

*Presentation for
Prince George's County Council*



PRINCE GEORGE'S COUNTY FINANCIAL OVERVIEW

February 4, 2025



OFFICE of MANAGEMENT & BUDGET

AGENDA

- Economic Outlook
- Long-Term Fiscal Outlook
- General Fund Outlook

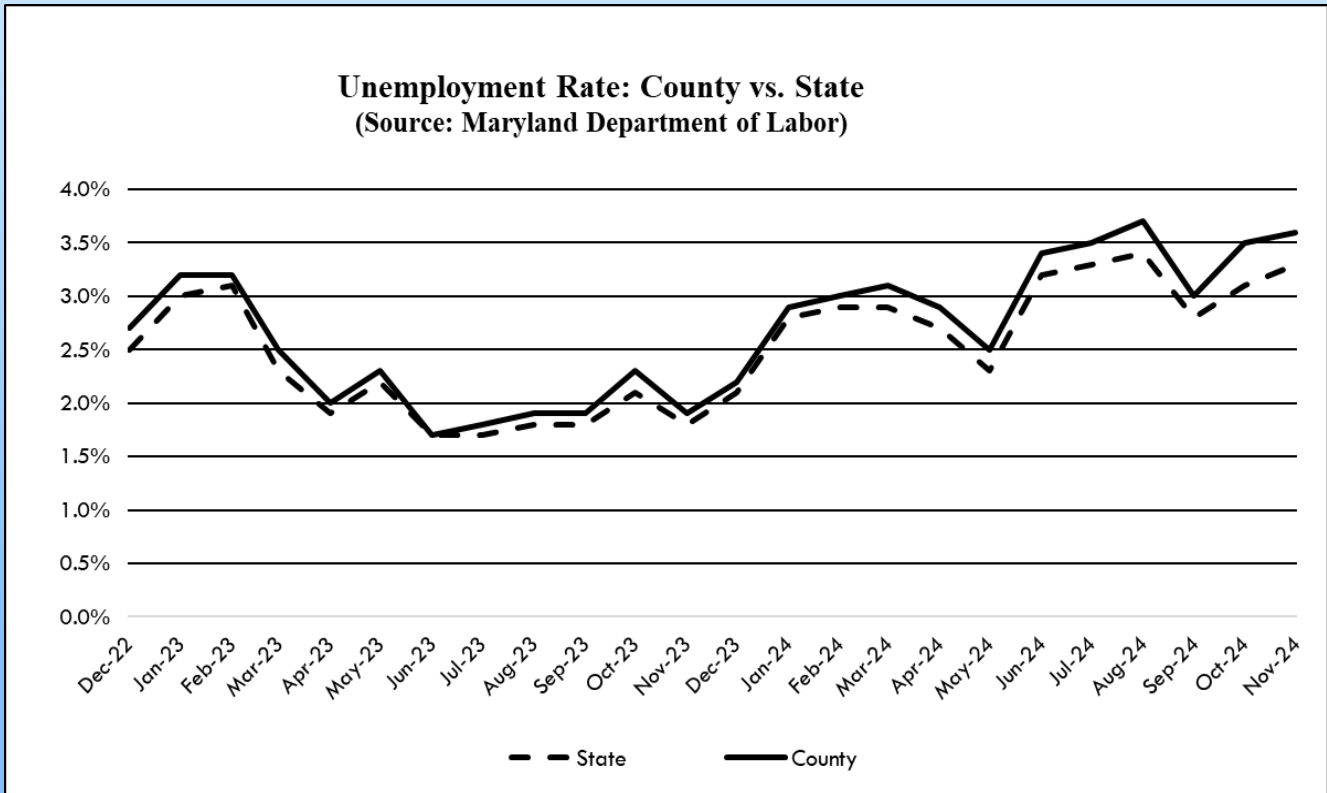
ECONOMIC OUTLOOK

AVERAGE ANNUAL COUNTY EMPLOYMENT BY SECTOR

Industry	2Q 2023-2Q				
	2Q CY 2019 Jobs	2Q CY 2023 Jobs	2Q CY 2024 Jobs	2024 Change	% Change
Federal Government	26,826	30,136	30,642	506	1.7%
State Government	22,301	21,903	25,085	3,182	14.5%
Local Government	42,550	39,375	42,999	3,624	9.2%
Natural Resources & Mining	111	137	319	182	132.8%
Construction	28,154	28,231	28,207	-24	-0.1%
Manufacturing	7,615	6,520	6,455	-65	-1.0%
Trade, Transportation & Utilities	59,665	58,166	57,332	-834	-1.4%
Information	2,827	2,552	2,103	-449	-17.6%
Financial Activities	11,773	10,954	10,942	-12	-0.1%
Professional & Business Services	39,897	40,622	39,738	-884	-2.2%
Education & Health Services	35,119	33,302	35,996	2,694	8.1%
Leisure & Hospitality	37,057	35,319	35,716	397	1.1%
Other Services	12,170	8,921	9,247	326	3.7%
Total:	326,065	316,138	315,990	-148	0.0%

- Employment remains stable in the County comparing 2Q of 2024 to 2023. The average weekly wage grew 3.4% during the same period.
- Government and the Education & Health sectors have exceeded pre-pandemic levels. Most private sector industries have not fully rebounded.

