
REPORT OF THE
MARYLAND BOARD OF REVENUE ESTIMATES
ON

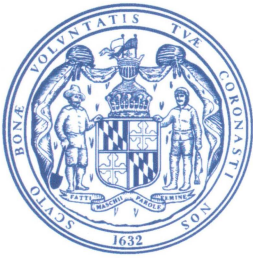


ESTIMATED
MARYLAND
REVENUES

FISCAL YEARS ENDING JUNE 30, 2016 AND JUNE 30, 2017

SUBMITTED TO
LAWRENCE J. HOGAN, JR.
GOVERNOR

DECEMBER 15, 2015



State of Maryland
Board of Revenue Estimates

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Budget and Management

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Andrew M. Schaufele
Director, Bureau of
Revenue Estimates

December 15, 2015

Honorable Lawrence Hogan
Governor of Maryland
State House
Annapolis, Maryland 21401

Dear Governor Hogan:

In compliance with Section 6-106(b) of the State Finance and Procurement Article of the Annotated Code of Maryland, the Board of Revenue Estimates has prepared and herewith submits to you new estimates of State revenues for the fiscal years ended June 30, 2016 and June 30, 2017, based upon current laws and administrative practices. As in the past, the estimates represent the collective efforts of each of the Board members and their staffs.

The Board will continue its study of economic and revenue trends and will report to you any significant changes that may affect Maryland's revenues.

Respectfully yours,

Peter Franchot, Chairman

Nancy K. Kopp

David R. Brinkley

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Executive Summary

The Board of Revenue Estimates submits revised general fund revenue estimates for fiscal year 2016 and fiscal year 2017. We have reviewed the current estimates in light of the most recent economic data and developments, as well as year-to-date revenue collections for fiscal year 2016. Based on our analysis, the Board submits estimated general fund revenues for fiscal year 2016 of \$16.435 billion and \$17.082 billion for fiscal year 2017. Relative to the September estimates, the new estimates for fiscal years 2016 and 2017 result in increases of \$31.4 million and \$60.1 million, respectively.

Except for a few adjustments that do increase revenue, the big picture economic outlook remains generally static relative to what we have had since September 2013. Our expectation is for economic growth, but at a rate lower than in comparable periods of economic expansion. This is both a national and State issue. Maryland's economic performance is, of course, adversely impacted by generally flat-lined federal government expenditures and political instability.

Employment growth has continued and is anticipated to accelerate from 0.9% in 2014, to 1.5% for calendar year 2015. The currently reported growth rate from the Bureau of Labor Statistics for 2015 is 1.7% through November; however, preliminary data from the Maryland Department of Labor, Licensing, and Regulation indicates that the federal information is somewhat overstated, hence our more conservative figure. Additionally, we have amended our expected 2015 growth for aggregate wages and salaries to 3.9%. The point of concern for these economic adjustments is that average wage growth for 2015 is expected to grow just 2.4%. This is the result of a degree of slack in the labor market as well as the fact that a sizable proportion of the new jobs being created are below the statewide average wage. Clearly, employment and wages continue to improve as the economic expansion continues; but, economic assumptions do not call for the rates of growth witnessed throughout the expansionary periods of the 1990s and 2000s.

The income tax, representing more than half of all general fund revenues, drives the December revisions (up \$33.8 million and \$99.9 million for fiscal years 2016 and 2017, respectively). The amended wage and salary forecast results in reduced growth for income tax withholding; for fiscal year 2016 we now expect 4.5% versus the current forecast of 4.8%, the expected growth rate for fiscal year 2017 remains at 4.7%. More than offsetting that reduction is our revised estimate for tax year 2015 capital gains growth, which increases from negative 10% to a flat 0%. Some of this increase is due to positive fourth quarter market reactions to an expected FED interest rate hike.

The tax due on capital gains, as well as other non-wage income, is typically remitted through quarterly estimated tax payments or payments made with the April filing of either a tax return or an extension to file. Non-wage income is far more volatile than wage income in any given year and relatively more likely to be subject to the progressive brackets. This income has been even more volatile for the prior three years as the tax policy uncertainty unleashed by the 2012 fiscal cliff has created extraordinary

distortions across tax years. Those distortions seem to be behind us for tax year 2015; that said, these types of payments remain the single largest risk (positive and negative) factor to the estimate.

The sales tax, the general fund's second largest source at approximately 25% of total, is revised down \$27.4 million for fiscal year 2016 and \$47.8 million for fiscal year 2017. The aforementioned wage and salary impact, and more explicitly the low rate of expected average wage growth, have restrained growth relative to our prior expectations. In fact, these estimates call for baseline growth (i.e., excluding revenue from the start-up of the new Amazon facility, the recent tax amnesty, and other factors that distort annual comparisons) of just 3.3% and 3.5% for fiscal years 2016 and 2017, respectively. This represents a slowdown from baseline growth of 4.2% in fiscal year 2015. It may be that 2015 was a year in which pent-up demand lifted growth above the natural rate as some consumers began to feel more confident in their current job. However, after factoring amnesty and Amazon back into collections, a relatively good general fund growth of 3.8% is expected for fiscal year 2016 and 3.2% is expected for fiscal year 2017.

Additionally, lottery revenues are improved as a result of a lesser than expected negative impact from the Horseshoe casino and strong sustained growth in instant ticket games sales. Other notable positive changes include a \$20.6 million adjustment to the estate and inheritance taxes to acknowledge significant year-to-date payments, and improved corporate collections for fiscal year 2016 as a result of better than expected results from both tax amnesty and the enhanced compliance programs.



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The Board of Revenue Estimates thanks the following participants of the Revenue Monitoring Committee for their assistance.

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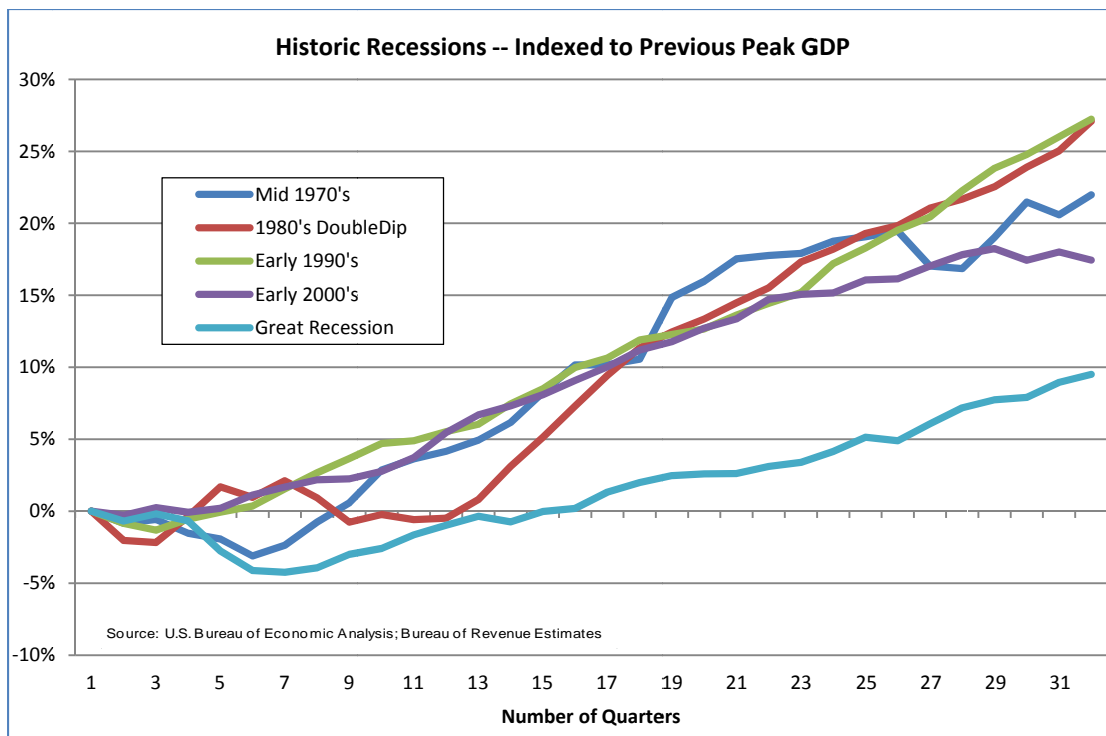


Economic Outlook

The national recovery from the “Great Recession” remains muted. The fact that so many economists and pundits continue to refer to this point in time as “economic recovery,” six years after the end of the recession, as opposed to an “economic expansion” is telling. Moreover, the fiscal drag from federal budget sequestration and general ongoing federal policy uncertainty continue to restrain growth in Maryland and the region. In other words, the economic picture has not changed much, accordingly our outlook remains subdued relative to normal periods of economic expansion. It must be stressed that our outlook calls for improving employment and wages as the economic expansion continues, just not at the rates of growth witnessed throughout the expansionary periods of the 1990s and 2000s.

