

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



DEPARTMENT OF REVENUE

State of Rhode Island Monthly Revenue Brief
FY 2011 Cash Collections through December 2010

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 RI 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>Nov Rev Growth Estimate</u> 0.7 %	<u>Actual YTD Growth</u> 5.5 %	<u>Base YTD Growth</u> 4.7 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$3.037 Billion	<u>Actual YTD Cash</u> \$1.466 Billion	

Fiscal Year 2011 total general revenues collected through the second quarter of FY 2011 have increased by 5.5 percent as compared to Fiscal Year 2010 total general revenues collected through December of last year. For the fiscal year-to-date period through December 2010, total general revenues were \$1.466 billion as compared to \$1.389 billion for the same period last year, an increase of \$76.7 million. The FY 2011 revised growth estimate adopted at the November 2010 Revenue Estimating Conference (REC) is 0.7 percent in total revised FY 2011 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 December, a net total of -\$124.6 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in the health care provider assessment to reflect the fact that the group home portion of this assessment has been repealed effective August 1, 2009.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 interstate trucking 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 \$123.7 million in departmental receipts of which \$121.5 million is the receipt in July 2009 of the FY 2009 hospital licensing fee, \$1.4 million in non-Medicaid payments for board and support of patients at the Eleanor Slater Hospital that were converted to restricted receipts in June 2010, and \$724,779 in payments from local education authorities under the statewide student transportation initiative an account that was also converted to a restricted receipt in June 2010. Finally, the net adjustment includes a decrease of \$1.9 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 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 through the end of the second quarter of the fiscal year, a net total of -\$141.4 million of adjustments must be made. These adjustments include a decrease of \$14.3 million in business corporations taxes for cash receipts received in September and December that were accrued back to FY 2010. Also included is a net 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. Further, included is a net increase in sales and use tax and a net decrease to motor vehicle registration and licenses of \$2.2 million because of deposits that were receipted to the wrong account. In particular, sales and use tax receipts have been understated since September 2010 while motor vehicle registration and licenses have been overstated since September 2010. In addition, an adjustment of -\$54,556 to motor vehicle registration and licenses and of -\$67,468 to sales and use tax are needed to account for a late payment to the City of Warwick which should have been posted in December but won't be made until January 2011. A further decrease of \$121.9 million in departmental receipts for the cash receipt of FY 2010 hospital licensing fees received in FY 2011 is included. These cash receipts have been accrued back to FY 2010. The net adjustment includes a decrease in other miscellaneous revenue of \$1.8 million to account for the proceeds received from 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

interstate trucking 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	\$(14,319,526)
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
Sales and Use	Late payment to the City of Warwick	\$0	\$(67,468)
Sales and Use	Reversal of Motor Vehicle posting error	\$0	\$2,166,506
Motor Vehicle	Late payment to the City of Warwick	\$0	\$(54,556)
Motor Vehicle	Reversal of Motor Vehicle posting error	\$0	\$(2,166,506)
Motor Vehicle	Interstate trucking payments adjustment	\$1,588,398	\$0
Racing and Athletics	Elimination of live greyhound racing	\$(103,533)	\$0
Licenses & Fees	Hospital Licensing Fee	\$(121,542,759)	\$(121,940,765)
Sales & Services	Statewide Student Transportation Fund	\$(724,779)	\$0
Sales & Services	Non-Medicaid board/support payments	\$(1,408,820)	\$0
Other Miscellaneous	Sale of Smithfield Salt Barn	\$0	\$(985,560)
Other Miscellaneous	Pharmaceutical manufacturer settlement	\$0	\$(839,235)
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		\$(124,588,926)	\$(141,403,684)

Accounting for these revenue adjustments yields a base rate of growth for the fiscal year-to-date period through December 2010 of 4.7 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>Nov. Rev. Growth Estimate</u> 0.7 %	<u>Actual YTD Growth</u> 5.8 %	<u>Base YTD Growth</u> 5.1 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$2.674 Billion		<u>Actual YTD Cash</u> \$1.317 Billion

