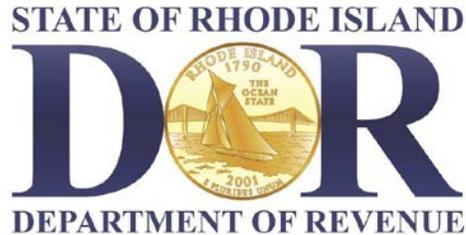


STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
GOVERNOR GINA M. RAIMONDO



Office of Revenue Analysis

State of Rhode Island Revenue Assessment Report
FY 2020 Monthly and Year-to-Date as of September 2019

The monthly revenue assessment report compares adjusted revenues, on a monthly and fiscal year-to-date basis, to the Office of Revenue Analysis' monthly and fiscal year-to-date estimates of expected revenues based on the current fiscal year revenue estimates. It should be noted that the fiscal year revenue estimates will vary over the course of the fiscal year as the Revenue Estimating Conference (REC) (see Rhode Island General Laws § 35-16-1 et seq.) convenes and modifies the fiscal year revenue estimates as enacted by the General Assembly.

The purpose of the Revenue Assessment Report is to give readers a sense of how the state's general revenues compare to those that might be expected if the official revenue estimates were being met in a predictable way. Caution should be exercised when interpreting this report as actual revenues may vary significantly from historical patterns. In addition, it is important for the reader to understand that enacted and adopted revenue estimates are made on an accrual basis, not a cash basis. Revenue accruals are not determined until at least one month after the fiscal year-end in June. Thus, even if the assessment of actual fiscal year-to-date revenues trails the fiscal year-to-date revenue estimates, it is possible for the fiscal year-end accrual to make up any shortfall.

This monthly revenue assessment report compares adjusted revenues to expected revenues based on the revenue estimates enacted in the FY 2020 budget, which was signed into law on July 5, 2019. The enacted revenue estimates will remain the basis of comparison for all Revenue Assessment Reports through the October 2019 report. Beginning with the November 2019 Revenue Assessment Report, the basis of comparison will be revenue estimates adopted at the November 2019 REC. For the May 2020 Revenue Assessment Report, the basis of comparison will be revenue estimates adopted at the May 2020 REC. There is no Revenue Assessment Report issued for the month of June. Instead, a Special Report on Preliminary Revenues for FY 2020 will be prepared and issued in September 2020.

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Year-to-Date Estimate to Actual

	YTD September Adjusted Revenues FY 2020		YTD September Estimate of Revised FY 2020 Revenues †		Difference	Variance	
Personal Income Tax	\$	347,191,198	^a	\$	345,917,263	\$ 1,273,934	0.4%
General Business Taxes							
Business Corporation		35,779,423	^a		42,370,702	(6,591,279)	-15.6%
Public Utilities Gross Earnings		24,336,036			22,266,105	2,069,931	9.3%
Financial Institutions		5,938,235			3,248,876	2,689,359	82.8%
Insurance Company Gross Premiums †		28,208,674			22,035,408	6,173,266	28.0%
Bank Deposits		940,242	^b		800,847	139,395	17.4%
Health Care Provider Assessment †		10,913,611			11,516,047	(602,435)	-5.2%
Excise Taxes							
Sales and Use †		319,589,378			317,929,668	1,659,710	0.5%
Motor Vehicle License and Reg Fees		309,125			766,037	(456,912)	-59.6%
Cigarettes		36,005,770			36,878,947	(873,177)	-2.4%
Alcohol		5,435,185			5,707,443	(272,258)	-4.8%
Controlled Substances		1,000			-	1,000	n/a
Other Taxes							
Estate and Transfer		9,309,232			8,845,260	463,972	5.2%
Racing and Athletics		301,677			271,347	30,329	11.2%
Realty Transfer		4,163,670	^c		3,813,101	350,569	9.2%
Total Taxes	\$	828,422,456		\$	822,367,053	\$ 6,055,403	0.7%
Departmental Receipts †	\$	44,124,632	^d	\$	48,723,067	\$ (4,598,435)	-9.4%
Taxes and Departmentals	\$	872,547,088		\$	871,090,120	\$ 1,456,968	0.2%
Other General Revenue Sources							
Other Miscellaneous Revenues		17,904	⁺		17,904	-	0.0%
Lottery Transfer †		61,731,634			66,561,718	(4,830,084)	-7.3%
Unclaimed Property		-	⁺		-	-	n/a
Total Other Sources	\$	61,749,538		\$	66,579,622	\$ (4,830,084)	-7.3%
Total General Revenues	\$	934,296,626		\$	937,669,742	\$ (3,373,116)	-0.4%

PIT Component	YTD September Adj. Revenues		YTD September Revised Estimates		Difference	Variance	
Estimated payments	\$	65,208,845		\$	55,062,440	\$ 10,146,404	18.4%
Final payments †		16,685,668			14,973,039	1,712,629	11.4%
Withholding		290,808,340			294,660,285	(3,851,945)	-1.3%
Refunds and Adjustments		(25,511,655)	^a		(18,778,501)	(6,733,154)	35.9%
Total	\$	347,191,198		\$	345,917,263	\$ 1,273,934	0.4%

† Enacted FY 2020 estimated revenues for insurance company gross premiums tax, health care provider assessment, sales and use tax, departmental receipts, and the lottery transfer are calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

∴ The estimate for controlled substances was set at zero for FY 2020.

+ Set equal to actual amounts received.

