

**MEMORANDUM**

January 29, 2019

TO: Government Operations and Fiscal Policy Committee  
FROM: Jacob Sesker, Senior Legislative Analyst *AS for JS*  
SUBJECT: Spending Affordability Guidelines for the FY20 Operating Budget  
PURPOSE: Worksession – Committee should make recommendations to Council

**Worksession**

On January 15, 2019 the Council introduced the Spending Affordability Guidelines for the FY20 Operating Budget. On January 29, a public hearing was held at which the lone speaker, Gordie Brenne, testified on behalf of the Montgomery County Taxpayers League. See testimony ©24. The deadline for the Council to adopt the guidelines is the second Tuesday in February, which falls this year on February 12.<sup>1</sup>

Under the County Charter and Code<sup>2</sup>, the Council must set three spending affordability guidelines for the FY20 operating budgets:

1. Ceiling on property tax revenues
2. Ceiling on the aggregate operating budget (AOB)
3. Allocation of that AOB

Per the Charter, any aggregate operating budget that exceeds the guidelines requires the affirmative vote of seven Councilmembers for approval. **This supermajority requirement is the most significant aspect of the spending affordability guidelines for the operating budget.** The other two guidelines, which are outlined in the Code, are less meaningful. For the last twelve years, Council practice has been to concurrently establish a spending target for community grants as part of the spending affordability process. That guideline is not required in the Code or in the Charter but has become an established practice over time.

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<sup>1</sup> Key search terms: #MoCoFY20SpendingAffordability

<sup>2</sup> On November 6, 1990, the voters amended the Charter to add to §305 the requirement that “The Council shall annually adopt spending affordability guidelines for the capital and operating budgets, including guidelines for the aggregate capital and aggregate operating budgets. The Council shall by law establish the process and criteria for adopting spending affordability guidelines.” The resulting law is in §20-59 through §20-63 of the Code.

The following are attached to this memorandum: Council staff's calculations and options are attached at ©1; a draft resolution is attached at ©2; the December fiscal plan summary is attached at ©5; the FY19 aggregate operating budget resolution is attached at ©6; the average household tax burden table from the FY19 budget is attached at ©9; the summary of a December 2018 survey by the National Association for Business Economics is attached at ©10-12; Finance's economic indicators from December 2018 are attached at ©13; Finance's economic assumptions are attached at ©14; and the Stephen Fuller Institute's January 2019 review of coincident and leading indices for the regional economy is attached at ©15-23.

### **Summary of Recommendations**

- 1. Set the ceiling on property tax revenue at the so-called Charter limit.**
- 2. Set the ceiling on the aggregate operating budget (AOB) at \$4,946.4 million (1.43% above FY19).**
- 3. Allocate the AOB in the following manner: Fund debt service, PAYGO, CIP Current Revenue, and Retiree Health Pre-Funding at the policy levels (consistent with the December 2018 Fiscal Plan Update). Allocate AOB to agencies such that local funding for Montgomery County Public Schools and Montgomery College are funded at Maintenance of Effort levels. Allocate AOB to County Government and M-NCPPC at FY19 levels.**
- 4. Set an overall target for Community Grants at \$12.2 million, consistent with the FY19 approved budget.**

### **Placing the Spending Affordability Guidelines in Context**

The Council receives fiscal briefings and makes fiscal decisions at various times throughout the year. Those briefings/decisions do not fit together like matryoshka dolls. The spending affordability guidelines and the fiscal plan are steps in the annual fiscal process but the two use different vocabularies, involve different requirements and calculations, have distinct legislative histories, and serve different purposes.

#### ***What SAG is not...***

- The guidelines are NOT a limitation on the authority of the Executive or any outside agency to recommend a budget.** As part of setting the guidelines, the Council is required by law to make allocations to agencies. However, the Executive can recommend a budget for Montgomery County that exceeds that guideline, as can any outside agency. The only consequence for doing so is that the Executive/agency must then write a letter to the Council outlining the cuts that it would recommend in order to bring the proposed budget down to the level established by the Council in its guidelines.
- The guidelines are NOT a prediction or preview of what the Council thinks the Executive will recommend in March, or of what the Council thinks that it will approve in May.** Conditions will change over the course of the winter and spring. State aid may be higher than in the previous year. Debt service savings may reduce some budget pressures. Higher than anticipated revenues (e.g. the February income tax distribution) may also be the source of some relief. A savings plan may be approved that reduces current year spending in the operating

budget (and consequently reduces pressure on reserve levels) or reduces current revenue expenditures in the capital budget. State and federal policies may change. Needs in the community, and awareness of those needs, may change or evolve between January and May resulting in either more spending or different spending than anticipated.

- **The guidelines are NOT a Council action to ratify the updated fiscal picture presented by the Executive during the December revenue update.** As stated above, the fiscal picture changes significantly between December and March each year. To connect the two processes in that way would change the stakes of the December update, and would necessarily turn the update into one that is much more confrontational than collaborative. Furthermore, the calculations are different – e.g., the fiscal plan includes OPEB (retiree health) contributions to the Consolidated Trust in the MCG allocation, whereas the AOB separates OPEB out of the MCG allocation; also, the fiscal plan includes a separate “set-aside” in the non-agency allocations that will end up as part of an agency allocation for purposes of the SAG/AOB.
- **The guidelines are NOT a Council action to set tax rates or tax burdens at a level that is affordable to all taxpayers.** Tax rates are set later in the spring, after the Council has had an opportunity to review the Executive’s recommended budget and to hear from the public regarding needs in the community. That said, the Council often sets the guidelines such that the annual increase in the budget could be considered affordable to the average taxpayer (e.g. increasing the aggregate operating budget at the rate of increase in personal income or wage and salary income, considering social security and federal worker cost-of-living increases, etc.).

#### ***What SAG is...***

**Put simply, the guidelines are an opportunity for the Council to set the level above which seven affirmative votes are required for approval of the aggregate operating budget (put differently, the guidelines set the level above which any three Councilmembers can block approval of the aggregate operating budget).** In setting that level, the Council must consider the following factors: condition of the economy; level of economic activity in the County; trends in personal income; impact of population and economic growth on projected revenues. Of course, other factors could be considered as well – the factors listed are those identified specifically in law.

**The guidelines are also an opportunity to restate certain key policies.** For example, in setting the guidelines the Council typically signals that it will allocate 100% of anticipated needs for debt service and retiree health pre-funding and meet the County’s obligations under State maintenance of effort laws.

#### **Historical Perspective**

**The table below illustrates the recent history of the aggregate operating budget.** In 5 of the last 8 years, the Executive has proposed a budget in March that exceeded the guidelines then in place. In 5 of the last 8 years the Council has approved an aggregate operating budget that exceeded the guidelines then in place. In the last 8 years, only 1 vote has been cast against approval of the aggregate operating budget.

Aggregate Operating Budget							
FY	Winter SAG	Max w/o 6 votes	Exec March	Council May	Required 6 votes	Required 7 votes	Final vote
12	3,664.1	3,664.1	3,749.9	3,770.5	Yes	Yes	9 - 0
13	3,951.6	3,896.1	3,971.1	4,014.7	Yes	Yes	9 - 0
14	4,209.3	4,104.3	4,191.0	4,193.0	Yes	No	9 - 0
15	4,268.3	4,255.9	4,332.3	4,353.6	Yes	Yes	9 - 0
16	4,453.9	4,425.4	4,418.2	4,432.1	Yes	No	8 - 1
17	4,585.2	4,446.3	4,617.6	4,641.0	Yes	Yes	9 - 0
18	4,733.8	4,693.9	4,792.2	4,796.8	Yes	Yes	9 - 0
19	4,892.8	4,857.3	4,863.6	4,876.3	Yes	No	9 - 0

### **Factors to Consider for FY20**

**In setting the guidelines, the Council is supposed to consider the following factors: the condition of the economy; levels of economic activity in the County; trends in personal income; and the impact of population and economic growth on projected revenue.** The National Association of Business Economics regularly surveys economists regarding the status and trajectory of the national economy – the summary of its most recent survey is attached at ©10-12. Finance updates the County’s economic indicators regularly and posts those updates on the web. The most recent update was included in the Council’s packet for the December fiscal plan update. See ©13. Finance also regularly updates its economic assumptions, and the December assumptions are attached at ©14. The Stephen S. Fuller Institute (SFI) at George Mason tracks coincident (current) and leading (future) indices, which are attached at ©15-23. The following represents a summary of relevant data. In addition, the Center for Regional Analysis (CRA) at George Mason tracks indicators for the regional economy, which is available at: <http://cra.gmu.edu/wp-content/uploads/2018/12/Full-presentation-12-19-18.pdf>.

**Condition of the economy:** According to a December survey by the National Association for Business Economics, there is a 30% risk of a national recession before the end of 2020 and it is more likely that the national economy will underperform projections than overperform projections in 2019.<sup>3</sup> Closer to home, as of November the Washington region’s economy had expanded for 54 consecutive months, but the leading index is heading in the wrong direction, indicating that growth will slow in 2019 and 2020. According to the Stephen Fuller Institute<sup>4</sup>: *“The Leading Index has now experienced four decreases over the past five months on a monthly over-the-year basis through November after starting the year with sharp gains. This trend clearly raises questions concerning the economy’s growth trajectory in 2019. Looking forward, a slowing U.S. economy in 2019 and the unexpectedly long partial Federal shutdown may result in the Washington region’s economy underperforming its growth potential in 2019.”* For Montgomery County, positive indicators include improved resident employment numbers, a slight increase in payroll employment, and the unemployment rate fell from 3.3% to 3.1%. See ©13. Regionally, initial claims for unemployment ticked up during the last weeks of 2018. Job growth in suburban Maryland accelerated in 2018 to +14,100 following a year (2017) in which job growth figures were revised from +12,800 to -3,900. Job growth is projected to continue, but at a

<sup>3</sup> [https://www.nabe.com/NABE/Surveys/Outlook\\_Surveys/December\\_2018\\_Outlook\\_Survey\\_Summary.aspx](https://www.nabe.com/NABE/Surveys/Outlook_Surveys/December_2018_Outlook_Survey_Summary.aspx)

<sup>4</sup> [http://sfullerinstitute.gmu.edu/wp-content/uploads/2019/01/SFI\\_Economy\\_Watch\\_0119.pdf](http://sfullerinstitute.gmu.edu/wp-content/uploads/2019/01/SFI_Economy_Watch_0119.pdf)

slower pace in 2019 and 2020. The government shutdown, now in its fifth week, will certainly have a negative effect on the condition of the economy in Montgomery County and throughout the region.

**Level of economic activity in the County.** Overall economic output (Gross Regional Product) in suburban Maryland is expected to grow by more than 2% in 2019 and 2020, though the rate of growth will be below the rate of growth in both 2017 and 2018. Regionally, federal employment was down in 2018. On the other hand, federal procurement was up in 2018, though still below the level of 2010 and 2011. Sector trends continue to be relevant, with a shrinking financial services sector offsetting some of the employment gains in public sector and professional and business services. One bright spot in suburban Maryland's economy in 2018 was an uptick in construction employment.

