Table of Contents

Office of the County Auditor

Lauren M. Smelkinson, CPA
County Auditor

Elizabeth J. Irwin
Deputy County Auditor
Director, Fiscal and Policy Analysis

Carrie B. Vivian
Supervisor, Fiscal & Policy Analysis

Ronit A. Rubin, CPA, CGFM
Principal Financial Data Analyst

Marie B. Jeng
Senior Fiscal & Policy Analyst

Rayven J. Vinson
Fiscal & Policy Analyst

Kris D. Urs
Fiscal & Policy Analyst

Reginald C. Sullivan
Fiscal & Policy Analyst

BALTIMORE COUNTY FISCAL DIGEST

GENERAL FUND REVENUES & THE ECONOMY

Baltimore County, Maryland

August 15, 2024

BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR

LAUREN M. SMELKINSON, CPA
COUNTY AUDITOR

ELIZABETH J. IRWIN
DEPUTY COUNTY AUDITOR

400 WASHINGTON AVENUE
TOWSON, MARYLAND 21204
410-887-3193

September 17, 2024

Honorable Members of the Baltimore County Council:

I hereby submit the Baltimore County Fiscal Digest of General Fund Revenues and The Economy as of August 15, 2024. This report provides audited FY 2023 General Fund revenues and fund balance information and preliminary (unaudited) FY 2024 revenue totals, as well as a summary of economic conditions affecting the County. Encouragingly, FY 2024 revenues again vastly outperformed expectations. The FY 2025 budget anticipates lower collections.

FY 2023 General Fund revenues totaled $2,615.9 million, an increase of approximately $140.4 million, or 5.7%, over FY 2022 revenues, and $119.8 million above budgeted revenues. The robust growth was primarily attributable to continued strong income tax collections, steady growth in property tax collections, a surge in the County's investment income, and a one-time transfer-in from BCPS. The Unassigned General Fund Balance (Surplus) as of June 30, 2023 totaled $431.6 million, not including $249.6 million in the Revenue Stabilization Reserve Account (Rainy Day account).

Unaudited FY 2024 General Fund revenues totaled approximately $2,681.4 million, an increase of approximately $65.5 million, or 2.5%, over FY 2023 revenues. This growth was attributable to subdued but still strong income tax collections, steady growth in property tax collections, and continued growth in the County's investment income. Partially offsetting these increases were continued declines in recordation and title transfer taxes, as well as the one-time nature of the transfer-in from BCPS in FY 2023. The estimated (unaudited) Surplus as of June 30, 2024 totals $400.7 million, not including an additional $254.4 million in the Rainy Day account.

At its recent meeting in July, the Baltimore County Economic Advisory Committee continued to express expectations that mild recessionary conditions could develop in the near term. We will continue to monitor economic activity, revenue collections, and State and federal developments, and we will provide our next update following the November 30th distribution of FY 2025 income tax revenue.

Respectfully submitted,

Lauren M. Smelkinson

Lauren M. Smelkinson, CPA
County Auditor

cc: Baltimore County Spending Affordability Committee
Baltimore County Economic Advisory Committee

