

Appendix B

Appendix B includes the following reference information relating to the Fiscal Year 2027 Proposed Operating Budget:

Spending Affordability Committee Report 795

January 2, 2026

The Honorable Aisha N. Braveboy, County Executive
 The Honorable Krystal Oriadha, County Council

In accordance with Subtitle 10, Division 1A of the County Code, the Spending Affordability Committee (SAC) has reviewed the preliminary projections of the County's Office of Management and Budget (OMB) for General Fund revenues for FY 2026 and FY 2027. This letter summarizes the Committee's major findings and recommendations for FY 2027. A detailed discussion of OMB's assumptions on various revenues is provided in the appendix to this letter.

Overview

Exhibit 1 shows a projected general fund shortfall of -\$58.3 million for FY 2027 which reflects positive movement in our estimated deficit since our last report. The economic news has been mixed as inflation has been rising, job creation has slowed, home sales have continued to fall, yet wage growth has remained a positive. It is important to note, however, that cuts to federal jobs have not yet had a negative impact on local income tax revenues, in part because employees in the deferred resignation program remained on federal payrolls until the end of September 2025. Mandatory County contributions to k-12 continue to grow, and a projected -\$1.6 billion State deficit can be expected to result in added costs passed down to the County.

Exhibit 1

**Prince George's County
 General Fund Outlook
 (\$ in Millions)**

| | FY 2025 Unaudited | FY 2026 Approved | FY 2027 Forecast |
|------------------------------------|------------------------------|-----------------------------|-----------------------------|
| County-Sourced Revenue | \$2,710.0 | \$2,729.4 | \$2,799.8 |
| Outside Aid Revenue | 2,029.0 | 2,086.6 | 2,189.8 |
| Total Revenue | \$4,738.9 | \$4,816.0 | \$4,989.5 |
| County Agency & Non-D Expenditures | \$1,822.3 | \$1,865.3 | \$1,966.0 |
| Education & Library Expenditures | 2,813.9 | 2,950.6 | 3,081.8 |
| Estimated Cost Containment | | | -\$58.3 |
| Total Expenditures | \$4,636.2 | \$4,816.0 | \$4,989.5 |
| Surplus/(Deficit) | \$102.7 | \$0.0 | \$0.0 |

Source: Prince George's County Office of Management and Budget

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For FY 2027 the Committee recommends that the County budget be balanced to match the revenue estimate through ongoing spending reductions. The Committee does not support the use of any unassigned fund balance in FY 2027, even for one-time purposes. The downgrade to AA+ by one of the bond rating agencies due to low liquidity emphasizes the importance of building the County's general and special fund balances. The Committee also recommends maintaining the combined 10% Charter and policy reserve fund levels. Caution is recommended until the full extent of federal job losses affecting County residents and the impact on General Fund income tax revenue is known as well as associated impacts of the State's budgetary condition and shortfall are full addressed.

- General Fund revenues are projected to be \$4.990 billion in FY 2027; an increase of \$173.6 million, or 3.6% over the FY 2026 approved budget. Most growth is expected from real property and income taxes and outside education aid. The County's assessable property base subject to taxation continues to increase though the Homestead Tax Credit limits general fund revenue growth to a 3% rate for FY 2027. Wage growth has continued to be strong, although the County unemployment rate has risen to 4.8% as of August 2025. The effect of federal job cuts has been delayed partly due to employees who participated in the deferred resignation program, who stayed on federal payrolls until the end of September 2025. The Board of Education (BOE) continues to receive higher State aid through the Blueprint for Maryland's Future initiative. Revenue decreases occur mostly in transfer & recordation taxes, use of money and property and charges for services. Higher inflation, mortgage rates and home prices are factors limiting home sales in the County. Rate cuts by the Federal Reserve Board are reducing interest on County investments. A higher Medicare reimbursement rate for emergency transportation expired on September 30, 2025. The higher rate had been in effect since the pandemic.
- OMB projects that General Fund expenditures will reach \$5.048 billion in FY 2027, an increase of \$231.9 million or 4.8% over the FY 2026 approved budget. This projection is based on FY 2026 estimated expenditures and preliminary FY 2027 assumptions of compensation annualization, fringe benefits, information technology requirements, mandated increased contributions to public education spending and additional debt service obligations.
- These projections were developed prior to the January 2026 release of the Governor of Maryland's proposed FY 2027 budget, which will be modified by legislative action. Legislative estimates project a shortfall of -\$1.6 billion, making it likely that there may be cuts to County aid or that the County is required to pay additional costs. Final action on the State budget will not be known until late March or early April. In addition, the County won't have full clarity on the mandated amount of County spending required by the Blueprint for Maryland's Future until March which is the same time the proposed County budget is finalized. However, the State may still subsequently adjust the formulas based on updated wealth and enrollment data.

