

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



DEPARTMENT OF REVENUE

State of Rhode Island Monthly Revenue Brief
FY 2011 Cash Collections through June 2011

The Rhode Island Department of Revenue monthly revenue brief is a comprehensive analysis of fiscal year-to-date cash collections on all revenue sources estimated by the principals of the Revenue Estimating Conference (see Rhode Island General Law § 35-16-1). *Users of the report should be cautious when comparing year-to-date growth rates to the growth estimate for Other Miscellaneous Revenues and Unclaimed Property as the receipt of these revenues occurs at discrete points in time over the course of a fiscal year. Further complicating matters is the fact that the discrete pattern of receipts varies so that payments received do not necessarily occur at the same point in time in each fiscal year.*

Total General Revenues

Annual Growth Rates	<u>Final Growth Estimate</u> 2.5 %	<u>Actual YTD Growth</u> 4.9 %	<u>Base YTD Growth</u> 4.2 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$3.091 Billion	<u>Actual YTD Cash</u> \$3.141 Billion	

Fiscal Year 2011 total general revenues collected through June have increased by 4.9 percent as compared to Fiscal Year 2010 total general revenues collected through June of last year. For the fiscal year-to-date period through June 2011, total general revenues were \$3.141 billion as compared to \$2.994 billion for the same period last year, an increase of \$147.3 million. The FY 2011 final enacted growth estimate signed into law by Governor Chafee on June 30, 2011 was an increase of 2.5 percent in FY 2011 total general revenues over final audited FY 2010 collections.

It is necessary to make adjustments to the cash collections for these two fiscal years in order to determine the base year-over-year fiscal year-to-date growth in collections. In FY 2010

through June, a net total of -\$125.5 million of adjustments must be made. These adjustments include a decrease of \$496,275 in the health care provider assessment to reflect the fact that the group home portion of this assessment has been repealed effective August 1, 2009. The receipts received in July 2009 are for services rendered in May and June 2009 and were accrued back to FY 2009. Also included is an increase of \$1.6 million in motor vehicle licenses and fees to account for the late posting of international registration payments that are made to the forty-nine other states and Canada. Further, an adjustment of -\$103,533 is made to racing and athletics taxes to account for the elimination of live greyhound racing at Twin River after August of 2009. In addition, the adjustment includes a decrease of \$121.5 million in departmental receipts for the receipt in July 2009 of the FY 2009 hospital licensing fee. Finally, the net adjustment includes a decrease of \$4.9 million in other general revenues of which \$339,473 is the gas tax transfer due to the FY 2010 repeal of the dedication of \$0.01 per gallon of the state's \$0.33 per gallon gas tax for general purposes, \$3.0 million to account for the receipt in June 2010 of a cash transfer from the Rhode Island Resource Recovery Corporation (RIRRC) which accrued back to FY 2009, and \$1.6 million in the lottery transfer to account for cash received in November that had been accrued back to FY 2009 in the Controller's final audited general fund revenue report.

In FY 2011, a net total of -\$153.4 million of adjustments must be made. These adjustments include a decrease of \$28.9 million in business corporations' tax collections from cash receipts received in September, December, January, and June that were accrued back to FY 2010. Also included is a decrease of \$3.3 million in public utilities gross earnings taxes to account for the one-time receipt in July of proceeds from an FY 2010 audit recovery that were accrued back to FY 2010 and an increase of \$1.8 million in financial institutions taxes to offset a refund paid in October that was accrued back to FY 2010. A further decrease of \$124.9 million is needed in departmental receipts for the cash receipt of FY 2010 hospital licensing fees that were paid in FY 2011. These cash receipts have been accrued back to FY 2010. The net adjustment also includes a net increase in other miscellaneous revenue of \$3.7 million of which \$5.5 million is to account for the proceeds received from child support enforcement payments for the indirect costs incurred during FY 2005 to FY 2009. These funds were credited to the FY 2011 fund balance in June 2011 but were incorporated in the final enacted FY 2011 revenue estimates. A decrease of \$1.8 million is also included to account for the sale of the Smithfield Salt Barn and the receipt of a settlement from a pharmaceutical manufacturer both of which were accrued back to FY 2010. Finally, a decrease of \$1.6 million in the lottery transfer is included in the net adjustment to account for cash received in October that had been accrued back to FY 2010 in the Controller's audited general fund revenue report. It should be noted that there is *no* adjustment to motor vehicle licenses and registration fees in FY 2011 for the disbursement of international registration payments made to the forty-nine other states and Canada which occurred in June of FY 2010 rather than July of the following fiscal year as had been the case for the five previous fiscal years.

