

# **REVENUE ESTIMATES AND ECONOMIC OUTLOOK**

September 28, 2023

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

	FY 2023			FY 2024				FY 2025	
	Official Estimate <sup>1</sup>	Actual	Difference	Current Estimate <sup>1</sup>	September Revision	Difference	% Growth	September Estimate	% Growth
<b>INCOME TAXES</b>									
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%
<b>Total</b>	<b>15,534,864</b>	<b>15,285,500</b>	<b>(249,363)</b>	<b>15,806,801</b>	<b>15,587,895</b>	<b>(218,906)</b>	<b>2.0%</b>	<b>16,145,348</b>	<b>3.6%</b>
<b>SALES AND USE TAXES</b>	<b>6,018,016</b>	<b>6,005,249</b>	<b>(12,767)</b>	<b>6,065,428</b>	<b>6,088,255</b>	<b>22,826</b>	<b>1.4%</b>	<b>6,272,763</b>	<b>3.0%</b>
<b>STATE LOTTERY RECEIPTS</b>	<b>636,451</b>	<b>655,388</b>	<b>18,938</b>	<b>637,652</b>	<b>660,641</b>	<b>22,989</b>	<b>0.8%</b>	<b>548,401</b>	<b>-17.0%</b>
<b>OTHER REVENUES</b>									
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%
<b>Total</b>	<b>2,422,528</b>	<b>2,526,543</b>	<b>104,015</b>	<b>2,189,736</b>	<b>2,348,752</b>	<b>159,016</b>	<b>-7.0%</b>	<b>2,254,756</b>	<b>-4.0%</b>
<b>TOTAL CURRENT REVENUES</b>	<b>24,611,858</b>	<b>24,472,681</b>	<b>(139,177)</b>	<b>24,699,617</b>	<b>24,685,543</b>	<b>(14,074)</b>	<b>0.9%</b>	<b>25,221,268</b>	<b>2.2%</b>
Blueprint for Maryland's Future Fund <sup>2</sup>	(800,000)	(800,000)	-	-	-	-		-	
Revenue Volatility Cap <sup>3</sup>	(100,000)	#N/A		(120,000)	(120,000)	-		(140,000)	
<b>GRAND TOTAL</b>	<b>23,711,858</b>	<b>23,672,681</b>	<b>(39,177)</b>	<b>24,579,617</b>	<b>24,565,543</b>	<b>(14,074)</b>	<b>3.8%</b>	<b>25,081,268</b>	<b>2.1%</b>

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

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

<sup>3</sup> 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%

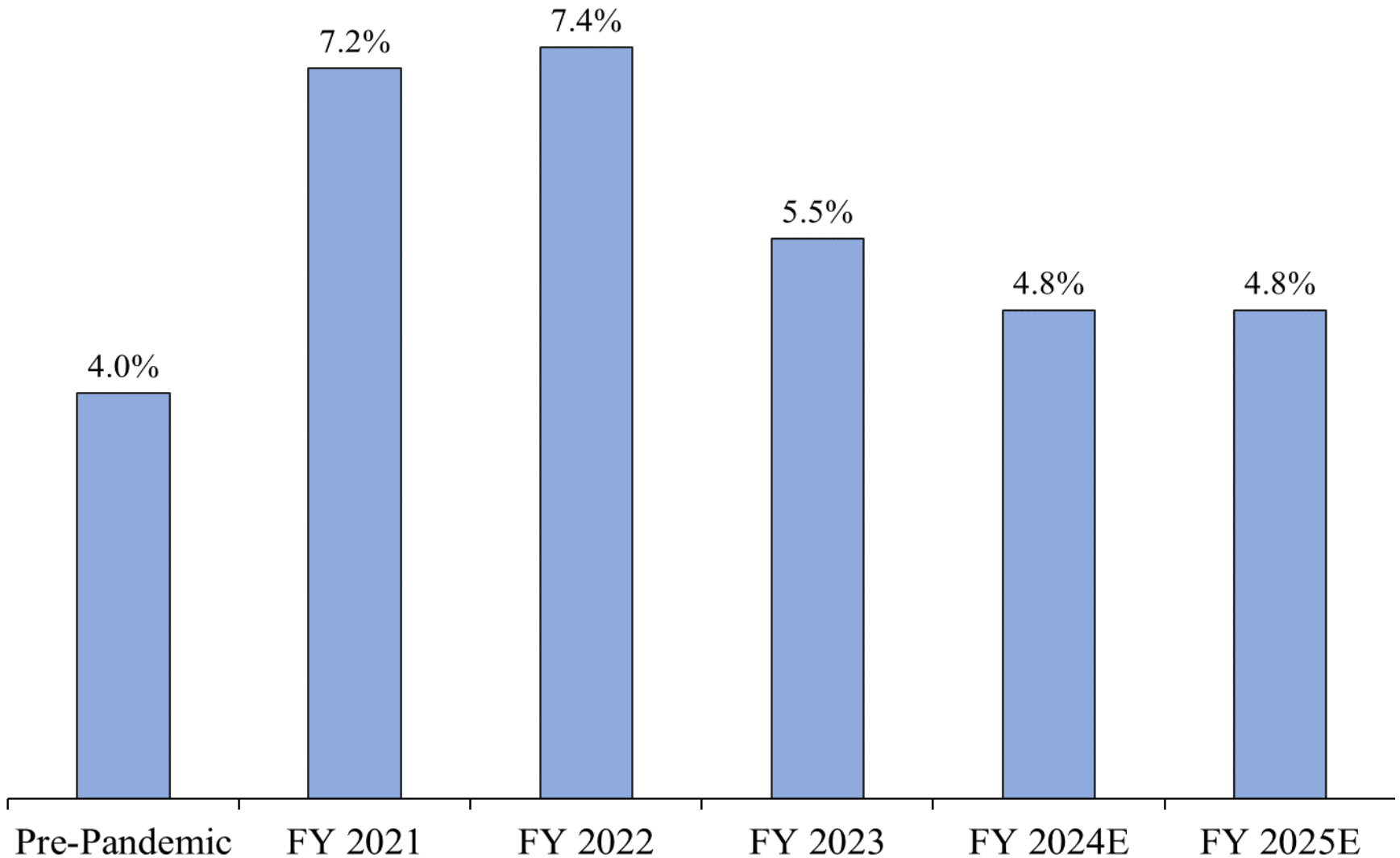
Notes: dollars in millions; amounts may not sum from rounding

