

REVENUE ESTIMATES AND ECONOMIC OUTLOOK

September 28, 2023

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Executive Secretary
Board of Revenue Estimates

Maryland General Fund Revenues
Fiscal Years 2023 - 2025
(\$ in thousands)

	FY 2023			FY 2024				FY 2025	
	Official Estimate ¹	Actual	Difference	Current Estimate ¹	September Revision	Difference	% Growth	September Estimate	% Growth
INCOME TAXES									
Individual	13,802,924	13,469,498	(333,426)	14,136,587	13,835,608	(300,978)	2.7%	14,447,927	4.4%
Corporations	1,731,940	1,816,002	84,063	1,670,214	1,752,287	82,072	-3.5%	1,697,421	-3.1%
Total	15,534,864	15,285,500	(249,363)	15,806,801	15,587,895	(218,906)	2.0%	16,145,348	3.6%
SALES AND USE TAXES	6,018,016	6,005,249	(12,767)	6,065,428	6,088,255	22,826	1.4%	6,272,763	3.0%
STATE LOTTERY RECEIPTS	636,451	655,388	18,938	637,652	660,641	22,989	0.8%	548,401	-17.0%
OTHER REVENUES									
Business Franchise Taxes	222,983	272,398	49,415	223,722	274,931	51,209	0.9%	278,820	1.4%
Insurance Premium Tax	648,027	682,833	34,805	664,910	693,931	29,020	1.6%	711,930	2.6%
Estate & Inheritance Taxes	268,741	303,713	34,973	229,043	262,756	33,713	-13.5%	280,974	6.9%
Tobacco Taxes	463,766	448,657	(15,109)	424,538	427,441	2,902	-4.7%	413,223	-3.3%
Alcoholic Beverages Excises	35,911	37,171	1,261	35,890	39,142	3,253	5.3%	39,673	1.4%
District Courts	40,269	38,634	(1,635)	42,088	36,490	(5,598)	-5.5%	34,494	-5.5%
Clerks of Court	33,304	28,245	(5,058)	33,186	23,751	(9,435)	-15.9%	23,850	0.4%
Hospital Patient Recoveries	62,300	72,075	9,775	63,200	63,200	-	-12.3%	63,200	0.0%
Interest on Investments	175,000	312,526	137,526	75,000	175,000	100,000	-44.0%	100,000	-42.9%
Miscellaneous	472,228	330,291	(141,937)	398,159	352,111	(46,048)	6.6%	308,592	-12.4%
Total	2,422,528	2,526,543	104,015	2,189,736	2,348,752	159,016	-7.0%	2,254,756	-4.0%
TOTAL CURRENT REVENUES	24,611,858	24,472,681	(139,177)	24,699,617	24,685,543	(14,074)	0.9%	25,221,268	2.2%
Blueprint for Maryland's Future Fund ²	(800,000)	(800,000)	-	-	-	-	-	-	-
Revenue Volatility Cap ³	(100,000)	#N/A		(120,000)	(120,000)	-		(140,000)	
GRAND TOTAL	23,711,858	23,672,681	(39,177)	24,579,617	24,565,543	(14,074)	3.8%	25,081,268	2.1%

¹ The 2023 Legislative Session resulted in revenue adjustments beyond the March 2023 official estimate; this table has been adjusted accordingly

² Chapter 33 of 2022 diverted \$800 million from individual income tax revenues to the Blueprint Fund

³ Established by Chapters 4 & 550 of 2017 and amended by several succeeding Budget Reconciliation And Financing Acts.

Summary of September Changes

Revenue Source	Fiscal Year 2023		Fiscal Year 2024		Fiscal Year 2025
	Actual		Forecast		Forecast
	\$ Change From Estimate	% Growth	\$ Change From Estimate	% Growth	% Growth
Personal Income Tax	(\$333.4)	-0.6%	(\$301.0)	2.7%	4.4%
Corporate Income Tax	\$84.1	6.8%	\$82.1	-3.5%	-3.1%
Sales Tax	(\$12.8)	0.6%	\$22.8	1.4%	3.0%
Other	\$123.0	11.9%	\$182.0	-5.4%	-6.9%
Total General Funds	(\$39.2)	-1.5%	(\$14.1)	3.8%	2.1%

Notes: dollars in millions; amounts may not sum from rounding

What Has Changed Since March?

