



Marc Elrich
County Executive


Michael J. Coveyou
Director

DEPARTMENT OF FINANCE

M E M O R A N D U M

September 15, 2021

TO: Marc Elrich, County Executive

FROM: Michael Coveyou, Director 
Department of Finance

SUBJECT: Revenue Estimating Group Report for September 15, 2021

As chairperson of the Revenue Estimating Group, I am pleased to transmit to you the Group's first report. The Revenue Estimating Group was established in March 2021 per Bill 6-21 and requires the Group to provide quarterly reports to the County Executive and County Council each year on February 15, May 15, September 15 and December 15. This September 15th report focuses on preliminary final tax revenues for the fiscal year ended June 30, 2021. In the past, data on tax revenues for the previous fiscal year were first provided with the Fiscal Plan update in December, at which point audited data was available. As noted in this report, the preliminary data will differ from the audited data that will be available in December, but we believe this unaudited data provides valuable information and serves as a baseline for reports that follow this one.

Each quarterly report this fiscal year will have a different focus depending upon the information available and the timing of the report within the budgetary cycle. For example, the December 15th report is expected to consider revenue collections for the first quarter of fiscal year 2022, review the economic forecasts and projections that were the basis for the approved fiscal year 2022 budget and provide an update to those economic forecasts and projections. Due to the expected differences in the focus of each report, the format and content will vary. I welcome your feedback on the contents and format of this report and future reports. Please feel free to contact me with any questions that you may have at 240-777-8870.

MC/nbf
Enclosure

cc: Members of the Revenue Estimating Group (Addendum I attached)

Department of Finance

101 Monroe Street, 15th Floor · Rockville, Maryland 20850
www.montgomerycountymd.gov

montgomerycountymd.gov/311



240-773-3556 TTY

ADDENDUM I
Members of the Revenue Estimating Group

Michael J. Coveyou, Director, Department of Finance
Richard Madaleno, Chief Administrative Officer, Office of the County Executive
Jennifer R. Bryant, Director, Office of Management and Budget
Marlene Michaelson, Executive Director of the County Council Staff
Chris Cihlar, Director of the Office of Legislative Oversight

Designees and Technical Committee members:

Nancy B. Feldman, Chief, Division of Fiscal Management (Dept. of Finance)
Dennis Hetman, Fiscal Manager, Division of Fiscal Management
David Platt, Chief Economist, Division of Fiscal Management
Josh Watters, Acting Deputy Director, Office of Management and Budget
Chris Mullin, Budget Manager, Office of Management and Budget
Mary Beck, Capital Budget Manager, Office of Management and Budget
Gene Smith, Legislative Analyst, County Council Staff
Aron Trombka, Senior Legislative Analyst, Office of Legislative Oversight
Stephen Roblin, Performance Management and Data Analyst, Office of Legislative Oversight



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Members of the Revenue Estimating Group (see Addendum I)

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Montgomery County Maryland Revenue Estimating Group **Quarterly Report** **September 15, 2021**

Section 20-84 was added to the Montgomery County Code in March 2021 pursuant to Bill 6-21. Section 20-84 established a Revenue Estimating Group (the "Group") to review and forecast County revenues and provide for the membership and duties of the Group. The Group must submit reports to the County Executive and the County Council on revenue projections and quarterly attainment of revenue on February 15, May 15, September 15, and December 15. This September 2021 Report constitutes the first report of the Group.

Fiscal Year Ended June 30, 2021 ('FY21')

The most recently completed quarter for which financial information is available is the fourth quarter of FY21, which is the final quarter of the fiscal year. The Group reviewed the available unaudited tax revenue¹ information for FY21, including data from the Montgomery County Department of Finance, Division of Treasury, the Maryland Office of the Comptroller and the Maryland State Department of Assessments and Taxation ("SDAT"). Due to the preliminary, unaudited nature of the tax revenue data there will be differences between this data and the final data that will be published in the FY21 audited financial statements, available later in 2021.

