

# Department of Revenue

FY 2015 Revised  
FY 2016 Recommended  
FY 2016 – FY 2020 Capital  
Staff Presentation  
April 15, 2015

## Background

- Created by 2006 Assembly to centralize administration of revenues
  - Office of Director
  - Office of Revenue Analysis
- Transferred from Dept. of Administration
  - State Lottery
  - Division of Municipal Finance
  - Taxation
  - Registry of Motor Vehicles
  - State Aid (transferred by 2011 Assembly)

## Summary by Program

<i>(In millions)</i>	FY 2015 Enacted	FY 2015 Revised	FY 2016 Gov.	FY 2016 to Enacted
Director's Office	\$ 1.1	\$ 1.1	\$ 1.1	\$ 0.0
Office of Revenue Analysis	0.6	0.5	0.5	0.0
Lottery	342.3	330.6	303.4	(38.5)
Municipal Finance	2.3	2.3	2.2	(0.1)
Taxation	22.1	22.0	22.8	0.7
Motor Vehicles	24.8	22.3	21.5	(3.4)
State Aid	67.2	67.2	63.2	(3.9)
<b>Total</b>	<b>\$ 460.2</b>	<b>\$ 446.1</b>	<b>\$ 415.2</b>	<b>\$ (45.0)</b>

## FY 2015 Revised Recommendation

- Includes adjustments for COLA and medical benefit savings
- Includes turnover to reflect current staffing
- Restores \$0.2 million in turnover savings for DMV based on current needs
- \$0.6 million from federal funds for Division of Taxation
  - Brings processing of International Fuel Tax Agreement returns in-house

## Target Issues

- Budget Office provided a general revenue target of \$105.5 million
  - Current service adjustments of \$0.1 million
  - 7.5% reduction of \$3.3 million
- Budget submitted by the Department \$7,320 below the target
  - Included two proposals -
- Governor recommends \$0.3 million less than target

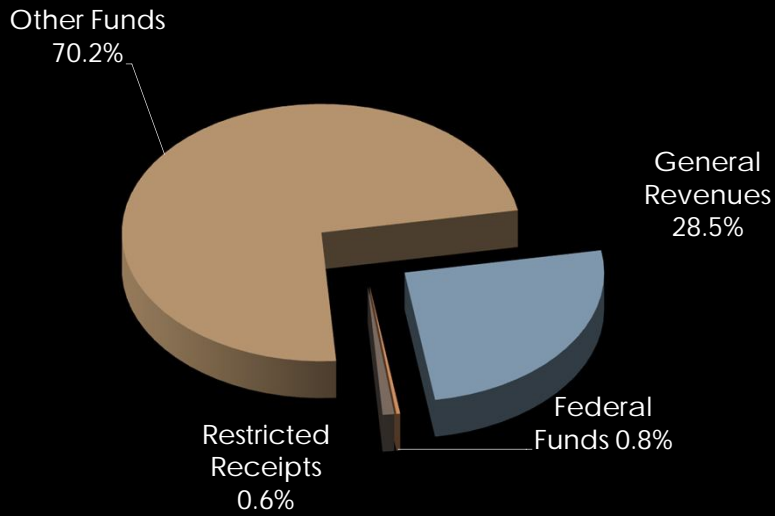
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## Target Issues

- Department's constrained request included savings from two proposals:
  - Elimination of 26.0 Revenue Officers
    - 13.0 compliance and collections positions
    - 13.0 field audit positions
      - Total savings - \$1.5 million
      - FY 2016 Revenue loss - \$21.1 million
  - DMV Branch Closures
    - Woonsocket, Wakefield, Westerly, and Warren
    - 44.0 positions laid off
      - Total savings \$1.6 million
- Governor does not include proposals

