



## State of Rhode Island

### Revenue Estimating Conference

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*House Fiscal Advisor*

*May 2024 Conference Chair*

JOSEPH M. CODEGA JR.

*State Budget Officer*

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### MEMORANDUM

To: The Honorable Daniel J. McKee, Governor  
The Honorable Dominick J. Ruggerio, President of the Senate  
The Honorable K. Joseph Shekarchi, Speaker of the House

From: Joseph M. Codega Jr., State Budget Officer   
Stephen H. Whitney, Senate Fiscal Advisor   
Sharon Reynolds Ferland, House Fiscal Advisor 

Date: May 15, 2024

Subject: **May 2024 Revenue Estimating Conference**

### SUMMARY

The Revenue Estimating Conference met on April 29, May 6 and May 10, 2024, in open public meetings. The Conference adopted the economic forecast for both calendar and fiscal years 2024 to 2029 and issued revised estimates for FY 2024 and FY 2025 revenues. Based on collection trends through April, audited FY 2023 closing results, and the revised economic forecast, the Conference increased the FY 2024 estimates by \$47.7 million from the November 2023 adopted estimate of \$5,212.7 million to \$5,336.1 million.

The Conference increased the FY 2025 estimates by \$9.7 million from the November 2023 adopted estimate of \$5,454.2 million to \$5,463.9 million, which is \$97.8 million more than the revised estimate for FY 2024. Tables showing the estimates and the changes by revenue component are included at the end of this report.

## ECONOMIC FORECAST

On April 29, the Conference heard forecasts for the national and Rhode Island economies from S&P Global Market Intelligence. They were represented by Juan Turcios – Principal Economist US Economics, and Michael Lynch, Associate Director – US Regional Economics. The conferees also received testimony from Donna Murray, Assistant Director, Labor Market Information, of the Department of Labor and Training. The Conference adopted a revised economic forecast for Rhode Island based on the information presented.

The forecast and prior year data are shown in the following table.

