

# MARYLAND REVENUE ESTIMATES

*ECONOMICS & REVENUES*  
*OCTOBER 2020*

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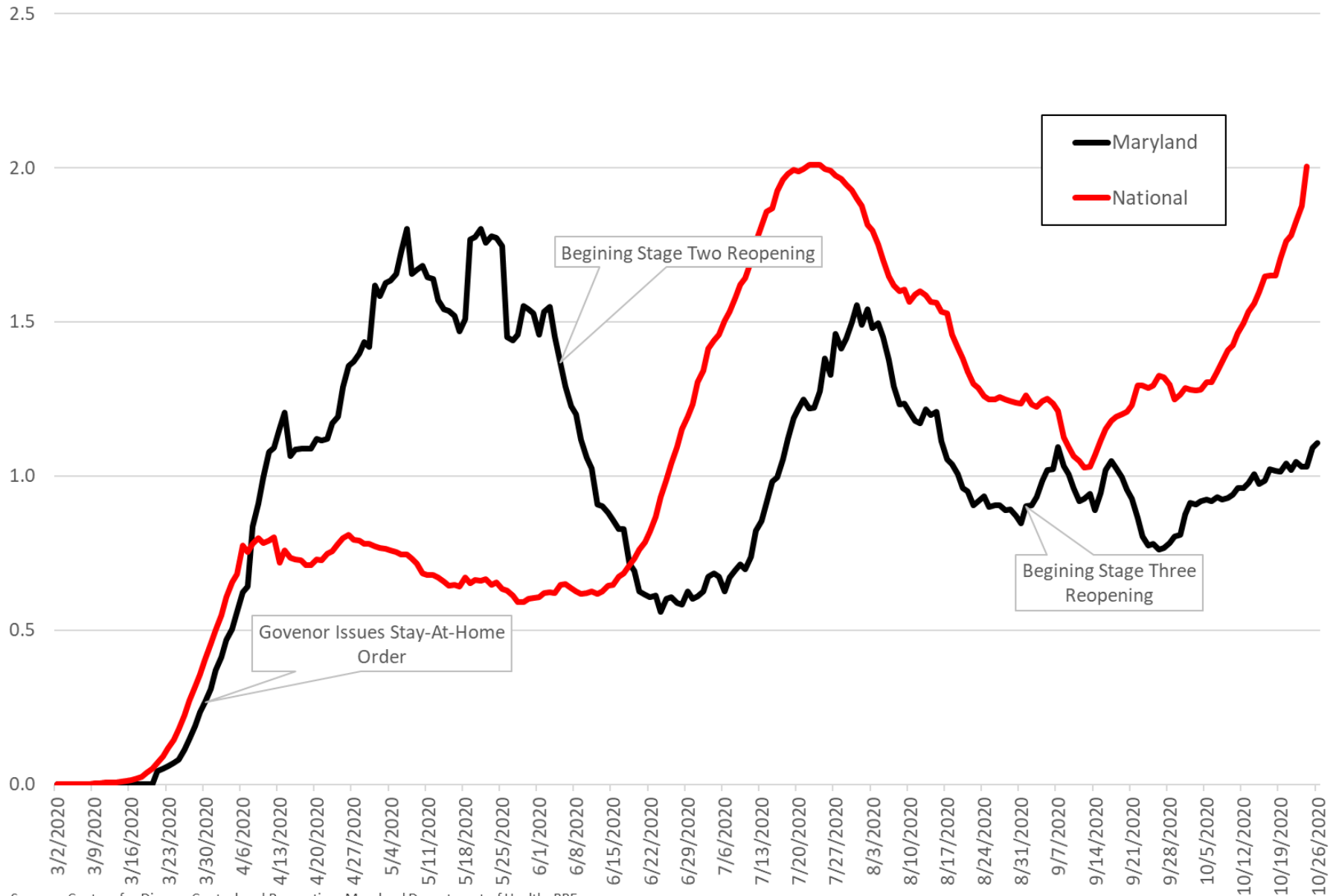
# Disclaimer

- I represent myself today
- Not the Comptroller, not the Board of Revenue Estimates

# Agenda

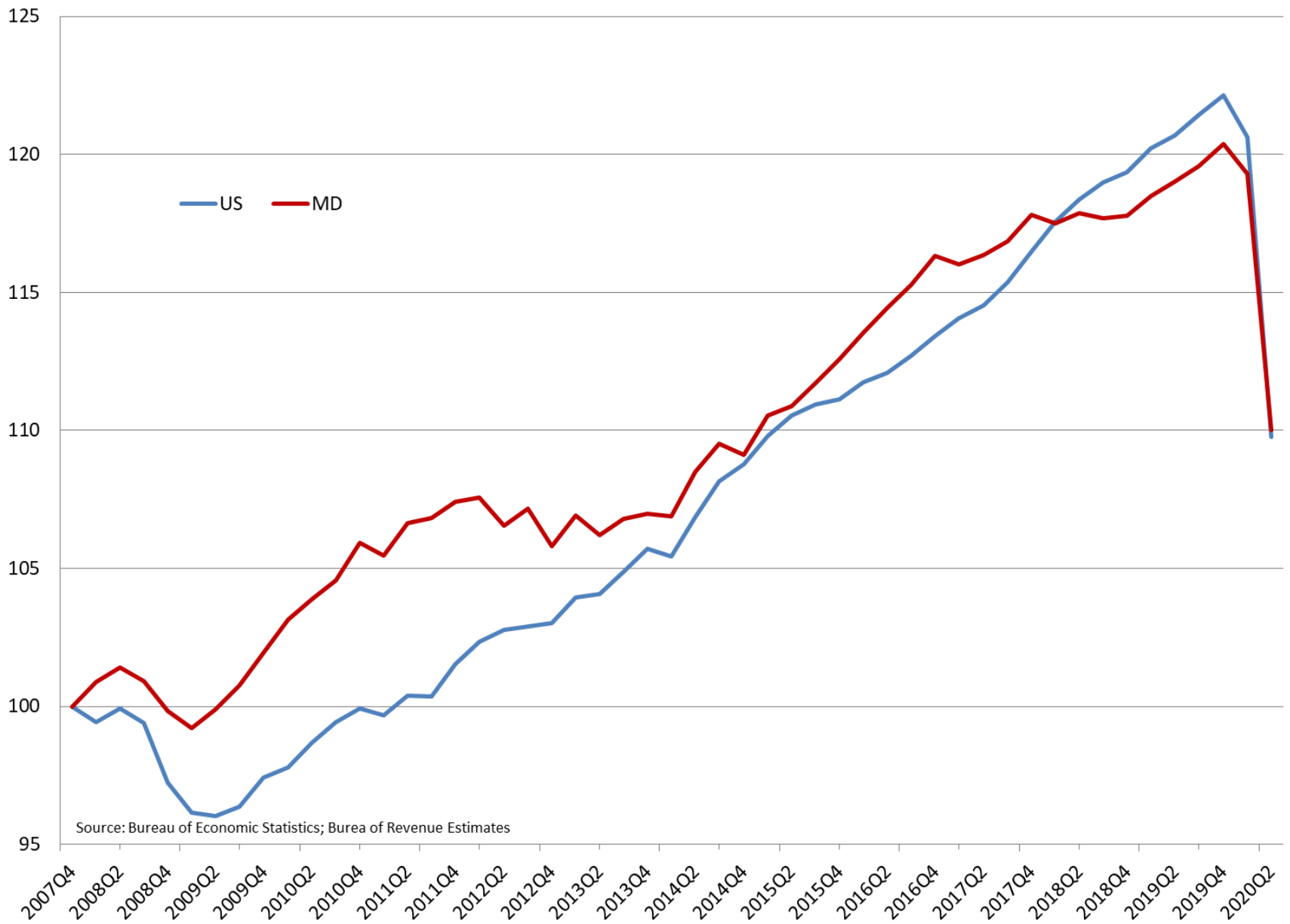
- Economic situation
- FY 20 revenue realization
- Outlook

