



## State of Rhode Island

### Revenue Estimating Conference

ROOM 117, STATE HOUSE, PROVIDENCE, RI 02903

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*Senate Fiscal Advisor*  
*November 2023 Conference Chair*

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### MEMORANDUM

To: The Honorable Dominick J. Ruggiero, President of the Senate  
The Honorable K. Joseph Shekarchi, Speaker of the House  
Honorable Daniel J. McKee, Governor

From: Stephen H. Whitney, Senate Fiscal Advisor  
Sharon Reynolds Ferland, House Fiscal Advisor  
Joseph Codega Jr., State Budget Officer

Date: November 20, 2023

Subject: **November 2023 Revenue Estimating Conference**

### SUMMARY

The Revenue Estimating Conference met on November 1, 6, and 10, 2023, in open public meetings. The Conference adopted the economic forecast for both calendar and fiscal years 2024 to 2029 and issued revised estimates for FY 2024 and first estimates for FY 2025 revenues. Based on collection trends through October, preliminary FY 2023 closing results, and the revised economic forecast, the Conference increased the FY 2024 estimates by \$42.1 million from the enacted estimate of \$5,276.3 million to \$5,318.4 million. The Conference estimated FY 2025 revenues at \$5,454.2 million, which is \$135.8 million more than the revised estimate for FY 2024.

Tables showing the estimates and the changes by revenue component are included at the end of this report.

## ECONOMIC FORECAST

On November 1, the Conference heard forecasts for the national and Rhode Island economies from S&P Global Market Intelligence. They were represented by Juan Turcios, Principal Economist - US Economics and Karl Kuykendall, Associate Director – US Regional Economics. The conferees also received testimony from Donna Murray, Assistant Director, Labor Market Information, of the Department of Labor and Training. The Conference adopted a revised economic forecast for Rhode Island based on the information presented.

The forecast and prior year data are shown in the following table.

**November 2023 Consensus Economic Forecast**

	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Nonfarm Employment (Thous. \$)	479.6	496.1	496.6	498.4	498.2	498.8	500.9	503.1	504.9
Personal Income (Millions \$)	69,837	69,514	72,710	75,841	79,270	82,583	86,169	89,849	93,542
Housing Starts (Thous. \$)	1.3	1.2	1.0	1.0	1.2	1.3	1.3	1.3	1.3
Nonfarm Employment Growth	4.0	3.4	0.1	0.4	0.0	0.1	0.4	0.4	0.4
Personal Income Growth	7.8	-0.5	4.6	4.3	4.5	4.2	4.3	4.3	4.1
Wage and Salaries Income Growth	7.4	7.7	4.7	4.4	3.9	3.8	4.2	4.2	4.0
Dividends, Interest, and Rent Growth	10.1	3.5	5.7	7.5	8.3	4.8	3.9	3.4	3.2
Personal Consumption Expenditures Growth	12.8	8.1	5.2	3.3	3.3	3.8	4.1	4.0	3.9
Consumer Price Index (US)	4.7	8.0	4.1	2.4	2.2	2.2	2.2	2.2	2.2
Corporate Profits Growth (US)	22.6	9.8	0.4	-2.8	-2.3	1.6	2.6	3.1	3.8
S&P 500 Index Growth (US)	32.6	-3.9	2.7	-7.4	0.9	4.5	2.7	3.1	2.8
Unemployment Rate	5.5	3.2	2.8	3.0	3.8	4.3	4.3	4.2	4.1
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Nonfarm Employment (Thous. \$)	468.0	489.5	498.0	496.9	498.4	498.3	499.8	502.0	504.1
Personal Income (Millions \$)	67,936	68,803	71,224	74,072	77,596	80,913	84,335	88,009	91,696
Housing Starts (Thous. \$)	1.3	1.1	1.2	0.9	1.1	1.3	1.3	1.3	1.3
Nonfarm Employment Growth	-3.0	4.6	1.8	-0.2	0.3	0.0	0.3	0.5	0.4
Personal Income Growth	8.7	1.3	3.5	4.0	4.8	4.3	4.2	4.4	4.2
Wage and Salaries Income Growth	4.2	9.0	5.4	4.5	4.2	3.8	4.0	4.3	4.1
Dividends, Interest, and Rent Growth	4.8	6.4	5.5	5.3	9.3	6.3	4.1	3.7	3.2
Personal Consumption Expenditures Growth	6.9	11.2	6.4	3.8	3.2	3.5	4.0	4.0	4.0
Consumer Price Index (US)	2.3	7.2	6.3	2.9	2.4	2.2	2.1	2.2	2.2
Corporate Profits Growth (US)	17.2	11.7	5.3	0.1	-4.4	-0.1	2.4	2.8	3.5
S&P 500 Index Growth (US)	23.9	17.9	-8.9	2.9	-6.0	3.9	3.4	2.8	3.0
Unemployment Rate	7.5	4.0	3.2	2.7	3.4	4.1	4.3	4.3	4.2