The National “Expansion” and Business Investment

Real Gross Domestic Product (GDP), the broadly used inflation adjusted aggregate measure of the national economy, has proven volatile. Furthermore, the growth trajectory, as displayed in the chart below, has been the slowest relative to any other economic recovery or expansion since World War II. In fact, through the third quarter of 2015, the national economy is only 9.5% larger than its pre-recession peak (a full 32 quarters later), a remarkable laggard relative to other expansions. The confluence of slow growth and continued volatility feeds and reinforces uncertainty for business owners contemplating capital and labor expansion. As we know, uncertainty is the enemy of investment.



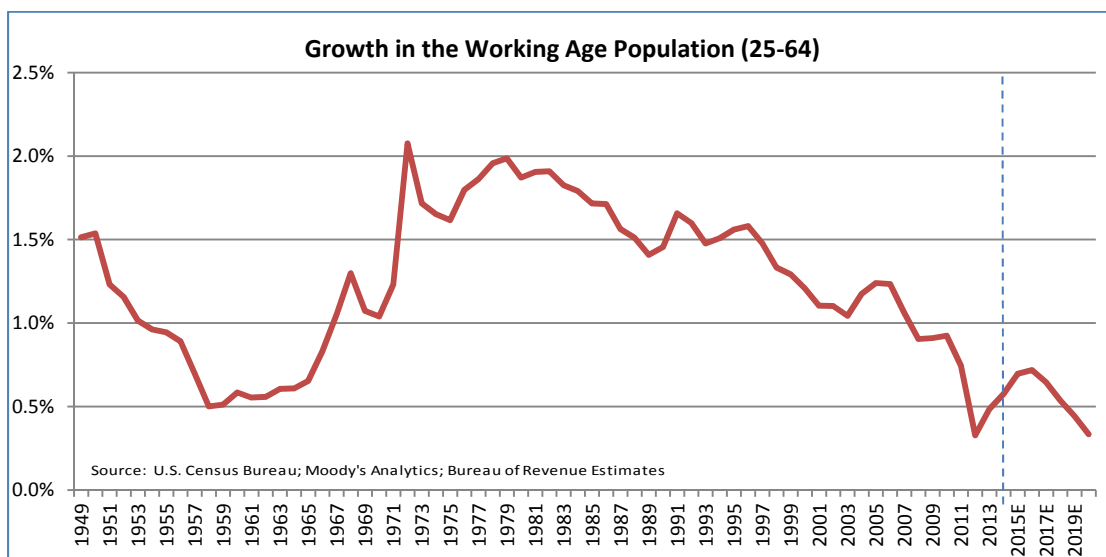
But uncertainty regarding current economic conditions cannot be the only explanatory variable for our slow recovery. Consumer demand has been strong, growing at an average 2.7% annual rate

beginning in 2013, a particularly relevant point as consumer spending typically accounts for 70% of GDP. Such robust and sustained demand should support positive investment decision metrics; however, it does not seem that companies are investing heavily in the future. Quite the opposite, companies are distributing cash to their investors at a relatively high instance through one-time measures such as stock buy backs or ongoing measures such as increased or new dividends.

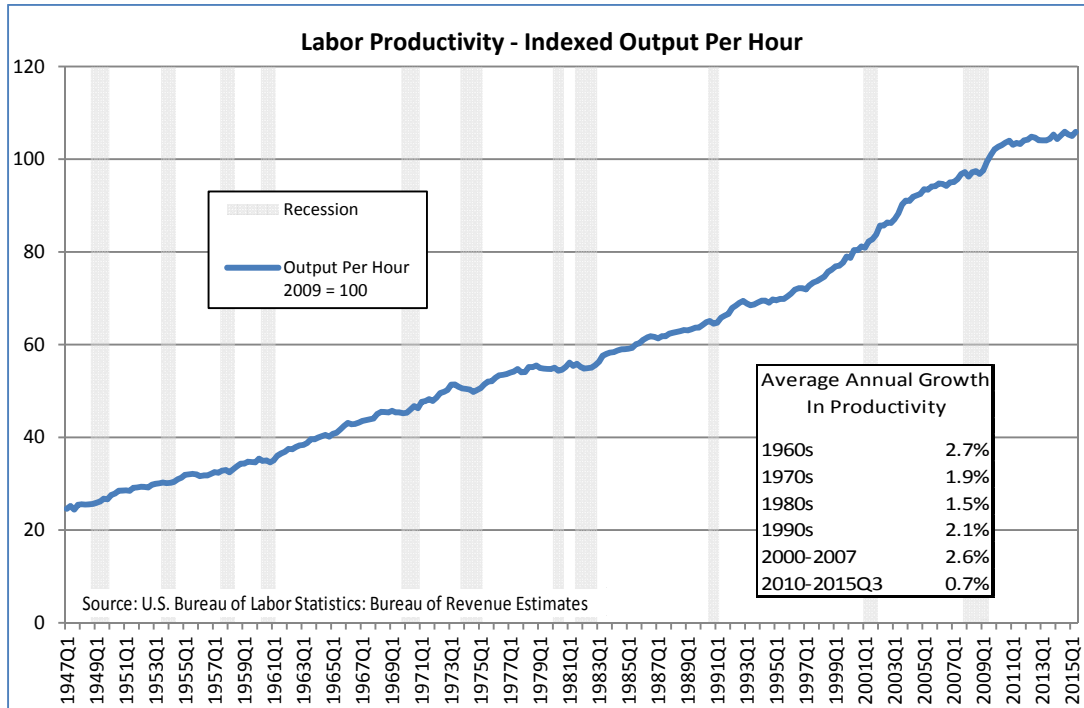
A company, acting as a fiduciary for its owners, should only distribute cash to shareholders when it cannot determine an investment with a greater return. While this might be somewhat a function of the ever increasing need to meet short-term investor return requirements, it is also likely demonstrative of fewer investment opportunities. The latter is a point of particular concern and requires further examination.

The quantity of labor and the productivity of that labor generally sums up to the supply side of the economy. Contrary to what is often turned into a partisan political argument, the supply and demand sides of the economy are equally relevant and highly dependent upon one another. While there is no empirical evidence that defines the root cause of the recent economic sluggishness, it is likely a function of a reduced outlook for the availability of labor, the ability of that labor to grow production levels at previously experienced rates, and the subsequent impact those factors will have on demand.

The premise that this country, as well as most of the developed and developing world, is aging is nothing new; the difference now is that a negative trend is within the ten year horizon. Demographic trends are set in stone early; they are based on population age stratifications, life expectancy, and birth rates. For many years now it has been common knowledge that not only would the share of those aged 65 or more increase significantly, but also that the number of individuals in the working years of their life (defined here as 25 – 64) would grow at a slow pace. The latter fact is a direct problem from an economic output perspective, while the prior has myriad other implications. Slowing growth in the number of workers, *ceteris paribus*, translates to slower growth in economic output. The chart below illustrates historical growth rates in the working age population as well as Moody’s Analytics outlook; the baby boomer generation and a recent uptick from their offspring, the millennials, are evident. However, falling birth rates, beginning with the baby boomers and continuing with subsequent generations, has resulted in the current outlook.



The above could be offset by increased productivity, but that also seems to be an issue. Productivity as defined here is a measure of labor's output per hour. Since World War II this country has witnessed extraordinary growth from this metric, a key reason that this country enjoys the relatively high standard of living that it does. Technological revolutions affecting industrial as well as office activities have dominated the economic landscape, resulting in outsized gains for the economy. The chart below illustrates historical growth patterns as well as the recent slowing.



The cause of recent slowing in productivity is a highly debated issue amongst economists. One argument is that we have picked the proverbial low hanging fruit, meaning that marginal improvements made to technology at this point result in lesser gains than prior improvements; hence slower growth. Additionally, ongoing improvements to the production of technology have resulted in reduced prices that have made current technology relatively ubiquitous across industries and consumers alike.

The contrary views to the above require full disclosure and they are two-fold. First, the argument can be made that we cannot foresee future productivity improvements. For example, could anyone have truly predicted the omnipresence of the internet? Therefore how could we discount the possibility for future innovation? Human ingenuity will result in some great new market or technological improvement, whether it be an energy revolution or something completely unimaginable at the moment. However, faith in the future is not a prudent basis for the near-term outlook.

