PETER FRANCHOT
Comptroller of Maryland

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News Release

Board of Revenue Estimates Approves Another $1 Billion Write-Up for Fiscal Years 2022, 2023

Unprecedented growth in income and sales tax revenues fueled by federal aid continues to drive up projections

ANNAPOLIS, Md. (December 14, 2021) – The Maryland Board of Revenue Estimates voted today to once again increase the revenue projections for Fiscal Year 2022 to $21.6 billion, representing a $495 million increase from the September estimates.

Additionally, the Board, which consists of Comptroller Peter Franchot, Treasurer Nancy Kopp and Budget Secretary David Brinkley, adjusted the official revenue forecast for Fiscal Year 2023 upwards by $543 million to $22.8 billion.

The bulk of the increase is attributable to income tax collections from tax year 2020, as well as higher sales tax receipts and growth in tobacco tax revenues.

Maryland is still feeling the positive effects of federal relief aid flowing into and through the economy, explained Andrew Schaufele, the Board's executive secretary. While he said this economic growth is relatively sustainable, there are likely to be some future hiccups with course corrections to capital gains and business income and likely stock market declines at some point in the future.

This latest revision follows the Board's actions in September writing up Fiscal Year 2022 revenues by $995 million and predicting an additional $1.37 billion in revenues for Fiscal Year 2023. That came days after Maryland closed the books on Fiscal Year 2021 with a $2.5 billion general fund balance. All told, it means state budget writers and policymakers have roughly $6 billion in unanticipated revenue as they construct the FY 2023 state budget.

Today's BRE meeting was the last for Treasurer Kopp, who is retiring after nearly 20 years in the position. It also marked the last meeting for Mr. Schaufele, who will become Deputy Comptroller in January following the departure of Sharonne Bonardi

The following is an excerpt of Comptroller Franchot's remarks, as prepared for delivery:

"Before we begin, I want to first note this is the last Board of Revenue Estimates meeting with my longtime friend and colleague, Nancy Kopp.

"Our friendship started 30 years ago, when we were both in the Maryland General Assembly.

"And for the past 15 years, we have served together as watchful stewards of Maryland's finances on this critically important body, on the Board of Public Works, and the State Retirement Agency Board of Trustees.

"While this moment is bittersweet to me personally, I know your work the past 46 years in public service as a legislator and state treasurer has made Maryland a better place.

"And your impact on Maryland's communities and people will be felt generations from now.

"I know we still have a Board of Public Works meeting together on Wednesday, but Madam Treasurer, it's been an honor serving alongside you.

"I wish you and Robert the very best.

"This is also Andy's last presentation as director of the Board of Revenue Estimates before he becomes the agency's Deputy Comptroller.

"During his time as director of the Bureau of Revenue Estimates, Andy has built the trust and admiration of colleagues, legislators and stakeholders by working tirelessly to develop precise revenue estimates, accurate fiscal notes and other important economic reports.

"Andy, I would like to thank you and the entire BRE staff, along with the Revenue Monitoring Committee, for their thorough work in drawing up these estimates today and over the years.

"Preparing these estimates is never easy, but your professionalism and expertise allow us to make responsible, tough decisions that strengthen our economy, ensure our long-term growth and safeguard the people of Maryland.

"The COVID-19 pandemic has made revenue forecasting incredibly tough, but you and your staff continue to do a tremendous job.

"I thank you for the incredible work that you do to prepare these reports and everything you've done as director of the Board of Revenue Estimates.

"As Mr. Schaufele noted in his report today, this Board is being asked to approve recommendations that would increase our September 2021 revenue projections for Fiscal Year 2022 to ***$ 21.6 billion*** *– representing an increase of* ***$495.2 million****.*

*"Additionally, we are revising our September estimate for Fiscal Year 2023 to **$22.8 billion**, an increase of **$542.6 million** from our previous estimates.*

"These are tremendous numbers, which have been prompted by the record amounts of federal stimulus Maryland has received.

"And strategic decisions made by government, including my office's decision to delay the tax filing deadline for two consecutive years…

"Which allowed tens of thousands of small businesses to keep as much money in their pockets and weather through the economic storm.