# What Has Changed Since March?

Two factors typically drive forecast adjustments in September

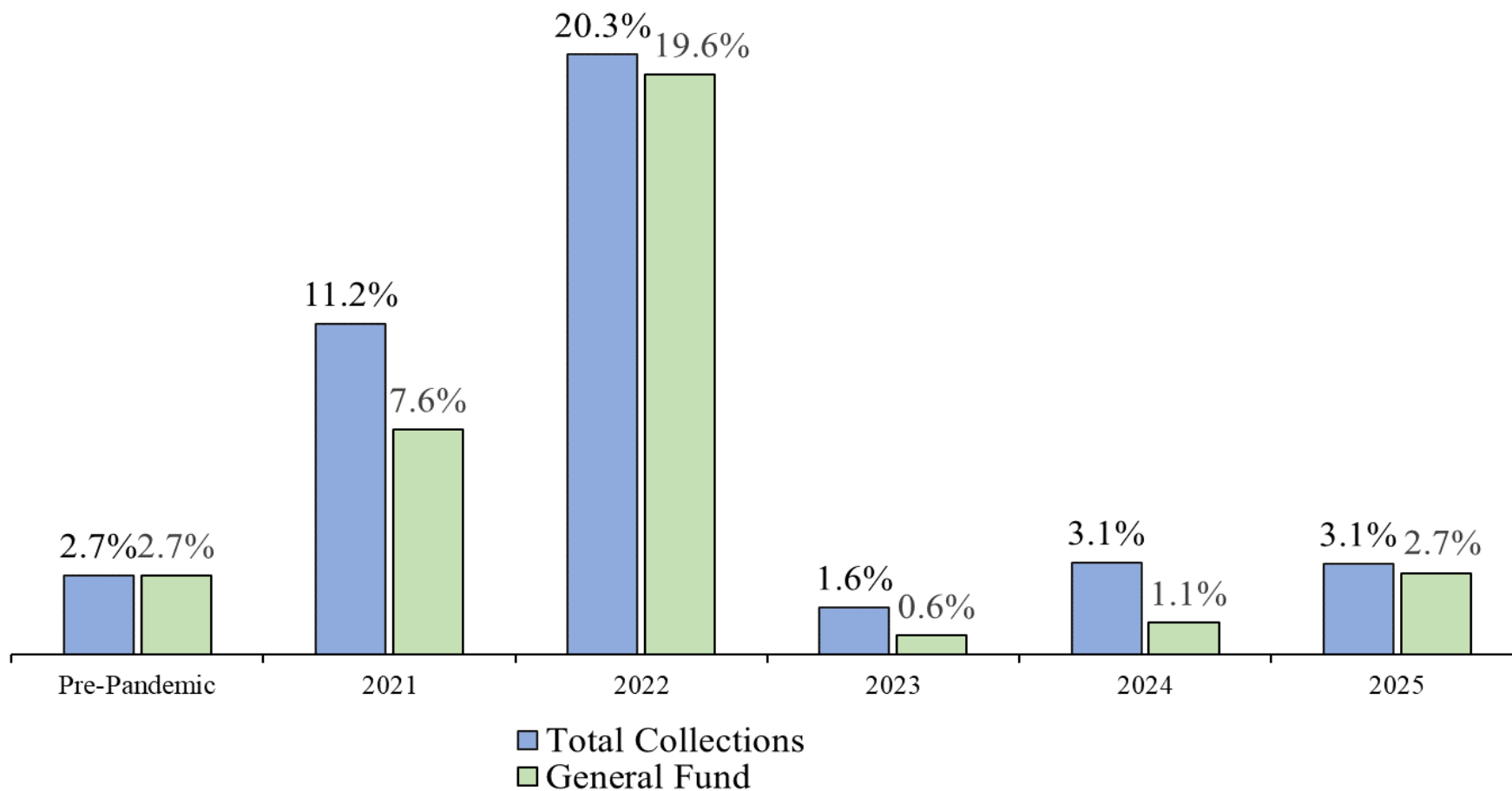
- Adjustments to closeout above/below expectations
- Changes in the economic outlook
- Economic forecast is largely unchanged
- FY 2023 revenues were slightly below expectations, the September forecast has a minor adjustment to FY 2024 revenues
- Risk Factors
  - Recession (continuing risk factor)
  - 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

