

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS



DEPARTMENT OF REVENUE

State of Rhode Island Monthly Revenue Brief  
FY 2011 Cash Collections through February 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>Nov Rev Growth Estimate</u> 0.7 %	<u>Actual YTD Growth</u> 5.7 %	<u>Base YTD Growth</u> 4.3 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$3.037 Billion	<u>Actual YTD Cash</u> \$1.892 Billion	

Fiscal Year 2011 total general revenues collected through the first eight months of FY 2011 have increased by 5.7 percent as compared to Fiscal Year 2010 total general revenues collected through February of last year. For the fiscal year-to-date period through February 2011, total general revenues were \$1.892 billion as compared to \$1.790 billion for the same period last year, an increase of \$102.1 million. The FY 2011 revised growth estimate adopted at the November 2010 Revenue Estimating Conference (REC) is 0.7 percent in revised 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 February, 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in the health care provider assessment to reflect the fact that the group home portion of this assessment has been repealed effective August 1, 2009.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 and \$2.2 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. 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 first eight months of the fiscal year, a net total of -\$155.2 million of adjustments must be made. These adjustments include a decrease of \$27.3 million in business corporations' tax collections of which \$25.1 million are from cash receipts received in September, December, and January that were accrued back to FY 2010 and \$2.2 million from a refund paid in February but not posted to the state accounting system until March. 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. A further decrease of \$122.9 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	\$(25,059,178)
Business Corporations	Late posting of refund paid in February	\$0	\$(2,215,378)
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	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)	\$(122,928,663)
Sales & Services	Non-Medicaid board/support payments	\$(2,176,041)	\$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)
<b>Total</b>		<b>\$(124,631,368)</b>	<b>\$(155,224,588)</b>

Accounting for these revenue adjustments yields a base rate of growth for the fiscal year-to-date period through February 2011 of 4.3 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> 5.7 %	<u>Base YTD Growth</u> 4.2 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$2.674 Billion	<u>Actual YTD Cash</u> \$1.683 Billion	

The Rhode Island Department of Revenue reports that FY 2011 taxes and departmental receipts collected through February 2011 have increased by 5.7 percent as compared to FY 2010 cash collections for the comparable period a year ago. For the fiscal year-to-date period ending February 2011, total taxes and departmental receipts were \$1.683 billion as compared to \$1.592 billion for the same period last fiscal year, an increase of \$90.9 million. The actual

year-to-date growth exceeds the revised growth estimate of 0.7 percent for FY 2011 over final audited FY 2010 cash collections adopted at the November 2010 REC.

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 receipt accrual, and the non-Medicaid board and support receipt reclassification result in a -\$122.7 million adjustment in FY 2010 for comparability between fiscal years. The business corporations cash receipt accrual and late posting of the refund paid in February, the public utilities gross earnings audit recovery, the financial institutions refund payable accrual, and the hospital licensing fee accrual result in a -\$151.8 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>Nov. Rev. Growth Estimate</u> 0.2 %	<u>Actual YTD Growth</u> 5.7 %	<u>Base YTD Growth</u> 4.9 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$363.7 Million	<u>Actual YTD Cash</u> \$208.7 Million	

FY 2011 other general revenue sources collected through February of the current fiscal year have increased by 5.7 percent as compared to cash collections through February 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 5.7 percent leads the FY 2011 revised growth estimate of 0.2 percent for other general revenue sources adopted at the November 2010 Revenue Estimating Conference. For the fiscal year-to-date period ending February 2011, total other general revenue sources were \$208.7 million as compared to \$197.5 million for the same period last year, an increase of \$11.2 million.

A net total of -\$1.9 million of adjustments to FY 2010 must be made for comparability purposes. These adjustments include 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 4.9 percent.

## Total Taxes

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 0.8 %	<u>Actual YTD Growth</u> 6.8 %	<u>Base YTD Growth</u> 4.6 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$2.339 Billion	<u>Actual YTD Cash</u> \$1.439 Billion	

Total tax revenues for the fiscal year-to-date period through February 2011 were \$1.439 billion, which exceeds the \$1.347 billion in total tax cash collections in FY 2010 through February 2010. The FY 2011 year to date growth rate for tax collections of 6.8 percent exceeds the revised FY 2011 growth rate of 0.8 percent over final audited FY 2010 tax collections adopted at the November 2010 REC. 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 late posting of the business corporation refund, the public utilities gross earnings audit recovery, and the financial institutions payable accrual result in a net adjustment of -\$28.8 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 4.6 percent.

