



State of Rhode Island and Providence Plantations

Revenue Estimating Conference

Room 305, STATE HOUSE, PROVIDENCE, RI 02903

SHARON REYNOLDS FERLAND
House Fiscal Advisor
May 2015 Conference Chair

THOMAS A. MULLANEY
Executive Director/State Budget Officer

STEPHEN H. WHITNEY
Senate Fiscal Advisor

MEMORANDUM

To: The Honorable Nicholas A. Mattiello, Speaker of the House
The Honorable Gina M. Raimondo, Governor
The Honorable M. Teresa Paiva Weed, President of the Senate

From: Sharon Reynolds Ferland, House Fiscal Advisor
Thomas A. Mullaney, State Budget Officer
Stephen H. Whitney, Senate Fiscal Advisor

Date: May 19, 2015

Subject: **May 2015 Revenue Estimating Conference**

SUMMARY

The Revenue Estimating Conference met in open public meetings to adopt the economic forecast and review and revise the estimated revenues for FY 2015 and FY 2016 and concluded its deliberations May 8. The Conference revised the FY 2015 estimate to \$3,615.7 million based on collections trends through April, and the revised economic forecast. The estimate is \$106.8 million more than the revenues estimated in November.

The Conference increased the FY 2016 forecast to \$3,416.8 million based on its FY 2015 revisions and the new economic forecast. The estimate is \$36.6 million more than the November estimate and \$180.3 million less than the Governor's proposed budget which includes changes that could not be included in the estimate because they changed current law, of which \$156.1 million is the hospital license fee, which is renewed annually. Tables showing the estimates and the changes are included at the end of this report.

Economic Forecast

On May 1, the Conference heard forecasts for the national and Rhode Island economies from Mr. Aaron Smith, senior economist with Moody's Analytics, and received testimony from Ms. 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 is shown in the following table.

| May 2015 Consensus Economic Forecast | | | | | | | | | | |
|--------------------------------------|------------|------------|------------|------------|-------------|------------|------------|-------------|------------|------------|
| Annual Growth | CY 2013 | CY 2014 | CY 2015 | CY 2016 | CY 2017 | CY 2018 | CY 2019 | CY 2020 | CY 2021 | CY 2022 |
| Nonfarm Employment (000's) | 471.6 | 477.7 | 482.0 | 491.6 | 497.6 | 500.5 | 502.3 | 503.5 | 504.8 | 507.0 |
| Nonfarm Employment Growth | 1.3 | 1.3 | 0.9 | 2.0 | 1.2 | 0.6 | 0.4 | 0.2 | 0.3 | 0.4 |
| Personal Income (bil.) | \$49,409.6 | \$51,532.2 | \$53,240.9 | \$56,369.9 | \$ 59,145.7 | \$61,378.2 | \$63,391.4 | \$ 65,409.1 | \$67,567.9 | \$69,886.4 |
| Personal Income Growth | 1.7 | 4.3 | 3.3 | 5.9 | 4.9 | 3.8 | 3.3 | 3.2 | 3.3 | 3.4 |
| Wage and Salaries Income | 3.3 | 3.7 | 3.9 | 6.6 | 5.1 | 4.0 | 3.6 | 3.0 | 2.8 | 2.9 |
| Dividends, Interest and Rent | 2.5 | 3.2 | 3.1 | 9.7 | 8.3 | 4.6 | 2.4 | 2.5 | 2.9 | 3.1 |
| Rates | | | | | | | | | | |
| Unemployment Rate | 9.2 | 7.7 | 6.2 | 5.8 | 5.4 | 5.3 | 5.2 | 5.2 | 5.2 | 5.1 |
| Consumer Price Index (US) | 1.5 | 1.6 | 0.6 | 2.6 | 2.7 | 2.7 | 2.5 | 2.2 | 2.2 | 2.1 |
| Ten Year Treasuries | 2.4 | 2.5 | 2.5 | 3.6 | 4.5 | 4.5 | 4.4 | 4.4 | 4.5 | 4.5 |
| Three Month Treasuries | 0.1 | 0.0 | 0.2 | 1.4 | 2.7 | 3.3 | 3.3 | 3.5 | 3.7 | 3.8 |
| Annual Growth | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| Nonfarm Employment | 468.1 | 475.0 | 479.5 | 486.7 | 495.3 | 499.1 | 501.6 | 502.9 | 504.0 | 505.8 |
| Nonfarm Employment Growth | 1.1 | 1.5 | 1.0 | 1.5 | 1.8 | 0.8 | 0.5 | 0.3 | 0.2 | 0.4 |
| Personal Income (bil.) | \$49,007.4 | \$50,462.5 | \$52,212.5 | \$54,800.7 | \$ 57,824.4 | \$60,304.0 | \$62,404.3 | \$ 64,383.7 | \$66,471.4 | \$68,702.7 |
| Personal Income Growth | 2.9 | 3.0 | 3.5 | 5.0 | 5.5 | 4.3 | 3.5 | 3.2 | 3.2 | 3.4 |
| Wage and Salaries Income | 3.0 | 3.6 | 3.1 | 6.0 | 6.0 | 4.3 | 3.9 | 3.3 | 2.9 | 2.8 |
| Dividends, Interest and Rent | 6.9 | 2.3 | 2.5 | 6.7 | 9.4 | 6.7 | 3.1 | 2.3 | 2.7 | 3.0 |
| Rates | | | | | | | | | | |
| Unemployment Rate | 9.7 | 8.5 | 6.7 | 6.0 | 5.5 | 5.3 | 5.2 | 5.2 | 5.2 | 5.2 |
| Consumer Price Index (US) | 1.7 | 1.6 | 0.8 | 1.9 | 2.6 | 2.7 | 2.6 | 2.3 | 2.2 | 2.1 |
| Ten Year Treasuries | 1.8 | 2.7 | 2.3 | 3.1 | 4.1 | 4.6 | 4.4 | 4.4 | 4.4 | 4.5 |
| Three Month Treasuries | 0.1 | 0.0 | 0.0 | 0.7 | 2.2 | 3.0 | 3.3 | 3.4 | 3.6 | 3.7 |