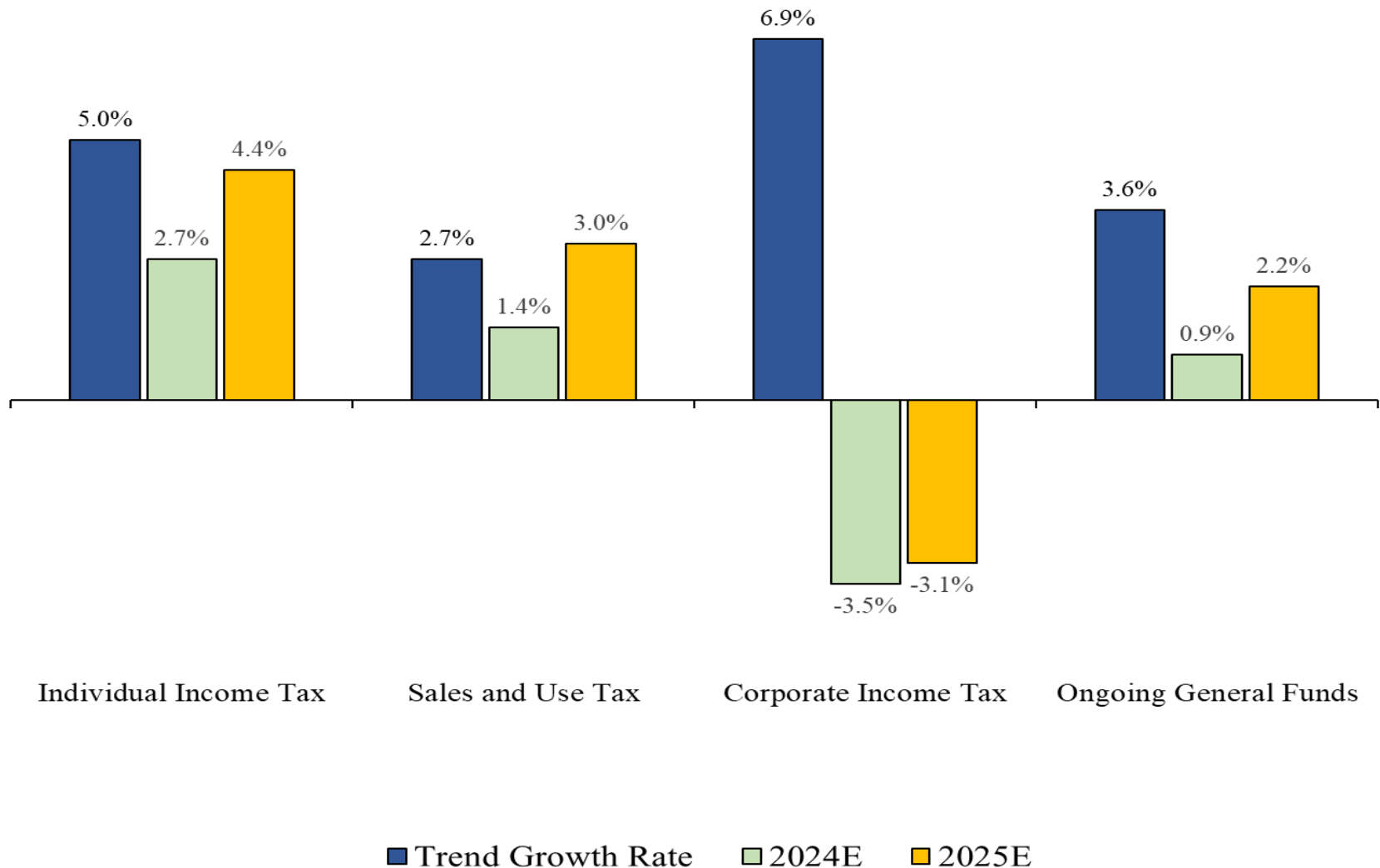


Note: Does not include Cannabis revenues

Source: Bureau of Revenue Estimates

# General Fund Forecast Has Modest Growth Rates

## Percentage Growth Pre-Pandemic and Forecast

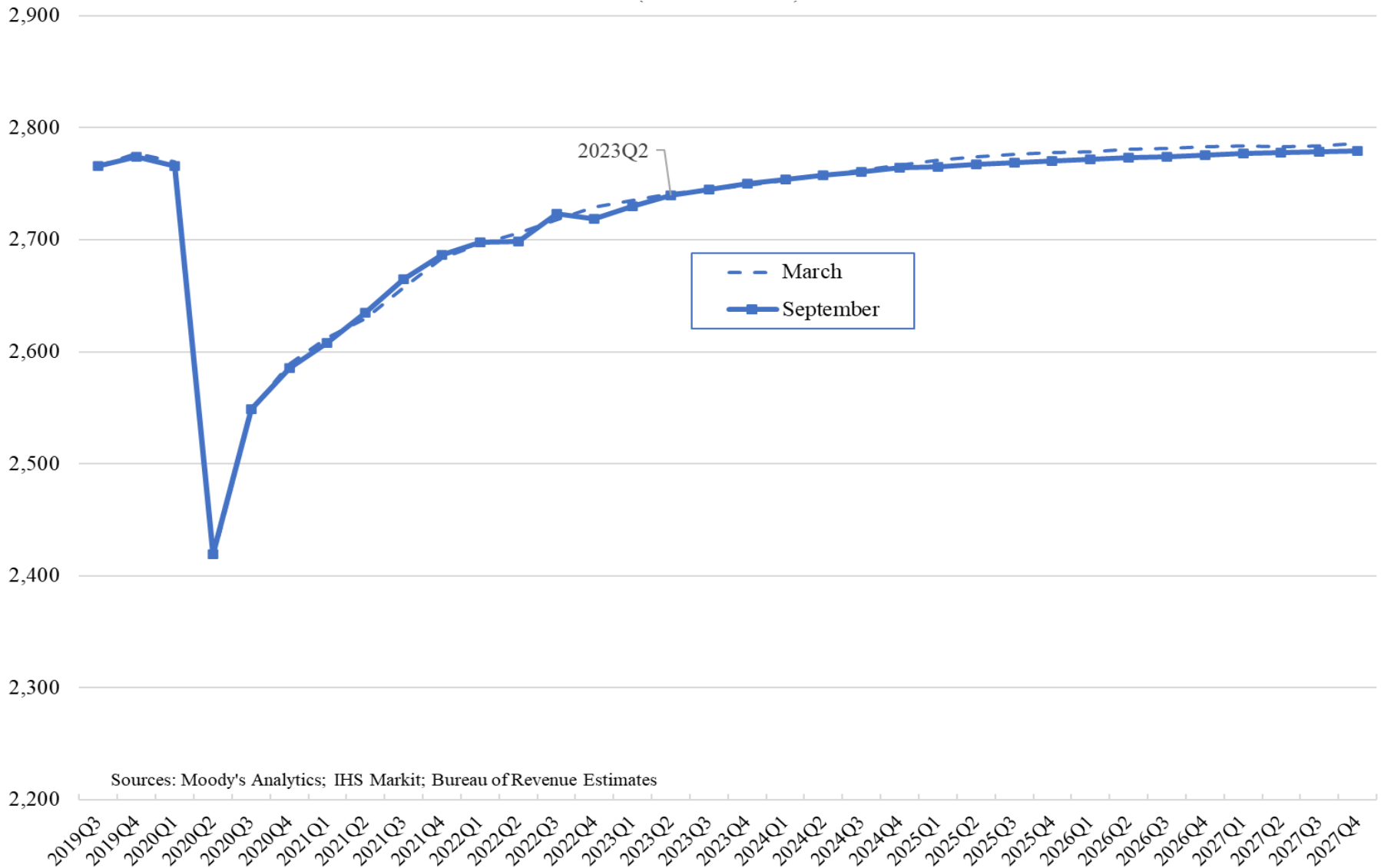


