

News Release

Board of Revenue Estimates Approves Adjustments to FY 2024 and FY 2025 Forecasts

ANNAPOLIS, Md. (December 14, 2023) — During its last meeting for 2023, the Maryland Board of Revenue Estimates today voted to increase state revenue projections for Fiscal Year 2024 to \$24.644 billion. This projection reflects an upward revision of \$78.3 million. The revised general forecast for Fiscal Year 2025 is \$24.919 billion, a downward revision of \$162.6 million. Meanwhile, General Fund revenue is forecast to grow 4.1% in FY 2024 and 1.1% in FY 2025.

The modest downward adjustment for FY 2025 is due to a slowdown in consumer spending resulting in lower sales and use taxes and a decline in lottery revenues. Two one-time adjustments offset the decline: higher estimates of interest income and the state's investments.

Comptroller Brooke E. Lierman, who chairs the Board, said the board remains cautious as capital gains and investment income could change due to fluctuations in stocks and interest rates.

"The FY 2025 write-down is largely driven by reductions in the sales tax from decreased consumer demand," Comptroller Lierman said. "This appears, in part, to be another post-pandemic behavior as consumers have generally spent pandemic savings or stimulus funds and are now looking to spend less and rebuild savings, for those who can. It is important to note that decreased consumer demand especially hits Maryland's small businesses that often operate on tight margins. I encourage everyone to support our small businesses."

On an ongoing revenue basis, excluding extraordinary revenues, the revised general fund forecast for FY 2024 is \$24.614 billion, a downward revision of \$71.7 million. The revised forecast for FY 2025 ongoing general fund revenues is \$25.059 billion, a downward revision of \$162.6 million. General Fund ongoing revenues are forecast to grow 0.6% in FY 2024 and 1.8% in FY 2025.

The Board noted one-time adjustments in the forecast, including \$300 million in interest income, which exceeds the typical \$30 million in interest income the state typically realizes annually; and a robust portfolio of investments that benefit from rising interest rates. Extraordinary income of \$150 million will move from the Local Income Tax Reserves Fund back into the General Fund.

The Bureau of Revenue Estimates serves as economic staff for the Comptroller and staff for the Board of Revenue Estimates. As such, the Bureau forecasts and analyzes the State and national economies; forecasts, analyzes, and monitors State revenues; and analyzes the effects of State and

federal tax legislation on the State's revenues. In addition, the Bureau provides updates and analyses of the State's economy, revenue performance, and revenue forecasts to the bond rating agencies prior to every bond sale and otherwise as conditions warrant. For more information, visit <https://www.marylandtaxes.gov/divisions/bre.php>

Materials from the Board of Revenue Estimates' meeting will be available later this afternoon at this link: <https://mdbre.gov/revenue-estimates.php>.

Members of the Board of Revenue Estimates:

Comptroller Brooke E. Lierman, Chair

Treasurer Dereck E. Davis

Department of Budget and Management Secretary Helene T. Grady

Bureau of Revenue Estimates Director Robert J. Rehrmann is the Board's Executive Secretary.

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