Howard County

MARYLAND

County Council Briefing on FY 27 Revenues & Overview

4/29/2026

FY27 Proposed General Fund Budget

FY27 Projected Revenue Growth Excluding Use of Fund Balance: $116M (7.6%)

	General Fund Budget ($ in millions)			
	FY26 Approved	**FY27 Proposed**	Chg $	Chg %
Total	1,644.3	1,755.2	110.9	6.7%
Use of Fund Balance	111.8	106.2	(5.6)	-5.0%
Total w/o Use of FB	**1,532.5**	**1,649.0**	**116.5**	**7.6%**

* Per County Charter, use of fund balance is limited to one-time non-recurring items only.

This proposal closes an anticipated $67M budget gap and supports all strategic priorities without raising taxes or comprising critical services

Projected Significant FY27 Fiscal Gap Closed with Multiple Strategies, Hard Work and Collaboration with All Stakeholders

$67M projected Gap Closed in FY27 Proposed Budget, through:

- $19.8M - Revenue adjustment from SAAC projection, including:
  - $3M transfer-in from Fleet Fund by reducing/delaying vehicle replacement
  - $14M increase in Income Tax based on updated receipts and assumptions
  - $2.8M adjustment in interest income & other revenues
- $6.2M – BOE leadership commitment of using HCPSS own source / savings
- $40.8M – various savings/reductions from original requests from different agencies but still allow supporting critical needs
- NO tax increase or service reductions

Proposed Total Budget vs SAAC Recommendations

SAAC Recommendation: **$96.7 M growth (6.3%)**

Proposed Budget: **$116.5M growth (7.6%)**

- Updated forecast based on additional YTD collection data and latest market information

This forecast features high uncertainties or risks given rapidly changing Federal policies and actions with continued significant impact.

For reference: State March BRE forecast predicts State General Fund revenue growth of 0% in FY27, assuming Income Tax growth of 1.8% and interest income growth of -64%.

Projected FY27 Strong Growth Non-Sustainable with High Risks

- **Actual** (audited) General Fund revenue growth:
  - FY22: $38M
  - FY23: $106M
  - FY24: $12M
  - FY25: $92M
  - ***4-Year Average Growth : $62M (4%) per year***

- **Huge Volatility** for Individual Years' Performances

- **FY27 Projection Not Sustainable**

FY 27 Revenue Summary ($ in millions)

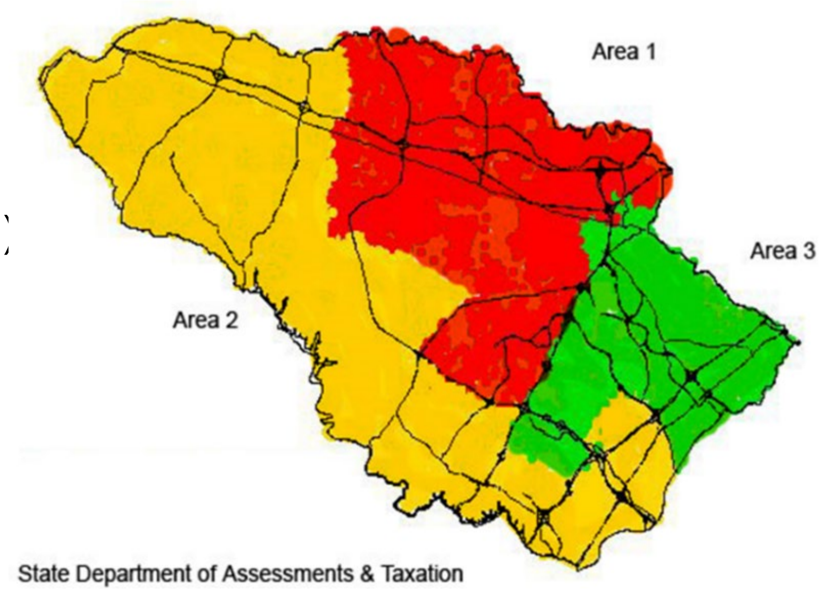
	FY 2026 Budget	FY 2027 Proposed	$ Change	% Change
Property Taxes	730.7	762.9	32.2	4.4%
Income Tax	662.2	739.2	77.0	11.6%
Other local taxes	28.7	28.7	-	0.0%
State Shared Taxes	6.1	6.2	0.1	1.6%
Charges / Permits / Intergov.	34.0	33.5	(0.5)	-1.5%
Transfers /Recoveries/Invest.	70.8	78.5	7.7	10.9%
Total Growth	**1,532.5**	**1,649.0**	**116.5**	**7.6%**

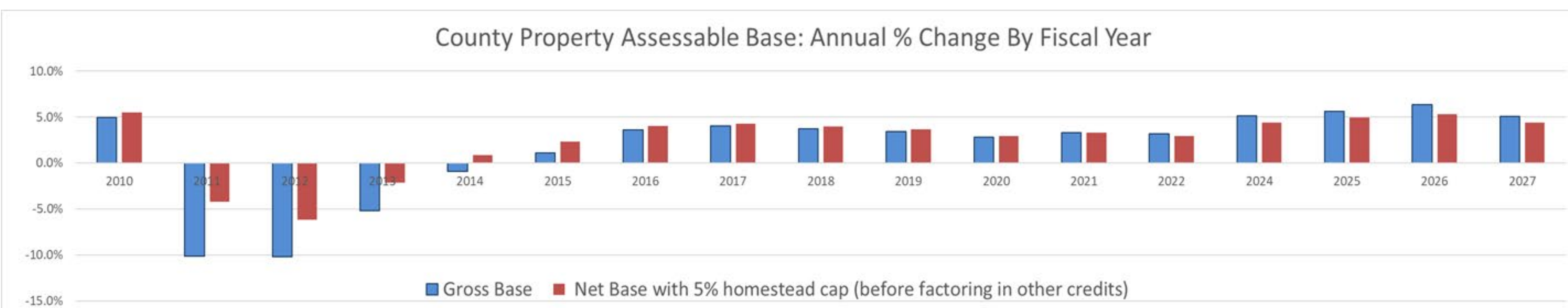
- Key increases: property tax, income tax, interest income (under Use of Money & Property), and Transfers.