**Trends in personal income.** Finance continues to project strong growth in personal income and wages and salaries. Current data indicates that previous assumptions regarding 2017 personal income and wages had overstated the gains, meaning that personal income started 2018 and 2019 below the level assumed at the time that the Council approved the budget in May. See ©14. The Cost of Living adjustment for Social Security recipients is +2.8% in 2019, though an increase in Medicare Part B premium costs will erode a portion of those gains. Many retired federal workers will receive pension COLAs that are below the COLA for Social Security recipients. Current federal workers are currently either on furlough status or working without receiving paychecks (today 800,000 federal employees will miss receiving their paycheck for the second consecutive pay period). Federal civilians who are deemed essential and therefore are working without pay are ineligible for unemployment benefits. Federal civilian employees had been expecting a 2.1% pay increase in 2019, but the Trump administration issued an executive order freezing the pay of federal workers.

**Impact of population and economic growth on projected revenues.** Finance now assumes that population growth in both 2017 and 2018 exceeded the rate that had been assumed last spring and that population growth will stabilize at 0.9% annually, up from the previous assumption of 0.6% annually. Similarly, Finance assumes an increase in the rate of household growth sustaining into 2021 before stabilizing at 1.1% annually, up from the previous assumption of 0.7% per year. See ©14. As a result of these increases, per capita personal income and average household incomes are both now assumed to be below the assumptions that were made when the FY19 budget was approved last spring. In addition, the composition of the population growth over the past 15 years continues to generate service demands and place pressure on income-based revenues for Montgomery County.<sup>5</sup>

### **Ceiling on Property Tax Revenue**

**The first guideline that must be set is the ceiling on property tax revenue.** Under §305 of the Charter, nine affirmative votes are required to set the property tax rates in May/June if the amount of property tax revenue from existing real property exceeds the previous year's tax by more than the rate of inflation. "Charter limit" is a term that is frequently used in Montgomery County to mean the maximum amount of property tax revenue the Council can approve without requiring nine affirmative votes. However, Montgomery County's "charter limit" is a supermajority voting requirement, rather than a property tax cap.

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<sup>5</sup> A January 22 presentation to the Council provided data for the period 2004 to 2018: while the total population has gone up by 14% during that time, the population 65+ has increased by 32%, MCPS enrollment has increased by 18%, the population below the poverty line has increased by 46%, and the number of MCPS students receiving free and reduced meals has increased by 48%.

The limit applies only to property tax revenue from existing real property. “This limit does not apply to revenue from: (1) newly constructed property, (2) newly rezoned property, (3) property that, because of a change in state law, is assessed differently than it was assessed in the previous tax year, (4) property that has undergone a change in use, and (5) any development district tax used to fund capital improvement projects.” Finally, the limit applies to revenue from taxes on real property only and does not apply to revenue from taxes on personal property.

- It is the amount of real property tax revenue from existing real property, not the property tax rate, which cannot increase by more than the rate of inflation.
- Interestingly, there is no single “Charter limit” number—the maximum amount of property tax revenue that can be raised without affirmative votes of nine Councilmembers varies, depending upon the specific combination of rate increases and credits that the Council chooses during its deliberations in May.<sup>6</sup>
- Because the County has little “tax room,” budget pressure in Montgomery County is occasionally relieved by Council action to exceed the Charter limit. Most recently this happened in FY17, when property tax revenue was set at \$140 million above the limit, largely as a way of addressing school overcrowding. Prior to FY17, the limit had been exceeded four times: in FY03-05 by \$4.3 million, \$29.2 million, and \$37.3 million, and in FY09 by \$117.5 million.

For more than a decade, the Council has set this guideline at the Charter limit. As a matter of policy this makes sense - setting the ceiling lower would only be symbolic. Furthermore, setting a “ceiling” that is below the Charter limit would establish a policy of reducing potential property tax revenue each year in the future, given that the Charter limit calculation is a function of both inflation and the previous year’s property tax revenue. *Council staff recommends setting this FY20 guideline at the Charter limit.*

### **Ceiling on the AOB and Allocation of AOB**

The aggregate operating budget (AOB) is defined as total appropriation from current operating revenues for the next fiscal year, **including** current revenue funding for capital projects, but **excluding** any appropriation made for the following: specific grants, enterprise funds, tuition and tuition-related charges at Montgomery College, and the Washington Suburban Sanitary Commission.

The components of the AOB are referred to as “tax supported” budgets, as opposed to the other components, which are not funded by County taxes. The so-called “tax supported” budgets are not funded exclusively by taxes; non-tax sources of funding for “tax supported” budgets include State and Federal aid, interest income, and some user fees.

In setting the ceiling on the AOB, the Council is trying to set a maximum on the amount the Council will approve in May, and usually does so based on how much the Council thinks in February

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<sup>6</sup> The Council approves the final calculation of the Charter limit when it sets the tax rates and credit amount in May or June of each year.

the County's residents can afford in the following fiscal year. Whatever AOB the Council sets will result in tax burdens that are more affordable for some residents and less affordable for others.

The effect of establishing this guideline is to establish an amount above which a supermajority of Councilmembers must support any aggregate operating budget approved.

- The affirmative votes of a majority of Councilmembers are required to approve an AOB that exceeds the previous year's AOB by less than the rate of inflation and which does not exceed any spending affordability guidelines then in place.
- The affirmative votes of six Councilmembers are required to approve an AOB that exceeds the previous year's AOB by more than the rate of inflation but does not exceed any spending affordability guidelines then in place. Under the Charter, any AOB that exceeds the previous year's AOB by more than the rate of inflation (to wit, 2.07%) requires the affirmative votes of six Councilmembers.
- The affirmative votes of seven Councilmembers are required to approve an AOB that exceeds the ceiling on the AOB established by the Council. Establishing that ceiling is the most consequential decision that the Council makes in the annual spending affordability guidelines process.

Neither the Charter nor the Code specifies how to set the ceiling on the AOB. Until FY09, the ceiling was set using revenue projections based on current tax rates. This approach implied an assumption that a budget funded by taxes at current rates was "affordable."

Since that time, the Council has not used projected resources as a basis for establishing this spending affordability guideline. The Council's approach has varied somewhat from year to year. Some past approaches are below:

- In FY10, the ceiling on the AOB was set at 5.9% of personal income (4.7% increase above FY09 approved AOB).
- In FY11, the ceiling on the AOB was set at the FY10 approved AOB (no change from FY10 approved AOB).
- In FY12, the ceiling on the AOB was set at the FY11 approved AOB plus inflation (1.7% increase above FY11 approved AOB).
- In FY13, the ceiling on the AOB was set at the FY12 approved AOB plus the year-over-year increase in personal income (4.8% increase above FY12 approved AOB).
- From FY14 through FY17, the ceiling on the AOB was set at the previous year's approved AOB plus the year-over-year increase in personal income, plus any additional increases in State aid to MCPS and Montgomery College.
- In FY18 and FY19, the ceiling on the AOB was set at 2.0% above the prior year's approved AOB.

Each year, Council staff develops multiple options for consideration. From time to time, the options are tweaked, or new options are developed in order to present a range of outcomes. **Staff options for this year are described in the following section, and of course staff would be happy to develop other options for consideration should any Councilmember wish to propose an alternative.**

The County Code requires the Council to set agency (and non-agency) allocations as part of the SAG process. However, these allocations are not predictions of the actual budgets. It is through the budget process that the Council considers competing demands, establishes priorities, and allocates resources.

The SAG allocations that the Council approves are not the final allocations that the Council will approve in May. Several factors could change the allocations by then, including:

- Factor #1: Revenue estimates could be revised up or down from the December 2018 Fiscal Plan Update. For example, revenue from State aid is often above the level assumed in the December revenue update.
- Factor #2: Some of the non-agency uses (e.g., pre-funding for OPEB) could be shifted to fund agency uses, or fiscal policies could be modified in light of current budget pressures. Restructuring debt can reduce current and future year debt service obligations, or current year spending on CIP current revenue could be reduced as a way of relieving pressure reserves.
- Factor #3: Agency allocations could be reduced if fund balances are not re-appropriated.
- Factor #4: After reviewing each agency's request and considering the Council's priorities for the many and varied services that agencies provide, the Council may decide to allocate resources differently, e.g., the Council may decide to allocate more resources to education than required under maintenance of effort laws.

**No supermajority requirement is triggered if the Council, in approving the budget, allocates either more or less to any agency or non-agency category than was allocated through the SAG process.** The only requirement triggered by this guideline affects the agencies rather than the Council—under County Code §20-63, any agency requesting more than the Council's spending affordability guidelines must submit to the Council by March 31 prioritized expenditure reductions (non-recommended cuts) that would be necessary to comply with the adopted budget allocation and a summary of the effect of those cuts on the agency's program.

Because State aid amounts are not known in January, the proposed resolution also includes the following provision:

- *Notwithstanding the above, the Council intends that any agency spending allocations which, as a result of additional increases in State aid, exceed the ceilings specified in (b) do not trigger the requirements of §20-63(b).*



### Options for FY20

A table with options, including allocations, is attached at ©1. Staff recommends option 4, which would maintain level agency allocations for MCG and M-NCPPC and fund MOE budgets for MCPS and the College, while funding non-agency allocations at the policy levels consistent with the December fiscal plan update. Together these actions would result in a ceiling on the aggregate operating budget that is 1.43% above approved FY19 AOB.

**Option #1: Set FY20 Ceiling on Aggregate Operating Budget (AOB) at the level of the approved FY19 AOB (+0%); non-agency allocations consistent with the December 2018 Fiscal Plan Update; education budgets funded at maintenance of effort levels.** Under this option, the agency allocations for Montgomery County Government (MCG) and Maryland-National Capital Parks and Planning Commission (M-NCPPC) would both be 4.28% *below* the approved allocations in FY19.

**Option #2: Set FY20 Ceiling on Aggregate Operating Budget (AOB) at the level of the approved FY19 AOB plus inflation (+2.07%); non-agency allocations consistent with the December 2018 Fiscal Plan Update; education budgets funded at maintenance of effort levels.** Under this option, the agency allocations for Montgomery County Government (MCG) and Maryland-National Capital Parks and Planning Commission (M-NCPPC) would both be 1.92% *above* the approved allocations in FY19.

**Option #3: Set FY20 Ceiling on Aggregate Operating Budget (AOB) at the level of the approved FY19 AOB plus inflation and plus population growth (+3.00%); non-agency allocations consistent with the December 2018 Fiscal Plan Update; education budgets funded at maintenance of effort levels.** Under this option, the agency allocations for Montgomery County Government (MCG) and Maryland-National Capital Parks and Planning Commission (M-NCPPC) would both be 4.72% *above* the approved allocations in FY19.

**Option #4: Set FY20 Ceiling on Aggregate Operating Budget (AOB) such that the allocations to MCG and M-NCPPC are equal to FY19 (+1.43%); non-agency allocations consistent with the December 2018 Fiscal Plan Update; education budgets funded at maintenance of effort levels.** Under this option, the agency allocations for Montgomery County Government (MCG) and Maryland-National Capital Parks and Planning Commission (M-NCPPC) would both be *equal to* the approved allocations in FY19. *Staff recommends this option (+1.43%). The guideline was set at 2% above the previous year's approved AOB in both FY19 and FY18, so this would signal an early intent to further restrain spending in FY20. It is a reasonable approach given the large downward revisions to employment and wage growth for calendar 2017, revenue volatility, multiple recent savings plans, federal government shutdown, and recessionary risks. This option also most closely approximates the estimated resources available for agency allocations in the December fiscal plan update (adjusted for OPEB pre-funding contributions to the Consolidated Trust, set asides, etc.).*

**Option #5: Set FY20 Ceiling on Aggregate Operating Budget (AOB) at the level of the approved FY19 AOB plus the rate of increase in personal income of residents (+3.21%); non-agency allocations consistent with the December 2018 Fiscal Plan Update; education budgets funded at maintenance of effort levels.** Under this option, the agency allocations for Montgomery County Government (MCG) and Maryland-National Capital Parks and Planning Commission (M-NCPPC) would both be 5.35% *above* the approved allocations in FY19.