| May 2024 Consensus Economic Forecast    |            |            |            |            |            |            |            |            |
|-----------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                         | CY 2022    | CY 2023    | CY 2024    | CY 2025    | CY 2026    | CY 2027    | CY 2028    | CY 2029    |
| <b>Nominal Level</b>                    |            |            |            |            |            |            |            |            |
| Nonfarm Employment (thous.)             | 497.5      | 504.6      | 514.2      | 515.2      | 514.4      | 514.1      | 514.5      | 515.1      |
| Personal Income (mil.\$)                | 69,514.2   | 72,859.1   | 76,405.4   | 79,971.9   | 83,679.6   | 87,432.7   | 91,199.4   | 94,960.2   |
| Housing Starts (thous.)                 | 1.2        | 1.2        | 1.1        | 1.2        | 1.3        | 1.3        | 1.3        | 1.4        |
| <b>Annual Growth (% Year over Year)</b> |            |            |            |            |            |            |            |            |
| Nonfarm Employment Growth               | 3.7        | 1.4        | 1.9        | 0.2        | -0.2       | -0.1       | 0.1        | 0.1        |
| Personal Income Growth                  | -0.5       | 4.8        | 4.9        | 4.7        | 4.6        | 4.5        | 4.3        | 4.1        |
| Wage and Salaries Income                | 7.7        | 5.5        | 5.6        | 3.6        | 3.7        | 3.7        | 3.8        | 3.7        |
| Dividends, Interest and Rent            | 3.5        | 5.6        | 4.6        | 7.1        | 6.9        | 5.7        | 4.6        | 3.9        |
| Consumer Price Index (US)               | 8.0        | 4.1        | 3.2        | 2.3        | 2.5        | 2.4        | 2.3        | 2.2        |
| Personal Consumption Exp. Growth        | 8.1        | 5.7        | 4.5        | 3.9        | 4.0        | 4.0        | 3.9        | 3.8        |
| Corporate Profits Growth (US)           | 9.8        | 1.5        | 8.0        | 1.1        | 1.0        | 1.4        | 2.6        | 3.1        |
| S&P 500 Index Growth (US)               | -3.9       | 4.5        | 22.4       | -0.8       | -2.2       | -2.8       | -0.8       | 1.5        |
| <b>Rates</b>                            |            |            |            |            |            |            |            |            |
| Unemployment Rate                       | 3.2        | 2.9        | 4.0        | 4.2        | 4.4        | 4.5        | 4.4        | 4.4        |
|                                         | FY 2022    | FY 2023    | FY 2024    | FY 2025    | FY 2026    | FY 2027    | FY 2028    | FY 2029    |
| <b>Nominal Level</b>                    |            |            |            |            |            |            |            |            |
| Nonfarm Employment (000's)              | 489.7      | 502.1      | 509.6      | 515.3      | 514.8      | 514.2      | 514.2      | 514.8      |
| Personal Income (mil. \$)               | \$68,803.4 | \$71,062.2 | \$74,716.0 | \$78,125.9 | \$81,834.1 | \$85,541.1 | \$89,314.4 | \$93,074.9 |
| Housing Starts (thous.)                 | 1.1        | 1.3        | 1.1        | 1.1        | 1.2        | 1.3        | 1.3        | 1.4        |
| <b>Annual Growth (% Year over Year)</b> |            |            |            |            |            |            |            |            |
| Nonfarm Employment Growth               | 4.6        | 2.5        | 1.5        | 1.1        | -0.1       | -0.1       | 0.0        | 0.1        |
| Personal Income Growth                  | 1.3        | 3.3        | 5.1        | 4.6        | 4.7        | 4.5        | 4.4        | 4.2        |
| Wage and Salaries Income                | 9.0        | 5.0        | 7.2        | 3.7        | 3.6        | 3.6        | 3.7        | 3.8        |
| Dividends, Interest and Rent            | 6.4        | 5.5        | 4.3        | 6.1        | 7.3        | 6.2        | 5.1        | 4.2        |
| Consumer Price Index (US)               | 7.2        | 6.3        | 3.3        | 2.6        | 2.5        | 2.4        | 2.3        | 2.2        |
| Personal Consumption Exp. Growth        | 11.0       | 6.6        | 4.9        | 4.1        | 4.0        | 4.0        | 3.9        | 3.9        |
| Corporate Profits Growth (US)           | 11.7       | 5.3        | 6.1        | 3.7        | 0.8        | 1.0        | 2.1        | 2.8        |
| S&P 500 Index Growth (US)               | 17.9       | -8.9       | 21.0       | 7.9        | -1.5       | -3.0       | -1.9       | 0.6        |
| <b>Rates (%)</b>                        |            |            |            |            |            |            |            |            |
| Unemployment Rate                       | 4.0        | 2.9        | 3.6        | 4.1        | 4.3        | 4.5        | 4.5        | 4.4        |

Mr. Juan Turcios gave testimony on the U.S. economy noting that despite a strong finish in 2023, it is expected to slow to below-trend growth in 2024. Factors contributing to this slowdown include past monetary tightening, tightening bank lending standards, and flat equity values. Inflation remains above the Federal Reserve's 2.0 percent target, with core inflation gradually heading towards the target but averaging 2.3 percent through 2026.

Labor markets have been tight, boosting wage growth, but signs of easing are emerging, such as a decline in job openings. The unemployment rate is expected to climb gradually, reaching 4.5 percent in 2027. The Federal Reserve is anticipated to begin cutting the policy rate later in the year as core inflation moves towards the 2.0 percent target, though the timing of the rate cut may be pushed back due to recent inflation reports. Mr. Turcios noted that this path assumes that there is no material reemergence of supply-chain stress, no reacceleration of market rents, and easing of labor market conditions.



Upside risks to the outlook include a "stronger for longer" scenario as well as immigration assumptions more on par with current Congressional Budget Office estimates that would result in higher growth. Downside risks relate to a widening war in the Middle East and a possible further slump in commercial real estate prices.

