

# FISCAL 2026 BUDGET: PLANNING COMMISSION OVERVIEW

City of Baltimore

Department of Finance-Bureau of the Budget & Management Research

January 6<sup>th</sup>, 2025

01

10-Year Financial  
Plan: Increased  
Infrastructure  
Investment

02

Fiscal 2026 Budget  
Outlook

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Fiscal 2026 Budget  
Planning Process

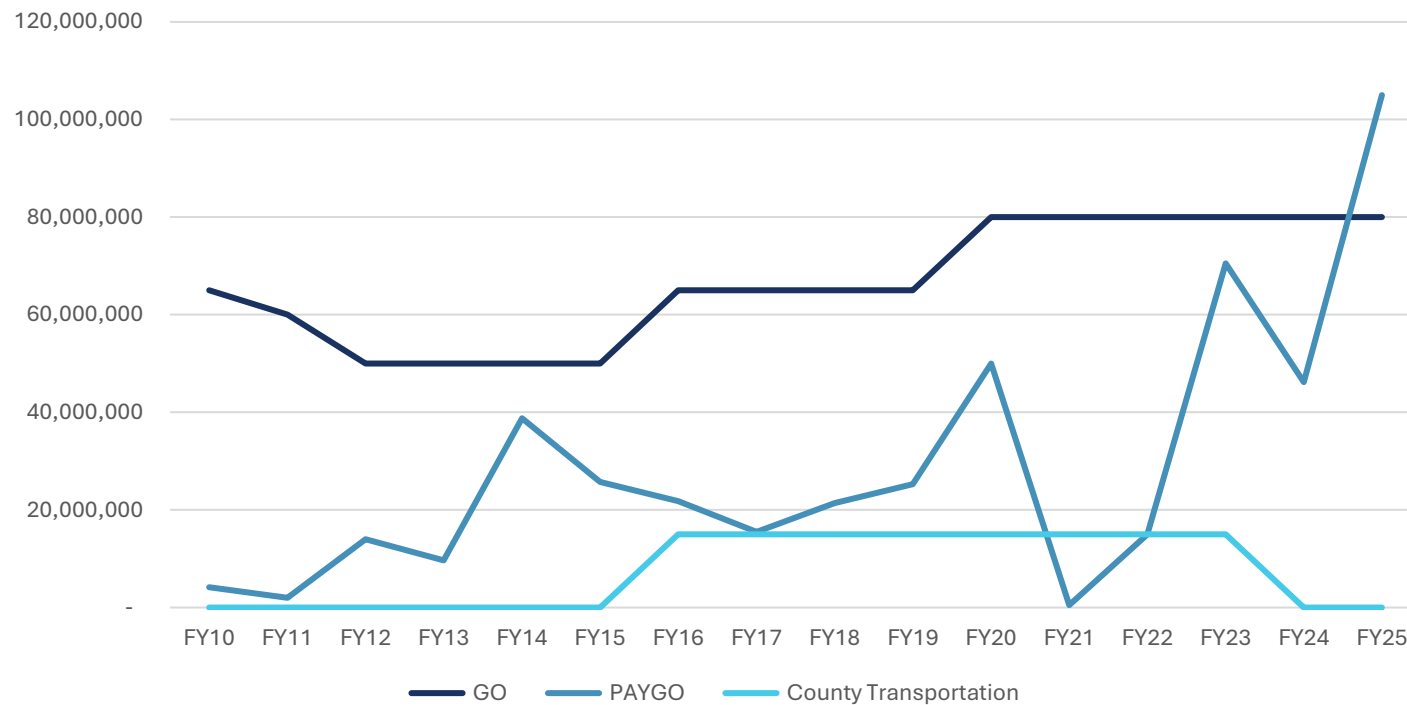
AGENDA



# 10-YEAR FINANCIAL PLAN: INFRASTRUCTURE INVESTMENT

# CAPITAL SPENDING TRENDS: GENERAL FUND BACKED SOURCES

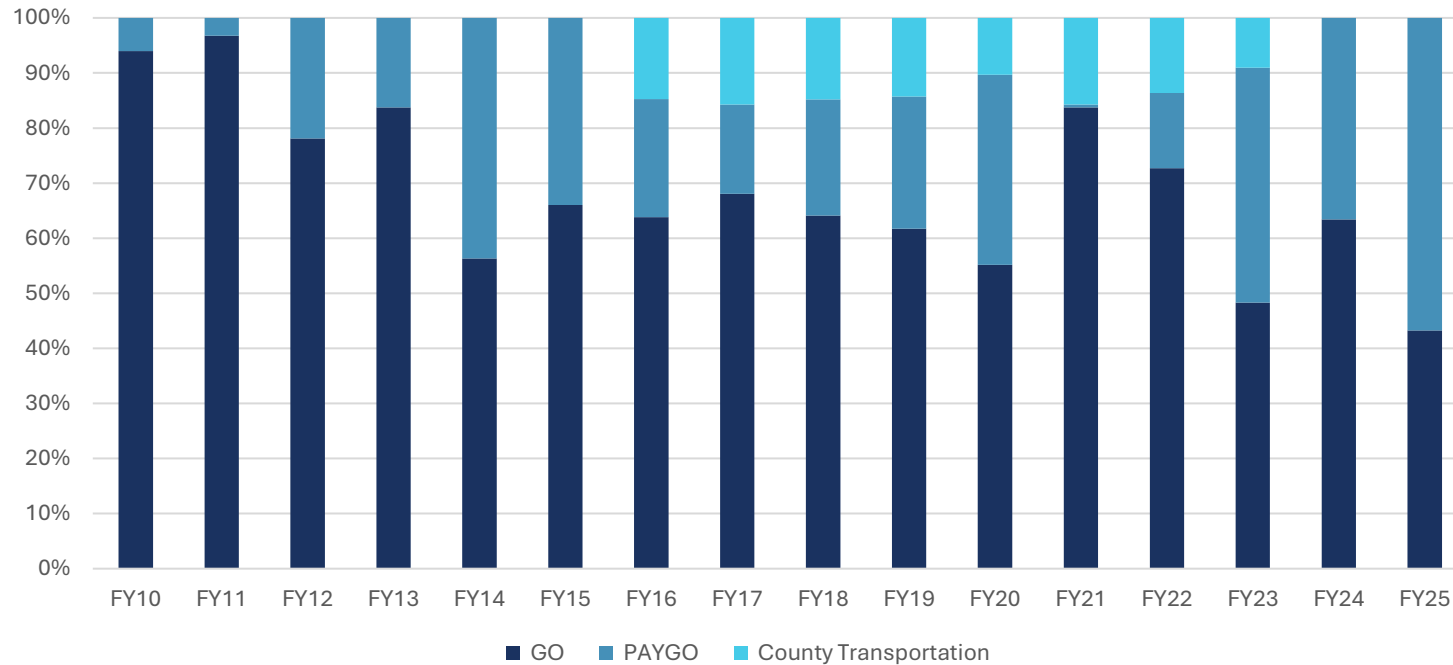
Locally Backed Capital Sources: FY10-FY25



