



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF REVENUE

State of Rhode Island Monthly Revenue Brief
 FY 2011 Cash Collections through September 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>Preliminary Growth Estimate</u> 0.1 %	<u>Actual YTD Growth</u> 7.3 %	<u>Base YTD Growth</u> 7.1 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$3.020 Billion	<u>Actual YTD Cash</u> \$799.8 Million	

Fiscal Year 2011 total general revenues collected through the first quarter of FY 2011 have increased by 7.3 percent as compared to Fiscal Year 2010 total general revenues collected through September of last year. For the fiscal year-to-date period through September 2010, total general revenues were \$799.8 million as compared to \$745.7 million for the same period last year, an increase of \$54.1 million. The FY 2011 preliminary growth estimate is 0.1 percent in total enacted FY 2011 general revenues over preliminary 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 September, a net total of -\$122.2 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in the Health Care Provider Assessment to reflect the fact that the group home portion of this assessment has been repealed effective August 1, 2009.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 are 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 -\$130,701 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 \$122.8 million in Departmental Receipts of which \$121.5 million is the receipt in July 2009 of the FY 2009 Hospital Licensing Fee and \$1.2 million in non-Medicaid payments for board and support of patients at Zambrano and Slater hospitals that were converted to restricted receipts in June 2010. Finally, the net adjustment includes a decrease of \$339,473 in Other General Revenue in 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.

In FY 2011 through the end of the first quarter, a net total of -\$131.9 million of adjustments must be made. These adjustments include a decrease of \$7.2 million in Business Corporation Tax for cash receipts received in September that were accrued back to FY 2010. Also included are decreases 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 a decrease of \$120.5 million in Departmental Receipts for the cash receipt of the FY 2010 Hospital Licensing Fee in FY 2011. These cash receipts have been accrued back to FY 2010. The net adjustment includes a decrease in Other Miscellaneous Revenue of \$985,560 to account for the proceeds received from the sale of the Smithfield Salt Barn which were accrued back to FY 2010. Finally, there is no adjustment to Motor Vehicle Licensing Fees in FY 2011 as the disbursement of interstate trucking payments made to the forty-nine other states and Canada 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	\$(7,159,758)
Health Care Provider	Deduct receipts that accrue to FY 2009	\$(496,275)	\$0
Public Utilities	FY 2010 Audit Recovery	\$0	\$(3,301,779)
Motor Vehicle	Interstate trucking payments adjustment	\$1,588,398	\$0
Racing and Athletics	Elimination of live greyhound racing	\$(130,701)	\$0
Licenses & Fees	Hospital Licensing Fee	\$(121,542,759)	\$(120,458,918)
Sales & Services	Non-Medicaid Board/Support payments	\$(1,246,554)	\$0
Other Miscellaneous	Sale of Smithfield Salt Barn	\$0	\$(985,560)
Gas Tax Transfer	Deduct receipts that accrue to FY 2009	\$(339,473)	\$0
Total		\$(122,167,364)	\$(131,906,015)

Accounting for these revenue adjustments yields a base rate of growth for the fiscal year-to-date period through September 2010 of 7.1 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>Preliminary Growth Estimate</u> 0.4 %	<u>Actual YTD Growth</u> 7.8 %	<u>Base YTD Growth</u> 7.9 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$2.662 Billion	<u>Actual YTD Cash</u> \$738.9 Million	

The Rhode Island Department of Revenue reports that FY 2011 taxes and departmental receipts collected through September 2010 have increased by 7.8 percent as compared to FY 2010 cash collections for the comparable period a year ago. For the fiscal year-to-date period ending September 2010, total taxes and departmental receipts were \$738.9 million as compared to \$685.4 million for the same period last fiscal year, an increase of \$53.5 million.

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; and the non-Medicaid board and support receipt accrual result in a -\$121.8 million adjustment in FY 2010 for comparability between fiscal years. The public utilities gross earnings audit recovery, Business Corporations cash receipt, and the Hospital Licensing Fee accrual result in a -\$130.9 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 7.9 percent. The actual year-to-date growth exceeds the enacted FY 2011 over the preliminary audited FY 2010 cash collections growth rate of 0.4 percent.