Mr. Michael Lynch gave the testimony on the Rhode Island economy. Rhode Island's labor market started strong in 2024, with employment growth surpassing the U.S. average and other New England states. Despite a rise in the unemployment rate to 4.0 percent, labor market conditions remain tight as Rhode Island deals with labor supply-side shortages. In December 2023, Rhode Island regained all the jobs lost during the pandemic.

Low housing inventories are driving sustained home price growth, despite high mortgage rates, leading to eroded affordability. Home prices have surged, ranking among the highest in the nation.

Rhode Island is projected to experience slow, below-trend growth, with employment growth decelerating and the unemployment rate gradually increasing toward a peak of 4.5 percent in FY 2027. Housing starts are expected to pick up, driven by low vacancy rates and high prices, though price appreciation is expected to slow.

Ms. Donna Murray testified on Rhode Island labor market conditions. The Rhode Island Department of Labor and Training, in collaboration with the U.S. Bureau of Labor Statistics, recently completed its annual benchmark revision of labor force statistics and job count estimates. This process involved revising labor force statistics and job counts back to January 2019, incorporating updated data such as job estimates, claims data, and population controls.

The state's unemployment rate for December 2023 was revised to 3.4 percent, slightly higher than initially reported. The job count was revised upward by an average of 7,900 jobs or 1.6 percent for 2023, reaching a new average annual job count of 504,600. Job count revisions affected industry sectors differently with significant upward revisions in accommodation and food services, educational services, and administrative and waste services, while the construction sector saw the largest downward revision.

Rhode Island lost 108,700 jobs during the March and April 2020 pandemic shutdown. However, by December 2023, the state had regained all lost jobs, reaching a new employment level of 509,100 jobs. Vermont is the only other New England state to have more employed residents in March 2024 compared to February 2020. While some sectors have fully recovered from the pandemic shutdown, others, particularly lower-wage industries, are still below their pre-pandemic job counts. Specifically, accommodations and food services and retail trade have only recovered around 95 percent of lost jobs.

Rhode Island's labor force participation rate has reached its highest level since September 2020. Employment among different demographic groups has varied, with notable changes observed among age and racial demographics. In terms of age, participation among those in the 16 to 24 age group increased from 56.6 percent to 57.5 percent and participation for the 25 to 54 age group increased from 84.6 percent to 85.6 percent. There was a decrease in the 55 and older age group from 41.6 percent in 2019 to 40.5 percent in 2023. The most significant changes are among the Black and Hispanic populations with participation among the Black population decreasing from 65.8 percent in 2019 to 58.2 percent in 2023 and participation among the Hispanic population increasing from 64.6 percent to 70.4 percent. The change in participation among the White population was comparatively smaller, increasing from 63.5 percent in 2019 to 64.6 percent in 2023.

The state's unemployment rate has been increasing since July 2023, reaching 4.0 percent in March 2024. This increase is attributed to more residents entering and re-entering the labor market. Rhode Island's unemployment rate is higher than the national average but lower than some neighboring states in New



England. Overall, while Rhode Island's labor market has shown improvement, challenges remain, particularly in fully recovering all sectors from the pandemic's impact and managing changes in unemployment rates and labor force dynamics.

## **REVENUES**

**Taxes.** Revenues from taxes in FY 2024 are estimated to increase 2.2 percent from FY 2023 collections and increase 1.8 percent in FY 2025 over the revised FY 2024 estimate. Total estimated tax revenues for FY 2024 of \$4,328.4 million are \$26.8 million above the November 2023 adopted estimate. FY 2025 total estimated taxes are \$4,464.4 million, \$136.0 million more than FY 2024, and \$10.2 million above the November estimate.

**Personal Income Tax.** The personal income tax estimates of \$1,785.2 million for FY 2024 and \$1,856.6 million for FY 2025 represent annual growth rates of -1.6 percent and 4.0 percent, respectively. The FY 2024 revised estimate is \$68.7 million less than previously estimated. The FY 2025 estimate is \$71.4 million above the FY 2024 revised estimate and \$53.6 million less than the previous estimate. In both years, more than half of the projected decrease is in withholding revenues, the largest component of this tax.