The second argument is that GDP is not accurately measuring the contribution of much of the new technology. Much of the new technology produced is available free (e.g., Facebook, etc...). It is not a simple endeavor to determine its value. To be sure, many of the websites and applications coming out of Silicon Valley type companies create great utility, but that does not mean they comparatively create the broad based economic value as, say, enterprise software systems did in the 1990s. In fact, it may be the case that the opportunity cost of so many of the nation's greatest minds focused on creating websites and applications of minor broad based economic consequence is significant. Furthermore, non-monetary transactions are not part of the tax base, which means that the amount of value they create has little significance to the amount of tax revenue the state will collect.

The above supply side issues translate to the demand side, and vice-versa. Slower growth in workers also means slower growth in consumers. If the expectation is for GDP to grow slower in general because of productivity concerns, that will translate to lesser wage gains, another impediment to consumer spending. Additionally, recent above average unemployment may have temporarily eroded the ability of workers to demand higher wages, contributing to subdued wage growth. The result would be less incentive for employers to invest in labor saving technology that would boost productivity. Of course, many of our companies and their workers are operating in a global economy, not a national economy. Many of the developed nations are in similar or worse situations. Some are further along the road at this point in terms of aging populations, this may help explain the tepid growth witnessed in Europe for quite some time. Increasing purchasing power in developing nations, even as their rapid expansions begin to slow a bit (still growing at healthy clip), have likely already been factored in; the large investments required to satisfy that demand have likely been made and further increases will only prove marginal in the forecast horizon.

Labor Market Improvements, Wage Growth, & Income Concentration

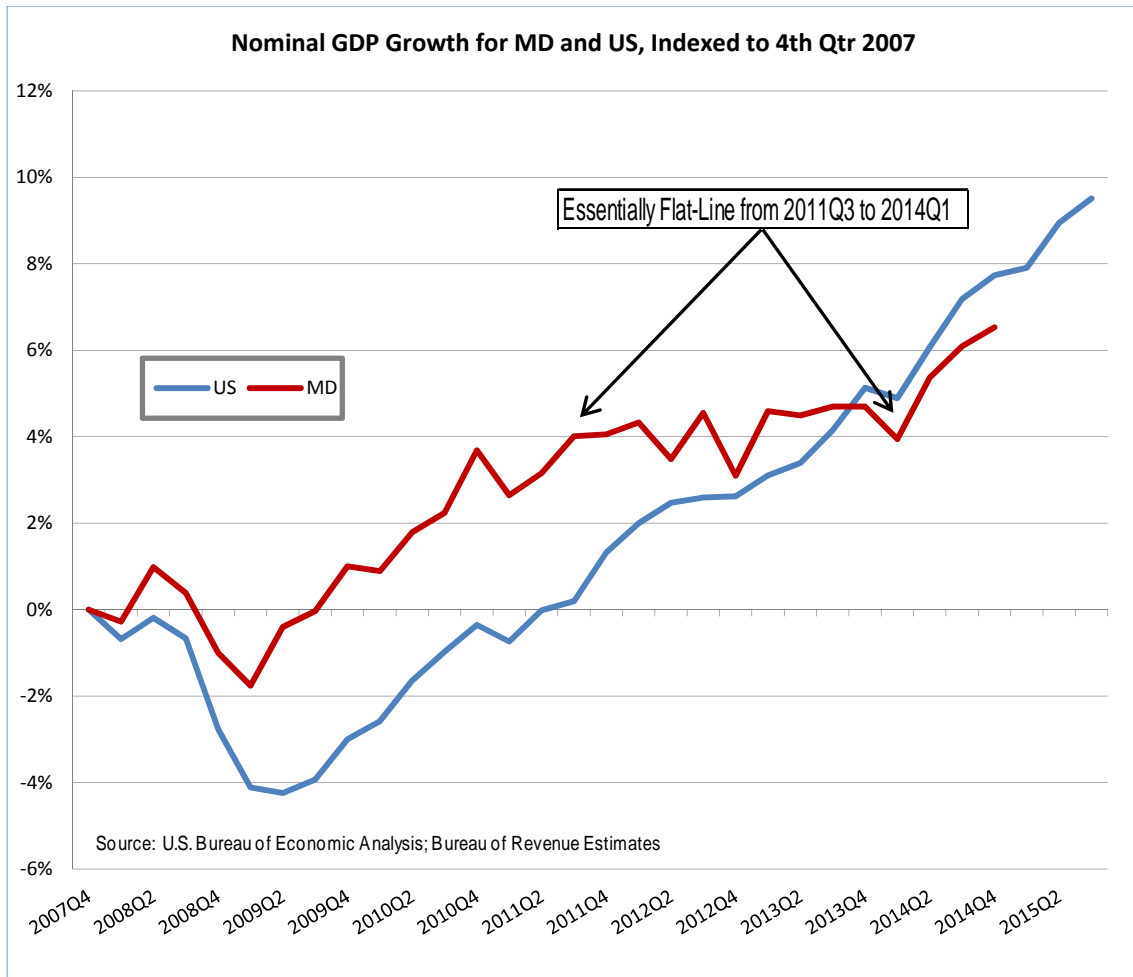
The national labor market continues to improve at a rapid clip. In fact, after growing 1.9% in 2014, the number of jobs has grown 2.1% through November of this year. The unemployment rate has fallen to 5.0%. Lagging employment gains have been wage improvements. The average wage, defined as total wages divided by the total number of jobs, increased just 3.1% in 2014 and is up only 2.1% through the first two quarters of 2015. In several years of this recovery inflation adjusted average wage growth has been negative, meaning consumers have lost purchasing power.

However, wage gains typically do lag employment gains. This is truly a bright spot in the outlook; as we continue to add positions and bring individuals back into the labor market, the market for labor will tighten and wage growth should gain momentum. The concern at this point is that the job mix, or the types of jobs that are being created, has been heavily concentrated in positions below the national average wage. As a result, growth in average wages might remain muted relative to the normal gains accompanying a tightening labor market.

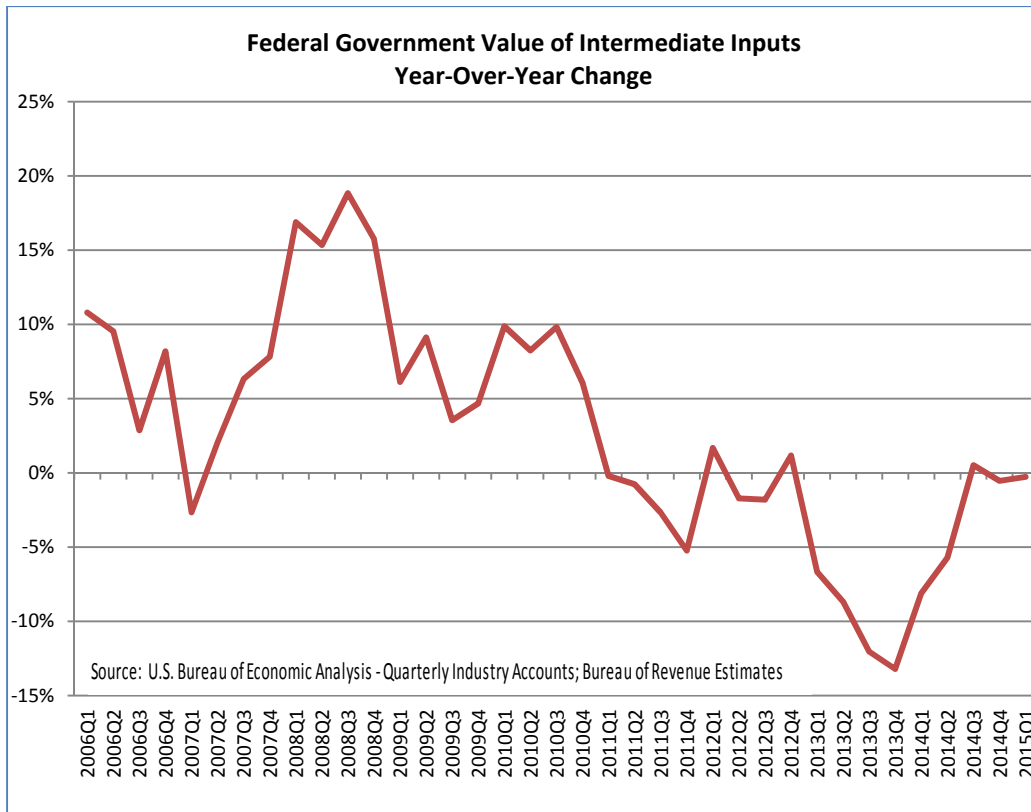
Gains in the national labor market have favored low-skilled service positions. Such positions are likely growing in order to satisfy demand from those consumers who have seen their incomes rise at healthy rates throughout this recovery: those that own capital and those in skilled positions. There is, of course, nothing wrong with the work or services performed by individuals in these lower-skilled positions, but it will restrain wage growth. This may help reconcile the weak growth in GDP and the strong labor gains.