The Rhode Island Department of Revenue reports that FY 2011 taxes and departmental receipts collected through December 2010 have increased by 5.8 percent as compared to FY 2010 cash collections for the comparable period a year ago. For the fiscal year-to-date period ending December 2010, total taxes and departmental receipts were \$1.317 billion as compared to \$1.245 billion for the same period last fiscal year, an increase of \$72.2 million. The actual year-to-date growth exceeds the revised growth estimate for FY 2011 November adopted at the November 2010 REC over final audited FY 2010 cash collections growth rate of 0.7 percent.

The group home health care provider assessment receipt accrual, the motor vehicle licenses and fees' late interstate trucking payments, the adjustment for the elimination of live greyhound racing, the hospital licensing fee, the statewide student transportation fund, and the non-Medicaid board and support receipt accrual result in a -\$122.7 million adjustment in FY 2010 for comparability between fiscal years. The business corporations cash receipt accrual, public utilities gross earnings audit recovery, financial institutions refund payable accrual, the sales and use and motor vehicle registration and licenses adjustments and the hospital licensing fee accrual result in a -\$137.9 million adjustment in FY 2011 for comparability between fiscal years. These adjustments yield a FY 2011 base growth rate in taxes and departmental receipts of 5.1 percent.

Other General Revenue Sources

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 0.2 %	<u>Actual YTD Growth</u> 3.2 %	<u>Base YTD Growth</u> 2.1 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$363.7 Million		<u>Actual YTD Cash</u> \$148.3 Million

FY 2011 other general revenue sources collected through December of the current fiscal year have increased by 3.2 percent as compared to cash collections through December 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 actual year to date growth rate of 3.2 percent leads the FY 2011 November 2010 REC revised growth estimate for other general revenue sources of 0.2 percent. For the fiscal year-to-date period ending December 2010, total other general revenue sources were \$148.3 million as compared to \$143.7 million for the same period last year, an increase of \$4.5 million.

A net total of -\$1.9 million of adjustments to FY 2010 must be made for comparability purposes. These adjustments consist of adjustments in the gas tax transfer receipt accrual and the accrual for the lottery transfer. Additionally, a net total of -\$3.5 million of adjustment must be made to FY 2011. These adjustments include 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 2.1 percent.

Total Taxes

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 0.8 %	<u>Actual YTD Growth</u> 7.0 %	<u>Base YTD Growth</u> 5.3 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$2.339 Billion	<u>Actual YTD Cash</u> \$1.106 Billion	

Total tax revenues for the fiscal year-to-date period through December 2010 were \$1.106 billion, which exceeds the \$1.034 billion in total tax cash collections in FY 2010 through December 2009. The FY 2011 year to date growth rate for tax collections of 7.0 percent exceeds the revised FY 2011 growth rate of 0.8 percent adopted at the November 2010 REC over final audited FY 2010 tax collections. 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, the financial institutions payable accrual, the understatement of sales and use tax and overstatement of motor vehicle registration and licenses revenue result in an adjustment of -\$16.0 million. Taking into account the FY 2010 and FY 2011 adjustments to total taxes yields a base fiscal year-to-date growth rate of 5.3 percent.

It is important to note that any historic structures tax credits redeemed from FY 2009 onward are reimbursed from the Historic Tax Credit Fund's bond proceeds upon receipt of the tax credit certificate. Prior to FY 2009, the redemption of Historic Structures Tax Credit (HSTC) 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 December totaled \$17.7 million vs. \$5.3 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	\$ 14,522,207	\$ 4,495,737
Business Corporations	67,157	789,010
Financial Institutions	0	0
Insurance	370,000	974
Insurance/HMOs	2,711,000	0
Total	\$ 17,700,364	\$ 5,294,721

Personal Income Taxes

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 4.3 %	<u>Actual YTD Growth</u> 10.1 %	<u>Base YTD Growth</u> 10.1 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$936.5 Million		<u>Actual YTD Cash</u> \$507.0 Million

