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**BALTIMORE CITY COUNCIL
WAYS AND MEANS
COMMITTEE**

Mission Statement

The Committee on Ways and Means (WM) is responsible for ensuring taxpayer dollars are expended prudently and equitably. WM will exercise regular oversight of the City's budget, expenditures, loans, and other financial matters. The committee's areas of jurisdiction include: budget & appropriations, taxation, financial services, consumer protection, audits, and the Comptroller's Office.

**The Honorable Eric T. Costello
Chairman**

PUBLIC HEARING

**TUESDAY, April 2, 2024
10:00 AM**

COUNCIL CHAMBERS

Legislative Oversight 24-0060

Briefing – Fiscal Year 2025 Preliminary Revenue Estimates

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LEGISLATIVE OVERSIGHT

Committee: Ways and Means

Legislative Oversight # LO24-0060

Briefing – Fiscal Year 2025 Preliminary Revenue Estimates

For the purpose of calling on the Director of the Finance Department's Bureau of Budget and Management Research (BBMR), to brief the City Council on the Preliminary Revenue Estimates for Fiscal Year 2025; July 1, 2024 through June 30, 2025.

Agencies/Organizations Reporting

Bureau of Budget & Management Research	Laura Larsen
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Current Law

Baltimore City Code – Article 1, Subtitle 1-City Council, 1-6

§ 1-6. Agencies to provide legislative information.

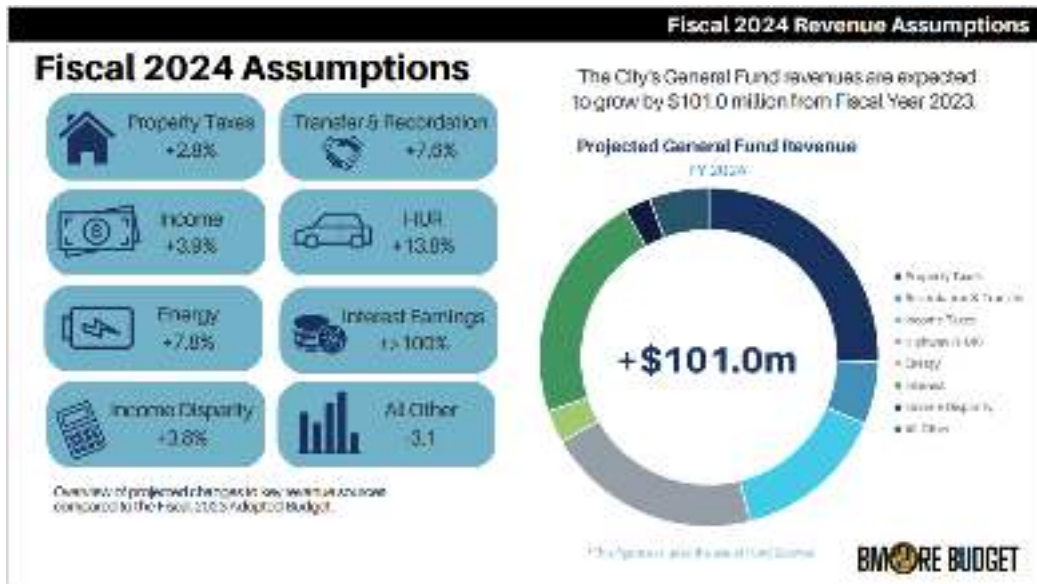
It shall be the duty of the head of every City department or bureau established by the Baltimore City Charter or by ordinance to provide all technical materials, plats, drawings, and information that are requested by any member or the President of the City Council for the purpose of introducing legislation into the Council.

(City Code, 1976/83, art. 1, §6.) (Ord. 76-080.)

Background

On May 2, 2023, a representative from the Bureau of Budget and Management Research (BBMR) gave a PowerPoint presentation highlighting the Fiscal Year 2024 revenue assumptions; July 1, 2023 through June 30, 2024. **A copy is attached and see below.**





On December 7, 2023, BBMR gave a PowerPoint presentation, which included the first-quarter update on the Fiscal Year 2024 revenue. A copy is attached and see below.

General Fund Revenue Summary Table

REVENUES	FY 2023 Preliminary	FY 2024 Adopted Budget	FY 2024 Q1 Projection	Surplus / (Deficit)
Total Local Taxes	\$1,726.1	\$1,717.8	\$1,717.7	(\$0.1)
Total State Collected Taxes	\$173.5	\$193.4	\$199.8	\$6.3
Total Licenses and Permits	\$33.5	\$28.2	\$27.2	(\$1.0)
Total Fines and Forfeits	\$33.9	\$33.1	\$33.1	\$0.0
Total Use of Money and Property	\$53.7	\$45.7	\$83.3	\$37.6
Total State Aid	\$100.9	\$120.7	\$120.5	(\$0.2)
Total Private and Federal Grants	\$4.2	\$0.0	\$0.1	\$0.1
Total Charges for Current Services	\$31.4	\$41.9	\$40.1	(\$1.8)
Other Revenues	\$13.1	\$4.7	\$5.2	\$0.5
Total Revenues Before Transfers	\$2,170.3	\$2,185.5	\$2,227.0	\$41.5
Net Transfers	\$5.1	\$2.9	\$3.6	\$0.7
HUR Additional Appropriation*	\$0.0	\$0.0	(\$6.3)	(\$6.3)
Prior Year Fund Balance	\$0.0	\$29.4	\$0.0	(\$29.4)
Total General Fund	\$2,175.3	\$2,217.8	\$2,224.3	\$6.5

* This amount represents HUR's revenue surplus that would be appropriated for transportation related expenses.

Below are key revenue highlights from that presentation:

- \$6.5M revenue surplus
- The surplus excludes the Highway User Revenue (HUR) and the Fund Balance
- Investment earnings were anticipated to yield higher returns

¹ (Bureau of Budget and Management Research 2023)

² (Bureau of Budget and Management Research 2023)

Following are revenue highlights from the December 7th hearing notes:

- Chairman Bullock asked the representative from BBMR to talk more about the decline in revenue from Property tax collection, what caused the decrease, he asked.
- A committee member inquired about the status of the Highway User Revenue

On February 29, 2024, a representative(s) from BBMR came before the committee to discuss the second-quarter revenue update. **A copy is attached and see below.**

General Fund Revenue Summary Table

REVENUES	FY 2024 Budget	FY 2024 Q1 Projection	FY 2024 Q2 Projection	Surplus/ (Deficit)
Local Taxes	\$1,717.9	\$1,717.8	\$1,726.8	\$8.9
State Collected Taxes	\$193.4	\$199.8	\$199.7	\$6.3
Licenses and Permits	\$28.1	\$27.1	\$29.7	\$1.6
Fines and Forfeits	\$33.1	\$33.1	\$32.2	(\$0.9)
Use of Money and Property	\$45.7	\$83.3	\$75.8	\$30.1
State Aid	\$117.7	\$117.5	\$117.5	(\$0.2)
Private and Federal Grants	\$0.0	\$0.1	\$0.1	\$0.1
Charges for Current Services	\$43.4	\$42.1	\$47.2	\$3.8
Other Revenues	\$6.2	\$6.2	\$6.4	\$0.2
Total Revenues Before Transfers	\$2,185.5	\$2,227.0	\$2,235.4	\$49.9
Net Transfers	\$2.9	\$3.6	\$7.0	\$4.1
Prior Year Fund Balance	\$29.4	\$0.0	\$0.0	(\$29.4)
Total General Fund	\$2,217.8	\$2,230.6	\$2,242.4	\$24.5

Note: Highway User Revenues are anticipated to bring in an additional \$6.3 million which will either be used for operating expenses related to transportation or capital projects for transportation.

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Below are key revenue highlights from that presentation:

- \$24.5 million projected revenue surplus
- Surplus is largely driven by investment earnings
- The surplus excludes the Highway User Revenue (HUR) and the Fund Balance
- The city did not anticipate needing the \$29.4 million from the Fund Balance from Fiscal 2024

Following are revenue highlights from the February 29th hearing notes:

³ (Bureau of Budget and Management Research 2024)

- Chairman Bullock asked the representative from BBMR to talk more about the impact of and/or Transfer/Recordation Taxes
- Investment Earnings – Walk us through the process for the same
- Talk about the appeal process for an individual whose property taxes are in arrears.
 - Do you think the collection rate for Real Property will eventually decline?

On April 2, 2024, BBMR will come before the committee to present data and discuss Fiscal Year 2025 revenue estimates; July 1, 2024 through June 30, 2025.

Additional Information

Fiscal Note: A PowerPoint presentation will be given by BBMR during the hearing.

Information Source(s): LO24-0060.Hearing notes and PowerPoint presentations from May 2, 2023, December 7, 2023, and February 29, 2024.