Table #1

	FY21 BUDGET AND FISCAL PLANS							
	FY21 Appvd Budget (\$)	Dec. Fiscal Plan (\$)	March '21 Estimate (\$)	Prelim. FY21 Final (\$)*	\$ Δ from Mar	% Δ from March	\$ Δ from Appvd	% Δ from Appvd
	(May 2020)	(Dec 2020)	(Mar 2021)	(June 2021)				
Property Tax	1,830,800,000	1,831,505,000	1,830,883,000	1,878,657,198	47,774,198	2.6	47,857,198	2.6
Income Tax	1,695,360,735	1,637,907,000	1,707,711,171	1,820,178,821	112,467,650	6.6	124,818,086	7.4
Transfer Tax	122,390,000	108,645,000	111,675,198	133,065,928	21,390,730	19.2	10,675,928	8.7
Recordation Tax (General Fund)	59,185,261	54,137,000	50,196,366	60,895,263	10,698,897	21.3	1,710,002	2.9
Other Taxes								
Admissions Tax	3,408,587	2,543,000	810,526	1,260,727	450,201	55.5	(2,147,860)	-63.0
E-Cigarette Tax	1,758,959	1,069,000	942,171	1,164,682	222,511	23.6	(594,277)	-33.8
Energy Tax	191,322,733	184,978,000	178,865,750	183,676,629	4,810,879	2.7	(7,646,104)	-4.0
Hotel/Motel Tax	23,326,200	6,194,000	5,203,851	5,840,405	636,554	12.2	(17,485,795)	-75.0
Telephone Tax	53,751,904	53,729,000	54,451,947	53,807,685	(644,263)	-1.2	55,781	0.1
Subtotal Other Taxes	273,568,383	248,513,000	240,274,245	245,750,128	5,475,883	2.3	(27,818,255)	-10.2
TOTAL TAX REVENUES	3,981,304,379	3,880,707,000	3,940,739,980	4,138,547,338	197,807,358	5.0	157,242,959	3.9

*Preliminary FY21 Final data is derived from multiple unaudited sources of data including FIN Treasury, Comptroller of Maryland, and Maryland SDAT

FY21 final audited information will not be available until the Annual Comprehensive Financial Report is completed later in calendar year 2021.

This Preliminary FY21 Final data is likely to have differences from the final audited information.

¹ Tax revenue data is the focus of this September report. Non-tax revenue data will be included in the December 2021 report.

Economic Backdrop for FY21

The County's economy experienced distinct trends in FY21, heavily influenced by the COVID-19 virus. Resident employment, as measured by the Census survey of households, decreased nearly 7.0 percent from FY20 to FY21. This followed a decrease of 0.5 percent in FY20. The County's unemployment rate steadily increased from 3.0 percent in FY19 to 4.1 percent in FY20 and increased again to 6.5 percent in FY21.

Inflation for the Washington Metropolitan Statistical Area (MSA) increased from 0.9 percent in FY20 to 2.1 percent in FY21. Since the beginning of calendar year 2021, year-over-year inflation increased from 1.5 percent in January 2021 to 4.1 percent in June 2021.

The real estate market experienced two distinct trends in FY21. Sales of existing homes increased 28.0 percent in FY21 following an increase of 4.0 percent in FY20. The dramatic increase in sales was attributed to the increase of 54.0 percent during the fourth quarter of FY21. The median sales price increased 9.3 percent in FY21 following an increase of 4.9 percent in FY20. However, construction of new homes did not keep pace with the demand for home sales. Construction of new single-family homes and condominiums declined 27.5 percent in FY21.

FY21 TAX REVENUE COLLECTIONS

In Table 1 the primary County tax revenues are displayed showing the progression during FY21 from i) approved FY21 budget to ii) December 2020 fiscal plan update to iii) March 2021 estimate and finally iv) preliminary June 30, 2021 final. The FY21 budget was approved May of 2020, in the very early phases of the COVID-19 pandemic when there was limited information on the virus and economic conditions were rapidly evolving.

