

REPORT OF THE
MARYLAND BOARD OF REVENUE ESTIMATES
ON

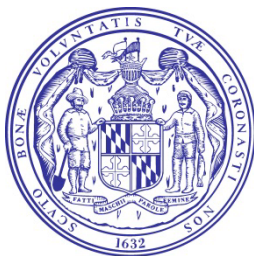
The seal of the State of Maryland is centered in the background. It features a circular design with the text "SEAL OF THE STATE OF MARYLAND" around the perimeter and "1632" at the bottom. The central emblem depicts a figure holding a bow and arrow, with a shield on their chest, and a banner above their head.

ESTIMATED
MARYLAND
REVENUES

FISCAL YEARS ENDING JUNE 30, 2024 AND JUNE 30, 2025

SUBMITTED TO
WES MOORE
GOVERNOR

DECEMBER 15, 2023



State of Maryland Board of Revenue Estimates

Louis L. Goldstein Treasury Building, P.O. Box 466
Annapolis, Maryland 21404-0466
E-mail: bre@marylandtaxes.gov

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State Comptroller

Dereck E. Davis
State Treasurer

Helene Grady
Secretary, Department of
Budget and Management

Executive Secretary:
Robert J. Rehrmann
Director, Bureau of
Revenue Estimates

December 14, 2023

Honorable Wes Moore
Governor, State of Maryland
State House
Annapolis, MD 21401

Dear Governor Moore:

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, 2024 and June 30, 2025, 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,

Brooke E. Lierman, Chair

Dereck E. Davis

Helene Grady

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Executive Summary

The Board of Revenue Estimates submits revised general fund revenue estimates of \$24.644 billion for Fiscal Year (FY) 2024 and \$24.919 billion for FY 2025. The FY 2024 estimate represents an increase of \$78.3 million from the September 2023 estimate and the FY 2025 estimate is a downward revision of \$162.6 million. On an ongoing basis, not including one-time or extraordinary revenues, the FY 2024 estimate is a downward revision of \$71.7 million as the December estimate recognizes \$150.0 million in extraordinary revenues pursuant to a recent audit of the local income tax reserve account. Total general fund revenue is expected to increase by 4.1% in FY 2024 and 1.1% in FY 2025. Ongoing revenue growth is forecasted to be 0.6% in FY 2024 and 1.8% in FY 2025.

Economic Fundamentals

Following a rapid recovery from the COVID-19 recession economic growth has slowed but remained positive. The Federal Reserve (the Fed) is attempting to slow economic growth in order to reduce inflation. The risk of a recession is always elevated when the Fed is in a tightening cycle. There is the risk that the Fed does too little, allowing inflation to persist, and the risk that the Fed does too much, tipping the economy into a recession. To date growth has not slowed enough to accomplish the Fed's goals.

We expect growth to gradually slow in the near term until growth reaches a longer-term trend. We expect this trend rate of growth to be marginally higher than was the norm in the last expansion.

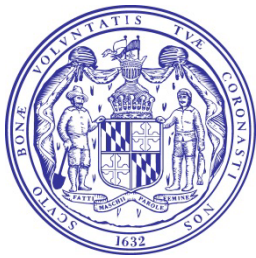
Nonwage Income

Nonwage income grew at a rapid pace over the course of the pandemic. However, over the course of calendar 2022 the S&P 500 decreased by about one-fifth. Even with an expected decline in capital gains income over the next years, nonwage income remains at an elevated share of the State's revenue collections. This income is far more volatile and unpredictable than other types of income. In conjunction with the elevated uncertainty over the economic outlook nonwage income contributes to a heightened risk to the forecast.

Consumption Spending

Consumption spending growth has slowed despite continuing wage growth due in part to increasing personal savings. Taxable consumption growth has slowed even more due to a shift in consumer spending back to services which are generally not taxed. The forecast calls for these headwinds to abate over time.

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Helene Grady
Secretary, Department of
Budget and Management

Executive Secretary:
Robert J. Rehrmann
Director, Bureau of
Revenue Estimates

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

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Economic Outlook

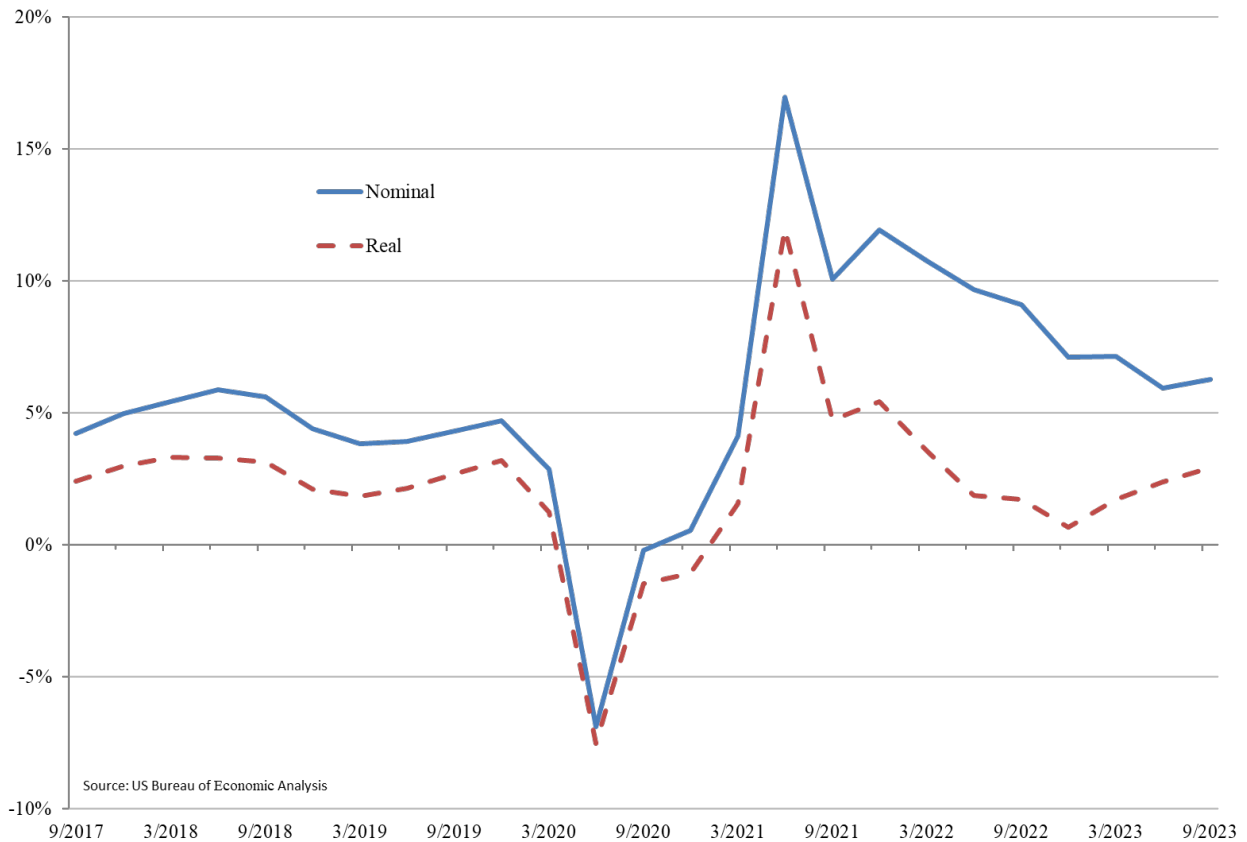
Following two years of rapid growth, the US economy has slowed significantly. The Bureau expects economic growth to continue slowing but remain positive. In short, we continue to forecast a soft landing. Achieving a soft landing depends on appropriate monetary policy, creating upside and downside risks to this forecast. If the Federal Reserve (the Fed) keeps monetary policy tight for too long, the economy could go into a recession. If the Fed relaxes monetary policy too soon, inflation will remain elevated and could even rise, bringing the risk of a new tightening cycle and a worse recession later. This forecast seeks to balance these risks. According to the latest economic data available at the time of writing, economic growth has slowed significantly over the past year. As of October 2023, Personal Consumption Expenditures (PCE) inflation grew at 3.0% year over year compared to the Fed's target of 2.0%. This indicates that the economy and inflation do not have much further to slow before the Fed's goals are accomplished.

Economic Conditions

The latest economic data show that while the economy has slowed significantly compared to last year it is still growing at a marginally faster rate than before the pandemic. Nominal Gross Domestic Product (NGDP), the total dollar value of output produced without adjusting for inflation, grew 6.3% year over year in the third quarter of calendar year 2023, down from 9.1% in the third quarter of calendar year 2022. By comparison, 4% to 5% growth was typical prior to the pandemic. Growth in total US wage income, as measured in the personal income series, is 5.6% year over year in the third quarter of calendar year 2023, down from 7.9% in the third quarter of calendar year 2022. Adjusting for inflation; however, real wage growth increased from 0.7% in the third quarter of calendar year 2022 to 2.0% in in the third quarter of calendar year 2023. Wages typically respond to inflation with a lag as it takes longer for inflation expectations to be factored in compared to more flexible prices such as asset prices.

