

SPENDING AFFORDABILITY ADVISORY COMMITTEE REPORT

FISCAL YEAR 2027

**Spending Affordability
Advisory Committee**

Committee Chair

Holly Sun, Ph.D., Budget Administrator

Committee Members

Todd Arterburn (Committee Vice Chair)*

Angela Brade, Howard County Library System

Richard Clinch, Ph.D.*

AJ Fischer, Howard Community College

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Barbara Glenn, Ph.D., Howard County Farm Bureau*

Brian Hull, Howard County Public School System

Steve Hunt*

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Jimmie Jennings, Howard County Association of Realtors*

Barbara K. Lawson*

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Jacquelin McCoy, Howard County Board of Education

Kristi Simon, Howard County Chamber*

Joshua Tzucker*

**Voting members*

Advisors (Government Officials)

Angela Cabellon, Chief of Staff

Brandee Ganz, Chief Administrative Officer

Michelle Harrod, Administrator of the County Council

Rafiu Ighile, Director, Department of Finance

Jennifer Jones, CEO, Economic Development Authority

**Howard County Maryland
Spending Affordability
Advisory Committee
Report for Fiscal Year 2027**

March 1, 2026

Purpose

County Executive Calvin B. Ball, Ed. D., renewed the Spending Affordability Advisory Committee (the “Committee”) through Executive Order in December 2025. The County Executive’s charge to the committee was to:

1. Review in detail the status and projections of revenues and expenditures for the County, not only for fiscal year 2027, but also for fiscal years 2028-2032.
2. Evaluate future County revenue levels and consider the impact of economic indicators such as changes in personal income, assessable base growth, and other data that the Committee considers applicable.
3. Evaluate expenditure levels with consideration of the long-term obligations facing the County, and the best way to pay for them.

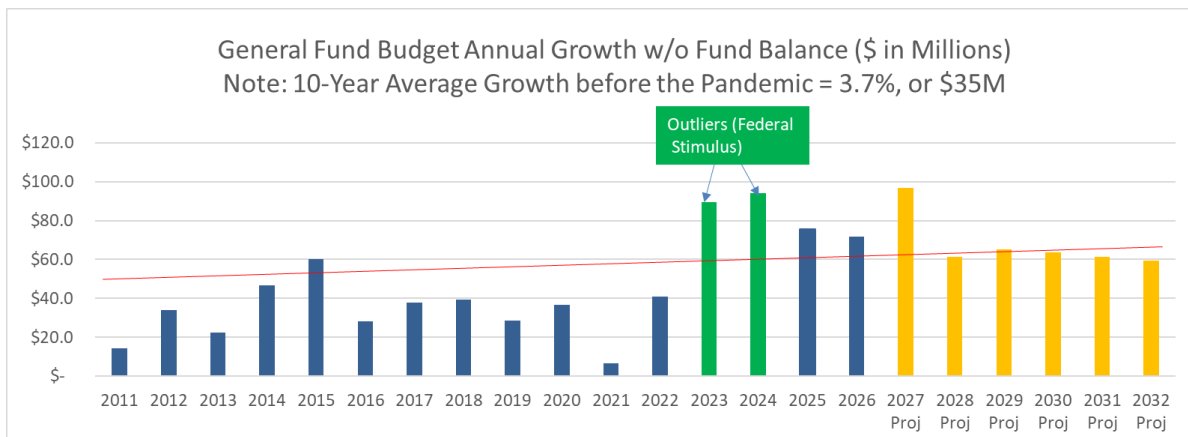
The committee shall present to the County Executive on or before March 1, 2026, a report including:

- a. Projected General Fund revenues for the upcoming fiscal year.
- b. Recommended new County debt (General Obligation bonds) authorization.
- c. An analysis of the long-term fiscal outlook, including multi-year projections; and
- d. Other findings and/or recommendations that the Committee deems appropriate.

EXECUTIVE SUMMARY

In developing its fiscal year 2027 recommendations, the Spending Affordability Advisory Committee (SAAC) recognizes that revenue projections for the coming year are unusually strong. However, these conditions are unlikely to persist and should not be treated as a new baseline for ongoing spending. Instead, FY 2027 presents a limited opportunity to strengthen the County's fiscal position, address structural challenges, and prepare for potential economic headwinds.

Despite the challenges caused by federal actions, FY 2027 General Fund revenues are projected to grow by 6.3% over the FY 2026 budget—well above the County's historical average annual growth of 3.5~4%. This elevated growth rate is not expected to continue.



The projected revenue increase in FY 2027 is driven primarily by a surge in capital gains and higher-than-anticipated reconciliation distributions from prior years' income tax collections, neither of which is likely to recur at current levels. Also, there is continued uncertainty in revenue forecasts due to unpredictable federal policy changes and their lagged impact on revenues. The County and region are disproportionately exposed; State data show that, through November 2025, more than 15% of Maryland residents employed directly by federal agencies had already lost their jobs. This represents a significant risk factor to Howard County, where more than 11% of employed residents are directly employed by the federal government and a similarly large number are likely to work for federal contractors in the County and across the region.

Beyond FY 2027, multi-year projections return to a more modest 3.6% average annual growth rate, based largely on the County's two primary revenue sources, property and personal income tax, which together account for more than 90% of the General Fund.

- **Property tax revenue (48% of the FY2026 budget)** is expected to moderate from growth above 4% in recent years toward its historical average of roughly 3% as slower home appreciation is reflected in assessments.
- **Personal income tax revenue (43% of the FY2026 budget)** is projected to grow at approximately 4% annually in line with projected personal income growth, excluding volatile factors such as capital gains, distribution adjustments, or potential federal workforce reductions.
- **Long-term structural pressures** remain significant, including slowing job and population growth, declining construction and permit activity (currently at a two-decade low), limited developable land, pending regulatory changes needed to implement HoCo by Design and housing affordability constraints that limit the County's competitiveness.

Accordingly, the Committee urges the County to use the temporary strength in FY 2027 revenues strategically—to reinforce fiscal resilience, address structural risks, and enhance long-term growth capacity. Specifically, the Committee recommends:

- **Operating Budget Discipline**

For FY 2027, limit recurring General Fund spending growth to no more than **4%** and allocate the remaining projected revenue growth (approximately **2.3%**) to reserves. Given that this year's revenue strength is temporary, ongoing expenditures should not be built on a one-year spike.

This approach will rebuild reserves that have declined in recent years and strengthen the County's fiscal position relative to AAA credit rating benchmarks. It will also avoid creating new recurring obligations that may become unsustainable when revenue growth returns to more moderate levels.

- **Capital and Debt Management**

For FY 2027, limit General Obligation (GO) bond issuance to no more than **\$75 million** and prioritize the existing backlog of deferred maintenance projects across HCPSS and County agency facilities. While debt indicators have improved, long-term obligations remain significant and warrant continued monitoring.

This recommendation reflects three realities:

- The County has incurred additional liabilities, including low-interest loans for the Ellicott City Safe and Sound project, which increases annual principal and interest payments from the General Fund.

- New bond issuances commit the County to fixed debt service payments for up to 20 years, reducing future operating flexibility and crowding out funding for core services such as education and public safety.
- New capital projects typically generate ongoing costs—including follow-on capital needs and annual staffing, operating, and maintenance expenses—that extend well beyond initial construction.