Testimony from Mr. Smith highlighted the U.S. economy's sluggish performance in the first quarter of calendar year 2015; first quarter real GDP growth is set to come in at a "meager" 1.5 percent pace and employment growth has slowed sharply. Moody's attributed the downturn in economic activity, particularly in comparison to its own November 2014 predictions, to three main causes: the sustained decrease in global energy prices, the strength of the U.S. dollar, and unseasonably bad winter weather in much of the country.

While November 2014 conference testimony from Moody's economist Chris Lafakis noted the firm's prediction of a continued strengthening of the economy due to the global decrease in oil prices, the extent to which energy prices dipped overall resulted in a significant and unexpected decrease in energy sector profits. The November testimony included predictions that increased U.S. and Libyan production levels and decreased demand from developing states coupled with the strength of the U.S. dollar against other currencies would result in lower prices for U.S. consumers. The anticipated result of which would be increased discretionary spending by American households and small businesses, especially in the fourth quarter of calendar year 2014, offsetting any negative effects the price drop would have on the energy sector itself.

However, it seems that the sharpness of the decline and the sustained decrease in prices were not anticipated by U.S. energy firms; active rigs drilling for oil and gas have been cut in half

since the end of calendar year 2014, leading to what Moody's describes as a "freefall" of energy-related investment and jobs. Additionally, contrary to the November predictions, consumers have saved rather than spent, to help themselves offset an anticipated future increase in energy prices.

Mr. Smith stated that the continued strength of the U.S. dollar has hampered growth in the U.S. manufacturing industry and has hurt large multinational American companies. The dollar is up more than 20 percent against the yen and the euro. U.S. exports are more expensive for foreign buyers and multinationals' profits on overseas operations are decreased. Although the stronger dollar has resulted in additional savings for U.S. consumers, lowering the cost of imported goods, as with fuel savings, Americans thus far have been reluctant to put any additional discretionary dollars back into the economy through increased spending.

Unseasonably bad winter weather was cited as the third factor negatively impacting the economy, impeding growth by as much as half a percentage point. Together, Moody's reports that these elements slowed GDP growth by one and a half percentage points in the winter months of 2015.

It is possible, that the slow growth in the first quarter of the year is indicative of a structural change in the U.S. economy. Mr. Smith testified that sluggish first quarter growth has been the norm since 2010, with average annualized year-over-year GDP growth at just over half a percent in the first quarter, rising to between 2.5 and 3.1 percent for the remainder of the year. Changes in government spending, including decreased defense spending in the fourth and first quarters, have contributed to this growth pattern each year.

Moody's anticipates that the energy sector's cut-backs should be concluded soon and consumer spending should increase, resulting in a growth rate of approximately three percent for the remainder of the year; growth of about 3.5 percent is expected for calendar year 2016.

The testimony provided by Mr. Smith was the first in four conferences to not highlight the positive positioning of the financial sector to provide loans and the ideal positioning of U.S. businesses to begin capital investment and large-scale hiring. During and immediately following the recession, businesses deleveraged and downsized to the maximum extent possible. Although American businesses have never been more profitable, growth of any significance would require correspondingly significant investment in equipment and human capital, and November 2013, May 2014, and November 2014 predictions for employment and wage and salary growth included significant business investments.

