

Marc Elrich
County Executive




Michael J. Coveyou
Director

DEPARTMENT OF FINANCE

MEMORANDUM

May 15, 2025

TO: Marc Elrich, County Executive

FROM: Michael Coveyou, Director
Department of Finance 

SUBJECT: Revenue Estimating Group Report for May 15, 2025

As chairperson of the Revenue Estimating Group, I am pleased to transmit to you the Group's May 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 May 15th report includes a review of current economic conditions influencing the FY26 budget and a discussion of when the REG Group will have additional data to generate insights into the near-term trajectory of the Montgomery County Economy.

The next report is due in September and will be the first report following the approval of the FY26 budget. The September report will discuss the preliminary operating results for FY25 and provide updated economic information and the implications for FY26 revenues. We 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)

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
Craig Howard, Executive Director, Office of the County Council
Chris Cihlar, Director of the Office of Legislative Oversight

Designees and Technical Committee members:

Nancy B. Feldman, Chief, Division of Fiscal Management
Dennis Hetman, Fiscal Manager, Division of Fiscal Management
David Platt, Chief Economist, Division of Fiscal Management
Todd Fawley-King, Fiscal Policy Analyst, Division of Fiscal Management
Ken Hartman-Espada, Assistant Chief Administrative Officer, Office of the County Executive
Chris Mullin, Budget Manager, Office of Management and Budget
Rachel Silberman, Manager, Office of Management and Budget
Bilal Ali, Legislative Analyst, County Council Staff
Logan Anbinder, 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

Marc Elrich
County Executive



Michael J. Coveyou
Director

DEPARTMENT OF FINANCE

MEMORANDUM

May 15, 2025

TO: County Council

FROM: Michael Coveyou, Director
Department of Finance

A handwritten signature in black ink, reading "Michael J. Coveyou".

SUBJECT: Revenue Estimating Group Report for May 15, 2025

As chairperson of the Revenue Estimating Group, I am pleased to transmit the Group's May 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 May 15th report includes a review of current economic conditions influencing the FY26 budget and a discussion of when the REG Group will have additional data to generate insights into the near-term trajectory of the Montgomery County Economy.

The next report is due in September and will be the first report following the approval of the FY26 budget. The September report will discuss the preliminary operating results for FY25 and provide updated economic information and the implications for FY26 revenues. We 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)

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
Craig Howard, Executive Director, Office of the County Council
Chris Cihlar, Director of the Office of Legislative Oversight

Designees and Technical Committee members:

Nancy B. Feldman, Chief, Division of Fiscal Management
Dennis Hetman, Fiscal Manager, Division of Fiscal Management
David Platt, Chief Economist, Division of Fiscal Management
Todd Fawley-King, Fiscal Policy Analyst, Division of Fiscal Management
Ken Hartman-Espada, Assistant Chief Administrative Officer, Office of the County Executive
Chris Mullin, Budget Manager, Office of Management and Budget
Rachel Silberman, Manager, Office of Management and Budget
Bilal Ali, Legislative Analyst, County Council Staff
Logan Anbinder, 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



Montgomery County Maryland Revenue Estimating Group

Quarterly Report, May 15, 2025

The Fiscal Year 2026 ("FY26") revenue forecast included in the March 14th, 2025, County Executive's FY26 Recommended Budget ("FY26 Rec.") is based upon stable macro-economic conditions. As indicated in the February 15, 2025, Revenue Estimating Group ("REG") report,¹ the unpredictable Federal policies and actions of the Trump administration make forecasting the future state of the economy particularly challenging. Since the release of the FY26 Rec. economic uncertainty has dramatically increased both nationally and locally; as a result, this May 2025 REG report will focus on what is currently known about the Montgomery County economy and the implications for FY26 revenues. The REG emphasizes the following statements:

- Expected revenue levels that suffer a degree of volatility in normal times are now highly uncertain due to unpredictable Federal actions
- Despite concerning anecdotal evidence, data does not yet indicate the future trajectory of the national or local economy
- The risk of adverse economic conditions has risen notably since the recommended budget was prepared
- There is rising risk that revenues will not attain the levels anticipated in the recommended budget

The FY26 Rec included \$5,182.3 million in revenues from the nine taxes reviewed by the REG and incorporated a 3.5 cent property tax increase devoted to funding Montgomery County Public Schools. On April 7, the Maryland General Assembly approved its FY26 budget which shifted various costs previously born by the State to Maryland's counties while also increasing the allowed maximum local income tax rate to enable local jurisdictions to raise additional local funds. In light of the changes to State law, the County Executive transmitted to the Council amendments to the FY26 recommended budget to remove the recommended 3.5 cent property tax increase and instead proposed an increase in the local income tax rate from 3.2% to the new maximum of 3.3% retroactive to January 1, 2025, as newly authorized under State law.

