



DEPARTMENT OF FINANCE

Isiah Leggett
County Executive

Joseph F. Beach
Director

March 29, 2016

Honorable County Executive, and
Members of the Montgomery County Council

Ladies and Gentlemen:

I am pleased to present the findings of the Seventeenth Annual Business Advisory Panel that was convened on March 3, 2016. The enclosed report was prepared by the County's Department of Finance pursuant to Article XI, Section 20-61 of the Montgomery County Code.

The report consists of a summary of the panel's advice, a list of the panelists, the information package that the Department of Finance sent to the panelists in advance of the meeting, and a presentation prepared for the Panel by Andrew Schaufele, Director, Bureau of Revenue Estimates, Office of the Comptroller of Maryland. The information package includes the agenda for the meeting, concise statements by the Department on the economic outlook, and a framework for discussion.

I believe that the accompanying material accurately reflects the economic advice given by the Business Advisory Panel.

Sincerely,

Joseph F. Beach, Director
Department of Finance

Enclosures

Office of the Director

101 Monroe Street, 15th Floor • Rockville, Maryland 20850 • 240-777-8860 • 240-777-8857 FAX
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**FINDINGS OF THE SEVENTEENTH ANNUAL
BUSINESS ADVISORY PANEL
MARCH 3, 2016**

Pursuant to Article XI, Section 20-61, of the Montgomery County Code, the Department of Finance (Finance) convened a meeting of the Business Advisory Panel (BAP) on March 3, 2016. The County Council of Montgomery County established the BAP in 1999 to seek the advice of industry experts in key sectors of the County's business community concerning the current and future state of the County's economy. The law requires that the Director of Finance convene the panel annually and relay the panel's advice to the County Executive and County Council. This report provides such advice.

The BAP members representing real estate, finance, bioresearch, health services, government, and trade associations, were joined by the County Executive Isiah Leggett and County Council President Nancy Floreen.

The meeting was structured to allow all participants to provide a briefing on the local, state, and regional economic trends and to share their insights about future economic prospects in the County. The participants also discussed Finance's economic assumptions for the next six fiscal years. For purposes of this report, the results of the discussions are presented in two parts. The first part discusses the participant's professional judgment about the County's economy and Finance's economic assumptions. The second section discusses the participant's view of their respective industry sector.

The County Executive opened the meeting by stating that his administration is close to submitting his FY2017 Operating Budget to the County Council on March 15. He discussed his administration's initiatives on economic development and his six-point economic plan. He noted that there are challenges ahead and in specific reference to the decision by the U.S. Supreme Court on May 18, 2015, upholding the decision of the Maryland Court of Appeals' decision in the Wynne income tax case. Even with those challenges, he remains optimistic about the County's economy and fiscal position.

I. Current Economic Conditions and Future Economic Assumptions

Finance staff asked the participants to provide comments to a paper prepared by staff that analyzed the County's economy and provided assumptions about the economic outlook for the next six years. The paper analyzed a number of economic indicators including employment, personal income, real estate, inflation, construction, and interest rates. A detailed report on the County's economy and economic assumptions follows these findings. Summary of those assumptions are:

- **Payroll Employment.** Payroll employment will continue to increase from CY2015 to CY2022 and grow at an average annual rate of 0.8 percent over that

period. This is the same average annual rate of growth experienced between CY2009 and CY2015.

- **Resident Employment.** Resident employment will increase at an average annual rate of 0.8 percent from CY2015 to CY2022. However, that rate is slightly below the average annual rate of 1.0 percent between CY2009 and CY2015.
- **Wage and Salary Income.** Wage and salary income to grow at an average annual rate of 4.0 percent between CY2014, the latest date for which actual data are available from the Bureau of Economic Analysis, U.S. Department of Commerce, and CY2022. Total wage and salary income is estimated to reach \$47.0 billion by CY2022.
- **Personal Income.** Total personal income in Montgomery County will grow at an average annual rate of 4.4 percent from CY2014 to CY2022. By CY2022, total personal income will reach \$107.2 billion.
- **Inflation (annual average).** Overall regional inflation index will gradually increase from 0.33 percent in CY2015 to 1.30 percent in CY2016, 2.30 percent in CY2017 and CY2018, and peak at 2.70 percent from CY2019 to CY2022.
- **Interest Rates.** The County is expecting to earn an average of 0.35 percent in investment income on its short-term portfolio for fiscal year (FY) 2016 with increases to 0.50 percent in FY2017, 1.00 percent in FY2018, and 1.50 percent in FY2019. This assumption is based on no rate increases in the targeted federal funds rate by the FOMC for the remainder of this calendar year and two rate increases in CY2017 (FY2018) and in CY2018 (FY2019). The assumption of future rates increases is based on the 30-day federal funds futures market from the Chicago Mercantile Exchange.

Maryland Economy

The Director of the Bureau of Revenue Estimates (BRE), Office of the Comptroller of Maryland, presented an economic outlook on the national economy, the Maryland economy, and BRE's economic forecast for the Maryland economy to the County Executive, County Council President, and the participants. A copy of BRE's presentation is included in this report. Highlights of BRE's economic outlook and forecast included:

- Both the national and Maryland economy experienced weaker growth in recent years compared to historical recovery and expansionary periods after previous recessions,
- The Maryland economy experienced a recession in CY2013 when gross state product declined 0.2 percent. Since the end of the great recession in CY2009,

Maryland's economy grew at an annual average rate of 1.0 percent between CY2009 and CY2014,

- Economic development across both state and regional jurisdictions has become very competitive. A theme that is discussed by the participants (please see Section II),
- One of the current financial risks is the increase in subprime loans for the purchase of automobiles,
- Since the CY2013 Maryland economic recession, the growth rate in Maryland's payroll employment has been below the national rate,
- On the other hand, Maryland's unemployment rate has been below the national rate until recently,
- Both Maryland and Montgomery County have benefited from the Base Realignment and Closure program by the U.S. Department of Defense,
- Because of the great recession and the State's recession attributed to federal sequestration, it has taken nearly six and one quarter years to reach a positive growth rate in Maryland employment, and
- BRE's forecast for selected economic indicators are:
 - **Personal income:** 4.6 percent (CY2016); 5.1 percent (CY2017); 4.5 percent (CY2018); and 4.2 percent in CY2019, and
 - **Payroll employment:** 1.3 percent (CY2016); 1.0 percent (CY2017); 0.8 percent (CY2018); and 0.5 percent in CY2019.

II. Specific Industry Sectors

Representatives from the Washington regional associations discussed the state of the economy in the Washington metropolitan area and Montgomery County. The representative from the Metropolitan Washington Council of Governments mentioned the road map report prepared by MWCOG. That report discusses the strengths and weaknesses of the Washington Metropolitan region and the demographic challenges. The Washington region ranks twenty-ninth in global initiatives. The region's business assets should be based on an export economy and should develop an export plan in coordination with the Defense Advanced Research Program Agency (DARPA) particularly the information sector. The trade missions should focus regionally with less competition among local jurisdictions, that is, work more collegially. The Metro system spends eighty percent of each dollar on maintenance and needs more revenues to support capital costs.

The representative from the Board of Trade discussed the economic challenges in the region. In previous years, the challenge was the “overhang” of the commercial sector, this year it is employment. With the low unemployment rate in the region (4.2% in January) and in the County (3.6% in January), local businesses cannot find enough employees to fill the job vacancies, that is, it is an employee’s market. The concept of office parks is passé because millennials do not want to work in office parks. Therefore, the concept of office parks needs some assistance (unspecified) to attract millennials. The second issue discussed by the representative, and followed the representative from MWCOC’s point regarding Metro, is that the system needs fixing and the system needs more revenues (Please note that the meeting of the Business Advisory Panel was held before the all day shutdown of the Metro system for emergency repairs on March 16 and early March 17). The final issue discussed was that the region faces permitting challenges because of the different policies and procedures in the various local jurisdictions. The region should have a regional business permitting process.

The representative from the real estate market stated that residential housing is a seller’s market and strong growth in sales. However, there is less than two months of inventory and annual median prices have remained relatively constant. Because of the low mortgage rates, the cost of financing the purchase of a home is also relatively low.

Representatives from the bio-health industry stated that the industry needs to transfer its business practices into a more mobile structure, e-health applications, and electronic medical record keeping. The vacancy rate for “wet labs” was ten to twelve percent in the past, it is now four percent today and may reach two percent by the end of this year. It is difficult to attract business to the County because of the lack of space. The representative mentioned that initial public offerings (IPOs) were strong in the past but new IPOs are flat and that it is difficult for companies to go public. One of the challenges for companies is the approval cycle by the Federal Drug Administration. Since the approval process may take many years, companies need “bridge” loans or venture capital while awaiting for FDA approval. Such capital is difficult to obtain and because bio-health and bio-tech companies are not relocating, they are partnering with other companies. The representative discussed “four legs” to a marketing/business approach: (1) ways to attract and partner with other companies, (2) retain current companies in the County or “economic gardening”, (3) regional perspective and (4) work together to develop a “regional brand” through a collegial approach such as a Bio Forum.

The representative from the Financial Services Sector stated that business is focusing on cyber security and providing mobile banking. The company finances mostly infill development because large track builders are developing in other locations. Current track developers in the County are building “vertical” projects that are more infill developments rather than large track developments.

The representatives from the property development industry and the local Chamber of Commerce discussed the issue of mixed use development. Mixed use developments are the growth potential for the County but currently there are few “town center” development projects in the pipeline. The planning process is behind in schedule,

and it takes two years to do a master plan. Such planning efforts are slow and “ad hoc”. As with the points made by the other representatives, hiring is an issue. The industry cannot find qualified engineers. Finally, the I-270 corridor has become a building mecca for self-storage facilities thereby reducing the availability of prime land for development.

The representative for the legal profession stated that the business is conservative in its forecast and may experience flat growth in the next five years. The demand for legal office space is for more efficient use of space to offset current and potential rent increases. As with other representatives, the issues for the business are expanding its regional focus/practice and finding multi-talented administrative staff.

The representative from the Health Care industry noted a number of economic factors that are currently affecting the health care economy: the aging population, an increase in those patients who have little or no health care coverage, and pressure on costs. The challenge to the industry is the method in which a hospital is paid such that per-capita growth is covered by inflation. The industry is addressing the cost pressures by introducing more efficient operations and providing post care facilities. The representative mentioned a constant theme of changing demographics within the County. Finally, adding to a regional perspective as another theme among the participants is “sharing” health care among local hospitals.

The representative from the Hotel industry stated that the hotel-motel sector was a \$1.75 billion business in the County. Of the total number of customers, six percent was from business. The goal is to increase capital investment in the properties in order to upgrade for business meetings and increase the share of customers from that sector. The goal is to increase business customers and meeting facilities and reduce reliance on tourism. The industry has upside potential and the County and, with a number of headquarters for major international hotels, it should position itself as the hospitality capital of the world.

III. Conclusion

The representatives expressed cautious optimism regarding the region’s and County’s economy. The three major issues discussed by the representatives are the difficulty of finding qualified employees at all levels, that the focus on business development should be a regional focus, and on exporting information technology. Finally, a number of representatives from the associations recommended that Metro receive more revenues in order to address its capital needs. While the region’s and County’s economies have been dependent on the federal government, the theme by several of the representatives is to move to a more regional cooperative/collegial arrangement in order to develop an export-based economy with less reliance on the federal government.

**Attendees
Business Advisory Panel
March 3, 2016**

Mr. Isiah Leggett
Montgomery County Executive

Ms. Nancy Floreen
President
Montgomery County Council

Mr. Joseph Beach
Director
Montgomery County Department of Finance

Brian E. Barkley, Esquire
Vice President for Legislation of the
Rockville Chamber of Commerce

Mr. Richard Bendis,
President and Chief Executive Officer
BioHealth Innovation

Mr. Robert. G. Brewer Jr.
Principal
Lerch, Early & Brewer, Chtd

Ms. Annice Cody
President
Holy Cross Health Networks
Holy Cross Hospital

Mr. Michael Coveyou
Chief, Division of Treasury
Montgomery County Department of Finance

Mr. Paul DesJardin
Director
Community Planning and Services
Metropolitan Washington Council of Governments

James C. Dinegar
President and Chief Executive Officer
Greater Washington Board of Trade

Mr. Steve Farber
Council Administrator
Montgomery County Council

Ms. Kelly Groff
President and Chief Executive Officer
Visit Montgomery

Mr. Robert Hagedoorn
Chief, Division of Fiscal Management
Montgomery County Department of Finance

Mr. Edward Harrington
Regional President MD/DC
John Marshall Bank

Mr. Michael Moran
Chief Executive Officer
Greater Capital Area Association of Realtors

Mr. David Platt
Chief Economist
Montgomery County Department of Finance

Ms. Lily Qi
Special Projects Manager
Montgomery County
Office of the County Executive

Andrew Schaufele, Director
Bureau of Revenue Estimates
Comptroller of Maryland

Jacob Sesker
Senior Legislative Analyst
Montgomery County Council

Mr. James A. Soltesz
President and Chief Executive Officer
Soltesz Associates, Inc.

Ms. Sally Sternbach
Acting Director
Montgomery County Department of Economic Development

MONTGOMERY COUNTY
17TH ANNUAL
BUSINESS ADVISORY PANEL



MARCH 3, 2016

MEETING

WHERE: COUNTY EXECUTIVE’S CONFERENCE ROOM
EXECUTIVE OFFICE BUILDING
2nd FLOOR
101 MONROE STREET
ROCKVILLE, MARYLAND 20850
(240) 777-8877

WHEN: THURSDAY, MARCH 3, 2016

AGENDA

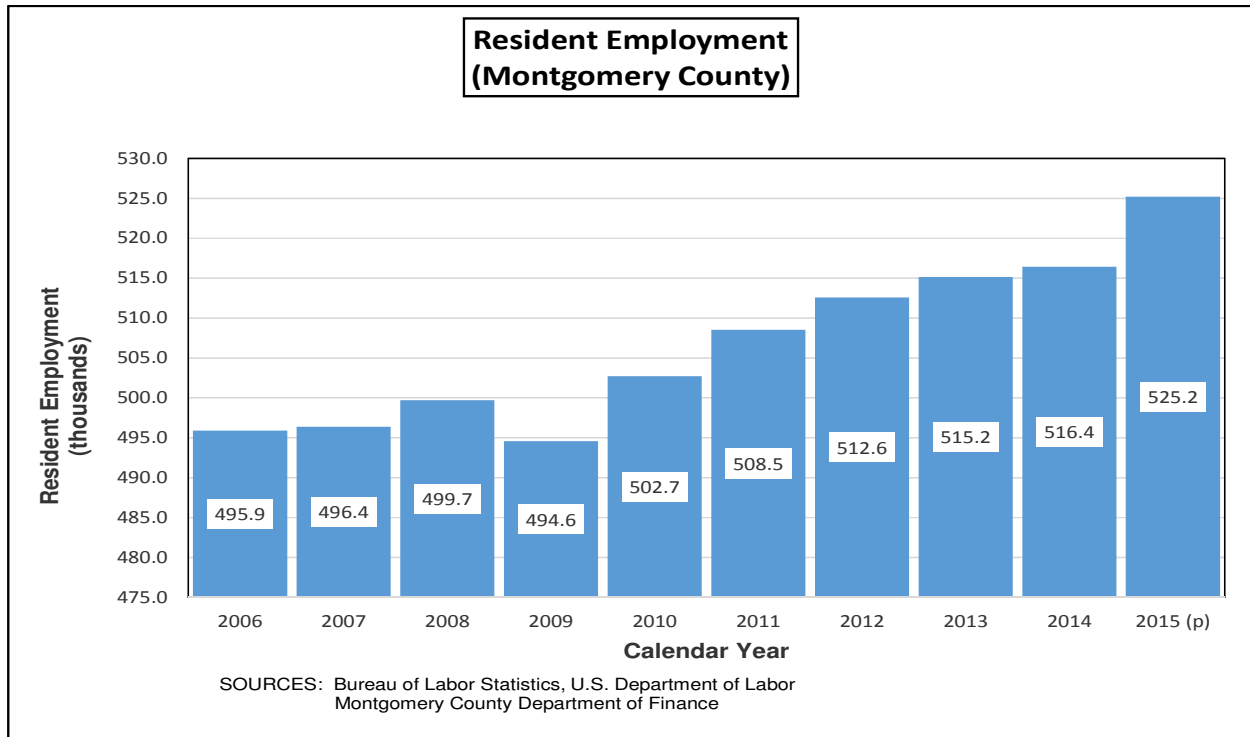
9:00 A.M.	Introduction, Joseph Beach, Director, Montgomery Department of Finance
9:05 A.M.	Opening Remarks by Mr. Isiah Leggett, County Executive
9:20 A.M.	Presentation of Department of Finance economic assumptions
9:30 A.M.	Presentation by Andrew Schaufele, Director, Bureau of Revenue Estimates, Comptroller of Maryland
9:50 A.M.	Presentation by Metropolitan Council of Governments
10:00 A.M.	Roundtable discussion by participants
11:30 A.M.	Adjournment