Detailed notes on the following page

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Year-to-Date Estimate to Actual

- ^a Includes a net adjustment of \$(249,000) to personal income tax refunds and adjustments . Business corporation tax includes the offsetting net adjustment of \$249,000. These revenues were originally received in FY 2017 - FY 2018.
- ^b Subtracts \$262,500 for estimated payment(s) received in July 2019 but accrued back to FY 2019.
- ^c Subtracts \$420,029 that is designated to the Housing Resources Commission. The amount reflects the September 2019 transfer that will occur in October 2019.
- ^d Subtracts \$165,430,641 of hospital licensing fee payments received in July 2019 but accrued back to FY 2019.

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

	September 2019 Adjusted Revenues FY 2020		September 2019 Estimate of Revised FY 2020 Revenues †		Difference	Variance
Personal Income Tax	\$ 155,460,967	a	\$ 148,297,045		\$ 7,163,922	4.8%
General Business Taxes						
Business Corporation	23,936,941	a	33,175,954		(9,239,013)	-27.8%
Public Utilities Gross Earnings	23,779,091		21,686,465		2,092,627	9.6%
Financial Institutions	5,774,950		3,142,587		2,632,363	83.8%
Insurance Company Gross Premiums †	27,891,876		22,001,018		5,890,858	26.8%
Bank Deposits	916,360		812,835		103,524	12.7%
Health Care Provider Assessment †	3,521,109		3,830,485		(309,376)	-8.1%
Excise Taxes						
Sales and Use †	104,946,324		103,939,331		1,006,993	1.0%
Motor Vehicle License and Reg Fees	98,500		244,212		(145,712)	-59.7%
Cigarettes	10,055,653		12,909,175		(2,853,522)	-22.1%
Alcohol	2,085,803		1,796,013		289,790	16.1%
Controlled Substances	500		-	∴	500	n/a
Other Taxes						
Estate and Transfer	5,963,850		2,277,440		3,686,410	161.9%
Racing and Athletics	93,230		85,135		8,095	9.5%
Realty Transfer	1,468,191	b	1,282,779		185,412	14.5%
Total Taxes	\$ 365,993,346		\$ 355,480,474		\$ 10,512,872	3.0%
Departmental Receipts †	\$ 15,143,909		\$ 17,249,248		\$ (2,105,339)	-12.2%
Taxes and Departmentals	\$ 381,137,255		\$ 372,729,722		\$ 8,407,533	2.3%
Other General Revenue Sources						
Other Miscellaneous Revenues	(13,543)	+	(13,543)	+	-	0.0%
Lottery Transfer †	30,937,886		33,268,397		(2,330,511)	-7.0%
Unclaimed Property	-	+	-	+	-	n/a
Total Other Sources	\$ 30,924,343		\$ 33,254,854		\$ (2,330,511)	-7.0%
Total General Revenues	\$ 412,061,598		\$ 405,984,576		\$ 6,077,022	1.5%

PIT Component	September 2019 Adj. Revenues		September 2019 Revised Estimates		Difference	Variance
Estimated payments	\$ 54,790,074		\$ 46,554,139		\$ 8,235,935	17.7%
Final payments †	6,918,036		7,230,660		(312,624)	-4.3%
Withholding	100,432,620		99,165,476		1,267,144	1.3%
Refunds and Adjustments	(6,679,763)	a	(4,653,230)		(2,026,533)	43.6%
Total	\$ 155,460,967		\$ 148,297,045		\$ 7,163,922	4.8%

† Enacted FY 2020 estimated revenues for insurance company gross premiums tax, health care provider assessment, sales and use tax, departmental receipts, and the lottery transfer are calculated using modified revenue flows to align expected revenues with the actual realization of revenues.

∴ The estimate for controlled substances was set at zero for FY 2020.

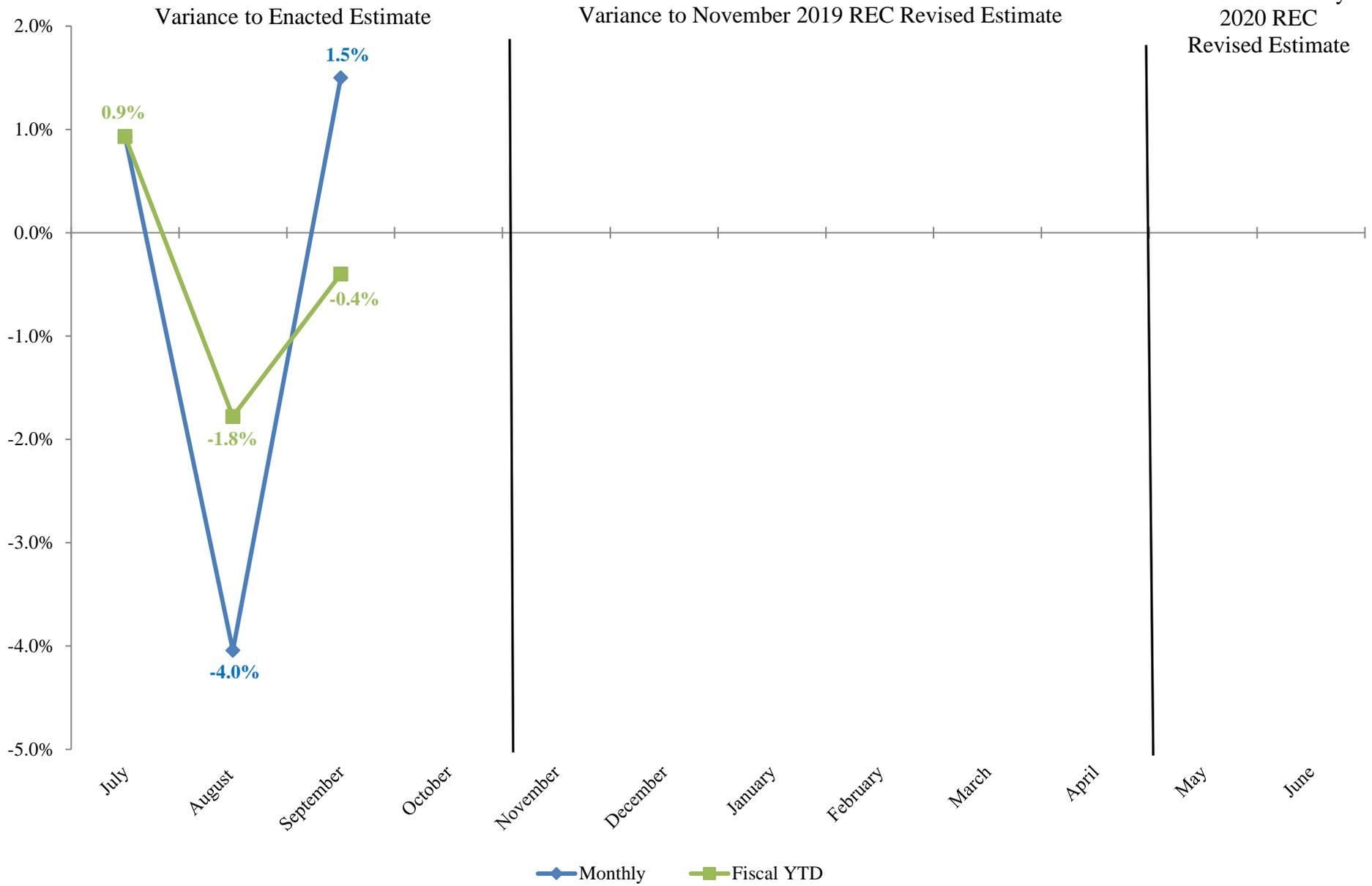
+ Set equal to actual amounts received.