The personal income tax estimates include \$379.0 million across both fiscal years in corporate income taxes transferred to personal income tax via individuals filing as corporate passthrough entities (\$187.0 million in FY 2024 and \$192.0 million in FY 2025). This is a filing mechanism in which the state has seen increased activity beginning in FY 2020 with the elimination of the federal state and local tax (SALT) deduction cap. Also, revisions to how some components to these revenues are reported on tax forms has resulted in a permanent shift in where they are recognized in the revenue estimate from personal income to business corporations. This change, which began in tax year 2023, is expected to shift around \$40 to \$50 million in revenue between these two streams.

**Business Taxes.** The conferees estimate total business taxes of \$701.6 million in FY 2024 and \$703.1 million in FY 2025. The FY 2024 estimate is \$88.5 million more than the November estimate, while the FY 2025 estimate is \$1.5 million more than the previous estimate. As noted above there is a shift in where certain taxes related to pass through entities are recognized in the revenue estimate from personal income to business corporations. Further, the FY 2025 estimate for business corporations tax assumes that about \$30 million of past overpayments by pass-through entities will be refunded or applied to a future tax year. Additionally, the FY 2024 estimate contains approximately \$30 million in temporary relief on the gross receipts tax for electric and gas bill that is not reflected in the FY 2025 estimate.

**Sales and Use Tax.** Sales and use tax, the bulk of the consumption taxes, is estimated at \$1,640.0 million for FY 2024 and \$1,701.3 million for FY 2025. The FY 2024 revenues are \$11.4 million above the November estimate, which represents growth of 4.8 percent from the audited FY 2023 receipts. The FY 2025 estimate is \$19.5 million higher than the November estimate and represents growth of \$61.3 million or 3.7 percent over the revised FY 2024 estimate.

**Excise Taxes Other Than Sales and Use Taxes.** The conferees estimate \$142.7 million and \$132.4 million for FY 2024 and FY 2025, respectively from excise taxes other than sales and use taxes. These taxes include those imposed on alcohol and tobacco. The FY 2024 revised estimate is \$5.4 million, or 3.4 percent, below the November estimate, primarily from cigarette taxes. The FY 2025 estimate is \$5.5 million less than the November consensus, and \$10.3 million, or 7.2 percent less than the revised estimate for FY 2024.

**Other Taxes.** The estate and transfer, racing and athletics, and realty transfer taxes are estimated to produce \$58.9 million in FY 2024 and \$71.0 million in FY 2025. The FY 2024 revised estimate is \$1.0 million more than previously adopted. The revised FY 2025 estimate for total other taxes is \$6.2 million more than

the November estimate, and \$12.1 million more than the FY 2024 revised estimate, primarily reflecting the infrequent nature of large estate tax payments.

**Departmental Receipts.** The conferees adopted estimates of \$551.8 million for FY 2024 and \$502.5 million for FY 2025 for these sources that include licenses and fees, fines and penalties, sales and services, and miscellaneous departmental receipts that are deposited as general revenues. The FY 2024 revised estimate is \$20.7 million more than previously estimated reflecting adjustments based on year-to-date collections. The bulk of this change is due to one-time reimbursements for prior COVID testing expenses.

The revised FY 2025 estimate is \$8.3 million higher than the November estimate based on FY 2024 experience. It is also \$49.3 million less than the revised FY 2024 estimate mainly due to lower interest earnings because both cash balances and interest rates are assumed to be lower in FY 2025.

**Lottery Transfer.** The lottery transfer is estimated to produce general revenue of \$428.8 million in FY 2024, with \$316.6 million generated from the video lottery terminals installed at Bally's Twin River (Lincoln) and Bally's Tiverton; \$75.0 million derived from combined games, which include PowerBall, Mega Millions, scratch tickets, and Keno; \$13.3 million in net revenues received from the table games at both the Bally's Twin River and Tiverton locations; \$19.2 million from sports betting at both casino locations and via the mobile application, and \$4.7 million from the roll out of iGaming.