The necessary adjustments that need to be made are displayed in the table below:

Revenue Source	Adjustment	Year-to-Date FY 2010	Year-to-Date FY 2011
Business Corporations	Deduct receipts that accrue to FY 2010	\$0	\$(28,939,237)
Public Utilities	FY 2010 audit recovery	\$0	\$(3,301,779)
Financial Institutions	Refund accrues back to FY 2010	\$0	\$1,751,207
Health Care Provider	Deduct receipts that accrue to FY 2009	\$(496,275)	\$0
Motor Vehicle	International registration payments	\$1,588,398	\$0
Racing and Athletics	Elimination of live greyhound racing	\$(103,533)	\$0
Licenses & Fees	Hospital Licensing Fee	\$(121,542,759)	\$(124,904,459)
Other Miscellaneous	Sale of Smithfield Salt Barn	\$0	\$(985,560)
Other Miscellaneous	Pharmaceutical manufacturer settlement	\$0	\$(839,235)
Other Miscellaneous	RIRRC receipts that accrue to FY 2009	\$(3,000,000)	\$0
Other Miscellaneous	Judiciary FY 2005 – FY 2009 CSE rcpt	\$0	\$5,503,567
Gas Tax Transfer	Deduct receipts that accrue to FY 2009	\$(339,473)	\$0
Lottery Transfer	Receipts that accrue to prior fiscal year	\$(1,561,685)	\$(1,646,003)
Total		\$(125,455,327)	\$(153,361,498)

Accounting for these revenue adjustments yields a base rate of growth for the fiscal year-to-date period through June 2011 of 4.2 percent. It should be noted that the base year-to-date growth rate is not necessarily indicative of the projected annual growth in revenues.

Taxes and Departmental Receipts

Annual Growth Rates	<u>Final Growth Estimate</u> 2.4 %	<u>Actual YTD Growth</u> 5.3 %	<u>Base YTD Growth</u> 4.2 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$2.718 Billion	<u>Actual YTD Cash</u> \$2.769 Billion	

The Rhode Island Department of Revenue reports that FY 2011 taxes and departmental receipts collected through June 2011 have increased by 5.3 percent as compared to FY 2010 cash collections for the comparable period a year ago. For the fiscal year-to-date period ending June 2011, total taxes and departmental receipts were \$2.769 billion as compared to \$2.629 billion for the same period last fiscal year, an increase of \$139.9 million. The actual year-to-

date growth exceeds the FY 2011 final enacted growth estimate of 2.4 percent for FY 2011 over final audited FY 2010 cash collections.

The group home health care provider assessment receipt accrual, the motor vehicle licenses and fees' late international registration payments, the adjustment for the elimination of live greyhound racing, and the hospital licensing fee receipt accrual result in a net -\$120.6 million adjustment in FY 2010 for comparability between fiscal years. The business corporations cash receipt accrual, the public utilities gross earnings audit recovery, the financial institutions refund payable accrual, and the hospital licensing fee accrual result in a net -\$155.4 million adjustment in FY 2011 for comparability between fiscal years. These adjustments yield a FY 2011 base fiscal year-to-date growth rate in taxes and departmental receipts of 4.2 percent.

Other General Revenue Sources

Annual Growth Rates	<u>Final Growth Estimate</u> 2.8 %	<u>Actual YTD Growth</u> 2.0 %	<u>Base YTD Growth</u> 4.0 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$373.3 Million	<u>Actual YTD Cash</u> \$372.2 Million	

FY 2011 other general revenue sources collected through June of the current fiscal year have increased by 2.0 percent as compared to cash collections through June of FY 2010. Other general revenue sources include the gas tax transfer to the general fund, other miscellaneous revenues, the lottery transfer, and unclaimed property that is transferred to the State in June of each fiscal year. The FY 2011 final enacted growth estimate for other general revenue sources is 2.8 percent over final audited FY 2010 collections. For the fiscal year-to-date period ending June 2011, total other general revenue sources were \$372.2 million as compared to \$364.8 million for the same period last year, an increase of \$7.4 million.

A net total of -\$4.9 million of adjustments to FY 2010 must be made for comparability purposes. These adjustments include the gas tax transfer receipt accrual, the RIRRC transfer receipt accrual, and the accrual for the lottery transfer. Additionally, a net total of \$2.0 million of adjustments must be made to FY 2011. These adjustments include the addition of child support enforcement payments for the indirect costs incurred during FY 2005 to FY 2009 that were credited to the FY 2011 fund balance, the proceeds from the sale of the Smithfield Salt Barn, the settlement payment received from a pharmaceutical manufacturer, and the FY 2010 receipt accrual for the lottery transfer. Taking into account the FY 2010 and FY 2011 adjustments to other general revenue sources yields a base year-to-date growth rate of 4.0 percent.