Detailed notes on the following page

STATE OF RHODE ISLAND REVENUE ASSESSMENT REPORT
Monthly Estimate to Actual

- ^a Personal income tax refunds and adjustments include an adjustment of \$270,000 for estimated payment(s) received in March 2018. Business corporation tax includes a net adjustment of \$(270,000).
- ^b Adds back \$88,673 that are designated to the Housing Resources Commission. The amount reflects the difference between the August 2019 transfer that occurred in September 2019 and the September 2019 transfer that will occur in October 2019.

FY 2020 Variance of Adjusted Revenues to Estimate



Law Changes Enacted in the 2019 Session That Impact General Revenues

In the 2019 session, and earlier sessions, the General Assembly enacted several changes to the state's general laws that impact general revenues. These changes can be categorized as follows: (1) changes that reclassify revenues that were previously considered to be general revenues to other funds; and (2) changes that impact FY 2020 general revenues that will be realized through monthly revenue flows. Those changes in state law that impact monthly revenue flows will generally exhibit seasonality in the receipt of the revenue. The Office of Revenue Analysis (ORA) attempts to model the seasonality in such revenue flows in order to better align the expected receipt of revenues with the actual receipt of revenues. A more specific discussion of these items is provided in the appendix to this report.

Estimate of Enacted FY 2020 Revenues

In order to determine the expected monthly and fiscal year-to-date revenue estimates based on the enacted FY 2020 budget signed into law by Governor Raimondo on July 5, 2019, ORA first calculates the average percentage of total adjusted revenues that occurred in a given month over the previous five fiscal years for each revenue item, except for estate and transfer taxes for which the previous ten fiscal years are used.¹ For business corporation tax, public utilities gross earnings tax, financial institutions tax, insurance company gross premiums tax, and bank deposits tax revenues, ORA used adjusted FY 2019 percentages to account for the change in the estimated payments schedule for these tax types.² For motor vehicle license and registration fees adjusted FY 2019 percentages are used to account for the change in the transfer to the Rhode Island Highway Maintenance Account (RIHMA).³ For monthly estimates, these percentages are applied to the enacted FY 2020 revenue estimate for each revenue item. For the fiscal year-to-date estimates, the monthly percentages are summed and then applied to the enacted FY 2020 revenue estimate for each revenue item. For other miscellaneous revenues, the actual fiscal year-to-date revenues are used in place of an estimate due to the discrete and unpredictable nature in the timing of these receipts.

¹ The previous five fiscal years are FY 2015 through FY 2019, and the previous ten fiscal years are FY 2010 through FY 2019. In the case of personal income tax refunds and adjustments revenues, FY 2013 through FY 2015 and FY 2018 through FY 2019 were used in computing the five-fiscal year average percentages. These fiscal years were selected due to the impact on refund processing in FY 2016 and FY 2017 that resulted from the implementation of the new personal income tax system by the Division of Taxation.

² Prior to tax year 2018, these taxpayers paid 100 percent of their projected tax year liability by the sixth month of their tax year. For taxpayers with a tax year that coincided with the calendar year, this meant that 100 percent of their projected tax liability had to be paid by June of the calendar year which was the end of the state fiscal year. Effective for tax year 2018 and beyond, these same taxpayers now pay 50 percent of their projected tax year liability by the sixth month of their tax year. As a result of the change in the estimated payment schedule, ORA used the actual revenues received in each month of FY 2019 as a percentage of the total revenues received in FY 2019.

³ In FY 2019, all motor vehicle license and registration fees were transferred to the Rhode Island Highway Maintenance Account except for duplicate license and license update fees, which were retained as general revenues. Since registration fees are the largest component of motor vehicle license and registration fees and registration fee deposits have an uneven periodicity, ORA chose to use the FY 2019 percentages for FY 2020 since only duplicate license and license update fees will be retained as general revenues in FY 2020.

