

# The Agency

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## Department of Business Regulation

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### Agency Operations

The department's primary function is to implement state laws mandating the regulation and licensing of designated businesses, professions, occupations and other specified activities. The department is composed of five divisions and Central Management, which includes budget, personnel, legal and computer operations. The respective divisions are Banking, Securities, Commercial Licensing and Regulation, Racing and Athletics, and Insurance.

The Director of Business Regulation is appointed by the Governor and serves statutorily as the State Banking Commissioner, Commissioner of Insurance, Real Estate Administrator, and State Boxing Commissioner. The Board of Bank Incorporation hears appeals from decisions made by the Banking Division regarding applications for the chartering of financial institutions, new branches and locations and changes in the by-laws of certain regulated institutions. Other commissions housed within the department include the Real Estate Commission, Real Estate Appraisal Board, Rhode Island Board of Accountancy and Racing and Athletics Hearing Board. The department issues approximately 125,000 licenses and conducts administrative hearings involving issuances, administrative penalties, suspensions and/or revocations.

### Agency Objectives

To assist, educate, and protect the public through the implementation and enforcement of state laws, mandating regulation and licensing of designated businesses, professions, occupations, and other specific activities while recognizing the need to foster a sound business environment.

### Statutory History

The department was established by the Rhode Island General Assembly in 1939 and is organized under R.I.G.L. 42-14-1 et seq.

# The Budget

## Department of Business Regulation

	FY 2003 Actual	FY 2004 Actual	FY 2005 Revised	FY 2006 Recommended
<b>Expenditures by Program</b>				
Central Management	1,556,328	1,608,615	1,705,924	1,733,036
Banking Regulation	1,583,107	1,632,307	1,678,527	1,758,524
Securities Regulation	730,344	758,151	791,617	817,326
Commercial Licensing and Regulation	1,086,747	1,166,763	1,327,646	1,353,819
Racing and Athletics	631,388	546,790	474,706	417,172
Insurance Regulation	3,876,880	4,045,264	4,490,652	4,798,282
Board of Accountancy	124,300	126,703	136,156	139,494
<b>Total Expenditures</b>	<b>\$9,589,094</b>	<b>\$9,884,593</b>	<b>\$10,605,228</b>	<b>\$11,017,653</b>
<b>Expenditures By Object</b>				
Personnel	8,334,047	8,516,013	9,125,740	9,561,370
Other State Operations	1,250,901	1,328,797	1,395,644	1,372,439
Aid To Local Units Of Government	-	-	-	-
Assistance, Grants and Benefits	4,146	38,983	83,844	83,844
<b>Subtotal: Operating Expenditures</b>	<b>\$9,589,094</b>	<b>\$9,883,793</b>	<b>\$10,605,228</b>	<b>\$11,017,653</b>
Capital Improvements	-	800	-	-
Capital Debt Service	-	-	-	-
<b>Total Expenditures</b>	<b>\$9,589,094</b>	<b>\$9,884,593</b>	<b>\$10,605,228</b>	<b>\$11,017,653</b>
<b>Expenditures By Funds</b>				
General Revenue	9,185,949	9,329,546	9,822,036	10,209,291
Restricted Receipts	403,145	555,047	783,192	808,362
<b>Total Expenditures</b>	<b>\$9,589,094</b>	<b>\$9,884,593</b>	<b>\$10,605,228</b>	<b>\$11,017,653</b>
<b>FTE Authorization</b>	<b>106.0</b>	<b>109.0</b>	<b>109.0</b>	<b>108.0</b>
<b>Agency Measures</b>				
Minorities as Percentage of Workforce	5.0%	4.0%	4.0%	5.0%
Females as Percentage of Workforce	50.0%	53.0%	55.0%	55.0%
Persons with Disabilities as a Percentage of the Workforce	1.80%	-	-	-

# The Program

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## Department of Business Regulation Central Management

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### Program Operations

Central Management (Director's Office) is composed of Budget, Personnel, Legal and Computer Operations. Specific functions include legal research, drafting and analysis of legislation, issuance of legal opinions related to the department's operations, conducting administrative and rate hearings, providing legal services to the Director and Associate Directors, and advising the other commissions housed within the department. Central Management compiles, submits and monitors budgets of the respective divisions, approves vouchers and contracts, and provides all personnel and management services.

