

The background of the slide features a large, semi-transparent seal of the Commonwealth of Massachusetts. The seal is circular and contains a central shield with a cross and a bent arm holding a sword. Above the shield is a crest with a bent arm holding a broadsword. The shield is supported by two figures: a Native American on the left and a European on the right. The seal is surrounded by a circular border with the Latin motto "SIGILLUM REIPUBLICAE MASSACHUSETTENSIS" and the date "1632".

Revenue Estimates and Economic Outlook

March 7, 2024

Robert J. Rehrmann
Executive Secretary

Board of Revenue Estimates

Table 4
Maryland General Fund Revenues
Fiscal Years 2023 - 2025

\$ Thousands	FY 2024					FY 2025			
	FY 2023 Actual	December Estimate	March Estimate	Difference	Growth	December Estimate	March Estimate	Difference	Growth
INCOME TAXES:									
Individual	13,469,498	13,782,021	13,696,400	(85,621)	1.7%	14,421,350	14,286,423	(134,927)	4.3%
Corporation	1,816,002	1,773,416	1,773,416	-	-2.3%	1,746,700	1,746,700	-	-1.5%
Total	15,285,500	15,555,437	15,469,816	(85,621)	1.2%	16,168,050	16,033,123	(134,927)	3.6%
SALES AND USE TAXES	6,005,249	5,944,407	5,909,681	(34,726)	-1.6%	6,095,909	6,095,909	-	3.2%
STATE LOTTERY	655,388	649,651	649,651	-	-0.9%	525,894	525,894	-	-19.0%
OTHER REVENUES									
Business Franchise Taxes	272,398	271,376	271,376	-	-0.4%	274,873	274,873	-	1.3%
Tax on Insurance Companies	682,833	710,325	710,325	-	4.0%	727,362	727,362	-	2.4%
Estate and Inheritance Taxes	303,713	247,617	247,617	-	-18.5%	275,927	275,927	-	11.4%
Tobacco Tax	448,657	416,570	416,570	-	-7.2%	402,352	402,352	-	-3.4%
Alcoholic Beverages Excise Tax	37,171	36,553	36,553	-	-1.7%	37,083	37,083	-	1.4%
District Courts	38,634	36,490	36,490	-	-5.5%	34,789	34,789	-	-4.7%
Clerks of the Court	28,245	23,696	23,696	-	-16.1%	22,804	22,804	-	-3.8%
Hospital Patient Recoveries	72,075	63,200	63,200	-	-12.3%	80,036	80,036	-	26.6%
Interest on Investments	312,526	300,000	300,000	-	-4.0%	100,000	100,000	-	-66.7%
Miscellaneous	330,291	358,510	358,510	-	8.5%	313,632	313,632	-	-12.5%
Total	2,526,543	2,464,336	2,464,336	-	-2.5%	2,268,858	2,268,858	-	-7.9%
Total Current Revenues	24,472,681	24,613,830	24,493,483	(120,347)	0.1%	25,058,710	24,923,784	(134,927)	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	24,643,830	24,523,483	(120,347)	3.6%	24,918,710	24,783,784	(134,927)	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.

Summary of March Changes

	Fiscal Year 2024		Fiscal Year 2025	
	\$ Change From Est	% Growth Rate	\$ Change From Est	% Growth Rate
Personal Income Tax	(\$85.6)	1.7%	(\$134.9)	4.3%
Corporate Income Tax	\$0.0	-2.3%	\$0.0	-1.5%
Sales Tax	(\$34.7)	-1.6%	\$0.0	3.2%
Other	\$0.0	-2.1%	\$0.0	-10.3%
Total – Ongoing Revenues	(\$120.3)	0.1%	(\$134.9)	1.8%

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

March Forecast

- Macroeconomic forecast virtually unchanged
 - Moderate, slowing growth rates with no recession
- Personal income tax forecast reduction is mainly due to slowing withholding collections
 - Modest reduction to estimated payments which are also weaker than expected
- Modest reduction to sales and tax revenues in FY 2024 only