Moody's May 2015 testimony focused on consumer spending as the main catalyst of growth. Rather than speculative investments made by businesses, increased demand for products and services would result in increased capital purchases and hiring. U.S. businesses remain ideally positioned, but appear unwilling to make purchases or large numbers of new hires without preexisting demand.

This is evidenced by growth reductions included in the May 2015 forecast. Rhode Island wage and salary growth for fiscal year 2015 has been decreased from November 2014's forecast of 5.7 percent to 3.9 percent and fiscal year 2016 growth has been reduced from 5.9 percent to 5.0 percent. Employment growth has been similarly reduced from 1.4 percent to 1.0 percent for FY 2015 and from 2.4 percent to 1.5 percent for FY 2016. As neither wage growth nor increased employment is predicted to provide the previously anticipated uptick in discretionary spending, the May 2015 forecast relies heavily on consumers' savings and spending patterns changing in the second half of calendar year 2015.

The table below shows the difference from the November forecast.

| May 2015 Consensus Economic Forecast Change to Nov 2014 | | | | | | | | | |
|---|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Annual Growth | CY 2013 | CY 2014 | CY 2015 | CY 2016 | CY 2017 | CY 2018 | CY 2019 | CY 2020 | CY 2021 |
| Nonfarm Employment (000's) | 0.5 | 0.3 | -4.3 | -5.9 | -5.3 | -3.8 | -1.9 | -0.6 | -0.2 |
| Nonfarm Employment Growth | 0.1 | 0.0 | -1.0 | -0.3 | 0.2 | 0.3 | 0.4 | 0.3 | 0.1 |
| Personal Income (bil.) | \$ - | \$ 61.6 | \$(730.0) | \$(761.3) | \$(658.1) | \$(405.2) | \$(224.0) | \$ (80.4) | \$ (88.5) |
| Personal Income Growth | 0.0 | 0.1 | -1.5 | 0.0 | 0.2 | 0.5 | 0.3 | 0.2 | 0.0 |
| Wage and Salaries Income | 0.0 | -1.1 | -1.8 | -0.2 | 0.0 | 0.3 | 0.5 | 0.3 | -0.1 |
| Dividends, Interest and Rent | 0.0 | 0.5 | -2.6 | -0.1 | 0.9 | 0.8 | -0.5 | -0.2 | -0.1 |
| Rates | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Unemployment Rate | -0.3 | -0.4 | -0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Consumer Price Index (US) | 0.0 | -0.2 | -1.5 | 0.2 | -0.2 | -0.2 | -0.1 | -0.1 | -0.2 |
| Ten Year Treasuries | 0.0 | -0.1 | -0.9 | -0.8 | -0.3 | 0.0 | -0.1 | -0.1 | -0.1 |
| Three Month Treasuries | 0.0 | 0.0 | -0.1 | -0.3 | -0.3 | -0.1 | -0.1 | -0.1 | -0.2 |
| Annual Growth | FY 2013 | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| Nonfarm Employment | -0.1 | 0.6 | -1.4 | -5.8 | -5.5 | -4.7 | -2.8 | -1.1 | -0.3 |
| Nonfarm Employment Growth | 0.0 | 0.2 | -0.4 | -0.9 | 0.1 | 0.2 | 0.4 | 0.3 | 0.2 |
| Personal Income (bil.) | \$ 0.0 | \$ 10.7 | \$(274.9) | \$(793.0) | \$(733.1) | \$(518.2) | \$(309.7) | \$(134.4) | \$(66.6) |
| Personal Income Growth | 0.0 | 0.0 | -0.6 | -1.0 | 0.2 | 0.4 | 0.4 | 0.3 | 0.1 |
| Wage and Salaries Income | 0.0 | -0.4 | -1.8 | -0.9 | 0.0 | 0.1 | 0.5 | 0.4 | 0.0 |
| Dividends, Interest and Rent | 0.0 | 0.0 | -0.3 | -2.3 | 0.6 | 1.2 | -0.1 | -0.4 | -0.1 |
| Rates | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Unemployment Rate | 0.0 | -0.5 | -0.6 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Consumer Price Index (US) | 0.0 | 0.0 | -1.1 | -0.4 | -0.1 | -0.2 | -0.1 | -0.1 | -0.2 |
| Ten Year Treasuries | 0.0 | 0.0 | -0.6 | -0.9 | -0.7 | 0.0 | -0.1 | -0.1 | -0.1 |
| Three Month Treasuries | 0.0 | 0.0 | 0.0 | -0.2 | -0.4 | -0.2 | -0.1 | -0.1 | -0.1 |