The Director issues show cause and cease and desist orders; renders decisions relative to the operations of financial institutions and insurance companies; has the authority to deny, suspend, or revoke licenses and approve or disapprove rates; and acts as receiver in case of insolvency of certain regulated entities.

The Director or his/her designee may be a member of various occupational licensing boards and commissions assigned to the department by the legislature in order to assist in the administration and regulation of licensing programs. The Director is also a member of such diverse administrative bodies as the Board of Bank Incorporation and the Rhode Island Housing and Mortgage Finance Corporation.

Central Management is also responsible for monitoring legislation impacting the department and for the annual submission of its own legislative program.

### Program Objectives

To administer the functions for the department with regard to the licensing and regulation of designated businesses, occupations and professions through the enforcement of applicable state laws.

### Statutory History

R.I.G.L. 42-14-1 establishes the Director as head of the department. R.I.G.L. 42-14-2 enumerates the functions of the department regarding the regulation of assigned occupations, businesses, and professions.

# The Budget

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## Department of Business Regulation Central Management

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	FY 2003 Actual	FY 2004 Actual	FY 2005 Revised	FY 2006 Recommended
<b>Expenditures By Object</b>				
Personnel	1,345,137	1,346,404	1,299,186	1,321,894
Other State Operations	211,191	261,411	406,738	411,142
Aid To Local Units Of Government	-	-	-	-
Assistance, Grants and Benefits	-	-	-	-
<b>Subtotal: Operating Expenditures</b>	<b>\$1,556,328</b>	<b>\$1,607,815</b>	<b>\$1,705,924</b>	<b>\$1,733,036</b>
Capital Improvements	-	800	-	-
Capital Debt Service	-	-	-	-
<b>Total Expenditures</b>	<b>\$1,556,328</b>	<b>\$1,608,615</b>	<b>\$1,705,924</b>	<b>\$1,733,036</b>
 <b>Expenditures By Funds</b>				
General Revenue	1,556,328	1,608,615	1,705,924	1,733,036
<b>Total Expenditures</b>	<b>\$1,556,328</b>	<b>\$1,608,615</b>	<b>\$1,705,924</b>	<b>\$1,733,036</b>
 <b>Program Measures</b>	NA	NA	NA	NA

# The Program

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## Department of Business Regulation Banking Regulation

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### Program Operations

Banking Regulation provides regulatory oversight of state-chartered financial institutions, credit unions and licensees through financial examinations and reviews to determine compliance with state banking laws, financial solvency, and safety and soundness operations.

Banking Regulation is responsible for regulating, monitoring and examining 34 state-chartered financial institutions and credit unions and approximately 1,666 licensed locations as of August 13, 2004. The division accomplishes its program objectives through the process of licensing, chartering and examining financial institutions and licensees. The purposes of examinations are to determine financial solvency and compliance with Rhode Island banking laws and regulations for the protection of depositors and the public interest. The division reviews and conducts hearings on applications filed by financial institutions and credit unions for charters, branches and other pertinent financial institution and credit union business. Licensees include lenders, loan brokers, loan lenders, foreign exchange transaction, sale of check and electronic money transfers, check cashers, and debt management companies (formerly debt pooling companies). Additionally, Banking Regulation enforces statutes relating to maximum interest charges and state usury laws and conducts administrative hearings when required. Additional responsibilities include investigating and resolving several hundred consumer complaints and inquiries each year.

### Program Objectives

To charter, license and ensure compliance with statutory requirements for the safe and sound operation of regulated financial institutions, Rhode Island bank holding companies, credit unions and licensees in order to protect the public interest.

### Statutory History

R.I.G.L. 19-1 to 19-14.7 charge the division with the regulation of financial institutions, Rhode Island bank holding companies, credit unions, as well as lenders, loan brokers, small loan lenders, foreign exchange transaction businesses, sellers of checks, electronic money transmitters, check cashers, and debt management company licensees. R.I.G.L. 6-26 to 6-27 relate to interest, usury and truth in lending. R.I.G.L. 34-23 to 34-27 relate to mortgages. R.I.G.L. 19-14.3, 19-14.4, 19-14.6 and 19-14.7 relate to the sale of checks and electronic money transfers, check cashing, and foreign exchange transactions and debt management companies.