Property Tax Remains Strong: 4.4% Projected (with Homestead & Other Credits)

- F27 reassessment growth (for 1/3 of areas per year) before credit
  - Area 1: 4.8% per year (FY27-29 phase-in)

  (slowdown from last year - Area 3: 6.5% / yr)

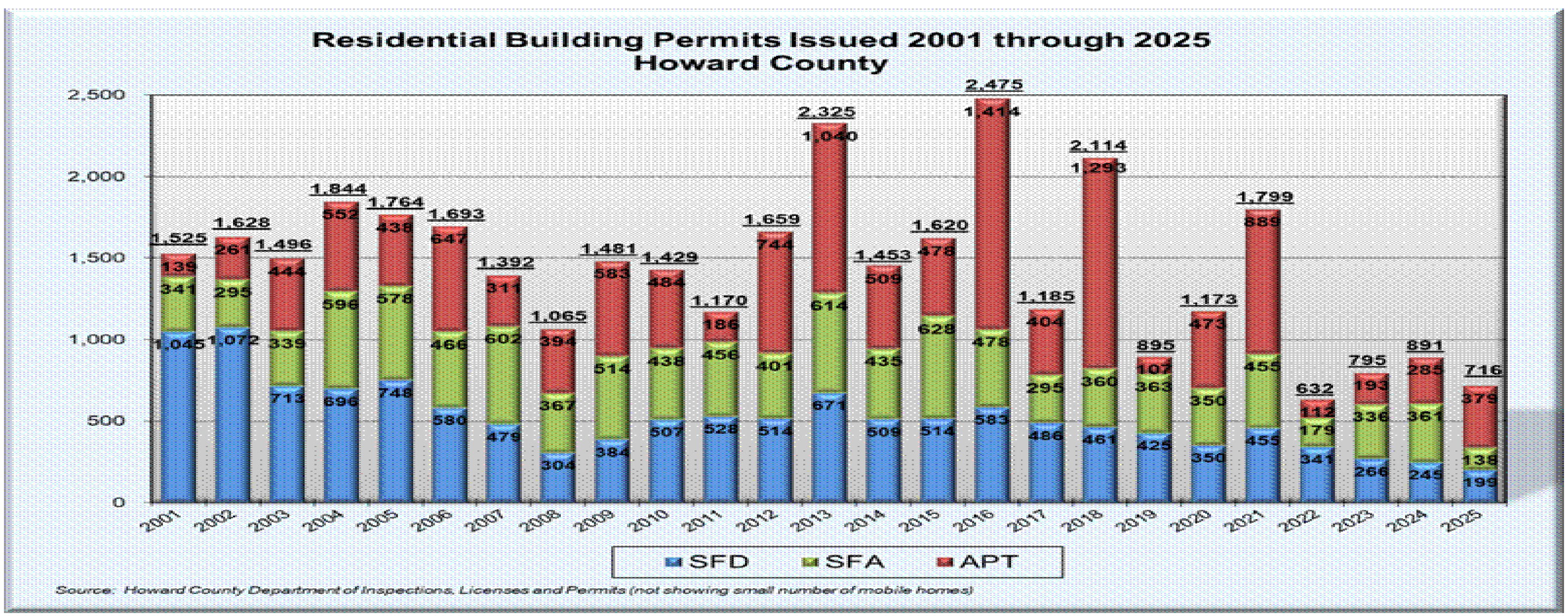




Property Tax Growth Key Factors

Property Tax revenues remain solid thanks to Maryland's triennial assessment and three-year phase-in arrangement, but starts to show signs of slowdown:

- Median home sales price grew by only 2.5% in CY2025
- New constructions remain low
- Commercial real property reassessment (averaging 3.2% per year per SDAT) lagged State average
- Uncertainties on macro-economy and continued Federal impact



County Income Tax Annual Growth History

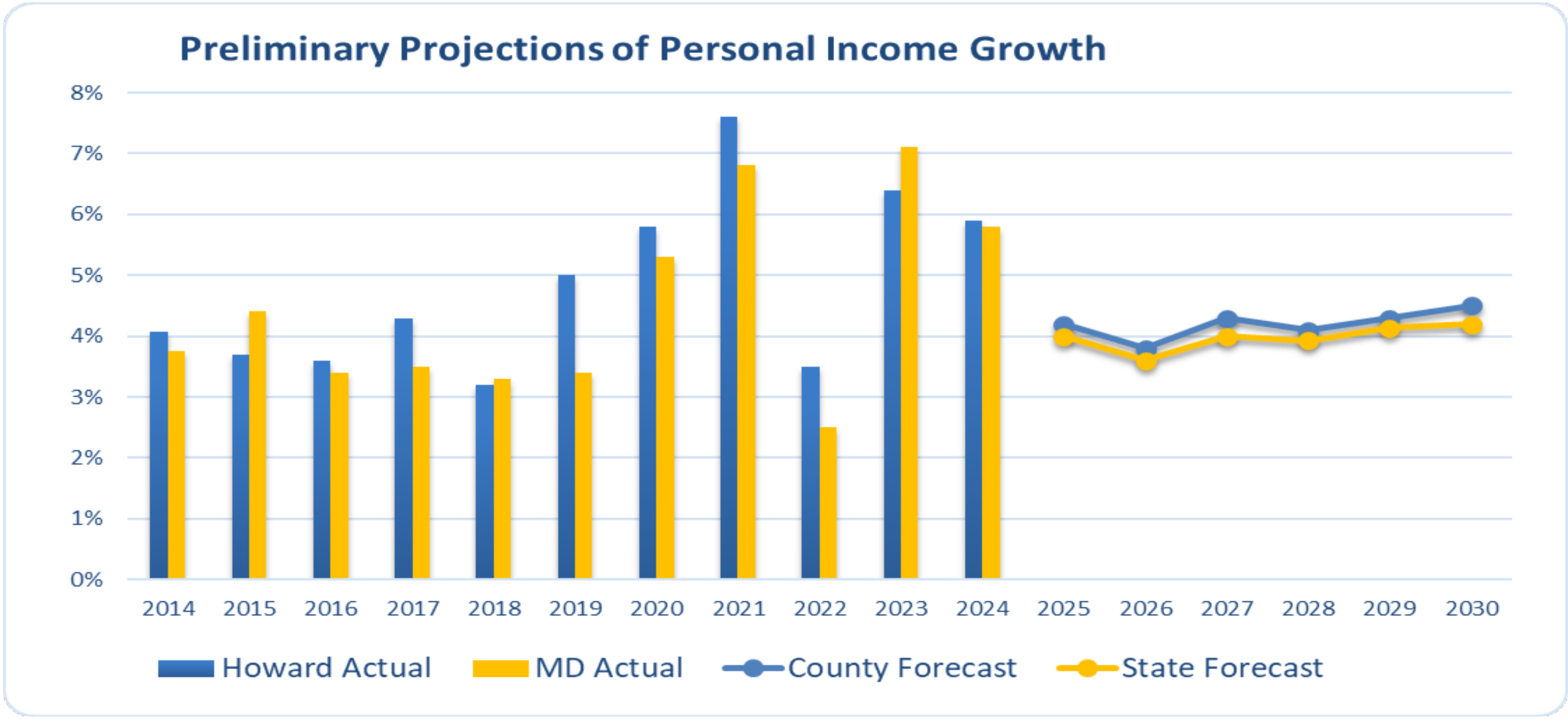
– Income Tax performance continues to show high volatilities, primarily due to significant impact of one-time factors