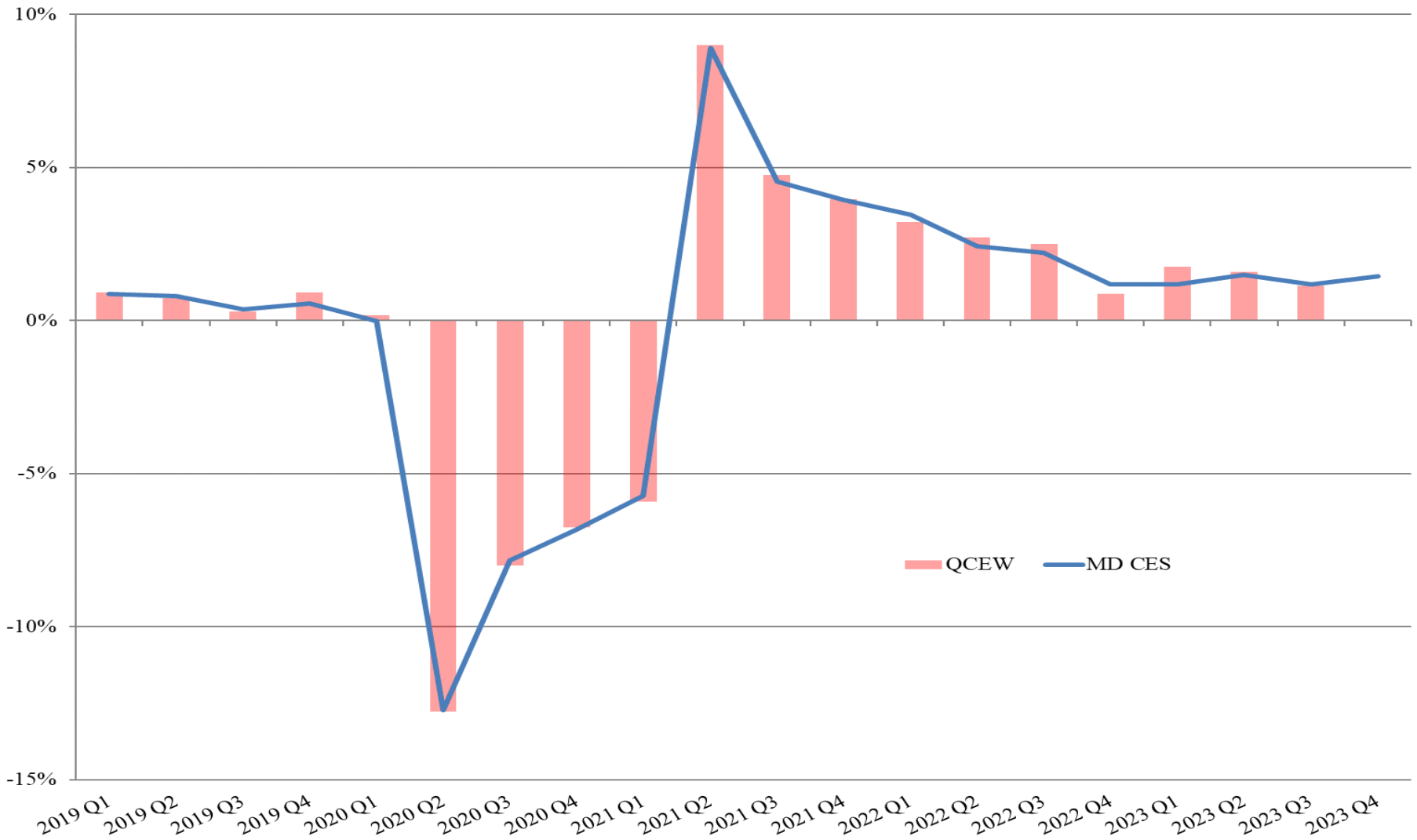
March Forecast

- There is a disconnect between our economic data and revenue data
 - Tax collections show sharp deceleration in withholding income tax revenues
 - Economic data does not reflect this slowing
 - Withholding can be noisy in shorter periods of time
 - Forecast adopts “middle-ground” approach given uncertainty of most recent tax data and lack of slowdown in economic data
- There is significant downside risk to the forecast if withholding continues to weaken



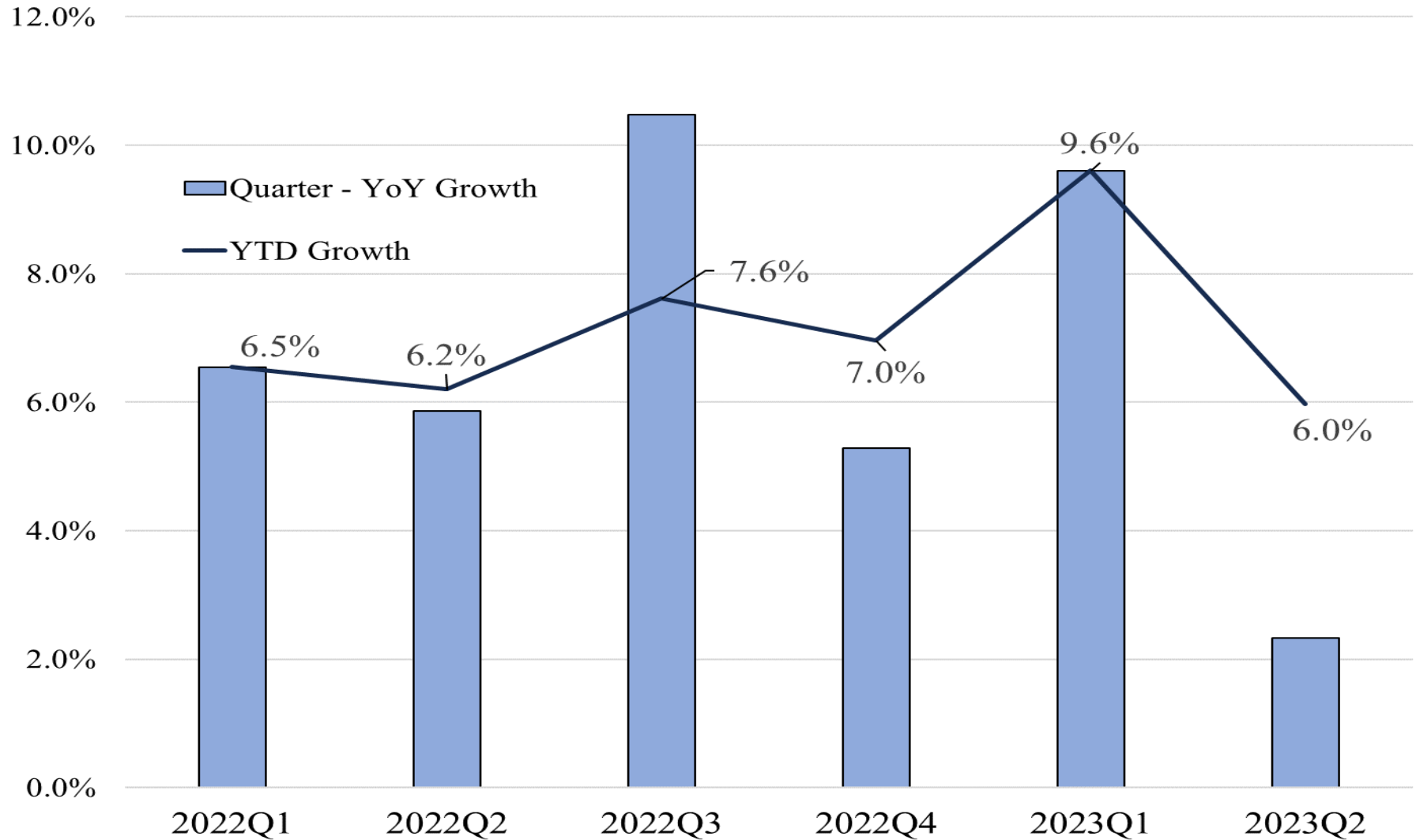
Recent MD Employment Growth has been Consistent