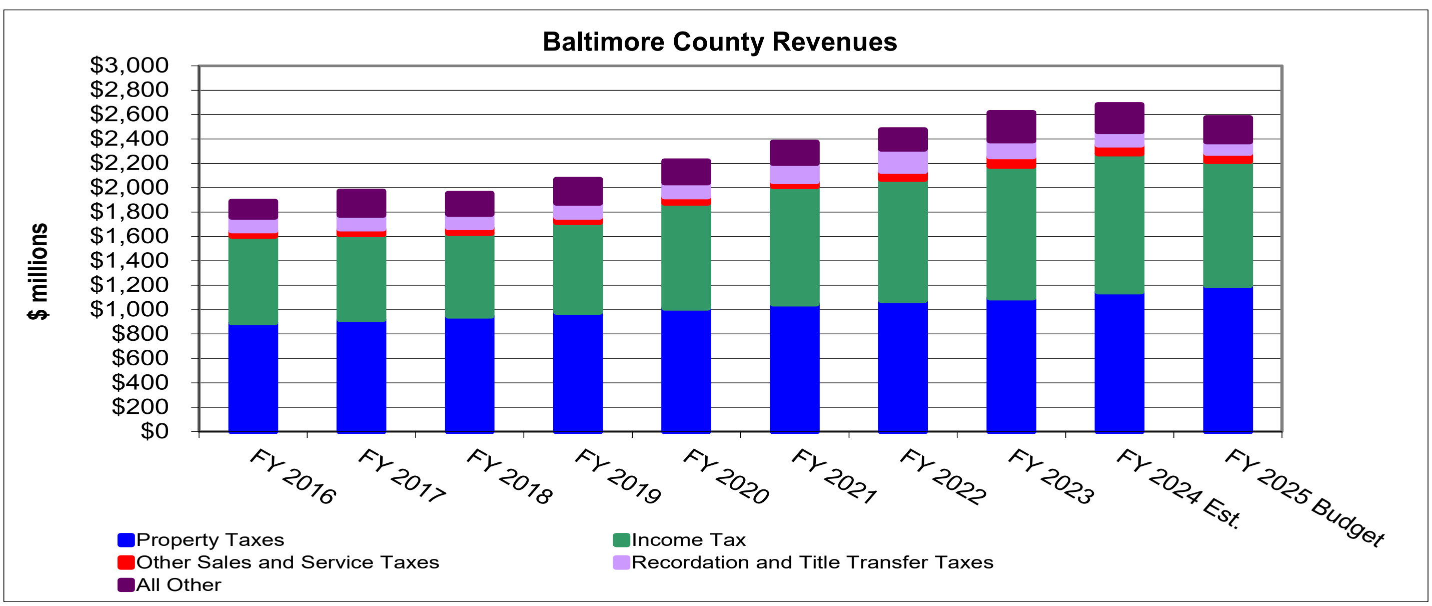
REVENUE HIGHLIGHTS

The Unassigned General Fund Balance (Surplus) as of June 30, 2023 totaled $431.6 million, or 17.0% of FY 2024 budgeted General Fund revenues. In addition to the Surplus Balance, the Revenue Stabilization Reserve Account (Rainy Day account) totaled $249.6 million as of June 30, 2023. The Surplus balance and Rainy Day amounts together totaled $681.2 million, or 26.8% of FY 2024 budgeted General Fund revenues. **The estimated (unaudited) Surplus Balance as of June 30, 2024** totals $400.7 million, or 15.6% of FY 2025 budgeted General Fund revenues. In addition, the Rainy Day account held an estimated $254.4 million as of June 30, 2024, for a combined total of $655.1 million, or 25.4% of FY 2025 budgeted General Fund revenues.

FY 2023 General Fund revenues totaled $2,615.9 million, up approximately $140.4 million, or 5.7%, from FY 2022 revenues. This experience yielded a surplus of approximately $119.8 million, or 4.8%, over FY 2023 budgeted revenues. The strength in General Fund revenues was driven by income tax collections, which increased by $84.3 million, or 8.5%, in FY 2023. Income tax growth reflects various factors, including inflation-affected wage growth and (often less predictable) labor force participation changes. Further driving FY 2023 revenue growth was the County's investment income, which increased significantly from $1.2 million in FY 2022 to $35.8 million in FY 2023 due to an elevated fund balance as well as a higher interest rate environment. The interest rate environment, however, also led to higher mortgage rates, which resulted in fewer potential homebuyers who were willing or able to shoulder the associated elevated home payments; as a result, property-related transaction tax revenues decreased by $52.3 million, or 28.6%, from FY 2022 collections. Total FY 2023 revenue growth also reflected the underlying steady performance of property taxes, which increased by $23.0 million, or 2.1%.

FY 2024 General Fund revenues (based on unaudited financial records) totaled approximately $2,681.4 million, an increase of approximately $65.5 million, or 2.5%, over FY 2023 revenues. This experience yielded an estimated surplus of approximately $137.2 million, or 5.4%, over FY 2024 budgeted revenues, reflecting an upward revision of $80.8 million from our prior forecast. Varying factors that drove FY 2023 income tax revenue growth moderated in FY 2024, resulting in a subdued, though still solid, increase of $51.9 million, or 4.8%, in FY 2024 collections. The elimination of the one-time transfer of $25 million from the Baltimore County Public Schools fund balance to the County's General Fund also contributed to the moderation in FY 2024 revenue growth. Sustained inflation constrained household incomes throughout the fiscal year, while measures to reduce the pace of inflation continued to yield elevated mortgage interest rates. As a result, FY 2024 recordation and title transfer tax revenues declined by $20.6 million, or 15.8%, to $109.7 million. Property tax revenues continued to grow steadily in FY 2024, increasing by an estimated $48.3 million, or 4.4%, due in part to the State's January 2023 reassessment of the County's central region.

Budgeted FY 2025 General Fund revenues total $2,574.6 million, reflecting a decrease of $106.8 million, or 4.0%, from unaudited FY 2024 revenues. Despite this anticipated decline, budgeted FY 2025 revenues exceed budgeted FY 2024 revenues by $30.4 million, or 1.2%. The FY 2025 budget anticipates income tax collections that are $113.4 million below FY 2024 collections. However, FY 2024 income tax revenue exceeded original budget expectations (by $122.0 million) and it is likely that FY 2025 income tax collections will also do so. The FY 2025 budget anticipates that property-related transaction taxes will remain flat from FY 2024 to FY 2025. Based on unaudited FY 2024 collections, a flat forecast indicates that these revenues will also exceed budgeted totals in FY 2025. Property tax revenue growth is expected to remain strong at 4.6% in FY 2025.



REVENUE FORECAST & ECONOMIC OUTLOOK

The FY 2024 General Fund revenue increase resulted primarily from rising income tax collections as well as steady growth in property tax collections. Property-related transaction taxes continued to decline in FY 2024 due to elevated mortgage interest rates.

Budgeted FY 2025 revenues reflect a decrease largely due to lower anticipated income tax and property-related transaction tax revenues. Meanwhile, continued steady performance in property tax collections is also expected.

Revenue Source ($ Millions)	Actual FY 2023	FY22-23 Change	Unaudited FY 2024	FY23-24 Change	Budget FY 2025	FY24-25 Change
Property Taxes	$ 1,098.2	2.1%	$ 1,146.5	4.4%	$ 1,199.7	4.6%
Income Tax	1,079.2	8.5%	1,131.1	4.8%	1,017.7	-10.0%
Title Transfer Tax	88.9	-28.4%	77.1	-13.3%	66.1	-14.3%
Recordation Tax	41.4	-29.2%	32.6	-21.3%	28.8	-11.7%
Intergovernmental	56.4	27.9%	60.2	6.7%	57.1	-5.1%
Sales & Service Taxes	78.0	20.4%	73.7	-5.5%	66.0	-10.4%
All Other	173.8	52.6%	160.2	-7.8%	139.2	-13.1%
Total Revenue	$ 2,615.9	5.7%	$ 2,681.4	2.5%	$ 2,574.6	-4.0%

At the July 8, 2024 meeting of the **Baltimore County Economic Advisory Committee (BCEAC)**, the Committee's Chairman maintained his expectations of a mild recession in the near term, despite the current confidence in the financial markets. The Chairman noted that while inflation has resulted in consumers spending their pandemic-era savings, retail sales remain strong, and much of the growth in consumer spending has been on travel and experiences, often requiring consumers to take on credit card debt. Moreover, the full impact of federal interest rate changes, including the most recent increase of 0.25 percentage point to the 5.25% to 5.50% target range approved in July 2023, is still being realized. The Chairman further noted that he expects the lagging monetary policy impacts to "dim" the economy. The Committee noted that banks' loan growth is stagnant as there is hesitance to lend, particularly in real estate, and that both commercial development and multifamily housing construction in the County have slowed. The Chairman noted that the County's labor force as a percentage of the total Maryland labor force has been declining (a very slow decline since 2015), and stood at 14% at the start of 2024. The Chairman also noted that the County's tight housing market has an impact on employment; declines in the labor force and a tight housing market could translate into decreased or slower-growing income, transfer, recordation, and property tax collections for the County, particularly in the event of a recession. At a previous meeting, the Committee acknowledged that concerns about building activity, the workforce, and the housing market extend to the entire State and are not unique to Baltimore County. Members' near-term outlook for the local economy additionally reflects the following factors.

