



## State of Rhode Island

### Revenue Estimating Conference

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*May 2026 Conference Chair*

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#### MEMORANDUM

To: The Honorable Daniel J. McKee, Governor  
The Honorable Christopher R. Blazewski, Speaker of the House  
The Honorable Valarie J. Lawson, President of the Senate

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

Date: May 18, 2026

Subject: **May 2026 Revenue Estimating Conference**

#### SUMMARY

The Revenue Estimating Conference met on April 29, May 4, and May 8, 2026, in open public meetings. The Conference adopted the updated economic forecast for both calendar and fiscal years 2026 to 2031 and issued revised estimates for FY 2026 and FY 2027 revenues. Based on collection trends through April, draft audited FY 2025 closing results, and the revised economic forecast, the Conference increased the FY 2026 estimates by \$154.6 million from the enacted budget to \$5,950.4 million.

The Conference increased the FY 2027 total general revenue estimate by \$78.8 million to \$5,785.4 million. This is \$165.0 million less than the revised estimate for FY 2026 but does not include the hospital licensing fee. That fee accounts for \$232.5 million in FY 2026, which cannot be included in FY 2027 because it is typically enacted annually, and revenue estimates are based only on current law.

## ECONOMIC FORECAST

On April 29, the Conference heard forecasts for the national and Rhode Island economies from Moody's Analytics, presented by Senior Economist Emily Mandel. The conferees also received testimony from Lisa Dutilly of the Department of Labor and Training's Labor Market Information Division. The Conference adopted a revised economic forecast for Rhode Island based on the information presented.

The forecast and two years of historical data are shown in the following table. Of note, though the economic testimony focused largely on uncertainty and downside risks related to national and geopolitical events, most of the growth indicators adopted in the consensus forecast are positively revised in the current and budget years from the November version. Upward revisions were most notable in personal income and its subcomponents, though there are also slight upward revisions in consumer spending and stock market performance, in addition to downward revisions in the unemployment rate.

May 2026 Consensus Economic Forecast								
	CY 2024	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030	CY 2031
<b>Nominal Level</b>								
Nonfarm Employment (Thous.)	512.8	515.4	514.0	514.1	514.9	515.8	516.7	517.4
Personal Income (Millions \$)	78,554	82,465	86,472	90,121	93,331	96,856	100,695	104,721
Housing Starts (Thous.)	1.5	1.7	1.3	1.3	1.3	1.3	1.3	1.2
<b>Annual Growth Rates (% Year-over-Year)</b>								
Nonfarm Employment Growth	1.4	0.5	-0.3	0.0	0.1	0.2	0.2	0.1
Personal Income Growth	5.0	5.0	4.9	4.2	3.6	3.8	4.0	4.0
Wage and Salaries Income Growth	4.7	4.8	4.7	3.3	2.7	3.0	3.3	3.4
Dividends, Interest and Rent Growth	5.2	2.1	2.7	2.8	4.3	5.2	5.0	4.8
Personal Consumption Expenditures Growth	5.8	5.6	4.7	4.0	3.6	3.4	3.6	3.6
Consumer Price Index (US)	3.0	2.7	3.1	2.8	2.2	1.7	1.7	1.7
Corporate Profits Growth (US)	5.1	5.2	-0.3	6.3	5.7	4.2	3.9	5.4
S&P 500 Index Growth (US)	26.7	14.5	6.3	0.2	3.6	7.9	7.9	6.0
<b>Rates (%)</b>								
Unemployment Rate (RI)	4.3	4.4	4.7	4.8	4.8	4.9	5.0	5.1
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Nominal Level</b>								
Nonfarm Employment (Thous.)	509.4	515.6	514.2	513.9	514.5	515.3	516.2	517.1
Personal Income (Millions \$)	76,769	80,339	84,503	88,381	91,716	95,045	98,742	102,703
Housing Starts (Thous.)	1.1	1.8	1.5	1.3	1.3	1.3	1.3	1.2
<b>Annual Growth Rates (% Year-over-Year)</b>								
Nonfarm Employment Growth	1.4	1.2	-0.3	-0.1	0.1	0.2	0.2	0.2
Personal Income Growth	5.5	4.7	5.2	4.6	3.8	3.6	3.9	4.0
Wage and Salaries Income Growth	4.9	4.3	5.2	3.8	3.0	2.8	3.2	3.3
Dividends, Interest and Rent Growth	9.2	2.9	2.1	2.9	3.3	5.1	5.1	4.9
Personal Consumption Expenditures Growth	5.6	6.0	5.1	4.3	3.8	3.4	3.5	3.6
Consumer Price Index (US)	3.3	2.6	2.8	3.1	2.5	1.9	1.7	1.7
Corporate Profits Growth (US)	6.7	4.6	2.9	2.3	6.4	4.9	3.8	4.6
S&P 500 Index Growth (US)	19.6	20.4	14.8	-0.8	1.4	6.7	8.0	7.3
<b>Rates (%)</b>								
Unemployment Rate (RI)	3.6	4.4	4.5	4.8	4.8	4.9	4.9	5.1