Two factors typically drive forecast adjustments in September

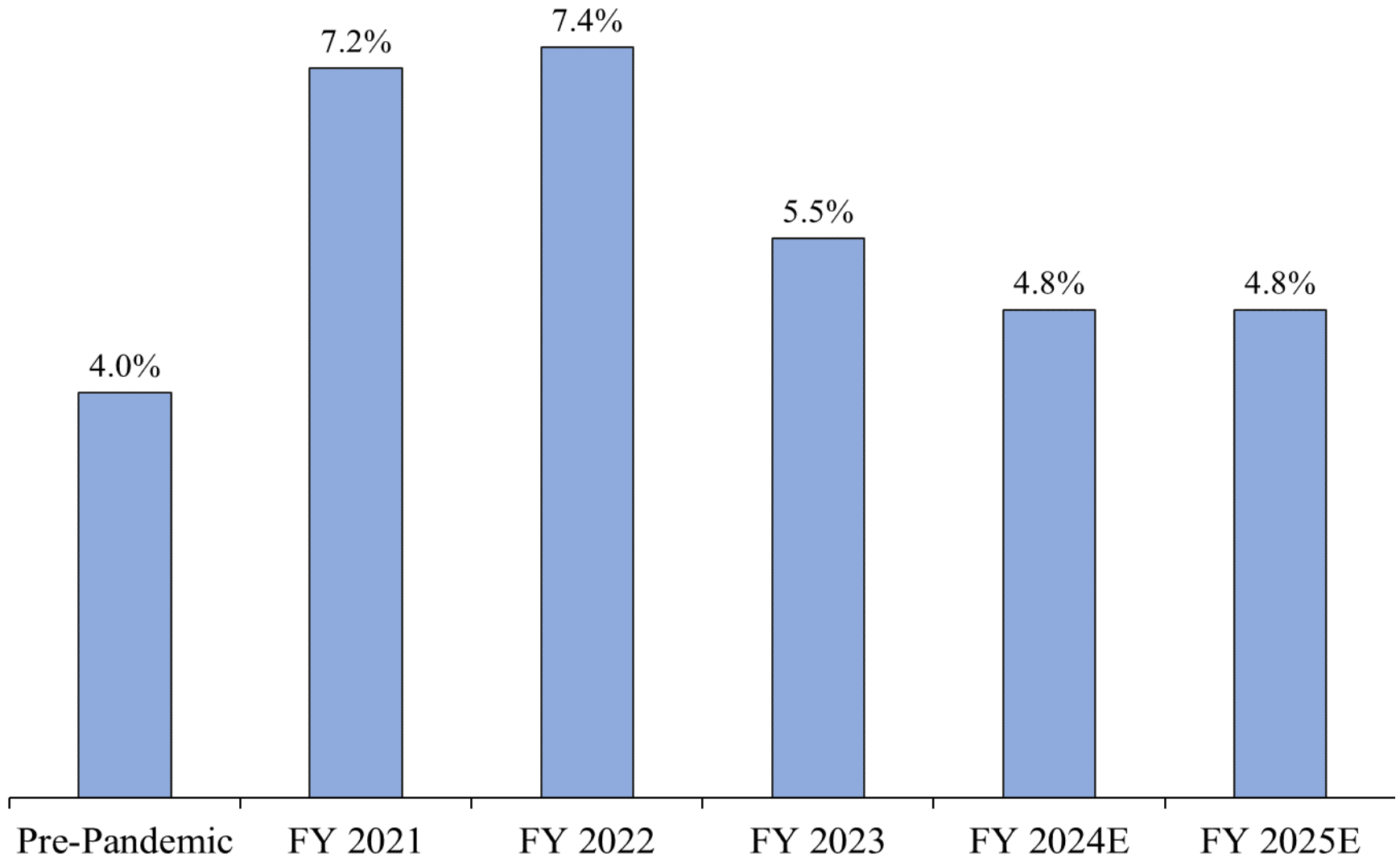
- Adjustments to closeout above/below expectations
- Changes in the economic outlook

- Economic forecast is largely unchanged

- FY 2023 revenues were slightly below expectations, the September forecast has a minor adjustment to FY 2024 revenues

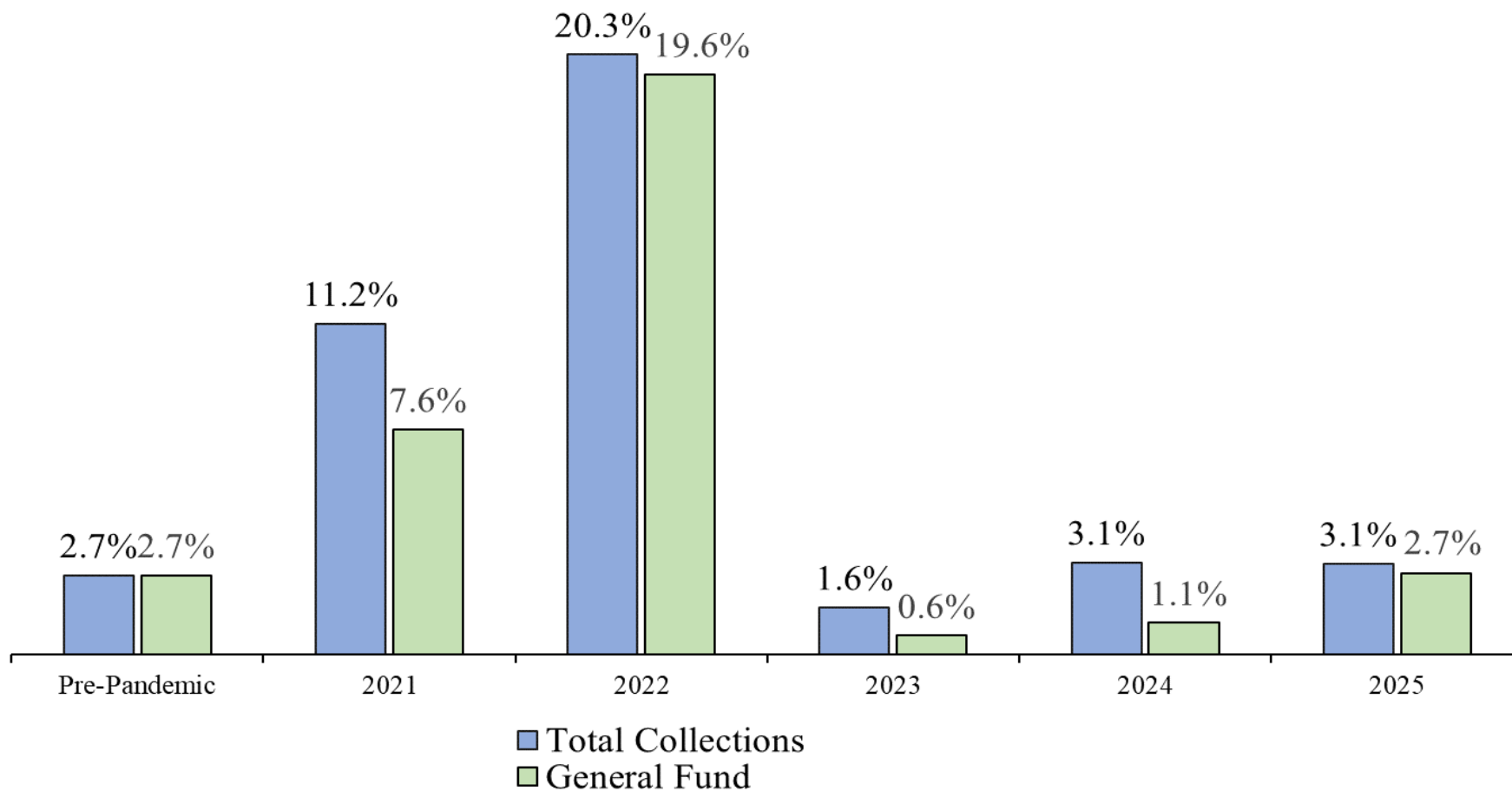
- Risk Factors
 - Recession (continuing risk factor)
 - Nonwage income, as always
 - Federal government shutdown / sequestration cuts (new risk factor)
 - Post COVID-19 impacts

