



Marc Elrich
County Executive

Michael J. Coveyou
Director

DEPARTMENT OF FINANCE

MEMORANDUM

February 15, 2026

TO: Marc Elrich, County Executive

FROM: Michael Coveyou, Director 
Department of Finance

SUBJECT: Revenue Estimating Group Report for February 15, 2026

As chairperson of the Revenue Estimating Group, I am pleased to transmit to you the Group's February 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 February 15th report focuses on fiscal 2026 year-to-date tax revenues through the end of December and the economic assumptions to be used for the fiscal year 2027 recommended budget.

The next report is due in May and will review the fiscal year 2027 recommended budget tax revenue forecast. 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
Chris Cihlar, Director of the Office of Legislative Oversight
Gene Smith, Deputy Director for Budget and Policy, Office of the County Council

Designees and Technical Committee members:

Nancy B. Feldman, Chief, Division of Fiscal Management
Dennis Hetman, Fiscal Manager, 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
Faisal Amin, Deputy Director, Office of Management and Budget
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

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**Montgomery County Maryland Revenue Estimating Group (“REG”)
Quarterly Report
February 15, 2026**

Executive Summary

- Economic assumptions for Fiscal Year 2027 (“FY27”) incorporate stable macro-economic conditions (i.e., neither a recession nor an expansion). This assumption of the macro-economy is consistent with the Fiscal Year 2026 (“FY26”) December Fiscal Plan presented to the County Council on December 9, 2025, as well as the assumptions incorporated into the FY26 approved budget.
- While the assumptions for FY27 do not include a recession, future forecasting in the current climate is difficult. Throughout calendar year (CY) 2025 volatility in national economic policy could have tipped the economy into recession but ultimately did little to affect spending by wealthy households and investment in AI infrastructure. These two sectors have continued to support continued national economic growth. The REG emphasizes that there remains elevated risk that federal actions could have material impact on Montgomery County tax revenues. The combination of economic growth relying on a few volatile sectors (wealthy households and AI investment) and slow employment growth increases the risk of greater revenue variance in FY27.
- In the December Fiscal Plan, the FY26 revised total tax revenues were forecast to remain at the approved budget levels. As of the end of December total tax revenues remain on track to meet the approved FY26 budget and FY26 December Fiscal Plan estimates.

Economic Assumptions

2026-32 Economic Assumptions

The economic assumptions that will be applied to develop the FY27 budget revenue forecast are shown below. The FY27-FY32 revenue forecasts assume the economy will experience stable conditions, meaning it will neither experience a recession nor an expansion. The FY27 budget tax revenue forecast incorporates assumptions from Moody’s Analytics, S&P Global Market Intelligence, and the Department of Finance. As a result of the Federal government shutdown from October 1 to November 12, the Bureau of Economic Analysis did not release updated estimates for key economic indicators in early December 2025 as was previously expected. This missing data means that there was limited new

information to incorporate into revised forecasts. Thus, the FY27 budget revenue forecast incorporates substantially similar assumptions as the FY26 December Fiscal Plan, notably:

- The Federal Reserve will continue to cut interest rates periodically through 2026 toward a rate (2.75%) that is consistent with long-term inflation at the 2% target level;
- While unemployment nationally will remain above the level consistent with full employment, typically around 4%, it will not exceed that level by much; this indicates the economy is more likely than not to avoid a recession;
- Tariffs will remain elevated but will not significantly reduce consumption, enabling continued economic growth;
- The federal government will not expand employment in the Washington D.C. region limiting the potential for better-than-expected regional growth, but after having shed staff in 2025 will also not contract notably.

The following summarizes the key inputs to the FY27 budget tax revenue forecast:

Resident Employment is a key component in forecasting income tax revenue. For CY2026-CY2032 resident employment growth assumptions are little changed from the December Fiscal Plan. This forecast is consistent with the slowdown in hiring and limited job growth nationwide in CY2025, indicating that the economic challenges will continue in the Washington D.C. region for the coming years. While expected resident employment growth is slightly worse in CY2026, it is then expected to have positive growth rates in all subsequent years. However, in no year does growth in resident employment exceed +1%.