Year over Year Growth



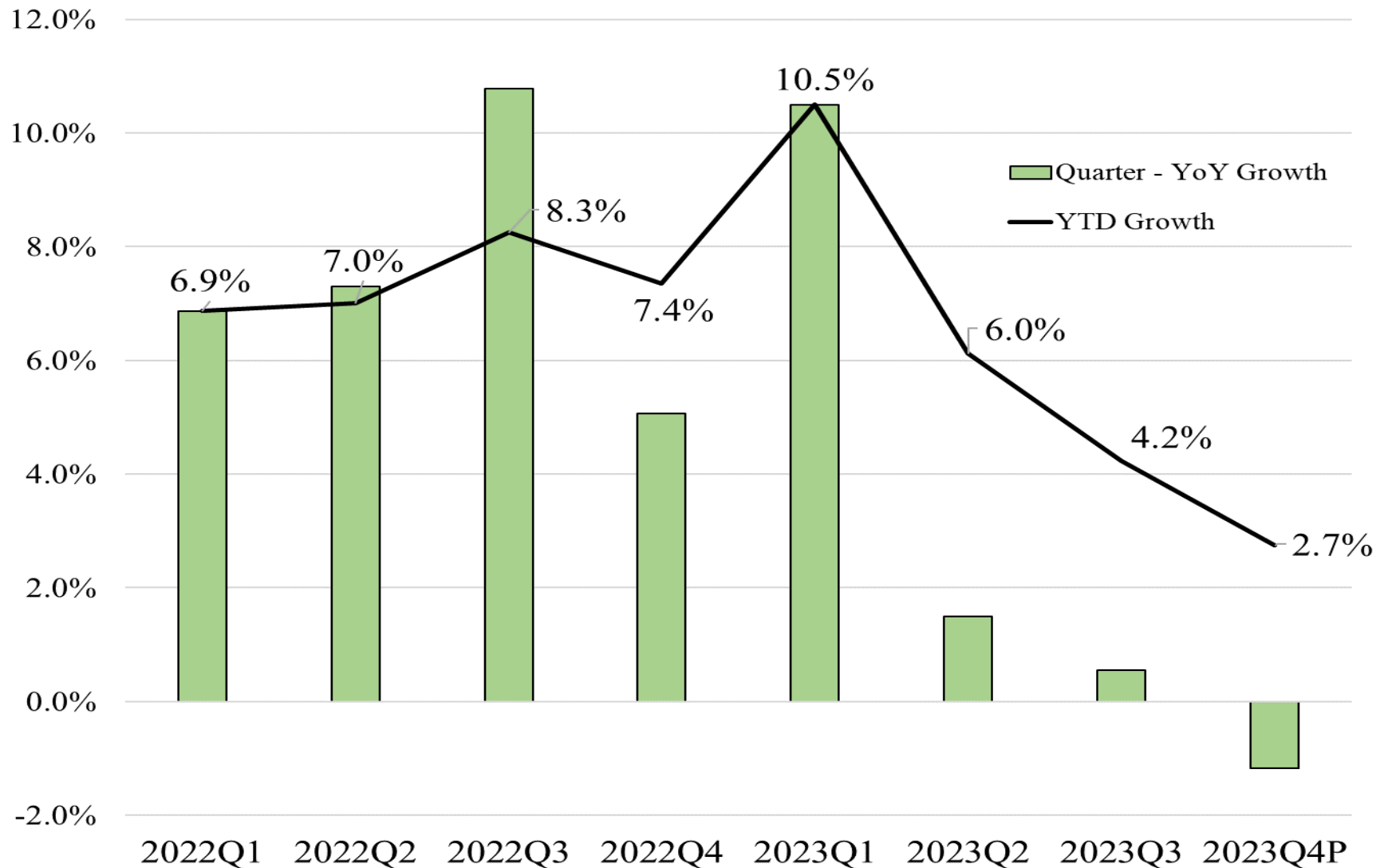
Attributable Withholding Data

December Forecast



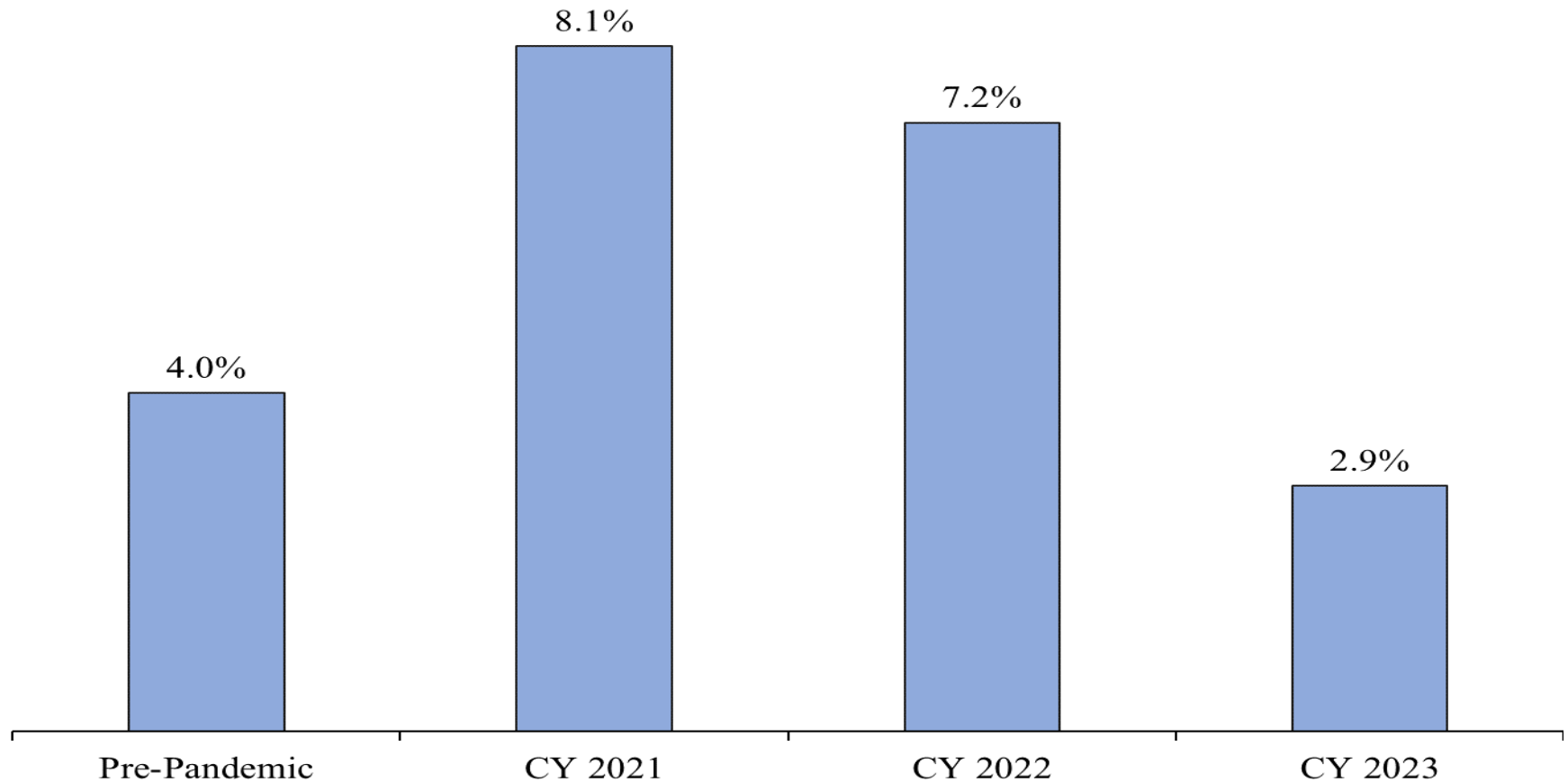
Attributable Withholding Data

March Forecast



Withholding Has Decelerated Rapidly

Attributable Growth Rates by Calendar Year



Note: Growth rates are attributable growth rates for companies who file in the current and prior year. CY 2023 is preliminary data.