Total Taxes

Annual Growth Rates	<u>Final Growth Estimate</u> 2.7 %	<u>Actual YTD Growth</u> 6.1 %	<u>Base YTD Growth</u> 4.7 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$2.384 Billion	<u>Actual YTD Cash</u> \$2.440 Billion	

Total tax revenues for the fiscal year-to-date period through June 2011 were \$2.440 billion, which exceeds the \$2.300 billion in total tax cash collections in FY 2010 through June 2010. The FY 2011 year to date growth rate for tax collections of 6.1 percent exceeds the FY 2011 final enacted growth estimate for total tax collections signed into law by Governor Chafee on June 30, 2011 of 2.7 percent over final audited FY 2010 tax collections. Net adjustments of \$988,590 are needed in FY 2010 for the receipt accrual of the health care provider assessment on group homes, the underreporting of motor vehicle license and fee revenues and the elimination of live greyhound racing to create comparability between fiscal years. In FY 2011, the business corporations receivable accrual, the public utilities gross earnings audit recovery, and the financial institutions payable accrual result in a net adjustment of -\$30.5 million. Taking into account the FY 2010 and FY 2011 net adjustments to total taxes yields a base fiscal year-to-date growth rate of 4.7 percent.

It is important to note that any historic structures tax credits (HSTC) redeemed from FY 2009 onward are reimbursed from the Historic Structures Tax Credit Fund's bond proceeds upon receipt of the tax credit certificate. Prior to FY 2009, the redemption of historic structures tax credit certificates were deducted directly from realized tax receipts. Thus, prior to FY 2009 the actual revenues for the tax types that had HSTCs redeemed to offset an actual tax liability were net revenues (i.e., total collection *less* HSTC redemptions). Since FY 2009, the actual revenues for the tax types that have HSTCs redeemed to offset an actual tax liability are gross revenues (i.e., total collections *plus* HSTC reimbursements).

In FY 2010, total historic structure tax credit redemptions/reimbursements for all taxes through June totaled \$46.4 million vs. \$14.2 million in FY 2011. The breakdown of the reimbursement of redeemed HSTCs by tax type is shown in the table below:

Historic Structure Tax Credit Reimbursements		
Tax Type	Year-to-Date FY 2010	Year-to-Date FY 2011
Personal Income	\$ 19,117,060	\$ 6,722,204
Business Corporations	669,379	818,010
Financial Institutions	188,525	0
Insurance	10,178,103	1,029,825
Insurance/HMOs	16,283,209	5,619,604
Total	\$ 46,436,275	\$ 14,189,642

Personal Income Taxes

Annual Growth Rates	<u>Final Growth Estimate</u> 11.7 %	<u>Actual YTD Growth</u> 12.7 %	<u>Base YTD Growth</u> 12.7 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$1.004 Billion	<u>Actual YTD Cash</u> \$1.026 Billion	

Actual personal income tax cash collections for FY 2011 were up \$115.9 million, or 12.7 percent, compared to the same period last fiscal year. The FY 2011 year-to-date growth rate of 12.7 percent exceeds the final enacted estimate of 11.7 percent over final audited FY 2010 collections. Total personal income tax cash collections for FY 2011 through June 2011 were \$1.026 Billion vs. FY 2010 cash collections of \$909.7 million through June 2010.

The FY 2011 year-to-date personal income tax cash collections include historic structures tax credit reimbursements through June of \$6.7 million. This compares to \$19.1 million of historic structures tax credit reimbursements through June of FY 2010. Thus, through June, FY 2011 HSTC reimbursements for personal income taxes are \$12.4 million less, or -64.8 percent vs. the same period in FY 2010.

The table below is provided by the Division of Taxation, and breaks down personal income tax cash collections by component for FY 2010 and FY 2011 through June. It should be noted that slight differences may exist between the figures reported by the Division of Taxation and those reported by the Controller due to timing differences in the posting of revenues.

Component	FY 2010	FY 2011	Percent Difference	Final Growth Estimate
Estimated Payments	\$158,806,995	\$171,529,336	8.0 %	3.9 %
Final Payments*	157,181,468	187,693,689	19.4 %	18.5 %
Withholding	885,071,546	928,652,535	4.9 %	4.7 %
Refunds/Adjustments	(291,385,950)	(262,291,890)	-10.0 %	-7.7 %

* Final Payments include historic structures tax credit reimbursements of \$19.1 million in FY 2010 and \$6.7 million in FY 2011.

FY 2011 year-to-date income tax refunds paid were \$29.1 million less or -10.0 percent, compared to the same period in FY 2010. The -10.0 percent actual growth in cash income tax refunds paid between FY 2011 and FY 2010 leads the final enacted growth rate for income tax refunds paid of -7.7 percent. For the January through June period, 383,099 income tax refunds were paid in FY 2011 at an average of \$548.57. For the same period in FY 2010, the comparable figures are 391,681 and \$545.56.