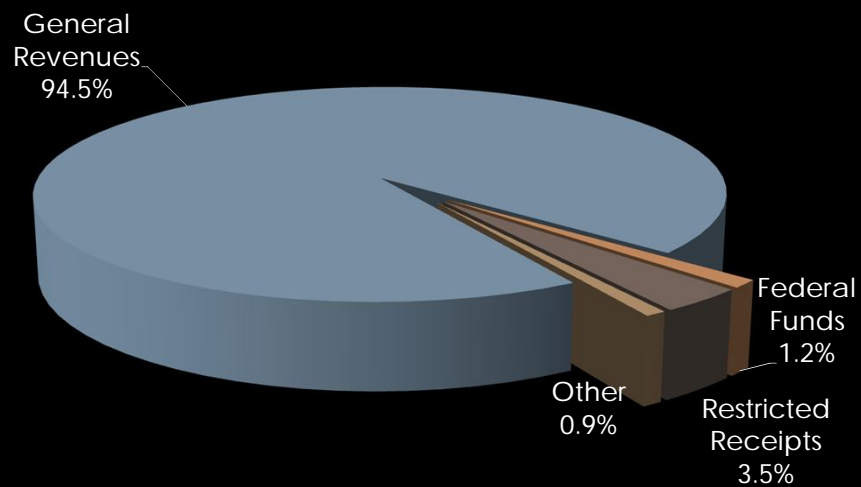
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## FY 2016 Sources of Funding



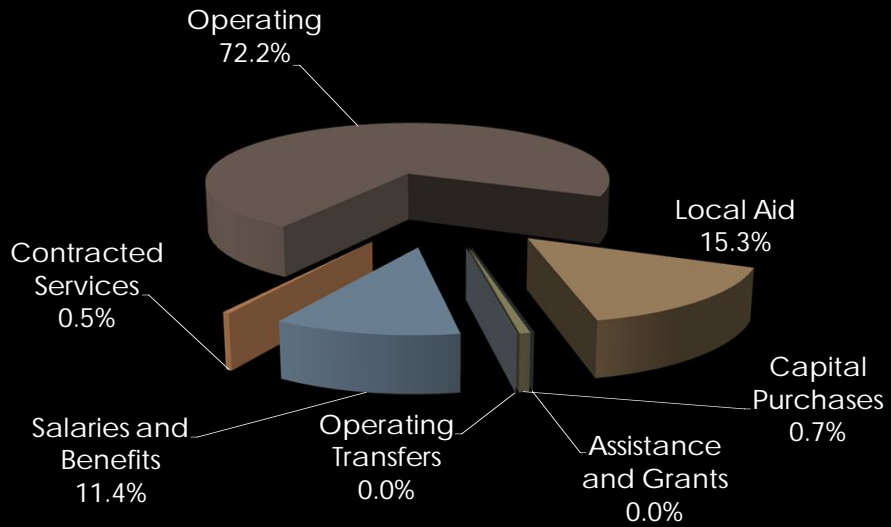
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## FY 2016 Sources of Funding – Lottery Funds Excluded



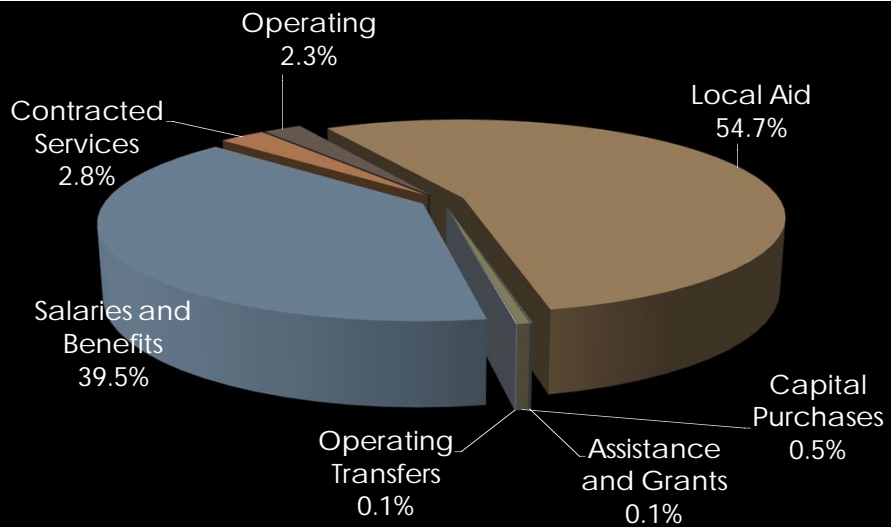
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## FY 2016 Funding by Category



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## FY 2016 Funding by Category – Lottery Prizes and Payments Excluded



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## Personnel

Full-Time Positions	FTEs	Change to Enacted
Enacted Authorized	505.0	-
FY 2015 Revised	505.0	-
FY 2016 Request	513.5	8.5
FY 2016 Governor	514.5	9.5
FY 2014 Average Filled	461.0	(44.0)
Filled as of April 4th	455.1	(36.9)

