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# **Briefing on Revised Revenue Estimates**

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**Presentation to the  
Senate Budget and Taxation Committee**

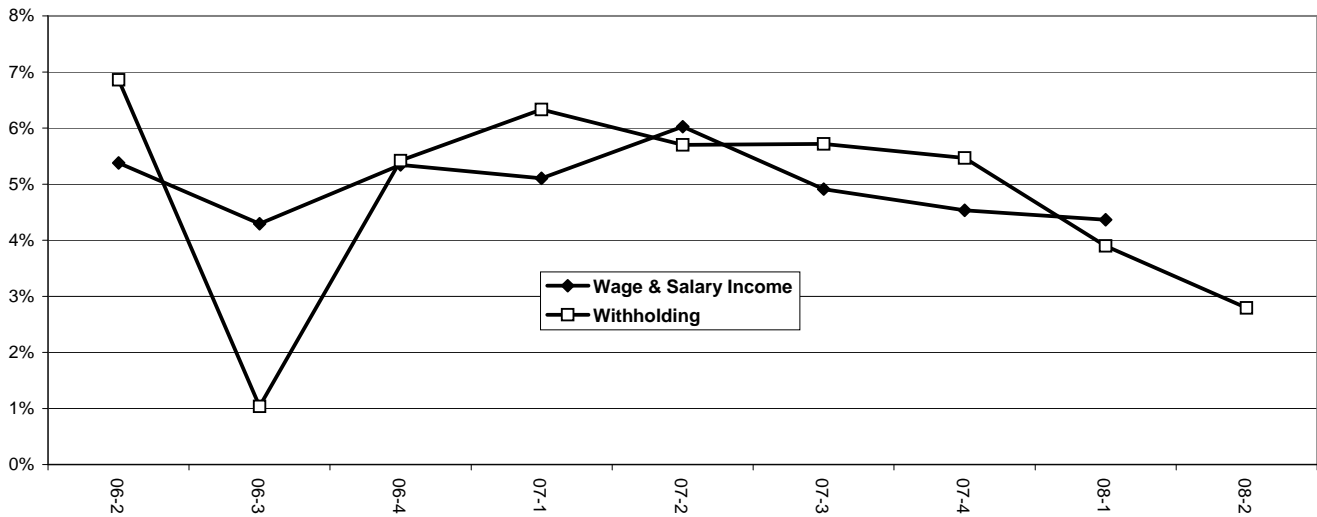
**Department of Legislative Services  
Office of Policy Analysis  
Annapolis, Maryland**

**September 15, 2008**

## Exhibit 1 Recent Economic Performances Year-over-year Percent Change

Calendar Year	U.S. Economy				Maryland Economy			
	<u>GDP</u>	<u>Employment</u>	<u>Personal Income</u>	<u>Existing Home Sales</u>	<u>Employment</u>	<u>Initial UI Claims</u>	<u>Personal Income</u>	<u>Existing Home Sales</u>
2003	2.5%	-0.3%	3.2%	9.7%	0.3%	-1.5%	3.5%	8.6%
2004	3.6%	1.1%	6.2%	9.7%	1.2%	-17.3%	7.0%	10.6%
2005	2.9%	1.7%	5.6%	4.4%	1.5%	-6.1%	5.5%	0.3%
2006	2.8%	1.8%	7.1%	-8.5%	1.3%	-2.4%	5.7%	-20.9%
2007	2.0%	1.1%	6.1%	-12.8%	0.8%	9.1%	5.4%	-22.9%
<i>Year-to-date</i>								
2008	2.4%	0.2%	4.6%	-18.5%	0.4%	20.7%	5.4%	-33.5%

### Maryland Wage Growth: Year-over-year Percent Change



GDP: inflation-adjusted gross domestic product

UI: unemployment insurance

Note: Data for 2008 is through March for Maryland personal income and employment, through June for GDP, through July for U.S. personal income, home sales, and initial unemployment insurance claims and through August for U.S. employment.

Sources: GDP and personal income data from the Bureau of Economic Analysis, U.S. Department of Commerce; Employment and unemployment insurance claims data from the Bureau of Labor Statistics, U.S. Department of Labor; U.S. home sales from the National Association of Realtors; Maryland home sales from the Maryland Association of Realtors; Withholding data from the Office of the Comptroller; 2008 withholding adjusted for law changes.