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Required Committee Recommendations

Section 10-112.22 of County Code stipulates the duties and responsibilities of the SAC. The January 1st letter to the County Executive and County Council is required to address the following elements:

1. A ceiling on general fund spending allocations.
2. Separate maximum general fund spending allocations for:
 - a. The BOE.
 - b. Debt Service.
 - c. All other general government expenditures.
3. Appropriate levels of general fund reserves and fund balance.

Exhibit 2 summarizes the Committee's recommendations, including a ceiling on general fund spending of \$4.990 billion.

Board of Education (BOE): \$3.082 billion for the BOE – an increase of \$131.2 million or 4.4% over the FY 2026 approved budget. This increase assumes outside aid of \$2.082 billion from Federal and State aid and Board sources; an increase of \$99.2 million, or 5.0% over the FY 2026 approved budget. The FY 2027 forecast includes a projected County contribution of \$999.6 million, representing an increase of \$32.0 million or 3.3% above the FY 2026 approved budget. Increased County contributions are required in future years under the multi-year Blueprint for Maryland's Future initiative.

Debt Service: \$211.0 million for debt service – an increase of \$13.3 million or 6.7% above the FY 2026 budget, based on existing and anticipated bond sales and estimated interest rates. Interest rates paid by the County may still be favorable if two of the three rating agencies continue to provide a AAA rating. Moody's downgraded the County to AA+ at the 2025 bond sale. If there were any future downgrades by the rating agencies, the most probable impact would be an increase in the County's borrowing costs.

Rest of County Government: \$1.697 billion for remaining General Fund expenditures – an increase of \$29.1 million or 1.7% above the FY 2026 budget. This spending category includes all General Fund support for County services and operations except for payments to the BOE and the debt service listed in the preceding paragraphs. Funding to support these expenditures are generated from various revenue sources, with the majority coming from County property and income taxes. Because spending on the BOE is mandated and debt service is a function of debt obligations and the capital budget, this category would absorb the \$58.3 million in spending reductions required to balance the budget.

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Exhibit 2

**Prince George’s County
 FY 2027 Spending Ceiling Recommendation
 (\$ in Millions)**

| | FY 2025 Unaudited | FY 2026 Budget | FY 2027 Projected | FY 2027 Projected v. FY 2026 Budget |
|-------------------------------|------------------------------|---------------------------|------------------------------|--|
| Debt Service Obligations | \$ 187.1 | \$ 197.7 | \$ 211.0 | 6.7% |
| Board of Education | 2,813.9 | 2,950.6 | 3,081.8 | 4.4% |
| Other (less cost containment) | 1,635.2 | 1,667.6 | 1,696.8 | 1.7% |
| TOTAL | \$4,636.2 | \$ 4,816.0 | \$ 4,989.5 | 3.6% |
| % Change | | 3.9% | 3.6% | |
| | | FY 2026 Budget | FY 2027 Projected | FY 2027 Projected v. FY 2026 Budget |
| <u>Board of Education</u> | | | | |
| County Contribution | \$ 909.8 | \$ 967.6 | \$ 999.6 | 3.3% |
| Outside Aid | 1,904.1 | 1,983.0 | 2,082.2 | 5.0% |
| TOTAL | \$2,813.9 | \$ 2,950.6 | \$ 3,081.8 | 4.4% |
| % Change | | 4.9% | 4.4% | |

Notes:

1. Debt service amounts do not include Certificates of Participation (COP) payments shown under “Other”. COPs are primarily sold to finance the County’s vehicle fleet.
2. The BOE FY 2027 amount is based on OMB’s preliminary recommendation based on the 6-year projection model. This assumption may be revised as additional enrollment data and projections become available.

Source: Prince George’s County Office of Management and Budget

Exhibit 3 summarizes the Committee’s recommendation for reserves and fund balance. In January 2023 the Committee recommended that the policy-mandated reserve be increased from 2% of general fund spending to 5%, phased-in over a three-year period. This reserve was increased to 3% in FY 2024, 4% in FY 2025 and 5% in FY 2026. The Committee recommends maintaining 10% in the two reserve funds for FY 2027.

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Exhibit 3

**Prince George’s County
 FY 2027 Reserve and Fund Balance Recommendation
 (\$ in Millions)**

| Fund Balance | FY 2025 Unaudited | FY 2026 Budget | FY 2027 Forecast |
|--------------------------------------|------------------------------|---------------------------|-----------------------------|
| Committed (5%) ¹ | \$231.8 | \$240.8 | \$249.5 |
| Committed ² | 185.4 (4%) | 240.8 (5%) | 249.5 (5%) |
| Unassigned | 408.8 | 344.5 | 327.1 |
| Total | \$826.0 | \$826.1 | \$826.1 |
| Percent of General Fund Spending | 17.8% | 17.2% | 16.6% |

Notes:

1. Section 806 of the County Charter requires a contingency reserve equal to 5% of the General Fund.
2. The County maintains an additional policy-mandated reserve which was set at 2% until the Spending Affordability Committee recommended a three-year phase-in to 5% starting in FY 2024. The policy-mandated reserve increased to 3% of general fund spending in FY 2024, 4% in FY 2025 and 5% in FY 2026.

