Table of Contents

BALTIMORE COUNTY FISCAL DIGEST

GENERAL FUND REVENUES & THE ECONOMY

Baltimore County, Maryland

September 15, 2023

Office of the County Auditor

Lauren M. Smelkinson, CPA
County Auditor

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

Carrie B. Vivian
Supervisor, Fiscal & Policy Analysis

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

Marie B. Jeng
Senior Fiscal & Policy Analyst

Rayven J. Vinson
Fiscal & Policy Analyst

Kris D. Urs
Fiscal & Policy Analyst

Reginald C. Sullivan
Fiscal & Policy Analyst

LAUREN M. SMELKINSON, CPA
COUNTY AUDITOR

BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR

ELIZABETH J. IRWIN
DEPUTY COUNTY AUDITOR

400 WASHINGTON AVENUE
TOWSON, MARYLAND 21204
410-887-3193
410-887-4621 (FAX)

November 3, 2023

Honorable Members of the Baltimore County Council:

I hereby submit the Baltimore County Fiscal Digest of General Fund Revenues and The Economy as of September 15, 2023. This report provides unaudited FY 2023 General Fund revenue totals and an early FY 2024 projection (prior to any major income tax distributions), as well as a summary of economic conditions affecting the County.

Unaudited FY 2023 General Fund revenues totaled approximately $2,634.5 million, an increase of approximately $159.0 million, or 6.4%, over FY 2022 revenues, and $138.4 million above budgeted revenues. The robust growth was primarily attributable to continued strong income tax collections, steady growth in property tax collections, and an increase in the County's investment income. The estimated (unaudited) Unassigned General Fund Balance (Surplus) as of June 30, 2023 totaled $448.2 million, not including an additional $249.6 million in the Revenue Stabilization Reserve Account (Rainy Day account); audited figures will be available in the County's FY 2023 annual comprehensive financial report.

Our early FY 2024 revenue projection totals $2,562.7 million, a decrease of approximately $71.8 million, or 2.7%. The projected decrease reflects conservative assumptions about the County's income tax distributions from the State during FY 2024, the one-time nature of a $25 million transfer-in from BCPS in FY 2023, as well as our expectation for a continued decline in property-related transaction tax revenues. Continued anticipated growth in property tax revenues, by $27.4 million, or 2.5%, over FY 2023 collections, attenuates the anticipated decline. Other revenue categories are expected to remain essentially flat.

At its recent meetings, the Baltimore County Economic Advisory Committee's Chairman continued to express expectations that recessionary conditions will develop in the near term. The Chairman noted that the impact of federal stimulus dollars and its multiplier effect on spending could explain why a recession has not yet occurred; as stimulus dollars dissipate and the effects of recent interest rate target increases take hold, the chance of recession increases. Committee members' reports reinforced concerns related to inflation, the high interest rate environment, a withdrawal of prospective homebuyers, slow labor force growth, ongoing supply chain issues, and the possibility of an economic downturn.

We will continue to monitor economic activity, revenue collections, and State and federal developments, and we will provide our next update in conjunction with the Spending Affordability Committee process early in 2024.

Respectfully submitted,

Lauren M. Smelkinson

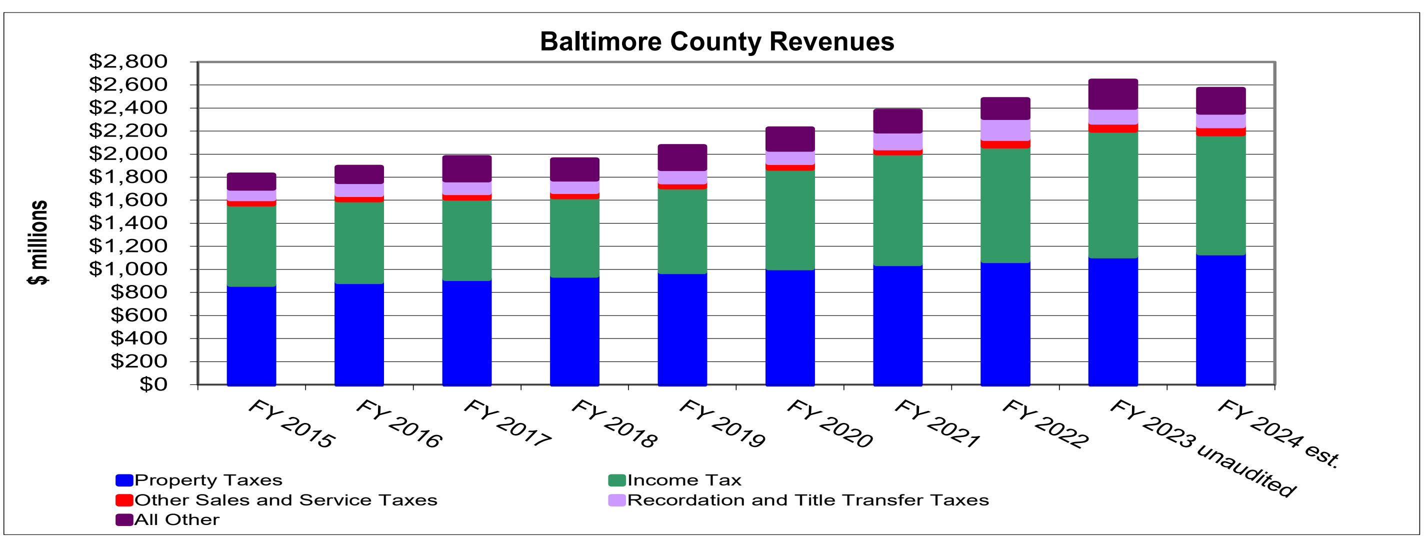
Lauren M. Smelkinson, CPA
County Auditor

