

Governor's FY 2020 Budget: Articles

Staff Presentation to the House Finance
Committee
March 7, 2019

Introduction

- Article 3 – Government Reform
 - Section 27 - Injured on Duty
- Article 9 – Local Aid

Injured on Duty – Current Law

- Injured on Duty provision applies to certain state and local public safety personnel
 - Police officers, firefighters, fire marshals
 - Police officers specifically include Capitol Police, Sheriffs, Environmental & Airport Police
 - If one suffers injury or illness while on duty or off duty, if responding to an emergency
 - Full salaries and benefits
 - Exempt from personal income tax

Injured on Duty – Current Law

- Employees injured after July 1, 2011 must return to work or apply for disability pension after the later of:
 - 18 months
 - 60 days from when treating physician declares maximum medical recovery has been reached
 - Without this declaration, employee may remain on IOD status

Article 3, Sec. 27 - Injured on Duty

- Article allows an independent medical examiner to certify that maximum medical improvement reached
 - Triggers 60 - day clock to apply for accidental disability benefits
 - Applies to all who are receiving benefits under this statute

Article 3, Sec. 27 - Injured on Duty

- Effective July 1, 2019 - current recipients would have 90 days to apply for accidental disability benefits
 - Including those injured prior to 2011
- Except individuals who have been injured less than 18 months
 - Those individuals will have at least 90 days to apply and no later than 18 months

Article 3, Sec. 27 - Injured on Duty

- Article removes duplicative language regarding interface with collective bargaining agreements
 - Current law says statute does not alter any rights with respect to independent medical exams
 - Revision removes one of the three references to that protection

Article 3, Sec. 27 - Injured on Duty

- Benefits will terminate if
 - Current recipients fail to apply for accidental disability within the proposed timeframes
 - Upon final ruling of State Retirement Board
 - Current recipients have previously been denied or approved for ordinary or accidental disability benefits

Article 3, Sec. 27 - Injured on Duty

- Budget assumes \$1.7 million of general revenues savings from the proposed changes as they apply to state employees
 - Budgeted centrally in DOA budget
 - Additional details attribute them to
 - \$1.4 million – DPS for Sheriffs & Capitol Police
 - \$0.2 million – Military Staff for Quonset firefighters
 - \$0.1 million – DEM Environmental Police Officers

Article 3, Sec. 27 - Injured on Duty

- Of the current 28 recipients – as of July 1, 2019
 - 24 will be receiving benefits longer than 18 months
 - Of those, 6 have been receiving benefits since prior to 2011

Agency	Individuals	Estimated FY 2019 Costs	Average
Public Safety	24	\$2,776,533	\$115,693
Military Staff	3	408,259	136,087
DEM	1	129,343	129,343
Total	28	\$3,314,135	\$118,365

Article 3, Sec. 27 - Injured on Duty

- Governor requested an amendment this week (March 5) to make the proposed changes applicable only to state employees
- 2018 proposal also initially applied to all but was then revised to similarly exclude local employees

Article 3, Sec. 27 - Injured on Duty

- 2018 proposal reconciled related statutes with the proposal
 - RIGL 36-10-14
 - Relating to accidental disability for non-law enforcement employees
 - Specifically excluded those under IOD
- No reconciliation of the conflict in the proposed article or the amendment

Article 9 – Local Aid

- Article 9 proposes two changes to local property taxation
 - Allows municipalities to tax a portion of nonprofit properties currently exempt
 - Change to motor vehicle tax phase-out methodology

Article 9 – Local Aid

- Current law property tax exemptions
 - Property of the government
 - State or federally owned, military use, public school buildings, airports
 - Religious buildings & estates
 - Buildings & estates of public non-profit incorporated charities/entities
 - Libraries, schools, hospitals, specified charities
 - Property exempt by charter
 - Burial grounds

Article 9 – Local Aid

- Current law property tax exemptions under current law
 - Property of volunteer fire departments
 - Manufacturer's inventory
 - Household items
 - Limited and specific exemptions
 - \$10,000 for Brown University president & professors if claimed prior to Dec. 31, 1996
 - \$400,000 for veterans organizations incorporated by an act of Congress
 - \$1,500 for an EMA-approved fallout shelter

Article 9, Local Aid

- Article 9 removes the tax exempt status from portions of properties of nonprofit higher education & hospitals
 - Those portions that are not used exclusively for educational or hospital activities
 - Removes exemption for all vacant lots, regardless of improvements
 - In some cases communities may see new tax revenues

Payment in Lieu of Taxes (PILOT)

- Program reimburses cities & towns for property taxes which would have been due on specific untaxable property
 - Private, nonprofit educational institutions, hospitals, or state-owned hospital, veterans' facility, or correctional facility
- Reimbursement up to 27% of the tax that would have been collected
 - Subject to appropriation

Payment in Lieu of Taxes (PILOT) - History

Assembly	Change
1986	Established a 25% reimbursement for private, nonprofit educational institutions, hospitals
1988	Expanded eligibility to state-owned hospital, veterans' facility, or correctional facility over 100 residents
1997	Increased the reimbursement rate to 27%
2002	Allowed a ratable reduction for all communities if appropriated at less than 27%

Payment in Lieu of Taxes (PILOT)

- Governor recommends \$40.8 million for FY 2020
 - \$6.0 million less than full funding = 23.6%
 - \$5.3 million less than enacted
 - FY 2019 payment of \$46.1 million is the full 27% allowed under law

Payment in Lieu of Taxes (PILOT)

- Municipal Impact
 - Accrual-based accounting aligns revenues/expenses in a single reporting period
 - Accrual localities will likely have current year deficits, with little time to resolve