- **Grow the Economic Pie**

A stronger County economy creates a cycle of increased revenue, increased investments, and greater desirability for businesses and residents to locate in Howard County. There are limited places where the County can find new revenues, which means when there are fiscal challenges, there are only two options: raise taxes or cut programs. Encouraging economic growth helps meet the County’s long-term fiscal needs and provides resilience to meet future challenges with less austerity. The Committee is encouraged by the adoption of HoCo by Design, but notes that much of the implementation of its suggestions has yet to occur. Additionally, the Committee encourages the Council to review regulatory and permitting mandates that add time, uncertainty, and unnecessary costs, all of which could be inhibiting investment in our community.

- **Develop a Balanced Multi-Year Fiscal Plan in Collaboration with All Stakeholders**

Engage all stakeholders, including election candidates, to promote dialogue and mutual understanding of the tradeoffs of different options. Identify solutions to close the projected structural gaps between forecasted revenues and requested expenditures by different entities.

In summary, adhere to sound fiscal policies and management practices, and balance short-term needs with long-term financial health. These principles will be key to the County’s successful navigation of uncertain economic and policy climates and ability to remain strong and resilient.

KEY RECOMMENDATIONS

The Spending Affordability Advisory Committee (“Committee”) is tasked with making recommendations to the County Executive on revenue projections, General Obligation (“GO”) bond authorizations, long-term fiscal outlook, and other issues impacting the County’s fiscal health. The Committee met from January 2026 through late February 2026. During that time, the Committee was briefed by economists, financial experts, business representatives, multiple County agencies, and local educational institutions. These meetings helped the Committee develop a better understanding of the County’s economic outlook, revenue sources, debt level, demographic trends, and economic development, as well as long-term fiscal projections and various operating and capital needs.

The following recommendations of the Committee reflect our collective input and desire to assist the County in making the decisions that will address community priorities while staying within our means and ensuring the County’s long-term sustainability. These recommendations are summarized in four sections below, with additional details and supplemental information presented in the Appendix.

SECTION I. FY 2027 FISCAL OUTLOOK

I.1. The Committee recommends FY 2027 General Fund revenues of \$1.629 billion, reflecting 6.3% growth from the FY 2026 budget, excluding one-time resources.

The Committee accepts the County Budget Office’s revenue growth projection of 6.3% from the FY 2026 budget, based on the most current information available, specifically related to property taxes and income taxes. Property taxes will experience more than a 4% assessment growth continuously based on the latest projections, although the State Department of Assessment and Taxation (“SDAT”) reports a statewide slowdown in reassessment growth momentum, which will gradually impact the future taxable base through the three-year phase-in process. Projected income tax growth from the prior budget reflects adjustments for a higher base (actual and year-to-date performances), capital gains, relatively strong wage growth, and the potential impact of federal actions. Once excluding these temporary factors, the baseline assumptions remain close to the County’s historical and projected personal income growth of around 4%.

This revenue projection continues to feature high uncertainties given the disproportionate exposure of the County and the region to federal actions. State data show that, through November 2025, more than 15% of Maryland residents employed directly by federal agencies had already lost their jobs. The possibility of further federal reductions remains a risk to Howard County, where more than 11% of employed residents are directly employed by the federal government, and a similarly large number are likely to work for federal contractors in the County and across the region.

I.2. The Committee recommends that the FY 2027 General Fund budget hold recurring expenditure growth to 4% and allocate the remaining 2.3% of the projected total 6.3% growth to replenish and strengthen reserves.

Despite this unexpected revenue growth, the Committee is concerned with continued risks related to the County's disproportionate exposure to federal actions, which are likely to have an ongoing and lagged impact on County income taxes and other revenues. If we mirror the State's average (which reported a loss of 15.3% of Maryland's federal payroll jobs as of November 2025), direct federal job reductions through November 2025 alone would cause a 1.7% loss in the total employment of county residents. This, combined with potential future federal layoffs as well as the impact on contractors, poses continued risks of a negative impact on County revenues and service demands. Moreover, growth in the real estate market has lost momentum with home sales staying largely flat, median home sales prices growing by only 2.5% in 2025, and new construction at historically low levels.

As a result, the Committee cautions against creating a new spending baseline based on abnormally high single-year growth. Rather, the Committee recommends allocating 4% of the projected 6.3% in revenue growth (\$61.3 million) to General Fund recurring spending and 2.3% (\$35.4 million) to replenish reserves. This would not only help hedge against the economic risks but also avoid obligating the County with new recurring expenditures, which may not be supported by the moderate revenue growth predicted beyond FY 2027, which averages 3.6% during FY 2028-2032. Moreover, it can help replenish the County's reserves that have been declining over the past two years and are now at a level below those of AAA-rated governments in general, and below most of our peers in Maryland. According to financial advisors, reserve levels, and long-term liabilities are among the key elements reviewed by credit rating agencies, especially for jurisdictions with high exposure to federal risks. All three credit agencies recently reaffirmed the County's AAA credit ratings, but also all noted that the following factors could individually or collectively lead to negative rating actions in the future: failure to sustain reserves, sizable increase in long-term liabilities, and significant impact from federal actions.

I.3. The Committee recommends engaging all stakeholders in developing a balanced budget.

Even with the exceptionally high projected growth rate in revenue, the County still faces a sizable fiscal gap of over \$67 million between projected revenue growth and requested spending increases. For example, requested funding growth related K-12 education alone totals \$83.9 million, based on the Superintendent's proposal, including new revenues to replenish one-time funding from last year, and the State's proposed new cost shifts to the County. County leaders should continue to engage in candid dialogue with all stakeholders to manage expectations, balance all service needs, and align expenditures with fiscal reality.

Chart 1. FY 2027 General Fund Projected Revenue Growth vs Requested Funding Growth

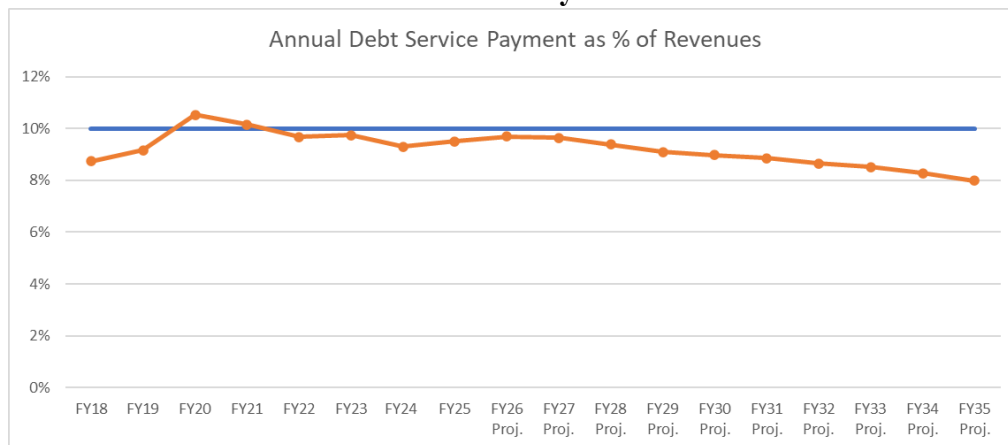
\$ in Millions	FY27	
Revenues - Projected Growth	96.7	6.3%
Expenditure - Requested County Funding Growth	163.8	10.7%
Replenish one-time funding to HCPSS (CB45-2025) with new revenues for level funding	14.5	
HCPSS Superintendent Proposal - recurring funding growth	63.6	
State shift of education costs (pension liabilities, pre-K private local match)*	5.8	
Subtotal HCPSS related new cost	83.9	
HCC + HCLS	6.3	
Debt Services (non-discretionary)	7.5	
All Other Agencies (including funding to non-profits etc.)	66.1	
Funding Gap	(67.1)	
* State shift is based on Governor's Proposal and MSDE notice.		