- **A shrinking labor force may constrain the County's ability to continue supporting local employers' numerous job openings and high demand for workers.** While the Baltimore-Columbia-Towson Metropolitan Statistical Area (MSA), with an unemployment rate of 2.7% as of April 2024, has one of the lowest unemployment rates among the top 25 metropolitan areas nationally, it experienced just 0.2% employment growth (2,400 jobs) from February 2020 to May 2024, the third weakest performance among the 25 largest U.S. metropolitan areas. The imbalance in the supply and demand for labor has prompted employers to continue to make changes to remain competitive, and there are some indications that employers are taking longer to hire as employees are often satisfied in their current positions. It was also noted that many workers are focused on quality-of-life considerations rather than on changing positions to climb the "professional ladder."

- **The County's housing market activity remains low, as months of elevated mortgage interest rates have impacted housing affordability and have led homebuyers to take a more cautious approach in managing housing costs.** As predicted at previous Committee meetings, the decline in purchasing power has led to a withdrawal of prospective homebuyers from the market. The Committee noted that while mortgage rates have fallen slightly in recent weeks, homeowners are effectively "locked into" their existing low-rate mortgages, and millennials struggle to save for a down payment due to high rental costs. Committee members further pointed out that an increased housing inventory would invigorate the real estate market.

NATIONAL ECONOMIC INDICATORS

The U.S. economy continues to expand, with real GDP growing at an annualized rate of 2.8% in 2024:Q2.

Expansion of the U.S. economy began to accelerate again as real U.S. Gross Domestic Product (GDP) grew at an annualized rate of 2.8% in 2024:Q2 after decelerating from a peak of 4.9% in 2023:Q3 to 1.4% in 2024:Q1. Growth in the economy in 2024:Q2 was driven largely by gross private domestic investment, which accelerated by 4 percentage points due to much greater nonresidential investments in equipment and software. Further driving the increase was an uptick in consumer spending (see detailed discussion below) and growth in government expenditures, owing largely to increased federal government spending. Partially offsetting the increase was a decline in residential investment, which went from 16.0% growth in 2024:Q1 to a 1.4% contraction in 2024:Q2. The international trade deficit widened slightly and remained a net negative drag on GDP. The May 2024 release of the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters* projected annual real GDP to grow by 2.5% for CY 2024, followed by a slight deceleration to 1.9% growth for CY 2025; actual GDP data since that time have been mixed, causing economists to make minor revisions to their predictions. The August 2024 survey showed a slightly more optimistic forecast of 2.6% growth for CY 2024, with an unrevised forecast of 1.9% growth for CY 2025.

GDP is expected to grow by 2.6% for CY 2024, followed by a deceleration to 1.9% growth for CY 2025.

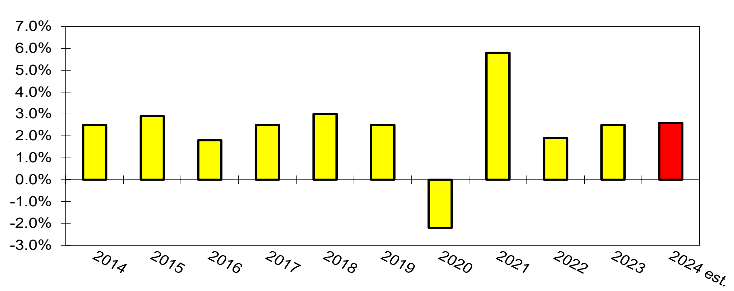
Real consumer spending accelerated during 2024:Q2, following a modest increase in 2024:Q1.

Real consumer spending, which accounts for roughly two-thirds of all U.S. economic activity, accelerated to 2.3% growth during 2024:Q2, up from 1.5% growth in 2024:Q1. Demand for durable goods grew considerably, from a 4.5% contraction in Q1 to a 4.7% expansion in Q2, with spending on nondurable goods growing more modestly. Growth in spending on services, such as housing and utilities, health care, and financial services and insurance, slowed in 2024:Q2 to 2.2%, down from 3.3% growth in 2024:Q1. The *Survey of Professional Forecasters* projects that consumer spending will grow by 2.3% for CY 2024, decelerating to 1.9% for CY 2025.

Consumer confidence increased slightly in July 2024, despite a decline in consumers' assessment of the current labor market situation.