Actual personal income tax cash collections for FY 2011 through the second quarter of the fiscal year were up \$46.7 million, or 10.1 percent, compared to the same period last fiscal year. The FY 2011 year-to-date growth rate of 10.1 percent surpasses the FY 2011 revised growth estimate of 4.3 percent over final audited FY 2010 collections adopted at the November 2010 REC. Total personal income tax cash collections for FY 2011 through December 2010 were \$507.0 million vs. FY 2010 cash collections of \$460.4 million through December 2009.

The FY 2011 year-to-date personal income tax cash collections include historic structures tax credit reimbursements through December of \$4.5 million. This compares to \$14.5 million of historic structures tax credit reimbursements through December of FY 2010. Thus, through December, FY 2011 HSTC reimbursements for personal income taxes are \$10.1 million less, or -69.1 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 December. 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	Nov. Revised Growth Estimate
Estimated Payments	\$ 57,714,676	\$ 65,291,697	13.1 %	14.2 %
Final Payments*	44,584,529	29,782,760	-33.2 %	0.4 %
Withholding	427,770,370	456,197,792	6.6 %	2.3 %
Refunds/Adjustments	(69,707,163)	(44,240,275)	-36.5 %	1.4 %

* Final Payments include historic structures tax credit reimbursements of \$14.5 million in FY 2010 and \$4.5 million in FY 2011.

FY 2011 year-to-date income tax refunds paid were \$25.5 million less or -36.5 percent, compared to the same period in FY 2010. The -36.5 percent actual growth in cash income tax refunds paid between FY 2011 and FY 2010 leads the revised FY 2011 November 2010 REC growth estimate for income tax refunds paid of 1.4 percent. On average over the last five fiscal years only 17.9 percent of total income tax refunds are paid through the sixth month of the fiscal year.

Income tax withholding payments have increased by \$28.4 million or 6.6 percent, through the sixth month of FY 2011 when compared to the same period in FY 2010. The 6.6 percent actual growth in cash withholding payments between FY 2011 and FY 2010 leads the revised FY 2011 November 2010 REC growth estimate for income tax withholding payments of 2.3 percent. On average, over the past five fiscal years, 48.3 percent of income tax withholding payments is collected through December of the fiscal year.

Fiscal year-to-date final income tax payments received have decreased by \$14.8 million or -33.2 percent, through December of FY 2011 as compared to final payments through the sixth month of FY 2010. The -33.2 percent actual growth in cash final income tax payments received between FY 2011 and FY 2010 significantly trails the revised FY 2011 growth rate for final income tax payments received of 0.4 percent adopted at the November 2010 REC. On average, over the five FY for 2005-2009 only 13.2 percent of total final income tax payments are received in the first six months.

Finally, with respect to estimated income tax payments, year-to-date FY 2011 collections were up \$7.6 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 13.1 percent. The 13.1 percent actual growth in cash estimated income tax payments received between FY 2010 and FY 2011 lags the revised FY 2011 growth rate for estimated income tax payments received of 14.2 percent adopted at the November 2010 REC. On average, over the last five fiscal years 39.8 percent of total estimated income tax payments are made by the end of December.

Sales and Use Taxes

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 0.3 %	<u>Actual YTD Growth</u> 2.5 %	<u>Base YTD Growth</u> 3.0 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$805.5 Million		<u>Actual YTD Cash</u> \$420.1 Million

Sales and use tax cash collections in FY 2011 were up \$10.2 million, or 2.5 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 2.5 percent growth in sales and use tax revenues for fiscal year-to-date exceeds the revised FY 2011 growth estimate of 0.3 percent over final audited FY 2010 sales and use tax cash collections adopted at the November 2010 REC.