Committee Staff: Niya N. Garrett
Date: March 28, 2024

Direct Inquiries to 410-396-1268

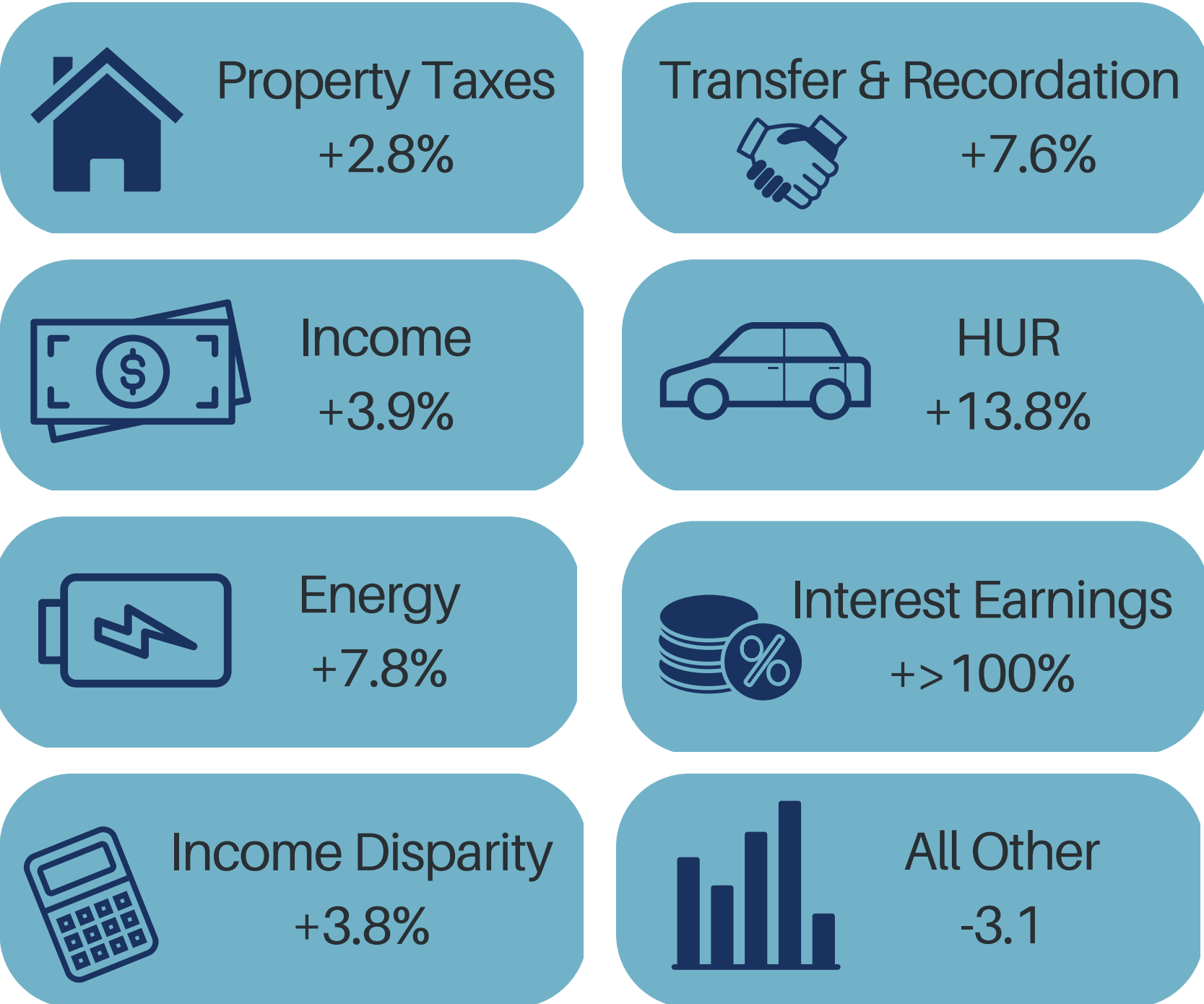
MAY 2, 2023 – PRESENTATION - BBMR

**FISCAL 2024
REVENUE
ASSUMPTION**

SEE ATTACHED

Fiscal 2024 Revenue Assumptions

Fiscal 2024 Assumptions

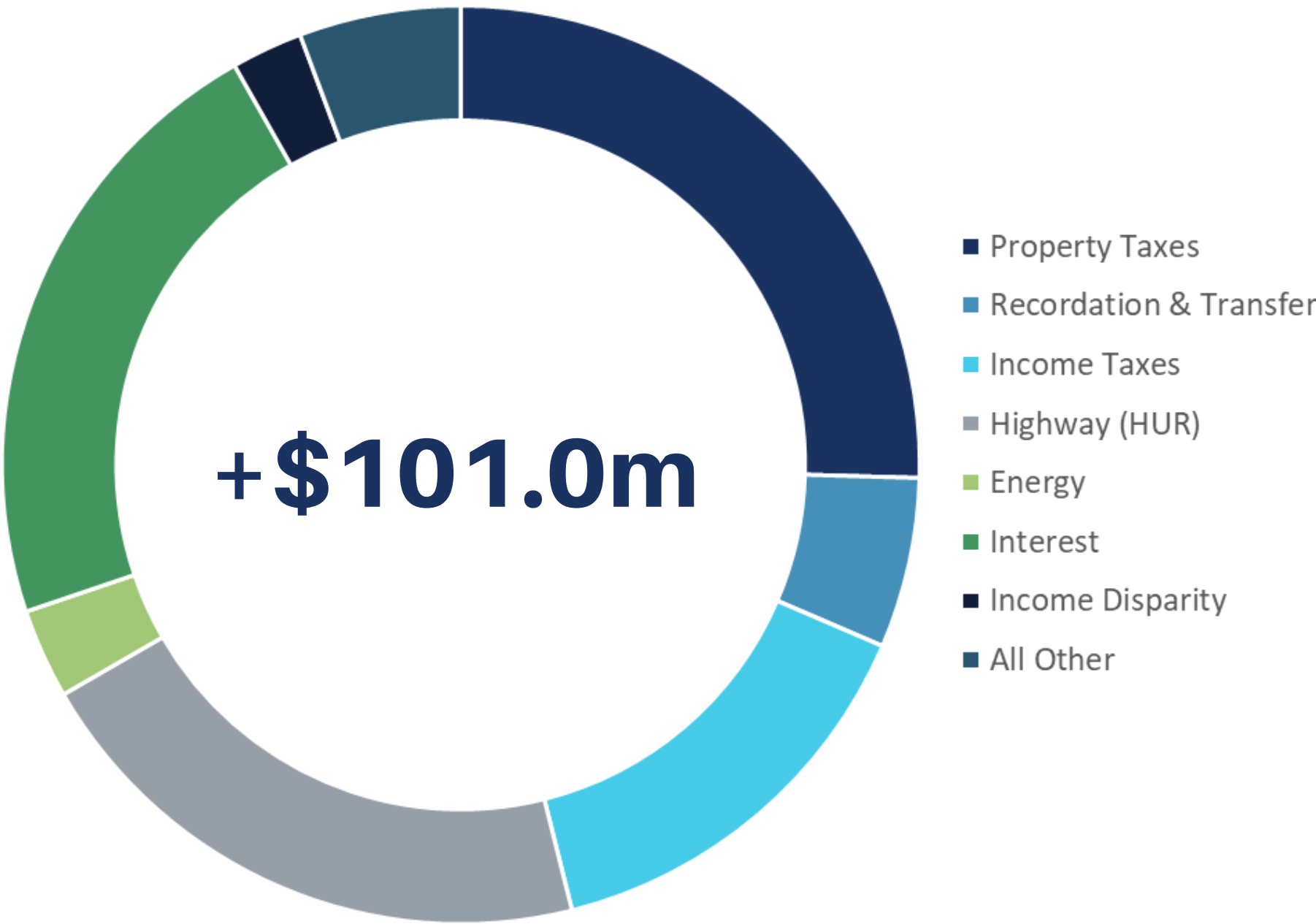


Overview of projected changes to key revenue sources compared to the Fiscal 2023 Adopted Budget.

The City's General Fund revenues are expected to grow by \$101.0 million from Fiscal Year 2023.

Projected General Fund Revenue

FY 2024



*This figure excludes the use of Fund Balance.

Fiscal 2024 Assumptions



Property Taxes
+2.8%

ASSUMPTIONS

- Increase in Real Property reflects the anticipated 7.2% average increase in assessment for Group 2, combined with the -1.5% and 2.4% assessment change of Groups 1 and 3 for Fiscal 2024.
- Net overall assessments are projected to increase by 2.4%, driven by the sustained growth in value of residential properties.
- The Real Property tax projection assumes a 97.5% collection rate and 0.89% taxable assessment reduction resulting from appeals.
- The anticipated growth in Property taxes will be partially offset by the \$7.1 million increase in tax credits' cost.
- Personal Property tax is projected to increase by 1.9%.

Note: this includes Real and Personal Property Taxes net of the Homestead Tax Credit cost.