Personal Income Tax Withholding Growth by Fiscal Year



Sales Tax Revenues

Total Revenue and General Fund Growth

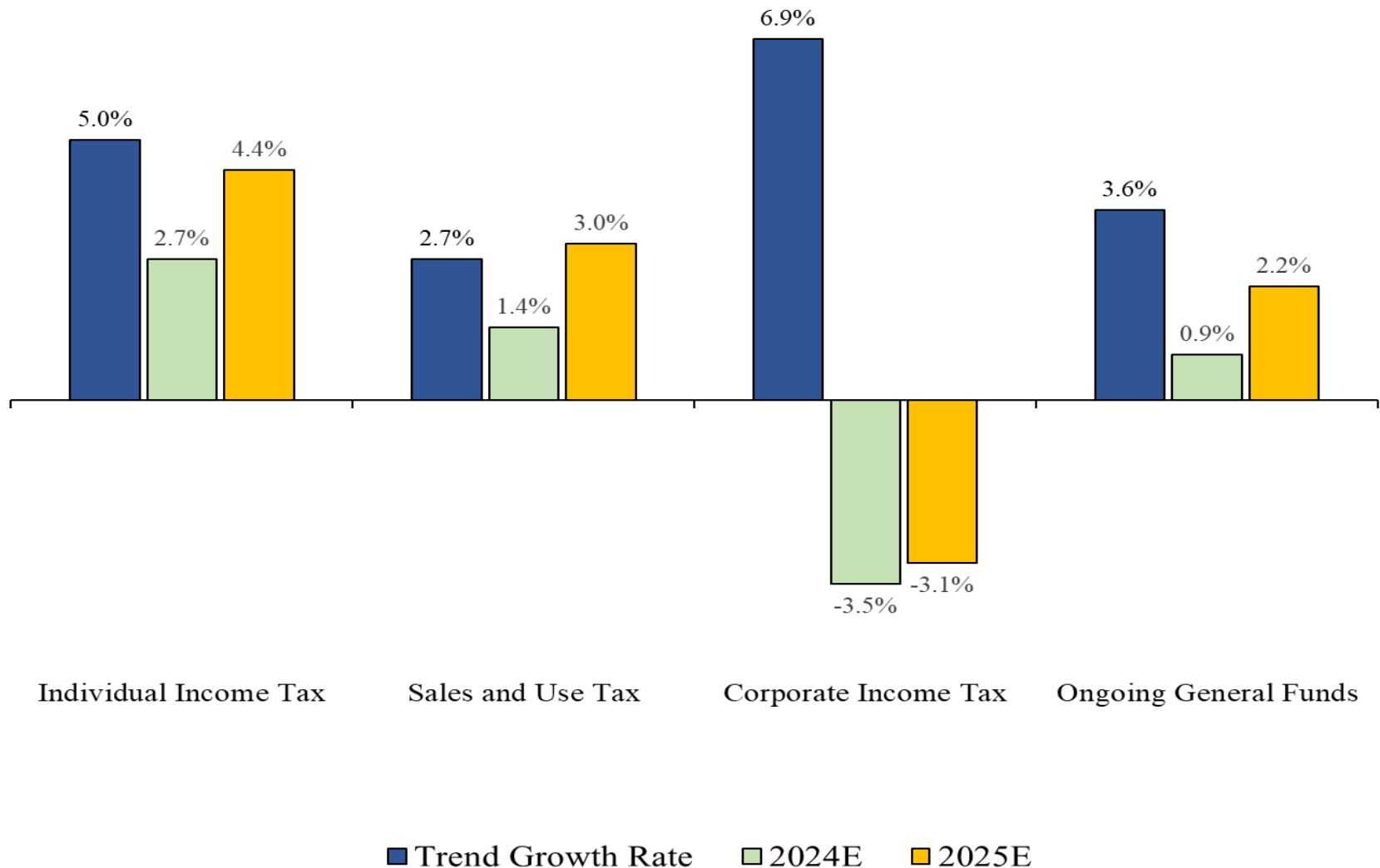


Note: Does not include Cannabis revenues

Source: Bureau of Revenue Estimates

General Fund Forecast Has Modest Growth Rates

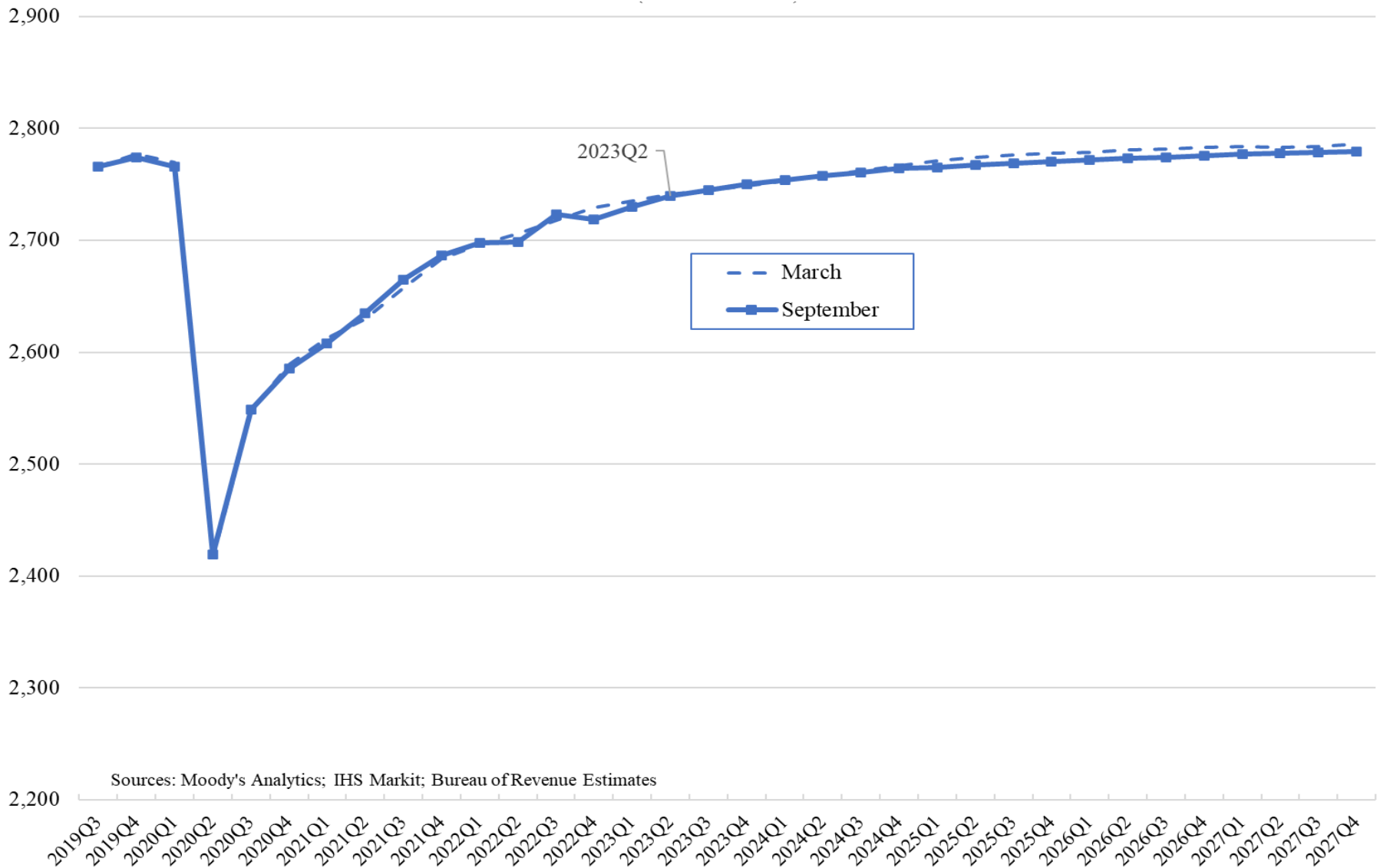
Percentage Growth Pre-Pandemic and Forecast



