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News Release

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Board of Revenue Estimates Hears Impact of COVID-19 Pandemic

State faces shortfall of up to $1.125 billion for fiscal year 2020

ANNAPOLIS, Md. (May 14, 2020) - The Board of Revenue Estimates in a virtual, nonvoting meeting today received grim projections for significant shortfalls in the current and future fiscal years as a result of the COVID-19 pandemic.

Andrew Schaufele, director of the Bureau of Revenue Estimates and the Board's executive secretary, outlined two scenarios, both of which assume a vaccine exists by fall of 2021 and there is no second wave of the virus that causes an economic shutdown.

The more optimistic scenario is based upon Congress providing assistance to state and local governments and extending the Paycheck Protection Program to help small businesses keep employees on payroll, among other less severe economic assumptions. In that scenario, Maryland would face a $925 million shortfall for fiscal 2020, a $2.1 billion gap for fiscal 2021 and a $2.6 billion hole for fiscal 2022.

The more dire scenario would see a $1.1 billion reduction in fiscal 2020, a $2.6 billion deficit in fiscal 2022 and a nearly $4 billion decline in fiscal 2022.

The projections are designed to serve as fiscal guidance to the Governor and General Assembly, and were not voted on by the Board of Revenue Estimates, which is made up of Comptroller Peter Franchot, Treasurer Nancy Kopp and Budget Secretary David Brinkley.

Following are Comptroller Franchot's remarks, as prepared for delivery:

"Given the fluid and rapidly-evolving nature of this fiscal situation, we expect to be revising these figures more frequently than the norm.

"As Mr. Schaufele's analysis amplifies, what we are experiencing is a snapshot of an economic nightmare. These revenue figures – along with the number of unemployed Marylanders and businesses on the verge of closing their doors permanently – are unprecedented in their scope and magnitude.

"The two scenarios presented by Mr. Schaufele underscore the rapidly-evolving nature of the fiscal uncertainty caused by the COVID-19 pandemic.

"The two revenue projections for FY 2020 that we are presenting today are significantly lower than our original worst-case scenario projection.

"As Mr. Schaufele explained, there are a wide range of factors that contributed to this – from employers hanging on to their employees as long as they can to the PPP working as expected to preserve jobs.

"But what we do know is that government helping businesses keep more cash in their pockets has been a major contributor to this higher-than-expected rate of withholding returns.

"That's why I'm proud that my agency extended filing and payment deadlines for individual and business taxpayers.

"Because now is not the time for governments to be reaching into people's pockets and taking their cash.

"They need that money to keep our friends and neighbors employed, pay their rent and mortgages, and put food on the table.

"As Mr. Schaufele noted, the two scenarios assume several factors that, in many cases, are beyond our control.

"Scenario 2, for example, assumes that Congress will provide financial assistance to states and local governments, and that additional stimulus packages will be approved to assist struggling Americans, small businesses and corporations.

"Which is certainly a very optimistic outlook given the deep partisan divide that has currently paralyzed Washington.

"What is very clear, however, is that we could end up in a much worse situation, because it assumes two things: that we have a vaccine, and that we don't have to endure another closure of the American economy.

"If the latter happens and the former doesn't, we could end up in a situation that is far worse than either of these scenarios are projecting.

"As Comptroller and as chair of the Board of Revenue Estimates, I've consistently used this platform to warn against massive spending, urge fiscal caution, and advocate for saving as much money as possible.

"We're not like Washington. We just can't borrow and borrow, and accrue unsustainable deficits that we pass along to future generations.

"As I've said in the past, we cannot be socially responsible, if we're not fiscally responsible.

"And, as we enter this era of economic devastation, I cannot emphasize enough that now is the worst possible time, under the worst possible circumstances, to enter into massive spending projects that take more money out of consumers' pockets, especially for the hundreds of thousands of our fellow Marylanders who are experiencing job loss, potential job loss and reduction in income.

"We will overcome this public health crisis. The best minds in science and medicine will find a vaccine and policymakers will find a way to avoid another closure of the economy, while safeguarding the health and well-being of our citizens, especially the most vulnerable among us.

"But we have to come together and figure out how to win the recovery.

"We have to subject every new policy initiative to a three-point test:

- **Number 1**: Will it put more money in the pockets of Marylanders or will it take more money out?
- **Number 2**: Will it put Maryland small businesses in a better or worse position to compete, succeed and survive? and
- **Number 3**: Will it make Maryland a more or less attractive place to live, invest and retire?

"Everything that we do moving forward must be viewed through those three fundamental questions.

"All of us are going to have to pull together — the Governor, legislators, local leaders, nonprofit organizations, advocacy groups and the business community — to win the recovery.

"We must rise to the occasion and make the painfully difficult decisions – guided by science, facts and logic – to get through this period."

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