## New Cases Each Day per 100 Residents, 7 Day Moving Average

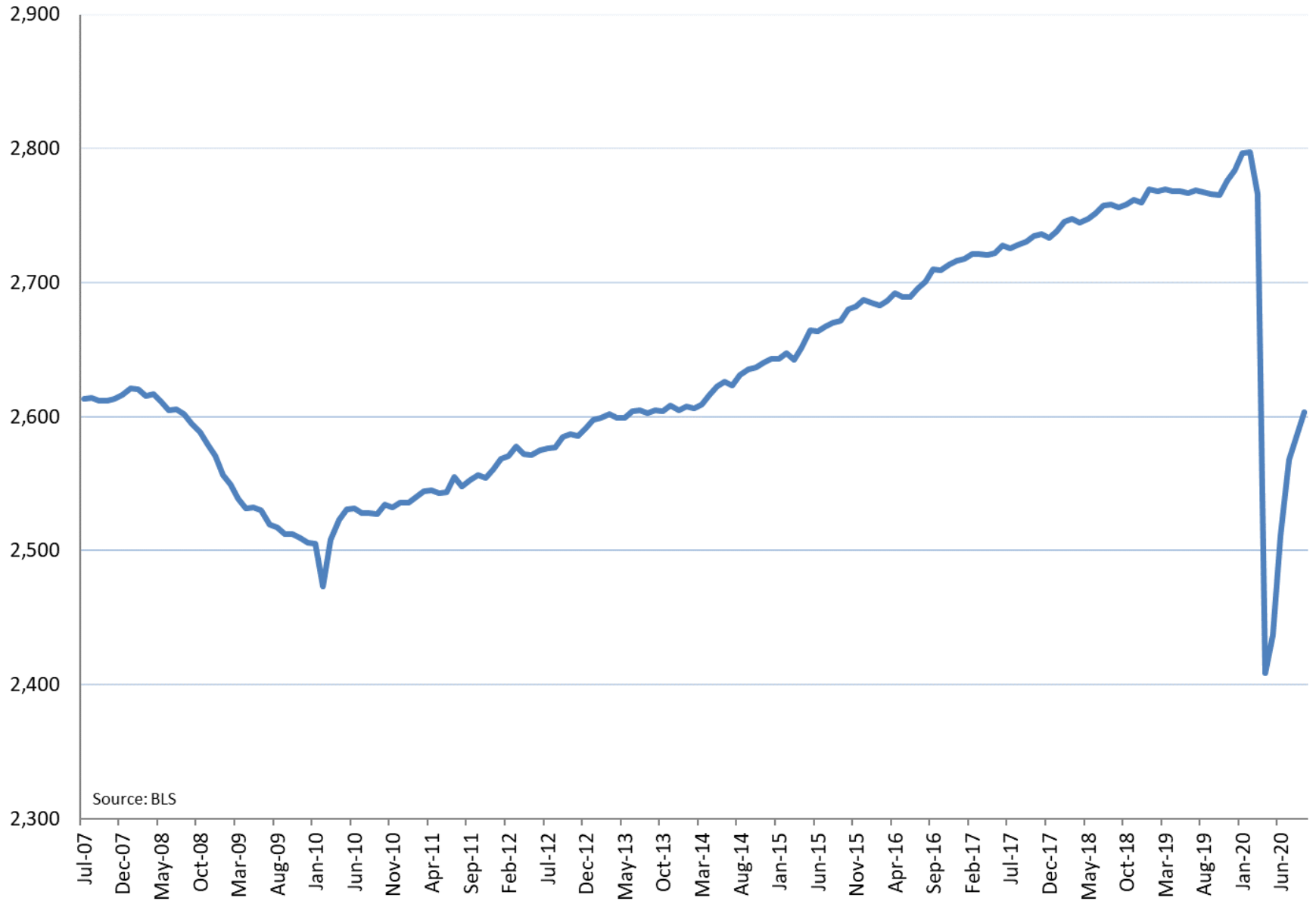


Sources: Centers for Disease Control and Prevention; Maryland Department of Health; BRE