It is important to note that any historic structures tax credits (HSTC) 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 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 February totaled \$21.5 million vs. \$6.8 million in FY 2011. The breakdown of the reimbursement of redeemed HSTCs by tax type is shown in the table below:

<b>Historic Structure Tax Credit Reimbursements</b>		
<b>Tax Type</b>	<b>Year-to-Date FY 2010</b>	<b>Year-to-Date FY 2011</b>
Personal Income	\$ 15,834,309	\$ 5,814,132
Business Corporations	569,379	818,010
Financial Institutions	0	0
Insurance	370,000	208,456
Insurance/HMOs	4,725,638	0
<b>Total</b>	<b>\$ 21,499,326</b>	<b>\$ 6,840,598</b>

### Personal Income Taxes

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 4.3 %	<u>Actual YTD Growth</u> 8.4 %	<u>Base YTD Growth</u> 8.4 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$936.5 Million	<u>Actual YTD Cash</u> \$645.1 Million	

Actual personal income tax cash collections for FY 2011 through the first eight months of the fiscal year were up \$49.9 million, or 8.4 percent, compared to the same period last fiscal year. The FY 2011 year-to-date growth rate of 8.4 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 February 2011 were \$645.1 million vs. FY 2010 cash collections of \$595.2 million through February 2010.

The FY 2011 year-to-date personal income tax cash collections include historic structures tax credit reimbursements through February of \$5.8 million. This compares to \$15.8 million of historic structures tax credit reimbursements through February of FY 2010. Thus, through February, FY 2011 HSTC reimbursements for personal income taxes are \$10.0 million less, or -66.3 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 February. 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	\$102,979,482	\$104,203,670	1.2 %	14.2 %
Final Payments*	51,301,816	37,824,750	-26.3 %	0.4 %
Withholding	579,414,277	612,811,200	5.8 %	2.3 %
Refunds/Adjustments	(138,488,567)	(109,734,044)	-20.8 %	1.4 %

\* Final Payments include historic structures tax credit reimbursements of \$15.8 million in FY 2010 and \$5.8 million in FY 2011.

FY 2011 year-to-date income tax refunds paid were \$28.8 million less or -20.8 percent, compared to the same period in FY 2010. The -20.8 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 41.6 percent of total income tax refunds are paid through the eighth month of the fiscal year.

Income tax withholding payments have increased by \$33.4 million or 5.8 percent, through the eighth month of FY 2011 when compared to the same period in FY 2010. The 5.8 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, 66.3 percent of income tax withholding payments are collected through February of the fiscal year.

Fiscal year-to-date final income tax payments received have decreased by \$13.5 million or -26.3 percent, through February of FY 2011 as compared to final payments through the eighth month of FY 2010. The -26.3 percent actual growth in cash final income tax payments received between FY 2011 and FY 2010 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 16.6 percent of total final income tax payments are received in the first eight months.

Finally, with respect to estimated income tax payments, year-to-date FY 2011 collections were up \$1.2 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 1.2 percent. The 1.2 percent actual growth in cash estimated income tax payments received between FY 2010 and FY 2011 significantly 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 64.6 percent of total estimated income tax payments are made by the end of February.

### Sales and Use Taxes

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 0.3 %	<u>Actual YTD Growth</u> 2.8 %	<u>Base YTD Growth</u> 2.8 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$805.5 Million	<u>Actual YTD Cash</u> \$553.7 Million	

Sales and use tax cash collections in FY 2011 were up \$15.2 million, or 2.8 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 2.8 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 February:

Component	FY 2010	FY 2011	Nominal Difference	Percent Difference
Net Taxation	\$ 477,725,384	\$ 490,506,474	\$ 12,781,090	2.7%
Registry	51,319,939	52,939,535	1,619,595	3.2%
Prov. Place Mall	8,538,932	9,992,774	1,453,841	17.0%

Within the sales tax components, registry receipts were up 3.2 percent through the eighth 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 2.7 percent through FY 2011's eighth month versus through the eighth month of FY 2010. Providence Place Mall (PPM) sales tax receipts were up 17.0 percent through February 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> 40.5 %	<u>Base YTD Growth</u> -2.7 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$361.2 Million	<u>Actual YTD Cash</u> \$92.1 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 February 2011 of the fiscal year were \$92.1 million or \$26.5 million more than the \$65.6 million collected for the same period in FY 2010. Year-to-date growth in FY 2011 is 40.5 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 \$27.3 million reduction in business taxes is needed to account for a \$25.1 million reduction in business corporations taxes are attributable to cash receipts received in September, December, and January that were accrued back to FY 2010 and a \$2.2 million reduction for a refund paid timely in February 2011 but posted late, 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 \$28.8 million. Incorporating these adjustments produces a base fiscal year-to-date growth rate of -2.7 percent.