- Pre-Pandemic : 3.4% (5-year avg.)
- FY24 Actual: -6%
- FY25 actual: 11%

– Sizable disconnect with economic indicators (e.g. personal income hovers around 4%)

Personal Income Growth in Howard County

- County personal income growth dropped from the peak to around 4% in CY2025
- It is projected to maintain around 4% growth in next few years on average (absent economic recession or drastic federal actions), based on projections by the Jacob France Institute at the University of Baltimore



FY27 Income Tax Forecast Assumptions: 11.6% growth from FY26 Budget

Positive: Higher Base in FY25 and current year due to

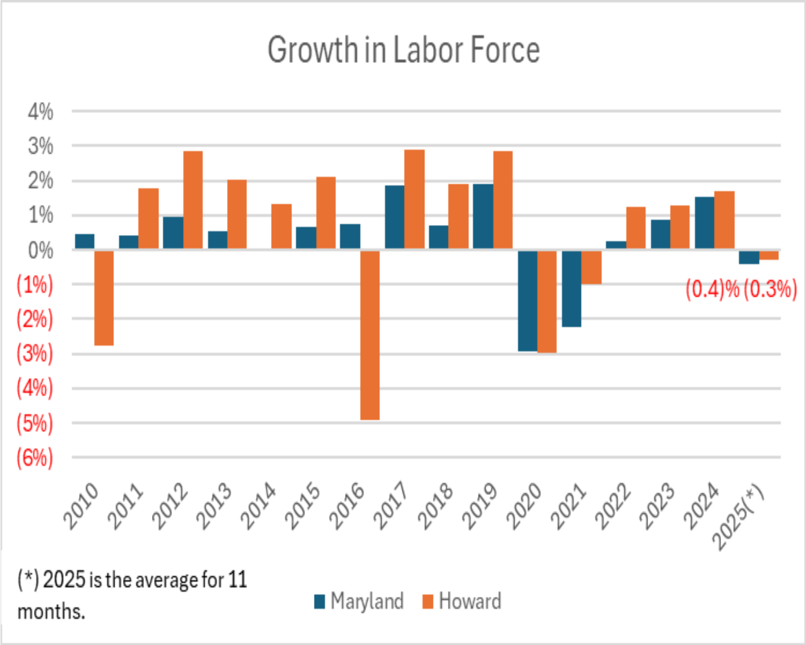
– Capital Gains (non-sustainable)
– Reconciliation Distribution (non-sustainable)
– Anticipated Federal impact not materialized, yet

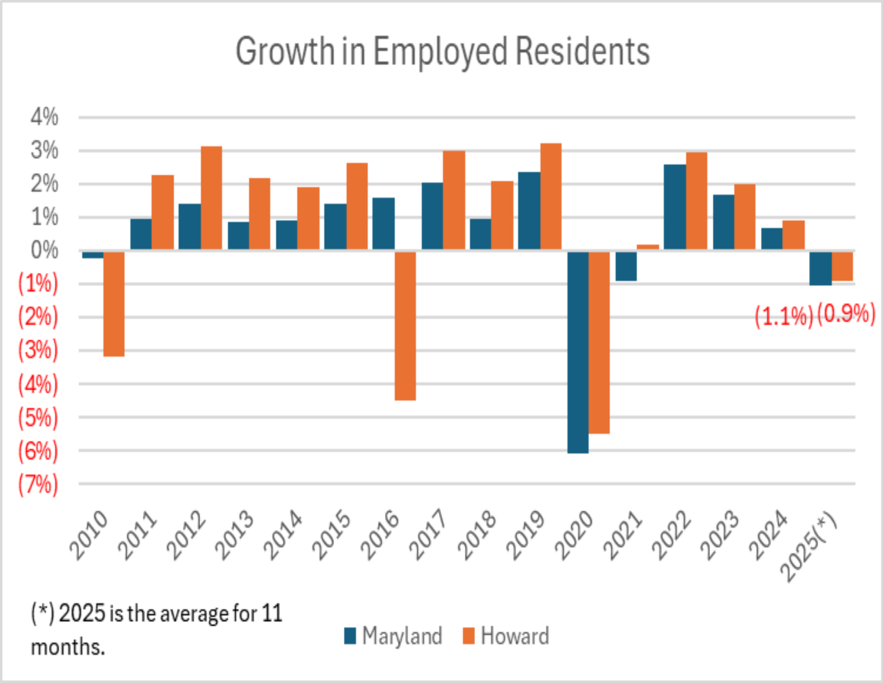
Negative: Downward adjustments risks for FY27 ~ FY28

– Lost momentum or decrease in capital gains and reconciliation
– Delayed impact of Federal layoffs & contract reduction, and the weakening of labor market in general
– Adjustment for State tax law change (over-distribution upfront)