REVENUE HIGHLIGHTS

The estimated (unaudited) Unassigned General Fund Balance (Surplus) as of June 30, 2023 totals $448.2 million, or 17.6% of FY 2024 budgeted General Fund revenues. In addition to the Surplus balance, the estimated Revenue Stabilization Reserve Account (Rainy Day account) totals $249.6 million as of June 30, 2023. The expected Surplus balance and Rainy Day amounts together total $697.8 million, or 27.4% of FY 2024 budgeted General Fund revenues. Audited figures will be available later this year in the County's FY 2023 annual comprehensive financial report.

FY 2023 General Fund revenues (based on unaudited financial records as of September 8, 2023) totaled approximately $2,634.5 million, up approximately $159.0 million, or 6.4%, from FY 2022 revenues. This experience yields a surplus of approximately $138.4 million, or 5.5%, over FY 2023 budgeted revenues, and an upward revision of $94.9 million from our prior forecast. The ongoing surge in General Fund revenues continues to be driven by income tax collections, which increased by $96.2 million, or 9.7%, to $1,091.1 million in FY 2023. Income tax growth reflects various factors, including inflation-affected wage growth and less predictable labor force participation changes. Further driving FY 2023 revenue growth was the County's investment income, which grew dramatically from $1.2 million in FY 2022 to $35.8 million in FY 2023 due to an elevated fund balance and recent interest rate increases. These rate increases, however, led to higher mortgage interest rates, which resulted in diminished recordation and title transfer tax revenues as fewer potential homebuyers could afford to borrow money. As a result, property-related transaction tax revenues decreased by $52.2 million, or 28.6%, from FY 2022 collections. Total FY 2023 revenue growth also reflects the underlying strong performance of property taxes, which increased by $40.4 million, or 3.8%, due in part to the State's January 2022 reassessment of the County's western region. In addition, a one-time transfer of $25 million from the Baltimore County Public Schools fund balance to the County's General Fund contributed to FY 2023 revenue growth.

FY 2024 General Fund revenues are projected to total $2,562.7 million, a decrease of approximately $71.8 million, or 2.7%, from unaudited FY 2023 revenues, due to expectations that growth in the local economy will decelerate and an assumption that FY 2023 income tax revenues were inflated due to the timing of certain distributions. Even with such a tempered outlook, this projection still reflects an increase of $66.6 million over budgeted FY 2023 revenues as well as an increase of $18.5 million over budgeted FY 2024 revenues. The decrease in FY 2024 General Fund revenues from actual FY 2023 collections is partially attributable to continued declines in property-related transaction taxes. Prior to FY 2023, mortgage interest rates remained at record-low levels for an extended period, increasing purchasing power and driving sales, while at the same time low residential real estate inventory levels drove substantial home sales price growth. However, sustained inflation has constrained household incomes, while measures to reduce the pace of inflation by the Federal Reserve have continued to increase mortgage interest rates. As a result, FY 2024 recordation and title transfer tax revenues are expected to decline by $13.0 million, or 10.0%, to $117.4 million, following a decline of 28.6% in FY 2023. In addition, varying factors that drove FY 2023 income tax revenue growth are expected to moderate and/or dematerialize from underlying growth, resulting in an anticipated decline of $57.9 million, or 5.3%, in FY 2024 income tax collections. The elimination of the one-time transfer from the Baltimore County Public Schools fund balance to the County's General Fund also contributes to the decline in FY 2024 revenues. Partially offsetting the projected FY 2024 revenue decrease is continued strong growth in property tax revenues, which are expected to increase by $27.4 million, or 2.5%, due in part to the State's January 2023 reassessment of the County's central region. State aid to the County's General Fund is expected to decrease modestly, while other minor categories are expected to remain largely flat.



REVENUE FORECAST & ECONOMIC OUTLOOK

The FY 2023 General Fund revenue increase resulted primarily from rising income tax collections. In addition, FY 2023 revenues reflect steady growth in property tax collections along with a decline in property-related transaction taxes due to higher mortgage interest rates.

The County's FY 2024 revenue outlook reflects a decrease largely due to a moderating of inflated performance in FY 2023 income tax revenues as well as a continued decline in property-related transaction taxes. Partially offsetting the decline in total revenues is continued steady performance in property tax collections.

Revenue Source ($ Millions)	Actual FY 2022	FY21-22 Change	Unaudited FY 2023	FY22-23 Change	Est. FY 2024	FY23-24 Change
Property Taxes	$ 1,075.2	2.6%	$ 1,115.6	3.8%	$ 1,143.0	2.5%
Income Tax	994.9	3.6%	1,091.1	9.7%	1,033.2	-5.3%
Title Transfer Tax	124.1	22.6%	89.0	-28.3%	80.1	-10.0%
Recordation Tax	58.5	29.7%	41.4	-29.2%	37.3	-9.9%
Intergovernmental	44.1	-20.0%	63.2	43.3%	57.5	-9.0%
Sales & Service Taxes	64.8	13.5%	68.8	6.2%	68.8	0.0%
All Other	113.9	12.5%	165.4	45.2%	142.8	-13.7%
Total Revenue	$ 2,475.5	4.5%	$ 2,634.5	6.4%	$ 2,562.7	-2.7%