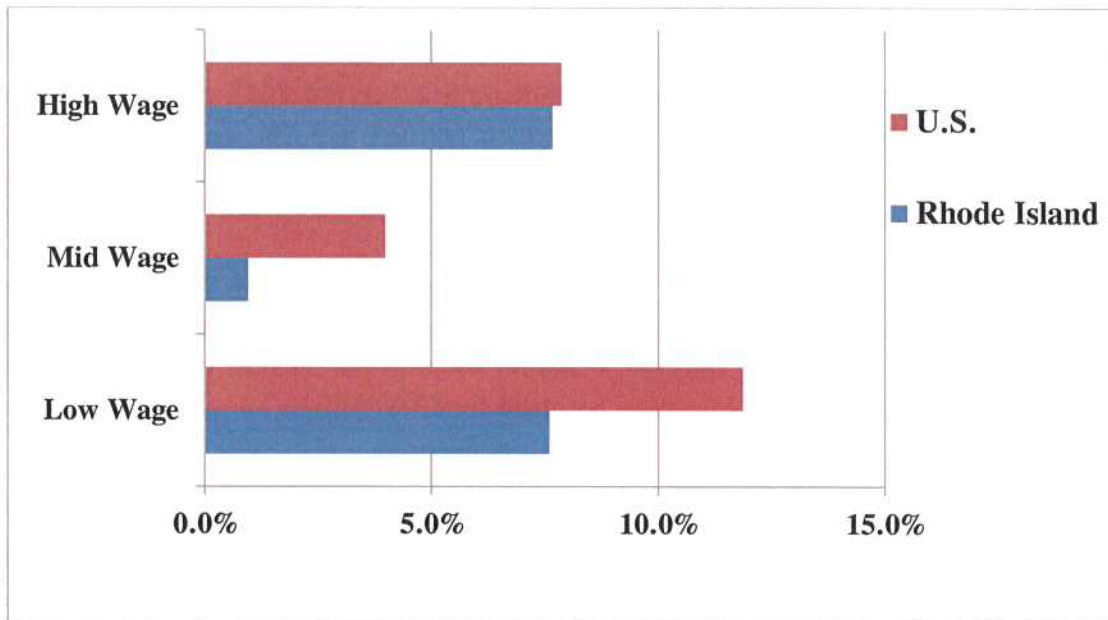
Testimony from both Moody's and the Department of Labor and Training focused on the decrease in the unemployment rate contrasted with the state's sluggish job creation and shrinking labor force.

The state's unemployment rate has dropped to 6.3 percent, and as of March 2015, Rhode Island is tied with Georgia for the tenth highest rate in the nation. From January 2013 to December 2014, all 39 Rhode Island municipalities reported a decrease in unemployment. However, these measures use the narrowest definition of unemployment itself, including only those who have lost their jobs or have completed temporary work; when discouraged workers, marginally attached workers, and the underemployed are included, Rhode Island's rate rises to 12.9 percent.

Rhode Island began losing jobs in February 2007, predating national losses by 10 months. The unemployment rate reached its peak in January 2009, at a rate of 11.9 percent. Recovery since has been steady but restrained. As of March data, the Department of Labor and Training reports that the state has recouped 60.6 percent of the jobs lost during the recession. Although the U.S. has recouped 100 percent of all jobs lost during the recession, the recession was much steeper in Rhode Island than in other parts of the country and was felt more deeply than in any other New England state, save Maine.

Over the past several years, the state has been steadily shifting away from a manufacturing-based economy to a service-oriented economy and service industry jobs account for a large portion of the growth from the fourth quarter of calendar year 2012 to date. This has provided the state some measure of insulation from the negative effects of the strengthened U.S. dollar. Rhode Island ranks last of the six New England state and below the national average for the percent of gross state product comprised of merchandise exports. For the first time since the start of the recession, the state has begun to recoup mid-wage jobs, defined as those paying between \$38,070 and \$68,830 per year.

The following graph shows compares Rhode Island's percent job growth by wage tier from June 2009 through March 2015 versus national job growth.



However, the Department of Labor and Training reported that the March 2015 labor force of 551,700 is the lowest the state has seen in more than a decade. Demographically, Rhode Island is an older state and one of the effects of the Affordable Care Act is that increased and guaranteed medical insurance coverage is allowing baby boomers to retire and not return to the work force.

Moody's Analytics reports that the labor force participation rate peaked at nearly 69 percent in FY 2007, but has since fallen to approximately 64 percent. Although it is anticipated to rebound to near 66 percent in 2018, current demographic trends indicate it will decline again to around 65 percent by 2026. This is in part due to the retirement of older workers, but can also be attributed to few jobs being created in a dynamic, high technology industry. Moody's May testimony reiterated its November predictions regarding positive economic impacts resulting from wage and personal income growth, particularly for younger workers.

The formation of new households, postponed by the recession, should increase overall housing demand and consumer activity. However, the release of pent-up household formation will likely require wage and salary growth, which in turn hinges on increased demand for goods and services as a major driver of continued economic recovery. If consumers do not change their savings and spending behavior by the first half of FY 2016, the forecast will need to be adjusted downward again.