FY 2011 year-to-date business corporations taxes are \$52.1 million or \$29.9 million more than was collected in FY 2010. Of the \$29.1 million, \$25.1 million is accrued to FY 2010 and \$2.2 million for a refund paid timely but not posted until March. The year-to-date cash collections for FY 2011 include \$818,010 of reimbursed Historic Structures Tax credits versus \$569,379 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 fiscal years, 18.1 percent of business corporations tax payments are received by the eighth month of the fiscal year.

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

Component	FY 2010	FY 2011	Nominal Difference	Percent Difference
Estimated Payments	\$ 43,897,504	\$ 25,546,577	\$ (18,350,928)	-41.8%
Final Payments*	20,074,393	44,993,016	24,918,623	124.1%
Refunds/Adjustments	(41,194,782)	(19,991,621)	21,203,161	-51.5%
* Final Payments include historic structures tax credit reimbursements of \$569,379 in FY 2010 and \$818,010 in FY 2011.				

Health care provider assessment taxes through February 2011 were \$26.8 million, a decrease of 2.6 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 -0.8 percent. On average, over the past five fiscal years, 66.5 percent of nursing home health care provider assessment tax payments are made by the end of February.

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 \$163,841 through the eighth month of FY 2011 as compared to \$187,198 collected through the eighth month of FY 2010. On average, over the past five fiscal years, only 5.2 percent of bank deposit tax payments are collected through the end of February of the fiscal year.

The insurance companies gross premiums tax is up 55.5 percent year-to-date. Insurance companies gross premiums tax cash collections through February 2011 total \$8.6 million compared to collections of \$5.5 million in FY 2010. FY 2010 collections include \$5.1 million of reimbursed Historic Structures Tax Credits through February. In FY 2011, the comparable amount of reimbursed Historic Structures Tax Credits is \$208,456. 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, 5.9 percent of insurance companies gross premiums tax payments are collected through the eighth month of the fiscal year.

FY 2011 year-to-date financial institution taxes are -\$1.2 million or \$3.8 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 -80.1 percent. On average, over the past five fiscal years 17.2 percent of financial institutions taxes are collected through February of the fiscal year.

Finally, public utilities gross earnings taxes were \$5.6 million through February 2011, a decrease of 24.3 percent from collections of \$7.4 million through February 2010. The base year-to-date growth in public utilities gross earnings taxes is -68.9 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 4.8 percent of public utilities gross earnings taxes are collected through February 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> 3.5 %	<u>Base YTD Growth</u> 2.1 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$199.9 Million	<u>Actual YTD Cash</u> \$127.0 Million	

Excise taxes other than sales and use taxes collected in the fiscal year-to-date February 2011 period totaled \$127.0 million or \$4.2 million more than the \$122.7 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 3.5 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 results in a base year-to-date growth rate of 2.1 percent.

Alcohol taxes are up 5.5 percent in FY 2011 through February 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 \$7.8 million versus \$7.4 million in year-to-date FY 2010, an increase of \$410,119. Over the past five fiscal years, 66.7 percent of alcohol taxes are received in the first eight months of the fiscal year.

Motor vehicle license and registration fees are up 20.2 percent in FY 2011 through February, or \$4.6 million more than the \$23.0 million collected for 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. Adjusting FY 2010 for the interstate trucking payments disbursed in July 2009 results in a base year-to-date growth rate of 12.4 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 February of FY 2011 were down 0.9 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, 66.7 percent of cigarette taxes were collected through February 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 a decrease in Rhode Island cigarette sales of -0.5 percent through the eighth month of FY 2011 versus the eighth month of FY 2010. It is not possible at this time to make any definitive statements as to the cause of this decrease.

## Other Taxes

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> -4.2%	<u>Actual YTD Growth</u> -16.3 %	<u>Base YTD Growth</u> -15.9 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$36.0 Million	<u>Actual YTD Cash</u> \$21.0 Million	

Other taxes collected through February of FY 2011 totaled \$21.0 million versus \$25.1 million in other taxes collected during the same period last fiscal year, a decrease of \$4.1 million, or -16.3 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 -15.9 percent.