SECTION II. FY 2027 DEBT CEILING AND CAPITAL IMPROVEMENT BUDGET

II.1. The Committee recommends new General Obligation (GO) bonds authorization of \$75 million in FY 2027 and encourages continued fiscal discipline.

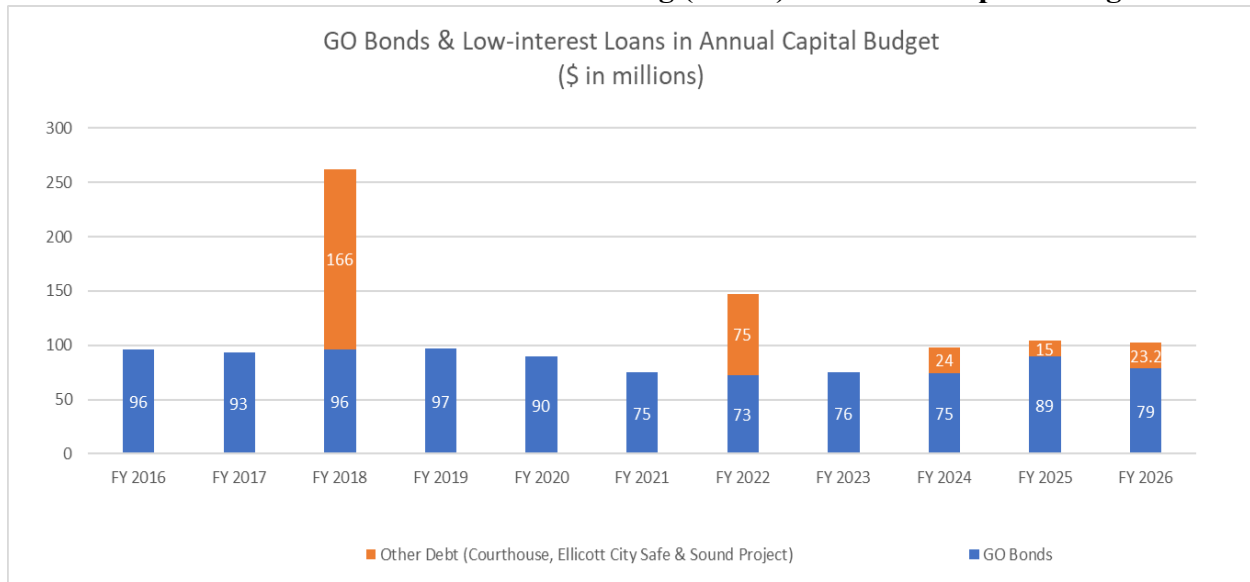
The County's key debt indicator (debt service/operating revenue) has come down from a peak of just over 10% (which had exceeded its policy ceiling) several years ago and begun to trend in the right direction. In acknowledging an improving climate, the Committee recommends an authorization level aligned with our policy of \$75 million in new General Obligation bonds in FY 2027.

Chart 2. Annual Debt Service Payment as a % of Revenues



The Committee suggests continued prudent debt management, noting that the County's overall debt burden is among the highest of AAA counties in Maryland. Moreover, its GO bonds capacity has been constrained by other loans and financing sources in recent years, including various low-interest loans for the Ellicott City Safe and Sound project. The County also must stay diligent in managing its overall debt burden in order to avoid increases in annual debt service payments which crowd out the capacity in its operating budget to support all other service priorities.

Chart 3. GO Bonds and Other Financing (Loans) in Annual Capital Budget



II.2. The Committee recommends prioritizing capital project spending to address deferred maintenance (including HCPSS and County infrastructure projects) and limiting new projects that will obligate 20-year debt services payments, as well as ongoing annual funding for staffing, operating, and maintenance needs.

The structure of capital project spending, including GO bonds, is also important. The Committee strongly recommends that Capital Improvement Plan (CIP) spending, including this new borrowing, be focused on tackling the deferred maintenance backlog for aging public infrastructure across the County. This includes maintenance needs in both the County government, which estimates \$105 million backlog in road resurfacing and \$126 million in critical stormwater system maintenance and repairs, and the Howard County Public School System (HCPSS), which now estimates deferred maintenance at \$190 million. Acquisition and financing of new projects, therefore, should be minimized as these not only obligate future capital investments, but also introduce a requirement to increase the operating budget for annual debt service and ongoing facility services costs. Moreover, systemic repairs of deteriorating physical assets would provide more cost-effective solutions to much more costly future replacements.

SECTION III. MULTI-YEAR PROJECTIONS & LONG-TERM TRENDS

III.1. The Committee recommends adopting a revenue projection of 3.6% growth, on average, during FY 2028-2032.

A preliminary multi-year revenue and expenditure model developed by the Budget Office suggests that General Fund revenues will likely grow, on average, by 3.6% annually during FY

2028-2032. The relatively strong property tax assessment growth experienced in the last few years is expected to moderate over time, as signaled by a statewide reassessment slowdown in the latest cycle and a decrease in the growth of home sales prices to 2.5% in 2025. These assessments are expected to maintain a solid growth in the near future but gradually transition towards the County's historical average (around 3%) and align more closely with market conditions, unless the implementation of HoCo by Design adds significant new development.

Income tax projections assume an average of 4% growth in line with projected personal income growth. This model does not factor in economic shocks such as a possible recession or the risks of new federal reductions.

Chart 4. Preliminary Multi-Year Revenue Projections

Preliminary Multi-Year Projections Excluding Use of Fund Balance(\$ in Millions)								
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY28-32
	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Avg. %
Property Taxes	730.7	763.0	796.6	828.4	857.4	883.2	905.2	3.5%
Income Tax	662.2	725.0	754.7	784.9	816.3	849.0	882.9	4.0%
Other local taxes	28.7	29.5	30.5	31.4	32.4	33.4	34.4	3.1%
State Shared Taxes	6.1	6.1	4.6	4.6	4.6	4.6	4.6	-4.9%
Charges / Permits / Intergov.	34.0	33.8	34.5	35.2	35.9	36.6	37.3	2.0%
Transfers /Recoveries/Invest.	70.8	71.8	69.8	71.2	72.6	74.1	75.6	1.0%
Total Revenues	1,532.5	1,629.2	1,690.7	1,755.8	1,819.2	1,880.7	1,940.0	3.6%
% Growth	4.9%	6.3%	3.8%	3.8%	3.6%	3.4%	3.2%	

