


MARYLAND'S FISCAL OUTLOOK

MACPA Town Hall
December 13, 2023

Andrea Mansfield
Natasha Mehu
Manis Canning & Associates

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THE GOOD
THE BAD
THE UGLY

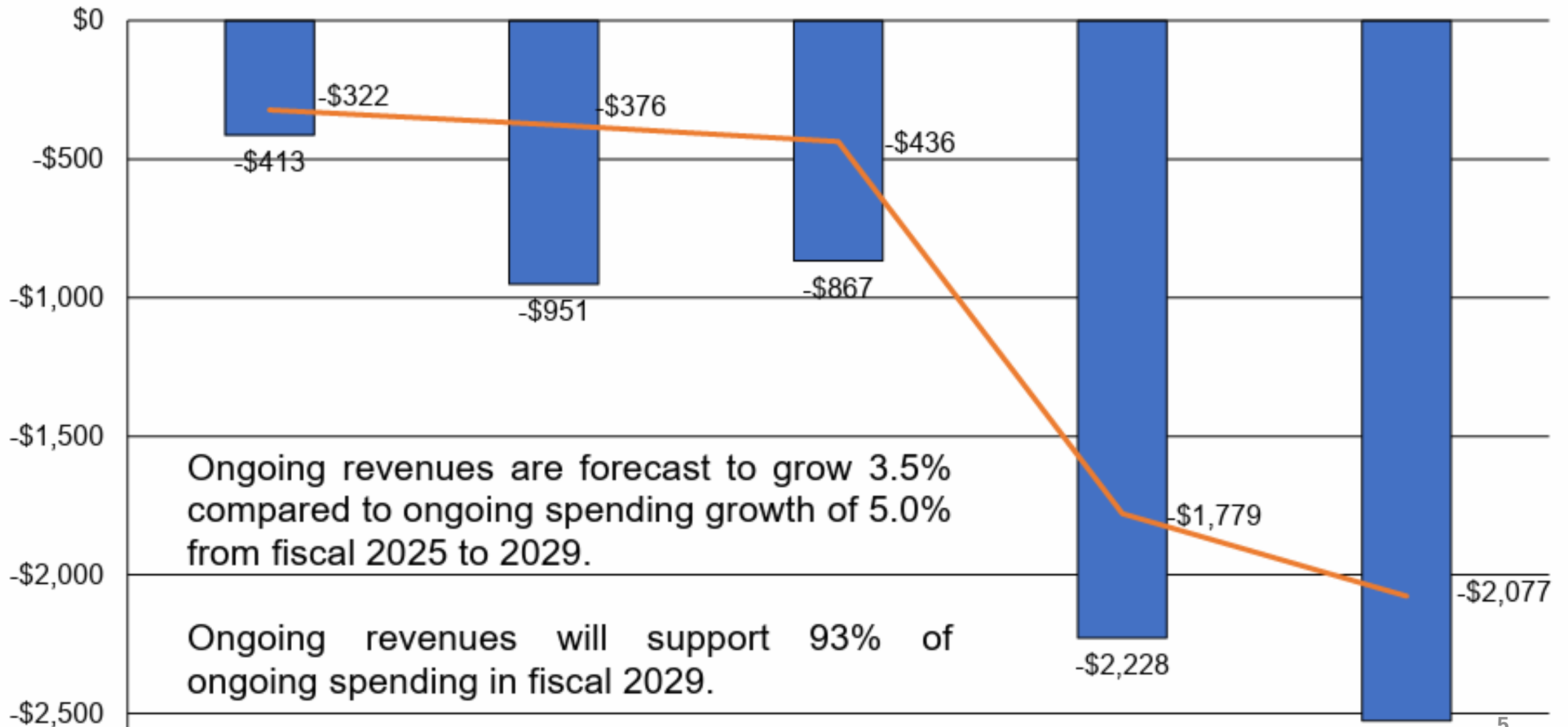
General Fund Revenue Forecast (\$ in Millions)