Table A provides the rounded five-year or ten-year, in the case of estate and transfer tax revenues, average percentages used to determine expected monthly and fiscal year-to-date revenues for September.⁴ It should be noted that ORA has made adjustments to these percentages based on the estimated flow of revenues that result from the changes in law enacted by the 2019 General Assembly and included as part of the revenue estimates enacted in the FY 2020 budget.

Revenue Item	<u>Percent Received</u>		Revenue Item	<u>Percent Received</u>	
	September	YTD		September	YTD
Personal Income Taxes			Sales and Use Taxes	8.8 %	26.9 %
Estimated Payments	19.7 %	23.3 %	Motor Vehicles Fees	8.1 %	25.5 %
Final Payments	2.6 %	5.5 %	Cigarettes Taxes	9.6 %	27.3 %
Withholding Payments	7.8 %	23.1 %	Alcohol Excise Taxes	8.4 %	26.7 %
Refunds/Adjustments	1.3%	5.2 %	Estate and Transfer	6.2 %	24.2 %
Business Corporation Taxes	20.2 %	25.8 %	Racing and Athletics	7.7 %	24.7 %
Utilities Gross Earnings Taxes	21.0 %	21.6 %	Realty Transfer	9.5 %	28.2 %
Financial Institutions Taxes	12.9 %	13.3 %	Departmental Receipts	6.7 %	18.9 %
Insurance Co. Gross Premiums	18.4 %	18.4 %	Lottery Transfer	6.8 %	13.7 %
Bank Deposits	27.1 %	26.7 %	Other Misc. Revenues	n/a	n/a
Health Care Provider Assessment	8.4 %	25.4 %	Unclaimed Property	0.0 %	0.0 %

The health care provider assessment consists of an assessment on nursing homes. Motor vehicle fees are comprised of fees paid to issue updated or duplicate operators' licenses. Racing and athletics taxes consist of a tax on wagers placed on out-of-state greyhound and horse races that are broadcast to Rhode Island via closed circuit television. The "Percent Received" for monthly and year-to-date departmental receipts is calculated excluding hospital licensing fee revenues, which are large and generally made only once in the fiscal year. Finally, the lottery transfer does not begin in a given fiscal year until August, while the unclaimed property transfer occurs only in June of each fiscal year.

Due to the unusual characteristics of the enacted FY 2020 legislative changes for insurance company gross premiums tax, health care provider assessment, sales and use tax, departmental receipts and the lottery transfer, ORA had to adjust the revenue bases against which FY 2020 adjusted revenues would be assessed for these revenue items. As a result, ORA will use modified revenue flows for expected FY 2020 revenues for these revenue items to gauge the sufficiency of

⁴ As noted previously, FY 2019 percentages were used for business corporation tax, public utilities gross earnings tax, financial institutions tax, insurance company gross premiums tax, and bank deposits tax revenues due to the change in the estimated payments schedule for tax year 2018 and beyond and for motor vehicle license and registration fees due to the retention of only duplicate license and license update fees as general revenue in FY 2020..

adjusted FY 2020 revenues in meeting estimated revenues. The footnotes to Table B detail the breakdown of modified cash revenue flows and accruals for each of these revenue items.

The FY 2020 estimates by revenue item as enacted by the General Assembly and signed into law by Governor Raimondo are as follows:

Table B. FY 2020 Enacted Revenue Estimates by Major Revenue Item			
Revenue Item	Enacted FY 2020 Estimate	Revenue Item	Enacted FY 2020 Estimate
Personal Income Taxes		Sales and Use Taxes ^c	\$ 1,180,433,548
Estimated Payments	\$ 236,000,000	Motor Vehicles Fees	3,000,000
Final Payments	274,500,000	Cigarettes Taxes	135,000,000
Withholding Payments	1,273,200,000	Alcohol Excise Taxes	21,400,000
Refunds/Adjustments	(360,800,000)	Estate and Transfer	38,000,000
Business Corporation Taxes	164,000,000	Racing and Athletics	1,100,000
Public Utilities Gross Earnings	103,200,000	Realty Transfer	13,500,000
Financial Institutions Taxes	24,400,000	Departmental Receipts ^d	451,451,653
Insurance Co. Gross Premiums ^a	119,675,238	Lottery	412,800,000
Bank Deposits	3,000,000	Other Misc. Revenues	25,650,000
Health Care Provider Assessment ^b	45,418,233	Unclaimed Property	9,900,000
		Total General Revenues *	\$ 4,178,728,672
* Total general revenues estimate includes a personal income tax net accrual of \$3,900,000.			

Notes to Table B:

^a Insurance company gross premiums tax revenues estimate includes a projected revenue impact of \$(11,182) from a downward revision to a 1% increase in the nursing home provider rate paid directly by the state effective October 1, 2019. The realization of this revenue impact is expected to occur in November 2019 through June 2020. The insurance company gross premiums tax revenues estimate also includes a revenue impact of \$(47,698) from a shift in enrollment from the state's RItE Care program to its RItE Share program resulting in reduced capitation payments made to Medicaid plan sponsors effective January 1, 2020. The realization of these revenues is expected to occur in February 2020 through June 2020. Additionally, the insurance company gross premiums tax revenues estimate includes \$(102,758) from the repeal of a managed care organization performance goal program, \$(5,700) from an initiative to reduce the number of C-section births, \$(127,201) from the shifting of audit recoveries realized by the Office of Internal Audit from the Department of Administration to the Executive Office of Health and Human Services, and \$469,777 from a 7.2 percent increase in the rate paid to hospitals for inpatient and outpatient services. These revenues are expected to be realized in FY 2020 in accordance to the general flow of revenues for insurance company gross premiums tax. As a result, ORA will assess adjusted FY 2020 insurance company gross premiums tax revenue flows against "base" insurance company gross premiums tax revenues of \$119,734,118 for July 2019 through October 2019, \$119,722,936 for November 2019 through January 2020, and \$119,675,238 for February 2020 through June 2020.

