

SPENDING AFFORDABILITY COMMITTEE

Anne Arundel County

January 31, 2026

The Hon. Steuart Pittman, County Executive
The Hon. Julie Hummer, Chair, County Council
Ms. Christine Anderson, Chief Administrative Officer
Mr. Chris Trumbauer, Budget Officer
Ms. Billie Penley, Controller
The Arundel Center, 44 Calvert Street
Annapolis, Maryland 21401

This report of the Spending Affordability Committee (SAC) for Fiscal 2027 is hereby submitted in accordance with Section 610 of the Anne Arundel County Charter. This section requires in part that “The Committee shall make advisory recommendations to the Office of the Budget, the County Executive, and the County Council relating to spending affordability including County spending levels to reflect the ability of the taxpayer to finance County services and long-term debt.” Section 610 also tells the Spending Affordability Committee to “...examine current capital projects, the five-year capital improvement program, per capita wealth, debt service, pay-as-you-go funding and alternative sources of funding.”

Committee Recommendation

The SAC has followed the practice of previous Committees that “spending affordability” can best be determined by estimating the growth in personal income of County residents. The Committee analyzes personal income growth on both a year-over-year and long-term basis. The Committee uses the definition of personal income provided by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA), which is “income received by persons from all sources” (e.g., wages, employment benefits, business income, and investment income) whether taxable or not. To avoid placing additional financial burden on County residents, spending growth should remain in-line with personal income growth. Simply put, if County spending were to increase faster than personal income, additional taxes and fees from County residents would likely be needed at some point to support that spending.

Using personal income as a benchmark to guide our analysis, the SAC recommends a Fiscal 2027 spending increase of 4.7% vs. the Fiscal 2026 adjusted base budget. As shown in the table below, this results in a recommended Fiscal 2027 Current Expense (General Fund) budget of \$2,336,169,844. This represents a \$109.7 million increase over the SAC’s Fiscal 2026 recommendation. The Fiscal 2026 recommendation was based on expectations of a slowing economy and rising costs. Our Fiscal 2027 recommendation is based on rising inflation, which grew at a 3.0% rate in September 2025 but declined slightly to 2.7% in November. Higher costs will impact the ability of the County to meet spending needs and continue providing the same level of services to the residents of Anne Arundel County. Although the economy is showing indications of slowing, including cutbacks in federal employment and spending, we believe the County is well positioned for the next fiscal year.

With respect to the Capital Budget, County budget policy stipulates that the General Fund Debt Limit be less than 4% of forecasted personal income.¹ Applying the Committee's 4.7% budget growth recommendation to the average of current personal income estimates for Fiscal 2026 results in a forecasted Fiscal 2027 County personal income of \$58,941,048,548. Applying the 4% limit to this personal income forecast results in a recommended General Fund Debt Limit of \$2,357,641,942. This represents a \$98.1 million increase over the SAC's Fiscal 2026 recommendation.

Anne Arundel County Spending Affordability Committee Recommendations For Fiscal Year 2027	
Current Expense Budget Recommendation	
<i>(Adjusted Base Budget for Current Year x Estimated Personal Income Growth Rate for Budget Year)</i>	
Approved Fiscal 2026 Budget	\$2,401,061,300
- Appropriated Fund Balance	(165,762,500)
- Rainy Day Fund Contribution	(4,000,000)
Committee's Adjusted Base Budget - Fiscal 2026	\$2,231,298,800
Estimated Increase in County Personal Income (Fiscal 2026 to Fiscal 2027)	4.7%
FY2027 General Fund Appropriation Limit (customary manner)	\$2,336,169,844
Capital Budget Recommendation	
<i>(Personal Income Forecast for Current Year x Estimated Personal Income Growth Rate for Budget Year x Standard)</i>	
Average of Regional Economic Studies Institute (RESI) of Towson University and	
Moody's Analytics Forecasts for County Personal Income - Fiscal 2026	\$56,295,175,308
Estimated Increase in County Personal Income (Fiscal 2026 to Fiscal 2027)	4.7%
Forecast Personal Income - Fiscal 2027	\$58,941,048,548
Standard Applied in County's Debt Affordability Model	4.0%
Fiscal 2027 General Fund Debt Limit (customary manner)	\$2,357,641,942