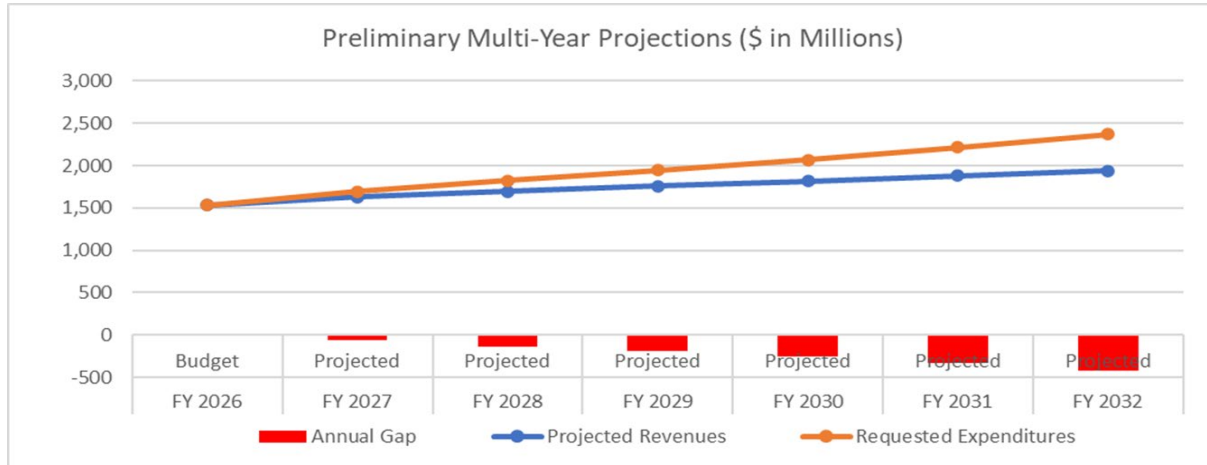
III.2. The Committee recommends that the County collaborate with stakeholders and develop a balanced multi-year plan with solutions to close projected structural gaps.

Anticipated expenditure needs, averaging 6.9% growth per year based on input from all departments, agencies, and educational institutions, will continue to significantly exceed projected revenues. HCPSS' projected needs alone (\$61 million in new County funding per year on average), is equivalent to 98% of the total projected resource growth in this period. As a result, the annual deficit is projected to range between \$67 million and \$428 million, absent any gap-closing strategies.

The Committee recommends that the County work with all stakeholders to jointly develop a "HoCo Dollars & Sense" multi-year plan, to close projected gaps and match spending with available resources. All parties, including County agencies and educational institutions, should be required to submit a balanced same-service base scenario utilizing the projected resources available. This collaboration requires candid dialogue with all stakeholders, including educational entities, to prioritize collectively and to understand the implications and the trade-offs of any request, based on fiscal reality. It also requires connecting the operating budget, the capital budget, the general plan, and existing and planned legislative changes with consideration of the long-term fiscal impact. This exercise is essential to moving towards a sustainable and predictable long-term plan.

Chart 5. Preliminary Multi-Year Projections – Revenues vs. Expenditures

Preliminary Multi-Year General Fund Projections Excluding One-Time (\$ in Millions)								
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY28-32
	Budget	Projected	Projected	Projected	Projected	Projected	Projected	Average
Projected Revenues	1,532.5	1,629.2	1,690.7	1,755.8	1,819.2	1,880.7	1,940.0	
Growth \$		96.7	61.5	65.1	63.5	61.5	59.3	62.2
Growth %		6.3%	3.8%	3.8%	3.6%	3.4%	3.2%	3.6%
Requested Expenditures	1,532.5	1,696.3	1,825.5	1,944.2	2,070.1	2,213.7	2,368.3	
Growth \$		163.8	129.2	118.7	125.9	143.6	154.6	134.4
Growth %		10.7%	7.6%	6.5%	6.5%	6.9%	7.0%	6.9%
Annual Gap		(67.1)	(134.8)	(188.5)	(250.8)	(333.0)	(428.3)	
Cumulative Gap		(67.1)	(201.9)	(390.4)	(641.2)	(974.2)	(1,402.5)	



III. 3. The Committee recommends making strategic moves to “grow the pie” through economic development, including prioritizing key Howard County Economic Competitiveness and Opportunity Now (ECON) task force recommendations and implementing HoCo by Design plans.

The Committee expresses concerns over the weakness of multiple and fundamental drivers of the County’s long-term fiscal growth. Three interrelated factors are the core drivers of County revenues: 1) population and workforce growth; 2) economic/employment growth; and 3) real estate activity. All three are under pressure. Population growth has slowed, and the County’s population is aging, resulting in the shift of a rising segment of our existing population into the 65+ sector, which is now expected to represent 20% of our total population by 2030. The impact of this slowed population growth (0.6%/year), job growth slowdown (1.5%/year since 2020), increasing out-migration, and generational population shift is already reflected in the drop in both the number of residents actively in the workforce and the number of employed residents to below pre-pandemic (2020) levels in 2025. Employment growth in the County has slowed, and employment remains below pre-recession levels. Future economic and employment growth will continue to be negatively impacted by the slowdown in federal spending, which is a core driver of the County’s economy, as well as continued slow employment growth at the State level. While housing prices remain strong, real estate development activity has slowed at both the residential and commercial levels due to a confluence of related factors, including higher mortgage interest rates at the national level, slow population growth at the State level, and

County decisions limiting development activity. Taken together, these interrelated issues have the potential to negatively impact future revenue growth.

The Committee concludes that the County must “grow the pie” by promoting economic development, which drives the County’s long-term sustainability. The Committee suggests consideration of the following strategies:

- Rapidly move to full implementation of HoCo by Design recommendations (https://www.howardcountymd.gov/sites/default/files/2025-01/HcBD_Chps_Appendices_Web_Reduced.pdf).
- Fully assess and implement critical recommendations of the ECON Task Force (<https://www.howardcountymd.gov/sites/default/files/2026-02/ECON%20Task%20Force%20Report.pdf>).
- Promote a modern business-friendly environment by supporting new and existing businesses and industry and limiting regulatory obstacles and uncertainties.
- Make strategic investments in workforce development, recognize the growing impact of AI on our economy, and provide training and support to both businesses and the workforce.
- Diversify the local economy by expanding our industry mix and supporting high-growth sectors.
- Collaborate with regional partners, promote collective growth, pursue affordable and sustainable workforce housing, and address transportation challenges.

SECTION IV. OTHER

IV.1. The Committee recommends making it a priority to maintain the County’s AAA credit ratings and stick to sound fiscal ‘policy’ and financial practices.

Howard County has received AAA ratings from all three credit rating agencies for decades. Maintaining this highest rating, assigned to only 1.7% of counties across the country, is significant in many ways. It not only helps the County achieve the lowest borrowing cost to finance its public infrastructures but also represents a globally respected professional evaluation of a jurisdiction’s overall economic and fiscal strength and risks, which indicates investors’ confidence level in Howard County’s future. Over the past year, both Maryland and Prince George’s County received a rating downgrade, highlighting elevated risks of federal impact on this region. Once downgraded, it is extremely difficult to regain the top-tier rating status. It is imperative that the County make it a priority to maintain its hard-earned AAA credit ratings, committing to sound fiscal policy and financial management, and resisting any temptation to meet short-term needs at the cost of the County’s long-term financial well-being. All three credit rating agencies acknowledge that consistently strong fiscal discipline and prudent financial management have helped the County navigate different economic and policy climates successfully and remain strong and resilient.

