12	(50,000)
Retail Gasoline Application Fee	13	(180)
Auto Salvage Yard Penalties	20	-
Estimated Annual Loss		(\$51,680)

H 5151

Article 3, Sections 3, 5-6 & 11

- Statutory Changes
 - Obsolete Leather & Hide Inspector statute
 - Eliminates notarization requirements for
 - Well installation
 - Also eliminates requirement for “good moral character”
 - Interpreters for the Deaf
 - “Good moral character” requirement remains
 - Changes licensure to registration for all bedding & upholstery dealers & manufacturers
 - Technical change, no change in practice

H 5151

Article 3, Sections 8, 18-20

- Statutory Changes
 - Institute \$1,000 penalty for certified constable violations
 - No revenues assumed
 - Only current enforcement is revocation
 - Technical changes to Mixed Martial Arts statutes consistent with boxing language
 - Exempts amateur competitions with prizes less than \$25
 - Allows DBR to set fees for referees and officials
 - No revenues assumed

H 5151

Article 3, Sections 4 & 7

- Contractors' Licensing & Registration Board
 - Technical changes with 2018 shift to DBR
 - Roofing contractors
 - Increase insurance \$1.5 million to \$2.0 million
 - Removes individual project bonding requirement
 - Currently equal to project cost; minimum \$0.1 million
 - “Good moral character” requirements remain
 - Continuing Education changes
 - 10 hours per 2-yrs; annual under current law
 - Eliminates 10-hour OSHA safety certificate or equivalent

H 5151

Article 3, Section 10

- Section 10 clarifies standard for DEM to require remediation of contaminated vapors or gases into proposed school buildings
 - Intent of law remains in place
 - Specifies requirements by striking the term “reasonable potential” and requiring conceptual site modeling and environmental sampling instead

H 5151

Article 3, Sections 1 – 26

- Regulatory Changes
 - Sections 1-13 & 18-20
- ***Function Transfers***
 - **Sections 13 and 21**
- Background Checks
 - Sections 14 – 17
- Revenue and Tax Authority
 - Sections 22 – 26

H 5151

Article 3, Sections 9 & 13

- Sections 9 and 13 transfer enforcement powers from DBR to DLT for violating
 - Variety of price & brand display requirements or false advertisement
 - Counterfeit or fraudulent sales of fuel and lubricants
- Efficiency measure
 - DLT conducts weights and measures inspections
 - Under current practice DBR only conducts enforcement checks when notified by DLT

H 5151

Article 3, Section 21

- Section 21 transfers ombudsman position from DOA Office of Regulatory Reform to DBR
- Governor recommended transfer of position as part of FY 2016 budget
 - Assembly maintained it in DOA
- Position was created by 2010 Assembly
 - Help small business navigate through state and local permitting

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Article 3, Section 21

- MOU between DOA & Executive Office of Commerce
 - Effective Sept. 2017 - Sept. 2019
 - Cost of position to EOC
 - Maintain staffing authorization in DOA
- FY 2019 enacted assumes Commerce Corp will fund
 - FY 2019 rev. & FY 2020 rec. assume same
 - Transparency issues persist

H 5151

Article 3, Sections 1 – 26

- Regulatory Changes
 - Sections 1-13 & 18-20
- Function Transfers
 - Sections 13 and 21
- ***Background Checks***
 - **Sections 14 – 17**
- Revenue and Tax Authority
 - Sections 22 – 26

H 5151

Article 3, Sections 14 – 17

- Establishes new requirements for who must undergo state and national fingerprint criminal background checks
 - Volunteers and employees at RI Training School
 - State employees and vendors who have access to federal tax information

H 5151

Article 3, Sections 14 – 17

- Personnel administrator to coordinate background checks for employees
- Requirement for vendors will be included in contracts
 - New employees and current employees
 - Must be complete within time approved by agency director/designee
 - Agency directors must be notified to determine if person is suitable for having access

