



Revenue Estimates and Economic Outlook

December 12, 2024

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Executive Secretary

Board of Revenue Estimates

Table 4
Maryland General Fund Revenues
 Fiscal Years 2024 - 2026

\$ Thousands	FY 2025					FY 2026			
	FY 2024 Actual	September Estimate	December Estimate	Difference	Growth	September Estimate	December Estimate	Difference	Growth
INCOME TAXES:									
Individual	13,616,685	14,270,981	14,431,916	160,935	6.0%	14,860,589	14,860,589	-	3.0%
Corporation	1,903,957	1,920,595	1,945,179	24,584	2.2%	1,950,779	1,960,852	10,073	0.8%
Total	15,520,642	16,191,576	16,377,095	185,519	5.5%	16,811,369	16,821,442	10,073	2.7%
SALES AND USE TAXES	5,896,606	5,978,696	5,996,032	17,337	1.7%	6,134,721	6,134,721	-	2.3%
STATE LOTTERY	654,968	531,664	522,944	(8,720)	-20.2%	483,758	507,741	23,984	-2.9%
OTHER REVENUES									
Business Franchise Taxes	280,148	276,901	280,769	3,869	0.2%	280,389	285,222	4,833	1.6%
Tax on Insurance Companies	741,837	735,603	749,039	13,435	1.0%	726,440	737,345	10,905	-1.6%
Estate and Inheritance Taxes	213,407	213,775	217,016	3,242	1.7%	229,486	232,404	2,918	7.1%
Tobacco Tax	405,071	401,448	363,385	(38,062)	-10.3%	312,402	293,071	(19,330)	-19.3%
Alcoholic Beverages Excise Tax	34,102	34,376	34,455	79	1.0%	34,287	34,284	(3)	-0.5%
District Courts	37,266	35,572	35,602	30	-4.5%	33,971	34,027	56	-4.4%
Clerks of the Court	26,603	25,298	27,193	1,895	2.2%	26,203	28,006	1,804	3.0%
Hospital Patient Recoveries	77,036	80,036	84,259	4,223	9.4%	80,036	76,935	(3,101)	-8.7%
Interest on Investments	379,818	225,000	225,000	-	-40.8%	125,000	125,000	-	-44.4%
Miscellaneous	445,284	327,331	338,978	11,647	-23.9%	307,791	314,323	6,532	-7.3%
Total	2,640,573	2,355,340	2,355,696	356	-10.8%	2,156,004	2,160,617	4,614	-8.3%
Total Current Revenues	24,712,789	25,057,276	25,251,767	194,491	2.2%	25,585,851	25,624,522	38,671	1.5%
Extraordinary Revenues ¹	150,000	-	-	-	-100.0%	-	-	-	
Revenue Volatility Cap ²	#N/A	-	-	-		(301,282)	(272,104)	29,178	
GRAND TOTAL	24,862,789	25,057,276	25,251,767	194,491	1.6%	25,284,569	25,352,418	67,849	0.4%

¹ The fiscal 2023 GAAP audit of the local income tax reserve account determined that the account was overfunded by \$316 million.

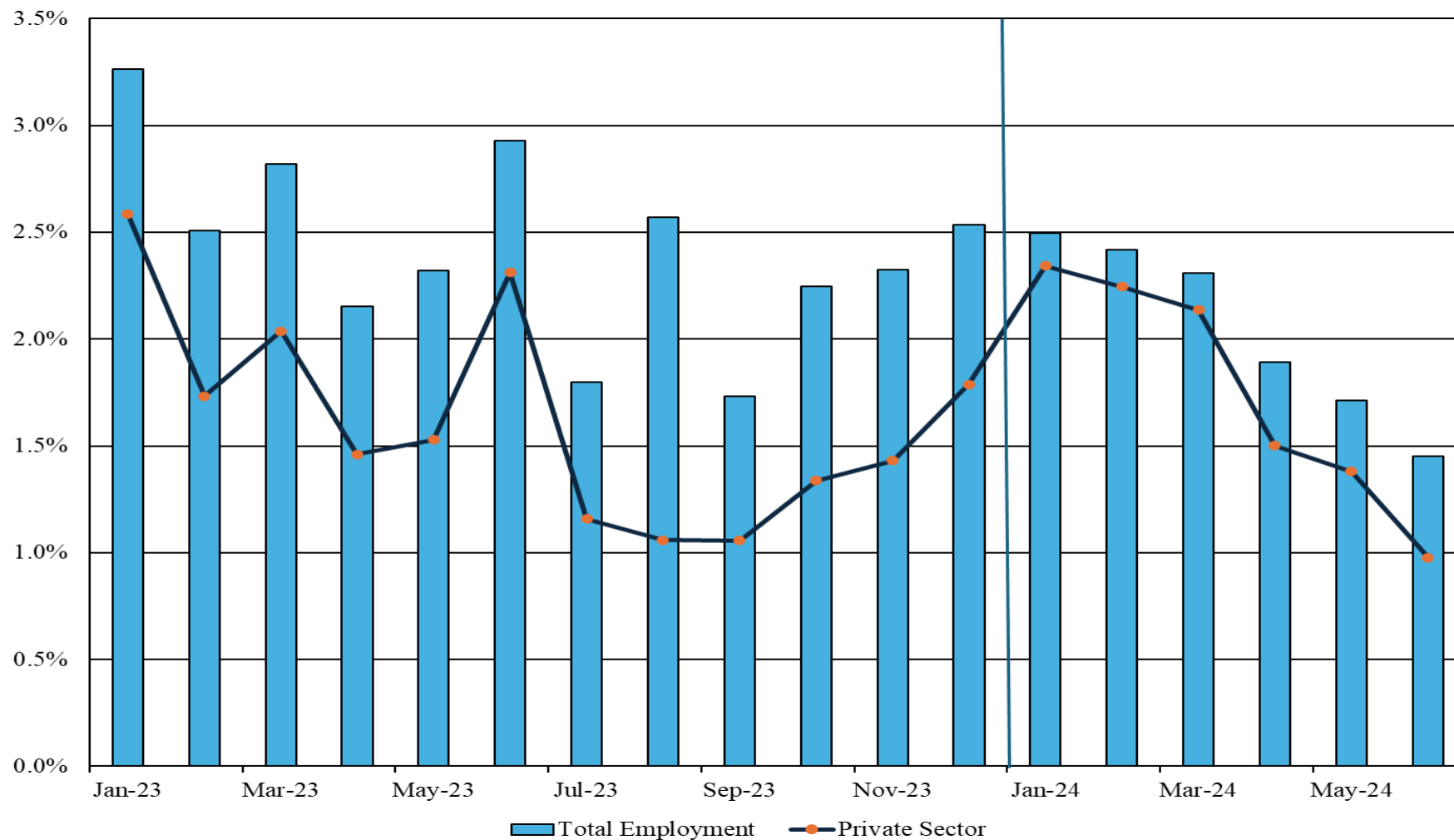
² Established by Chapters 4 & 550 of 2017 and amended by several succeeding Budget Reconciliation And Financing Acts.