**Overall Spending Target for Community Grants** (prepared by Council Grants Manager)

The Council has set an overall spending target for Community Grants as part of its actions establishing spending affordability guidelines for the operating budget for the last twelve years. While the target is nonbinding, it assists the Council in budget planning. For FY19, the target set by the Council was \$11.1 million. In May 2018, the Council approved Community Grants for a total of \$12.2 million. **Council staff recommends setting an overall target for Community Grants of \$12.2 million.** This is the same overall level of funding for Community Grants as the Council approved last spring for the FY19 budget.

At the January 31 GO Committee meeting, the Council can discuss whether there is need for specific allocations for separate Executive and Council grant funds or if Councilmembers prefer an alternative approach.

Proposed language for the Council Resolution on spending affordability guidelines would state:

*"The Council's intent is that \$xxx million of the County Government's allocation will be appropriated for Community Grants (this amount excludes Community Service Grants, and Cost-Sharing CIP Grants)."*

**Schedule:**

January 15	Introduction
January 29	Public hearing
January 31	GO Committee
February 12	Council action

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24	MC Taxpayers League testimony

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FY19 Approved AOB=\$4,876,842,446

\$4,876.8

	A	B	C	D	F	E	F	G
1	<b>Table 1: Spending Affordability Guideline 2 (Ceiling on the FY 20 AOB, \$millions)</b>							
2	<i>FY19 Approved AOB</i>	4,876.8		Option 1	Option 2	Option 3	Option 4	Option 5
3	1. No change FY19 to FY20			+0.00%				
4	2. Increase by inflation CY18				+2.07%			
5	3. Increase by inflation CY18+Pop Growth					+3.00%		
6	4. Maintain MCG and MNCPPC at FY19 levels						+1.43%	
7	5. Increase by change in per capita personal income CY18							+3.21%
8	<b>Ceiling on FY20 AOB</b>			<b>\$4,876.8</b>	<b>\$4,977.6</b>	<b>\$5,023.3</b>	<b>\$4,946.4</b>	<b>\$5,033.5</b>
9								
10	<b>Table 2: Spending Affordability Guideline 3 (Allocation of FY 20 AOB, \$millions)</b>							
11		FY19 App		Option 1	Option 2	Option 3	Option 4	Option 5
12	<b>A. Non agency allocations</b>							
13	Debt service							
14	County debt service	\$413.4		\$432.1	\$432.1	\$432.1	\$432.1	\$432.1
15	MNCPPC debt service	6.6		7.1	\$7.1	7.1	7.1	7.1
16	Current revenue, specific projects	35.6		78.7	\$78.7	78.7	78.7	78.7
17	Current revenue, PAYGO	33.0		32.0	\$32.0	32.0	32.0	32.0
18	Retiree health insurance prefunding (OPEB)							
19	OPEB for MCPS	79.4		88.7	\$88.7	88.7	88.7	88.7
20	OPEB for Montgomery College	2.8		3.0	\$3.0	3.0	3.0	3.0
21	OPEB for MNCPPC	3.0		2.9	\$2.9	2.9	2.9	2.9
22	OPEB for County Government	43.6		47.0	\$47.0	47.0	47.0	47.0
23	<b>Subtotal, non-agencies</b>	<b>617.5</b>		<b>691.5</b>	<b>\$691.5</b>	<b>691.5</b>	<b>691.5</b>	<b>691.5</b>
24								
25	<b>B. Agency allocations</b>	FY19 App	% agency	Option 1	Option 2	Option 3	Option 4	Option 5
26	MCPS	2,444.1	57.4%	2,442.3	2,442.3	2,442.3	2,442.3	2,442.3
27	College excl. expen. funded by tuition	188.7	4.4%	186.0	186.0	186.0	186.0	186.0
28	MNCPPC	125.2	2.9%	119.9	127.6	131.2	125.2	131.9
29	County Government	1,501.4	35.2%	1,437.2	1,530.2	1,572.3	1,501.4	1,581.7
30	<b>Subtotal, agencies</b>	<b>4,259.4</b>	<b>100%</b>	<b>4,185.3</b>	<b>4,286.1</b>	<b>4,331.8</b>	<b>4,254.9</b>	<b>4,342.0</b>
31	<b>Aggregate Operating Budget</b>	<b>4,876.8</b>		<b>4,876.8</b>	<b>4,977.6</b>	<b>5,023.3</b>	<b>4,946.4</b>	<b>5,033.5</b>
32								
33	<b>Table 3: Change in Agency Allocations, FY19 approved to FY20 recommended</b>							
34				Option 1	Option 2	Option 3	Option 4	Option 5
35	MCPS			(0.07%)	(0.07%)	(0.07%)	(0.07%)	(0.07%)
36	College excl. expen. funded by tuition			(1.42%)	(1.42%)	(1.42%)	(1.42%)	(1.42%)
37	MNCPPC			(4.28%)	+1.92%	+4.72%	+0.00%	+5.35%
38	County Government			(4.28%)	+1.92%	+4.72%	+0.00%	+5.35%
39	<b>Total Agency Allocation</b>			<b>(1.74%)</b>	<b>+0.63%</b>	<b>+1.70%</b>	<b>(0.10%)</b>	<b>+1.94%</b>

Notes:

1. FY20 MNCPPC debt service assumes Park Fund: \$6,932,910; ALARF Fund: \$145,200.

2. All other FY20 non-agency allocations are from the December Fiscal Plan Update.

3. All FY19 agency allocations are from Resolution 18-1149 (Approval of the Aggregate Operating Budget).

4. FY20 Montgomery College allocation assumes total tax supported budget of \$259.9 million less \$74.6 million of tuition and related charges; local contribution of \$142.1 million (MOE); State Aid set at \$36.1 million; tuition assumes increase of \$4/\$8/\$12; fund balance of \$2.3 million re-appropriated.

5. FY20 MCPS allocation assumes \$1,731.8 local contribution (MOE); \$706.9 million of formula-based state aid; other revenue of \$3.6 million; and re-appropriation of \$0.0 million in fund balance.

Resolution No.: \_\_\_\_\_  
Introduced: \_\_\_\_\_  
Adopted: \_\_\_\_\_

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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Lead Sponsor: County Council

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**SUBJECT:** Spending Affordability Guidelines for the FY20 Operating Budget

**Background**

1. Section 305 of the Charter and Chapter 20-60 of the County Code require the Council to set spending affordability guidelines for the operating budget for the next fiscal year.
2. The guidelines must specify:
  - a) A ceiling on property tax revenues; which are used to fund the aggregate operating budget.
  - b) A ceiling on the aggregate operating budget. The aggregate operating budget is the total appropriation from current operating revenues, including appropriations for capital projects but excluding appropriations for: enterprise funds, the Washington Suburban Sanitary Commission, specific grants for which the spending is contingent on the grants, and expenditures equal to the estimated tuition and tuition-related charges at Montgomery College.
  - c) The spending allocations for the County Government, the Board of Education, Montgomery College, the Maryland-National Capital Park and Planning Commission, debt service, and current revenue funding of capital projects. As noted above, the College's allocation excludes expenditures equal to the estimated tuition and tuition-related charges.
3. Chapter 20-61 of the County Code lists a number of economic and financial factors to be considered in adopting the guidelines, requires a public hearing before the Council adopts guidelines, and requires that the Council adopt guidelines no later than the second Tuesday in February for the fiscal year starting the following July 1.

4. At the public hearing on January 29, 2019, the public had the opportunity to comment on the following guidelines.
- a) The amount of property tax revenue will not exceed the amount calculated in accordance with §305 of the Charter that would require nine affirmative votes.
  - b) The proposed ceiling on the aggregate operating budget and the agency allocations in millions of dollars are:

Debt Service	\$ 439.2
Current revenue, specific projects	\$ 78.7
Current revenue, PAYGO	\$ 32.0
Retiree health insurance prefunding	\$ 141.6
MCPS	\$2,442.3
Montgomery College	\$ 186.0
County Government	\$1,501.4
M-NCPPC	\$ 125.2
Total = Aggregate Operating Budget	\$4,946.4

### Action

The County Council for Montgomery County approves the following resolution:

1. The spending affordability guidelines for the FY20 Operating Budget are:
- a) The amount of property tax revenue will not exceed the amount calculated in accordance with §305 of the Charter that would require nine affirmative votes.
  - b) The ceiling on the aggregate operating budget and the agency spending allocations in **millions** of dollars are:

Debt Service	\$
Current revenue, specific projects	\$
Current revenue, PAYGO	\$
Retiree health insurance prefunding	\$
MCPS	\$
Montgomery College	\$
County Government	\$
M-NCPPC	\$
Total = Aggregate Operating Budget	\$

- c) Notwithstanding the above, the Council intends that any agency spending allocations which, as a result of additional increases in State aid, exceed the ceilings specified in (b) do not trigger the requirements of §20-63(b).
- 2. The Council's intent is that \$xx million of the County Government's allocation will be appropriated for Community Grants (this amount excludes Community Service Grants, Montgomery Cares Grants, and Cost-Sharing CIP Grants).

This is a correct copy of Council action.

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Megan Davey Limarzi, Esq.  
Clerk of the Council