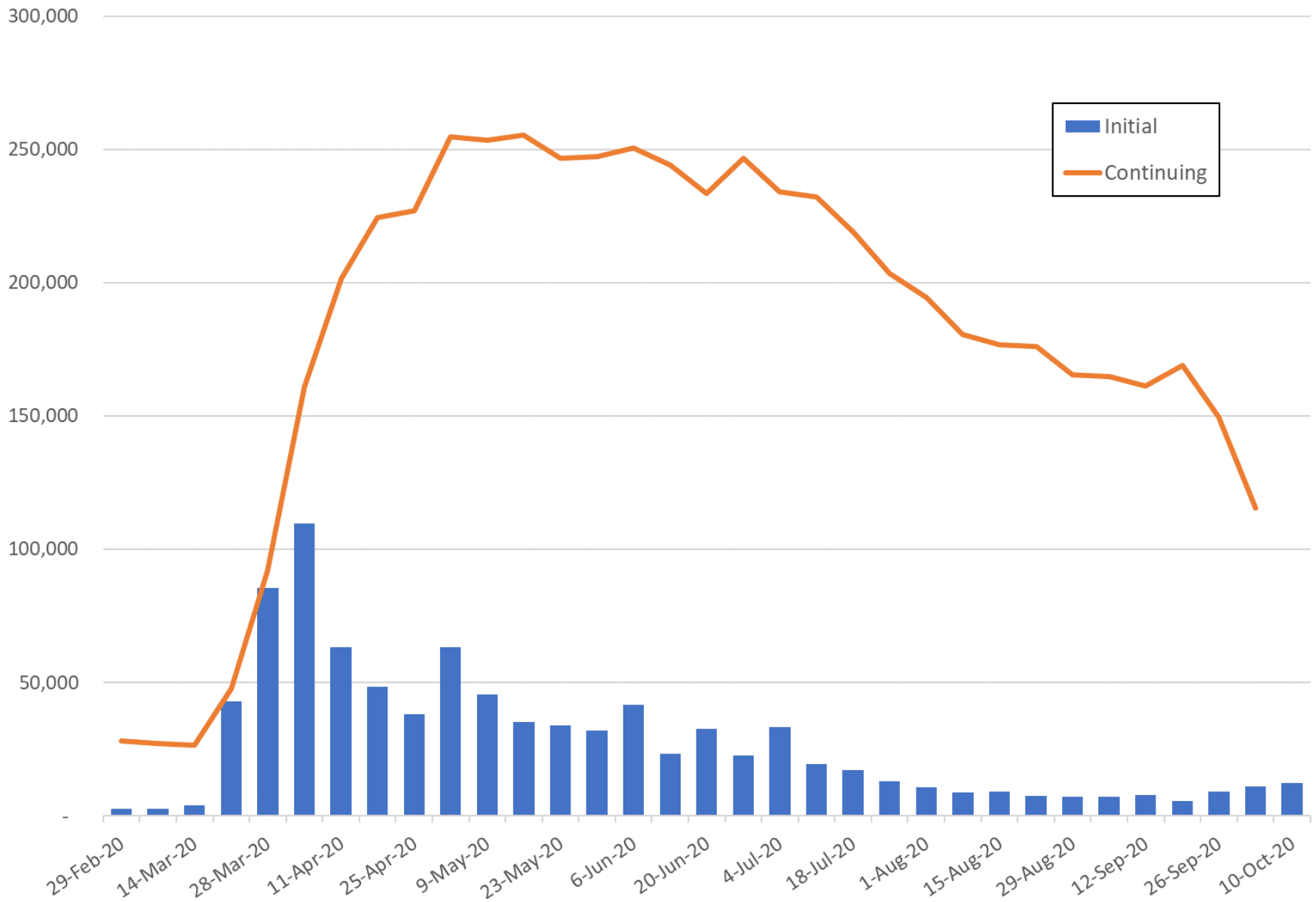
## Real GDP , Indexed to 2007Q4



## Maryland Payroll Employment, 000s



## MD Unemployment Insurance Claims



# FY 20 Closeout: A Pleasant Surprise

- FY 2020 unassigned general fund balance:
  - \$585.8 million
- FY 2020 variance from estimate: -\$102.2 m, or -0.5%
  - Estimate made in March 2020, adjusted for legislation
    - Did not incorporate pandemic
- Possible Explanations:
  - Quick and massive federal economic policy response
    - Monetary policy supports circulation of spending
    - Fiscal policy supports income of individuals
  - Tax Year 2019 income growth was robust
  - Only the last quarter of FY 2020 affected



# CARES Act Overview

- **Stimulus Checks:**
  - \$1,200 for single filers
  - \$2,400 for joint filers
- **Expanded Unemployment Insurance:**
  - Increased eligibility and time-limit
    - Gig-workers, workers with reduced hours
  - Increased payments - \$600/week
    - Active March 28<sup>th</sup> through July 31<sup>st</sup>, 2020
- **Paycheck Protection Program**
  - Loans to businesses to cover up to eight weeks of standard operation payroll

# Monetary Policy

- **Interest Rate Target**

- Significant and pre-emptive reduction in rate target

- **Quantitative Easing**

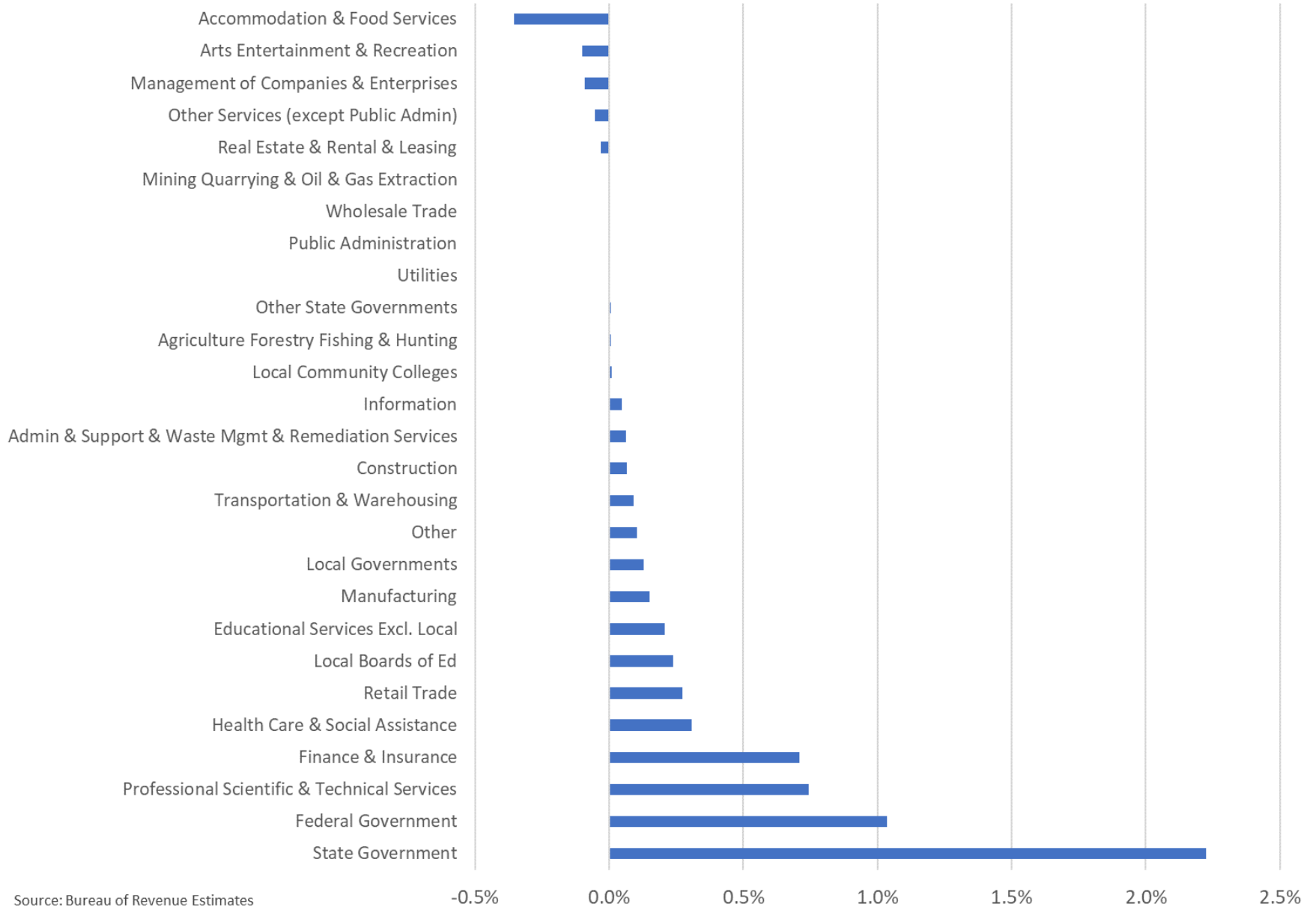
- Larger than any single round during Great Recession