County Labor Market: Signs of Continued Weakening

- Both labor force growth and employment growth in the County have slowed down in recent years, and turned negative in 2025

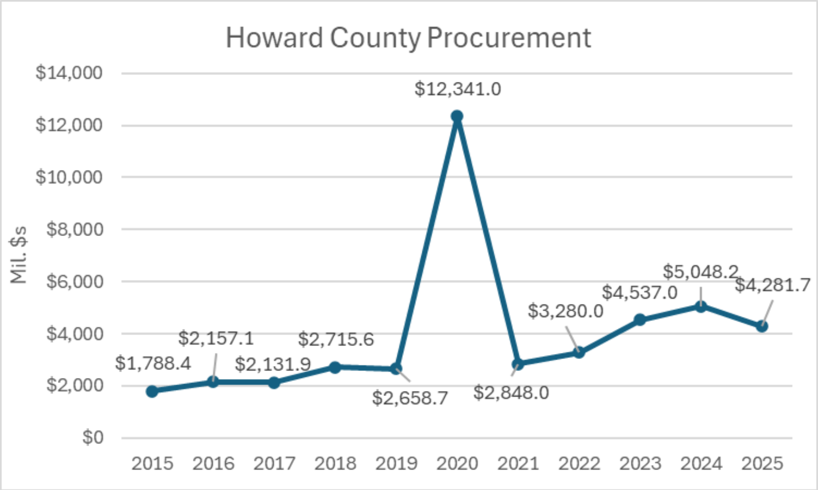




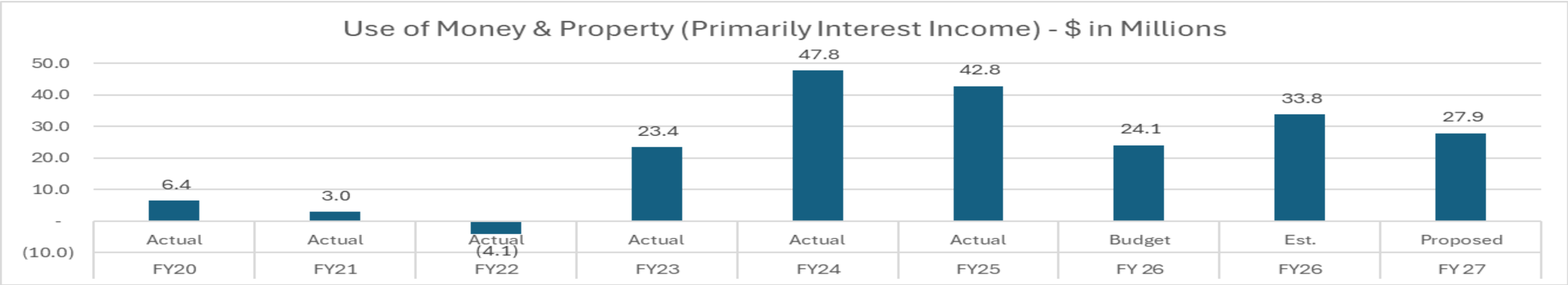
Challenge & Uncertainties - Continued Federal Impact

- As of November 2025, 15.3% of Federal employees living in the State had lost jobs.
- Howard County: **11.3**% residents were Federal employees, Federal procurement spending **$4.3B – which fell 15% in FFY2025**
- County implication: Potential sizable employment loss with likely ***lagged impact on revenues***.

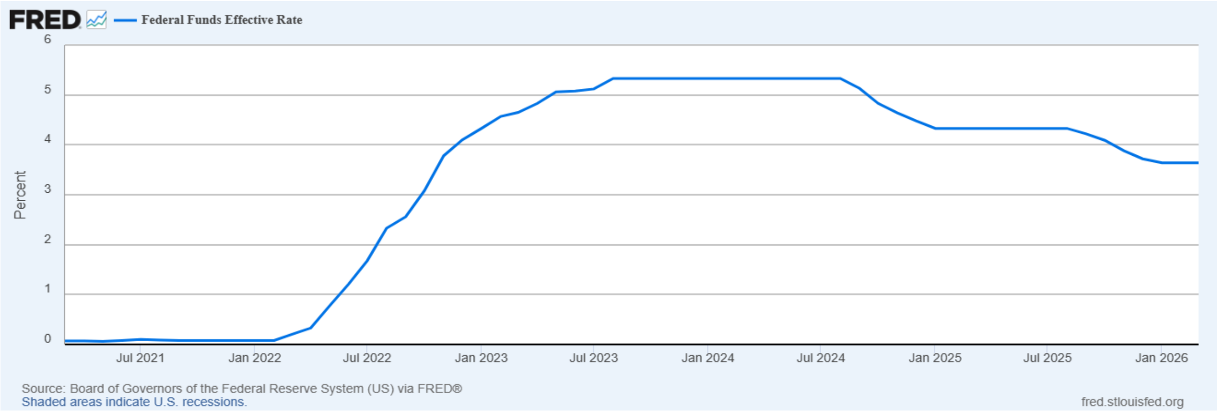
Howard County's Reliance on the Federal Government	
Item	**Number**
Federal Employment 2024, By Place of Residence*	
Federal Jobs (# of Jobs)	20,428
Federal Jobs (% of Employment)	11.3%
Federal Procurement FFY2025	
Federal Procurement (Bil $s)	$4.3
Federal Procurement ($s per capita)	$12,582



Interest Income



- Interest income went from a few million $ to 10 times of that by FY24 when Federal Reserve raised federal funds rate from nearly 0 to 5.25%-5.5% in 2024.
- Since FY24, investment income has been trending down alongside with the Federal funds rates, which dropped to 4.25%-4.5% in mid-2025 and 3.50~3.75% currently .
- FY27 revenue is expected to decline continuously from current year estimate, given existing and anticipated Federal Reserve interest reductions by next year.