Summary of December Changes

Revenue Source	Fiscal Year 2025		Fiscal Year 2026	
	Forecast		Forecast	
	\$ Change From Estimate	% Growth	\$ Change From Estimate	% Growth
Personal Income Tax	\$160.9	6.0%	\$0.0	3.0%
Corporate Income Tax	\$24.6	2.2%	\$10.1	0.8%
Sales Tax	\$17.3	1.7%	\$0.0	2.3%
Lottery	(\$8.7)	-20.2%	\$24.0	-2.9%
Other	\$0.4	-10.8%	\$4.6	-8.3%
Total- Ongoing Revenues	\$194.5	2.2%	\$38.7	1.5%
Notes: dollars in millions; amounts may not sum from rounding				

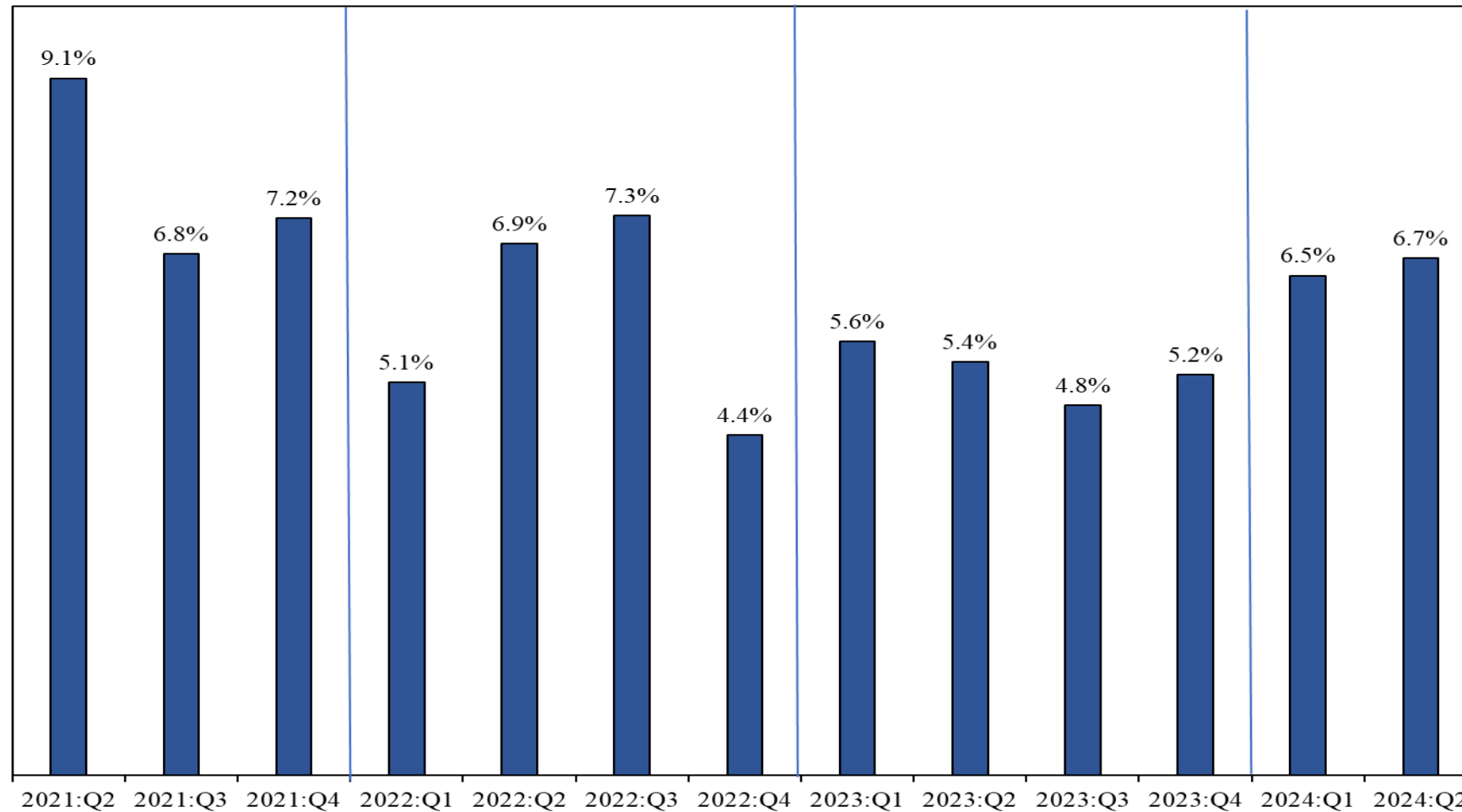
Employment Continues to Remain Positive but below Trend