# The Budget

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## Department of Business Regulation Banking Regulation

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	FY 2003 Actual	FY 2004 Actual	FY 2005 Revised	FY 2006 Recommended
<b>Expenditures By Object</b>				
Personnel	1,411,770	1,455,518	1,498,157	1,590,686
Other State Operations	171,337	176,789	180,370	167,838
Aid To Local Units Of Government	-	-	-	-
Assistance, Grants and Benefits	-	-	-	-
<b>Subtotal: Operating Expenditures</b>	<b>\$1,583,107</b>	<b>\$1,632,307</b>	<b>\$1,678,527</b>	<b>\$1,758,524</b>
Capital Improvements	-	-	-	-
Capital Debt Service	-	-	-	-
<b>Total Expenditures</b>	<b>\$1,583,107</b>	<b>\$1,632,307</b>	<b>\$1,678,527</b>	<b>\$1,758,524</b>
<b>Expenditures By Funds</b>				
General Revenue	1,583,107	1,632,307	1,678,527	1,758,524
<b>Total Expenditures</b>	<b>\$1,583,107</b>	<b>\$1,632,307</b>	<b>\$1,678,527</b>	<b>\$1,758,524</b>
<b>Program Measures</b>				
Percentage of State-Chartered Institutions Examined in Substantial Compliance with the Banking Code				
	97.3%	97.5%	97.5%	97.5%
Percentage of Other Lending Licensees Examined in Substantial Compliance with the Banking Code				
	86.4%	84.5%	85.0%	86.0%

# The Program

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## **Department of Business Regulation Securities Regulation**

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### **Program Operations**

Securities Regulation is responsible for the registration of certain securities and the licensing and regulation of broker dealers, sales representatives, certain investment advisers, and certain investment adviser representatives.

The division is also responsible for enforcing compliance with the State's Franchise Investment Act and Real Estate Time-Share Act, as well as, the registration of charitable organizations and fund-raising groups. In FY 2004, the division processed approximately 63,330 licenses and 9,050 registrations, conducted 20 on-site examinations of broker-dealers and investment advisers, investigated 109 complaints, and instituted 26 enforcement actions, pursuant to applicable state and federal laws and regulations.

### **Program Objectives**

To enforce compliance with the applicable provisions of state laws and regulations related to the securities industry, franchises, charities, fund-raisers, and time-shares.

### **Statutory History**

The division is charged with the administration and enforcement of the Rhode Island Uniform Securities Act ("RIUSA"), (R.I.G.L. 7-11); the Franchise Investment Act, (R.I.G.L. 19-28.1); the Charitable Solicitation Act, (R.I.G.L. 5-53.1); and the Real Estate Time-Share Act, (R.I.G.L. 34-41).

# The Budget

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## Department of Business Regulation Securities Regulation

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	<b>FY 2003 Actual</b>	<b>FY 2004 Actual</b>	<b>FY 2005 Revised</b>	<b>FY 2006 Recommended</b>
<b>Expenditures By Object</b>				
Personnel	620,939	638,488	677,539	703,333
Other State Operations	109,405	119,663	114,078	113,993
Aid To Local Units Of Government	-	-	-	-
Assistance, Grants and Benefits	-	-	-	-
<b>Subtotal: Operating Expenditures</b>	<b>\$730,344</b>	<b>\$758,151</b>	<b>\$791,617</b>	<b>\$817,326</b>
Capital Improvements	-	-	-	-
Capital Debt Service	-	-	-	-
<b>Total Expenditures</b>	<b>\$730,344</b>	<b>\$758,151</b>	<b>\$791,617</b>	<b>\$817,326</b>
 <b>Expenditures By Funds</b>				
General Revenue	730,344	758,151	791,617	817,326
<b>Total Expenditures</b>	<b>\$730,344</b>	<b>\$758,151</b>	<b>\$791,617</b>	<b>\$817,326</b>
 <b>Program Measures</b>				
Percentage of Investment Advisory Firms with a Place of Business in RI Examined in Substantial Compliance with the Securities Act	100.0%	86.0%	90.0%	100.0%