- GO Borrowing levels have been increased three times since Fiscal 2011.
- Historically the City has utilized one-time funding sources as the tool to boost the Capital Budget.
- This has created limitations to ensuring ongoing capital investment to reduce the deferred maintenance backlog.

# CAPITAL BUDGET TRENDS: RATIO OF CAPITAL FUNDING

Ratio of Locally Backed Capital Funding-FY10-FY25



- Over time, GO Borrowing has represented a smaller share of the overall Capital Budget.
- Annual PAYGO amounts have increases since Fiscal 2022 driven by increased HUR funding for DOT projects.
- In Fiscal 2025, GO Borrowing represents 43% locally funded capital vs. 94% in Fiscal 2010.

## GO BORROWING: GROWING THE CAPITAL BUDGET

- Making meaningful progress on the City's deferred maintenance backlog, requires a sustained level of higher capital spending.
- In 2023 the City updated the Debt Study that analyzed how GO Borrowing can be increased without negatively impacted the City's bond rating.
- Funding this phase-in is a central goal of the City's updated 10-Year Financial Plan that will be published this spring/summer.

### Planned GO Borrowing Allocation by Fiscal Year

Fiscal 2026	\$125 Million
Fiscal 2027	\$125 Million
Fiscal 2028	\$140 Million
Fiscal 2029	\$140 Million
Fiscal 2030	\$160 Million
Fiscal 2031	\$160 Million
Fiscal 2032	\$200 Million

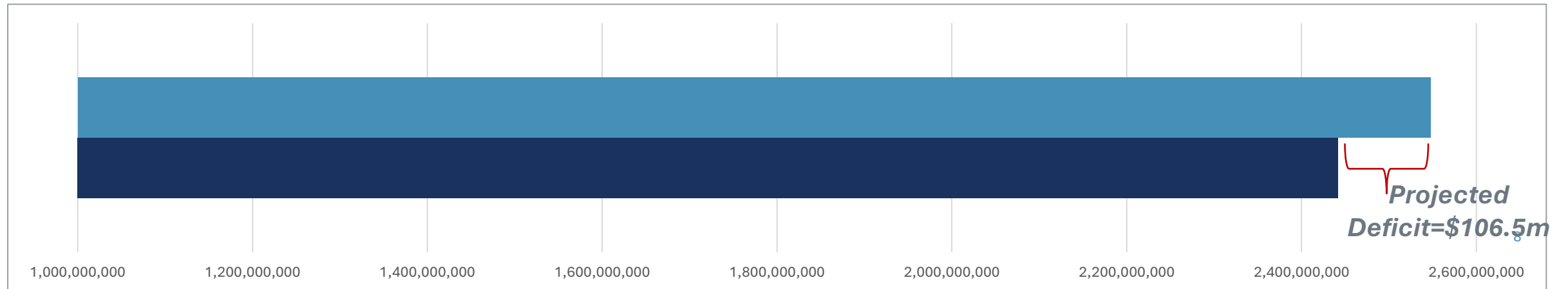
- Meeting the goal of increasing the GO Borrowing level will require a recurring funding source and/or recurring savings to offset increased debt service costs.
- \$10 Million of Additional GO Borrowing=\$800,000 Increased Debt Service
  - Annual debt service impact of increasing from \$80m to \$125m=\$3.6 Million

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# FISCAL YEAR 2026- PRELIMINARY OUTLOOK

# FY2026: AT A GLANCE

	FY25 Adopted	FY26 CLS	% Change
Total Revenue	\$2,347.7	\$2,442.0	+4.02%
Expenditures	\$2,242.7	\$2,442.7	+8.92%
PAYGO Capital	\$105.0	\$104.9	-0.10%
Total Expenditures	\$2,347.7	\$2,547.6	
Surplus/Deficit		<b>\$(106.5M)</b>	







# REVENUE & EXPENDITURE ASSUMPTIONS

# REVENUE INCREASE ASSUMPTIONS

## Property Tax

- Assumed assessment Increase:
  - +8% Residential/+4% Commercial
- Collection & appeals rate consistent with FY24 levels.