Source: Prince George’s County Office of Management and Budget

Economic Outlook

Current trends are indicative of a slowing economy. Unemployment in the County has risen to 4.8% in August 2025, the highest rate since the pandemic. Jobs data is currently lagging following the federal government shutdown. Due in part to tariff policies, inflation has also been rising to 3% in September 2025. Throughout the calendar year the federal government has been shedding jobs, including a deferred resignation program which kept employees on the payroll until the end of September 2025. NASA has also announced a 25% reduction of its County-based campus. Because of slowing jobs growth, the Federal Reserve Board chose to cut interest rate three times in the fall of 2025, by a combined 75 basis points. Further rate cuts are less likely in 2026 as the Board plans to monitor inflationary pressure against job activity. Federal legislation passed in July 2025 also revised and extended various tax policies, including raising the State and Local Tax deduction to \$40,000 for tax years 2025 through 2028. This will likely incentivize more taxpayers to claim itemized deductions despite State legislation that phases out itemized deductions for high earning taxpayers. Higher inflation, home prices and mortgage rates have also combined to lower the volume of monthly home sales to the lowest level since FY 2009. As discussed below, the drop in home sales has significantly reduced transfer & recordation tax revenue.

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Revenue

In this section, revenue changes in FY 2027 are compared to the FY 2026 approved budget. Also, the FY 2026 approved budget is compared to the FY 2025 unaudited level.

Major sources of revenue changes:

- **Real Property Tax** revenues are projected at \$1.2 billion in FY 2027, based on the November 30, 2025, assessable base data from the State Department of Assessments & Taxation (SDAT). This included an adjustment for the 3% Homestead Tax Credit cap for FY 2027. The forecast also assumes that new construction adds to the assessable base.
- **Personal Property Tax** revenue is estimated at \$89.0 million in FY 2027. This tax yielded \$87.3 million in FY 2025. Nominal growth is expected in the current and next fiscal years, although a small negative adjustment was made to reflect the closure of Six Flags in the fall of 2025.
- **Income Tax** revenue rose to \$910.7 million in FY 2025, and based on year-to-date distributions is expected to reach \$947 million in FY 2026. Detail on federal job losses by County residents is not currently available but impacts are expected to appear by FY 2027. County unemployment levels have been rising in the current year, and revenues should also decrease based on federal tax law changes affecting tax year 2025. Based on the many downside risks facing employment levels, and in particular the large number of County residents employed by the federal government as well as potentially impacted government contractors, the forecast is assuming that revenues decrease to \$889.5 million in FY 2027.
- The **State Income Disparity Grant** increases eligible jurisdiction's per capita income tax level to 75% of the statewide average, though statutory caps limit the total amount provided by the State. The forecast assumes \$74.4 million in FY 2027, based on recently released tax year 2024 local income tax data which serves as the basis for the calculation of the FY 2027 grant.
 - **Transfer and Recordation Tax** revenues in FY 2024 and FY 2025 remained in the range of \$140-\$145 million per year, when home sales averaged around 670 per month. However, through the first five months of FY 2026 home sales have declined to an average of 620 per month. As a result, FY 2026 revenue is on track to attain approximately \$125 million. Higher inflation, home costs, and mortgage rates, as well as higher unemployment, are all factors that are likely constraining home purchases. There are no factors that currently suggest that home sales will improve above these levels in FY 2027. The forecast projects \$126.6 million in transfer and recordation tax revenue, net of the statutorily required deduction of the greater of \$10.0 million or 20% of the recordation tax designated to the Housing Investment Trust Fund.