Maryland Economy – Key Points

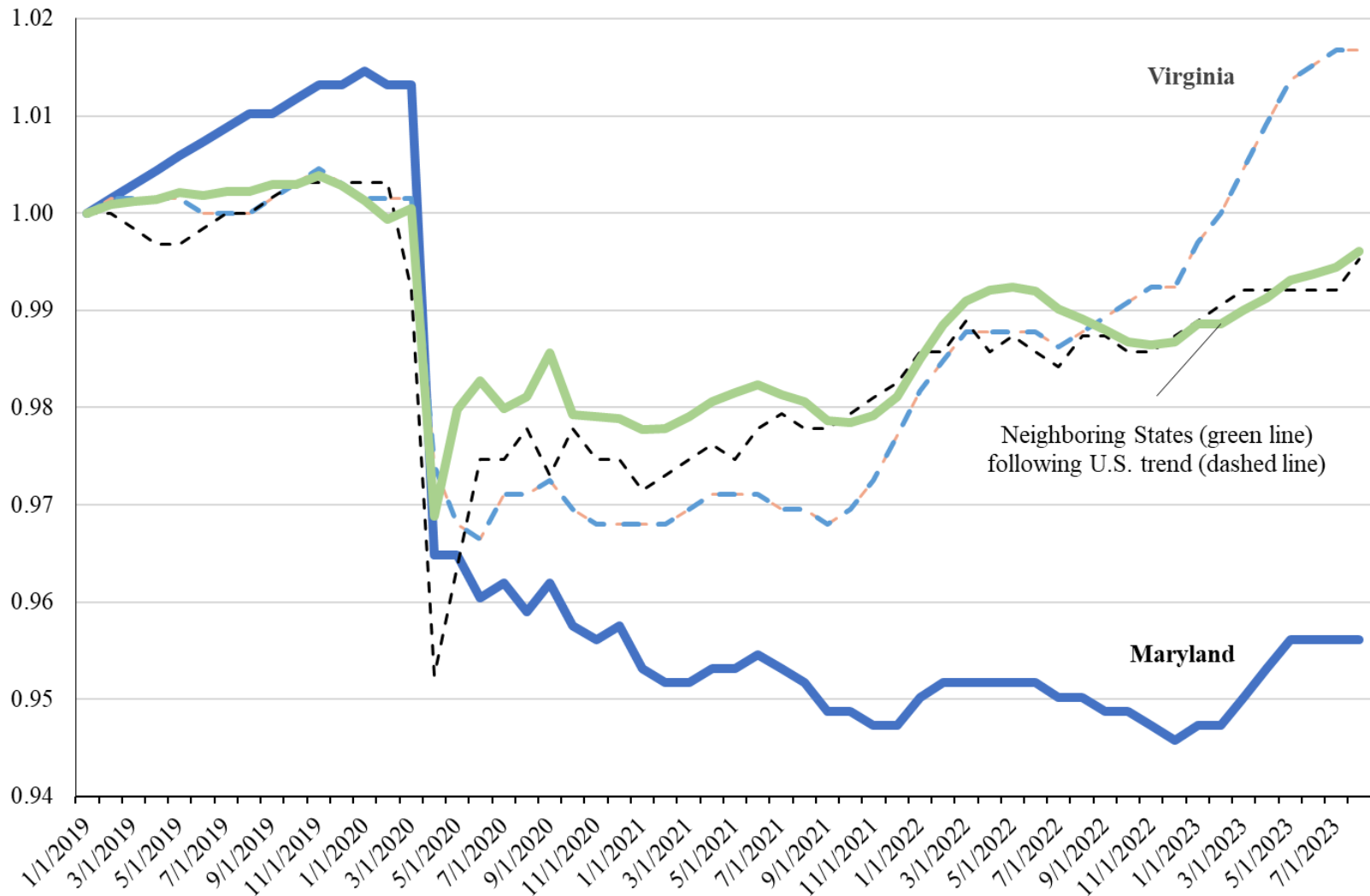
- Forecast reflects modest growth rates but does not include a recession
- Maryland's economic recovery has generally been slower than the rest of the U.S.
- The new business cycle may look different due to long-term trends and new COVID-19 impacts that are not fully understood
- Employment growth was high in 2021 and 2022 as individuals who lost their job in 2020 were able to regain employment
 - Going forward, job growth slows as both total population growth and the share of those who are employed (labor force participation) are lower than before the pandemic

Forecasts of Jobs in Maryland (Thousands)