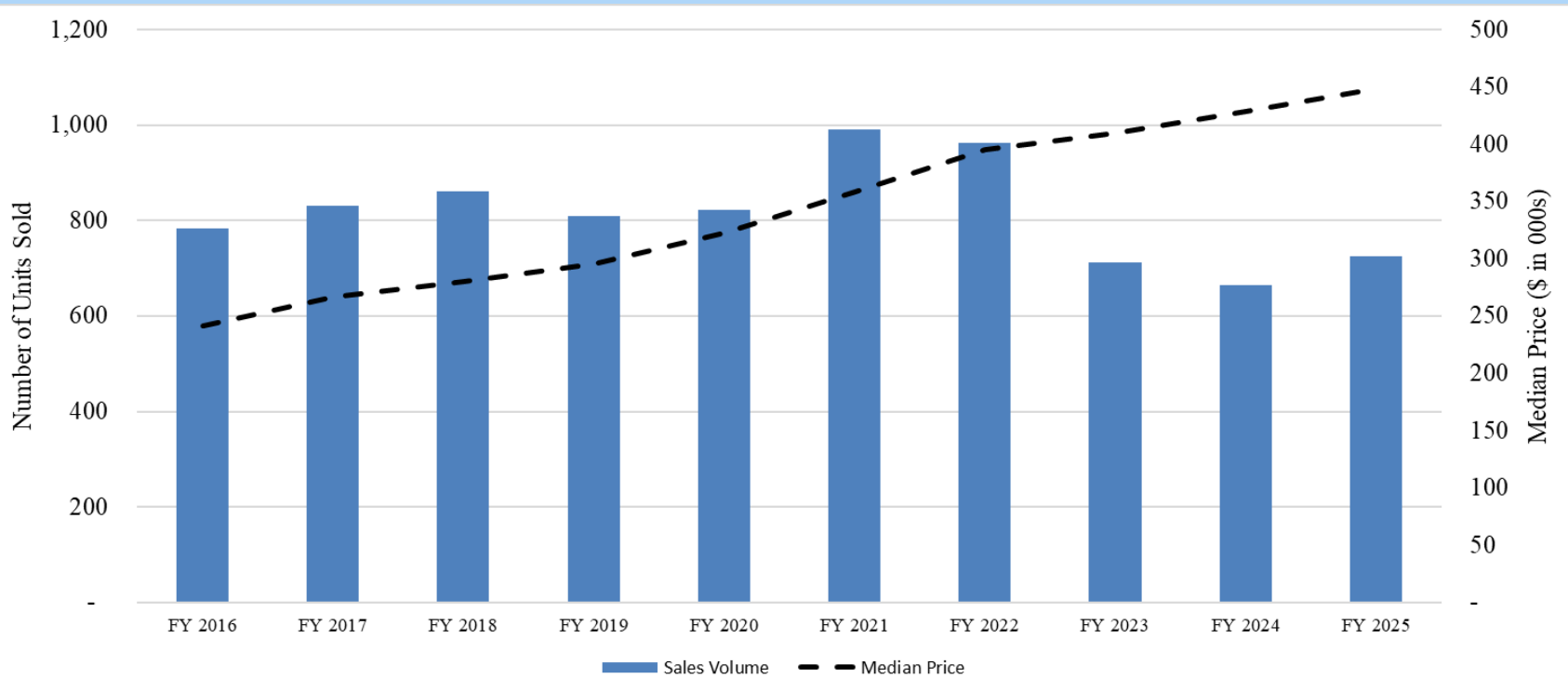
UNEMPLOYMENT RATE: COUNTY VS. STATE



- The County unemployment rate was ranked 18th statewide in November 2024. The County rate was 3.6% vs. 3.3% statewide.
- Unemployment is still very low by historical standards, though it has been rising slowly since November 2023.

HOUSING TRENDS- MEDIAN SALES PRICE & VOLUME