- **Forward Guidance**

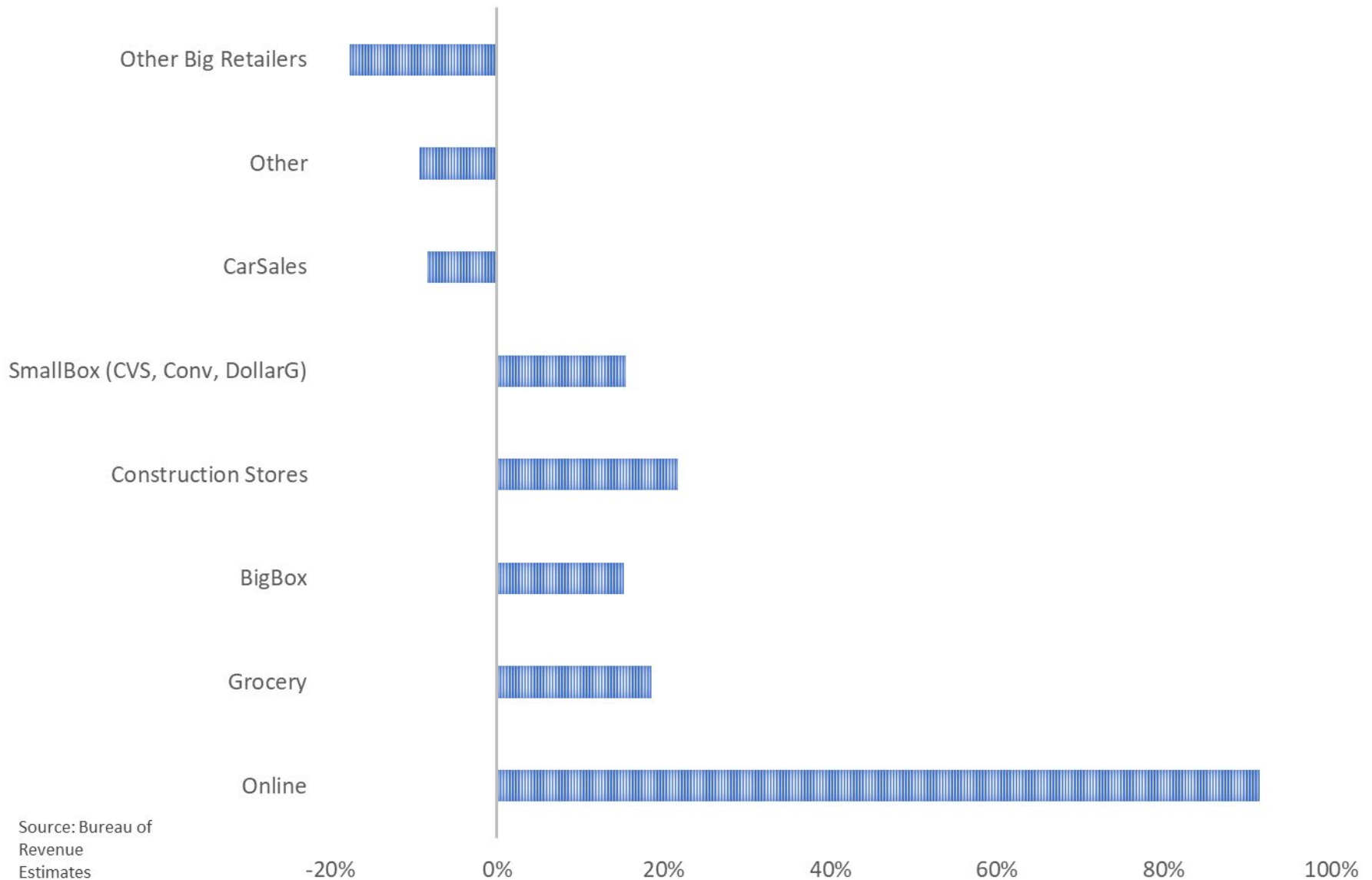
- Keep rate target low
- Inflation target is an average over time, not a ceiling
  - Promise to make up for past misses