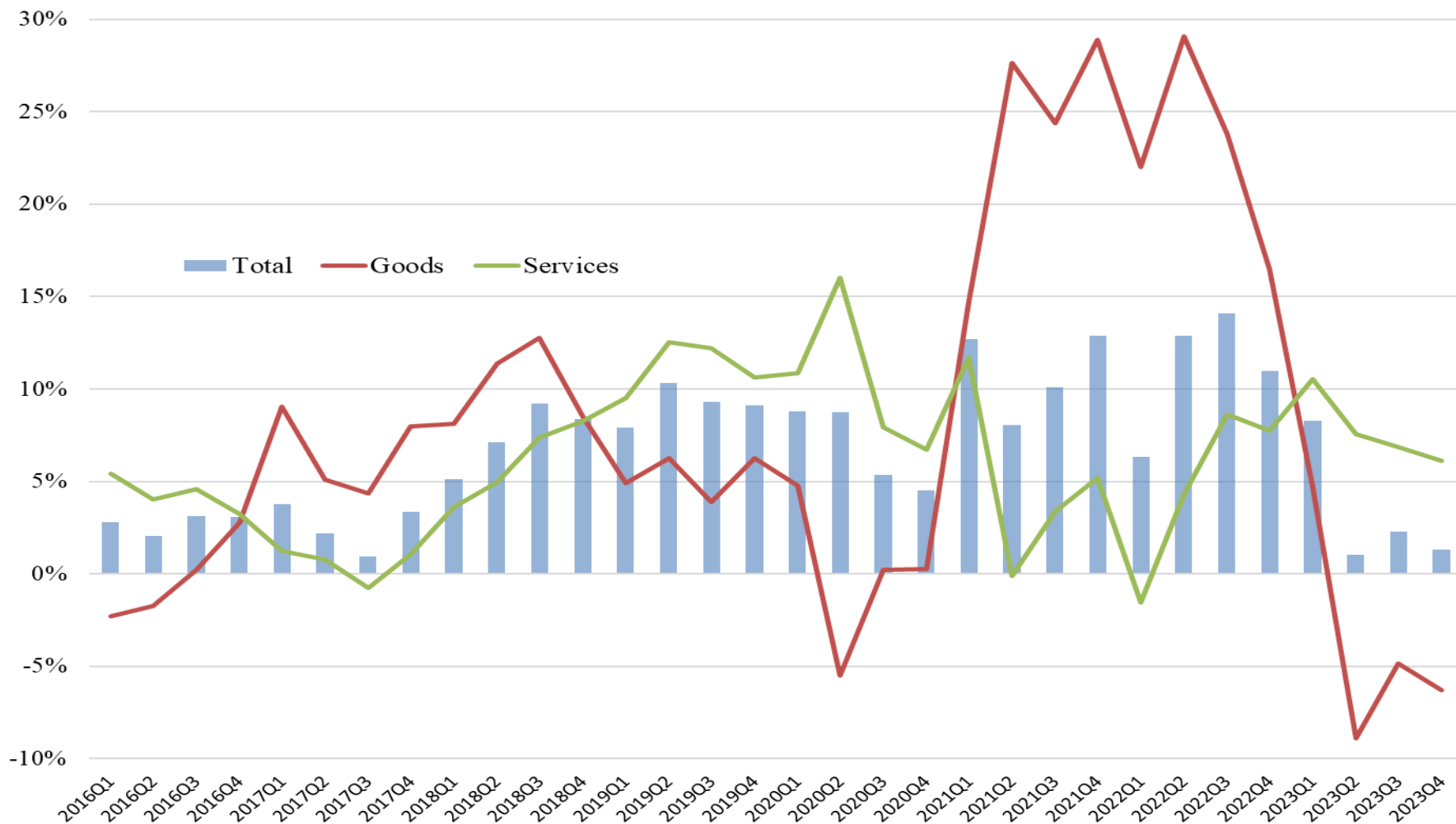
Source: Bureau of Revenue Estimates

Change in Federal Economic Policies

	Then:	Now:
Fiscal Policy	Trillions of dollars in economic assistance to promote economic growth	Continuing Resolution Funding
Monetary Policy	Full range of policies to support economic growth	Raise interest rates to intentionally slow the economy
Other Impacts		Unfavorable post-pandemic shocks: <ul style="list-style-type: none">• Lack of recovery in labor force participation• Shift in domestic migration patterns