# Maryland Economy – Key Points

- 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

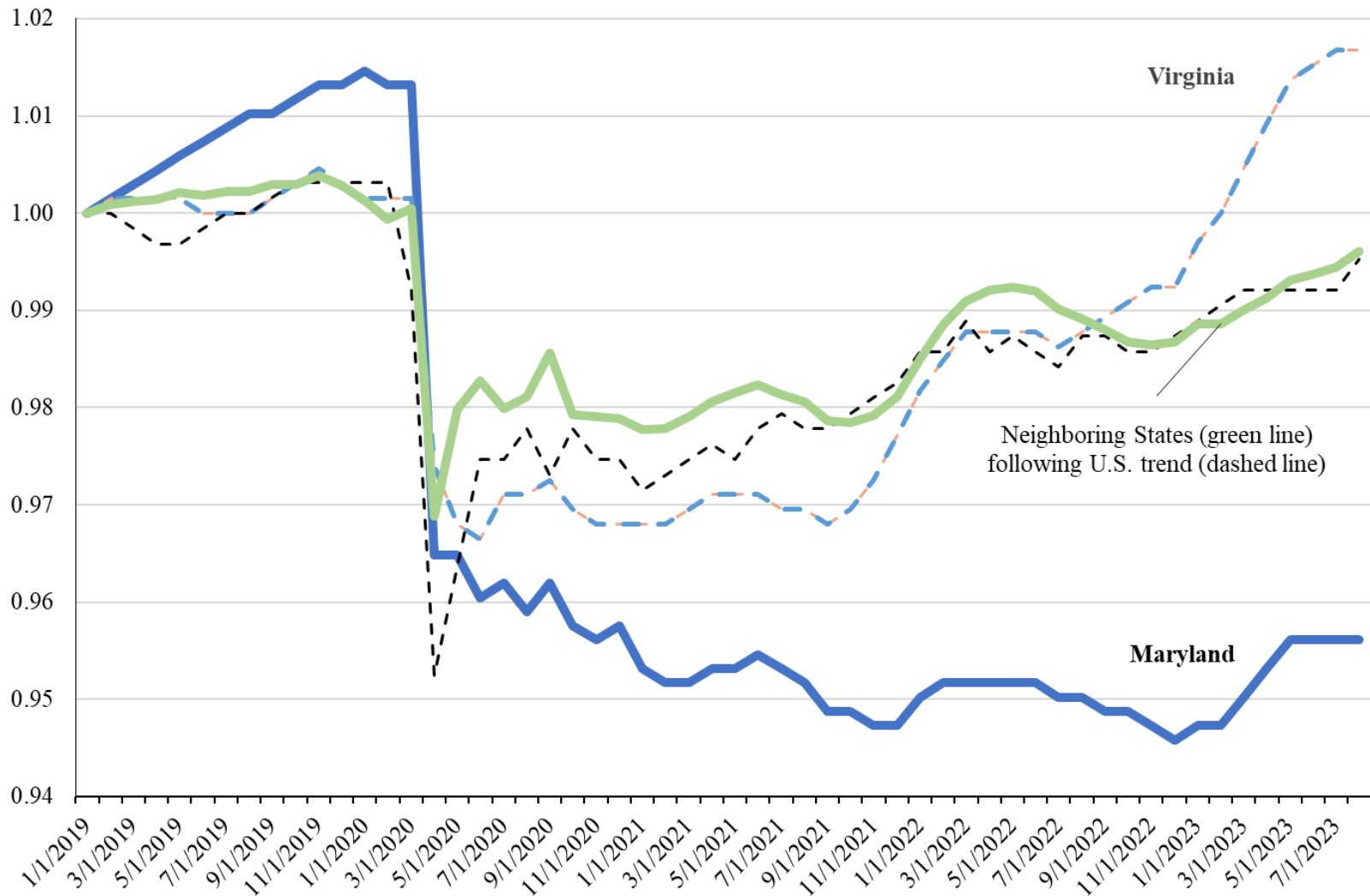


# Forecasts of Jobs in Maryland (Thousands)

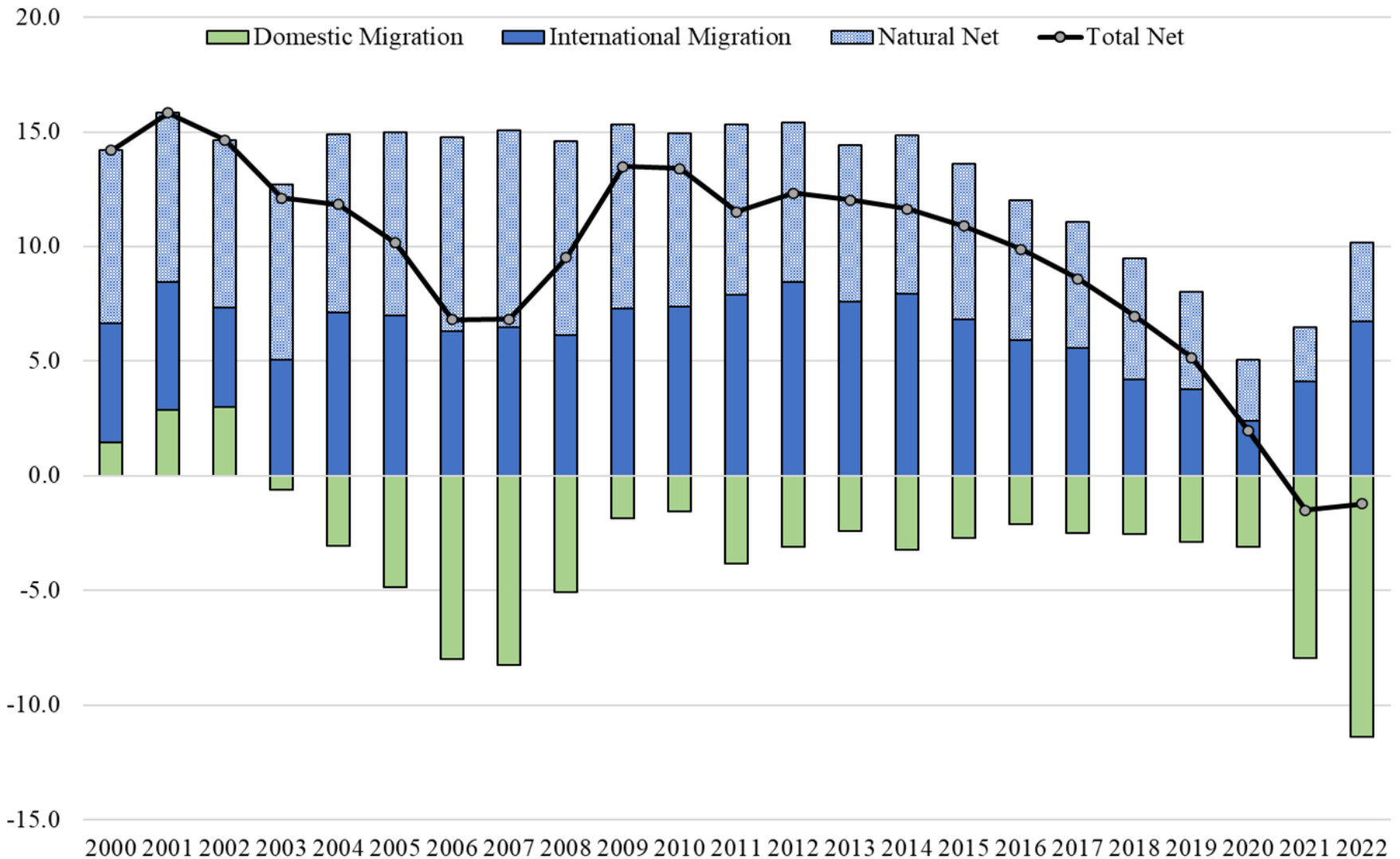