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# Fiscal Plan December 2018

## Tax Supported Fiscal Plan Summary

(\$ in Millions)															
	App. FY19	Est. FY19	% Chg. FY19-20	% Chg. FY19-20	Projected FY20	% Chg. FY20-21	Projected FY21	% Chg. FY21-22	Projected FY22	% Chg. FY22-23	Projected FY23	% Chg. FY23-24	Projected FY24	% Chg. FY24-25	Projected FY25
<b>Total Revenues</b>	5-24-18	12-11-18	App/Proj	Est/Proj	12-11-18										
Property Tax	1,808.4	1,787.1	2.1%	3.3%	1,846.9	3.4%	1,909.1	3.2%	1,970.2	3.9%	2,046.2	3.8%	2,124.8	3.6%	2,202.3
Income Tax	1,585.2	1,599.9	5.7%	4.8%	1,675.9	3.7%	1,737.6	3.2%	1,794.0	4.4%	1,872.2	4.6%	1,958.1	4.3%	2,043.0
Transfer/Recordation Tax	162.9	174.4	9.8%	2.6%	179.0	-0.8%	177.6	3.6%	184.0	2.9%	189.4	4.1%	197.2	3.6%	204.2
Other Taxes	273.7	275.8	0.5%	-0.3%	275.0	0.4%	276.2	0.2%	276.9	0.1%	277.1	0.4%	278.2	0.3%	279.1
Other Revenues	1,098.1	1,098.1	-1.3%	-1.3%	1,084.2	-0.1%	1,082.7	0.5%	1,088.2	0.4%	1,092.4	0.4%	1,096.8	0.4%	1,101.2
<b>Total Revenues</b>	<b>4,928.3</b>	<b>4,935.3</b>	<b>2.7%</b>	<b>2.5%</b>	<b>5,061.0</b>	<b>2.4%</b>	<b>5,183.3</b>	<b>2.5%</b>	<b>5,313.3</b>	<b>3.1%</b>	<b>5,477.3</b>	<b>3.2%</b>	<b>5,655.0</b>	<b>3.1%</b>	<b>5,829.8</b>
<b>Net Transfers In (Out)</b>	<b>34.9</b>	<b>34.9</b>	<b>-31.6%</b>	<b>-31.6%</b>	<b>23.9</b>	<b>2.2%</b>	<b>24.4</b>	<b>2.3%</b>	<b>25.0</b>	<b>2.4%</b>	<b>25.6</b>	<b>2.4%</b>	<b>26.2</b>	<b>2.4%</b>	<b>26.8</b>
<b>Total Revenues and Transfers Available</b>	<b>4,963.3</b>	<b>4,970.3</b>	<b>2.5%</b>	<b>2.3%</b>	<b>5,084.9</b>	<b>2.4%</b>	<b>5,207.7</b>	<b>2.5%</b>	<b>5,338.2</b>	<b>3.1%</b>	<b>5,502.8</b>	<b>3.2%</b>	<b>5,681.2</b>	<b>3.1%</b>	<b>5,856.7</b>
<b>Non-Operating Budget Use of Revenues</b>															
Debt Service	420.0	420.0	4.6%	4.6%	439.2	2.3%	449.3	2.6%	461.2	2.8%	474.1	0.5%	476.4	0.0%	476.4
PAYGO	33.0	33.0	-3.0%	-3.0%	32.0	-3.1%	31.0	-3.2%	30.0	0.0%	30.0	0.0%	30.0	0.0%	30.0
CIP Current Revenue	35.6	35.6	121.0%	121.0%	78.7	9.9%	86.5	-14.2%	74.2	30.3%	96.7	0.2%	96.9	0.0%	96.9
Change in Other Reserves	-37.3	-26.2	100.5%	100.8%	0.2	-13.2%	0.2	-1.8%	0.2	19.7%	0.2	7.5%	0.2	-0.2%	0.2
Contribution to General Fund Undesignated Reserves	21.1	0.2	242.1%	33444.6%	72.2	-92.5%	5.4	-0.7%	5.4	1.0%	5.5	28.6%	7.0	9.2%	7.7
Contribution to Revenue Stabilization Reserves	29.7	29.7	-27.1%	-27.1%	21.7	-75.3%	5.4	43.0%	7.6	64.2%	12.6	-2.9%	12.2	-15.6%	10.3
Set Aside for other uses (supplemental appropriations)	-4.0	12.8	600.0%	56.4%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0	0.0%	20.0
<b>Total Other Uses of Resources</b>	<b>498.2</b>	<b>505.2</b>	<b>33.3%</b>	<b>31.4%</b>	<b>663.9</b>	<b>-10.0%</b>	<b>597.8</b>	<b>0.1%</b>	<b>598.6</b>	<b>6.7%</b>	<b>639.0</b>	<b>0.6%</b>	<b>642.7</b>	<b>-0.2%</b>	<b>641.5</b>
<b>Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)</b>	<b>4,465.1</b>	<b>4,465.1</b>	<b>-1.0%</b>	<b>-1.0%</b>	<b>4,421.0</b>	<b>4.3%</b>	<b>4,609.9</b>	<b>2.8%</b>	<b>4,739.6</b>	<b>2.6%</b>	<b>4,863.8</b>	<b>3.6%</b>	<b>5,038.5</b>	<b>3.5%</b>	<b>5,215.2</b>
<b>Agency Uses</b>															
Montgomery County Public Schools (MCPS)	2,444.1	2,444.1	-0.1%	-0.1%	2,442.3										
Montgomery College (MC)	265.5	265.5	-1.7%	-1.7%	261.0										
MNCPPC (w/o Debt Service)	128.3	128.3	-2.2%	-2.2%	125.5										
MCG	1,627.2	1,627.2	-2.2%	-2.2%	1,592.1										
<b>Agency Uses</b>	<b>4,465.1</b>	<b>4,465.1</b>	<b>-1.0%</b>	<b>-1.0%</b>	<b>4,421.0</b>	<b>4.3%</b>	<b>4,609.9</b>	<b>2.8%</b>	<b>4,739.6</b>	<b>2.6%</b>	<b>4,863.8</b>	<b>3.6%</b>	<b>5,038.5</b>	<b>3.5%</b>	<b>5,215.2</b>
<b>Total Uses</b>	<b>4,963.3</b>	<b>4,970.3</b>	<b>2.5%</b>	<b>2.3%</b>	<b>5,084.9</b>	<b>2.4%</b>	<b>5,207.7</b>	<b>2.5%</b>	<b>5,338.2</b>	<b>3.1%</b>	<b>5,502.8</b>	<b>3.2%</b>	<b>5,681.2</b>	<b>3.1%</b>	<b>5,856.7</b>
<b>(Gap)/Available</b>	<b>0.0</b>	<b>0.0</b>			<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>		<b>0.0</b>

### Assumptions:

- Property taxes are at the Charter Limit with a \$692 credit. Other taxes are at current rates.
- Reserve contributions are consistent with legal requirements and the minimum policy target.
- PAYGO, debt service, and current revenue reflect the Approved FY19-24 Capital Improvements Program.
- State Aid, including MCPS and Montgomery College, is not projected to increase from FY20-25.
- Projected FY20 allocations for MCPS and Montgomery College assume funding at maintenance of effort. The allocations do not include potential increases to State Aid or other possible agency resources, such as use of additional fund balance. Additional State Aid or use of fund balance would increase the rate of growth for MCPS and Montgomery College.

0.9%

5



Resolution No.:	<u>18-1149</u>
Introduced:	<u>May 24, 2018</u>
Adopted:	<u>May 24, 2018</u>

**COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND**

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By: County Council

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**SUBJECT:** Approval of the FY 2019 Aggregate Operating Budget

**Background**

1. Section 305 of the County Charter requires the affirmative vote of 7 Councilmembers to approve the aggregate operating budget if that budget exceeds the adopted spending affordability guidelines then in effect. Section 305 excludes from the aggregate operating budget:
  - Specific grants;
  - Enterprise Funds;
  - Tuition and tuition-related charges at Montgomery College;
  - Washington Suburban Sanitary Commission.
2. Section 20-60 of the County Code requires the Council to set spending affordability guidelines by resolution no later than the second Tuesday in February. The guidelines must specify a ceiling on the aggregate operating budget for FY 2019.
3. Section 305 of the Charter requires that at least 6 Councilmembers must approve the aggregate operating budget if that budget exceeds the budget for the preceding year by more than the rate of inflation, as measured by the annual average increase in the Consumer Price Index for all urban consumers in the Washington-Baltimore Metropolitan area for the 12-month period preceding December 1, which was 1.26% percent for the 12-month period preceding December 1, 2017.
4. On May 25, 2017, in Resolution 18-511, the Council approved the FY 2018 aggregate operating budget in the amount of \$4,796,849,791. If that aggregate operating budget increased at the 1.26% percent rate of inflation for the 12-month period preceding December 1, 2017, it would be \$4,857,290,098.



5. In Resolution No. 18-1035 adopted February 13, 2018, the Council adopted the following spending affordability guideline for the FY 2019 aggregate operating budget.


- FY 2019 ceiling on the aggregate operating budget \$4,892,786,787

**Action**

The County Council for Montgomery County, Maryland approves the following resolution:

The Council approves the FY 2019 aggregate operating budget in the amount of \$4,876,842,446, as calculated on the attached page. Because the FY 2019 aggregate operating budget exceeds the FY 2018 aggregate operating budget as increased for inflation of \$4,857,290,098, 6 affirmative votes are required to adopt this resolution.

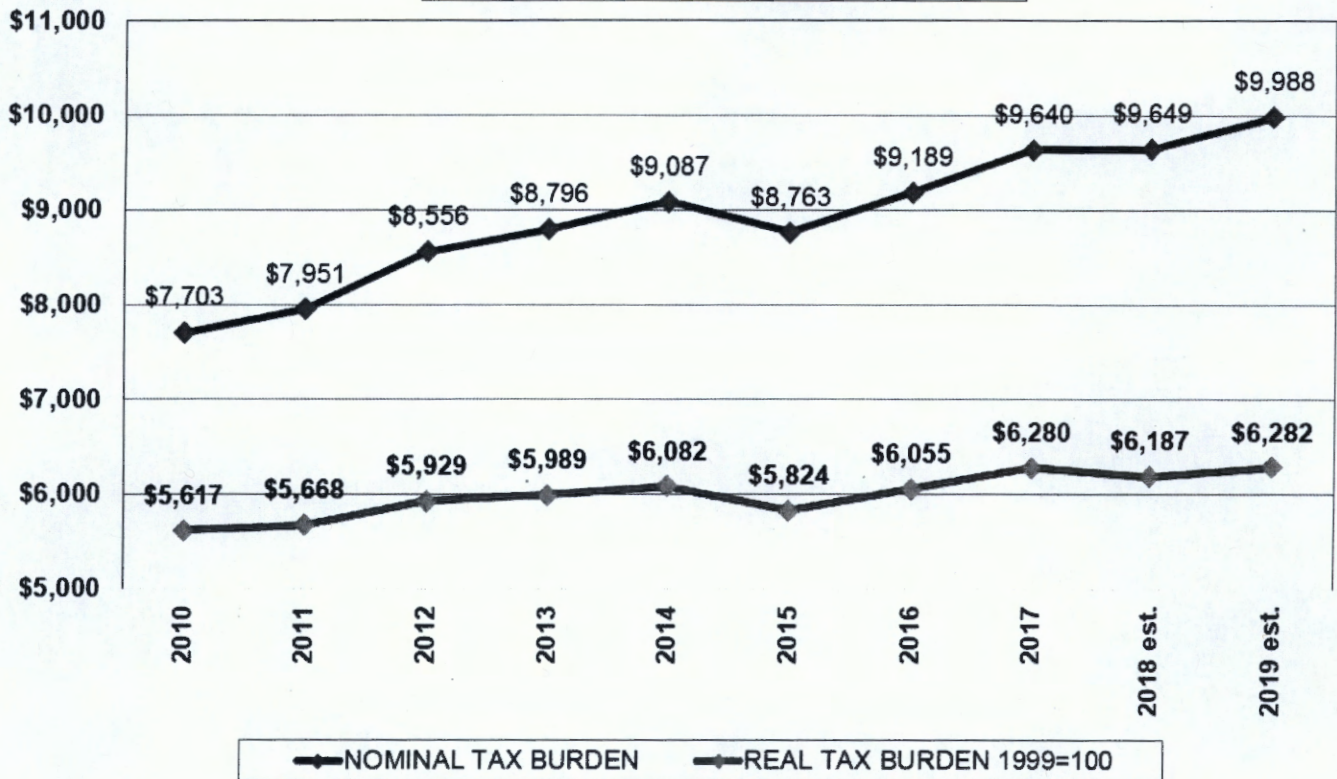
This is a correct copy of Council action.