YoY Change in Maryland Employment



Source: U.S. Bureau of Labor Statistics - QCEW

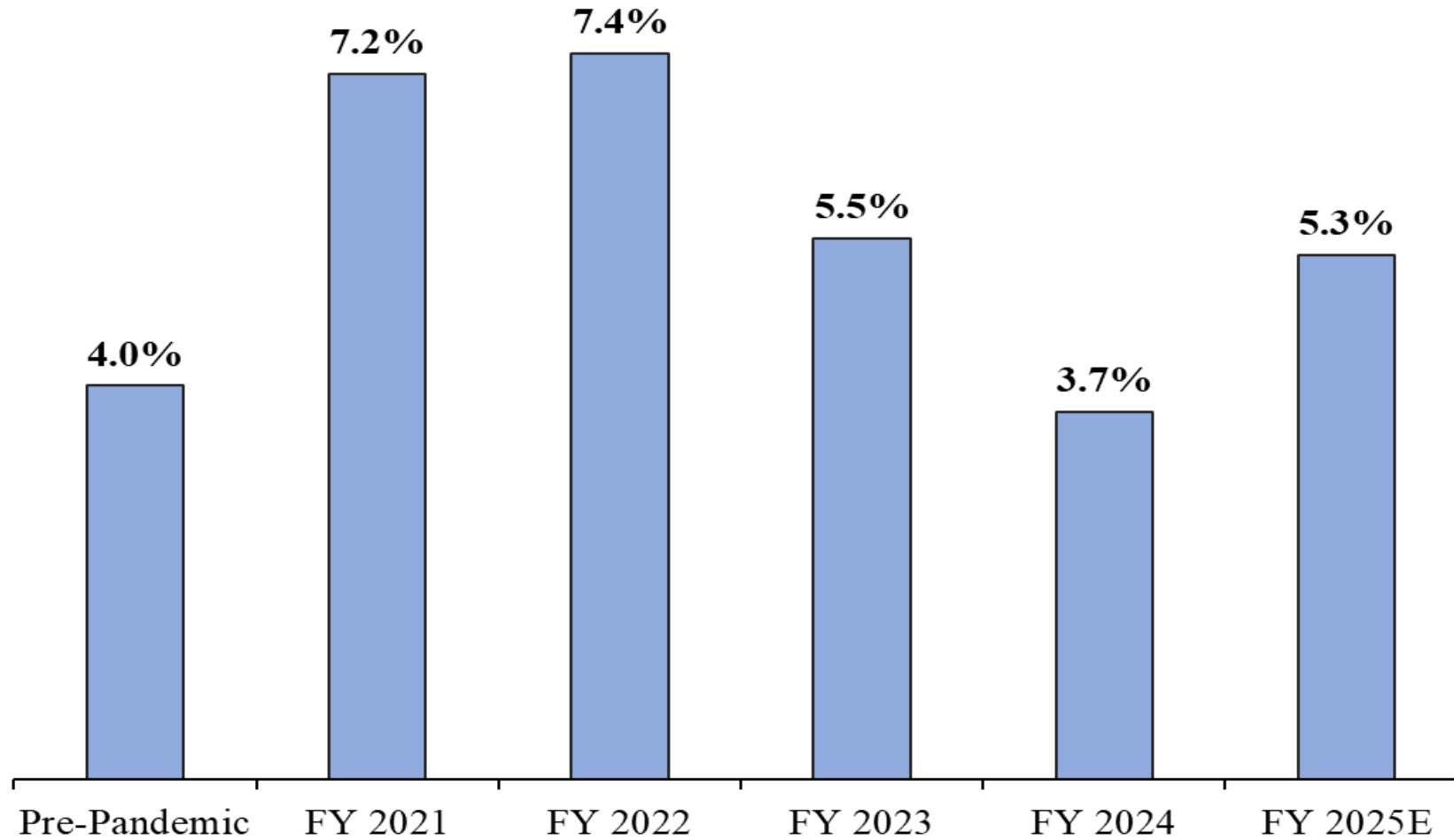
Recent Strong Wage Growth Despite Slowing Employment YoY Change