Income tax withholding payments have increased by \$43.6 million or 4.9 percent, through June of FY 2011 when compared to FY 2010. The 4.9 percent actual growth in cash withholding payments between FY 2011 and FY 2010 leads the final enacted growth estimate for income tax withholding payments of 4.7 percent.

Fiscal year-to-date final income tax payments received have increased by \$30.5 million or 19.4 percent, through June of FY 2011 as compared to final payments through FY 2010. The 19.4 percent actual growth in cash final income tax payments received between FY 2011 and FY 2010 leads the final enacted growth rate for final income tax payments received of 18.5 percent.

Finally, with respect to estimated income tax payments, year-to-date FY 2011 collections were up \$12.7 million from FY 2010 collections at this time last year. In FY 2011, \$1.1 million of total estimated income tax payments were generated from the sale of real estate by non-residents. The increase in estimated payments translates into a fiscal year-to-date growth rate of 8.0 percent. The 8.0 percent actual growth in cash estimated income tax payments received between FY 2010 and FY 2011 exceeds the final enacted growth rate for estimated income tax payments received of 3.9 percent.

Sales and Use Taxes

Annual Growth Rates	<u>Final Growth Estimate</u> 0.9 %	<u>Actual YTD Growth</u> 1.6 %	<u>Base YTD Growth</u> 1.6 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$810.4 Million	<u>Actual YTD Cash</u> \$812.9 Million	

Sales and use tax cash collections in FY 2011 were up \$13.2 million, or 1.6 percent, relative to last fiscal year at this time. As always, the monthly sales tax receipts reported here reflect the prior month's retail sales activity. For both FY 2010 and FY 2011, the state's sales tax rate is 7.0 percent. The 1.6 percent growth in sales and use tax revenues for fiscal year-to-date exceeds the final enacted FY 2011 over final audited FY 2010 sales and use tax cash collections growth estimate of 0.9 percent.

The Division of Taxation provides the following component breakdown for sales and use tax collections through June:

Component	FY 2010	FY 2011	Nominal Difference	Percent Difference
Net Taxation	\$ 705,451,359	\$ 713,870,336	\$ 8,418,977	1.2%
Registry	80,402,637	84,243,977	3,841,340	4.8%
Prov. Place Mall	12,574,620	14,086,405	1,511,785	12.0%

Within the sales tax components, registry receipts were up 4.8 percent in FY 2011 when compared to same period last fiscal year. This growth is in spite of the fact that the federal government's "Cash for Clunkers" program was in effect through September of FY 2010. Net sales tax receipts remitted directly to the Division of Taxation posted an increase of 1.2 percent through FY 2011 compared to FY 2010. Providence Place Mall (PPM) sales tax receipts were up 12.0 percent through FY 2011 versus FY 2010. The FY 2011 figure for the Providence Place Mall may be higher due to the impact of the Great Flood of 2010 on retail sales outlets located along the Pawtuxet River.

General Business Taxes

Annual Growth Rates	<u>Final Growth Estimate</u> -18.8 %	<u>Actual YTD Growth</u> 5.0 %	<u>Base YTD Growth</u> -3.5 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$310.8 Million	<u>Actual YTD Cash</u> \$373.4 Million	

In general, businesses with Rhode Island tax liabilities make estimated payments of their tax year liabilities in March and June of the fiscal year, with 40.0 percent of the estimated total tax liability due in March and 60.0 percent of the estimated total tax liability due in June. There is one exception to this payment pattern, namely health care provider assessments, payments of which are made on a monthly basis. Business corporations or corporate income tax payments are also received more consistently over the course of the fiscal year due to the number of filers that are on extension at any given point in time. As a result, both business corporations taxes and health care provider assessments flow more evenly into the general fund over the course of a fiscal year.

FY 2011 total general business taxes collected through June of the fiscal year were \$373.4 million or \$17.7 million more than the \$355.7 million collected for the same period in FY 2010. Year-to-date growth in FY 2011 is 5.0 percent and exceeds the final enacted FY 2011 growth estimate over the final audited FY 2010 total general business taxes of -18.8 percent. The final enacted growth rate for general business taxes reflects a change in the accrual methodology for business corporations taxes and insurance companies gross premium taxes that will be implemented at the FY 2011 closing.

An adjustment to FY 2010 total general business taxes cash collections is made to more accurately reflect actual collections. In particular, the health care provider assessment is reduced by \$496,275 to account for the fact that the assessment on group homes for the developmentally disabled has been repealed and the receipts that were received in July 2009 are accrued back to FY 2009. In FY 2011, a \$28.9 million reduction in business corporations taxes is needed to account for the cash receipts received in September, December, January, and June that were accrued back to FY 2010, a \$3.3 million reduction in public utilities gross earnings taxes is attributable to a FY 2010 audit recovery and a \$1.8 million addition in

financial institutions taxes is attributable to a refund paid in October that was accrued back to FY 2010. This results in a negative adjustment to FY 2011 of \$30.5 million. Incorporating these adjustments produces a base fiscal year-to-date growth rate of -3.5 percent.