Property Tax: Property tax projections were effectively flat at all points during FY21. This is due to the timing of the SDAT property assessments and property tax billing, which were set prior to the beginning of the fiscal year. There were concerns that there could be an increase in commercial property tax appeals during the fiscal year that would impact property tax revenue, but as of fiscal year end, there had not been a notable increase in commercial appeals.

Income Tax: The December 2020 fiscal plan update of the FY21 budget decreased the income tax forecast due to the resurgence of the COVID-19 virus in the fall prior to the FDA emergency use authorization for vaccines which occurred later in December 2020 and January 2021. The March 2021 estimate was a net increase in income tax revenue taking into account the positive impact of the vaccine roll-out on the overall economy, as well as the expected reduction in income taxes due to the State passing the RELIEF Act, which exempted unemployment benefits from income tax. The preliminary FY21 income tax revenue is greater than both the March 2021 estimate and the approved budget. A combination of stronger economic activity and employment in the 3rd and 4th quarters of the fiscal year

resulted in increased withholdings and estimated payments by individuals and unincorporated businesses (e.g., partnerships, S-Corporations) resulting in strong income tax revenues.

Transfer and Recordation Taxes: The December fiscal plan and the March estimate decreased both transfer and recordation taxes due to the recession and the actual receipts from these taxes in the first half of the fiscal year performing below approved budget. An unanticipated increase in residential activity, both in volume and value, beginning at the end of the 3rd quarter accelerated through the 4th quarter and resulted in both taxes exceeding not only the March estimates but also the approved budget.

Other Excise Taxes: Various other excise taxes as shown in Table 1, were projected to fall below budget in both December and March due to their direct relationship to the volatility of the economic activity being taxed. As of June 30, with the exception of the telephone tax, all the excise taxes exceeded the March estimates but were below the approved budget.

Total Tax Revenues: Total preliminary tax revenues exceeded the approved fiscal 2021 budget by 3.9%. The performance of the property tax and income tax are the main drivers of this positive performance.

YEAR-OVER-YEAR TAX COLLECTIONS

In Table 2 preliminary FY21 tax revenues are compared to actual FY20 tax revenues. As indicated in the table, property, income, transfer, and recordation taxes exceeded the prior fiscal year actuals while the activity-based excise taxes decreased. We note that the COVID-19 health emergency had a negative impact on revenues in the 4th quarter of FY20 resulting in a negative variance compared to the approved budget. Year-over-year FY21 preliminary tax revenues are 5.4% greater than FY20 actuals.

Table #2

	Prelim FY21 vs FY20 Actual		\$ Δ from FY20	% Δ from FY20
	FY20 Actual (\$)	Prelim. FY21 Final (\$)*		
	(June 30, 2020)	(June 30, 2021)		
Property Tax	1,793,040,841	1,878,657,198	85,616,357	4.8
Income Tax	1,700,584,075	1,820,178,821	119,594,746	7.0
Transfer Tax	115,719,567	133,065,928	17,346,361	15.0
Recordation Tax (General Fund)	57,692,541	60,895,263	3,202,722	5.6
Other Taxes				
Admissions Tax	2,494,052	1,260,727	(1,233,325)	-49.5
E-Cigarette Tax	1,344,585	1,164,682	(179,903)	-13.4
Energy Tax	187,177,611	183,676,629	(3,500,982)	-1.9
Hotel/Motel Tax	14,931,730	5,840,405	(9,091,325)	-60.9
Telephone Tax	53,807,567	53,807,685	117	0.0
Subtotal Other Taxes	259,755,545	245,750,128	(14,005,417)	-5.4
TOTAL TAX REVENUES	3,926,792,569	4,138,547,338	211,754,769	5.4

*Preliminary FY21 Final data is derived from multiple unaudited sources of data including FIN Treasury, Comptroller of Maryland, and Maryland SDAT

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