

Governor's FY 2021 Budget: Articles and 2020 - H 7531,7654,8052

Staff Presentation to the House Finance
Committee
July 21, 2020

Introduction - Articles

Topics	
Article 2	Section 2: Opioid Stewardship Act
	Section 3: Control of State Spending
	Section 4: Legislative Appropriation Authority
	Section 5: RI Council on the Arts
Article 3	Sections 1- 3: Contractors' Licensing & Registration Board
	Section 4: Crime Victims Compensation
	Section 6: Commercial Driver's Licenses
	Section 8: Collections Unit
	Section 10: Emergency Police Powers

Introduction – Other Bills

Topics

H 7531	Taxation – Electronic Filings (DOR)
H 7654	Tourism – Hotel Tax Distribution
H 8052	Tourism – Regional Districts

Article 2 - Sections 3 & 4

- Management and Accountability
 - Article 2, Section 3 – Control of State Spending
 - Article 2, Section 4 – Legislative Appropriation Authority

Management and Accountability

- Budget management and oversight guided by state law
 - All fund sources included in budget
 - Formal closing reports
 - Compares budget to actual by line
 - Revenues vs estimated
 - Quarterly financial reports
 - Adherence to enacted appropriations
 - Agency and statewide
 - Access to rainy day fund

Management and Accountability

- Budget Officer must exercise budgetary control over state agencies and departments
 - Perform management analyses
 - Approve or disapprove all requests for new personnel
- Enhanced authority replaced previous statutes authorizing Budget Officer to transfers of appropriations within department

Article 2 - Section 3, Control of State Spending

- 2019 Assembly enacted provisions to address administrative adherence to budget control laws
 - Requires monthly report if agency quarterly report forecasts a deficit
 - Prohibits controller from authorizing payments for new staff, contracts, or purchases for any agency expected to overspend
 - Exceptions for immediate health and safety

Article 2 - Section 3, Control of State Spending

- Section 3 limits scope of new provisions
 - Monthly reporting only if quarterly report forecasts a general revenue deficit
 - Currently no limitation to general revenues
 - Reduces controller's authority by excluding the following instances
 - Overspending from general revenues beyond service levels provided in the previous fiscal year
 - Appears to exempt cases of failed budget savings initiatives
 - For one-time purchases of equipment or supplies

Article 2 - Section 3, Control of State Spending

- Section 3 limits scope
 - Would create exception to payment prohibitions for spending consistent with a corrective action plan
 - Appears to be more permissive than pre-2019 statutes by creating legal authority to spend beyond appropriations

Article 2 - Sec. 4, Legislative Appropriation Authority

- Current law
 - 35-3-2 - *The general assembly shall annually appropriate such sums as it may deem necessary to pay the administrative & other expenses of the state government*
 - 35-4-22.1 - *No state agency may make expenditures of any restricted or special revenue funds....unless these expenditures are made pursuant to specific appropriations of the general assembly*

Article 2 - Sec. 4, Legislative Appropriation Authority

- Section 4 would define “appropriation”
 - *“Enactment by general assembly authorizing withdrawal of money from state treasury”*
- Would exclude from that definition
 - *“An enactment by the assembly that authorizes, specifies or otherwise provides that funds may be used for a particular purpose.....”*

Article 2 – Sec. 4, Legislative Appropriation Authority

- Section 4 would deem general revenues as appropriated
 - In order to comply with a court order
 - Respond to a state of emergency
 - Finance programs covered under the caseload estimating conference
 - When the current appropriations act does not meet the revised estimate

Article 2 – Section 4, 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 4, Indirect Cost Recovery

- Section 4 adds 6 accounts to list to be exempt from 10% charge
 - 4 exemptions relate to proposed changes to adult use marijuana as part of Article 13
 - Business Regulation
 - Behavioral Healthcare, Developmental Disabilities and Hospitals
 - Health
 - Public Safety