Total Personal Income is also a key component in forecasting income tax revenue. The assumption for total personal income growth remains positive in all years of the forecast, averaging +3.5% per year from CY2026-CY2032. Growth rates throughout the forecast period are lower than the December forecast by one hundredth of a percentage point in most years. The result is slightly lower levels of total personal income throughout the forecast period.

Sales of existing single-family homes and median sales price of single-family homes are key components in forecasting property tax and transfer and recordation tax revenues. Transfer and recordation taxes are derived from both residential and non-residential transfer activity. The recordation tax is also applied to other instruments that are recorded in land records.

The REG chose to adjust the estimate of home sales growth in CY2027-2029 to reflect the most recent data available. Moody's reduced the rate of growth in their February estimate of CY2026 national home sales as compared to their January and December estimates, which then reduced the rate of growth for Montgomery County as well. In addition, Moody's methodology for allocating the national forecast of home sales to the county level uses data on local home sales going back to the year 2000 but does not specifically take into account details on current local real estate conditions, available land, zoning, or changes in law. Between 2000 and 2010 more new homes were built annually in Montgomery County than regularly occurs now, indicating that Moody's forecast of Montgomery County's potential growth in home sales may incorporate overly aggressive assumptions.

The adjusted home sales forecast assumes that home sales will increase throughout the forecast period as home buyers become more accepting of higher mortgage rates, pressure to create new households increases, and balance between demand and supply improves with more homes available for sale. The expected rate of growth in CY2026, 2027, and 2028 is generally lower than the December 2025 assumption, but the growth is starting from the higher base of home sales in CY2025. As a result the forecast assumes that more homes will sell within Montgomery County in each year of the forecast period.

In addition to the increase in the volume of home sales, the forecast of the median value of homes sold has been revised upwards, particularly in CY2026. The December 2025 forecast incorporated expectations formed from the first half of 2025 when the value of home sales particularly disappointed. Subsequent data has indicated that the third quarter of 2025 saw greater home value growth, easing previous concerns of widespread housing value decline. While home value growth in Montgomery County is expected to be slower in CY2026 and CY2027 than the historic average growth rate of around 3% annually, both years are now positive values in contrast to the December 2025 assumptions.

FY27 Budget - Key Economic Assumptions

	2024	2025 (est.)*	2026 forecast	Percentage change Year-Over-Year						
				2026	2027	2028	2029	2030	2031	2032
Resident Employment (000's)	555.0	545.5	538.2	-1.3	0.1	0.7	0.9	0.8	0.7	0.6
<i>December 2025</i>	555.0	548.3	541.8	-1.2	0.1	0.7	0.9	0.8	0.7	0.7
Total Personal Income (\$bn)	110.6	113.3	116.9	3.2	3.5	3.3	3.4	3.6	3.6	3.7
<i>December 2025</i>	110.6	111.9	115.5	3.2	3.7	3.4	3.5	3.7	3.7	3.7
Median Existing Home Sales (000's)	11.6	11.7	12.7	8.5	1.4	8.3	2.1	4.0	2.6	1.0
<i>December 2025</i>	10.5	9.6	10.9	13.1	4.5	1.0	1.1	1.8	0.4	
Median Sales Prices (\$)	670,057	680,476	696,307	2.3	1.6	3.1	3.0	3.0	2.7	2.4
<i>December 2025</i>	679,842	673,989	668,235	-0.9	1.3	3.1	3.2	3.2	3.0	
				Forecast (%)						
CPI-U Washington MSA (%)	3.2	2.2	2.8		2.5	2.0	1.7	1.7	1.7	1.7
<i>December 2025</i>	3.2	2.4	3.0		2.6	2.0	1.8	1.8	1.8	

*2025 data is estimated and 2026-2032 are forecasts

Risks to the Economic Assumptions

Any forecast is subject to both positive and negative risk factors; the County's budget assumptions and revenue forecast are no exception. The February REG Report has typically provided a list of developments that could have positive or negative effects on economic activity resulting in revenues exceeding the forecast or falling short, such as capital gains and stock market valuations exceeding expectations, or property assessed values growing more slowly than forecast. While developments such as these remain problematic, the primary risk facing Montgomery County is from unpredictable federal actions.