Maryland and Sequester

Maryland's economic growth between 2011 and 2014 has been tepid at best, particularly relative to national growth. This, of course, coincides with federal budget sequestration. The private sector began to adjust payrolls immediately, even as the bill was being discussed within Congress. Actual austerity measures were not effective until 2013, at which point the private and public sectors took another hit. The following juxtaposition illustrates the relative weakness of Maryland's recovery over this period compared to the national recovery, a clear indication of the relative fiscal drag.



The chart on the following page may help to illustrate the timing of the impacts and might even offer a glimmer of hope. The data is somewhat esoteric, even for most economists, but it shows the growth in the value of intermediate inputs purchased by the federal government. Intermediate inputs represent the value of the private sector’s sales to the federal government, an important component to Maryland’s economy. While this data is not Maryland specific, it is clear that we are far more affected than any other jurisdiction outside of Virginia and the District.



More recently, as the above chart shows, the “reset” of sequester may be behind us; meaning we are at our new baseline for federal spending and the brunt of the losses may be behind us. That said, the sector will continue to be a drag. The sequester targets, even with the recent moderate increases, do not permit growth in discretionary spending until 2019; therefore an important sector of our economy will remain handicapped. As such, Maryland’s economic trajectory will remain muted relative to the national rate until either sequester is lifted or the next recession.

This will also remain a possible positive risk to this forecast. Federal sequestration did close to nothing to fix the federal fiscal quagmire. In fact, it may have had a negative effect; the economic impact of the half-measures reduced economic growth without solving longer term spending issues. The real issues for the federal fiscal outlook are entitlements (also related to demographics). Should Congress address the real problem, and ameliorate or remove the sequester altogether, Maryland will grow at a higher trajectory.

The Maryland Outlook

Maryland’s economy will expand in 2015 and growth in employment is expected to rise to 1.4% in 2015 from 0.9% in 2014. Further strong growth is expected in 2016 as the tail of the labor recovery peaks before the growth rate slows (remaining positive) in 2017. Growth in the average wage for 2015 is expected to equal that of 2014, a somewhat disappointing factor, but related to the reasons that have been discussed throughout this summary. The rate of wage growth is expected to increase throughout the out years as the labor market tightens, but to be sure, that rate of wage growth is low relative to historical norms. Aggregate wage growth and personal income measures increase as employment improves.

Regarding all that has been discussed and the outlook for Maryland’s largest general fund revenue source, the income tax, the outlook is relatively stronger. This is due to Maryland’s strong concentration of wealthy taxpayers. As has been noted, income growth at the higher end has been substantial (volatile as well), buoying aggregate receipts to growth rates better than 5%.

Outlook For Key Maryland Economic Variables				
Calendar Year	Non-Farm Employment Growth	Personal Income	Aggregate Wage & Salary Income	Average Wage
2013	0.9%	-0.2%	0.8%	-0.1%
2014	0.9%	3.8%	3.4%	2.4%
2015E	1.5%	4.2%	3.9%	2.4%
2016E	1.3%	4.6%	4.2%	2.9%
2017E	1.0%	5.1%	4.1%	3.1%
2018E	0.8%	4.5%	4.0%	3.2%
2019E	0.5%	4.2%	3.8%	3.2%
Source: Bureau of Revenue Estimates				

Risks

As usual, risks abound, particularly in light of the recent ISIS attack in Paris and the “inspired” attack in San Bernardino. Another direct attack on western soil, particularly America, might trigger a correction to the stock market that reverberates into the “real” economy. Additionally, Federal Reserve actions to raise interest rates are imminent; there is a risk that the market reacts in a negative manner that gains traction or that the higher rates slow broader growth in such a way that the economy again falters. Oil prices have created a sort of consumer dividend and while low prices seem to have some traction for an extended period of time, higher prices would be a sharp drag to the average consumer.

Positive risks include the aforementioned reduction or abolition of federal sequester, but also expansion from the Port of Baltimore. The Panama Canal widening, which will allow so called “post-Panamax ships” to navigate the Canal, will permit large cargo ships to move from Asia to the East Coast. Currently that cargo is typically delivered to the West Coast and then transported by rail and road throughout the country. Baltimore is one of the few ports with the depth and infrastructure to handle these types of ships and will certainly see increased need for labor and capital. Should there be a meaningful surge in activity and jobs, there will also be indirect and induced impacts.

Table 1
Forecast of the US Economy
Primary Indicators

CALENDAR YEAR	2011	2012	2013	2014	2015	2016	2017
Real Gross Domestic Product (\$ in billions)	15,021	15,355	15,583	15,962	16,355	16,803	17,299
	1.6%	2.2%	1.5%	2.4%	2.5%	2.7%	3.0%
Federal Funds Rate	0.1%	0.1%	0.1%	0.1%	0.1%	0.9%	1.9%
10-Year Treasury Bond Yield	2.8%	1.8%	2.4%	2.5%	2.1%	2.7%	2.9%
Consumer Price Index (%Δ from prior year)	3.3%	1.9%	1.2%	1.2%	0.3%	2.4%	2.5%
Housing Starts (thousands of units)	612	784	928	1,001	1,096	1,229	1,418
	4.5%	28.1%	18.4%	7.8%	9.5%	12.2%	15.4%
Light Vehicle Sales (thousands of units)	12,735	14,443	15,532	16,435	17,393	17,762	18,187
	10.2%	13.4%	7.5%	5.8%	5.8%	2.1%	2.4%
Corporate Profits Before Taxes (\$ in billions)	1,817	1,998	2,037	2,073	2,078	2,241	2,291
	4.0%	10.0%	2.0%	1.7%	0.3%	7.8%	2.3%
Total Non-Agricultural Employment (thousands)	131,843	134,098	136,394	139,023	141,927	144,170	146,070
	1.2%	1.7%	1.7%	1.9%	2.1%	1.6%	1.3%
Unemployment Rate	8.9%	8.1%	7.4%	6.2%	5.3%	4.9%	4.8%
Personal Income (\$ in billions)	13,255	13,915	14,068	14,694	15,362	16,036	16,903
	6.2%	5.0%	1.1%	4.4%	4.5%	4.4%	5.4%

Source: Board of Revenue Estimates and Global Insight (December 2015 Forecast)

Table 2
Forecast of the MD Economy
Primary Indicators

CALENDAR YEAR	2011	2012	2013	2014	2015	2016	2017
Total Non-Agricultural Employment (thousands)	2,542	2,574	2,596	2,620	2,658	2,692	2,720
	1.0%	1.2%	0.9%	0.9%	1.5%	1.3%	1.0%
Existing Median Home Price (\$)	248,189	247,195	262,339	272,225	268,853	268,853	270,735
	-5.0%	-0.4%	6.1%	3.8%	-1.2%	0.0%	0.7%
Existing Single Family Home Sales (thousands)	63.5	63.7	70.2	75.0	83.8	93.9	98.6
	-13.3%	0.3%	10.2%	6.8%	11.8%	12.0%	5.0%
Private Housing Starts (thousands)	11.6	14.4	17.0	16.6	17.2	20.2	22.4
	-3.6%	24.1%	18.2%	-2.1%	3.8%	17.2%	11.1%
Personal Income (\$ in millions)	302,712	312,724	312,054	323,778	337,324	352,962	370,921
	5.3%	3.3%	-0.2%	3.8%	4.2%	4.6%	5.1%
Wages and Salaries (\$ in millions)	144,428	148,883	150,064	155,117	161,091	167,878	174,840
	3.6%	3.1%	0.8%	3.4%	3.9%	4.2%	4.1%
Dividends, Interest and Rent (\$ in millions)	55,675	60,180	58,960	61,473	64,338	68,739	74,862
	8.3%	8.1%	-2.0%	4.3%	4.7%	6.8%	8.9%
Capital Gains (\$ millions)	5,582	7,877	6,647	8,276	8,276	8,387	8,705
	26.7%	41.1%	-15.6%	24.5%	0.0%	1.3%	3.8%
Unemployment Rate	7.1%	6.9%	6.5%	5.8%	5.2%	5.0%	5.0%

Source: Board of Revenue Estimates and Global Insight (December 2015 Forecast)

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General Fund Revenues

In preparing these estimates, all of the State's revenue collecting agencies were consulted. In addition, the Board of Revenue Estimates continued to rely on the Revenue Monitoring Committee, comprised of key State staff with revenue estimating knowledge or collection responsibility. The committee compared and considered alternative economic forecasts from national economic consulting firm Moody's Analytics and Global Insight, and local economists at Sage Policy Group.

