

News Release

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For Immediate Release

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MTF Forecast: Limited Revenue Growth in Fiscal 2011; Large Structural Deficit Remains

State tax revenues for fiscal 2011 will total \$18.953 billion, a \$674 million increase over the fiscal 2010 revised benchmark, according to a new forecast released today by the Massachusetts Taxpayers Foundation.

MTF President Michael J. Widmer presented the Foundation's economic and revenue forecast to members of the House and Senate Ways and Means Committees and the Secretary of Administration and Finance at their annual consensus revenue hearing at the State House today.

Summary	Baseline Revenues	Sales Tax Increase	Total State Tax Revenues
2008 Actual	20,888		20,888
2009 Actual	18,259		18,259
2010 Revised Benchmark	17,389	890	18,279
2011 MTF Forecast	17,913	1,040	18,953

“Even with this revenue growth, the state faces an estimated \$3 billion structural deficit in fiscal 2011,” Mr. Widmer said. “Balancing the 2011 budget will require significant cuts across all of state government.”

The Foundation projects that the beginning of an economic recovery in Massachusetts will produce growth in baseline tax revenues of \$524 million or 3 percent in fiscal 2011. In addition, a full year of the sales tax increase (compared to 10 months in 2010) will generate another \$150 million in 2011.

	FY 08 Actual	FY 09 Actual	FY 10 Benchmark	FY 11 MTF Forecast
Income	12,487	10,577	10,178	10,517
Sales - Baseline	4,088	3,869	3,586	3,663
Sales Tax Increase			890	1,040
Corporate and Business	2,551	2,099	1,973	2,034
All Other	1,762	1,714	1,652	1,699
Total	20,888	18,259	18,279	18,953

Several factors shape MTF's projections:

Employment

MTF forecasts that Massachusetts will add 27,000 jobs in fiscal 2011 after bottoming out in mid-2010. The unemployment rate will continue to climb from the current 8.9 percent to an average of 9.5 percent in fiscal 2011.

Personal Income

After averaging less than 1 percent annual growth for the past two years, MTF forecasts that Massachusetts personal income will increase by 2.2 percent in fiscal 2011. Despite the improvement, 2.2 percent is roughly one-third of the annual rate of growth from fiscal 2006 through 2008.

Sales Taxes

MTF forecasts that baseline sales tax revenues will grow \$77 million or 2 percent, which is more than the average annual increase from 2000 to 2009. Most of the jump in sales tax revenues results from a full year's increase in the sales tax rate.

Business Taxes

MTF projects corporate tax revenues will increase \$125 million to \$1.3 billion in 2011 – a 10 percent increase over fiscal 2010. Other business taxes will increase roughly 2 percent, bringing total corporate and business taxes to \$2.034 billion in 2011.

The Massachusetts Taxpayers Foundation is an independent, nonprofit organization that conducts research on state and local taxes, government spending, and the economy. Founded in 1932, the Foundation has won numerous prestigious national awards over the last decade for its work on business costs, capital spending, state finances, MBTA restructuring, state government reform, and health care.

MASSACHUSETTS TAXPAYERS FOUNDATION
FISCAL YEAR FORECAST SUMMARY

GLOBAL INSIGHT NATIONAL FORECAST

						<<< History		Forecast >>>	
December 2010	2004	2005	2006	2007	2008	2009	2010	2011	
Personal Income (billions of 2000 \$)	8,835	9,085	9,364	9,687	9,902	9,717	9,737	10,015	
% change	2.5	2.8	3.1	3.4	2.2	-1.9	0.2	2.9	
Employment (millions)	130.5	132.5	135.0	137.0	137.8	134.7	131.1	131.8	
% change	0.3	1.5	1.9	1.4	0.6	-2.2	-2.7	0.6	
Unemployment Rate	5.8	5.3	4.8	4.5	5.0	7.5	10.0	10.0	
CPI (% change)	2.2	3.0	3.8	2.6	3.7	1.0	-0.8	2.2	
PPI (% change)	4.8	6.9	7.7	2.9	9.0	-2.2	-7.9	1.8	
Federal Discount Rate	2.0	3.2	5.2	6.3	4.3	1.2	0.5	1.1	
Prime Commercial Rate	4.0	5.2	7.2	8.3	6.7	3.9	3.3	3.8	
Standard & Poor's 500 Index (% change*)	-3.2	17.3	6.8	8.6	12.7	-17.3	-22.5	21.0	

						<<< History		Forecast >>>	
MTF MASS. ECONOMIC FORECAST	2004	2005	2006	2007	2008	2009	2010	2011	
Personal Income (billions of current \$)	260.8	272.6	289.2	307.3	324.7	325.5	329.2	336.5	
% change	4.2	4.5	6.1	6.3	5.7	0.2	1.1	2.2	
Personal Income (billions of 2000 \$)	239.2	242.5	248.7	256.7	265.3	260.7	262.1	264.9	
% change	1.7	1.4	2.6	3.2	3.3	-1.7	0.5	1.1	
Total Employment (000s)	3,190	3,202	3,228	3,264	3,294	3,228	3,166	3,193	
% change	-1.1	0.4	0.8	1.1	0.9	-2.0	-1.9	0.8	
Unemployment Rate	5.6	4.9	4.8	4.6	4.6	7.0	9.4	9.5	

						<<< History		Forecast >>>	
MTF MASS. TAX FORECAST	2004	2005	2006	2007	2008	2009	2010	2011	
Income Tax (millions \$)	8,830	9,690	10,483	11,391	12,493	10,584	10,178	10,517	
% change	10.0	9.7	8.2	8.7	9.7	-15.3	-3.8	3.3	
Sales Tax	3,749	3,886	4,004	4,066	4,086	3,869	4,484	4,703	
% change	1.1	3.7	3.0	1.5	0.5	-5.3	15.9	4.9	
Corporations Tax	998	1,063	1,391	1,585	1,512	1,549	1,176	1,303	
% change	24.8	6.5	30.9	14.0	-4.6	2.4	-24.1	10.8	
TOTAL TAXES**	15,953	17,087	18,487	19,732	20,888	18,259	18,279	18,953	
% change	6.6	7.1	8.2	6.7	5.9	-12.6	0.1	3.7	
TOTAL TAXES FOR BUDGET***	13,867	14,368	16,011	17,105	17,967	15,425	15,487	16,045	
% change	-2.9	3.6	11.4	6.8	5.0	-14.1	0.4	3.6	

* Percent change in index for prior calendar year.

** Includes collections from other tax sources not detailed above.

*** Tax revenues available for appropriation in the budget exclude a portion of sales tax receipts dedicated to the MBTA and school building construction, tax revenues dedicated to pension funding, and net revenues in excess of permissible tax revenues.