The FY 2024 revised estimate for the total lottery transfer is \$8.0 million below the FY 2024 November estimate, more than half of which is from video lottery activity. The revised estimate is \$5.9 million below the FY 2023 transfer generally attributable to the effects of increased regional competition.

The revised transfer estimate for FY 2025 is \$449.4 million, which is \$9.4 million lower than the November estimate. Components of this estimate include \$315.1 million from video lottery terminals, \$75.7 million from combined games, \$13.6 million from table games, \$20.2 million from sports betting, and \$24.8 million from iGaming. The FY 2025 lottery transfer is projected to increase by \$20.6 million from the FY 2024 revised estimate, primarily reflecting a full year of iGaming.

**Other Sources.** Other source revenue consists of transfers to the general fund from unclaimed property and other miscellaneous sources, often non-recurring. These are estimated to produce \$57.1 million in FY 2024 and \$47.6 million in FY 2025. The revised FY 2024 estimate is \$8.2 million more than the November estimate mostly from additional unclaimed property revenue, not expected to recur in FY 2025. Accordingly, the May FY 2025 estimate is \$9.5 million less than the revised FY 2024 estimate which also assumes lower interest earnings on bond proceeds.

The tables that follow show the results by revenue category, along with information on the FY 2023 audited closing and comparison to the November 2023 consensus estimates.



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| <b>May 2024 CRE</b>           | <b>FY 2023</b>          | <b>FY 2024 Estimate</b> |             | <b>FY 2025 Estimate</b> |             |
|-------------------------------|-------------------------|-------------------------|-------------|-------------------------|-------------|
| <b>Personal Income Tax</b>    | \$ 1,813,605,110        | \$ 1,785,200,000        | -1.6%       | \$ 1,856,600,000        | 4.0%        |
| <b>General Business Taxes</b> |                         |                         |             |                         |             |
| Business Corporations         | 272,217,435             | 372,500,000             | 36.8%       | 345,000,000             | -7.4%       |
| Public Utilities Gross        | 97,409,661              | 73,600,000              | -24.4%      | 105,800,000             | 43.8%       |
| Financial Institutions        | 31,653,500              | 42,200,000              | 33.3%       | 36,700,000              | -13.0%      |
| Insurance Companies           | 154,637,561             | 168,700,000             | 9.1%        | 168,600,000             | -0.1%       |
| Bank Deposits                 | 4,623,813               | 5,000,000               | 8.1%        | 5,100,000               | 2.0%        |
| Health Care Provider          | 39,850,814              | 39,600,000              | -0.6%       | 41,900,000              | 5.8%        |
| <b>Sales and Use Taxes</b>    |                         |                         |             |                         |             |
| Sales and Use                 | 1,564,773,929           | 1,640,000,000           | 4.8%        | 1,701,300,000           | 3.7%        |
| Motor Vehicle                 | 935,486                 | -                       | -100.0%     |                         | n/a         |
| Cigarettes                    | 133,559,917             | 121,600,000             | -9.0%       | 111,200,000             | -8.6%       |
| Alcohol                       | 22,478,567              | 21,100,000              | -6.1%       | 21,200,000              | 0.5%        |
| <b>Other Taxes</b>            |                         |                         |             |                         |             |
| Inheritance and Gift          | 82,315,543              | 42,800,000              | -48.0%      | 53,700,000              | 25.5%       |
| Racing and Athletics          | 583,121                 | 600,000                 | 2.9%        | 600,000                 | 0.0%        |
| Realty Transfer               | 16,511,739              | 15,500,000              | -6.1%       | 16,700,000              | 7.7%        |
| <b>Total Taxes</b>            | <b>\$ 4,235,156,196</b> | <b>\$ 4,328,400,000</b> | <b>2.2%</b> | <b>\$ 4,464,400,000</b> | <b>3.1%</b> |
| Departmental Receipts         | 491,637,590             | 551,800,000             | 12.2%       | 502,500,000             | -8.9%       |
| Other Miscellaneous           | 32,701,548              | 32,200,000              | -1.5%       | 27,000,000              | -16.1%      |
| Lottery                       | 434,666,769             | 428,800,000             | -1.3%       | 449,400,000             | 4.8%        |
| Unclaimed Property            | 18,502,832              | 24,900,000              | 34.6%       | 20,600,000              | -17.3%      |
| <b>Total General Revenues</b> | <b>\$ 5,212,664,935</b> | <b>\$ 5,366,100,000</b> | <b>2.9%</b> | <b>\$ 5,463,900,000</b> | <b>1.8%</b> |