FY 2011 year-to-date business corporations taxes are \$131.2 million or \$12.4 million more than was collected in FY 2010. Of the \$131.2 million, \$28.9 million has been accrued back to FY 2010 resulting in a base year-to-date growth of -14.0 percent. The year-to-date cash collections for FY 2011 include \$818,010 of reimbursed Historic Structures Tax Credit certificates versus \$669,379 through the same period in FY 2010. The final enacted FY 2011 growth estimate over final audited FY 2010 business corporation taxes is -35.2 percent. The final enacted growth rate reflects a change in the accrual methodology for business corporations tax that will be implemented at the FY 2011 closing.

The Division of Taxation reports the components of the business corporations' tax through June as follows:

Component	FY 2010	FY 2011	Nominal Difference	Percent Difference
Estimated Payments	\$ 96,467,503	\$ 76,190,243	\$ (20,277,260)	-21.0%
Final Payments*	71,437,967	93,504,443	22,066,476	30.9%
Refunds/Adjustments	(48,524,877)	(37,949,931)	10,574,946	-21.8%
* Final Payments include historic structures tax credit reimbursements of \$669,379 in FY 2010 and \$818,010 in FY 2011.				

Health care provider assessment taxes through June 2011 were \$40.6 million, a decrease of 0.5 percent over the same period in FY 2010. The final enacted growth rate for health care provider assessments is 0.6 percent over final audited FY 2010 receipts. A reduction in FY 2010 receipts of \$496,275 in the health care provider assessments is needed to reflect the fact that the group home portion of this assessment has been repealed effective August 1, 2009 resulting in a base year-to-date growth rate of 0.7 percent.

Bank deposit taxes totaled \$2.0 million through June of FY 2011, or \$79,332 less than the amount collected through the June of FY 2010. The -3.9 percent growth lags the final enacted growth estimate of 7.5 percent.

The insurance companies gross premiums tax is 0.4 percent above last year at this time on a fiscal year-to-date basis. Insurance companies gross premiums tax cash collections through June 2011 total \$96.2 million compared to collections of \$95.8 million in FY 2010. The final enacted growth estimate for insurance companies gross premiums is -29.1 percent. The final enacted growth rate reflects a change in the accrual methodology for insurance companies

gross premiums tax that will be implemented at the FY 2011 closing. FY 2010 collections include \$26.5 million of reimbursed Historic Structures Tax Credits through June. In FY 2011, the comparable amount of reimbursed Historic Structures Tax Credits is \$6.6 million.

FY 2011 year-to-date financial institution taxes are -\$282,560 or \$3.2 million less than the \$3.0 million collected for the same period in FY 2010. Once the FY 2011 refund payable accrual is accounted for the base year-to-date growth is -50.3 percent.

Finally, public utilities gross earnings taxes were \$103.8 million through June 2011, an increase of 8.9 percent from collections of \$95.3 million through June 2010. The base year-to-date growth in public utilities gross earnings taxes is 5.5 percent once the receipt of \$3.3 million in July 2010 from a FY 2010 audit recovery is taken into account.

Excise Taxes Other Than the Sales and Use Tax

Annual Growth Rates	<u>Final Growth Estimate</u> 1.3 %	<u>Actual YTD Growth</u> -0.5 %	<u>Base YTD Growth</u> -1.3 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$201.4 Million	<u>Actual YTD Cash</u> \$195.3 Million	

Excise taxes other than sales and use taxes collected in the fiscal year-to-date June 2011 period totaled \$195.3 million or \$1.0 million less than the \$196.3 million collected for the same period in FY 2010. The actual year-to-date growth rate in excise taxes other than the sales and use tax is -0.5 percent which lags the final enacted growth estimate for FY 2011 of 1.3 percent. In FY 2010, the June 2009 international registration payments were made in July 2009 causing an understatement of \$1.6 million in motor vehicle license and registration fees in FY 2010. By adding \$1.6 million back in July 2009 for FY 2010 results in a base year-to-date growth rate of -1.3 percent.

Alcohol taxes are up \$363,150 in FY 2011 through June over the same period in FY 2010. The actual growth rate of 3.2 percent in alcohol excise tax payments is less than the final enacted growth rate of 5.6

Motor vehicle license and registration fees are up 2.3 percent in FY 2011 through June, or \$1.1 million more than the \$46.6 million collected for the same period in FY 2010. This growth rate trails the growth rate included in the final enacted FY 2011 Budget signed into law by Governor Chafee on June 30, 2011 of 6.7 percent. Adjusting FY 2010 for the international registration payments disbursed in July 2009 by \$1.6 million results in a base year-to-date growth rate of -1.1 percent.