Projected General Fund Revenue FY 2024



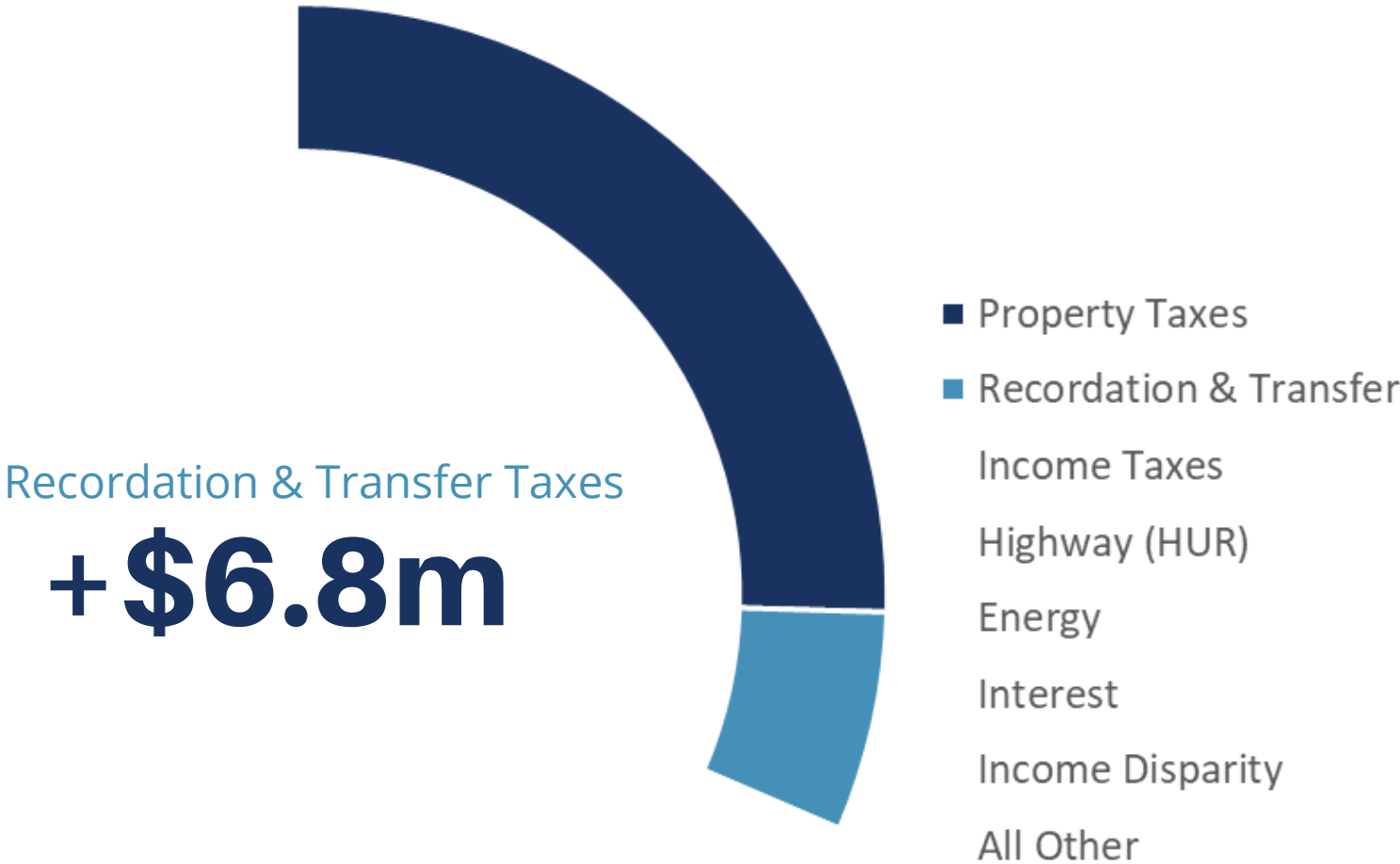
Fiscal 2024 Assumptions



ASSUMPTIONS

- The volume of transactions related to refinancing and mortgage originations will continue to drop
- Real estate market activity will continue to slow, nearing levels prior to the housing boom experienced in Fiscal 2022
- The Fiscal 2024 projection assumes slight increases in the prices of real estate