ECONOMIC CONDITIONS AND OUTLOOK

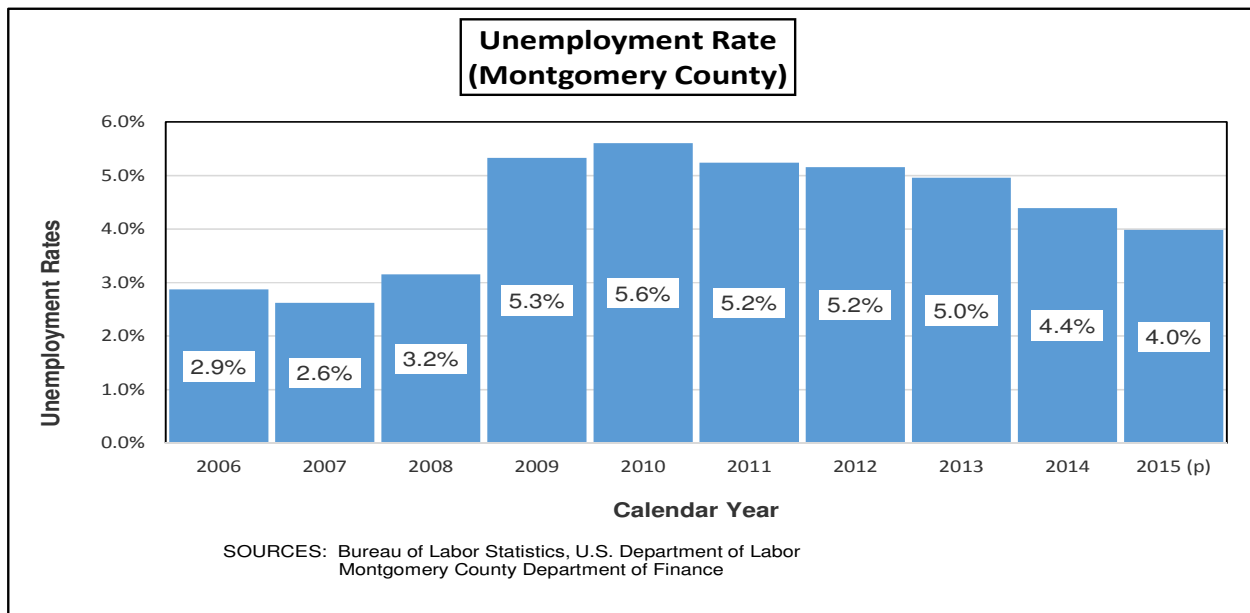
Montgomery County's economy experienced mixed economic performance during 2015. Some of the areas of strength include an increase in resident employment, a decline in the unemployment rate, an increase in the sales of existing homes, and an increase in the value of non-residential construction. However, offsetting those increases, the County experienced a modest decline in the average sales price for an existing home, no change in the median sales price for an existing home, and a decline in the construction of residential properties.

Employment Situation

Based on data from the Maryland Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics, U.S. Department of Labor, resident employment (labor force series and not seasonally adjusted) in 2015 increased by 8,800 from 2014 ($\uparrow 1.7\%$).

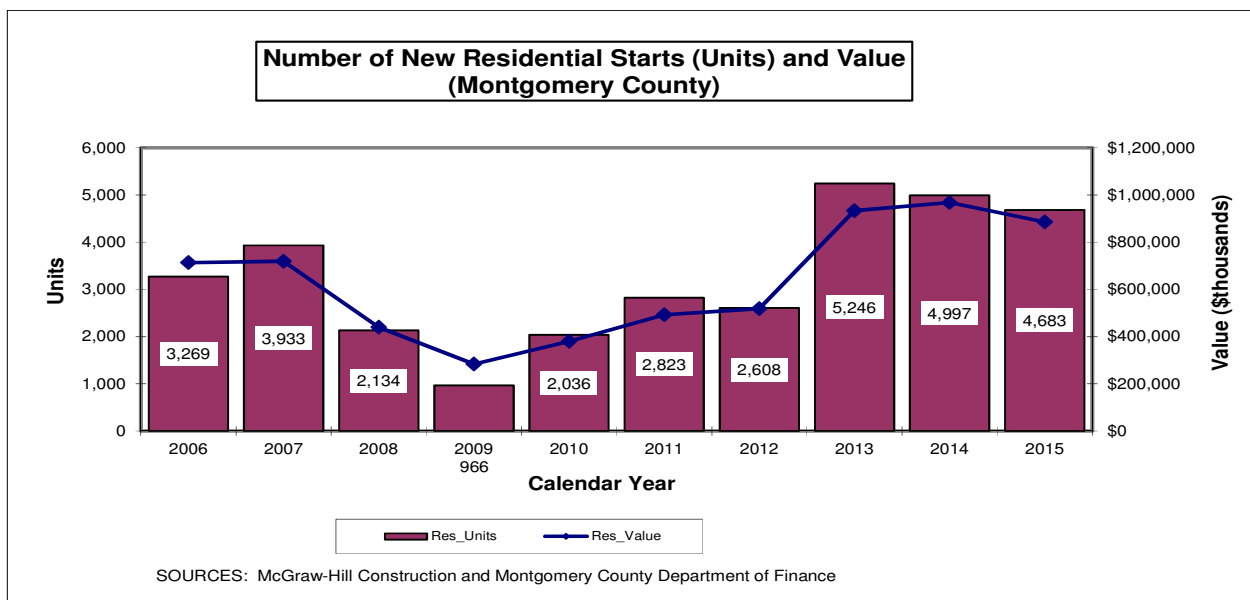


The County's unemployment rate declined to 4.0 percent compared to 4.4 percent in 2014 and is the lowest in seven years, and returning to the pre-recession low levels. The decline in the unemployment rate is attributed to a larger percentage increase in resident employment ($\uparrow 1.7\%$) than in the labor force ($\uparrow 1.3\%$).



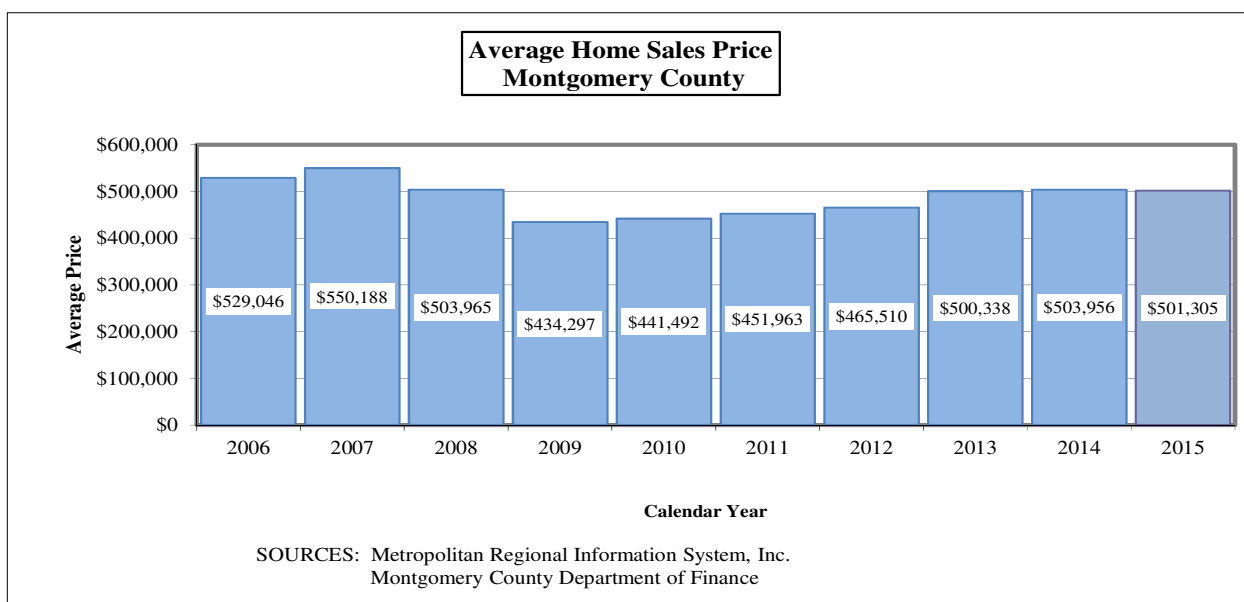
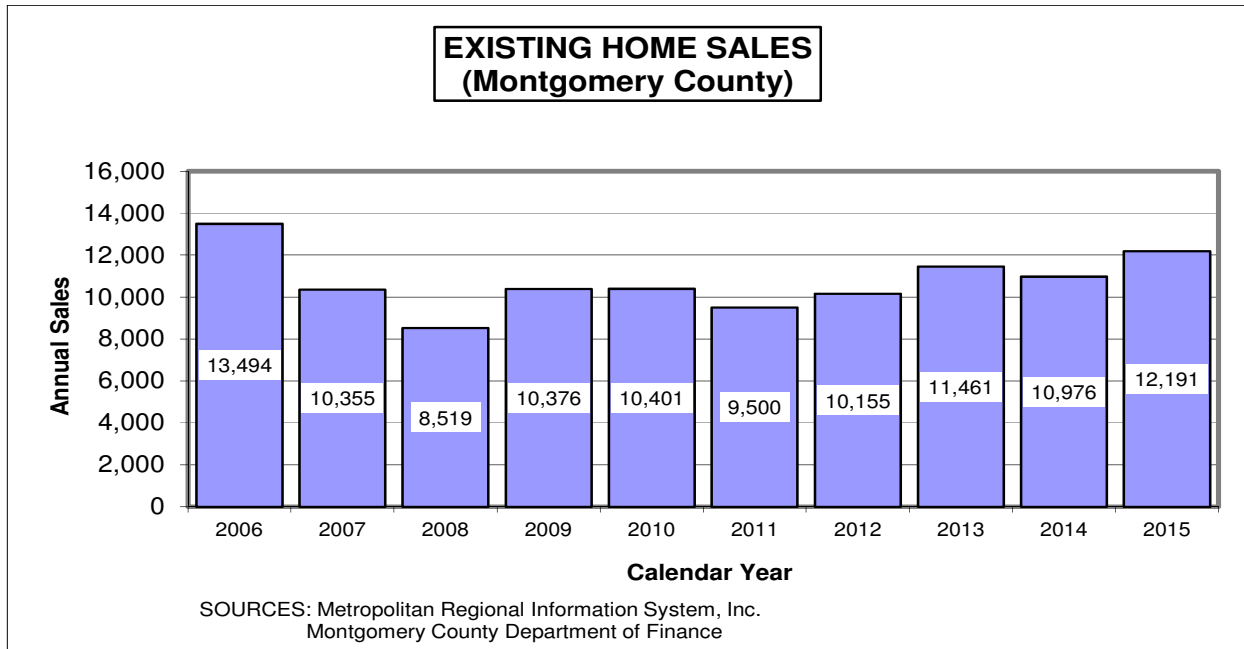
Construction Activity

After experiencing an increase of over 100 percent in 2013, the construction of new residential units declined 4.8 percent in 2014 and another 6.3 percent in 2015. Even with that decline in 2015, the number of new residential units constructed in 2015 was the third highest number in ten years. The decrease was attributed to the decline in the construction of single-family homes (↓20.8%). Construction of multi-family units were up 1.1 percent in 2015. Total value added decreased from a total of \$968.6 million in 2014 to \$855.9 million in 2015 (↓11.4%). While the number of non-residential construction projects decreased from 159 projects in 2014 to 138 in 2014 (↓13.2%), the total value added increased from \$473.1 million to \$718.4 million (↑51.9%).



Residential Real Estate

During calendar year 2015, existing home sales increased 11.1 percent from 2014 which followed a 4.2 percent decline in 2014. The average sales price for existing homes decreased a modest 0.5 percent in 2015 while the median sales price did not change and remained at \$400,000 in 2015. Due to low mortgage rates combined with strong growth in employment and little or no growth in prices, home sales in 2015 experienced its second strongest performance since 2009 when sales increased 21.8 percent.



Retail Sales

Using sales tax receipts as a measure of retail sales activity in the County, retail sales, including assessment collections, increased 3.4 percent in 2015. Purchases of nondurable goods, which include food and beverage, apparel, general merchandise, and utilities and transportation, increased 2.8 percent during this period while sales of durable goods were up 5.2 percent. The increase in nondurable goods purchases was largely attributed to the increase in food and beverage items (↑6.3%) and general merchandise (↑2.9%), while the increase in purchases of durable goods was largely attributed to an increase in automobile sales and products (↑4.1%) and building and industrial supplies (↑9.5%). With the strong performance of home sales during 2015, the increase in sales of furniture and appliances of 1.2 percent and an increase sales of building and industrial supplies support the historical relationship between home sales and sales of specific durable goods.

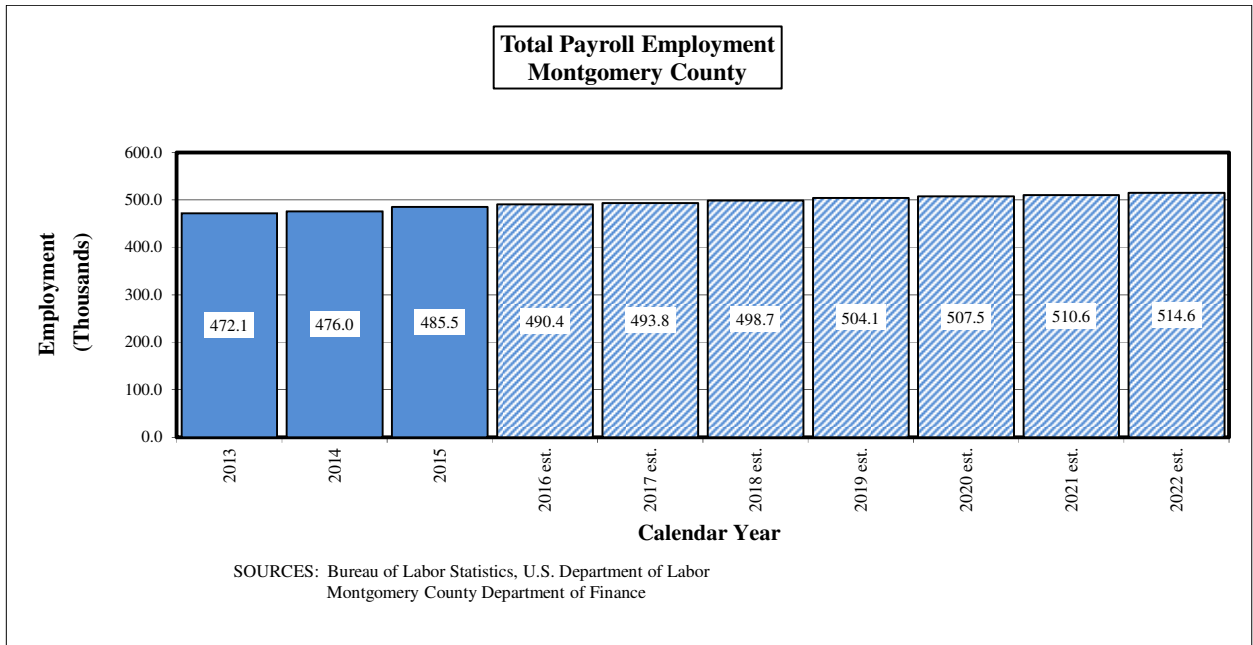
CONCLUSION

The major economic indicators confirm that the County's economy experienced mixed performance during 2015. That mixed performance include an increase in residential employment, a decline in the unemployment rate, an increase in existing home sales, and an increase in the value added for non-residential construction, but partially offset by a decline in the construction and value added of new residential construction and no changes in residential real estate prices.