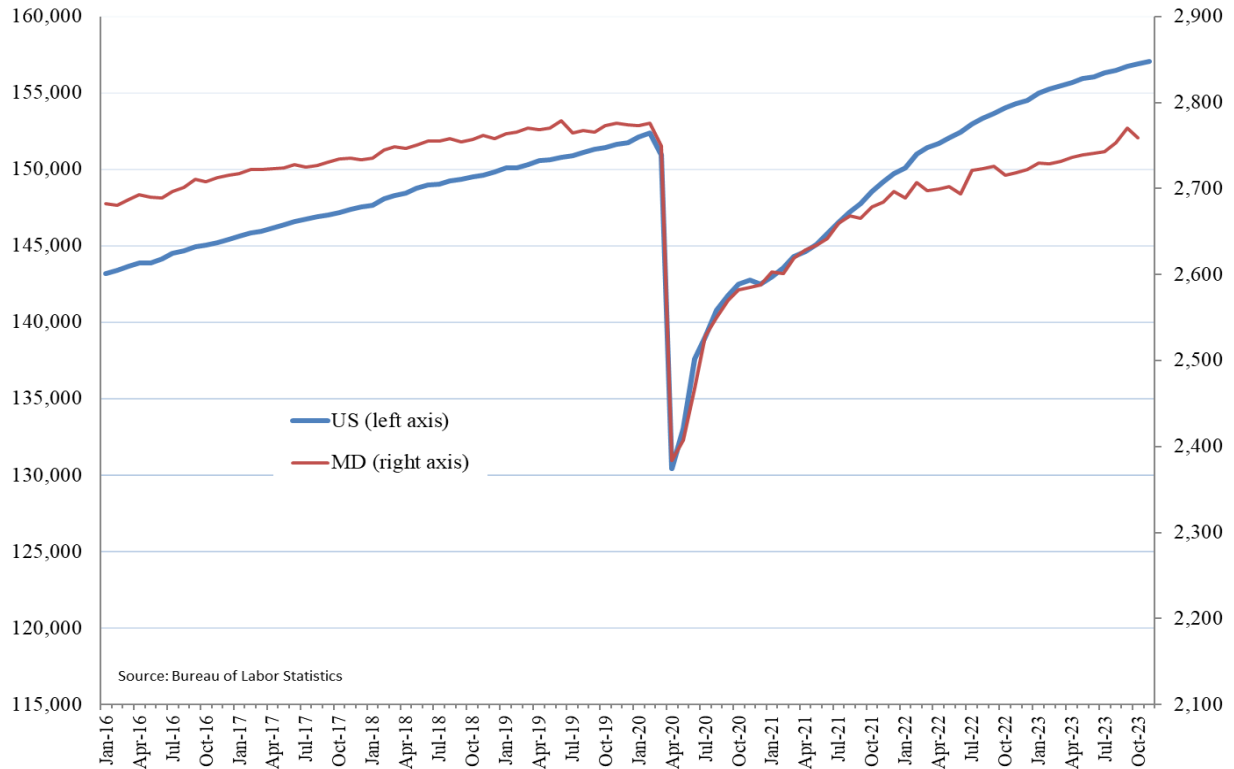
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US Gross Domestic Product Year-over-Year Growth



A slowdown is also apparent in the national labor market. Total employment increased 1.8% year over year as of November 2023, compared to 3.4% growth in November 2022. Employment in November 2023 was 3.1% higher than the pre-pandemic peak. The Labor Force Participation Rate (LFPR) of the adult population; however, remains 0.8% below its pre-pandemic peak. This recovery in LFPR is remarkable given the aging population and the barriers people who have dropped out of the labor force face in rejoining it. The US unemployment rate, people who are not employed but actively seeking work as a share of the labor force, is 3.7% in November 2023 and has been below 4.0% since January 2022. The unemployment rate has changed little in the face of robust US employment growth due to people rejoining the labor force and adding to the number of unemployed until they find work.

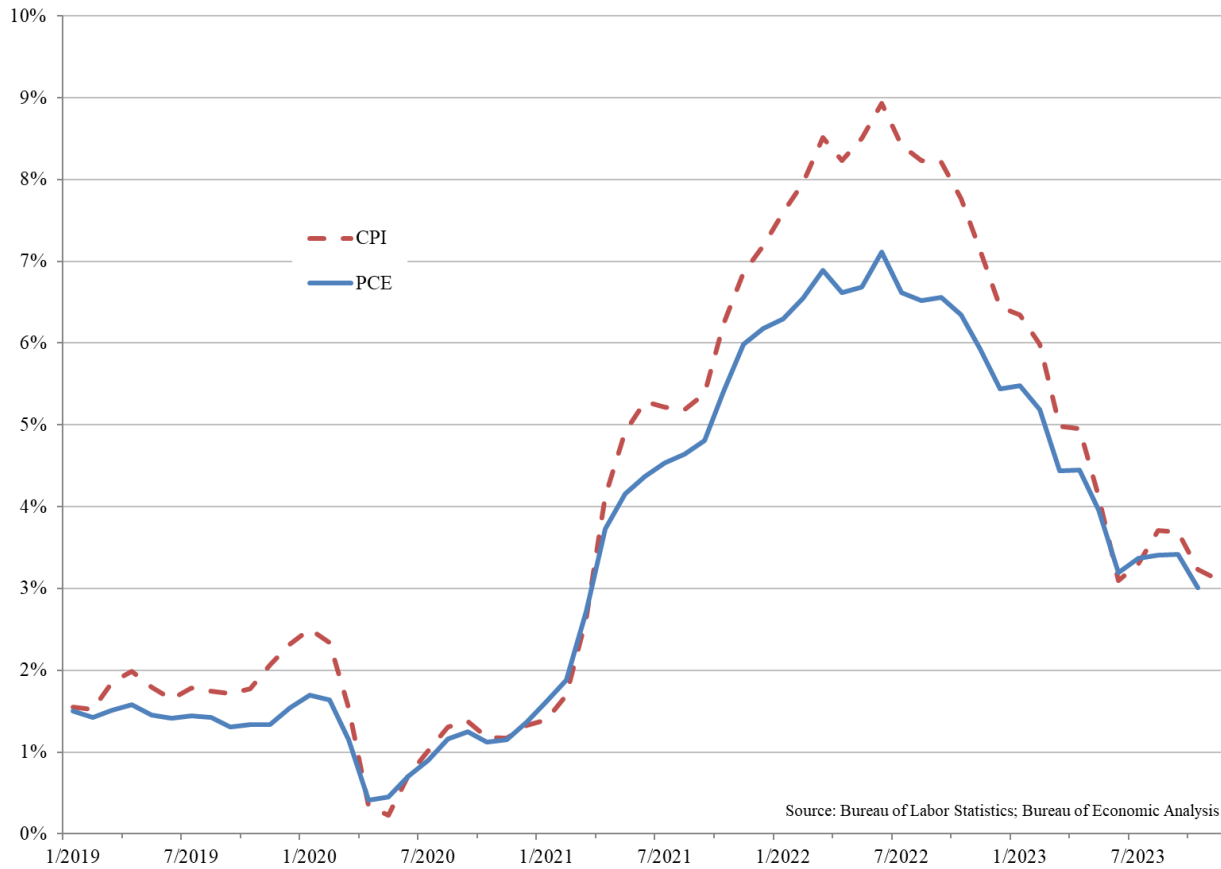
Payroll Employment (in thousands)



Inflation

Elevated inflation since the pandemic has two main causes: negative pandemic related supply shocks and loose monetary policy. In theory, price changes caused by a supply shock are transitory or short run as they only last until supply can adjust. However, the pandemic resulted in ongoing supply disruptions rather than a one-time disruption. Negative supply shocks raise the real prices of goods and services, which pushes real wages and spending down. At the same time, the Fed left monetary policy loose well after unemployment fell to normal levels. Loose monetary policy leads to higher inflation and nominal spending. Arguably, the Fed left policy loose for too long and had to embark on significant tightening to bring inflation down. The Fed's inflation target calls for 2% growth in the PCE price index. As of October 2023, this inflation measure grew 3.0% compared to 6.3% in October 2022.

US Inflation Year-over-Year % Change



Maryland

Maryland’s economy has structural factors in its favor. Typically, the State’s economy and employment contracts less than the nation in a recession. This is partly due to high education and skill levels of the labor force and the presence of the federal government, a stable source of well-paying jobs. The other side of the coin is that Maryland’s economy tends to grow less in expansions. Maryland’s total personal income grew 5.6% year over year, without adjusting for inflation, in the second quarter of calendar year 2023, about even with national growth over that time. Since the first quarter of calendar year 2020 through the second quarter of calendar year 2023; however, Maryland’s personal income has grown 18.1% compared to 21.8% for the nation.

Maryland’s employment recovery has also lagged. In October 2023, the number of jobs in Maryland is 0.6% below its pre-pandemic peak compared to 3.0% above the pre-pandemic peak for the nation. Year over year employment growth in October 2023 is 1.6%. Despite lower job growth Maryland has the lowest unemployment rate in the nation. This is because only people who are out of work and actively seeking employment are counted as unemployed. People who are out of work and not actively seeking it are not in the labor force and are not included among the unemployed. Maryland’s LFPR fell from 69.3% in February 2020 to 65.6% by June 2020. In October 2023 Maryland’s LFPR is 65.2%. Absent a recovery in labor participation, job growth in Maryland will be constrained going forward due to how few unemployed workers there are to fill job openings.

In second quarter of calendar 2023, the most recent personal income data at for Maryland, total wages grew 8.5% year-over-year and are 7.6% higher than the pre-pandemic peak, before adjusting for inflation. The average wage grew 6.1%. Adjusting for inflation, the real average wage grew 2.1%. The first two quarters of calendar year 2023 are the first quarters of positive real wage growth since the first quarter of calendar year 2021.

Outlook

This is an especially challenging time to accurately forecast the economy and revenues. NGDP growth has slowed significantly but remains elevated while inflation remains above the Fed’s target. Our near-term outlook has changed little; it continues to call for a soft landing – for growth to slow significantly but remain positive. While soft landings have been difficult to achieve in Fed history, this outlook seeks to balance the risks to both the upside and downside, in terms of nominal revenue collection.

Beyond the near term, we expect growth to return to a trend rate that is marginally higher than the post-Great Recession expansion. That expansion was unusually slow, due in part to monetary policy as well as demographic trends that held down productivity and wage growth – most significantly, millennials entering the labor force. We expect job growth in Maryland to slow to 0.7% in calendar year 2024 and fall further to 0.2% in calendar year 2025. This significant slowdown is due to slower expected growth in Maryland’s population and labor force. The Bureau expects average wage growth to slow to 3.3% in calendar year 2024 and then increase to 3.6% in calendar year 2025. As a result, total wage income is expected to grow 4.0% and 3.9% in calendar years 2024 and 2025, respectively.