# The Program

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## Department of Business Regulation Commercial Licensing and Regulation

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### Program Operations

Commercial Licensing and Regulation is responsible for the licensing and regulation of real estate agents, brokers and appraisers, auto body and salvage re-builder shops, auto wrecking and salvage yards, travel agencies and travel agents, upholsterers, alarm system installers, auctioneers, liquor wholesalers, breweries, wineries, salespersons (representing wholesalers) and agents (representing manufacturers and distillers), Class G (boat/airline/railroads) license holders, line-cleaners, and mobile and manufactured homes and parks. The enforcement of unit pricing, motor fuel advertising and health club pre-opening laws are also activities of this program. Administrative hearings are held to consider revocations and suspensions of licenses, including appeals from the decisions of local licensing boards that issue retail liquor licenses. The division also provides administrative services for various boards and commissions involving licensing programs. They include the Real Estate Commission, the Real Estate Appraisers Board and the Travel Commission.

The division is responsible for the regulation of licenses to insure compliance with statutory provisions of law and to promote the continued welfare of the general public. This includes recommending approval, denial, suspension or revocation of licenses, or the imposition of sanctions or penalties and conducting of related administrative hearings.

The program provides the general public with application and licensing information for various occupations, businesses and professions. It investigates complaints received from the general public in all areas of licensing. Hearings are also held when required in order to resolve complaints.

### Program Objective

To increase the efficiency and effectiveness of occupational licensing programs and inspections in order to safeguard the health, safety, and welfare of the general public.

### Statutory History

R.I.G.L. 5-58 relates to auctioneers; R.I.G.L. 5-20.5 relates to real estate; R.I.G.L. 5-20.7 relates to real estate appraisers; R.I.G.L. 5-38 relates to automobile body repair shops; R.I.G.L. 5-50 relates to pre-opening of health club sales campaigns; R.I.G.L. 5-52 relates to travel agencies; R.I.G.L. 5-57 relates to burglar and hold-up alarm businesses; R.I.G.L. 6-31 relates to unit pricing; R.I.G.L. 23-26 relate to bedding and upholstered furniture; R.I.G.L. 31-44 & 31-44.1 relate to mobile and manufactured homes; R.I.G.L. 42-14.2 relates to auto wrecking and salvage yards; R.I.G.L. 31-37 relates to advertising and sale of motor fuel at retail, R.I.G.L. 31-46-7 relates to auto body salvage re-builders' licenses; and R.I.G.L. 3-1 relates to alcoholic beverages.

# The Budget

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## Department of Business Regulation Commercial Licensing and Regulation

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	FY 2003 Actual	FY 2004 Actual	FY 2005 Revised	FY 2006 Recommended
<b>Expenditures By Object</b>				
Personnel	908,807	930,576	1,039,981	1,072,331
Other State Operations	176,376	199,891	206,175	199,998
Aid To Local Units Of Government	-	-	-	-
Assistance, Grants and Benefits	1,564	36,296	81,490	81,490
<b>Subtotal: Operating Expenditures</b>	<b>\$1,086,747</b>	<b>\$1,166,763</b>	<b>\$1,327,646</b>	<b>\$1,353,819</b>
Capital Improvements	-	-	-	-
Capital Debt Service	-	-	-	-
<b>Total Expenditures</b>	<b>\$1,086,747</b>	<b>\$1,166,763</b>	<b>\$1,327,646</b>	<b>\$1,353,819</b>
<b>Expenditures By Funds</b>				
General Revenue	1,075,397	1,122,413	1,227,646	1,253,819
Restricted Receipts	11,350	44,350	100,000	100,000
<b>Total Expenditures</b>	<b>\$1,086,747</b>	<b>\$1,166,763</b>	<b>\$1,327,646</b>	<b>\$1,353,819</b>
<b>Program Measures</b>				
Percentage of Real Estate Licensees in Substantial Compliance with Real Estate Code	96.8%	92.6%	92.0%	92.0%
Percentage of Auto Body Shops, Auto Wrecking Yards, and Auto Salvage Re-builders in Substantial Compliance with the Code	94.1%	83.3%	85.0%	87.0%
Percentage of Liquor Licensees in Substantial Compliance with the Code	75.5%	71.3%	73.0%	76.0%

