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News Release

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Alternative Fiscal Forecast Shows Sagging Revenues if Labor Market Recovery Slows

Board of Revenue Estimates sought alternative fiscal guidance; Volatility underscores uncertainty and need for second stimulus

ANNAPOLIS, Md. (October 9, 2020) - The Bureau of Revenue Estimates today released alternative fiscal guidance showing the impact that a slower-than-anticipated labor market recovery would have on official projections unanimously approved last week.

The alternative forecast, compiled at the request of the Board of Revenue Estimates in recognition of unprecedented economic uncertainty, is $717.6 million lower than the official estimate for Fiscal Year 2021 and $968.8 million lower for Fiscal Year 2022. It assumes a stalled labor market recovery through the end of the fiscal year (June 2021) and a lethargic pace of growth for several years thereafter.

"This is yet another indication that our economy remains extremely unstable and we can't get too excited about the positive signs we received at last week's meeting," said Comptroller Peter Franchot, who chairs the Board of Revenue Estimates. "If anything, the unpredictable pace of a labor market recovery underscores the need for a second federal stimulus program that would provide relief to individuals and small businesses, and prevent an economic catastrophe."

The Board's official September forecast showed a $672.6 million revenue decrease from the March projections that was based on pre-pandemic data, but it reflected a $1.4 billion increase for FY 2021 and a $2.1 billion increase for FY2022 from fiscal guidance presented in May that offered more realistic revenue scenarios in the COVID-19 environment.

The labor market is key to State revenues as it directly impacts income tax withholding and sales tax, the two largest sources of State tax revenue. The alternative forecast, like the officially adopted one, assumes passage of a federal stimulus and that any resurgence of COVID-19 cases during the fall and winter months does not eclipse the national peak set in July. If federal assistance does not materialize or if the second wave of COVID-19 is more significant, these numbers will look considerably worse.

By the time the Board of Revenue Estimates next meets in December, forecasters should have a better feel for the status of a second stimulus program, the outcome of the presidential election, the seasonal impact on the number of COVID-19 cases and several more months of labor market data to more accurately predict the pace of recovery.

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