At the July 2023 **Baltimore County Economic Advisory Committee (BCEAC)** meeting, the Committee's Chairman maintained his expectations that recessionary conditions will develop in the near term as the global and national economies continue to weaken, borrowing costs continue to increase, and excess – even if declining – inflation persists. The Chairman noted that the impact of federal stimulus and its multiplier effect on spending could explain why a recession has not yet occurred. Further, the full impact of federal interest rate changes, including the increase of 0.25% to the 5.25% to 5.50% target range approved in July 2023, will not be felt for 18 to 24 months. As stimulus dollars dissipate and the rate effects take hold, the chance of recession increases. So far, the Committee noted that loan demand has declined, particularly among "Millennials" and "Gen Z" young adults, who have largely stopped participating in the housing market, and among other buyers (not limited to the younger population), whom the Committee described as being the least creditworthy and most budget conscious/financially sensitive. For the time being, the Committee advised that this cooling-off in borrowing demand is not reflected within the commercial banking sector, but commercial lenders have begun to be more discerning as funding loans becomes more expensive. The Committee noted that the County currently may be faring well when using metrics such as the unemployment rate, but a lack of dynamism in the labor market and real estate sectors may result in slowdowns in job and wage growth and the housing market, respectively. Such slowdowns could translate into decreased or slower-growing income, transfer, recordation, and property tax collections for the County, particularly in the event of a recession. The Committee's Chairman acknowledged that concerns about building activity, the workforce, and supply chain challenges extend to the entire State and are not unique to Baltimore County. Members' near-term outlook for the local economy also reflects the following factors.

- **Slow labor force growth may constrain the County's ability to continue supporting local employers' numerous job openings and high demand for workers.** While the Baltimore-Columbia-Towson Metropolitan Statistical Area (MSA), with an unemployment rate of 1.7% as of June 2023, is one of the strongest performing among the top 25 metropolitan areas nationally, it experienced just 0.6% employment growth (8,400 jobs) from February 2020 to June 2023, the lowest growth among the 25 largest U.S. metropolitan areas. The imbalance in the supply and demand for labor has prompted employers to continue to make changes to remain competitive, and there are some indications that employers are retaining workers through periods of failing business activity out of fear that they won't be able to refill the positions.

- **The County's housing market activity remains low, as rising mortgage interest rates have impacted housing affordability and have led homebuyers to take a more cautious approach in managing housing costs.** As predicted, the decline in purchasing power has led to a withdrawal of prospective homebuyers from the market because they are choosing to continue to rent, especially first-time buyers opting to continue saving towards a future purchase. The Committee noted that the continued fluctuation of mortgage rates in the 6-7% range, while historically reasonable, has had the added effect of keeping homeowners "locked into" their existing low-rate mortgages. The Committee continued to emphasize that an increased housing inventory is necessary to invigorate the real estate market.

NATIONAL ECONOMIC INDICATORS

The U.S. economy continues to expand, with real GDP growing at an annualized rate of at least 2% during the past four quarters.

The U.S. economy continues to expand at a steady pace, with real U.S. Gross Domestic Product (GDP) growing at an annualized rate of at least 2% during the past four quarters. Growth in the economy in 2023:Q2 was driven largely by gross private domestic investment, which increased by more than 5% due to greater nonresidential investments. Further driving the increase was consumer spending (see detailed discussion below). Offsetting the increase was a continued decline in residential investment, due to the elevated interest rate environment. Growth in government expenditures decelerated from the previous quarter, primarily driven by a noteworthy increase in state and local government spending, supported by a (much lesser) increase in federal government spending. The international trade deficit widened and remained a net negative drag on GDP. The May 2023 release of the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters* projected annual real GDP to grow modestly, by 1.3% for CY 2023, followed by a slight deceleration to 1.0% growth in CY 2024; actual GDP data have been outperforming economists' predictions, and the August 2023 survey showed improved forecasts of 2.1% for CY 2023 and 1.3% in CY 2024.

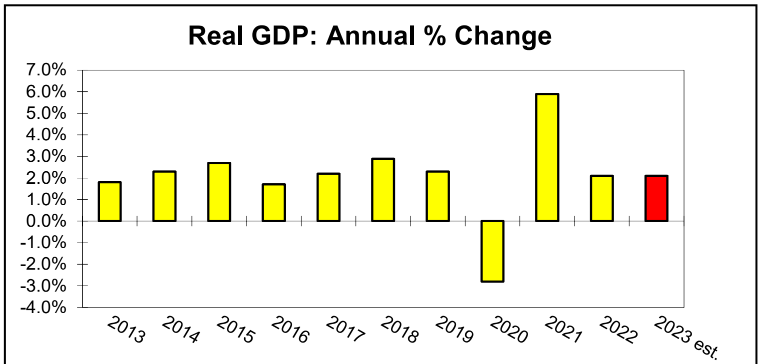
GDP is expected to grow by more than 2% in CY 2023, followed by a deceleration in CY 2024, marking an improvement from previous forecasts.

Real consumer spending eased during 2023:Q2, following a stronger increase in 2023:Q1.