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- **Energy Tax** rates are based on growth in consumption two years prior to the budget year. Electricity is the largest revenue category under energy taxes and is expected to continue growing as demand rises. The forecast assumes \$96.5 million from this source in FY 2027.
- **Telecommunications Tax** revenues were changed starting in FY 2026, with the enactment of legislation that authorizes the County to levy a \$3.50 per line per month excise tax in lieu of the 9% sales tax previously charged. Changes in technology eroded tax revenue under the sales tax under the prior law which was narrowly drafted to certain telecommunications. The FY 2026 approved budget was based on a delayed implementation of the revised tax. FY 2027 reflects a full annualization of revenue and projects \$51.9 million for the General Fund. The law dedicates 90% of the revenue to be applied to the County contribution to k-12 funding and the remainder to capital purposes or debt service related to improvements to schools.
- **Other Local Taxes** revenues are expected to remain largely flat in FY 2027. The forecast does assume a loss of Admissions & Amusement taxes due to the closure of Six Flags.
- **License and Permit** revenues are estimated at \$82.4 million in FY 2027. The projection for Building & Grading permits was increased to be in line with actual FY 2025 attainment.
- **Charges for Services** are estimated at \$54.7 million, reflecting the loss of additional Medicare reimbursement rates for emergency transportation services. A higher rate had been authorized by the federal government since the pandemic, but the higher rate expired on September 30, 2025. FY 2026 is artificially higher due to the timing of receipts for services billed in FY 2025.
- **Intergovernmental Revenues** are projected to decrease to \$33.3 million. Since the State is facing a large budget deficit, the forecast assumes that the discretionary portion of the Police Aid formula will not continue into FY 2027. This results in a loss of \$5 million. Another \$4.8 million is decreased due to State legislation that repealed the Teacher Retirement Supplemental Grant (half in FY 2026 and the remainder in FY 2027). A one-time intergovernmental transfer of \$5 million for a capital recreation project is also not continued in FY 2027 in the revenue received from the Maryland-National Capital Park and Planning Commission.
- **Miscellaneous Revenues** rises to \$20.3 million to reflect revenue from a new Automated Speed Enforcement contract that began to increase revenues during the last half of FY 2025.
- **Other Financing Sources** consist of transfers and use of fund balance. In FY 2026, \$4.4 million in unassigned fund balance was used for one-time purposes. No use of unassigned balance is assumed in FY 2027. A reduction of -\$1.0 million from assigned balance for SCBA equipment is also assumed.
- **Outside Aid** revenues are projected to increase as State aid to the BOE grows due to the Blueprint for Maryland's Future initiative. Outside sources for the Memorial Library and Community College grow modestly in the forecast.

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Exhibit 4 shows OMB's preliminary revenue projections for FY 2027.

Exhibit 4

Prince George's County FY 2025 - 2027 General Fund Revenue (\$ in Millions)

| (\$ in Millions) | FY 2025 Unaudited | FY 2026 Approved | FY 2027 Dec. Est. | FY 2026 - 2027 | |
|----------------------------------|----------------------|---------------------|----------------------|-------------------------------|-------------|
| | | | | Approved vs Est. \$ Change | % Change |
| County Sourced Revenues | | | | | |
| Real Property Tax | \$1,097.3 | \$1,114.5 | \$1,215.1 | \$100.6 | 9.0% |
| Personal Property Tax | 87.3 | 93.3 | 89.0 | -4.3 | -4.6% |
| Income Tax | 910.7 | 861.6 | 889.5 | 28.0 | 3.2% |
| Disparity Grant | 69.3 | 68.3 | 74.4 | 6.1 | 9.0% |
| Transfer Tax | 106.6 | 115.2 | 96.1 | -19.1 | -16.6% |
| Recordation Tax | 35.1 | 39.4 | 30.5 | -8.9 | -22.7% |
| Energy Tax | 94.6 | 99.5 | 96.5 | -3.0 | -3.0% |
| Telecommunications Tax | 14.4 | 45.3 | 51.9 | 6.5 | 14.4% |
| Other Local Taxes | 35.2 | 34.4 | 32.2 | -2.2 | -6.3% |
| State-Shared Taxes | 10.4 | 12.9 | 12.5 | -0.3 | -2.7% |
| Licenses and Permits | 82.6 | 76.7 | 82.4 | 5.7 | 7.5% |
| Use of Money and Property | 22.6 | 31.0 | 16.3 | -14.7 | -47.4% |
| Charges for Services | 79.0 | 74.5 | 54.7 | -19.8 | -26.5% |
| Intergovernmental Revenue | 47.0 | 40.8 | 33.3 | -7.4 | -18.2% |
| Miscellaneous Revenue | 18.0 | 11.6 | 20.3 | 8.7 | 75.0% |
| Other Financing Sources | 0.0 | 10.4 | 5.0 | -5.4 | -52.0% |
| Subtotal County Sources | \$2,710.0 | \$2,729.4 | \$2,799.8 | \$70.4 | 2.6% |
| Subtotal w/o Fund Balance | \$2,710.0 | \$2,725.0 | \$2,799.8 | \$74.8 | 2.7% |
| Outside Aid | | | | | |
| Board of Education | \$1,934.6 | \$1,981.0 | \$2,082.2 | \$101.2 | 5.1% |
| Community College | 85.0 | 96.1 | 98.0 | 1.9 | 2.0% |
| Library | 9.3 | 9.5 | 9.6 | 0.1 | 1.0% |
| Subtotal Outside Aid | \$2,029.0 | \$2,086.6 | \$2,189.8 | \$103.2 | 4.9% |
| Grand Total General Fund | \$4,738.9 | \$4,816.0 | \$4,989.5 | \$173.6 | 3.6% |