	Fiscal 2023 <u>Actual</u>	Fiscal 2024 Estimate				Percent Change vs. <u>Fiscal 2023</u>	Fiscal 2025 <u>Estimate</u>	Percent Change vs. <u>Fiscal 2024</u>
		<u>March</u>	<u>September</u>	<u>\$ Diff.</u>	<u>%Diff.</u>			
Personal Income Tax	\$13,469	\$14,137	\$13,836	-\$301	-2.1%	2.7%	\$14,448	4.4%
Corporate Income Tax	1,816	1,670	1,752	82	4.9%	-3.5%	1,697	-3.1%
Sales and Use Tax ⁽¹⁾⁽²⁾	6,005	6,065	6,088	23	0.4%	1.4%	6,273	3.0%
State Lottery	655	638	661	23	3.6%	0.8%	548	-17.0%
Other	2,527	2,190	2,349	159	7.3%	-7.0%	2,255	-4.0%
Ongoing General Funds	\$24,473	\$24,700	\$24,686	-\$14	-0.1%	0.9%	\$25,221	2.2%
Transfer to Blueprint Fund ⁽¹⁾	-\$800	\$0	\$0	\$0	n/a	n/a	\$0	n/a
Volatility Adjustment ⁽³⁾	0	-120	-120	0	n/a	n/a	-140	16.7%
Total General Funds	\$23,673	\$24,580	\$24,566	-\$14	-0.1%	3.8%	\$25,081	2.1%

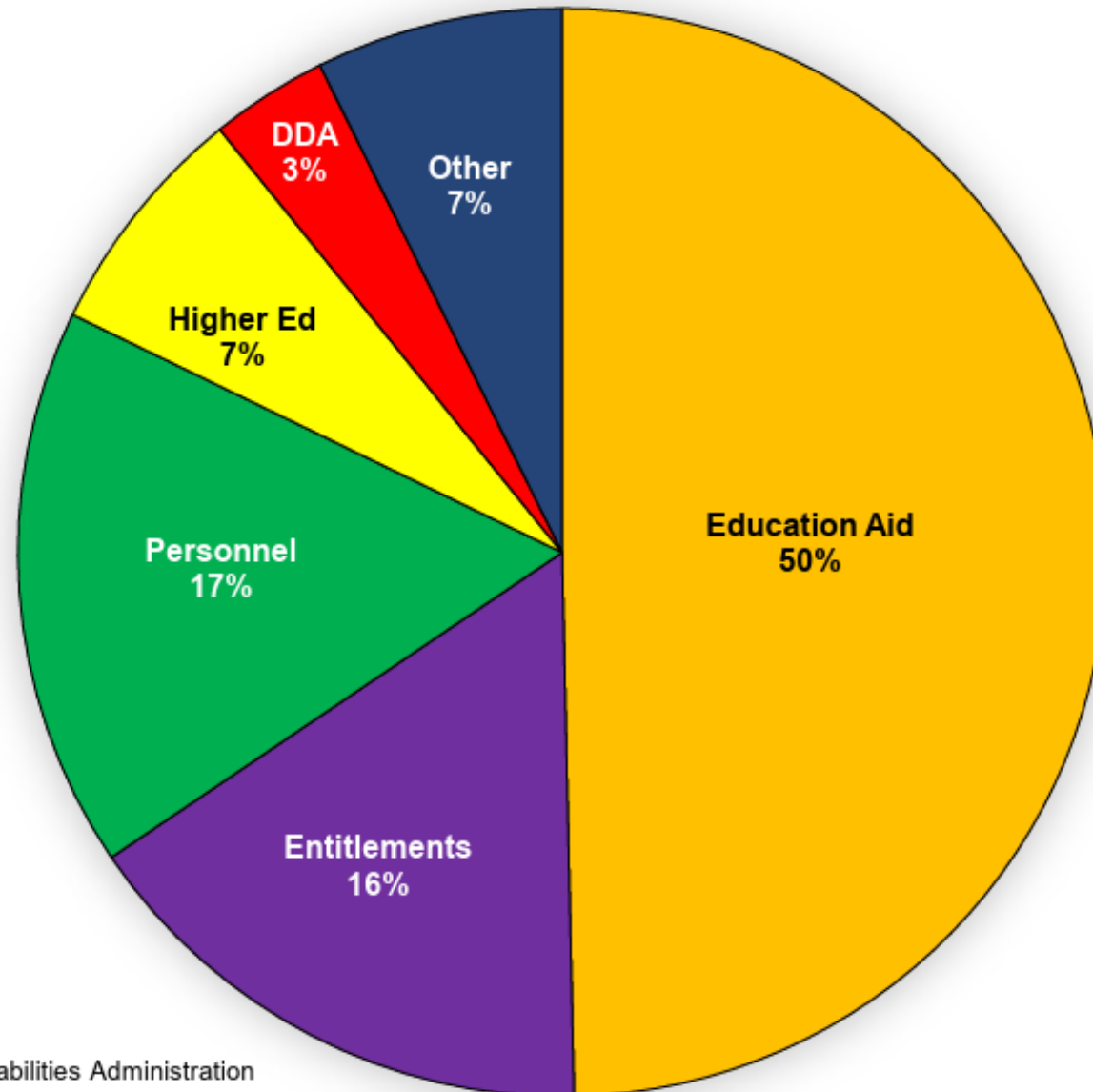
General Fund: End-of-year Balances
Fiscal 2023-2025
(\$ in Millions)

