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News Release

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Board of Revenue Estimates Approves $1.4 Billion Increase from Special May Forecast

Comptroller Franchot urges caution as fiscal outlook remains extremely volatile

ANNAPOLIS, Md. (September 29, 2020) - The Board of Revenue Estimates unanimously voted today to approve revenue projections of $18.7 billion for Fiscal Year 2021 and $19.7 billion for Fiscal Year 2022.

The FY 2021 forecast reflects a $1.4 billion increase (and a $2.1 billion increase for FY 2022) from unofficial estimates that the Board heard at a special nonvoting session in May to better understand the State's fiscal posture and review several revenue scenarios in the midst of the COVID-19 pandemic.

"While it is tempting to view these numbers as indicators that our economy has avoided a worst-case scenario and we are on a path to recovery, it's critical to acknowledge that we remain in a period of extreme volatility as our state, our nation and our world continues to battle the COVID-19 pandemic," Comptroller Peter Franchot said.

Several factors drove the rosier-than-anticipated revenue estimates, including a labor market that held up better than initially feared and the success of federal programs — direct stimulus payments, the Paycheck Protection Program and the $600 federal weekly unemployment subsidy for more than one million Marylanders — that kept the economy flowing and staved off an economic catastrophe.

The FY 2021 estimate officially shows a $672.6 million revenue decrease since the Board of Revenue Estimates last formally voted on projections in March, which was based on pre-pandemic data.

Comptroller Franchot emphasized that the latest revenue figures demonstrate the need for a second round of federal aid and more assistance for small businesses in the fall and winter months, when flu season collides with a possible surge of COVID-19 cases and deaths, which may lead to a second economic shutdown.

The Comptroller also renewed his call for Governor Hogan to direct the $585 million fund balance from fiscal year 2020 to rescue small, locally-owned businesses that are struggling to keep the lights on due to the pandemic.

He further urged the Governor and the General Assembly to be cautious as they construct the Fiscal Year 2022 budget and weigh various policy programs for the upcoming legislative session.

"It is impossible to responsibly craft sound public policy when we don't know where the state is heading fiscally," Comptroller Franchot said.

Following are the Comptroller's remarks as prepared for delivery:

"First and foremost, I want to thank David Farkas, his team in the Bureau of Revenue Estimates, and the Revenue Monitoring Committee for the incredible work that they've done in formulating these estimates, under these tremendously difficult circumstances.

"Revenue forecasting is already a challenging and very consequential line of work that is often unfairly scrutinized by those that don't understand the painstaking efforts that go into the report we've just received.

"And doing so during an unprecedented public health, economic, and fiscal emergency is nearly impossible.

"The pace and manner in which our economy and our lives return to some semblance of normalcy will be determined by the progress we make in combatting the COVID-19 pandemic.

"And since we issued our May Fiscal Guidance, a lot has happened at the state and federal levels that have influenced our economic and fiscal health.

"And I have no doubt in my mind that these numbers will continue to evolve and fluctuate in the coming months heading up to our December Estimates.

"Revenue forecasting in a COVID world is like asking a weather forecaster to pinpoint the precise location where the tornado will hit.

"So I just want to once again, express my sincere gratitude to our BRE Staff the RMC for the great work they are doing under these extraordinary circumstances.

“Today, the Board of Revenue Estimates is being asked to approve Fiscal Year 2021 estimates totaling $18.7 billion and Fiscal Year 2022 estimates totaling $19.7 billion.

While some may view these higher-than-expected revenue projections as indicators that our economy is on the path to recovery.

“It is critical that we are clear-eyed about what factors contributed to these numbers, because we remain in a period of economic and fiscal volatility as our state, our nation, and our world continues to battle the COVID-19 pandemic.

“When compared to the May Fiscal Guidance that was issued by this Board with unanimous concurrence, this represents a $1.4 billion increase for Fiscal Year 2021 and a $2.1 billion increase for Fiscal Year 2022.

“And when compared to the March official estimates, today’s revenue projections represent a $672.6 million reduction for Fiscal Year 2021.

“It appears that the federal direct stimulus payments, the Paycheck Protection Program, and the $600 federal weekly unemployment subsidy worked as they were intended: they temporarily prevented what could’ve been a catastrophic economic crash.

“Absent the federal aid package that passed in the Spring to assist families, small businesses, and the more than 1.1 million Marylanders who have filed for unemployment, our experts believe that this revenue outlook would have been far worse.

“The revenue figures we are reporting today highlight the tremendous success of the federal stimulus programs and underscores the need for a second round as we head into a winter of public health and economic uncertainty.

“We need to not only infuse more federal financial assistance to our small businesses, unemployed citizens, and working families…but we need to rebuild both the confidence and purchasing power of the American consumer.

“Without a second stimulus package, we are taking a tremendous economic risk.

“The reality is we don’t know what awaits us in the coming months, as the flu season coincides with a deadly novel virus that continues to infect and kill Marylanders every day.

“We don’t know if a second economic shutdown will be necessary to prevent a resurgence in COVID cases.

“And if it is, and Congress fails to enact a second stimulus package, the worst case scenarios that we’ve been able to prevent from happening will most likely come to fruition.

“It’s important to note that despite the critical inflow of cash that small businesses received through PPP loans…

“With a few others receiving additional aid through state and local grant and loan programs.

“Our Sales and Use Tax revenues took a hit… amplifying the fact that so many of our small businesses have shuttered their doors for good.

“And so many more are struggling to keep the lights on as consumers remain wary to resume their in-person spending habits.

“We, as a state, quite literally cannot afford to see more of our small businesses shut down for good.

“And as we approach the fall and winter months – with all the looming public health and economic uncertainties on the horizon – we *must* immediately utilize our $585 million General Fund balance for a Small Business Rescue and Stimulus Program.

“Since the State of Emergency was declared back in March, I’ve talked with hundreds of small business owners…

“All of whom have pivoted their business models, adapted to ever-changing rules to ensure customer safety, employed creative strategies, and doing everything they can to stay in business.

“According to most credible forecasters, 50 to 80 percent of our restaurants are going to fail in the absence of real help…and we cannot and must not let that happen.

“And If the State of Maryland can pony up an $8.5 billion bid to entice Amazon to build its East Coast headquarters in our state…

“We can, should, and must invest our $585 million Fund balance to save these locally-owned businesses that have done so much for our state.

“Let’s be clear: it is these brick and mortar stores along our main streets — not the global corporate companies — that fuel our state’s economic success.

“It is our family-owned, local businesses — and not the corporate behemoths — that have deeply-rooted connections and relationships within our communities through the jobs they have created, the investments they have made, and the ecosystems of vendors and suppliers they support.

“And fortunately for us here in Maryland, we are in a fiscally strong position to provide much-needed aid to our small businesses without taking a penny from our state’s $1.2 billion Rainy Day fund.

“We can do it, and for the sake of our economy and our main streets, we must do it.

“So once again, as I have for the last six months, I renew my call to the Governor and the General Assembly to help our small businesses survive during this economic nightmare.

“In conclusion, I would like to once again emphasize that the revenue estimates we are approving today must not be interpreted as a sign that this economic downturn is soon coming to an end.

“And as I’ve stated several times now, we simply don’t know enough about what lies ahead in the coming months.

“We must continue to remain fiscally cautious as the Administration begins constructing the Fiscal Year 2022 budget, and as legislators consider various policy programs for the upcoming legislative session.

“It is impossible to responsibly craft sound public policy when we don’t know where the state is heading fiscally."

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