



State of Rhode Island
Revenue Estimating Conference

STEPHEN H. WHITNEY
Senate Fiscal Advisor
May 2025 Conference Chair

SHARON REYNOLDS FERLAND
House Fiscal Advisor

JOSEPH M. CODEGA JR.
State Budget Officer

MEMORANDUM

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

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

Three handwritten signatures in black ink, corresponding to the names listed in the 'From' field.

Date: May 16, 2025

Subject: **May 2025 Revenue Estimating Conference**

SUMMARY

The Revenue Estimating Conference met on April 29, May 7, and May 9, 2025, in open public meetings. The Conference adopted the economic forecast for both calendar and fiscal years 2025 to 2030 and issued revised estimates for FY 2025 and FY 2026 revenues. Based on collection trends through April, audited FY 2024 closing results, and the revised economic forecast, the Conference increased the FY 2025 estimates by \$61.0 million from the November 2024 adopted estimate of \$5,556.6 million to \$5,617.6 million.

The Conference increased the FY 2026 estimates by \$19.2 million from the November 2024 adopted estimate of \$5,467.1 million to \$5,486.3 million. Tables showing the estimates and the changes by revenue component are included at the end of this report.

ECONOMIC FORECAST

On April 29, the Conference heard forecasts for the national and Rhode Island economies from Moody's Analytics. They were represented by Emily Mandel – Associate Director, and Kumael Bilgrami – Associate Economist. 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.

May 2025 Consensus Economic Forecast								
	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Nominal Level								
Nonfarm Employment (Thous.)	506.0	512.1	515.5	514.4	513.4	513.8	514.7	516.7
Personal Income (Millions)	\$74,046	\$77,791	\$81,138	\$84,668	\$88,026	\$90,898	\$94,100	\$97,733
Housing Starts (Thous.)	1.1	1.3	1.3	1.3	1.4	1.4	1.4	1.4
Annual Growth (% Year over Year)								
Nonfarm Employment Growth	1.6	1.2	0.7	-0.2	-0.2	0.1	0.2	0.4
Personal Income Growth	5.1	5.1	4.3	4.4	4.0	3.3	3.5	3.9
Wage and Salaries Income Growth	4.1	5.0	3.6	3.6	3.0	2.4	3.0	3.8
Dividends, Interest and Rent Growth	11.2	4.0	2.3	1.8	2.7	4.7	5.2	4.5
Consumer Price Index (US)	4.1	3.0	3.3	2.9	1.8	1.9	1.9	2.1
Personal Consumption Expenditures Growth	6.5	5.7	5.5	4.2	3.4	3.5	3.5	4.0
Corporate Profits Growth (US)	6.9	7.9	-1.6	4.3	5.5	7.2	4.3	3.6
S&P 500 Index Growth (US)	4.5	26.7	1.6	3.1	2.3	7.4	7.2	7.5
Rates								
Unemployment Rate (RI)	3.0	4.3	4.7	5.2	5.3	5.1	4.9	4.6
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Nominal Level								
Nonfarm Employment (Thous.)	502.6	509.5	514.2	515.2	513.6	513.5	514.1	515.6
Personal Income (Millions)	\$72,198	\$76,095	\$79,300	\$82,881	\$86,426	\$89,471	\$92,441	\$95,870
Housing Starts (Thous.)	1.3	1.1	1.4	1.3	1.4	1.4	1.4	1.4
Annual Growth (% Year over Year)								
Nonfarm Employment Growth	2.5	1.4	0.9	0.2	-0.3	0.0	0.1	0.3
Personal Income Growth	5.0	5.4	4.2	4.5	4.3	3.5	3.3	3.7
Wage and Salaries Income Growth	4.6	5.5	3.6	3.9	3.3	2.6	2.6	3.5
Dividends, Interest and Rent Growth	11.4	7.5	2.3	2.1	2.1	3.7	5.3	4.8
Consumer Price Index (US)	6.3	3.3	2.8	3.5	2.2	1.9	1.9	2.0
Personal Consumption Expenditures Growth	6.3	5.9	5.9	4.9	3.5	3.5	3.4	3.8
Corporate Profits Growth (US)	7.0	8.6	4.4	-2.5	6.8	6.7	5.8	3.6
S&P 500 Index Growth (US)	-8.9	19.6	17.8	-1.6	3.2	4.7	7.6	7.5
Rates								
Unemployment Rate (RI)	3.0	3.7	4.5	4.9	5.3	5.2	5.0	4.8

Macro Economy: Ms. Emily Mandel gave testimony involving a downgraded outlook of the U.S. economy, noting recession risks are high due to the intensifying global trade war, but ultimately projected that the nation will narrowly avoid a recession. The trade war is expected to weaken the economy significantly, which can be observed through declining confidence from both consumers and businesses, as well as an increased price of goods. The forecast assumes that the Trump administration will de-escalate the trade war by the summer of 2026 and that the Federal Reserve will reduce interest rates to a neutral level of 3.0 percent by late 2026.