Revenues

Taxes. Revenues from taxes in FY 2015 are estimated to increase 7.2 percent over the prior year. Total estimated taxes for FY 2015 of \$2,865.9 million are \$108.4 million more than the previous November estimate. FY 2016 total estimated taxes are \$2,878.6 million, \$12.7 million or 0.4 percent more than the revised FY 2015 estimate and are \$41.7 million more than the previous November estimate.

Personal Income Tax. The estimates of \$1,226.8 million for FY 2015 and \$1,228.2 million for FY 2016 represent growth rates of 10.0 percent and 0.1 percent, respectively. The FY 2015 estimate is \$59.1 million above the previous estimate; the FY 2016 estimate is \$11.6 million above the November estimate. It is \$1.4 million above the revised FY 2015 estimate.

The increases are mainly due to higher estimated and final payments in FY 2015 that are not expected to repeat in FY 2016 as they are primarily thought to be related to increased capital gains. Withholding payments are only \$4.5 million more in the current year and are adjusted downward in FY 2016 from the November estimate by \$3.8 million to account for the revised economic forecast.

Business Taxes. The Conference estimates total business taxes of \$438.1 million in FY 2015 and \$433.1 million in FY 2016 representing unadjusted growth rates of 15.5 percent and -1.1 percent, respectively. The FY 2015 estimate is \$46.4 million more than assumed in November, and the FY 2016 estimate is \$29.7 million higher. The business corporations tax accounts for the single largest change with \$30.4 million more in FY 2015 than estimated in November which is also \$29.0 million or 25.4 percent above FY 2014 collections. The FY 2016 estimate for business corporations tax is \$5.2 million below the revised FY 2015 estimate; while it reflects significant base growth, it also recognizes the near term negative impact of the recent alignment of state asset depreciation rules to the federal standard. Taxes on insurance premiums also showed significant growth, primarily reflecting the expansion of health care coverage resulting from the Affordable Care Act.

Sales and Use Taxes. Sales tax, the bulk of the consumption taxes, is estimated at \$954.0 million for FY 2015 and \$1,000.0 million for FY 2016. The FY 2015 estimate is a downward revision of \$1.0 million from the previous November estimate, while the FY 2016 is unchanged. The FY 2016 estimate is \$46.0 million or 4.8 percent more than the FY 2015 revised estimate. This assumes the expiration of the current pilot program that exempts the retail sale of wine and liquor from sales taxes. This expiration also affects the alcohol excise taxes for which temporary increases would expire in FY 2016. Tobacco taxes, the second largest of the consumption taxes, are up \$0.1 million from previous estimates for both FY 2015 and FY 2016. The FY 2016 estimate for motor vehicle license and registration fees is \$10.8 million less than FY 2015 and includes the \$13.0 million impact of the next increment of a plan to transfer all of these collections to transportation uses.

Other Taxes. The inheritance, racing and athletics, and realty transfer taxes are estimated to produce \$41.6 million in FY 2015 and \$31.0 million in FY 2016. These are declines of 21.1 percent and 25.5 percent from prior years, largely from the 2014 Assembly's action to reduce number of estates subject to any tax and extension of relief to those with higher values.

| May 2015 CRE | FY 2014 | FY 2015 Estimate | | FY 2016 Estimate | |
|-------------------------------|------------------|------------------|---------|------------------|---------|
| Personal Income Tax | \$ 1,115,512,527 | \$ 1,226,800,000 | 10.0% | \$ 1,228,200,000 | 0.1% |
| General Business Taxes | | | | | |
| Business Corporations | 114,215,409 | 143,200,000 | 25.4% | 138,000,000 | -3.6% |
| Public Utilities Gross | 101,382,220 | 103,600,000 | 2.2% | 104,700,000 | 1.1% |
| Financial Institutions | 16,610,639 | 22,000,000 | 32.4% | 16,500,000 | -25.0% |
| Insurance Companies | 102,356,841 | 123,100,000 | 20.3% | 126,100,000 | 2.4% |
| Bank Deposits | 2,471,553 | 1,900,000 | -23.1% | 2,000,000 | 5.3% |
| Health Care Provider | 42,131,464 | 44,300,000 | 5.1% | 45,800,000 | 3.4% |
| Sales and Use Taxes | | | | | |
| Sales and Use | 916,083,253 | 954,000,000 | 4.1% | 1,000,000,000 | 4.8% |
| Motor Vehicle | 52,407,813 | 49,900,000 | -4.8% | 39,100,000 | -21.6% |
| Motor Fuel | 523,920 | (200,000) | -138.2% | 500,000 | -350.0% |
| Cigarettes | 139,461,685 | 136,900,000 | -1.8% | 134,300,000 | -1.9% |
| Alcohol | 18,252,450 | 18,800,000 | 3.0% | 12,400,000 | -34.0% |
| Other Taxes | | | | | |
| Inheritance and Gift | 43,592,370 | 31,500,000 | -27.7% | 20,400,000 | -35.2% |
| Racing and Athletics | 1,176,869 | 1,100,000 | -6.5% | 1,100,000 | 0.0% |
| Realty Transfer | 7,961,816 | 9,000,000 | 13.0% | 9,500,000 | 5.6% |
| Total Taxes | \$ 2,674,140,829 | \$ 2,865,900,000 | 7.2% | \$ 2,878,600,000 | 0.4% |
| Departmental Receipts | 360,678,655 | 349,800,000 | -3.0% | 194,300,000 | -44.5% |
| Other Miscellaneous | 6,391,686 | 9,085,000 | 42.1% | 1,397,000 | -84.6% |
| Lottery | 376,327,121 | 378,600,000 | 0.6% | 332,500,000 | -12.2% |
| Unclaimed Property | 12,724,124 | 12,300,000 | -3.3% | 10,000,000 | -18.7% |
| Total General Revenues | \$ 3,430,262,415 | \$ 3,615,685,000 | 5.4% | \$ 3,416,797,000 | -5.5% |