  
Megan Davey Limarzi, Esq.  
Clerk of the Council

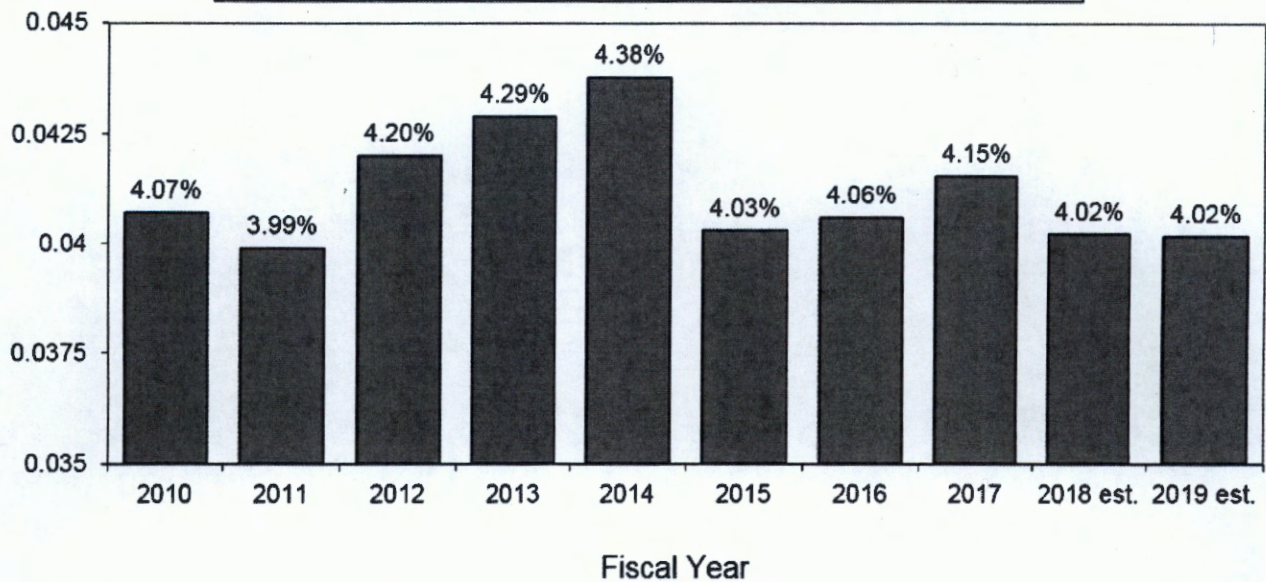
The FY 2019 aggregate operating budget excludes enterprise funds, specific grants, and tuition and tuition-related charges at the College and it is calculated as follows.

<b>Fund or District</b>	<b>Appropriation</b>
General Fund	1,224,862,173
Fire District	217,411,217
Economic Development Fund	4,541,779
Mass Transit	132,517,047
Recreation District	38,705,979
Urban District	9,156,405
Montgomery County Public Schools	2,444,080,162
Montgomery College	265,549,723
Maryland-National Park and Planning Commission:	
Administration Fund	31,617,007
Park Fund	96,648,926
Debt Service on County Bonds and Leases	413,424,000
Debt Service on Park Bonds	6,614,135
Current Revenue for the Capital Budget	35,606,000
Current Revenue for PAYGO	33,000,000
<b>Total Appropriations</b>	<b>4,953,734,553</b>
Less College Tuition and Tuition-Related Charges	(76,892,107)
<b>FY 2019 AGGREGATE OPERATING BUDGET</b>	<b>4,876,842,446</b>
<b>SUMMARY:</b>	
Montgomery County Public Schools	2,444,080,162
Montgomery College Total	265,549,723
County Government	1,501,381,940
Maryland-National Park and Planning Commission	125,236,070
Retiree Health Insurance Pre-Funding	128,842,523
Debt Service on County Bonds and Park Bonds	420,038,135
Current Revenue and PAYGO for Capital Budget	68,606,000
<b>TOTAL APPROPRIATIONS</b>	<b>4,953,734,553</b>
Less College Tuition and Tuition-Related Charges	(76,892,107)
<b>FY 2019 AGGREGATE OPERATING BUDGET</b>	<b>4,876,842,446</b>
Aggregate Operating Budget for FY 2018	4,796,849,791
\$ increase	79,992,655
% change	1.67%

### AVERAGE HOUSEHOLD TAX BURDEN MONTGOMERY COUNTY BY FISCAL YEAR



### COUNTY TAXES AS A SHARE OF PERSONAL INCOME MONTGOMERY COUNTY



Prepared by Montgomery County Department of Finance

# **NABE Outlook Survey - December 2018**

## ***Economic Growth Continuing in 2019, But with Trade Tensions Adding to Downside Risk***

The December 2018 NABE Outlook presents the consensus macroeconomic forecast of a panel of 53 professional forecasters (see last page for listing). The survey, covering the outlook for the end of 2018 and each quarter of 2019, was conducted October 31-November 15, 2018. The NABE Outlook Survey originated in 1965 and is one of three surveys conducted by the National Association for Business Economics (NABE); the others are the NABE Business Conditions Survey and the NABE Economic Policy Survey. Founded in 1959, the National Association for Business Economics is the professional association for those who use economics in their work. NABE has over 2,800 members and 40 chapters nationwide. Gregory Daco, Oxford Economics, Chair; Julia Coronado, MacroPolicy Perspectives; Robert Fry, CBE, Robert Fry Economics; Jack Kleinhenz, CBE, National Retail Federation; Chad Moutray, CBE, National Association of Manufacturers; Yelena Shulyatyeva, Bloomberg LP; and Ryan Sweet, Moody's Analytics, conducted the analysis of survey responses for this report. The views expressed in this report are those of the panelists, and do not necessarily represent the views of their affiliated companies or institutions. This report may be reproduced in whole or in part with appropriate citation to NABE.

**SUMMARY:** "NABE Outlook panelists continue to view the economy as having solid momentum entering 2019, but they foresee GDP growth cooling from 2.9% this year to 2.7% in 2019," said NABE President Kevin Swift, CBE, chief economist, American Chemistry

Council. "The panel expects the Federal Reserve to continue gradually tightening monetary policy, and anticipates a federal funds rate hike at the upcoming December FOMC meeting, followed by three rate increases in 2019." "While panelists remain generally optimistic, three-quarters of respondents see risks being tilted to the downside," added Survey Chair Gregory Daco, chief U.S. economist, Oxford Economics. "Panelists view increasing trade tensions as the primary downside risk to their outlook, with 80% of respondents reducing their 2019 GDP growth outlook in response to trade policy developments. Even so, recession risks are still perceived to be low in the near term, with the panel expecting a 20% risk of recession by the second half of 2019, and a 30% chance by the end of 2020."

#### **Highlights:**

- The median forecast for growth in inflation-adjusted gross domestic product (real GDP) from the fourth quarter (Q4) of 2017 to the fourth quarter of 2018 is 3.1%, unchanged from the growth rate predicted in the October 2018 NABE Outlook survey. Likewise, the median forecast for real GDP growth from Q4 2018 to Q4 2019 did not change, with panelists calling for 2.5% growth over that period. Thus, respondents continue to suggest some moderation in growth moving into next year.
- Overall, the panel anticipates economic growth in 2018 will be stronger than the actual 2.2% annual real GDP growth rate in 2017. On an annual basis, real GDP growth in 2018 is expected to be 2.9%, unchanged from the October forecast. For 2019, respondents predict a 2.7% annual growth rate in real GDP.
- Nearly three-quarters of panelists perceive the risks to GDP growth are tilted to the downside, while 12% indicate that upside risks outweigh downside risks. Only 14% of respondents report that risks to GDP growth are balanced.
- In light of recent U.S. trade policy and other nations' reactions, half (52%) of respondents reports no change in their 2018 GDP forecasts, while just over a third of respondents (37%) have reduced their forecasts by 0.25 percentage points (ppt) or less. For 2019, however, a large majority (80%) of panelists has lowered their forecasts, with two-thirds (63%) lowering their forecasts by 0.01 to 0.25 ppt. Additionally, 4% of respondents have curbed their 2019 forecasts by 0.26 to 0.5 ppt, with 4% reducing their forecasts by more than 0.5 ppt. Only 11% of panelists report no change to their outlook, while 9% have boosted their GDP growth forecasts by up to 0.25 ppt.

- Almost two-thirds of panelists indicate they have lowered their forecasts for business investment in 2019 as a result of U.S. trade policy, while two-thirds have raised their inflation forecasts moderately. Forty-one percent of panelists indicate that they have lowered their forecasts for personal consumption expenditures, while a small majority reports that trade issues have had no impact on their forecasts for personal consumer expenditures.

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## **Surveys**

### **NABE Outlook**

### **Business Conditions Survey**

### **Policy Survey**

### **Salary Survey**

**DEMOGRAPHIC AND ECONOMIC ASSUMPTIONS**  
**MONTGOMERY COUNTY**  
**UPDATED ECONOMIC ASSUMPTIONS TO SUPPORT FISCAL PLAN UPDATE: DECEMBER 2018**

