PETER FRANCHOT
Comptroller of Maryland

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News Release

Board of Revenue Estimates Increases Forecast by $1.2 Billion

"The party's over," Franchot warns, as influx of federal pandemic aid fading and economic downturn looming

ANNAPOLIS, Md. (September 29, 2022) - With a worrying eye towards the future, the Maryland Board of Revenue Estimates voted today to boost state revenue projections for Fiscal Year 2023 to $23.7 billion, an increase of $1.2 billion. The adjustment reflects continued economic growth stemming from federal stimulus aid, which has led to larger individual and corporate income tax receipts, as well as higher-than-expected sales tax collections.

Additionally, the Board, which consists of Comptroller Peter Franchot, Treasurer Dereck Davis and Budget Secretary David Brinkley, set the first official revenue forecast for Fiscal Year 2024 at $25.3 billion.

"The fact that Maryland's economy is still growing despite unforeseen factors over the past two years is a testament to the sound, long-term fiscal decisions made by this board, the Governor and the General Assembly," Franchot said, after the official revenue forecast was delivered by Bureau of Revenue Estimates Executive Secretary Robert Rehrmann.

But the Comptroller also warned that the past few years of rosy revenue estimates, driven by pandemic dollars, are likely done, with higher interest rates, rising inflation and a volatile political climate -- both at home and abroad -- all contributing to current and future economic troubles.

The following is an excerpt of Comptroller Franchot's remarks, as prepared for delivery:

"As Mr. Rehrmann noted in his report, this Board is being asked to approve recommendations that would adjust our March 2022 revenue projections for Fiscal Year 2023 to $23.7 Billion, an increase of $1.2 Billion.

"Additionally, we will be voting on the first official estimates for Fiscal Year 2024, which is projected to be $25.3 Billion.

"Those numbers include the long-term effects of federal stimulus money in Maryland's economy, which has created growth in both our individual and corporate income tax revenue.

"We attribute the increase in sales tax collections to increased disposable income and pent-up spending many people had following the pandemic.

"These are tremendous numbers and demonstrate how federal stimulus payments produced lasting effects that continue to benefit our overall economy.

"The fact that Maryland's economy is still growing despite many unforeseen factors over the past two years is a testament to the sound, long-term fiscal decisions made by this board, the Governor and the General Assembly.

"However, amidst all these good vibes and another uptick in revenues, let me be very clear …

"The party's over.

"A close look at this well-crafted report shows that the past few years of jaw-dropping revenue surpluses are firmly in the rear view.

"Moving forward, we must temper our expectations for Maryland's long-term fiscal growth and use today's data to make smart choices to ensure we remain healthy in the long term.

"We cannot be lulled into believing that another revenue hike means our fiscal trajectory is immune to the laws of economic gravity.

"History shows that extended periods of economic expansion are followed by fiscal contraction. In effect, what goes up must come down.

"And we see it happening in real time. The Federal Reserve is purposefully raising interest rates to curtail inflation.

"The spigot of pandemic funds that Maryland has received the past two years will soon run dry.

"Additionally, the volatile political climate here at home and the ongoing war in Ukraine continue to roil the global economy.

"Make no mistake, today's report is good news overall for the state's bottom line and underscores the strong bones of our state's economy, as well as our ability to weather tough times.

"It shows that higher skilled job sectors, like those in technology and science industries, are thriving.

"However, many Maryland families continue to face challenging financial times due to the economic instability created by the pandemic.

"We have evidence that Marylanders workers in lower-wage industries are recovering more slowly with little wage growth.

"And those who might have been able to save money over the past two years are now being forced to dip into those reserves as inflation raises the cost of basic goods and services.

"By far, the largest increase in income tax revenue was generated by non-wage income and capital gains, which has far outpaced previous expectations.

"But relying on this source of revenue is imprudent: An economic downturn will cause these revenue streams to decrease as interest rates climb and the stock market wobbles.

"That's why these numbers should not be taken as a sign of good times rolling on.

"Instead, we must use it as a reminder that prosperity isn't forever, and we must brace ourselves for the next economic challenge.

"We've been on the upswing over the past few years, but the laws of economic gravity will swing the other way.

"Which is why I once again urge the governor and the legislature and the incoming Administration to heed caution, and bank as much of our $1.6 billion surplus from the FY 2022 closeout, and forgo additional spending unless critical or essential to the proper functioning of government.

"As the COVID-19 pandemic taught us, we have to be better prepared to respond to future economic crises with robust and more inclusive assistance programs.

"The people of Maryland, after seeing reports of more than $10 billion in revenue surpluses over the past two years, will have little to no patience to hearing their leaders say "We don't have the money."

"So it's my sincere hope that current and future leaders with direct involvement in the budget-making process will pay close attention to this report, and will act accordingly moving forward."

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