Mr. Turcios’ testimony on the United States economy noted that recent robust growth is expected to slow to below-trend in 2024. He indicated that there are numerous factors contributing to the pause in growth, including waning federal fiscal support, the relative slack in demand as compared to immediately after the pandemic, tightening financial conditions, the erosion of income and wealth by high inflation, and weakening foreign growth. Mr. Turcios indicated that inflation is key to the forecast, and it remains above the Federal Reserve’s 2.0 percent target. It is expected that inflation will slowly moderate towards the 2.0 percent target with a slowing economy, adjusting labor markets and lowering consumer demand.

Mr. Turcios explained that labor markets have been tight over the last couple of years with resulting wage growth. The forecast anticipates the jobless rate to climb over the next few years helping to slow wage gains. Tight labor markets have supported resilient consumer spending that has powered strong above-trend gross domestic product (GDP) growth, including a robust 4.9 percent annualized rate expansion in the third quarter. Growth in personal consumption expenditures are anticipated to slow to a more sustainable pace in the fourth quarter.



Mr. Turcios expects the Federal Reserve to continue its battle against high inflation. The federal funds rate has risen sharply, and is expected to increase once more in December to reach a peak range of 5.50 to 5.75 percent by the end of this year. Rates are not anticipated to be adjusted again for at least six months.

According to Mr. Turcios, potential risks to the economic forecast include a sharper credit pullback by the banking sector in the aftermath of the banking turmoil from earlier this year, possible growing weakness in the commercial real estate sector, a federal government shutdown that can start later this month or early in 2024, and intensifying conflicts in Ukraine and the Middle East.

Mr. Karl Kuykendall gave testimony on the Rhode Island economy, indicating that the state is entering a period of below trend growth. Employment projections at the sector level are mixed. On the growth side, there should be solid gains in education and health and state and local government employment. Retail trade and manufacturing employment are expected to decline.

Mr. Kuykendall explained that wage growth will remain elevated compared to historic averages but come down from recent highs. He indicated that solid wage growth should help support wage disbursements as employment decelerates. Nevertheless, wages growth is expected to fall from a 5.4 percent pace in FY 2023 to 4.5 percent in FY 2024 before decelerating further to 4.2 percent in FY 2025 and 3.8 percent in FY 2026.

Ms. Murray of the Department of Labor and Training recapped Rhode Island's pandemic employment history, indicating that between March and April 2020, it lost 108,300 jobs (21.3 percent). The state began its recovery in May 2020 and by February 2023, jobs in the state surpassed 500,000 for the first time in three years with 94.5 percent of the lost jobs having been recovered. However, in March, job gains stalled. Monthly job estimates fell four times in the following seven months, a loss of 8,600 jobs, overshadowing the three months of gains totaling 2,900. The state began to rebound in August with the addition of 700 jobs, followed by a gain of 1,400 in September. However, jobs have been below their prior year level since April 2023. Through September 2023, the state has regained a total of 96,600 jobs or 89.2 percent of the total lost during the Covid-related shutdown. At present just four sectors – Construction, Manufacturing, Wholesale Trade and Professional & Technical Services have recouped all the jobs lost during the shutdown. The conferees continued their discussion with the Department regarding the impacts of recent remote work trends, as Rhode Island firms allow employees formerly based in the state to work from out-of-state locations. This continues to have the potential to impact state jobs data and personal income tax collections.