Projected General Fund Revenue
FY 2024



Fiscal 2024 Assumptions



Property Taxes
+2.8%



Transfer & Recordation
+7.6%

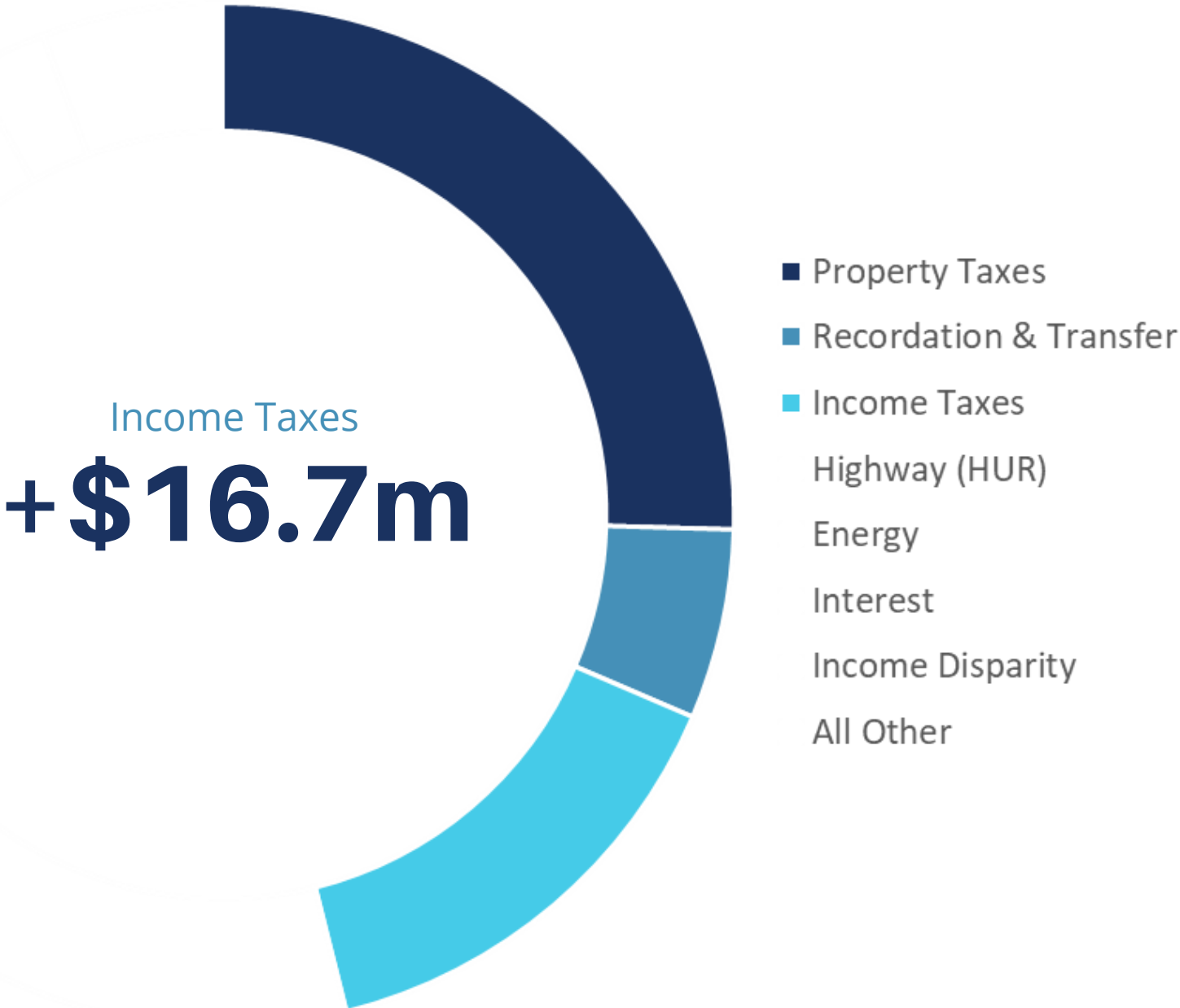


Income
+3.9%

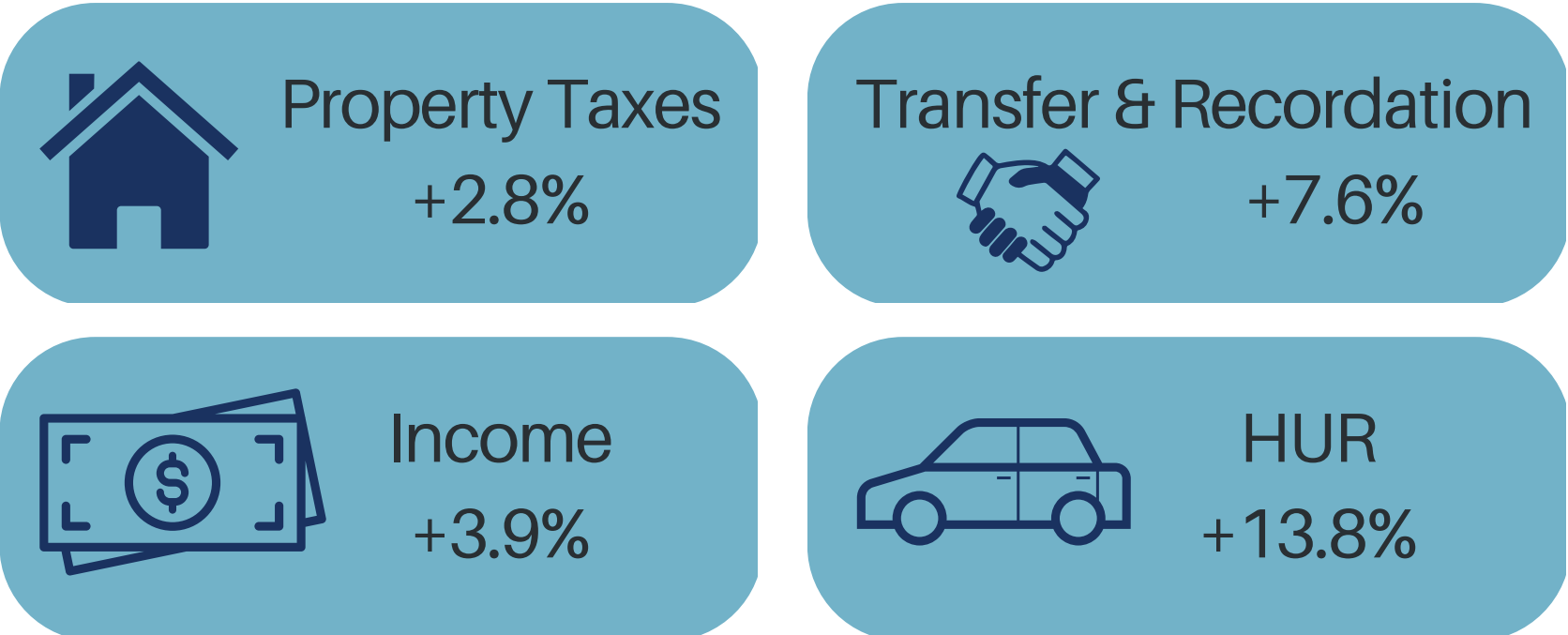
ASSUMPTIONS

- Includes State Collected, Fiduciary Returns, and Unallocated withholdings.
- The increase in Income Tax reflects the anticipated 4.9% statewide growth of estimated payments and withholdings for Fiscal 2024.
- This projection reflects a reduction in the City's share of the State's Income Tax distribution, equivalent to \$8.3M fewer income tax receipts in Fiscal 2024.
- The projection assumes non-withholding/estimated payments (interest/penalties & prior years' reconciliations) to remain at FY23 levels.