- **Lending programs**

## Contribution to YOY Growth of Total WH

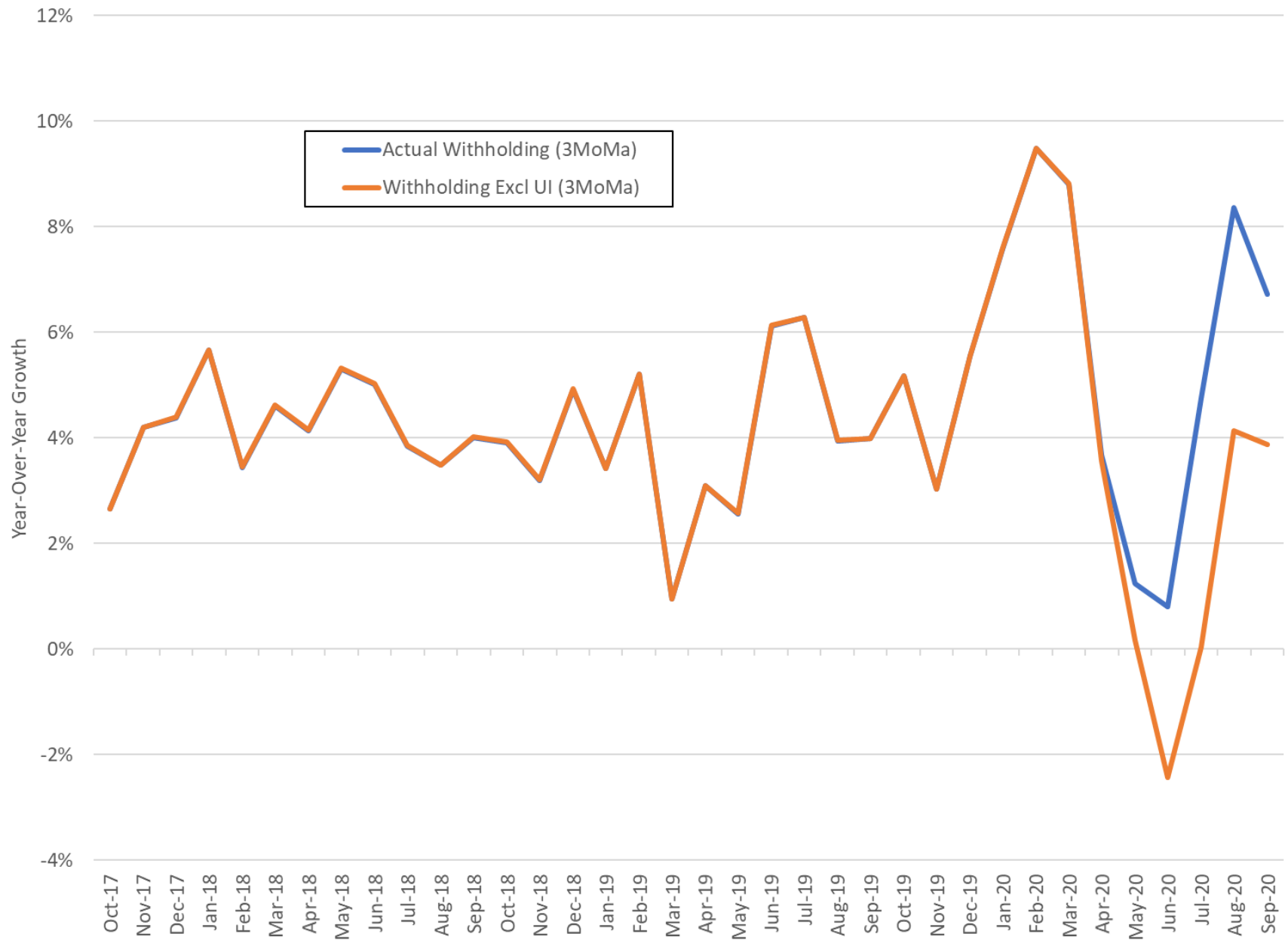


## TOP 100 RETAILERS - MARCH TO AUGUST 2020, YOY WITHHOLDING GROWTH



Source: Bureau of  
Revenue  
Estimates

## Maryland Withholding Trends - 3 Month Moving Average



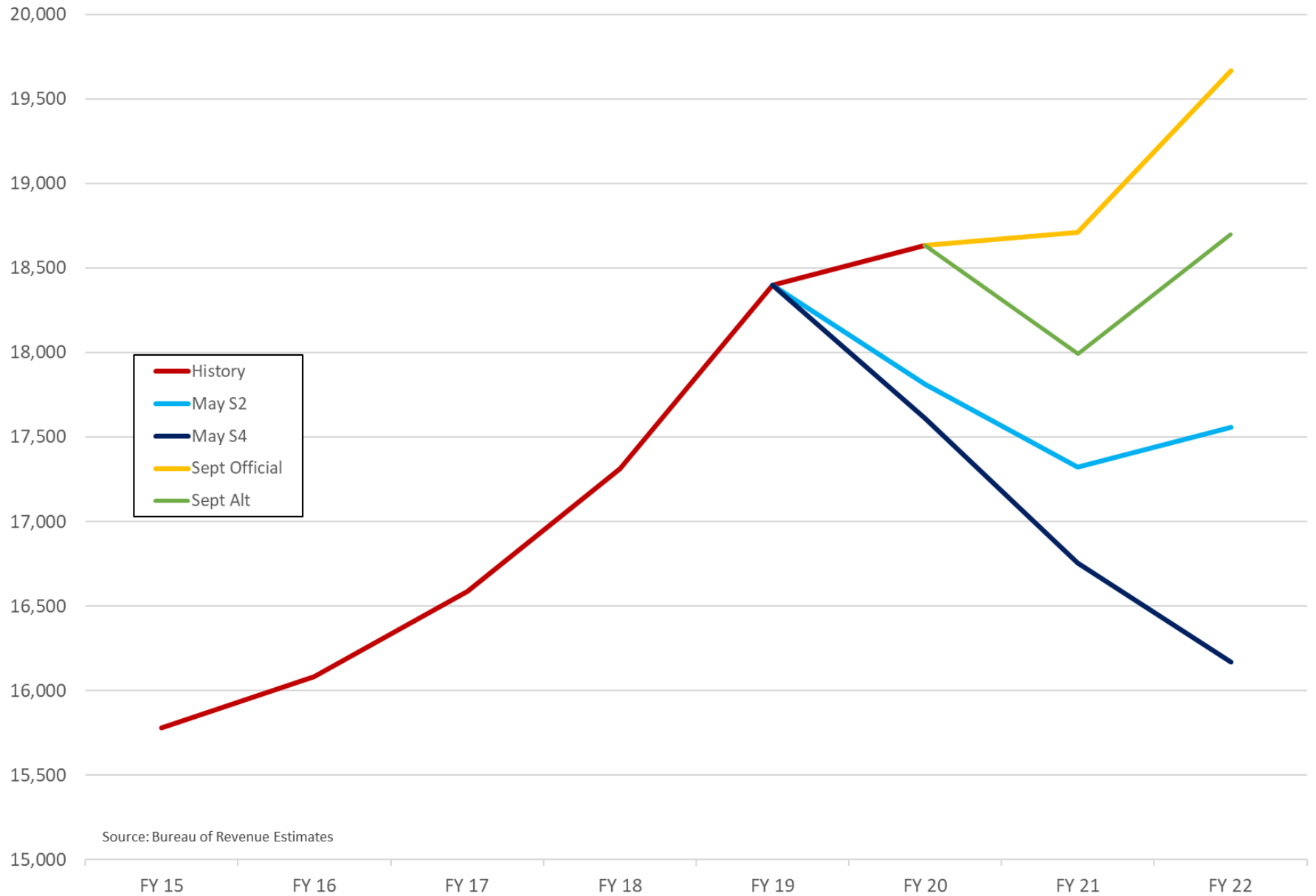
# FY 20 Closeout and September Revision

## September 2020 General Fund Estimate

| Tax Type                      | Approx Share GF | FY 2020 Closeout Variance | FY 2021 September Revision | FY 2022 September Revision |
|-------------------------------|-----------------|---------------------------|----------------------------|----------------------------|
| Personal Income Tax           | 57%             | 112                       | -253                       | -229                       |
| Sales Tax                     | 25%             | -317                      | -416                       | -212                       |
| Other                         | 18%             | 103                       | -4                         | -82                        |
| Total Ongoing General Fund    | 100%            | -102                      | -673                       | -523                       |
| Change From Previous Estimate |                 | -0.5%                     | -3.5%                      | -2.3%                      |

