**State House Activity**

The House Finance Committee has said it will convene Thursday to begin to deliberate budget issues. Logistically how the meeting will work is still not clear as social distancing is still required. The meeting could be held in a larger room, with testimony provided via zoom or with individuals coming from other rooms to provide testimony. The Finance Committee meeting will be viewable through livestream on CapitolTV found at: <http://www.rilegislature.gov/CapTV/Pages/default.aspx>

**Revenue Estimating Conference Completes Its Work**

The Revenue Estimating Conference completed its analysis of revenue for the current fiscal year (FY2020) and for FY2021 which starts July 1, 2020. As expected, the numbers do not paint a pretty picture and lawmakers will have their hands full crafting a budget for the State of Rhode Island. Still unknown – whether the federal government will provide any stimulus money to states to assist in the recovery. As we all know, federal money is still money that must be paid by taxpayers eventually.

FY2020 Numbers

The gap that must be closed in less than two months is large. Revenues are down. Personal income tax collections are down $82.9 million from what was anticipated back in November. Business Corporation taxes are down $10.8 million. The sales tax revenue was debated amongst the group for about 45 minutes. Trying to determine revenue collections as the economy slowly opens is extremely difficult. The good news, from a revenue standpoint, is that there was an increase in remote online sales tax collection. However the sales tax (which includes meals and beverage taxes, and hotel taxes in addition to retail sales tax) is down $63.1 million. The biggest hit to the FY2020 revenues, as expected, is lottery revenues. This revenue bucket includes lottery games, casino VLT and Table games, and sports betting, most of which came to a screeching halt when the conoravirus hit the State. Lottery revenues are down $108.5 million.

Are there any bright spots in the FY2020 revenue numbers? A few…revenues derived from bank deposits, cigarettes, alcohol and unclaimed property went up just a little. And revenues from financial institutions and realty transfers stayed even with the November estimations.

Unfortunately, the overall bottom line for revenues in FY2020 is a loss of $280.9 million over the November estimate.

FY2021 Numbers

For FY2021, the numbers are bleak. The following numbers are compared to our current fiscal year, which keep in mind, is already reeling from a $280.9 million decrease in revenues from where we expected to be had the virus not hit the economy. Also, kudos to the members of the Revenue Estimating Council who agonized over trying to predict how the economy will react in a very unstable time. The economic forecasters provided their insight, but in the end, the projections are a best guess at how the economy will react – when will people get back to work, when will people be able to sit in restaurants or enjoy an outside festival, etc.

Personal income tax revenues are projected to go down another $63.1 million from the current fiscal year for a total personal income tax of $1,295,800,000. For comparison, before the economy closed, the current fiscal year was expected to bring in $1,441,800,000 (FY2021 is projected to see $146 million less in personal income tax collections than the State had expected to see in FY2020 before the economy went south). The Business Corporation tax revenue is expected to fall another $600,000 over the current fiscal year. Sales and Use Tax is projected to fall another $19.9 million over the current fiscal year loss. And the lottery revenue is projected to fall another $3.4 million over the current fiscal year loss. Again, the lottery revenue was difficult to predict as the opening dates for the casinos are unknown, and the start date for sports is unclear. One interesting trivia note: if the year goes as planned, there will be two Kentucky Derby races in FY2021 which are big betting days (get your hats now!).

Again, a couple bright spots include an expected slight increase in the health care provider revenue as well as revenue from alcohol sales. The members of the conference reduced the amount of revenue expected to be generated from the sale of cigarettes due to the federal law change moving the legal age of smoking to 21. However, the members did not adjust the tax number for the potential for Rhode Island to see an increase in sales when Massachusetts eliminates the sale of menthol cigarettes June 1st. Massachusetts passed a sale ban on menthol cigarettes which will go into effect unless a vote is taken to suspend the ban. Should the law be allowed to go into effect, Massachusetts will send about $230 million in tax revenue to its neighboring states, including Rhode Island.

At the close of the Revenue Estimating Conference, the overall revenue projection for the State of Rhode Island for FY2021 that begins July 1, 2020 and ends June 30, 2021 is $3,725,850,000. That represents a $452.95 million loss in revenue (10.8%) from what the State had expected to receive in FY2020 before the pandemic. This is the number lawmakers will use to craft a budget.

**How Will the General Assembly Move Forward**

Lawmakers must deal with the current fiscal year budget shortfall before June 30th. They do have choices concerning how to handle the FY2021 budget, however. They can push it off until the summer (a budget was passed in August one year); they can pass a budget before June 30th, based on current information and adjust it later should the federal government step in and provide assistance; or they can pass an interim budget to cover the next few months and then return in the fall to craft a FY2021 remainder budget based on the updated information at that time.