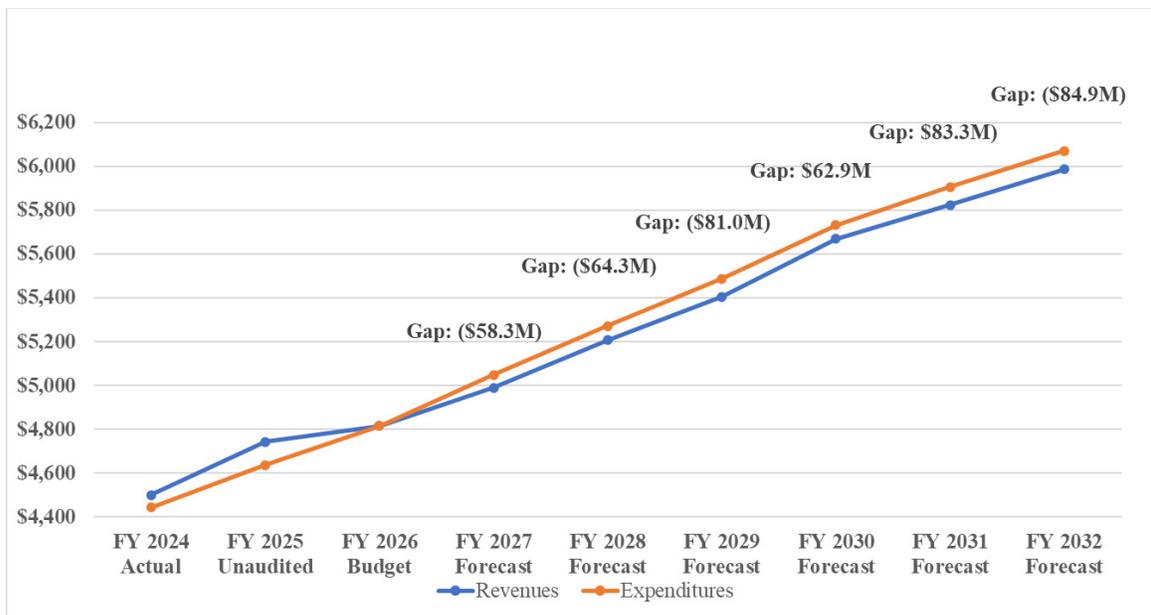
Source: Prince George's County Office of Management and Budget

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Forecast of Revenues and Expenditures

Exhibit 5 illustrates the long-term forecast of General Fund revenues and spending. As noted, a shortfall of -\$58.3 million is projected for FY 2027, growing to -\$84.9 million by FY 2032. Revenue growth averages 3.7% annually in the forecast but is outpaced slightly by 3.8% annual growth in spending. This suggests that if the County can resolve the existing structural imbalance, it may see sustainable revenue and spending growth in the outyears of the forecast.

Exhibit 5
Prince George’s County
General Fund Forecast: FY 2027-FY 2032
(\$ in Millions)



Source: Prince George’s County Office of Management and Budget

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Unfunded Liabilities

In September 2025 the Committee was briefed on the level of County unfunded liabilities at the close of FY 2024. This included -\$1.9 billion to fully fund all pension plans, -\$1.7 billion for retiree health care (a.k.a. Other Post-Employment Benefits or OPEB) and -\$210 million for Risk Management. The pension plans receive annual funding in the budget, based on a long-term plan to achieve full funding. Annual funding is also included in each budget for the Risk Management Fund, but the liability continues to climb. There is no funding in the budget to address the -\$1.7 billion OPEB liability. In its October 2025 letter, the Committee expressed concern over the lack of an ongoing funding mechanism for the OPEB liability and the rising liabilities for risk management. The Committee reiterates its concern in this final letter for FY 2027.

Challenges and Potential Risks

Prince George's County will continue to experience fiscal challenges and risks during the forecast period, including the following.

- An ongoing structural deficit in the range of -\$85 million. The County must balance its budget through ongoing spending cuts to resolve the shortfall. Any ongoing sources of revenue would also help to reduce the shortfall, or in the case of the Stormwater Fund rate increases would help protect further deterioration of the current General Fund position as General Fund revenues have been required to address shortfalls in the Stormwater Fund. Current projections do not anticipate an economic downturn which would have the likely effect of reducing County revenues at some point in the future and potentially worsening the fiscal outlook.
- The potential for cuts in State aid or more County spending to cover current State funding commitments. In December 2025 the State's Spending Affordability Committee noted that the State faces a \$1.6 billion cash shortfall in FY 2027. At the 2025 session County governments were unexpectedly required to pay part of the unfunded liability costs for teacher pensions, previously agreed to be paid 100% by the State in 2012 when the normal cost of teacher pensions was passed down to the Counties. The State also passed costs for community college pensions and SDAT operating costs to local governments and repealed the Teacher Retirement Supplemental grant. It is likely that additional State costs will be billed to County governments at the 2026 session.
- Throughout 2025 the federal government has cut significant numbers of federal jobs. The Census Bureau estimated in 2024 that about 70,000 residents were employed by federal agencies. Data on job losses by County has not yet been made available, and in some cases the effects were delayed (e.g., employees who agreed to the deferred resignation program) or have yet to play out (e.g., NASA plans to close 25% of its campus, which is in the County). The effects of these federal actions will eventually impact County income taxes, but the extent cannot be estimated until additional jobs data becomes available.