- ^b Health care provider assessment revenues estimate includes a projected revenue impact of \$(379,267) from a downward adjustment to a 1% increase in the nursing home provider rate paid directly by the state effective October 1, 2019. The realization of these revenues is expected to occur in November 2019 through June 2020. The health care provider assessment revenues estimate also includes a revenue impact of \$(302,500) from a correction to the reimbursement of hospice care and nursing homes. These revenues are expected to occur in FY 2020 in accordance to the general flow of revenues for the health care provider assessment. As a result, ORA will assess adjusted FY 2020 health care provider assessment revenue flows against “base” health care provider assessment revenues of \$45,797,500 for July 2019 through September 2019 and \$45,418,233 for October 2019 through June 2020.
- ^c Sales and use tax revenues estimate of \$1,180,433,548 includes a projected revenue impact of \$2,625,759 from the expansion of sales and use tax to digital products such as streaming services. The FY 2020 enacted budget also includes an exemption from the sales and use tax for feminine hygiene products and the expansion of the coffins and caskets sales and use tax exemption to urns. The expected revenue impact for these budgetary items is \$(617,211) and \$(75,000), respectively. The effective date for each of these items is October 1, 2019 and thus, the realization of these revenue impacts is expected to occur unevenly in November 2019 through June 2020. Additionally, there is a revenue impact of \$5,600,000 for the reimbursement from the Rebuild Rhode Island Tax Credit Fund to general revenues for the refund of sales taxes paid on projects that have received Rebuild Rhode Island tax credits. The refund applications are expected to be received throughout FY 2020, and it is assumed that the reimbursements will be received in a pattern similar to the general flow of revenues for the sales and use tax. As a result, ORA will assess adjusted FY 2019 sales and use tax revenue flows against “base” sales and use tax revenues of \$1,178,500,000 for July 2019 through October 2019 and \$1,180,433,548 for November 2019 through June 2020.
- ^d Departmental receipts revenues estimate includes hospital licensing fee revenues of \$193,849,765. These revenues will be booked as a receivable in June. The departmental receipts revenues estimate also includes \$5,000,000 from a transfer of settlement monies received by the Office of the Attorney General to general revenues, which is expected to occur in September 2019. Estimated departmental receipts revenues include \$(5,600,000) from the restructuring of the state’s E-911 surcharge into an E-911 fee and a first response surcharge, with revenues generated from the E-911 fee being deposited in a restricted receipts account (these revenues are currently deposited as general revenues). The restructured E-911 fee/first response surcharge takes effect on October 1, 2019, and thus, the realization of this revenue impact is expected to occur unevenly in November 2019 through June 2020. Additionally, the departmental receipts enacted revenue estimate includes a projected impact of \$1,247,400 from the increase in the mortgage loan originator license fee and \$577,850 from the increase in the debt collector license fee. The revenue impacts from these fee increases are expected to occur in November 2019 through January 2020. Further, the departmental receipts revenue estimate includes \$3,000,000 from the licensing of six new “full service” compassion centers. Due to the regulatory complexity associated with issuing these licenses, ORA assumed that the first license would be issued in January 2020 with an additional license issued in each subsequent month through June 2020. Finally, the departmental receipts revenue estimate includes a net impact of \$2,376,638 from enacted changes to various fees, such as the increased beverage container case fee, Department of Environmental Management campground and hard-to-dispose fees, etc. Revenues associated with these changes are expected to be realized in FY 2020 in accordance to the general flow of revenues for departmental receipts. Further information on these fee changes may be found in the Appendix. As a result of these enacted changes, ORA will assess adjusted FY 2020 departmental receipts revenue flows against “base” departmental receipts revenues of \$253,376,638 for July 2019 through August 2019 and October 2019, \$258,376,638 for September 2019, \$249,601,888 for November 2019 through December 2019, \$252,601,888 for January 2020, \$256,376,639 for February 2020 through June 2020.

^h Lottery transfer revenues estimate of \$412,800,000 includes \$17,200,000 of expected revenues from the addition of remote sports betting in Rhode Island. The realization of this law change is expected to impact revenue flows in October 2019 through June 2020. As a result, ORA will assess adjusted FY 2020 lottery transfer revenue flows against “base” lottery transfer revenues of \$395,600,000 for July 2019 through September 2019 and \$412,800,000 for October 2019 through June 2020.

Results for FY 2020 through September

The table, *Year-to-Date Estimate to Actual*, gives the results for FY 2020 through September. As is apparent from the table, the Department of Revenue finds that FY 2020 adjusted total general revenues through September trailed the enacted FY 2020 expected total general revenues estimate through September by \$3.4 million, a variance of -0.4%. In total taxes, fiscal year-to-date through September adjusted revenues were more than the enacted FY 2020 year-to-date expected revenues estimate by \$6.1 million, a difference of 0.7%. For departmental receipts, FY 2020 through September adjusted revenues trailed the enacted FY 2020 expected fiscal year-to-date revenues estimate by \$4.6 million, a variance of -9.4%. For other general revenue sources, adjusted FY 2020 through September revenues were \$4.8 million, or 7.3%, less than enacted FY 2020 expected fiscal year-to-date revenues.

Five revenue items had adjusted revenues in FY 2020 through September that exceeded expected FY 2020 revenue estimates, based on the enacted revenues included in the FY 2020 budget, by more than \$1.0 million.