We would like to thank all the Committee members for their time and effort in providing invaluable perspective, insight, questions, and contributions that will inform County decision-makers as they tackle today’s challenges and opportunities in preparing for the future.

Appendix-I. Economic Outlook and Personal Income Forecast

The Howard County Budget Office retained Richard Clinch, PhD, Director of the Jacob France Institute at the University of Baltimore, to prepare a County personal income projection through Fiscal Year 2031 and a report on overall national, State and regional economic trends and their expected impact on the County's economy and government finances. This report was prepared to provide personal income and economic data to inform the County's Spending Affordability Committee. The report found that:

- The **national economy** remains resilient but is entering a slower labor-growth phase.
- **Maryland** is structurally weaker due to federal dependence and demographic pressures.
- **Howard County** remains strong but is transitioning from rapid expansion to moderate, mature growth.

Howard County remains one of the strongest local economies in Maryland, yet the County has entered a new phase characterized by **slower structural growth, demographic transition, and increased exposure to regional and federal economic risks**. The County's financial outlook remains stable in the near term, but long-term fiscal planning must adapt to a slower growth model than the one experienced over previous decades.

Maryland Economic Outlook

Maryland is underperforming the national economy in nearly every major indicator - slower employment growth, slower gross state product growth, and modest population growth.

The state's economy is heavily tied to federal employment and contracting. Federal workforce reductions and weaker contract activity are expected to suppress growth, particularly in professional services, healthcare and research institutions, and government-connected industries. Forecasts from Moody's and state revenue analysts project near-flat employment in the near term, with only slow recovery later in the decade:

- The Board of Revenue Estimates forecast that Maryland employment will decline by 0.3% in 2026 and grow by 0.1% in 2027 and 2028;
- Moody's Economy.com forecast that Maryland employment will decline by 0.1% in 2026, with growth expected to be flat in 2027 and 0.2% in 2028.

Maryland's slower growth, combined with taxation and demographic pressures, creates a challenging regional environment that indirectly affects Howard County.

Howard County Economic Trends

County revenues depend heavily on income and property taxes, which together account for over 90% of total General Fund resources (excluding use of fund balances). As a result, three factors dominate the County's economic trajectory:

- Population and workforce growth;
- Employment growth within the County and region; and
- Real estate market activity.

The analysis indicates that each of these drivers has weakened relative to historical trends. Howard County’s fiscal health remains strong, but the economic engine supporting past rapid revenue growth is slowing down and becoming more sensitive to external conditions.

1. Population and Demographic Transition

Howard County historically has ranked among Maryland’s fastest-growing jurisdictions, but growth has slowed significantly since 2020. Key demographic shifts include:

- Growth in residents over age-65 is accelerating.
- Prime working-age population growth has flattened.
- Domestic out-migration has increased in recent years.
- New residents tend to have lower incomes than those leaving.

More detailed demographic trend information can be found in Appendix-IV. Demographic and Development Trends section. Of these demographic trends, the County’s aging population has important long-term implications. An aging population generally contributes less to labor force growth, experiences slower income growth, and impacts demand patterns for housing. For fiscal planning, this means weaker income tax growth than in previous decades. Despite slower growth, Howard County maintains the highest median household incomes in Maryland and continues to attract high-skill professionals, though migration trends suggest growing competitive pressure from other regions.

2. Labor Force and Employment Dynamics

The County’s labor force and employment both show signs of weakening, with negative growth shown for 2025. Even before then, county employment growth had already been trending down.

Chart AI-1. Labor Force Growth - Maryland and Howard County

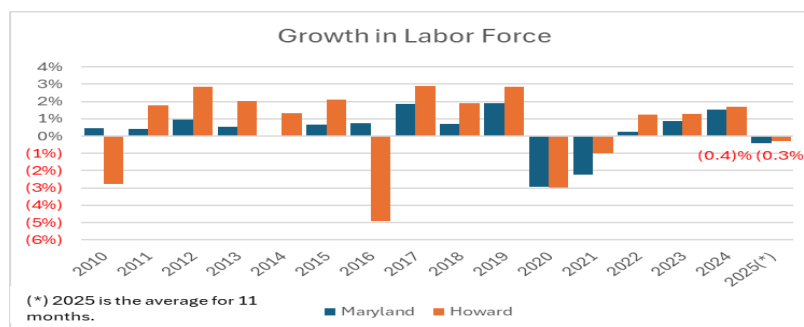
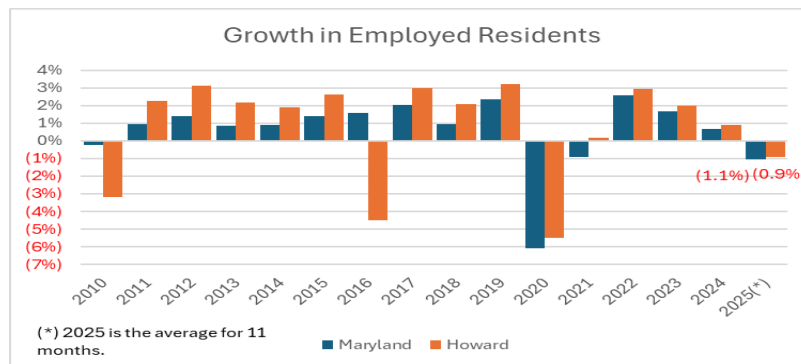


Chart AI-2. Residents Employment Growth - Maryland and Howard County



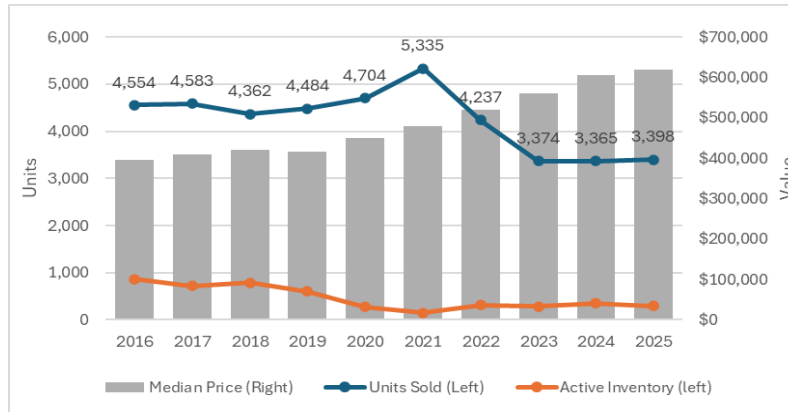
The County's labor market has lagged in the recovery from the pandemic, with total employed residents 0.6% below pre-pandemic levels. Personal income growth is tightly connected to the number of residents working and their earnings. Future personal income growth will be restrained by: 1) a slower pace of residential development activity; 2) a low rate of housing turnover; and 3) an aging population and declines in the share of the County population in their prime earning years. These factors are expected to negatively impact long-term County personal income growth and resulting income tax revenue growth in the near term.

