

REVENUE ESTIMATES AND ECONOMIC OUTLOOK

September 30, 2021

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Maryland General Fund Revenues
Fiscal Years 2021 - 2023
(\$ in thousands)

	FY 2021			FY 2022				FY 2023	
	Official Estimate ¹	Actual	Difference	Current Estimate ¹	September Revision	Difference	% Growth	September Estimate	% Growth
INCOME TAXES									
Individual	10,801,955	11,704,777	902,822	11,400,767	11,796,984	396,218	0.8%	12,634,221	7.1%
Corporations	1,138,781	1,461,893	323,112	1,249,329	1,445,951	196,622	-1.1%	1,555,574	7.6%
Total	11,940,736	13,166,670	1,225,934	12,650,095	13,242,936	592,840	0.6%	14,189,795	7.1%
SALES AND USE TAXES	4,591,207	4,988,078	396,870	5,002,636	5,283,158	280,521	5.9%	5,519,908	4.5%
STATE LOTTERY RECEIPTS	626,934	631,719	4,785	591,782	641,020	49,238	1.5%	651,428	1.6%
OTHER REVENUES									
Business Franchise Taxes	208,502	210,510	2,008	206,686	252,844	46,158	20.1%	222,770	-11.9%
Insurance Premium Tax	406,124	358,071	(48,053)	601,361	575,874	(25,487)	60.8%	591,110	2.6%
Estate & Inheritance Taxes	177,732	240,592	62,860	198,469	206,673	8,204	-14.1%	222,212	7.5%
Tobacco Taxes	373,419	388,261	14,842	430,133	466,890	36,757	20.3%	455,481	-2.4%
Alcoholic Beverages Excises	30,545	39,722	9,177	32,524	32,572	48	-18.0%	32,844	0.8%
District Courts	30,488	35,191	4,704	53,072	50,258	(2,814)	42.8%	51,761	3.0%
Clerks of Court	32,283	36,096	3,813	32,995	42,588	9,593	18.0%	32,643	-23.4%
Hospital Patient Recoveries	49,385	64,754	15,369	60,142	60,142	-	-7.1%	61,715	2.6%
Interest on Investments	8,800	12,297	3,497	10,000	10,000	-	-18.7%	15,000	50.0%
Miscellaneous	302,477	300,451	(2,026)	311,403	311,403	-	3.6%	299,795	-3.7%
Total	1,619,754	1,685,944	66,191	1,936,785	2,009,244	72,459	19.2%	1,985,332	-1.2%
TOTAL CURRENT REVENUES	18,778,631	20,472,411	1,693,780	20,181,299	21,176,357	995,058	3.4%	22,346,462	5.5%
Extraordinary Revenues ²	341,167	358,603	17,436	-	-	-	-	-	-
Revenue Volatility Cap ³	-	-	-	(80,000)	(80,000)	-	-	(100,000)	-
GRAND TOTAL	19,119,797	20,831,014	1,711,217	20,101,299	21,096,357	995,058	1.3%	22,246,462	5.5%

¹ The 2019 Legislative Session resulted in revenue adjustments beyond the March 2020 official estimate; this table has been adjusted accordingly.

² Extraordinary revenues includes:

(a) \$341,446,827 is the FEMA reimbursement as included in the budget and outlined in the FY 2022 Fiscal Digest

(b) \$17,156,310 is attributable to a payment to the General Fund from the Maryland Technology Development Corporation (TEDCO)

³ Established by Chapters 4 & 550 of the 2017 Legislative Session and amended by several succeeding Budget Reconciliation And Financing Acts

Summary of September Changes

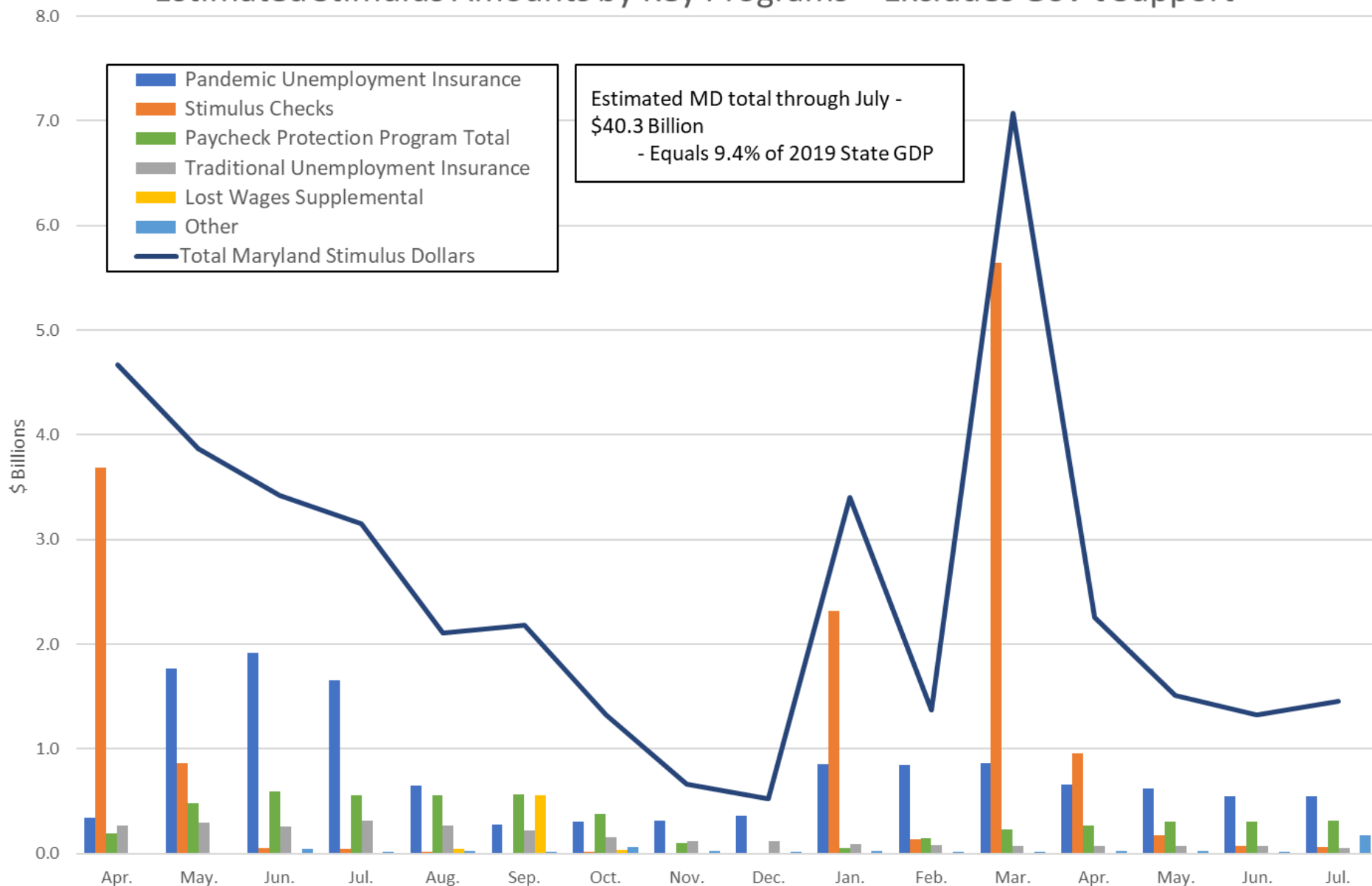
	Fiscal Year 2021		Fiscal Year 2022		Fiscal Year 2023	
	\$ Change From Est	% Growth From Prior Year	\$ Change From Est	% Growth From Prior Year	\$ Change From Est	% Growth From Prior Year
Personal Income Tax	\$903	9.4%	\$396	0.8%	\$677	7.1%
Corporate Income Tax	\$323	39.0%	\$197	-1.1%	\$212	7.6%
Sales Tax	\$397	7.6%	\$281	5.9%	\$393	4.5%
Other	\$88	19.0%	\$122	-4.0%	\$86	-1.3%
Total	\$1,711	11.8%	\$995	1.3%	\$1,368	5.5%