Background

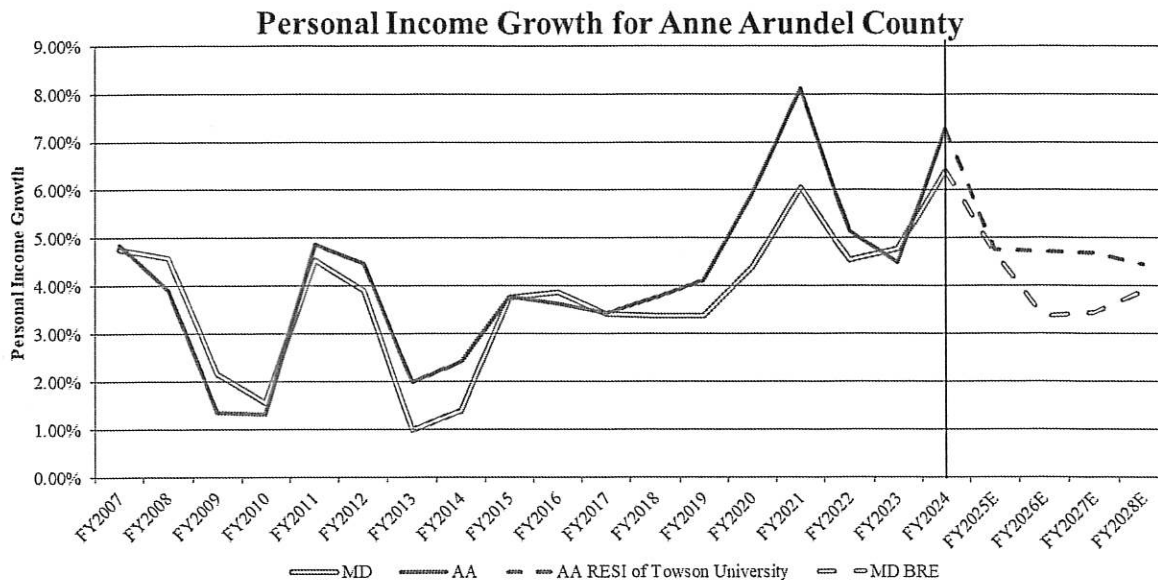
The State of Maryland contracts with various econometric forecasting firms to provide economic data and personal income forecasts. In addition, the State Board of Revenue Estimates (BRE) develops its own forecast for the State. To supplement this data, the County Budget Office obtained Anne Arundel-specific data and Fiscal 2026 forecasts from the Regional Economic Studies Institute (RESI) at Towson University and Moody's Analytics. Additional perspective was provided by the Moody's Analytics forecast for Baltimore City, Baltimore County, and Howard County.

¹ Page 21, Approved Current Expense Budget, and Budget Message for Fiscal Year 2022.

The RESI and Moody's estimates are informed by personal income data from the BEA, employment data from the Bureau of Labor Statistics, and population data from the U.S. Census Bureau. The following table summarizes the most recent personal income growth estimates for Maryland, Baltimore City, and Anne Arundel, Howard, and Baltimore Counties. As shown, there is a range of estimates from a low of 3.4% for the State Board of Revenue Estimates to a high of 4.7% for the County from RESI.

Comparison of Personal Income Forecasts					
Fiscal Year 2025 - 2028					
		2025	2026	2027	2028
State of Maryland	Board of Revenue Estimates (Dec)	4.7%	3.4%	3.4%	3.9%
	RESI of Towson University (Dec)	4.6%	4.8%	4.8%	4.5%
	Average	4.7%	4.1%	4.1%	4.2%
Anne Arundel County	Moody's (Dec)	5.9%	4.2%	4.2%	4.1%
	RESI of Towson University (Dec)	4.8%	4.7%	4.7%	4.5%
	Average	5.3%	4.5%	4.5%	4.3%
Howard County	Moody's (Dec)	4.3%	4.3%	4.4%	4.3%
Baltimore County	Moody's (Dec)	4.8%	4.1%	4.2%	4.1%
Baltimore Area	Moody's (Dec)	5.6%	4.5%	4.1%	3.9%

The following graph shows the actual annual growth rates in personal income from Fiscal 2007 to Fiscal 2024 for Maryland and Anne Arundel County as reported by the BEA, along with the Moody's and BRE forecasts for Fiscal 2025 through Fiscal 2028. If viewing in black and white, the double line is Maryland and the solid line is Anne Arundel County. In 2025, the higher (orange) dashed line is Anne Arundel County. For the most recent year where data is available (Fiscal 2024), the BEA currently reports that the personal income growth rate in Anne Arundel County was 7.28%. Note that this data is subject to potential updates by the BEA in future reports. The chart below shows the most recent updates for all years, and supersedes any data presented in previous Committee reports.



Economic Analysis

Most indications suggest that the economy is slowing. Inflation and the unemployment rate have both been rising, job growth has slowed over the past several months, and home sales remain mired in a slump. In the County the unemployment rate was 3.8% in September 2025, tied for 3rd lowest in the State but better than the statewide average of 4.3%. In September the County labor force stood at a relatively stable 316,649, about 400 or -0.1% below the September 2024 level. Although the federal government has been reducing spending and employment, the Committee does not anticipate significant reductions at either Fort Meade or the National Security Agency, which combined maintain a significant presence in the County. Another encouraging signal is that net taxable income increased by 10% in tax year 2024, from \$26.7 billion in tax year 2023 to \$29.4 billion in tax year 2024. Wage growth continues, albeit at a weaker pace. The average wage for non-farm employment grew 2.7% between the 2nd quarter of 2024 and the 2nd quarter of 2025 (from \$76,388 to \$78,468).

The median home price in Anne Arundel County is also up 3.0% year-over-year, from an average of \$479,831 in FY 2024 to \$494,069 in FY 2025. Home sales fall to an average of 595 per month in FY 2024 and 588 per month in FY 2025; the lowest level since FY 2015. While inflation remains above the Federal Reserve Board's 2% target, lagging job growth induced the Board to cut interest rates three times in the fall of 2025. Mortgage rates were at 6.15% at the end of December 2025.