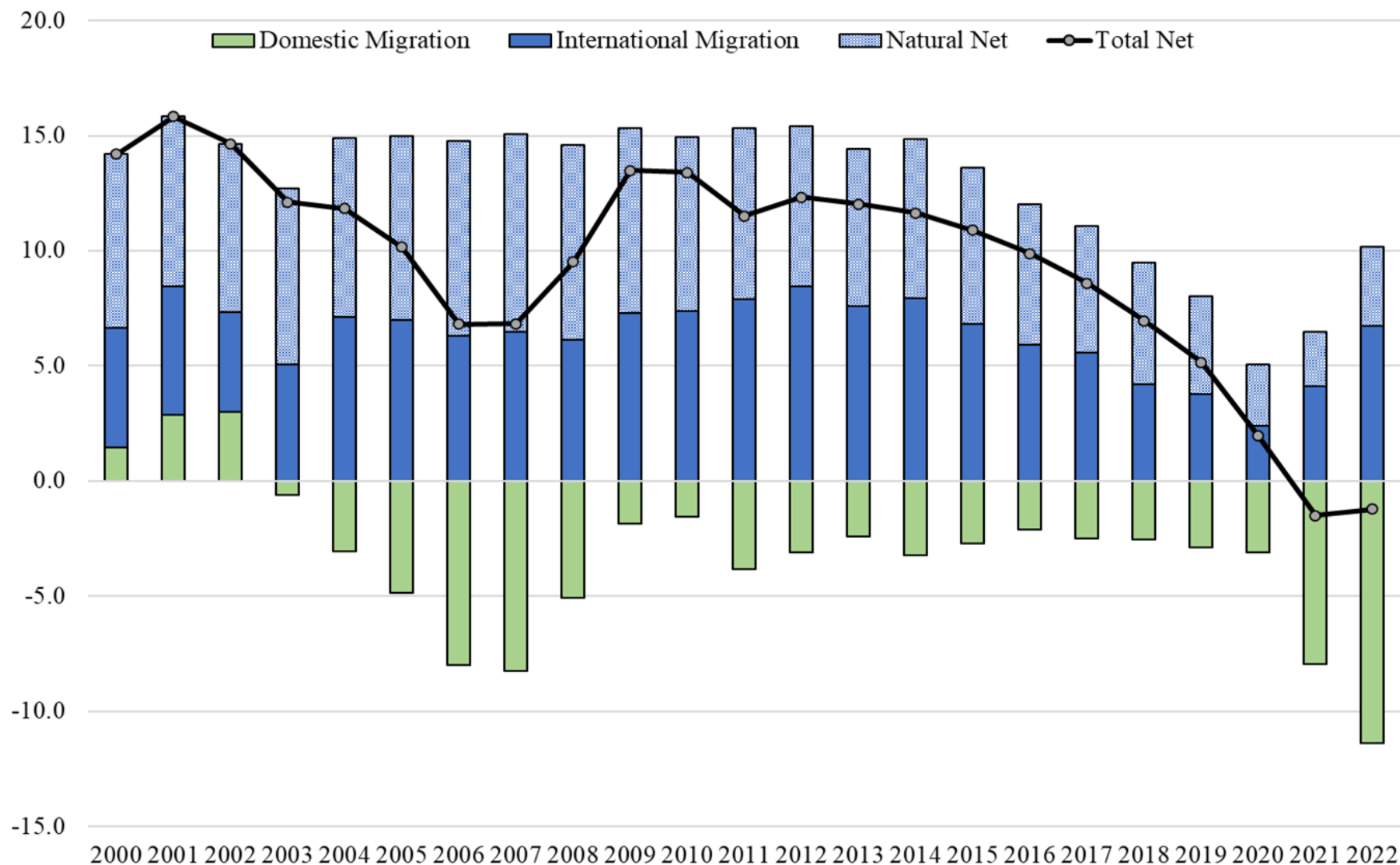


Maryland Labor Force Participation is Lagging

Indexed to January 2019



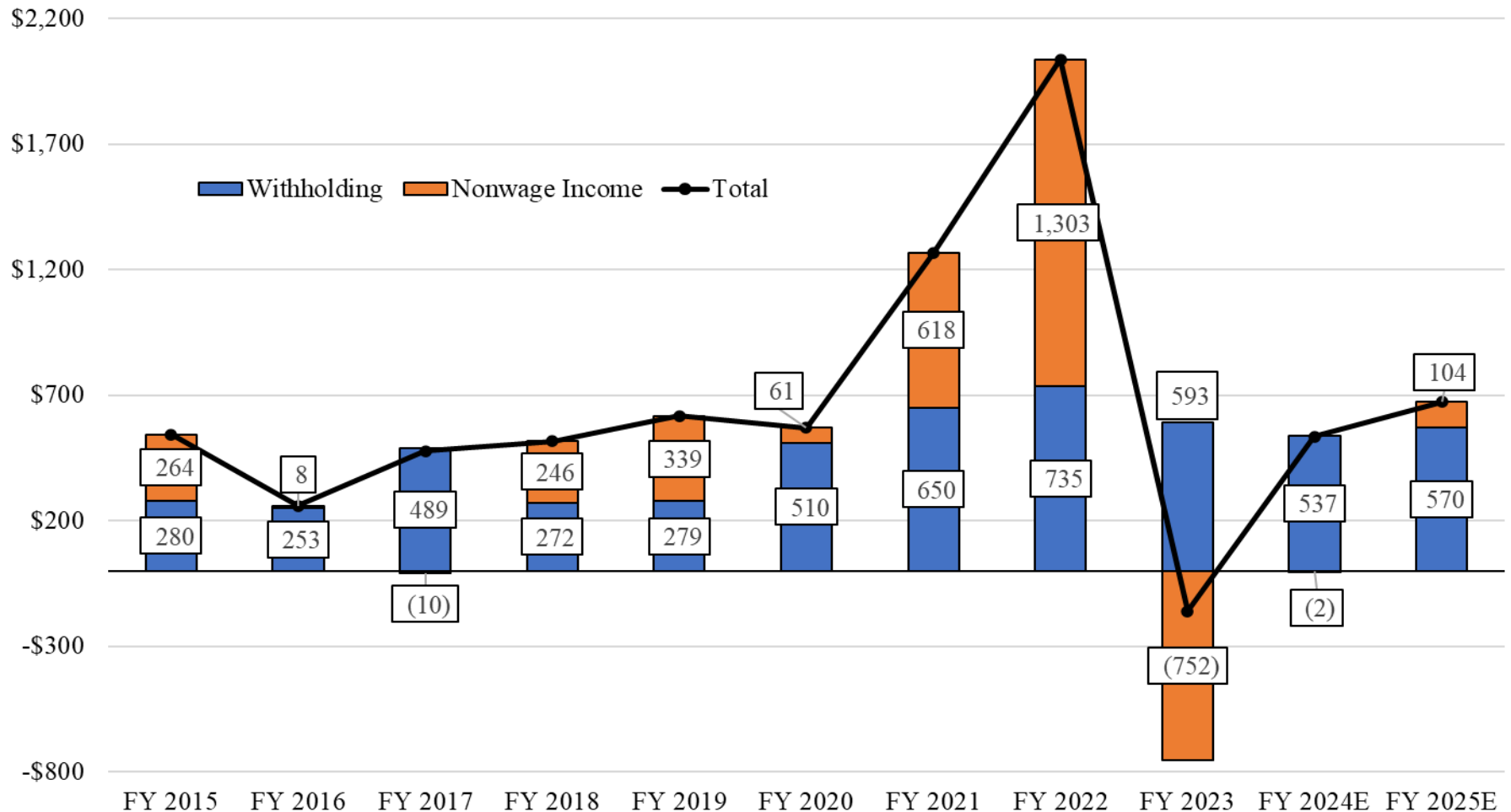
Maryland has Domestic Outmigration and Slowing Natural Population Growth (Thousands)



