**State House Activity**

The **Joint Legislative COVID-19 Emergency Spending Task Force** met last Thursday to provide an avenue to ensure that the public has trust in the government along with a verification process concerning expenditures. Senate Finance Chairman William Conley and House Finance Chairman Marvin Abney both referred to this process as a collaborative one with the Governor.

The Governor is operating under a state of emergency until May 8th. The Governor can extend that declaration of emergency for a period of 30 days; and there is no limit as to the number of times the Governor can extend the declaration.

As of April 28th, Rhode Island has encumbered $147 million in COVID-19 related goods and services and has expended $8.9 million. Money “encumbered” does not necessarily mean that amount will be expended. As an example, the state has encumbered $38.2 million for ventilators. Director of Administration, Brett Smiley stated that due to the success of social distancing, the need for ventilators (barring a resurgence) has decreased. His office expects the amount to be spent on ventilators to be closer to $11-15 million. The encumbrance/expenditure amount does not include all of the monies needed for the hospital surge effort, testing, contact tracing and technical enablement and quarantine and isolation needs. The Governor will be providing an updated report in May.

More than 2200 state Executive Branch employees are teleworking. To accomplish this, the State purchased more than 1,100 laptops and expects to get 300 more. Approximately $1.8 million was spent for an Amazon Web Service to host Pandemic Unemployment Assistance and to process the volume of recertification calls and web submissions. Part of the $1.8 million was also used for unemployment security, audits, etc.

Senator Joshua Miller asked if at a future meeting the Department could report on how the federal monies could be used to assist businesses that were closed as a result of COVID-19. Director Smiley stated that he would be willing to do that, and that the Governor’s office is still trying to determine how the federal guidance technically works for “secondary” expenses due to the pandemic.

The Encumbrance and Expenditure Report can be viewed at: <http://www.rilegislature.gov/jlc19/2020-4-28%20Encumbrance%20Expenditure%20FINAL.pdf>

**Revenue Estimating Conference Looks at Economic Outlook**

Last Wednesday, the REC listened to the best guess economic forecast from its consultant IHS Markit. At the end of 2019, Rhode Island was doing fairly well from an economic standard. Unemployment remained steady at 3.5%, and there was a slow growth in population of 0.1%. The growth data showed that Rhode Island lost population through migration to other states (3,215 people) and gained population through migration to the State from other countries (3,645 people). Births outnumbered deaths in the state by 679 people. Even residential real estate was on “solid footing” according to the expert.

“After averaging gains of 3.5% per month in January and February, private-sector nonfarm payrolls contracted at a 13.2% annualized pace in March. [This] Translates to a monthly net loss of 5,200 jobs.” This was the beginning of the COVID-19 effect on Rhode Island.

The forecast included the following prediction highlights:

* 4th Quarter of Fiscal Year 2020 (now through June) will be the worst
* 1st Quarter of Fiscal Year 2021 (July through September) the speed of the contraction of the economy should slow “drastically”
* Economic rebound in the forecast first materializes in the 2nd Quarter of FY2021(October-December, 2021)
* Nonfarm employment returns to pre-COVID peak in late FY2023/early FY2024 (about April, 2023 – September, 2023)
* Real gross state product returns to pre-COVID peak in second half of FY2022 (between January, 2022 – June, 2022)
* State unemployment rate remains above 5% until late FY2022 (about April, 2022 – June, 2022)

HIS Markit was very clear that all of the assumptions on which this forecast was based could change, thus changing the path of economic recovery. For example, if a vaccine is released earlier than the anticipated 12-18 month timeframe, or a significant treatment is found, then the recovery could happen more quickly.

**Lottery Revenue Challenges**

Lottery Commission Director Gerry Aubin and his team provided an overview of revenue and expenditures derived from lottery games, casino gaming and sports wagering. The detailed information provided in the testimony can be viewed at: <http://www.rilegislature.gov/April%2029%202020/RI%20Lottery%20May%202020%20REC%20Presentation%20for%20April%2029,%202020.pdf>

Before the start of the COVID-19 crisis, PowerBall ticket sales were behind FY2019 by 34.19%. As the Director explained, this decrease is primarily due to larger jackpots in the prior fiscal year. The same situation occurred with the sale of MegaMillions tickets which saw a decrease of 47.51% from FY2019. The sale of instant games is up, however, by 4.97% compared to the same period in FY2019. As of April 30th, the State’s General Fund has received $44.8 million from all lottery games. The State was planning to receive $57 million by the end of June, so it appears this revenue source will be down.

The bigger challenge that concerns everyone is the closure of the State’s two casinos that took place at 12:00 a.m. on March 14, 2020 (seven weeks ago). According to the written testimony provided, the VLT revenue through April 2020 is down 7.91%, and table games revenue is down 9.61%. But these percentages were driven down by the recent closure, so expect those percentage numbers to rise. This screeching halt at the two facilities could mean a loss in revenue of $100-$120 million for the state in the current fiscal year. If the facilities are able to partially open, perhaps some of the loss could be mitigated. The general rule of thumb is that the state loses about $1 million a day when the facilities are closed. The closure (or partial opening) will also have potentially large impacts on next year’s budget as well.

**Meetings Scheduled for Next Week**

**Revenue Estimating Conference Monday, May 4, 2020 - Testimony**

2:30 P.M. Tax Collections – Department of Revenue, Division of Taxation Neena Savage, State Tax Administrator

Accruals – Accounts and Controls Peter Keenan, State Controller

**Tuesday, May 5, 2020 – Caseload Estimate**

9:00 A.M. Caseload Estimating Conference

**Wednesday, May 6, 2020 – Follow-up Testimony (if needed)**

11:00 A.M Tax Collections – Department of Revenue, Division of Taxation Neena Savage, State Tax Administrator

**Friday, May 8, 2020 – Revenue Estimate**

9:00 A.M. Revenue Estimating Conference – this should be the final meeting where the final numbers will be adopted