Before COVID, Howard County was among the fastest-growing employment centers in Maryland. That momentum has stalled, too, with employment levels remaining slightly below pre-pandemic totals, and job growth lagging both the State and many peer counties. Recovery has also been uneven across sectors. Several industries still operate below prior employment levels, especially those impacted by pandemic disruptions and slower development activity. Future projections suggest moderate growth through 2029, driven primarily by: professional, scientific, and technical services; healthcare and social assistance; government employment; and manufacturing and hospitality recovery. However, projected losses in finance, information, construction, and retail partially offset gains. A critical concern is that some of the County's strongest professional sectors depend heavily on federal contracting, increasing vulnerability to federal budget reductions.

3. Real Estate Market Transition

Home sales in the County have remained flat for two years in a row, constrained by market supplies and impacted by affordability issues. Median sales price increased by a moderate 2.5% in 2025.

Chart AI-3. Howard County's Home Sales - Price, Units and Inventory



The County's real estate market is also going through structural changes. Major trends include:

- Housing sales are down significantly from the 2021 peak.
- Residential permitting is falling sharply.
- Development is shifting toward multifamily housing.
- Limited developable land remains.

The shift toward denser, multifamily development represents a long-term structural adjustment rather than a temporary cycle. Since renters generally have lower average household incomes than owner-occupants, this shift may gradually reduce the growth rate of aggregate household income. At the same time, constrained inventory and strong demand have kept home prices high, signaling underlying economic strength but also affordability challenges that may influence migration patterns. More detailed construction and housing information can be found in Appendix-IV. Demographic and Development Trends section.

Overall, Howard County is moving from a high-growth suburban expansion model to a mature, slower-growing economy focused more on redevelopment and density.

Howard County Personal Income Projections (Core Fiscal Indicator)

Personal income is the most important economic metric for long-range budget planning because it directly drives income tax revenues. The JFI developed its personal income growth projection based on both long-term patterns of growth and the relationship of County to State personal income. Near-term projections reflect the impact of anticipated slower population growth resulting from the combined impact of policy decisions, such as the Adequate Public Facilities Ordinance, and the declining base of property available for residential development.

Furthermore, changing patterns of residential development favoring multi-family development, combined with the County's aging population, can be expected to slow the rate of personal income growth. Based on these projections:

- On a calendar year basis, personal income in the County is projected to grow by slightly over 4% an average in the foreseeable future: 4.2% in 2025, 3.8% in 2026, 4.3% in 2027, 4.1% in 2028, 4.3% in 2029, and 4.5% in 2030.

Key Risks for Howard County Economic Outlook and Revenue Forecast

Two external risks remain over the County’s economic and fiscal outlook:

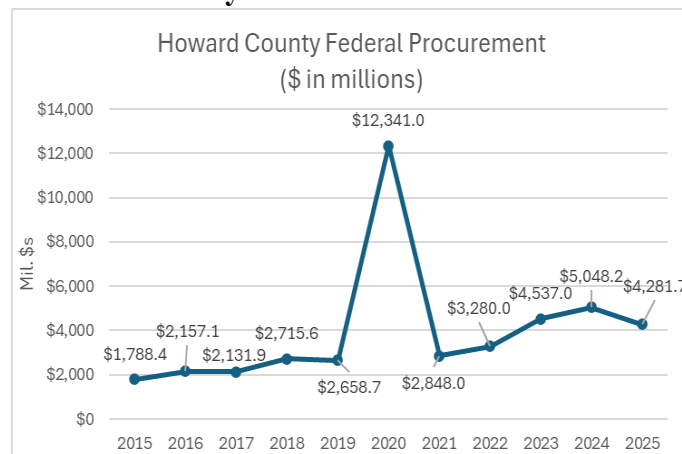
1. **Slow Maryland growth** — statewide employment and population growth remain weak, limiting regional momentum.
2. **Federal spending reductions** — Howard County has high exposure through direct federal employment and, especially, federal procurement contracts.

Per 2024 data, 11.3% employed County residents work for federal agencies directly. Moreover, federal procurement exceeds \$4 billion locally and supports major employers. This means continued exposure of the County to risks associated with federal policy decisions, which could materially influence County income, employment, and revenue trends.

Chart AI-4. Howard County’s Reliance on Federal Direct Employment

Item	Number
<u>Federal Employment 2024 - By Place of Work</u>	
Federal Jobs (# of Jobs)	3,532
Federal Jobs (% of Employment)	1.9%
<u>Federal Employment 2024, By Place of Residence*</u>	
Federal Jobs (# of Jobs)	20,428
Federal Jobs (% of Employment)	11.3%
<u>Federal Procurement FFY2025</u>	
Federal Procurement (Bil \$s)	\$4.3
Federal Procurement (\$s per capita)	\$12,582
Source: BEA, Census and SAM.Gov	

Chart AI-5. Howard County’s Reliance on Federal Procurement Spending



Appendix-II. Revenue Outlook

Howard County's General Fund revenues rely primarily on two sources, property tax and personal income tax. The County forecast for General Fund growth in FY 2027 over the FY 2026 budget is 6.3%, largely driven by a higher-than-anticipated base. Long-term projections, however, show an average growth of 3.6% during the FY 2028-2032 period.

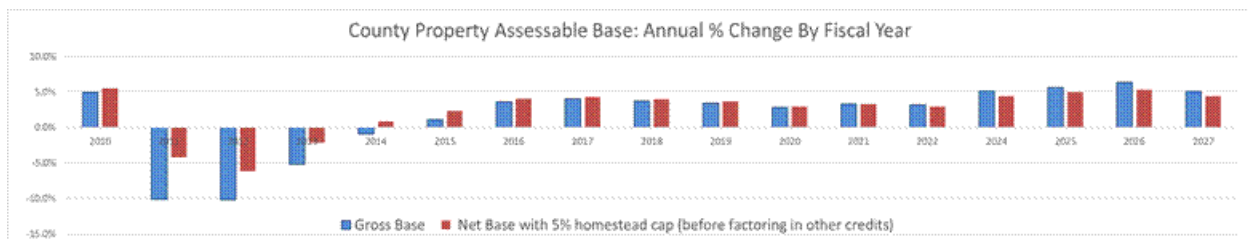
Chart AII-1. Preliminary County General Fund Revenue Projections

Preliminary Multi-Year Projections Excluding Use of Fund Balance(\$ in Millions)								
	FY 2026 Budget	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected	FY 2031 Projected	FY 2032 Projected	FY28-32 Avg. %
Property Taxes	730.7	763.0	796.6	828.4	857.4	883.2	905.2	3.5%
Income Tax	662.2	725.0	754.7	784.9	816.3	849.0	882.9	4.0%
Other local taxes	28.7	29.5	30.5	31.4	32.4	33.4	34.4	3.1%
State Shared Taxes	6.1	6.1	4.6	4.6	4.6	4.6	4.6	-4.9%
Charges / Permits / Intergov.	34.0	33.8	34.5	35.2	35.9	36.6	37.3	2.0%
Transfers / Recoveries / Invest.	70.8	71.8	69.8	71.2	72.6	74.1	75.6	1.0%
Total Revenues	1,532.5	1,629.2	1,690.7	1,755.8	1,819.2	1,880.7	1,940.0	3.6%
% Growth	4.9%	6.3%	3.8%	3.8%	3.6%	3.4%	3.2%	

County revenue projections rely primarily on the performance of property and income taxes, which constitute more than 90% of General Fund resources. Property taxes will likely maintain a solid but gradually slower pace in growth due to the triennial reassessment cycle, which spreads the impact of changes over time. Historically volatile income tax revenues are projected to grow at an average of 4% in the next six years, close to projected personal income growth in this period. These projections, however, do not assume any potential economic shocks. In addition, a slowdown in population growth due to diminishing developable land and less new development will likely drag down personal income tax receipts in the long run, which have historically benefited from both wage growth and population growth in the County.