Current Federal Administration actions related to tariffs, immigration, federal grants, diversity-equity-inclusion, taxation and the federal workforce resulted in considerable hardships for Montgomery County residents and could potentially continue to limit regional economic growth. Prior episodes of economic weakness like past recessions are not direct parallels for current federal actions, thereby limiting our ability to simulate how further federal actions could impact Montgomery County tax revenues.

Revenue Year to Date for the Period Ended December 31, 2025

Income tax receipts for the first half of FY26 were approximately 36% of the forecast in the December Fiscal Plan update.¹ At this half-way point in the fiscal year income tax receipts are generally consistent with fiscal years 2013 to 2025 when income tax receipts for the same period tended to be between 30% and 35% of the December Fiscal Plan full year forecast and the amount ultimately realized.

Property taxes collected to date are near 97% of the December Fiscal Plan revised forecast since the final regular property tax due date passed on December 31, 2025, a level consistent with the amount received by this point in years past. During the second half of the fiscal year ad valorem property taxes that may be received include delinquent payments, taxes for construction projects in process or recently completed, and personal property taxes. The County has a long history of collecting over 99%² of its property taxes each year.

Transfer and recordation taxes: At the end of December recordation and transfer tax collections were approximately 51% and 52%, respectively, of the unchanged December Fiscal Plan estimates. Transfer and recordation taxes remain on target to the forecast, which was unchanged from the FY26 Approved Budget forecast levels.

Other tax revenues collected through December 31 are on target considering expected seasonality and recovery from pandemic lows. Fuel energy tax and telephone tax collections were approximately 45% and 51%, respectively of the December Fiscal Plan estimates. Hotel/motel tax collections are approximately 47% of the approved budget and 52% of the December Fiscal Plan estimate. In December the FY25 hotel/motel tax estimate was reduced from \$22.8 million to \$20.4 million on concerns that in recent years the forecast has overestimated revenues to be received in the second half of the year.

TAXES	Year-to-Date (through December) (1)	FY26 Approved Budget	Fiscal Update December '25	YTD Share	
				FY26 Approved	Fiscal Update
Property Tax (includes MNCPPC)	\$2,327,537,021	\$2,433,999,345	\$2,409,670,292	95.6%	96.6%
Income Tax	\$821,579,234	\$2,274,235,002	\$2,292,313,591	36.1%	35.8%
Transfer Tax	\$53,053,233	\$104,705,005	\$104,705,005	50.7%	50.7%
Recordation Tax (G.F.)	\$25,665,103	\$49,489,029	\$49,489,029	51.9%	51.9%
Fuel and Energy Tax	\$84,891,929	\$180,461,544	\$189,725,862	47.0%	44.7%
Telephone Tax	\$28,416,488	\$57,864,795	\$55,719,753	49.1%	51.0%
Hotel/Motel Tax	\$10,711,408	\$22,892,041	\$20,438,581	46.8%	52.4%
Admissions Tax	\$1,028,178	\$3,500,000	\$3,500,000	29.4%	29.4%
E-Cigarette Tax	\$328,031	\$600,000	\$600,000	54.7%	54.7%
TOTAL	\$3,353,210,624	\$5,127,746,761	\$5,126,162,113	65.4%	65.4%

NOTE (1): data from MoCo accounting systems; provided by the Treasury Division, Department of Finance

¹ Income tax receipts are accounted for on a modified accrual basis on an August through July fiscal year. Income taxes collected through December 31 reflect 5 months from August through December. Other taxes shown in the table below are on a cash basis on a July through June fiscal year.

² See Montgomery County Annual Comprehensive Report, Fiscal Year Ended June 30, 2025, Statistical Table 11 https://www.montgomerycountymd.gov/Finance/Resources/Files/data/financial/acfr/FY2025_ACFR.pdf

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 "REG") to review and forecast County revenues and provide for the membership and duties of the REG. The REG 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.