Projected General Fund Revenue
FY 2024

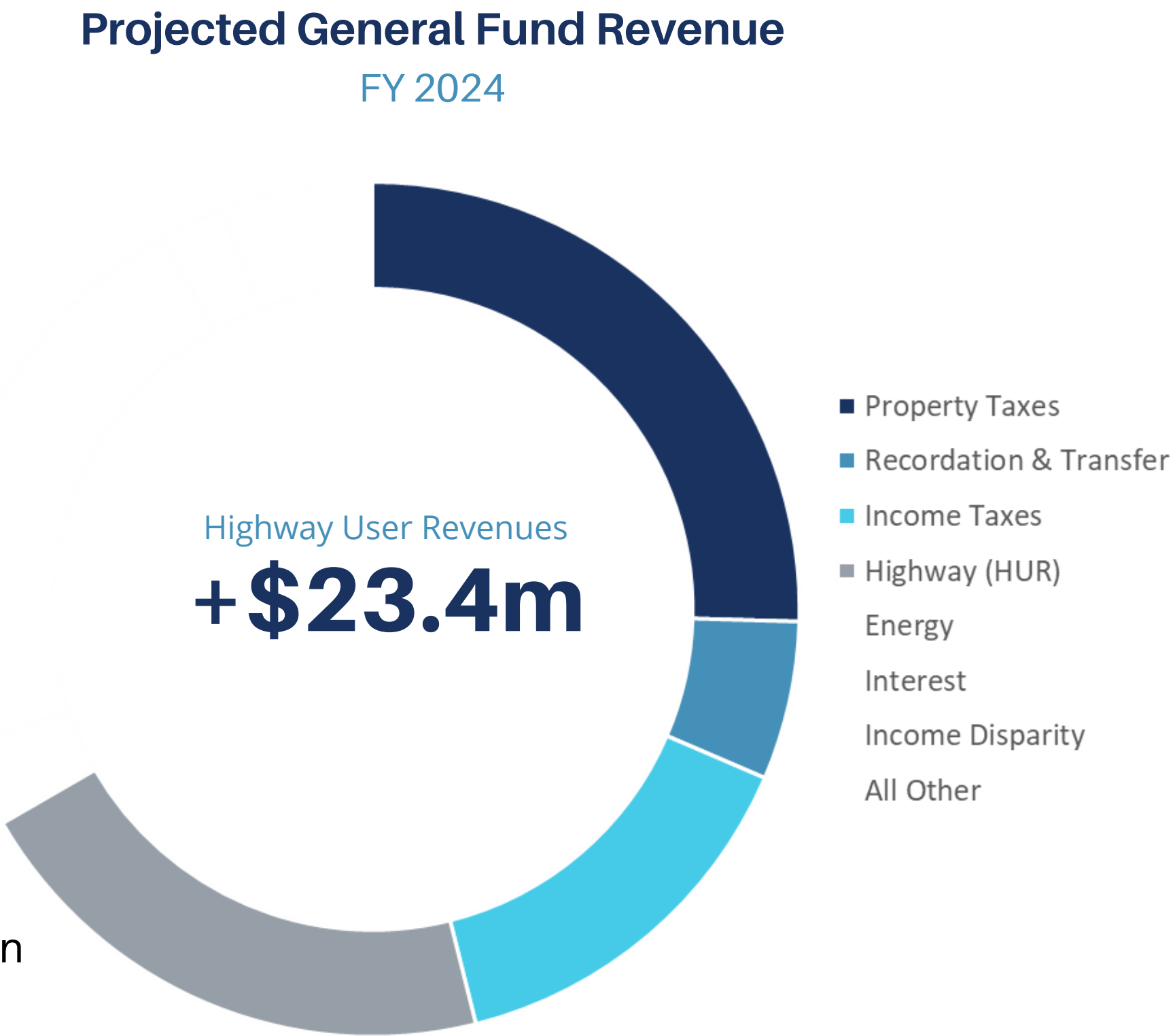


Fiscal 2024 Assumptions

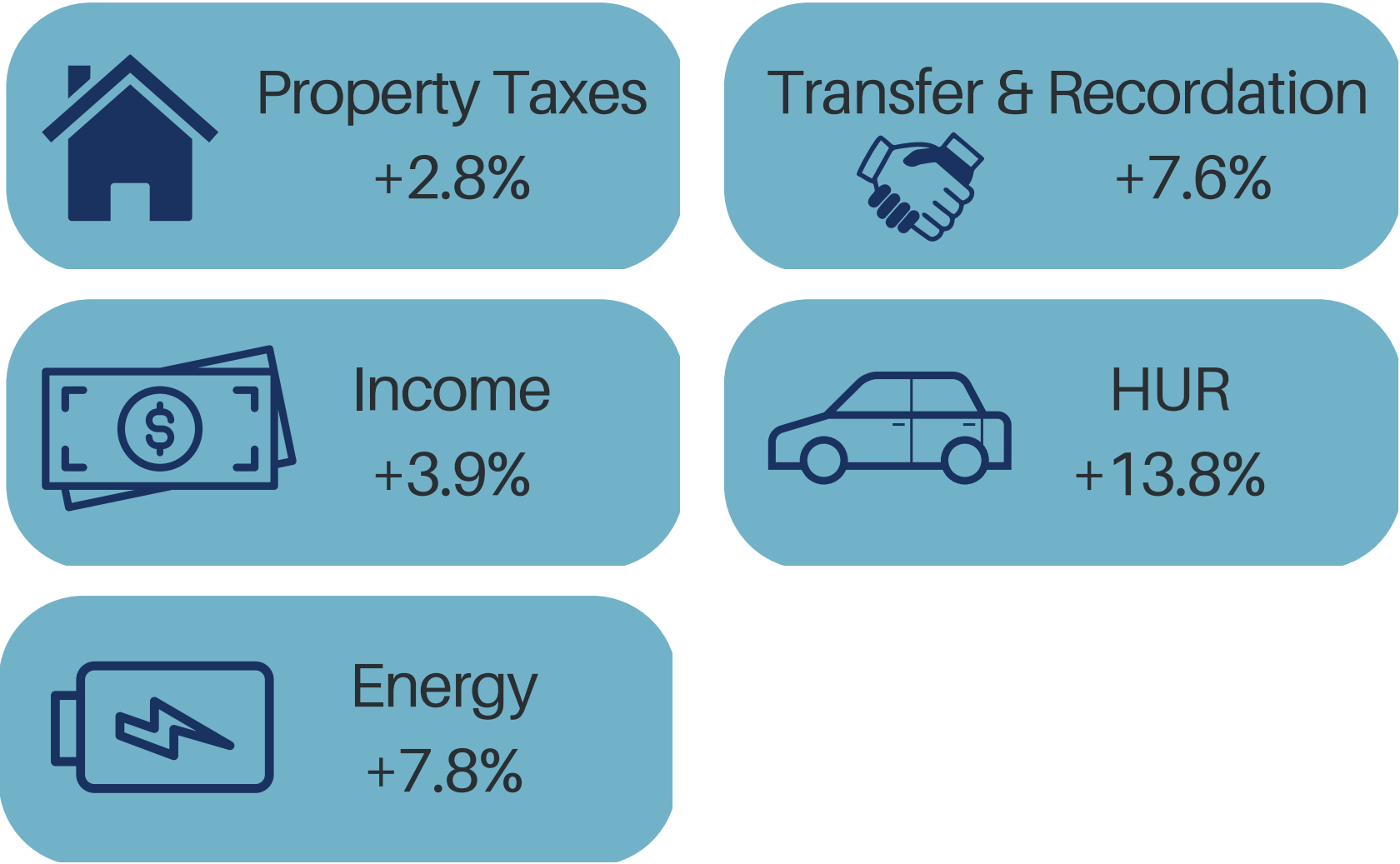


ASSUMPTIONS

- The projection assumes trending activity for each component generating HUR (-2.1% Fuel tax, -5% Titling tax, -4.8% in Vehicle registrations, and 36.8% in SUT from rental vehicles)
- The projection incorporates the increased City's share of HUR from 8.3% in FY 23 to 9.5% in FY 24 resulting from HB1187 (2022 GA)
- The projection also reflects the increase from 17.2% in FY 23 to 20% in FY 24 of the Corporate Income tax allocation to HUR resulting from HB1187 (2022 GA).

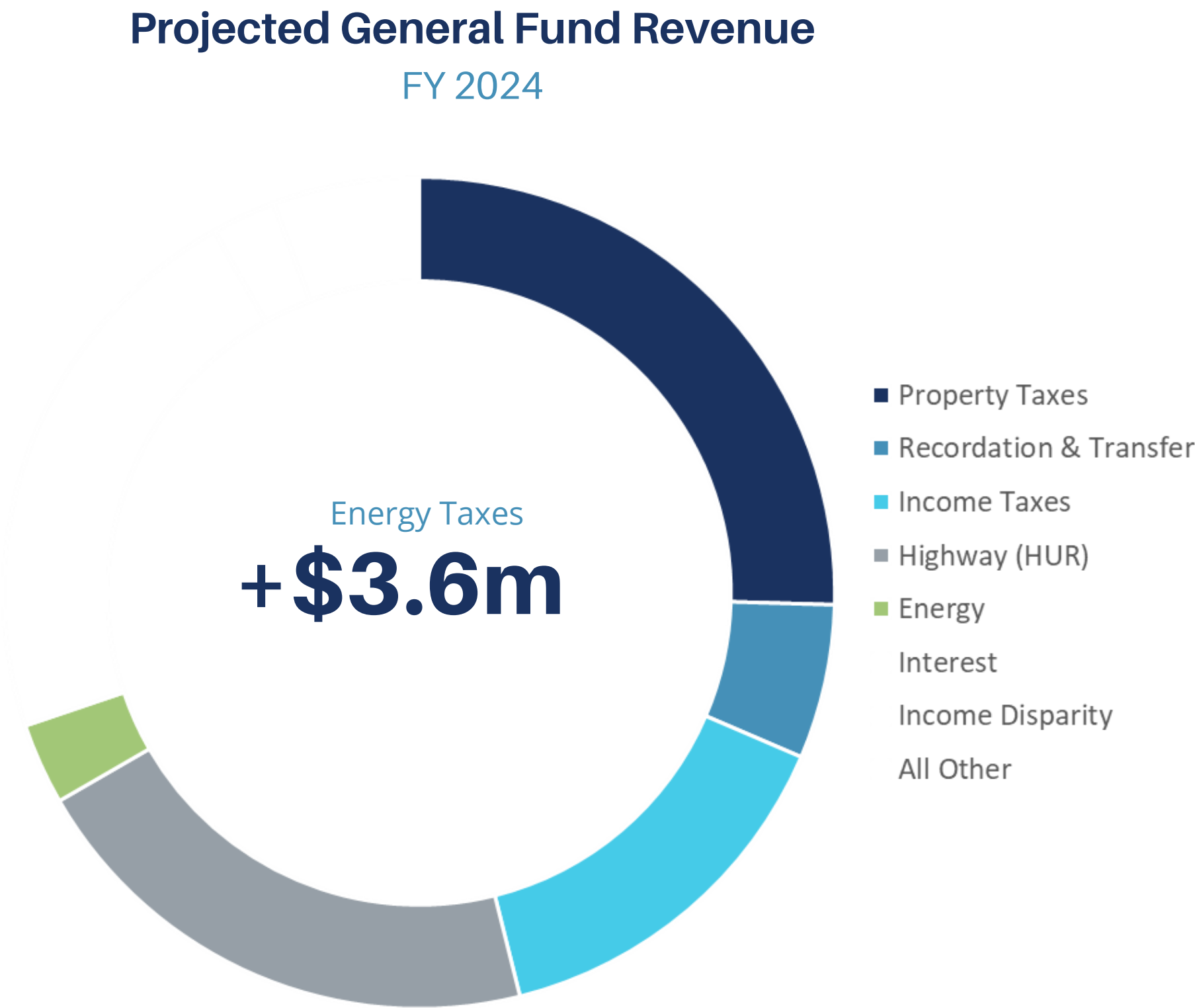


Fiscal 2024 Assumptions

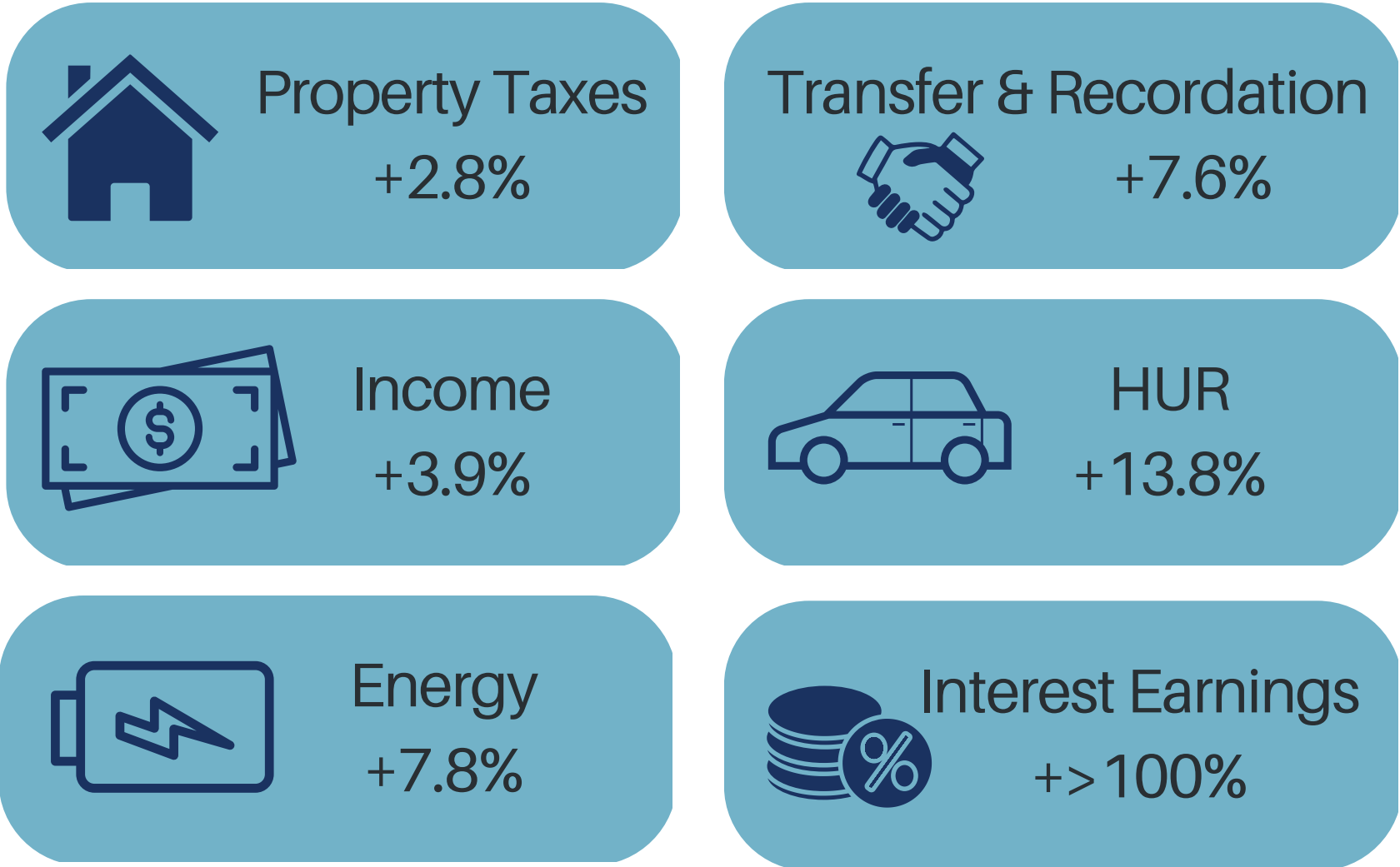


ASSUMPTIONS

- Energy tax rates increased by 6.276% due to inflation
- Anticipated 5% decline in consumption of all energy types