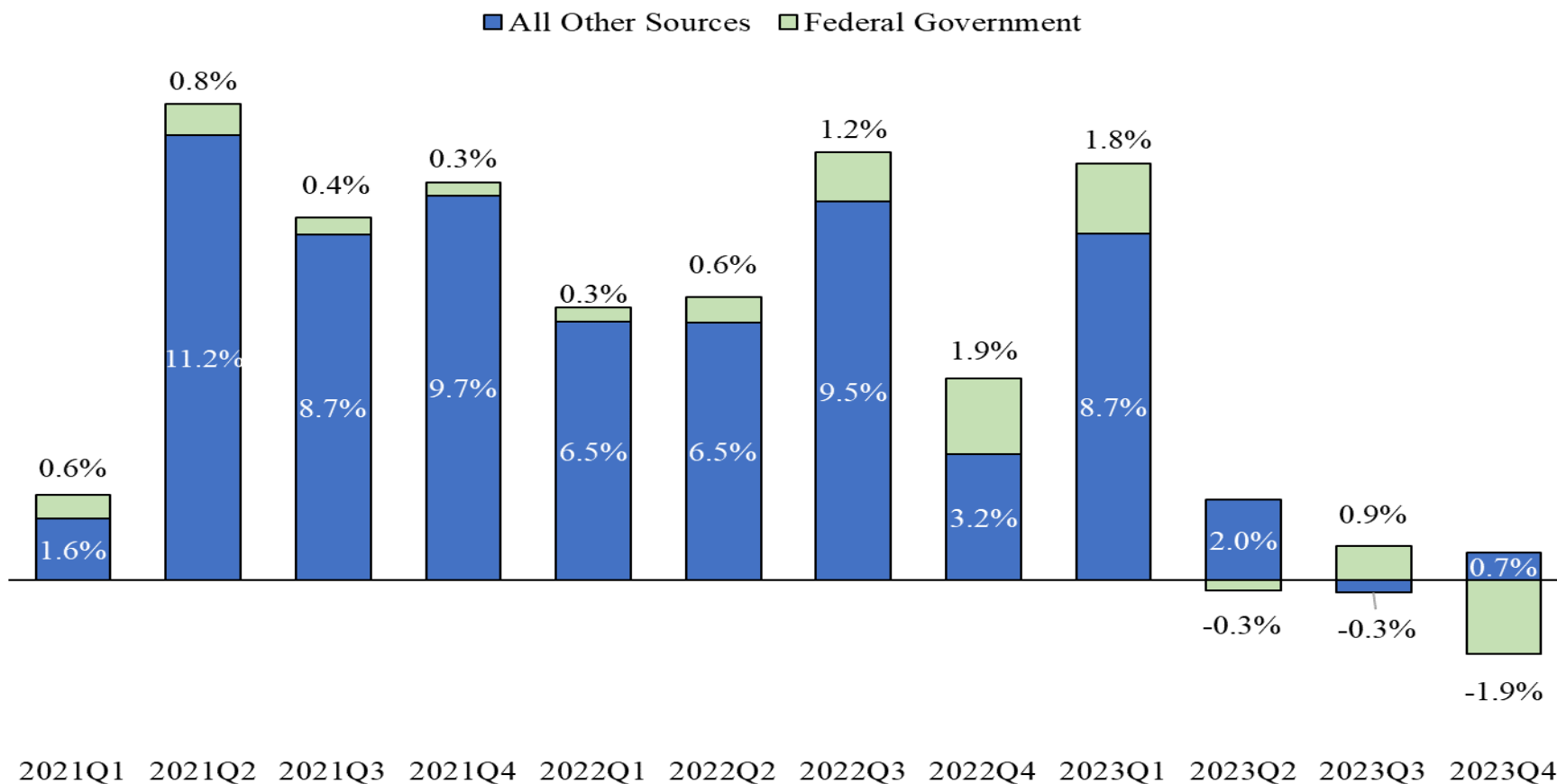
Federal Purchases of Intermediate Goods and Services