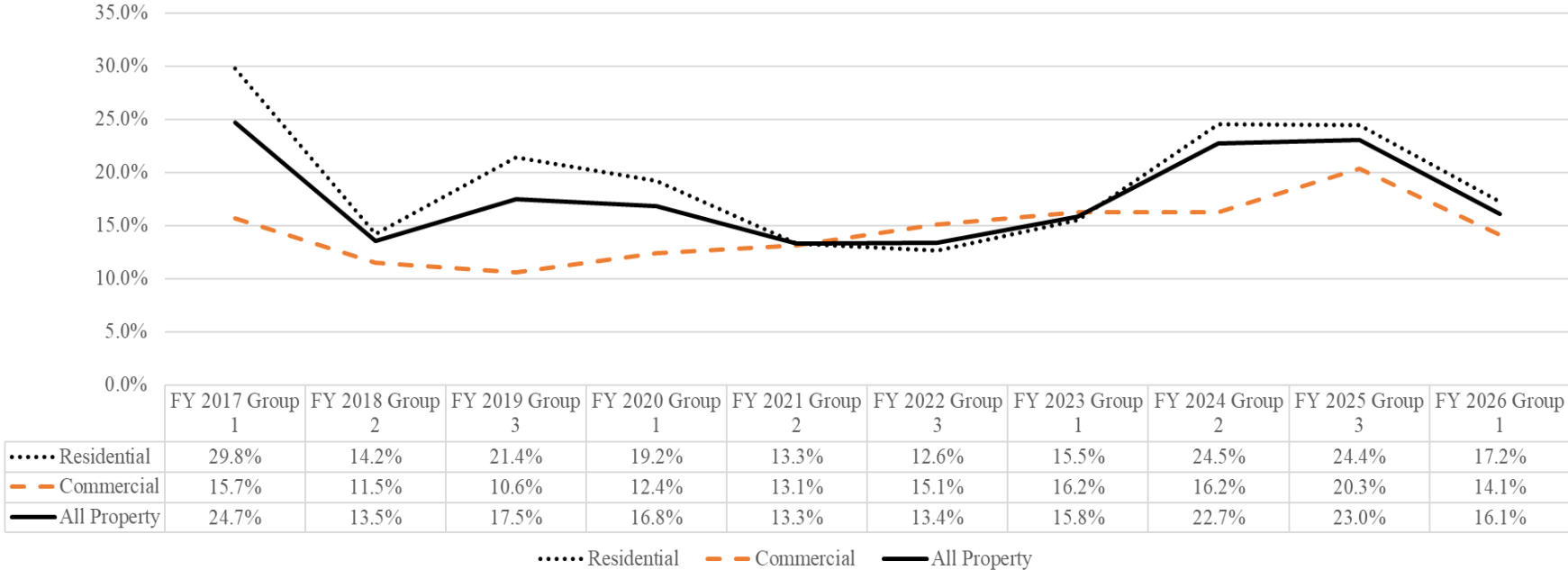
- In CY 2024 home sales averaged 664 per month. The median price was \$447,490 in December 2024. Mortgage rates have begun rising again on expectations of inflation.
- Transfer and Recordation tax revenue is below the estimate. The forecast had assumed that mortgage rates would decrease leading to growth in sales.