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

Component	FY 2010	FY 2011	Nominal Difference	Percent Difference
Net Taxation*	\$ 362,743,492	\$ 373,108,858	\$ 10,365,366	2.9%
Registry**	40,751,725	42,034,438	1,282,713	3.2%
Prov. Place Mall	5,907,015	6,810,143	903,128	15.3%
* Net Taxation receipts include an adjustment of -\$67,468 for the late payment of designated sales tax receipts to the City of Warwick.				
** Registry receipts include a net adjustment of \$2,166,506 to account for the improper posting of motor vehicle registration and license fees and .				

Within the sales tax components, adjusted registry receipts were up 3.2 percent through the sixth month of 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 2.9 percent through FY 2011's sixth month versus through the sixth month of FY 2010. Providence Place Mall (PPM) sales tax receipts were up 15.3 percent through December of FY 2011 versus the same period in 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>Nov. Rev. Growth Estimate</u> -5.7 %	<u>Actual YTD Growth</u> 18.8 %	<u>Base YTD Growth</u> -10.6%
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$361.2 Million	<u>Actual YTD Cash</u> \$62.2 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 December 2010 of the fiscal year were \$62.2 million or \$9.9 million more than the \$52.4 million collected for the same period in FY 2010. Year-to-date growth in FY 2011 is 18.8 percent. This exceeds the revised FY 2011 growth estimate of -5.7 percent over final audited FY 2010 total general business taxes adopted at the November 2010 Revenue Estimating Conference.

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 \$14.3 million reduction in business corporations taxes are attributable to cash receipts received in September and December that were accrued back to FY 2010, a \$3.3 million reduction in public utilities gross earnings taxes are attributable to a FY 2010 audit recovery and a \$1.8 million addition in financial institutions taxes are attributable to a refund paid in October that was accrued back to FY 2010. This results in a negative adjustment to FY 2011 of \$15.9 million. Incorporating these adjustments produces a base fiscal year-to-date growth rate of -10.6 percent.

FY 2011 year-to-date business corporations taxes are \$37.8 million or \$17.1 million more than the \$20.6 million collected for the same period in FY 2010. The year-to-date cash collections for FY 2011 include \$789,010 of reimbursed Historic Structures Tax credits versus \$67,157 through the same period in FY 2010. The revised FY 2011 growth estimate adopted at the November 2010 REC for business corporation taxes is -16.0 percent. On average, over the past five years, 16.2 percent of business corporate tax payments are received by the sixth month of the fiscal year.

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

Component	FY 2010	FY 2011	Nominal Difference	Percent Difference
Estimated Payments	\$ 41,549,808	\$ 23,516,922	\$ (18,032,886)	-43.4%
Final Payments*	15,272,585	30,529,850	15,257,265	99.9%
Refunds/Adjustments	(36,185,018)	(15,663,326)	20,521,692	-56.7%
* Final Payments include historic structures tax credit reimbursements of \$67,157 in FY 2010 and \$789,010 in FY 2011.				

Health care provider assessment taxes through December 2010 were \$20.2 million, a decrease of 4.6 percent over the same period in FY 2010. 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 -2.4 percent. On average, over the past five fiscal years, 49.5 percent of nursing home health care provider assessment tax payments are made by the end of December.

Bank deposit taxes tend to post irregularly until March, when the first 40.0 percent of estimated total tax liability is due. Bank deposit taxes totaled \$3,841 through the sixth month of FY 2011 as compared to \$186,476 collected through the sixth month of FY 2010. On average, over the past five fiscal years, only 4.2 percent of bank deposit tax payments are collected through the end of December of the fiscal year.

The insurance companies gross premiums tax is down 20.5 percent year-to-date. Insurance companies gross premiums tax cash collections through December 2010 total \$1.3 million compared to collections of \$1.6 million in FY 2010. FY 2010 collections include \$3.1 million of reimbursed Historic Structures Tax Credits through December. In FY 2011, the comparable amount of reimbursed Historic Structures Tax Credits is \$974. In general, insurance companies gross premiums taxes tend to post irregularly until March, when the first 40.0 percent of total tax liability is due. On average, over the past five fiscal years, 0.5 percent of insurance companies gross premiums tax payments are collected through the sixth month of the fiscal year.