Other Sources. Other source revenue consists of departmental revenues, transfers to the general revenue fund, the lottery, unclaimed property, and other miscellaneous sources. These are estimated to produce \$749.8 million in FY 2015 and \$538.2 million in FY 2016.

Departmental Receipts. The Conference adopted estimates of \$349.8 million in FY 2015 and \$194.3 million in FY 2016 for these sources that include licenses and fees, fines and penalties, sales and services, and miscellaneous departmental earnings deposited as general revenues. As

noted above, FY 2016 drops off mainly due to the end of the hospital license fee in FY 2015, which produces \$156.1 million in FY 2016.

Miscellaneous Other Revenues. The Conference adopted estimates for other miscellaneous revenues totaling \$9.1 million in FY 2015. This is \$2.7 million more than the prior year and \$1.3 million more than previously estimated in November. The largest item in the FY 2015 estimate is a one-time \$5.0 million transfer from a refunding of previously issued tobacco settlement bonds. The FY 2016 estimate of \$1.4 million is \$7.7 million less than the revised FY 2015 estimate.

Lottery. The Lottery is estimated to transfer \$378.6 million in FY 2015 and \$332.5 million in FY 2016 to general revenues. The FY 2015 estimate is a downward revision of \$4.7 million to the November estimate and the FY 2016 estimate is \$2.3 million lower than November. FY 2014 revenues were \$376.3 million.

- Games. The Conference held November's FY 2015 estimate of \$56.5 million, and adjusted the FY 2016 estimate by \$1.6 million to \$54.9 million. FY 2014 revenues from this source were \$58.1 million.
- Video Lottery Terminals. The Conference adopted \$309.2 million from the state's share of video lottery terminals revenues for FY 2015, which is \$5.7 million lower than the November Conference. Net terminal income is projected to decline at both Twin River and Newport Grand primarily reflecting competition from Massachusetts gaming establishments, the first of which opens in late June 2015. The estimates reflect that impact at Twin River beginning the last week of FY 2015. The FY 2015 total includes \$282.4 million from Twin River based upon \$466.6 million net terminal income and \$26.8 million from Newport Grand based on \$45.4 million net terminal income. The Conference adopted \$264.1 million for FY 2016, a \$2.0 million downward revision to the November estimate. It includes \$239.6 million from Twin River based upon \$399.6 million net terminal income and \$24.5 million from Newport Grand based on \$40.0 million.
- Table Games. The Conference increased the November FY 2015 estimate by \$1.0 million to \$12.9 million and adjusted the FY 2016 estimate by \$1.3 million to \$13.5 million. This is net of state operating expenses of \$4.3 million and \$4.4 million for those same years. Estimates assume net table game revenue of \$107.5 million and \$112.3 for FY 2015 and FY 2016 respectively. FY 2014 revenues from this source were \$11.7 million from \$88.1 million in net table game revenue.

Unclaimed Property. The Conference adopted \$12.3 million for FY 2015 and \$10.0 million for FY 2016 based upon testimony from the General Treasurer's Office. These are increases over prior estimates of \$1.3 million and \$1.9 million respectively. FY 2015 contains resources from activity that is not expected to recur in FY 2016.