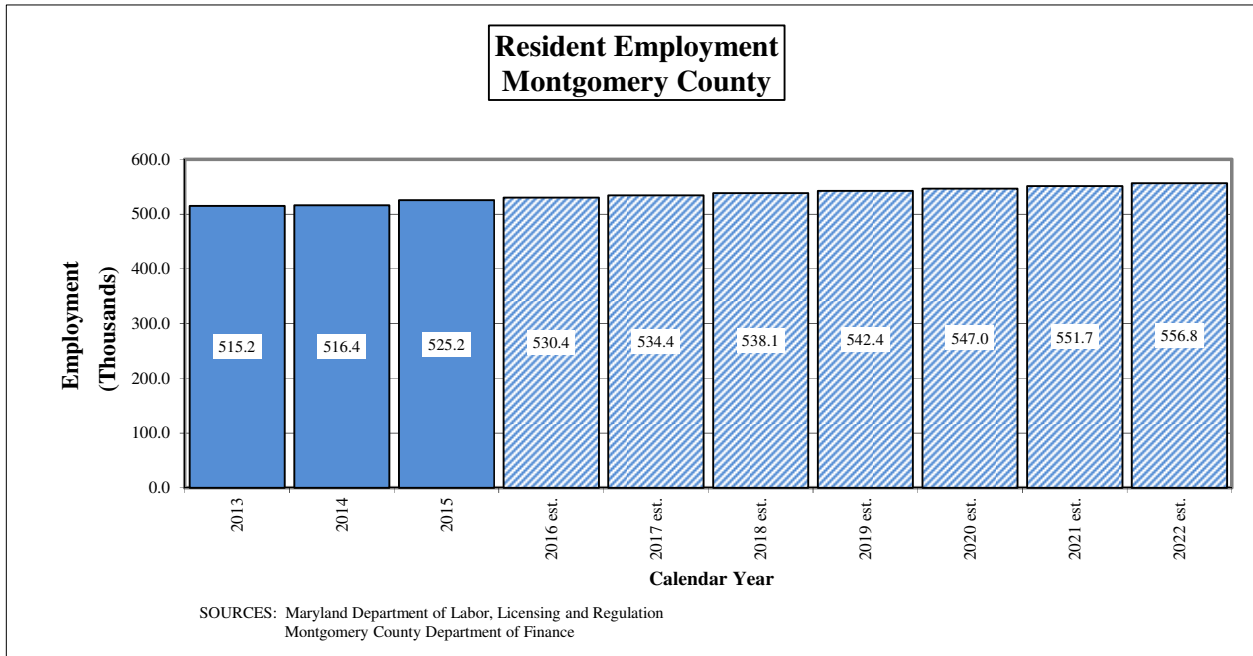
ECONOMIC OUTLOOK

The Department of Finance (Finance) forecasts that the Montgomery County's economy will continue to improve through the next six years.

Employment. Finance assumes payroll employment will continue to increase from CY2015 to CY2022 and grow at an average annual rate of 0.8 percent over that period. This is the same average annual rate of growth experienced between CY2009 and CY2015.



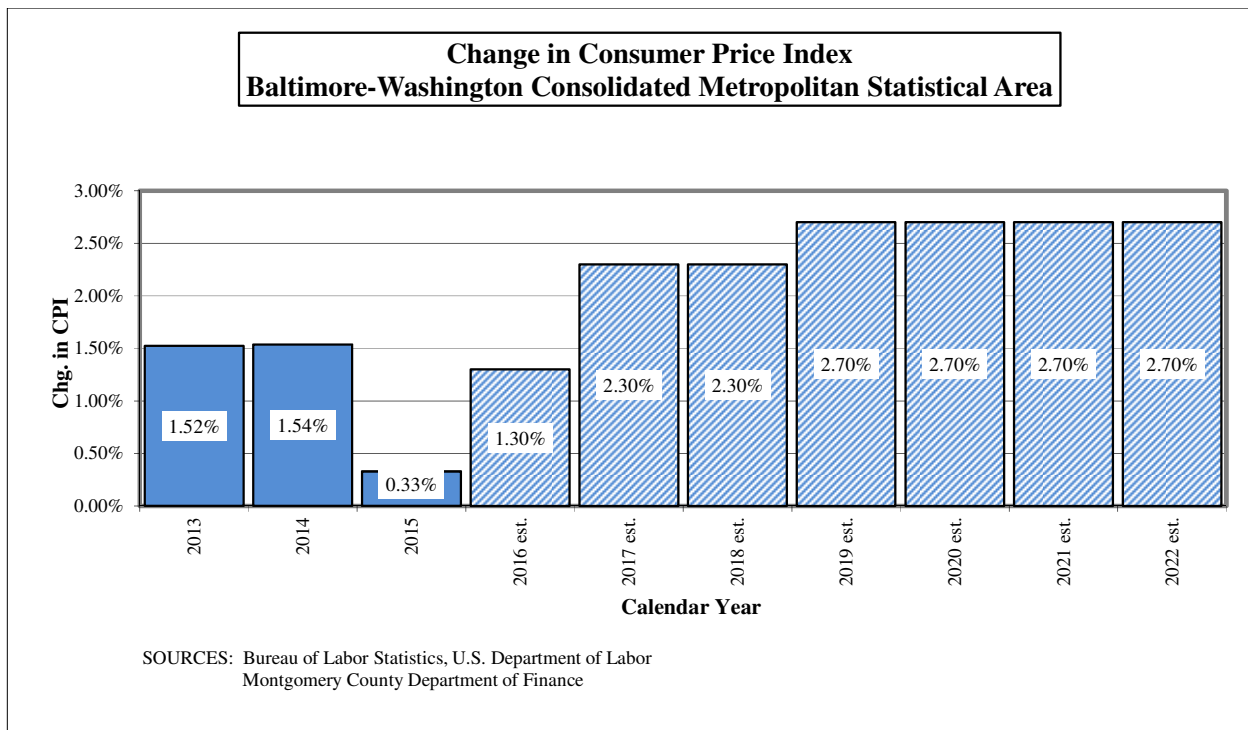
Finance assumes that resident employment will increase at an average annual rate of 0.8 percent from CY2015 to CY2022. However, that rate is slightly below the average annual rate of 1.0 percent between CY2009 and CY2015.



Finance assumes wage and salary income to grow at an average annual rate of 4.0 percent between CY2014, the latest date for which actual data are available from the Bureau of

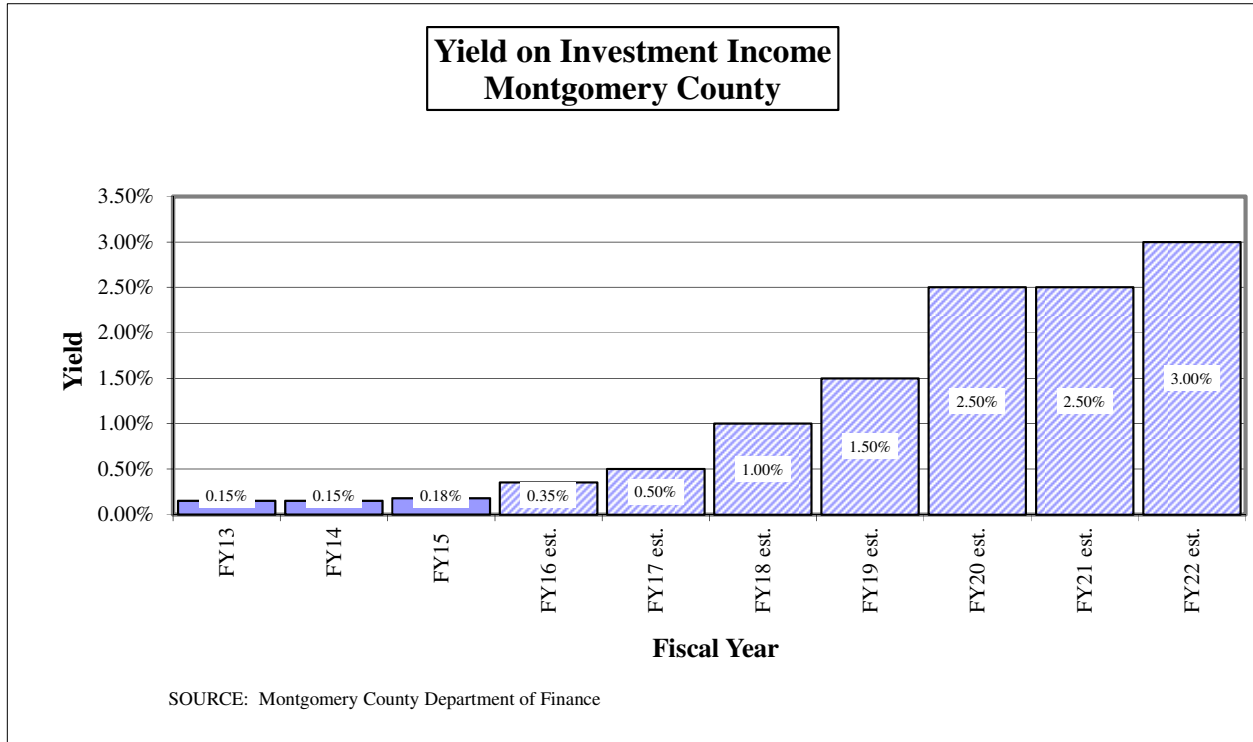
Economic Analysis, U.S. Department of Commerce, and CY2022. Total wage and salary income is estimated to reach \$47.0 billion by CY2022.

- **Personal Income.** Finance assumes that total personal income in Montgomery County will grow at an average annual rate of 4.4 percent from CY2014 to CY2022. By CY2022, total personal income will reach \$107.2 billion.
- **Inflation (annual average).** Finance assumes that the overall regional inflation index will gradually increase from 0.33 percent in CY2015 to 1.30 percent in CY2016, 2.30 percent in CY2017 and CY2018, and peak at 2.70 percent from CY2019 to CY2022.



- **Interest Rates.** From September 2007 to December 2008, the Federal Reserve Board, through its Federal Open Market Committee (FOMC, Committee), aggressively cut the target rate on federal funds from 5.25 percent to a range of 0.00-0.25 percent. Since that time, the targeted federal funds rate set by the FOMC remained at the 0.00-0.25 range until December 2015. At its December 2015 meeting, the FOMC increased the range to between 0.25 and 0.50 percent. The target rate was unchanged at its meeting in January of this year. Since the yield on the County's short-term investments are highly correlated with the federal funds rate, Finance assumes that the County will earn an average of 0.35 percent in investment income on its short-term portfolio for fiscal year (FY) 2016 with increases to 0.50 percent in FY2017 and 1.00 percent in FY2018 and 1.50 percent in FY2019. This assumption is based on no rates increases in the targeted federal funds rate by the FOMC for the remainder of this calendar year and two rate increases in CY2017 (FY2018) and in CY2018 (FY2019). The

assumption of future rates increases is based on the 30-day federal funds futures market from the Chicago Mercantile Exchange.



DISCUSSION FRAMEWORK

The economic assumptions provide a framework for the Department of Finance's revenue projections for FY2017 through FY2022. The following issues create the framework for the discussion that is the focus of the Business Advisory Panel. In order to gain a better understanding of the direction of the major industrial sectors in our county and region, it would be helpful if the participants of the Business Advisory Panel comment on our assumptions and discuss the major economic trends in the next six years that affect their industry sector. The following list of items, if applicable to your sector, may be used to focus your discussion:

Real Estate

- Residential construction
- Commercial construction
- Prices/rents
- Vacancy rates
- Loan conditions – residential and commercial sectors

Income

- Capital gains
- Estimated payments
- Tax Policy Changes: Federal and State
- Wynne decision

Industry Sectors

- Business activity
- Employment outlook
- Consumer spending
- Federal government spending and employment
- Transportation
- Biotechnology
- Information Technology
- Retail
- Other Professional Services

Risk to the Forecasts (Assumptions)

- Federal and state government fiscal policies
- Employment both government and private
- Interest rates
- Inflation
- Domestic stock market volatility attributed to current and future international economic and commodities
- Residential/commercial development

ECONOMIC OUTLOOK

Office of the Comptroller
State of Maryland

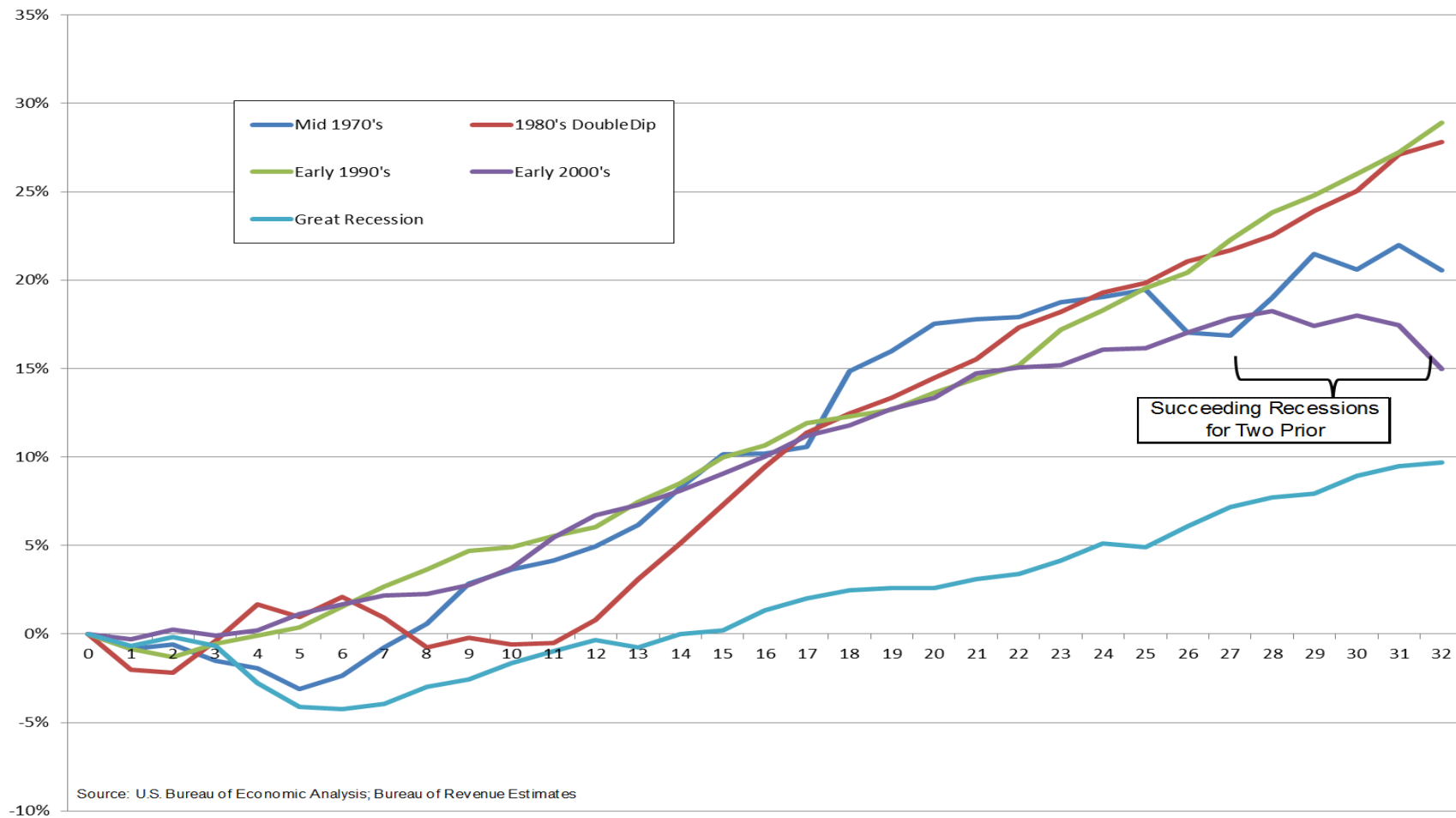
Andrew Schaufele; Director, Bureau of Revenue Estimates