Table 3 shows detail on general fund and selected special fund revenue sources for fiscal years 2015 through 2017. Table 4 provides additional detail on general fund revenues. The sections which follow these tables provide more information on each of the state's general fund revenue sources.

Table 3
Selected Revenues
Fiscal Years 2015 - 2017

	GENERAL FUND			SPECIAL FUND			TOTAL		
	Fiscal Year 2015 Actual	Fiscal Year 2016 Revised Estimate	Fiscal Year 2017 Estimate	Fiscal Year 2015 Actual	Fiscal Year 2016 Revised Estimate	Fiscal Year 2017 Estimate	Fiscal Year 2015 Actual	Fiscal Year 2016 Revised Estimate	Fiscal Year 2017 Estimate
\$ Thousands									
INCOME TAXES									
Individual	8,346,145	8,779,118	9,273,211				8,346,145	8,779,118	9,273,211
Corporations	777,321	831,407	876,224	226,266	242,010	227,252	1,003,588	1,073,417	1,103,477
Total	9,123,466	9,610,525	10,149,436	226,266	242,010	227,252	9,349,732	9,852,535	10,376,688
SALES AND USE TAXES	4,350,726	4,515,683	4,662,347	59,169	60,633	72,044	4,409,895	4,576,316	4,734,391
STATE LOTTERY RECEIPTS									
Lottery Games	506,493	495,373	505,010	77,476	97,471	97,654	583,968	592,843	602,664
Casinos				543,826	500,043	612,014	543,826	500,043	612,014
Total	506,493	495,373	505,010	621,302	597,514	709,668	1,127,794	1,092,887	1,214,678
TRANSPORTATION REVENUES									
Motor Vehicle Fuel Tax	5,000	4,625	0	917,161	1,034,960	1,159,977	922,161	1,039,585	1,159,977
Motor Vehicle Licenses, Fees				765,266	764,728	782,600	765,266	764,728	782,600
Motor Vehicle Titling Tax				795,510	855,200	876,200	795,510	855,200	876,200
Maryland Transit Fees				142,414	167,000	174,000	142,414	167,000	174,000
Maryland Port Fees				49,759	49,000	50,000	49,759	49,000	50,000
Maryland Aviation Fees				222,117	225,000	225,000	222,117	225,000	225,000
Total	5,000	4,625	0	2,892,227	3,095,888	3,267,777	2,897,227	3,100,513	3,267,777
OTHER REVENUES									
Property Transfer Tax	144,189	115,367	82,771	19,326	69,517	102,206	163,515	184,883	184,977
Business Franchises and Filing Fees	225,699	230,413	235,165				225,699	230,413	235,165
State Tobacco Tax	391,463	392,374	390,869				391,463	392,374	390,869
Tax on Insurance Companies	316,050	297,613	308,731				316,050	297,613	308,731
Alcoholic Beverages Excises	31,306	31,512	31,792				31,306	31,512	31,792
Estate & Inheritance Taxes	243,418	236,128	198,502				243,418	236,128	198,502
Clerks of the Court	34,433	37,553	39,335				34,433	37,553	39,335
District Courts	77,702	77,718	77,619				77,702	77,718	77,619
Hospital Patient Recoveries	65,182	59,713	58,348				65,182	59,713	58,348
Interest on Investments	10,709	11,000	20,000						
Miscellaneous Fees, Other Receipts	396,728	319,684	321,979						
Total	1,936,878	1,809,073	1,765,111						
Total Current Revenues	15,922,563	16,435,279	17,081,904						
Extraordinary Revenues ¹									--- See Notes ---
GRAND TOTAL	15,922,563	16,435,279	17,081,904						--- See Notes ---

Notes: Includes all general fund revenues, all Transportation revenues and selected special fund taxes. In conjunction with Appendix B of the Fiscal Year 2016 Budget Book, this table will comprise the official estimate of total state revenues.

Table 4
Maryland General Fund Revenues
 Fiscal Years 2015 - 2017

\$ Thousands	FY 2016					FY 2017			
	FY 2015 Actual	September Estimate	December Estimate	Difference	Growth	September Estimate	December Estimate	Difference	Growth
INCOME TAXES:									
Individual	8,346,145	8,745,252	8,779,118	33,866	5.2%	9,173,311	9,273,211	99,901	5.6%
Corporation	777,321	822,985	831,407	8,422	7.0%	878,618	876,224	(2,394)	5.4%
Total	9,123,466	9,568,237	9,610,525	42,288	5.3%	10,051,929	10,149,436	97,507	5.6%
SALES AND USE TAXES	4,350,726	4,543,085	4,515,683	(27,402)	3.8%	4,710,126	4,662,347	(47,779)	3.2%
STATE LOTTERY	506,493	487,714	495,373	7,659	-2.2%	494,691	505,010	10,319	1.9%
OTHER REVENUES									
Business Franchise Taxes	225,699	230,413	230,413	0	2.1%	235,165	235,165	0	2.1%
Tax on Insurance Companies	316,050	304,800	297,613	(7,187)	-5.8%	316,140	308,731	(7,408)	3.7%
Estate and Inheritance Taxes	243,418	215,449	236,128	20,679	-3.0%	199,856	198,502	(1,354)	-15.9%
Tobacco Tax	391,463	388,889	392,374	3,485	0.2%	387,115	390,869	3,754	-0.4%
Alcoholic Beverages Excise Tax	31,306	31,245	31,512	267	0.7%	31,358	31,792	434	0.9%
Motor Vehicle Fuel Tax	5,000	4,625	4,625	0	-7.5%	-	0	0	-100.0%
District Courts	77,702	77,718	77,718	0	0.0%	77,619	77,619	0	-0.1%
Clerks of the Court	34,433	36,671	37,553	881	9.1%	38,456	39,335	879	4.7%
Hospital Patient Recoveries	65,182	63,265	59,713	(3,552)	-8.4%	63,265	58,348	(4,917)	-2.3%
Interest on Investments	10,709	11,000	11,000	0	2.7%	20,000	20,000	0	81.8%
Miscellaneous	396,728	325,392	319,684	(5,708)	-19.4%	313,283	321,979	8,696	0.7%
Total	1,797,690	1,689,466	1,698,332	8,865	-5.5%	1,682,256	1,682,340	84	-0.9%
Total Current Revenues	15,778,374	16,288,502	16,319,913	31,410	3.4%	16,939,002	16,999,133	60,131	4.2%
Transfer Tax Revenues ¹	144,189	115,367	115,367	0		82,771	82,771	0	-28.3%
GRAND TOTAL	15,922,563	16,403,869	16,435,279	31,410	3.2%	17,021,773	17,081,904	60,131	3.9%

¹ The Tax Property Article §13-209 has been altered across several legislative sessions so as to provide various distributions to the general fund

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Individual Income Tax

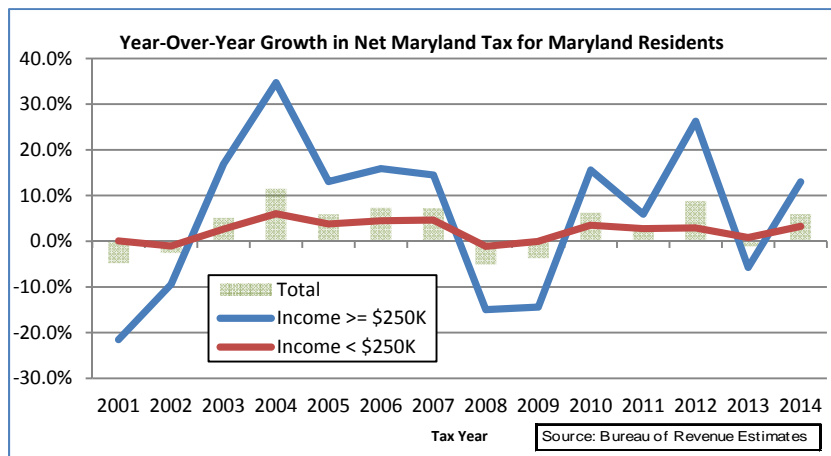
The individual income tax, accounting for more than half of all general fund revenues, is estimated to increase 5.2% for fiscal year 2016 and a further 5.6% in fiscal year 2017. Net receipts are expected to increase 4.7% and 5.2%, more in line with general economic activity; the difference between the growth of net receipts and the general fund is more of a technical nature and is discussed later.

Analysis of the income tax for the last several years has been dominated by discussion of the fiscal cliff. The fiscal cliff is the term used to define the expiration of myriad preferential federal tax code treatments (colloquially referred to as the Bush tax cuts) as well as the need to raise the federal debt ceiling; all of which, in the absence of congressional action, were set to occur at the end of calendar year 2012. While an inability to raise the debt ceiling could have had immensely dire macroeconomic consequences, it was the tax policy uncertainty that created the extraordinary tax volatility we've recently witnessed.