Other General Revenue Sources

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -1.5 %	<u>Actual YTD Growth</u> 1.0 %	<u>Base YTD Growth</u> -0.1 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$357.5 Million	<u>Actual YTD Cash</u> \$60.9 Million	

FY 2011 other general revenue sources collected through September of the fiscal year have increased by 1.0 percent as compared to cash collections through September of fiscal year 2010. Other general revenue sources include the Gas Tax Transfer to the general fund, Other Miscellaneous Revenues, the Lottery Transfer, and Unclaimed Property that is transferred to the State in June of each fiscal year. The FY 2011 preliminary growth estimate for other general revenue sources of -1.5 percent lags the actual year to date growth rate of 1.0 percent over year to date FY 2010 collections. For the fiscal year-to-date period ending September 2010, total other general revenue sources were \$60.9 million as compared to \$60.3 million for the same period last year, an increase of \$607,026. Adjustments to FY 2010 for the Gas Tax Transfer

receipt accrual of \$339,473 and FY 2011 for the proceeds from the sale of the Smithfield Salt Barn of \$985,560 result in a base year-to-date growth rate of -0.1 percent.

Total Taxes

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -0.1 %	<u>Actual YTD Growth</u> 10.4 %	<u>Base YTD Growth</u> 8.2 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$2.317 Billion	<u>Actual YTD Cash</u> \$573.9 Million	

Total tax revenues for the fiscal year-to-date period through September 2010 were \$573.9 million, which exceeds the \$519.6 million in total tax cash collections in FY 2010 through September 2009. The FY 2011 year to date growth estimate for tax collections of 10.4 percent exceeds the enacted FY 2011 over preliminary audited FY 2010 tax collections of -0.1 percent. Adjustments of \$961,422 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 public utilities gross earnings audit recovery and Business Corporations cash accrual result in an adjustment of -\$10.5 million. Taking into account the FY 2010 and FY 2011 adjustments to total taxes yields a base fiscal year-to-date growth rate of 8.2 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 September totaled \$4.0 million vs. \$774,713 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	\$ 867,488	\$ 374,198
Business Corporations	50,000	399,541
Financial Institutions	0	0
Insurance	370,000	974
Insurance/HMOs	2,711,000	0
Total	\$ 4,009,717	\$ 774,713

Personal Income Taxes

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 4.4 %	<u>Actual YTD Growth</u> 8.1 %	<u>Base YTD Growth</u> 8.1 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$937.9 Million	<u>Actual YTD Cash</u> \$247.5 Million	

Actual personal income tax cash collections for FY 2011 through the third month of the fiscal year were up \$18.6 million, or 8.1 percent, compared to the same period last fiscal year. The FY 2011 year-to-date growth rate of 8.1 percent surpasses the enacted FY 2011 over preliminary audited FY 2010 growth rate of 4.4 percent. Total personal income tax cash collections for FY 2011 through September 2010 were \$247.5 million vs. FY 2010 cash collections of \$228.9 million through September 2009.

The FY 2011 year-to-date personal income tax cash collections include historic structures tax credit reimbursements through September of \$374,198. This compares to \$867,488 of historic structures tax credit reimbursements through September of FY 2010. Thus, through September, FY 2011 HSTC reimbursements for personal income taxes are \$493,290 less, or -56.9 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 September. 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	Preliminary Growth Estimate
Estimated Payments	\$ 38,310,063	\$ 35,857,035	-6.4 %	16.8 %
Final Payments*	9,992,707	15,001,748	50.1 %	12.7 %
Withholding	200,172,999	212,813,094	6.3 %	6.9 %
Refunds/Adjustments	(19,554,992)	(16,175,533)	-17.3 %	0.4 %

* Final Payments include historic structures tax credit reimbursements of \$867,488 in FY 2010 and \$374,198 in FY 2011.

FY 2011 year-to-date income tax refunds paid were less by \$3.4 million or -17.3 percent, compared to the same period in FY 2010. The -17.3 percent actual growth in cash income tax refunds paid between FY 2011 and FY 2010 leads the preliminary growth rate for income tax refunds paid of 0.4 percent. On average over the last five fiscal years only 6.4 percent of total income tax refunds are paid through the third month of the fiscal year.

Income tax withholding payments have increased by \$12.6 million or 6.3 percent, through the third month of FY 2011 when compared to the same period in FY 2010. The 6.3 percent actual

growth in cash withholding payments between FY 2011 and FY 2010 trails the preliminary growth estimate for income tax withholding payments of 6.9 percent. On average, over the past five fiscal years, 22.8 percent of income tax withholding payments is collected through the third month of the fiscal year.