Source: U.S. Bureau of Economic Analysis

Withholding Income Tax Revenues

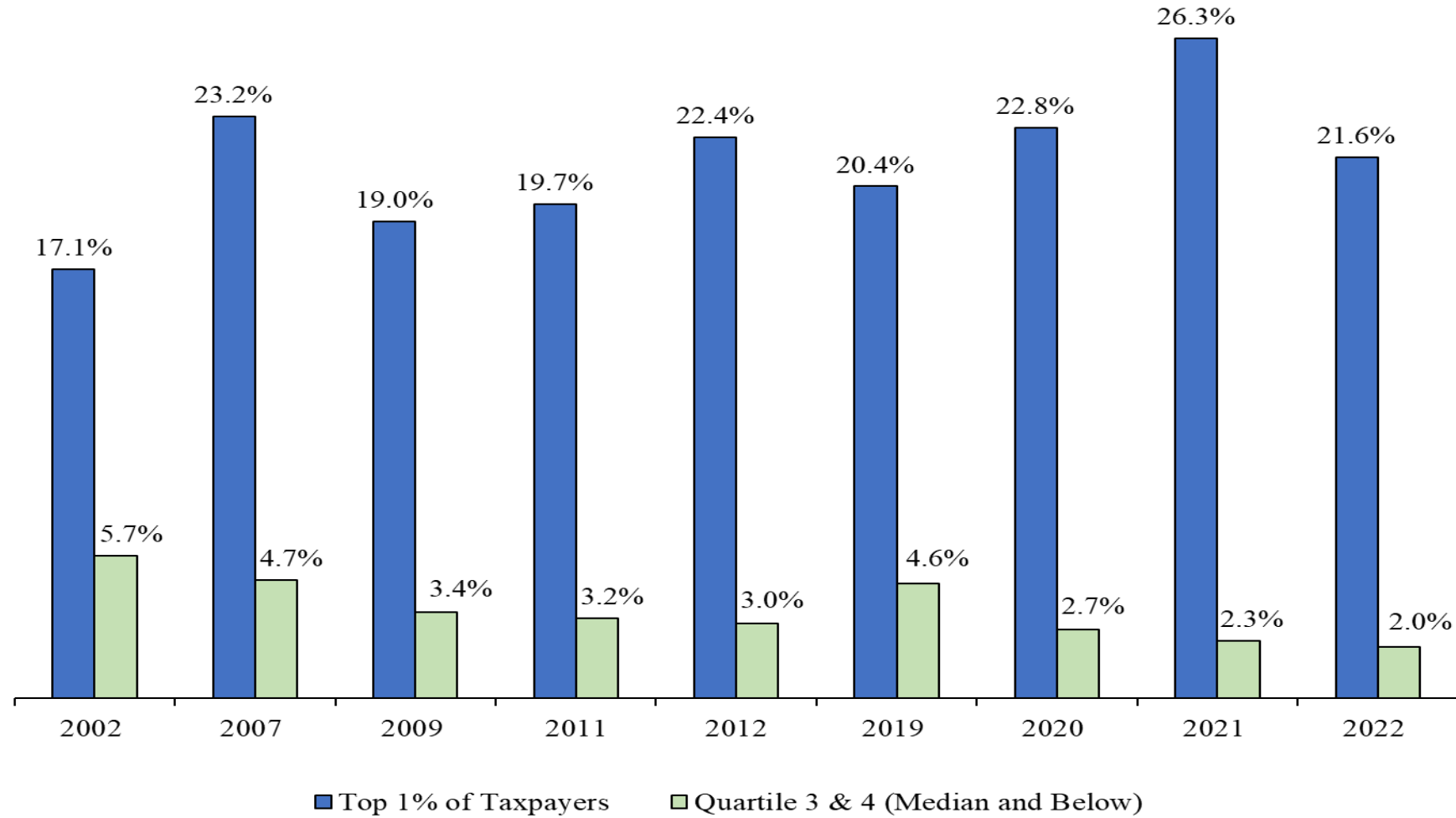
Fiscal Year Growth



Source: Bureau of Revenue Estimates

Share of State Income Tax Revenues

Full-time State Residents



Factors Driving December Forecast

- Economic forecast continues to be largely unchanged
- We are recognizing year-to-date strength in certain revenues
 - This drives our increase in the FY 2025 forecast
 - Most of the change is due to higher-than-expected withholding income tax revenues
- Significant uncertainty over future federal actions, legislation, and policies
 - We don't know what policies will be enacted, what their impact will be, and when the impact of policies will manifest itself
 - Given how interconnected Maryland's economy is with the federal government, we are leaving the FY 2026 forecast largely unchanged
 - We may not have any more clarity on federal policy changes for the March forecast