CALENDAR YEAR	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>POPULATION (1)</b>												
Fiscal Plan (Dec. '18)	1,027,780	1,036,233	1,043,863	1,058,810	1,068,721	1,078,725	1,088,823	1,099,815	1,109,302	1,119,686	1,130,167	1,140,746
-Percent Change		0.8%	0.7%	1.4%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Budget FY19 (Feb. '18)			1,043,863	1,050,370	1,056,920	1,063,510	1,070,140	1,076,810	1,083,520	1,090,270	1,097,060	
-Percent Change				0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	
<b>HOUSEHOLDS (2)</b>												
Fiscal Plan (Dec. '18)	364,854	371,458	373,346	373,219	378,205	383,632	388,621	393,216	397,642	401,918	406,063	410,219
-Percent Change		1.8%	0.5%	0.0%	1.3%	1.4%	1.3%	1.2%	1.1%	1.1%	1.0%	1.0%
Budget FY19 (Feb. '18)			373,346	375,960	378,590	381,240	383,900	386,580	389,280	392,000	394,740	
-Percent Change				0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	
<b>RESIDENT EMPLOYMENT: HOUSEHOLD SURVEY (3)</b>												
Fiscal Plan (Dec. '18)	521,063	527,763	529,491	539,132	543,445	547,519	550,970	554,493	558,660	562,813	566,833	570,769
-Percent Change			0.3%	1.8%	0.8%	0.7%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%
Budget FY19 (Feb. '18)			533,200	546,700	549,700	553,500	556,700	561,000	566,000	571,200	576,000	
-Percent Change				2.5%	0.5%	0.7%	0.6%	0.8%	0.9%	0.9%	0.8%	
<b>NON-FARM PAYROLL EMPLOYMENT: ESTABLISHMENT SURVEY (4)</b>												
Fiscal Plan (Dec. '18)	476,890	479,114	481,905	487,059	491,533	495,207	498,626	501,783	505,076	508,467	511,859	515,250
-Percent Change		0.5%	0.6%	1.1%	0.9%	0.7%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%
Budget FY19 (Feb. '18)			489,100	498,900	504,700	509,500	512,400	516,500	521,800	526,900	531,200	
-Percent Change				2.0%	1.2%	1.0%	0.6%	0.8%	1.0%	1.0%	0.8%	
<b>TOTAL PERSONAL INCOME - (\$Millions) (5)</b>												
Fiscal Plan (Dec. '18)	\$75,750	\$80,790	\$84,520	\$86,370	\$89,980	\$94,270	\$98,210	\$102,280	\$106,870	\$110,330	\$115,310	\$120,760
-Percent Change				2.2%	4.2%	4.8%	4.2%	4.1%	4.5%	3.2%	4.5%	4.7%
Budget FY19 (Feb. '18)			\$84,520	\$87,230	\$90,840	\$94,790	\$98,710	\$102,630	\$106,730	\$110,940	\$115,230	
-Percent Change				3.2%	4.1%	4.3%	4.1%	4.0%	4.0%	3.9%	3.9%	
<b>WAGE AND SALARY INCOME - (\$Millions) (6)</b>												
Fiscal Plan (Dec. '18)	\$34,290	\$35,950	\$36,900	\$37,490	\$39,150	\$40,970	\$42,630	\$44,080	\$45,780	\$47,640	\$49,670	\$51,880
-Percent Change		4.8%	2.6%	1.6%	4.4%	4.6%	4.1%	3.4%	3.9%	4.1%	4.3%	4.4%
Budget FY19 (Feb. '18)			\$36,900	\$38,330	\$40,000	\$41,740	\$43,330	\$44,740	\$46,360	\$48,050	\$49,760	
-Percent Change				3.9%	4.4%	4.4%	3.9%	3.2%	3.6%	3.6%	3.6%	
<b>Annual Wages (BEA Series adjusted for CES Employment Data)</b>												
Fiscal Plan (Dec. '18)	\$71,894	\$75,029	\$76,575	\$76,978	\$79,639	\$82,732	\$85,489	\$87,841	\$90,648	\$93,684	\$97,035	\$100,687
-Percent Change		4.4%	2.1%	0.5%	3.5%	3.9%	3.3%	2.8%	3.2%	3.3%	3.6%	3.8%
Budget FY19 (Feb. '18)			\$75,445	\$76,829	\$79,255	\$81,923	\$84,602	\$86,621	\$88,846	\$91,194	\$93,675	
-Percent Change				1.8%	3.2%	3.4%	3.3%	2.4%	2.6%	2.6%	2.7%	
<b>DIVIDENDS, INTEREST, AND RENTAL INCOME - (\$Millions)</b>												
Fiscal Plan (Dec. '18)	\$17,000	\$17,920	\$18,040	\$18,710	\$19,510	\$20,430	\$21,320	\$22,260	\$23,290	\$24,260	\$25,470	\$26,780
-Percent Change		5.4%	0.7%	3.7%	4.3%	4.7%	4.4%	4.4%	4.6%	4.2%	5.0%	5.1%
Budget FY19 (Feb. '18)			\$18,040	\$19,290	\$19,860	\$19,970	\$20,650	\$21,450	\$22,280	\$23,070	\$23,870	
-Percent Change				6.9%	3.0%	0.6%	3.4%	3.9%	3.9%	3.5%	3.5%	
<b>PER CAPITA PERSONAL INCOME (8)</b>												
Fiscal Plan (Dec. '18)	\$73,700	\$77,970	\$80,970	\$81,570	\$84,190	\$87,390	\$90,200	\$93,070	\$96,340	\$98,540	\$102,030	\$105,860
-Percent Change		5.8%	3.8%	0.7%	3.2%	3.8%	3.2%	3.2%	3.5%	2.3%	3.5%	3.8%
Budget FY19 (Feb. '18)			\$80,970	\$83,050	\$85,950	\$89,130	\$92,240	\$95,310	\$98,500	\$101,750	\$105,040	
-Percent Change				2.6%	3.5%	3.7%	3.5%	3.3%	3.3%	3.3%	3.2%	
<b>AVERAGE HOUSEHOLD INCOME</b>												
Fiscal Plan (Dec. '18)	\$207,620	\$217,490	\$226,390	\$231,420	\$237,910	\$245,730	\$252,710	\$260,110	\$268,760	\$274,510	\$283,970	\$294,380
-Percent Change		4.8%	4.1%	2.2%	2.8%	3.3%	2.8%	2.9%	3.3%	2.1%	3.4%	3.7%
Budget FY19 (Feb. '18)			\$226,390	\$232,020	\$239,940	\$248,640	\$257,120	\$265,480	\$274,170	\$283,010	\$291,910	
-Percent Change				2.5%	3.4%	3.6%	3.4%	3.3%	3.3%	3.2%	3.1%	
<b>CPI-U WASHINGTON MSA: New Series (Calendar Year) (9)</b>	1.47%	0.40%	1.10%	1.12%	2.32%	2.27%	2.27%	2.85%	2.85%	2.85%	2.85%	2.85%
Budget FY19 (Feb. '18): Old Series			1.18%	1.25%	1.90%	2.00%	2.15%	2.25%	2.35%	2.40%	2.45%	
<b>CPI-U WASHINGTON MSA: New Series (Fiscal Year)</b>	1.69%	0.67%	0.92%	1.79%	1.72%	2.29%	2.27%	2.56%	2.85%	2.85%	2.85%	2.85%
Budget FY19 (Feb. '18): Old Series			0.86%	1.15%	1.60%	1.95%	2.07%	2.20%	2.30%	2.38%	2.43%	

INFLATION	2.03% Sept. 2018	Property Taxes	Key determinant of property tax revenues at the Charter Limit	1.70% Sept. 2017	↑
UNEMPLOYMENT RATE	3.1% Oct. 2018	Income Taxes	Indicates overall health of the job market	3.3% Oct. 2017	↓
RESIDENT EMPLOYMENT	545,178 Oct. 2018	Income Taxes	Primary determinant of income tax receipts	539,919 Oct. 2017	↑
PAYROLL EMPLOYMENT (QCEW Data)	478,351 June 2018	Income Taxes	Another determinant of income tax receipts	477,835 June 2017	↑
STOCK MARKET - S&P 500	2,760.17 Nov. 30, 2018	Income Taxes	Key determinant of capital gains portion of the income tax	2,647.58 Nov 30, 2017	↑
HOME SALES	873 Oct. 2018	Transfer/Recordation Taxes	Indicates activity affecting receipts	985 Oct. 2017	↓
HOME PRICES (Median Price Sold)	\$425,000 Oct. 2018	Transfer/Recordation Taxes	Taxes are based on values, affects amount of taxes collected	\$398,000 Oct. 2017	↑
FEDERAL FUNDS RATE	2.20% Nov. 2018	Investment Income	County's return on investments closely correlated with the Fed Funds	1.16% Nov. 2017	↑





The  
**STEPHEN S. FULLER INSTITUTE**  
for Research on the Washington Region's Economic Future



# Washington Economy Watch

Vol. III, No. 1  
January 2019

The Stephen S. Fuller Institute  
for Research on the Washington Region's Economic Future  
Schar School of Policy and Government  
George Mason University

*The Washington Economy Watch is a monthly report issued by The Stephen S. Fuller Institute that is intended to inform its readers regarding the current and near-term performance of the Washington region's economy. The Leading and Coincident Indices were first reported in February 1991 and have been calculated each month since that first release and reflect an underlying data base that dates from 1978 covering five complete business cycles in addition to the current cycle that began in mid-2009.*



# Washington Economy Watch

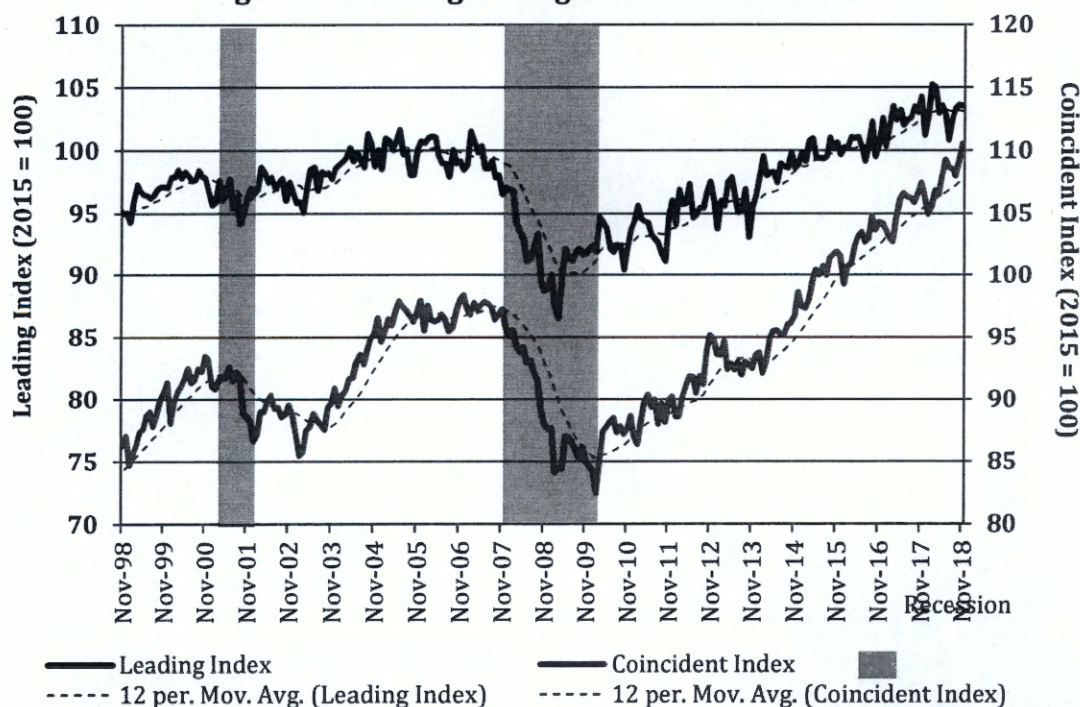
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## The Region's Strong Economic Performance Continued Through November 2018 But Outlook Weakens

The performances of the Washington region's Coincident and Leading Indices in 2018 have sent a mixed message regarding the region's economy. The economy's current performance, as measured by the Coincident Index, continued to exhibit solid gains for the year through November compared to the same period in 2017, but on a month-to-month basis, it experienced three monthly declines during the third quarter. The Leading Index has now experienced four decreases over the past five months on a monthly over-the-year basis through November after starting the year with sharp gains. This trend clearly raises questions concerning the economy's growth trajectory in 2019. Looking forward, a slowing U.S. economy in 2019 and the unexpectedly long partial Federal shutdown may result in the Washington region's economy underperforming its growth potential in 2019.

**Figure 1. Washington Region Economic Indices**



Source: The Stephen S. Fuller Institute at the Schar School, GMU



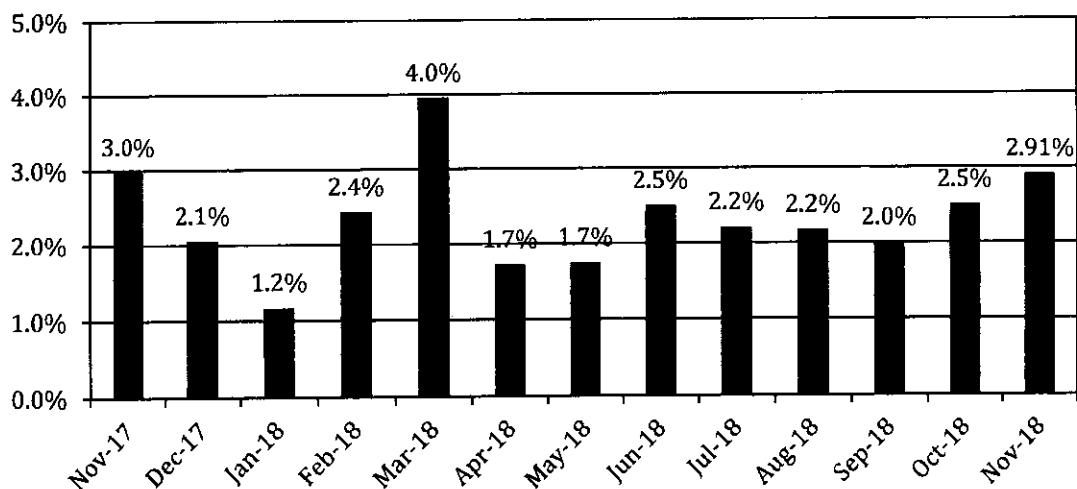
The **Washington Coincident Index**, which represents the current state of the metropolitan area economy, increased for a second month in November, on a month-to-month basis, gaining 1.2 percent. These two month-to-month gains follow three consecutive month-to-month declines. On a month-to-month basis, the Coincident Index now has increased six times in the year's first eleven months. For the second month in a row, all four of the Index's indicators were positive.