The Department shared data on Rhode Island's labor force participation rate, the percentage of the working age population- defined as those age 16 and older- that is currently either employed or actively seeking employment. The Department testified that the rate has increased steadily since its pandemic low of 61.0 percent in April 2020. At 64.4 percent, it is up slightly from its pre-pandemic level of 64.2 percent in 2019 but remains significantly below the record high average of 68.8 percent recorded in 2007 with most of that decline occurring among younger workers. While labor force participation for the prime working age population has shown some improvement, labor force participation among young people has seen near steady decline over the last 25 years. Nearly 58 percent of teenagers and 83 percent of 20- to 24-year-olds participated in the labor force in 1999. Participation for both groups has trended downward falling to 44 percent for teenagers and 69.6 percent for 20- to 24-year-olds in 2023.

According to the Department, the September 2023 unemployment rate was 2.6 percent, the lowest rate on record. Nationally, unemployment averaged 3.8 percent in September. There are currently 14,900 unemployed Rhode Island residents, down 300 over the month and 4,400 over the year. Unemployment has fallen in ten of the last twelve months and there are 6,100 fewer unemployed Rhode Island residents now than there were prior to the pandemic.



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The following table shows the changes to the May 2023 forecast by metric. Changes to historical information are the result of data revisions that occur regularly.

November 2023 Changes to the May 2023 Consensus Economic Forecast

	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Nonfarm Employment (Thous. \$)	0.0	0.0	-4.3	-2.4	-3.0	-3.9	-3.4	-2.5	504.9
Personal Income (Millions \$)	(694)	(1,991)	(2,061)	(2,011)	(1,780)	(1,924)	(2,015)	(2,093)	93,542
Housing Starts (Thous. \$)	0.0	0.1	-0.2	-0.3	-0.1	-0.1	0.0	0.0	1.3
Nonfarm Employment Growth	0.0	0.0	-0.9	0.4	-0.1	-0.2	0.1	0.2	0.4
Personal Income Growth	0.5	-1.8	0.0	0.2	0.4	-0.1	0.0	0.0	4.1
Wage and Salaries Income Growth	0.1	-1.8	-0.9	0.6	0.0	-0.3	0.0	0.1	4.0
Dividends, Interest, and Rent Growth	7.6	-0.8	0.3	2.6	3.9	0.9	-0.1	-0.3	3.2
Personal Consumption Expenditures Growth	0.0	-0.8	-0.3	0.2	-0.1	-0.1	0.0	-0.1	3.9
Consumer Price Index (US)	0.0	0.0	-0.4	-0.3	0.0	0.1	-0.1	0.0	2.2
Corporate Profits Growth (US)	0.0	3.2	-2.3	-2.7	-3.1	-1.6	-0.9	-1.0	3.8
S&P 500 Index Growth (US)	0.0	0.0	2.5	-9.8	1.4	1.6	-1.7	-1.0	2.8
Unemployment Rate	0.0	0.0	-0.6	-1.2	-0.7	-0.2	-0.1	-0.1	4.1
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Nonfarm Employment (Thous. \$)	0.0	0.0	-1.7	-3.9	-2.5	-3.6	-3.8	-3.0	504.1
Personal Income (Millions \$)	(641)	(1,266)	(2,062)	(2,212)	(1,827)	(1,836)	(1,977)	(2,062)	91,696
Housing Starts (Thous. \$)	0.0	0.0	0.0	-0.3	-0.2	-0.1	0.0	0.0	1.3
Nonfarm Employment Growth	0.0	0.0	-0.3	-0.5	0.3	-0.2	0.0	0.2	0.4
Personal Income Growth	0.8	-0.9	-1.1	-0.1	0.6	0.1	-0.1	0.0	4.2
Wage and Salaries Income Growth	0.1	-0.2	-2.5	0.4	0.4	-0.3	-0.2	0.1	4.1
Dividends, Interest, and Rent Growth	5.2	2.3	0.5	0.1	4.7	2.3	0.2	-0.2	3.2
Personal Consumption Expenditures Growth	1.4	-0.4	-0.9	0.2	0.0	-0.1	0.0	-0.1	4.0
Consumer Price Index (US)	0.0	0.0	-0.1	-0.6	0.0	0.1	-0.1	-0.1	2.2
Corporate Profits Growth (US)	5.0	-2.0	1.5	-0.7	-4.6	-2.4	-1.0	-1.1	3.5
S&P 500 Index Growth (US)	0.0	0.0	0.7	-2.5	-6.0	3.2	-0.8	-1.4	3.0
Unemployment Rate	0.0	0.0	-0.1	-1.1	-1.0	-0.4	-0.1	-0.1	4.2