+4.8%

## Transfer & Recordation

- Projected increase driven by higher assessed values & anticipated uptick in refinancing & sale transactions.

+17.3%

## Income Tax

- Assumes 4.2% increase in per capita income.
- No changes in projected size of City income tax base as share of overall statewide base.

+6.8%

## Highway User Revenue

- Fiscal 2026 is 3<sup>rd</sup> year of four under the increased allocations.
- Projection based on increased allocation; assumes no change to formula components.

+12.1%

## Interest Earnings

- Drop based on projected decline in cash on hand as ARPA gets spent down and decline in interest rates.

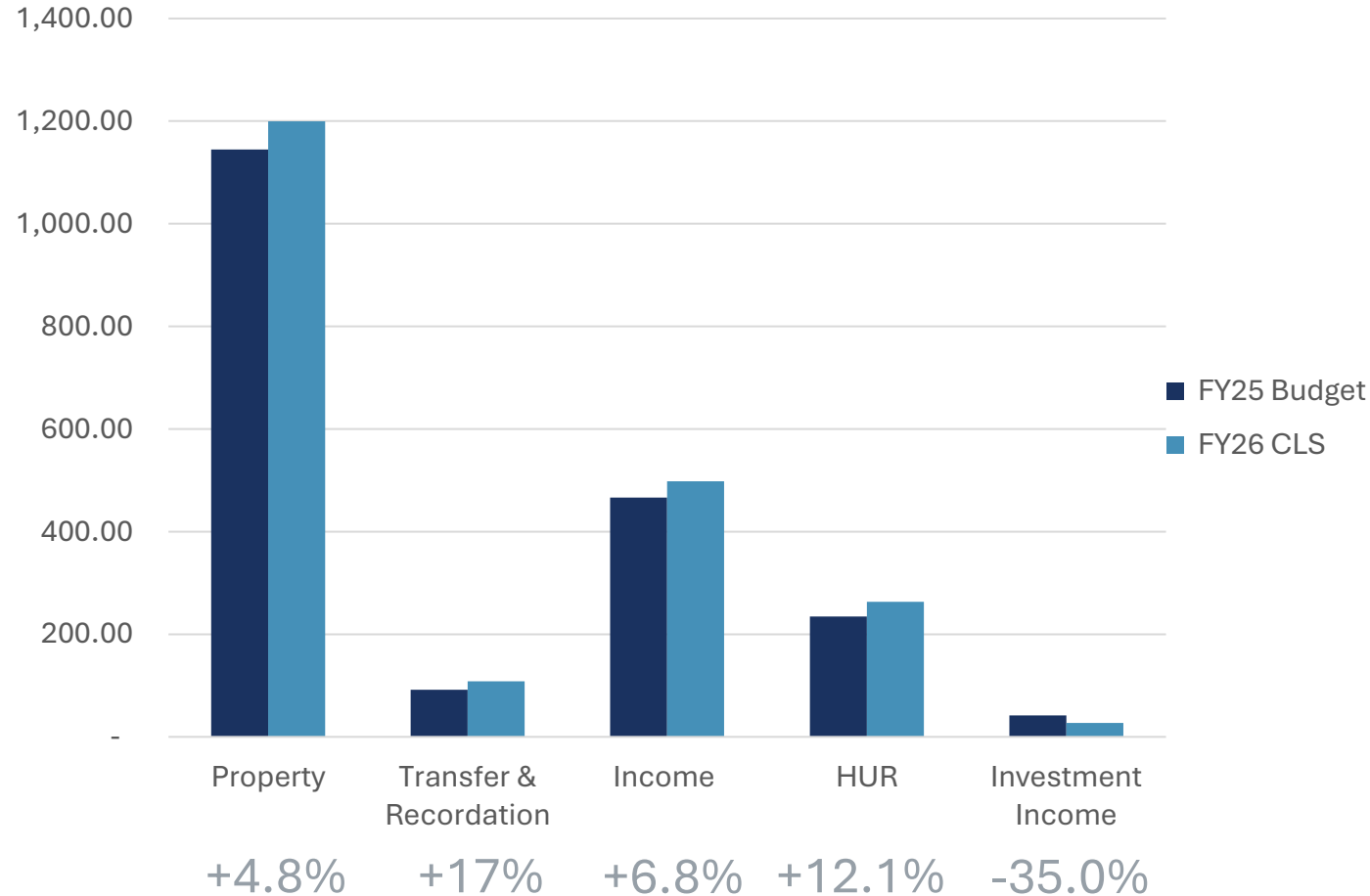
-35.0%

## All Other Adjustments

- Notable adjustments:
  - Admission & Amusement: +19.8%
  - Cost of Tax Credits: +8%
- FY26 CLS projections assume no use of fund balance

-0.4%

## Fiscal 2026 CLS Revenue Projections: Major Revenues



## Revenue Increase: Major Drivers

- Property tax accounts for nearly 50% of General Fund revenue; projected growth accounts for 50% of overall revenue growth in FY26.
- Transfer & Recordation taxes and Investment Income are both volatile revenue streams that have inverse relationship with interest rates.
  - Growth in Transfer & Recordation offsets projected drop in investment income
- Income Tax growth driven assumed increase in per capita income.

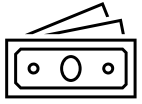


# PROPERTY TAX PROJECTIONS

## Key Assumptions

- Assessments
  - Fiscal 2026 will capture reassessments for Group 1, which includes downtown
    1. **Residential=+8%**
    2. **Commercial Increase: +4%**
  - While overall value of downtown commercial properties has declined; reassessments of the highest downtown properties has already happened. Projection assumes growth on the lower assessments.
- Appeals & Collection Rate
  - Appeals: 0.77% reduction in tax base from annual appeals; 5-year average
  - Collection Rate: 97.5%; consistent with FY24 rate
- Cost of Tax Credits
  - The overall cost of tax credits is projected to grow by 8%, from \$127.3m to \$137.6m.
  - Biggest driver of growth is from THTC & Homestead Phase In.