In the meantime, economic uncertainty continues with the Trump Administration's pursuit of significant tariffs rattling financial markets and negatively impacting consumer sentiment, leading to a rapid increase in the risk of adverse economic conditions in the coming years.

There are numerous and notable anecdotal reports that indicate a possible deceleration or decline in Montgomery County revenues, from reports of jobs lost in the county to expectations of a sharp

¹ https://www.montgomerycountymd.gov/Finance/Resources/Files/REG_Quarterly_2025_02_15.pdf

increase in inflation. The anecdotal evidence includes public sector announcements of job reductions at federal agencies located around the DC region, layoff notice filings by federal contractors and private sector employers intending to reduce their workforce, and numerous news reports forecasting imminent shortages and economic turmoil due to the large tariffs announced by the Trump Administration.

Despite credible anecdotal reports, data available as of May 15 does not yet indicate a clear deterioration in economic conditions. Data on the future trajectory of the economy is mixed, with some concerning signals tempered by continued strength in the job market. At this point, most data relate to the national economy with little information specific to Montgomery County:

- Local Area Unemployment Statistics estimating unemployment in Montgomery County through March of 2025 show no notable downturn: employment increased in March 2025 after a seasonal downturn in February.
- The Bureau of Labor Statistics national Jobs Report for April released on May 2, 2025, showed that jobs nationally increased by 177,000, a level considered generally healthy.²
- While national consumer confidence, an important indicator of potential future consumer spending and thus the direction of the economy, declined for the fifth straight month in April 2025,³ consumer spending increased markedly at a national level in March despite concerns about consumer confidence.⁴
- National gross domestic product (GDP) declined in 2025 Q1 per the Bureau of Economic Analysis' (BEA) advance estimate.⁵ However, some commentators noted this could be an issue with the way GDP is measured and that the estimate may be revised upwards following more complete estimates of consumption and investment.⁶
- On May 7th the Federal Reserve chose to maintain the Federal Funds Effective Rate at between 4.25% and 4.5% due to uncertainty about the economic outlook due to the new tariffs but emphasized that the economy remains in a solid position.

Most recent forecasts of the national and Montgomery County economy released in April from Moody's Analytics and S&P Global continue to anticipate an expansion of the economy in 2025 and 2026, but both have reduced the expected growth rate. The forecasts generally highlight that the national economy is decelerating from a period of strength in 2024. While they caution that growth is likely to slow in 2025, they still anticipate it will remain positive. However, the data incorporated into these forecasts precede the Trump administration announcements at the beginning of April of substantial global tariffs, and as a result may not yet reflect the full implications of the last month of economic turmoil.

It is unlikely the REG will have data providing a clearer signal of the direction of the Montgomery County economy and FY26 tax revenues until after Q2 when the Department of Finance receives additional income indicators/income distributions with tax year 2025 taxes. In addition to data sets such as Local

² Source: <https://www.bls.gov/news.release/empsit.nr0.htm>

³ Source: <https://www.conference-board.org/topics/consumer-confidence>

⁴ Source: <https://www.cnn.com/2025/04/30/business/us-pce-inflation-consumer-spending-march/index.html>

⁵ Source: <https://www.bea.gov/news/2025/gross-domestic-product-1st-quarter-2025-advance-estimate>

⁶ Source: <https://www.economist.com/finance-and-economics/2025/05/01/dont-blame-imports-for-the-fall-in-americas-gdp>

Area Unemployment Statistics updated monthly or BEA GDP estimates updated quarterly, upcoming data specific to the Montgomery County economy and tax revenue include:

- May income tax distribution of Q1 2025 tax revenue received in the last week of May
- June and July distributions of Q2 2025 income tax revenue based on State of Maryland estimates of expected Q2 2025 income tax collections
- August income tax distribution of Q2 2025 tax revenue received in the last week of August
- Moody's Montgomery County Economic Forecast for Fall 2025, received in the last week of September

While there is considerable uncertainty regarding the FY26 revenue forecast, FY25 revenues continue to align with the forecast included in the FY26 Rec.

The Revenue Estimating Group

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.