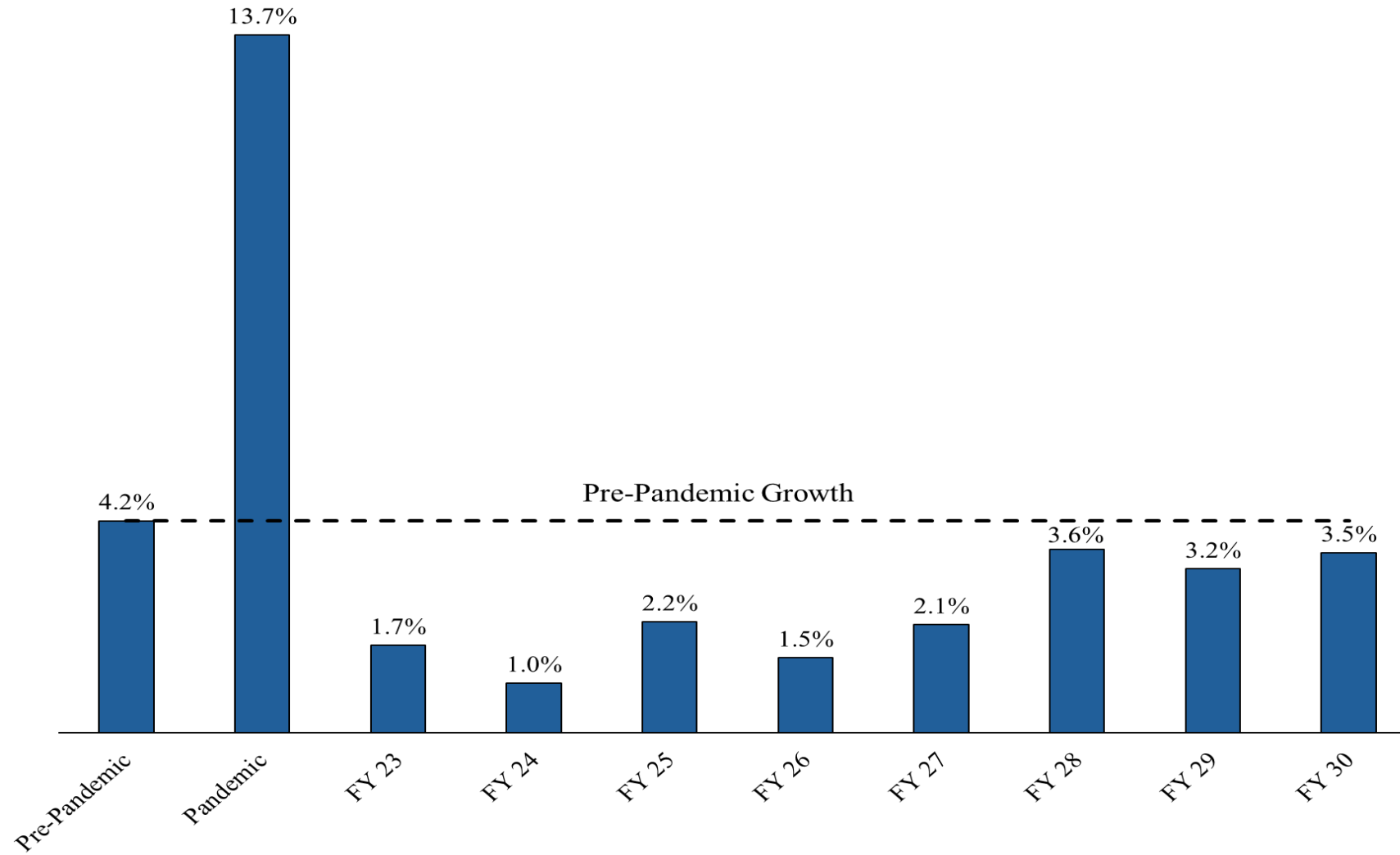
Federal Government and Maryland Economy

- Maryland economy continues to show resilience, but is growing below its pre-pandemic trend and is lagging the US
- Maryland has been negatively impacted by previous reductions in government spending and employment
 - Sequestration (March 2013) reduced federal employment and spending and had a significant impact on Maryland's economy and revenues
- This potential reduction would occur as Maryland's economy and revenues have grown more slowly than typical
 - Private sector employment has been weak
 - Economy and most demographics are growing slower
 - Recent general fund growth rate has been slow