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## Full-time Equivalent Positions

	FY 2015 Authorized	FY 2015 Revised	FY 2016 Governor	FY 2016 to Enacted
Director's Office	9.0	9.0	9.0	-
Revenue Analysis	4.0	4.0	4.0	-
Lottery	84.0	84.0	84.0	-
Municipal Finance	17.0	17.0	17.0	-
Taxation	222.0	222.0	225.0	3.0
Motor Vehicles	170.0	170.0	176.5	6.5
Unidentified	(1.0)	(1.0)	(1.0)	-
<b>Total</b>	<b>505.0</b>	<b>505.0</b>	<b>514.5</b>	<b>9.5</b>

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## Salaries and Benefits

(In millions)	FY 2015 Enacted	FY 2015 Revised	FY 2016 Governor	FY 2016 to Enacted
General Revenue	\$ 33.6	\$ 33.0	\$ 35.5	\$ 1.8
Federal Funds	1.2	1.2	1.3	0.1
Restricted Receipts	0.8	0.8	0.9	0.0
Other Funds	9.4	9.5	9.8	0.4
<b>Total</b>	<b>\$ 45.1</b>	<b>\$ 44.6</b>	<b>\$ 47.4</b>	<b>\$ 2.3</b>

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## Office of the Director

- Oversight of departmental operations
  - Administration
  - Legal services
  - Financial management
- Funded from general revenues
- Authorized 9.0 full-time positions

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## Office of the Director

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- FY 2016 includes \$1.1 million
  - \$1.1 million for salaries and benefits
    - Reflects COLA and updated benefit costs
    - Maintain senior internal auditor position vacant
  - \$22,294 for operations expenses
    - Includes Office 365 licenses

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## Office of Revenue Analysis

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- Analyzes, evaluates and appraises state tax system
- Prepares the tax expenditures report
- Prepares cost benefit analysis of all tax expenditures
- Funded from general revenues
- Authorized 4.0 positions

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## Office of Revenue Analysis

- FY 2016 includes \$0.5 million
  - \$0.5 million for salaries and benefits
    - Includes \$5,595 turnover savings consistent with constrained request
  - \$20,608 for operations expenses
    - Does not include requested economic impact analysis model expansion/upgrade

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## Lottery Division

- Established in statute in 1974
  - Quasi-state agency until July 2005
    - Transferred to Department of Administration
    - Transferred to Department of Revenue in 2006
- Operates on-line games, Keno, instant games, Powerball tickets
  - Collects all revenues and remits prize funds
- Funded from Lottery funds

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## Lottery Division

<i>(In millions)</i>	<b>FY 2015 Enacted</b>	<b>FY 2015 Revised</b>	<b>FY 2016 Gov.</b>	<b>FY 2016 to Enacted</b>
Prizes and Payments	\$ 324.4	\$ 312.2	\$ 283.4	\$ (41.0)
Salaries and Benefits	8.5	8.6	8.9	0.4
All Other Operations	9.4	9.8	11.5	2.1
<b>Total</b>	<b>\$ 342.3</b>	<b>\$ 330.6</b>	<b>\$ 303.9</b>	<b>\$ (38.5)</b>

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## Lottery Division – Prizes and Payments

- Prizes and payments for FY 2015 and FY 2015 reflect November 2014 Revenue Estimating Conference

<i>(In millions)</i>	<b>FY 2015 Enacted</b>	<b>FY 2015 Revised</b>	<b>FY 2016 Gov.</b>	<b>FY 2016 to Enacted</b>
Table Gaming	\$ 72.2	\$ 85.0	\$ 87.4	\$ 15.2
Traditional and Keno	252.3	227.1	196.1	(56.2)
<b>Total</b>	<b>\$ 324.4</b>	<b>\$ 312.2</b>	<b>\$ 283.4</b>	<b>\$ (41.0)</b>

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## Lottery Division – Table Gaming

- \$3.1 million for salaries and benefits
  - 33.0 full-time positions
- \$1.5 million for State Police Gaming Unit – Both years
  - Created by 2013 Assembly
  - Investigates gaming-related crime in state
  - 10.0 sworn members of State Police
- \$0.1 million for other operations

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## Lottery Division – All Other Operations