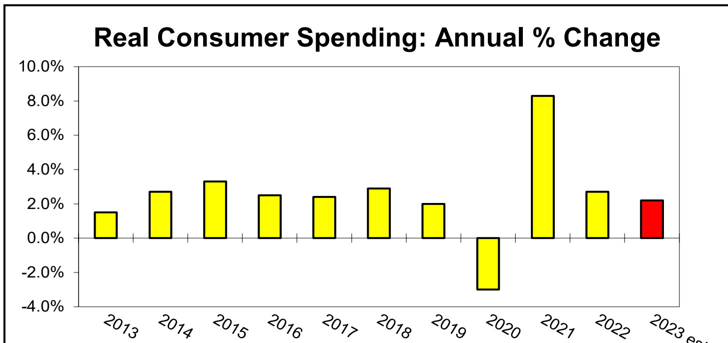
Real consumer spending, which accounts for roughly two-thirds of all U.S. economic activity, eased considerably during 2023:Q2, following stronger performance in 2023:Q1. Demand for durable goods slowed notably after posting strong growth in Q1, while consumption of nondurable goods posted a small increase for the fourth consecutive quarter. Spending habits continue to trend towards services, such as housing and utilities, health care, and financial services and insurance, with expenditures increasing modestly in 2023:Q2, though at a slower rate than was seen in 2023:Q1. The *Survey of Professional Forecasters* projects that consumer spending will grow by 2.2% for CY 2023, decelerating to 1.2% for CY 2024.

Consumer confidence decreased in August and September following an increase in July 2023 to its highest level since July 2021.

Consumer confidence, based on a survey of 5,000 U.S. households by The Conference Board (a well-known economic research organization), increased in July 2023 to its highest level since July 2021, but then decreased in August 2023 and September 2023. Notably, in September, the "Expectations Index" (based on consumers' short-term outlook for income, business, and labor market conditions) declined below the level that historically signals a recession within the next year, while the "Present Situation Index" was close to steady. The Conference Board reported that "consumers continued to be preoccupied with rising prices in general, and for groceries and gasoline in particular. Consumers also expressed concerns about the political situation and higher interest rates. The decline in consumer confidence was evident across all age groups, and notably among consumers with household incomes of $50,000 or more." Further, The Conference Board noted that "[e]xpectations for the next six months tumbled back below the recession threshold of 80, reflecting less confidence about future business conditions, job availability, and incomes."



Estimate Source: *Survey of Professional Forecasters*, August 2023



Estimate Source: *Survey of Professional Forecasters*, August 2023

At its July 25-26, 2023 meeting, the Federal Reserve's Federal Open Market Committee (FOMC) decided to raise the target range for the federal funds rate to 5.25 to 5.50 percent. The FOMC advised that "[t]ighter credit conditions for households and businesses are likely to weigh on economic activity, hiring and inflation," and that the Committee "would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals."

The target interest rate was raised to 5.25% to 5.5% at the July 25-26, 2023 meeting of the Federal Reserve's Federal Open Market Committee (FOMC), the fourth 25-basis-point increase in five months, as the FOMC seeks to reign in the pace of inflation in the U.S. economy. The FOMC stated that "[r]ecent indicators suggest that economic activity has been expanding at a moderate pace. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation remains elevated." Further, the FOMC advised that "[t] ighter credit conditions for households and businesses are likely to weigh on economic activity, hiring and inflation," to an uncertain degree, and that it "remains highly attentive to inflation risks." The FOMC also advised that "[t] he Committee is strongly committed to returning inflation to its 2 percent objective" and that it "would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals" of maximum employment and 2 percent inflation over the longer run.

INTEREST RATE CHANGE FROM JUNE 2022 TO JUNE 2023

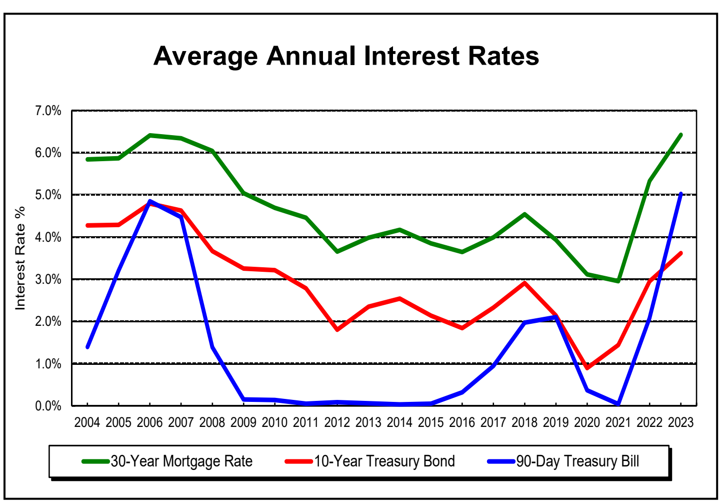
	Basis Points*
90-Day Treasury Bills	388
10-Year Treasury Bonds	61
30-Year Conventional Mortgage	119

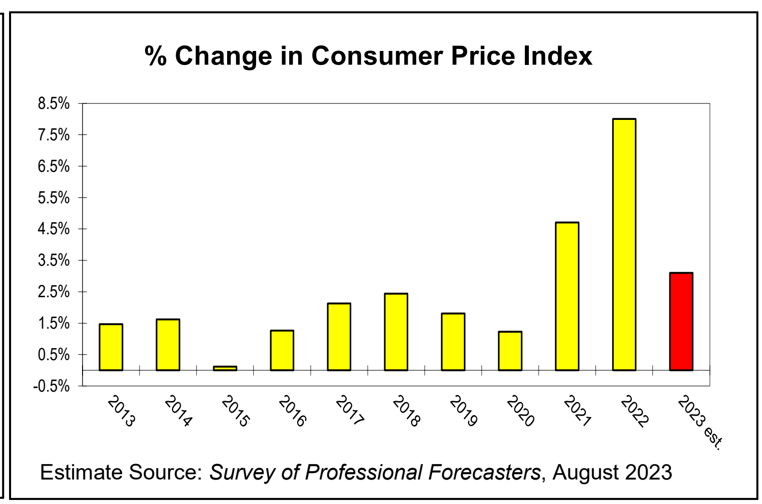
* A basis point is equal to .01 percentage point.