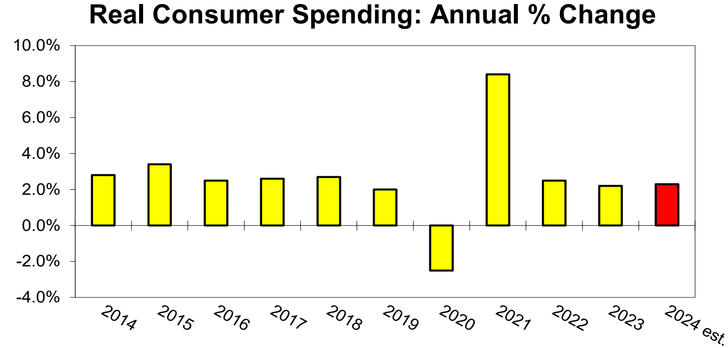
Consumer confidence, based on a survey of 5,000 U.S. households by The Conference Board (a well-known economic research organization), increased slightly in July 2024, following a small decline in June. The "Expectations Index" (based on consumers' short-term outlook for income, business, and labor market conditions) was responsible for the increase but still remains just below the level that historically signals a recession within the next year. Conversely, the "Present Situation Index" saw a slight decrease. The Conference Board reported that "[c]ompared to last month, consumers were somewhat less pessimistic about the future. Expectations for future income improved slightly, but consumers remained generally negative about business and employment conditions ahead. Meanwhile, consumers were a bit less positive about current labor and business conditions. Potentially, smaller monthly job additions are weighing on consumers' assessment of current job availability: while still quite strong, consumers' assessment of the current labor market situation declined to its lowest level since March 2021." Further, The Conference Board noted that "[t]he proportion of consumers predicting a forthcoming recession ticked up in July but remains well below the 2023 peak."

Real GDP: Annual % Change



Estimate Source: *Survey of Professional Forecasters*, August 2024

Real Consumer Spending: Annual % Change



Estimate Source: *Survey of Professional Forecasters*, August 2024

At its July 30-31, 2024 meeting, the Federal Reserve's Federal Open Market Committee (FOMC) decided to maintain the target range for the federal funds rate at 5.25% to 5.50%. The FOMC advised that "[i]nflation has eased over the past year but remains somewhat elevated," and "that the risks to achieving its employment and inflation goals continue to move into better balance."

The target interest rate was maintained at the 5.25% to 5.5% range at the July 30-31, 2024 meeting of the Federal Reserve's Federal Open Market Committee (FOMC), marking a full year of this target interest rate range. The FOMC stated that "[r]ecent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have moderated, and the unemployment rate has moved up but remains low. Inflation has eased over the past year but remains somewhat elevated. In recent months, there has been some further progress toward the Committee's 2 percent inflation objective." Further, the FOMC advised that "[t]he Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run," and "that the risks to achieving its employment and inflation goals continue to move into better balance." The FOMC also advised that "[t]he economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate."

INTEREST RATE CHANGE FROM JUNE 2023 TO JUNE 2024

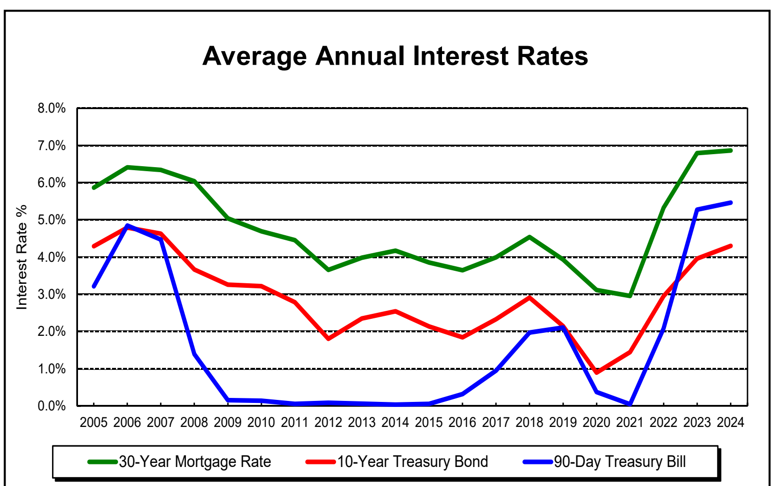
	Basis Points*
90-Day Treasury Bills	9
10-Year Treasury Bonds	56
30-Year Conventional Mortgage	21

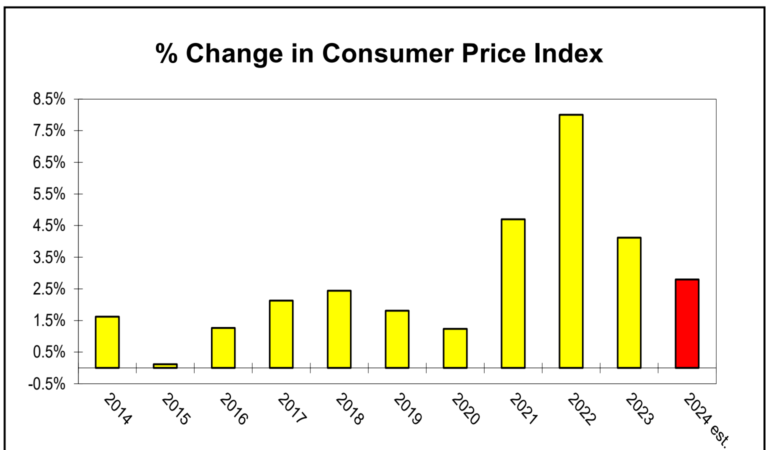
* A basis point is equal to .01 percentage point.

Short-term interest rates could see a decrease at the September 17-18 FOMC meeting, as the economy cools, signaled by moderated job gains, slowing wage growth, and a slightly increased unemployment rate. The FOMC has also signaled that it has begun considering the balance between inflation and the unemployment rate again, after focusing primarily on only combating inflation. Should unemployment rise too high and a recession begin to loom, the FOMC will likely lower rates to promote job growth and strengthen the economy.

Consumer inflation fell to 3.0% year-over-year in June 2024 and is expected to average 2.8% during CY 2024 before declining to 2.3% in CY 2025.