Several preferential tax treatments for a broad range of taxpayers were set to expire, though the volatility is likely attributable to those policies affecting high income or high wealth taxpayers. The general capital gains tax rate for high income taxpayers was set to increase to 20.0% from 15.0% and would also include a new 3.8% surcharge arising from the Affordable Care Act; the forthcoming total capital gains rate of 23.8% was a tax increase of 58.7%. Dividend income faced a greater tax rate increase; dividends had been taxed at the preferential capital gains rate of 15% since 2003, the expiration of the preferential rate meant dividend income would be taxed as ordinary income with rates as high as 39.6%. The fiscal cliff also included the expiration of preferential tax brackets that benefited all taxpayers, though higher income wage earners to a greater degree.

Although a deal was reached that ameliorated the coming impact, including an agreement to increase the debt ceiling, the deal was not reached and signed by the President until January 2, 2013. With such a late deal and the American public's general pessimism with regard to federal lawmakers' ability to accomplish any policy changes throughout 2012, taxpayers recognized income throughout the second half of tax year 2012 that would have most likely been recognized at later dates, thereby essentially pulling income forward.

The result of these policy related timing issues has been increased volatility from a small subset of taxpayers that represent



a significant share of the tax. The inset table illustrates the above circumstances, where tax year 2012 saw growth of 26.3% for taxpayers with taxable income greater than or equal to \$250,000. Keep in mind that 2012 was a generally poor year in terms of macro- economic growth, in fact there was concern that we were slipping into a double-dip recession. That same group then saw their net Maryland tax remittances decrease for tax year 2013 (-5.8%), and then the subsequent rebound to positive 13.0% for tax year 2014. To put these figures into context, between tax years 2010 and 2014, those taxpayers in the aforementioned grouping have accounting, on average, for just 2.2% of all taxpayers but 27.4% of the tax. While the volatility and relative importance of this group will remain critical to the income tax estimate, it seems that the federal policy impacts from 2012 are now finally behind us.

For fiscal year 2016, the expectation is for withholding to increase to 4.5%, commensurate with our economic outlook. Final payments are expected to increase 4.7% as our outlook for tax year 2015 capital gains income calls for flat growth relative to tax year 2014; however, the other components of non-wage income are expected to increase 4.6% for tax year 2015. Net receipts, the “bottom line,” are expected to increase 4.7% for fiscal year 2015 and a further 5.2% for fiscal year 2016. The general fund receives a larger share in fiscal years 2016 and beyond as the most recent tax year data suggests that the State’s share has increased. Somewhat offsetting the full impact of the State’s share increase is a technical adjustment that sends an additional \$45.0 million to the local income tax reserve account to further the alignment of that account’s balance with its liabilities.

Table 5
Individual Income Tax Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Gross Receipts (State & Local)				
Withholding	11,723,541	12,177,833	12,726,212	13,326,859
Estimated Payments	1,730,157	1,935,904	2,023,994	2,143,758
Payments with Final Returns	1,518,157	1,718,004	1,799,396	1,895,704
Fiduciary	108,882	131,616	136,717	147,022
Gross Receipts	15,080,737	15,963,356	16,686,319	17,513,342
Refunds	(2,403,369)	(2,416,403)	(2,502,719)	(2,592,392)
Net Receipts (State & Local)	12,677,368	13,546,953	14,183,600	14,920,951
Local Reserve Account	(4,902,005)	(5,199,134)	(5,402,483)	(5,645,739)
Income Tax Check-offs	(1,589)	(1,674)	(2,000)	(2,000)
Net General Fund	7,773,773	8,346,145	8,779,118	9,273,211

Figures may not sum to totals due to rounding.



Corporate Income Tax

General Fund corporate income tax revenues increased 2.1% to \$777.3 million in fiscal year 2015. Gross receipts for fiscal year 2015 increased just 2.6% while refunds increased 5.5%. It is worth noting that fiscal year 2014 gross receipts were strongly bolstered by a significant one-time payment that had resulted from a Delaware holding company case settled in the State's favor. Nationally, corporate profits rose 3.6% in fiscal year 2015. Growth in corporate profits has fallen from historic highs earlier in the decade to relatively subdued levels compared to the previous two economic expansions, and is expected to grow modestly over the remainder of the decade.

National measures of corporate profits do not fully correlate with corporate income tax receipts in Maryland. This is partly due to timing issues related to the normal tax administration process, as well as differences in national income and tax accounting, and in the corporate tax base composition in Maryland compared to the nation as a whole.

Through November, net receipts are up 12.5%. Some of this increase is due to revenue generated from tax amnesty, and Comptroller compliance initiatives, though the revenue contribution from these sources is expected to slow over the rest of the fiscal year. Excluding these sources, net receipts are up 3.7%, with some of the contribution coming from lower tax credits, principally reduced statutory amounts for the film production tax credits. For fiscal year 2016 and including amnesty and compliance measures, net receipts and general fund revenue are forecast to increase 7.0%. For fiscal year 2017, net receipts are forecast to increase 2.8%, while a statutory reduction in the portion of net receipts paid into the transportation trust fund increases the general fund share; resulting in general fund growth of 5.4%.

Table 6
Corporate Income Tax Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Gross Receipts	1,157,654	1,188,136	Note 1	Note 1
Refunds	(174,870)	(184,548)	Note 1	Note 1
Net Receipts	982,784	1,003,588	1,073,417	1,103,477
Transportation Trust Fund	(162,609)	(166,051)	(177,605)	(161,044)
Higher Education Investment Fund	(58,967)	(60,215)	(64,405)	(66,209)
Net General Fund	761,208	777,321	831,407	876,224

Note 1: Estimates are only for net receipts



Sales and Use Taxes

The sales and use tax, the second largest source of revenues to the general fund, increased 5.0% in fiscal year 2015 after a more modest 1.9% for fiscal year 2014. Growth in fiscal year 2015 was buoyed by the improving economy as well as Amazon's establishment of nexus with the State. Growth for fiscal years 2016 and 2017 is expected to slow to 3.8% and 3.2%, respectively. While this seems somewhat contrary to underlying economic improvements, the slowdown is both a function of decreasing pent-up demand and the annualization of Amazon collections.

The consumer segment, the largest component of the sales and use tax, grew by 5.9% in fiscal year 2015, compared to just 1.1% in fiscal year 2014. A significant contributing factor to this improvement was Amazon's establishment of nexus; however, underlying growth was relatively strong as continued economic growth and declining unemployment factored immensely. Furthermore, it seems that fiscal year 2015 was a year where consumers satisfied pent-up demand, meaning that new jobs and confidence in existing jobs likely contributed to sales that might have otherwise occurred in historical years.

Through November, the consumer segment is up 6.4% on a year-over-year basis, but the comparison period from last year does not include receipts from Amazon. Regarding the outlook, the recent decline in gas prices and improving incomes increase disposable income and therefore spending on taxable goods; but, remember that growth rates are somewhat muted by distortions caused by Amazon.

The construction industry, the second largest component of the sales and use tax, continues to show improvement, up 6.0% in fiscal year 2015. This represents the fifth consecutive year of growth following the tremendous downturn witnessed as the real-estate bubble burst in 2008. To put the bubble and the recovery in context, it is worth noting that construction collections in fiscal year 2015 were 11.7% less than the tax rate adjusted prior peak in fiscal year 2006.

The construction industry has benefited from historically low mortgage interest rates and pent-up household demand. The satisfaction of that demand remains somewhat in question as it does seem that first-time home buyers have been a relatively smaller share of the market for myriad reasons (e.g., changing preferences, lack of savings, bad credit, etc...). Perhaps filling that gap with regard to housing has been the tremendous volume of foreclosures. Foreclosures, which have served to hold down home price growth as sales volume has surged, typically require post-sale improvements. Year-to-date construction gross receipts are up 3.6%, and are expected to finish fiscal year 2016 up 4.9%. The Federal Reserve's anticipated interest rate increases and their impacts to the broader housing market are a significant risk.

Capital goods receipts cover a broad range of products, with some concentration in business inputs such as office furniture and technology equipment. As evidenced in the accompanying table, taxable capital investment has been volatile and lagging relative to prior economic expansions. Capital goods receipts are expected to decline slightly in fiscal year 2016 (year-to-date receipts down 1.3% through November) before returning to moderate growth of 2.6%.