Uses Accruals	Non-Accrual
Bristol	Barrington
Burrillville	Central Falls
Cranston	East Greenwich
Pawtucket	East Providence
Providence	Smithfield
Warwick	South Kingstown
Westerly	Newport
	North Kingstown

Article 9, Local Aid

Municipality	State	Higher Ed	Hospital	% Hosp./Ed
Barrington		X		100%
Bristol	X	X		65.3%
Burrillville	X			0%
Central Falls			X	100%
Cranston	X	X		6%
East Greenwich		X	X	100%
East Providence			X	100%
Newport		X	X	100%
North Kingstown			X	100%
Pawtucket			X	100%
Providence		X	X	100%
Smithfield		X		100%
South Kingstown			X	100%
Warwick		X	X	100%
Westerly			X	100%

Article 9 – Local Aid

- Article 9 proposes two changes to local property taxation
 - Allows municipalities to tax a portion of nonprofit properties currently exempt
 - Change to motor vehicle tax phase-out methodology

Motor Vehicle Excise - History

- General Laws authorize municipalities to administer and collect an excise tax on motor vehicles
- A phase-out plan was adopted in 1998 to begin with FY 2000 tax bills
 - Altered numerous times then frozen in 2002
 - Exemptions grew in 2005 and 2006 to \$6,000 using new lottery revenue
 - Rolled back in 2010 Session to \$500 including immediate reduction in aid

Motor Vehicle Excise: Exemption Change History

Session	1998	2000	2002	2005	2006	2010	2011
FY 2000	1,500	1,500	1,500	1,500	1,500	1,500	1,500
FY 2001	2,500	2,500	2,500	2,500	2,500	2,500	2,500
FY 2002	3,500	3,500	3,500	3,500	3,500	3,500	3,500
FY 2003	8,000	5,000	4,500	4,500	4,500	4,500	4,500
FY 2004	10,000	6,900	4,500	4,500	4,500	4,500	4,500
FY 2005	15,000	9,400	4,500	4,500	4,500	4,500	4,500
FY 2006	Full	13,000	4,500	5,000	5,000	5,000	5,000
FY 2007	Full	Full	4,500	5,000	6,000	6,000	6,000
FY 2008	Full	Full	4,500	5,000	6,000	6,000	6,000
FY 2009	Full	Full	4,500	5,000	6,000	6,000	6,000
FY 2010*	Full	Full	4,500	5,000	6,000	6,000*	6,000
FY 2011	Full	Full	4,500	5,000	6,000	500	500
FY 2012	Full	Full	4,500	5,000	6,000	500	500

*Current year budget reduction; paid 88% of total due

Motor Vehicle Excise - History

- 1998 plan froze rates at FY 1998 levels
 - Authorized inflation adjustments to account for lost growth
 - 2003 change ended adjustments
 - 2008 change reduced reimbursement to 98% to align with collection rates
- 2010 change allowed rates to be lowered but kept ceiling
 - Only Providence lowered rates

Motor Vehicle Excise - History

- 2017 Assembly restarted the phase-out
- Over time the phase-out
 - Reduces the tax rate levied
 - Reduces the percentage of value assessed
 - Increases the minimum exemption
 - Tax collections phased-out in FY 2024
 - Cars older than 15 years exempt since FY 2018

Article 9, Motor Vehicle Excise Tax Phase-Out

- Article 9 proposes to continue the phase-out differently
 - More cost shifted to later years
- FY 2020 Recommendation
 - \$56.3 million for FY 2019; \$1.5 million more than enacted
 - Based on updated data
 - \$78.0 million for FY 2020
 - \$23.2 million more than enacted
 - \$16.3 million less than the current law

Article 9, Motor Vehicle Excise Tax Phase-Out

Fiscal Year	Current Law			2019-H 5151		
	% of Retail Value	Rate cap / \$1,000	Exempt. Floor	% of Retail Value	Rate cap / \$1,000	Exempt. Floor
2017	100	\$ -	\$ 500	100	\$ -	\$ 500
2018	95	\$60	\$1,000	95	\$60	\$1,000
2019	90	\$50	\$2,000	90	\$50	\$2,000
2020	85	\$35	\$3,000	87.5	\$40	\$2,800
2021	80	\$35	\$4,000	84	\$35	\$3,800
2022	75	\$30	\$5,000	79	\$30	\$4,800
2023	70	\$20	\$6,000	67.5	\$25	\$6,000
2024	No Tax Levied					

Article 9, Motor Vehicle Excise Tax Phase-Out

- Estimated funding increase

Fiscal Year	Current Law	Proposed	Variance
2018	\$24.5	\$24.5	\$ -
2019	21.7	21.7	-
2020	38.0	21.7	(16.3)
2021	21.0	25.7	4.7
2022	27.8	29.0	1.2
2023	34.6	38.8	4.2
2024	55.4	62.9	7.6

Article 9, Motor Vehicle Excise Tax Phase-Out

- Total annual funding

Fiscal Year	Current Law	Proposed	Variance
2018	\$34.5	\$34.5	\$ -
2019	56.3	56.3	-
2020	94.3	78.0	(16.3)
2021	115.3	103.7	(11.6)
2022	142.9	132.8	(10.2)
2023	177.1	171.5	(5.6)
2024	234.4	234.4	-

Local Aid Programs

Program	FY 2019 Enacted	FY 2019 Rev.	FY 2020 Rec.	Current Law/Full Funding	Change
PILOT	\$46.1	\$46.1	\$40.8	\$46.8	(\$6.0)
MV Excise Phase-Out	54.7	56.3	78.0	94.3	(16.3)
Distressed Communities	12.4	12.4	12.4	12.4	-
Prop. Revaluation	1.6	1.6	0.7	0.7	-
Total	\$114.9	\$116.4	\$131.9	\$154.2	(\$22.3)

\$ in millions

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