	2023 <u>Actual</u>	2024 <u>Working</u>	2025 <u>Baseline</u>
Total Funds Available	\$30,399	\$27,675	\$26,226
Total Spending	27,815	\$27,226	\$26,639
Cash Balance/(Shortfall)	\$2,584	\$449	-\$413
Structural Balance (Ongoing Revenues Less Ongoing Spending)	\$1,386	\$125	-\$322
Ratio (Ongoing Revenues/Ongoing Operating Costs)	106.0%	100.5%	98.7%
Reserve Fund Activity			
Appropriations to Rainy Day Fund	\$2,416	\$0	\$495
Transfers to General Fund	-1,166	-479	-625
Estimated Rainy Day Fund Balance – June 30	\$2,924	\$2,511	\$2,508
Available Cash Balance (General Funds + Rainy Day Fund Above 10%)	\$3,094	\$528	-\$413
Rainy Day Fund Balance In Excess of 10%	\$510	\$79	\$0

Cash and Structural Budget Shortfalls Forecast With Rainy Day Fund at 10% of Revenues Fiscal 2025-2029 (\$ in Millions)



General Fund Spending Projected to Increase \$5.4 Billion From Fiscal 2025 to 2029



DDA: Developmental Disabilities Administration

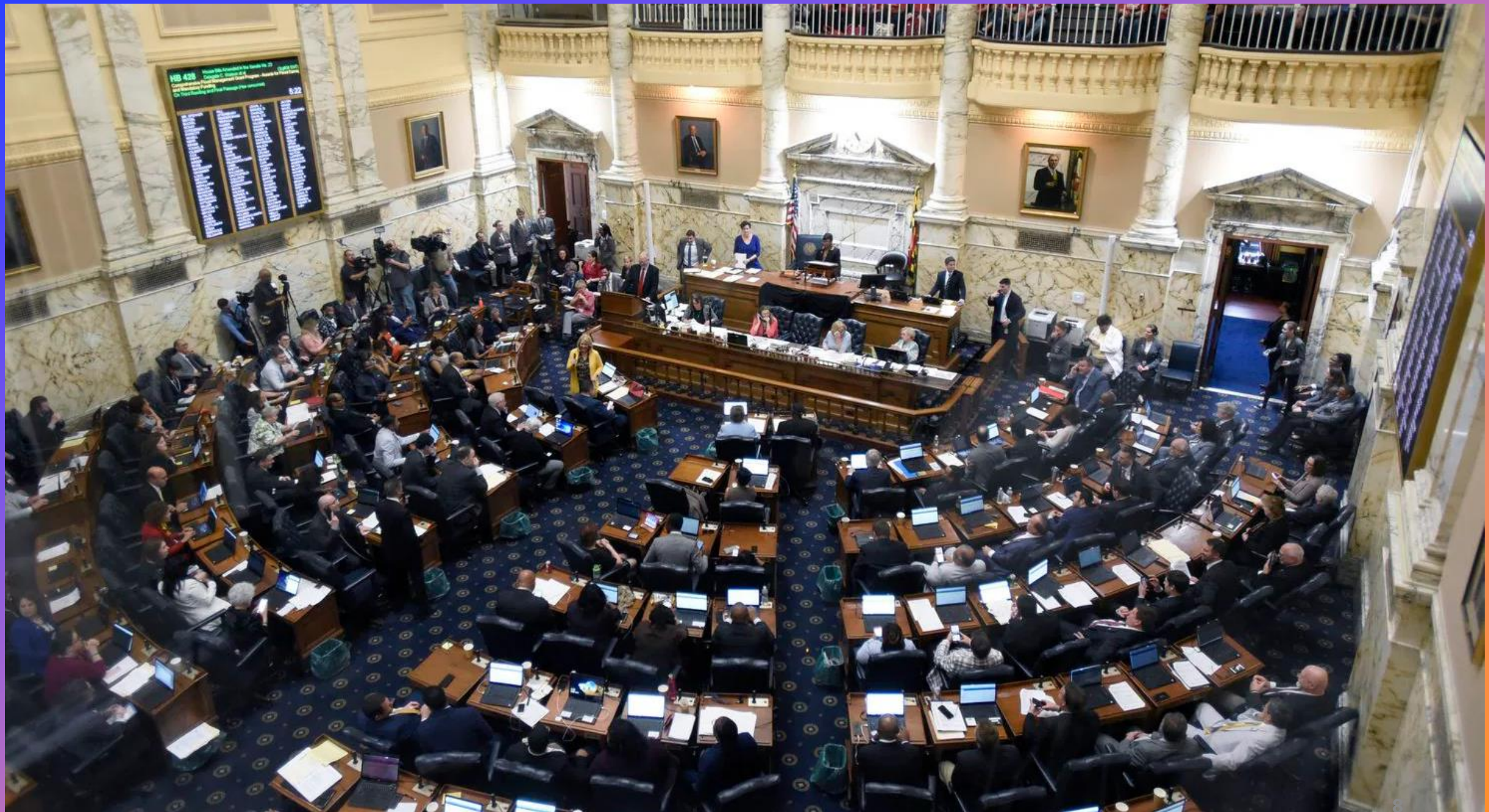
2023 MACO SUMMER CONFERENCE



"The time for discipline is now. The time for responsible and intentional governing is now. And I have full confidence that if we choose to step up, if we act with ingenuity and focus – as we are doing – we will prove ourselves worthy of the moment we find ourselves in and the future we seek. Let's embark on this journey to not just pave over the cracks, but to actually fix the foundation of what's broken – and let's do it together."

"Maryland has some of the best talent and assets in the world. But our economy is not reaching its full potential. As a result, our fiscal health is falling behind, and our ability to meet the full needs of our people is hampered. Put simply: Our economic engine does not support our ambition. Of the last 20 state budgets in Maryland, 17 have needed cuts to stay balanced."

"Fiscal responsibility has been a north star of our administration from day one. We made use of the money we had. We kept money in reserve. But we need to ramp up restraint as we approach the new year. This will be a season of discipline, and our choices must reflect that."



BUDGET BALANCING APPROACHES

STRUCTURAL SOLUTIONS

Reduce Ongoing Spending to More Closely Align with Ongoing Revenues

- Helps to resolve underlying problem.
- Given magnitude of out-year challenges, starting to reduce ongoing spending in fiscal 2025 is essential to avoid fiscal cliff in fiscal 2028.