H 5151

Article 3, Sections 14 – 17

- Expands child care facility employment requirements to include criminal records checks
 - Includes any adult household member in a licensed family day care home
 - Attorney General's Office, state or local police, or DCYF may receive applications to conduct background checks
 - Criminal record checks conducted every five years of continuous employment

H 5151

Article 3, Sections 1 – 26

- Regulatory Changes
 - Sections 1-13 & 18-20
- Function Transfers
 - Sections 13 and 21
- Background Checks
 - Sections 14 – 17
- ***Revenue and Tax Authority***
 - **Sections 22 – 26**

H 5151

Article 3, Section 22

- Public Inspection of Licenses
 - Permits the Tax Administrator to periodically post active licenses for public inspection
 - Unspecified period
 - Includes all licensed tax-related activities
 - Facilitate voluntary compliance and renewal of approx. 2,000 municipally administered liquor related licenses

H 5151

Article 3, Section 23

- Removes requirement that Division of Municipal Finance monitor and report statutory compliance of Central Coventry Fire District
- CCFD announced receivership 2012
 - 2013 Assembly enumerated District powers & duties including appropriation contingency
 - Authorized Division specific oversight powers
- Receivership dissolved October 2015
 - No Municipal Finance staff on site since

H 5151

Article 3, Sections 24 & 25

- Corporate tax audits
 - Incorporates a mechanism to deal with the results of the new federal audit regime for certain corporate partnerships
 - Multi-state model language
- Personal Income Tax withholding
 - Adds casino gambling and sports wagering income withholding to existing law

H 5151

Article 3, Sections 25 & 26

- Income Tax Withholding
 - Requires employers to remit electronically
 - If average withholding of \$200 per month
 - Fines for lack of compliance
 - Lesser of 5% or \$500 for negligence
 - \$50 otherwise
 - Requires employee leasing companies to use prescribed withholding forms
 - Adds interest charges for failure to remit withholding at prescribed times
 - Prime +2% between 18% - 21%

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H 5151

Article 5, Section 2

- Increases Mortgage Loan Originator License fee from \$100 to \$400
 - Current fee established in 2007
 - Massachusetts: \$500
 - Connecticut: \$300
- Budget assumes \$1.2 million in new revenues

H 5151

Article 5, Section 3

- Increases registration fee for debt collector businesses from \$100 to \$500
 - Executive Summary describes an increase to \$750
 - Governor requested amendment yesterday
- Budget assumes \$0.6 million
 - Assumes 524 registrations & 365 branches
 - Branches for same entities subject to same fee

H 5151

Article 5, Section 8

- Collections Unit Interest Charges
 - Upon referral from state agency, debt subject to interest
 - Consistent with current taxation rates
 - Prime + 2% between 18% - 21%
- Budget proposes to lower rate
 - Greater of 13% or the rate under law for the referring agency

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H 5150

Article 1, Sections 17 – 24

- Transfers to the general fund

Item	Section	Impact
OSPAR	17	\$1.0
Underground Storage Tank	18	1.0
Excess DEM Bonds	19 – 24	1.4
Total		\$3.4

\$ in millions

H 5150 Article 1, Section 17

OSPAR Fund

- Oil Spill Prevention, Administration, & Response Fund
 - Created 1996 in response to North Cape spill
 - \$0.05 per barrel
 - Out of state petroleum products
 - Annual average collections - \$1.5 million
 - \$10.0 million cap, adjusted for inflation after January 1, 1998, on fee collection
 - \$15.6 million as of January 2019 using CPI

H 5150 Article 1, Section 17

OSPAR Fund

- Eligible Uses
 - Response, containment, and remediation
 - Response readiness training & equipment
 - Emergency loans to workers affected by a spill
 - Damage compensation for claims that cannot otherwise be compensated by responsible parties