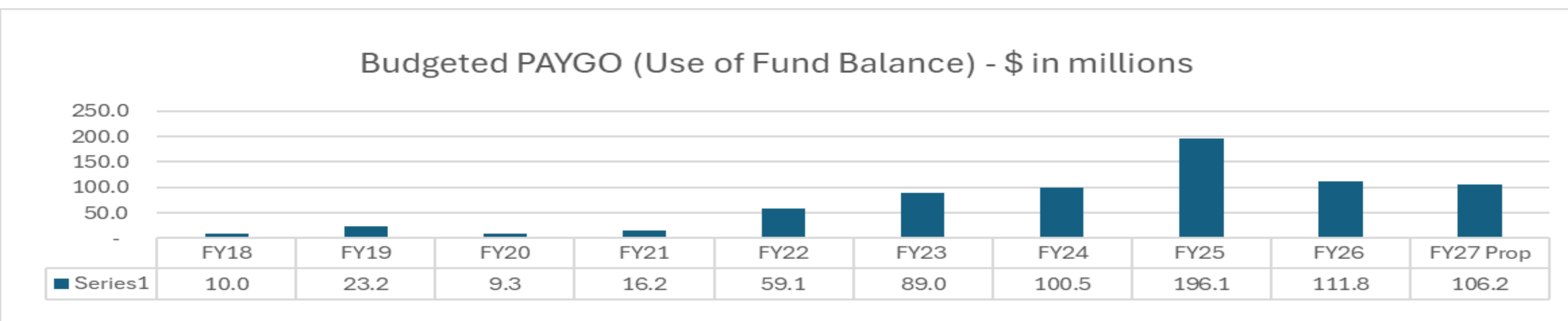
Other Taxes, Permits & Charges

- Transfer & Recordation taxes, building permits, and development-related charges
  - Largely stabilized but remain relatively weak following double-digit decreases experienced in both FY23 and FY24
  - Revenues are mostly flat or show slight decrease from current year budget with concerns on the real estimate market and the economy

PAYGO (Use of Fund Balance)

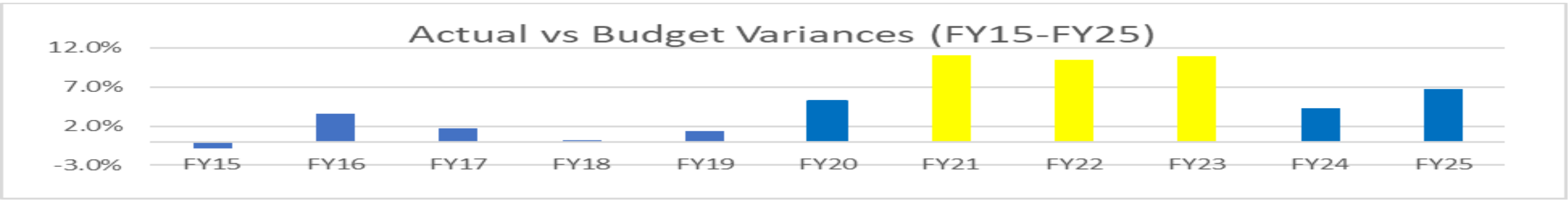
- FY 27 Proposed Budget also includes $106.2 million Use of Fund Balance, which an only be used to support **non-recurring** priorities per County Charter
  - $ 79.1M CIP PAYGO ($47.2M for HCPSS systemic renovation; the rest for Elkridge Community Center, road resurfacing, etc.)
  - $27.1M Operating PAYGO for various one-time initiatives

- Use of PAYGO has been declining since FY25 and is expected to decline continuously as one-time revenue drivers disappear or lose momentum. Also, unpredictable Federal actions and the overall economic outlook features increased downside risks for revenue forecast.

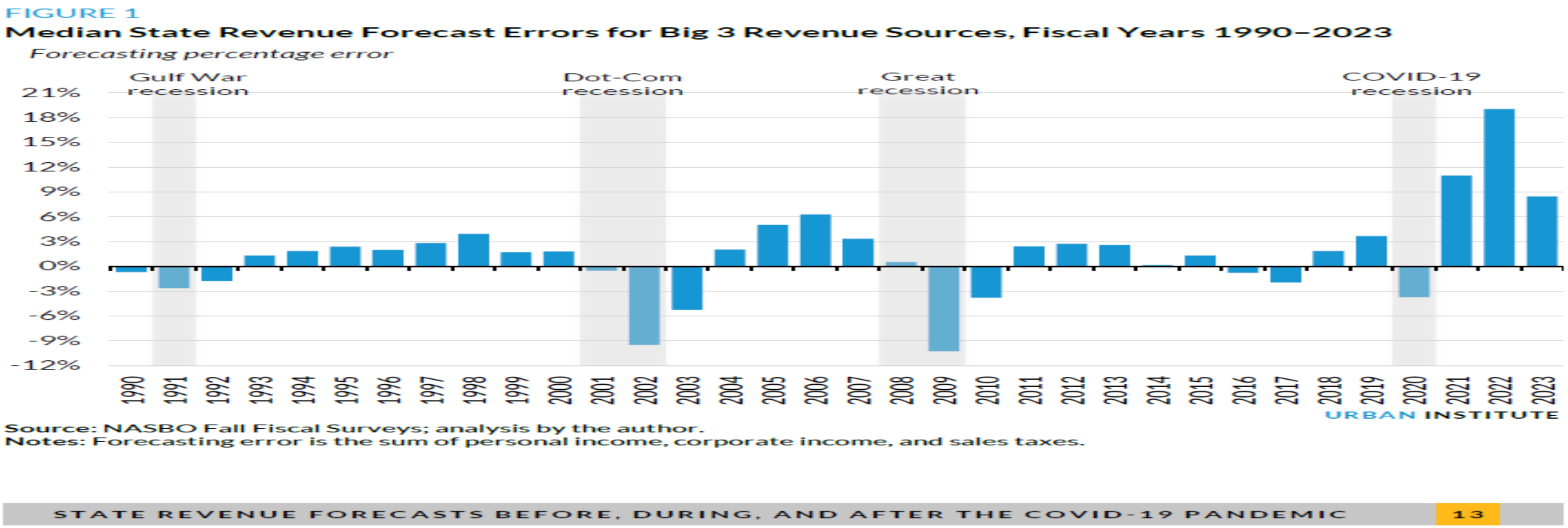


Projected Revenues – Multi-year History

- Budget vs actual variance surged significantly during the pandemic but has been trending down since then; variance *<u>in line with (and often below) peers</u>*