The Trump administration's implementation of tariffs and the ensuing trade war have impacted spending, hiring, and investment decisions. Ms. Mandel notes that the "higher prices passed on through tariffs are effectively a tax increase with the typical household required to spend approximately \$2,600 more per year

to purchase the same goods if the tariffs are fully implemented.” The adopted forecast projects that CPI-U has peaked at 6.3 percent in FY2023 and will remain volatile with a second peak of 3.5 percent in FY2026. Moody’s Analytics expects the Federal Reserve to reduce the policy rate, or target range of the federal funds rate, by 25 basis points in June, September, and December of CY2025, followed by a gradual reduction to a neutral level of 3.0 percent in late CY2026. As of May 8, 2025, the federal funds rate target range is 4.25 percent to 4.5 percent.

Ms. Mandel projects the Trump administration will backpedal on most of the reciprocal tariffs, but forecasts minimal near-term job and output growth until federal policy stabilizes and uncertainty recedes.

Rhode Island Economy: Mr. Kumael Bilgrami gave testimony on the Rhode Island economy. Rhode Island entered 2025 on solid footing, carrying a resilient labor market with economic growth in line with the Northeast regional states, but still below the national average. Throughout 2026, Mr. Bilgrami indicates, “Rhode Island will lose jobs on net over the coming year, and the state’s unemployment rate will rise through 2026. Conditions will subsequently improve thanks to an anticipated resolution to the trade war and less restrictive monetary policy.” While job openings remain steady and above the pre-pandemic levels, household surveys of resident employment suggest job losses and a rise in the unemployment rate are on the horizon. Households in Rhode Island are facing lower housing affordability and a higher cost of living, compared to much of New England, which Mr. Bilgrami attributed to the limited housing supply. While homebuilding remains steady, the federal tariff policy is expected to increase the cost of building materials, which dampens development. As a result, consumers will be forced to accept higher prices on essential goods but discretionary spending will likely be reduced.

Rhode Island Labor Market Conditions: Donna Murray testified on Rhode Island labor market conditions. The Rhode Island Department of Labor and Training, in collaboration with the U.S. Bureau of Labor Statistics, recently completed its annual benchmark revision of labor force statistics and job count estimates. This process involved revising labor force statistics and job counts back to December 2023, incorporating updated data such as job estimates, claims data, and population numbers.

The state’s seasonally adjusted unemployment rate for December 2023 was revised upward to 3.8 percent, 0.4 percent above what was previously reported. The December 2024 unemployment rate was revised downward to 4.5 percent, resulting in a 0.7 percent increase throughout the year. The annual average job revision indicates a net reduction of 200 jobs, with significant increases in accommodation and food service, educational service, and construction, offset by reductions in administrative and waste services, manufacturing, and healthcare and social assistance. Rhode Island lost 108,700 jobs during the March and April 2020 pandemic shutdown. However, by March 2025, the state had rebounded and reached an employment level of 515,600 jobs.

As of March 2025, Rhode Island’s labor force participation rate for the total population aged 16 and older is 63.9 percent. Employment among different demographic groups has varied, with notable changes observed among age demographics. Participation among those in the 20 to 24 group increased from 69.9 percent to 74.6 percent, reflecting the largest increase throughout the year.

The state’s unemployment rate has been rising, with average twelve-month unemployment at 4.7 percent from April 2024 through March 2025, reflecting a 0.1 percentage point increase compared to the prior twelve-month period. Unemployment increased for all racial demographics, except for black Rhode Islanders, where unemployment decreased from 3.5 percent to 2.1 percent for these same periods. As of March 2025, Rhode Island’s unemployment rate of 4.8 percent is higher than the national rate of 4.2 percent. Overall, while Rhode Island’s labor market has shown improvement, challenges remain, particularly in fully recovering all sectors from the pandemic’s impact and managing changes in unemployment rates and labor force dynamics.

REVENUES

Taxes. Revenues from taxes in FY 2025 are estimated to increase 4.3 percent from FY 2024 collections and increase 2.3 percent in FY 2026 over the revised FY 2025 estimate. Total estimated tax revenues for FY 2025 of \$4,568.2 million are \$25.8 million above the November 2024 adopted estimate. FY 2026 total estimated taxes are \$4,675.4 million, level with the November estimate.