FY 2011 year-to-date financial institution taxes are -\$1.4 million or \$4.0 million less than the \$2.6 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 -86.4 percent. On average, over the past five fiscal years 24.7 percent of financial institutions taxes are collected through December of the fiscal year.

Finally, public utilities gross earnings taxes were \$4.4 million through December 2010, a decrease of 29.4 percent from collections of \$6.2 million through December 2009. The base year-to-date growth in public utilities gross earnings taxes is -82.6 percent once the receipt of \$3.3 million in July 2010 from a FY 2010 audit recovery is taken into account. On average, over the past five fiscal years only 1.9 percent of public utilities gross earnings taxes are collected through December of the fiscal year.

Excise Taxes Other Than the Sales and Use Tax

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 0.5 %	<u>Actual YTD Growth</u> 7.1 %	<u>Base YTD Growth</u> 3.0 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$199.9 Million	<u>Actual YTD Cash</u> \$100.4 Million	

Excise taxes other than sales and use taxes collected in the fiscal year-to-date December 2010 period totaled \$100.4 million or \$6.7 million more than the \$93.8 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 7.1 percent exceeding the revised FY 2011 growth estimate adopted at the November 2010 REC of 0.5 percent. For FY 2010, June 2009 interstate trucking payments were made in July 2009 causing an understatement of \$1.6 million in motor vehicle license and registration fees. Adjusting FY 2010 cash collections by adding \$1.6 million back in July 2009 and accounting for the overstatement of motor vehicle registration and licenses as well as the late posting of the payment to the City of Warwick in FY 2011 results in a base year-to-date growth rate of 3.0 percent.

Alcohol taxes are up 7.2 percent in FY 2011 through December over the same period in FY 2010. The FY 2011 revised growth estimate adopted at the November 2010 REC for alcohol taxes is 6.5 percent over final audited FY 2010 revenues. FY 2011 year-to-date alcohol taxes total \$6.1 million versus \$5.7 million in year-to-date FY 2010, an increase of \$412,598. Over the past five fiscal years, 51.8 percent of alcohol taxes are received in the first six months of the fiscal year.

Motor vehicle license and registration fees are up 36.6 percent in FY 2011 through December over the same period in FY 2010. The FY 2011 revised growth estimate adopted at the November 2010 REC over final audited FY 2010 collections for motor vehicle taxes is 7.3 percent. The increase in motor vehicle license and registration fees can be partly attributed to improved fiscal management practices at the Division of Motor Vehicles which has allowed for more timely deposits of cash receipts. The largest part of the increase, however, is due to the improper posting of \$2.2 million of deposits as motor vehicle registration and license fees rather than sales and use tax. Adjusting FY 2010 for the interstate trucking payments disbursed in July 2009 and FY 2011 for the improper posting of receipts since September 2010

and the late payment to the City of Warwick results in a base year-to-date growth rate of 11.4 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 December of FY 2011 were up 0.4 percent compared to FY 2010. The year-to-date growth rate exceeds the FY 2011 revised growth estimate adopted at the November 2010 REC over final audited FY 2010 of -2.4 percent. Over the past five fiscal years, 52.1 percent of cigarette taxes were collected through December of the fiscal year.

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 an increase in Rhode Island cigarette sales of 1.0 percent through the sixth month of FY 2011 versus the sixth month of FY 2010. It is not possible at this time to make any definitive statements as to the cause of this increase.

Other Taxes

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> -4.2%	<u>Actual YTD Growth</u> -6.3 %	<u>Base YTD Growth</u> -5.8 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$36.0 Million	<u>Actual YTD Cash</u> \$16.4 Million	

Other taxes collected through December of FY 2011 totaled \$16.4 million versus \$17.5 million in other taxes collected during the same period last fiscal year, a decrease of \$1.1 million, or -6.3 percent. The FY 2011 revised growth estimate adopted at the November 2010 REC is -4.2 percent over final audited FY 2010 total other taxes. 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 -5.8 percent.