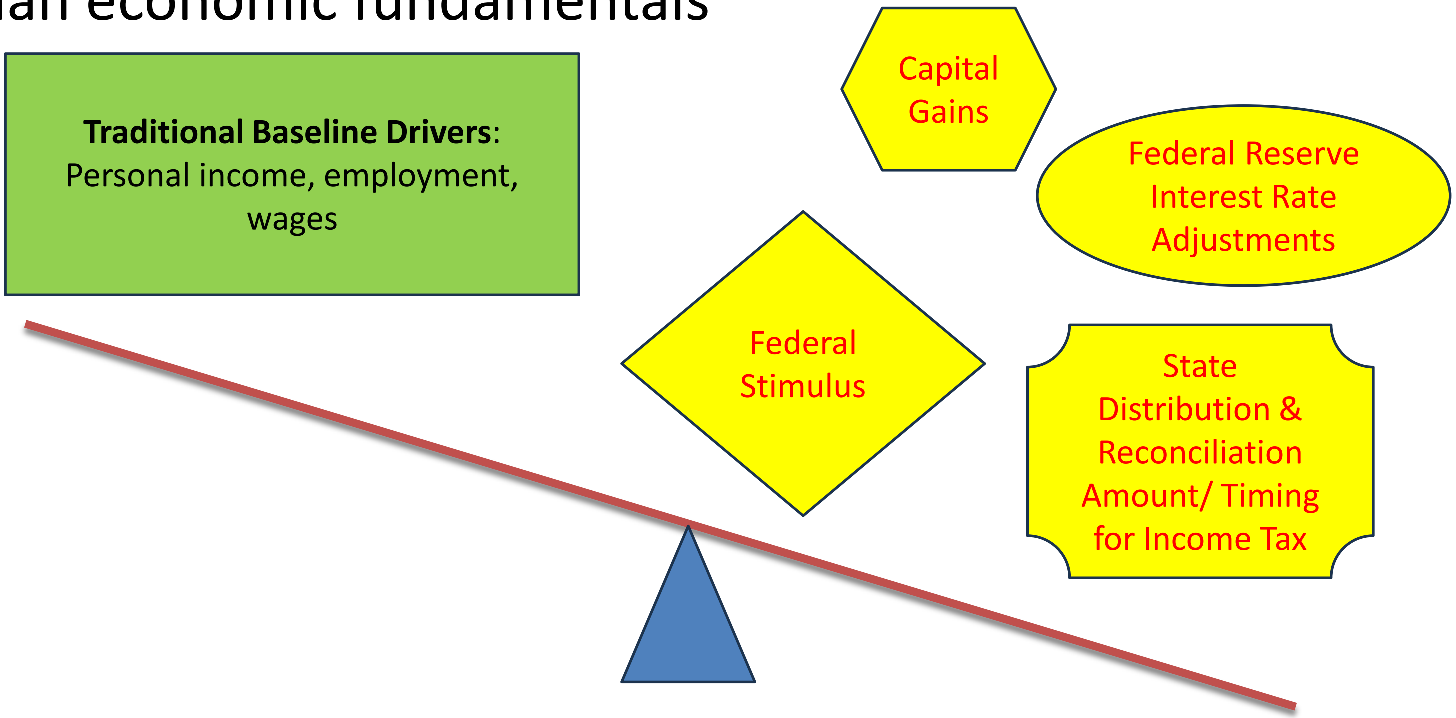


- Urban Institute Research of 50 states' revenue forecasts: variance surged to double-digit surplus during the pandemic

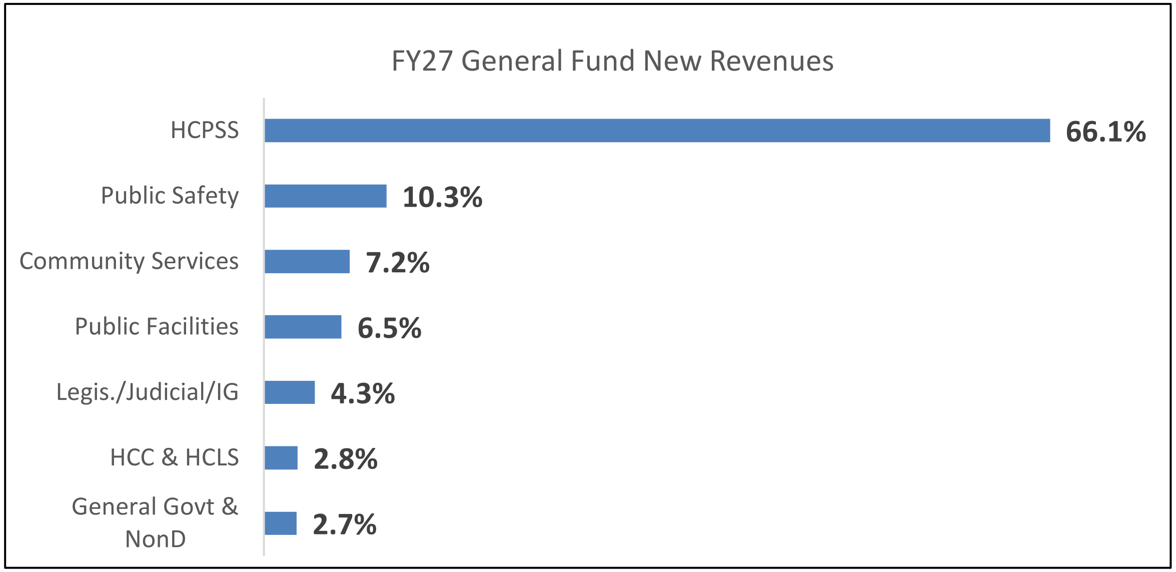


Revenue Projection Challenges: Significantly More Volatile with Increased Risks

- Since the onset of COVID, revenue performance has been driven primarily by multiple ***one-time, unique factors*** rather than economic fundamentals



FY27 Revenue Growth – Where the $ Goes



$ in millions	**FY27 $ Increase**
HCPSS	77.0
Public Safety	12.0
Community Services	8.4
Public Facilities	7.6
Legis./Judicial/IG	5.0
HCC & HCLS	3.3
General Govt & NonD	3.2
Total	**116.5**