Fiscal year-to-date final income tax payments received have increased by \$5.0 million, or 50.1 percent, through September of FY 2011 as compared to final payments through the third month of FY 2010. The 50.1 percent actual growth in cash final income tax payments received between FY 2011 and FY 2010 exceeds the preliminary growth rate for final income tax payments received of 12.7 percent. On average, over the last five fiscal years only 5.7 percent of total final income tax payments are received in the first quarter of the fiscal year.

Finally, with respect to estimated income tax payments, year-to-date FY 2011 collections were down \$2.5 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 translates into a fiscal year-to-date growth rate of -6.4 percent. The -6.4 percent actual growth in cash estimated income tax payments received between FY 2010 and FY 2011 lags the preliminary growth rate for estimated income tax payments received of 16.8 percent. On average, over the last five fiscal years 24.7 percent of total estimated income tax payments are made by the end of September.

Sales and Use Taxes

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -2.0 %	<u>Actual YTD Growth</u> 4.0 %	<u>Base YTD Growth</u> 4.0 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$787.0 Million	<u>Actual YTD Cash</u> \$224.5 Million	

Sales and use tax cash collections in FY 2011 were up \$8.6 million, or 4.0 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 4.0 percent growth in sales and use tax revenues for fiscal year-to-date exceeds the enacted FY 2011 over the preliminary audited FY 2010 sales and use tax cash collections growth estimate of -2.0 percent.

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

Component	FY 2010	FY 2011	Nominal Difference	Percent Difference
Net Taxation	\$ 190,106,607	\$ 198,742,490	\$ 8,635,883	4.5%
Registry	23,199,434	22,077,248	(1,122,186)	-4.8 %
Prov. Place Mall	3,061,950	3,443,018	381,068	12.5 %

Within the sales tax components, registry receipts were down 4.8 percent through the third month of FY 2011 when compared to same period last fiscal year. This decrease is likely caused by the fact that the federal government's "Cash for Clunkers" program was in effect during this period in FY 2010. Net sales tax receipts remitted directly to the Division of Taxation posted an increase of 4.5 percent during FY 2011's third month versus the third month of FY 2010. Providence Place Mall (PPM) sales tax receipts were up 12.5 percent through September 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>Preliminary Growth Estimate</u> -5.3 %	<u>Actual YTD Growth</u> 99.8 %	<u>Base YTD Growth</u> 52.0 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$361.3 Million	<u>Actual YTD Cash</u> \$40.5 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 September 2010 of the fiscal year-to-date were \$40.5 million or \$20.2 million more than the \$20.3 million collected for the same period in FY 2010. Year-to-date growth in FY 2011 is 99.8 percent. This exceeds the enacted FY 2011 growth over preliminary audited FY 2010 total general business taxes of -5.3 percent.

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 have been received in July 2009 are accrued back to FY 2009. In FY 2011, \$3.3 million in Public Utilities Gross Earnings taxes

are attributable to a FY 2010 audit recovery and \$7.2 million in Business Corporations taxes are attributable to cash receipts received in September that were accrued back to FY 2010. This results in a negative adjustment to FY 2011 of \$10.5 million. Incorporating these two adjustments produces a base fiscal year-to-date growth rate of 52.0 percent.

FY 2011 year-to-date business corporations taxes were up \$17.5 million or 194.8 percent, from last fiscal year at this time. FY 2011 year-to-date cash collections include \$399,541 of reimbursed Historic Structures Tax credits versus \$50,000 through the same period in FY 2010. This growth rate exceeds the business corporations tax preliminary growth estimate of -17.2 percent. On average, over the past five years, 11.9 percent of business corporate tax payments are received by the third month of the fiscal year.

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

Component	FY 2010	FY 2011	Nominal Difference	Percent Difference
Estimated Payments	\$ 10,446,487	\$ 13,952,686	\$ 3,506,199	33.6 %
Final Payments*	7,906,198	17,091,169	9,184,971	116.2%
Refunds/Adjustments	(9,346,537)	(4,299,126)	5,047,410	-54.0 %
* Final Payments include historic structures tax credit reimbursements of \$50,000 in FY 2010 and \$399,541 in FY 2011.				

Health care provider assessment taxes through September 2010 were \$10.0 million, a decrease of 3.1 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 1.8 percent. On average, over the past five fiscal years, 24.2 percent of nursing home health care provider assessment tax payments are made by the end of September.