**REVENUES**

**Taxes.** Revenues from taxes in FY 2024 are estimated to increase 1.5 percent from preliminary FY 2023 collections and increase 3.5 percent in FY 2025 over the revised FY 2024 estimate. Total estimated tax revenues for FY 2024 of \$4,301.6 million are \$12.5 million above the enacted estimate. FY 2025 total estimated taxes are \$4,454.2 million, \$152.6 million above the revised FY 2024 estimate.

**Personal Income Tax.** The personal income tax estimates of \$1,853.9 million for FY 2024 and \$1,910.2 million for FY 2025 represent annual growth rates of 2.2 percent and 3.0 percent, respectively. The FY 2024 revised estimate is \$31.8 million less than enacted primarily from an anticipated decrease in estimated payments and increased refunds. The FY 2025 estimate is \$56.3 million more than the FY 2024 revised estimate, with an anticipated increase of \$58.4 million in withholding revenues, the largest component of this tax, offset by an increase in refunds and net accrual adjustments.

**Business Taxes.** The conferees estimate total business taxes of \$613.1 million in FY 2024 and \$659.5 million in FY 2025. Year over year growth rates are 1.9 percent and 7.6 percent, respectively as FY 2023 collections were \$601.5 million. The FY 2024 estimate is \$33.3 million more than enacted, while the FY 2025 estimate is \$46.4 million more than the revised estimate. Much of the FY 2025 growth stems from an FY 2024 rebate of electricity and gas public utilities gross receipts tax that does not repeat in FY 2025.

**Sales and Use Taxes.** Sales tax, the bulk of the consumption taxes, is estimated at \$1,628.6 million for FY 2024 and \$1,681.8 million for FY 2025. The FY 2024 revenues are \$21.6 million above the enacted estimate, which represents growth of 4.1 percent from the preliminary FY 2023 receipts. The FY 2025 estimate is \$53.2 million, or 3.3 percent, above the revised FY 2024 estimate.



**Excise Taxes Other Than Sales and Use Taxes.** The conferees estimate \$148.1 million for revised FY 2024 and \$137.9 million for FY 2025 from excise taxes other than sales and use taxes. These taxes include tobacco and alcohol taxes. The FY 2024 revised estimate is \$8.9 million, or 5.7 percent, below the prior year, of which \$0.9 million relates to the shift of duplicate license fees to the transportation fund. The total FY 2025 estimate decreases by \$10.2 million, or 6.9 percent, from the revised estimate for FY 2024, primarily from the ongoing decline in cigarette sales.