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Conclusion and Recommendations

Projections of the County budget indicate a shortfall of -\$58.3 million in FY 2027, growing to an estimated -\$85 million by FY 2032. There are potential risks in the forecast which may exacerbate this shortfall. This includes the potential loss of State aid or added costs to the County, the loss of revenue related to federal job cuts and the effects of a slowing economy. In addition to an ongoing shortfall the County faces large unfunded liabilities for retiree health care and risk management. The loss of its AAA bond rating by one of the rating agencies signals a need to maintain current reserves and build County fund balances to keep the highest rating from the other two agencies.

The Committee's recommendations include the following:

- **General Fund operating spending should be limited to \$4.990 billion in FY 2027.**
- **The current forecast projects a shortfall of -\$58 million in FY 2027, growing to -\$85 million by FY 2032. To address the ongoing structural deficit between revenues and spending, the Committee recommends that the County balance the FY 2027 budget through the adoption of spending cuts without the use of unassigned fund balance to support ongoing operations.**
- **The Committee recommends that the County maintain the combined 10% in reserves. Any reduction in reserve levels or liquidity was cited by Fitch and S&P Global as factors that could lead to a future downgrade. Since County debt was downgraded to AA+ by Moody's in 2025, no use of unassigned balance, even for one-time uses, is recommended in FY 2027.**
- **The County should develop a plan to reduce its unfunded liabilities for the Risk Management Fund, which totaled -\$210 million at the end of FY 2024, and its OPEB liability of -\$1.7 billion.**
- **Conservative revenue estimating should be continued. By adhering to conservative budget estimates, the County will be better able to absorb any decreases in revenues, such as unanticipated State aid cuts, additional federal cutbacks or an economic downturn.**

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The Committee wishes to thank both the Executive and Legislative Branches of government for the opportunity to review the County's forecast. We believe that we have performed due diligence in reviewing revenue estimates for FY 2026 and FY 2027 and believe them to be reasonable.

Respectfully,



Brad Frome, Chair



Stephen A. Brayman, Member



Stephen J. McGibbon, Member



Henry W. Mosley, Member

Appendix 1

Detailed Discussion of Revenue Projections

Property Tax

- Based on payments to-date real property taxes are projected to increase by 5.7% in FY 2026. Growth of 4.8% is projected for FY 2027 based on the Homestead Tax Credit which is set at 3% next year. Personal property taxes are expected to provide \$88.1 million in FY 2026. Growth of 1% is projected for FY 2027, to \$89.0 million.
- Real property tax revenues are primarily impacted by assessment changes and the Homestead Tax Credit. In FY 2026 and FY 2027, the County’s real property tax rate remains at \$1.00 per \$100 of assessable value and includes \$0.04 dedicated to the local school board.

Exhibit 6 shows that gross real property assessments in the County are projected to increase by 5.2% in FY 2027. After factoring in homestead exemptions, real property assessments are projected to increase by 4.8%.

Exhibit 6

Prince George’s County
 Projections of Real Property Assessments Subject to County Taxes
 (\$ in Millions)

| | Estimate FY 2026 | Estimate FY 2027 | \$ Change | % Change |
|----------------------|---------------------|---------------------|------------------|----------|
| Gross Assessment | \$136,518.7 | \$143,582.7 | \$7,064.0 | 5.2% |
| Homestead Tax Credit | 13,041.0 | 14,176.2 | 1,135.3 | 8.7% |
| Net Assessment | \$123,477.7 | \$129,406.5 | \$5,928.8 | 4.8% |

Source: State Department of Assessments and Taxation

- Each January SDAT reassesses one-third of the properties in the County. Any assessment growth is phased in over the next three fiscal years, while any decrease is immediately realized. For FY 2024, Group 2's reassessed values increased 22.7%. Group 3 realized a gain of 23.0% in assessed value for FY 2025 and Group 1's assessment for FY 2026 rose by 20.1%. The FY 2027 assessable base for Group 2 will be reported in January 2026.
- The Homestead Tax Credit ensures that the annual percentage growth of the taxable assessment value for principal residential homes will not surpass the growth of the Consumer Price Index (CPI) in the County, with a maximum increase of 5.0%. In June 2025, the CPI increased by 3.0% thus the homestead tax credit cap is set at 103% for FY 2027. Higher mortgage rates have caused home sales to fall from a high of 991 per month in FY 2021 to 671 per month in FY 2025. Mortgage rates have fluctuated but remained above 6% in the current year. As of November 2025, sales have dropped to 510 per month, and the median home price in the County was \$430,000. Unrealized revenues attributable to the homestead tax credit of 3% is estimated at \$139.6 million for FY 2027.
- The personal property tax rate is \$2.50 per \$100 of assessable value and includes \$0.10 dedicated to the local school board in FY 2026 and FY 2027.