On a monthly over-the-year basis, November's Coincident Index registered an increase of 2.91 percent from November 2017 extending its upward trend to 56 consecutive months, dating from April 2014. The Index's November performance extends a pattern of relatively steady growth that describes the trajectory of the year's economic expansion.

In November, for the second consecutive month, all four of the Index's components were positive on a monthly over-the-year basis:

- *Wage and salary employment* in the Washington region increased 1.6% between November 2017 and November 2018;
- *Consumer confidence (in the present)* extended its positive trend increasing 12.8% from November 2017;
- *Domestic passenger volume at Reagan National and Dulles Airports* increased 4.0% from November 2017 after gaining 1.6% in October reversing a two-month decline spanning August and September; and,
- *Non-durable goods retail sales* were up 4.1% from November 2017 gaining for a 21<sup>th</sup> consecutive month on a monthly over-the-year basis.

**Figure 2. Washington Coincident Index, Monthly Over-the-Year Changes**



Source: The Stephen S. Fuller Institute at the Schar School, GMU

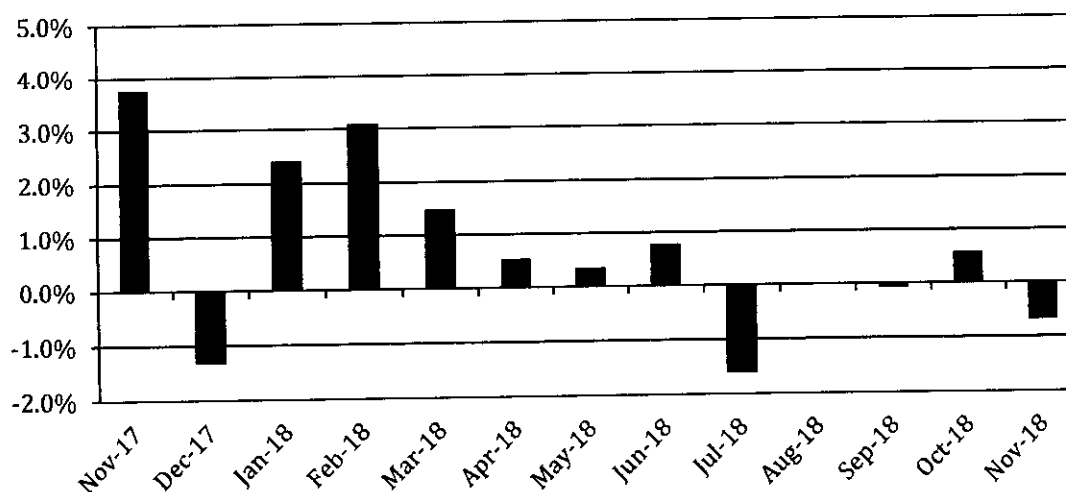


The **Washington Leading Index**, which is designed to forecast the performance of the metropolitan area economy six to eight months in advance, decline in November by 0.70 percent. This is the Leading Index's fourth decrease in five months on a monthly over-the-year basis extending a moderating performance pattern dating back to March. The Leading Index is being dragged lower by double-digit gains in initial claims (worsened) each month since May and the continuing weak performance of the home building sector—the number of residential building permits issued decreasing in seven of the last eight months, and, while Consumer expectations have continued to increase, they are increasing more slowly than earlier in the year and have experienced decreases on a month-to-month basis in three of the last five months, suggesting that they may have peaked.

In November, two of the Leading Index's four components contributed to its decline:

- *Total residential building permits* decreased 23.3% in November and now has declined eight times in the year's first eleven months; and,
- *Initial claims for unemployment insurance* increased 28.1% worsening for a sixth consecutive month after having improved (decreased) in each of the year's first five months; while,
- *Consumer expectations (consumer confidence six months hence)* increased 6.9% from its November 2017 level gaining for a fourth consecutive month; and,
- *Durable goods retail sales* increased 1.6% between November 2017 and November 2018 extending its long-term positive trend—it has declined only once in 2018.

**Figure 3. Washington Leading Index, Monthly Over-the-Year Changes**



Source: The Stephen S. Fuller Institute at the Schar School, GMU

## Current Performance

The Washington region's economy has sustained its expansion (recovery) from the negative impacts of the Sequester for 56 consecutive months; that is, the Washington region's Coincident Index, which is designed to measure the region's current economic performance, has increased each month since April 2014 through November 2018. Job growth is the most widely cited measure of the economy's performance and the Washington region continues to add significant numbers of new jobs. The estimated 52,100 job growth for 2018 exceeds beginning-of-the-year expectations by almost 10 percent.

While this year's job numbers will be revised and new monthly counts released in March, the preliminary jobs numbers provide several clues to the type of economic growth the region is experienced in 2018. Three sectors—professional & business services, education & health services, and leisure & hospitality services—substantially outperformed their historic job growth patterns. Together these three sectors accounted for 46.5 percent of the region's total jobs but generated 63.9 percent of the year's net job increase.

The government sector—federal and state & local—continued to experience a mixed performance in 2018. Federal jobs decreased by 5,700 from 2017 while local and state governments have added 7,200 jobs.

All of the region's other sectors added jobs in 2018 but only construction, with 5,300 new jobs and transportation and utilities with 3,300 new jobs, grew faster than their percentage share of the region's total employment base, thereby increasing their share of all jobs in the Washington region. The employment shares of the region's other six sectors—retail trade, other services, financial activities, information services, wholesale trade and manufacturing—declined in 2018.

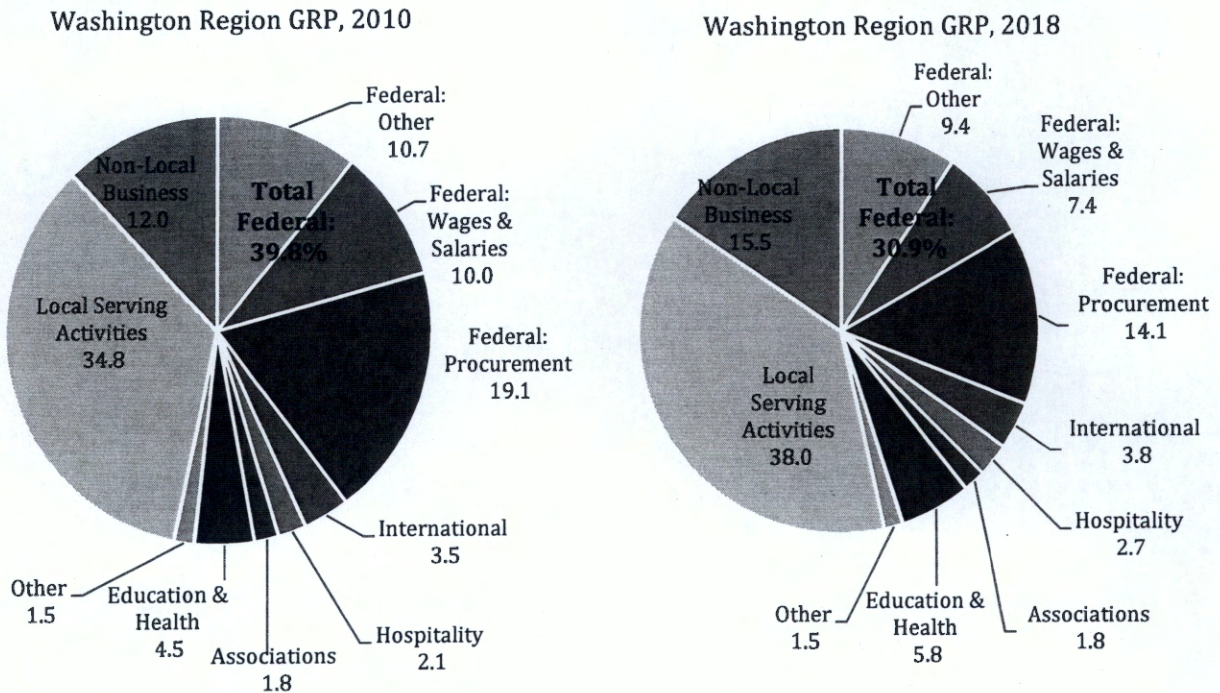
These employment shifts are the result of significant restructuring within the Washington region's economy. Since 2010, the Washington region's economy has been diversifying away from its dependency on the federal government as its principal driver of growth. Federal spending, directly or indirectly, generated 39.8 percent of the region's Gross Regional Product (GRP) in 2010. The consequences of the high level of dependence were seen over the ensuing years as both the federal workforce and federal procurement spending declined. The Sequester in 2013 drove the region's GRP negative by 0.8% while the U.S. economy (GDP) increased 1.7%, and in the three following years, the region's economic growth has underperformed U.S. GDP.

The diversification process has been slow and has contributed to the region's slower economic growth over the last eight years. Still, the region's economic dependence on federal spending declined to an estimated 30.9 percent in 2018. One measure of the benefits of this transformation is seen in the region's increasing economic



growth rate since the Sequester. Since 2013, when GRP declined by 0.8 percent, GRP has increased to an estimated 2.6 percent in 2018. And, the Washington region had the lowest average growth rate in comparison to the nation's fifteen largest metro areas between 2010 and 2017; it ranked 10<sup>th</sup> in 2017.

**Figure 4. The Changing Structure of the Washington Region Economy**



Source: The Stephen S. Fuller Institute at the Schar School, GMU

## Near-Term Outlook

The 2019 forecast for U.S. economy has been revised downwards several times since November. In January, ISH Markit lowered its forecast for 2019 from 2.6 to 2.5 percent after the Federal Reserve Board issued its forecast of 2.3 percent following its December meeting. 2019's economic growth rate was expected to be below the 2018 rate of 2.9 percent, reflecting the diminishing fiscal stimulus at play going forward, higher interest rates, weaker international trade due to higher tariffs, and weaker economic growth in China and Europe, among other head winds impacting this year's economic growth and continuing into the next decade. What was not factored into these forecasts was a long partial federal shutdown that is now entering its second month.