# INCOME TAX PROJECTIONS

## Key Assumptions

- All Income Tax: +7.8%
  - This includes employment-based tax filings & State reconciliation of prior year disbursements
  - Assumes per capita income grows by 4.2%
  - Revenue from prior year reconciliation stays at historical levels; 4% decline compared to Fiscal 2025
- Fiduciary: -23.0%
  - This includes non-employment based income tax filings.
  - Based on Fiscal 2024 trends
- Unallocated: +8.5%
  - This includes prior year paid income tax that was collected but unclaimed by taxpayers; gets paid out twice/fiscal year.
  - Based on Fiscal 2024 trends

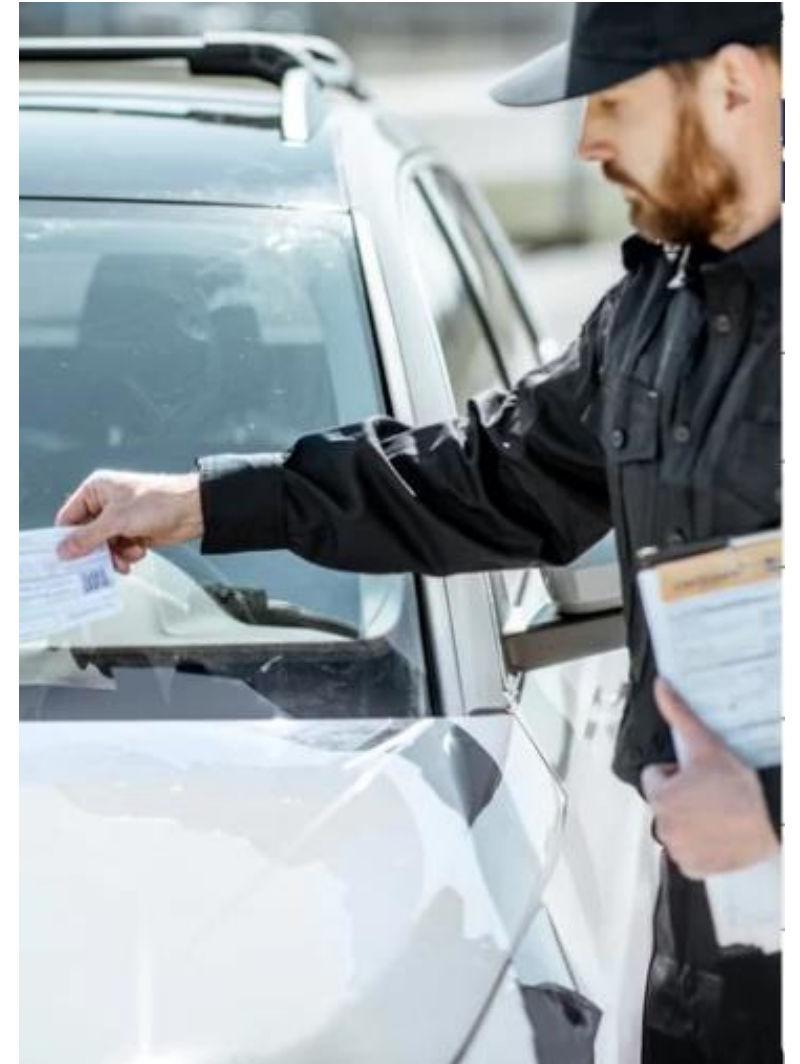




# FINES & FEES

## Key Assumptions

- These items represent 3% of the total General Fund budget (CLS Assumption=\$61m)
- Fines & Fees were increased in Fiscal 2025:
  - Fiscal 2025 budget included \$7.2 million in new revenue from fines and fees.
  - CLS projections assume continuation of those initiatives, including implementation of the License Plate Reader pilot.
- Status of Fine & Fee Review
  - As part of Fiscal 2026, BBMR is reviewing fee structures for 3 agencies to bring recommendations for updates:
    1. Code enforcement (DHCD, Fire, Planning and DPW)
    2. DOT (Traffic & Special Events)
    3. Finance (Multiple City license)
    4. Business Licenses
  - Additional recommendations for fine & fee adjustments being considered as part of 2025 General Assembly legislative priorities.



# FISCAL 2025: EXPENDITURE INCREASE ASSUMPTIONS

## Salaries

- Assumed increases for staff salaries subject to ongoing union negotiations.

+11.4%

## Benefits

- Medical: +7.5% for Actives; +21% for Retirees.
- Pension: +2.5% for ERS; +\$7m for F&P based on recent reforms.

+8.3%

## Debt Service

- Assumes uptick in annual debt service costs based on large projected borrowing in Fiscal 2025.

+14.4%

## Fleet & Buildings

- Fleet: Up 8.7% based on increased debt service for increasing Master Lease.
- Buildings: Up 2.3%; increase in monthly lease offset by utility savings.

