

Rhode Island

From 2002 to 2008, Rhode Island's spending increased the most in the debt service (64%), administration (40%) and welfare (32%) categories. Rhode Island reduced spending in five categories, including health (0%—rounded), natural resources (-11%), highways (-22%), hospitals (-23%), and parks and recreation (-70%). The decreases in parks and recreation and highways spending each ranked the largest in the nation in terms of percentage, and Rhode Island's spending growth was among the bottom 10 states in seven of 12 categories. The state's overall general spending increase of 29% ranked 42nd-highest.

Rhode Island's total revenue growth of 37% ranked 37th for the period, and its total tax revenue growth of 30% ranked 45th. Corporate income taxes were the fastest growing tax revenue category, increasing a staggering 416%, easily the biggest rise in the nation. On a per capita basis, Rhode Island's corporate income taxes skyrocketed from among the lowest in the country (46th) in 2002 to 24th in 2008. The 33% increase in personal income tax revenue and 16% increase in general sales tax revenue, by contrast, were much more modest, each ranking 38th highest.

Spending (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Corrections	157,531	15	199,394	14	+1	27%	26
Education	1,343,682	37	1,792,825	39	-2	27%	45
Government Administration	259,607	7	362,174	6	+1	40%	22
Health	181,541	20	180,822	25	-5	0%	42
Highways	259,542	43	201,869	50	-7	-22%	50
Hospitals	113,599	25	87,528	30	-5	-23%	46
Interest on Debt	256,511	7	419,869	3	+4	64%	15
Natural Resources	46,840	40	41,480	43	-3	-11%	47
Parks and Recreation	25,362	22	7,664	47	-25	-70%	50
Police Protection	47,946	17	57,953	14	+3	21%	30
Public Welfare	1,690,087	3	2,230,969	3	0	32%	34
Salaries and Wages	1,022,339	5	1,093,981	13	-8	7%	44
Direct Expenditures	4,093,577	6	5,174,660	8	-2	26%	43
General Expenditures	4,842,611	10	6,228,442	10	0	29%	42
Total Expenditures	5,766,687	9	7,495,870	9	0	30%	39
Taxes (Spending and revenue numbers are in thousands of dollars)	2002	2002 Per Capita Rank	2008	2008 Per Capita Rank	Difference in Rank	2002–2008 Increase/Decrease	2002–2008 Increase/Decrease Rank
Personal Income Tax ¹	823,521	16	1,091,705	16	0	33%	38
General Sales Tax ²	731,597	16	846,870	24	-8	16%	38
Corporate Income Tax ³	28,273	46	145,866	24	+22	416%	1
Total Taxes	2,127,609	15	2,761,356	20	-5	30%	45
Total Revenue	4,891,253	11	6,691,311	12	-1	37%	37

¹ Personal income tax per capita rankings are out of 43 since seven states do not collect personal income taxes.

² General sales tax per capita rankings are out of 45 since five states do not collect general sales taxes.

³ Corporate income tax per capita rankings are out of 46 since four states do not collect corporate income taxes.

Comparison to Baseline Growth

One sound rule of thumb is that government expenditures should not increase more than the combined increase in population and inflation growth. This allows the government to maintain service levels and accommodate increased costs due to an expanding population and rises in the cost of living. For the 2002–2008 period, the Consumer Price Index, used to measure inflation, increased approximately 20% and Rhode Island’s population decreased by 2%. This yields a “baseline” growth of 18% for the period. The figure below compares the difference in Rhode Island’s expenditures and revenue for the period to this baseline for 15 spending and five revenue categories.