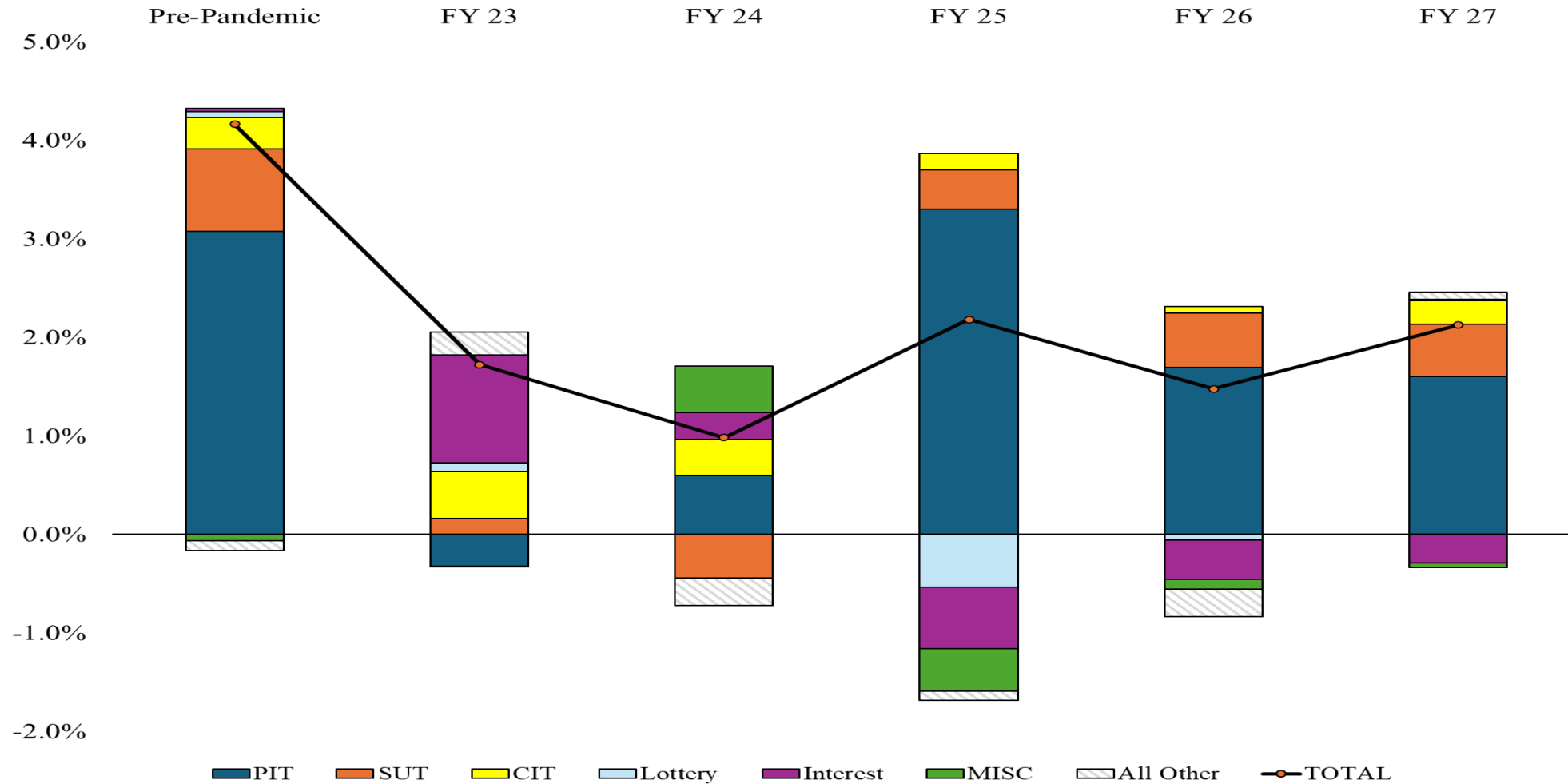
Ongoing General Fund Growth

Actual and Forecasted



Ongoing General Fund Growth

Contribution by Source



Source: Bureau of Revenue Estimates

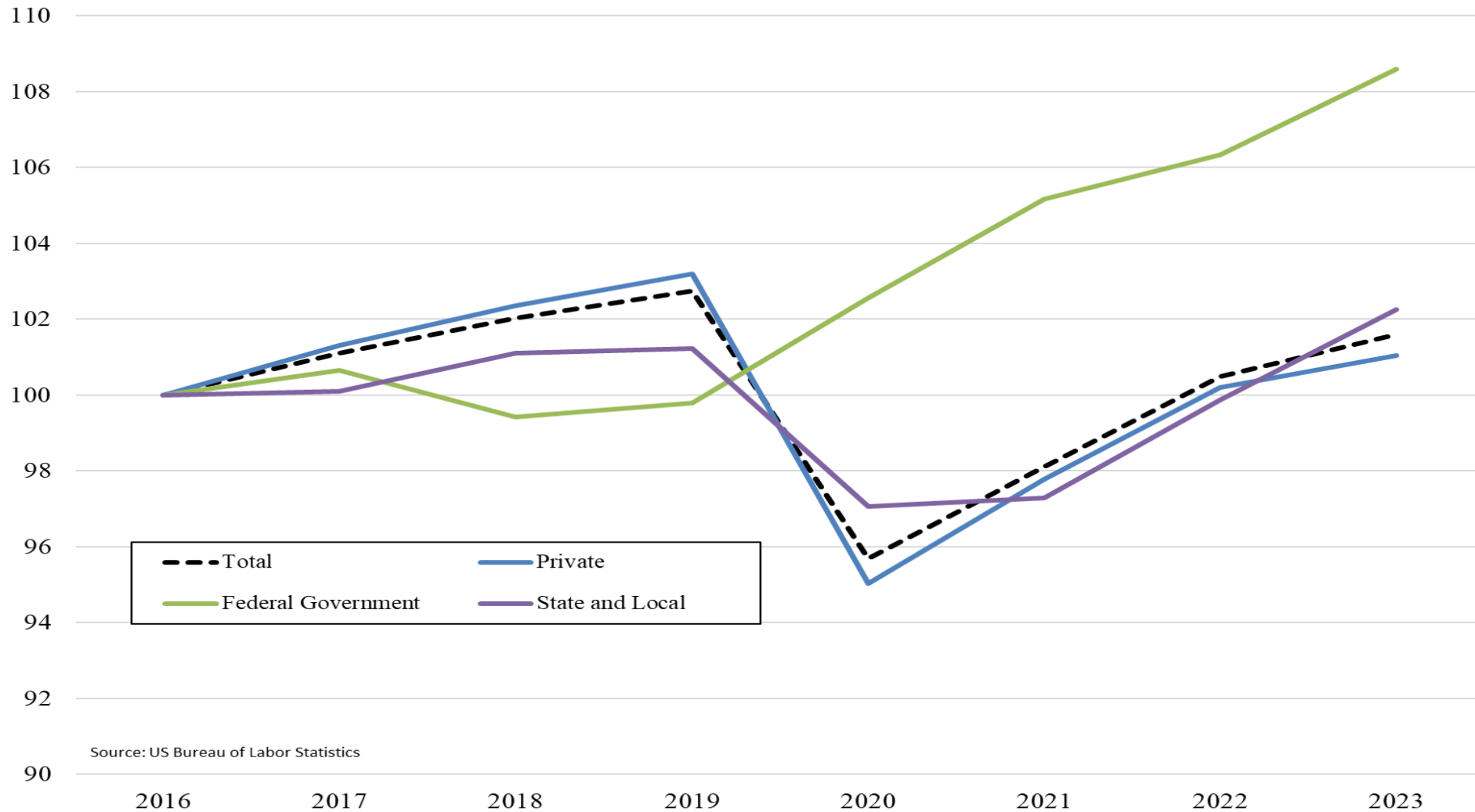
Federal Government Employment and Wages

- There are about 550,000 federal civilian jobs in Maryland, the District of Columbia, and Virginia.
 - About 161,000 of these are located in Maryland
 - The District of Columbia and Virginia each have a little more than 190,000 jobs
- In tax year 2021, about 240,000 Maryland households reported a total of \$23.9 billion in federal government wages
- Since this data does not include federal contractors, it underestimates the importance of the federal government
 - Federal contracts performed in Maryland are equal to about 10% of the State's private sector economy
 - Both federal government defense and nondefense employment and contracting have a strong presence in Maryland