Inflation, as measured by the Consumer Price Index-All Urban Consumers (CPI-U), has returned to 3.0% as of June 2024—a sign of improvement, despite the persistence of an inverted yield curve (whereby long-term U.S. Treasury rates are lower than short-term rates). The first half of CY 2024 saw inflation of 3.2%, down from 4.9% in the first half of CY 2023, marking significant improvement. The annualized price growth in June 2024 was driven primarily by hospital services and shelter, which increased 6.9% and 5.2% respectively, while gasoline fell 2.5%. Core inflation (which excludes food and energy inflation) increased by 3.3% from June 2023 to June 2024. Growth in the CPI-U is expected to average 2.8% in CY 2024 before declining to 2.3% in CY 2025, according to the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters, August 2024. The Survey projects that annual inflation will average 2.3% over the 2024 to 2033 period, compared to an actual average increase of 2.7% over the 2014 to 2023 period.





Estimate Source: *Survey of Professional Forecasters*, August 2024

LOCAL ECONOMIC PERSPECTIVE

EMPLOYMENT

County year-over-year employment grew just 0.1% in the first half of CY 2024, and County residential employment remains 3.6% below the February 2020 pre-pandemic employment level.

Employment (measured by place of residence) showed negligible year-over-year growth (0.1%) throughout the first half of CY 2024, and the second quarter of CY 2024 closed with a decline in employment. This dip follows a similar period of cooling during the latter half of CY 2023. Recently, over the June 2023 to June 2024 period, Baltimore County residential employment decreased by 1,877 persons, or 0.4%; Maryland residential employment experienced a similar pattern, decreasing by 1,978 persons, or 0.1%. Additionally, while the gap between current and pre-pandemic employment had been closing, County and State employment remain at 16,469 (3.6%) and 118,587 (3.6%) persons, respectively, below February 2020 residential employment levels.

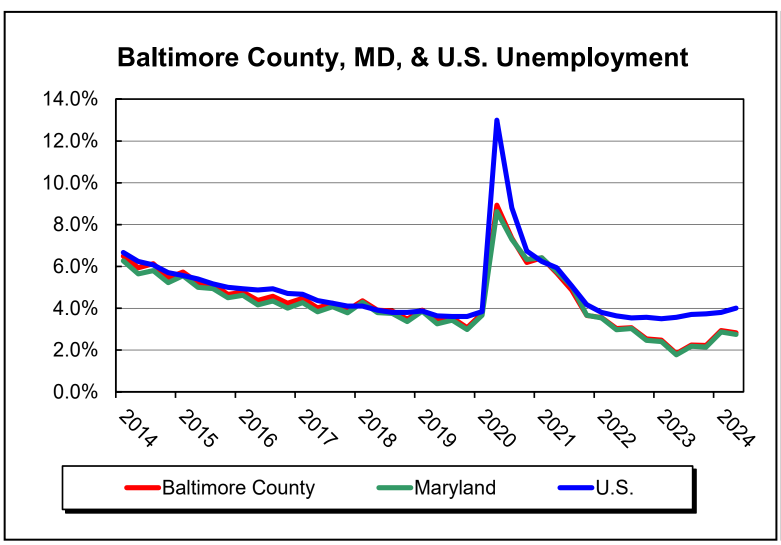
The County's June 2024 unemployment rate was 3.2%, up from 2.1% a year earlier.

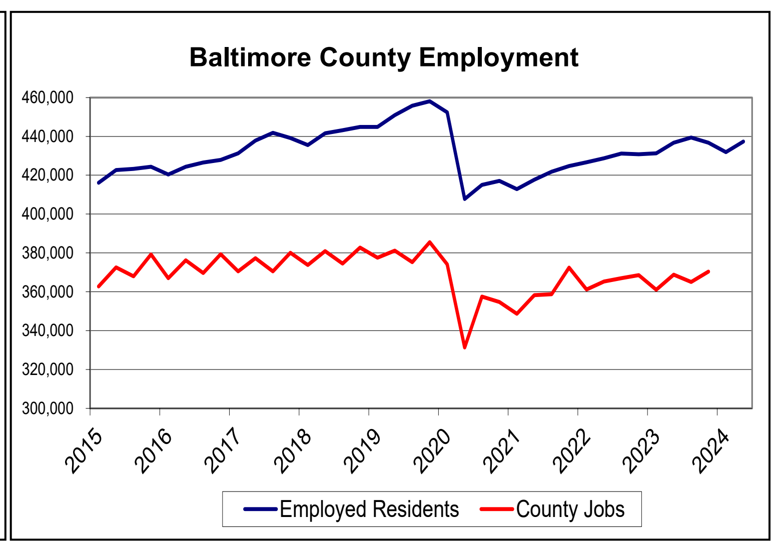
Employment growth that outpaces growth in the labor force drives down the **unemployment rate**. The unemployment rate among County residents was 3.2% in June 2024 – the same as the State's unemployment rate, and up from 2.1% a year earlier. The rising unemployment rate has coincided with a modest increase in the County's labor force. In June 2024, the County's labor force increased by 3,329 workers, or 0.7%, over the prior year but remained 18,492, or 3.9%, below its pre-pandemic size. As of June 2024, 11 jurisdictions in Maryland had a lower unemployment rate than Baltimore County, while two had the same rate as the County, and another 10 jurisdictions had unemployment rates above 3.2%. Nationally, the seasonally adjusted unemployment rate was 4.1% in June 2024, up from 3.6% in June 2023, and following a trend of slowly increasing unemployment that the U.S. has seen in 2024.

The number of County jobs increased by 0.5% from 2022:Q4 to 2023:Q4.

Sage Policy Group has predicted job growth of 0.6% in Baltimore County during CY 2024, followed by a slightly improved 0.8% job growth in CY 2025.

