



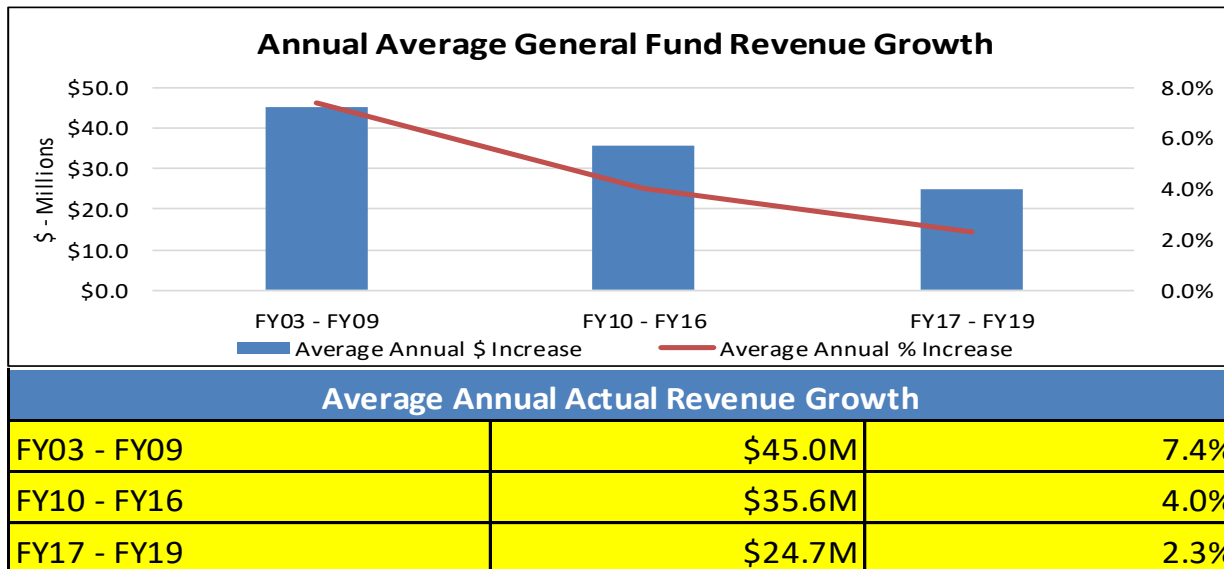
FY 2021 Fiscal Update

Budget Office

February 13, 2020

County Revenue Growth Has Slowed Down to <3% Per Year in Recent Years

- County revenues have entered a moderate growth period, with audited total revenue growth averaging \$25 million or 2.3% growth per year in the last three years.
- A moderate revenue growth will likely continue in foreseeable future, largely due to: a tight labor market, demographic changes (including an aging population), a slow growth of property assessment value, a shift in local new houses from single to multi-family units, and limits on new development (buildout of available land and APFO amendment requiring a 4-year moratorium for new development that fail APFO tests)



FY 2021 Preliminary Revenue Projections: \$38.1M Growth (3.3%)

Projected Revenue Growth in FY 21 From FY 20 Budget
(\$ in millions):

Property Taxes	\$ 15.8	2.8%
Income Taxes	\$ 26.9	5.8%
Other Local Taxes	\$ (0.3)	-1.0%
State Shared Taxes	\$ 0.1	4.0%
Charges / Permits	\$ (1.1)	-3.0%
Investments/Transfers	<u>\$ (3.3)</u>	<u>-6.9%</u>
Total	\$ 38.1	3.3%

Higher than usual income tax projection is partly attributable to unexpected reconciliation for delayed impact from Federal tax law change two years ago

Reassessment – Commercial Base Continued to Show a Stronger Growth than Residential Base