"While this report reflects our state's overall economic recovery, as always, the devil is in the details.

"We know that so many of our fellow Marylanders, and thousands of small businesses, continue to struggle and still feel the economic consequences of this pandemic.

"As Mr. Schaufele noted in his report, today's numbers have been adjusted to include several factors that have occurred in the past few months.

"The state's economy continues to benefit greatly from recent federal stimulus money and its effects on Marylanders.

"Today's report is good news for the state's bottom line and underscores the strong bones of our state's economy and our overall ability to plan and protect ourselves from hard times.

"However, today's report of good economic news does not represent the experience for many Maryland families.

"While our overall economy is improving, many of our fellow Marylanders - especially our lowest wage earners – continue to suffer from the effects of this economic downturn.

"The consequences of this pandemic have only highlighted the economic divide, which existed before COVID-19 forced our economy to shut down …

"And for so many of our friends and neighbors who are in low-wage jobs, they continue to suffer from the devastation of this pandemic.

"We are still down an estimated 91,000 jobs statewide from where we were pre-pandemic, with more than a third of that group coming from our food service and accommodations industry.

"My experts estimate that 40,000 small businesses shuttered their doors for good since the start of the pandemic.

"That is far too many people who are still trying to figure out how to keep a roof over their head or how to feed their children.

"As we build back better, we cannot forget these people.

"Through today's report, the September estimates, and the FY 2022 close out, the State of Maryland is in an unprecedented fiscal situation: we have nearly $6 billion in unexpected revenue.

"While the **Maryland RELIEF Act from February** *and expanded* **Earned Income Tax Credits** *were a good start, we can and must do much more.*

"No one asked for my opinion, but let me offer my $0.02 on how this once-in-a-lifetime excess in revenue should be spent.

"First, we should take half of our surplus and deposit it into the Rainy Day Fund.

"The difficult and painful decisions we've had to make in the last year underscore the need for us to have a robust Rainy Day Fund.

"Parts of the sugar high we have experienced with the influx of federal dollars and the revenue surpluses triggered may prove temporary… and we must prepare for the next economic downturn, because that day will come again.

"Second, with tens of thousands of our friends and neighbors continuing to struggle – many of them low-wage workers – we are in a strong financial position to offer a second round of economic survival payments… this time $2,000 payments.

"These payments not only serve as a critical, much-needed financial lifeline, but a effective economic multiplier.

"We can, we should, and we must do that immediately. My office stands ready to once again immediately disburse these payments to the Marylanders who need this help the most.

"Third, we should explore an aid package to businesses in industries that continue to experience challenges in recovering, or businesses that closed down during COVID but are looking to re-open.

"In particular, we need to pay a special focus on our MBEs and WBEs who bore the brunt of the economic consequences from COVID.

"Fourth, our child care providers have been among the hardest hit businesses during this pandemic.

"They've been unsung heroes during this emergency and over 500 of our child care facilities have permanently closed…

"Due in large part to the government's failure to disburse much-needed aid in a timely and efficient fashion.

"Without access to affordable and reliable child care, our economy cannot flourish and our recovery will be prolonged.

"We can and should devote a portion of this historic surplus to provide immediate relief to our child care operators, and identify and codify additional measures to streamline operations…

remove unnecessary bureaucratic hurdles… and even consider establishing a separate, stand-alone agency to oversee childcare facilities.

"Now all of this may sound like a very expensive wish list from the state's chief fiscal officer, but there is plenty more money left for the Governor and the General Assembly to invest in programs and services they see fit.

"What I'm focused on right now is our low-wage earners, our small businesses, and child care – because without them, not everyone can enjoy the economic prosperity that the top 50% are experiencing… evidenced by today's report.

"If we work together, we can quickly put money into the hands of people who need it most.

"We can also restore people's faith in a government, which has colossally failed many of them with delayed payments and excessive paperwork.

"Today's report allows us to be confident about Maryland's overall fiscal picture for next two years, but we should still exercise caution.

"The pandemic and everything that it has brought with it has shown us that even smart planning and projections can change in an instant.

"Our state's greatest strength is its people, and I believe we should invest in them, and take precautions to ensure we can continue to invest in them even when we hit hard times."

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