PETER FRANCHOT
Comptroller of Maryland

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News Release

MEDIA CONTACTS: **SUSAN O'BRIEN:** MOBILE - 443-875-8540
ALAN BRODY: MOBILE - 443-924-1473

Comptroller Provides Updated Revenue Forecast in Light of COVID-19

Current shortfall projected to be $2.8 billion for Fiscal Year 2020

ANNAPOLIS, Md. (April 10, 2020) - To provide Maryland's fiscal leaders with an assessment of the state's current revenue forecast due to the COVID-19 pandemic, Comptroller Peter Franchot and Bureau of Revenue Estimates (BRE) Director Andrew Schaufele today outlined a potential shortfall of approximately $2.8 billion during the final quarter of Fiscal Year 2020, which ends June 30. The economic impact to the state's business community and working families represents a loss of nearly 15 percent to the state's annual general fund.

The following are Comptroller Franchot's remarks, as prepared for delivery during a virtual press briefing held via Facebook Live:

"Before we discuss the economic impact, I must salute the steady leadership of Governor Hogan and his focus on ensuring that Maryland has the resources and support it needs to save lives and stop the spread of this deadly virus.

"As Maryland's chief fiscal officer, I have -- for the entire duration of my tenure as Comptroller -- repeatedly sounded the alarms on the need for our State to put away as much money possible to help us weather fiscal and economic storms that may come our way. The storm has finally arrived, and it is stronger and more devastating than we've ever seen before. Thousands of businesses have had to close their doors, and hundreds of thousands of Marylanders now find themselves without a job.

"The loss of jobs is unprecedented. In just three weeks, 240,000 Marylanders have filed unemployment claims. That's a staggering figure, yet it doesn't begin to take into account the impact on families who depend on those salaries to put food on the table and to provide shelter, heat and electricity. They are left to make difficult choices of which bills to pay as they await unemployment funds and stimulus checks.

"We're seeing levels of unemployment, both here in Maryland and nationally, that will far exceed those of the Great Recession more than a decade ago. Just yesterday, our Labor Department announced that another 108,508 people filed new unemployment claims in Maryland last week. To put this in perspective, the Labor Department reported just 2,090 filings for the week that ended on March 6. Meaning that in just under a month, our state's new unemployment filings have increased by nearly 5,200 percent.

"Those numbers, as unfathomable as they are, do not reflect those who have been unable to file for unemployment, despite their repeated attempts to do so, simply because the system – like those across the entire country – is simply overwhelmed.

"They also do not take into account those who are still technically employed, but have had their hours, wages and salaries reduced substantially. And those numbers, as any economist is quick to point, do not capture those who have simply given up the search for employment and have dropped out of the labor market. Whether or not they show up as official statistics in the State of Maryland's database, each and every one of these people are snapshots of a terrifying moment in time.

"The next steps we plan to take will be to submit these revenue estimates through the usual process. In the coming months, and for the foreseeable future, the Governor, the Board of Public Works and the General Assembly will have to make very difficult decisions to protect our state's short-term and then long-term fiscal stability."

The following are remarks as delivered by BRE Director Andrew Schaufele:

"A reduction of 22 percent of withholding is a decline never seen before in the history of our state and it's not just the magnitude of this crisis, it's also the timing. Never before have we seen such a torrent of negative economic news hit with only three months left in the fiscal year. The average monthly withholding impact could be a loss of $185 million. What we have presented today represents, hopefully the worst case scenario and is based on the possibility that we will be under strict stay-at-home orders until the end of June. If there is a positive note, the private sector is still able to maintain 78 percent of wages – a testament to the strengths of our labor force and Maryland's close ties to the federal workforce.

"Regardless of the shifting, it is the absolute shuttering of businesses that is driving this impact down. We find that we would lose, on average, 59 percent of all sales tax in a full month – or almost $250 million. It is worth noting that some share of the sales tax will be recaptured at a later date as pent-up demand for products is realized.

"There is uncertainty regarding whether or not the absolute magnitude of online ordering has increased – we think it has – however, much of that revenue is not designated for the general fund. It is deposited into the Blueprint Fund for Education."

Some key points from the revenue forecast:

Industries throughout the state have been impacted, some immediately and directly. Hotels and eateries, for example, account for almost eight percent of W2s and two percent of withholding taxes. The State of Maryland should expect to lose 90 percent of that after one full month of staying at home. Approximately 458,000 Marylanders work in the hospitality industry.

The rest of the income tax is adversely impacted as well, with non-wage earners seeing their profits wiped out and gains from investments delayed or taken as losses – those amounts average about $75 million per month.

While consumer spending is reduced, it is also shifting. Maryland, in general, does not to tax some of the categories that are seeing an increase in spending such as most food at grocery stores.

The impacts are amplified due to the General Fund's reliance on revenue sources immediately and directly affected from the pandemic. For example:

- Withholding taxes, which are affected by lost jobs, reduced hours, furloughs and even a lack of regular turnover, account for 45 percent of the entire general fund.
- Sales tax, which was immediately affected by Governor Larry Hogan's emergency orders to close most businesses to protect public health, accounts for 25 percent of the entire general fund.
- In addition, deep impacts are seen in reduced corporate income taxes and lottery sales, as well as other smaller contributors in loss of funds from items such as court fees.

MEDIA CONTACTS: **Susan O'Brien -** **sobrien@marylandtaxes.gov**
443-875-8540 (mobile)

Alan Brody - **abrody@marylandtaxes.gov**

443-924-1473 (mobile)

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