Disclaimer

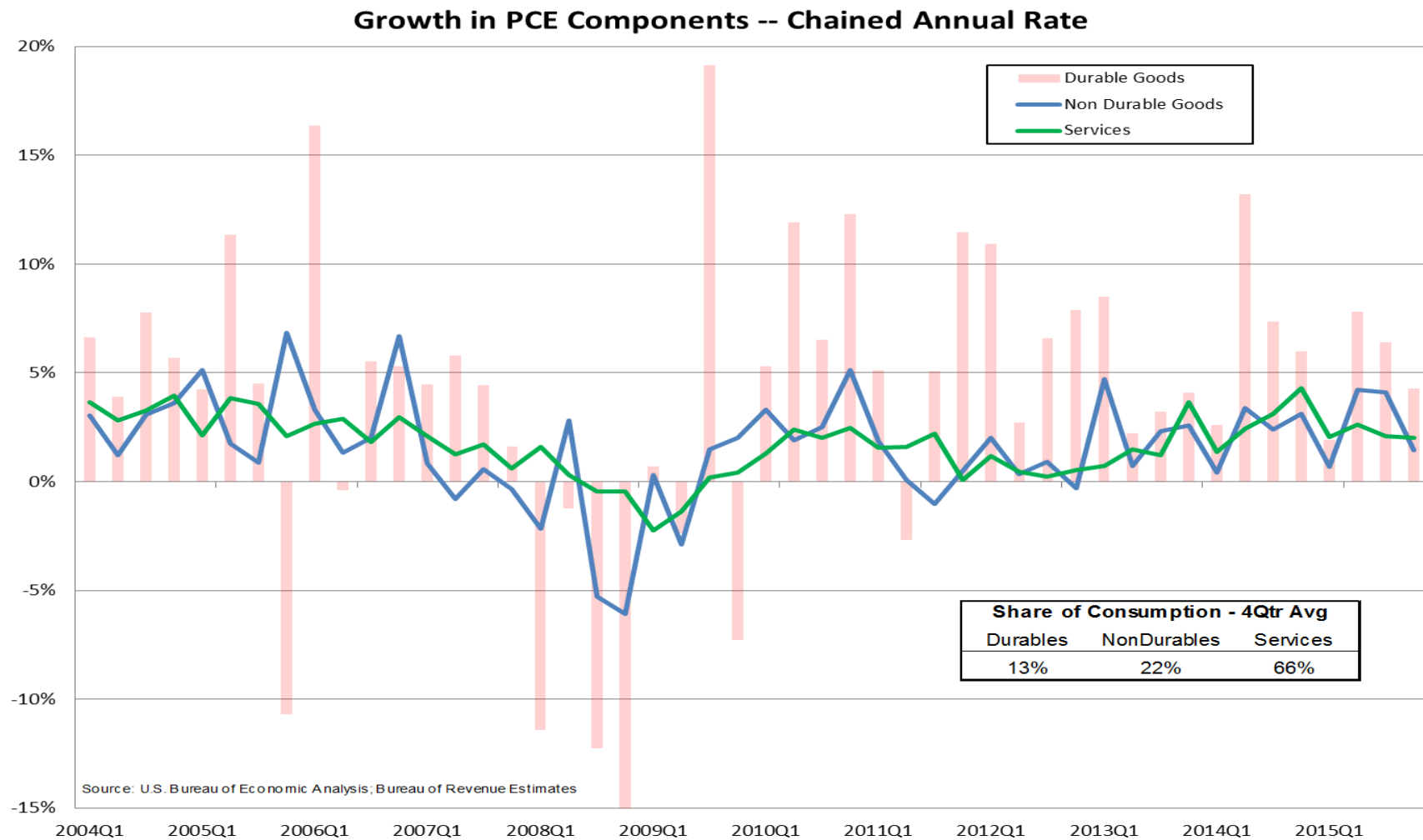
- I represent myself today
- Not the Comptroller, not the Board of Revenue Estimates

Unprecedented Post-WWII Recession & Recovery

Historic Recessions -- % of Previous Peak GDP

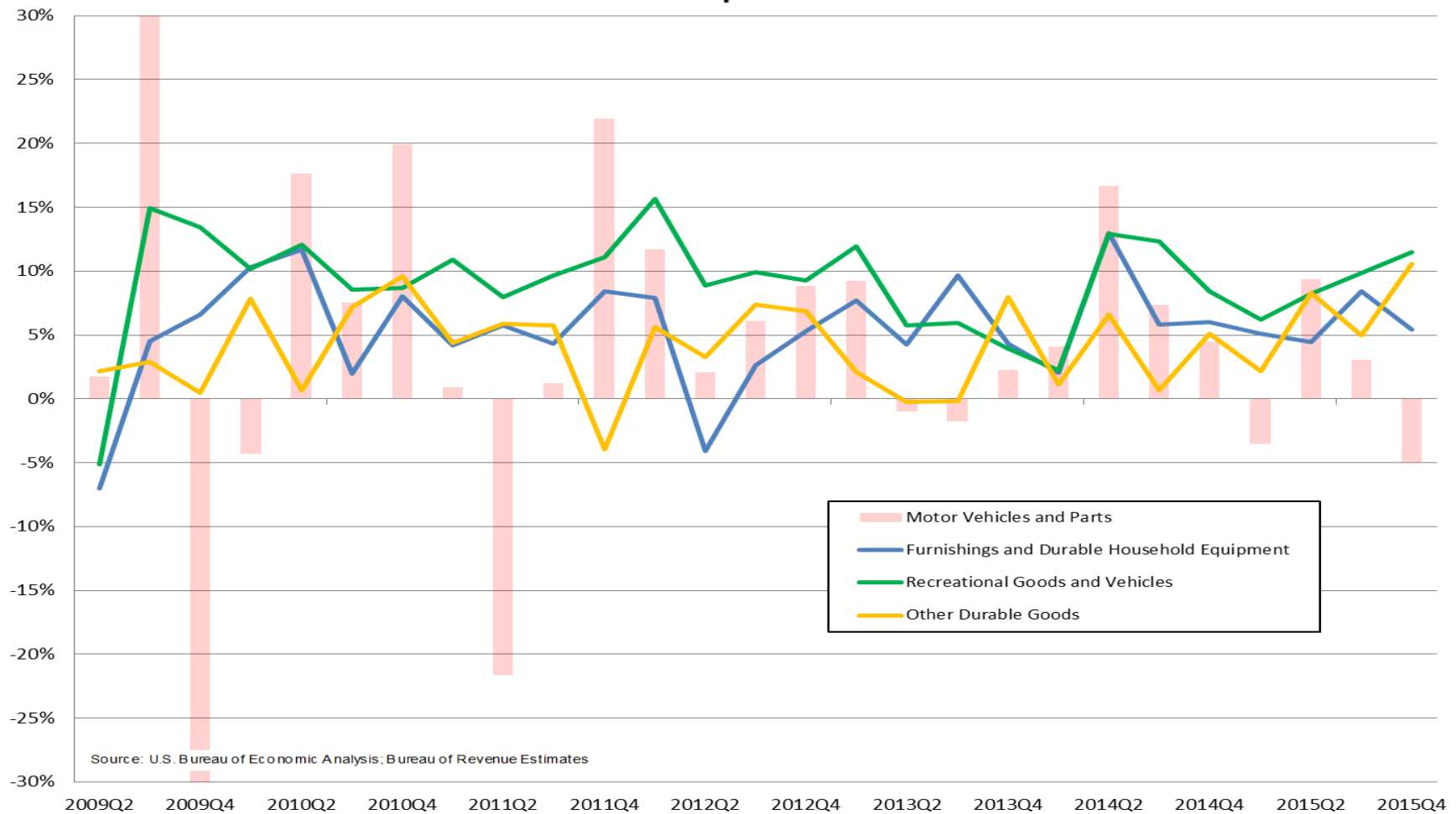


Driving Consumption

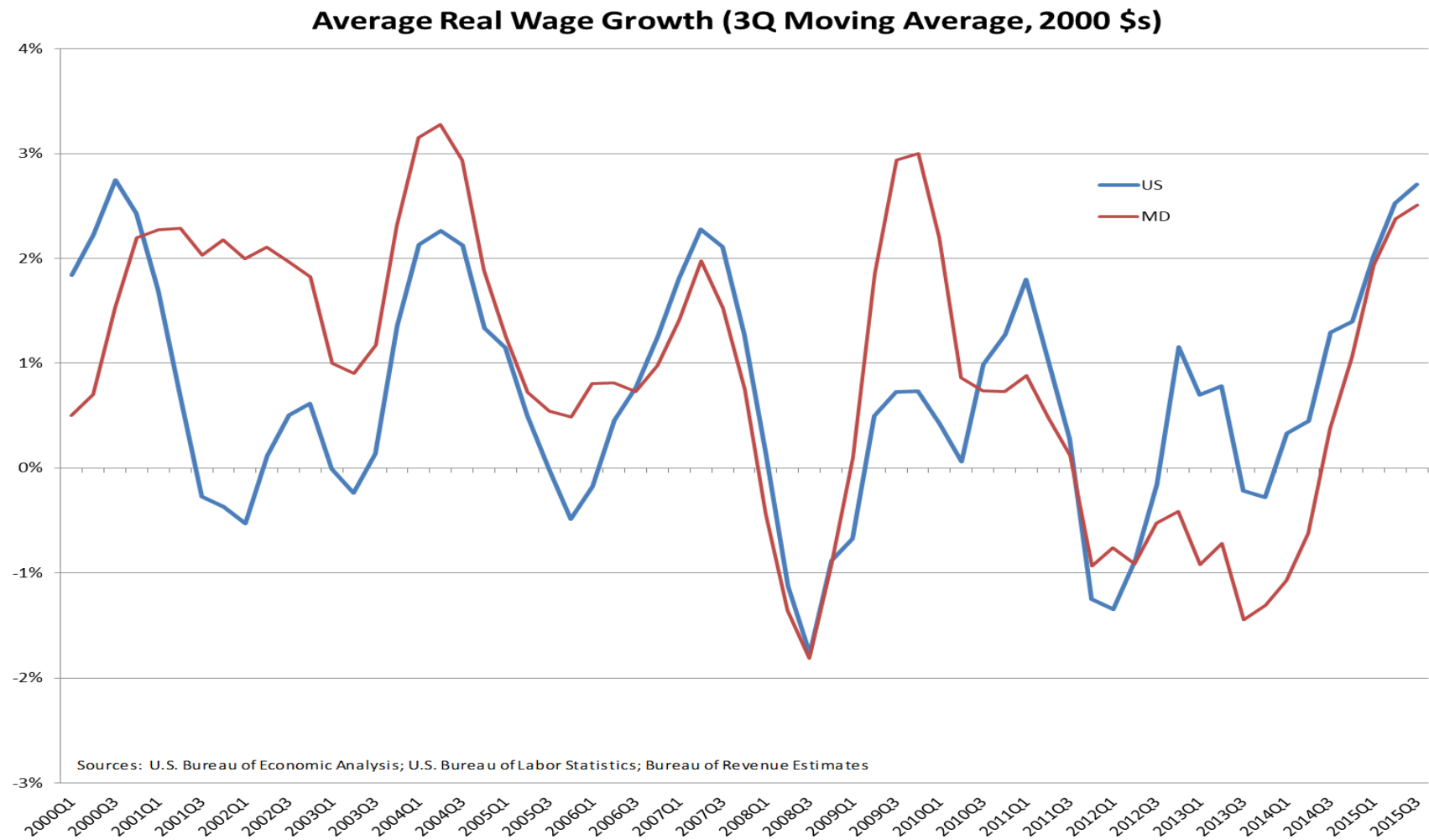


Driving Durable Goods

Growth in Durable Goods Components -- Chained Annual Rate

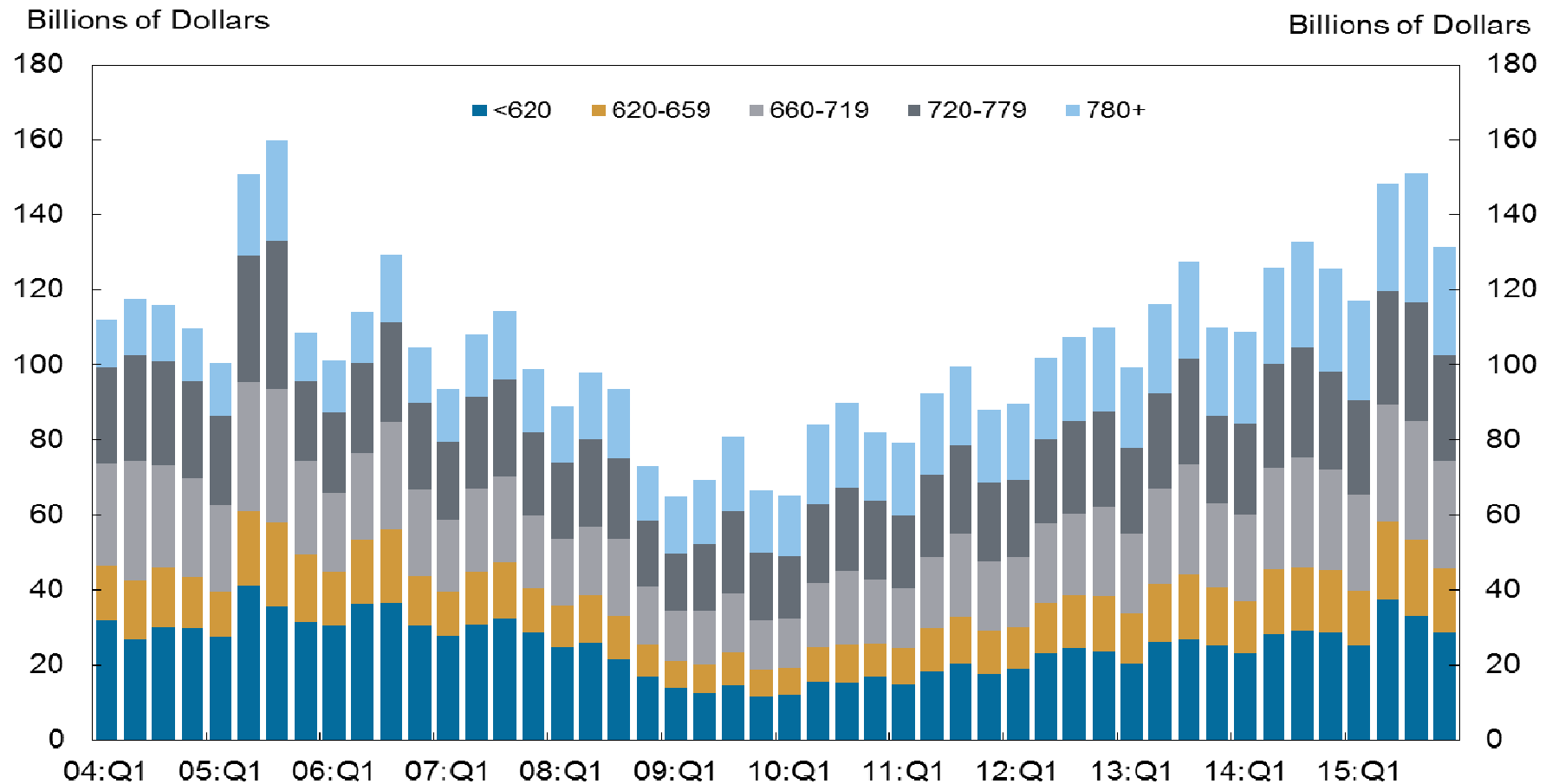


Driving Durable Goods – Wages??



Driving Durable Goods – Debt??