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| May 2015 CRE | FY 2015 Nov | FY 2015 May | Change | FY 2016 Nov | FY 2016 May | Change |
|-------------------------------|-------------------------|-------------------------|-----------------------|-------------------------|-------------------------|----------------------|
| Personal Income Tax | \$ 1,167,700,000 | \$ 1,226,800,000 | \$ 59,100,000 | \$ 1,216,600,000 | \$ 1,228,200,000 | \$ 11,600,000 |
| General Business Taxes | | | | | | |
| Business Corporations | 112,800,000 | 143,200,000 | 30,400,000 | 119,100,000 | 138,000,000 | 18,900,000 |
| Public Utilities Gross | 103,600,000 | 103,600,000 | - | 105,000,000 | 104,700,000 | (300,000) |
| Financial Institutions | 16,000,000 | 22,000,000 | 6,000,000 | 16,500,000 | 16,500,000 | - |
| Insurance Companies | 113,600,000 | 123,100,000 | 9,500,000 | 116,000,000 | 126,100,000 | 10,100,000 |
| Bank Deposits | 2,500,000 | 1,900,000 | (600,000) | 2,500,000 | 2,000,000 | (500,000) |
| Health Care Provider | 43,200,000 | 44,300,000 | 1,100,000 | 44,300,000 | 45,800,000 | 1,500,000 |
| Sales and Use Taxes | | | | | | |
| Sales and Use | 955,000,000 | 954,000,000 | (1,000,000) | 1,000,000,000 | 1,000,000,000 | - |
| Motor Vehicle | 49,900,000 | 49,900,000 | - | 39,600,000 | 39,100,000 | (500,000) |
| Motor Fuel | 500,000 | (200,000) | (700,000) | 500,000 | 500,000 | - |
| Cigarettes | 136,800,000 | 136,900,000 | 100,000 | 134,200,000 | 134,300,000 | 100,000 |
| Alcohol | 19,000,000 | 18,800,000 | (200,000) | 13,000,000 | 12,400,000 | (600,000) |
| Other Taxes | | | | | | |
| Inheritance and Gift | 27,000,000 | 31,500,000 | 4,500,000 | 19,200,000 | 20,400,000 | 1,200,000 |
| Racing and Athletics | 1,100,000 | 1,100,000 | - | 1,100,000 | 1,100,000 | - |
| Realty Transfer | 8,800,000 | 9,000,000 | 200,000 | 9,300,000 | 9,500,000 | 200,000 |
| <i>Total Taxes</i> | <i>2,757,500,000</i> | <i>2,865,900,000</i> | <i>108,400,000</i> | <i>2,836,900,000</i> | <i>2,878,600,000</i> | <i>41,700,000</i> |
| Departmental Receipts | 349,300,000 | 349,800,000 | 500,000 | 199,300,000 | 194,300,000 | (5,000,000) |
| Other Miscellaneous | 7,800,000 | 9,085,000 | 1,285,000 | 1,081,000 | 1,397,000 | 316,000 |
| Lottery | 383,300,000 | 378,600,000 | (4,700,000) | 334,800,000 | 332,500,000 | (2,300,000) |
| Unclaimed Property | 11,000,000 | 12,300,000 | 1,300,000 | 8,100,000 | 10,000,000 | 1,900,000 |
| Total General Revenues | \$ 3,508,900,000 | \$ 3,615,685,000 | \$ 106,785,000 | \$ 3,380,181,000 | \$ 3,416,797,000 | \$ 36,616,000 |

Next Meeting

The next required meeting of the conference is scheduled for November 2015.