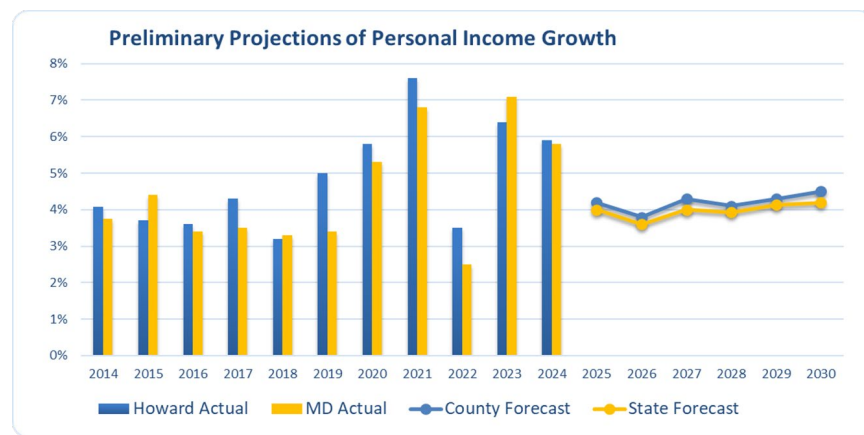
Property tax reassessment value has shown relatively strong growth in recent years due to a robust housing market and the lagging impact of the State's triennial reassessment cycle. In the coming years, the assessable base is expected to maintain solid growth in residential reassessments in the near future but gradually transition towards the historical level of around 3%. The median home sales price increase slowed to 2.5% in 2025, and recent State reassessment indicates a notable slowdown in assessment appreciation.

Chart AII-2. County Assessable Base Annual Percentage Change History



Personal income taxes continue to experience high volatility, as indicated by a -6% drop in actual receipts FY 2024, followed by an 11% bounce back in FY 2025. The County's personal income base remains solid with projected growth of over 4% in general, which is expected to result in around 4% growth of income taxes on average in the next several years, absent economic shocks. Individual years' performances, however, continued to be affected by multiple temporary factors and shadowed by high uncertainties related to federal policies and actions, including reductions of workforce and funding, which will likely have direct and indirect impact on county employment, income, and economic activities. Income tax revenues in FY 2027 are tentatively assumed at 9.5% growth from the FY 2026 budget, largely thanks to strong actual and year-to-date performance. However, factors that contributed to the unexpected positive performance so far, such as surging capital gains and reconciliation from the State for prior distributions, are difficult to predict and unlikely to sustain. The economic outlook features uncertainties contingent on multiple factors, including federal and State policies, capital gains, and state distribution and reconciliation timing.

Chart AII-3. County and Maryland Personal Income Annual Percentage Change



Source: Jacob France Institute at the University of Baltimore

Other revenues, overall, are projected to see a moderate increase. Interest income is projected to experience some moderation with projected Federal Reserve reductions of interest rates. The real estate-transaction-related revenues, including recordation taxes, are expected to show a moderate recovery from the weak performance in the current year.

Appendix-III. Debt Indicators

The following four (4) commonly used measures have been tracked to evaluate the County's debt burden and debt affordability.

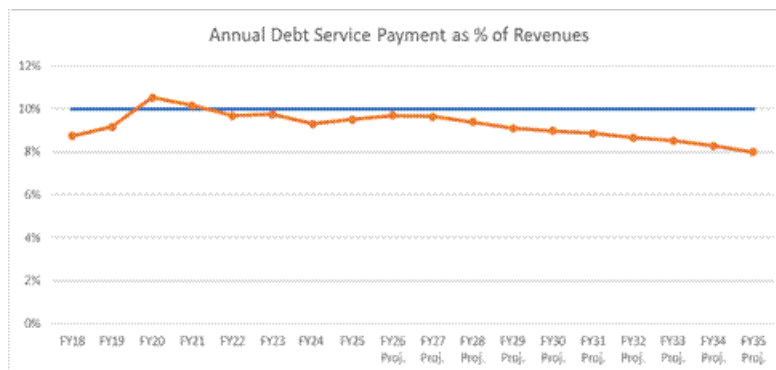
- Debt Service as a percentage of current revenues. This is the most important debt indicator among the four listed. The County has a policy ceiling of 10%.
- Debt measured as a percentage of the County's assessable base. The current County charter limit is set at 4.8% of the assessed value of real and personal property.
- Debt measured against the population on a per capita basis.
- Per capita debt is measured as a percentage of the jurisdiction's per capita personal income. This measure should not exceed 10% in the view of many analysts.

All four (4) measures have shown improvements, thanks to debt management and strong revenue growth. Nevertheless, the County's overall debt burden – measured by both outstanding debt to assessment and debt service payment.

Measure #1: Debt Service as a percentage of current revenues.

In FY 2025, debt service equaled 9.5% of revenues. This debt indicator indicates not only debt burden and debt affordability, but also the ability of the operating budget to support all other service needs after making annual debt service payments. The County exceeded its self-imposed policy ceiling of 10% in FY 2020 and FY 2021, but showed improvement in recent years. Preliminary projections indicate that this measure is trending in the right direction. The 10% debt ceiling is commonly adopted by governments to manage and control the impact of the debt burden on the operating budget.

Chart AIII-1. Annual Debt Service Payment as a Percentage of Revenues

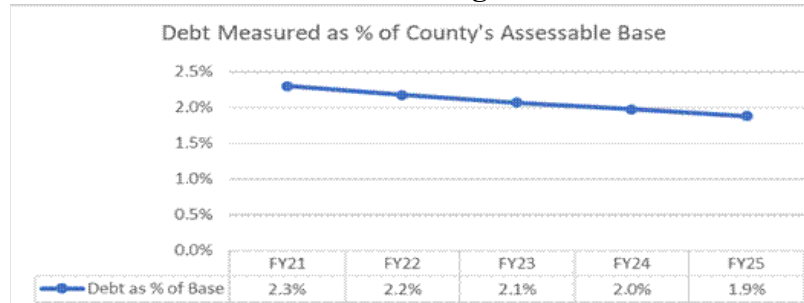


Source: Finance Department. The projection assumes \$90 million annual new GO debt at 4.5% interest rate and issuance of authorized but unissued bonds. It also includes authorized low-interest loans for the Ellicott City Safe & Sound Plan and the New Cultural Center loan.

Measure #2: Debt as a Percentage of the Assessable Base

As of June 30, 2025, Howard County had an assessable base of \$67 billion and an outstanding GO debt of \$1.28 billion. The ratio of debt to assessable base was 1.9% vs. the 4.8% limit.