Personal Income Tax. The personal income tax estimates of \$1,950.6 million for FY 2025 and \$1,999.2 million for FY 2026 represent annual growth rates of 7.2 percent and 2.5 percent, respectively. The FY 2025 revised estimate is \$37.1 million more than previously estimated. The FY 2026 estimate is \$10.1 million more than the previous estimate.

The personal income tax estimates include \$379.0 million across both fiscal years in corporate income taxes transferred to personal income tax via individuals filing as corporate pass-through entities (\$198.0 million in FY 2025 and \$202.0 million in FY 2026). This is a filing mechanism in which the state has seen increased activity beginning in FY 2020 with the implementation of the federal state and local tax (SALT) deduction cap. Also, revisions to how some components of these revenues are reported on tax forms has resulted in a shift in where they are recognized in the revenue estimate from personal income to business corporations.

Business Taxes. The conferees estimate total business taxes of \$698.2 million in FY 2025 and \$717.7 million in FY 2026. The FY 2025 estimate is \$6.8 million less than the November estimate, while the FY 2026 estimate is \$4.7 million more than the previous estimate. As noted above there is a shift in where certain taxes related to pass-through entities are recognized in the revenue estimate from personal income to business corporations. There are also one-time refunds of approximately \$30.0 million in FY 2025 due to a form and processing change by the Division of Taxation. Finally, the financial institutions tax estimates were revised downward by \$27.2 million, consistent with estimates produced by the Division of Taxation, in FY 2025 and \$4.1 million in FY 2026. The Division noted that amended returns showed overpayments that had led to higher estimates in November. Business taxes for FY 2025 also include several million dollars in July 2024 payments attributable to the tax deadline shift from April 2024 to July 2024.

Sales and Use Tax. Sales and use tax, the bulk of the consumption taxes, is estimated at \$1,682.0 million for FY 2025 and \$1,723.3 million for FY 2026. The FY 2025 revenues are \$22.0 million below the November estimate, which represents growth of 2.8 percent from the audited FY 2024 receipts. The FY 2026 estimate is \$37.1 million less than the November estimate and represents growth of 2.5 percent over the revised FY 2025 estimate.

Excise Taxes Other Than Sales and Use Taxes. The conferees estimate \$139.5 million and \$133.5 million for FY 2025 and FY 2026, respectively from excise taxes other than sales and use taxes. These taxes include nicotine-related taxes, and alcohol taxes. The FY 2025 revised estimate is \$3.0 million, or 2.2 percent, above the November estimate, nearly all from cigarette taxes. The FY 2026 estimate is \$2.2 million more than the November consensus, and \$6.0 million, or 4.3 percent less than the revised estimate for FY 2025.

Other Taxes. The estate and transfer, racing and athletics, and realty transfer taxes are estimated to produce \$97.9 million in FY 2025 and \$101.7 million in FY 2026. The FY 2025 revised estimate is \$14.5 million more than previously adopted. The revised FY 2026 estimate for total other taxes is \$20.1 million more than the November estimate, and \$3.8 million more than the FY 2025 revised estimate.

Departmental Receipts. The conferees adopted estimates of \$555.0 million for FY 2025 and \$317.0 million for FY 2026 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 2025 revised estimate is \$11.5 million more than previously estimated reflecting adjustments based on year-to-date collections.

The revised FY 2026 estimate is \$2.0 million higher than the November estimate based on FY 2025 experience. It is also \$238.0 million less than the revised FY 2025 estimate primarily because the FY 2026 estimate does not include the state's hospital licensing fee revenue. This fee must be reauthorized by the General Assembly each year. It is estimated to bring in \$215.7 million in departmental receipt revenue in FY 2025. There is also an expected decline in investment earnings on the state's general fund in FY 2026 compared to FY 2025.

Lottery Transfer. The lottery transfer is estimated to produce general revenue of \$431.1 million in FY 2025, with \$311.3 million generated from the video lottery terminals installed at Bally's Twin River (Lincoln) and Bally's Tiverton; \$68.5 million derived from combined games, which include PowerBall, Mega Millions, scratch tickets, and Keno; \$11.9 million in net revenues received from the table games at both the Bally's Twin River and Tiverton locations; \$20.2 million from sports betting at both casino locations and via the mobile application and, \$19.2 million from iGaming.

The FY 2025 revised estimate for the total lottery transfer is \$7.1 million above the FY 2025 November estimate, which is comprised of increases for video lottery terminal and iGaming revenues, net of decreases for combined games, table games, and sports betting. The revised estimate is \$4.7 million above the FY 2024 transfer.

The revised transfer estimate for FY 2026 is \$441.0 million, which is \$8.3 million more than the November estimate. Components of this estimate include \$309.8 million from video lottery terminals, \$69.4 million from combined games, \$11.8 million from table games, \$21.4 million from sports betting, and \$28.6 million from iGaming. The FY 2026 lottery transfer is projected to increase by \$9.9 million from the FY 2025 revised estimate, largely driven by the continued growth of iGaming which began in March 2024.