+6.1%

## General Inflation

- Standard inflation applied to all non-personnel line items
  - Contractual: +3%
  - Supplies: +4%
  - Equipment: +5%

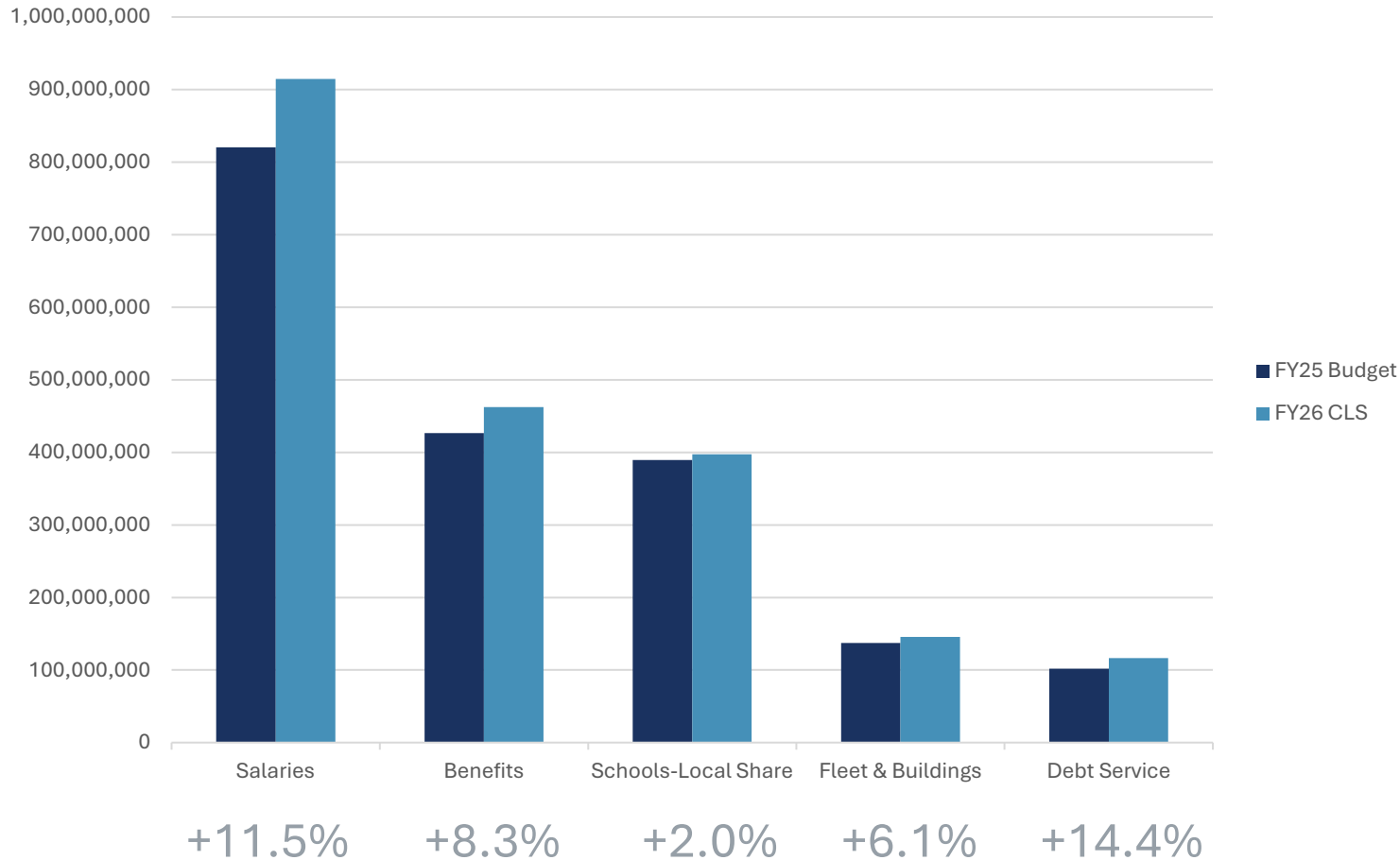
+3-5%

## Agency Adjustments

- Overall increase of \$32 million.
- Largest adjustments made for leases/space costs & personnel costs.

+\$32m

## Fiscal 2026 CLS Expenditure Projections: Major Expenditures



## Expenditure Increase: Major Drivers

- Personnel costs account for 50% of the General Fund budget; in the FY26 CLS projection these costs are up by 19.8% (67% of the overall expenditure increase).
- Significant increase in benefit costs driven by retiree medical (+21%) and 1<sup>st</sup> year of F&P pension reform.
- Projected Schools funding assumes the City remains in the same Educational Index Tier.