**Exhibit 2**  
**Maryland Economic Forecasts**  
**March 2008 Compared to September 2008**

**Year-over-year Percent Change**

<b>Calendar Year</b>	<b>Employment</b>		<b>Personal Income</b>		<b>Wage &amp; Salary Income</b>	
	<b><u>Mar. 2008</u></b>	<b><u>Sept. 2008</u></b>	<b><u>Mar. 2008</u></b>	<b><u>Sept. 2008</u></b>	<b><u>Mar. 2008</u></b>	<b><u>Sept. 2008</u></b>
2005	1.5%	1.5%	5.7%	5.5%	5.7%	5.7%
2006	1.2%	1.3%	5.7%	5.7%	5.4%	5.4%
2007	0.8%	0.8%	5.7% *	5.4%	5.4% *	5.1%
2008E	1.1%	0.6%	4.7%	4.4%	4.3%	3.8%
2009E	1.8%	0.3%	5.0%	3.4%	5.3%	3.3%
2010E	1.9%	1.2%	5.5%	4.9%	5.6%	4.5%
2011E	1.8%	1.8%	6.0%	5.5%	5.6%	5.2%

\* Estimates

Source: Board of Revenue Estimates

**Exhibit 3**  
**Fiscal 2008 General Fund Revenues**  
(\$ in Millions)

<u>Source</u>	<b>FY 2007</b>	<b>----- Fiscal 2008 -----</b>		<b>FY 2007-2008</b>	
	<u>Actual</u>	<u>Estimate</u> <sup>1</sup>	<u>Actual</u>	<u>Difference</u>	<u>% Change</u>
Personal Income Tax	\$6,679.2	\$6,986.4	\$6,940.1	-\$46.3	3.9%
Sales and Use Tax	3,420.1	3,751.7	3,675.3	-76.5	7.5%
State Lottery <sup>2</sup>	473.1	497.1	497.1	0.0	5.1%
Corporate Income Tax	589.8	558.8	551.7	-7.1	-6.5%
Business Franchise Taxes	206.6	209.1	208.0	-1.1	0.7%
Insurance Premiums Tax	283.3	289.6	301.8	12.2	6.5%
Estate and Inheritance Taxes	224.3	220.5	243.5	23.1	8.6%
Tobacco Tax	278.2	393.3	376.1	-17.1	35.2%
Alcohol Beverages Tax	28.7	29.6	29.0	-0.6	1.0%
Motor Vehicle Fuel Tax	13.2	13.3	13.2	-0.1	0.0%
District Courts	97.0	99.0	91.3	-7.7	-5.9%
Clerks of the Court	52.3	46.9	42.6	-4.3	-18.6%
Hospital Patient Recoveries	84.9	85.1	86.6	1.4	1.9%
Interest on Investments	178.9	122.6	166.5	43.9	-6.9%
Miscellaneous	330.5	313.8	322.9	9.1	-2.3%
<b>Grand Total</b>	<b>\$12,940.2</b>	<b>\$13,616.8</b>	<b>\$13,545.6</b>	<b>-\$71.2</b>	<b>4.7%</b>
<b>Estimated Baseline (adjusted for law changes) Growth</b>					<b>0.9%</b>

<sup>1</sup> From the Board of Revenue Estimates, March 2008, with adjustments for action at the 2008 legislative session.

<sup>2</sup> Total fiscal 2008 net receipts after the distribution to the Stadium Authority totaled \$507.9 million, \$10.8 million above the estimate. The \$10.8 million over-attainment was transferred to a special fund per SB 545 (2008 session).

Note: Fiscal 2008 revenues reflect numerous changes enacted at the 2007 special session impacting the personal income tax, sales tax, corporate income tax, and the tobacco tax. In general these changes went into effect in January 2008 thus impacting half of fiscal 2008 revenues.