Notes: dollars in millions; amounts may not sum from rounding; Mar21 estimate adj for 2021 Session

Federal Fiscal Stimulus – To Date

- Federal Legislation Disbursed **\$4.7 Trillion**
- Federal Reserve Purchased **\$3.5 Trillion** U.S Treasuries & Mortgage-Backed Securities
- The stimulus:
 - Saved the Country from a deep recession
 - Stabilized capital markets
 - Continues circulating throughout the economy
- **The stimulus will likely permanently elevate the State's tax revenue base**

Estimated Stimulus Amounts by Key Programs – Excludes Gov't Support

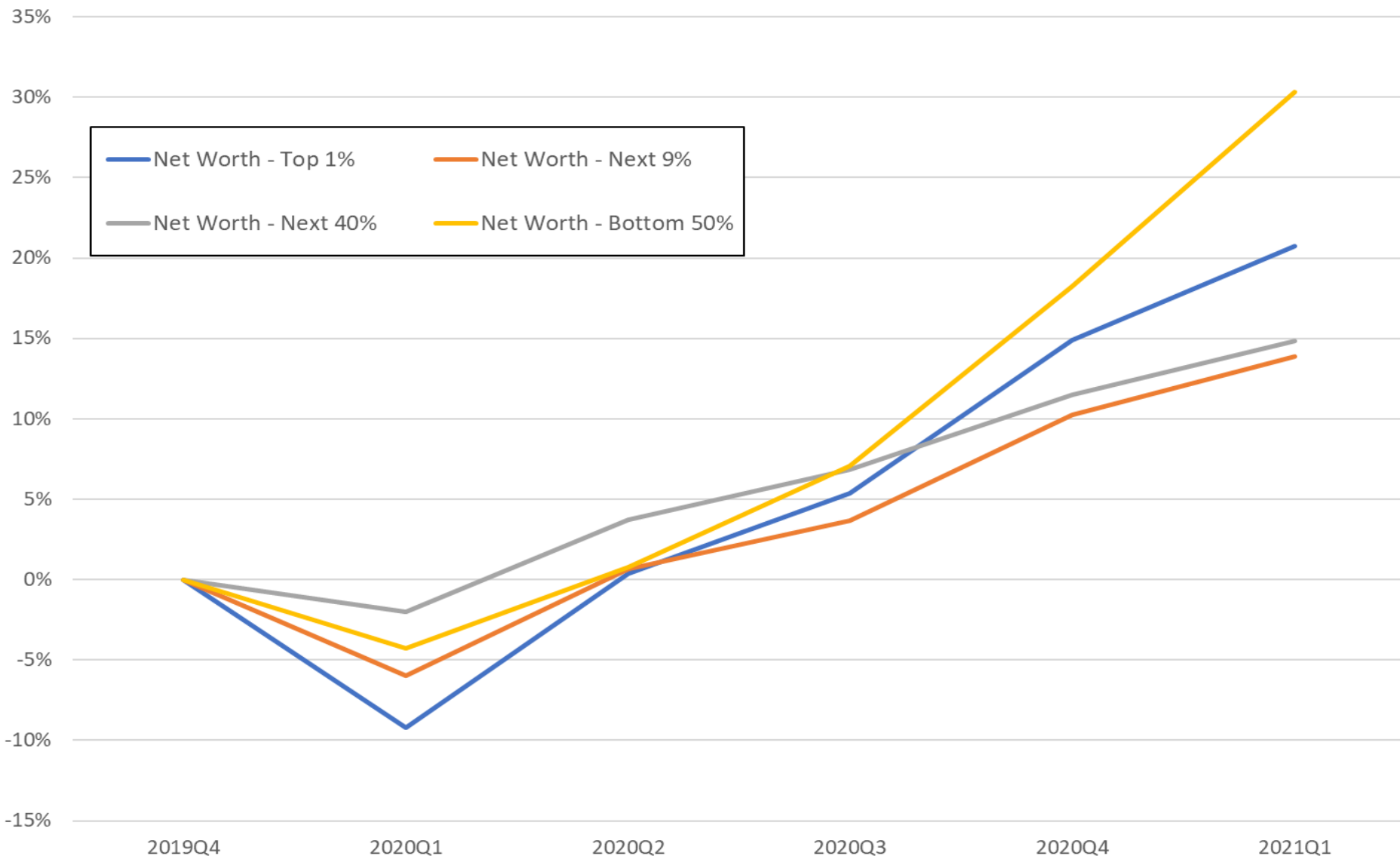


Note: This does not include all stimulus efforts (including much of the stimulus sent directly to governments), this represents the largest dollar categories for which we could find publicly available data

Sources: U.S. Bureau of Economic Analysis; U.S. Small Business Administration; Comptroller of Maryland, Bureau of Revenue Estimates

Stimulus Very Positive For All Wealth Groups

Net Assets For Wealth Percentiles - Indexed to 2019Q4



Sources: U.S. Board of Governors of the Federal Reserve System; Bureau of Revenue Estimates

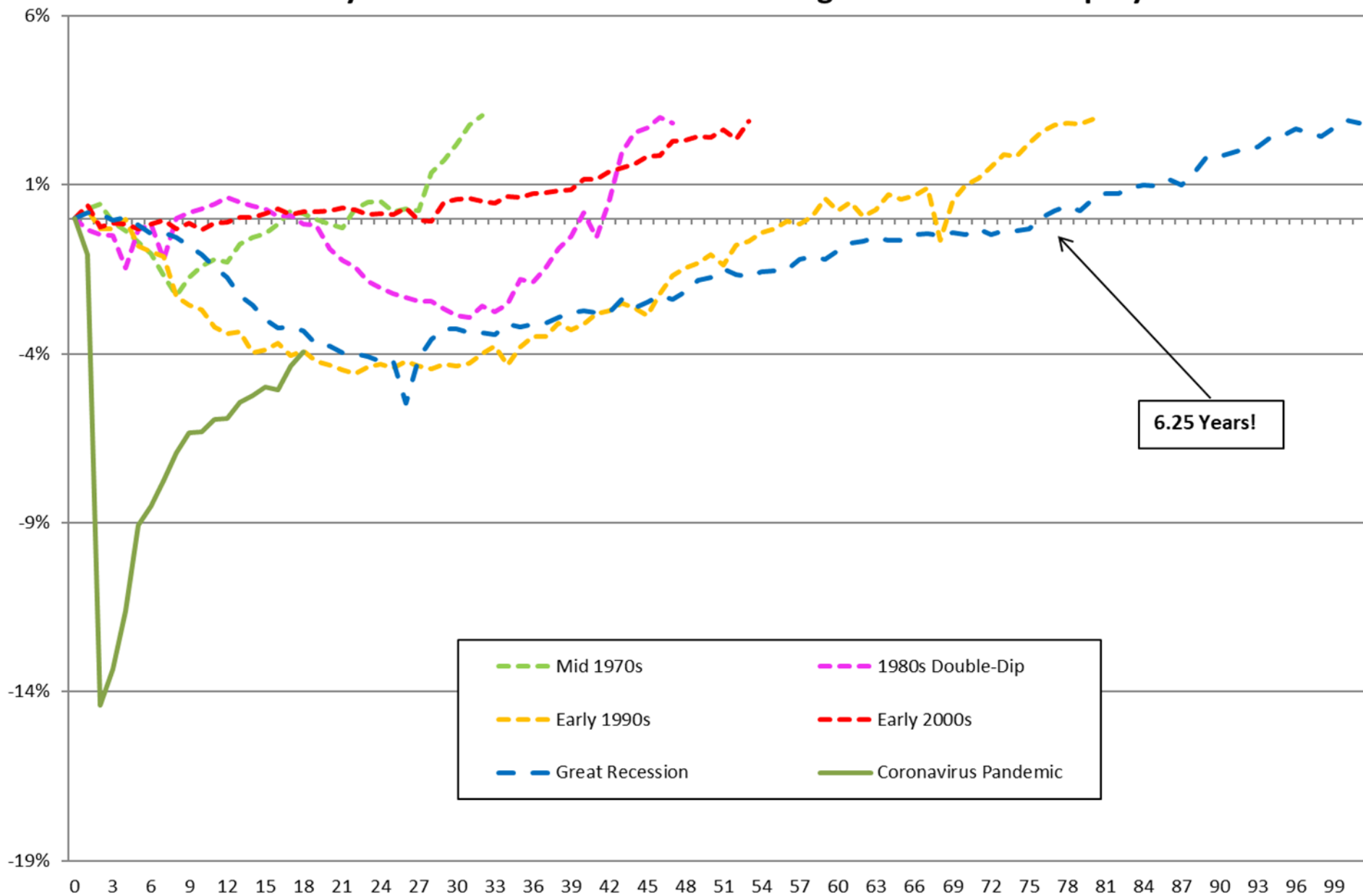
Tax Year 2020 Explains Much of Closeout Variance

- The personal income tax for tax year 2020 is now estimated to have grown 7.3%
 - In a tax year where 14.4% of it's jobs in two months and 6.6% were still lost by year-end
 - We know that the job losses were concentrated within lower paying industries, but this still seems counter-intuitive
 - It is a testament to the State's progressive tax structure

