



## Revenue Roundtable

Overview of The Governor's FY2020 Proposed Budget  
January 31, 2019



### Proposed 2020 Budget (H-5151)

**FY 2020 Proposed Budget: \$9,930M**

- **This is \$358M more than the enacted FY2019 budget.**

#### **Four categories of revenue**

- **General Revenue: \$4,075M (\$167M more than 2019)**
- **Federal Funds: \$3,319M (\$110M more than 2019)**
- **Restricted Receipts: \$301M (\$20M more than 2019)**
- **Other Funds: \$2,235M (\$60M more than 2019)**

# Revenue Changes

REVENUE INCREASE SOURCE	Amount (in millions)
Medicaid Employer Assessment (new)	\$15.6
Sales Tax – Remote Sellers	\$11.5
Sales Tax on Services	\$8.2
Transfers (scoops)	\$7.0
Marijuana changes	\$6.5
Cigarette and other tobacco tax changes	\$4.6
Hotel Tax	\$4.4
Sports Betting and Lottery	\$2.8
Sales tax on digital downloads	\$2.6
DEM Fees	\$2.5
Beverage Container Fee	\$2.1
DBR Fees	\$1.8
Firearms and Ammunition excise tax (new)	\$0.8
DOR Revenue Enhancements	\$0.8

## Medicaid Employer Assessment: \$15.6M

Assessment on for-profit employers with 300+ employees for each employee enrolled in Medicaid. Assessment is 10% of employee's wage, capped at \$1,500 per employee/year.

Does not apply to:

- Employees with disabilities
- Employees enrolled in RIte Share or
- If only employee's children are enrolled in Medicaid

Implementation cost = \$1.1M

## Increased Taxation of Remote/Internet Sales \$11.5 million

RI law requires residents required to pay sales and use tax on remote or online purchases. If not paid at time of sale, include in state tax return.

States were not allowed to require remote sellers to collect sales tax, unless seller had a physical presence in the state.

2017: law amendment to

- Encourage online firms to collect and remit taxes (Amazon announced its intention to comply when proposal was made)
- Require online sellers that choose not to collect and remit taxes to remind RI customers through multiple points of contact, including at time of sale

Supreme Court decision in 2018 allowed states to require remote sellers to collect sales tax.

Budget proposes to strengthen collection

## Sales Tax on Services and Digital Downloads: \$10.8M

- \$600,000 from taxing commercial hunting and trapping retreats and preserves, shooting ranges for archery and firearms, memberships to shooting clubs
- \$6.2M from taxing commercial building services including: extermination, janitorial, landscaping, carpet and upholstery cleaning and other building services

## Sales Tax on Services and Digital Downloads: \$10.8M

- \$1.4M from taxing interior design and lobbying services
- \$2.6M from taxing online streaming or subscription services, including videos, music, books and ringtones

## Marijuana Changes \$6.5M

\$4.9M from legalizing marijuana for adult use and  
\$1.6M from changes to current medical marijuana  
program

- New compassion centers
- New Office of Cannabis Regulation at DBR, funding for EOHHS, DOH, Public Safety and Revenue to support the new office

## Other revenue raising

- \$3.1M from increasing cigarette tax by 25 cents to \$4.50/pack
- \$1.0M from increasing tax on cigars by 30 cents and tax on e-cigarettes
- \$4.4M from increasing the state hotel tax from 5% to 6%
- \$750,000 from improving collections at DOR (Add attorney; implement a case management system)

## Revenue – Fees, Scoops and Magic

### Fees

- Beach parking and camping
- DMV technology fee

Scoops from quasi-public agencies. \$13M

- RI Housing, RI Resource Recovery,...

\$10M from savings to be found by a new “efficiency commission”

## Taxes – State and Local

### PILOT – Payment In Lieu Of Taxes

- \$45.2M - current payment from state to 15 cities and towns to compensate for properties exempt from taxation. Providence receives 73% of funds; Cranston 12%.
- \$5.3M reduction in PILOT funds and allow cities to tax “non-mission essential” property owned by non-profit hospitals and colleges to make up lost revenue.