Article 2 – Section 4, Indirect Cost Recovery

- Accounts to exempt from 10% charge
 - Health Spending Transparency and Containment Account
 - Under purview of Executive Office of Health and Human Services
 - Authorizing legislation in Article 20 – hearing July 15
 - Housing Production Fund
 - Under purview of Executive Office of Commerce
 - Authorizing legislation in Article 12
 - Hearing on March 12

Article 2 – Section 4, Restricted Receipts

- Provides authorization for Budget Officer
 - Convert escrow liability accounts to restricted receipt accounts
 - Upon direction of Controller with consent of Auditor General
 - Create restricted receipt accounts from
 - Donated funds
 - Funds from non-profit charitable organizations
 - Proceeds from multistate settlement funds received by Office of Attorney General
 - Funds from a contract or MOA

Article 2 – Section 4, Restricted Receipts

- Creates restricted receipt accounts in three agencies
 - Relates to Deloitte settlement funds received and spent in FY 2020
 - UHIP Recovery
 - UHIP Recovery: Non-UHIP Expenses
 - Affected Agencies
 - Department of Administration
 - Department of Human Services
 - Executive Office of Health and Human Services

Article 2 – Section 2, Opioid Stewardship Act

- 2019 Assembly General created Opioid Stewardship Act
- Established Opioid Stewardship Fund
 - Assessment from gross in-state opioid sales
 - Manufacturers
 - Wholesalers
 - Distributors
 - \$5.0 million annually
 - Deposited as restricted receipts

Article 2 – Section 2, Opioid Stewardship Act

- Section 2 authorizes Budget Officer to create restricted receipt account in any agency or department where opioid funds will be appropriated
- It also clarifies that annual report to Governor, House Speaker & Senate President shall include
 - Which programs money is spent on and
 - Amount spent on each program

Article 2 – Section 2, Opioid Stewardship Act

Dept.	Program	FY 20	FY 21	
BHDDH	Recovery Housing	\$0.5	\$0.2	
	Housing Options/Residential Treatment	0.2	1.1	
	Behavioral Health	-	0.6	
DBR	OHIC	-	0.2	
DCYF	Multisystemic Therapy	0.4	-	
DOC	Individualized Treatment/Assessments	3.4	-	
	Medication Assisted Treatment	-	0.8	
ELSEC	Education Aid for Mental Health Staff	-	1.0	
	Mental Health Teacher Training	-	0.6	
Health	0.5 Supervising Accountant Position	-	0.1	
\$ in millions		Total	\$4.5	\$4.5

Article 2 – Section 5, RISCA

- Council on the Arts
 - Section 5 repeals requirement to deposit funds received by the Council as general revenues; it does not specify a disposition
 - It appears this is intended to allow current grant sources be deposited as restricted receipts
 - The Council currently has a restricted account limited to funds received from one group

Article 3 - Sections 1-3, Contractors' Reg. & Lic. Board

- Extends date for licensure without exam
 - Aligns dates with Board transfer to DBR & newly promulgated regulations
 - Dates specific to type of license
 - Well-drilling, pump installer, water-filtration contractor, home inspectors
- “Good moral character” requirements repealed in prior proposals remain
 - Replaces notarization requirements for water services with signed peer statements

Article 3 - Sections 1-3, Contractors' Reg. & Lic. Board

- Roofing contractors
 - Section increases insurance from \$1.5 million to \$2.0 million
 - Removes individual project bonding requirement
 - Currently equal to project cost; minimum \$0.1 million
 - Continuing education changes
 - 10 hours per 2-yrs; annual under current law
 - “Good moral character” requirements repealed in prior proposals remain
- Same as last year’s proposal

Article 3 - Section 4, Crime Victim Compensation

- Criminal Injuries Compensation Act of 1996 enables state to compensate innocent victims of violent crimes for certain expenses
 - Medical, dental and hospital expenses
 - Mental health counseling expenses
 - Funeral and burial expenses
 - Relocation expenses
 - Loss of earnings (victim only)
 - Loss of support (dependents of homicide victim)