CHANGE IN STATEWIDE ASSESSMENT VALUES FY 2017 – FY 2026

- In January 2025 (FY 2026) the County is 24th in growth in assessed value at 16.1%.
- The Homestead Tax Credit rises 3% in FY 2026.
- The County has \$135.5 million of unused assessable property value.

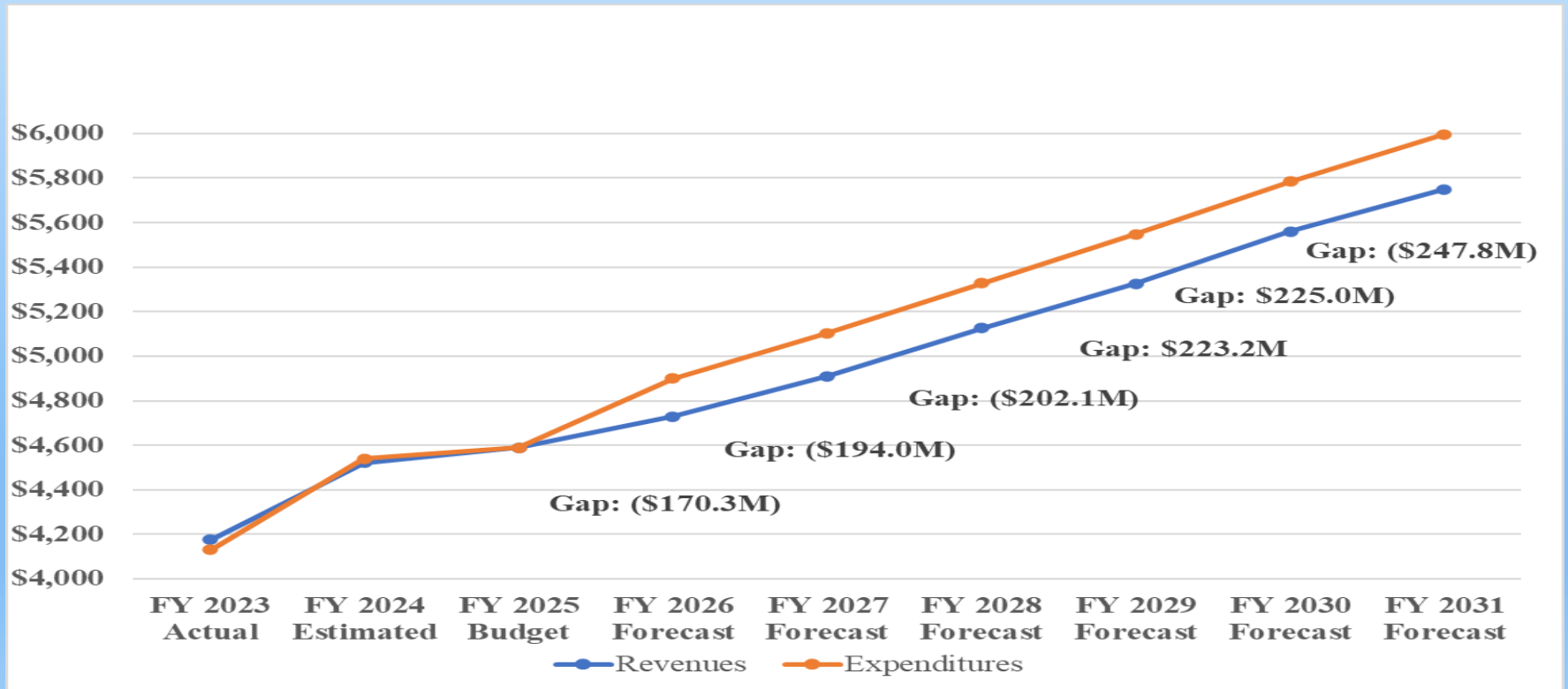
**Percent Change in Group Reassessments before Annual Phase-In
FY 2017 - FY 2026**
(Source: Maryland State Department of Assessments and Taxation)