Jobs data (measured by place of work) greatly lag resident employment data. The Maryland Department of Labor jobs data show that from 2022:Q4 to 2023:Q4, the number of jobs in the County increased by 1,818, or 0.5%, while Maryland added 58,407 jobs, a 2.2% increase. Nationally, non-farm payrolls increased by approximately 2.7 million jobs, or 1.7%, from 2023:Q2 to 2024:Q2. In its July 2024 report, Sage Policy Group, Inc. (the Spending Affordability Committee's economic consultant) predicted job growth of 0.6% and 0.4% in the County and Maryland, respectively, in CY 2024 compared to anticipated national job growth of 1.6%. While Sage continues to advise of an oncoming recession, the report predicted slightly better job growth of 0.8% in both the County and Maryland in CY 2025, compared to growth of 0.9% nationally. According to Sage, the County experienced a 0.2% decline in population during CY 2023, while Maryland experienced a 0.2% increase in population. Both, however, according to Sage, are poised to grow, by 0.6% and 0.5%, respectively, in CY 2024.





PERSONAL INCOME

The Spending Affordability Committee's economic consultant recently forecasted that County personal income will increase by 4.36% in FY 2025, following similar estimated growth of 4.81% in FY 2024.

Sage Policy Group, Inc. (Sage), the Spending Affordability Committee's economic consultant, projected in its July 2024 report that Baltimore County's personal income (PI) will increase by 4.36% in FY 2025, up from the predicted growth of 4.13% in its April 2024 report. The FY 2025 forecast follows estimated increases of 4.81% in FY 2024 and 4.45% in FY 2023. Looking forward, Sage predicts a "soft landing" or mild recession in the next 12 to 18 months, which is reflected in some slowing, yet still considerable, growth in PI in FY 2025 and FY 2026 (4.37%). Sage's Maryland outlook for FY 2025 and FY 2026 (4.41% and 4.38%, respectively) is slightly above the County forecast, but both Maryland and the County show a similar pattern of slower PI growth beginning in FY 2025.

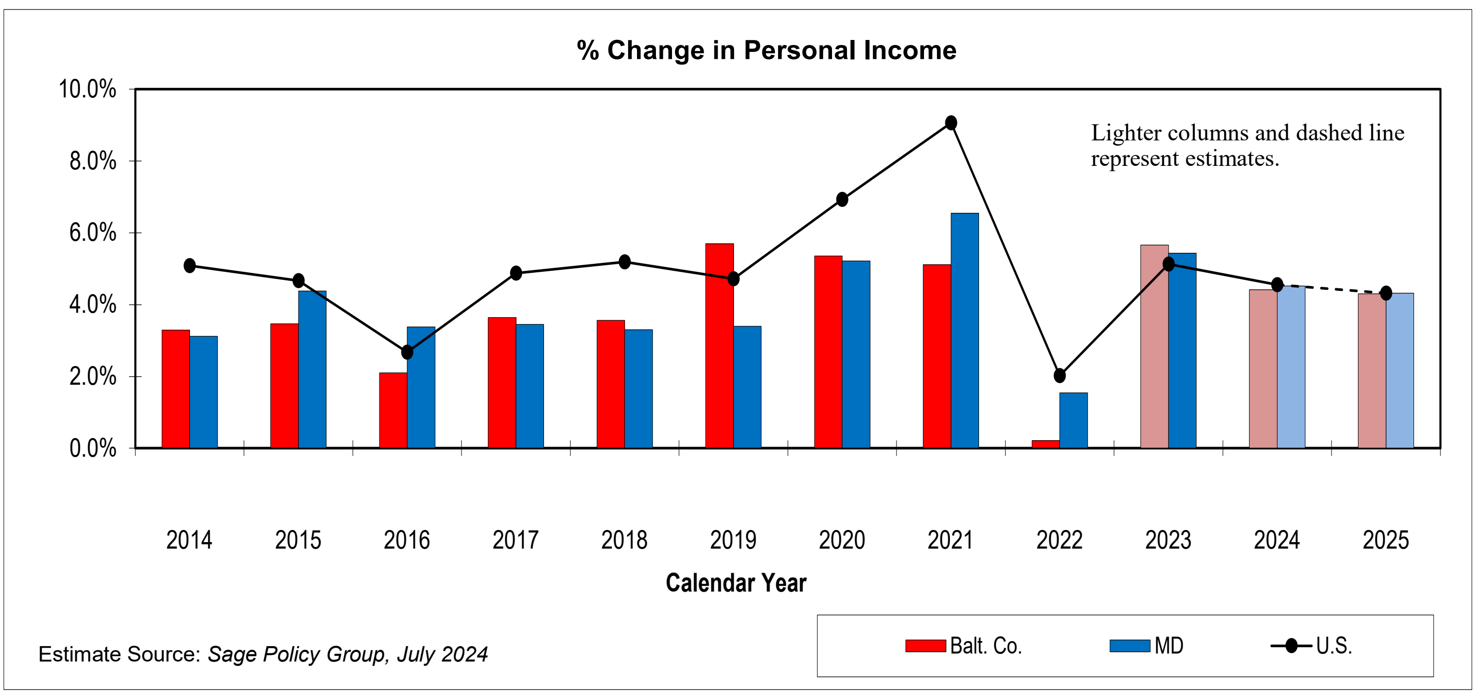
Over the last decade, personal income growth in the County has lagged growth at both the national and State levels.

The nation's nominal household wealth increased by 3.3% from 2023:Q4 to 2024:Q1, following a 2.6% increase from 2023:Q3 to 2023:Q4.

Over the 2013 to 2022 10-year period, national PI advanced 55.2%, exceeding Maryland and Baltimore County PI growth of 40.0% and 37.4%, respectively. (During the 2003 to 2012 decade, national and local PI growth accelerated from 47.5% and 33.6%, respectively, whereas State PI growth slowed after posting an increase of 43.7%.) In 2024:Q2, nationally, wages and salaries comprised 51.5% of PI, similar to their share in 2023:Q2 (51.3%). Preliminary national data reveal that wage rates continue to rise modestly, with private average hourly wages most recently increasing to $34.99 in June 2024, up 3.8% from a year earlier. During 2023:Q4, average weekly wages for the Baltimore County workforce totaled $1,353, up 2.0% from 2022:Q4, but still below both the national and State averages of $1,444 and $1,461, respectively. The Federal Reserve reported that nationally, nominal total household wealth increased by 3.3% from 2023:Q4 to 2024:Q1, following a 2.6% increase from 2023:Q3 to 2023:Q4.