- Adjusted FY 2020 year-to-date insurance company gross premiums tax adjusted revenues were \$6.2 million more than expected fiscal year-to-date insurance company gross premiums tax revenues, a difference of 28.0%.
 - The fiscal year-to-date revenues from health insurers were \$3.2 million more than expected, accounting for 52.6% of the positive variance in fiscal year-to-date insurance company gross premiums tax revenues.
 - The fiscal year-to-date gross premiums tax revenues from property, casualty, and life insurance companies were \$2.9 million more than expected for FY 2020 through September.
- Adjusted FY 2020 year-to-date financial institutions tax adjusted revenues were \$2.7 million more than expected fiscal year-to-date financial institutions tax revenues, a difference of 82.8%.
- Adjusted FY 2020 year-to-date public utilities gross earnings tax adjusted revenues were \$2.1 million more than expected fiscal year-to-date public utilities gross earnings tax revenues, a difference of 9.3%.
- Adjusted FY 2020 year-to-date sales and use tax adjusted revenues were \$1.7 million more than expected fiscal year-to-date sales and use tax revenues, a difference of 0.5%.
- Personal income tax adjusted revenues through September were \$1.3 million more than expected FY 2020 through September personal income tax revenues, a variance of 0.4%.
 - Personal income tax estimated payments adjusted year-to-date FY 2020 revenues were \$10.1 million, or 18.4%, above expected fiscal year-to-date personal income tax estimated payments revenues.

- Adjusted FY 2020 through September personal income tax final payments revenues were \$1.7 million, or 11.4%, more than expected FY 2020 through September personal income tax final payments revenues. Adjusted FY 2020 personal income tax final payments revenues through July include \$8,652 of reimbursed Historic Structures Tax Credits (HSTC).
- Adjusted fiscal year-to-date personal income tax withholding payments revenues were \$3.9 million less than the \$294.7 million of expected year-to-date FY 2020 personal income tax withholding payments revenues, a variance of -1.3%.
- Adjusted FY 2020 personal income tax refunds and adjustments revenues through September were \$6.7 million more than expected fiscal year-to-date personal income tax refunds and adjustments revenues, a difference of 35.9%.

FY 2020 adjusted revenues through September for estate and transfer tax, realty transfer tax, bank deposits tax, and racing and athletics tax revenues were above the expected FY 2020 through September enacted revenue estimates but by less than \$1.0 million each.

On the negative side, three revenue items had adjusted revenues through September that fell short of the expected FY 2020 through September revenues estimate by \$1.0 million or more.

- Business corporation tax adjusted revenues for FY 2020 through September were \$6.6 million less than expected fiscal year-to-date business corporation tax revenues, a variance of -15.6%.
- Adjusted lottery transfer revenues in FY 2020 through September were \$4.8 million below the expected FY 2020 year-to-date lottery transfer revenues estimate of \$66.6 million, a variance of -7.3%.
 - The transfer of net terminal income from video lottery terminals (VLTs) in FY 2020 through September was \$2.7 million less than expected.
 - The transfer of net income from traditional lottery games (i.e. scratch tickets, Daily Numbers, Powerball, etc.) and lottery monitor games (i.e. Keno, etc.) in FY 2020 through September was \$1.2 million less than expected.
 - The transfer of operating income from table games had a shortfall of \$985,637 in FY 2020 through September.
 - The transfer of gross profit from sports wagering in FY 2020 through September was not significantly different from expected fiscal year-to-date revenues.
- FY 2020 year-to-date departmental receipts adjusted revenues were \$4.6 million less than expected fiscal year-to-date departmental receipts based on the enacted estimate, a difference of -9.4%.

FY 2020 adjusted revenues through September for cigarette and other tobacco products (OTP) excise tax, health care provider assessment, motor vehicle license and registration fees, and alcohol excise tax were below their expected FY 2020 through September revenue estimates but by less than \$1.0 million each.

Results for the Month of September 2019

The table, *Monthly Estimate to Actual*, gives the results for September 2019. As is apparent from the table, the Department of Revenue finds that September adjusted total general revenues exceeded the enacted FY 2020 expected total general revenues estimate for September by \$6.1 million, a variance of 1.5%. In total taxes, September adjusted revenues were more than the enacted FY 2020 expected monthly revenues estimate by \$10.5 million, a difference of 3.0%. For departmental receipts, September adjusted revenues trailed the enacted FY 2020 expected monthly revenues estimate by \$2.1 million, a variance of -12.2%. For other general revenue sources, adjusted FY 2020 monthly revenues for September were \$2.3 million below enacted FY 2020 expected monthly revenues for September, a variance of -7.0%.

Six revenue items had adjusted revenues in September that exceeded expected FY 2020 monthly estimates, based on the enacted revenues included in the FY 2020 budget, by more than \$1.0 million.

- Personal income tax adjusted September revenues were \$7.2 million more than expected September personal income tax revenues, a variance of 4.8%.
 - Adjusted September personal income tax estimated payments revenues were a \$8.2 million, or 17.7%, more than expected monthly personal income tax estimated payments revenues.
 - Adjusted personal income tax withholding payments revenues for September were \$1.3 million more than the \$99.2 million of expected FY 2020 personal income tax withholding payments September revenues, a variance of 1.3%.
 - Adjusted FY 2020 personal income tax refunds and adjustments revenues for September were \$2.0 million more than expected September personal income tax refunds and adjustments revenues, a difference of 43.6%.
 - Adjusted September personal income tax final payments revenues were \$312,624, or 4.3%, less than expected monthly personal income tax final payments revenues.
- Insurance company gross premiums tax adjusted September revenues were \$5.9 million more than expected September insurance company gross premiums tax revenues, a variance of 26.8%.
 - In September, adjusted revenues from health insurers were \$3.2 million more than expected September revenues. This accounted for 55.1% of the September positive variance in insurance company gross premiums tax revenues.
 - Adjusted September gross premiums tax revenues from property, casualty, and life insurance companies were \$2.6 million more than expected for September.
- Estate and transfer tax adjusted September revenues were \$3.7 million more than expected September estate and transfer tax revenues, a variance of 161.9%.
- Financial institutions tax adjusted September revenues were \$2.6 million more than expected September financial institutions tax, a variance of 83.8%.
- Public utilities gross earnings tax adjusted revenues in September were \$2.1 million above the expected monthly revenues, a variance of 9.6%.