Outlook For Key Maryland Economic Variables				
Calendar Year	Employment	Personal Income	Total Wages	Average Wage
2021	2.7%	6.5%	6.5%	3.6%
2022	2.3	1.5	5.8	3.5%
2023E	1.3	5.3	6.1	4.7%
2024E	0.7	4.2	4.0	3.3%
2025E	0.2	3.9	3.9	3.6%
2026E	0.1	3.9	3.7	3.6%
2027E	0.1	4.1	3.7	3.6%

Source: Bureau of Revenue Estimates

Risks

One of the most significant risks to the forecast in the near term is monetary policy. If the Fed stops tightening too early, inflation will continue to be elevated. In that case, the Fed would then likely need to resume tightening to correct for their mistake. If the Fed stops tightening too late, it could tip the economy into a mild recession in the near term. The Fed stopped raising rates

after their July calendar year 2023 meeting, and recently affirmed its expectations of no further rate increases and for rate cuts in calendar year 2024. On a year over year basis, PCE inflation stopped declining in July calendar year 2023 and fell only slightly in October. Another significant, and perennial, risk is the volatility to nonwage income.

A longer-term risk to the forecast is average wage growth expectations. The Bureau expects employment growth to be barely positive in the out years of the forecast, and much lower than in the prior expansion. Absent a significant change in Maryland's labor participation, employment growth will fall in line with underlying population growth. All else equal this would mean lower total wage growth and therefore lower income tax collections. However, the forecast calls for average wage growth to be higher in the out-years than was typical in the prior expansion. This compensates for the decline in employment growth, keeping total wage growth at a slightly higher rate of growth than was typical in the last expansion. Should average wage growth trends in the out-years come in below the 3.6% expectation, total wages will be revised down.

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Table 1
Forecast of the US Economy
 Primary Indicators

Calendar Year	2019	2020	2021	2022	2023	2024	2025
Gross Domestic Product (\$ in billions)	20,692	20,234	21,408	21,822	22,346	22,656	22,968
	2.5%	-2.2%	5.8%	1.9%	2.4%	1.4%	1.4%
Federal Funds Rate	2.2%	0.4%	0.1%	1.7%	5.0%	5.4%	4.1%
10-Year Treasury Bond Yield	2.1%	0.9%	1.4%	3.0%	4.0%	4.3%	3.6%
Consumer Price Index (%D from prior year)	2.1%	1.3%	6.8%	7.1%	3.2%	2.5%	1.9%
Housing Starts (thousands of units)	1,292	1,397	1,606	1,551	1,397	1,330	1,370
	3.6%	8.2%	14.9%	-3.4%	-10.0%	-4.8%	3.0%
New Light Vehicle Sales (thousands of units)	16,961	14,472	14,947	13,754	15,383	15,673	16,454
	-1.5%	-14.7%	3.3%	-8.0%	11.8%	1.9%	5.0%
Corporate Profits Before Taxes (\$ in billions)	2,402	2,260	2,771	2,953	2,983	3,088	3,119
	3.9%	-5.9%	22.6%	6.6%	1.0%	3.5%	1.0%
Total Non-Agricultural Employment (thousands)	150,891	142,153	146,281	152,625	156,190	157,214	157,286
	1.3%	-5.8%	2.9%	4.3%	2.3%	0.7%	0.0%
Unemployment Rate	3.7%	8.1%	5.4%	3.6%	3.6%	4.3%	4.7%
Personal Income (\$ in billions)	18,356	19,629	21,408	21,841	22,977	24,097	25,319
	4.7%	6.9%	9.1%	2.0%	5.2%	4.9%	5.1%

Source: IHS Markit (December 2023 Forecast)

Table 2
Forecast of the MD Economy
 Primary Indicators

Calendar Year	2019	2020	2021	2022	2023	2024	2025
Total Non-Agricultural Employment (thousands)	2,770 0.6%	2,580 -6.9%	2,648 2.7%	2,710 2.3%	2,745 1.3%	2,765 0.7%	2,770 0.2%
Existing Median Home Price (\$)	439,528 -6.6%	432,553 -1.6%	490,612 13.4%	531,411 8.3%	536,781 1.0%	507,998 -5.4%	546,375 7.6%
Home Sales (thousands)	92,218 -4.4%	89,117 -3.4%	117,613 32.0%	106,674 -9.3%	69,533 -34.8%	66,914 -3.8%	71,994 7.6%
Private Housing Starts (thousands)	17.7 4.0%	17.3 -2.3%	17.4 0.4%	17.0 -2.4%	16.1 -4.9%	15.4 -4.8%	16.5 7.3%
Personal Income (\$ in millions)	380,342 3.4%	400,176 5.2%	426,367 6.5%	432,933 1.5%	456,034 5.3%	475,223 4.2%	493,977 3.9%
Wages and Salaries (\$ in millions)	186,264 3.6%	189,154 1.6%	201,543 6.5%	213,323 5.8%	226,234 6.1%	235,242 4.0%	244,306 3.9%
Dividends, Interest and Rent (\$ in millions)	70,994 4.3%	70,024 -1.4%	75,696 8.1%	79,742 5.3%	83,921 5.2%	88,044 4.9%	91,340 3.7%
Capital Gains (\$ millions)	12,967 0.1%	16,915 30.4%	27,012 59.7%	17,045 -36.9%	16,785 -1.5%	16,360 -2.5%	16,029 -2.02%
Unemployment Rate	3.4%	6.5%	5.3%	3.2%	2.2%	2.8%	3.6%

Source: Board of Revenue Estimates and IHS Markit (December 2023 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 firms Moody's Analytics and Global Insight.

Table 3 shows detail on general fund and selected special fund revenue sources for fiscal years 2023 through 2025. 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 2023 - 2025

\$ Thousands	GENERAL FUND			SPECIAL FUND			TOTAL		
	Fiscal Year 2023	Fiscal Year 2024 Revised	Fiscal Year 2025	Fiscal Year 2023	Fiscal Year 2024 Revised	Fiscal Year 2025	Fiscal Year 2023	Fiscal Year 2024 Revised	Fiscal Year 2025
	Actual	Estimate	Estimate	Actual	Estimate	Estimate	Actual	Estimate	Estimate
INCOME TAXES									
Individual	13,469,498	13,782,021	14,421,350				13,469,498	13,782,021	14,421,350
Corporations	1,816,002	1,773,416	1,746,700	470,987	528,825	546,114	2,286,989	2,302,241	2,292,814
Total	15,285,500	15,555,437	16,168,050	470,987	528,825	546,114	15,756,488	16,084,261	16,714,164
SALES AND USE TAXES	6,005,249	5,944,407	6,095,909	700,305	844,158	904,049	6,705,554	6,788,565	6,999,958
STATE LOTTERY RECEIPTS									
Lottery Games	655,388	649,651	525,894	164,492	135,347	226,089	819,881	784,998	751,982
Casinos				878,113	818,087	827,723	878,113	818,087	827,723
Total	655,388	649,651	525,894	1,042,605	953,434	1,053,811	1,697,994	1,603,085	1,579,705
TRANSPORTATION REVENUES									
Motor Vehicle Fuel Tax				1,294,622	1,410,932	1,388,607	1,294,622	1,410,932	1,388,607
Motor Vehicle Licenses, Fees				789,976	791,561	807,787	789,976	791,561	807,787
Motor Vehicle Titling Tax				1,027,541	1,040,000	1,093,040	1,027,541	1,040,000	1,093,040
Maryland Transit Fees				72,793	80,000	93,000	72,793	80,000	93,000
Maryland Port Fees				56,145	52,000	52,000	56,145	52,000	52,000
Maryland Aviation Fees				284,203	312,400	323,000	284,203	312,400	323,000
Total	-	-	-	3,525,280	3,686,893	3,757,434	3,525,280	3,686,893	3,757,434
OTHER REVENUES									
Property Transfer Tax				226,961	218,381	233,072	226,961	218,381	233,072
Business Franchises and Filing Fees	272,398	271,376	274,873				272,398	271,376	274,873
State Tobacco Tax	448,657	416,570	402,352				448,657	416,570	402,352
Insurance Premium Tax	682,833	710,325	727,362				682,833	710,325	727,362
Alcoholic Beverages Excises	37,171	36,553	37,083				37,171	36,553	37,083
Estate & Inheritance Taxes	303,713	247,617	275,927				303,713	247,617	275,927
Clerks of the Court	28,245	23,696	22,804				28,245	23,696	22,804
District Courts	38,634	36,490	34,789				38,634	36,490	34,789
Hospital Patient Recoveries	72,075	63,200	80,036				72,075	63,200	80,036
Interest on Investments	312,526	300,000	100,000						
Miscellaneous Fees, Other Receipts	330,291	358,510	313,632				--- See Notes ---		
Total	2,526,543	2,464,336	2,268,858						
Total Current Revenues	24,472,681	24,613,830	25,058,710						
Extraordinary Revenues ¹	-	150,000	-				--- See Notes ---		
Blueprint for Maryland's Future Fund ²	(800,000)	-	-						
Revenue Volatility Cap ³	#N/A	(120,000)	(140,000)						
GRAND TOTAL	23,672,681	24,643,830	24,918,710	--- See Notes ---					