Inheritance tax collections totaled \$15.6 million through February of FY 2011, a decrease of 18.7 percent from the \$19.2 million collected through the eighth 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, 63.2 percent of inheritance tax collections are received through February of the fiscal year.

Racing and athletics tax collections through February of FY 2011 were down 15.2 percent relative to the same period in FY 2010. The -15.2 percent year-to-date growth rate exceeds 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 -5.1 percent. On average, over the past five fiscal years, 64.9 percent of simulcast racing and athletics tax collections were collected through the eighth month of the fiscal year.

Realty transfer taxes were down by 7.0 percent through February of FY 2011 versus February of FY 2010. This decrease in realty transfer taxes leads 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, 71.6 percent of realty transfer taxes were collected through the eighth month of the fiscal year.

### Total Departmental Receipts

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 0.5 %	<u>Actual YTD Growth</u> -0.4 %	<u>Base YTD Growth</u> -0.1 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$334.7 Million	<u>Actual YTD Cash</u> \$244.5 Million	

FY 2011 year-to-date departmental receipts total \$244.5 million, or -0.4 percent less than the \$245.4 million 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 0.4 percent or \$709,998 more than FY 2010 through February 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 \$3.5 million in hospital licensing fee payments were received in August through February.

Finally, in FY 2011 through February licenses and fees saw increases in Department of Business Regulation (DBR) license fees for securities of \$719,830, DBR license fees for insurance agents of \$482,074, Public Utilities Commission (PUC) expenses recovered from public utility companies cost of \$463,376, Water Resources Board (WRB) water surcharge fees of \$312,344, Department of Labor and Training (DLT) professional registration licensing of \$270,687, Department of Health (DOH) biannual physicians licenses of \$243,772, and DBR registration fees for securities of \$211,399. These increases were partially offset by decreases in DBR multi-state brokerage firm settlements of \$1,087,774, Department of Revenue (DOR) driving record abstracts of \$963,061, and Department of Human Services (DHS) intermediate Medicaid hospital rate settlement payment to the state of \$394,560.

Fines and penalties were down 0.9 percent through the eighth month of FY 2011 versus the eighth month of FY 2010, or \$165,291 less than year-to-date cash collections through February 2010. Through February of FY 2011 fines and penalties saw an increase in DOR interest on overdue taxes of \$941,260 which was partially offset by decreases in Judicial traffic tribunal fines of \$316,998, DBR banking enforcement fees of \$263,973, and Judicial probation and parole court fines of \$189,214.

In the sales and services category of departmental receipts, FY 2011 year-to-date growth is -10.2 percent over FY 2010 cash collections of \$14.2 million through February 2010. The

\$1.4 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 \$135,548. These increases are more than offset by a decrease in board and support payments to veterans’ homes of \$202,474 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, \$2.2 million of non-Medicaid payments for board and support of patients at Slater Hospital were received through February.

Finally, miscellaneous departmental revenues are down \$17,772, or 0.1 percent, through the first eight months of FY 2011 versus the first eight months of FY 2010. Much of this revenue increase is despite increases in DOH cost recoveries of \$393,377, and miscellaneous revenues from the Office of the Attorney General of \$270,740. These increases were completely offset by decreases in PUC’s Cost recoveries of \$315,651, DHS child support enforcement collections of \$270,891, and DBR insurance examination fees of \$199,617.

Adjusting FY 2011 total departmental receipts for the hospital licensing fee and FY 2010 total departmental receipts for the hospital licensing fee and the reclassification of non-Medicaid board and support payments for patients at Slater Hospital yields a base year-to-date growth rate of -0.1 percent for the fiscal year-to-date period through February.

### 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 \$2.9 million through February 2011 vs. a similar amount through February 2010, a decrease of 0.8 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> 3,286.4 %	<u>Base YTD Growth</u> 2,613.7 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$10.9 Million	<u>Actual YTD Cash</u> \$9.2 Million	

Other Miscellaneous Revenues were up 3,286.4 percent in FY 2011 when compared to the same period one year ago. FY 2011 year-to-date collections total \$9.2 million compared to \$271,272 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. The principal's at the November 2010 REC included a one time receipt for child support enforcement recovery for indirect costs from FY 2005 through FY 2009. In February Judiciary received a \$5.5 million payment for child support enforcement. 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 2,613.7 percent.