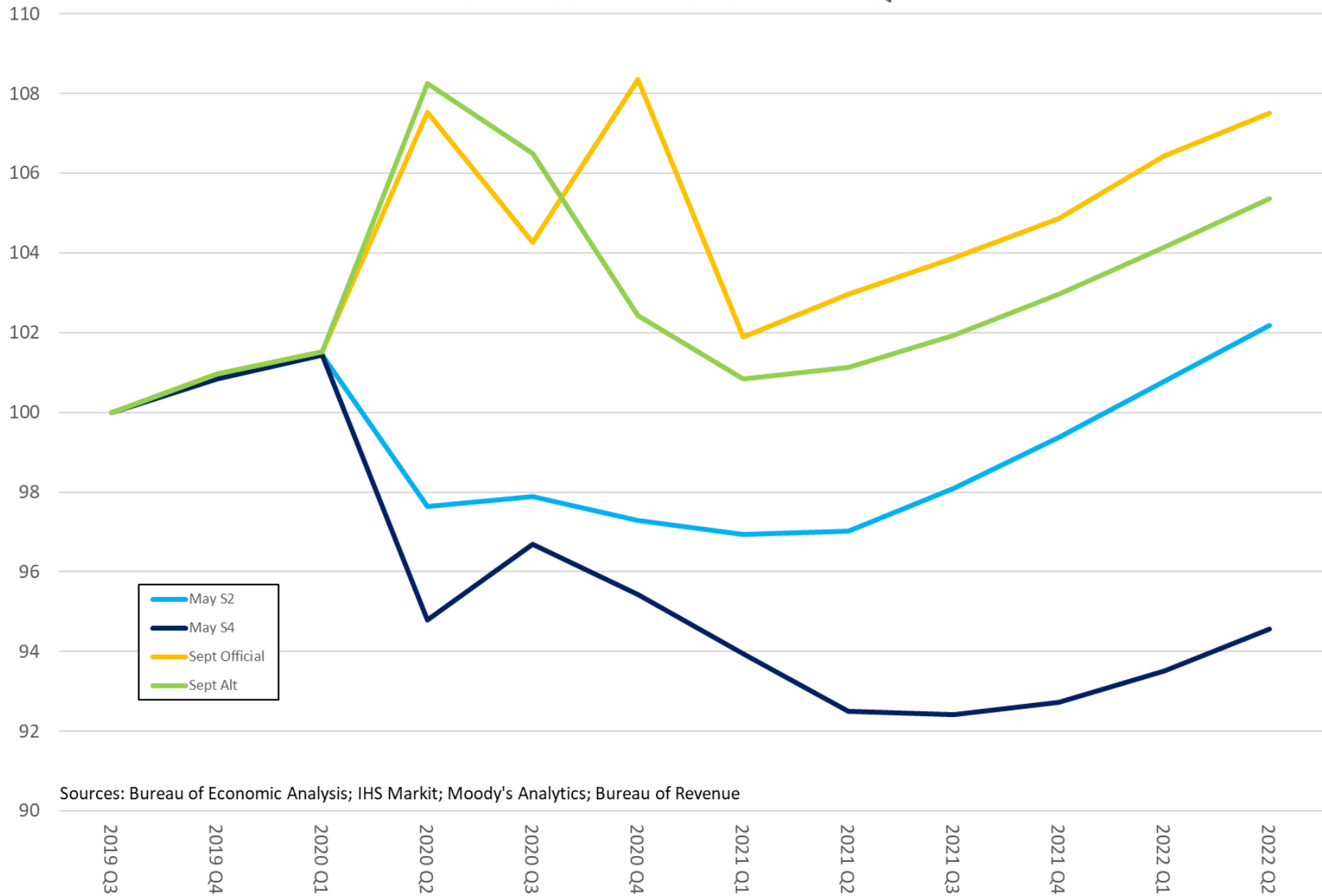
Note: Dollars in Millions; FY22 change is relative to planning numbers; may not sum due to rounding