## Taxes – State and Local

### Car Tax Phase Out

- Legislation enacted in 2017 to phase out car tax by 2024
- State reimburses cities and towns for revenue lost
- Budget proposes changes to car tax phase out plan for 2020 through 2023
- State “savings” of \$16.3M in 2020. State will pay \$68M to cities and towns instead of \$84.3M due under current plan.
- Full phase out in 2024 will cost \$234M

## Components of the Car Tax

There are three components to the car tax:

- **Valuation:** procedure set by the state to determine the value of each vehicle taxed
- **Exemption level:** amount of car value to be exempted from tax
- **Tax Rate:** the rate per \$1,000 taxable value of the car

## Changes to car tax phase out plan

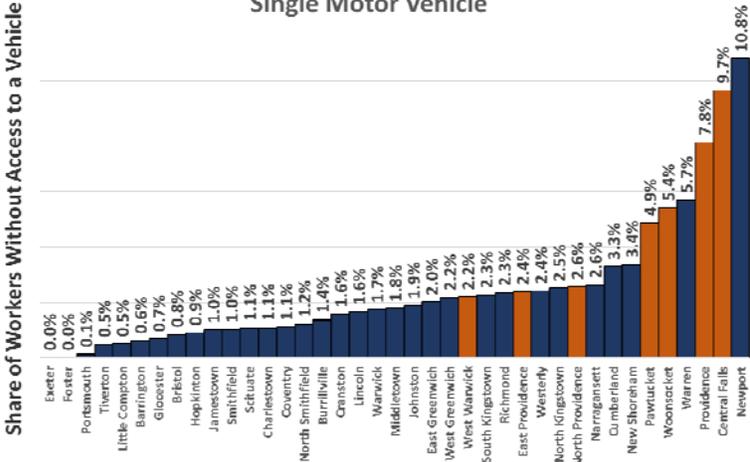
Year	Valuation		Exempt Amount		Tax Rate/1,000	
	Current	Proposed	Current	Proposed	Current	Proposed
2020	85%	87.5%	\$3,000	\$2,800	\$35	\$40
2021	80%	84%	\$4,000	\$3,800	\$35	\$35
2022	75%	79%	\$5,000	\$4,800	\$35	\$35
2023	70%	67.5%	\$6,000	\$6,000	\$20	\$25

## Cost of Car Tax Phase Out (current plan)

Fiscal Year	Assessment		Exemption Drop After		Total Levy	Foregone Levy	Taxed Car Cars Dropped	
	Ratio	Rate Cap	Floor	Age			Count	From Tax Roll
FY2018 Baseline	100%	N/A	\$500	25	\$233,982,153	\$0	753,308	0
FY2018	95%	\$60	1000	15	199,470,594	34,511,558	602,385	150,923
FY2019	90%	50	2000	15	179,302,632	54,679,521	585,329	167,979
FY2020	85%	35	3000	15	141,783,974	92,198,179	560,569	192,739
FY2021	80%	35	4000	15	120,857,312	113,124,841	514,636	238,672
FY2022	75%	30	5000	15	93,079,688	140,902,465	451,285	302,023
FY2023	70%	20	6000	15	58,559,938	175,422,215	389,796	363,512
FY2024	N/A	N/A	N/A	N/A	-	233,982,153	N/A	N/A

Source: Department of Revenue

## Many Workers in Rhode Island Lack Access to Even a Single Motor Vehicle



Source: US Census Bureau, American Community Survey, 5-year data, 2011-2015.  
Towns in orange are Rhode Island's FY2017 Distressed Communities.

# PROGRAM CHANGES

## Workers and Workforce

- **Increase minimum wage** from \$10.50 to \$11.10/hour.
- **Expand funding for Real Jobs RI** (currently \$5.5M general revenue) by \$1.2M from the Job Development Fund. Funds from JDF would come from an assessment to large non-profit employers not currently subject to the JDF payment.