Enhance Ongoing Revenues to Support Spending Commitments

- Helps to resolve underlying problem.
- Revenues alone unlikely to resolve long-term budget problem. For illustrative purposes, closing the fiscal 2029 budget gap entirely with revenues is equivalent to increasing sales tax revenues by 30% or individual income tax revenues by 12%.

BUDGET BALANCING APPROACHES

IMPROVE CASH OUTLOOK

Shift PAYGO to Bonds

- Immediate budget relief.
- Capital Debt Affordability Committee debt increase accommodates and is well within affordability ratios.
- Higher debt limit will increase long-term debt service costs.

Draw on Rainy Day Fund Balance Above 5% for Temporary Budget Relief

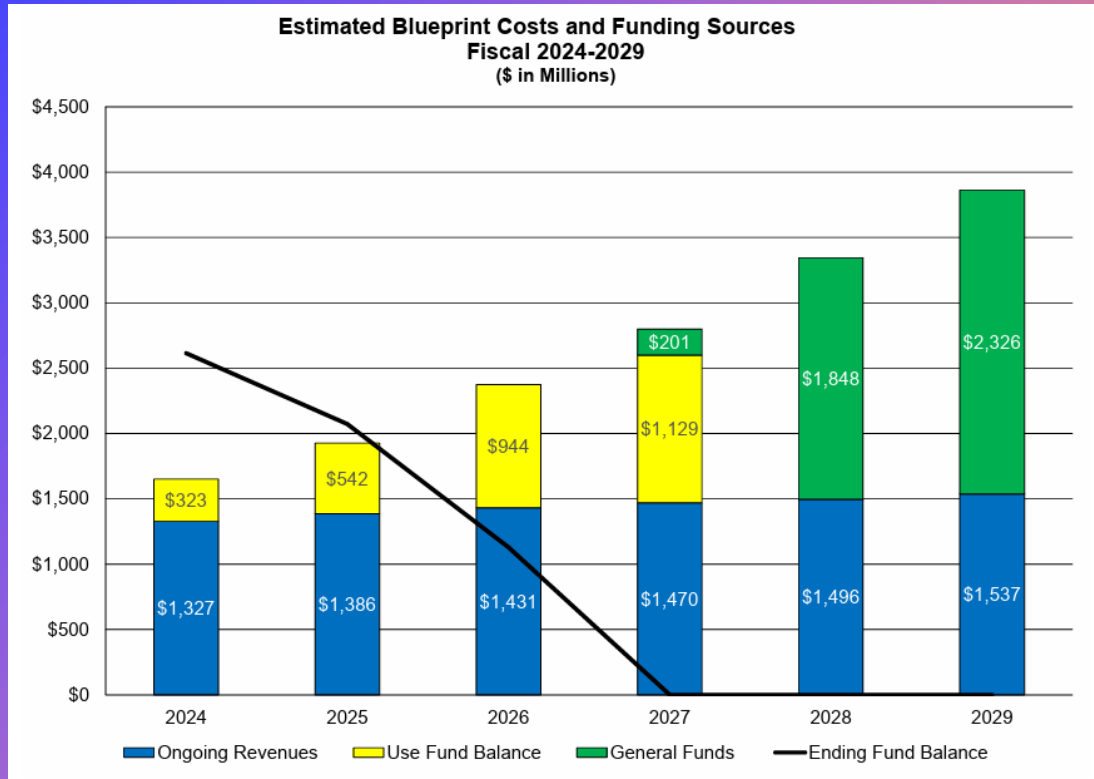
- Temporary solution that does not address structural challenge that mounts over time.
- Drawing balance down when economy is growing steadily leaves State vulnerable to impact of recession. Prior analyses have indicated that a mild recession will result in general fund revenues falling about 10% below pre-recession estimates over a two-year period.
- A recession coupled with the projected fiscal cliff in fiscal 2028 would result in a ongoing revenues covering only about 88% of projected spending.

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THE SESSION TO COME

What does this all mean for the 2024 Legislative Session?