- Sales and use tax adjusted revenues in September were \$1.0 million above the expected monthly revenues estimate of \$103.9 million, a variance of 1.0 percent.

FY 2020 adjusted September revenues for alcohol excise tax, realty transfer tax, bank deposits tax, and racing and athletics tax revenues were above the expected September enacted revenue estimates but by less than \$1.0 million each.

On the negative side, four revenue items had adjusted revenues for September that fell short of the expected monthly revenues estimate by \$1.0 million or more.

- September business corporation tax adjusted revenues were \$9.2 million below expected September revenues of \$33.2 million, a variance of -27.8 percent.
- Cigarette and OTP excise tax adjusted September revenues were \$2.9 million less than expected in September, a variance of 22.1 percent.
 - Cigarette excise tax adjusted September revenues were \$2.7 million less than expected, accounting for 93.9% of the negative variance.
 - OTP excise tax adjusted September revenues were \$175,715 less than expected for September.
- September adjusted lottery transfer revenues were \$2.3 million below the expected September lottery transfer revenues estimate of \$33.3 million, a variance of -7.0%.
 - September adjusted lottery transfer revenues from VLTs were \$978,387, or 3.7%, less than expected revenues, accounting for 83.2% of the negative variance.
 - Adjusted revenues from traditional lottery games and lottery monitor games were \$746,973 less than expected revenues in September, a variance of -14.7 %.
 - September adjusted lottery transfer revenues from table games were \$500,688, or 31.8%, less than expected.
 - September adjusted lottery transfer revenues from on-site sports betting were \$104,464, or 21.3%, less than expected.
- Adjusted departmental receipts revenues for September were \$2.1 million below expected September departmental receipts revenues of \$17.2 million, a difference of -12.2 percent.

FY 2020 adjusted September revenues for health care provider assessment and motor vehicle license and registration fees were below their expected September revenue estimates but by less than \$1.0 million each.



Mark A. Furcolo, Director
Department of Revenue
October 15, 2019

Appendix: Law Changes Enacted in the 2019 Session of the General Assembly

Revenue Changes That Reclassify General Revenues

Departmental Receipts

The 2019 General Assembly enacted legislation that restructured the state's E-911 wireline and wireless surcharges. Prior to the restructuring, the state imposed a \$1.00 per month per line E-911 surcharge on both wireline and wireless telecommunications. The revenues generated from this surcharge were deposited as general revenues. In the 2019 session, the General Assembly repealed the E-911 surcharge for both wireline and wireless telecommunications and replaced this surcharge with a new E-911 fee and a new first response surcharge. The new E-911 fee is set at \$0.50 per month per line and is applied to both wireline and wireless telecommunications. The revenues generated from the E-911 fee will be deposited as restricted receipts and used only for the support of the state's E-911 system. In addition, the 2.5 percent surcharge that is applied to prepaid wireless telecommunications is also being reclassified from general revenues to restricted receipts and will also be used only to finance the state's E-911 system. The effective date of this restructuring of the state's E-911 wireline and wireless surcharges and the reclassification of the prepaid wireless assessment is October 1, 2019. The estimated impact of these changes is a reduction in general revenues of \$5.6 million and an associated increase in restricted receipts. The decrease in general revenues will be realized over the November 2019 through June 2020 period.

Revenue Changes That Will Be Realized Through Monthly Revenue Flows

Insurance Company Gross Premiums Tax

The 2019 General Assembly enacted initiatives that will impact the monthly revenue flows for insurance company gross premiums taxes. Several of these legislative changes became effective on July 1, 2019. These initiatives are the elimination of the managed care organization performance goal program, the reduction in C-section births, a 7.2 percent increase in the payment to hospitals for inpatient and outpatient services, and the shifting of Office of Internal Audit recoveries from the Department of Administration to the Executive Office of Health and Human Services. The net impact of these changes is to increase insurance company gross premiums tax revenues by \$234,118, with this increased revenue realized in accordance with the general monthly flow of revenues for this revenue item.

Two legislative enactments become effective after July 1, 2019. These are the downward adjustment to a 1% increase in the nursing home provider rate paid directly by the state, which is effective October 1, 2019, and a shift in enrollment from the state's RItE Care program to its RItE Share program resulting in reduced capitation payments made to Medicaid plan sponsors, which is effective January 1, 2020. The downward revision to the 1% increase in the nursing home provider rate is expected to decrease revenues by \$11,182 over the period from November 2019 to June 2020, while the shift of enrollment from the RItE Care program to the RItE Share program is estimated to decrease insurance company gross premiums tax revenues by \$47,698 over the March 2020 to June 2020 period.

Health Care Provider Assessment

The 2019 General Assembly enacted legislation that includes a projected revenue impact of \$(302,500) to correct for an error in the reimbursement of hospice care and nursing homes, which took effect on July 1, 2019. The realization of this decrease in revenues is expected to be in the July through June period in FY 2020. The health care provider assessment revenues estimate also includes an impact of \$(379,267) from the downward adjustment to a 1% increase in the nursing home provider rate paid directly by the state. As noted under the Insurance Company Gross Premiums Tax section, this reduced increase takes effect on October 1, 2019 and the realization of this change on monthly revenue flows will cover the November 2019 to June 2020 period.