# Maryland Labor Force Participation is Lagging

## Indexed to January 2019



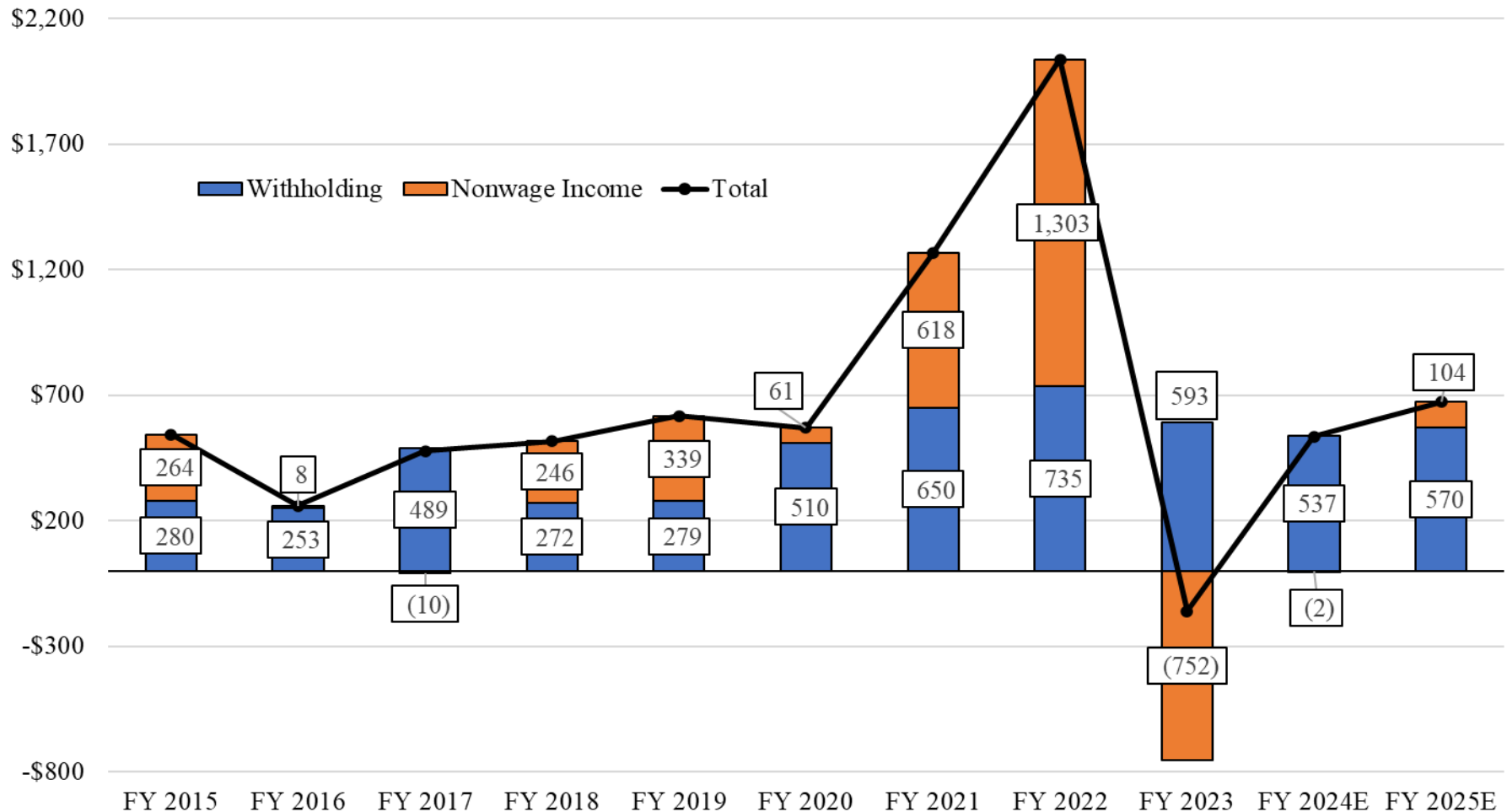
## Maryland has Domestic Outmigration and Slowing Natural Population Growth (Thousands)