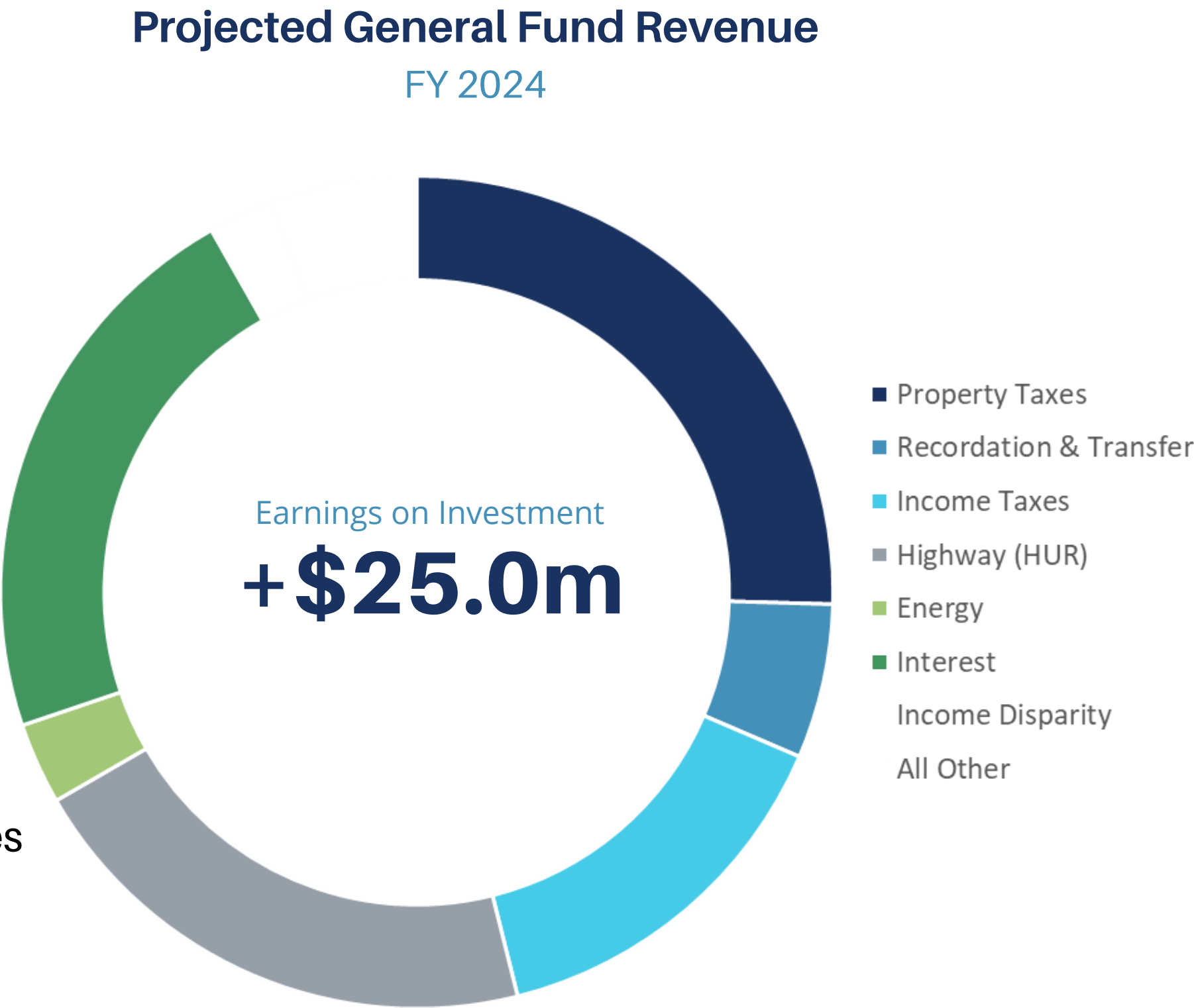


Fiscal 2024 Assumptions



ASSUMPTIONS

- The projection is based on the estimated annual average cash available for short-term investment. This cash includes tax payments, unspent proceeds, multi-funds' cash balances, etc.
- The projection incorporates the projected short-term rate of return of US Government bonds (T-Bills) over the next 18 months.