For FY 2025, the County's Spending Affordability Committee recommended a maximum spending growth rate of 4.36%.

For FY 2025, the County's Spending Affordability Committee, which convened in January 2024, recommended a maximum spending growth rate of 4.36% based on a blended average of County PI forecasts by Sage and Moody's Analytics. Based on Sage's July 2024 forecast of annual County PI growth for FY 2026 and FY 2027, and the predicted growth in the four prior years, the projected maximum spending growth recommendation would be 3.69% for FY 2026 (FY 2022 to FY 2026) and 4.47% for FY 2027 (FY 2023 to FY 2027).



EXISTING HOME SALES

In FY 2024, the number of existing home sales totaled 7,966 units, a decrease of 12.3% from a year earlier.

Existing home sales in Baltimore County totaled 7,966 units in FY 2024, representing a 12.3% decline from FY 2023 sales. This decline is primarily attributable to the Federal Reserve's actions to keep interest rate targets unchanged since the Federal Open Market Committee's July 2023 meeting. According to the Federal Open Market Committee's June 2024 discussions, the Committee's past policy tightening measures contributed to higher rates for home mortgage loans and other longer-term borrowing. The effects of the interest rate environment on Baltimore County's housing market continue to persist – evidenced by declines in home sales and "homes for sale" inventory. In June 2024, 807 units were sold in the County, a decrease of 59, or 6.8%, from June 2023, while the median price of an existing home sold increased by 8.7%, from $345,000 to $375,000. Additionally, the more volatile average sales price rose by 0.8%, from $425,198 to $428,510, over the same period. The active inventory in Baltimore County in June 2024 fell by 227, from 1,184 to 957, or 19.2%, from June 2023.

The median price of existing homes sold in Baltimore County in June 2024 was $375,000, an increase of 8.7% over June 2023.

The number of pending home sales in June 2024 totaled 847 units, an increase of 10.0% from a year earlier.

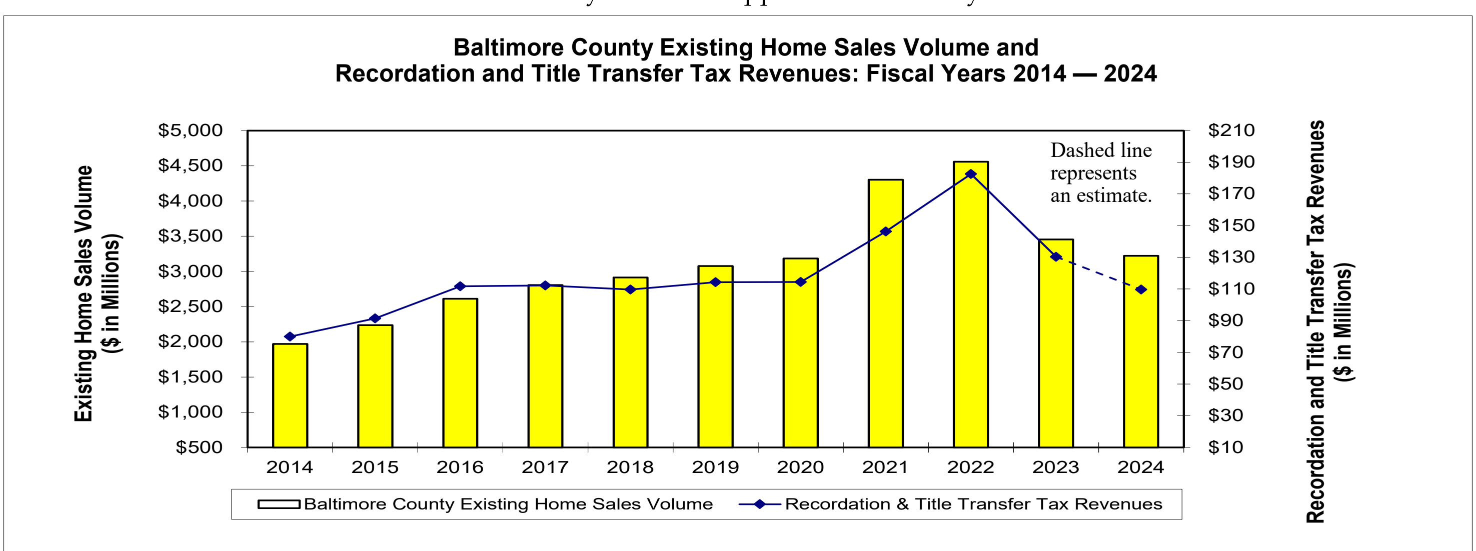
Pending existing home sales in June 2024 totaled 847 units, an increase of 77, or 10.0%, from June 2023, following a 0.1% year-over-year increase in May 2024. The County's "months of inventory" (i.e., the time needed to sell the entire inventory of homes at the current sales pace) was 1.4 in June 2024, down from 1.6 in June 2023. These data, in conjunction with the potential for a federal funds target rate cut, suggest that home sales could improve marginally in the coming months.

Reflecting higher interest rates and higher median sales prices, the monthly mortgage payment for a median-priced County home increased 11.0% in June 2024 compared to June 2023.

Mortgage interest rates for a 30-year conventional mortgage were 6.92% in June 2024, up 21 basis points from June 2023 when rates were 6.71%. The monthly payment for a median-priced Baltimore County home financed with a 30-year conventional mortgage loan (principal and interest only, assuming a 20% down payment) was $1,980 in June 2024, an 11.0% increase over the June 2023 level of $1,783, reflecting a considerable increase in both mortgage interest rates and sales prices (the median home price increased from $345,000 in June 2023 to $375,000 in June 2024).