H 5150 Article 1, Section 17

OSPAR Fund

Current Law – Fiscal Year	2016	2017	2018	2019*	2020*
Prior Balance	\$4.6	\$4.0	\$3.3	\$2.6	\$1.8
Receipts	1.7	1.5	1.6	1.5	1.5
<i>Total Available</i>	\$6.3	\$5.5	\$5.0	\$4.1	\$3.3
Staffing/Contracted	\$1.5	\$1.3	\$1.6	\$1.4	\$1.7
Operations	0.8	0.6	0.7	0.6	0.6
Grants	0.0	0.2	-	0.4	0.4
<i>Total Expenses*</i>	\$2.3	\$2.2	\$2.3	\$2.4	\$2.6
Balance	\$4.0	\$3.3	\$2.6	\$1.8	\$0.6

* Governor's recommendations including expanded use \$ in millions

H 5150 Article 1, Section 17

OSPAR Fund

- Section 17 requires the transfer of \$1.0 million from the fund by June 30, 2019
 - Average operating deficit of \$0.7 million since FY 2016
 - Estimated FY 2019 balance of \$1.8 million
 - FY 2020 year end balance \$0.6 million
 - Transfer lowers FY 2020 opening surplus and fund will go into deficit with recommended expenses

H 5151 Article 5, Section 19

OSPAR Fund

- Section 19 doubles fee to \$0.10 per barrel
- Also expands eligible uses
 - Support compliance and monitoring for stormwater management and brownfields
 - Governor recommends \$0.2 million to fund 3.0 new staff in FY 2020

H 5151 Article 5, Section 19

OSPAR Fund

- Amendment submitted February 25 to further expand eligible uses
 - Fund a grant program for municipalities or state agencies
 - Projects which increase resiliency of infrastructure on public lands to impacts of climate change
 - In order to protect or enhance natural systems and habitats

H 5150 Article 1, Sec. 17 and H 5151 Article 5, Sec. 19

Gov Proposal – Fiscal Year	2016	2017	2018	2019*	2020*
Prior Balance	\$4.6	\$4.0	\$3.3	\$2.6	\$0.8
Receipts	1.7	1.5	1.6	1.5	3.0
<i>Total Available</i>	\$6.3	\$5.5	\$5.0	\$4.1	\$3.8
Staffing/Contracted	\$1.5	\$1.3	\$1.6	\$1.4	\$1.7
Operations	0.8	0.6	0.7	0.6	0.6
Grants	0.0	0.2	-	0.4	0.4
Transfer	-	-	-	1.0	-
<i>Total Expenses</i>	\$2.3	\$2.2	\$2.3	\$3.4	\$2.6
Balance	\$4.0	\$3.3	\$2.6	\$0.8	\$1.1

*Governor's recommendations \$ in millions

H 5150 Article 1, Section 18

UST Fund

- Created 1994, revenues from one cent per gallon motor fuel when product is sold to owners or operators of UST
 - Previous transfers of \$2.0 million to general fund in both FY 2006 and FY 2008
 - Amended in 2009, one half cent for UST, one half cent for the Intermodal Surface Transportation Fund
 - \$8.0 million cap on fee collection

H 5150 Article 1, Section 18

UST Fund

- Eligible uses include
 - Reimbursement of claims including property or natural resource damage
 - DEM costs for investigation, remediation, and corrective action activities at sites of a release

H 5150 Article 1, Section 18

UST Fund

Current Law – Fiscal Year	2016	2017	2018	2019*	2020*
Prior Balance	\$1.7	\$1.4	\$1.9	\$2.3	\$2.5
Receipts	2.0	2.0	2.0	2.0	2.0
<i>Total Available</i>	\$3.7	\$3.3	\$3.9	\$4.3	\$4.4
Staffing/Operations	\$0.2	\$0.3	\$0.3	\$0.3	\$0.3
Grants	2.1	1.1	1.3	1.5	1.5
<i>Total Expenses</i>	\$2.3	\$1.4	\$1.6	\$1.8	\$1.8
Balance	\$1.4	\$1.9	\$2.3	\$2.5	\$2.6