Reassessment Triennial Change in Full Cash Value (Residential)										
January 1, 2011 through January 1, 2020										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Gr. 2	Gr. 3	Gr. 1	Gr. 2	Gr.3	Gr. 1	Gr. 2	Gr. 3	Gr. 1	Gr. 2
Anne Arundel	-23.0%	-14.5%	-3.7%	2.8%	10.2%	10.1%	7.3%	7.9%	7.8%	7.0%
Baltimore City	-13.6%	-9.8%	-7.8%	4.4%	6.7%	4.9%	3.5%	0.1%	5.9%	8.3%
Baltimore	-18.3%	-19.0%	-15.8%	-2.9%	5.2%	10.9%	7.8%	5.0%	10.1%	6.5%
Harford	-17.3%	-10.2%	-7.9%	-0.5%	-1.2%	2.5%	5.4%	3.6%	6.2%	5.6%
Howard	-22.6%	-12.2%	-0.2%	5.7%	9.5%	7.3%	3.9%	2.7%	8.1%	6.7%
Montgomery	-17.4%	-12.7%	1.7%	5.8%	11.5%	9.6%	4.8%	3.9%	5.4%	4.8%
Prince George's	-35.0%	-36.5%	-21.5%	4.2%	23.1%	29.8%	14.2%	21.4%	19.2%	13.3%
State Average	-21.9%	-17.1%	-6.9%	1.3%	8.1%	9.5%	6.4%	5.8%	8.2%	7.3%

Reassessment Triennial Change in Full Cash Value (Commercial)										
January 1, 2011 through January 1, 2020										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Gr. 2	Gr. 3	Gr. 1	Gr. 2	Gr.3	Gr. 1	Gr. 2	Gr. 3	Gr. 1	Gr. 2
Anne Arundel	-0.7%	-1.9%	14.4%	23.0%	13.8%	22.4%	21.1%	14.1%	8.7%	17.2%
Baltimore City	1.0%	-0.1%	7.5%	10.3%	14.4%	21.4%	9.5%	8.5%	12.6%	9.9%
Baltimore	1.3%	3.1%	15.4%	12.2%	10.3%	16.1%	10.3%	11.7%	12.7%	12.0%
Harford	-1.7%	9.2%	6.4%	12.9%	14.7%	9.6%	5.4%	6.5%	3.0%	5.2%
Howard	0.4%	3.1%	17.0%	17.6%	13.4%	16.5%	14.0%	15.5%	9.9%	14.0%
Montgomery	-1.8%	1.9%	23.1%	31.4%	34.4%	20.9%	17.8%	17.4%	16.5%	16.5%
Prince George's	0.7%	3.6%	16.1%	8.9%	13.8%	15.7%	11.5%	10.6%	12.4%	13.1%
State Average	-0.8%	1.1%	11.4%	16.3%	18.6%	16.1%	13.6%	12.7%	12.5%	13.5%