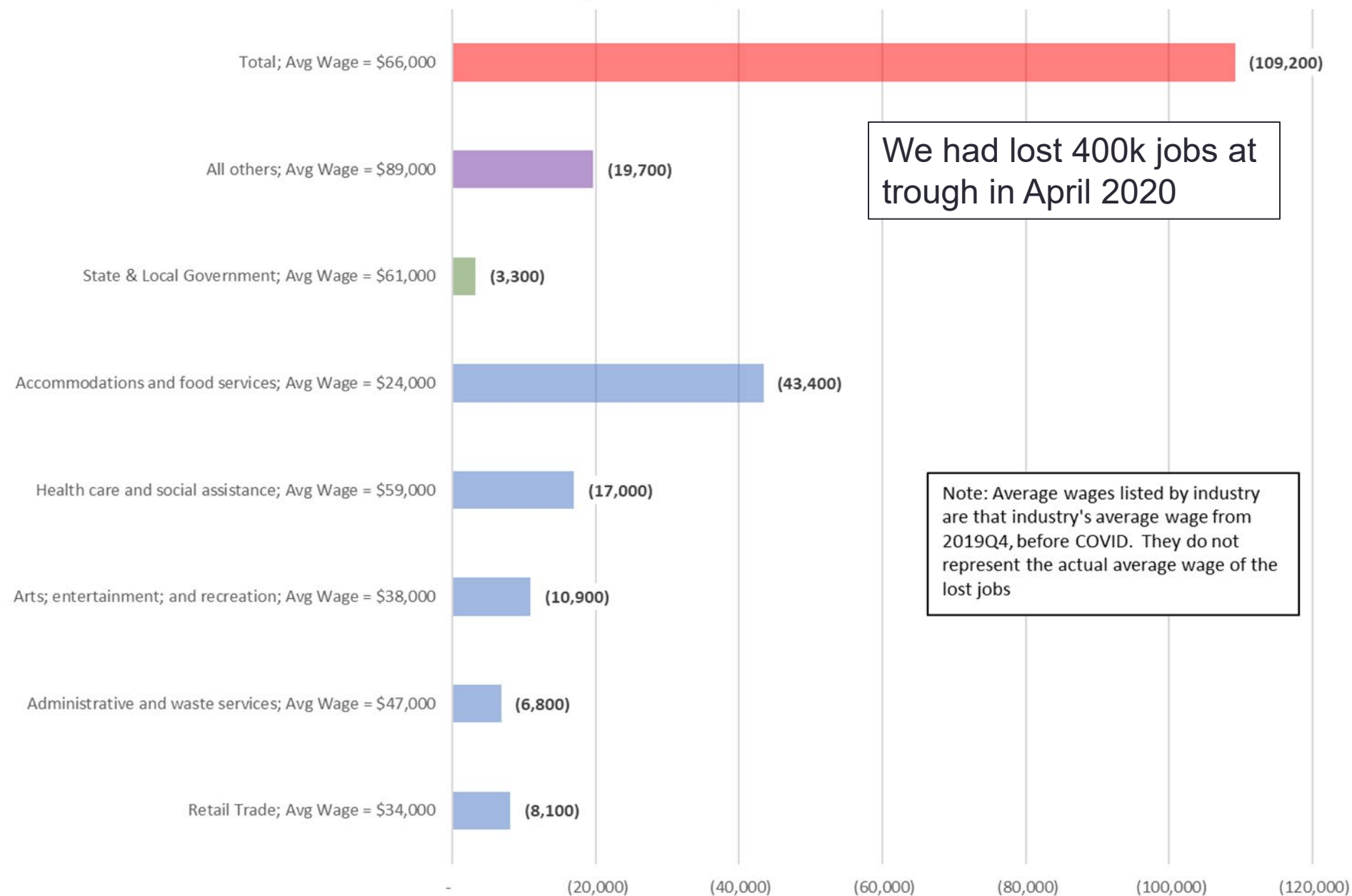
Tax Year 2020 Explains Much of Closeout Variance (cont...)

- S&P 500 fell 34% at the onset of the pandemic, then increased to 11% over its pre-pandemic peak by the end of 2020
 - It is now 32% higher than it was pre-pandemic
- Business income appears strong as well
- Had a surge in payments on extended due date of 7/15