Revenue Comparisons - FY 2015

| FY 2015 | FY 2014 Audited | Nov. Consensus | May Consensus | Change from Nov. | Diff. from | FY 2014 |
|-------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|-----------------------|-------------|
| Personal Income Tax | \$ 1,115,512,527 | \$ 1,167,700,000 | \$ 1,226,800,000 | \$ 59,100,000 | \$ 111,287,473 | 10.0% |
| General Business Taxes | | | | | | |
| Business Corporations | 114,215,409 | 112,800,000 | 143,200,000 | 30,400,000 | 28,984,591 | 25.4% |
| Public Utilities Gross | 101,382,220 | 103,600,000 | 103,600,000 | - | 2,217,780 | 2.2% |
| Financial Institutions | 16,610,639 | 16,000,000 | 22,000,000 | 6,000,000 | 5,389,361 | 32.4% |
| Insurance Companies | 102,356,841 | 113,600,000 | 123,100,000 | 9,500,000 | 20,743,159 | 20.3% |
| Bank Deposits | 2,471,553 | 2,500,000 | 1,900,000 | (600,000) | (571,553) | -23.1% |
| Health Care Provider | 42,131,464 | 43,200,000 | 44,300,000 | 1,100,000 | 2,168,536 | 5.1% |
| Sales and Use Taxes | | | | | | |
| Sales and Use | 916,083,253 | 955,000,000 | 954,000,000 | (1,000,000) | 37,916,747 | 4.1% |
| Motor Vehicle | 52,407,813 | 49,900,000 | 49,900,000 | - | (2,507,813) | -4.8% |
| Motor Fuel | 523,920 | 500,000 | (200,000) | (700,000) | (723,920) | -138.2% |
| Cigarettes | 139,461,685 | 136,800,000 | 136,900,000 | 100,000 | (2,561,685) | -1.8% |
| Alcohol | 18,252,450 | 19,000,000 | 18,800,000 | (200,000) | 547,550 | 3.0% |
| Other Taxes | | | | | | |
| Inheritance and Gift | 43,592,370 | 27,000,000 | 31,500,000 | 4,500,000 | (12,092,370) | -27.7% |
| Racing and Athletics | 1,176,869 | 1,100,000 | 1,100,000 | - | (76,869) | -6.5% |
| Realty Transfer | 7,961,816 | 8,800,000 | 9,000,000 | 200,000 | 1,038,184 | 13.0% |
| Total Taxes | \$ 2,674,140,829 | \$ 2,757,500,000 | \$ 2,865,900,000 | \$ 108,400,000 | \$ 191,759,171 | 7.2% |
| Departmental Receipts | 360,678,655 | 349,300,000 | 349,800,000 | 500,000 | (10,878,655) | -3.0% |
| Other Miscellaneous | 6,391,686 | 7,800,000 | 9,085,000 | 1,285,000 | 2,693,314 | 42.1% |
| Lottery | 376,327,121 | 383,300,000 | 378,600,000 | (4,700,000) | 2,272,880 | 0.6% |
| Unclaimed Property | 12,724,124 | 11,000,000 | 12,300,000 | 1,300,000 | (424,124) | -3.3% |
| Total General Revenues | \$ 3,430,262,415 | \$ 3,508,900,000 | \$ 3,615,685,000 | \$ 106,785,000 | \$ 185,422,585 | 5.4% |

Revenue Comparisons - FY 2016

| FY 2016 | November 2014 Consensus | May 2015 Consensus | Change | Difference from FY 2015 May Consensus | |
|-------------------------------|----------------------------|-------------------------|----------------------|--|--------------|
| Personal Income Tax | \$ 1,216,600,000 | \$ 1,228,200,000 | \$ 11,600,000 | \$ 1,400,000 | 0.1% |
| General Business Taxes | | | | | |
| Business Corporations | 119,100,000 | 138,000,000 | 18,900,000 | (5,200,000) | -3.6% |
| Public Utilities Gross | 105,000,000 | 104,700,000 | (300,000) | 1,100,000 | 1.1% |
| Financial Institutions | 16,500,000 | 16,500,000 | - | (5,500,000) | -25.0% |
| Insurance Companies | 116,000,000 | 126,100,000 | 10,100,000 | 3,000,000 | 2.4% |
| Bank Deposits | 2,500,000 | 2,000,000 | (500,000) | 100,000 | 5.3% |
| Health Care Provider | 44,300,000 | 45,800,000 | 1,500,000 | 1,500,000 | 3.4% |
| Sales and Use Taxes | | | | | |
| Sales and Use | 1,000,000,000 | 1,000,000,000 | - | 46,000,000 | 4.8% |
| Motor Vehicle | 39,600,000 | 39,100,000 | (500,000) | (10,800,000) | -21.6% |
| Motor Fuel | 500,000 | 500,000 | - | 700,000 | -350.0% |
| Cigarettes | 134,200,000 | 134,300,000 | 100,000 | (2,600,000) | -1.9% |
| Alcohol | 13,000,000 | 12,400,000 | (600,000) | (6,400,000) | -34.0% |
| Other Taxes | | | | | |
| Inheritance and Gift | 19,200,000 | 20,400,000 | 1,200,000 | (11,100,000) | -35.2% |
| Racing and Athletics | 1,100,000 | 1,100,000 | - | - | 0.0% |
| Realty Transfer | 9,300,000 | 9,500,000 | 200,000 | 500,000 | 5.6% |
| Total Taxes | \$ 2,836,900,000 | \$ 2,878,600,000 | \$ 41,700,000 | \$ 12,700,000 | 0.4% |
| Departmental Receipts | 199,300,000 | 194,300,000 | (5,000,000) | (155,500,000) | -44.5% |
| Other Miscellaneous | 1,081,000 | 1,397,000 | 316,000 | (7,688,000) | -84.6% |
| Lottery | 334,800,000 | 332,500,000 | (2,300,000) | (46,100,000) | -12.2% |
| Unclaimed Property | 8,100,000 | 10,000,000 | 1,900,000 | (2,300,000) | -18.7% |
| Total General Revenues | \$ 3,380,181,000 | \$ 3,416,797,000 | \$ 36,616,000 | \$ (198,888,000) | -5.5% |