**Exhibit 4**  
**General Fund Revenue Projections**  
(\$ in Millions)

<u>Source</u>	<b>FY 2008</b>	<b>---- FY 2009 Estimate ----</b>			<b>FY 2008-2009</b>	<b>FY 2010</b>	<b>FY 2009-2010</b>
	<u>Actual</u>	<u>May*</u>	<u>September*</u>	<u>\$ Chg.</u>	<u>% Change</u>	<u>September*</u>	<u>% Change</u>
Personal Income Tax	\$6,940.1	\$7,444.9	\$7,309.8	-\$135.0	5.3%	\$7,697.7	5.3%
Sales and Use Tax	3,675.3	4,052.6	3,787.4	-265.3	3.1%	3,932.8	3.8%
State Lottery	497.1	511.3	495.2	-16.1	-0.4%	507.8	2.5%
Corporate Income Tax	551.7	672.7	672.7	0.0	21.9%	746.5	11.0%
Business Franchise Taxes	208.0	206.5	200.9	-5.6	-3.4%	209.4	4.2%
Insurance Premiums Tax	301.8	295.8	309.4	13.6	2.5%	317.1	2.5%
Estate and Inheritance Taxes	243.5	213.0	210.4	-2.6	-13.6%	214.1	1.7%
Tobacco Tax	376.1	451.0	433.0	-18.0	15.1%	427.9	-1.2%
Alcohol Beverages Tax	29.0	30.3	28.7	-1.6	-1.0%	29.3	2.0%
Motor Vehicle Fuel Tax	13.2	6.5	6.5	0.0	-50.8%	0.0	-100.0%
District Courts	91.3	101.1	93.5	-7.6	2.4%	95.8	2.4%
Clerks of the Court	42.6	46.8	40.8	-6.0	-4.1%	40.4	-1.0%
Hospital Patient Recoveries	86.6	75.3	75.3	0.0	-13.0%	62.0	-17.7%
Interest on Investments	166.5	97.1	122.0	24.9	-26.7%	115.0	-5.7%
Miscellaneous	322.9	316.1	303.5	-12.6	-6.0%	306.0	0.8%
<b>Total</b>	<b>\$13,545.6</b>	<b>\$14,521.0</b>	<b>\$14,089.2</b>	<b>-\$431.9</b>	<b>4.0%</b>	<b>\$14,701.7</b>	<b>4.3%</b>
<b>Estimated Baseline (adjusted for law changes) Growth</b>					<b>1.4%</b>		<b>3.9%</b>
<b>Estimated growth, March 2008 estimate adjusted for 2008 session action</b>					<b>6.6%</b>		<b>4.8%</b>

\* May is from the Board of Revenue Estimates, March 2008, with adjustment for actions taken at the 2008 session. The September estimates for fiscal 2009 and 2010 were adopted by the Board of Revenue Estimates on September 9.

Note: Legislation enacted at the 2007 special session and the 2008 session impacted the personal income tax, sales tax, corporate income tax, tobacco tax, motor fuel tax, and certain miscellaneous revenues. In general these changes went into effect in January 2008 thus impacting half of fiscal 2008 revenues and all of fiscal 2009. Provisions of this legislation also resulted in different fund distributions for some revenue sources beginning in fiscal 2009 although in some cases those new distributions are limited in fiscal 2009 and become fully effective in fiscal 2010.

**Exhibit 5**  
**Fiscal 2010 Estimated General Fund Revenues**  
(\$ in Millions)

<u>Source</u>	<u>Mar. 2008*</u>	<u>BRE</u> <u>Sep. 2008</u>	<u>Difference</u>
Personal Income Tax	\$7,879.4	\$7,697.7	-\$181.6
Sales and Use Tax	4,212.8	3,932.8	-279.9
State Lottery	520.0	507.8	-12.2
Corporate Income Tax	745.9	746.5	0.7
Other	1,855.5	1,816.9	-38.6
<b>Total</b>	<b>\$15,213.4</b>	<b>\$14,701.7</b>	<b>-\$511.7</b>

\* March 2008 forecast with adjustment for actions taken at the 2008 session.