Short-term interest rates could increase once more or remain steady in CY 2023. Economists disagree on the likelihood of additional hikes, but, due to the complexity of forecasting, policymakers have expressed an openness to further rate increases later in the year.

From June 2022 to June 2023, consumer inflation fell to 3.0%, the lowest level since March 2021. Consumer inflation is expected to average 3.1% during CY 2023 before declining to 2.5% in CY 2024.

Inflation, as measured by the Consumer Price Index-All Urban Consumers (CPI-U), has continued to decline steadily since its peak of 9.1% in June 2022, falling to 3.0% in June 2023, the lowest level since March 2021. The first half of CY 2023 saw inflation of 4.9%, down from 8.3% in the first half of CY 2022, marking significant improvement. The annualized price growth in June 2023 was driven primarily by shelter, food, and hospital services, which increased 7.8%, 5.7%, and 4.1% respectively, while gasoline and energy prices fell 26.5% and 16.7%, respectively. Core inflation (which excludes food and energy inflation) increased by 4.8% from June 2022 to June 2023. Growth in the CPI-U is expected to average 3.1% in CY 2023 before declining to 2.5% in CY 2024, according to the Federal Reserve Bank of Philadelphia's *Survey of Professional Forecasters*, August 2023. The *Survey* projects that annual inflation will average 2.4% over the 2023 to 2032 period, compared to an average actual increase of 2.5% over the 2013 to 2022 period.





LOCAL ECONOMIC PERSPECTIVE

EMPLOYMENT

County year-over-year employment grew 1.8% in CY 2022, a welcome improvement from the 6.1% and 0.6% declines experienced in CY 2020 and CY 2021, respectively.

Employment (measured by place of residence) has begun accelerating in the County after experiencing a period of cooling and stagnation during the latter half of CY 2022 and the first few months of CY 2023. The stronger year-over-year performance during the first half of the calendar year contributed to an annual growth rate of 1.8% in CY 2022, a welcome improvement from the 6.1% and 0.6% declines in employment experienced in CY 2020 and CY 2021, respectively. Recently, over the June 2022 to June 2023 period, Baltimore County residential employment increased by 10,032 persons, or 2.3%. Maryland residential employment experienced a similar pattern, increasing by 75,629 persons, or 2.5%, over the same period. While the gap is closing, County and State employment remains at 12,641 (2.8%) and 95,580 (2.9%) persons, respectively, below February 2020 pre-pandemic residential employment.

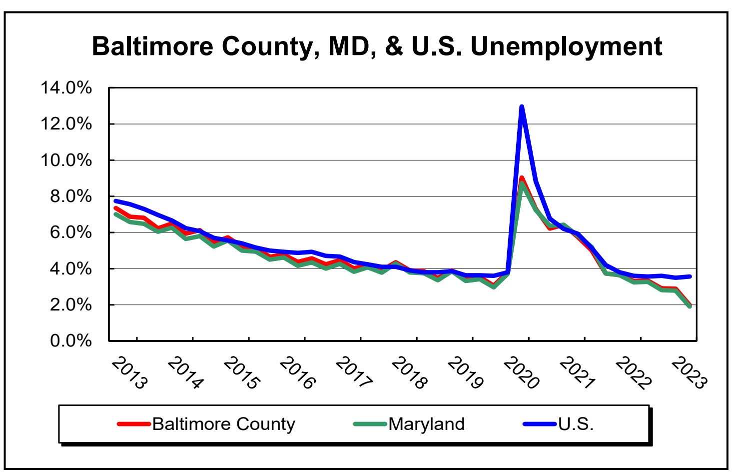
The County's June 2023 unemployment rate was 1.7%, down from 3.8% a year earlier.

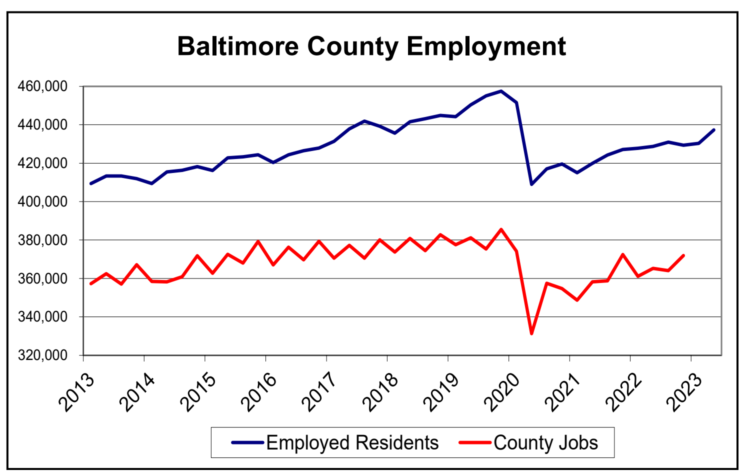
Employment growth that outpaces growth in the labor force drives down the unemployment rate. In June 2023, the unemployment rate among County residents was 1.7%, the same rate as the State's, and down from 3.8% a year earlier. The falling unemployment rate has coincided with a modest increase in the County's labor force. In June 2023, the County's labor force increased by 825 workers, or 0.2%, over the prior year but remained 21,305, or 4.5%, below its pre-pandemic size. As of June 2023, ten jurisdictions in Maryland had a lower unemployment rate than Baltimore County while five had rates on-par with the County. Nationally, the seasonally adjusted unemployment rate was 3.6% in June 2023, unchanged from June 2022, and a relative return to the pre-pandemic February 2020 rate of 3.5%; Maryland's seasonally adjusted rate in June 2023 was 2.0%.