Auto Loan Originations by Credit Score*

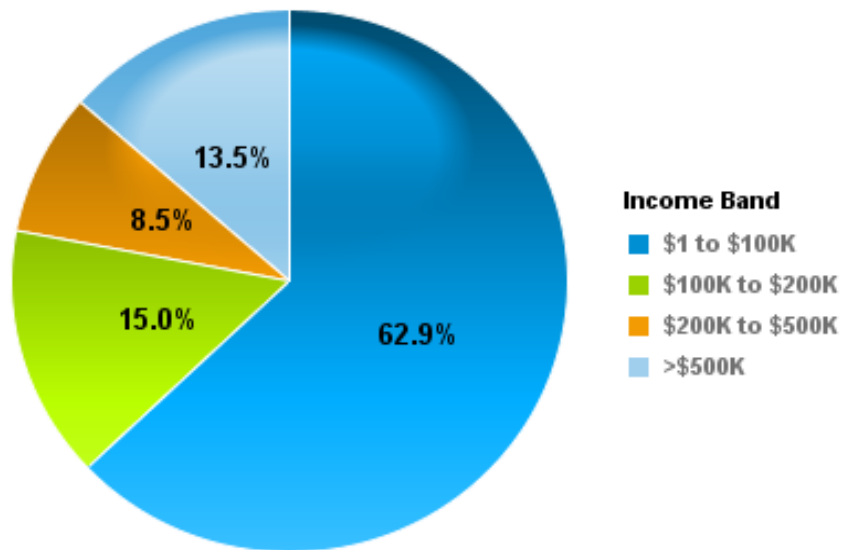


Source: FRBNY Consumer Credit Panel/Equifax

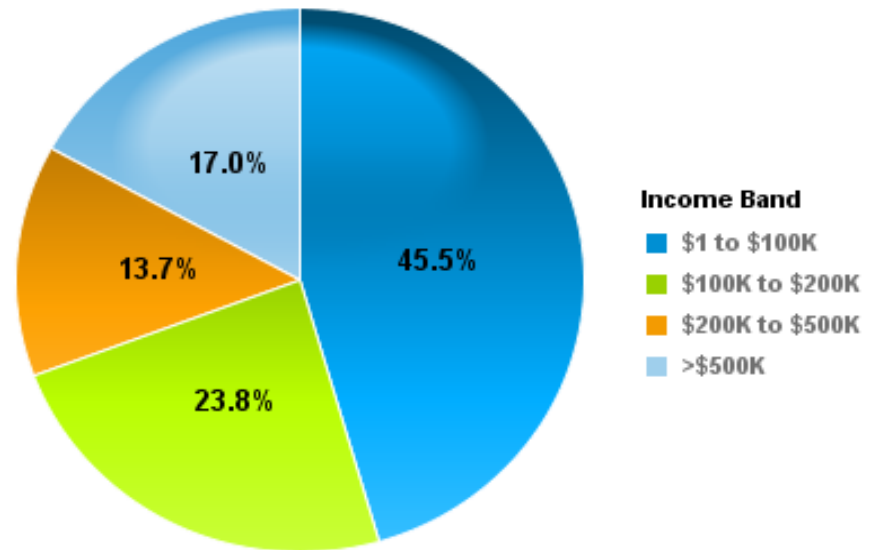
* Credit Score is Equifax Riskscore 3.0

Driving Durable Goods – Wealthy??

1998 Distribution Of Income



2013 Distribution Of Income



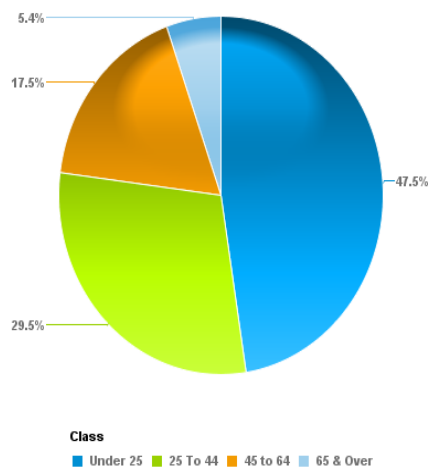
Average Annual Growth Rate 1998 to 2013

Under \$100K	\$100K to \$200K	\$200K to \$500K	>\$500K
1.4%	6.8%	7.0%	5.2%

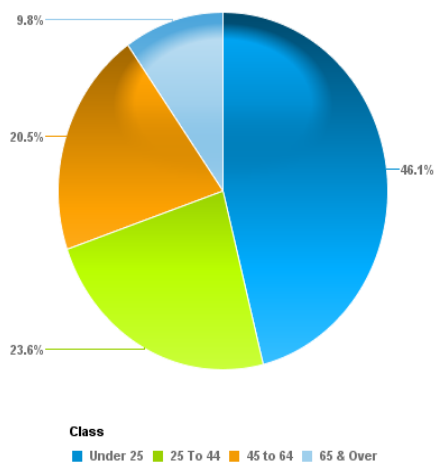
SO WHY IS NATIONAL
GROWTH SO SLOW?

Shifting Population Distribution

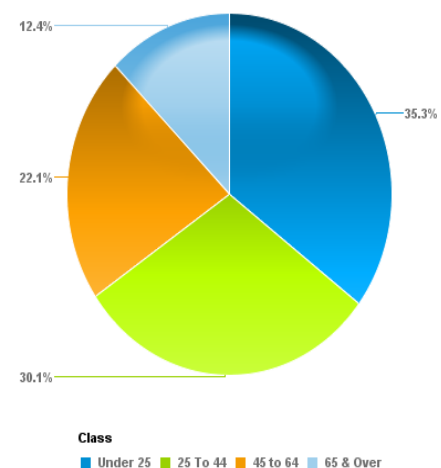
Population Distribution By Age - 1930



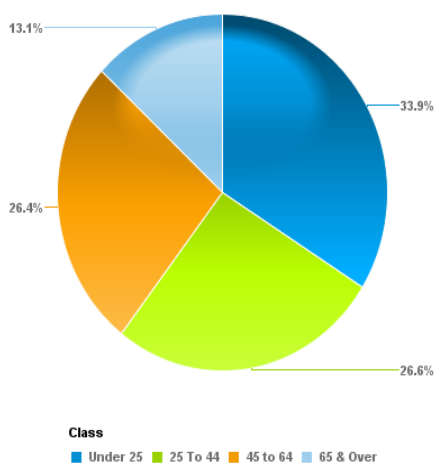
Population Distribution By Age - 1970



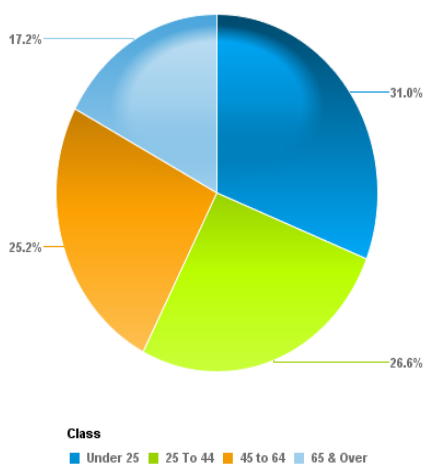
Population Distribution By Age - 2000



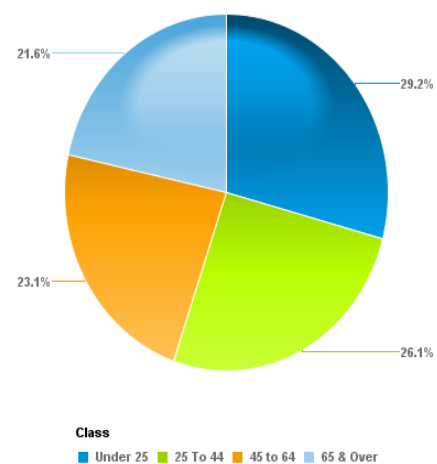
Population Distribution By Age - 2010



Population Distribution By Age - 2020



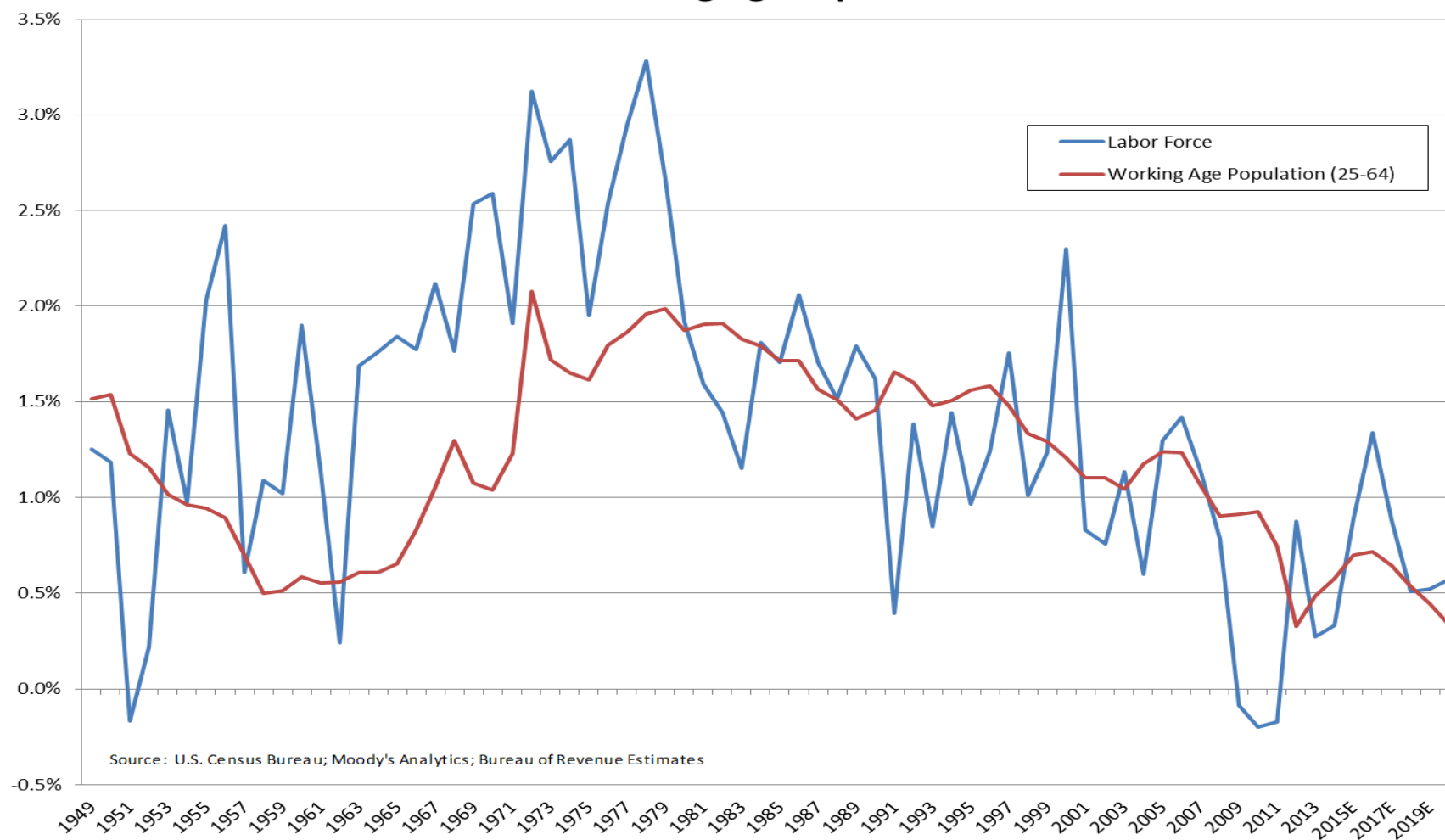
Population Distribution By Age - 2030



Source: U.S. Census Bureau; Moody's Analytics; Bureau of Revenue Estimates

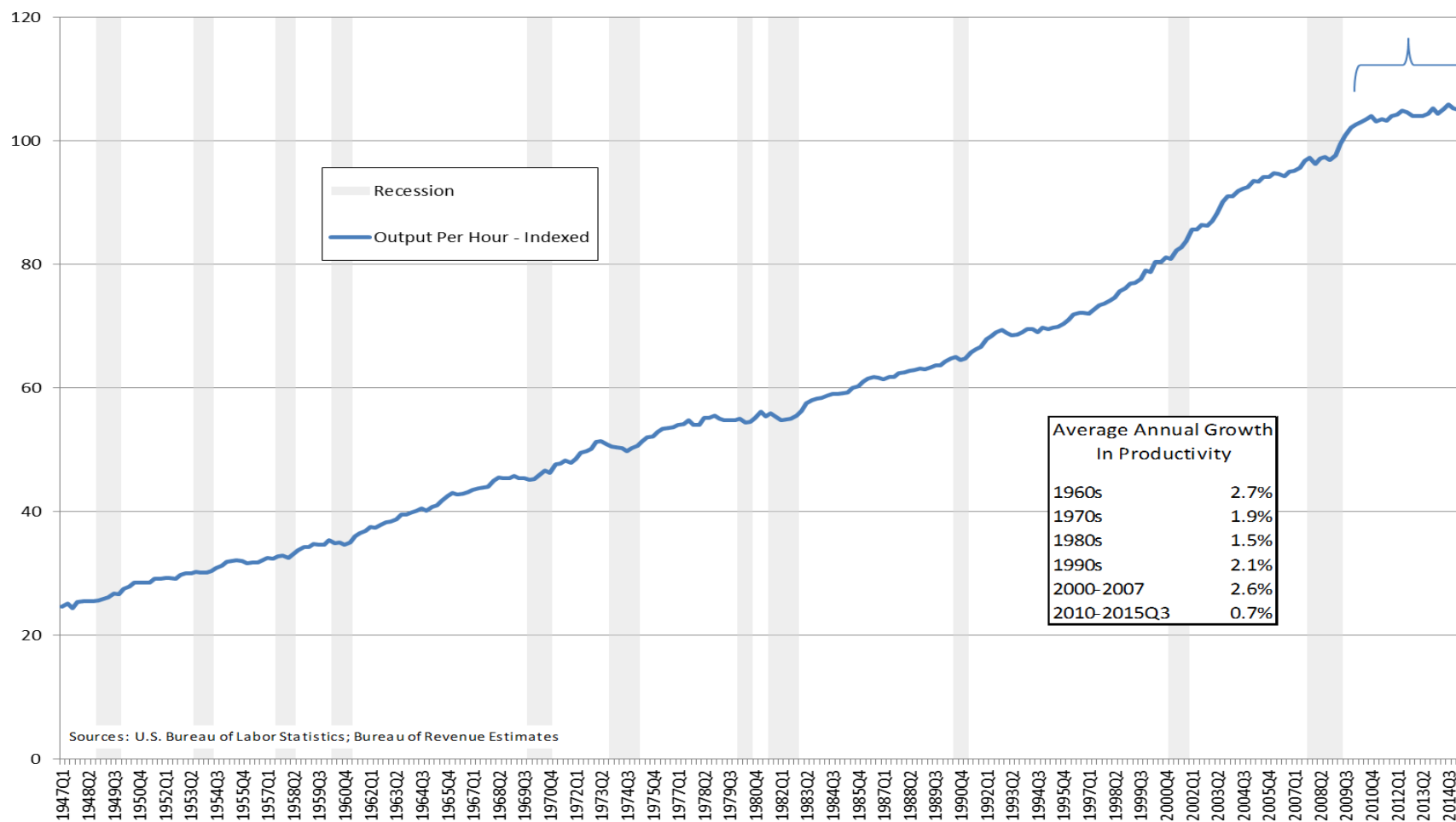
Slowing Growth in Workers ➡ Slowing Output