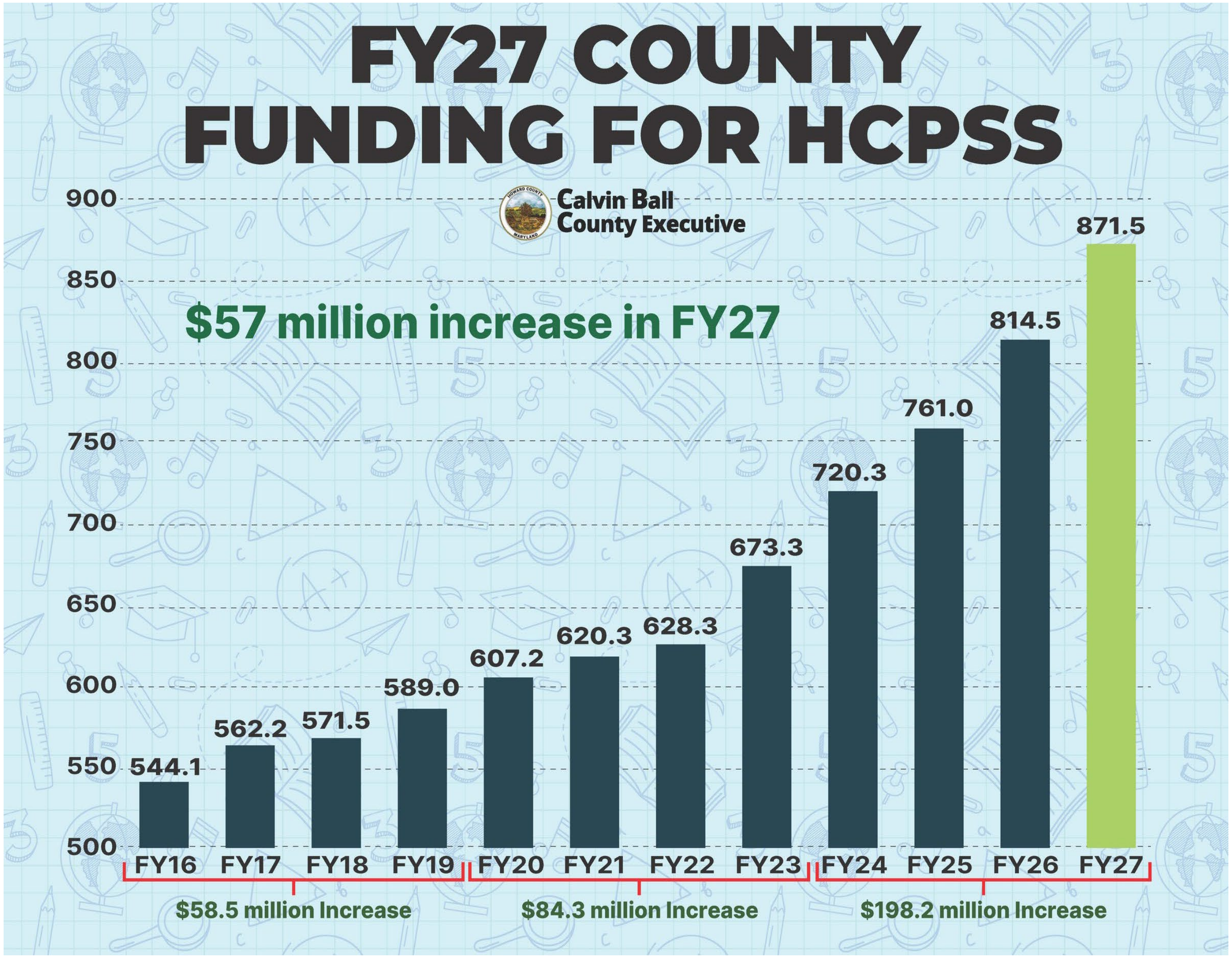
- **66.1%** of $116.5M new revenues: support HCPSS needs
  - $57M recurring funding growth to HCPSS appropriation
  - $14.5M to replenish FY26 one-time funding with recurring revenues
  - $2.6M teachers' pension
  - $2.9M private pre-K match

  Total: $77M

- The rest: support all other public services - mostly **mandates or non-discretionary costs** with little flexibility (***direct impact on services & employees)***

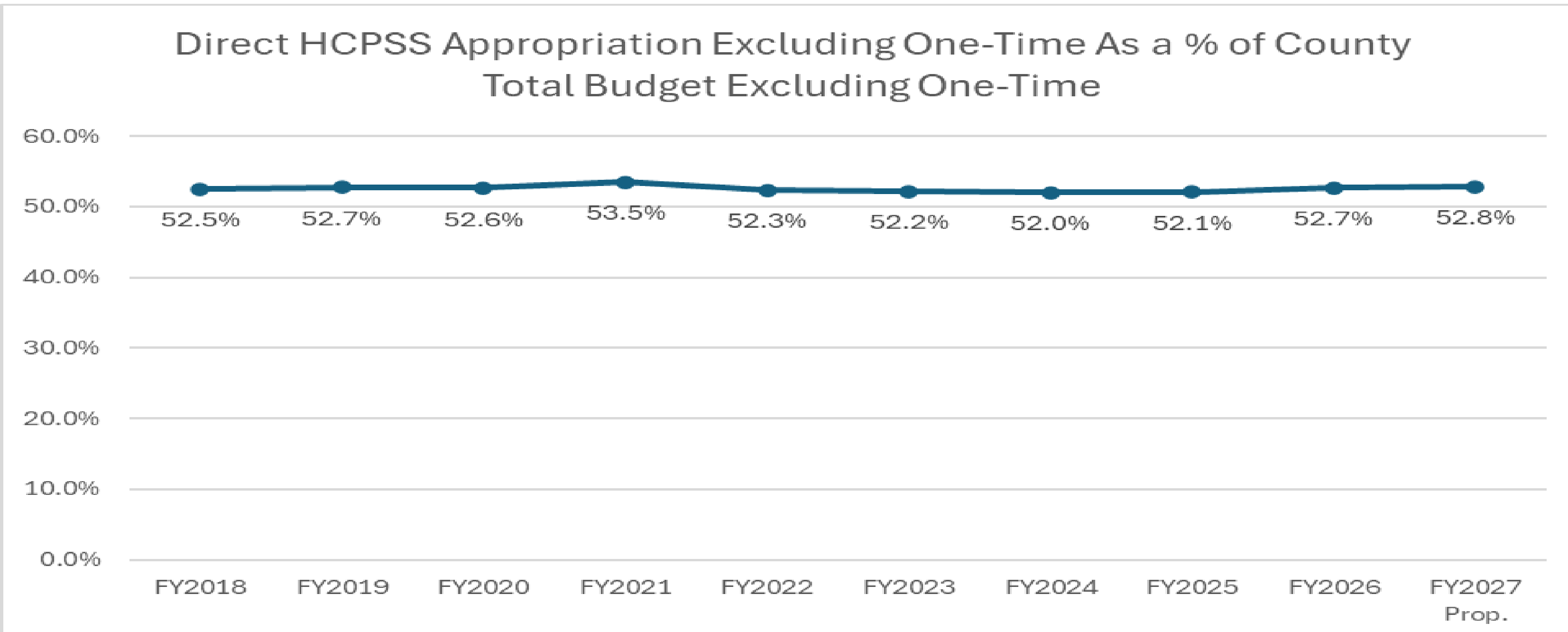
County Direct Funding to HCPSS FY27: $871.5M