Income Tax

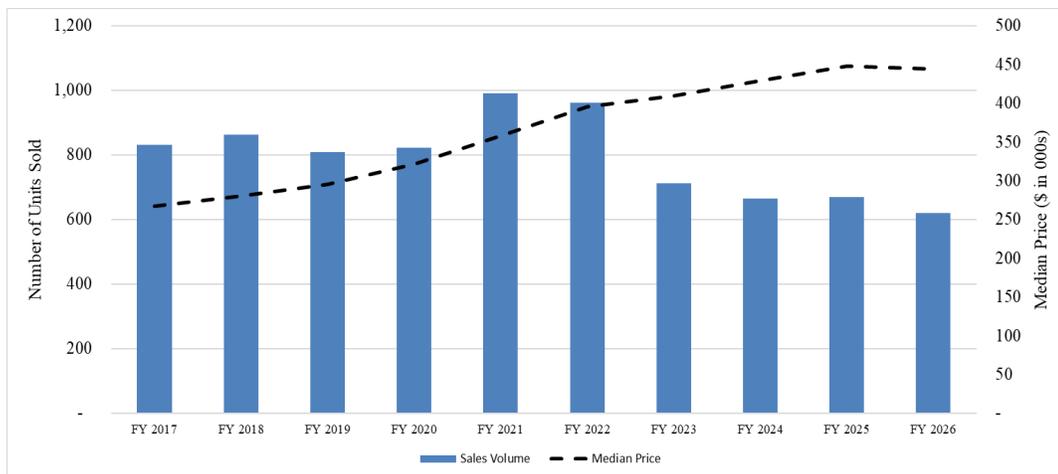
- Post-pandemic wage growth has been very strong, in part due to the higher costs for goods and services when inflation soared due to supply chain problems. Private sector wage growth and capital gains have both been areas that the Comptroller's office has identified as areas of growth. Income tax revenue grew substantially in FY 2025, at \$910.7 million, above the \$788.4 million received in FY 2024. Although the unemployment rate has risen to 4.8% in August 2025, and evidence suggests federal job losses, revenue has remained strong in FY 2026. This suggests that the impact of federal job losses will not be felt entirely until FY 2027. The forecast for FY 2026 is assuming an increase to \$947.1 million based on year-to-date attainment, which is consistent with the long-term trend of 4% growth in net taxable income for the County. The FY 2027 forecast assumes that federal job losses are reflected in the income tax revenue, along with limited wage growth.
- The Income Disparity Grant is calculated by the State based on income and population data, to bring each eligible jurisdiction's per capita income tax level to 75% of the statewide average, although there are certain caps in statute that limit jurisdictions from receiving the full amount of the formula. In FY 2026, the County received \$68.3 million, which included a one-time \$11.4 million grant to offset some of the loss that the County would have experienced under the formula. Tax year 2024 was recently released, which serves as the basis for the FY 2027 formula. The County expects to receive \$74.4 million in FY 2027, an increase of \$6.1 million, or 9.0%, over FY 2026.

Transfer and Recordation Taxes

- Since 2022, higher mortgage interest rates have suppressed the volume of monthly home sales. Transfer and recordation tax revenue has decreased, from \$171.0 million in FY 2023 to \$141.7 million in FY 2025. **Exhibit 7** illustrates the trends in home sales and the median home price in the County. Between FY 2021 and FY 2025, the median home price grew 5.7% annually, on average. The volume of sales has declined from a high of 991 per month in FY 2021 to just 671 per month in FY 2025. Year-to-date home sales have averaged 620 per month in FY 2026. County law also dedicates the greater of \$10.0 million or 20% of the recordation tax to the Housing Investment Trust Fund. The distribution is estimated at \$10.0 million in each of FY 2026 and 2027.
- For FY 2026, the approved budget estimated revenue of \$154.6 million, however this figure is now revised to \$125 million based on year-to-date attainment. The FY 2027 forecast assumes an approximately 1% increase for this revenue source based on expectations of continued higher rates and lower inventory, which have historically constrained transfer and recordation tax revenue based on lower volume of monthly sales.

Exhibit 7

Prince George’s County Median Sales Price and Sales Volume (\$ in Millions)



Note: FY 2026 is based on the average of July 2025-November 2025 data

Source: Metropolitan Regional Information System

- Foreclosure data following the pandemic has fluctuated. As seen in **Exhibit 8**, there were 866 foreclosures in the County in the second quarter of Calendar Year 2025 relative to nearly 3,400

foreclosures statewide. Before the pandemic County foreclosures averaged over 1,500 per quarter, compared with nearly 6,700 per month statewide. The second quarter data also shows that County foreclosures comprised 26% of all foreclosures statewide. This level is consistent with pre-pandemic trends.