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| <b>May 2024 CRE</b>           | <b>FY 2024 May</b>      | <b>Change to<br/>November</b> | <b>FY 2025 May</b>      | <b>Change to<br/>November</b> |
|-------------------------------|-------------------------|-------------------------------|-------------------------|-------------------------------|
| <b>Personal Income Tax</b>    | \$ 1,785,200,000        | \$ (68,700,000)               | \$ 1,856,600,000        | \$ (53,600,000)               |
| <b>General Business Taxes</b> |                         |                               |                         |                               |
| Business Corporations         | 372,500,000             | 61,600,000                    | 345,000,000             | 30,700,000                    |
| Public Utilities Gross        | 73,600,000              | 5,800,000                     | 105,800,000             | 1,400,000                     |
| Financial Institutions        | 42,200,000              | 15,300,000                    | 36,700,000              | 10,300,000                    |
| Insurance Companies           | 168,700,000             | 5,400,000                     | 168,600,000             | 700,000                       |
| Bank Deposits                 | 5,000,000               | 400,000                       | 5,100,000               | 500,000                       |
| Health Care Provider          | 39,600,000              | -                             | 41,900,000              | -                             |
| <b>Sales and Use Taxes</b>    |                         |                               |                         | -                             |
| Sales and Use                 | 1,640,000,000           | 11,400,000                    | 1,701,300,000           | 19,500,000                    |
| Cigarettes                    | 121,600,000             | (4,000,000)                   | 111,200,000             | (3,700,000)                   |
| Alcohol                       | 21,100,000              | (1,400,000)                   | 21,200,000              | (1,800,000)                   |
| <b>Other Taxes</b>            |                         |                               |                         | -                             |
| Inheritance and Gift          | 42,800,000              | 400,000                       | 53,700,000              | 4,900,000                     |
| Racing and Athletics          | 600,000                 | -                             | 600,000                 | -                             |
| Realty Transfer               | 15,500,000              | 600,000                       | 16,700,000              | 1,300,000                     |
| <b>Total Taxes</b>            | <b>\$ 4,328,400,000</b> | <b>\$ 26,800,000</b>          | <b>\$ 4,464,400,000</b> | <b>\$ 10,200,000</b>          |
| Departmental Receipts         | 551,800,000             | 20,700,000                    | 502,500,000             | 8,300,000                     |
| Other Miscellaneous           | 32,200,000              | 2,000,000                     | 27,000,000              | 100,000                       |
| Lottery                       | 428,800,000             | (8,000,000)                   | 449,400,000             | (9,400,000)                   |
| Unclaimed Property            | 24,900,000              | 6,200,000                     | 20,600,000              | 500,000                       |
| <b>Total General Revenues</b> | <b>\$ 5,366,100,000</b> | <b>\$ 47,700,000</b>          | <b>\$ 5,463,900,000</b> | <b>\$ 9,700,000</b>           |

**NEXT MEETING**

The next required meeting of the conference is November 2024.

cc: The Honorable Louis P. DiPalma, Chairman  
Senate Finance Committee

The Honorable Marvin L. Abney, Chairman  
House Finance Committee