Please see Table 4 for footnote references

Table 4
Maryland General Fund Revenues
Fiscal Years 2023 - 2025

\$ Thousands	FY 2024					FY 2025			
	FY 2023 Actual	September Estimate	December Estimate	Difference	Growth	September Estimate	December Estimate	Difference	Growth
INCOME TAXES:									
Individual	13,469,498	13,835,608	13,782,021	(53,588)	2.3%	14,447,927	14,421,350	(26,577)	4.6%
Corporation	1,816,002	1,752,287	1,773,416	21,129	-2.3%	1,697,421	1,746,700	49,279	-1.5%
Total	15,285,500	15,587,895	15,555,437	(32,458)	1.8%	16,145,348	16,168,050	22,702	3.9%
SALES AND USE TAXES	6,005,249	6,088,255	5,944,407	(143,847)	-1.0%	6,272,763	6,095,909	(176,853)	2.5%
STATE LOTTERY	655,388	660,641	649,651	(10,990)	-0.9%	548,401	525,894	(22,508)	-19.0%
OTHER REVENUES									
Business Franchise Taxes	272,398	274,931	271,376	(3,555)	-0.4%	278,820	274,873	(3,947)	1.3%
Tax on Insurance Companies	682,833	693,931	710,325	16,394	4.0%	711,930	727,362	15,433	2.4%
Estate and Inheritance Taxes	303,713	262,756	247,617	(15,140)	-18.5%	280,974	275,927	(5,047)	11.4%
Tobacco Tax	448,657	427,441	416,570	(10,871)	-7.2%	413,223	402,352	(10,871)	-3.4%
Alcoholic Beverages Excise Tax	37,171	39,142	36,553	(2,589)	-1.7%	39,673	37,083	(2,590)	1.4%
District Courts	38,634	36,490	36,490	-	-5.5%	34,494	34,789	295	-4.7%
Clerks of the Court	28,245	23,751	23,696	(54)	-16.1%	23,850	22,804	(1,046)	-3.8%
Hospital Patient Recoveries	72,075	63,200	63,200	-	-12.3%	63,200	80,036	16,836	26.6%
Interest on Investments	312,526	175,000	300,000	125,000	-4.0%	100,000	100,000	-	-66.7%
Miscellaneous	330,291	352,111	358,510	6,399	8.5%	308,592	313,632	5,039	-12.5%
Total	2,526,543	2,348,752	2,464,336	115,584	-2.5%	2,254,756	2,268,858	14,101	-7.9%
Total Current Revenues	24,472,681	24,685,543	24,613,830	(71,712)	0.6%	25,221,268	25,058,710	(162,558)	1.8%
Extraordinary Revenues ¹	-	-	150,000	150,000		-	-	-	
Blueprint for Maryland's Future Fund ²	(800,000)	-	-	-		-	-	-	
Revenue Volatility Cap ³	#N/A	(120,000)	(120,000)	-		(140,000)	(140,000)	-	
GRAND TOTAL	23,672,681	24,565,543	24,643,830	78,288	4.1%	25,081,268	24,918,710	(162,558)	1.1%

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

² Chapter 33 of 2022 diverts \$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.

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Individual Income Tax

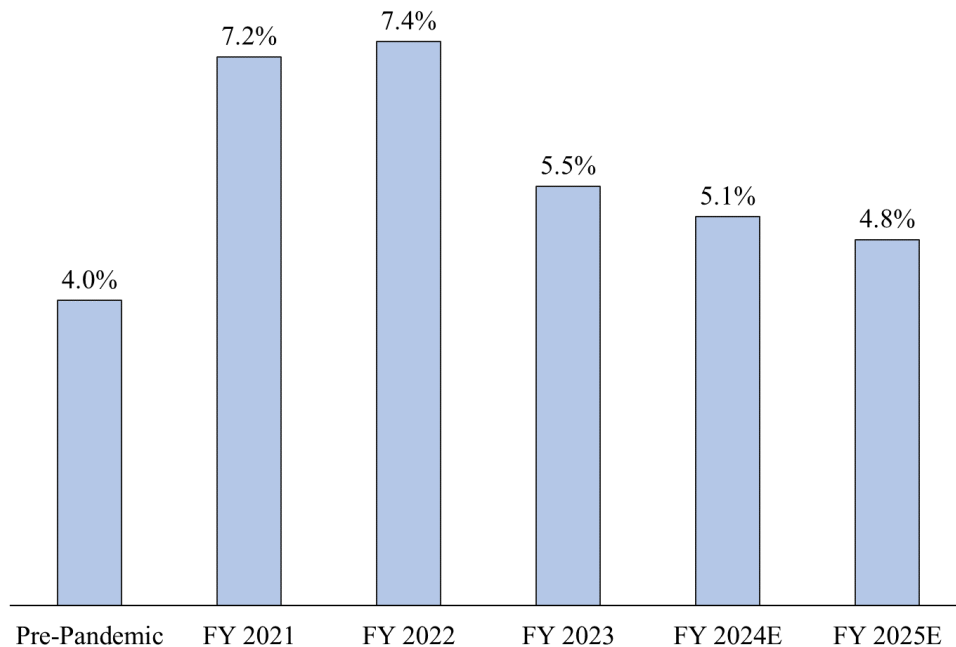
General fund revenue from the personal income tax is estimated to increase by 2.3% and total \$13.782 billion in fiscal 2024. In fiscal 2025, revenues are projected to total \$14.421 billion, an increase of 4.6%. It is expected that withholding revenue will drive most of the cumulative increase in gross collections over the two-year period, with nonwithholding gross collections projected to grow modestly. Withholding growth rates are projected to continue to moderate but remain above pre-pandemic levels and are projected to grow 5.1% in FY 2024 and 4.8% in FY 2025.

Withholding

Withholding revenue growth exceeded 7% in each of fiscal 2021 and 2022, compared to a typical pre-pandemic growth rate of about 4%. Withholding revenue growth has slowed but remains higher compared to prior to the pandemic. This is attributable to higher average wage growth as employment is expected to increase by only 0.7% in calendar 2024 and further slow to 0.2% in the following year.

The December forecast slightly increases to 5.2% the tax year 2023 withholding forecast due to modestly stronger than expected year-to-date data. It is expected that withholding will continue to moderate, but remain above pre-pandemic increases.

Withholding Revenue by Fiscal Year



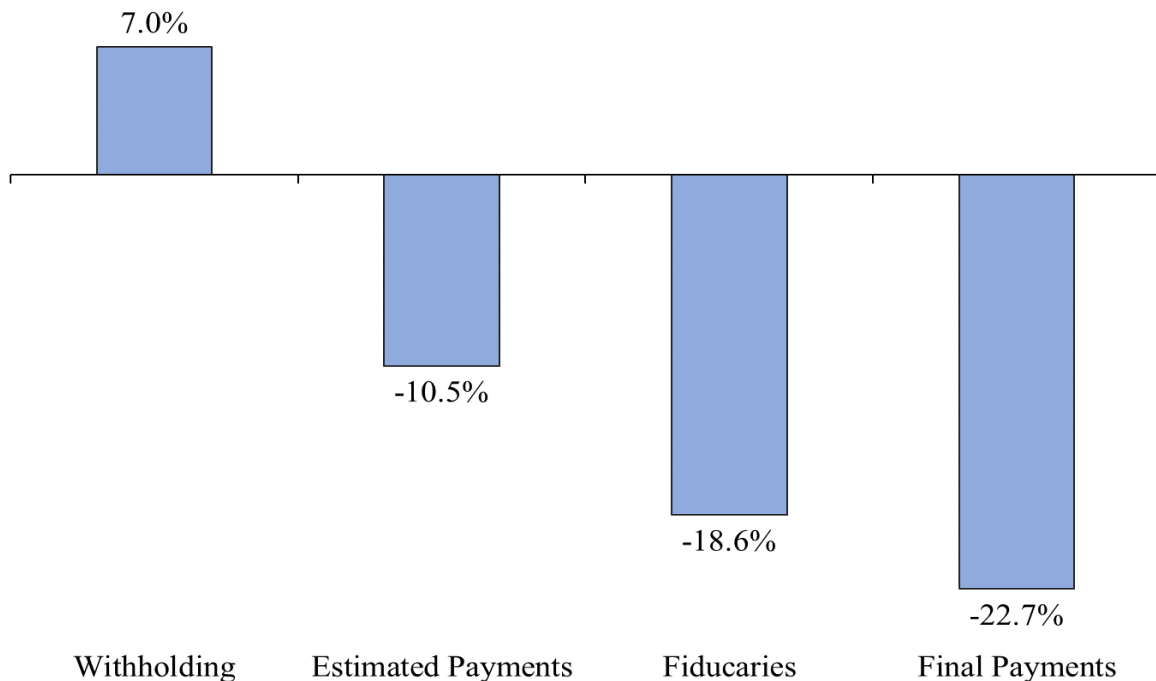
Source: Bureau of Revenue Estimates

Tax Year 2022

Tax year 2021 net collections surged by about 20%, mainly due to exceptionally high growth in final payments (about 50%) and estimated payments (about one-third). Nonwage income – which include capital gains and pass-through entity income – drove most of the increase. This surge was not expected to continue; however, tax year 2022 collections were less than anticipated. While the tax year is not yet complete, it is estimated that tax year 2022 income tax collections decreased by 2.6%. Declines are uncommon, even more so in years that are not impacted by a recession, and is the first decline since tax year 2009.

Withholding revenues are the most important State general fund revenue source as they comprise a majority of personal income tax gross revenues, which in turn are the largest general fund revenue source. Withholding income tax revenues also reflect the relative strength of the State’s labor force and typically drive the long-term trajectory of personal income tax revenues. But tax year 2022 demonstrates how unexpected volatility in nonwage income can offset gains in withholding revenue. Despite 7% growth in withholding in tax year 2022, double-digit declines in estimated payments, fiduciaries, and final payments caused the tax year 2022 revenue decrease.