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 \$4,241 through the third month of FY 2011 as compared to \$336,476 collected through the third month of FY 2010. On average, over the past five fiscal years, only 4.0 percent of bank deposit tax payments are collected through the end of the first quarter of the fiscal year.

The insurance companies gross premiums tax is down 93.1 percent year-to-date. Insurance companies gross premiums tax cash collections through September 2010 total \$32,997 compared to collections of \$477,927 in FY 2010. FY 2010 collections include \$3.1 million of reimbursed Historic Structures Tax Credits through September. 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, -0.6 percent of insurance companies gross premiums tax payments are collected through the third month of the fiscal year.

The financial institutions tax is down -119.4 percent on a fiscal year-to-date cash basis in FY 2011 vs. FY 2010. Financial institutions tax collections totaled \$112,880 through September 2010 vs. -\$582,938 through September 2009. On average, over the past five fiscal years -1.3 percent of financial institutions taxes are collected through September of the fiscal year.

Finally, public utilities gross earnings taxes were \$3.9 million through September 2010, an increase of 441.2 percent from collections of \$716,039 through September 2009. The base year-to-date growth in public utilities gross earnings taxes is -20.0 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 0.8 percent of public utilities gross earnings taxes are collected through September of the fiscal year.

Excise Taxes Other Than the Sales and Use Tax

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -1.8 %	<u>Actual YTD Growth</u> 9.6 %	<u>Base YTD Growth</u> 6.0 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$195.2 Million	<u>Actual YTD Cash</u> \$52.0 Million	

Excise taxes other than sales and use taxes collected in the fiscal year-to-date September 2010 period totaled \$52.0 million or \$4.5 million more than the \$47.4 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 9.6 percent which exceeds the preliminary growth estimate for FY 2011 of -1.8 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 FY 2011 base year-to-date growth rate of 6.0 percent.

Alcohol taxes are up 7.6 percent in FY 2011 through September over the same period in FY 2010. The preliminary growth estimate for alcohol taxes is 3.8 percent over preliminary audited FY 2010 revenues. FY 2011 year-to-date alcohol taxes total \$3.1 million versus \$2.9 million in year-to-date FY 2010, an increase of \$220,552. Over the past five fiscal years, 25.7 percent of alcohol taxes are received in the first three months of the fiscal year.

Motor Vehicle taxes are up 58.1 percent in FY 2011 through September over the same period in FY 2010. The preliminary growth estimate for motor vehicle taxes is 0.4 percent over the preliminary audited FY 2010 collections. The increase in the motor vehicle taxes can be 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 28.4 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 the first quarter of FY 2011 were up 0.8 percent compared to FY 2010. The year-to-date growth rate exceeds the final enacted FY 2011 over preliminary audited FY 2010 growth estimate of -3.1 percent. Over the past five fiscal years, 26.7 percent of cigarette taxes were collected in the first quarter 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 1.5 percent through the third month of FY 2011 versus the third month of FY 2010. It is too early in the fiscal year to be able to make any definitive statements as to the cause of this increase.

Other Taxes

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -4.6%	<u>Actual YTD Growth</u> 32.3 %	<u>Base YTD Growth</u> 34.8 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$35.8 Million	<u>Actual YTD Cash</u> \$9.3 Million	

Total other taxes collected through September of FY 2011 totaled \$9.3 million versus \$7.0 million in other taxes collected during the same period last fiscal year, an increase of \$2.3 million, or 32.3 percent. The FY 2011 other taxes preliminary growth estimate is -4.6 percent over preliminary 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 34.8 percent.

Inheritance tax collections totaled \$7.1 million through September of FY 2011, an increase of 55.2 percent from the \$4.6 million collected through the third 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, 27.0 percent of inheritance tax collections are received in September of the fiscal year.

Racing and athletics tax collections through September of FY 2011 were down -25.8 percent relative to the same period in FY 2010. The -25.8 percent year-to-date growth rate exceeds the final enacted FY 2011 over preliminary audited FY 2010 collections growth estimate for racing and athletics tax collections of -12.9 percent. 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 3.5 percent. On average, over the past five fiscal years, 25.8 percent of racing and athletics tax collections were collected through the third month of the fiscal year.

Realty transfer taxes were down by 6.3 percent through September of FY 2011 versus September of FY 2010. This decrease in realty transfer taxes lags the enacted FY 2011 over the preliminary audited FY 2010 collections growth estimate of -1.3. On average, over the past five fiscal years, 31.2 percent of realty transfer taxes were collected through the third month of the fiscal year.