Inheritance tax collections totaled \$12.3 million through December of FY 2011, a decrease of 4.9 percent from the \$12.9 million collected through the sixth month of FY 2010. Given the fact that inheritance tax collections are volatile, it is not possible to make any valid comments about this revenue source. On average, over the past ten fiscal years, 49.8 percent of inheritance tax collections are received through December of the fiscal year.

Racing and athletics tax collections through December of FY 2011 were down 16.6 percent relative to the same period in FY 2010. The -16.6 percent year-to-date growth rate lags the FY 2011 revised growth estimate for racing and athletics tax collections of -16.2 percent over final audited FY 2010 adopted at the November 2010 REC. 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 -3.6 percent. On average, over the past five fiscal years, 49.2 percent of simulcast racing and athletics tax collections were collected through the sixth month of the fiscal year.

Realty transfer taxes were down by 9.2 percent through December of FY 2011 versus December of FY 2010. This decrease in realty transfer taxes lags the FY 2011 revised growth estimate of -8.5 percent over final audited FY 2010 collections adopted at the November 2010 REC. On average, over the past five fiscal years, 56.4 percent of realty transfer taxes were collected through the sixth month of the fiscal year.

Total Departmental Receipts

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 0.5 %	<u>Actual YTD Growth</u> 0.0 %	<u>Base YTD Growth</u> 1.9 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$334.7 Million	<u>Actual YTD Cash</u> \$211.3 Million	

FY 2011 year-to-date departmental receipts total \$211.3 million, an amount comparable to the cash that was collected last fiscal year at this time. The FY 2011 revised growth estimate adopted at the November 2010 REC for departmental receipts over final audited FY 2010 departmental receipt collections is 0.5 percent. 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 0.8 percent or \$1.3 million more than FY 2010 through December 2009. 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 \$2.5 million in hospital licensing fee payments were received in August through December.

Finally, in FY 2011 through December licenses and fees saw increases in Department of Health (DOH) health facilities licensure fees of \$691,720, Department of Business Regulation (DBR) registration fees for securities of \$429,119, Department of Labor and Training (DLT) professional registration licensing of \$412,444, DBR license fees for insurance agents of \$408,312, DOH biannual physicians licenses of \$233,968, Department of Revenue (DOR) motor vehicle title fees of \$233,742, Department of Environmental Management (DEM) beverage container participation fees of \$213,834, Judiciary fees from the Sixth Division Court of Providence of \$148,812, DEM parks and recreation activities fund of \$139,762, and DBR banking licenses of \$116,800. These increases were partially offset by decreases in DOR

driving record abstracts of \$645,433, DOR E-911 wireline surcharge of \$156,544, and Water Resources Board (WRB) water surcharge fees of \$161,142.

Fines and penalties were up 2.4 percent through the sixth month of FY 2011 versus through the sixth month of FY 2010, or \$301,083 more than year-to-date cash collections through December 2009. Through December of FY 2011 fines and penalties saw an increase in interest on overdue taxes of \$1.1 million which was partially offset by decreases in the penalty on overdue taxes of \$203,421, traffic tribunal fines of \$189,919, and probation and parole court fines of \$161,854.

In the sales and services category of departmental receipts, FY 2011 year-to-date growth is -10.0 percent over FY 2010 cash collections of \$12.7 million through December 2009. The \$1.3 million decrease in sales and services departmental receipts is despite the higher disproportionate share (“DiSh”) payment made by the Eleanor Slater Hospital in FY 2011 of \$7.1 million vs. \$6.1 million in FY 2010 and an increase in sales of motor vehicle number plates of \$127,250. These increases are more than offset by a decrease in board and support payments to veterans’ homes of \$105,552 and the fact that non-Medicaid board and support payments received by Slater Hospital, including its Zambarano unit, have been reclassified as restricted receipts in FY 2011. In FY 2010, \$1.4 million of non-Medicaid payments for board and support of patients at Slater Hospital were received through December. Additionally, the Statewide Student Transportation Fund was reclassified as a restricted receipt for FY 2011. In FY 2010, \$724,779 of statewide student transportation funds were received through December.