*Governor's recommendations \$ in millions

H 5150 Article 1, Section 18

UST Fund

- Section 18 requires transfer of \$1.0 million from the fund by June 30, 2019
 - Fund has operating surplus
 - \$0.6 million in FY 2018, ending balance of \$2.3 million
 - FY 2019 estimated year-end balance of \$2.5 million without transfer
 - With transfer, estimated balance is \$1.5 million

H 5150 Article 1, Section 18

UST Fund

Gov Proposal – Fiscal Year	2016	2017	2018	2019*	2020*
Prior Balance	\$1.7	\$1.4	\$1.9	\$2.3	\$1.5
Receipts	2.0	2.0	2.0	2.0	2.0
<i>Total Available</i>	\$3.7	\$3.3	\$3.9	\$4.3	\$3.4
Staffing/Operations	\$0.2	\$0.3	\$0.3	\$0.3	\$0.3
Grants	2.1	1.1	1.3	1.5	1.5
Transfer	-	-	-	1.0	-
<i>Total Expenses</i>	\$2.3	\$1.4	\$1.6	\$2.8	\$1.8
Balance	\$1.4	\$1.9	\$2.3	\$1.5	\$1.6

* Governor's recommendations \$ in millions

H 5150 Article 1, Sec. 19 – 24 – DEM Bond Funds

- Requires \$1.4 million of excess bond funds to be transferred by June 30, 2019

Year	Use	Amount
1986	Government Inceptors	\$1,111,661
1986	Government Water Pollution Control	107,267
1986	Private Water Pollution Control	35,094
2000	State Rec. Facilities Development & Renovations	11,908
2000	Local Rec. Facilities Distressed	1,226
2010	25 India Street – Shooter's Property Acquisition	160,028
Total		\$1,427,185

H 5150 Article 1, Sec. 19 – 24 – DEM Bond Funds

- In most cases debt has not been retired

Project Debt Remaining	Principal	Interest	Total
Government Inceptors	\$568,000	\$127,643	\$695,643
Gov. Water Pollution Control	1,370,998	575,355	1,946,352
Private Water Pollution Control	-	-	-
State Recreation Facilities	228,000	16,053	244,053
Local Rec. Facilities Distressed	73,000	5,173	78,173
25 India Street – Shooter's Property Acquisition	2,598,000	983,106	3,581,106
Total	\$4,837,998	\$1,707,329	\$6,545,326

H 5151 Article 5, Sec. 17 – Litter Fees

- Beverage Containers
 - Fee imposed on each case of beverage containers sold by a wholesaler to retailer or consumer
 - Does not apply to reusable or refillable containers
 - Established in 1984 at \$0.05/case
 - Lowered to \$0.04/case in 1988
 - Average annual collections - \$1.1 million

H 5151 Article 5, Sec. 17 – Litter Fees

- Hard-to-Dispose Materials
 - Fee imposed on different measurements of five different hard-to-dispose materials
 - Tires and vehicles
 - Motor oil, antifreeze, and organic solvents
 - Collected upon sale of materials by wholesalers to retailers
 - Fees established in 1988 - unchanged since
 - Average annual collections - \$2.4 million

H 5151 Article 5, Sec. 17 - Litter Fees

- Beverage Containers & Hard-to-Dispose Materials
 - Governor proposes to double fees

Type	Unit	Current	Proposal	Revenue
Beverage Containers	Case	\$0.04	\$0.08	\$2.1
Motor Oil	Quart	\$0.05	\$0.10	0.5
Antifreeze	Gallon	\$0.10	\$0.20	0.1
Organic Solvents	Gallon	\$0.0025	\$0.005	0.0
Tires	Tire	\$0.50	\$1.00	0.3
Motor Vehicles	MV	\$3.00	\$6.00	0.2
Total				\$3.1

\$ in millions

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