Beginning with the U.S. economic outlook, Ms. Mandel's testimony highlighted seemingly opposing trends. On one side, she focused on the impact of three supply shocks with which the U.S. economy has contended over the past year: volatility in trade policy, reduction in immigration, and most recently the energy shock precipitated by armed conflict with Iran. However, while these shocks create additional

uncertainty and downside risk, the baseline forecast projects the U.S. will avoid recession. While employment growth has stagnated nationally since the announcement of the “Liberation Day” tariffs in April 2025, Ms. Mandel testified that it is settling into a period of “no hire, no fire,” in which businesses are waiting out the uncertainty and avoiding making large changes to their labor forces. Additionally, consumer spending is being fueled by wealth effects among the top 10% of income earners due to asset appreciation and strong stock market performance.

Turning to the Rhode Island economy, Ms. Mandel discussed Rhode Island’s position on growth in payroll employment over the past year and the past three months relative to the U.S. and other northeastern states. Rhode Island’s nonfarm employment growth has slowed along with the rest of the country, trailing overall U.S. employment growth and other New England states except Massachusetts and New Hampshire over the past year, though slight growth over the last three months points to stabilization. However, among the major employment sectors, only healthcare, transportation and utilities, and leisure and hospitality have seen growth over the past year as of February, with all other sectors having contracted at least slightly.

Other headwinds facing the Rhode Island economy include housing affordability. As measured by the ratio of median household income to median single-family home sale price, Rhode Island’s affordability has deteriorated in recent years. After mirroring the U.S. as a whole for most of the last decade, Rhode Island’s housing affordability is beginning to more closely that of Massachusetts, with the ratio hovering around 6.0, indicating that the median home price is about six times the median household income. This is a change from a little above 4.0 in 2020.

In terms of the national and geopolitical shocks the overall economy is experiencing, Ms. Mandel testified that Rhode Island is relatively exposed to the negative effects of the immigration shock along with other states that have similarly slow population growth as a whole and demographic challenges. However, a bright spot in Rhode Island’s economy is its strong positioning on the defense industry and recent growth in durable goods manufacturing.

Ms. Dutilly of the Rhode Island Department of Labor and Training’s Labor Market Information Division provided data to the conferees related to the benchmark revisions released in March 2026, wherein labor force statistics and job counts were revised back to January 2021. She testified that unemployment had been overstated in early 2025, but understated in the later part of the year, resulting in a small net change of 0.1 percentage point bringing the CY 2025 unemployment rate from 4.3% to 4.4%.

The larger benchmark revisions were in employed resident counts, which were understated in 10 of 11 months of previously released CY 2025 estimates (October 2025 did not have initial labor force and job count estimates due to the federal government shutdown). The largest revisions were in May and June 2025, adding 9,600 and 9,900 jobs, respectively. Ms. Dutilly testified that overall Rhode Island average nonfarm job counts for CY 2025 were revised from 514,400 to 515,400, with the largest gains in transportation and warehousing, arts and entertainment, and healthcare, while administrative and waste services, manufacturing, and professional services saw downward revisions.

As of February 2026, the overall Rhode Island job count of 513,700 is down 4,100 from the May 2025 peak, having shed 1,800 jobs from one year prior. Sectors with the largest nominal job losses are government (Ms. Dutilly testified that this is entirely related to federal employment reductions), retail trade, and management of companies.

Rhode Island’s February 2026 unemployment rate of 4.6% is its highest since October 2021. While Rhode Island’s total labor force has fallen by 5,800 over the trailing 12 months, the labor force participation rate of 63.4% still slightly outpaces the national 62.0% rate.

