Cost of Government

Presentation to Montgomery County Council

January 16, 2018
Cost of Government

Revenues
FY18 Tax Revenue by Category

Property and income taxes are 88% of tax revenue

- Property: 47.2%
- Income: 40.4%
- Recordation/Transfer: 4.9%
- Energy: 5.5%
- Other Taxes: 2.1%
FY10-18 Tax Revenue by Category

Property and income taxes historically contribute 85%-90% of total revenues.
Annual Percent Change in Income Tax Revenues from Withholdings, Estimated Payments, October 15 Filings, and Revenue Adjustments

*Income tax volatility presents challenges*
FY10-18 Fiscal Policy Expenditures

The annual cost of fiscal policies limits budget flexibility

FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18
(Millions)

FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18
(Millions)

PAYGO OPEB Contribution to Reserves
Cost of Government

Total Tax-Supported Expenditures
Total Tax Supported Expenditures

Leveled during recession; then continued to grow

Millions

<table>
<thead>
<tr>
<th></th>
<th>FY04</th>
<th>FY05</th>
<th>FY06</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
</table>
Total Tax Supported Expenditures

FY04 to FY18 Change: +80%
Total Tax Supported Expenditures

*Actual compared to population growth (+14% from FY04 to FY18)*

FY04 adjusted for population growth
Total Tax Supported Expenditures

*Actual compared to inflation growth rate (+39% from FY04 to FY18)*

FY04: $2,661
FY05: $2,876
FY06: $3,131
FY07: $3,402
FY08: $3,653
FY09: $3,726
FY10: $3,723
FY11: $3,757
FY12: $3,772
FY13: $4,036
FY14: $4,243
FY15: $4,363
FY16: $4,439
FY17: $4,615
FY18: $4,776

FY04 adjusted for inflation
Total Tax Supported Expenditures

Actual compared to compounded population and inflation growth rates (+59% from FY04 to FY18)
Cost of Government

Demographic and Economic Indicators
## County Demographic Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>FY04</th>
<th>FY18</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>931,000</td>
<td>1,062,500</td>
<td>+14%</td>
</tr>
<tr>
<td>Households</td>
<td>342,000</td>
<td>381,000</td>
<td>+11%</td>
</tr>
<tr>
<td>MCPS K-12 Enrollment</td>
<td>139,200</td>
<td>163,700</td>
<td>+17%</td>
</tr>
</tbody>
</table>
## County Economic Indicators

*FY04-FY18 Rate of Inflation: 39%*

<table>
<thead>
<tr>
<th>Indicator</th>
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<th>FY18</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Capita Personal Income</td>
<td>$51,500</td>
<td>$91,210</td>
<td>+77%</td>
</tr>
<tr>
<td>% Residents Below Poverty Level</td>
<td>4.8%</td>
<td>6.9%*</td>
<td>+44%</td>
</tr>
<tr>
<td>Resident Employment</td>
<td>503,000</td>
<td>539,200</td>
<td>+7%</td>
</tr>
<tr>
<td>Assessable Tax Base</td>
<td>$94 billion</td>
<td>$190 billion</td>
<td>+102%</td>
</tr>
</tbody>
</table>

* 2016 estimate
Cost of Government

Use of Tax-Supported Resources
Tax Supported FY18 Operating Budget (excluding Debt Service)

MCPS comprises more than half of budget

Total = $4.4 billion
FY18 Agency Tax-Supported Operating Budgets

*Personnel costs account for 80% of spending*

- Operating Expenses: 20%
- Benefits: 24%
- Salaries & Wages: 56%
- Personnel Costs: 80%

Total = $4.4 billion

Total = $4.4 billion
FY18 Employee and Retiree Benefits Costs

County agencies expend more than $1 billion on employee and retiree benefit costs.

- Retiree Group Insurance: 21%
- Social Security: 18%
- Retirement Plans: 22%
- Employee Group Insurance: 39%

Total = $1.0 billion
Cost of Government

Workforce
Total FTEs (All Agencies)

Current workforce size exceeds pre-recession high

FY04 FY05 FY06 FY07 FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18

27,696 28,225 30,061 30,186 30,524 30,304 29,367 29,403 30,394 30,313 31,003 31,383 31,957 32,192
FY18 Approved FTEs by Agency

MCPS currently accounts for nearly two-thirds of all FTEs

Total = 32,200 FTEs
Cost of Government

Debt Service
Annual Debt Service

More than doubled from FY04 to FY18
Annual Debt Service

Actual compared to compounded population and inflation growth rate (+59% from FY04 to FY18)

FY04 adjusted for population growth and inflation
Tax Supported FY18 Operating Budget

Excluding Debt Service

- College: 6.0%
- MNCPPC: 3.0%
- County Gov’t: 36.9%
- MCPS: 54.1%

Total = $4.4 billion

Including Debt Service

- Debt Service: 8.3%
- College: 5.5%
- MNCPPC: 2.8%
- MCPS: 49.6%
- MCG: 33.9%

Total = $4.8 billion
Annual Debt Service

More than Doubled from FY04 to FY18; projected to keep growing