Total Departmental Receipts

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 3.6 %	<u>Actual YTD Growth</u> -0.4 %	<u>Base YTD Growth</u> 3.7 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$345.2 Million	<u>Actual YTD Cash</u> \$165.0 Million	

FY 2011 year-to-date departmental receipts total \$165.0 million, a decrease of \$743,524 from the amount that was collected last fiscal year at this time. Actual departmental receipts for FY 2010 were down 0.4 percent when compared to receipts collected during the same period a year ago. The preliminary growth estimate is 3.6 percent for enacted FY 2011 over preliminary audited FY 2010 departmental receipt collections. It is important to note that, in the licenses and fees category of departmental receipts, the Hospital Licensing Fee for FY 2009 and FY 2010 was not due until July following the close of the fiscal year. 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 -0.7 percent or \$1.1 million less than FY 2010 through September 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 \$987,898 in Hospital Licensing Fee payments was received in August and September. Beach Parking Fees cash collections were \$988,011 less through September of FY 2011 than through September of FY 2010. The reason for this decrease is that the State of Rhode Island entered into a five year contract with a third party to collect beach parking fees. The percentage share of revenue for the State of Rhode Island is 80.0 percent of total receipts with a guaranteed minimum of \$1.9 million per year. The payments will come in installments of 20.0 percent on July 1st, 30.0 percent on August 1st and the day after Labor Day and 20.0 percent on June 1st of the fiscal year. In FY 2010, fiscal year-to-date beach parking receipts through September were 99.9 percent of the annual total.

Finally, in FY 2011 through September licenses and fees saw increases in beverage container and participation fees of \$267,437, insurance company annual assessments of \$403,232, professional registration and licensing of \$221,721, fire safety fees of \$243,578 and biannual licenses from physicians of \$214,843. These increases were partially offset by decreases in multi state brokerage firm settlements of \$416,171, bedding and upholstery licensing fees of \$177,747, driving record abstracts of \$360,059 and automobile insurance fees of \$330,902.

Fines and penalties were down 9.9 percent through the third month of FY 2011 versus through the third month of FY 2010, or \$320,079 less than year-to-date cash collections through September 2009. The decrease can partially be attributed to decreases in traffic tribunal fines and fees of \$142,030 and banking enforcement fees of \$110,617 through September of FY 2011 vs. the same period in FY 2010.

In the sales and services category of departmental receipts, FY 2011 year-to-date growth is -2.2 percent over FY 2010 cash collections of \$9.4 million through September 2009. The \$205,783 decrease in sales and services departmental receipts is attributable to 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 a decrease in payments from board and support of veteran homes of \$309,738 through September of FY 2011. This difference is offset in part by the fact that non-Medicaid board and support payments received by the Slater and Zambarano hospitals have been reclassified as restricted receipts in FY 2011. In FY 2010, \$730,187 of non-Medicaid payments for board and support of patients at Zambrano and Slater hospitals were received through September.

Finally, miscellaneous departmental revenues were up \$835,940, or 19.1 percent, through the third month of FY 2011 versus the third month of FY 2010. Much of this revenue increase is due to an increase in cost recoveries of \$636,759 within the Department of Health in FY 2011 vs. FY 2010.

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 Zambrano and Slater Hospital’s yields a base year-to-date growth rate of 3.7 percent for the fiscal year-to-date period through September.

Gas Tax Transfer

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

In the 2009 session, the General Assembly passed a budget article that no longer transfers \$0.01 of the state’s \$0.33 per gallon motor fuel tax 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 \$1.1 million through September 2010 vs. a similar amount through September 2009, an increase of 0.7 percent in FY 2011 over FY 2010.

Other Miscellaneous Revenues

Annual Growth Rates	<u>Preliminary Growth Estimate</u> -57.4%	<u>Actual YTD Growth</u> 5,287.2 %	<u>Base YTD Growth</u> 550.1 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$5.3 Million	<u>Actual YTD Cash</u> \$1.1 million	

Other Miscellaneous Revenues were up 5,287.2 percent in FY 2011 when compared to the same period one year ago. FY 2011 year-to-date collections total \$1.1 million compared to \$20,805 collected at this time last fiscal year. The preliminary FY 2011 growth for other miscellaneous revenues is -57.4 percent for final enacted FY 2011 over preliminary audited FY 2010 collections. In FY 2011, an adjustment of \$985,560 is made to account for the sale of the Smithfield Salt Barn that was posted in July of FY 2011 but accrues back to FY 2010. This adjustment yields a base year-to-date growth rate of 550.1 percent.