Ms. Dutilly’s testimony was largely consistent with that of Ms. Mandel, characterizing the Rhode Island employment outlook as stable but softening, having shown some signs of retraction in the past year.

However, total wages grew by 5.0% in CY 2025, with average annual wages growing by 4.2%, and the unemployment rate remains narrowly below the 5.0% level widely cited as “full employment.”

## **REVENUES**

**Taxes.** Revenues from taxes in FY 2026 are estimated to grow by 6.2 percent from FY 2025 collections and by 1.7 percent in FY 2027 over the revised FY 2026 estimate. Total estimated tax revenues for FY 2026 of \$4,854.8 million are \$139.5 million above the November 2025 adopted estimate. FY 2027 total estimated taxes are \$4,936.9 million, \$69.0 million above the November estimate.

Overall, total taxes are expected to grow at a faster rate in FY 2026 before decelerating in FY 2027. The November 2025 Revenue Estimating Conference had assumed growth of 3.2 percent in both FY 2026 and FY 2027. Notable explanations and revisions to the estimates are discussed below.

**Personal Income Tax.** The personal income tax estimates of \$2,123.3 million for FY 2026 and \$2,165.8 million for FY 2027 represent annual growth rates of 7.7 percent and 2.0 percent, respectively. The FY 2026 revised estimate is \$66.9 million more than previously estimated. The FY 2027 estimate is \$35.0 million more than the previous estimate.

Strong personal income tax growth in FY 2026 is driven mostly by withholding taxes on payrolls, which make up 84.5 percent of the estimated personal income tax total in the current fiscal year. This growth is expected to decelerate in FY 2027 as indicated in the forecast for wage and salary disbursements, though it remains positive and outpaces inflation.

The personal income tax estimates reflect lower anticipated activity associated with the State’s elective pass-through entity tax. This may reflect the higher federal state and local tax, or SALT, deduction cap adopted in last year’s federal tax bill, H.R. 1, along with State law changes regarding how pass-through entity tax payments are credited on personal income tax returns. The effect of lower pass-through entity tax activity was largely offset by upward revisions to estimated and final payments for traditional personal income tax.

**Business Taxes.** The conferees estimate total business taxes of \$744.9 million in FY 2026 and \$734.2 million in FY 2027. The FY 2026 estimate is \$72.5 million more than the November estimate, while the FY 2027 estimate is \$28.6 million more than the previous estimate.

Business corporations tax was revised upward due to strong year-to-date performance. The estimates include the impact of the federal tax bill H.R. 1, which is expected to lower corporate tax revenue by \$27.6 million in FY 2026 and \$26.5 million in FY 2027. FY 2027 business corporations tax revenue is also impacted by a likely increase in the usage of motion picture production tax credits compared to the prior year.

**Sales and Use Tax.** Sales and use tax, the bulk of the consumption taxes, is estimated at \$1,724.0 million for FY 2026 and \$1,776.0 million for FY 2027. The FY 2026 revenues are \$2.0 million below the November estimate, which represents growth of 3.1 percent from the FY 2025 draft audit receipts. The FY 2027 estimate is \$1.6 million more than the November estimate and represents growth of 3.0 percent over the revised FY 2026 estimate.

Sales and use taxes were revised downward in the current year due to year-to-date growth trailing the November adopted assumption. FY 2027 growth was revised upward from 2.8 percent to 3.0 percent, reflecting an upward revision in forecasted growth in personal consumption expenditures from the consensus economic forecast. Sales and use tax growth in FY 2027 is generally expected to be in line with overall consumer price inflation.

**Excise Taxes Other Than Sales and Use Taxes.** The conferees estimate \$136.9 million and \$133.4 million for FY 2026 and FY 2027, respectively, from excise taxes other than sales and use taxes. These taxes include nicotine-related taxes and alcohol taxes. The FY 2026 revised estimate is \$2.4 million, or 1.8 percent, above the November estimate. The FY 2027 estimate is \$2.5 million more than the November consensus, and \$3.5 million, or 2.6 percent, less than the revised estimate for FY 2026.

The cigarettes line combines component estimates for combustible cigarettes, other tobacco products, and electronic nicotine delivery systems. The category has typically experienced a steep structural decline due to being heavily weighted to traditional cigarettes. However, the FY 2026 estimate recognizes the first full year of the electronic nicotine delivery systems tax enacted in the FY 2025 budget and the partial first-year impact of the extension of the other tobacco products tax to nicotine pouches enacted in the FY 2026 budget. The FY 2027 estimate recognizes the annualization of this law change and the assumption that sales of these products are likely to grow in concert with national trends. This partially offsets the decline in traditional cigarettes.