# The Program

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## Department of Business Regulation Racing and Athletics

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### Program Operations

The Racing and Athletics Division is responsible for supervising the enforcement of laws related to licensing and regulation of racing and athletics activities, including dog racing, boxing, wrestling, kickboxing and simulcast wagering. It is also responsible for the accounting and collection of racing taxes and fees as specified by state law.

The division promulgates rules and regulations governing pari-mutuel wagering, boxing, wrestling and kickboxing; issues specified operating dates to licensees; monitors all wagering; monitors commissions for the state, licensees, and cities and towns; handles licensing, finger printing and photo badging of all personnel and licensees; ensures that security is furnished by licensees of pari-mutuel facilities, boxing, wrestling and kickboxing events; and provides aid and assistance to the public, as requested, including forms, printing, photocopying, and rules and regulations.

The division also oversees simulcast wagering operations at Lincoln Park and Newport Grand facilities and conducts and participates in hearings, collects tax revenue and issues occupational licenses.

### Program Objectives

To enforce, adjust, amend, and interpret all rules and regulations governing pari-mutuel wagering sports and all professional boxing, wrestling and kickboxing events in the State.

### Statutory History

R.I.G.L. 41-1 established the Commission on Horse Racing and Athletics in 1956. In 1987, the general laws were amended abolishing the commission and creating The Division of Racing and Athletics within the Department of Business Regulation. Jai Alai was sunset by state law in 2003.

# The Budget

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## Department of Business Regulation Racing and Athletics

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	FY 2003 Actual	FY 2004 Actual	FY 2005 Revised	FY 2006 Recommended
<b>Expenditures By Object</b>				
Personnel	554,184	464,440	385,853	335,163
Other State Operations	76,186	81,349	87,989	81,145
Aid To Local Units Of Government	-	-	-	-
Assistance, Grants and Benefits	1,018	1,001	864	864
<b>Subtotal: Operating Expenditures</b>	<b>\$631,388</b>	<b>\$546,790</b>	<b>\$474,706</b>	<b>\$417,172</b>
Capital Improvements	-	-	-	-
Capital Debt Service	-	-	-	-
<b>Total Expenditures</b>	<b>\$631,388</b>	<b>\$546,790</b>	<b>\$474,706</b>	<b>\$417,172</b>
 <b>Expenditures By Funds</b>				
General Revenue	631,388	546,790	474,706	417,172
<b>Total Expenditures</b>	<b>\$631,388</b>	<b>\$546,790</b>	<b>\$474,706</b>	<b>\$417,172</b>
 <b>Program Measures</b>				
Percentage of Greyhounds Required to be Chemically Tested During the Race Year which are Actually Tested	95.5%	95.5%	95.5%	95.5%

# The Program

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## Department of Business Regulation Insurance Regulation

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### Program Operations

Insurance Regulation conducts financial examinations of domestic insurance companies to ensure financial solvency and also conducts examinations of domestic or foreign insurance companies to ensure compliance with the insurance statutes and regulations. The program performs several licensing functions including, but not limited to, the licensing of companies, producers, adjusters and appraisers. The program also reviews rate and form filings for the Life, Accident and Health, and Property and Casualty lines of business for compliance with state statutes and regulations, and addresses consumer complaints for these lines of business. The program monitors and introduces legislation in order to maintain accreditation by the National Association of Insurance Commissioners, which it received in June of 1993. The division was once again accredited in December 1998 and again in December 2003.

### Program Objectives

To monitor effectively the financial condition and market conduct of insurance companies licensed to do business in the State of Rhode Island.

To monitor activities of all licensees such as producers, adjusters and appraisers.

To ensure consumer access to an equitable insurance market and respond to consumer inquiries and complaints.

To maintain accreditation by the National Association of Insurance Commissioners.