Year over Year Growth



Withholding Slowdown is Broad-based

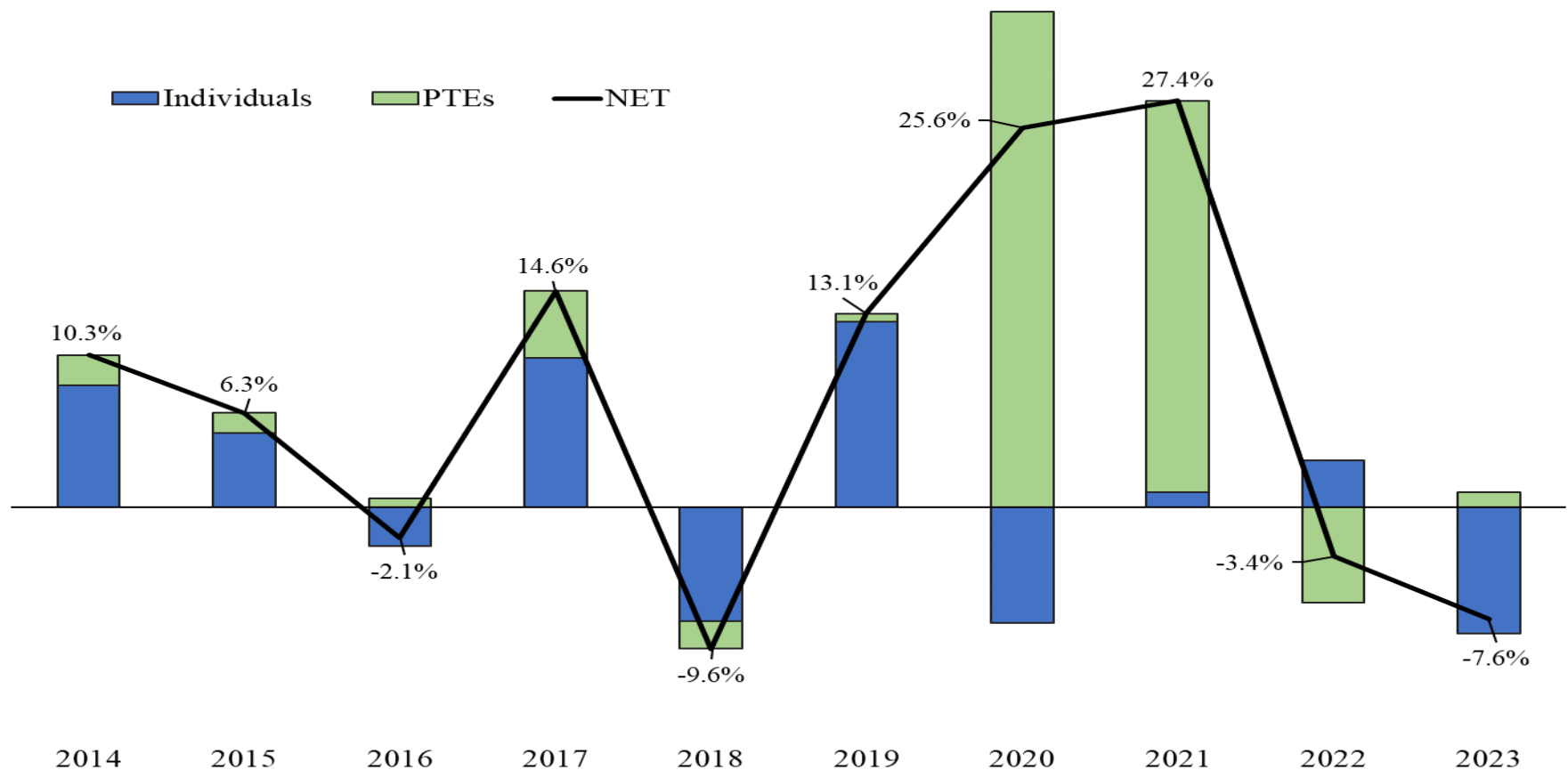
Contribution to Growth by Source



Note: Federal government reflects certain accounts only and does not reflect comprehensive data