Rhode Island cigarette tax receipts are comprised of excise taxes collected on the sale of cigarettes, smokeless tobacco (which also includes cigars and pipe tobacco), and a one-time

cigarette floor stock tax. The cigarette floor stock tax is imposed only when there is an increase in the excise tax on cigarettes the last of which was in April 2009. Total cigarette tax receipts through June of FY 2011 were down 1.8 percent compared to FY 2010. This compares to the final enacted growth estimate of -1.0 percent.

Finally, the change in cigarette sales is determined. First, cigarette floor stock tax and smokeless tobacco products tax collections are netted out of the data yielding only cigarette tax collections. The result is a decrease in Rhode Island cigarette sales of -1.5 percent for FY 2011 versus FY 2010.

Other Taxes

Annual Growth Rates	<u>Final Growth Estimate</u> 52.9%	<u>Actual YTD Growth</u> -15.2 %	<u>Base YTD Growth</u> -14.9 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$57.4 Million	<u>Actual YTD Cash</u> \$32.7 Million	

Other taxes collected through June of FY 2011 totaled \$32.7 million versus \$38.5 million in other taxes collected during the same period last fiscal year, a decrease of \$5.8 million, or -15.2 percent. The FY 2011 other taxes final enacted growth estimate is 52.9 percent over final audited FY 2010 total other taxes. The final enacted growth rate for other taxes reflects a change in the accrual methodology for inheritance and gift taxes that will be implemented at the FY 2011 closing. Adjusting for the taxes collected from the conduct of live greyhound races at Twin River in July and August 2009 yields a base year-to-date growth in other taxes of -13.7 percent.

Inheritance tax collections totaled \$24.9 million through June of FY 2011, a decrease of 17.4 percent from the \$30.1 million collected through June of FY 2010. The FY 2011 growth rate included in the final enacted FY 2011 Budget signed into law by Governor Chafee on June 30, 2011 was 71.0 percent. The final enacted growth rate reflects a change in the accrual methodology for inheritance and gift tax that will be implemented at the FY 2011 closing.

Racing and athletics tax collections through June of FY 2011 were down 11.6 percent relative to the same period in FY 2010. The -11.6 percent year-to-date growth rate exceeds the final enacted FY 2011 growth estimate for racing and athletics tax collections of -12.9 percent over final audited FY 2010. Once the revenues received from the conduct of live greyhound races at Twin River in July and August 2009 are accounted for, the base year-to-date growth in Racing and Athletics Taxes is -5.1 percent.

Realty transfer taxes were down by 5.9 percent through June of FY 2011 versus June of FY 2010. This decrease in realty transfer taxes leads the FY 2011 final enacted growth estimate of -8.5 percent over final audited FY 2010 collections.

Total Departmental Receipts

Annual Growth Rates	<u>Final Growth Estimate</u> 0.3 %	<u>Actual YTD Growth</u> 0.0 %	<u>Base YTD Growth</u> -1.6 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$334.1 Million	<u>Actual YTD Cash</u> \$328.8 Million	

FY 2011 year-to-date cash departmental receipts total \$328.8 million, a decrease of \$8,953 compared to what was collected last fiscal year at this time. The final enacted FY 2011 growth estimate is 0.3 percent over final audited FY 2010 departmental receipt collections. It is important to note that, in the licenses and fees category of departmental receipts, the hospital licensing fee for FY 2009 and FY 2010 was not due until July following the close of the fiscal year. All of the cash payments received in FY 2010 and FY 2011 were accrued back to their proper fiscal year.

FY 2011 year-to-date growth in the licenses and fees category of departmental receipts is -1.2 percent or \$3.1 million less than FY 2010. The hospital licensing fee for FY 2010 was received in July of FY 2011 and totaled \$119.5 million or \$2.1 million less than was received in July of FY 2010 for FY 2009. One hospital licensing fee payer has entered into a payment plan with the Division of Taxation and, as a result, an additional \$5.4 million in hospital licensing fee payments were received in August through June.

Licenses and fees saw increases in FY 2011 through June in Public Utilities Commission (PUC) expenses recovered from public utility companies of \$791,723, Department of Business Regulation (DBR) license fees for securities of \$733,660, DBR license fees for the Board of Design Professionals of \$613,532, and Department of Revenue (DOR) motor vehicle title fees of \$463,371. These increases were offset by decreases in Department of Health (DOH) biannual license fees of \$2.7 million, DBR multi-state brokerage firm settlements of \$1.5 million, Department of Public Safety (DPS) automobile insurance fees of \$936,121, and DBR fees for real estate licenses of \$738,099.

Fines and penalties were down \$2.3 million, a 6.6 percent decrease through June of FY 2011 versus FY 2010. Through June of FY 2011 fines and penalties saw decreases in DOR interest on overdue taxes of \$611,126, and DBR banking enforcement fees of \$311,072.

