

News Release

Board of Revenue Estimates Approves Nearly \$1 Billion Write-Up for FY 2022

Comptroller Franchot urges fiscal restraint, reform in systems to get critical funds to those who need it most

ANNAPOLIS, Md. (September 30, 2021) – The Maryland Board of Revenue Estimates voted today to dramatically [increase the revenue projections for Fiscal Year 2022](#) by 5 percent to \$21.1 billion, representing a \$995 million increase from the March estimates.

Additionally, the Board, which consists of Comptroller Peter Franchot, Treasurer Nancy Kopp and Budget Secretary David Brinkley, set the first official revenue forecast for Fiscal Year 2023 at \$22.2 billion.

Higher-than-expected collections in both the individual and corporate income tax are driving factors in the revenue write-up, while sales tax revenues also have risen sharply since the Board's last revision in March.

[Andrew Schaufele, the Board's executive secretary, explained](#) that \$4.7 trillion in federal relief aid saved the nation from a deep recession and will likely permanently elevate the State's tax revenue base, even if the direct federal money is not recurring. That's largely due to wage growth across all industries that will raise personal income tax collections, as well as nonwage income growth.

Coupled with the announcement earlier this week that [Maryland ended Fiscal Year 2021 with a \\$2.5 billion general fund balance](#), the \$995 million write-up for FY 2022 and an additional \$1.37 billion in estimated revenues for Fiscal Year 2023 than was previously forecast means state budget writers and policymakers have close to \$5 billion in unanticipated revenue as they begin constructing the FY 2023 state budget.

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

delivery:

"I appreciate the challenges in preparing these reports, especially when incorporating unforeseen factors such as the influx of the federal stimulus money, the continued effects of the pandemic, and much more.

"As Mr. Schaufele noted in his report, this Board is being asked to approve recommendations that would increase our March 2021 revenue projections for Fiscal Year 2022 to \$21.1 billion, an increase of \$995 million.

"Additionally, we will be voting on the first official estimates for Fiscal Year 2023, which is projected to be \$22.2 billion. That, also, is \$1.37 billion more than Andy and his team had previously forecast.

"These estimates factor in the broad expansion of income and spending due to the federal stimulus.

"These stimulus payments, both at the state and federal level, did exactly what they were supposed to do – they stimulated spending and increased consumerism, which, in turn, led to strong sales tax numbers.

"But we also saw better-than-expected numbers in wage gains.

"Corporate sales tax numbers are also higher than projected and serve as a positive sign that bigger businesses were able to sustain or expand, even in the face of the pandemic.

"The influx of federal pandemic relief funding provided much-needed help across our state.

"It allowed Maryland to survive a major economic downturn from the pandemic.

"And we still have yet to see the full impact of the stimulus on our economy.

"Reasonable estimates put excess COVID-era saving levels at a historical high of \$2.4 trillion nationwide. This means there is still money from the stimulus waiting to be spent by consumers and that hasn't even impacted our bottom line yet.

"The leaders of the State of Maryland are now presented with a unique and rare opportunity to show our citizens what our financial priorities are, but first, we must put in place the delivery methods that ensure these funds are going to Marylanders who need the help the most and are not landing in the hands of fraudsters – something the state has not done well during the pandemic.

"The numbers in today's forecast report and yesterday's news of a massive \$2.5 billion fund balance present us with a unique, once-in-a-generation opportunity.

"All told, it means state budget writers and policymakers have nearly \$5 billion in unanticipated revenue as they begin constructing the FY 2023 budget.

"Maryland now has a level of financial flexibility we have not experienced in decades.

"The fund balance and projected revenues give us an opportunity to invest in our state's most valuable resource: its residents.

"As this budget surplus proves, their strength is Maryland's strength. The more stable their wages,

the more robust their savings, the greater their ability to spend as consumers, then the greater our revenues year after year.

“The bottom third of wage earners deserve the freedom from want and insecurity that the top two-thirds of wage earners have demonstrated, and by achieving that, they too can fuel the financial strength of our state just as the top two-thirds of our wage earners do now.

“Let’s get this right and first fix broken systems that have delayed unemployment benefits, rental assistance, child care provider payments and more.

“Let’s prevent the economic free fall many still fear today, and create the foundation for the economic stability we can foster tomorrow, and in the years ahead.

“It’s not enough to say we put money into these programs. We must be able to say we put the money in the hands of those who truly needed it, and gave them a ladder to the prosperity they are capable of attaining with a truly level playing field.

“We also must fortify Maryland’s Rainy Day Fund, which currently sits at \$631 million.

“The FY 22 budget already plans to bring this up to \$1.4 billion, but I recommend we divert even more to bolster that fund now that our projected revenues are higher.

“There is potential for us to do a lot of good for a lot of people. But we must do it right.

“While there are many positive takeaways from this report, it would be foolhardy to assume Maryland’s economy is even close to fully recovered.

“As Mr. Schaufele noted in his report, today’s numbers have been adjusted to include several factors that have occurred over the past several months and there is still much we cannot predict.

“Having a \$2.5 billion balance in the State’s General Fund does not mean all Marylanders are doing fine now.

“Actually, it only serves as a reminder of how there are in fact, two Marylands.

“There’s a part of Maryland, which is about two-thirds of our population, where employees can work remotely, invest their wealth in the markets, and run businesses successfully.

“But there’s another third – thousands of Maryland families – who continue to suffer financial hardship through no fault of their own.

“Unemployment benefits are expiring for those who lost their jobs and have been unable to find new positions. With the moratorium lifted, tens of thousands of Marylanders are facing eviction from their homes.

“Yes, the state has reduced unemployment numbers from 14 percent to 6 percent, but that is still far too many of our fellow Marylanders without jobs.

“The backbone of our economy is our family-owned, mom and pop businesses located in the hearts of our communities.

“Many of these businesses were unable to access federal relief funds and are still struggling or

tragically, are now gone forever.

“If we can invest some of these funds into stabilizing these businesses, our state’s financial economic footing will strengthen alongside these hard-working small business owners.

“Today’s report may allow us to be confident about Maryland’s overall fiscal picture for the next two years, but our long-term future remains uncertain.

“This forecast assumes the federal government will pass the budget today and a debt ceiling increase this fall.

“The biggest lesson this pandemic has taught us is months, and even years, of careful analysis and planning can change in an instant.

“Although this report gives us a level of security we have not felt in more than a year, it would remain wise to not assume we have a clear path back to prosperity.

“No one can predict the next recession, no one knows the long-term effect of heightened levels of federal debt, or how inflation will factor into our economic projections.

“We must also remind ourselves we are still dealing with an unpredictable pandemic.

“We must continue to be smart with our money because this “sugar high” from federal dollars will eventually wear off.

“And if we do not prepare for long-term success, we will fail the State of Maryland and its taxpayers.”

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