**Other Taxes.** The estate and transfer, racing and athletics, and realty transfer taxes are estimated to produce \$125.7 million in FY 2026 and \$127.5 million in FY 2027. The FY 2026 revised estimate is \$0.3 million less than previously adopted. The revised FY 2027 estimate for total other taxes is \$1.3 million more than the November estimate, and \$1.8 million more than the FY 2026 revised estimate.

The realty transfer tax estimate for FY 2026 reflects the increase in the base tax rate, from \$2.30 per \$500 to \$3.75 per \$500, enacted in October 2025. The FY 2027 growth reflects the annualization of this law change.

**Departmental Receipts.** The conferees adopted estimates of \$575.0 million for FY 2026 and \$344.0 million for FY 2027 for these sources, which include licenses and fees, fines and penalties, sales and services, and miscellaneous departmental receipts that are deposited as general revenues. The FY 2026 revised estimate is \$0.1 million more than previously estimated, reflecting adjustments based on year-to-date collections.

The revised FY 2027 estimate is \$3.0 million higher than the November estimate based on FY 2026 experience. It is also \$231.0 million less than the revised FY 2026 estimate. The FY 2027 estimate for departmental receipts does not include the hospital licensing fee, as it is typically enacted one year at a time and revenue estimates are based on current law. The hospital licensing fee accounts for \$232.5 million of departmental receipt revenue in FY 2026. This category also recognizes income from investments of the State's general fund, which has been declining as balances and interest rates gradually return closer to pre-pandemic norms.

**Lottery Transfer.** The lottery transfer is estimated to produce general revenue of \$446.3 million in FY 2026, with \$313.1 million generated from the video lottery terminals installed at Bally's Twin River in Lincoln and Bally's Tiverton; \$69.6 million derived from combined games, which include Powerball, Mega Millions, scratch tickets, and Keno; \$11.0 million in net revenues received from table games at both the Bally's Twin River and Tiverton locations; \$19.1 million from sports betting at both casino locations and via the mobile application; and \$33.5 million from iGaming.

The FY 2026 revised estimate for the total lottery transfer is \$5.0 million below the FY 2026 November estimate. The revised estimate is \$12.7 million above the FY 2025 transfer.

The revised transfer estimate for FY 2027 is \$447.9 million, which is \$5.2 million less than the November estimate. Components of this estimate include \$307.6 million from video lottery terminals, \$69.6 million from combined games, \$10.3 million from table games, \$17.5 million from sports betting, and \$42.9 million

from iGaming. The FY 2027 lottery transfer is projected to increase by \$1.6 million from the FY 2026 revised estimate.

The lottery transfer estimates reflect challenges in recent trends including relatively flat sales in traditional number and instant games, long-term structural declines in on-site gaming activity at the State’s two licensed casinos, and declining sports betting activity likely driven by national market trends. These negative trends are partially offset by continued strong performance in iGaming activity, predominantly in online slots. Activity on the State’s licensed iGaming platform also partially offset losses at the facilities due to the two-day February blizzard closure.

**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 \$74.3 million in FY 2026 and \$56.6 million in FY 2027. The revised FY 2026 estimate is \$20.0 million more than the November estimate. Accordingly, the May FY 2027 estimate is \$17.7 million less than the revised FY 2026.

The unclaimed property transfer estimates were revised upward by \$15.6 million in FY 2026 and \$13.1 million in FY 2027 based on testimony provided by the Office of the General Treasurer. The majority of the unclaimed property increase stems from expected proceeds from the liquidation of unclaimed securities held in custody by the Treasury, including mutual fund shares and individual stocks.

The tables that follow show the results by revenue category, along with information on the FY 2025 draft audit amounts and a comparison to the November 2025 consensus estimates.