The number of County jobs decreased by 0.1% from 2021:Q4 to 2022:Q4.

Sage Policy Group has predicted job growth of 1.8% in Baltimore County during CY 2023, followed by a meager 0.1% job growth in CY 2024.

Jobs data (measured by place of work) greatly lag resident employment data. The Maryland Department of Labor jobs data show that from 2021:Q4 to 2022:Q4, the number of jobs in the County decreased by 0.1%, or an estimated 487 jobs, while Maryland added 254,869 jobs, for a gain of 9.5%. Nationally, non-farm payrolls increased by approximately 3.9 million jobs, or 2.6%, from 2022:Q2 to 2023:Q2. In its July 2023 report, Sage Policy Group, Inc. (the Spending Affordability Committee's economic consultant) predicted job growth of 1.8% and 1.2% in the County and Maryland, respectively, in CY 2023 compared to anticipated national job growth of 2.1%. In line with Sage's ongoing prediction of a recession, the report predicted a meager 0.1% and 0.4% job growth in the County and Maryland, respectively, in CY 2024, compared to growth of 0.5% nationally. According to Sage, the County and State both experienced slight declines in population during CY 2022 but are poised for slight growth in CY 2023.





PERSONAL INCOME

The Spending Affordability Committee's economic consultant recently forecasted that County personal income will increase by 4.15% in FY 2024, following similar estimated growth of 4.13% in FY 2023.

Sage Policy Group, Inc. (Sage), the Spending Affordability Committee's economic consultant, projected in its July 2023 report that Baltimore County's personal income (PI) will increase by 4.15% in FY 2024, an increase from the predicted growth of 3.19% in its April 2023 report. The FY 2024 forecast follows estimated increases of 4.13% in FY 2023 and 1.51% in FY 2022. Looking forward, Sage continues to forecast a recession in the near term, with a deceleration – but not a contraction – of PI in FY 2025 and some acceleration in FY 2026. Sage's Maryland outlook is slightly above the County forecast, but shows a similar pattern.

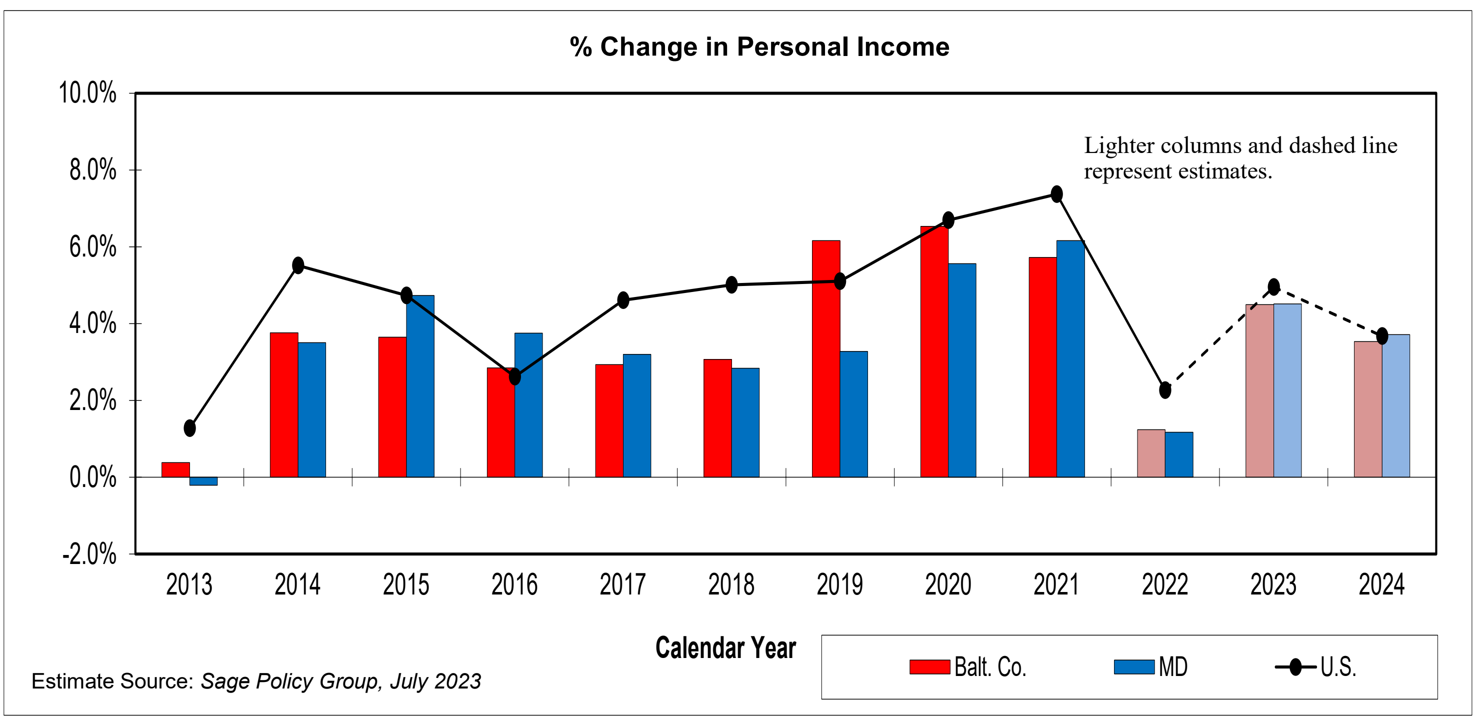
Over the last decade, personal income growth in the County has lagged growth at the national level while exceeding growth at the State level.