Fiscal 2024 Assumptions



Property Taxes

+2.8%



Transfer & Recordation

+7.6%




Income

+3.9%



HUR

+13.8%




Energy

+7.8%



Interest Earnings

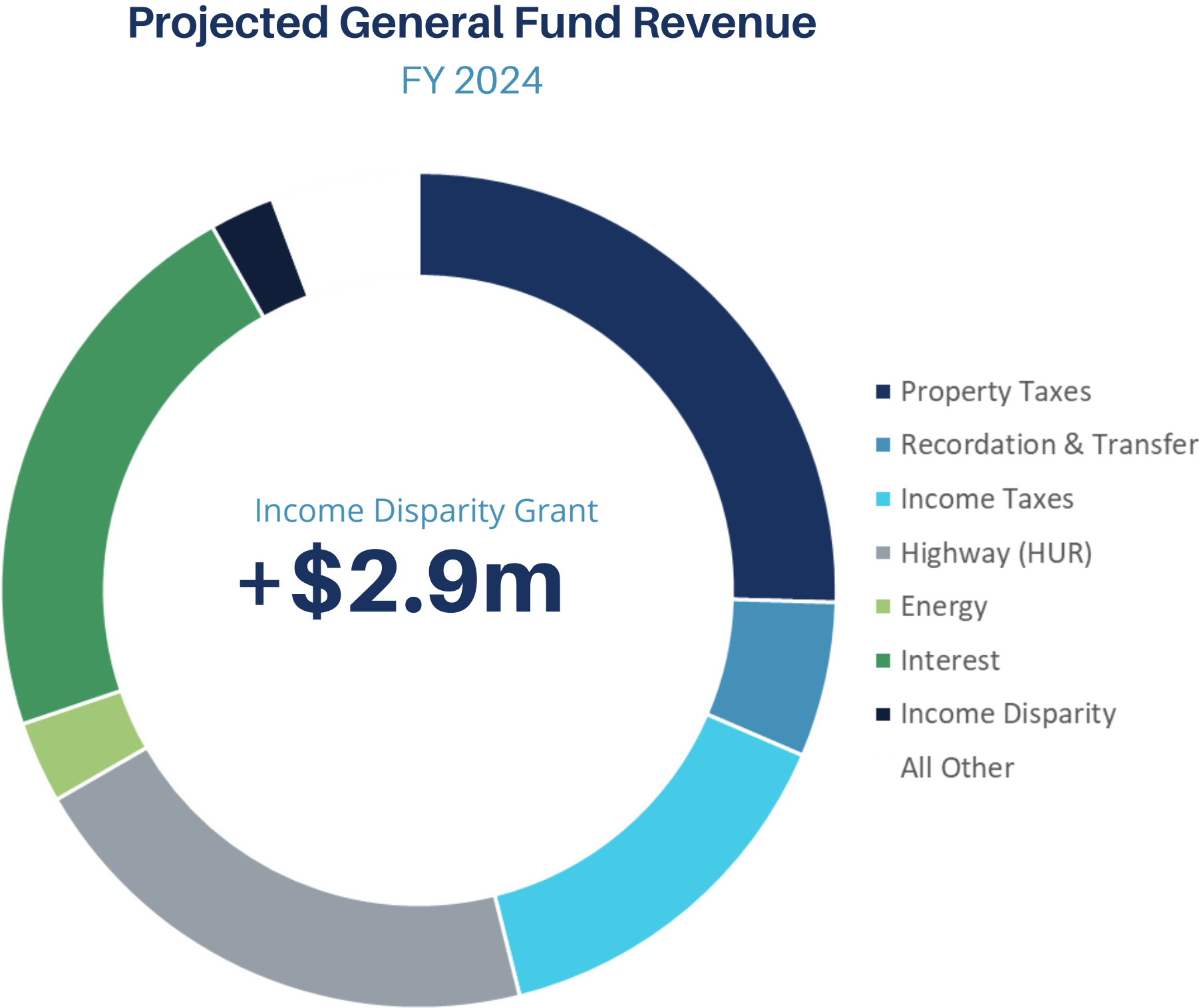
+>100%



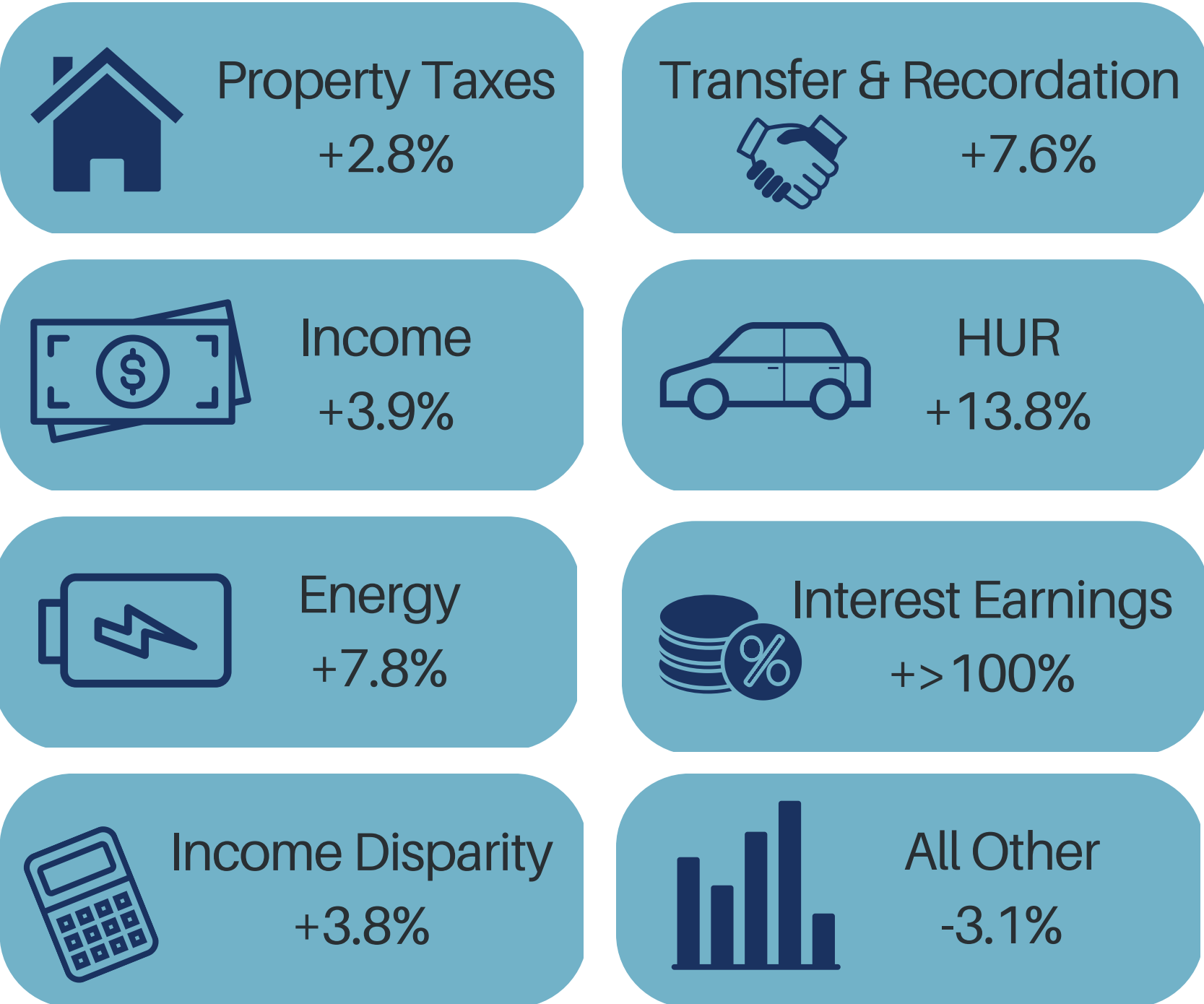
Income Disparity

+3.8%

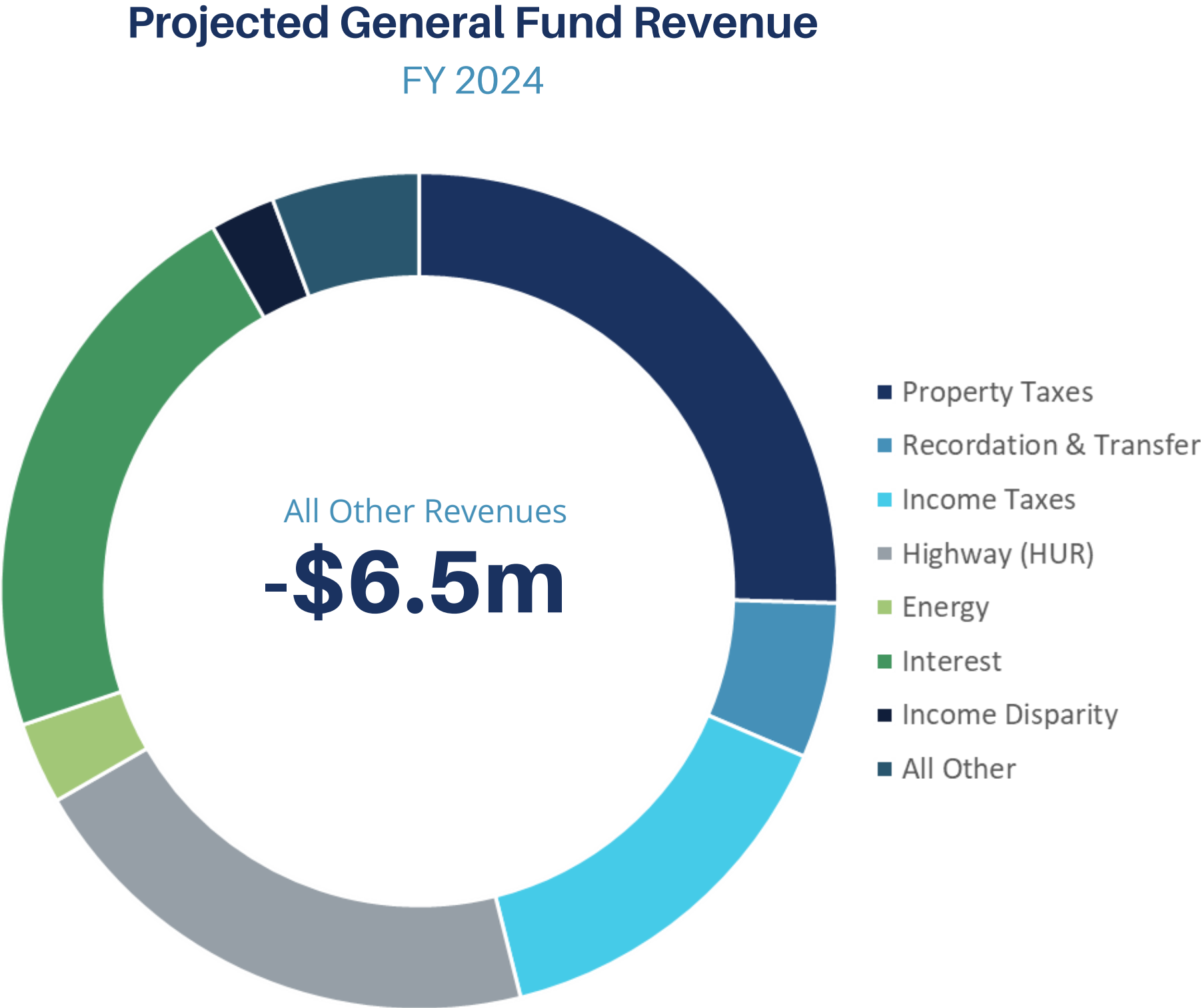
- ASSUMPTIONS**
- The increase in the Disparity Grant results from the updated statewide per-capita wealth calculation with 2021 Income tax and population data



Fiscal 2024 Assumptions



- The anticipated 3.1% reduction from "All Other" revenue sources is mainly explained by the increased cost of tax credits, and the projected revenue reduction in proceeds from camera violations



DECEMBER 7, 2023 – PRESENTATION-BBMR

**FISCAL 2024
GENERAL FUND
REVENUE OVERVIEW**

SEE ATTACHED

Fiscal 2024

General Fund Revenue Overview

Fiscal 2024: First Quarter Revenue Outlook

Key Notes on First Quarter

- Investment Earnings is anticipated to yield higher returns due to interest rates and a larger daily cash balance.
- The projected overall cost of offering tax credits has decreased from amounts assumed in the Fiscal 2024 budget.
- The relocated speed cameras have brought in over \$725,000 thus far (Fiscal 2024 budget action).
- The real estate market continues to slow down, yet early October data shows signs of strong activity.
- The surplus excludes the use of \$29.4 million from budgeted Fund Balance.
- Improved HUR proceeds are mainly explained by the increased City allocation and Corporate Income tax to State Highway User Revenues.
 - This surplus must be used for HUR eligible activities; cannot be used as overall GF surplus.