In the sales and services category of departmental receipts, FY 2011 year-to-date growth is 31.3 percent over FY 2010 cash collections of \$16.2 million through June 2010. The \$5.1 million increase in sales and services departmental receipts is a result of the disproportionate share (“DiSh”) payment made by the Eleanor Slater Hospital in July 2010 of \$7.1 million for FY 2010 and the DiSh payment made in June 2011 of \$4.5 million for FY 2011. This compares to their DiSh payment made in July of 2009 of \$6.1 million for FY 2009. As a

result in FY 2011 a total of \$11.5 million was received from Eleanor Slater Hospital in DiSh payments compared to only \$6.1 million in FY 2010, a difference of \$5.5 million in FY 2011. This increase is offset by a decrease in board and support payments to veterans' homes of \$451,991.

Finally, FY 2011 miscellaneous departmental revenues total \$22.4 million or \$413,618 more than the amount that was collected last fiscal year at this time. Miscellaneous departmental receipts saw increases in miscellaneous revenues from the Office of the Attorney General of \$1.1 million, and DOH cost recoveries of \$860,517. These increases were partially offset by a decrease in Department of Treasury income checks written off of \$1.3 million.

Adjusting FY 2011 and FY 2010 total departmental receipts for the hospital licensing fee yields a base year-to-date growth rate of -1.6 percent for the fiscal year-to-date.

Gas Tax Transfer

Annual Growth Rates	<u>Final Growth Estimate</u> n/a	<u>Actual YTD Growth</u> n/a	<u>Base YTD Growth</u> n/a
Annual Dollar Values	<u>Final Revenue Estimate</u> n/a	<u>Actual YTD Cash</u> n/a	

In the 2009 session, the General Assembly passed a budget article such that \$0.01 of the state's \$0.33 per gallon motor fuel tax is no longer transferred to the general fund. Thus, the gas tax transfer to the general fund no longer occurs. For information purposes, the Office of Revenue Analysis reports that one cent of the state's \$0.33 per gallon motor fuel tax yielded \$4,209,974 through June 2011 vs. 4,280,867 through June 2010, a decrease of 1.7 percent in FY 2011 over FY 2010.

Other Miscellaneous Revenues

Annual Growth Rates	<u>Final Growth Estimate</u> 5.3 %	<u>Actual YTD Growth</u> -23.0 %	<u>Base YTD Growth</u> 31.4 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$13.1 Million	<u>Actual YTD Cash</u> \$10.8 Million	

Other Miscellaneous Revenues were down 23.0 percent in FY 2011 when compared to the same period one year ago. FY 2011 year-to-date collections total \$10.8 million compared to \$14.0 million collected at this time last fiscal year. The actual year-to-date growth rate of -23.0 percent in other miscellaneous revenues lags the final enacted growth rate of 5.3 percent. Included in the final enacted estimate is a one time receipt for the recovery of indirect costs associated with child support enforcement activities from FY 2005 through FY 2009. In February the Judiciary received \$5.5 million in child support enforcement payments for the

indirect costs incurred during that period. In June 2011 accounts and controls credited the FY 2011 fund balance for child support collections for the prior fiscal years, thus reducing other miscellaneous revenues by \$5.5 million. Additionally, it should be noted that in FY 2010 a total of \$1.8 million of voluntary payments from providers of services to individuals with developmental disabilities was received through May 2010. These payments were refunded in June of 2010. In FY 2011, a net adjustment of \$3.6 million is made to other miscellaneous revenues of which -\$1.8 million is for the sale of the Smithfield Salt Barn that was posted in July of FY 2011 and the receipt of a settlement payment from a pharmaceutical manufacturer in October 2010 both of which accrue back to FY 2010 and \$5.5 million to adjust for the fund balance credit in the FY 2011 budget. These adjustments yield a base year-to-date growth rate of 31.4 percent.

Lottery Transfer

Annual Growth Rates	<u>Final Growth Estimate</u> 2.4 %	<u>Actual YTD Growth</u> 2.7 %	<u>Base YTD Growth</u> 2.7 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$353.2 Million	<u>Actual YTD Cash</u> \$353.8 Million	

The Lottery Transfer was up 2.7 percent through June FY 2011 versus June FY 2010. Year-to-date FY 2011 collections total \$353.8 million compared to \$344.6 million collected this time last year. Adjusting FY 2011 cash collections for the receipt of \$1.6 million in October 2010 that was accrued back to FY 2010 and FY 2010 cash collections for the transfer of \$1.6 million in November 2009 that was accrued back to FY 2009 yields a base year-to-date growth rate of 2.7 percent.

The Division of Lottery reports the following for the individual components of the Lottery transfer to the general fund in June. It should be noted that differences may exist between the figures reported by the Division of Lottery and those reported by the Controller due to timing differences in the posting of revenues.