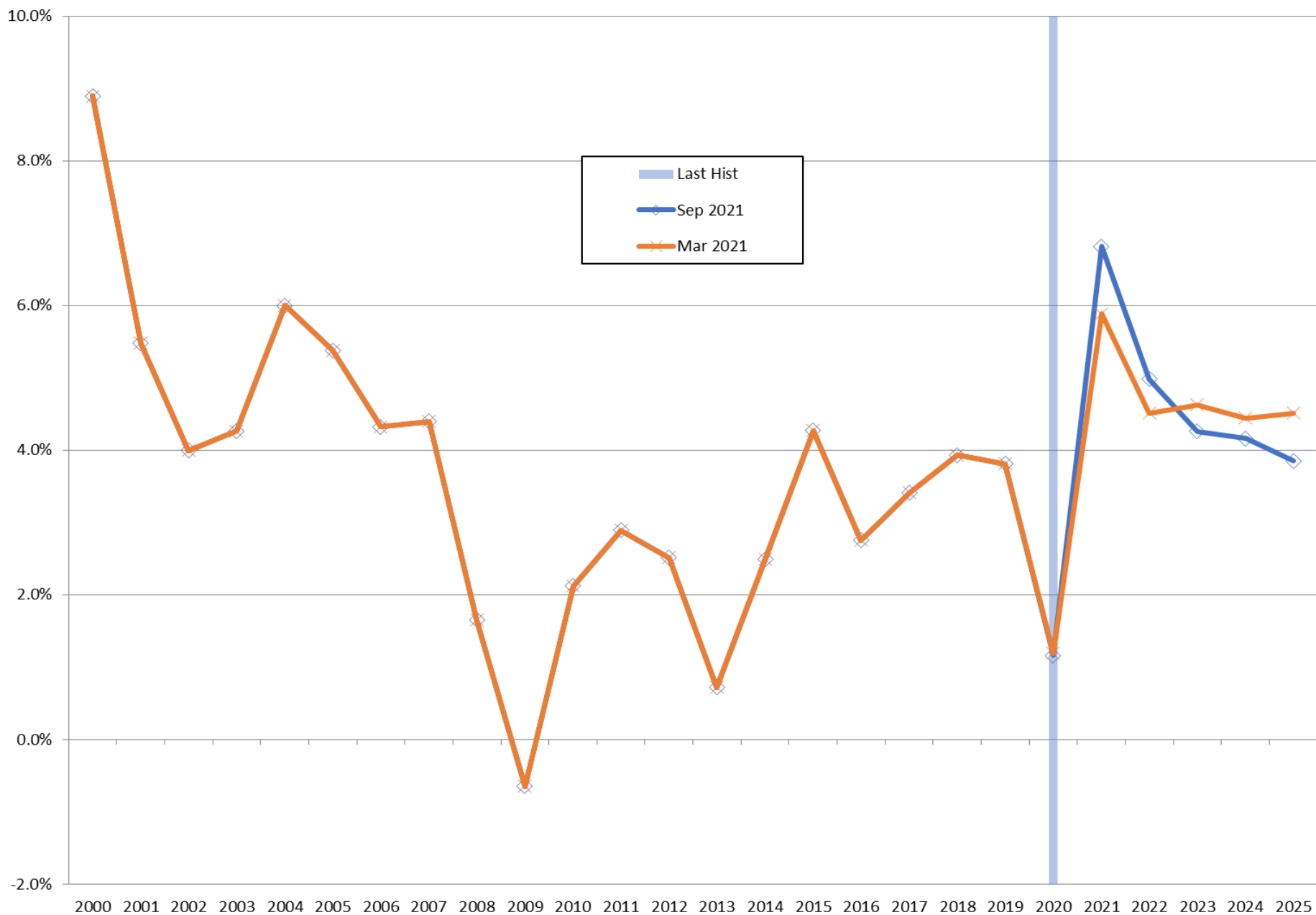
Historic Maryland Recessions -- Months to Regain Prior Peak Employment