Over the 2012 to 2021 10-year period, national PI advanced 51.9%, exceeding both Maryland and Baltimore County PI growth of 37.9% and 40.9%, respectively. (National and local PI growth accelerated from 45.6% and 34.1%, respectively, during the 2002-2011 decade, whereas State PI growth slowed after posting an increase of 46.7% from 2002 to 2011.) Nationally, wages and salaries in 2023:Q2 comprised 51.4% of PI, similar to their share in 2022:Q2. Preliminary national data reveal that wage rates continue to rise modestly, with private average hourly wages most recently increasing to $33.74 in July 2023, up 4.4% from a year earlier. During 2023:Q1, average weekly wages for the Baltimore County workforce totaled $1,341, up 7.3% from 2022:Q1, but still below both the national and State averages of $1,487 and $1,500, respectively. The Federal Reserve reported that nominal total household wealth increased by 2.1% from 2022:Q4 to 2023:Q1, following a 1.1% increase from 2022:Q3 to 2022:Q4.

The nation's nominal household wealth increased by 2.1% from 2022:Q4 to 2023:Q1, following a 1.1% increase from 2022:Q3 to 2022:Q4.

For FY 2024, the County's Spending Affordability Committee recommended a maximum spending growth rate of 4.79%.

For FY 2024, the County's Spending Affordability Committee, which convened in January and February 2023, recommended a maximum spending growth rate of 4.79% based on a 5-year (FY 2020 to FY 2024) blended average of County PI forecasts by Sage and Moody's Analytics. Based on Sage's July 2023 forecast of annual County PI growth for FY 2025 and FY 2026, and the predicted growth in the four prior years, the projected maximum spending growth recommendation would be 4.00% for FY 2025 (FY 2021 to FY 2025) and 3.37% for FY 2026 (FY 2022 to FY 2026).



EXISTING HOME SALES

In FY 2023, the number of existing home sales totaled 8,804 units, a decrease of 29.8% from a year earlier.

Existing home sales in Baltimore County totaled 8,804 units in FY 2023, representing a 29.8% decline from FY 2022 sales. This decline is primarily attributable to the Federal Reserve's repeated actions to raise interest rate targets over the same period. According to the Federal Open Market Committee's June 2023 discussions, the effect of high interest rates on the housing sector appears to be "bottoming out" in much of the country, with home sales, builder sentiment, and new construction all having improved some since the start of the calendar year. The effects of the interest rate environment on Baltimore County's housing market nevertheless persist – evidenced by declines in home sales and "homes for sale" inventory. In June 2023, 849 units were sold in the County, a decrease of 219, or 20.5%, from June 2022, while the median price of an existing home sold increased by 2.7%, from $335,000 to $344,000. Additionally, the more volatile average sales price rose by 6.5%, from $399,395 to $425,450, over the same period. The active inventory in Baltimore County in June 2023 fell by 352, from 1,206 to 854, or 29.2%, from June 2022.

The median price of existing homes sold in Baltimore County in June 2023 was $344,000, an increase of 2.7% over June 2022.

The number of pending home sales in June 2023 totaled 816 units, a decrease of 14.3% from a year earlier.

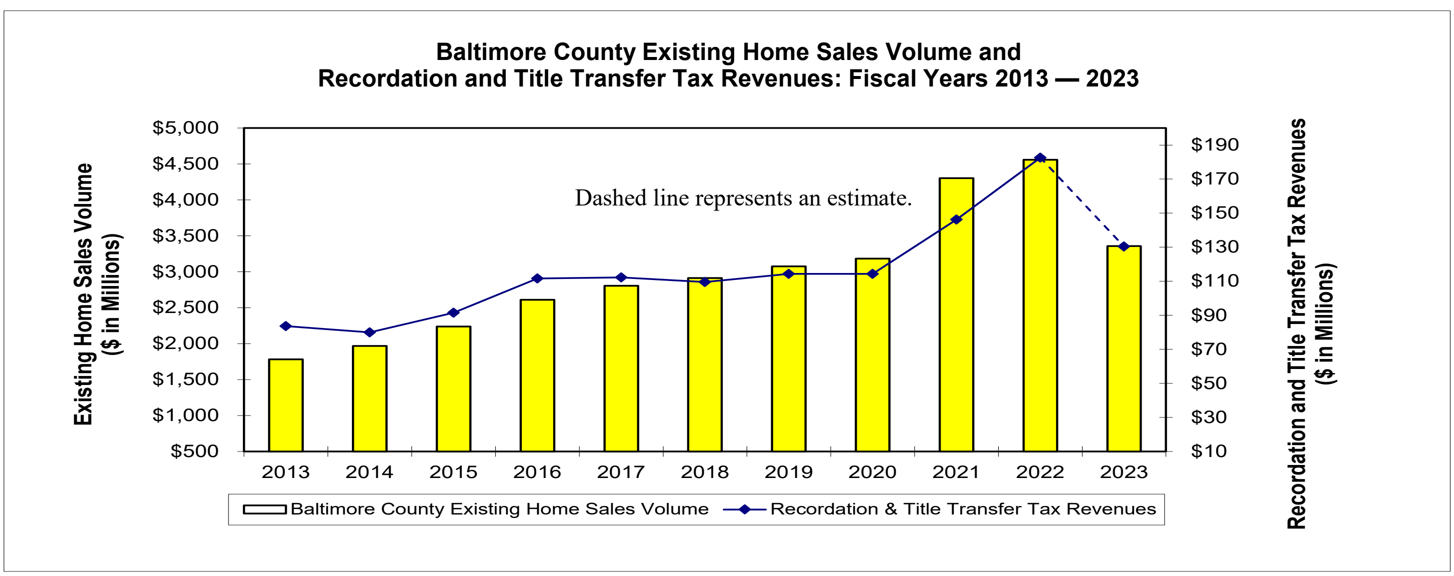
Pending existing home sales in June 2023 totaled 816 units, a decrease of 136, or 14.3%, from June 2022, following a 17.5% year-over-year decrease in May 2023. The County's "months of inventory" (i.e., the time needed to sell the entire inventory of homes at the current sales pace) was 1.1 in June 2023, compared to 1.2 in June 2022. These data suggest that home sales will continue to decline in the coming months until interest rates reach a point where prospective homebuyers can afford to purchase homes.