Finally, miscellaneous departmental revenues are down \$411,917, or -4.0 percent, through the second quarter of FY 2011 versus through the second quarter of FY 2010. Much of this revenue decrease is due to decreases in child support enforcement collections of \$305,556, DLT cost recoveries of \$216,123 and DBR insurance exam fees of \$212,977. These decreases were partially offset by increases in DOH cost recoveries of \$393,272, the hotel tax of \$178,029, the Office of the General Treasurer’s cost recovery of \$151,653, and the Office of the General Treasurer’s miscellaneous revenues of \$149,195.

Adjusting FY 2011 total departmental receipts for the hospital licensing fee and FY 2010 total departmental receipts for the hospital licensing fee, the reclassification of non-Medicaid board and support payments for patients at Slater Hospital, and the reclassification of the Statewide Student Transportation Fund yields a base year-to-date growth rate of 1.9 percent for the fiscal year-to-date period through December.

Gas Tax Transfer

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> n/a	<u>Actual YTD Growth</u> n/a	<u>Base YTD Growth</u> n/a
Annual Dollar Values	<u>Nov. REC 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 \$2.2 million through December 2010 vs. a similar amount through December 2009, an increase of 0.6 percent in FY 2011 over FY 2010.

Other Miscellaneous Revenues

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> -12.9 %	<u>Actual YTD Growth</u> 3,802.5 %	<u>Base YTD Growth</u> 1,668.3 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$10.9 Million		<u>Actual YTD Cash</u> \$3.3 Million

Other Miscellaneous Revenues were up 3,802.5 percent in FY 2011 when compared to the same period one year ago. FY 2011 year-to-date collections total \$3.3 million compared to \$85,502 collected at this time last fiscal year. The FY 2011 revised growth estimate adopted at the November 2010 REC over final audited FY 2010 collections for other miscellaneous revenues is -12.9 percent. In FY 2011, an adjustment of \$1.8 million is made to account for the sale of the Smithfield Salt Barn that was posted in July of FY 2011 but accrued back to FY 2010 and the receipt of a settlement payment from a pharmaceutical manufacturer in October 2010 that also was accrued back to FY 2010. This adjustment yields a base year-to-date growth rate of 1,668.3 percent.

Lottery Transfer

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 0.8 %	<u>Actual YTD Growth</u> 1.1 %	<u>Base YTD Growth</u> 1.1 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$347.5 Million		<u>Actual YTD Cash</u> \$144.9 Million

The Lottery Transfers was up 1.1 percent through December FY 2011 versus through December FY 2010. Year-to-date FY 2011 collections total \$144.9 million compared to \$143.3 million collected this time last year. On average, over the past five fiscal years, 40.9 percent of lottery proceeds were transferred through the sixth month of the fiscal 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 1.1 percent.

It is necessary to make an adjustment to both combined games and video lottery transfer. During the November 2010 Revenue Estimating Conference the principals decided that the State's share of the joint marketing program with Twin River would be paid from the video lottery transfer. The November 2010 unaudited financial statements provided by the Rhode Island Lottery, however, show the State's share of joint marketing program being paid from combined games and not the video lottery transfer. Therefore, combined games transfer was understated and the video lottery transfer was overstated by \$220,892 for the month of November 2010. It is important to note that the total lottery transfer to the State is unaffected by this accounting methodology.