# CLS-AGENCY ADJUSTMENTS

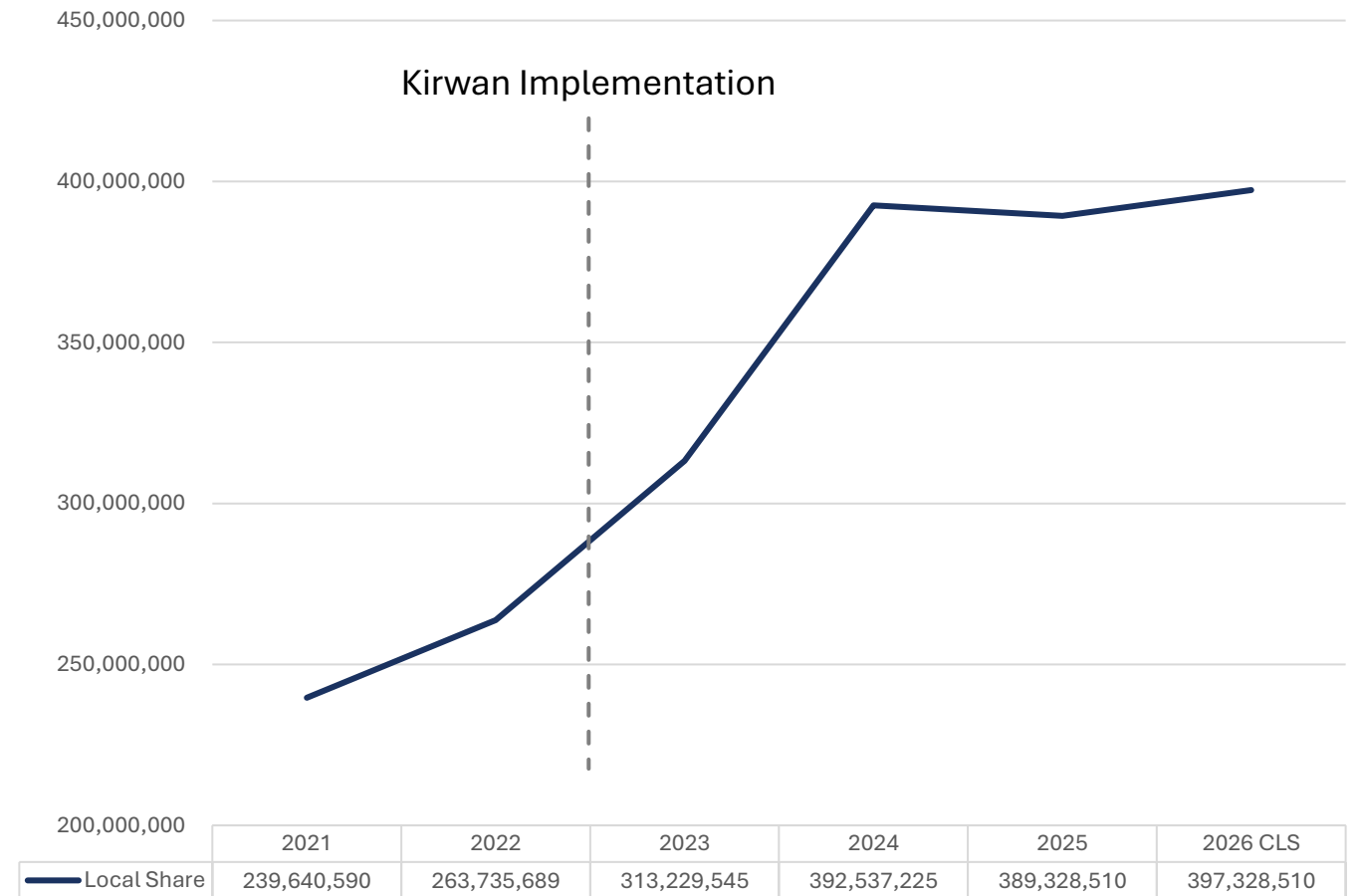
- Agencies submitted CLS adjustments totaling \$144.6m; BBMR has recommended funding \$32.6m of the requested items.
- Recommended adjustments fall into one of the listed categories; items not recommended for funding were service enhancements.

Annualization of Cost	Provide fully funding for initiative that was partially funded in Fiscal 2025.
Capital Projects	Operating cost for capital project that will come online in Fiscal 2026.
Cyclical Costs	Service costs due to the nature of the service (i.e. election costs).
Debt Service	Adjustment based on projected changes to debt service in Fiscal 2026.
Extraordinary Inflation	Expenditure or contract that is anticipated to grow faster than the standard CLS inflationary adjustment.
Grant Match	Updates to the local match; does <b>not</b> include replacing expiring grants.
Mandated Cost	Additional costs resulting from new legal or policy mandate (i.e. new operating costs resulting from recently passed City Council legislation)
Remove One-Time Item	Items included in the Fiscal 2025 budget that were only intended for 1 year for a specific purpose.

# CITY SCHOOLS- LOCAL SHARE ESTIMATE

- Under these projections, Local Share funding will be up 50.6% since Kirwan implementation.
- CLS projections assume the City will stay in Tier 2 under the Education Effort Index.
- The credit under this component grows by 10% from 45% in FY25 to 55% in FY26.
- If we drop another tier, the FY26 credit will 30%.