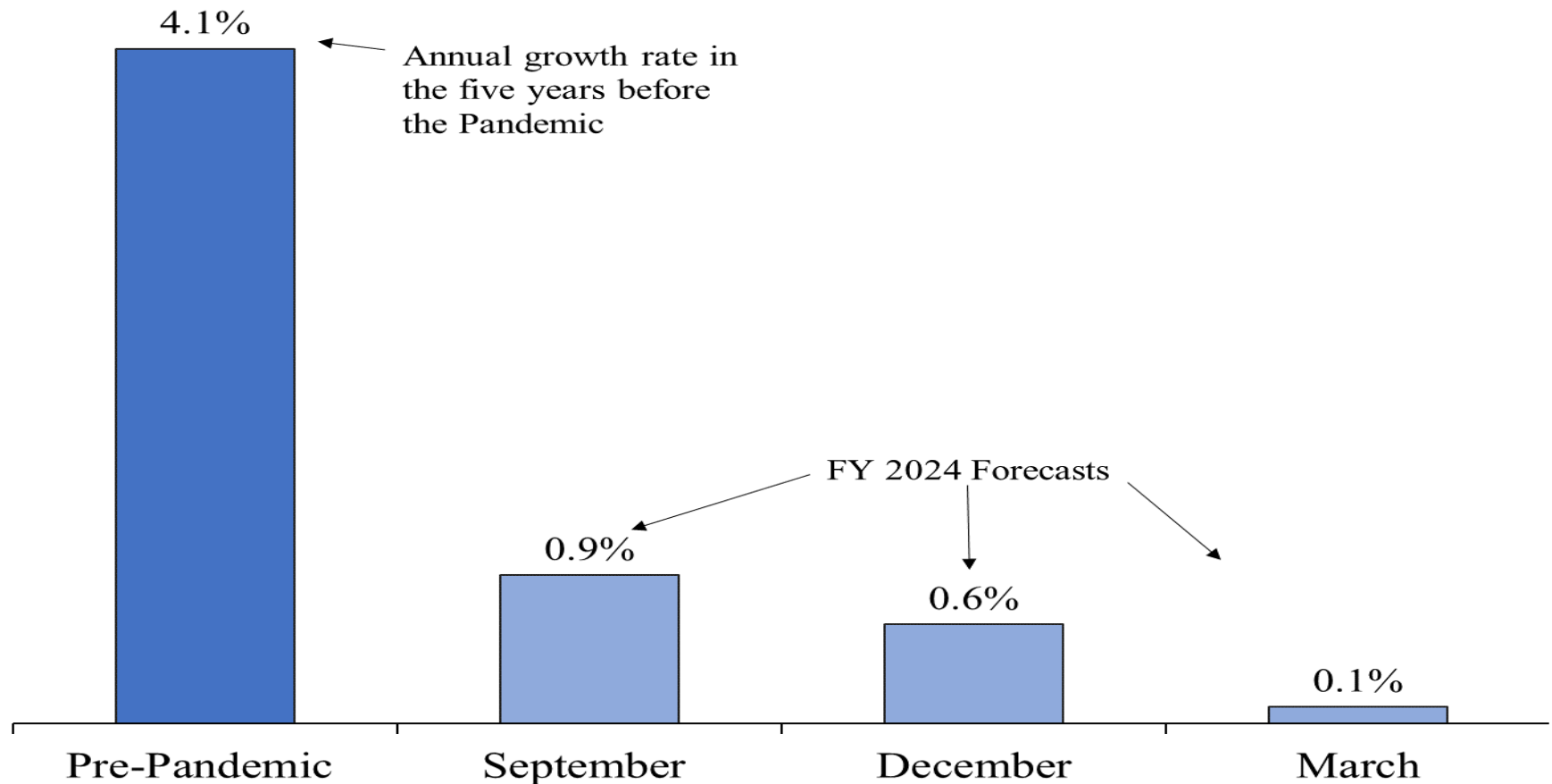
Estimated Payments Have Weakened

Percent Growth by Tax Year and Contribution to Change by Source



Source: Bureau of Revenue Estimates

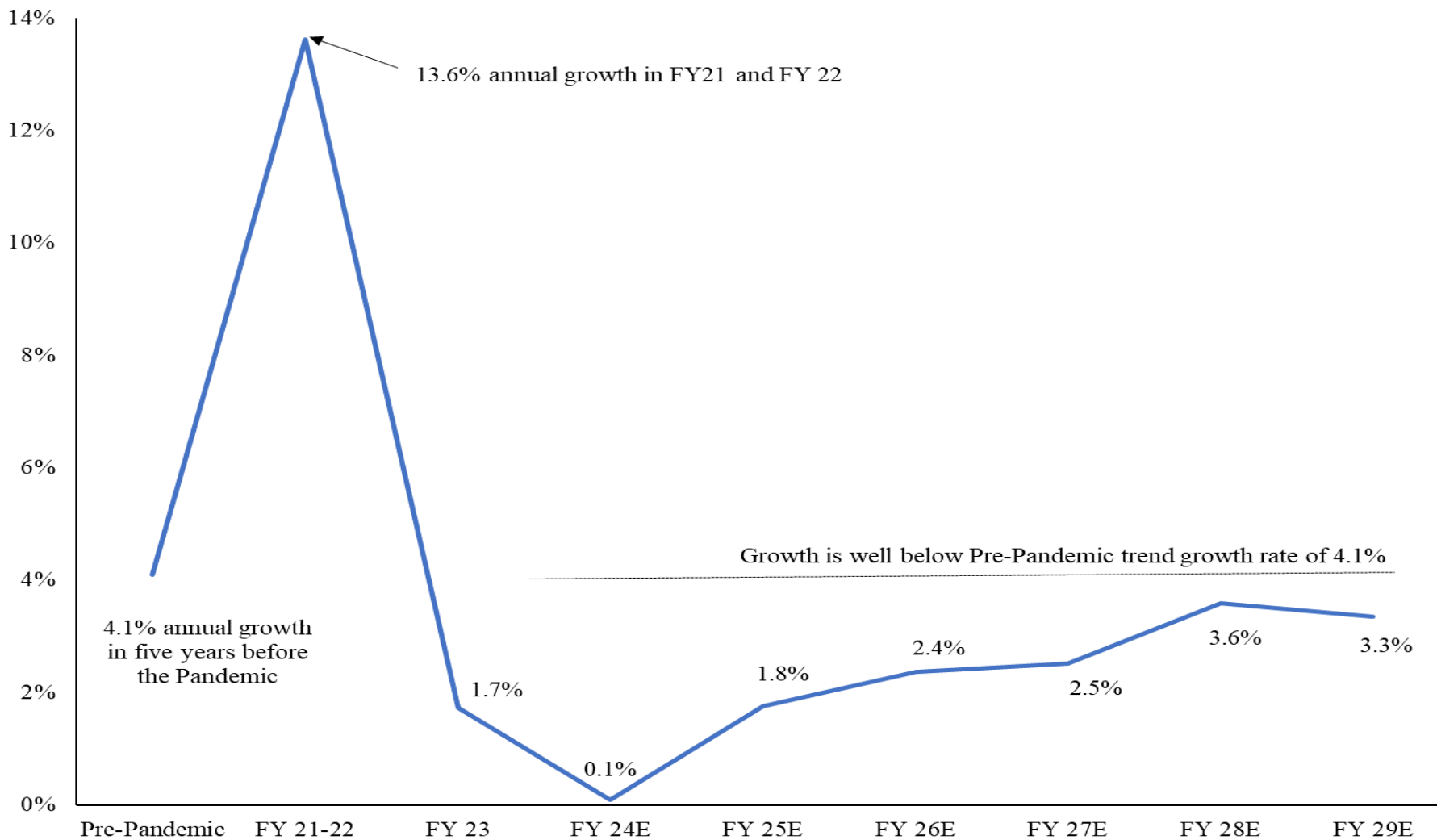
Comparison of FY 2024 Ongoing GF Forecasts and Pre-Pandemic Actual Growth Rates



Source: Bureau of Revenue Estimates

Revenue Growth is Below Trend Growth Rate

Ongoing General Fund Growth Rates by Fiscal Year



In Summary

- Tax data shows wage growth is slowing but is not yet conclusive
- Economic data shows continued job growth and low unemployment
- The forecast adopts a middle course with modest reductions given the discrepancy between our tax data and economic indicators
- Federal government has outsized impacts on Maryland
- There is downside risk if the tax data continues to be weak





Thank You

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Comptroller of Maryland

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Fiscal 2025 General Fund Budget Outlook

\$ in Millions

	<u>Cash</u>	<u>Structural</u>
Fiscal 2025 Closing Balance as Proposed by Administration	\$103.0	-\$456.0
Board of Revenue Estimates Revisions	-255.2	-139.9
Fiscal 2025 Closing Balance Adjusted for Revenue Revisions	-\$152.2	-\$595.9
Spending Affordability Goal	100.0	-508.0
<i>Gap to Close</i>	252.2	87.9

General Fund: End-of-year Balances
Fiscal 2024-2025
(\$ in Millions)

<u>Funds Available</u>	2024 <u>Working</u>	2025 <u>Allowance</u>
Total Funds Available	\$27,835	\$25,665
Total Spending	\$27,417	\$25,817
Cash Balance/(Shortfall)	\$418	(\$152)