PETER FRANCHOT
Comptroller of Maryland

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News Release

Board of Revenue Estimates Approves Modest Adjustments to Current, Future Forecasts

Economic uncertainty remains as risk of recession lingers

ANNAPOLIS, Md. (December 15, 2022) — In the final meeting for two of its three members, the Maryland Board of Revenue Estimates (BRE) voted today to increase state revenue projections for Fiscal Year 2023 to $23.74 billion, an uptick of $55.8 million that represents less than one-quarter of 1 percent of annual revenues.

The Board, which consists of Comptroller Peter Franchot, Treasurer Dereck Davis and Budget Secretary David Brinkley, also lowered revenue projections for Fiscal Year 2024 to $25.1 billion, a decrease of $166.8 million from the forecast approved in September.

The slight increase for the current fiscal year shows that revenue collections are generally performing as expected since September's report, which took a more conservative approach. The more substantial reduction for FY 2024 reflects a decrease in capital gains income and unchanged projections in withholding, sales and use, and corporate income taxes, three of the state's biggest revenue sources.

"It's a stark reminder that the days of counting on federal stimulus money have come and gone; an economic slowdown is here," said Franchot, after the official forecast was presented by Bureau of Revenue Estimates Director Robert Rehrmann.

In his last BRE meeting before leaving office next month, the Comptroller urged political leaders to be fiscally prudent with the expectation that tough times lie ahead and to let history be a guide for navigating turbulent periods.

"Our fiscal and economic policies must be consistently focused on supporting working families, low-income residents and small businesses," said Franchot, who has served 16 years as Comptroller after being in the House of Delegates for 20 years.

It also marked the final meeting for Brinkley, who served as the state's budget chief for the entirety of Gov. Larry Hogan's two terms.

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

"As always, on behalf of my colleagues, Treasurer Davis and Secretary Brinkley, I would like to start by thanking Director Rehrmann for his outstanding work in preparing this exceptional report.

"I would also like to thank the entire BRE staff, along with the Revenue Monitoring Committee, for their hard work in drawing up these estimates.

"Creating these reports is challenging and the economic unpredictability of the pandemic has made it harder, but your professionalism and expertise allow us to make smart decisions that strengthen our economy, ensure our long-term growth and safeguard the people of Maryland.

"Thank you for the incredible work that you do to prepare these reports.

"As Mr. Rehrmann noted in his report, this Board is being asked to approve recommendations that would increase our September 2022 revenue projections for Fiscal Year 2023 to $23.7 billion, an increase of $55.8 million.

"Additionally, we are revising our official estimates for Fiscal Year 2024, which is now projected to be $25.1 billion, a decrease of $166.8 million.

"Our year-to-date revenue is performing as we expected since September's report, which anticipated more normal growth rates relative to the unusually strong recent growth due to federal pandemic assistance.

"I will note the Board of Revenue Estimates' conservative approach with September's projection helped minimize the impact of today's lowered economic forecast.

"I will also point out the change in our Fiscal Year 2024 projection reflects a decrease in capital gains income, something we anticipated in September.

"The fact that our withholding, sales & use and corporate income taxes projections remain unchanged from September only reinforces the need for us to be prudent going forward.

"Today's report tells us that while we continue to see the benefit from federal stimulus payments, that impact continues to fade.

"It's a stark reminder that the days of counting on federal stimulus money have come and gone; an economic slowdown is here.

"While we are not seeing it overall on the state level right now, many people across our state are experiencing financial hardships.

"While gas prices have thankfully gone down recently, the Federal Reserve continues to raise interest rates to combat inflation.

"But those rising inflation costs are squeezing the budgets of thousands of Marylanders, with many being forced to dip into their savings and take on more debt to make ends meet.

"Today's report shows that Maryland's overall fiscal health remains strong, but it's time to prepare for a most austere future.

"We should use the information provided to us today as crucial reminder to be cautious:

"As economic gravity grows stronger, it pulls us all further away from the prosperity we've had these past few years.

"With inflation rates continuing to rise and other factors looming, we must remain cautious with Maryland taxpayers' money.

"That is why it is critical for our new state leaders to take the information in this report to make informed decisions on the state's budget and long-term fiscal health.

"And if my colleagues would indulge me for a few moments, I'd like to just offer some remarks as I close out my 36 years of public service – more specifically 16 years as comptroller.

"First, let me say that it has been an absolute pleasure to work with my colleagues, Treasurer Davis and Secretary Brinkley, and their predecessors, Treasurer Kopp and Secretary Foster, on this Board, as well as the incredibly professional and competent staff at the Bureau of Revenue Estimates.

"The nonpartisan, collaborative approach we have consistently utilized to guide the crucial work of this Board has been a tremendous benefit for the people of Maryland.

"Throughout my tenure as the state's chief fiscal officer, I've seen our economic and fiscal health deteriorate and mount comebacks. I've seen steep budget cuts and unprecedented budget surpluses. And I've seen periods of job growth and job losses.

"I can't emphasize enough the importance of heeding the lessons of the past, and letting history guide the decisions of the future.

Our fiscal and economic policies must be consistently focused on supporting working families, low-income residents, and small businesses, as time and again, they are disproportionately the hardest hit by any economic downturn and are most impacted by budget reductions sometimes necessitated by these conditions.

"Leaders must continue to be very deliberate about new taxes enacted, and think thoughtfully about our state's tax and business reputation across the country.

"Future administrations and legislatures must insist on getting desired results and outcomes for the investments that we make in public programs and services, and demand transparency and accountability in how these taxpayer dollars are being expended.

"While the business of revenue forecasting is a complex, scientific form of art, it is, in a way, predictable.

"For example, we knew that the billions of dollars in revenue surpluses triggered by federal COVID spending will come to an end. And as today's revenue forecasts demonstrate, that time has come.

"We know that Maryland, given our tax base, is particularly impacted by volatility in our financial markets.

"And we know that our low-wage earners continue to experience minimal to stagnant growth in their incomes and wealth.

"While our state's economic and fiscal health will undoubtedly face challenges ahead, opportunities also await.

"I wish our incoming governor, comptroller, attorney general, and legislature the very best as they lead our state forward.

"And I, like all Marylanders, look forward to their leadership and the great work they will do for our great state."

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