### Statutory History

All chapters of R.I.G.L. 27-1; R.I.G.L. 42-14; R.I.G.L. 28-29 through 38; and all Insurance Division regulations.

# The Budget

## Department of Business Regulation Insurance Regulation

	FY 2003 Actual	FY 2004 Actual	FY 2005 Revised	FY 2006 Recommended
<b>Expenditures By Object</b>				
Personnel	3,379,874	3,563,391	4,103,020	4,412,117
Other State Operations	495,442	480,187	386,142	384,675
Aid To Local Units Of Government	-	-	-	-
Assistance, Grants and Benefits	1,564	1,686	1,490	1,490
<b>Subtotal: Operating Expenditures</b>	<b>\$3,876,880</b>	<b>\$4,045,264</b>	<b>\$4,490,652</b>	<b>\$4,798,282</b>
Capital Improvements	-	-	-	-
Capital Debt Service	-	-	-	-
<b>Total Expenditures</b>	<b>\$3,876,880</b>	<b>\$4,045,264</b>	<b>\$4,490,652</b>	<b>\$4,798,282</b>
<b>Expenditures By Funds</b>				
General Revenue	3,485,085	3,534,567	3,807,460	4,089,920
Restricted Receipts	391,795	510,697	683,192	708,362
<b>Total Expenditures</b>	<b>\$3,876,880</b>	<b>\$4,045,264</b>	<b>\$4,490,652</b>	<b>\$4,798,282</b>
<b>Program Measures</b>				
Percentage of Domestic Insurance Companies in Substantial Compliance with the Insurance Code (Market Conduct Examinations)	100.0%	100.0%	100.0%	100.0%

# The Program

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## Department of Business Regulation Board of Accountancy

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### Program Operations

The Board of Accountancy is an autonomous board that is responsible for the administration of the licensing of certified public accountants, partnerships, corporations, and sole proprietorships. It processes applications and fees, and issues license certificates and permits to regulate business, occupations and professions.

The board is responsible for governing the conduct of assigned licensees in order to comply with statutory provisions of the law and to promote the continued welfare of the general public. This includes recommending approval, denial, suspension or revocation of licenses or the imposition of such sanctions or penalties allowed by law.

Hearings are held when required in order to resolve complaints and to act upon the denial, suspension or revocation of licenses. The board investigates complaints from the general public in all areas of licensing addressed above.

Board personnel also provide the general public with application and licensing information for various occupations, businesses and professions, and provide copies of licensing laws and regulations upon request.

### Program Objectives

The board intends to continue to intensify its analysis of continuing education records, as well as firm compliance with peer reviews, to efficiently process license renewals and responses, and to commence and resolve disciplinary actions efficiently and promptly.

### Statutory History

R.I.G.L. 5-3.1 et seq. (1956) relates to the Board of Accountancy.

# The Budget

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## Department of Business Regulation Board of Accountancy

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	FY 2003 Actual	FY 2004 Actual	FY 2005 Revised	FY 2006 Recommended
<b>Expenditures By Object</b>				
Personnel	113,336	117,196	122,004	125,846
Other State Operations	10,964	9,507	14,152	13,648
Aid To Local Units Of Government	-	-	-	-
Assistance, Grants and Benefits	-	-	-	-
<b>Subtotal: Operating Expenditures</b>	<b>\$124,300</b>	<b>\$126,703</b>	<b>\$136,156</b>	<b>\$139,494</b>
Capital Improvements	-	-	-	-
Capital Debt Service	-	-	-	-
<b>Total Expenditures</b>	<b>\$124,300</b>	<b>\$126,703</b>	<b>\$136,156</b>	<b>\$139,494</b>
 <b>Expenditures By Funds</b>				
General Revenue	124,300	126,703	136,156	139,494
<b>Total Expenditures</b>	<b>\$124,300</b>	<b>\$126,703</b>	<b>\$136,156</b>	<b>\$139,494</b>
 <b>Program Measures</b>				
Percentage of CPA's and PA's who meet Continuing Professional Education Requirements in Accordance with R.I. General Law	97.0%	98.0%	98.0%	98.0%