

News Release

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Comptroller Franchot's Statement on Updated Revenue Estimates

Despite uptick in revenues, Maryland's lowest wage earners and small businesses bearing the economic impact of COVID-19

ANNAPOLIS, Md. (December 11, 2020) - The Board of Revenue Estimates voted today to slightly increase the revenue projections for Fiscal Year 2021 by 0.3 percent to \$18.8 billion, representing a \$64 million increase from the September estimates. Additionally, the Board revised the projection for Fiscal Year 2022 to \$19.8 billion, representing a 0.7 percent, or \$143 million increase from the previous estimates.

While the figures approved today may seem positive overall, they also demonstrate that Maryland's lowest wage earners and small businesses continue to bear the brunt of the COVID-19 pandemic's economic impact.

The following is an excerpt of Comptroller Franchot's remarks, as prepared for delivery (view the PowerPoint presentation [here](#) and the revenue table [here](#)):

"We have hundreds of thousands of Marylanders who are unemployed and as of today are facing evictions, hunger, lack of medical care, and the end of relief payments through no fault of their own. In addition, tens of thousands of small businesses have permanently closed and tens of thousands more are hanging on by a thread.

"I join Governor Hogan, our Congressional Delegation, and leaders across our state in calling on Congress to pass a second stimulus before they adjourn for the year. But I also want the State of Maryland to step up and do the right thing in the form of a Maryland stimulus.

"I have identified \$1.5 billion in state reserves that could be spent immediately to prevent evictions, feed the hungry, provide medical care, and also support small businesses.

"We are entering the worst three months in Maryland's history because of the pandemic. The lives

and livelihoods of our friends and neighbors are at stake. And with the vaccine just right around the corner, we must remain aggressive in doing all we can not only to contain the virus, but to safeguard the financial security of working families and small businesses.

"That's why we need a one-time Maryland stimulus plan to protect our citizens and our economy now. Tomorrow is too late and thousands of Marylanders across our state are looking to us – their leaders in state government – for action. We can't let them down."

The increases in revenue estimates are due to higher-than-expected sales tax revenue and higher capital gains from an unexpectedly strong stock market this fall. The multi-billion-dollar federal stimulus program shifted Maryland consumers from spending money on untaxed services to taxable goods like appliances and outdoor-related items that helped keep families busy while staying close to home during the warmer weather.

“The write-up also reflects the strong bones of our state’s economy and our ability to weather tough times,” said Andrew Schaufele, the board's executive secretary.

“Furthermore, our data shows that just during the second quarter of 2020, when compared to the same time period in 2019, big businesses - measured by sales tax that represent our top 0.1 percent or just 61 businesses - are reporting an increase of 32 percent in sales," he said. "Our smaller businesses - or 99.1 percent of our state’s businesses - are seeing drops in receipts of about 11 percent on average. This shows that big businesses are benefiting tremendously from the economic shut down, while our smaller businesses are suffering. In fact, also during this same time period, the State of Maryland lost 11,634 sales tax accounts.”

More than 1.1 million Marylanders have filed for unemployment since this pandemic began and many of these employees worked in the hospitality sector, which in normal times, employs hundreds of thousands of Marylanders.

The federal CARES Act provided an additional 13 weeks of available unemployment insurance; however, that extension is set to expire next week for most who filed early in the pandemic.

A report released earlier this week by the National Restaurant Association states 17 percent of restaurants—more than 110,000 establishments—are closed permanently or long-term.

Maryland has more than 170,000 small businesses across our state, and the Comptroller estimates about 30,000 have either closed or will close their doors permanently due to the pandemic.

"It is important to note that even though we are writing up our estimates today, the budget is negatively impacted by the COVID recession," said Mr. Schaufele, who also serves as director of the Bureau of Revenue Estimates, which analyzed economic data and prepared today's report for the Board.

There have been several iterations of revenue estimates modeling the impact of COVID. The best comparison for the actual effect is to compare today's estimates to the Board's last meeting, pre-COVID, which was in March 2020. At that meeting, the Board formally adopted estimates for the budget during the 2020 General Assembly. In comparison to the approved budget, the current fiscal year -- Fiscal Year 2021 -- is down \$608.8 million and Fiscal Year 2022, which begins July 1, is down \$312.2 million.

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