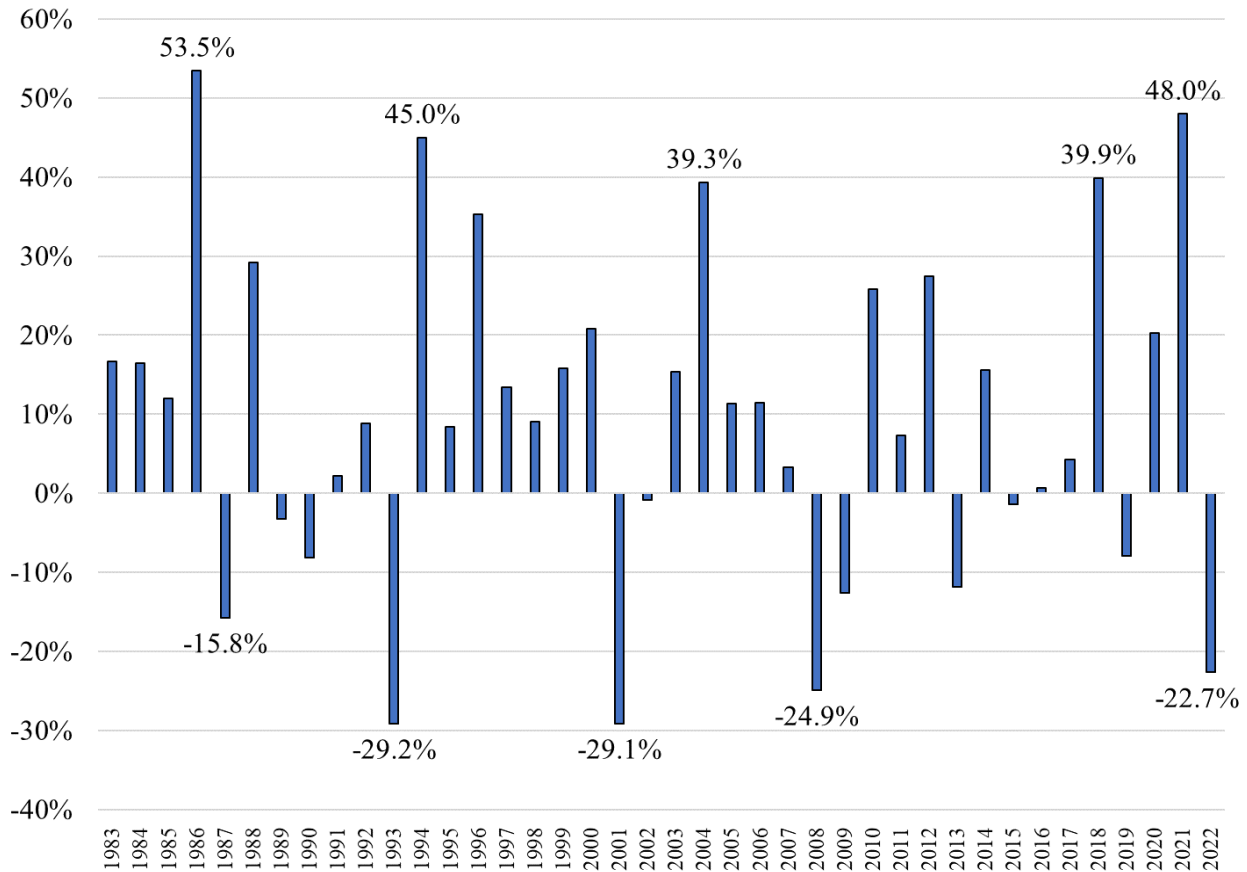
Tax Year 2022 Personal Income Tax
Percentage Change by Component



Source: Bureau of Revenue Estimates

The tax year 2022 decline is among the largest within the last forty-five years and is the greatest volatility over a two-year period, eclipsing the volatile shift in final payments that occurred in 1986 to 1987. This volatility in nonwage income was not specific to Maryland as other wealthier states that rely on capital gains also had similar final payment declines.

Final Payments
Percentage Change by Tax Year



Source: Bureau of Revenue Estimates

The last two fiscal years demonstrate the effectiveness of the Revenue Volatility Cap (RVC) and its two-part policy to insulate the State budget against volatile and difficult to forecast nonwage income. In fiscal 2022, the greater than expected surge in nonwage income caused nonwithholding revenues to exceed the Board estimate by \$870.3 million. Pursuant to the RVC, as amended by subsequent Budget Reconciliation and Financing Acts, the Comptroller distributed \$500.2 million to the Rainy Day Fund and the remaining \$370.0 million was distributed to the Fiscal Responsibility Fund. The second part of the policy requires the BRE, subject to specified maximum amounts, to “cap” its official fiscal year

estimates if nonwithholding revenues are elevated compared to a ten-year average. In fiscal 2023, the BRE capped its estimate by \$100.0 million, the maximum allowable adjustment, and this helped offset part of the unexpected decline in nonwage income.

The [FY 2022](#) and [2023](#) closeout documents discuss in more detail the recent volatility in nonwage income and the RVC.

Nonwage Income and Forecast Risks

We expect income tax growth to increase by 2.3% in FY 2024 and 4.6% in FY 2025. Both wage income and nonwage income pose a risk to the forecast. As discussed in more detail in the Economic Outlook of this report, our forecast assumes that the Federal Reserve can reduce inflation by slowing the economy without causing a recession. There is much uncertainty and disagreement among economists whether the Federal Reserve will be successful in engineering a soft landing. This contributes to elevated uncertainty over the economic outlook, and a recession and/or higher interest rates pose a significant forecast risk to both wages and nonwage income.

Our macroeconomic outlook expects employment growth to continue to slow into the long term, reflecting slower population growth, aging demographics, and a lack of a recovery in labor force participation. Unlike in the rest of the nation, labor force participation has not returned to pre-pandemic levels in Maryland. During the economic expansion since the pandemic, average wage increases have typically been greater than wage gains experienced during the prior economic expansion. Our macroeconomic outlook assumes this higher average wage growth will continue, mostly offsetting the slowdown in employment growth. If lower demand for labor reduces employees' ability to secure wage gains, withholding revenues will increase by less than the typical 4% growth during the prior expansion.

Nonwage Income and Capital Gains

Calendar 2022 was a challenging year for financial markets as the stock market declined sharply and most bonds suffered through a second year of declines. The concerns that caused these declines – the Federal Reserve raising interest rates in order to reduce inflation as well as the elevated risk of a recession – persisted into the beginning of calendar 2023.

The consensus view heading into calendar 2023 expected equities to experience another challenging year as recessions reduce corporate earnings and higher interest rates generally depress the price of stocks, bonds, and other financial assets. Despite a relatively brief regional banking crisis during the first quarter, financial markets defied pessimistic expectations as the economy avoided a recession that was expected to occur in the second half of the year, corporate earnings were better than expected, and inflation moderated leading expectations that the Fed would end interest rate hikes.

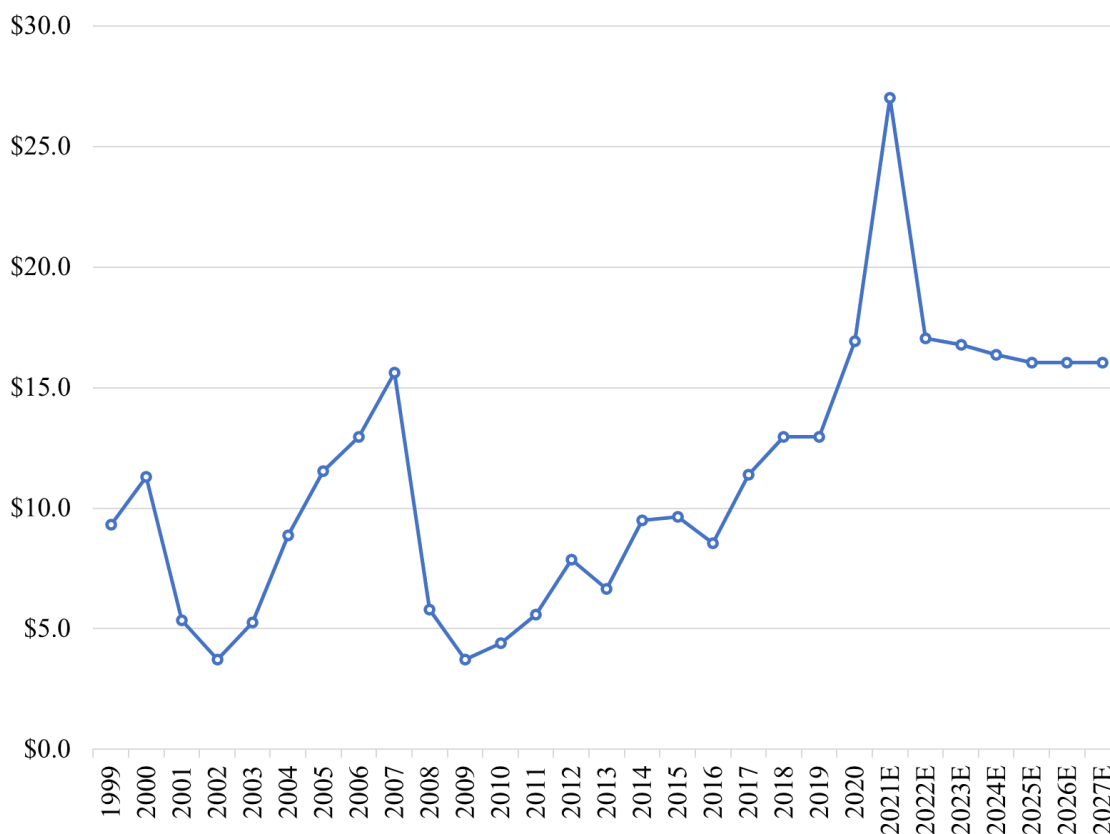
Markets also rose due to booming expectations for artificial intelligence including generative AI platforms such as ChatGPT. The rally coalesced around the “Magnificent Seven”

technology stocks which included Nvidia, a leading designer of graphics processing units, and other large cap technology stocks such as Microsoft, Amazon, and Apple. Although the market rally broadened later in the year, these stocks comprise a large share of the market-weighted S&P 500 and contributed to the index increasing by a little less than one-quarter in 2023. The tech-heavy Nasdaq was up even more at forty percent.

We estimate that capital gains income almost doubled over two years and peaked at \$27.0 billion in tax year 2021. In this year, the ratio of capital gains to personal income was over 6%, more than double its long-term average. This ratio approached 6% in calendar 2000 and 2007 – in both instances capital gains subsequently declined sharply and it was years before capital gains reached these peaks again. Once distinguishing factor is that that the decline after 2000 was driven by the dot-com speculative bubble bursting and the post-2007 decline was caused by the Great Recession. There was no similar magnitude event driving the decline in 2022.

Our forecast projects that capital gains will decrease modestly in in the next few years before leveling at about \$16.0 billion. Even with the expected decline, capital gains income remains elevated in the near term and creates uncertainty given the difficulty in forecasting this volatile income source.

Capital Gains by Tax Year
(\$ in billions)



Source: Bureau of Revenue Estimates

Our forecast projects that business income and dividends, interest, and rent will grow and help offset some of the weakness in capital gains. Despite the decline in FY 2023, nonwage income continues to comprise an elevated share of the general fund. Pursuant to the RVC, the December forecast includes a \$120 million reduction in FY 2024 and \$140 million in FY 2025, the maximum adjustments allowed under statute.

