

RI Revenue Collections Down An Estimated \$100 Million

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PROVIDENCE — Rhode Island's revenue collections through the critical month of April fell approximately \$100 million behind projections made last fall, according to monthly reports released Tuesday.

The numbers may offer another sign that the state's economy is struggling to right itself. State officials largely attribute the 4-percent lag to lower-than-expected income-tax collections in April — a direct result of the highest unemployment rate in three decades, the overall decline in wages and in some cases massive losses in capital gains.

With thousands of Rhode Islanders out of work, making less money or losing value on investments, the state collected far less in tax revenue than expected. A total of \$65 million less.

Sales-tax revenue also declined by approximately \$7 million compared with estimates, as did a variety of other taxes and fees, according to the report.

"The analysis through April shows we are running behind, and that obviously is a source of concern," said Gary S. Sasse, director of the Rhode Island Department of Administration. "... there are going to be some very tough decisions that will have to be made over the next two months in order to balance the budget," before the fiscal year ends June 30.

A separate report released Tuesday by the House Fiscal office suggested a slightly less precipitous dip at \$98 million lower than the more than \$2.4 billion in collections forecasted last fall for fiscal year 2009. But the message was equally clear.

"Personal income-tax withholding payments and sales-tax collections are fairly reliable indicators of economic activity since they are collected monthly," House Fiscal Advisor Michael O'Keefe wrote in his report. "Both are increasingly behind the estimates."

Rhode Island is hardly alone. Massachusetts this week reported that its income taxes were off by \$953 million from the same month last year. Other states have projected similar declines.

The state's budget writers say the drop-off is not entirely unexpected. For months, Smith Hill lawmakers have prepared the public for the slide into the final weeks of the fiscal year that ends June 30.

"It's bad, but it's also what I predicted," said House Finance Chairman Steven M. Costantino.

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“It’s why [the budget cuts] that came out of House Finance [in the mid-year budget rewrite] were so important. My theory was to wait, not to spend money we didn’t have.”

It was this type of late-in-the-year crisis that Costantino said convinced lawmakers not to honor the governor’s proposal to raid the rainy-day fund to help plug a \$357-million budget hole in the state’s \$7.2-billion, current-year spending plan this spring.

Budget officials warn however that the \$100-million number is merely a snapshot that could change. Tax collections may increase as later filers and those who filed extensions submit payments. Tax revenue from health-insurance companies may also rise as an increased on their premiums takes effect.

The worst may still be yet to come. On Monday, Rhode Island’s official budget estimators will gather to forecast the state’s revenue figures for the coming year in the semiannual Revenue Estimating Conference, where estimates are widely expected to be bleak.

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