- FY 2016 - Salaries and Benefits
  - \$5.7 million - Includes COLA and updated benefit costs
- \$10.0 million for operations
  - \$8.5 million for advertising and printing costs
    - Includes \$1.9 million for Twin River, consistent with Article 13 of 2015 Enacted Budget
  - \$0.1 million for fleet purchases
  - All other expenses at enacted \$1.3 million

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## Division of Municipal Finance

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- Provides technical support to municipalities
- Administers and distributes local aid
- Determines communities' wealth for use in school aid formulas
- Funded from general revenues

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## Division of Municipal Finance

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- \$0.5 million for FY 2015 and \$0.1 million for FY 2016 for actuarial and legal services
  - Reflective of actual expenditures and current actuarial contract – both years
    - \$0.1 million for distressed communities legal svcs
    - \$0.1 million actuarial contract for Locally Administered Pension Plans Study Commission
  - Includes \$0.3 million for Central Coventry Fire District legal expenses

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## Division of Municipal Finance

- \$0.1 million for FY 2015 and FY 2016 to reimburse municipalities 50% of cost for financial oversight
  - Enacted by 2013 Assembly
  - Reimbursement for 50% of salary and benefit costs for with finance advisor
    - Reimbursement each year for 5 years after abolishment of fiscal overseer

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## Division of Municipal Finance

50% Fiscal Oversight	FY 2014 Spent	FY 2015 Enacted	FY 2015 Revised	FY 2016
Central Falls	\$ 56,005	\$ 65,762	\$ 65,762	\$ 65,495
East Providence	51,282	64,778	63,277	64,589
Woonsocket	-	-		
Central Coventry Fire District	-	-	-	25,824
<b>Total</b>	<b>\$ 107,287</b>	<b>\$ 130,540</b>	<b>\$ 129,039</b>	<b>\$ 155,908</b>

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## Division of Municipal Finance

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- FY 2016 - Salaries and Benefits
  - \$1.9 million - Includes COLA and updated benefit costs
    - 17.0 full-time positions – authorized level
- \$24,327 for all other operations
  - Includes Office 365 licenses

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## Division of Taxation

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- Tax Processing Unit – performs activities relating to receipt of cash payments; processes tax returns
- Office of Assessment & Review – assesses and collects taxes; holds administrative hearings

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## Division of Taxation

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- Field Audit – audits business corporations and individuals
- Tax Compliance and Collection – enforces actions to collect overdue taxes

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## Division of Taxation

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- Combined Reporting/ Business Taxes Restructuring
  - Enacted by 2014 Assembly for TY 2015.
  - Includes 7.0 full-time positions
  - FY 2016 Recommendation - \$0.9 million from general revenues
    - \$0.8 million for full year salaries and benefits
    - \$0.1 million for operations

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## Division of Taxation

- FY 2016 - \$20.1 million from all sources for salaries and benefits
  - \$17.4 million from general revenues
  - Includes COLA and updated benefit costs
  - 218.0 full-time positions
    - 3.0 new positions to administer revenue initiatives included in Article 11
      - 1.0 principal revenue agent – managed self audits
      - 2.0 revenue agents – contingency fee contracts
- Budget includes net increase of \$1.9 million from revenue initiatives

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## Division of Taxation

- FY 2016 - \$1.9 million for all other operations
  - \$1.9 million from general revenues
    - \$1.4 million includes postage, subscription and service fees, staff training and travel
  - Includes \$34,518 for Division's Office 365 Licenses
  - Includes \$68,000 in savings from internal processing of International Fuel Tax Agreement returns

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## Division of Motor Vehicles

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- Administers and enforces laws pertaining to the operation and registration of motor vehicles
  - Suspension
  - Revocation
  - Inspection of motor vehicles
  - Issues licenses

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## Division of Motor Vehicles

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- Branch offices
  - Cranston (Pastore Center, Headquarters)
  - Woonsocket
  - Middletown
  - Wakefield (Monday to Thursday)
  - Warren (Tuesday and Wednesday)
  - Westerly (Fridays only)