Year-Over-Year Growth: Working Age Population And The Labor Force

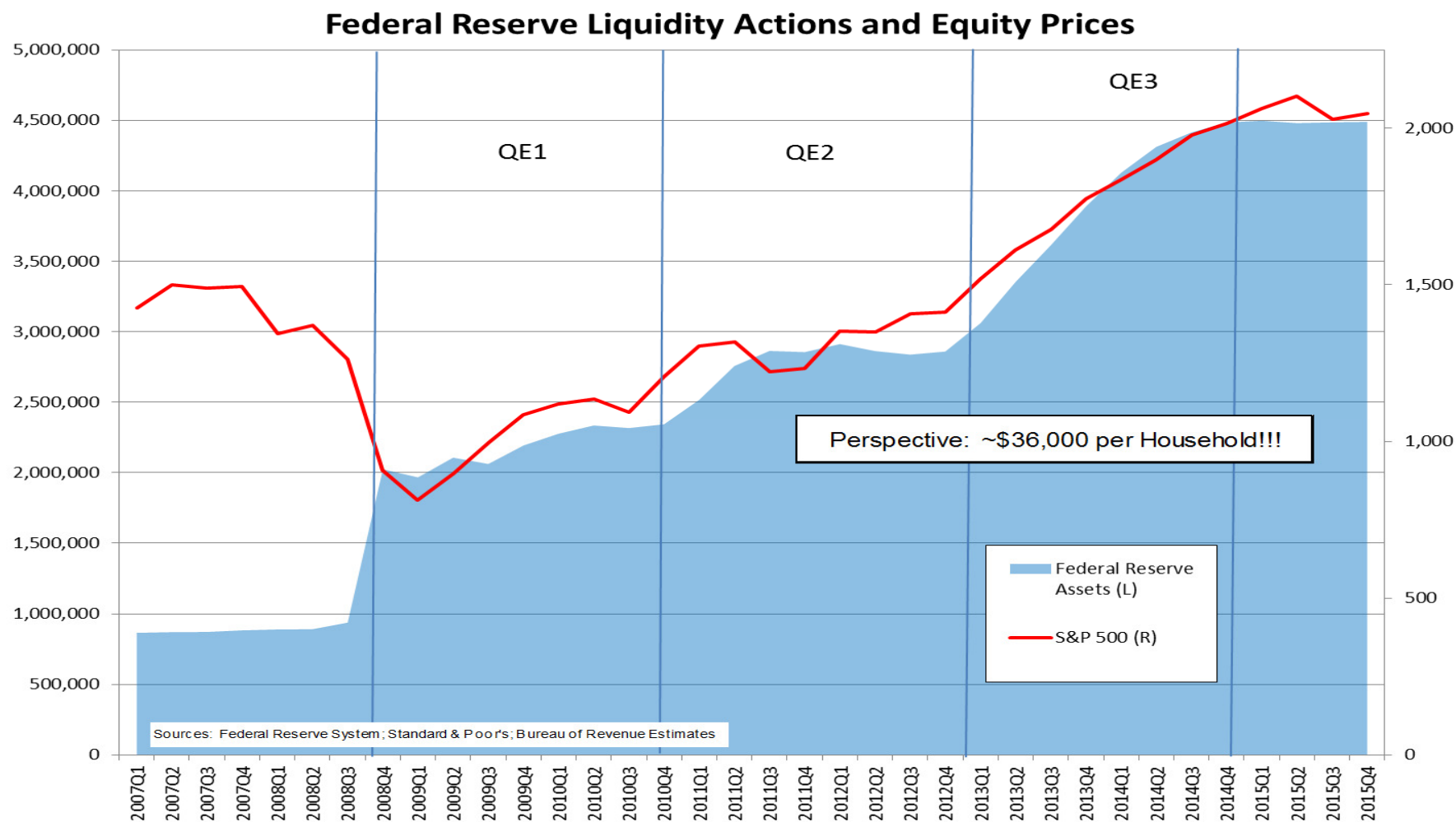


Slowing Growth – Supply Side Issues

Labor Productivity - Indexed Output Per Hour

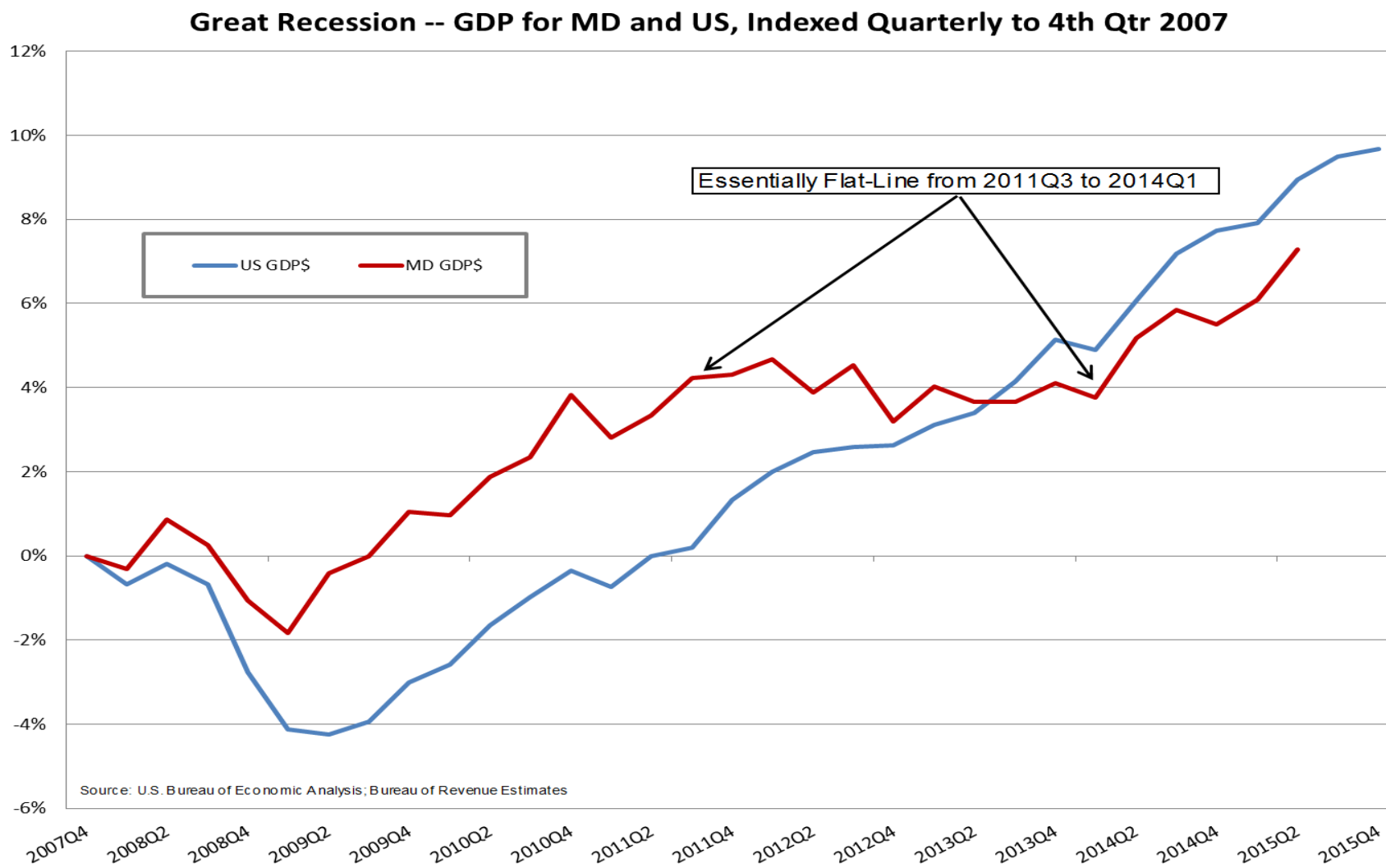


The Market is Happy!! Or Is QE The Principal Driver?



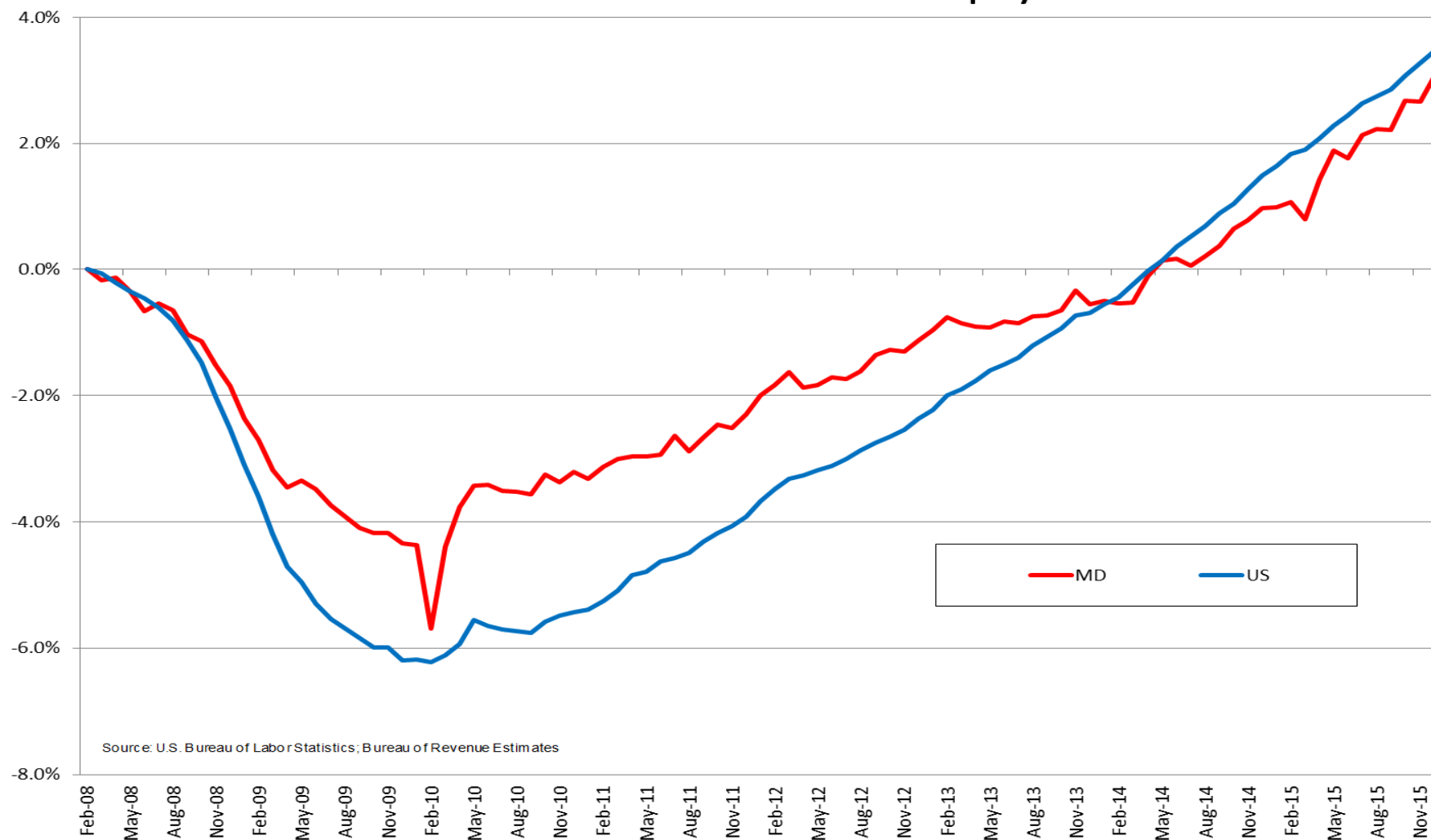
HOW DOES MARYLAND STACK UP?