## General Fund History and Estimates (in millions)



Source: Bureau of Revenue Estimates

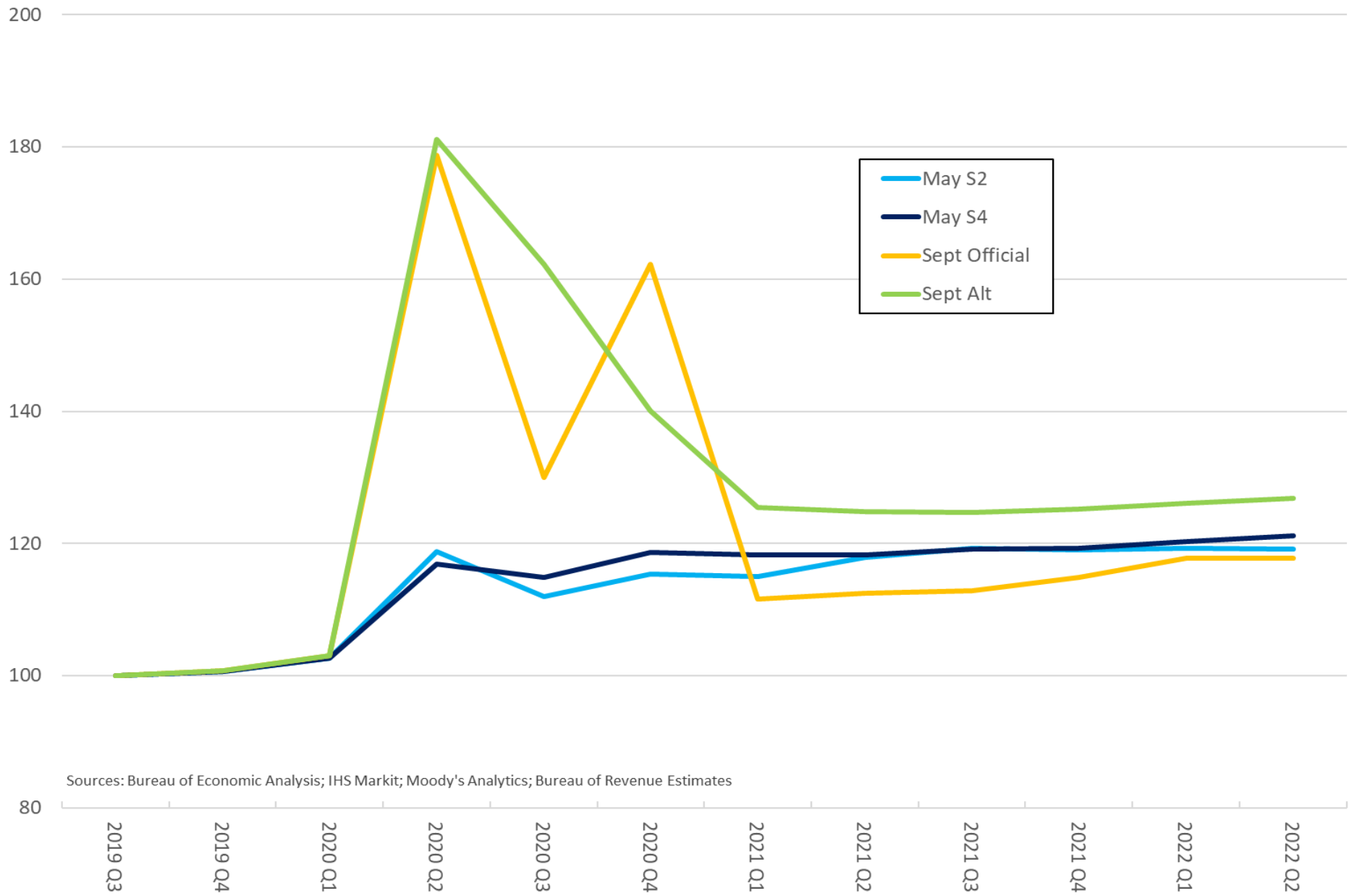
## Personal Income Indexed to 2019 Q3



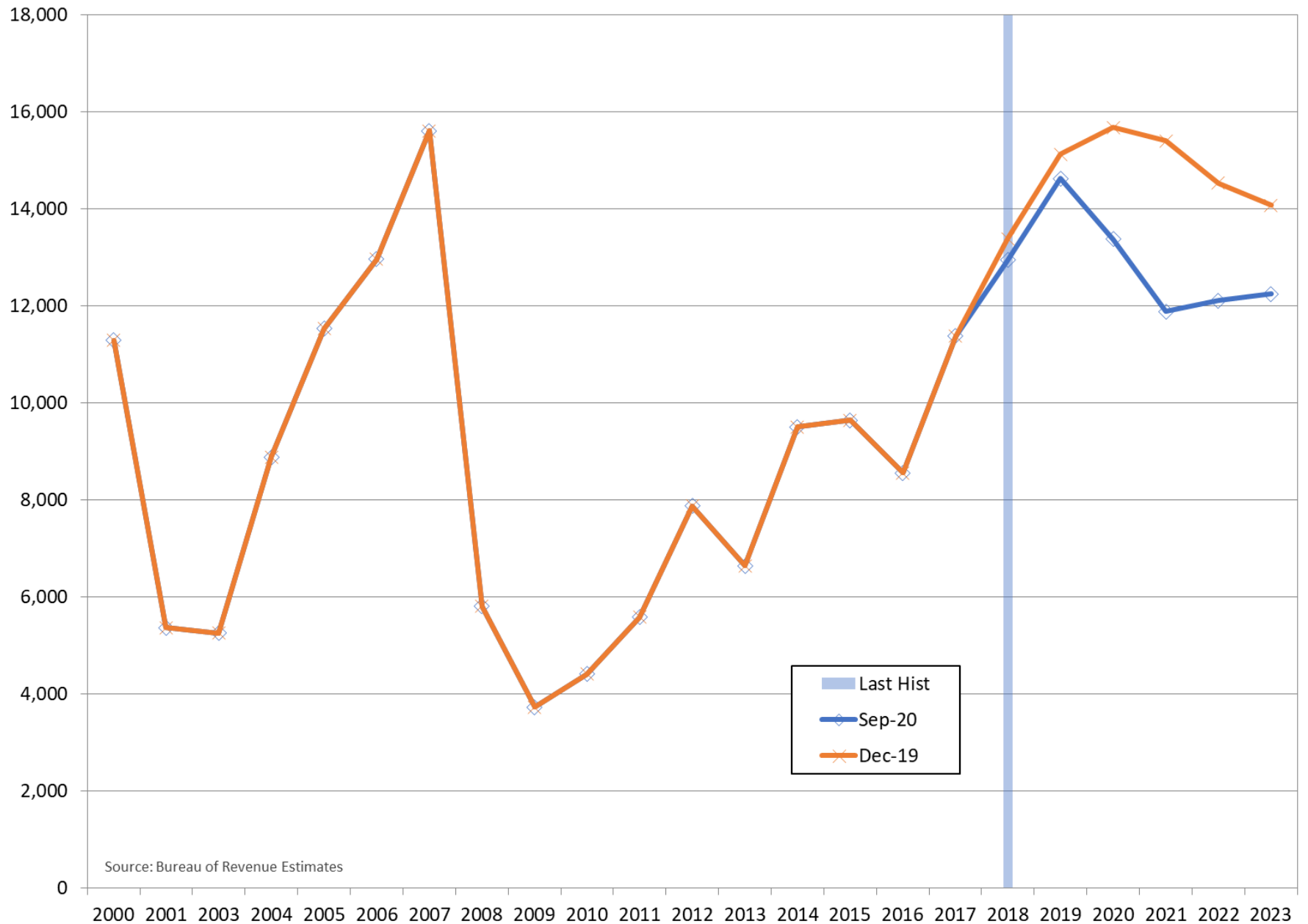
Sources: Bureau of Economic Analysis; IHS Markit; Moody's Analytics; Bureau of Revenue