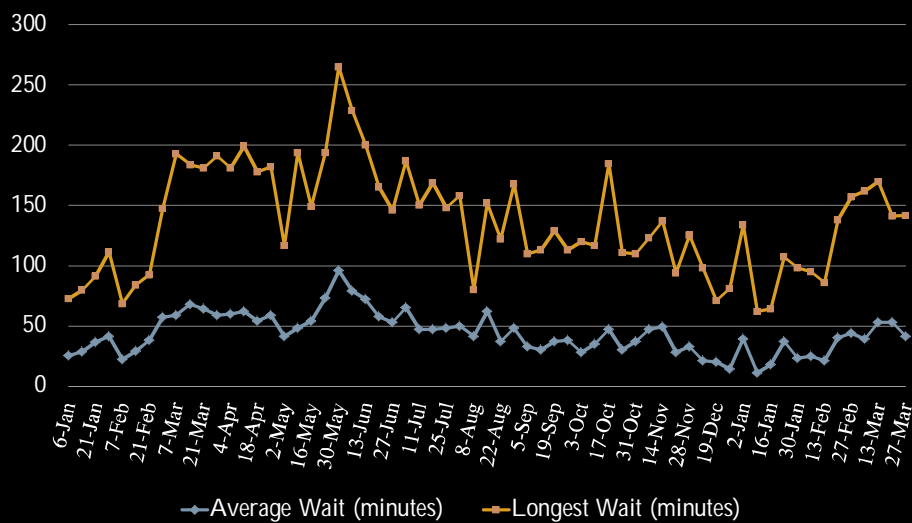
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## Division of Motor Vehicles

- FY 2016: \$14.1 million from all sources for salaries and benefits
  - \$14.1 million from general revenues
  - Includes COLA and updated benefit costs
  - Includes \$0.3 million for 12 part-time customer service representatives
    - Work peak days, hours to decrease wait times
- 176.5 full-time equivalent positions

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## Division of Motor Vehicles



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## DMV Modernization Project

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- 2006 Assembly authorized DOA to borrow \$13.0 million to modernize DMV computer system
  - Debt service supported by a \$1.50 surcharge on transaction
  - Extended surcharge from 7 to 10 years because receipts were yielding less than anticipated

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## DMV Modernization Project

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- Allows for more web site functionality to reduce wait times for transactions performed at the Registry such as titles and registrations
- Project includes:
  - Enhanced digital facial recognition
  - Use of barcode readers
  - Infrastructure upgrade

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## DMV Modernization Project

- Request for proposal was issued in December 2006
- Began testing in September 2009
  - Testing schedule revised December 2013
- Fourth revision of contract made in fall 2013
  - Set project completion date in May 2014
  - Deadline not met

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## DMV Modernization Project

- Administration and HP met in May/June 2014
  - Altered methodology for system development and testing
    - Old method: Waterfall
    - New method: Agile
- Summer 2014 – trial of new methodology
  - Deemed successful

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## DMV Modernization Project

- FY 2015 Revised includes \$3.4 million
  - \$2.8 million from federal funds
  - \$0.6 million from restricted receipts
- FY 2015 Revised includes \$0.2 million for new operating system for existing architecture
- FY 2016 includes \$2.1 million from restricted receipts for continued development
- Require fifth contract amendment
  - May require additional funding

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## Division of Motor Vehicles

- \$5.2 million from general revenues for all other operations – both years
  - Funds office operations, building maintenance, software and database agreements, and telecomm access costs
  - Does not include \$2.6 million for license plate reissuance
    - Article 26 of 2015-H 5900 postpones reissuance to 2016

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## State Aid

- Calculates and administers multiple programs
  - Distressed Communities Relief Fund
  - Municipal Incentive Aid
  - Motor Vehicles Excise Tax
  - Payment in Lieu of Taxes
  - Property Revaluation Reimbursement
  - Actuarial Valuations
- State aid for libraries remains in DOA

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## Local Aid Programs

<i>(in millions)</i>	<b>FY 2015 Enacted</b>	<b>FY 2015 Revised</b>	<b>FY 2016 Rec.</b>
Dist. Communities	\$ 10.4	\$ 10.4	\$ 10.4
PILOT	40.1	40.1	35.1
Motor Vehicle Excise	10.0	10.0	10.0
Muni Incentive Aid	5.0	5.0	5.0
<b>Total</b>	<b>\$ 65.5</b>	<b>\$ 65.5</b>	<b>\$ 60.5</b>

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## Distressed Communities Relief Fund

- Established in 1990 to provide assistance to communities with highest property tax burdens relative to wealth
- Communities falling into the lowest 20.0% for at least 3 of 4 indices to be eligible
  - Percent of tax levy to full value of property
  - Per capita income
  - Personal income as percent of full value of property
  - Per capita full value of property

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## Distressed Communities Relief Fund