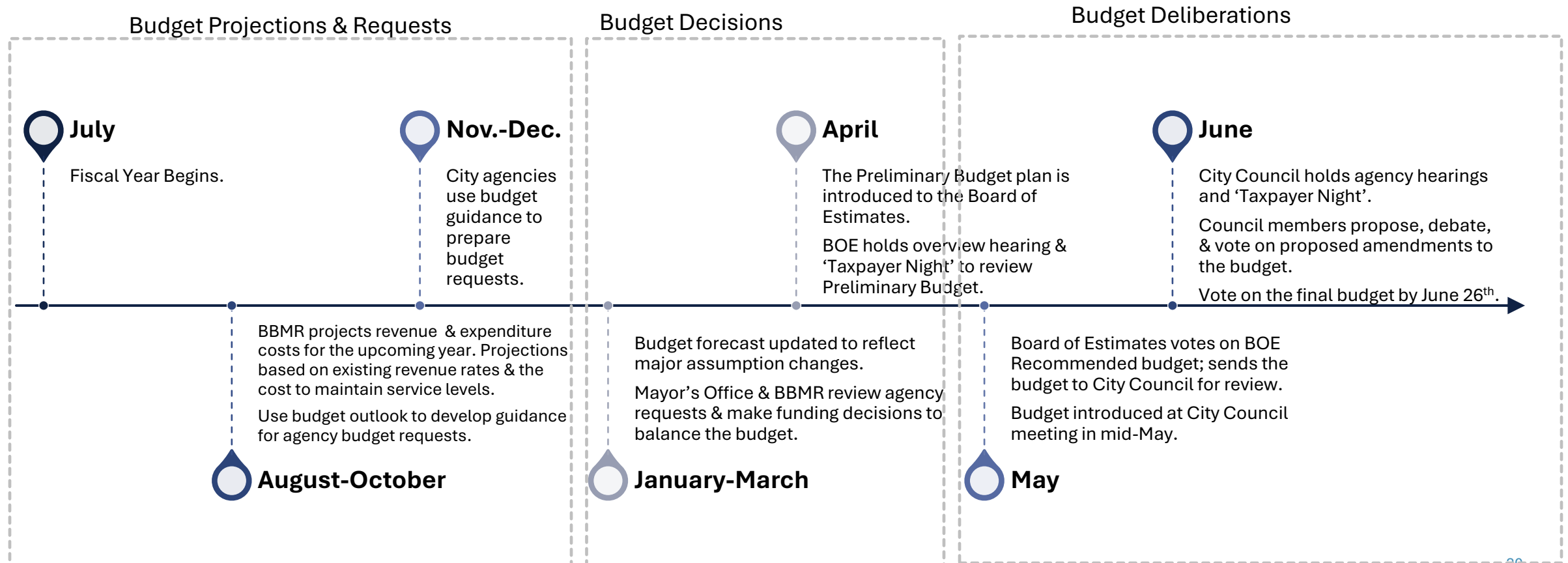
City Schools: Local Share Funding





# BALTIMORE'S BUDGET PLANNING PROCESS

# FISCAL 2026 BUDGET DEVELOPMENT: KEY DATES & MILESTONES



<p>Overview Memos</p>	<p><b>WHAT IS IT:</b> Summary of the agency’s strategy for Fiscal 2026. Memos should highlight specific goals for Fiscal 2026 and how the proposed budget seeks to address those goals.</p> <p><b>WHY IT MATTERS:</b> Provides high level information that is supported by individual service requests.</p> <p><b>HOW IT’S SUBMITTED:</b> Uploaded to Agency Folder on BBMR-Agency SP Page</p>
<p>Service Proposals</p>	<p><b>WHAT IS IT:</b> Narrative explanation outlining the service’s performance, plan for the upcoming year, and major spending changes</p> <p>Comprised of 3 Sections: Service Background, Proposed Budget Changes, &amp; Performance Plans</p> <p><b>WHY IT MATTERS:</b> Provides context for how the service aligns with the City’s priority and summarizes service operating plan for the upcoming year</p> <p><b>HOW IT’S SUBMITTED:</b> 1 submission/service in Proposal Form</p>
<p>Line-Item Budgets</p>	<p><b>WHAT IS IT:</b> Budget at the line-item level consistent with how the budget is described in the service proposal</p> <p><b>WHY IT MATTERS:</b> Ensures budget is aligned with service delivery model; used as foundation when budget begins to be implemented</p> <p><b>HOW IT’S SUBMITTED:</b> Adaptive Planning (Workday); line-item budget reflecting the fund, service, activity, and spend category detail for the agency budget.</p>
<p>Enhancement Requests</p>	<p><b>WHAT IS IT:</b> Requests for additional funding to supplement existing services or add new activities to a service.</p> <p><b>WHY IT MATTERS:</b> Ensures all requests for additional funds are submitted in a consistent way allowing them to be evaluated and prioritized when making budget decisions.</p> <p><b>HOW IT’S SUBMITTED:</b> 1 submission/enhancement request submitted via electronic form.</p>