**Other Taxes.** The inheritance and gift, racing and athletics, and realty transfer taxes are estimated to produce \$57.9 million in FY 2024 and \$64.8 million in FY 2025. The FY 2024 revised estimate is \$13.4 million less than enacted and the FY 2025 estimate for total other taxes is \$6.9 million more than the FY 2024 revised estimate.

**Departmental Receipts.** The conferees adopted estimates of \$531.1 million for FY 2024 and \$494.2 million for FY 2025 for these sources that include licenses and fees, fines and penalties, sales and services, and miscellaneous departmental receipts that are deposited as general revenues. The FY 2024 revised estimate is \$13.1 million less than enacted reflecting adjustments based on FY 2023 performance. The FY 2025 estimate is \$36.9 million less than the revised FY 2024 estimate. The decline includes the expected tapering of recently high investment earnings.

**Lottery Transfer.** The lottery transfer is estimated to produce general revenue of \$436.8 million in FY 2024, with \$321.0 million generated from the video lottery terminals installed at Twin River – Lincoln and Tiverton; \$75.0 million derived from combined games, which include PowerBall, Mega Millions, scratch tickets, and Keno; \$14.8 million in net revenues received from the table games at both the Twin River Lincoln and Tiverton locations; \$21.1 million from sports betting at both casino locations and via the mobile application; and \$4.9 million from the newly authorized iGaming platform. The FY 2024 revised estimate is \$8.2 million above the FY 2024 enacted estimate transfer, primarily from recognizing revenue from iGaming, expected to begin in March 2024 and increased video lottery activity. The revised estimate is \$2.1 million above the FY 2023 transfer.

The estimated transfer is \$458.8 million for FY 2025, with \$319.4 million derived from video lottery terminals, \$75.7 million from combined games, \$15.1 million from the table games, \$23.5 million from sports betting, and \$25.1 million from iGaming. The FY 2025 lottery transfer is projected to increase by \$22.0 million from the FY 2024 revised estimated, primarily reflecting revenue from a full year of iGaming implementation.

**Other Sources.** Other source revenue consists of transfers to the general fund from unclaimed property and other miscellaneous sources, often non-recurring. These are estimated to produce \$48.9 million in FY 2024 and \$47.0 million in FY 2025. The FY 2024 is \$8.3 million more than the enacted level, primarily reflecting increases in investment earnings on general obligation bond proceeds. FY 2025 is \$1.9 million below the revised FY 2024 estimate, reflecting a similar tapering off of investment earnings discussed in departmental receipts above.

The tables that follow show the results by revenue category, along with information on the FY 2023 preliminary closing and comparison to the FY 2024 enacted budget.

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<b>November 2023 CRE</b>	<b>FY 2023</b>	<b>FY 2024 Estimate</b>		<b>FY 2025 Estimate</b>	
<b>Personal Income Tax</b>	\$ 1,813,605,110	\$ 1,853,900,000	2.2%	\$ 1,910,200,000	3.0%
<b>General Business Taxes</b>					
Business Corporations	272,572,015	310,900,000	14.1%	314,300,000	1.1%
Public Utilities Gross	97,409,661	67,800,000	-30.4%	104,400,000	54.0%
Financial Institutions	32,456,113	26,900,000	-17.1%	26,400,000	-1.9%
Insurance Companies	154,637,561	163,300,000	5.6%	167,900,000	2.8%
Bank Deposits	4,623,813	4,600,000	-0.5%	4,600,000	0.0%
Health Care Provider	39,850,814	39,600,000	-0.6%	41,900,000	5.8%
<b>Sales and Use Taxes</b>					
Sales and Use	1,564,773,929	1,628,600,000	4.1%	1,681,800,000	3.3%
Motor Vehicle	935,486	-	-100.0%	-	-
Cigarettes	133,559,917	125,600,000	-6.0%	114,900,000	-8.5%
Alcohol	22,478,567	22,500,000	0.1%	23,000,000	2.2%
<b>Other Taxes</b>					
Estate and Transfer	82,315,543	42,400,000	-48.5%	48,800,000	15.1%
Racing and Athletics	583,121	600,000	2.9%	600,000	0.0%
Realty Transfer	16,511,739	14,900,000	-9.8%	15,400,000	3.4%
<b>Total Taxes</b>	<b>\$ 4,236,313,389</b>	<b>\$ 4,301,600,000</b>	<b>1.5%</b>	<b>\$ 4,454,200,000</b>	<b>3.5%</b>
Departmental Receipts	492,825,815	531,100,000	7.8%	494,200,000	-6.9%
Other Miscellaneous	32,701,548	30,200,000	-7.6%	26,900,000	-10.9%
Lottery	434,666,769	436,800,000	0.5%	458,800,000	5.0%
Unclaimed Property	14,988,458	18,700,000	24.8%	20,100,000	7.5%
<b>Total General Revenues</b>	<b>\$ 5,211,495,979</b>	<b>\$ 5,318,400,000</b>	<b>2.1%</b>	<b>\$ 5,454,200,000</b>	<b>2.6%</b>