## Transfer Payments Indexed to 2019 Q3



## Taxable Capital Gains



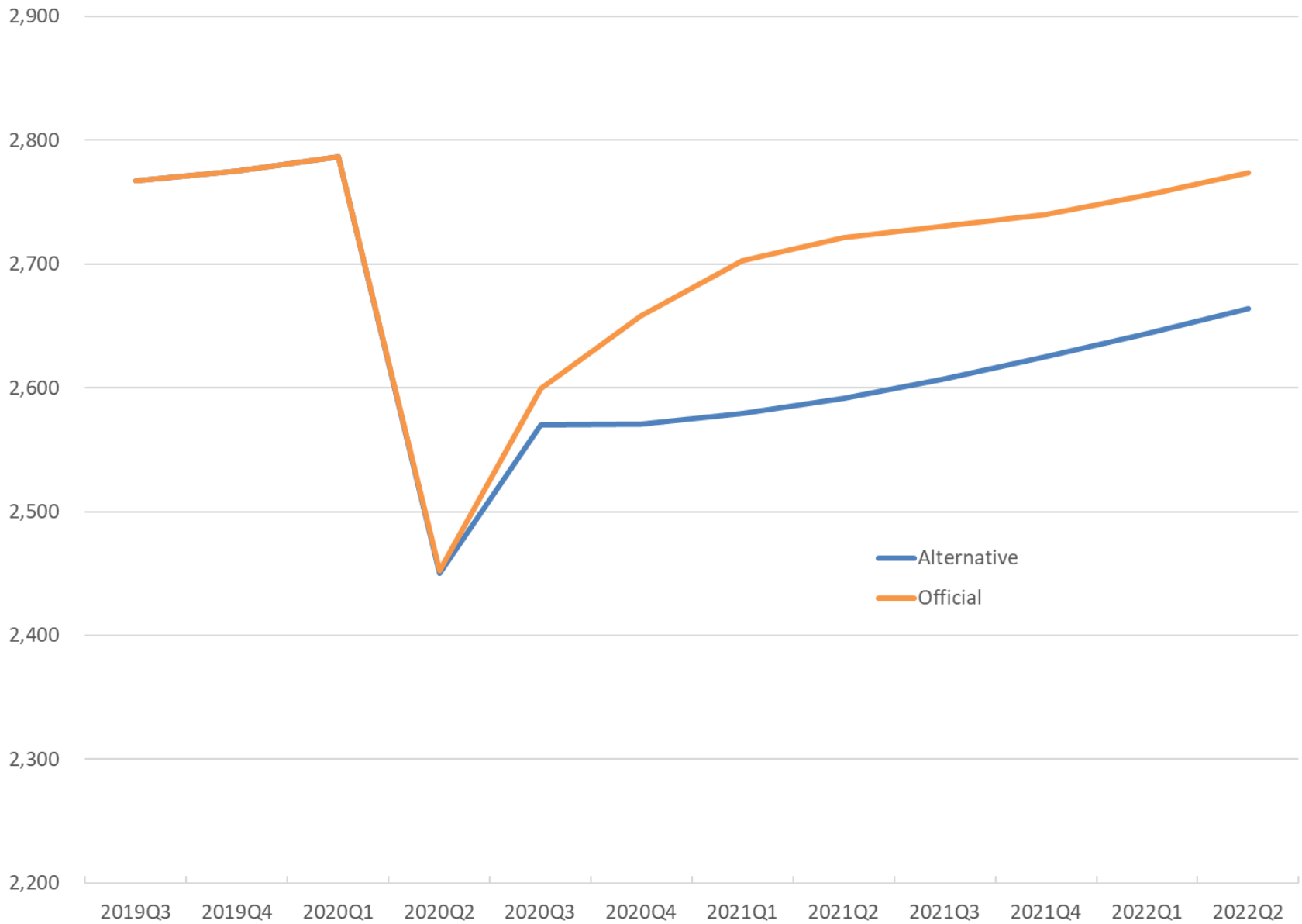
# Official and Alternate Forecasts

- Both scenarios have similar assumptions
  - Fiscal Policy
    - 2<sup>nd</sup> smaller round of stimulus
  - Monetary policy
    - Continued 0 – 25 basis point target for fed funds rate
    - Inflation target of 2% on average
      - Not a ceiling, make up for past misses
  - Pandemic
    - Increase in daily infections during flu season
      - Fall/winter wave smaller than the summer wave
    - Vaccine available in mid-2021
- Both scenarios project similar path of personal income growth
  - Alternative is marginally more pessimistic

# Official and Alternate Forecasts

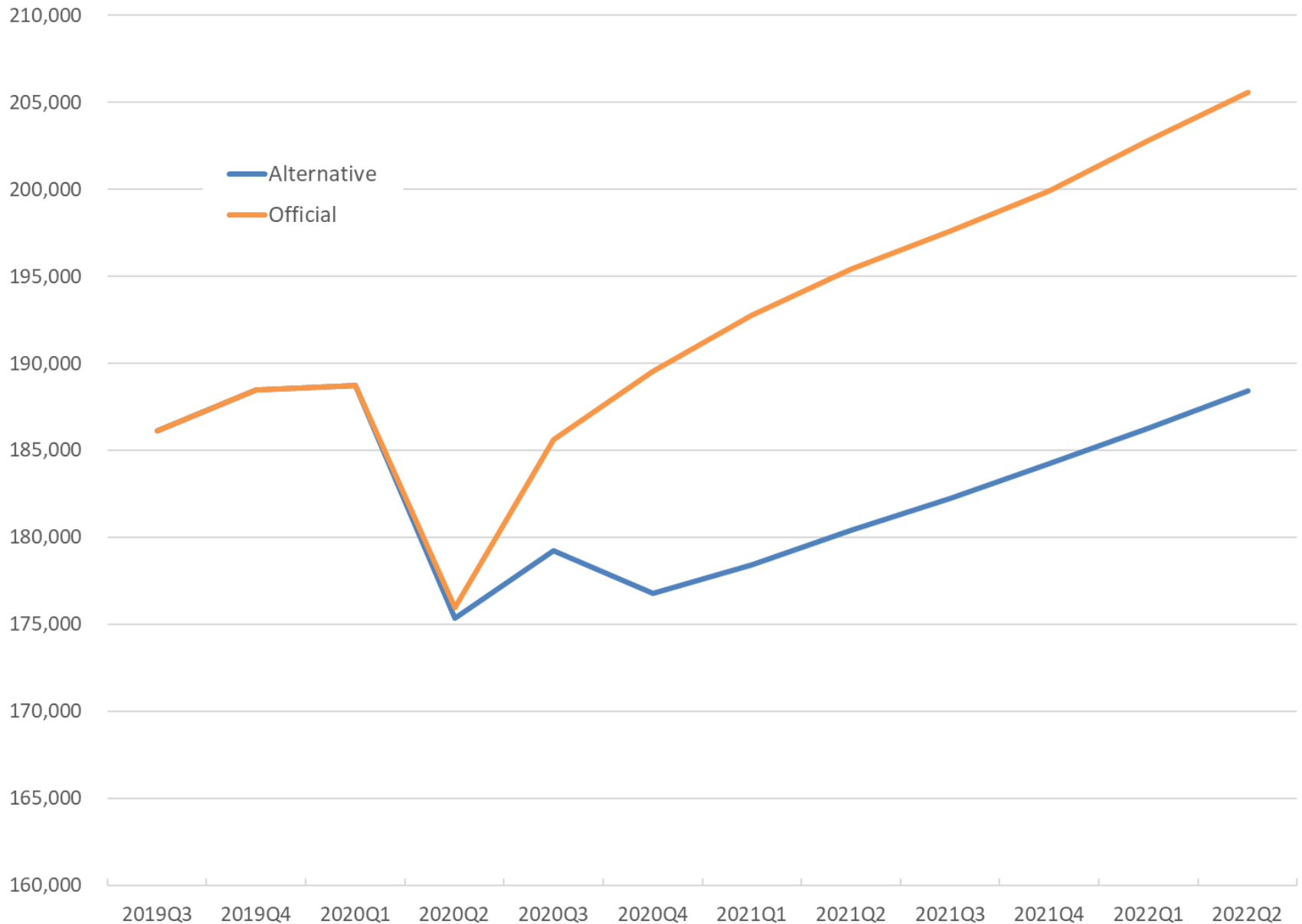
- Significant uncertainty in how the labor market responds
- Official Forecast – more optimistic
  - Labor market continues to recover – V shaped
  - Decline in personal income falls more on business owners
- Alternative Scenario – more pessimistic
  - Labor market recovery stalls in 2020 Q3 Nike swoosh shaped recovery
  - Decline in personal income felt more strongly on wages / payroll employment

## MD Non-Farm Employment - September (000s)



Sources: US BLS, IHS Markit, Moody's Analytics, BRE

## MD Aggregate Wages and Salaries - September (\$, Millions)



Sources: US BLS, IHS Markit, Moody's Analytics, BRE

# Risks to both Scenarios

- No additional stimulus and/or a significantly disruptive 3<sup>rd</sup> wave
  - Revenue could fall below the alternative scenario
  - Revenue declines of the magnitude projected in May 2020 could be back on the table
- Uncertainty as to:
  - Course of the pandemic
    - Federal economic policy response
      - How the labor market reacts to that response

# Thank You

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