## Early Learning Higher Education

- \$3.2M to **expand pre-K** seats (and \$400,000 to hire 4 FTEs to oversee the universal pre-K initiative)
- \$700,000 to **implement tiered-reimbursement** for pre-school (CCAP)
- \$150,000 for **tiered rate adjustment** for family care providers (CCAP)

## Early Learning Higher Education

### K-12

- \$19.7M new for funding formula and \$10M for charter schools
- \$2.3M new for English language learners

### RI Promise \$13M new funds. Expand to include:

- RI College students in junior and senior years
- Adults age 25+ who attend CCRI

SNAP Scholarship – CCRI. \$235,000 for new scholarships or work study for SNAP-eligible adults

## Health Care

- \$1.2M (all funds) to expand the co-pay program for seniors ineligible for Medicaid – increase income limit from 200 to 250% FPL (\$24,280 to \$30,350)
- \$3M to increase wages of workers supporting individuals with intellectual and developmental disabilities (will be matched by federal MA)
- \$200,000 to implement Independent Provider model (\$800,000 total)

## Health Care

- Implement 'individual mandate' requiring people who do not have health insurance coverage to pay a penalty. Proposal uses federal framework: \$695 per adult, \$347.50 per child or 2.5% of income, whichever is greater. Exempt if income is below tax filing threshold.
- Implement a reinsurance program to moderate costs of health insurance premiums for individuals who are not eligible for tax credits under the ACA.

## Family Support

- Repeal the 24 month periodic time limit in the RI Works program
- \$650,000 to support family home visiting programs (will be matched with federal funds)
- Allow parents participating in full-time post-secondary school or training or part-time and working to qualify for Child Care Assistance Program (\$200,000 appropriation)

## Support for Seniors

- Free bus pass funded with \$5.0 million from Highway Maintenance Account to RIPTA (for seniors and people with disabilities)
- \$1.8 million new funds to support the Elderly Transportation Service. Non-emergency transportation for people age 60+ who are not eligible for Medicaid.

## Program Transfers

- Veteran's Affairs transferred from DHS to EOHHS
- Elderly Affairs transferred from DHS to EOHHS
- Child Care facilities licensing unit transferred from DCYF to DHS

## Medicaid Reductions

	<b>State Funds</b> (in millions)	<b>Total Funds</b> (in millions)
<b>Freeze hospital rate</b>	\$5.3	\$15.1
<b>Limit NF Rate increase</b>	\$3.5	\$7.5
<b>Eliminate UPL</b>	\$3.6	\$9.4
<b>Eliminate incentive for MCO</b>	\$1.0	\$5.4
<b>Move FQHC payments in plan</b>	\$1.9	\$5.3
<b>Care management for Medicaid LTC</b>	\$4.2	--

## Tax Incentives for Economic Development

Rebuild RI Tax Credit for property development:

- Increase available amount from \$150M to \$250M. \$109M current awarded. Out year forecast projects need to set aside \$25M annually for 2021 and 2022 and close to \$50M beginning 2023 to fund the commitments

Refundable R&D Tax Credit (\$1.3M)

Qualified Jobs Tax Credit

- Reduce maximum credit/work from \$7,500 to \$6,500 (Secretary of Commerce can grant exception)

## Tax Incentives for Economic Development

Department of Revenue has published the reports required under the Economic Development tax Incentives Act (2013)

16 reports have been released since March 2018

Reports required for 21 tax incentives (those existing as of 2013 and 4 enacted in 2015)

## Resources

- OMB: Governor's budget and supporting documents.  
<http://www.omb.ri.gov/budget/prioryear/operating/2020.php>
- House Fiscal Advisory Staff Budget Analyses  
<http://www.rilin.state.ri.us/housefiscalreport/Pages/Home.aspx>
- Senate Fiscal Advisory Staff Budget Analyses  
<http://www.rilin.state.ri.us/sfiscal/Pages/default.aspx>

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