In the absence of this shutdown, with the U.S. economy projected to grow between 2.3 and 2.5 percent, the forecast for the Washington region had its growth rate



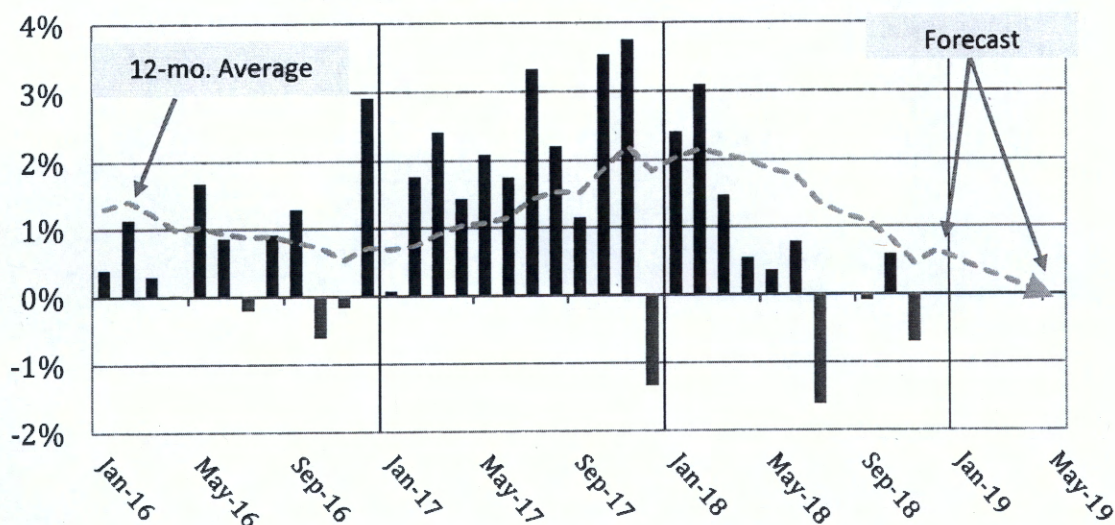


running slightly above the U.S. GDP rate due to the positive impacts of the economy's federal spending dependency and the higher growth performance of the Washington region's core non-federal sectors—these are projected to grow faster than sectors in which the region is not specialized, such as manufacturing. Before the U.S. economy's growth rate was downgraded at the beginning of the year and before the partial federal shutdown the Washington region was projected to grow 2.8 percent in 2019.

However, even before the downgrading of the U.S. economy's forecast for 2019 and partial federal shutdown there was a growing number of economists (and others) pointing to the growing possibility of a recession in 2020, and maybe even as soon as the fourth quarter of 2019. Weakening business and consumer confidence in the future (expectations) and growing uncertainty in global markets have raised the possibility that the current expansion, now the second longest in history at 115 months, will turn negative for two or three quarters within the next twelve months.

The GDP growth sequence for that scenario has the growth rate for 2019 at 2.3 percent and at 0.8 percent for 2021 with a negative 0.6 percent rate for 2020. Under such a growth scenario at the national level, the economic forecast for the Washington region would also be lower with slower growth (2.5%) than currently projected for 2019 (2.8%), slowing to 1.0 percent in 2020 and then reaccelerating in to 1.4 percent 2021. An early sign of this pattern can already be seen in the current trajectory of the Washington Leading Index as shown in Figure 5.

**Figure 5. Washington Region Leading Index  
Monthly Over-the-Year Percent Change**



Source: The Stephen S. Fuller Institute at the Schar School, GMU

With the onset of the partial federal shutdown beginning on December 22<sup>nd</sup> a new variable was introduced into the economy's performance calculation. While the economic impact of the shutdown was muted by it only affecting 40 percent of the



federal workforce and 9 executive agencies, by approximately 55 percent of the work of the closed agencies was still being performed, and by its timing at the economy's weakest period of the year, the lengthening duration of the shutdown has begun to make these impacts more threatening to this year's performance of the U.S. economy and to the economy of the Washington region.

For the Washington region's economy, with an estimated 40 percent (145,000) of its 360,000 federal workers furloughed or working without pay and an estimated 25 percent of the region's federal contractor workforce potentially laid off during the shutdown, these direct impacts and their indirect and induced effects on the region's economy can be estimated. While these impacts will be diminished when the shutdown is over and federal workers are compensated for their lost payroll during the shutdown, these federal workers and the uncompensated federal contractors will have reduced their spending during the shutdown costing the economy during the shutdown period and the economy will have lost output that will not be recaptured when the shutdown is over. Additionally the economy will have experienced costs not included in the GRP effect of these workers absence from the workforce during this extended period. Some of these costs may be transferred to local governments (increased public expenditures and decreased revenues), some of these are collateral costs such as lost Metro revenues estimated to be running at \$400,000 per day, and some will be lost productivity in businesses and organizations dependent on federal support, approvals, or regulation.

For those costs that can be measured, the direct, indirect and induced costs associated with the furloughing of approximately 145,000 federal workers (including workers still working but without pay) and the layoff or furlough of federal contract workers, it is estimated that these represent the loss of up to \$119.2 million dollars a day to the Washington region's economy or 7.3 percent of the \$1.635 billion per day that the economy is projected to be generating (assuming that output is the same each day of the year). Once federal workers are reimbursed for their forgone pay during the shutdown, this loss could be reduced to the equivalent of 2.8 percent of daily GRP or \$46.4 million per day.

The costs will continue to accumulate and deepen the longer the shutdown continues. For the month of January, these costs could total as much as \$3.338 billion and, if not partially recaptured when the federal employed get paid, this lost output would constitute a loss of 0.1 percentage point of economic growth reducing GRP growth in 2019 from 2.8 to 2.7 percent. If the shutdown continued through February, its costs would reduce GRP growth by another 0.1 points to 2.6 percent assuming that the US economy does not slow further bringing region's lower with it. The outlook for 2019 is much less certain at the beginning of the year and this outlook was at this same time a year ago and uncertainty is not good for the economy. The long-term impacts of the partial federal shutdown will become clearer in the next several months.



**Washington Area Economic Indicators  
Current and Previous Months**

Economic Indicator	Estimates			Percent Change	
	Nov-18 Prelim.	Oct-18 Final	Nov-17 Final	Oct-18 to Nov-18	Nov-17 to Nov-18
<b>Washington Area Business Cycle Indicators</b>					
Coincident Index (2015 = 100)	110.6	109.2	107.4	1.22%	2.91%
Leading Index (2015 = 100)	103.5	103.6	104.3	-0.09%	-0.70%
<b>Washington Area Coincident Index Components</b>					
Total Wage & Salary Employment ('000) <sup>a</sup>	3,360.3	3,349.0	3,306.2	0.34%	1.64%
Consumer Confidence (South Atlantic) <sup>a</sup>	180.5	174.6	160.0	3.38%	12.81%
Domestic Airport Passengers ('000) <sup>b</sup>	2,377.6	2,324.1	2,285.6	2.30%	4.02%
Nondurable Goods Retail Sales (\$000,000) <sup>c</sup>	3,336.7	3,235.8	3,204.7	3.12%	4.12%
<b>Washington Area Leading Index Components</b>					
Total Residential Building Permits <sup>a</sup>	1,929.3	2,486.0	2,514.0	-22.39%	-23.26%
Consumer Expectations (South Atlantic) <sup>a</sup>	123.0	128.6	115.1	-4.35%	6.86%
Initial Unemployment Claims <sup>b</sup>	2,282.8	2,327.4	1,782.3	-1.92%	28.08%
Durable Goods Retail Sales (\$000,000) <sup>c</sup>	3,972.1	3,884.0	3,910.3	2.27%	1.58%
<b>Washington Area Labor Force<sup>a</sup></b>					
Total Labor Force ('000)	3,405.0	3,406.2	3,387.9	-0.03%	0.51%
Employed Labor Force ('000)	3,301.9	3,297.0	3,269.0	0.15%	1.00%
Unemployed Labor Force ('000)	103.1	109.2	118.9	-5.50%	-13.22%
Unemployment Rate	3.0%	3.2%	3.5%	--	--
<b>Washington Area Wage and Salary Employment<sup>a</sup></b>					
Total ('000)	3,360.3	3,349.0	3,306.2	0.34%	1.64%
Construction ('000)	168.9	168.5	159.6	0.24%	5.83%
Manufacturing ('000)	56.2	56.0	55.1	0.36%	2.00%
Transportation & Public Utilities ('000)	71.9	69.9	67.8	2.86%	6.05%
Wholesale & Retail Trade ('000)	350.0	344.6	346.8	1.57%	0.92%
Services ('000)	2,000.9	2,001.1	1,968.7	-0.01%	1.64%
Total Government ('000)	712.4	708.9	708.2	0.49%	0.59%
Federal Government ('000)	359.9	360.9	365.9	-0.28%	-1.64%

<sup>a</sup>Unadjusted data

<sup>b</sup>Seasonally adjusted data

<sup>c</sup>Seasonally adjusted constant (1996) dollars

## Spending Affordability Guidelines- FY'20

Gordie Brenne, Treasurer, MC Taxpayers League, 1/29/19

Once a year your busy calendar lets you ask what can we afford? Do we have to spend or reserve every dollar that's forecast? What if we set reserves above the minimum level and reward residents with a tax cut if we don't need all that's reserved? The Taxpayers League supports a different approach to what's become a zero-sum game for determining how we allocate spending and how we earn and forecast revenues.

### 1. Spending:

- a. **County** spending plans need a fresh examination of how spending incentivizes performance improvement. To do this the Council should ask the Executive to justify base spending, not just incremental spending. What programs are we paying for that have sub-standard performance? Simply freezing spending at last year's levels is not enough. For example, the Investigation Unit in the Police Dept. in Fairfax county has 1/3 fewer investigators, but comparable closure rates. As for salaries, over the last 4 years, negotiated pay raises have been triple the rate of inflation, but should be held in check to match productivity increases. OIO found (2016-1) Director salaries were 18-24% above neighboring jurisdictions (18 % above Fairfax and 24% above Howard County) and 17% above Federal Executive Service. Manager salaries were 7.5% above Federal managers. As Council Members do you believe that we are getting better management for this extra spending on 422 people?
- b. **MCPS** should not be funded above MoE level until they produce a strategic plan that shows how the budget will be spent to lower the achievement gap. The all too familiar annual exercise of debating how less than 1% of MCPS budget will be spent on incremental "priorities" is not closing the gap. The property tax increase two years ago to fund decreases in class sizes did not lower the achievement gap- because nearly half the money we give MCPS goes to overhead (45%). The \$400 million the county spends outside of the MCPS budget has had no effect on the achievement gap. As Council members, do you believe we should fund MCPS above the MoE level with no discernable movement in the achievement gap?

### 2. Revenue- we question volatile income tax revenue projections in light of economic slowdown risks. Single point estimates should be replaced with range estimates. Further, our revenue sources aren't sustainable. Income tax rates need to address our competitive weaknesses and sagging incomes, and property tax inequities should be resolved.

- a. **Income tax** revenue are volatile. Last December, Finance reported that FY'19 tax revenues exceeded projections, the exact opposite of FY'18 shortfall experience. Setting targets based on resident income projections is the standard solution, but this may contribute to stagnant income averages since 1989 (Planning Dept Trends report, 1/2019), and requires a higher corporate tax rate which is a competitive disadvantage (2% higher than Virginia).
- b. **Property tax** revenues have grown slowly due to a stagnant commercial base, and tardy residential reassessments. We are one of just two states who assess property at the state level, and SDAT has no incentive to do assessments correctly. Residential assessments do not properly take into account market values of improvements, and according to a recent state audit only 41% of reassessments that should be done are completed (OLA 2/21/18). This results in inequities to home owners of unimproved properties who end up subsidizing those with improvements. (Worse, the state gets 10% of our property tax revenues, and we finance 90% of SDATs costs in the county, for what? See our 1/18 report for more details).

As Council Members, are you for the status quo do you support change? Thank you.