Table 5
Individual Income Tax Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022	2023	2024	2025
	Actual	Actual	Estimated	Estimated
Gross Receipts (State & Local)				
Withholding	17,345,530	18,300,081	19,226,829	20,144,369
Estimated Payments	3,717,711	3,380,437	3,374,986	3,485,251
Payments with Final Returns	4,043,458	3,227,950	3,339,270	3,399,093
Fiduciary	211,005	152,261	154,032	160,098
Gross Receipts	25,317,703	25,060,730	26,095,117	27,188,812
Refunds	(3,047,308)	(3,371,177)	(3,502,778)	(3,550,087)
Net Receipts (State & Local)	22,270,395	21,689,553	22,592,339	23,638,725
Local Reserve Account	(8,720,604)	(8,218,426)	(8,808,690)	(9,215,747)
Income Tax Check-offs	(1,746)	(1,628)	(1,628)	(1,628)
Net General Fund	13,548,045	13,469,498	13,782,021	14,421,350

Figures may not sum to totals due to rounding.

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Corporate Income Tax

General Fund Corporate Income Tax (CIT) revenue grew 6.8% to \$1.816 billion in FY 2023. Final payments, based on tax year 2022 profits, declined 6.9% while estimated payments, which are based on tax year 2023 expected profits, increased by 13.3%. Gross revenue collected in FY 2023 increased 6.2% while refunds declined 3.7%, the third consecutive year of a declining refunds.

The forecast is slightly higher in the near term compared to the September forecast due to stronger near-term corporate profit expectations. In the out years we have lower growth rates which are similar to those experienced during the prior expansion. Notably, due to statutory changes in revenue distributions between the Transportation Trust Fund (TTF), Higher Education Investment Fund, and General Fund (GF), revenue between these funds will not be growing at the same rate as total revenue. Specifically, the revenue distribution to the GF will be declining to the benefit of the TTF, causing GF revenue to grow more slowly than total revenue while TTF revenue will grow more quickly.

Table 6
Corporate Income Tax Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022	2023	2024	2025
	Actual	Actual	Estimated	Estimated
Gross Receipts	2,281,828	2,422,394	Note 1	Note 1
Refunds	(140,589)	(135,405)	Note 1	Note 1
Net Receipts	2,141,239	2,286,989	2,302,241	2,292,814
Transportation Trust Fund	(312,497)	(333,768)	(390,690)	(408,545)
Higher Education Investment Fund	(128,474)	(137,219)	(138,134)	(137,569)
Net General Fund	1,700,268	1,816,002	1,773,416	1,746,700

Note 1: Estimates are only for net receipts
Figures may not sum to totals due to rounding.

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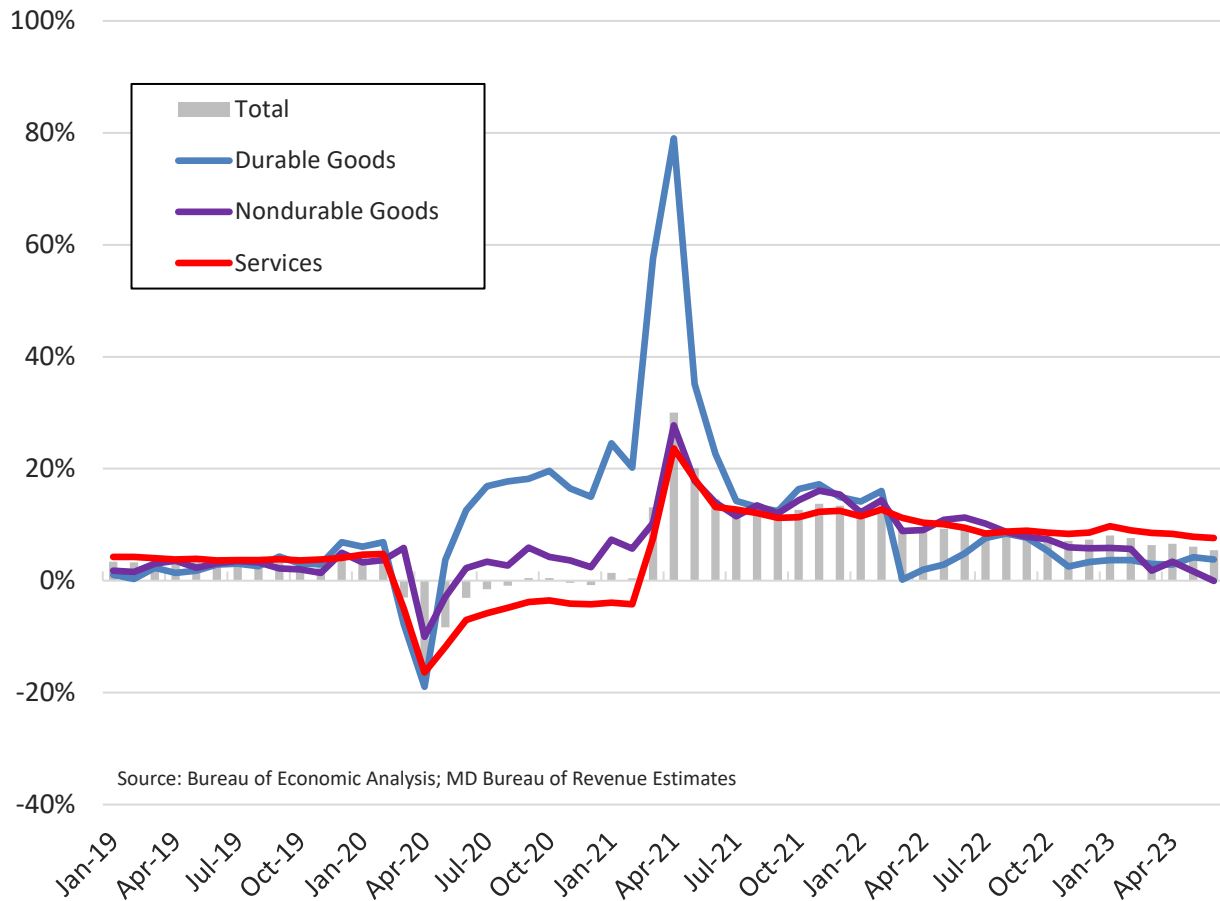
Sales and Use Taxes

Gross Sales and Use Tax (SUT) revenue grew 1.7% in Fiscal Year (FY) 2023, a rapid slowing from the 21.0% growth in FY 2022. The general fund share of SUT revenue increased by 0.6% and 19.6% in FY 2023 and 2022, respectively. Gross SUT revenue is expected to increase by 0.9% in FY 2024, and general fund revenue to decline by 1.0%. Slower general fund growth rates reflect statutory increases in the share of gross revenue dedicated to the Blueprint for Maryland's Future Fund. SUT collections so far this year show that taxable consumption growth has stayed low. Through November, fiscal year to date gross revenue is up 0.9% over the same period last year. Last year growth through November gross revenue was 6.3% higher than over the same period of time the prior year.

Growth in taxable consumption is being restrained by two notable headwinds. Namely, a shift in consumption spending back to services, which are generally untaxed, and rising personal savings (see chart on page 24). Consumption spending boomed during the pandemic, due largely to government stimulus efforts. At the same time, spending shifted away from untaxed services towards goods, which are generally taxed. As the economic impacts of the pandemic abate, spending is shifting back to services.

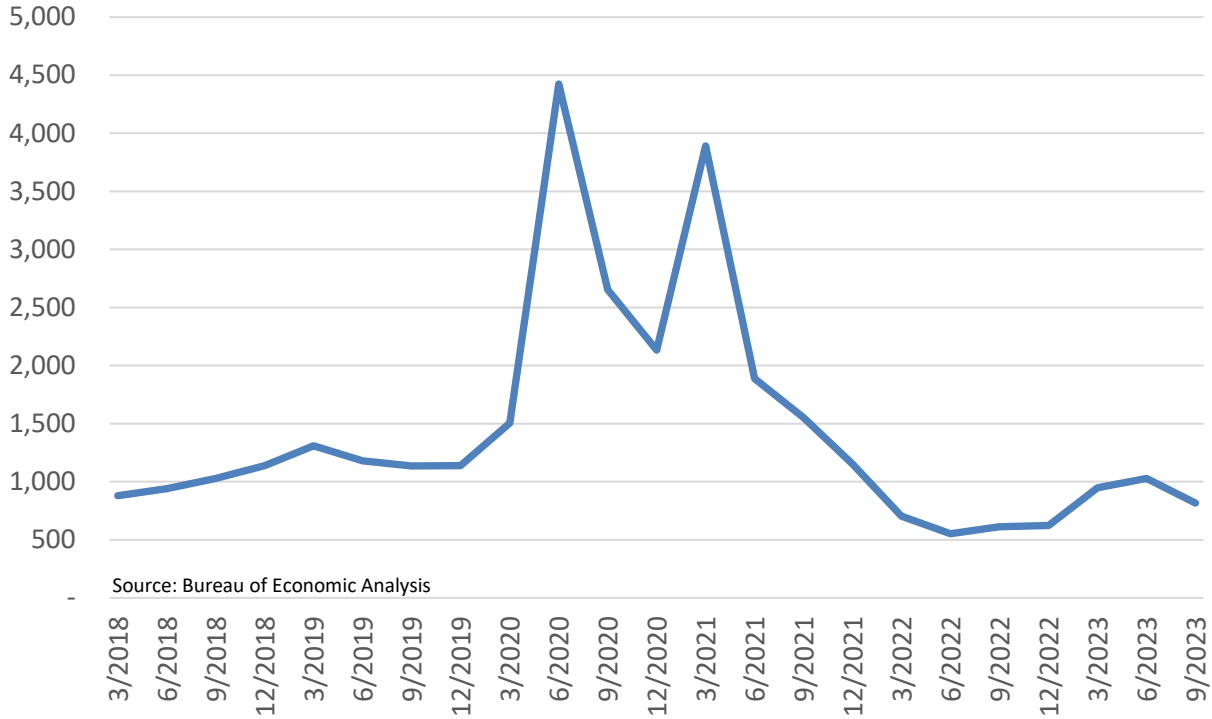
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National Personal Consumption Expenditures Year-Over-Year Growth



Income that isn't consumed is saved. Increases in savings mean decreases in consumption and vice versa, all else equal. Personal savings spiked during the pandemic, from \$1.1 trillion in December 2019 to a high of \$4.4 trillion in June 2020. The drawing down of those savings helped sustain elevated consumption spending into FY 2022. Personal savings reaching a trough of \$552.4 billion in the fourth quarter of FY 2022 and then began a slow recovery. In the fourth quarter of FY 2023, personal savings had grown to \$1.0 trillion, thereby decreasing the share of income for consumption.