Jobs Lost From Feb 2020 to Aug 2021: Top 5 Private Sector; S&L Gov; & All Others

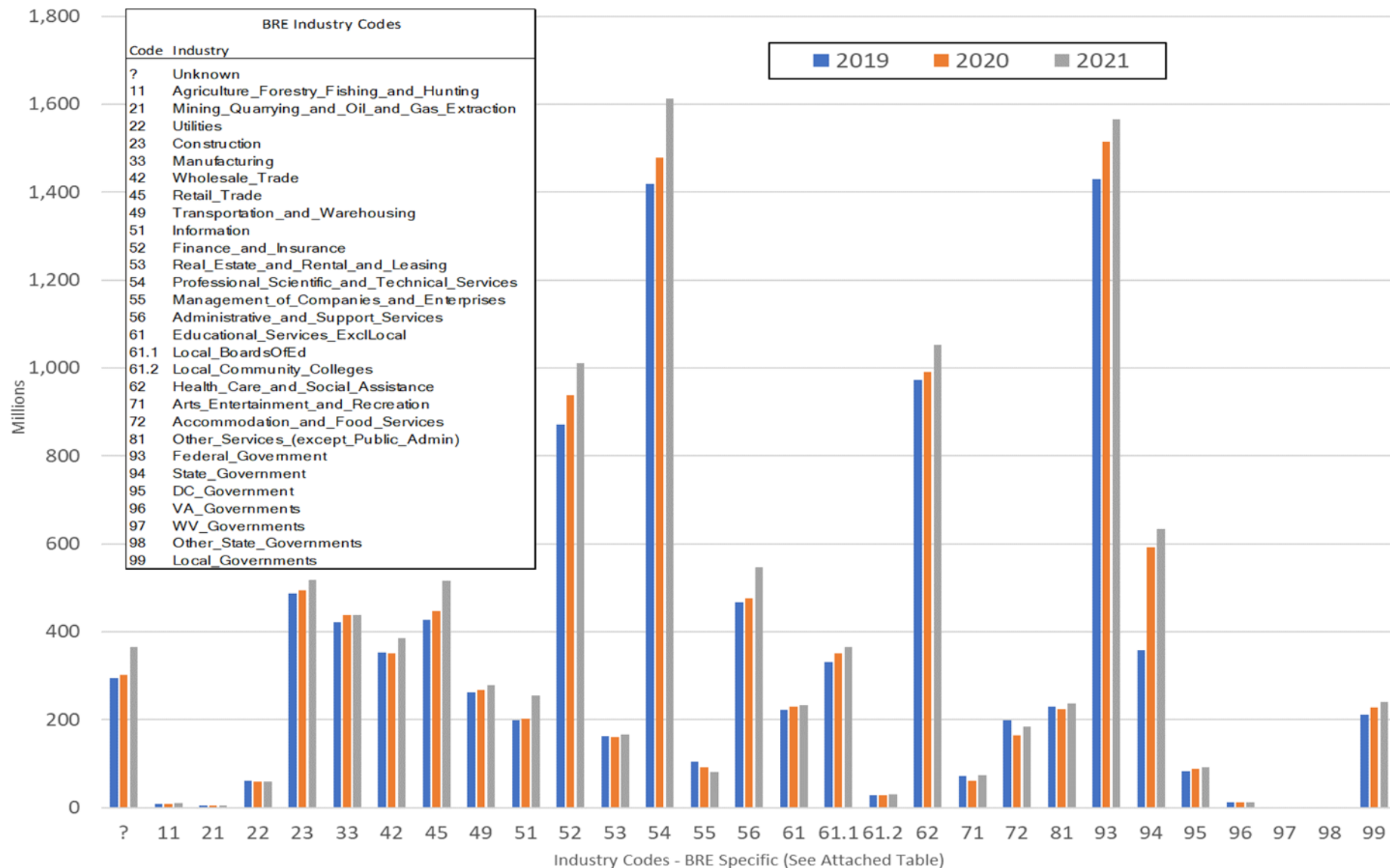


Net Wages & Salaries