FISCAL 2024
FIRST QUARTER

\$6.5M*

PROJECTED SURPLUS

**Doesn't include projected HUR revenue surplus; with HUR total projected surplus=\$12.8m*

Revenue Highlights

General Fund Revenue Summary Table

REVENUES	FY 2023 Preliminary	FY 2024 Adopted Budget	FY 2024 Q1 Projection	Surplus / (Deficit)
Total Local Taxes	\$1,726.1	\$1,717.8	\$1,717.7	(\$0.1)
Total State Collected Taxes	\$173.5	\$193.4	\$199.8	\$6.3
Total Licenses and Permits	\$33.5	\$28.2	\$27.2	(\$1.0)
Total Fines and Forfeits	\$33.9	\$33.1	\$33.1	\$0.0
Total Use of Money and Property	\$53.7	\$45.7	\$83.3	\$37.6
Total State Aid	\$100.9	\$120.7	\$120.5	(\$0.2)
Total Private and Federal Grants	\$4.2	\$0.0	\$0.1	\$0.1
Total Charges for Current Services	\$31.4	\$41.9	\$40.1	(\$1.8)
Other Revenues	\$13.1	\$4.7	\$5.2	\$0.5
Total Revenues Before Transfers	\$2,170.3	\$2,185.5	\$2,227.0	\$41.5
Net Transfers	\$5.1	\$2.9	\$3.6	\$0.7
HUR Additional Appropriation*	\$0.0	\$0.0	(\$6.3)	(\$6.3)
Prior Year Fund Balance	\$0.0	\$29.4	\$0.0	(\$29.4)
Total General Fund	\$2,175.3	\$2,217.8	\$2,224.3	\$6.5

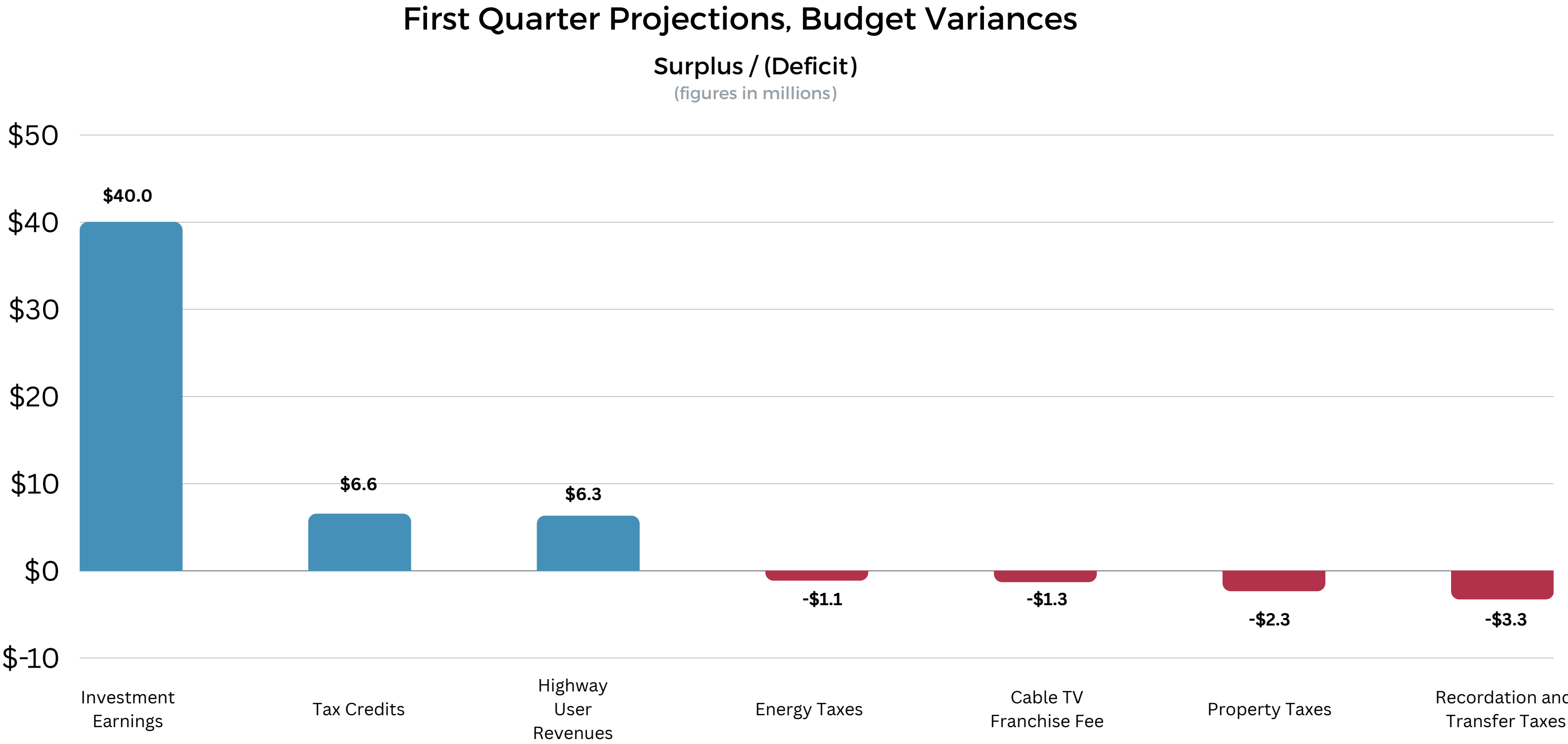
*This amount represents HUR's revenue surplus that would be appropriated for transportation related expenses.

Revenue Highlights

Local Taxes Revenue Summary Table

REVENUES	FY 2023 Preliminary	FY 2024 Adopted Budget	FY 2024 Q1 Projection	Surplus / (Deficit)
Local Taxes				
Property Taxes	\$1,033.7	\$1,080.8	\$1,078.5	(\$2.3)
Income Taxes	\$450.1	\$447.5	\$447.5	\$0.0
Recordation & Transfer Taxes	\$140.2	\$96.9	\$93.6	(\$3.3)
Energy Tax	\$49.8	\$49.8	\$48.7	(\$1.1)
Telecommunication Tax	\$33.4	\$34.9	\$34.3	(\$0.6)
Net Hotel Tax	\$26.9	\$30.4	\$30.4	(\$0.0)
Video Lottery Terminal	\$12.6	\$12.6	\$12.6	\$0.0
Admission Tax	\$10.5	\$8.5	\$8.5	\$0.0
All Other Local Taxes	\$59.7	\$59.6	\$60.4	\$0.8
Tax Credits	(\$90.8)	(\$103.4)	(\$96.8)	\$6.6
Local Taxes	\$1,726.1	\$1,717.8	\$1,717.7	(\$0.1)

Revenues: Major Variances



This chart excludes \$29.4 million of budgeted Fund Balance.

FEBRUARY 29, 2024 – PRESENTATION - BBMR

**FISCAL 2024
GENERAL FUND
REVENUE OVERVIEW**

SEE ATTACHED

Fiscal 2024

General Fund Revenue Overview

Fiscal 2024: Revenue Outlook

Key Notes on Second Quarter

- The anticipated revenue surplus is **\$24.5 million**.
- The surplus is largely driven by **investment earnings**, yielding higher rates of return and a larger daily cash balance than budgeted.
- Improved **Highway User Revenue** proceeds are estimated to bring in additional revenues of \$6.3 million, but the City will need to use these proceeds for additional Capital transportation projects or other HUR-eligible operating costs.
- The City **does not anticipate needing the \$29.4 million** of Fund Balance that was used to balance the Fiscal 2024 budget.

FISCAL 2024
SECOND QUARTER

\$24.5M
PROJECTED SURPLUS

Revenue Highlights

General Fund Revenue Summary Table

REVENUES	FY 2024 Budget	FY 2024 Q1 Projection	FY 2024 Q2 Projection	Surplus/ (Deficit)
Local Taxes	\$1,717.9	\$1,717.8	\$1,726.8	\$8.9
State Collected Taxes	\$193.4	\$199.8	\$199.7	\$6.3
Licenses and Permits	\$28.1	\$27.1	\$29.7	\$1.6
Fines and Forfeits	\$33.1	\$33.1	\$32.2	(\$0.9)
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State Aid	\$117.7	\$117.5	\$117.5	(\$0.2)
Private and Federal Grants	\$0.0	\$0.1	\$0.1	\$0.1
Charges for Current Services	\$43.4	\$42.1	\$47.2	\$3.8
Other Revenues	\$6.2	\$6.2	\$6.4	\$0.2
Total Revenues Before Transfers	\$2,185.5	\$2,227.0	\$2,235.4	\$49.9
Net Transfers	\$2.9	\$3.6	\$7.0	\$4.1
Prior Year Fund Balance	\$29.4	\$0.0	\$0.0	(\$29.4)
Total General Fund	\$2,217.8	\$2,230.6	\$2,242.4	\$24.5

Note: Highway User Revenues are anticipated to bring in an additional \$6.3 million which will either be used for operating expenses related to transportation or capital projects for transportation.

Revenues: Major Variances

Second Quarter Projections, Budget Variances

Surplus / (Deficit)
(figures in millions)



This chart excludes \$29.4 million of budgeted Fund Balance.