Exhibit 8

**Prince George’s County
County Foreclosures Relative to Statewide Foreclosures**

| Period | County | State | County as a % of State Foreclosures |
|---------|--------|-------|--|
| Q1 2023 | 628 | 2,806 | 22% |
| Q2 2023 | 860 | 3,512 | 24% |
| Q3 2023 | 686 | 3,083 | 22% |
| Q4 2023 | 585 | 2,810 | 21% |
| Q1 2024 | 573 | 2,507 | 23% |
| Q2 2024 | 558 | 2,555 | 22% |
| Q3 2024 | 506 | 2,292 | 22% |
| Q4 2024 | 450 | 2,136 | 21% |
| Q1 2025 | 836 | 3,288 | 25% |
| Q2 2025 | 886 | 3,398 | 26% |

Source: Maryland Department of Housing and Community Development

Energy Tax

Energy tax unit rates are determined by the total consumption and sales in the calendar year two years prior to the budget. Following the pandemic, energy demand grew as businesses reopened. Energy tax revenue grew 8.2% in FY 2025, as electricity rates, which make up the largest component of the energy tax, have continued to increase at higher rates. The cost of electricity and consumption are both growing. Revenue is projected at \$95.5 million in FY 2026 and \$96.5 million for FY 2027.

Telecommunications Tax

In October 2024, the County Council passed legislation to change the telecommunications tax from a 9% sales tax to a \$3.50 excise tax per month per telephone line beginning in FY 2026. Therefore, revenue is projected at \$45.3 million for FY 2026 which is not a full year of revenue. When fully annualized in FY 2026, \$51.9 million expects to be realized. Future growth is estimated at 0.5% each following year as additional phone lines are added.

Other Local Taxes

Other local taxes - admissions and amusement tax, hotel/motel tax, and other taxes have largely rebounded to pre-pandemic levels after the shutdown of the economy negatively affected the entertainment and hospitality industries. The admissions and amusement tax rose sharply in FY 2024, from \$11.8 million to \$18.2 million. Most of this growth is from the Washington Commanders. The forecast assumes a decrease to \$16.0 million from admissions and amusement taxes in FY 2027 due to the closure of the Six Flags America amusement park and continued slow growth or level funding of the other local tax sources.

State-Shared Taxes

State law mandates that an increased percentage of certain transportation revenues be shared with local jurisdictions through FY 2027. Estimates from the Maryland Department of Transportation suggest that the County will receive \$11.6 million from this source in FY 2026 and \$11.9 million in FY 2027. These estimates are subject to change based on the actual amount of tax and fee revenue received by the State's Transportation Trust Fund. The County also receives 5% of the sales tax on cannabis sales within the County after a distribution to the State. The FY 2025 unaudited budget includes \$181,942. The cannabis sales tax was increased from 9% to 12% at the start of FY 2026, therefore, the forecast includes \$541,800 for FY 2026 and \$653,100 for FY 2027.

Licenses and Permits

License and permit revenues is generally level funded across FY 2026 and 2027 in the forecast, with an estimated 1% increase in building and grading permit revenues in FY 2027.

Use of Money and Property

Since the Federal Reserve Board has cut rates three times in 2025 by a combined 75 basis points, the current estimate for FY 2026 assumes lower levels of interest income. The FY 2025 unaudited budget includes \$20.9 million in interest revenue. Interest revenue is now assumed to be \$15 million in the current fiscal year. Lower investment income is still anticipated in FY 2027 at \$15 million.

Charges for Services

Charges for services are projected to decrease to \$54.7 million in FY 2027 mostly because of decreasing Emergency Transport Fee revenues due to the expiration of ambulance Medicare add-on payments in September 2025.

Intergovernmental Revenues

Intergovernmental revenues are projected to decrease by -\$14.8 million in FY 2027. This forecast assumes the end of discretionary police aid, the final repeal of the Teacher Retirement Supplemental Grant per Chapter 604 of the Acts of Maryland of 2025, and one-time funding for a capital project from the Maryland-National Capital Park and Planning Commission.

Miscellaneous Revenues

Miscellaneous revenues fluctuate each year. The FY 2025 unaudited budget totaled \$18 million. The FY 2026 and FY 2027 forecast assumes \$21.9 million and \$20.3 million respectively.

Other Financing Sources

Other financing sources include the use of fund balance and transfers from other funds. Other financing sources are projected to decrease by \$5.4 million. The forecast assumes no use of unassigned fund balance for FY 2026 and FY 2027, as well as a decrease in Fire Department breathing apparatus debt service from assigned balance.

BOE Aid

BOE aid is projected at \$2.1 billion in FY 2027 and is estimated to grow by \$101.2 million, or 5.1% based on the Blueprint for Maryland's Future formulas. However, the actual aid amounts will not be known until the State reports County-by-County wealth and enrollment data which is needed to calculate the County's required funding level.

Community College Aid

Outside aid for Prince George's Community College is projected to increase by \$1.9 million, or 2%, to \$98.0 million in FY 2027 based on the State aid formula.

Library Aid

Library aid is expected to grow slightly in FY 2027 from the FY 2027 level, to an estimated \$9.6 million. State library aid is based on a per capita formula.