Federal Employment Growth Has Outpaced Other Sectors

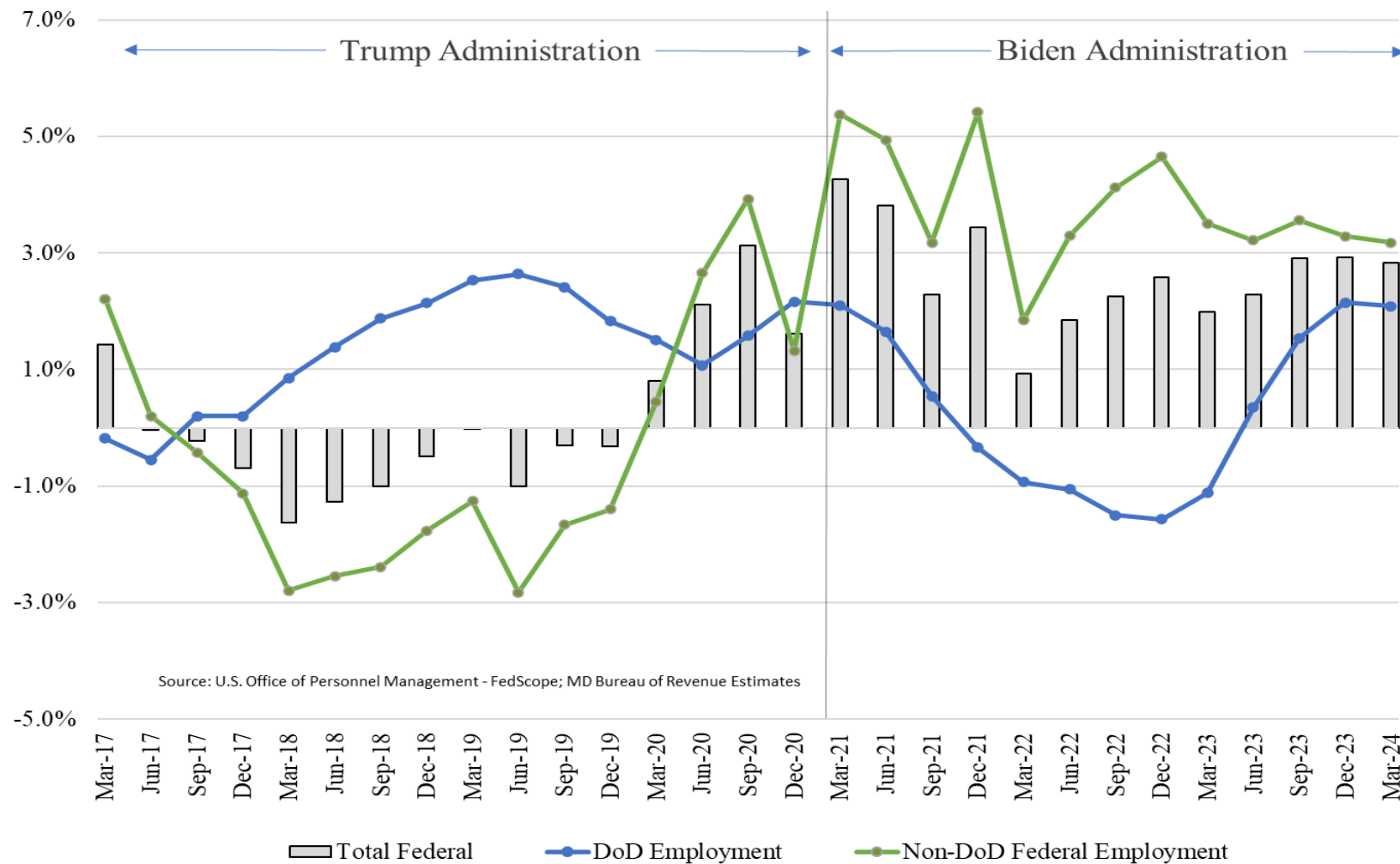
MD Employment Indexed to 2016 by Sector



Source: US Bureau of Labor Statistics

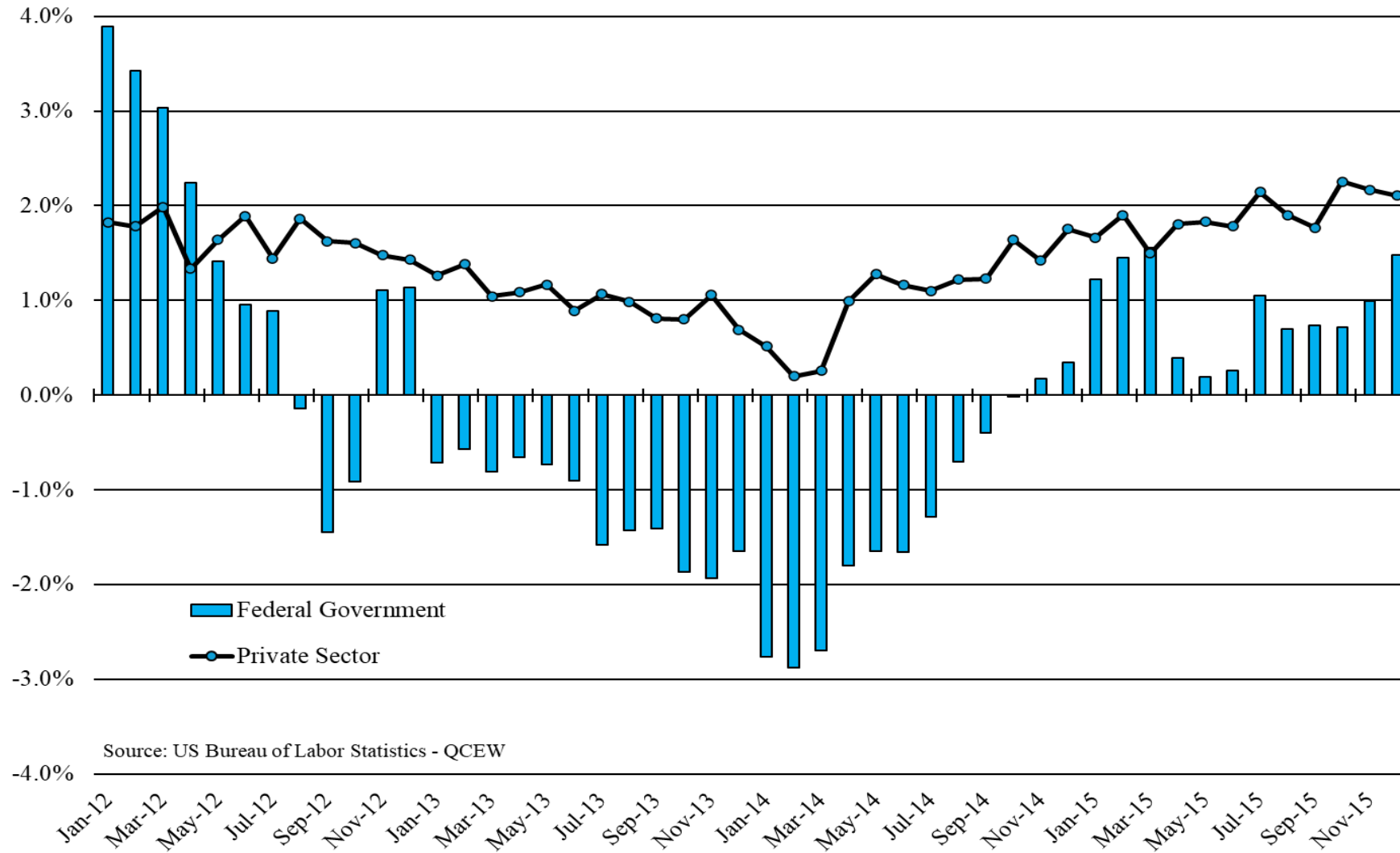
Maryland Federal Employment by Administration