Increase: ***7%, $60.8M over Maintenance of Efforts (MOE)***



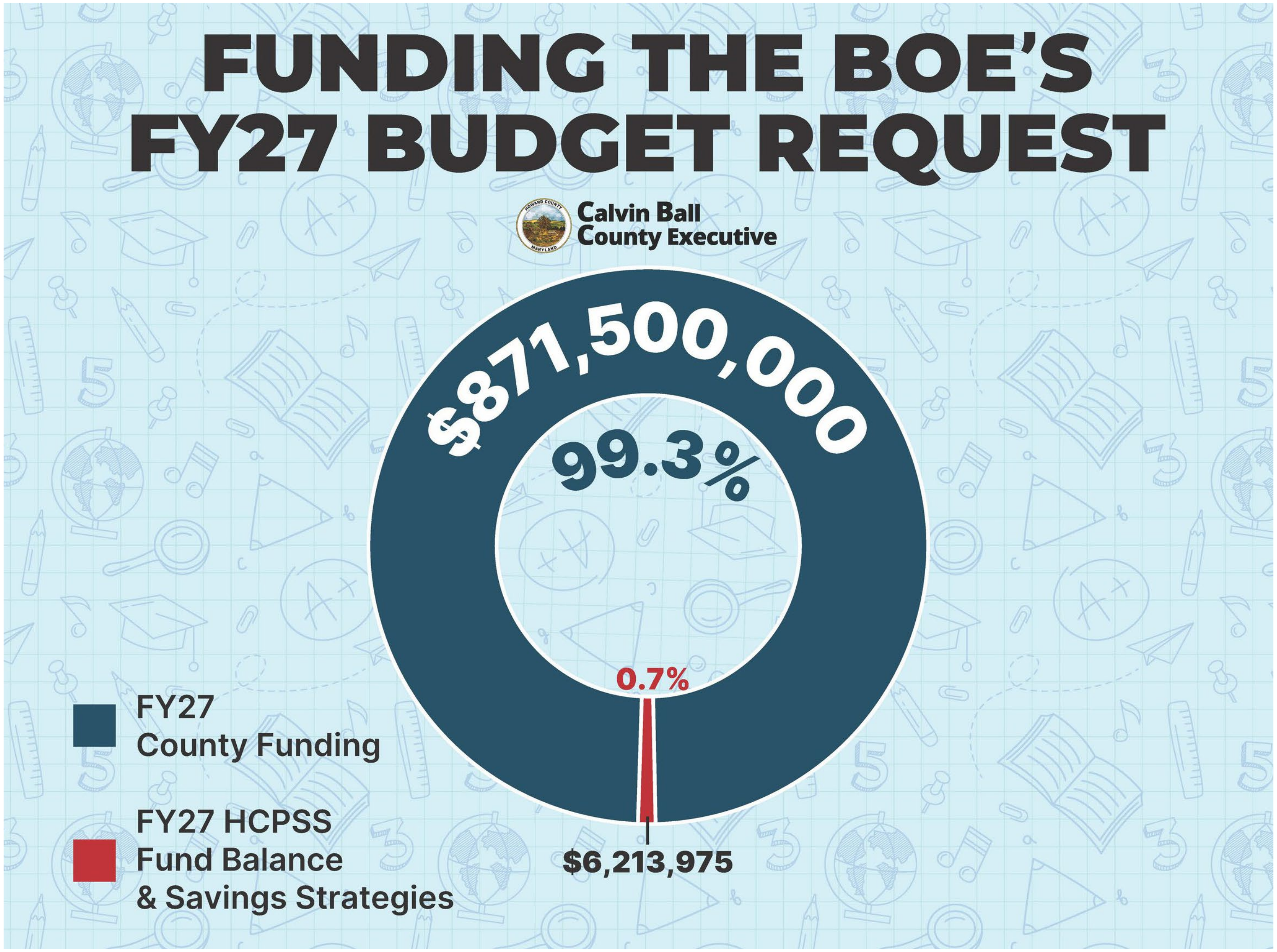
County Direct Funding to HCPSS

County Direct Funding to HCPSS As a Share of County Total General Fund excluding PAYGO Has Remained Stable in last decade with improvement in last two years.



Moreover, the County allocates separate funds within its own budget to support school capital projects, school employee OPEB (retirement health benefits), teachers' pension obligations, local matching funds for private pre-K, the teachers loan program, and other related items. (Total including indirect support > 57%)

BOE FY27 Proposed Operating Budget Fully Funded via Collaborative Solutions between County & HCPSS Leadership



County Also Fully Funded HCPSS FY27 CIP Budget

County funding to HCPSS CIP in FY27: $98.6M