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 \$63.3 million in FY 2025 and \$52.9 million in FY 2026. The revised FY 2025 estimate is \$16.6 million more than the November estimate mostly from additional unclaimed property revenue, not expected to recur in FY 2026. Accordingly, the May FY 2026 estimate is \$10.4 million less than the revised FY 2025.

The tables that follow show the results by revenue category, along with information on the FY 2024 audited closing and comparison to the November 2024 consensus estimates.

May 2025 CRE	FY 2024	FY 2025 Estimate		FY 2026 Estimate	
Personal Income Tax	\$ 1,819,193,007	\$ 1,950,600,000	7.2%	\$ 1,999,200,000	2.5%
General Business Taxes					
Business Corporations	367,504,982	345,600,000	-6.0%	351,000,000	1.6%
Public Utilities Gross	75,169,736	115,000,000	53.0%	112,500,000	-2.2%
Financial Institutions	47,678,060	12,300,000	-74.2%	21,200,000	72.4%
Insurance Companies	180,418,052	175,900,000	-2.5%	180,900,000	2.8%
Bank Deposits	5,519,620	5,000,000	-9.4%	5,200,000	4.0%
Health Care Provider	40,684,166	44,400,000	9.1%	46,900,000	5.6%
Sales and Use Taxes					
Sales and Use	1,635,427,555	1,682,000,000	2.8%	1,723,300,000	2.5%
Motor Vehicle	14,201	-	-100.0%	-	
Cigarettes	119,314,097	117,600,000	-1.4%	111,600,000	-5.1%
Alcohol	20,788,520	21,900,000	5.3%	21,900,000	0.0%
Other Taxes					
Estate and Transfer	49,842,008	80,500,000	61.5%	83,600,000	3.9%
Racing and Athletics	664,568	700,000	5.3%	700,000	0.0%
Realty Transfer	15,731,668	16,700,000	6.2%	17,400,000	4.2%
Total Taxes	\$ 4,377,950,240	\$ 4,568,200,000	4.3%	\$ 4,675,400,000	2.3%
Departmental Receipts	552,303,254	555,000,000	0.5%	317,000,000	-42.9%
Other Miscellaneous	38,439,513	29,700,000	-22.7%	24,100,000	-18.9%
Lottery	426,419,555	431,100,000	1.1%	441,000,000	2.3%
Unclaimed Property	23,591,279	33,600,000	42.4%	28,800,000	-14.3%
Total General Revenues	\$ 5,418,703,841	\$ 5,617,600,000	3.7%	\$ 5,486,300,000	-2.3%

May 2025 CRE	FY 2025	Change to November	FY2026	Change to November
Personal Income Tax	\$ 1,950,600,000	\$ 37,100,000	\$ 1,999,200,000	\$ 10,100,000
General Business Taxes				
Business Corporations	345,600,000	3,000,000	351,000,000	(5,000,000)
Public Utilities Gross	115,000,000	9,700,000	112,500,000	5,600,000
Financial Institutions	12,300,000	(27,200,000)	21,200,000	(4,100,000)
Insurance Companies	175,900,000	8,400,000	180,900,000	8,900,000
Bank Deposits	5,000,000	(700,000)	5,200,000	(700,000)
Health Care Provider	44,400,000	-	46,900,000	-
Sales and Use Taxes				
Sales and Use	1,682,000,000	(22,000,000)	1,723,300,000	(37,100,000)
Cigarettes	117,600,000	2,300,000	111,600,000	1,500,000
Alcohol	21,900,000	700,000	21,900,000	700,000
Other Taxes				
Estate and Transfer	80,500,000	15,000,000	83,600,000	20,900,000
Racing and Athletics	700,000	-	700,000	-
Realty Transfer	16,700,000	(500,000)	17,400,000	(800,000)
Total Taxes	\$4,568,200,000	\$ 25,800,000	\$4,675,400,000	\$ -
Departmental Receipts	555,000,000	11,500,000	317,000,000	2,000,000
Other Miscellaneous	29,700,000	4,300,000	24,100,000	600,000
Lottery	431,100,000	7,100,000	441,000,000	8,300,000
Unclaimed Property	33,600,000	12,300,000	28,800,000	8,300,000
Total General Revenues	\$ 5,617,600,000	\$ 61,000,000	\$ 5,486,300,000	\$ 19,200,000

NEXT MEETING

The next required meeting of the conference is November 2025.

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

The Honorable Marvin L. Abney, Chairman
House Finance Committee