Article 3 - Section 4, Crime Victim Compensation

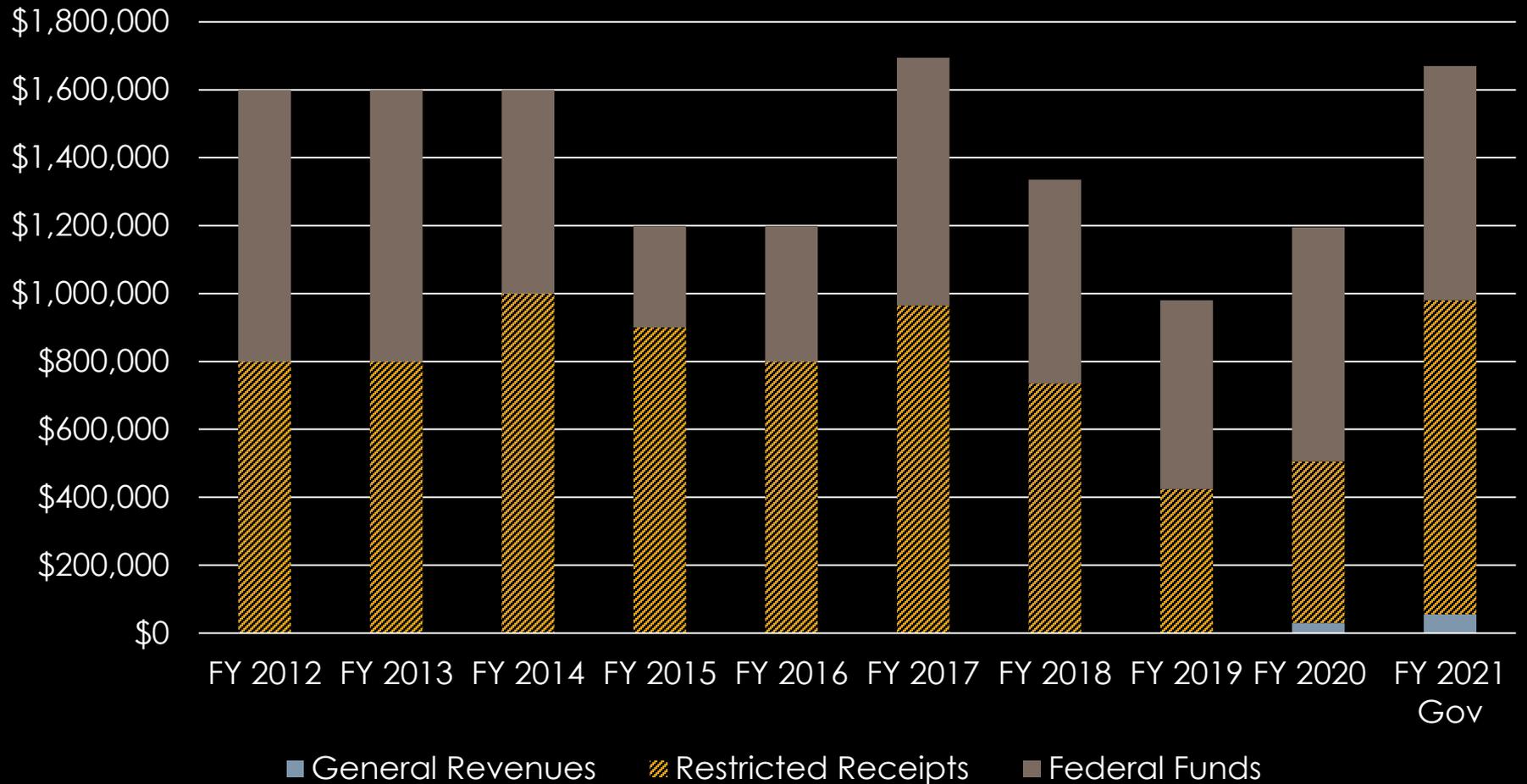
Offense Charged	Fine
Felony w/ max penalty of 5 or more years	Greater of \$150 or 15% of fine
Felony w/ max penalty < 5 years	Greater of \$90 or 15% of fine
Misdemeanor	Greater of \$30 or 15% of fine

