



JOHN A. OLSZEWSKI, JR.
County Executive

EDWARD P. BLADES
Director
Office of Budget and Finance

May 11, 2020

The Honorable Cathy Bevins, Chairwoman
Baltimore County Council
400 Washington Avenue
Towson, MD 21204

Dear Councilwoman Bevins,

The County Administrative Officer and the Office of Budget and Finance have been following the rapidly changing COVID-19 environment and its impact on our local economy. The timing of the crisis has presented unprecedented challenges as we worked to formulate a recommendation for the Fiscal Year 2021 Budget.

As we drew closer to the annual Budget Message, it became clear that our February revenue estimates were no longer applicable to the current environment. In response we recommended a budget that included a general fund revenue write-down of \$40 million and acknowledged additional write-downs could be necessary as the situation evolved and impacts became clear.

One month later the situation is still evolving and our office is prepared to respond as needed. In response to current economic conditions and the Spending Affordability Committee Letter dated April 27, we are recommending an additional Fiscal Year 2021 write-down of \$69.3 million. The impacts of the virus will not be limited to the upcoming fiscal year alone. We are also forecasting an additional revenue reduction of \$63.2 million on Fiscal Year 2020. These reductions total an additional revenue write-down of \$132.5 million from the Budget submitted to the County Council on April 14, 2020.

General Fund Revenue Forecasts

	FY20 Budget Message	FY20 Revised	Change	FY21 Budget Message	FY21 Revised	Change
Property Taxes	\$1,010.2	\$1,009.6	(\$0.6)	\$1,044.0	\$1,043.5	(\$0.5)
Income Tax	849.3	804.6	(44.7)	860.9	811.2	(49.7)
Recordation & Transfer Taxes	111.6	96.1	(15.5)	106.0	89.3	(16.7)
Sales & Service Taxes	48.5	48.4	(0.1)	52.2	50.3	(1.9)
State & Federal Aid	51.9	52.2	0.3	50.9	51.2	0.3
Other	112.0	109.4	(2.6)	117.0	116.1	(0.9)
	<u>\$2,183.4</u>	<u>\$2,120.2</u>	<u>(\$63.2)</u>	<u>\$2,231.0</u>	<u>\$2,161.7</u>	<u>(\$69.3)</u>

The Honorable Cathy Bevins
May 11, 2020
Page 2 of 2

At a time where our schools are closed and many businesses are shut down, we are anticipating a deep reduction of 22% in second quarter income tax withholdings for tax year 2020 and are otherwise building in assumptions of 0% personal income growth through the end of tax year 2021. We based our income tax assumptions on forecasts provided by Moody's Analytics for previous tax years, numerous discussions among Budget and Finance Affiliate members coordinated by the Maryland Association of Counties, and on revenue forecast information provided by the State Comptroller's Office and the Bureau of Revenue Estimates in April.

Moreover, we compared our revised forecasts to personal income growth assumptions released by the Spending Affordability Committee's Economic Advisor, Sage Policy Group, on April 15, 2020. Our comparison showed that our total revised income tax projections for Fiscal Year 2020 and Fiscal Year 2021, while slightly lower, were consistent with the Sage Policy Group income growth forecast.

Transfer and Recordation Taxes are forecasted to be down by 77% for the remainder of Fiscal Year 2020 and are recommended for an upcoming budget that represents a 7% reduction over projected Fiscal Year 2020 actuals. Investment income is currently forecasted to be down 26% from budgeted levels however the upcoming fiscal year projection slashes expectations even further at an anticipated reduction of 95% from its former \$10.5 million dollar budget. Motel and Hotel Tax revenue is projected at a 70% reduction for the remainder of the fiscal year with an anticipated recovery for Fiscal Year 2021. Admissions and amusement tax revenues are forecasting a loss of roughly one quarter of revenue for each fiscal year.

In total our new recommendations for Fiscal Year 2021 represent only a 0.25% increase over the Fiscal Year 2020 revenue budget. We will continue to monitor changes and update our forecasts accordingly.

Respectfully,

Edward P. Blades
Director

Cc: The Honorable John A. Olszewski, Jr.
The Honorable Tom Quirk
The Honorable Izzy Patoka
The Honorable Wade Kach
The Honorable Julian E. Jones, Jr.
The Honorable David Marks
The Honorable Todd K. Crandell
Stacy L. Rodgers, County Administrative Officer
Patrick Murray, Chief of Staff