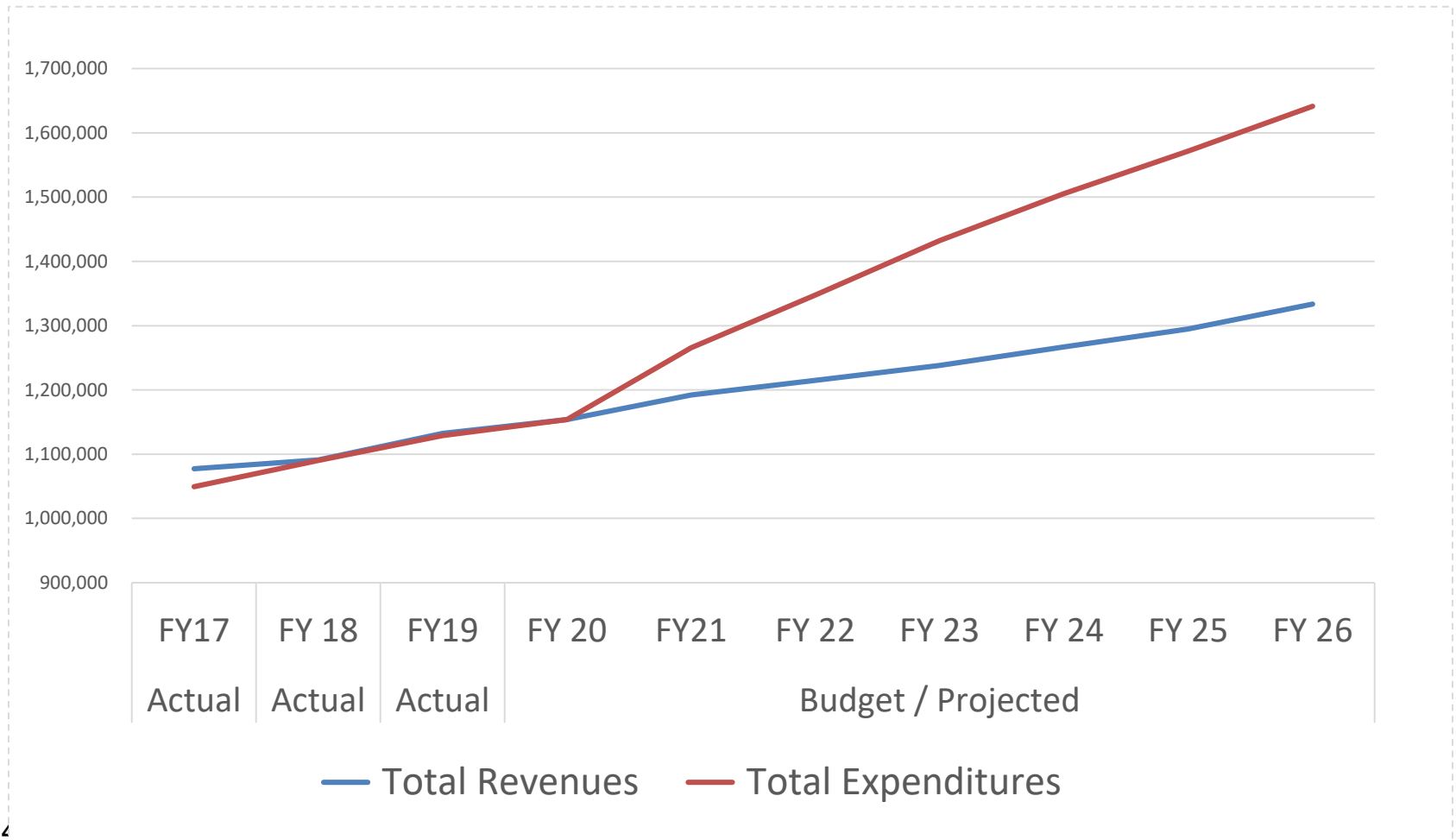
Reassessment Triennial Change in Full Cash Value (Total)										
January 1, 2011 through January 1, 2020										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Gr. 2	Gr. 3	Gr. 1	Gr. 2	Gr.3	Gr. 1	Gr. 2	Gr. 3	Gr. 1	Gr. 2
Anne Arundel	-16.6%	-12.6%	-1.9%	9.9%	10.8%	11.5%	12.4%	8.9%	7.9%	10.8%
Baltimore City	-8.7%	-6.8%	-3.1%	7.0%	9.6%	10.9%	6.2%	3.6%	8.4%	9.1%
Baltimore	-13.6%	-14.5%	-8.1%	1.2%	6.4%	12.4%	8.5%	6.6%	10.9%	8.1%
Harford	-15.3%	-5.8%	-6.5%	1.6%	3.1%	3.2%	6.0%	4.5%	5.8%	5.6%
Howard	-18.8%	-8.7%	2.5%	8.1%	10.5%	9.0%	6.1%	5.9%	8.5%	8.3%
Montgomery	-14.5%	-8.6%	4.1%	11.0%	18.7%	11.1%	7.8%	8.4%	6.9%	7.6%
Prince George's	-28.7%	-24.8%	-10.6%	5.3%	19.5%	24.7%	13.5%	17.5%	16.8%	13.3%
State Average	-17.9%	-13.0%	-3.6%	4.7%	10.8%	10.9%	8.2%	7.7%	9.1%	8.9%

FY 2021 Fiscal Challenges:

- **Revenues growth projections:** **\$38.1M (3.3%)**
- Expenditure growth requests (Direct County funding):
 - HCPSS Superintendent's Request **\$54.2M**
(net of \$9M in one-time request)
 - HCC **\$3.2M**
 - HCLS **\$3.3M**
 - Education Subtotal: **\$60.7M**
 - Debt Service Payment **\$7.3M**
 - OPEB incremental (retiree health benefit) **\$3.0M**
 - New office leases **\$2.5M**
(related to non-profit center, innovative center, and courthouse)
 - County agencies **\$38.0M**
 - Total Expenditure Growth Request** **\$111.9M (9.6%)**
- **Gap to close:** **(\$73.8M)**

Multi-Year Projections (Before Actions)

- Annual gap expected to grow into \$308M by FY 2025, resulting in accumulative deficit of \$1.2B by then, before corrective actions.



Multi-Year Projections (Before Actions)

- Projected expenditure needs (by all government entities and agencies collectively) continue to outpace revenue growth significantly (averaging 3.6% difference or \$204M gap per year in next six years)

\$ in millions	Budget	Projected						6-Year
	FY20	FY21	FY 22	FY 23	FY 24	FY 25	FY 26	Average
Total Revenues	1153.9	1192.0	1215.0	1237.9	1267.1	1295.1	1333.8	
% Growth		3.3%	1.9%	1.9%	2.4%	2.2%	3.0%	2.4%
Total Expenditures	1153.9	1265.8	1347.6	1432.5	1505.8	1571.9	1641.5	
% Growth		9.7%	6.5%	6.3%	5.1%	4.4%	4.4%	6.1%
Difference in % Growth		-6.4%	-4.5%	-4.4%	-2.8%	-2.2%	-1.4%	-3.6%
Surplus/Gap	0.0	(73.8)	(132.7)	(194.5)	(238.7)	(276.9)	(307.7)	(204.0)

- Sensitivity Tests indicate that even with 1% improvement (on either revenue or expenditure growth) from the base scenario, it would still leave 2.6% difference with an average annual gap of \$160 million

Some Known Challenges

Revenue Risks / Uncertainties

- Economic downturn / slowdown
- Forgone revenues associated with APFO amendment
- Federal / State actions & local legislation

Expenditure Drivers

- Cost for providing same level of services continue to grow (salaries, fringe benefits, contractual cost) and usually exceed revenue growth
- Debt service payments for capital projects continue to grow fast
- Population growth (e.g., student, senior population, etc.)
- Courthouse payment (approx. \$15 M to phase in during FY22-23)
- Significant staffing needs in Police Department (which has not added sworn staff for years) and Sheriff (for new courthouse security)
- Deferred maintenance
- Staffing, operating and maintenance costs for capital projects approved

FY21-26 CIP – Multi-Year Request Exceeded Funding Capacity Significantly

- Request = more than 2 times expected funding
- As a result, requested projects have to be cut by more than 50% for most years

Fiscal 2021 CIP Budget Request						
\$ - Millions	FY21	FY22	FY23	FY24	FY25	FY26
GO Bonds Projected Ceiling	\$89.0	\$90.0	\$90.0	\$90.0	\$90.0	\$90.0
Requested	\$205.0	\$221.5	\$215.0	\$180.5	\$85.5	\$107.6
Education	65.7	84.7	80.1	112.0	51.3	48.7
HCPSS	50.3	66.2	56.3	62.7	35.5	34.9
HCC	11.1	18.5	18.6	16.3	13.2	13.8
HCL	4.2	0.0	5.2	33.0	2.6	0.0
Police/Fire	3.5	3.4	0.4	0.4	0.4	0.6
General County	108.8	39.4	89.1	27.5	19.6	44.2
Recreation & Parks	0.3	5.0	1.4	1.1	2.2	4.5
Road Construction/Resurfacing, Bridges, Sidewalks	11.4	76.3	37.1	34.9	9.0	6.3
Storm Drainage	11.2	9.2	4.1	3.2	2.9	3.2
Traffic, Water/Sewer	4.1	3.6	2.7	1.4	0.2	0.2
Gap	(\$116.0)	(\$131.5)	(\$125.0)	(\$90.5)	\$4.5	(\$17.6)