YoY Change in Total, Department of Defense, and All Other



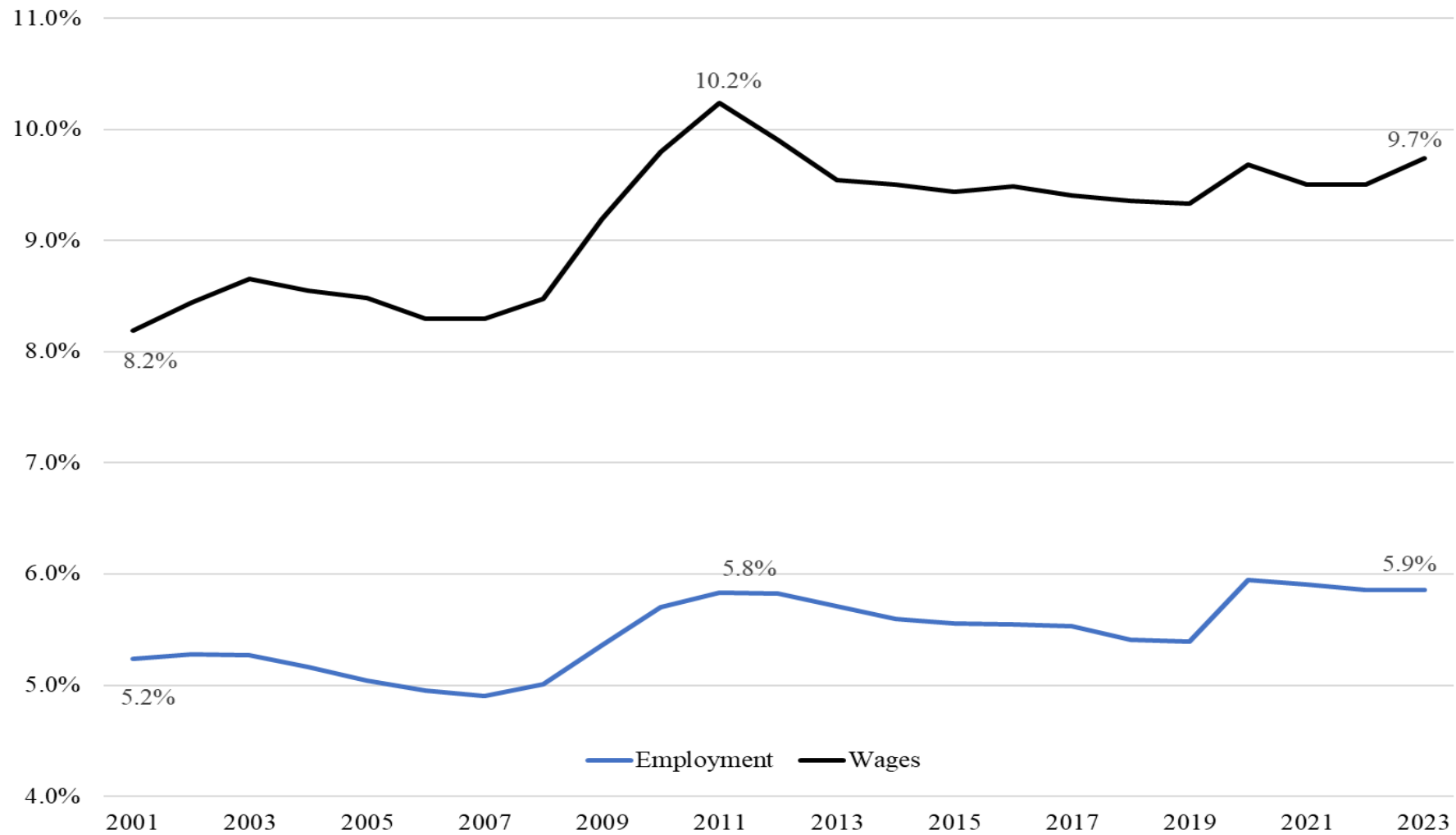
Sequestration Impact

YoY Change in MD Federal and Private Sector Employment



Federal Employment Share of MD Employment & Wages

Calendar Year



Source: US Bureau of Labor Statistics - QCEW

Forecast Summary and Risks

- Economy continues to grow below trend but does not show signs of entering a recession
- The December forecast:
 - Continues to incorporate moderate, but positive, growth rates
 - Recognizes YTD strength in certain revenues, leading to a modest increase in the FY 2025 forecast
 - Given the uncertainty over potential federal government actions the FY 2026 forecast is virtually unchanged
- We might not know any more information in March
- Federal government tax and spending decisions remain an elevated risk including:
 - Inability to consistently and predictably fund federal government operations
 - Significant decisions loom in calendar 2025
 - Debt limit expiration, again
 - Tax Cuts and Jobs Act – personal income tax provisions expire at the end of calendar 2025



Thank You

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