

MARYLAND BUDGET & TAX POLICY INSTITUTE

BUDGET UPDATE

September 9, 2008

State Comptroller Peter Franchot today released new state revenue estimates for the current and upcoming fiscal years.

The Comptroller cited continued weaknesses in the national and state economies in significantly reducing the estimates. He pointed to sluggish growth in income tax withholding, reduced home sales, and increasing bankruptcies in the state.

Revenues for the current year, state fiscal year 2009, are now projected to total \$14.1 billion, a reduction of \$431 million from the estimates that were current when the budget was finalized last April.

This news, combined with last month's report that actual collections for fiscal year 2008, fell short of estimates.

Based on these numbers, the Maryland Budget and Tax Policy Institute (MB&TPI) estimates the shortfall for the state's current budget at \$269 million. This estimate more than reverses the \$236 million surplus estimated at the time the budget was finalized.

The Comptroller also released preliminary estimates of fiscal year 2010 revenue at \$14.7 billion. This is \$512 million less than the amount estimated in April. MB&TPI figures the 2010 shortfall at around a billion dollars. Governor Martin O'Malley is required to propose a balanced budget for 2010 to the legislature next January.

The consensus among observers of the state legislature is that significant tax increases are "off the table" for consideration in the next year. Possible cuts are likely to affect education, health and public safety because over 80% of state general fund dollars are spent in those areas.

Here is another way to look at the size of the problem in 2010: \$1 billion is about equal to the combined budgets of the Department of Human Resources (including public assistance and foster care programs), the State Police and the Department of Juvenile Services.

State Revenue Estimates FY 2009
Down from \$14,521 to \$14,089 million