Reflecting higher interest rates and higher median sales prices, the monthly mortgage payment for a median-priced County home increased 16.6% in June 2023 compared to June 2022.

Mortgage interest rates for a 30-year conventional mortgage were 6.71% in June 2023, up 119 basis points from June 2022 when rates were 5.52%. The monthly payment for a median-priced Baltimore County home financed with a 30-year conventional mortgage loan (principal and interest only) was $2,222 in June 2023, a sizable 16.6% increase over the June 2022 level of $1,906, reflecting a considerable increase in both mortgage interest rates and sales prices (from $335,000 in June 2022 to $344,000 in June 2023).

Property-related transaction tax revenues totaled $130.4 million in FY 2023, a 28.6% decrease from FY 2022 collections.

Property-related transaction tax revenues (recordation and title transfer tax revenues) totaled $130.4 million in FY 2023 (unaudited), a decrease of 28.6% from FY 2022 collections of $182.6 million. These revenues are expected to continue to decrease in FY 2024, to $117.3 million, as interest rates constrain buyers' spending power, leading to reduced home sales, as well as to a suppressed volume of mortgage refinancing.



CONSTRUCTION

The total value of construction permits issued in 2023:Q2 was $548.9 million, 54.1% above the 7-year average of 2nd quarter activity.

Nationally, the construction industry is continuing to rebound after the COVID-19 pandemic. Compared to the first six months of 2022, national construction spending has risen from $890.4 billion to $917.4 billion in 2023, an increase of 3.0%. Those figures are well above the $667.9 billion of construction spending that took place during the first six months of 2020 when the country was in the depths of the pandemic. According to data reported by the Baltimore Metropolitan Council (a nonprofit organization that seeks to promote regional planning efforts), the value of construction permits issued in Baltimore County in 2023:Q2 totaled $548.9 million. This valuation is $192.6 million, or 54.1%, above the 7-year average of 2nd quarter activity and $346.8 million, or 171.6%, above the 2nd quarter activity at the start of the pandemic. Details of 2023:Q2 permit valuation/issuance by permit type are as follows.(1)

In 2023:Q2, the total value of non-residential building permits was $60.9 million. During the same quarter, the total value of residential building permits was $125.5 million. The value of additions, alterations, and repairs activity in 2023:Q2 totaled $362.5 million.

New non-residential construction permits were valued at $60.9 million, an amount that is $18.9 million, or 23.7%, below the 7-year average of 2nd quarter activity.

New residential building permits issued totaled 584, including 222 single-family and 362 multi-family unit permits. The value of new residential building permits issued totaled $125.5 million and was 79.5% above the 7-year average of 2nd quarter activity.

Additions, alterations, and repairs (AAR) permit values totaled $362.5 million, or 75.5% above the 7-year average of 2nd quarter activity. 763 of the 1,262 total permits were residential permits valued at $48.9 million while 499 were non-residential permits valued at $313.6 million.

In 2023:Q1, construction employment increased 5.3% on a year-over-year basis and represented 7.7% of County jobs.

Construction employment continues to remain a strong source of employment growth and personal income for County residents. Construction employment increased on a year-over-year basis by 1,209 jobs, or 5.3%, and represented 7.7% of County jobs during 2023:Q1. This growth far outpaced the relatively meager year-over-year increase of 833 jobs, or 0.3% employment growth, experienced by the County across all industries during the same quarter (2023:Q1). Additionally, over the same period, average weekly wages in the construction sector rose $152, or 11.2%, to $1,513, which was 0.9% above the County average wage in 2023:Q1. Only four other Maryland counties had higher average weekly construction wages compared to the County, and construction wages remain higher than the State and national averages across both the industry ($1,506 and $1,439, respectively) and the average of all industries ($1,500 and $1,487, respectively).

(1) *Note: The 7-year average referenced in this section excludes 2022 due to the unavailability of certain building permit information for several quarters beginning in 2021:Q4.*