<u>Component</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>Percent Difference</u>	<u>Final Growth Estimate</u>
Combined Games	\$ 55,534,915	\$ 58,821,560	-3.1 %	-2.8 %
Video Lottery Terminals	289,114,581	301,039,427	4.1 %	3.4 %

The combined games component of the lottery transfer is down 3.1 percent through June of FY 2011 versus the same period last fiscal year. This compares to a final enacted FY 2011 growth estimate of -2.8 percent. It is important to note that from July 2009 through January 2010, the Rhode Island Lottery was an exclusive retailer of PowerBall tickets while the Massachusetts Lottery was an exclusive retailer of MegaMillions tickets. On February 1, 2010, each state was granted the ability to sell both PowerBall and MegaMillions tickets. The Rhode Island

Lottery's PowerBall and MegaMillions ticket sales through June 2011 are 15.0 percent less than its sales of PowerBall and MegaMillions ticket sales through June 2010. January 2010 was the last month for which the Rhode Island Lottery was the exclusive retailer of PowerBall tickets.

The adjusted transfer from the video lottery terminals housed at Twin River and Newport Grand is up 4.1 percent through June of FY 2011 compared to the same period last year. The final enacted FY 2011 growth estimate over the final audited FY 2010 video lottery transfer is 3.4 percent.

Unclaimed Property Transfer

Annual Growth Rates	<u>Final Growth Estimate</u> 21.0 %	<u>Actual YTD Growth</u> 30.2 %	<u>Base YTD Growth</u> 30.2 %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$7.1 Million	<u>Actual YTD Cash</u> \$7.6 Million	

The Unclaimed Property Transfer to the general fund occurs in June of every fiscal year. The FY 2011 transfer is \$1.8 million more than was the case in FY 2010, a rate of growth of 30.2 percent which exceeds the final enacted growth estimate of 21.0 percent included in the final enacted FY 2011 Budget signed into law by Governor Chafee on June 30, 2011.



Rosemary Booth Gallogly, Director
Department of Revenue

August 12, 2011

STATE OF RHODE ISLAND MONTHLY REVENUE BRIEF
Year To Date Cash Collections

	FY 2010 YTD June	FY 2011 YTD June	Change	Final Enacted Growth Estimate
<u>Personal Income Tax</u>	909,674,060	1,025,583,670	12.7%	11.7%
<u>General Business Taxes</u>				
Business Corporations	118,803,274	131,157,563	10.4%	-35.2%
Public Utilities Gross Earnings	95,318,023	103,824,474	8.9%	8.8%
Financial Institutions	2,956,693	(282,560)	-109.6%	-56.9%
Insurance Companies	95,807,648	96,214,994	0.4%	-29.1%
Bank Deposits	2,046,753	1,967,421	-3.9%	7.5%
Health Care Provider Assessment	40,765,965	40,555,444	-0.5%	0.6%
<u>Excise Taxes</u>				
Sales and Use	799,764,823	812,917,316	1.6%	0.9%
Motor Vehicle	46,639,134	47,716,834	2.3%	6.7%
Motor Fuel	896,422	969,154	8.1%	13.5%
Cigarettes	137,501,173	134,961,513	-1.8%	-1.0%
Alcohol	11,240,017	11,603,167	3.2%	5.6%
Controlled Substances	-	-	-	-
<u>Other Taxes</u>				
Inheritance and Gift	30,131,043	24,878,391	-17.4%	71.0%
Racing and Athletics	1,492,955	1,319,098	-11.6%	-12.9%
Realty Transfer	6,894,983	6,484,964	-5.9%	-8.5%
Total Taxes	\$ 2,299,932,966	\$ 2,439,871,443	6.1%	2.7%
<u>Departmental Receipts</u>				
Licenses and Fees	254,821,837	251,673,333	-1.2%	
Fines and Penalties	35,786,439	33,440,712	-6.6%	
Sales and Services	16,211,247	21,282,907	31.3%	
Miscellaneous	21,968,293	22,381,911	1.9%	
Total Departmental Receipts	\$ 328,787,816	\$ 328,778,863	0.0%	0.3%
Taxes and Departmentals	\$ 2,628,720,782	\$ 2,768,650,306	5.3%	2.4%
<u>Other General Revenue Sources</u>				
Gas Tax Transfer	339,473	-	-	
Other Miscellaneous Revenues	14,025,432	10,804,871	-23.0%	5.3%
Lottery Transfer	344,588,426	353,775,230	2.7%	2.4%
Unclaimed Property	5,867,150	7,640,462	30.2%	21.0%
Total Other Sources	\$ 364,820,481	\$ 372,220,563	2.0%	2.8%
Total General Revenues	\$ 2,993,541,263	\$ 3,140,870,869	4.9%	2.5%