Maryland versus National – GDP



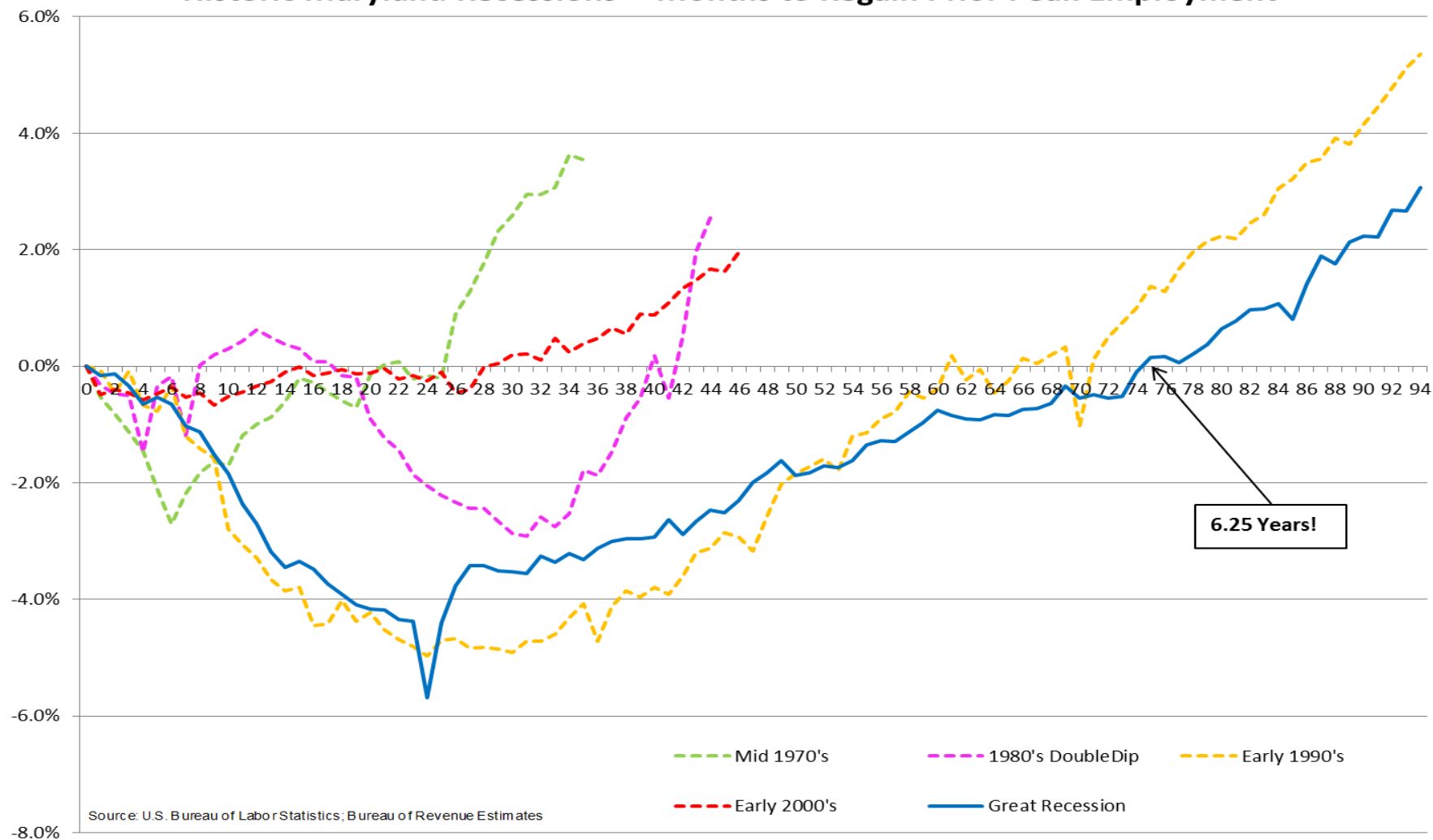
Maryland versus National – Employment

Great Recession -- Prior Peak Indexed Employment



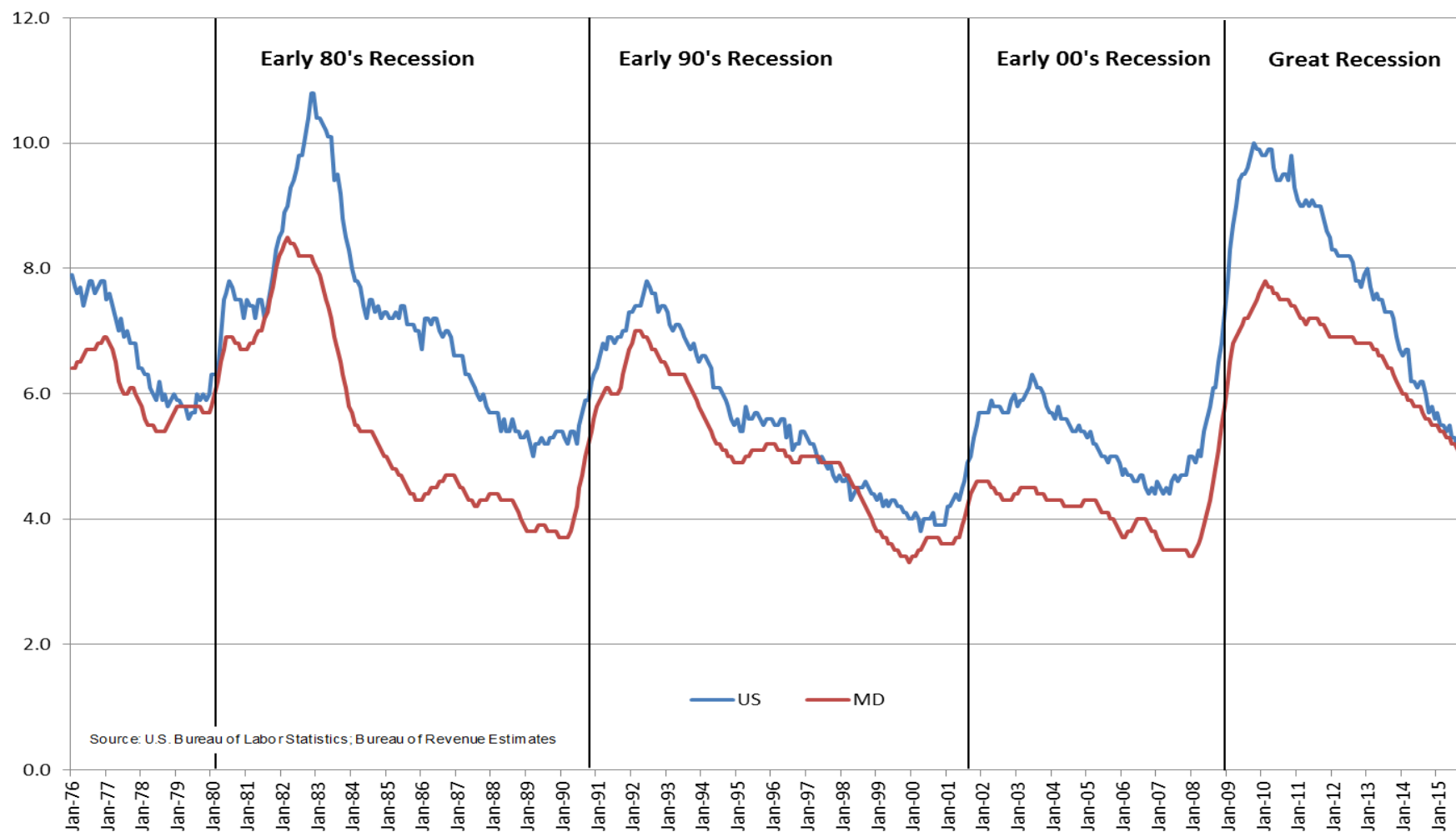
MD Employment – Recession Comparisons

Historic Maryland Recessions -- Months to Regain Prior Peak Employment



Maryland versus National – Unemployment

US and MD Historical Unemployment Rates



Unemployment by County

Unemployment Rates -- County Comparison

Ranked by Current Rate

Jurisdiction	2005	Max	Current	Jurisdiction	2005	Max	Current
Maryland	4.1%	7.8%	5.1%				
1 Howard	3.1%	5.8%	3.9%	13 Baltimore	4.3%	8.3%	5.4%
2 Montgomery	3.1%	5.9%	4.0%	14 Caroline	4.4%	10.2%	5.5%
3 Carroll	3.3%	7.1%	4.1%	15 Kent	4.2%	9.4%	5.6%
4 Queen Anne's	3.5%	7.7%	4.4%	16 Washington	4.4%	10.3%	5.7%
5 Calvert	3.4%	7.1%	4.5%	17 Cecil	4.6%	9.9%	5.7%
6 Frederick	3.1%	7.2%	4.5%	18 Garrett	4.8%	9.7%	6.5%
7 Anne Arundel	3.5%	7.2%	4.5%	19 Allegany	6.1%	9.8%	6.7%
8 Harford	3.9%	7.9%	4.9%	20 Wicomico	4.2%	10.3%	6.8%
9 Prince George's	4.4%	7.6%	5.0%	21 Dorchester	5.4%	12.1%	7.0%
10 Charles	3.4%	7.1%	5.0%	22 Baltimore City	6.9%	11.5%	7.6%
11 St. Mary's	3.5%	6.7%	5.1%	23 Somerset	6.0%	12.2%	8.1%
12 Talbot	3.9%	8.4%	5.2%	24 Worcester	6.6%	14.2%	10.5%

Source: U.S. Bureau Of Labor Statistics; Bureau of Revenue Estimates

Uneven by County

Unemployment Rates -- County Comparison

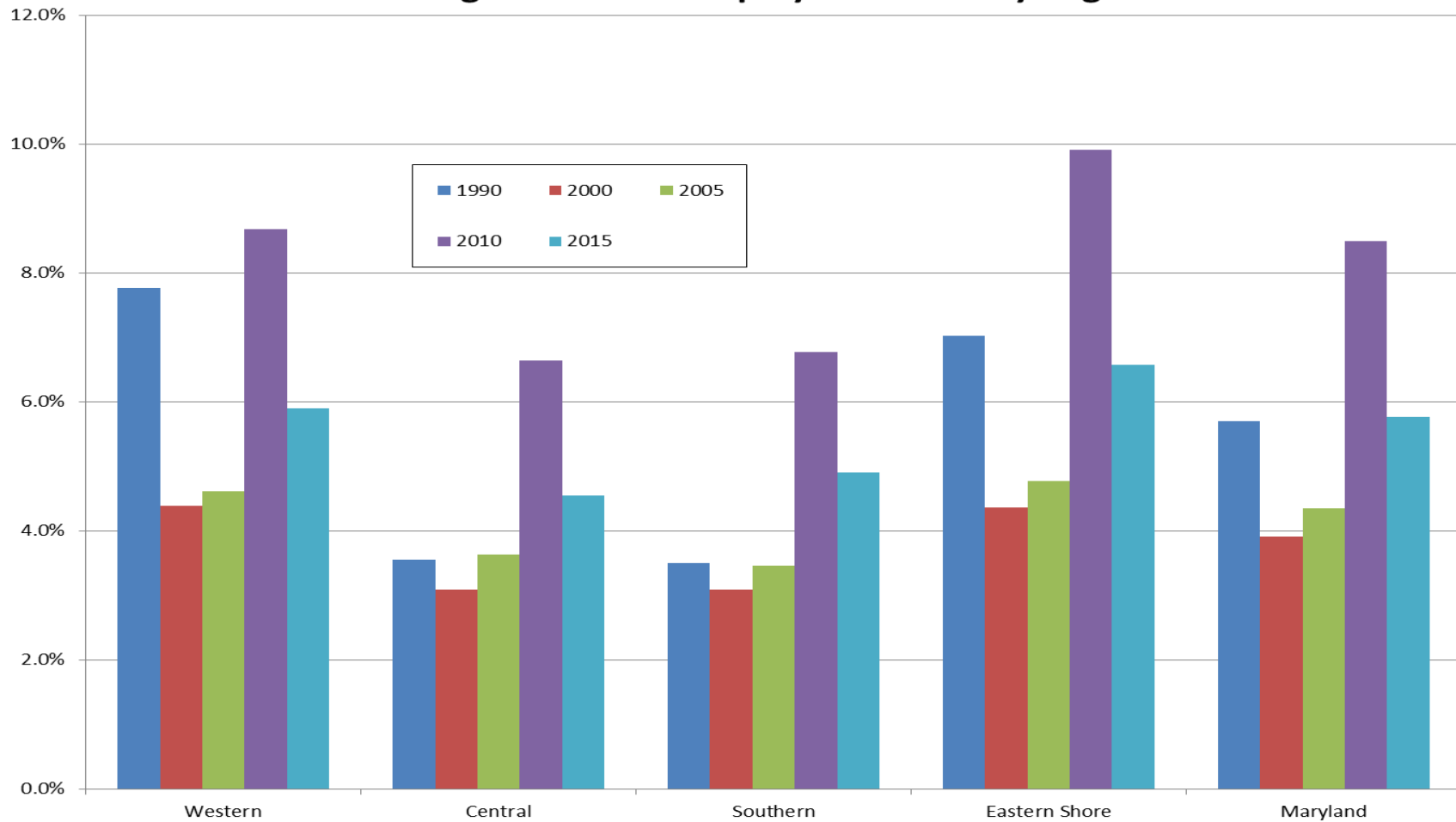
Ranked by Relative as a Factor of 2005

Jurisdiction	2005	Max	Current	Jurisdiction	2005	Max	Current
Maryland	4.1%	7.8%	5.1%				
1 Baltimore City	6.9%	11.5%	7.6%	13 Dorchester	5.4%	12.1%	7.0%
2 Allegany	6.1%	9.8%	6.7%	14 Anne Arundel	3.5%	7.2%	4.5%
3 Prince George's	4.4%	7.6%	5.0%	15 Calvert	3.4%	7.1%	4.5%
4 Carroll	3.3%	7.1%	4.1%	16 Somerset	6.0%	12.2%	8.1%
5 Cecil	4.6%	9.9%	5.7%	17 Talbot	3.9%	8.4%	5.2%
6 Harford	3.9%	7.9%	4.9%	18 Garrett	4.8%	9.7%	6.5%
7 Caroline	4.4%	10.2%	5.5%	19 Kent	4.2%	9.4%	5.6%
8 Queen Anne's	3.5%	7.7%	4.4%	20 St. Mary's	3.5%	6.7%	5.1%
9 Howard	3.1%	5.8%	3.9%	21 Frederick	3.1%	7.2%	4.5%
10 Baltimore	4.3%	8.3%	5.4%	22 Charles	3.4%	7.1%	5.0%
11 Montgomery	3.1%	5.9%	4.0%	23 Worcester	6.6%	14.2%	10.5%
12 Washington	4.4%	10.3%	5.7%	24 Wicomico	4.2%	10.3%	6.8%

Source: U.S. Bureau Of Labor Statistics; Bureau of Revenue Estimates

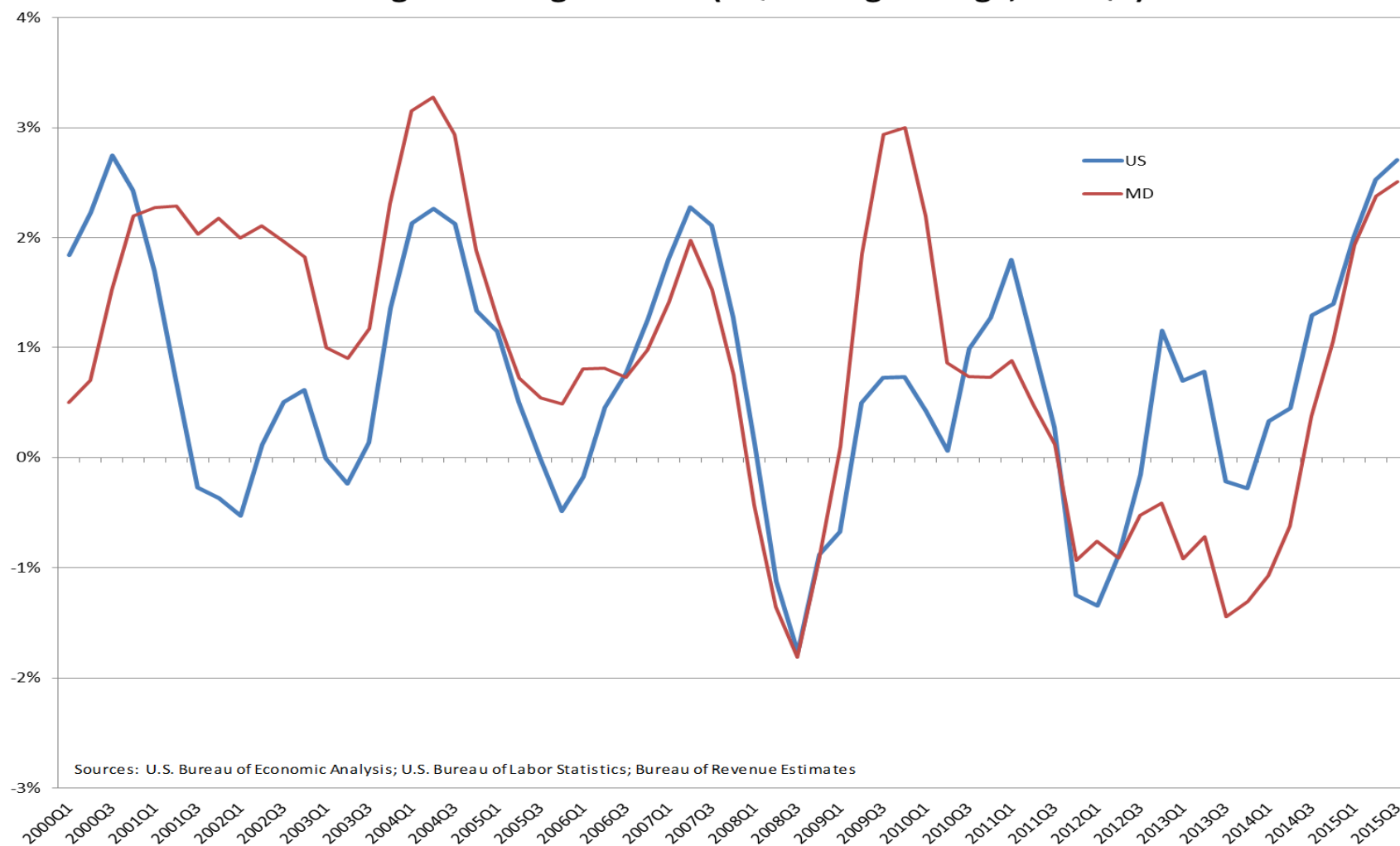
Unemployment By Region - Evolution

Average Annual Unemployment Rate by Region



Wage Growth – Disappointing

Average Real Wage Growth (3Q Moving Average, 2000 \$s)



Job Mix – Unfavorable to Wage Growth

Employment Growth & Wages -- Montgomery County

Growth Factor Rank	Industry	(a) 2014 Employment Growth	(b) 2014 Share of Total	= (a) * (b) Growth Factor	2014 Average Wage	Average Wage Rank
	Total	0.9%	100.0%	0.9%	66,172	
1	Local Government	2.4%	9.1%	0.222%	57,621	7
2	Education & Health Services	1.5%	14.9%	0.216%	50,035	8
3	Leisure & Hospitality Services	1.9%	9.0%	0.172%	21,714	13
4	Construction	1.5%	5.2%	0.078%	60,376	6
5	Other Services	1.5%	5.0%	0.074%	42,813	11
6	Professional & Business Services	0.3%	21.7%	0.071%	82,252	5
7	Information	2.2%	2.8%	0.061%	103,195	2
8	Trade, Transportation, & Utilities	0.4%	12.7%	0.053%	45,275	10
9	Manufacturing	0.9%	2.5%	0.022%	107,188	1
10	State Government	7.4%	0.3%	0.020%	47,238	9
11	Natural Resources & Mining	17.7%	0.1%	0.012%	41,522	12
12	Federal Government	-0.4%	10.2%	-0.038%	98,128	4
13	Financial Activities	-1.2%	6.6%	-0.077%	102,349	3

Sources: U.S. Bureau of Labor Statistics, M.D. Department of Labor, Licensing, and Regulation, Bureau of Revenue Estimates

Note 1: Employment Data is Through Fourth Quarter of 2014

Note 2: Average Wage is Annualized

Note 3: Aggregate Wage Growth For the Reference Period is 2.9%

Job Mix – Better In 2015?