Broad Based Wage Growth

January to August Cash Withholding By Industry

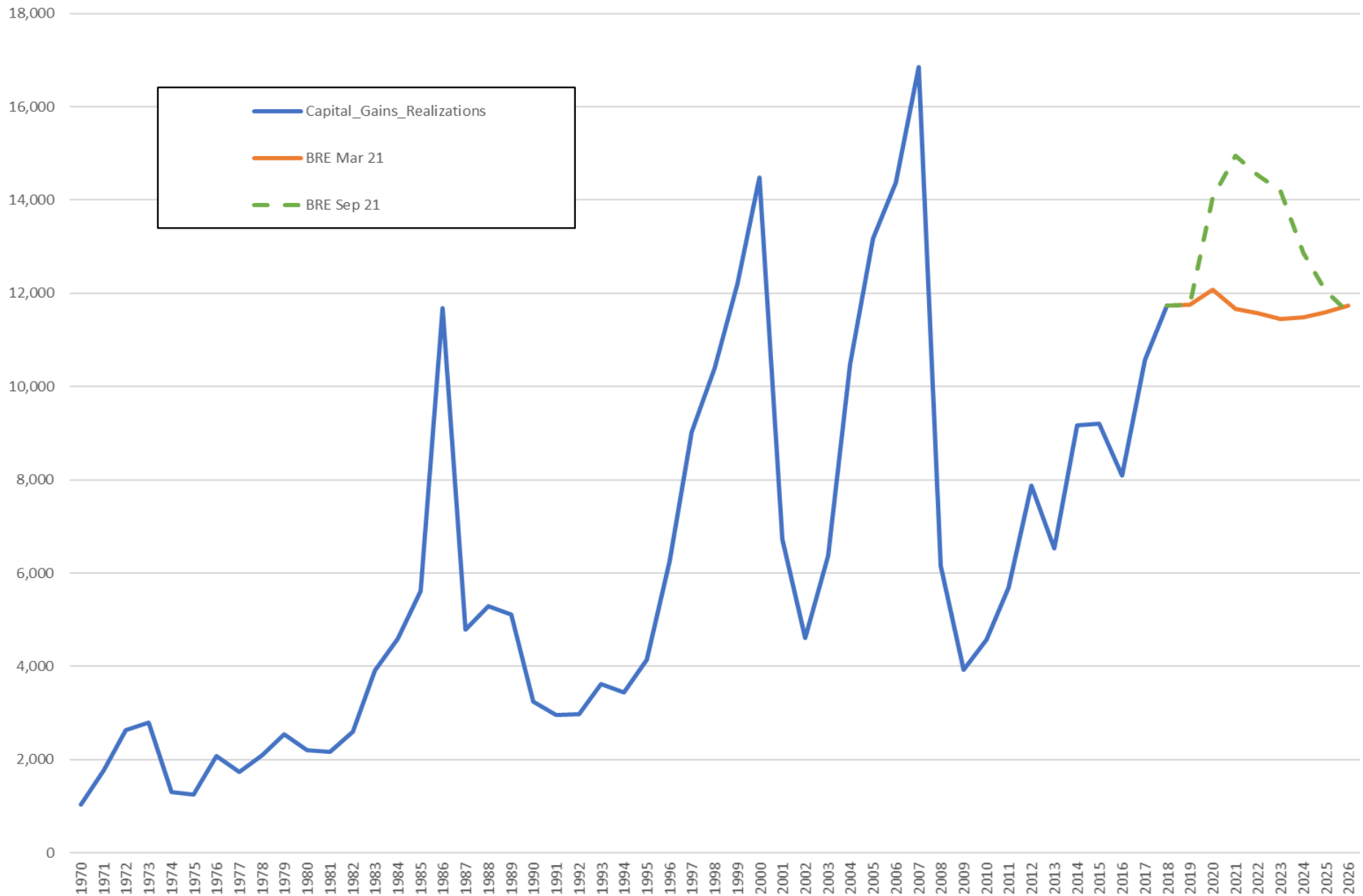


Capital Owners Doing Very Well