- Amounts unchanged since 1996
- Multiple counts may be capped at 2

Crime Victim Funding

- Restricted Receipts
 - Court fees
- Federal Funds
 - 60% match of claims paid by state
- General Revenues
 - \$2.2 million in FY 2000 through FY 2002
 - \$0.5 million in FY 2003; None for regular claims since
 - \$0.5 million for Station Fire in FY 2005

Crime Victim Claims



Recent Legislative Changes

- 2011 Assembly – heard in Finance
 - Added burial, crime scene clean up
 - Added claim limit of \$25,000
- 2013 Assembly – heard in Judiciary
 - Added relocation costs with \$2,500 limit
- 2016 Assembly – heard in Judiciary
 - Increased limit on burial
 - \$8,000 to \$10,000
 - Increased max award for relocation
 - \$2,500 to \$5,000

Crime Victim Funding

- Receipts began declining in FY 2013
 - As restricted receipts decrease, so do federal funds
- Large increase in claims in FY 2017
 - Office began implementing changes in FY 2018 about how relocation claims are handled
 - Limiting rent reimbursements to market rates

	Claims	Avg. Claim	Total Claims	Avg. Claim Chg. to Prior Year
FY 2015	552	\$2,199	\$1,212,154	-16.2%
FY 2016	572	\$2,046	\$1,164,839	-6.9%
FY 2017	608	\$2,778	\$1,688,740	35.8%
FY 2018	530	\$2,554	\$1,349,603	-8.1%
FY 2019	462	\$2,223	\$1,026,957	-12.9%

Crime Victim Compensation

- Request for additional general revenues based on declining receipts
 - Beginning with FY 2019 revised budget request

General Revenues	
FY 2019 Enacted	\$0.3
FY 2019 Rev. Req.	\$0.7
FY 2019 Gov. Rev.	\$0.4
FY 2020 Request	\$0.7
FY 2020 Gov./Enact	\$0.4
FY 2021 Request	\$0.7
FY 2021 Governor	\$0.4

\$ in millions

Article 3 - Section 4, Crime Victim Compensation

- Section 4 prioritizes payments to violent crime indemnity fund over court ordered restitution
 - GBA requested to clarify language
- Under current law, restitution is 1st priority
 - As matter of practice, courts make violent crime indemnity fund 2nd payment after restitution
- Goal is to provide more funding for program

Article 3 - Section 4, Crime Victim Compensation

Current Law/Practice

Restitution

Crime Victim
Compensation Fund

Other court costs,
fines, fees, assessments

Article 3, Section 4

Crime Victim
Compensation Fund

Restitution

Other court costs,
fines, fees, assessments

Article 3 - Section 4, Crime Victim Compensation

- Governor's budget includes \$450,000 of additional receipts from this change
 - Current data suggest change will not produce this level of receipts
 - Judiciary has estimated that this article would have resulted in \$286,000 more if it were in effect in FY 2019
 - Based on FY 2019 payments
 - ~ 9% of criminal cases have a restitution charge

Article 3 - Section 4, Crime Victim Compensation

- FY 2019 restitution payments = \$2.2 million
 - Average charge was \$2,113
 - Median charge was \$316
- Restitution payments are typically made over several years
 - Between FY 2015 & FY 2018 only 18% was paid in the year of the assessment
 - Some defendants never pay

Article 3 - Section 6, CDL Testing Transfer

- Section transfers CDL skills testing from CCRI to DMV
 - To streamline process & improve service
 - DMV employees can confirm all required documentation & process license on-site
 - Failure to provide documents can result in loss of \$100 testing fee & require re-registration at cost
- Governor includes \$0.1 million for 3 FTE
 - Assumes \$0.1 million of receipts
 - Currently collected as restricted receipts
- Effective January 1, 2021