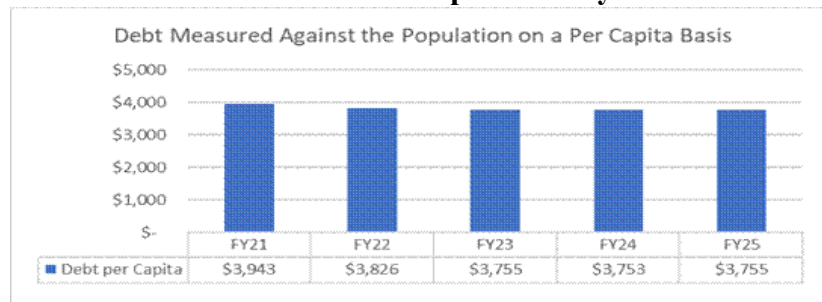
Chart AIII-2. Debt as a Percentage of the Assessable Base



Measure #3: Debt measured against the population on a per-capita basis.

As of June 30, 2025, Howard County had a population of 339,668 and a GO debt of \$1.28 billion, generating a per-capita debt of \$3,755.

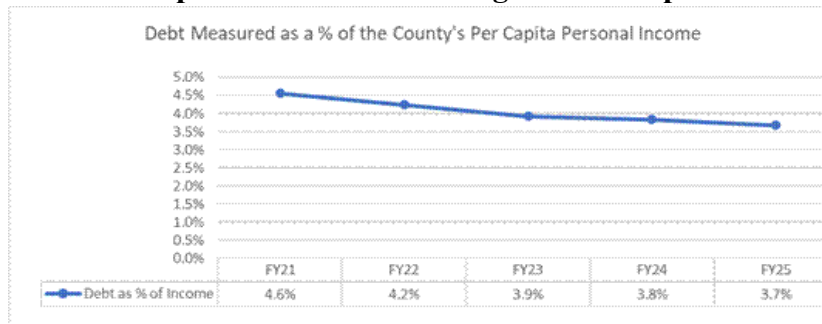
Chart AIII-3. Per-capita County Debt



Measure #4: Per-capita debt as a percentage of per-capita personal income.

As of June 30, 2025, Howard County residents had an estimated per-capita personal income of \$102,107 and a per-capita debt of \$3,755 equaling 3.7% of per-capita income.

Chart AIII-4. Per-capita Debt as a Percentage of Per-Capita Personal Income



Appendix-IV. Demographic and development trends

The presentation from the County's Department of Planning and Zoning focused on changes in key demographic and economic trends that will have a significant effect on the County's near- and long-term fiscal condition and should inform the development of the operating and capital budgets to allow for proactive action(s) to address changing needs and priorities. As the chart below shows, the County's population growth has slowed down significantly, with annual growth predicted to drop even further to less than 0.6% in 2025-2030 and approximately 0.5% per year in 2030-2040. The County's population has also been aging rapidly. The population over the age of 65 in the County is projected to double over the next two decades and account for more than 100 % of the County's population growth over the next 10 years, meaning all other age groups combined will experience flat growth or minor decreases. The 5-19 group, for example, has shown a decrease since the pandemic and is projected to decline continuously over the next two decades, in line with the student population trends already reported by HCPSS. Such demographic shifts require a reassessment and adjustment of expenditure allocations to better align with the changing needs of the community.

Chart AIV-1. County Population Growth by Decade

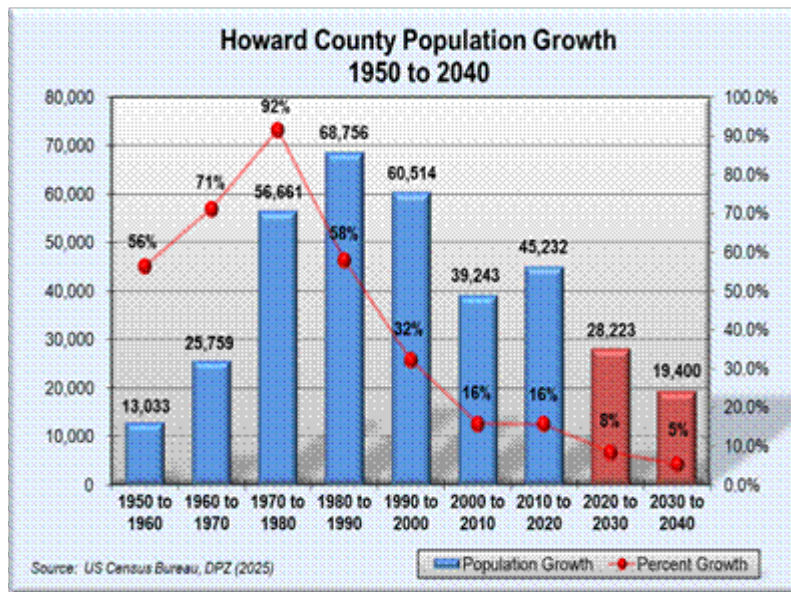
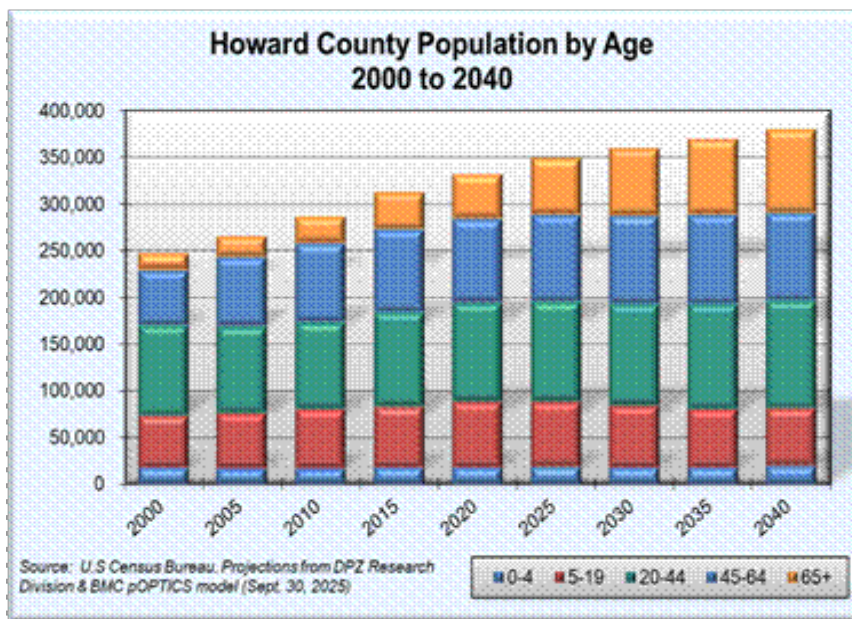


Chart AIV-2 County Population by Age



Source: US Census Bureau, DPZ & BMC Optics model

A notable land-use trend is the continued shift of planned development activity from single- to multi-family housing, due to the limited amount of available land and regulatory impact. Another concern in recent years is the continued drop in new building permits issued (see below). The economic impact of a continued drop must be factored into revenues associated with new development and associated permits and fees in future fiscal planning, since the development process typically takes two to three years to complete.

Chart AIV-3 County Residential Building Permits Issued