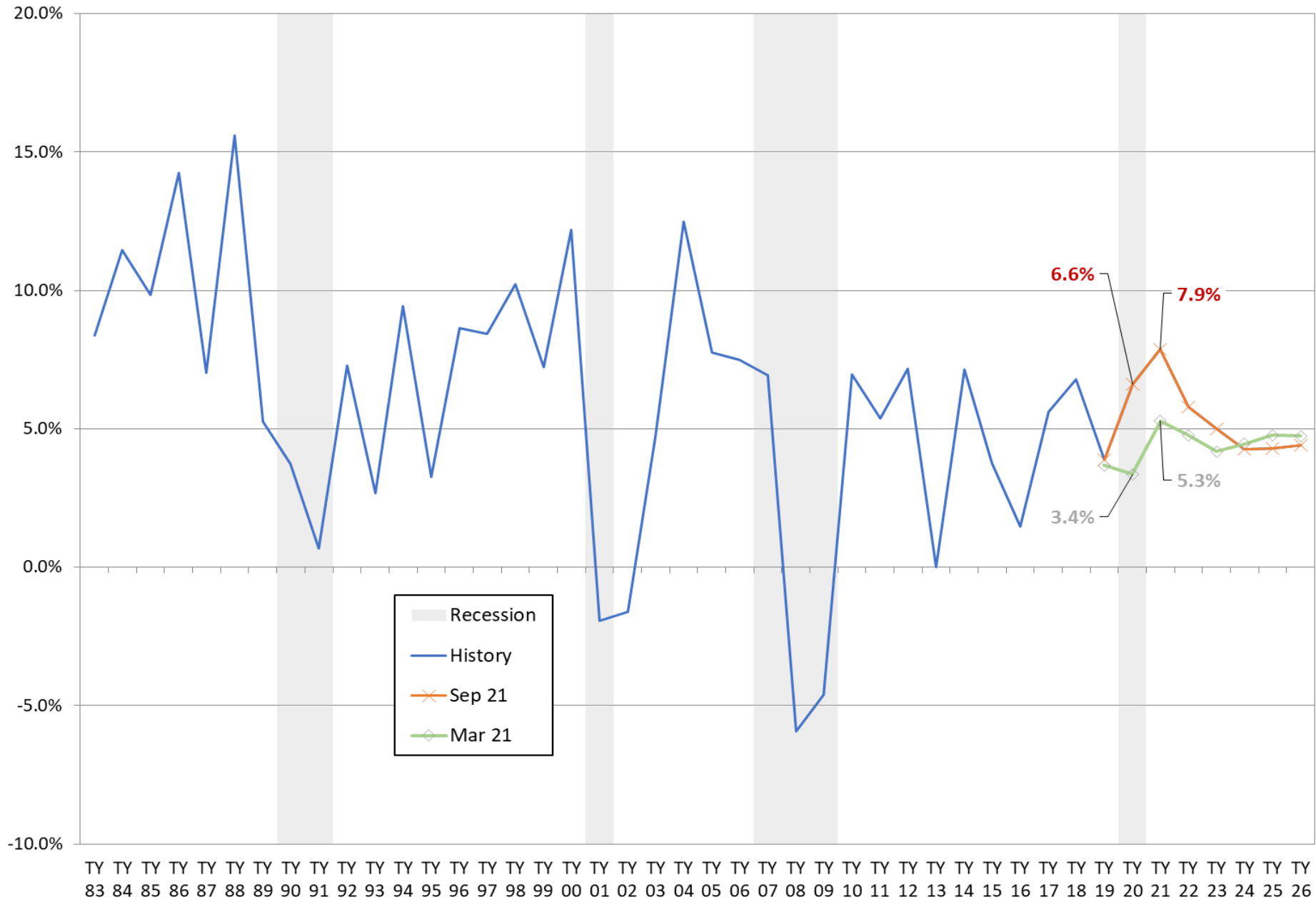
S&P 500



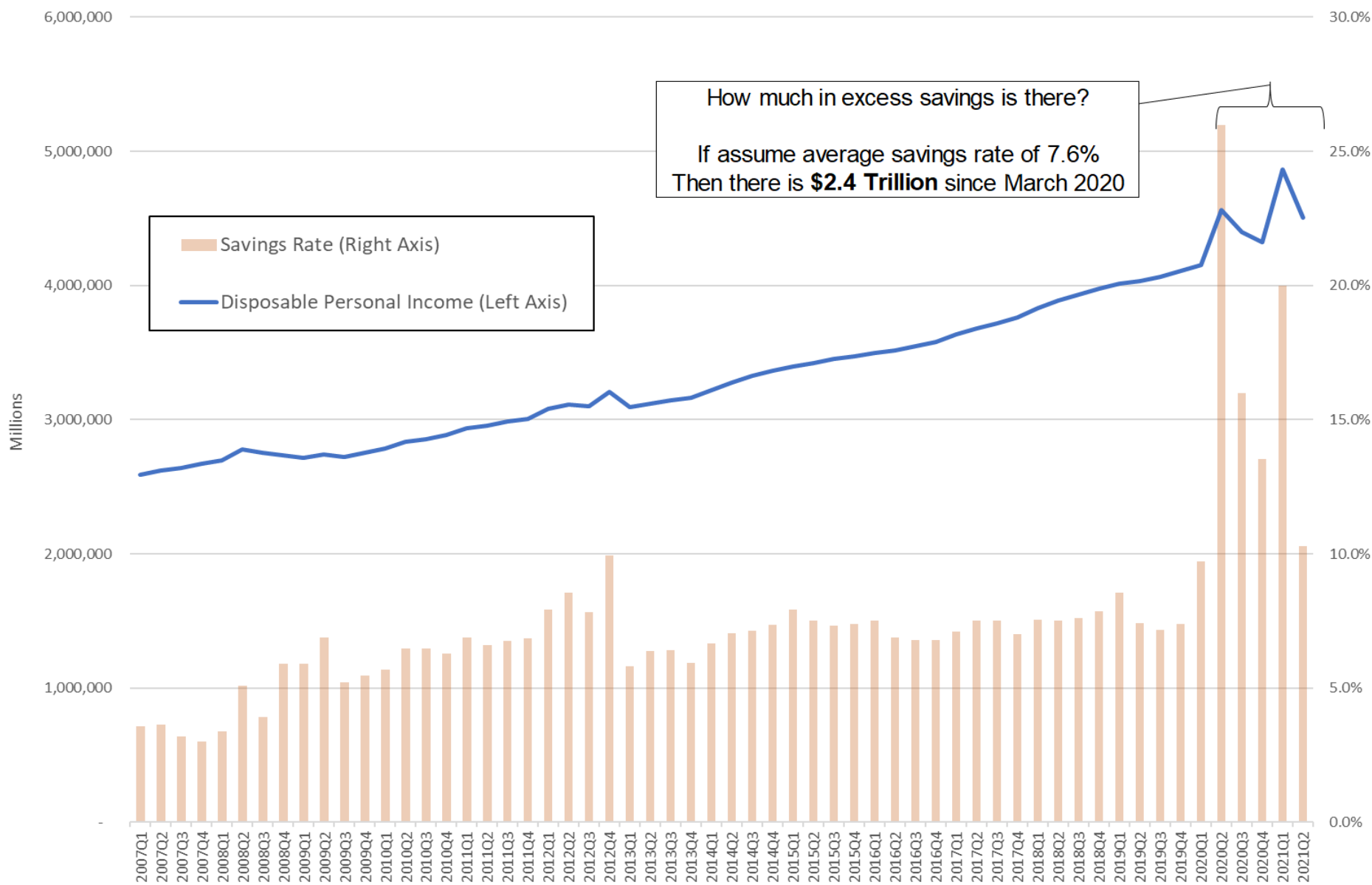
Maryland Capital Gains Dollars - Infl Adj - (In Millions)