Utility receipts are composed of communications related sales and power sales to businesses. Communications equipment and voice services are taxable, data plans are not. The communications segment has been under pressure as pricing has shifted towards data services and general voice services have become widely available through general merchandise and convenience stores. The power side has been under pressure as natural gas prices have served to hold down prices charged to businesses; however, growth has been positive as demand has continued to improve. As a whole, the utilities segment is down 2.8% through November, but expected to improve to -1.0% for the current fiscal year before growing 2.7% in fiscal year 2017.

It should be noted that the segments described above are becoming less descriptive each year. Goods that were sold at specialty stores are now sold at general retailers, leading the sale of some goods to be attributable to different segments than in the past. An informative example is cell phones. In the past cell phones were largely sold through carriers and recognized as communications; but now cell phones are likely to be purchased at a general retailer and attributable to the consumer segment.

Table 7
Sales and Use Tax Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Consumer	2,960,554	3,135,214	3,290,824	3,387,225
Construction	559,526	592,863	622,128	652,282
Capital Goods	287,617	297,261	298,000	305,871
Utilities	394,771	390,093	386,159	396,462
Gross Collections	4,202,468	4,415,430	4,597,111	4,741,840
Assessments	8,542	10,508	8,525	8,738
Refunds	(15,015)	(16,042)	(29,320)	(16,187)
Transportation Trust Fund	(30,311)	(30,788)	(31,173)	(32,420)
Other	(22,511)	(28,381)	(29,460)	(39,624)
Total General Fund	4,143,174	4,350,726	4,515,683	4,662,347

Figures may not sum to totals due to rounding.

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Remaining Supporting Tables

Table 8A
Traditional Lottery - Sales
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Pick 3	244,539	240,911	240,954	237,616
Pick 4	270,826	276,958	283,882	290,615
Multimatch	26,699	34,511	32,475	32,264
Instant/5 Card Cash	487,997	552,588	606,540	628,627
Keno/Racetrax	466,231	457,656	477,322	486,003
Bonus Match 5	21,444	21,321	21,598	21,754
MegaMillions/Powerball	206,256	171,529	156,172	160,184
Instant Ticket Lottery Machines¹	-	41,400	9,300	9,439
Cash4Life/Monopoly Millionaires	-	1,593	6,000	9,180
Gross Sales	1,723,991	1,798,465	1,834,242	1,875,683

Note 1: Sales accounting for Instant Ticket Lottery Machines was changed to “net after payout” basis beginning fiscal year 2016
Figures may not sum to totals due to rounding.

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Table 8B
Traditional Lottery - Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Pick 3	100,979	101,080	98,212	98,437
Pick 4	110,795	119,508	124,901	123,224
Multimatch	9,444	12,323	11,724	11,706
Instant/5 Card Cash	83,960	93,985	99,280	102,813
Keno/Racetrax	120,522	120,452	125,318	129,431
Bonus Match 5	8,020	7,609	7,802	7,718
MegaMillions/Powerball	86,758	70,047	64,959	67,050
Instant Ticket Lottery Machines ¹	-	297	513	521
Cash4Life/Monopoly Millionaires	-	599	2,715	4,163
Gross Revenue	520,478	525,901	535,424	545,062
Less: Stadium Authority Revenue	(20,000)	(20,000)	(40,000)	(40,000)
Less: Veteran's Trust Fund Revenue	-	(34)	(51)	(52)
Misc. Year End Adjustments	629	622	-	-
Net General Fund	501,107	506,493	495,373	505,010

Figures may not sum to totals due to rounding.

Table 9
Business Franchise Tax Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Public Service Company Franchise Tax	139,346	136,022	138,046	140,027
Filing Fees	89,043	89,676	92,367	95,138
Net General Fund	228,389	225,699	230,413	235,165

Table 10
Insurance Premium Tax Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Insurance Premium Tax	334,807	329,028	332,613	343,731
Less: MD Health Benefit Exchange Distributions	-	(12,978)	(35,000)	(35,000)
Net General Fund	334,807	316,050	297,613	308,731

Table 11
Estate and Inheritance Tax Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Collateral Inheritance Tax	50,407	48,689	49,760	51,004
Direct Inheritance Tax	123	66	150	150
Estate Tax	163,254	194,662	186,218	147,348
Net General Fund	213,785	243,418	236,128	198,502

Table 12
Hospital Patient Recoveries
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Medicaid	22,115	-	20,438	19,827
Medicare	9,939	9,312	6,892	6,451
Insurance and Sponsors	4,197	4,646	5,038	4,723
	36,250	13,958	32,367	31,002
Disproportionate Share	26,788	-	27,346	27,346
Not Separated¹		51,225		
Net General Fund	63,039	65,182	59,713	58,348

Note 1: Medicaid and Disproportionate Share were not separated for accounting purposes in fiscal year 2015
Figure may not sum to totals due to rounding

Table 13
Excise Tax Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Cigarette Tax	368,455	357,724	358,635	357,130
Other Tobacco Products Tax	33,963	33,739	33,739	33,739
Net General Fund Tobacco	402,418	391,463	392,374	390,869
Distilled Spirits Tax	16,131	15,931	16,138	16,299
Wine Tax	6,105	6,358	6,509	6,665
Beer Tax	8,572	8,667	8,667	8,627
Miscellaneous Licenses	336	351	359	367
Subtotal Alcoholic Beverages Taxes	31,144	31,306	31,673	31,958
Less: MD Wine and Grape Promotion Fund	-	-	(162)	(166)
Net General Fund Alcoholic Beverages	31,144	31,306	31,512	31,792

Figures may not sum to totals due to rounding.

Table 14
General Fund Court Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
District Courts	77,670	77,702	77,718	77,619
Clerks of the Court	35,352	34,433	37,553	39,335

Table 15
General Fund Interest Earnings
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Interest Earnings	21,392	10,709	11,000	20,000

Table 16
Miscellaneous Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014	2015	2016	2017
	Actual	Actual	Estimated	Estimated
Recording Organization & Capitalization Fees	12,221	13,370	13,744	14,087
Excess Fees of Office	2,019	(1,165)	(1,165)	(1,165)
Unclaimed Property	83,779	98,883	82,000	84,500
Local Income Tax Reimbursement	13,452	13,891	14,367	14,724
Uninsured Motorist Penalty Fees	52,600	54,145	54,686	55,233
State Admissions & Amusement Tax	9,355	8,737	-	-
Federal Retiree Drug Subsidy	32,117	15,696	12,284	12,284
Tobacco Conversion Program Bond Repayment	3,323	3,323	3,823	3,823
Miscellaneous Revenues and Transfers	1,299	1,263	1,000	1,000
Net General Fund	210,165	208,144	180,739	184,486

Figures may not sum to totals due to rounding.

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Table 17
Miscellaneous Agency Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
PSC Fines, Citations and Filing Fees	505	180	191	193
Legislature	41	43	41	42
Workers' Compensation	54	53	54	54
Public Defender	2,110	2,172	2,117	2,160
Attorney General	28,351	33,540	29,292	29,659
Executive & Administrative Control	7,301	11,757	7,840	7,989
Financial & Revenue Administration	15,848	22,658	16,599	16,839
Budget & Fiscal Administration	14,137	16,158	3,200	4,850
General Services	367	-	75	77
Natural Resources	149	127	157	158
Agriculture	90	139	131	134
Health & Mental Hygiene	75,091	54,884	39,581	39,433
Human Resources	610	925	842	849
Labor, Licensing & Regulation	12,979	11,116	12,177	12,342
Public Safety & MD State Police	14,766	14,733	17,554	14,467
Public Education	39,659	14,771	5,203	5,255
Housing and Community Development	349	(545)	422	426
Business & Economic Development	199	3,697	1,272	327
Environment	651	837	829	844
Juvenile Services	-	1	-	-
Alcoholic Beverage Licenses	1,301	1,341	1,368	1,395
Net General Fund	214,560	188,584	138,945	137,494

Figures may not sum to totals due to rounding.

Table 18
Transportation Revenues
Fiscal Years 2014 – 2017
(\$ in thousands)

	2014 Actual	2015 Actual	2016 Estimated	2017 Estimated
Department of Transportation				
Registrations	367,310	376,513	374,600	384,000
Licenses	50,795	52,675	51,000	55,000
Med-Evac Surcharge	69,683	69,683	69,328	71,068
Trauma Physician Services Surcharge	11,957	11,999	11,938	12,237
Miscellaneous Motor Vehicle Fees	178,535	187,209	189,278	190,876
Vehicle Emission Inspection Fees	32,822	33,849	34,284	34,719
Security Interest Filing Fees – Special Funds	11,176	11,770	12,400	12,600
Hauling Fees	9,806	10,020	10,100	10,200
Special License Tags – Special Funds	5,123	5,117	5,100	5,200
Titling Tax	740,835	795,510	855,200	876,200
Sales Tax on – Rental Vehicles	30,311	30,788	31,173	32,420
Special Distribution Tax				
	2,223	1,555	1,555	1,555
Motor Fuel Vehicle Tax	693,580	745,100	748,700	754,600
Road Tax	6,357	6,322	6,700	6,700
Decals & Permits	176	109	0	0
Sales Tax Equivalent	99,720	146,312	255,529	362,869
Indexing	13,081	25,749	35,356	42,508
	812,914	923,592	1,046,285	1,166,677
Total	2,321,267	2,508,725	2,690,686	2,851,197

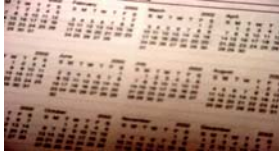
Figures may not sum to totals due to rounding.