FY21 CIP – Key Projects Alone Exceeded Funding Capacity Significantly

- **Several key projects alone as listed below already well exceeded GO ceiling (estimated at <\$90M) in FY21**

Requested - Some Key Projects (\$ in millio	FY21 Request	Accumulative
Education	65.7	65.7
50+ Center	17.2	82.9
Ellicott City Flood Mitigation	14.4	97.3
Road Construction, Bridges, Sidewalks	11.4	108.7
Storm Drainage	11.2	119.9
North Laurel Pool	10.9	130.8
Systemic Renovations	9.1	139.9
Traffic	5.0	144.9
IT Infrastructure	4.5	149.4
Detention center	4.0	153.4
Bike/pedestrian plan	2.0	155.4

Revenue Actions Since FY 2020

- Fire Fund
 - Fire and Rescue Tax increased by 6 cents
 - EMS fee
- Environmental Service Fund
 - Refuse Curbside Collection Fee increased from \$210/year to \$310/year
 - Plastic Bag Fee (CB64-2019) established with a 5-cent fee for plastic bags starting October 2020
- CIP (Capital Projects)
 - School Facilities Surcharge increase (CB42-2019) from \$1.32/sq. ft. to \$4.75/sq. ft. in 2020, \$6.50/sq. ft. in 2021, and \$7.50/sq. ft. in 2022 with consumer price index adjustment there after [designated to HCPSS CIP projects]
 - Pending: Transfer Tax increase State enabling bill passed delegation and the Floor Vote on bill is imminent. Once passed, it is pending local action [designated to HCPSS, Recreation and Parks and Fire CIP projects and housing programs]

Estimated Property and Income Tax Burden

County	Real Property Tax Rate	Income Tax Rate	Property and Income Tax Burden
Allegany	0.9750	3.05%	\$2,406
Anne Arundel	0.9350	2.81%	\$5,784
Baltimore City	2.2500	3.20%	\$6,254
Baltimore County	1.1000	3.20%	\$4,958
Calvert	0.9370	3.00%	\$5,903
Caroline	0.9800	2.73%	\$3,269
Carroll	0.9800	3.20%	\$5,922
Cecil	1.0180	3.03%	\$4,399
Charles	1.1410	3.03%	\$6,345
Dorchester	1.0000	3.20%	\$3,223
Frederick	1.0600	2.96%	\$5,928
Garrett	1.0560	2.65%	\$2,805
Harford	1.0420	3.06%	\$5,398
Howard	\$1.260	3.20%	\$9,123
Kent	1.0220	3.20%	\$3,974
Montgomery	0.9786	3.20%	\$7,606
Prince George's	1.0000	3.20%	\$5,453
Queen Anne's	0.8471	3.20%	\$5,544
St. Mary's	1.0000	3.20%	\$2,448
Somerset	0.8478	3.00%	\$5,147
Talbot	0.6411	2.40%	\$3,397
Washington	0.9480	3.20%	\$3,840
Wicomico	0.9320	3.20%	\$3,289
Worcester	0.8450	2.25%	\$3,273
State Average	1.0332	3.02%	\$4,820

- The County will continue to explore revenue options where feasible, but has limited options left and also has to balance resource needs with the needs to attract/retain tax payers
- Relatively high tax burden of County residents currently
 - Howard County has the 2nd highest property tax rate (including fire tax).
 - Howard County is one of the counties that impose the highest income tax rate allowed by the State.

Note: Tax burden calculation is based on median house value and median household income

Summary

- Work on saving strategies/options continuously to close the significant gap in FY21 to provide same level of services
- Look at innovative solutions for efficiency and results with no/little on-going investment; identify services with relatively insignificant impact on the community as potential candidates for future savings
- Be careful on any new initiatives/positions with on-going cost, which will get into the base and make future years more challenging
- Take a closer look at fees and charges that do not cover service cost
- Work in collaboration to develop a realistic multi-year CIP plan; connecting CIP with operating budget to fully account for the impact of capital decisions (staffing, operating and maintenance costs, etc.)