- \$10.4 million for FY 2016, consistent with enacted budget
- Eligible communities:
  - Central Falls
  - North Providence
  - Pawtucket
  - Providence
  - West Warwick
  - Woonsocket
  - East Providence receives 50.0% allocation in entrance year

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## Municipal Incentive Aid

- Governor includes enacted \$5.0 million
- 3-year program to encourage:
  - Sustainable funding of retirement plans
  - Reduce unfunded liabilities
- Distributed to municipalities on population basis if certain conditions are met
  - Coventry did not meet FY 2014 criteria – share reappropriated to FY 2015
  - Coventry and Johnston did not meet FY 2015 criteria

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## Payment in Lieu of Taxes (PILOT)

- Program reimburses cities and towns for property taxes which would have been due on untaxable property
  - Nonprofit educational institutions, hospitals, or state-owned hospital, veterans' facility, or correctional facility
- Reimbursement up to 27.0% tax that would have been collected
  - Subject to appropriation

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## Payment in Lieu of Taxes (PILOT)

- Governor recommends FY 2014 enacted level of \$35.1 million for FY 2016
  - FY 2015 enacted level is \$40.1 million
    - \$5.0 million from tobacco bond refinancing
- State makes one payment, in July each year
  - FY 2015 payment made July 2014

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## Motor Vehicle Excise Tax

- Recommends enacted level of \$10.0 million for FY 2016
- 2010 Assembly – state will reimburse for \$500 exemption, subject to appropriation
- Legislation allows municipalities to provide an additional exemption
  - Additional exemption not subject to reimbursement

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## Property Revaluation Reimbursements

- Current law requires municipalities update property valuations every third and sixth year after a full revaluation
- Recommends \$0.7 million for FY 2015 and \$1.8 million for FY 2016
- Expenditures fluctuate annually
  - Determined by communities conducting revaluation
    - Three municipalities in FY 2015
    - Fifteen municipalities in FY 2016

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## Capital Budget

Project	Status	Total Cost (millions)	Financing	End Date
Lottery HQ	Revised	\$ 0.6	RICAP	FY 2015
DMV Modernization	Revised	\$ 20.0	COPS, surcharge	FY 2017
Lifts Replace	Ongoing	\$ 0.3	RICAP	FY 2015
Integrated Tax System	Ongoing	\$ 25.0	COPS	FY 2017

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## Lottery Building Renovations

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- Recommends project total of \$0.6 million
  - Consistent with approved plan
  - Renovation to heating system
  - Parking lot repairs
  - Replace HVAC system
- Includes \$0.3 million for FY 2015
  - Design and installation of new HVAC system

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## Lifts Replacement

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- Recommends \$0.3 million from RICAP for FY 2015 to replace 2 lifts within the safety and emission control inspection garage
- Lifts are used daily for the inspection of school buses and other vehicles
  - In service for more than 15 years
  - Require maintenance on a frequent basis

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## Integrated Tax System

- Total of \$25.0 million from COPs for ongoing project
- Consolidates separate programs into one computer system
  - Enhance customer service
  - Reduce operating costs
  - Enhance compliance and collections
- Assumes \$5.0 million per year from FY 2013 through FY 2017

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## Annual Reporting Requirements

- 2013 Assembly enacted legislation requiring OMB to prepare, review and inventory all reports filed with Assembly
  - Report to be presented to Assembly as part of budget submission annually
- Department is required to submit 26 reports

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## Annual Reporting Requirements

- Office of Director
  - Required to submit Annual Unified Economic Development report
    - Report due in January – not yet submitted for 2015
- Division of Taxation
  - Required to submit 13 reports
    - All current
- Lottery
  - Required to submit 2 reports
    - Both current

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## Annual Reporting Requirements

- Municipal Finance
  - Required to submit 4 reports
    - All are current
- Division of Motor Vehicles
  - Required to submit 1 report
    - DMV Commission report never submitted

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## Annual Reporting Requirements

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- Office of Revenue Analysis
  - Required to submit Tax Expenditures Report
    - Due every other January – next due 2016
  - Required to submit Tax Incentives Evaluation Reports by 2017
    - FY 2015 – Reporting was planned for 5 credits
      - Enterprise Zone Wage Credit
      - Resident Business Owner Tax Modification
      - Jobs Development Act Tax Rate Reduction
      - Motion Picture Production Company Tax Credit
      - Incentives for Innovation and Growth Credit
    - Will not be submitted on time

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