### Lottery Transfer

Annual Growth Rates	<u>Nov. Rev. Growth Estimate</u> 0.8 %	<u>Actual YTD Growth</u> 1.3 %	<u>Base YTD Growth</u> 1.3 %
Annual Dollar Values	<u>Nov. REC Revenue Estimate</u> \$347.5 Million	<u>Actual YTD Cash</u> \$199.5 Million	

The Lottery Transfer was up 1.3 percent through February FY 2011 versus February FY 2010. Year-to-date FY 2011 collections total \$199.5 million compared to \$196.9 million collected this time last year. On average, over the past five fiscal years, 56.6 percent of lottery proceeds were transferred through the eighth 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 1.3 percent.

The Division of Lottery reports the following for the individual components of the Lottery transfer from transactions in January which are transferred to the general fund in February:

<u>Component</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>Percent Difference</u>	<u>Nov. Rev. Growth Estimate</u>
Combined Games	\$ 32,055,839	\$ 31,213,536	-2.6 %	-2.9 %
Video Lottery Terminals	163,297,727	166,677,307	2.1 %	1.5 %

The combined games component of the Lottery Transfer is down 2.6 percent through February 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 PowerBall and MegaMillions ticket sales through February 2011 are 16.1 percent less than its sales of only PowerBall ticket through February 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 2.1 percent through February 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, Director  
Department of Revenue

March 10, 2011



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

	FY 2010 YTD February	FY 2011 YTD February	Change	Revised Growth Estimate
<b>Personal Income Tax</b>	595,207,008	645,105,575	8.4%	4.3%
<b>General Business Taxes</b>				
Business Corporations	22,274,061	52,135,293	134.1%	-16.0%
Public Utilities Gross Earnings	7,413,517	5,608,633	-24.3%	1.3%
Financial Institutions	2,604,788	(1,231,610)	-147.3%	-89.2%
Insurance Companies	5,531,809	8,600,384	55.5%	2.4%
Bank Deposits	187,198	163,841	-12.5%	2.1%
Health Care Provider Assessment	27,550,953	26,830,309	-2.6%	0.6%
<b>Excise Taxes</b>				
Sales and Use	538,506,557	553,742,178	2.8%	0.3%
Motor Vehicle	23,021,349	27,671,322	20.2%	7.3%
Motor Fuel	572,514	593,646	3.7%	13.5%
Cigarettes	91,719,395	90,875,780	-0.9%	-2.4%
Alcohol	7,400,815	7,810,934	5.5%	6.5%
Controlled Substances	-	-	-	-
<b>Other Taxes</b>				
Inheritance and Gift	19,180,797	15,595,542	-18.7%	-2.6%
Racing and Athletics	973,673	825,417	-15.2%	-16.2%
Realty Transfer	4,898,147	4,556,958	-7.0%	-8.5%
<b>Total Taxes</b>	<b>\$ 1,347,042,581</b>	<b>\$ 1,438,884,202</b>	<b>6.8%</b>	<b>0.8%</b>
<b>Departmental Receipts</b>				
Licenses and Fees	200,317,276	201,027,274	0.4%	
Fines and Penalties	18,242,014	18,076,723	-0.9%	
Sales and Services	14,222,952	12,779,024	-10.2%	
Miscellaneous	12,631,617	12,613,845	-0.1%	
<b>Total Departmental Receipts</b>	<b>\$ 245,413,859</b>	<b>\$ 244,496,866</b>	<b>-0.4%</b>	<b>0.5%</b>
<b>Taxes and Departmentals</b>	<b>\$ 1,592,456,440</b>	<b>\$ 1,683,381,068</b>	<b>5.7%</b>	<b>0.7%</b>
<b>Other General Revenue Sources</b>				
Gas Tax Transfer	339,473	-	-	-
Other Miscellaneous Revenues	271,272	9,186,344	3286.4%	-12.9%
Lottery Transfer	196,915,252	199,536,852	1.3%	0.8%
Unclaimed Property	-	-	-	-9.7%
<b>Total Other Sources</b>	<b>\$ 197,525,997</b>	<b>\$ 208,723,196</b>	<b>5.7%</b>	<b>0.2%</b>
<b>Total General Revenues</b>	<b>\$ 1,789,982,437</b>	<b>\$ 1,892,104,264</b>	<b>5.7%</b>	<b>0.7%</b>