Source: Bureau of Revenue Estimates

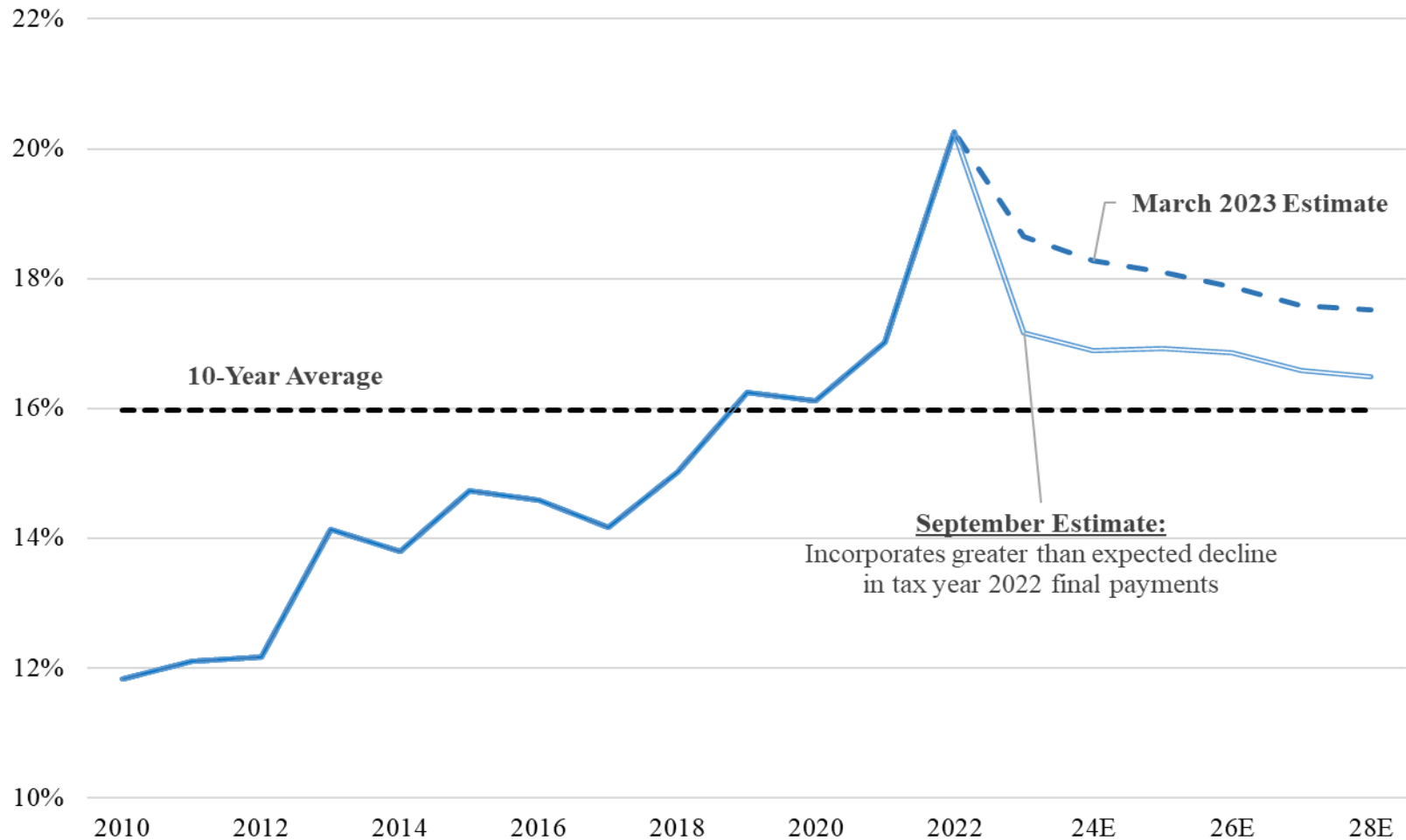
# Change in General Fund Revenue by Fiscal Year