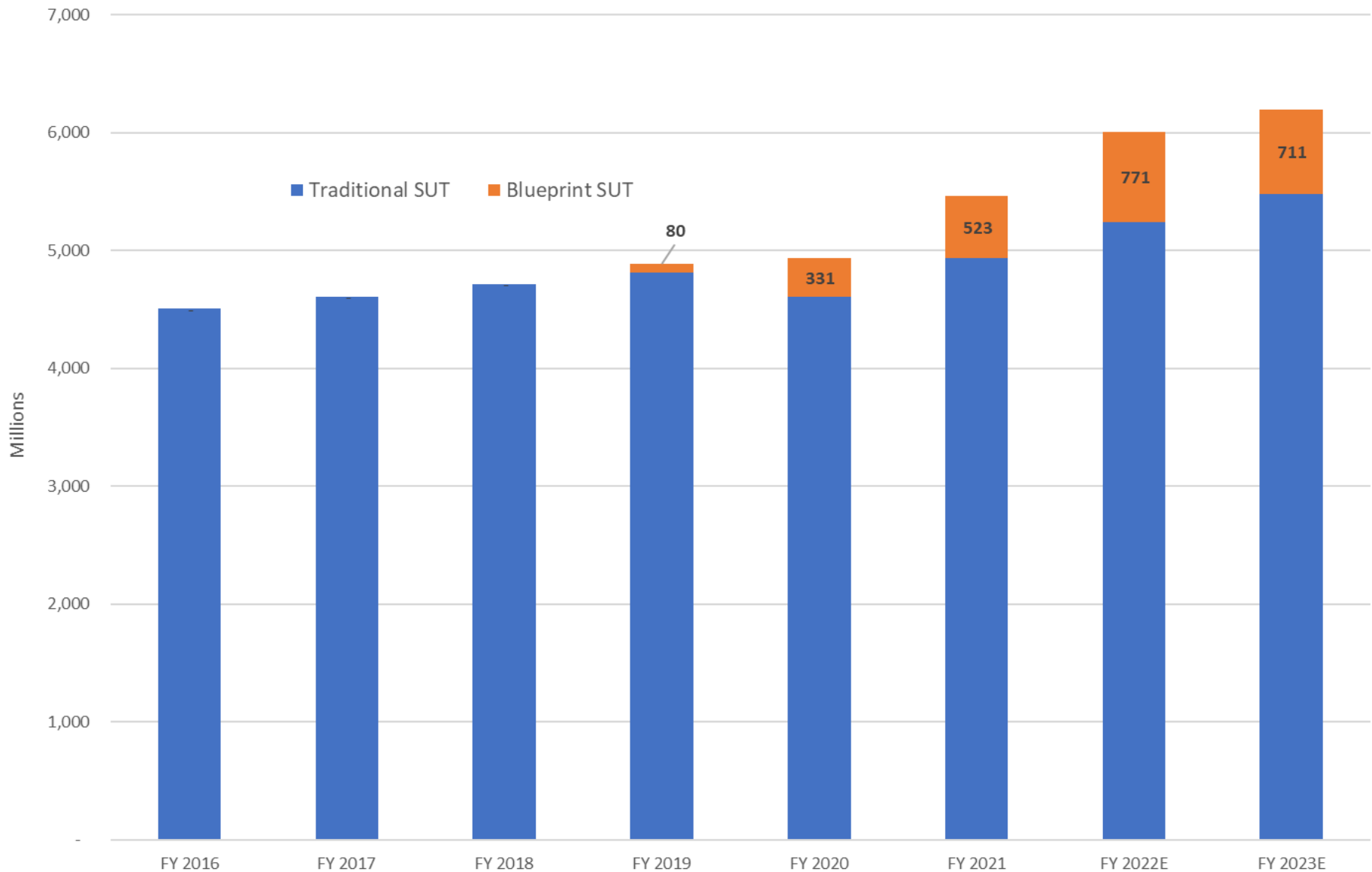
Estimate of Taxable Income - Baseline - Sep 2021 versus Mar 2021



National - Personal Income and Savings Rate



Sales Tax Gross Receipts - Traditional Versus Blueprint



Note: This does not reflect the Blueprint Distributions – Beginning in FY 2020, the first \$100M of Blueprint Receipts goes to the GF

Source: Comptroller of Maryland, Bureau of Revenue Estimates

COVID-19 – Not out of the woods yet

- The virus is constantly evolving
- School only just re-started
 - Any scares or larger outbreaks will sap the labor market
- Improvements in vaccination rates will improve the economy and revenues

Inflation – Mostly Transient, But a Watch Item

- Has been elevated in recent months
 - CPI Inflation
 - Year-Over-Year increases since April above 4%, above 5% since June
 - Partially explained by a low comparison period
 - Partially explained by supply constraints
 - Inflation from negative supply shocks is transitory
 - Price increases in headline grabbing products (e.g. lumber) appears to be abating
 - Durables driving price growth
 - Wage growth will put upward pressure on inflation

Long Term Growth Prospects

Never Bet on A Free Lunch

- Likely Muted
- Heavy Gov't borrowing should weight on long term growth prospects
 - Current BRE forecast calls for rates of growth similar to post-Great Recession
 - Will hope for better and adjust if a higher growth trend reveals itself
- Could be improved with real investments in meaningful infrastructure
- Could be improved with substantial investments in the underemployed working age population

Reasons For Revenue Optimism

- Broad Based Wage Growth
- Reordering of Labor Market
- Professional Maturation of Millennial Generation
- Strong Non-Wage Income Growth
- Pent-Up Demand Is Substantial and Able
- Shift to Online May Increase Efficiency & Productivity

Thank You

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