US Personal Savings (Billions of \$)



Online retail’s share of total sales has grown, and the pandemic accelerated this shift. We expect the waning impact of the pandemic on behavior to result in a partial shift back to in-person retail. As a result, revenue from remote sellers (including marketplace facilitators) and digital goods is estimated to have increased by only 0.1% in FY 2023, after increasing by 44.2% in FY 2022. In FY 2024, growth is expected to be 6.7%; we expect that online retail collections will grow faster than the total SUT collections over the forecast horizon. In prior years, all online retail revenue was dedicated to education funding and was not reflected in gross SUT revenues. As result of recent legislation, online retail revenue is now reflected as gross SUT revenue with certain percentages allocated to the general fund and other special funds including the blueprint fund. This relatively faster growing revenue source will boost gross revenue growth, and therefore general fund revenue growth over the longterm. We expect gross SUT annual revenue growth to slow to about 2.5 – 3.0%, slightly faster than the pre-pandemic trend, reflecting the impact of faster online retail collections.

Table 7
Sales and Use Tax Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022 Actual	2023 Actual	2024 Estimated	2025 Estimated
Gross Collections	6,615,779	6,726,385	6,818,777	7,027,351
Assessments	2,836	4,350	6,525	7,830
Refunds	(34,940)	(25,180)	(36,737)	(35,223)
Transportation Trust Fund	(35,487)	(41,330)	(42,156)	(42,999)
CB 2010 Fund	(38,695)	(50,514)	(51,524)	(52,555)
Blueprint for MD's Future Fund	(542,650)	(608,461)	(732,477)	(771,935)
Community Reinvestment and Repair Fund	-	-	(12,600)	(25,592)
Counties	-	-	(1,800)	(3,656)
Cannabis Public Health Fund	-	-	(1,800)	(3,656)
Cannabis Business Assistance Fund	-	-	(1,800)	(3,656)
Total General Fund	5,966,843	6,005,249	5,944,407	6,095,909

Figures may not sum to totals due to rounding.

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Remaining Supporting Tables

Table 8A
Traditional Lottery - Sales
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022	2023	2024	2025
	Actual	Actual	Estimated	Estimated
Pick 3/Pick 4/Pick 5	666,828	631,305	618,096	618,507
Multimatch	39,647	28,815	24,902	24,902
Instant/5 Card Cash <small>ended Feb-2022</small>	1,012,827	1,063,048	1,034,068	1,044,837
Keno/Racetrax	606,142	604,296	585,067	586,019
Bonus Match 5	19,111	17,740	16,624	16,604
MegaMillions/Powerball	208,579	304,807	286,687	201,626
Instant Ticket Lottery Machines¹	17,070	19,548	20,278	20,582
Cash4Life/Fast Play	96,438	99,330	99,438	101,013
Gross Sales	<u>2,666,641</u>	<u>2,768,890</u>	<u>2,685,161</u>	<u>2,614,091</u>

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 2022 – 2025
(\$ in thousands)

	2022	2023	2024	2025
	Actual	Actual	Estimated	Estimated
Pick 3/Pick 4/Pick 5	243,379	246,911	249,719	246,798
Multimatch	13,778	9,810	8,412	8,389
Instant/5 Card Cash <small>ended Feb-2022</small>	161,297	163,989	152,749	156,617
Keno/Racetrax	140,272	140,457	136,377	136,154
Bonus Match 5	6,892	6,288	5,797	5,658
MegaMillions/Powerball	85,651	124,703	113,153	79,787
Instant Ticket Lottery Machines	2,656	2,988	2,515	2,553
Cash4Life/Fast Play	19,730	19,112	20,140	19,657
Gross Revenue	673,654	714,257	688,860	655,614
Less: Stadium Authority Revenue, Balt City Schools, and MSEEP Fund	(35,233)	(44,637)	(36,352)	(41,040)
Less: Veteran’s Trust Fund Revenue	(266)	(299)	(252)	(255)
Less: Youth Sports, Humanities Council, and Arts Fund	(1,150)	(1,400)	(1,400)	(1,400)
Less: Excess RFRA received from DoL and Anne Arundel Hold Harmless	(1,931)	2,105	(110)	215
Less: Bus/Rapid Transit Fund and Blue Line Corridor Facility Fund	-	(14,637)	(1,096)	(45,207)
Less: Camden Yards Stadium Funds and SEFFF	-	-	-	(42,033)
Net General Fund	635,075	655,388	649,651	525,894

Figures may not sum to totals due to rounding.

Table 9
Business Franchise Tax Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022	2023	2024	2025
	Actual	Actual	Estimated	Estimated
Public Service Company Franchise Tax	141,835	150,482	148,195	149,678
Filing Fees	122,608	122,065	123,794	126,752
Maryland Saves Program Exclusions¹	-	(149)	(613)	(1,557)
Net General Fund	264,443	272,398	271,376	274,873

Note 1: Maryland Saves Program estimated filing fee exclusions

Table 10
Insurance Premium Tax Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022	2023	2024	2025
	Actual	Actual	Estimated	Estimated
Insurance Premium Tax	661,574	711,883	742,325	759,362
MD Health Benefit Exchange Distributions	(30,194)	(29,050)	(32,000)	(32,000)
Net General Fund	631,380	682,833	710,325	727,362

Figures may not sum to totals due to rounding.

Table 11
Estate and Inheritance Tax Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022	2023	2024	2025
	Actual	Actual	Estimated	Estimated
Collateral Inheritance Tax	83,812	79,616	77,249	81,609
Direct Inheritance Tax	50	54	62	55
Estate Tax	182,193	224,043	170,305	194,262
Net General Fund	266,055	303,713	247,617	275,927

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Table 12
Excise Tax Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022 Actual	2023 Actual	2024 Estimated	2025 Estimated
Cigarette Tax	417,954	390,455	362,151	345,950
Other Tobacco Products Tax	55,578	58,202	54,419	56,402
Floor Tax	5,626	-	-	-
Net General Fund Tobacco	479,158	448,657	416,570	402,352
Distilled Spirits Tax	21,885	23,327	20,895	21,148
Wine Tax	6,575	6,702	6,587	6,630
Beer Tax	8,470	7,961	8,286	8,230
Miscellaneous Licenses ¹	2,273	-	1,748	2,044
Subtotal Alcoholic Beverages Taxes	39,203	37,991	37,516	38,052
Less: Maryland Alcohol Manufacturing and Promotion ²	(127)	(819)	(963)	(969)
Net General Fund Alcoholic Beverages	39,076	37,171	36,553	37,083

Note 1: In fiscal year 2023 \$2.1M in alcohol licenses revenues have been recognized as a part of Miscellaneous revenues

Note 2: Maryland Wine and Grape Promotion Fund has been replaced with the Maryland Alcohol Manufacturing and Promotion Fund beginning in fiscal year 2023.

Table 13
General Fund Court Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022 Actual	2023 Actual	2024 Estimated	2025 Estimated
District Courts	41,256	38,634	36,490	34,789
Clerks of the Court	36,893	28,245	23,696	22,804

Table 14
General Fund Interest Earnings
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022 Actual	2023 Actual	2024 Estimated	2025 Estimated
Interest Earnings	48,978	312,526	300,000	100,000

Table 15
Miscellaneous Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022	2023	2024	2025
	Actual	Actual	Estimated	Estimated
Recording Organization & Capitalization Fees	20,148	15,819	15,761	15,900
Excess Fees of Office	5,377	(825)	373	373
Unclaimed Property	138,305	129,298	120,415	120,415
Local Income Tax Reimbursement	18,134	13,020	20,637	20,843
Uninsured Motorist Penalty Fees	42,610	32,724	33,643	35,100
Federal Retiree Drug Subsidy	485	-	-	-
Miscellaneous Revenues and Transfers	659	4,648	300	300
Net General Fund	225,717	194,685	191,129	192,931

Figures may not sum to totals due to rounding.

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Table 16
Miscellaneous Agency Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022 Actual	2023 Actual	2024 Estimated	2025 Estimated
PSC Fines, Citations and Filing Fees	1,297	278	-	-
Legislature	7	25	7	7
Workers' Compensation	53	52	52	52
Public Defender	43	16	16	16
Attorney General	30,084	31,636	31,513	31,918
Executive & Administrative Control	4,677	4,048	14,176	4,037
Financial & Revenue Administration	12,196	20,002	18,596	18,804
Budget & Fiscal Administration	1,122	908	1,000	1,000
General Services	-	-	3,605	-
Natural Resources	4,638	86	123	124
Agriculture	185	287	158	158
Maryland Department of Health	25,823	41,478	64,942	25,402
Human Resources	2,961	1,512	1,497	1,511
Maryland Department of Labor	4,956	5,699	3,786	3,842
Public Safety & MD State Police	12,752	21,932	15,709	22,366
Public Education	3,965	3,325	9,103	9,258
Housing and Community Development	(0)	-	-	-
Department of Commerce	(745)	537	251	112
Environment	448	520	1,303	521
Juvenile Services	636	1,849	100	100
Alcoholic Beverage Licenses	1,107	1,416	1,444	1,473
Net General Fund	106,203	135,606	167,381	120,700

Figures may not sum to totals due to rounding.