The Blueprint for Maryland's Future



- Education aid costs drive 50% of the increase in general fund spending from fiscal 2025 to 2029.
- Blueprint Fund will be exhausted by 2028 with a shortfall of \$200M



Eric Luedtke
Chief Legislative Officer

"I don't think you're going to see anything of the scale of the Great Recession shifts," said Luedtke. "...Our challenges in the Transportation Trust Fund, at least in this year, are much more significant than our budget challenges and I think it's a little early to answer that question. The governor will be releasing his proposed budget in early January. But I can assure you that in all of the conversations we're having internally in the administration, we take very seriously the impact of any decision we make on the governor's proposed budget."



President Pro Tem
Malcolm Augustine

"We're going to need to take a look at ... the governor's budget ... to see where there might be gaps and where we think our priorities are," said Senate President Pro Tem Malcolm Augustine (D-Prince George's). "I think it's really premature actually to start to talk about [taxes] at this time, because we really don't yet know. I don't think that we're actually in a place today to be able to do that."

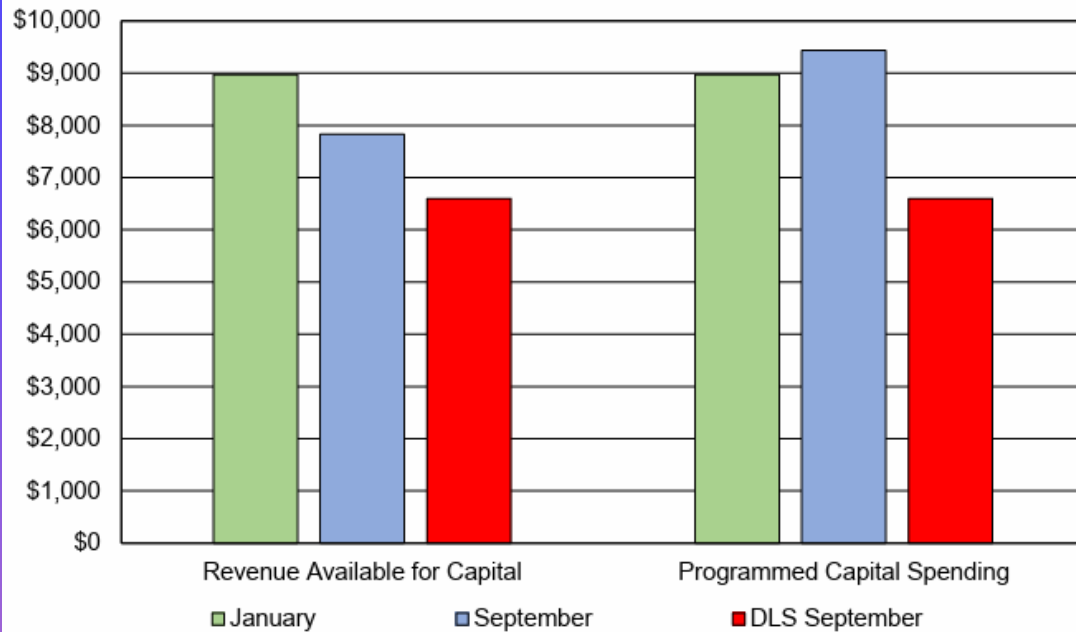


Majority Leader
David Moon

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Transportation

Transportation Capital Revenues and Capital Spending
January 2023 vs. September Draft 2023 Forecasts
Fiscal 2024-2028
(\$ in Millions)



DLS: Department of Legislative Services

Deficits

- \$100 million deficit in the coming fiscal year.
- \$2.1 billion deficit over the next six years.

Cuts

- 8% cut across all transportation agencies
- Deeper cuts for projects

Tax Increases

- Hybrid/Electric Vehicles
- Tolls

Other Issues on The Radar

Tax Expenditure Evaluation Act

- Innovation Investment Incentive Tax Credit
- Purchase Cybersecurity Tax Credit / Buy Maryland Cybersecurity Tax Credit program

Combined Reporting

iGaming

Data Centers

Questions?

Andrea Mansfield

amansfield@maniscanning.com

Natasha Mehu, Esq.

nmehu@maniscanning.com