Sales and Use Tax

During the 2019 session, the General Assembly passed legislation that would reimburse the general fund for Rebuild Rhode Island sales and use tax rebates, effective July 1, 2019. The budgetary impact of \$5,600,000 for this item is expected to occur in accordance to the general flow of revenues for the sales and use tax.

The 2019 General Assembly also enacted legislation to expand the sales and use tax base to specified digital products, which include movies, TV shows, music, e-books, and related items, that are streamed or downloaded to computers, phones, TVs, or other devices. Effective October 1, 2019, the estimated revenue impact is \$2,625,759 and is expected to occur unevenly in November 2019 through June 2020.

Further, the 2019 General Assembly enacted legislation to provide a sales and use tax exemption for feminine hygiene products and to expand the sales and use tax exemption for coffins and caskets to urns. Effective October 1, 2019, these sales and use tax exemptions have estimated revenue impacts of \$(617,211) and \$(75,000), respectively. These revenue impacts are expected to occur unevenly in November 2019 through June 2020.

Departmental Receipts

The 2019 General Assembly passed legislation that impacts the FY 2020 revenue flows for several departmental receipts items. As noted above, the state E-911 surcharge has been restructured to now consist of a \$0.50 monthly per line E-911 fee assessed on wireline and wireless telecommunications and a first response surcharge, which is \$0.50 per month per line for wireline telecommunications and \$0.75 per month per line for wireless telecommunications. In addition, the \$0.26 per month per line technical and geographic information system (GIS) charge on wireless telecommunications has been repealed. The revenues generated by the E-911 fee will be deposited as restricted receipts, while the revenues generated from the first response surcharge will be deposited as general revenues. These changes take effect on October 1, 2019. Prior to October 1, 2019, the \$1.00 per month per line E-911 surcharge on wireline and wireless telecommunications and the \$0.26 per month per line technical and GIS surcharge on wireless telecommunications remain in place with the revenue generated being deposited as general revenues. Once the new E-911 fee is in place, there will be an expected general revenue impact on departmental receipts of \$(5,600,000) which will be realized in the November 2019 through June 2020 period.

During the 2019 session, the General Assembly enacted fee increases for the mortgage loan originator license, from \$100 to \$400, and the debt collector license, from \$100 to \$750. These items have estimated revenue impacts of \$1,247,400 and \$577,850, respectively, and are expected to be received relatively evenly in the months of November 2019 through January 2020.

The 2019 General Assembly also enacted legislation to transfer excess settlement payments from the Office of the Attorney General's restricted receipts account to general revenues. The estimated budgetary impact of this transfer is \$5,000,000, and it is anticipated that the full amount of the transfer will occur in September 2019.

Further, in the 2019 session, the General Assembly passed legislation to expand the number of "full service" medical marijuana compassion centers from three to nine. The six new compassion centers are required to pay a licensing fee of \$500,000 annually, and the General Assembly included \$3.0 million in additional revenues based on the opening of the six new compassion centers in FY 2020. Given the complexity associated with the regulatory process for establishing these new "full service" compassion centers, it is assumed that the first new compassion center will not open until January 2020 and that one additional new compassion center will open in each subsequent month. Thus, the expected revenue will be realized in equal increments over the January 2020 to June 2020 period.

Other changes enacted by the 2019 General Assembly, which impact departmental receipts, include an increase in the beverage container case fee from \$0.04 to \$0.08, which is expected to generate \$2,117,450; an increase in campground fees, which is estimated to produce \$495,539; an increase in Department of Environmental Management parks fees, which is anticipated to generate \$74,979; an increase in fees assessed at the time of purchase on hard-to-dispose items, which is forecasted to produce \$1,000,000; an increase in oversized and overweight permit fees charged by the Division of Motor Vehicles, which is estimated to generate \$501,840; and the delay in the issuance of new license plates, which reduces license plate reissuance fees by \$1,813,170. These revenue changes are effective July 1, 2019, and the monthly distribution of these revenue flows is expected to be the same as departmental receipts revenues in general.

Other Miscellaneous Revenues

In the 2019 Session, the General Assembly enacted legislation that added \$18,800,000 to FY 2020 other miscellaneous revenues. This revenue includes \$8,200,000 in transfers of excess reserves from various quasi-public agencies as follows: the Rhode Island Infrastructure Bank, \$4,000,000; the Rhode Island Student Loan Authority, \$1,500,000; Rhode Island Housing, \$1,500,000; and the Rhode Island Quonset Development Corporation, \$1,200,000. Additionally, other miscellaneous revenues include a transfer of \$5,000,000 from the Rhode Island Commerce Corporation's First Wave Closing fund. The enacted legislation also includes the transfer of five percent of the total resources deposited in the Rhode Island Highway Maintenance Account (RIHMA) to general revenues to offset the Division of Motor Vehicles costs in assessing and collecting the revenues it deposits in RIHMA. This transfer will occur quarterly on the 15th of the month following the end of a fiscal quarter. Finally, the additions of one lawyer and a case management system to the Department of Revenue's Central Collections Unit are expected to add \$750,000 in revenues in FY 2020. The Revenue Assessment report accounts for these revenues as they are received.

Lottery Transfer

The 2019 General Assembly approved the Governor's proposal to add remote legalized sports betting in Rhode Island. This new revenue item is expected to increase revenues by \$17,200,000. The implementation of statewide remote sports betting is expected to be completed by September 1, 2019, and, as a result, the realization of the revenue from this law change is expected to occur in October 2019 through June 2020. It should be noted that, in general, the revenue from a given month's gaming activity is not transferred to general revenues until the following month.