Source: Bureau of Revenue Estimates

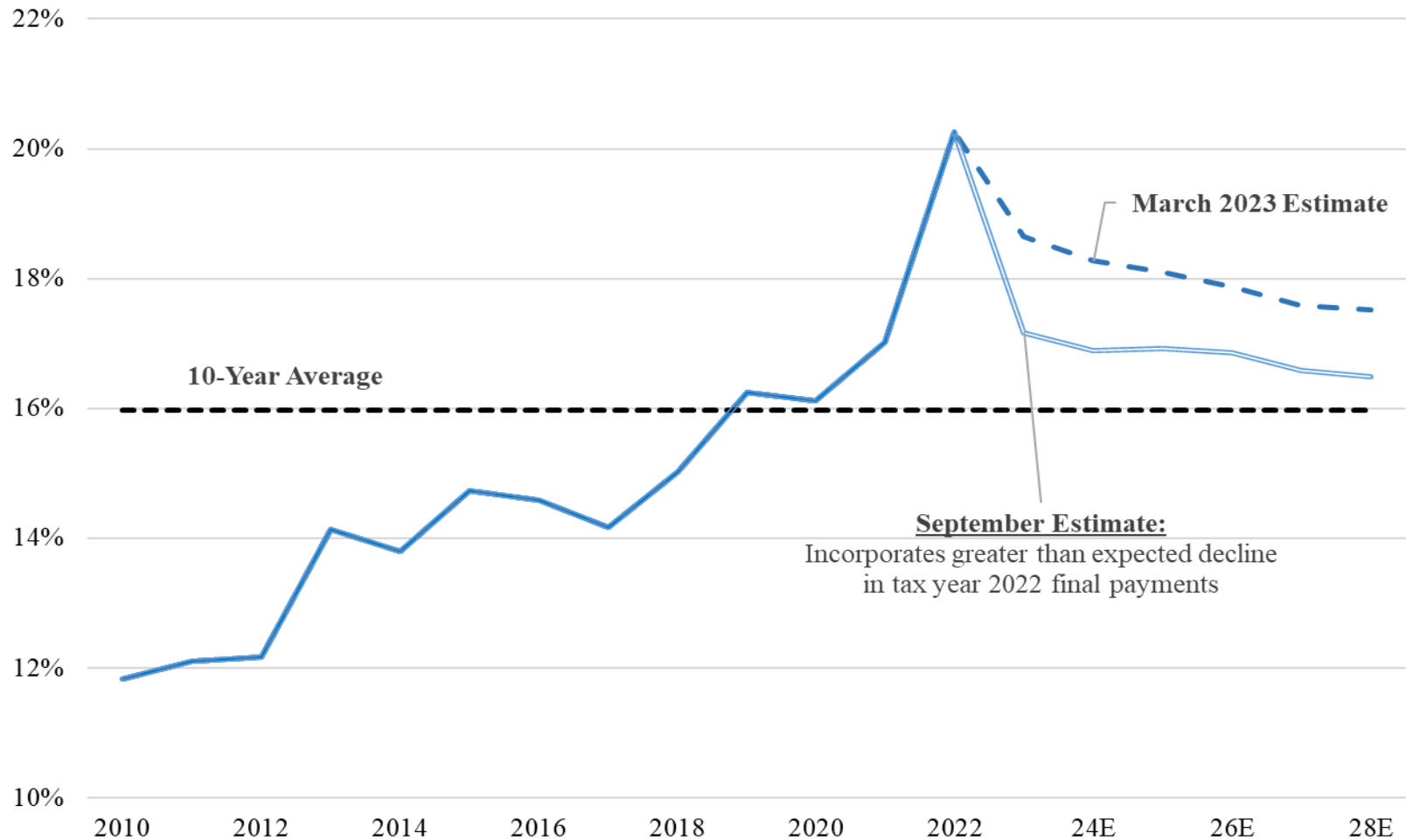
Change in General Fund Revenue by Fiscal Year

Withholding and Nonwage Income (\$ Millions)