Article 3 - Section 8, Collections Unit

- Requires state agencies & related entities to utilize Collections Unit services
 - Phased implementation Oct. 2020 - Feb. 2021
 - Allows Unit to access 15% of these collections to recoup collection costs
 - May be drafted with broader applicability
 - Expands ability to contract legal services & negotiate settlements
 - Authorizing statute requires reporting as of September 2020
 - Program sunsets June 30, 2021

Article 3 - Section 10, Emergency Police Powers

- Sheriffs are a Division of Department of Public Safety
- Responsibilities include
 - Courthouse and courtroom security
 - Executive security for judges
 - Prisoner transport, extradition of wanted persons, and process service
 - Guarding hospitalized out-of-state detainees

Article 3 - Section 10, Emergency Police Powers

- RIGL 45-42-1
 - *“Law enforcement officers from out of state shall have limited emergency police powers to transport, guard, and maintain custody of any person who is arrested out of state but transported to a Rhode Island medical facility for emergency medical treatment.”*
- Limited to only 8 hours from the time the State Police are notified of transport
 - Or of a warrant being executed

Article 3 - Section 10, Emergency Police Powers

- Article 3 extends out-of-state privileges to 8 hours from when the detainee is released from the medical facility
- Calendar years 2016 – 2018
 - Sheriffs worked 4,135 hours guarding out-of-state detainees
 - Estimated total cost of \$173,475
- Calendar 2019 – 1,121 hrs. and \$47,085
- FY 2021 budget assumes \$50,000 of overtime savings in Division of Sheriffs

Other Bills

Topics

H 7531	Taxation – Electronic Filings – (DOR)
H 7654	Tourism – Hotel Tax Distribution
H 8052	Tourism – Regional Districts

2020 - H 7531

- 2019 Assembly required certain businesses to electronically remit income tax withholding
- 2020 – H 7531 would require electronic filing of all taxes for certain businesses effective January 1, 2021
 - Combined annual liability for withholding and sales & other taxes at or over \$5,000 or
 - Annual gross income over \$100,000

Hotel Tax Distribution

- State has 8 districts including 4 regional

South County

Charlestown
Coventry
East Greenwich
Exeter
Hopkinton
Narragansett
North Kingstown
Richmond
South Kingstown
West Greenwich
Westerly

Northern RI

Burrillville
Central Falls
Cumberland
Glocester
Lincoln
North
Smithfield
Pawtucket
Smithfield
Woonsocket

Aquidneck Island

Barrington
Bristol
Jamestown
Little Compton
Middletown
Newport
Portsmouth
Warren

Statewide

Cranston
Foster
Johnston
North
Providence
West Warwick

Hotel Tax Distribution

- 3 municipalities have own districts



- East Providence is unique case
 - Not in shared district
 - Division of Taxation holding district share until it joins a district - \$0.4 million as of January 2020
 - **Recently voted to join Northern RI**
 - **H 8052 has the necessary changes**

Hotel Tax Allocation

- Distribution – after June 30, 2019

Region	Districts	P/W CVB	Cities & Towns	Commerce Corp.
Warwick	30.0%	24.0%	25.0%	21.0%
Providence	30.0%	24.0%	25.0%	21.0%
Omni	30.0%	20.0%	-	50.0%
Statewide	-	5.0%	25.0%	70.0%
All Other Regionals	45.0%	5.0%	25.0%	25.0%

**Hosting Services distributed along with all other proceeds*

Hotel Tax Allocation

- Distribution – H 7654

Region	Districts	P/W CVB	Cities & Towns	Commerce Corp.
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Providence	30.0%	24.0%	25.0%	21.0%
Omni	30.0%	24.0%	25.0%	25.0%
Statewide	-	5.0%	25.0%	70.0%
All Other Regionals	45.0%	5.0%	25.0%	25.0%

**Hosting Services distributed along with all other proceeds*

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