## Withholding and Nonwage Income (\$ Millions)



# Nonwithholding Revenues

## Percent of General Fund Revenues by Fiscal Year



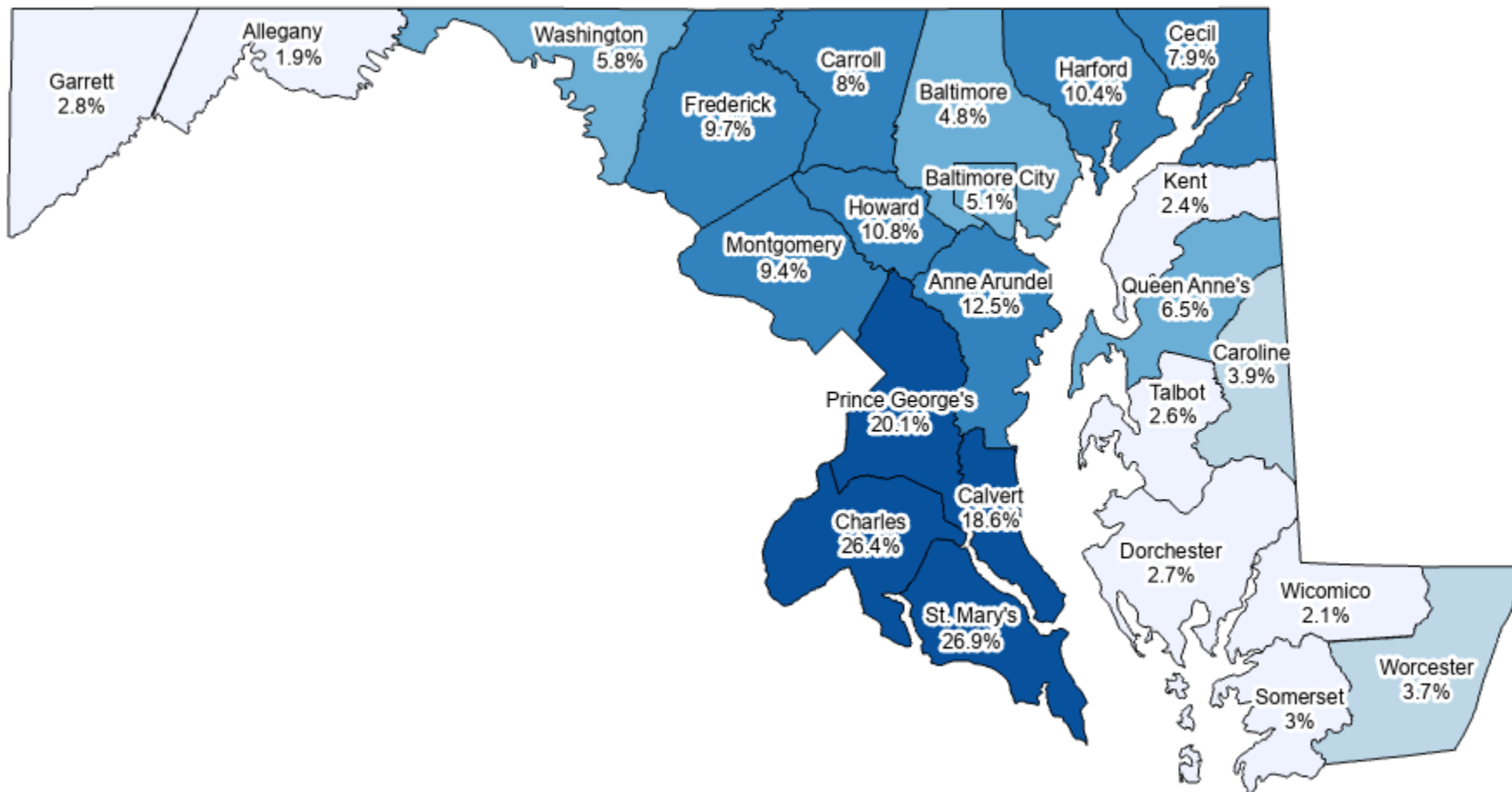
Note: FY 2023 does not reflect impact of \$800 million PIT transfer  
 Source: Bureau of Revenue Estimates

# 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

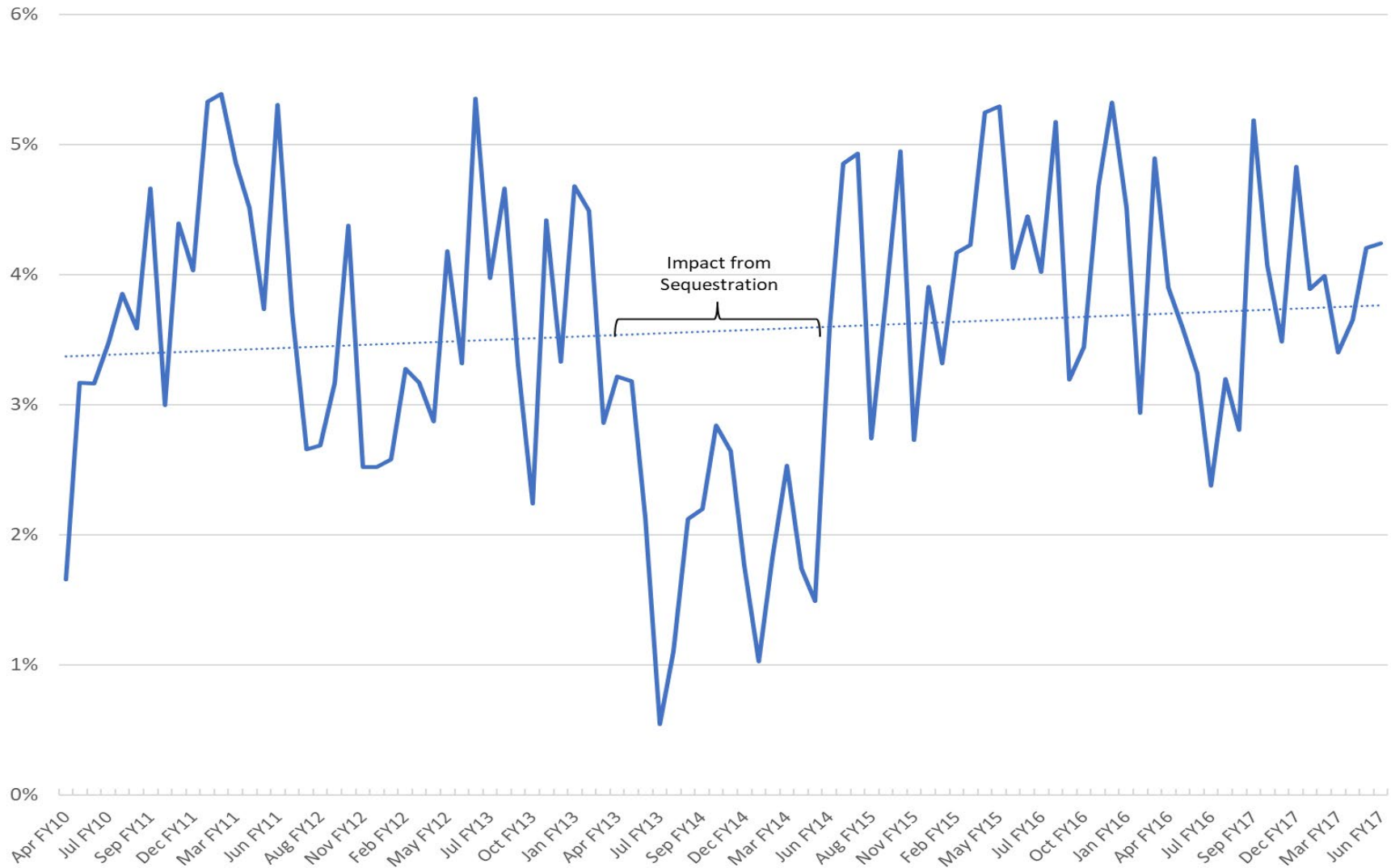
# One in Nine Maryland Households Report Federal Income