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<b>November 2023 CRE</b>	<b>FY 2024 Enacted</b>	<b>FY 2024 Revised Estimate</b>	<b>Change to Enacted</b>	<b>FY 2025 Estimate</b>	<b>Change to FY 2024 Rev. Est.</b>
<b>Personal Income Tax</b>	1,885,662,443	1,853,900,000	(31,762,443)	1,910,200,000	56,300,000
<b>General Business Taxes</b>			-		
Business Corporations	276,000,000	310,900,000	34,900,000	314,300,000	3,400,000
Public Utilities Gross	65,260,523	67,800,000	2,539,477	104,400,000	36,600,000
Financial Institutions	34,500,000	26,900,000	(7,600,000)	26,400,000	(500,000)
Insurance Companies	158,200,130	163,300,000	5,099,870	167,900,000	4,600,000
Bank Deposits	4,600,000	4,600,000	-	4,600,000	-
Health Care Provider	41,200,000	39,600,000	(1,600,000)	41,900,000	2,300,000
<b>Sales and Use Taxes</b>			-		
Sales and Use	1,607,000,000	1,628,600,000	21,600,000	1,681,800,000	53,200,000
Cigarettes	122,900,000	125,600,000	2,700,000	114,900,000	(10,700,000)
Alcohol	22,500,000	22,500,000	-	23,000,000	500,000
<b>Other Taxes</b>					
Estate and Transfer	55,500,000	42,400,000	(13,100,000)	48,800,000	6,400,000
Racing and Athletics	500,000	600,000	100,000	600,000	-
Realty Transfer	15,300,000	14,900,000	(400,000)	15,400,000	500,000
<b>Total Taxes</b>	<b>\$ 4,289,123,096</b>	<b>\$ 4,301,600,000</b>	<b>\$ 12,476,904</b>	<b>\$ 4,454,200,000</b>	<b>\$ 152,600,000</b>
Departmental Receipts	517,968,317	531,100,000	13,131,683	494,200,000	(36,900,000)
Other Miscellaneous	24,083,875	30,200,000	6,116,125	26,900,000	(3,300,000)
Lottery	428,600,000	436,800,000	8,200,000	458,800,000	22,000,000
Unclaimed Property	16,500,000	18,700,000	2,200,000	20,100,000	1,400,000
<b>Total General Revenues</b>	<b>\$ 5,276,275,288</b>	<b>\$ 5,318,400,000</b>	<b>\$ 42,124,712</b>	<b>\$ 5,454,200,000</b>	<b>\$ 135,800,000</b>

**NEXT MEETING**

The next required meeting of the conference is May 2024.

cc: The Honorable Louis P. DiPalma, Chairman  
Senate Finance Committee

The Honorable Marvin L. Abney, Chairman  
House Finance Committee