The Division of Lottery reports the following for the individual components of the Lottery transfer to the general fund:

<u>Component</u>	<u>FY 2010</u>	<u>FY 2011*</u>	<u>Percent Difference</u>	<u>Nov. Rev. Growth Estimate</u>
Combined Games*	\$ 23,240,836	\$ 21,314,925	-8.3 %	-2.9 %
Video Lottery Terminals*	118,480,198	121,952,740	2.9 %	1.5 %

* FY 2011 figures reflect an increase to combined games and a decrease to VLTs of \$220,892 to reflect the State's share of the joint marketing program with Twin River.

The adjusted combined games component of the Lottery Transfer is down 8.3 percent through December of FY 2011 versus the same period last fiscal year. This compares to a revised FY 2011 growth estimate of -2.9 percent adopted at the November 2010 REC. 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 sales of PowerBall and MegaMillions tickets through December 2010 are 26.2 percent less than its sales of only PowerBall tickets through December 2009.

The adjusted transfer from the video lottery terminals housed at Twin River and Newport Grand is up 2.9 percent through December of FY 2011 compared to the same period last year. The FY 2011 revised growth estimate adopted at the November 2010 REC over the final audited FY 2010 video lottery transfer is 1.5 percent.

Unclaimed Property Transfer

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> -9.7 %	<u>Actual YTD Growth</u> n/a %	<u>Base YTD Growth</u> n/a %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$5.3 Million	<u>Actual YTD Cash</u> n/a	

The Unclaimed Property Transfer to the general fund occurs in June of every fiscal year.



Rosemary Booth Gallogly, Acting Director
Department of Revenue

January 11, 2010

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

	FY 2010 YTD December	FY 2011 YTD December	Change	Revised Growth Estimate
<u>Personal Income Tax</u>	460,362,412	507,031,973	10.1%	4.3%
<u>General Business Taxes</u>				
Business Corporations	20,614,535	37,762,215	83.2%	-16.0%
Public Utilities Gross Earnings	6,208,634	4,383,117	-29.4%	1.3%
Financial Institutions	2,568,860	(1,401,437)	-154.6%	-89.2%
Insurance Companies	1,637,070	1,301,700	-20.5%	2.4%
Bank Deposits	186,476	3,841	-97.9%	2.1%
Health Care Provider Assessment	21,144,740	20,162,879	-4.6%	0.6%
<u>Excise Taxes</u>				
Sales and Use	409,985,019	420,139,638	2.5%	0.3%
Motor Vehicle	15,843,088	21,634,465	36.6%	7.3%
Motor Fuel	271,261	409,309	50.9%	13.5%
Cigarettes	71,968,064	72,280,839	0.4%	-2.4%
Alcohol	5,698,479	6,111,077	7.2%	6.5%
Controlled Substances	-	-	-	-
<u>Other Taxes</u>				
Inheritance and Gift	12,893,975	12,265,024	-4.9%	-2.6%
Racing and Athletics	766,444	639,298	-16.6%	-16.2%
Realty Transfer	3,798,499	3,447,265	-9.2%	-8.5%
Total Taxes	\$ 1,033,947,556	\$ 1,106,171,203	7.0%	0.8%
<u>Departmental Receipts</u>				
Licenses and Fees	175,858,848	177,185,795	0.8%	
Fines and Penalties	12,427,685	12,728,768	2.4%	
Sales and Services	12,666,015	11,399,769	-10.0%	
Miscellaneous	10,395,337	9,983,420	-4.0%	
Total Departmental Receipts	\$ 211,347,885	\$ 211,297,752	0.0%	0.5%
Taxes and Departmentals	\$ 1,245,295,441	\$ 1,317,468,955	5.8%	0.7%
<u>Other General Revenue Sources</u>				
Gas Tax Transfer	339,473	-	-	-
Other Miscellaneous Revenues	85,502	3,336,728	3802.5%	-12.9%
Lottery Transfer	143,282,720	144,913,671	1.1%	0.8%
Unclaimed Property	-	-	-	-9.7%
Total Other Sources	\$ 143,707,695	\$ 148,250,399	3.2%	0.2%
Total General Revenues	\$ 1,389,003,136	\$ 1,465,719,354	5.5%	0.7%