## Percentage of Gross Income from Federal Wages or Retirement



# Withholding Revenue

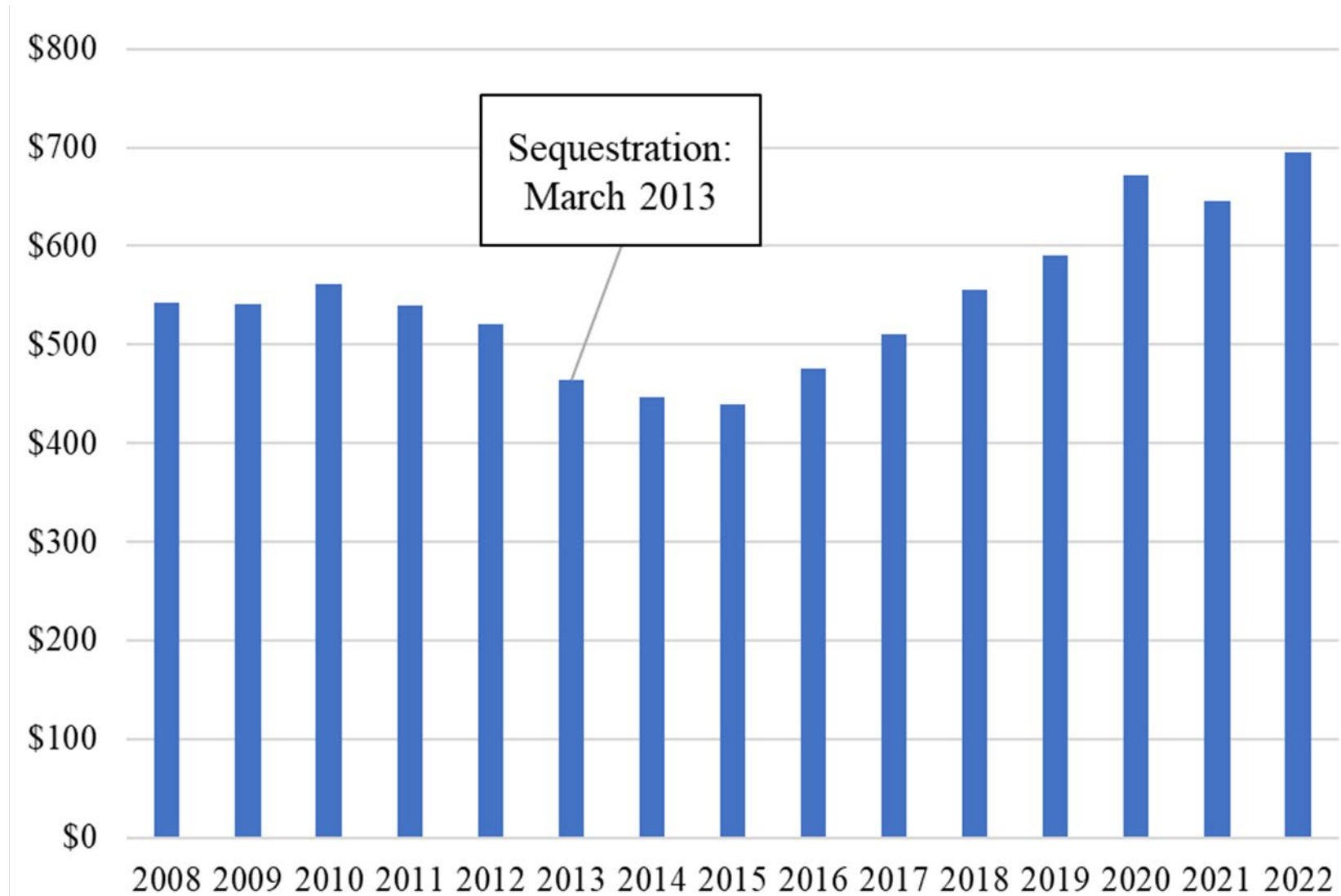
## Six Month Moving Average





# 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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