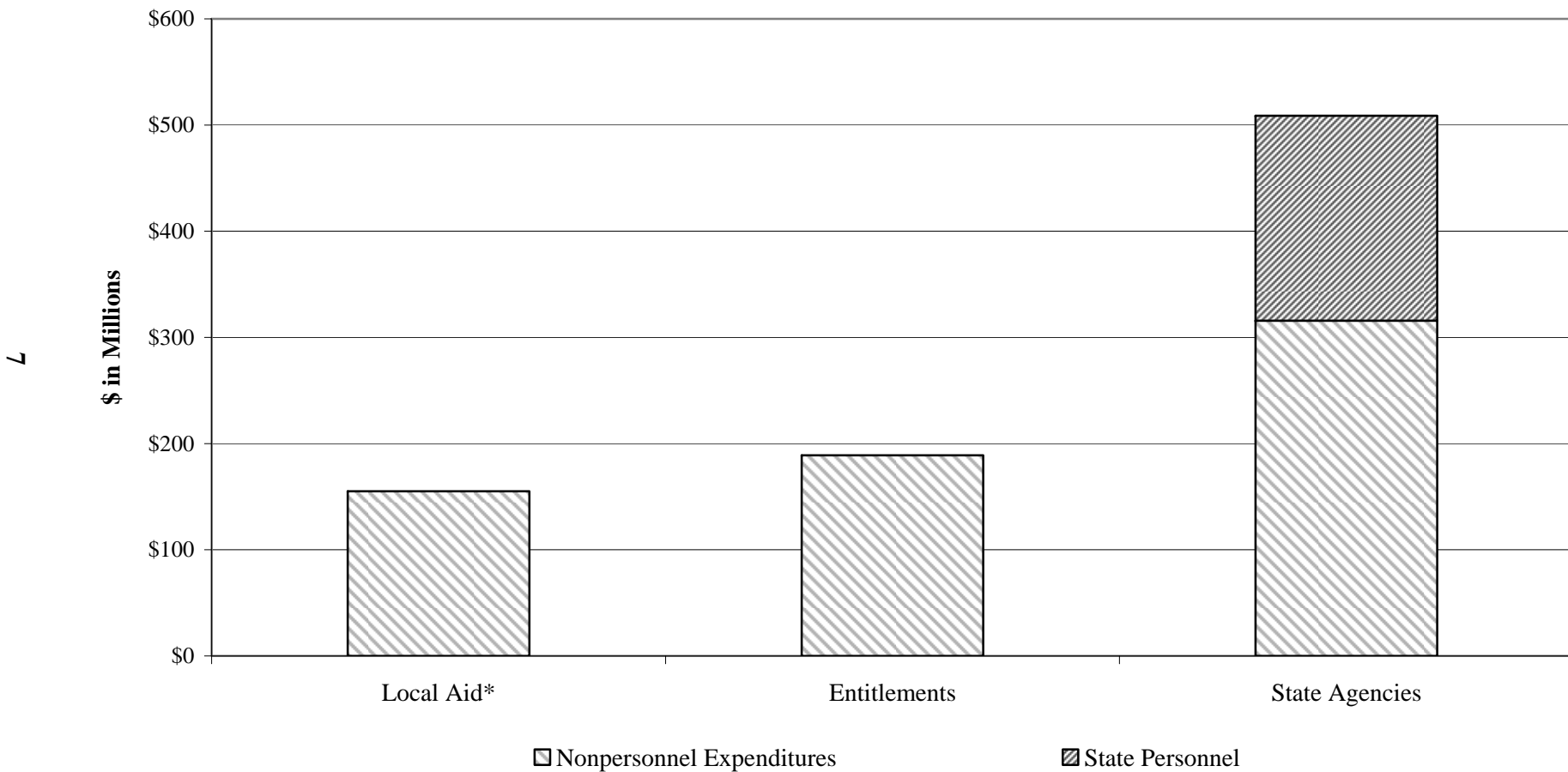
**Exhibit 6**  
**Pro Forma General Fund Budget Outlook**  
**Fiscal 2008-2010**  
(\$ in Millions)

<u>Revenues</u>	<u>2008</u> <u>Actual</u>	<u>2009</u> <u>Leg. Approp.</u>	<u>2010</u> <u>Est.</u>
Opening Fund Balance	\$285	\$487	\$0
Transfers	996	152	350
One-time Revenues/Legislation	100	50	0
<b>Subtotal One-time Revenue</b>	<b>\$1,381</b>	<b>\$689</b>	<b>\$350</b>
<b>Ongoing Revenues</b>	<b>\$13,545</b>	<b>\$14,064</b>	<b>\$14,702</b>
<b>Total Revenues and Fund Balance</b>	<b>\$14,926</b>	<b>\$14,753</b>	<b>\$15,051</b>
<b>Ongoing Spending*</b>	<b>\$14,249</b>	<b>\$14,837</b>	<b>\$15,695</b>
<b>One-time Spending</b>			
PAYGO Capital	\$27	\$16	\$34
Appropriation to Reserve Fund	163	147	291
<b>Subtotal One-time Spending</b>	<b>\$190</b>	<b>\$163</b>	<b>\$324</b>
<b>Total Spending</b>	<b>\$14,439</b>	<b>\$14,999</b>	<b>\$16,019</b>
<b>Ending Balance</b>	<b>\$487</b>	<b>-\$246</b>	<b>-\$968</b>
Rainy Day Fund Balance	\$682	\$739	\$736
Balance over 5% of General Fund Revenues	4	2	0
As % of General Fund Revenues	5.03%	5.01%	5.00%
<b>Structural Balance</b>	<b>-\$704</b>	<b>-\$773</b>	<b>-\$993</b>

PAYGO: pay-as-you-go

\* Fiscal 2009 spending is *Fiscal Digest* spending adjusted to reflect June 25, 2008 Board of Public Works expenditure reductions. Fiscal 2010 growth based on historical growth rates. Revised fiscal 2010 estimate to be presented to the Spending Affordability Committee in October 2008.

**Exhibit 7**  
**Projected General Fund Growth**  
**Fiscal 2009-2010**



\* Total local aid is projected to increase by \$245 million. The general fund increase is reduce by \$90 million in special funds attributable to slots.