Near Term Outlook

The Committee has a cautious outlook for the economy. Although unemployment and inflation have been rising, net taxable income has continued to grow. Real property revenue will also rise, since the County has unused assessable base. In January 2026 the State Department of Assessments and Taxation announced that Group 2 properties in the County were reassessed at a 15.1% growth rate compared to three years prior: 7th best in the State and above the statewide average.

SAC Committee Discussion and Analysis

The SAC members applied our collective experience and background in business, economics, finance, and Federal/State/Local government to assess the forecasts that were provided.

As noted above, the Committee members discussed the positive and negative trends in the economy as well as the projections for personal income in the County, State, and other Counties in the region. The Committee held a robust discussion of the trends in the economy. By all indications, economic activity is slowing. While the unemployment rate has been rising, the County has one of the lowest unemployment rates statewide. The Committee is also expecting defense-related activities to be buffered from federal cutbacks. Rising inflation was the Committee's primary concern, driven in part by federal tariff policy. If costs continue to rise it could affect the ability of the County to maintain the services that County residents rely upon. The potential for rising costs was instrumental in the Committee's decision to set the rate at 4.7% for FY 2027; equal to the rate forecasted by RESI. The Committee was mindful of its purpose to recommend a level of spending growth in accord with the economy. In this way, spending can increase on a sustainable path without unduly burdening County residents with large tax or fee increases. The Committee felt that the personal income projections from RESI was most appropriate given both the wage growth experienced by the County and rising inflation.

Conclusion

After discussion of the various growth rate options in County personal income, the Committee chose to recommend a 4.7% limit for FY 2027. This should allow the County to address spending needs without unduly expanding ongoing operating spending.

The Committee once again extends its appreciation to our County employees, especially to Budget Administrator Hujia Hasim and Budget and Management Analyst Kyle Madden. The quality of governmental services that they provide is second to none. We sincerely hope that the evidence assembled for this report will help manage expectations and inform fair and just analysis of the fiscal decisions facing our elected leaders.

Sincerely,



Dr. David B. Juppe, Chair

Spending Affordability Committee Membership for Calendar 2023 to 2025

District	Name	Resolution #	Appointed on	Term Expires
1	Vacant			
2	Ejaz Younas, Vice Chair	20-21	3/15/2021	12/1/2024
3	Deborah Ritchie, Secretary	41-22	9/16/2019	12/1/2025
4	Vacant			
5	Tony Fetter	36-23	9/5/2023	9/4/2027
6	David Juppe, Chair	34-19	12/2/2022	12/1/2026
7	Matt Minahan	48-22	9/19/2022	12/1/2025

Attachment A
Approved Budgets vs. Reported Personal Income Growth

Fiscal Year	Spending Affordability Committee Budget Growth Recommendation	General Fund Approved Budget (\$ millions)	Year-Over-Year Budget Growth	Actual Personal Income (\$ thousands)*	Year-Over-Year Personal Income Growth
2008	5.50%	1,160.30		27,436,266	
2009	5.00%	1,173.60	1.15%	27,805,660	1.35%
2010	0.00%	1,180.80	0.61%	28,169,912	1.31%
2011	1.50%	1,169.40	-0.97%	29,539,914	4.86%
2012	4.40%	1,155.60	-1.18%	30,857,772	4.46%
2013	3.50%	1,218.90	5.48%	31,471,975	1.99%
2014	4.50%	1,238.30	1.59%	32,229,649	2.41%
2015	4.75%	1,309.70	5.77%	33,448,481	3.78%
2016	4.50%	1,346.50	2.81%	34,661,551	3.63%
2017	3.00%	1,406.70	4.47%	35,850,578	3.43%
2018	3.50%	1,460.80	3.85%	37,200,233	3.76%
2019	3.75%	1,524.88	4.39%	38,735,053	4.13%
2020	3.75%	1,637.60	7.39%	41,029,052	5.92%
2021**	3.70%	1,680.50	2.62%	44,359,755	8.12%
2022	2.00%	1,747.86	4.01%	46,637,276	5.13%
2023	3.50%	1,871.58	7.08%	48,725,626	4.48%
2024	5.10%	1,965.91	5.04%	52,273,930	7.28%
2025	4.30%	2,122.43	7.96%	***	***
2026	4.90%	2,231.30	5.13%	***	***

*Based on data available from the BEA (https://apps.bea.gov/iTable/index_regional.cfm) as of January 2026. This data is subject to change in future BEA reporting. Also, it should be noted that the BEA reports county and metropolitan area personal income on a Calendar Year basis. Quarterly data is only available at the state level. For analysis purposes, the Budget Office converted this data to a County Fiscal Year basis by averaging the Calendar Year data. For example, the personal income shown above for Fiscal 2024 is the average of the BEA reported data for Calendar 2023 and 2024.

**The Fiscal 2021 recommendation was made in January 2020, prior to onset of the COVID-19 pandemic.

***Data for Calendar 2025 and 2026 is not yet available from BEA as of the date of this report.