# Operating Requests: Agency Deliverables

# ✓ EVALUATING PROPOSALS

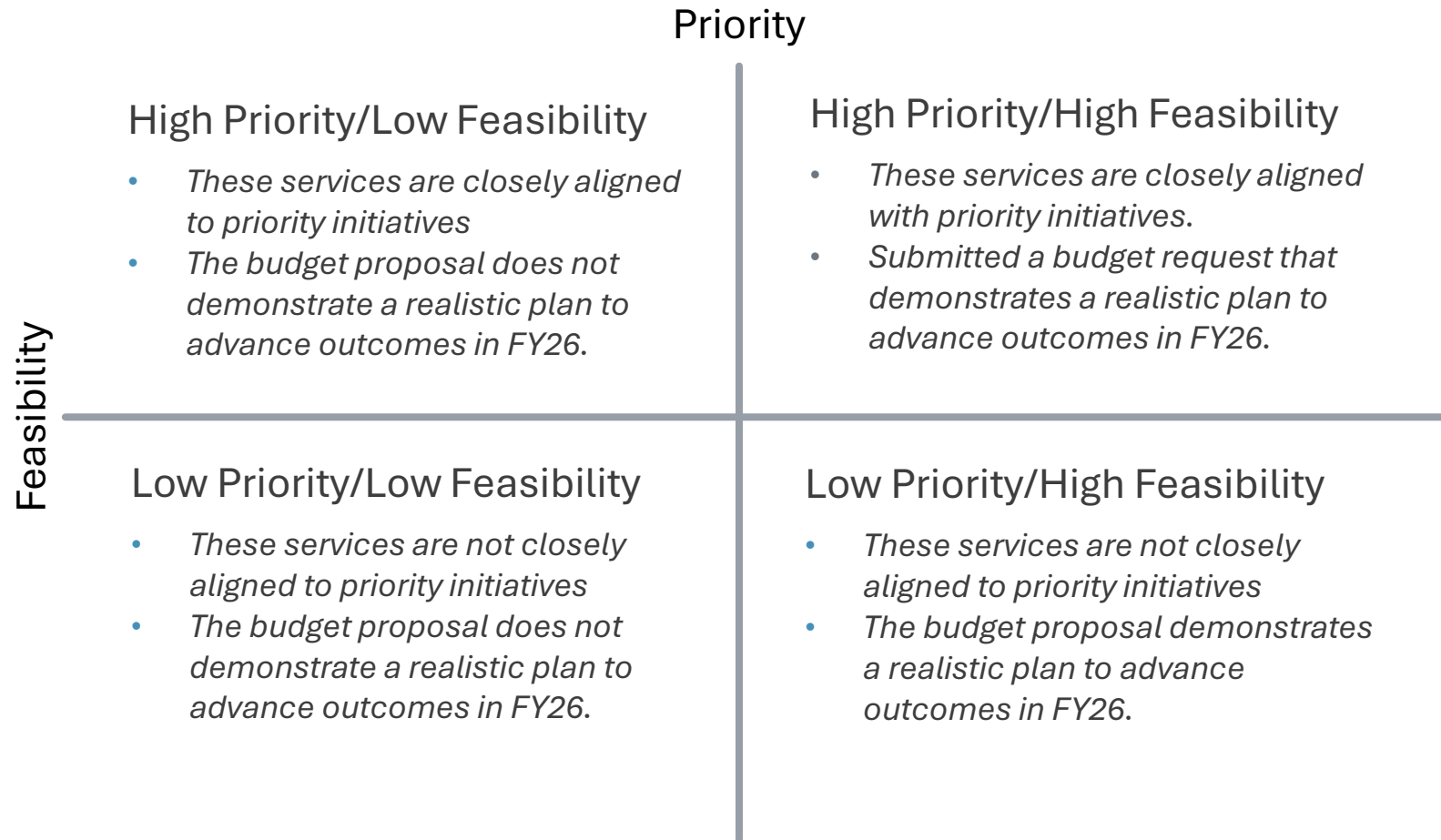
	Criteria	Score	Criteria Description
Priority	Impact		<ul style="list-style-type: none"> <li>The proposal demonstrates its ability to maintain or improve service levels within the proposed funding level.</li> </ul>
	Equity		<ul style="list-style-type: none"> <li>The proposal demonstrates how it seeks to address a disparity in the community</li> </ul>
	Performance		<ul style="list-style-type: none"> <li>The proposal includes ambitious performance targets &amp; meaningful performance measures.</li> </ul>
	Duplication		<ul style="list-style-type: none"> <li>The service is designed to not be duplicative of services provided by others (i.e. federal/state government, non-profits, private sector).</li> </ul>
Feasibility	Capacity		<ul style="list-style-type: none"> <li>The Budget Goals demonstrate the service's ability to effectively execute plans in FY26.</li> </ul>
	Scalability		<ul style="list-style-type: none"> <li>The proposal can be scaled to meet resource demands.</li> </ul>
	Mandates		<ul style="list-style-type: none"> <li>The service/proposal includes a mandated component.</li> </ul>
	Cost Effectiveness		<ul style="list-style-type: none"> <li>The service proposal demonstrates improved efficiencies or cost effectiveness (value).</li> </ul>

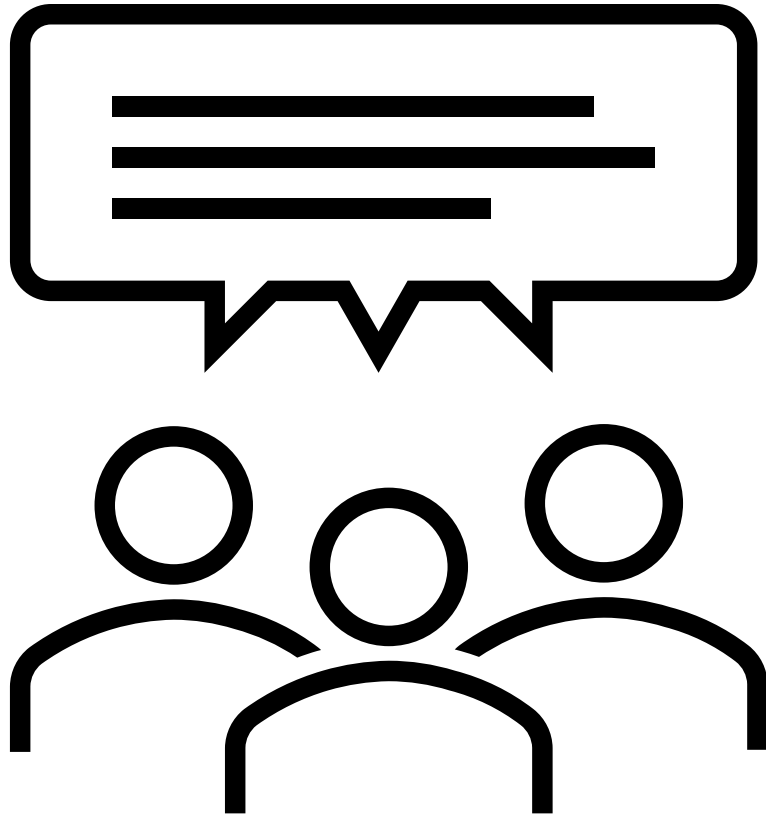
## EVALUATION TOOLS

- Evaluation tools will analyze proposal tools against Priority & Feasibility criteria.
- Each criteria will be scored on 1-4 scale.
- This tool will be used for all Service Proposals & Enhancement requests to help inform budget recommendations.
- This approach seeks to align budget resources with overall priority initiatives that have presented plans that can be executed in Fiscal 2026.



# CONNECTING EVALUATION & BUDGET RECS





## QUESTIONS & DISCUSSION