LONG-TERM FISCAL OUTLOOK

GENERAL FUND: SIX YEAR FORECAST

- In the fall of 2024, OMB had projected a shortfall of \$152 million in FY 2026.
- The Governor's Allowance worsens the outlook by repealing the Teacher Supplemental Retirement Grant and requiring added County spending for retirement and support for the Department of Assessments & Taxation.



HB 352: BUDGET RECONCILIATION AND FINANCING ACT OF 2025

- Faced with an FY 2026 deficit of nearly \$3 billion, the State has introduced budget reconciliation legislation to raise taxes and fees, repeal or modify mandated appropriations, and implement fund transfers and other actions to help balance the budget.
- The legislation impacts the County in the following areas:
 - Phases out the \$9.6 million Supplemental Teacher Retirement Grant (-\$4.8 million in FY 2026);
 - Requires Counties to pay 90% of the operating costs of the State Department of Assessments & Taxation (currently 50%, County spending rises \$2.6 million)
 - Requires the County to pay a portion of Community College pension costs for the first time, and part of the teacher pension unfunded liability (which the State had promised to pay as part of the 2012 deal) FY 2026 costs to the County are \$13 million.
- Changes to the income tax may affect revenue in a currently unpredictable manner.

FISCAL CHALLENGES: A STRUCTURAL BUDGET GAP

- The forecast indicates that the County is structurally underfunded by approximately \$170 million, that worsens by 2031. There are downside risks related to potential cutbacks by the federal government, a future recession, cuts in State aid, etc.
- In 2024, the bond rating agencies raised concerns about the use of fund balance in support of the operating budget.
 - A loss of the AAA bond rating would cost the County more due to higher interest expense.
- Spending pressures continue to exist, including:
 - Debt Service.
 - Fringe Benefit Costs – pensions, healthcare, workers compensation, OPEB, etc.
 - Anticipated COLA/Merits based on collective bargaining negotiation results.
 - Public Safety personnel costs and new recruitment classes.
 - Required Stormwater spending.

EXTRAORDINARY RISKS

- Grant Revenue from State and Federal Sources may be at risk and could impact the budget. Currently there is no way to predict to what degree the following grant amounts could be affected:
 - \$300 million in grants to the Board of Education;
 - \$260 million in grants to the County government; and
 - \$100 million in grants to the Housing Authority.
- Income Tax Revenue from Federal Employees living in the County:
 - Actions taken by the Federal government may affect County income tax revenues starting in FY 2027.
 - The Board of Revenue Estimates reported that 8% of income taxes statewide comes from federal employees and contractors.