Nonwithholding Revenues

Percent of General Fund Revenues by Fiscal Year



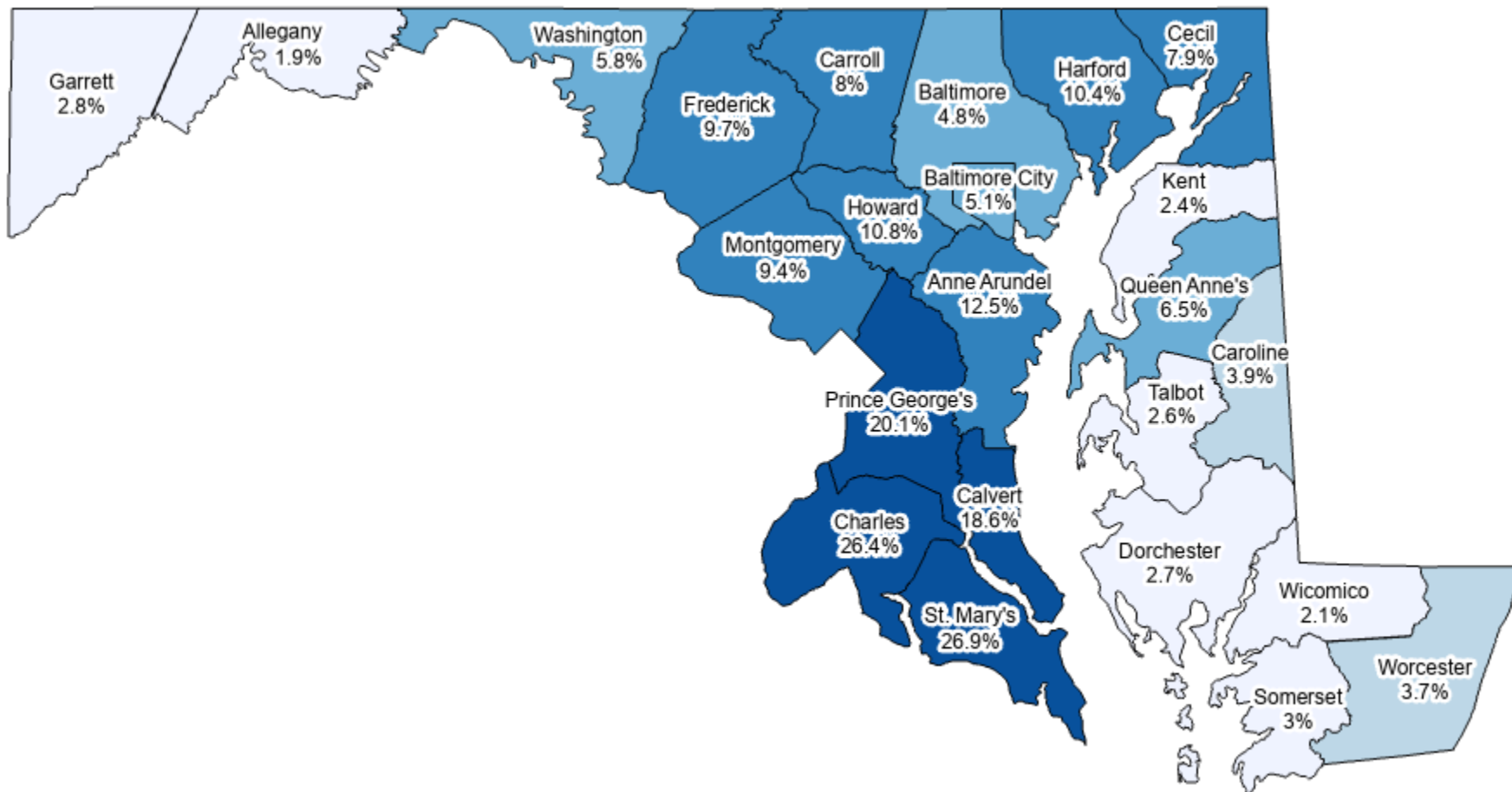
Note: FY 2023 does not reflect impact of \$800 million PIT transfer
 Source: Bureau of Revenue Estimates

Federal Shutdown Impact: It Depends

- Federal government shutdown is very likely
 - Impact depends on its duration and the deal reached to end the shutdown
 - Greater risk to the State is in the details of a deal to end the shutdown
 - 16-day shutdown in 2013 and partial 35-day shutdown in 2018-2019 had little impact on Maryland's economy and revenue collections
 - Budget Sequestration, enacted as an agreement to raise the debt ceiling, took effect in spring 2013 and had significant negative impacts on the Maryland economy
 - Withholding and economic output slowed for several years
- Benefit of federal presence to Maryland's economy likely more muted in the long-term
 - Concerns over federal debt likely to slow spending that generates income and economic output in Maryland

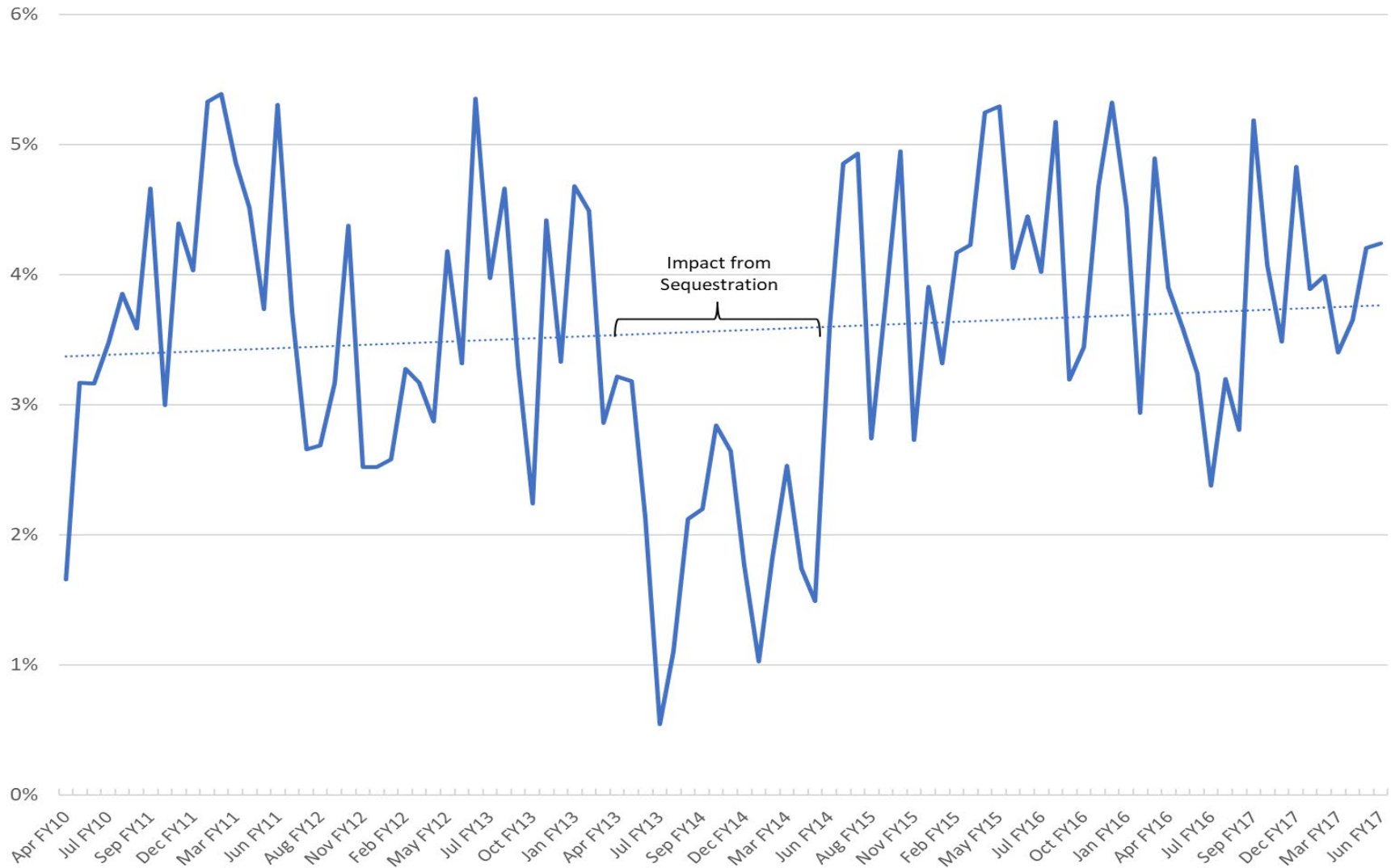
One in Nine Maryland Households Report Federal Income