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Table 19
Casino Revenues
Fiscal Years 2014 – 2017
(\$ in millions)

	Video Lottery Terminals			
	FY 2014	FY 2015	FY 2016E	FY 2017E
Education Trust Fund	277.1	316.5	312.9	382.8
Casino Operators	202.1	253.9	295.6	408.4
Local Impact Grants	30.8	36.4	38.6	50.2
Small, Minority, and Women – Owned Business	8.4	9.9	10.5	13.7
Purse Dedication	38.9	46.0	48.7	58.0
Race Tracks Facility Renewal Account	9.5	7.1	6.8	8.9
State Lottery Agency	11.6	11.9	7.6	9.7
Total Video Lottery Terminals	578.4	681.8	720.6	931.6
	Table Games			
	FY 2014	FY 2015	FY 2016E	FY 2017E
Education Trust fund	51.0	71.3	75.0	76.0
Casino Operators	203.9	285.1	300.1	355.0
Local Impact Grants	-	-	-	12.7
Total Table Games	254.9	356.4	375.1	443.7
	Miscellaneous			
	FY 2014	FY 2015	FY 2016E	FY 2017E
Education Trust Fund	0.3	44.6	-	-
	Total			
	FY 2014	FY 2015	FY 2016E	FY 2017E
Education Trust Fund	328.4	432.4	387.9	458.8
Casino Operators	406.0	539.0	595.7	763.3
Local Impact Grants	30.8	36.4	38.6	62.9
Small, Minority, and Women – Owned Business	8.4	9.9	10.5	13.7
Purse Dedication	38.9	46.0	48.7	58.0
Race Tracks Facility Renewal Account	9.5	7.1	6.8	8.9
State Lottery Agency	11.6	11.9	7.6	9.7
Total	833.6	1,082.8	1,095.7	1,375.4

Figures may not sum to totals due to rounding.



Five Year Forecast

These estimates are based on current economic outlooks for the U.S. and Maryland economies. The broader economic situation and outlook remains positive yet subdued. Economic growth since the most recent recession has been lower than in the economic expansions of the 1990s and 2000s, and is forecast to remain so. Unemployment continues to trend downward to more normal levels. This is expected to lead to more bargaining power for labor, and upward pressure on wages, the largest segment of personal income. The housing sector is also expected to improve as higher employment and incomes allow for the realization of pent-up housing demand, particularly among first time home buyers. These factors contribute to the forecast increase in GDP and personal income growth in the near term forecast.

Risks to the forecast include the path of federal spending, monetary policy, as well as geopolitical risk. Federal spending caps, often referred to as the federal sequestration, have been raised since their imposition in 2013, but still constrain spending. At the time of this forecast, the Federal Reserve is anticipated to increase its benchmark interest rate; however, the timing of future rate increases and their effect on the economy is less certain. Conflict in the Middle East can have world-wide impacts, particularly through the price of oil. Given increased domestic production, the United States economy is less vulnerable to oil price movements, as higher prices mean greater profit for domestic producers.

Table 20
Long Term Economic Forecast
Primary Indicators

Calendar Year	2013	2014	2015	2016	2017	2018	2019
US Real GDP (2009 \$ in billions)	15,583 1.5%	15,962 2.4%	16,355 2.5%	16,803 2.7%	17,299 3.0%	17,764 2.7%	18,216 2.5%
US Non-Agricultural Employment (thousands)	136,394 1.7%	139,023 1.9%	141,927 2.1%	144,170 1.6%	146,070 1.3%	147,938 1.3%	149,637 1.1%
US Personal Income (\$ in billions)	14,068 1.1%	14,694 4.4%	15,362 4.5%	16,036 4.4%	16,903 5.4%	17,813 5.4%	18,715 5.1%
Consumer Price Index (% Δ from prior year)	1.2%	1.2%	0.3%	2.4%	2.5%	2.3%	2.4%
US 10 Year Treasury Bond Yield	2.4%	2.5%	2.1%	2.7%	2.9%	3.4%	3.8%
MD Total Non-Agricultural Employment (thousands)	2,596 0.9%	2,620 0.9%	2,658 1.5%	2,692 1.3%	2,720 1.0%	2,741 0.8%	2,756 0.5%
MD Personal Income (\$ in millions)	312,054 -0.2%	323,778 3.8%	337,324 4.2%	352,962 4.6%	370,921 5.1%	387,791 4.5%	404,129 4.2%

Source: Board of Revenue Estimates and Global Insight (December 2015 Forecast)

Table 21
Maryland General Fund Revenues
 Fiscal Years 2015- 2021
 (\$ in thousands)

	2015 Actual	2016 Estimate	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Income Taxes							
Individual	8,346,145	8,779,118	9,273,211	9,747,101	10,202,373	10,650,694	11,118,715
Corporation	777,321	831,407	876,224	913,507	952,264	986,457	1,021,878
TOTAL	9,123,466	9,610,525	10,149,436	10,660,608	11,154,637	11,637,151	12,140,593
Sales and Use Taxes	4,350,726	4,515,683	4,662,347	4,831,024	4,994,341	5,178,870	5,370,217
State Lottery	506,493	495,373	505,010	512,035	522,008	533,331	545,050
Franchise, Excise, License, Fee	1,797,690	1,698,332	1,682,340	1,681,300	1,705,376	1,746,752	1,780,853
ONGOING GENERAL FUND REVENUES	15,778,374	16,319,913	16,999,133	17,684,966	18,376,362	19,096,104	19,836,713
Transfer Tax GF Share	144,189	115,367	82,771	86,028	0		
TOTAL GENERAL FUND REVENUES	15,922,563	16,435,279	17,081,904	17,770,994	18,376,362	19,096,104	19,836,713

Notes:
 Figures may not sum to totals due to rounding
 Totals do not include extraordinary revenues.

Table 22
Revenues From Maryland's Casinos
 Fiscal Years 2015- 2021
 (\$ in thousands)

	2015 Actual	2016 Estimate	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Video Lottery Terminals							
Education Trust Fund	316,462	312,866	382,803	453,898	460,070	466,971	473,976
Licensee	253,854	295,619	408,374	523,095	529,996	537,946	546,015
Local Impact Grants	36,449	38,555	50,156	61,949	62,785	63,726	64,682
Business Development	9,941	10,515	13,679	16,895	17,123	17,380	17,641
Purse Dedication	46,010	48,677	58,002	67,383	68,293	69,317	70,357
Racetrack Renewal	7,104	6,813	8,922	11,066	11,216	11,384	11,555
MD Lottery & Gaming Control	11,933	7,599	9,711	11,857	12,014	12,194	12,377
Subtotal	681,753	720,644	931,646	1,146,144	1,161,496	1,178,919	1,196,603
Table Games							
Education Trust Fund	71,280	75,018	76,041	79,672	80,681	81,891	83,119
Licensee	285,121	300,071	354,966	424,919	430,297	436,751	443,303
Local Impact Grants	-	-	12,700	26,557	26,894	27,297	27,706
Subtotal	356,401	375,088	443,708	531,149	537,871	545,939	554,128
Miscellaneous							
Education Trust Fund	44,647	-	-	-	-	-	-
Subtotal	44,647	-	-	-	-	-	-
Total							
Education Trust Fund	432,389	387,884	458,844	533,571	540,751	548,862	557,095
Licensee	538,975	595,689	763,340	948,014	960,293	974,698	989,318
Local Impact Grants	36,449	38,555	62,856	88,507	89,678	91,023	92,389
Business Development	9,941	10,515	13,679	16,895	17,123	17,380	17,641
Purse Dedication	46,010	48,677	58,002	67,383	68,293	69,317	70,357
Racetrack Renewal	7,104	6,813	8,922	11,066	11,216	11,384	11,555
MD Lottery & Gaming Control	11,933	7,599	9,711	11,857	12,014	12,194	12,377
Total	1,082,801	1,095,733	1,375,354	1,677,293	1,699,368	1,724,858	1,750,731