Table 17
Transportation Revenues
Fiscal Years 2022 – 2025
(\$ in thousands)

	2022	2023	2024	2025
	Actual	Actual	Estimated	Estimated
Department of Transportation				
Registrations	393,681	407,135	404,625	414,130
Licenses	49,819	44,641	51,962	54,662
Med-Evac Surcharge	70,932	71,632	71,619	73,300
Trauma Physician Services Surcharge	12,227	12,350	12,274	12,562
Miscellaneous Motor Vehicle Fees	191,675	178,470	179,646	180,386
Vehicle Emission Inspection Fees	40,193	40,548	36,950	37,689
Security Interest Filing Fees – Special Funds	11,447	10,123	9,750	10,123
Hauling Fees	10,836	11,836	11,339	11,439
Special License Tags – Special Funds	4,058	4,846	5,000	5,100
Titling Tax	1,021,300	1,027,541	1,040,000	1,093,040
Sales Tax on – Rental Vehicles	35,487	41,330	42,156	42,999
Subtotal	<u>1,841,655</u>	<u>1,850,451</u>	<u>1,865,321</u>	<u>1,935,430</u>
Motor Fuel Vehicle Tax	726,417	699,568	700,590	699,424
Road Tax	8,612	8,396	8,396	8,396
Decals & Permits	179	0	0	0
Sales and Use Tax Equivalent	286,209	428,017	483,637	432,251
CPI Indexing	91,956	167,037	226,705	256,932
Subtotal	<u>1,113,373</u>	<u>1,303,018</u>	<u>1,419,328</u>	<u>1,397,003</u>
Total	<u>2,955,028</u>	<u>3,153,469</u>	<u>3,284,649</u>	<u>3,332,433</u>

Figures may not sum to totals due to rounding.

Table 18
Casino Revenues
Fiscal Years 2022 – 2025
(\$ in millions)

	Video Lottery Terminals			
	FY 2022	FY 2023	FY 2024E	FY 2025E
Education Trust Fund	511.1	515.8	495.2	500.9
Casino Operators	624.6	633.2	619.6	627.2
Local Impact Grants	72.4	73.3	72.1	73.0
Small, Minority, and Women – Owned Business	19.6	19.9	19.7	19.9
Purse Dedication	78.0	79.2	78.7	79.6
Race Tracks Facility Renewal Account	12.8	13.0	13.1	13.3
State Lottery Agency	13.3	13.5	13.1	13.3
Total Video Lottery Terminals	1,331.8	1,347.9	1,311.5	1,327.2

	Table Games			
	FY 2022	FY 2023	FY 2024E	FY 2025E
Education Trust fund	100.5	106.9	94.6	95.8
Casino Operators	536.0	570.0	504.6	510.8
Local Impact Grants	33.5	35.6	31.5	31.9
Total Table Games	670.0	712.5	630.7	638.5

	Miscellaneous			
	FY 2022	FY 2023	FY 2024E	FY 2025E
Education Trust Fund	0.4	21.0	-	-

	Total			
	FY 2022	FY 2023	FY 2024E	FY 2025E
Education Trust Fund	612.0	643.7	589.8	596.7
Casino Operators	1,160.6	1,203.2	1,124.1	1,138.0
Local Impact Grants	105.9	108.9	103.7	104.9
Small, Minority, and Women – Owned Business	19.6	19.9	19.7	19.9
Purse Dedication	78.0	79.2	78.7	79.6
Race Tracks Facility Renewal Account	12.8	13.0	13.1	13.3
State Lottery Agency	13.3	13.5	13.1	13.3
Total	2,002.2	2,081.3	1,942.2	1,965.7

Figures may not sum to totals due to rounding.

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Five Year Forecast

Economic and tax revenue growth have slowed from their pandemic highs but remain positive. In the near term, we expect growth to continue slowing but remain positive. Further out into the forecast, growth is expected to rise marginally and settle at rates consistent with underlying trend growth. The timing of this shift to longer-run trends is uncertain, as is underlying long-term trend rate of growth. The timing depends critically on the Federal Reserve (the Fed), which is currently engaged in monetary tightening to reduce inflation.

We expect the trend rate of growth post-pandemic to be marginally higher than what it was pre-pandemic. In part this is because inflation was consistently below the Fed's target before the pandemic. So even if the Fed is successful at reducing inflation and keeping it on target, inflation will be marginally higher than pre-pandemic norms. Tax revenue is collected in nominal dollars, so higher inflation means higher revenue. Secondly, millennials – the largest generation in the labor force – are becoming more productive as they gain experience, which should lead to higher productivity and wage growth than pre-pandemic norms. Finally, job switching typically also leads to wage and productivity gains and is occurring at a higher level.

Despite expectations of higher trend rates of growth going forward, the pandemic has caused economic damage that will persist. For example, the pandemic caused a decline in labor participation, which is much less sensitive to the business cycle than unemployment. The decline in labor force participation is likely to remain after total employment recovers. Workers who leave the labor force, often for health and family reasons, experience difficulty re-entering, skill loss, and lower lifetime incomes. Labor force growth is therefore expected to be consistent with underlying population growth. By the out years of the forecast Maryland employment increases by only 0.1% annually. All else equal, slowing employment growth means slower total wage growth. However, largely due to the factors above, marginally higher inflation and productivity growth, average wage growth in the outyears are expected to be around 3.6%, compared to 2.5% average annual growth from calendar years 2016 to 2019. This increase in the average wage keeps total wages growing at about 3.7% in the out years compared to 3.5% average annual growth from calendar years 2016 to 2019. If this acceleration in the trend rate of average wage growth does not materialize, total wage growth and therefore personal income tax revenue will be below the forecast.

Table 19
Long Term Economic Forecast
 Primary Indicators

Calendar Year	2021	2022	2023	2024	2025	2026	2027
Gross Domestic Product (\$ in billions)	21,408	21,822	22,346	22,656	22,968	23,358	23,746
	5.8%	1.9%	2.4%	1.4%	1.4%	1.7%	1.7%
US Non-Agricultural Employment (thousands)	146,281	152,625	156,190	157,214	157,286	157,878	158,628
	2.9%	4.3%	2.3%	0.7%	0.0%	0.4%	0.5%
US Personal Income (\$ in billions)	21,408	21,841	22,977	24,097	25,319	26,465	27,606
	9.1%	2.0%	5.2%	4.9%	5.1%	4.5%	4.3%
Consumer Price Index (% Δ from prior year)	6.8%	7.1%	3.2%	2.5%	1.9%	2.5%	2.1%
US 10 Year Treasury Bond Yield	1.4%	3.0%	4.0%	4.3%	3.6%	3.3%	3.2%
MD Total Non-Agricultural Employment (thousands)	2,648	2,710	2,745	2,765	2,770	2,774	2,778
	2.7%	2.3%	1.3%	0.7%	0.2%	0.1%	0.1%
MD Personal Income (\$ in millions)	426,367	432,933	456,034	475,223	493,977	513,401	534,292
	6.5%	1.5%	5.3%	4.2%	3.9%	3.9%	4.1%

Source: Board of Revenue Estimates and IHS Markit (December 2023 Forecast)

Table 20
Maryland General Fund Revenues
 Fiscal Years 2023- 2029
 (\$ in thousands)

	2023 Actual	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate
Income Taxes							
Individual	13,469,498	13,782,021	14,421,350	14,996,009	15,439,730	16,089,532	16,794,284
Corporation	1,816,002	1,773,416	1,746,700	1,739,524	1,787,751	1,866,908	1,905,924
TOTAL	15,285,500	15,555,437	16,168,050	16,735,533	17,227,481	17,956,440	18,700,208
Sales and Use Taxes	6,005,249	5,944,407	6,095,909	6,254,174	6,422,704	6,630,642	6,817,707
State Lottery	655,388	649,651	525,894	489,071	484,431	483,446	483,033
Franchise, Excise, License, Fee	2,526,543	2,464,336	2,268,858	2,219,030	2,237,378	2,269,879	2,287,675
ONGOING GENERAL FUND REVENUE	24,472,681	24,613,830	25,058,710	25,697,808	26,371,994	27,340,407	28,288,623
Extraordinary Revenues ¹	-	150,000	-	-	-	-	-
Blueprint for Maryland's Future Fund ²	(800,000)	-	-	-	-	-	-
Revenue Volatility Cap ³	#N/A	(120,000)	(140,000)	(253,338)	(94,470)	-	-
TOTAL GENERAL FUND REVENUES	23,672,681	24,643,830	24,918,710	25,444,470	26,277,524	27,340,407	28,288,623

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

² Chapter 33 of 2022 diverts \$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.

Table 21
Revenues From Maryland's Casinos
Fiscal Years 2023 - 2029
(\$ in thousands)

	2023 Actual	2024 Estimate	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate
Video Lottery Terminals							
Education Trust Fund	515,844	495,216	500,942	506,746	514,277	521,038	533,294
Licensee	633,231	619,576	627,152	634,483	641,937	650,357	658,900
Local Impact Grants	73,320	72,134	72,994	73,844	74,709	75,689	76,685
Business Development	19,855	19,673	19,908	20,139	20,375	20,643	20,914
Purse Dedication	79,166	78,691	79,630	80,557	81,500	82,570	83,656
Racetrack Renewal	12,979	13,115	13,272	13,426	11,955	12,113	6,877
MD Lottery & Gaming Control	13,458	13,115	13,272	13,426	13,583	13,762	13,943
Subtotal	1,347,853	1,311,520	1,327,169	1,342,623	1,358,337	1,376,172	1,394,269
Table Games							
Education Trust Fund	106,868	94,607	95,779	96,975	98,191	99,527	100,883
Licensee	569,962	504,573	510,823	517,200	523,685	530,809	538,040
Local Impact Grants	35,623	31,536	31,926	32,325	32,730	33,176	33,628
Subtotal	712,453	630,716	638,529	646,500	654,606	663,512	672,551
Miscellaneous							
Education Trust Fund	21,000	-	-	-	-	-	-
Subtotal	21,000	-	-	-	-	-	-
Total							
Education Trust Fund	643,712	589,824	596,721	603,721	612,468	620,565	634,177
Licensee	1,203,193	1,124,149	1,137,975	1,151,684	1,165,622	1,181,167	1,196,940
Local Impact Grants	108,942	103,669	104,921	106,169	107,439	108,865	110,312
Business Development	19,855	19,673	19,908	20,139	20,375	20,643	20,914
Purse Dedication	79,166	78,691	79,630	80,557	81,500	82,570	83,656
Racetrack Renewal	12,979	13,115	13,272	13,426	11,955	12,113	6,877
MD Lottery & Gaming Control	13,458	13,115	13,272	13,426	13,583	13,762	13,943
Total	2,081,306	1,942,236	1,965,698	1,989,123	2,012,943	2,039,684	2,066,819