Percentage of Gross Income from Federal Wages or Retirement



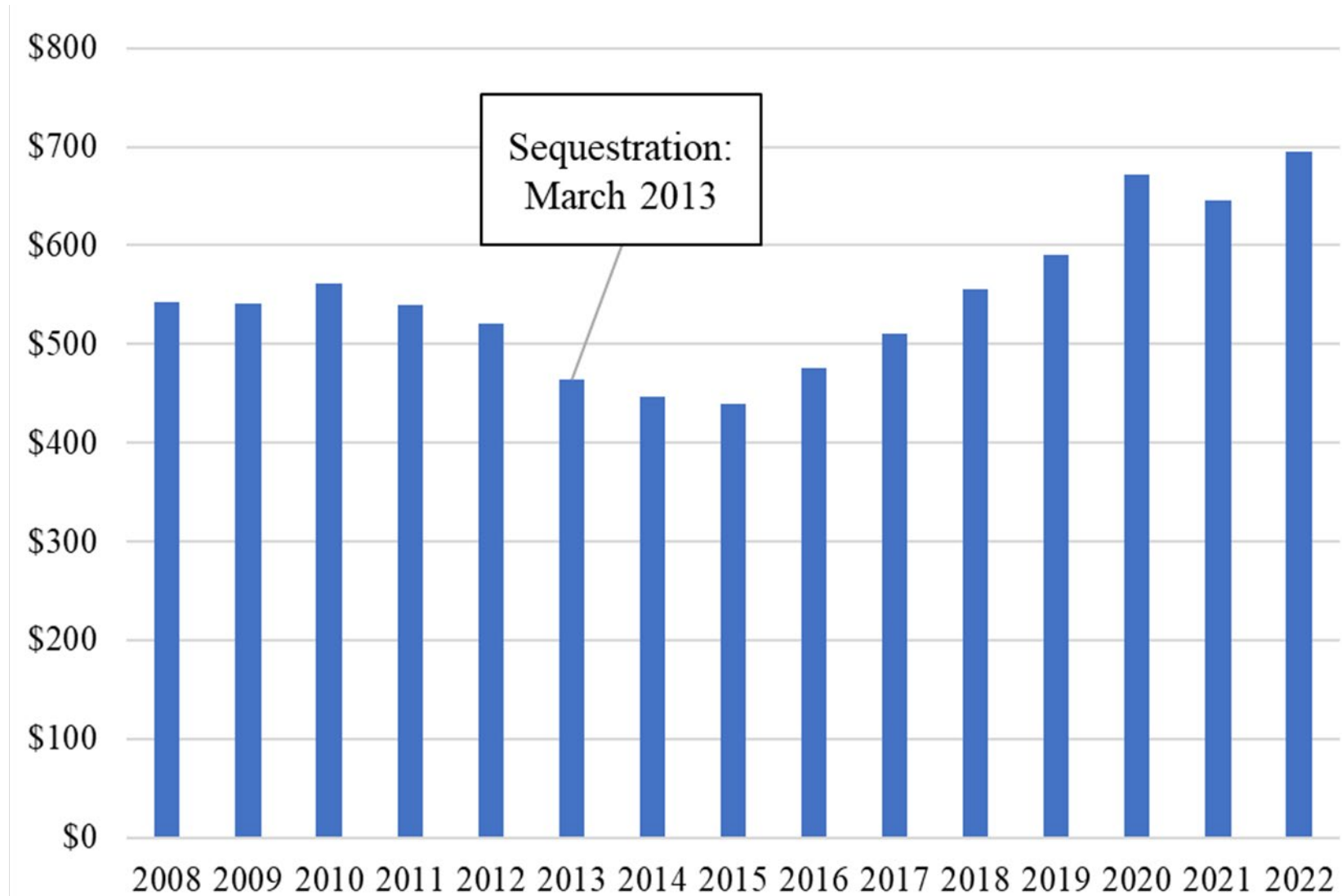
Withholding Revenue

Six Month Moving Average



Federal Government Contracts (\$ Billions) Located in Maryland

Federal Fiscal Year



Source: usaspending.gov; Bureau of Revenue Estimates

In Summary

- Economic forecast is largely unchanged from March
- Forecast is a minor adjustment to FY 2024, reflecting slightly less than expected FY 2023 revenues
- Elevated risks to the revenue forecast remain
 - Risk of recession remains elevated
 - Extended federal government shutdown or significant spending reductions
 - Post COVID-19 trends are new and not fully understood

Thank You

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