Lottery Transfer

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 0.4 %	<u>Actual YTD Growth</u> -0.3 %	<u>Base YTD Growth</u> -0.3 %
Annual Dollar Values	<u>Enacted Revenue Estimate</u> \$346.9 Million	<u>Actual YTD Cash</u> \$59.8 Million	

The Lottery Transfers was down 0.3 percent through September FY 2011 versus through September FY 2010. Year-to-date FY 2011 collections total \$59.8 million compared to \$59.9 million collected this time last year. On average, over the past five fiscal years, 17.0 percent of lottery proceeds were transferred in the first quarter of the fiscal year.

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>Preliminary Growth Estimate</u>
Combined Games	\$ 10,161,694	\$ 8,742,709	-14.0 %	2.6 %
Video Lottery Terminals	49,776,547	51,042,032	2.5 %	0.0 %

The combined games component of the Lottery Transfer is down 14.0 percent through September of FY 2011 versus the same period last fiscal year. This compares to a preliminary growth estimate of 2.6 percent. 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 September 2010 are 36.0 percent less than its sales of only PowerBall tickets through September 2009.

The transfer from the video lottery terminals housed at Twin River and Newport Grand is up 2.5 percent through September of FY 2011 compared to the same period last year. The preliminary growth estimate for the video lottery transfer is 0.0 percent for final enacted FY 2011 over the preliminary audited FY 2010 video lottery transfer.

Unclaimed Property Transfer

Annual Growth Rates	<u>Preliminary Growth Estimate</u> 2.3 %	<u>Actual YTD Growth</u> n/a %	<u>Base YTD Growth</u> n/a %
Annual Dollar Values	<u>Final Revenue Estimate</u> \$6.0 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

October 14, 2010

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

	FY 2010 YTD September	FY 2011 YTD September	Change	Preliminary Growth Estimate
<u>Personal Income Tax</u>	228,920,778	247,496,343	8.1%	4.4%
<u>General Business Taxes</u>				
Business Corporations	8,979,395	26,473,517	194.8%	-17.2%
Public Utilities Gross Earnings	716,039	3,874,902	441.2%	2.3%
Financial Institutions	(582,938)	112,880	-119.4%	-75.4%
Insurance Companies	477,927	32,997	-93.1%	5.6%
Bank Deposits	336,476	4,241	-98.7%	18.3%
Health Care Provider Assessment	10,360,517	10,038,256	-3.1%	-1.1%
<u>Excise Taxes</u>				
Sales and Use	215,927,159	224,536,382	4.0%	-2.0%
Motor Vehicle	6,861,817	10,849,855	58.1%	0.4%
Motor Fuel	137,394	196,246	42.8%	3.2%
Cigarettes	37,528,103	37,810,421	0.8%	-3.1%
Alcohol	2,908,469	3,129,021	7.6%	3.8%
Controlled Substances	-	-	-	-
<u>Other Taxes</u>				
Inheritance and Gift	4,556,456	7,073,570	55.2%	-5.0%
Racing and Athletics	460,912	341,886	-25.8%	-12.9%
Realty Transfer	2,013,859	1,886,174	-6.3%	-1.3%
Total Taxes	\$ 519,602,363	\$ 573,856,691	10.4%	-0.1%
<u>Departmental Receipts</u>				
Licenses and Fees	148,795,014	147,741,412	-0.7%	
Fines and Penalties	3,221,290	2,901,211	-9.9%	
Sales and Services	9,391,652	9,185,869	-2.2%	
Miscellaneous	4,378,965	5,214,905	19.1%	
Total Departmental Receipts	\$ 165,786,921	\$ 165,043,397	-0.4%	3.6%
Taxes and Departmentals	\$ 685,389,284	\$ 738,900,088	7.8%	0.4%
<u>Other General Revenue Sources</u>				
Gas Tax Transfer	339,473	-	-	-
Other Miscellaneous Revenues	20,805	1,120,803	5287.2%	-57.4%
Lottery Transfer	59,938,241	59,784,742	-0.3%	0.4%
Unclaimed Property	-	-	-	2.3%
Total Other Sources	\$ 60,298,519	\$ 60,905,545	1.0%	-1.5%
Total General Revenues	\$ 745,687,803	\$ 799,805,633	7.3%	0.1%