Property-related transaction tax revenues totaled $109.7 million in FY 2024, a 15.8% decrease from FY 2023 collections.

Property-related transaction tax revenues (recordation and title transfer tax revenues) totaled approximately $109.7 million in FY 2024 (unaudited), a decrease of 15.8% from FY 2023 collections of $130.3 million, correlating fairly closely with the 12.3% decline in home sales over the same period. Accordingly, there is the potential for these revenues to level off in FY 2025 as interest rates are expected to decline slightly, giving buyers more flexibility and possibly leading to an uptick in mortgage refinancing activity. Refinancing activity has been suppressed in recent years due to elevated interest rates.



CONSTRUCTION

Baltimore County issued construction permits valued at $1,511.4 million in 2023.

The construction industry is continuing to rebound after the COVID-19 pandemic. According to U.S. Census Bureau estimates, nationwide construction spending during the first half of calendar year 2024 showed strong gains compared to the same period in 2023, increasing from $952.5 billion to $1,034.8 billion, or 8.6%. Those figures are well above the $698.8 billion for the same period in 2020 when the country was in the depths of the pandemic. Locally, according to data reported by the Baltimore Metropolitan Council, (or BMC, a nonprofit organization that seeks to promote regional planning efforts), Baltimore County construction spending shows similar gains since 2020, as illustrated in the chart below, and in the following details on County permit valuation/issuance by permit type for calendar year 2023.

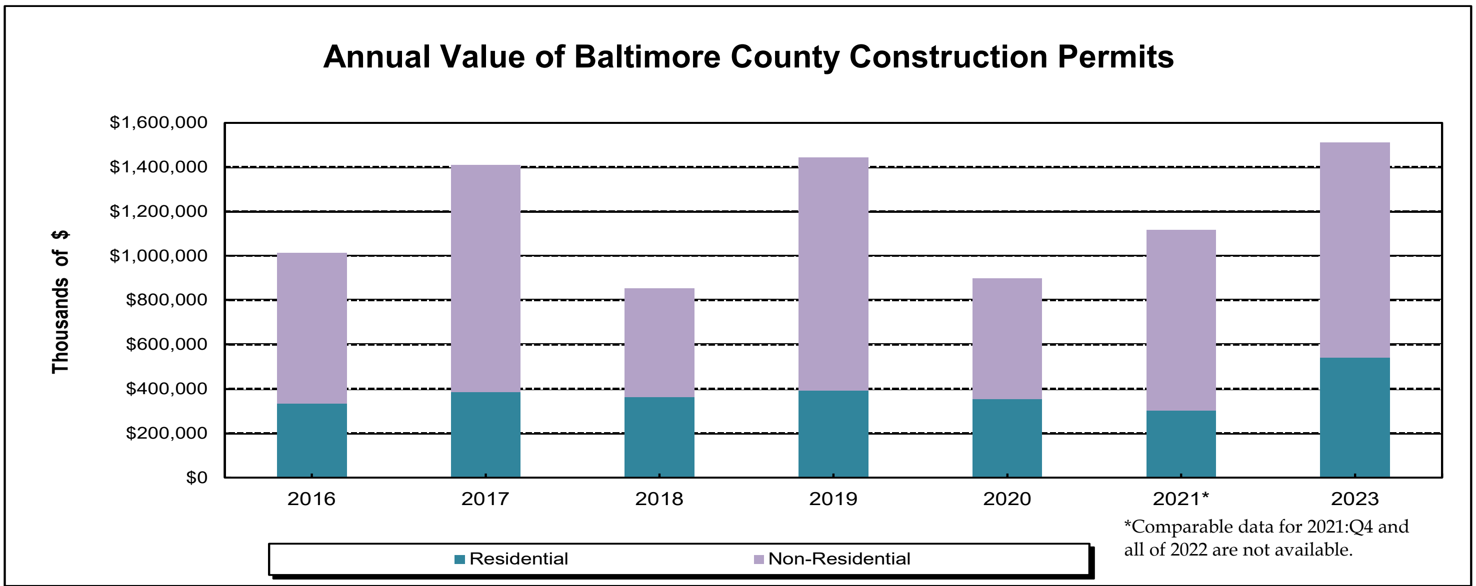
In 2023, the County's permits consisted of $969.5 million in non-residential permits and $541.9 million in residential permits.

Non-residential: According to BMC data, Baltimore County led the region in non-residential construction with permits valued at $969.5 million; the top four construction projects included the Lansdowne High School replacement ($148.3 million), an addition at GBMC hospital ($70.0 million), alterations to the Cromwell potable water pumping station ($48.3 million), and the Summit Park Elementary School replacement ($47.0 million).

Residential: According to the BMC, Baltimore County led the Baltimore region in new single-family home permits, with 1,120 new units, and was third (after Baltimore City and Harford County) in new multi-family home permits, with 554 new units. Residential new construction permits were valued at $396.7 million, while residential additions, alterations, and repairs permits were valued at $145.2 million.

In 2023:Q4, construction employment represented 7.7% of County jobs, the same as 2022:Q4.

Construction employment, a strong source of employment growth and personal income for County residents, has remained steady for the past year. Despite a very slight decrease in construction employment during 2023:Q4, the sector continues to represent 7.7% of County jobs, the same as 2022:Q4. This performance is in-line with the year-over-year increase of 1,014 jobs, or 0.3% employment growth, experienced by the County across all industries during the same quarter (2023:Q4). Over the same period, average weekly County construction wages rose $131, or 8.1%, to $1,757, which was 29.9% above the County average wage, and higher than the State and national averages across both the industry ($1,688 and $1,628, respectively) and the average of all industries ($1,461 and $1,444, respectively). Additionally, only two other counties in Maryland, Howard and Montgomery, had higher average weekly construction wages compared to the County, and County construction wages.



*Comparable data for 2021:Q4 and all of 2022 are not available.