GENERAL FUND OUTLOOK

FY 2026 REVENUE FORECAST

(\$ in Millions) County Sourced Revenues	FY 2024	FY 2025	FY 2025	FY 2026	FY 2025-FY 2026 Vs. Approved Budget	
	Unaudited	Approved	Dec Est	March Forecast	\$ Change	% Change
Real Property Tax	\$1,037.1	\$1,049.2	\$1,072.6	\$1,114.5	\$65.3	6.2%
Personal Property Tax	93.4	92.4	92.4	93.3	0.9	1.0%
Income Tax	788.4	790.2	829.2	861.6	71.3	9.0%
Disparity Grant	98.5	69.3	69.3	56.9	-12.4	-17.9%
Transfer Tax	111.0	122.5	115.2	115.2	-7.3	-5.9%
Recordation Tax	34.5	42.0	39.4	39.4	-2.6	-6.2%
Energy Tax	87.4	89.2	93.6	94.6	5.4	6.1%
Telecommunications Tax	13.5	14.0	14.0	14.0	0.0	0.0%
Other Local Taxes	34.8	31.2	31.0	31.4	0.2	0.8%
State-Shared Taxes	9.0	10.9	11.1	12.9	1.9	17.5%
Licenses and Permits	74.7	79.3	76.4	76.8	-2.5	-3.1%
Use of Money and Property	43.5	37.2	27.6	24.0	-13.2	-35.5%
Charges for Services	93.1	72.1	72.3	72.5	0.4	0.6%
Intergovernmental Revenue	62.3	52.3	55.6	37.1	-15.2	-29.1%
Miscellaneous Revenue	11.6	8.4	8.6	7.9	-0.5	-5.7%
Other Financing Sources	0.0	40.0	5.1	0.0	-40.0	-100.0%
Subtotal County Sources	\$2,592.8	\$2,600.3	\$2,613.3	\$2,652.1	\$51.8	2.0%
Subtotal w/o Fund Balance	\$2,592.8	\$2,565.4	\$2,613.3	\$2,652.1	\$86.7	3.4%
Outside Aid						
Board of Education	\$1,807.9	\$1,889.0	\$1,889.0	\$1,980.7	\$91.7	4.9%
Community College	85.1	89.8	89.8	87.1	-2.7	-3.0%
Library	9.5	9.5	9.5	9.5	0.0	-0.3%
Subtotal Outside Aid	\$1,902.5	\$1,988.3	\$1,988.3	\$2,077.2	\$89.0	4.5%
Grand Total General Fund	\$4,495.3	\$4,588.6	\$4,601.6	\$4,729.4	\$140.8	3.1%

FY 2026 GENERAL FUND REVENUE FORECAST EXPLANATION

- **Real Property Tax** revenues are projected to increase by \$65.3 million or 6.2% in FY 2026 from the approved budget. The Homestead Tax Credit increases by 3.0%, and new construction also adds to the base. The 2025 budget is understated based on an annual Tax Increment Financing payment from National Harbor.
- **Income Tax Receipts** are projected to rise \$71.3 million or 9.0% over the approved level. Wage growth in tax year 2023 was stronger than expected, leading to a higher reconciling distribution in November 2024.
- **Disparity Grant** revenue decreases by -\$12.4 million, or -17.9% based on a higher disparity in per capita income wealth based on tax year 2023 data and population. The forecast expected a return to historical trends but the size of the decrease could not be predicted.
- **Transfer & Recordation Taxes** are forecasted to decrease by -\$9.9 million. Although the Federal Reserve Board has begun to cut interest rates, mortgage rates have risen based on the expectation of inflation related to upcoming tariffs. Growth in median prices continues and there is small growth in the volume of monthly home sales.
- **Use of Money & Property** decreases by -\$13.2 million, or -35.5% based on expected decreases in interest income.
- **Intergovernmental Revenue** declines by -\$15.2 million or -29.1% based on the end of federal stimulus funding and FEMA reimbursement, as well as a \$4.8 million cut in State aid.
- **Other Financing Sources:** The forecast assumes no use of fund balance.
- **Outside Aid** is projected to grow by \$89 million or 4.5% mostly due to State education aid.

SUMMARY

- There continues to be a large ongoing gap between ongoing spending and ongoing revenues, with downside risks from both the Federal and State governments.
- While wage growth has been a positive trend recently, reductions in the Federal workforce and compensation will affect County revenues.
- Use of fund balance to support ongoing spending has been raised as an issue by the bond rating agencies. One agency has given the County a negative outlook.
- New spending or debt, or any action to reduce County revenues will worsen the current situation.