<b>May 2026 Consensus</b>	<b>FY 2025 Draft Audited</b>	<b>FY 2026 Revised Estimate</b>	<b>FY 26 v. FY 25</b>	<b>FY 2027 Revised Estimate</b>	<b>FY 27 v. FY 26</b>
<b>Personal Income Tax</b>	\$ 1,972,276,406	\$ 2,123,300,000	7.7%	\$ 2,165,800,000	2.0%
<b>General Business Taxes</b>					
Business Corporations	333,050,756	364,000,000	9.3%	355,000,000	-2.5%
Public Utilities Gross	116,322,106	118,600,000	2.0%	124,000,000	4.6%
Financial Institutions	7,603,962	22,500,000	195.9%	16,700,000	-25.8%
Insurance Companies	174,291,413	180,700,000	3.7%	180,600,000	-0.1%
Bank Deposits	5,110,306	5,500,000	7.6%	5,700,000	3.6%
Health Care Provider	44,764,572	53,600,000	19.7%	52,200,000	-2.6%
<b>Sales and Use Taxes</b>					
Sales and Use	1,672,708,738	1,724,000,000	3.1%	1,776,000,000	3.0%
Cigarettes	117,233,396	116,500,000	-0.6%	112,800,000	-3.2%
Alcohol and Other Excise	21,849,386	20,400,000	-6.6%	20,600,000	1.0%
<b>Other Taxes</b>					
Estate and Transfer	84,884,357	96,200,000	13.3%	93,500,000	-2.8%
Racing and Athletics	685,745	700,000	2.1%	700,000	0.0%
Realty Transfer	18,764,852	28,800,000	53.5%	33,300,000	15.6%
<b>Total Taxes</b>	<b>\$ 4,569,545,995</b>	<b>\$ 4,854,800,000</b>	<b>6.2%</b>	<b>\$ 4,936,900,000</b>	<b>1.7%</b>
Departmental Receipts	541,202,692	575,000,000	6.2%	344,000,000	-40.2%
Other Miscellaneous	33,395,825	29,700,000	-11.1%	19,000,000	-36.0%
Lottery	433,594,991	446,300,000	2.9%	447,900,000	0.4%
Unclaimed Property	34,272,938	44,600,000	30.1%	37,600,000	-15.7%

<b>May 2026 Consensus</b>	<b>FY 2026 Revised</b>		<b>FY 2027 Revised</b>	
	<b>Estimate</b>	<b>Change to November</b>	<b>Estimate</b>	<b>Change to November</b>
<b>Personal Income Tax</b>	\$ 2,123,300,000	\$ 66,900,000	\$ 2,165,800,000	\$ 35,000,000
<b>General Business Taxes</b>				
Business Corporations	364,000,000	47,000,000	355,000,000	23,000,000
Public Utilities Gross	118,600,000	3,600,000	124,000,000	6,200,000
Financial Institutions	22,500,000	11,000,000	16,700,000	-
Insurance Companies	180,700,000	3,800,000	180,600,000	(4,600,000)
Bank Deposits	5,500,000	300,000	5,700,000	300,000
Health Care Provider	53,600,000	6,800,000	52,200,000	3,700,000
<b>Sales and Use Taxes</b>				
Sales and Use	1,724,000,000	(2,000,000)	1,776,000,000	1,600,000
Cigarettes	116,500,000	2,000,000	112,800,000	2,100,000
Alcohol and Other Excise	20,400,000	400,000	20,600,000	400,000
<b>Other Taxes</b>				
Estate and Transfer	96,200,000	(2,600,000)	93,500,000	(1,900,000)
Racing and Athletics	700,000	-	700,000	-
Realty Transfer	28,800,000	2,300,000	33,300,000	3,200,000
<b>Total Taxes</b>	<b>\$ 4,854,800,000</b>	<b>\$ 139,500,000</b>	<b>\$ 4,936,900,000</b>	<b>\$ 69,000,000</b>
Departmental Receipts	575,000,000	100,000	344,000,000	3,000,000
Other Miscellaneous	29,700,000	4,400,000	19,000,000	(1,100,000)
Lottery	446,300,000	(5,000,000)	447,900,000	(5,200,000)
Unclaimed Property	44,600,000	15,600,000	37,600,000	13,100,000
<b>Total General Revenues</b>	<b>\$ 5,950,400,000</b>	<b>\$ 154,600,000</b>	<b>\$ 5,785,400,000</b>	<b>\$ 78,800,000</b>

### **NEXT MEETING**

The next required meeting of the conference is in November 2026.

cc: The Honorable Marvin L. Abney, Chairman  
House Finance Committee

The Honorable Louis P. DiPalma, Chairman  
Senate Finance Committee