Employment Growth & Wages -- Montgomery County

Growth Factor Rank	Industry	(a) 2015Q2 YTD Employment Growth	(b) 2015Q2 YTD Share of Total	= (a) * (b) Growth Factor	2015Q2 YTD Average	Average Wage Rank
	Total	1.0%	100.0%	1.0%	67,835	
1	Education & Health Services	3.4%	15.2%	0.525%	49,166	8
2	Leisure & Hospitality Services	1.9%	9.0%	0.167%	21,775	13
3	Financial Activities	1.7%	6.7%	0.113%	114,668	2
4	Federal Government	1.1%	10.3%	0.111%	96,129	4
5	Local Government	1.2%	9.4%	0.110%	61,370	6
6	Manufacturing	3.1%	2.5%	0.078%	123,856	1
7	Professional & Business Services	0.2%	21.4%	0.037%	85,025	5
8	State Government	6.0%	0.3%	0.017%	42,173	11
9	Natural Resources & Mining	-12.3%	0.1%	-0.007%	35,371	12
10	Other Services	-0.2%	4.9%	-0.011%	43,007	10
11	Information	-0.6%	2.7%	-0.016%	109,210	3
12	Construction	-0.9%	5.0%	-0.046%	60,274	7
13	Trade, Transportation, & Utilities	-0.8%	12.4%	-0.098%	43,741	9

Sources: U.S. Bureau of Labor Statistics, M.D. Department of Labor, Licensing, and Regulation, Bureau of Revenue Estimates

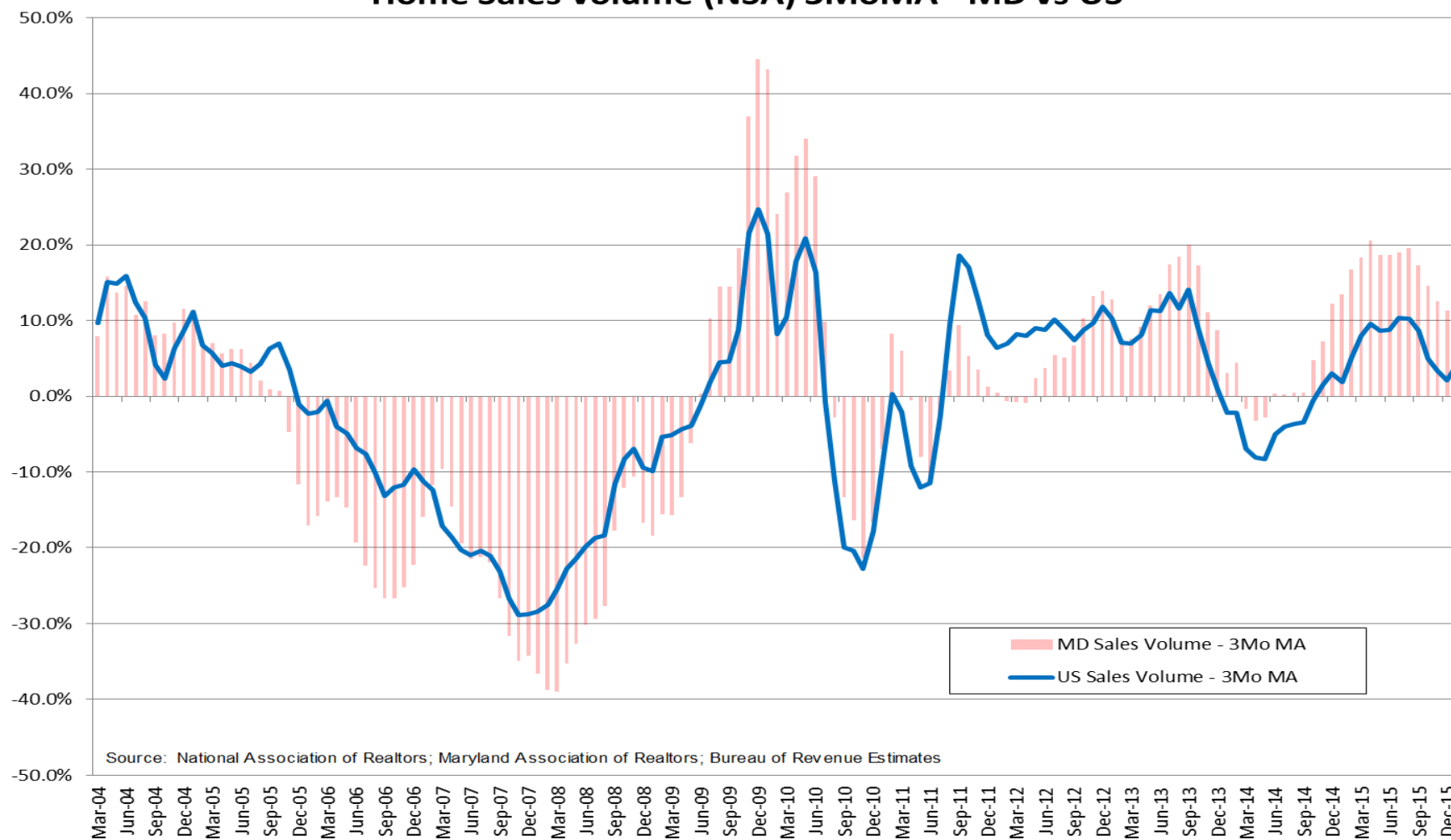
Note 1: Employment Data is Through Second Quarter of 2015

Note 2: Average Wage is Annualized

Note 3: Aggregate Wage Growth For the Reference Period is 4.1%

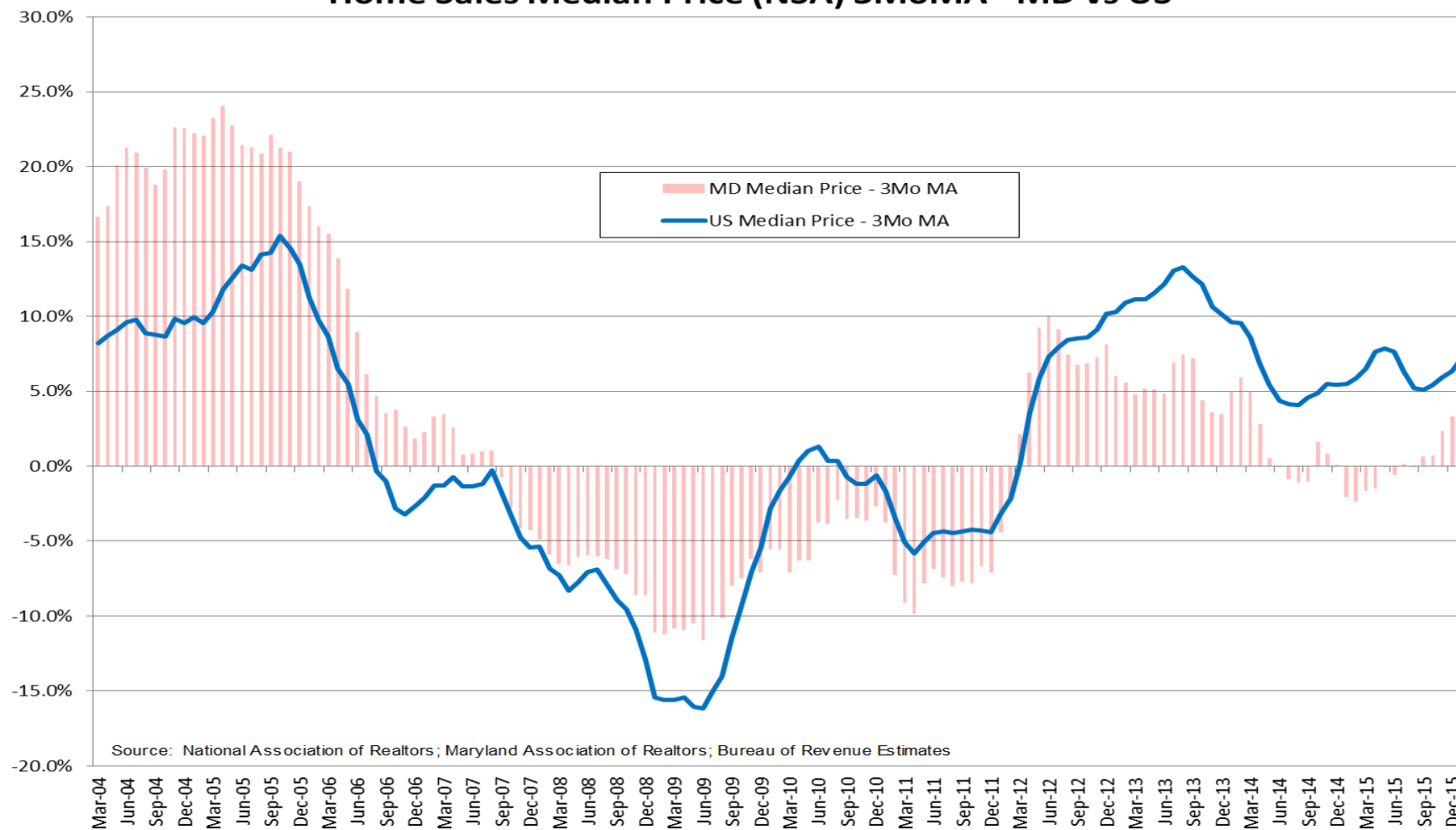
Housing Volume Comparison

Home Sales Volume (NSA) 3MoMA - MD vs US



Housing Price Comparison

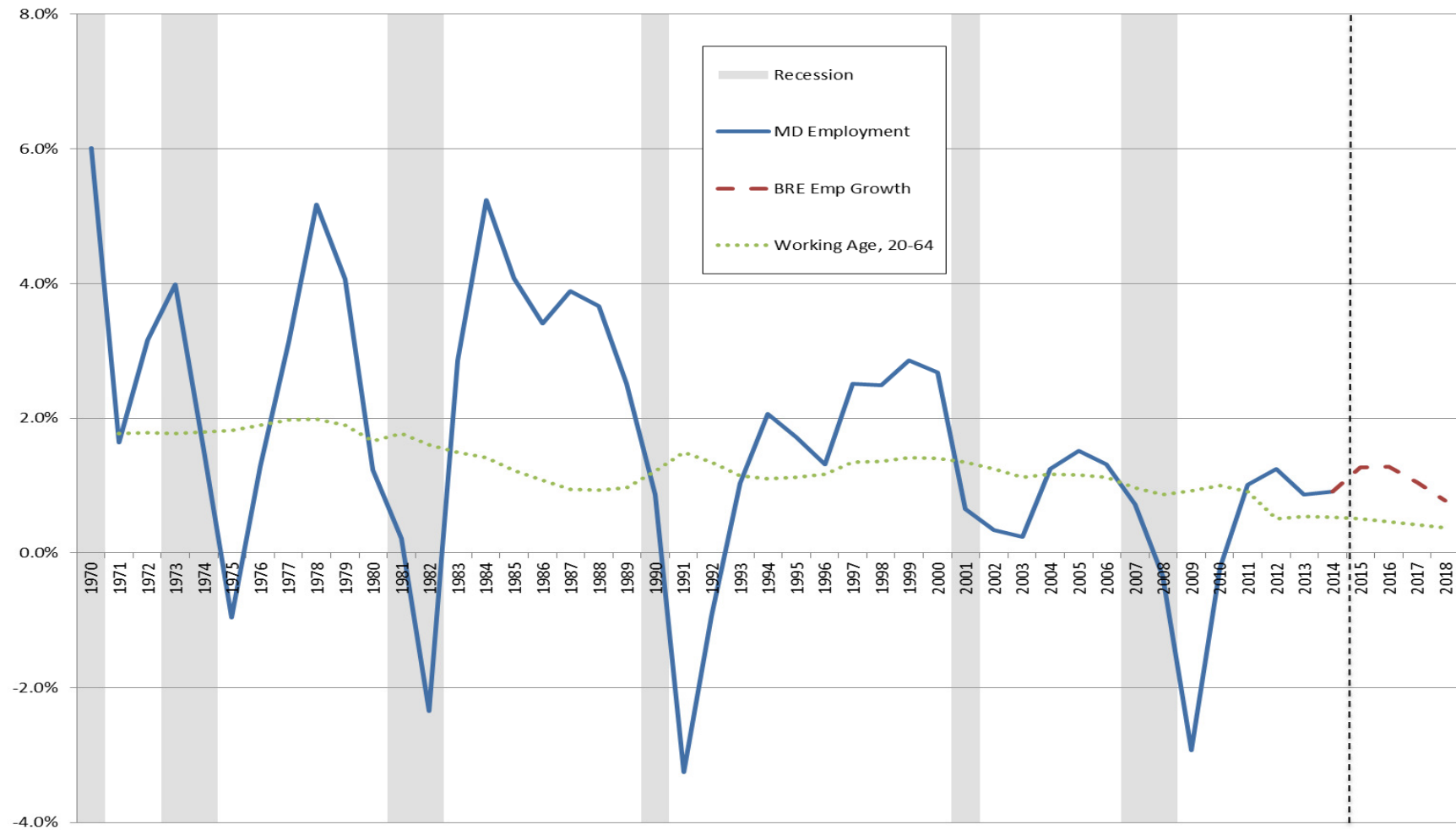
Home Sales Median Price (NSA) 3MoMA - MD vs US



BRE MACRO OUTLOOK

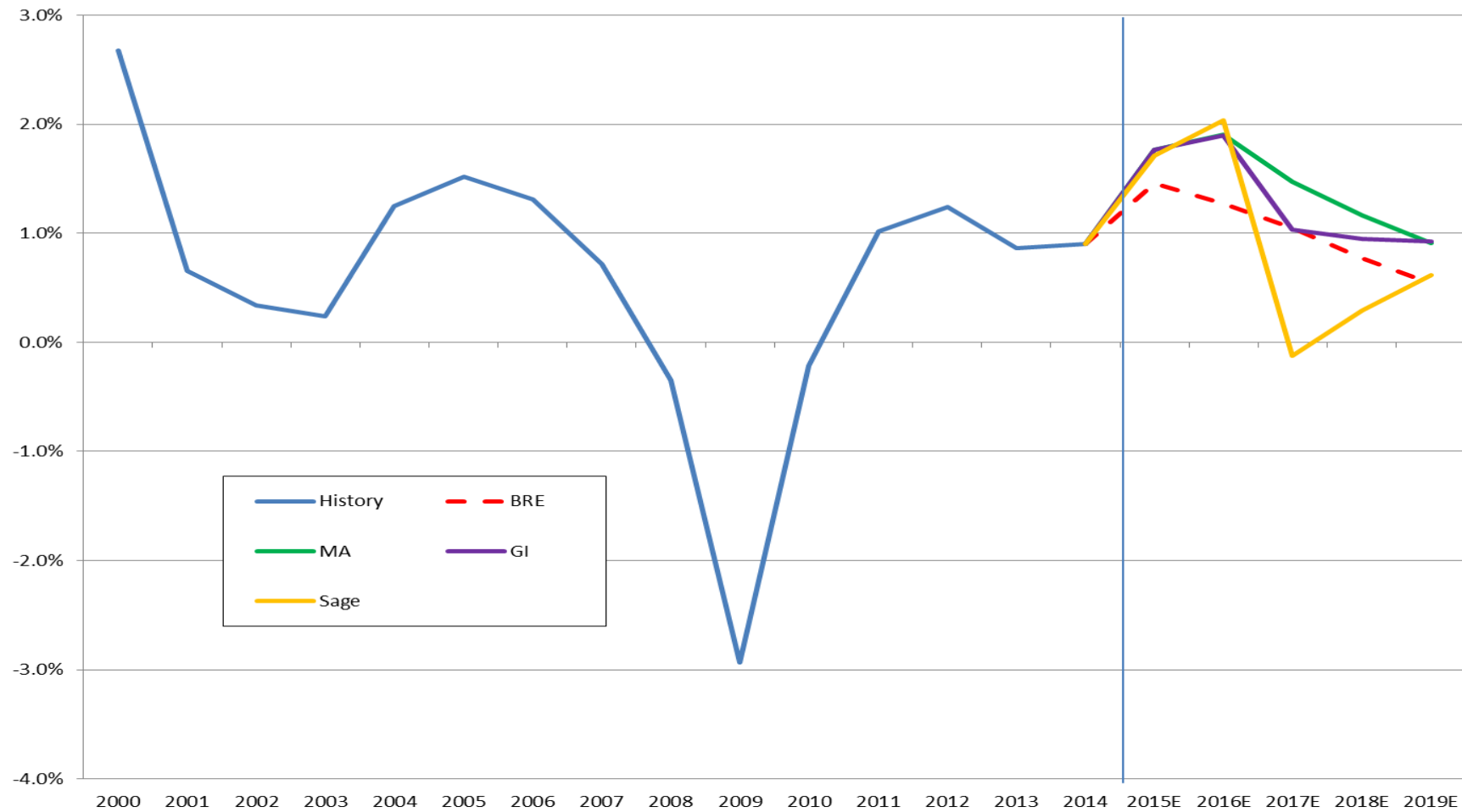
Employment

Employment History & Forecast vs. Demographics



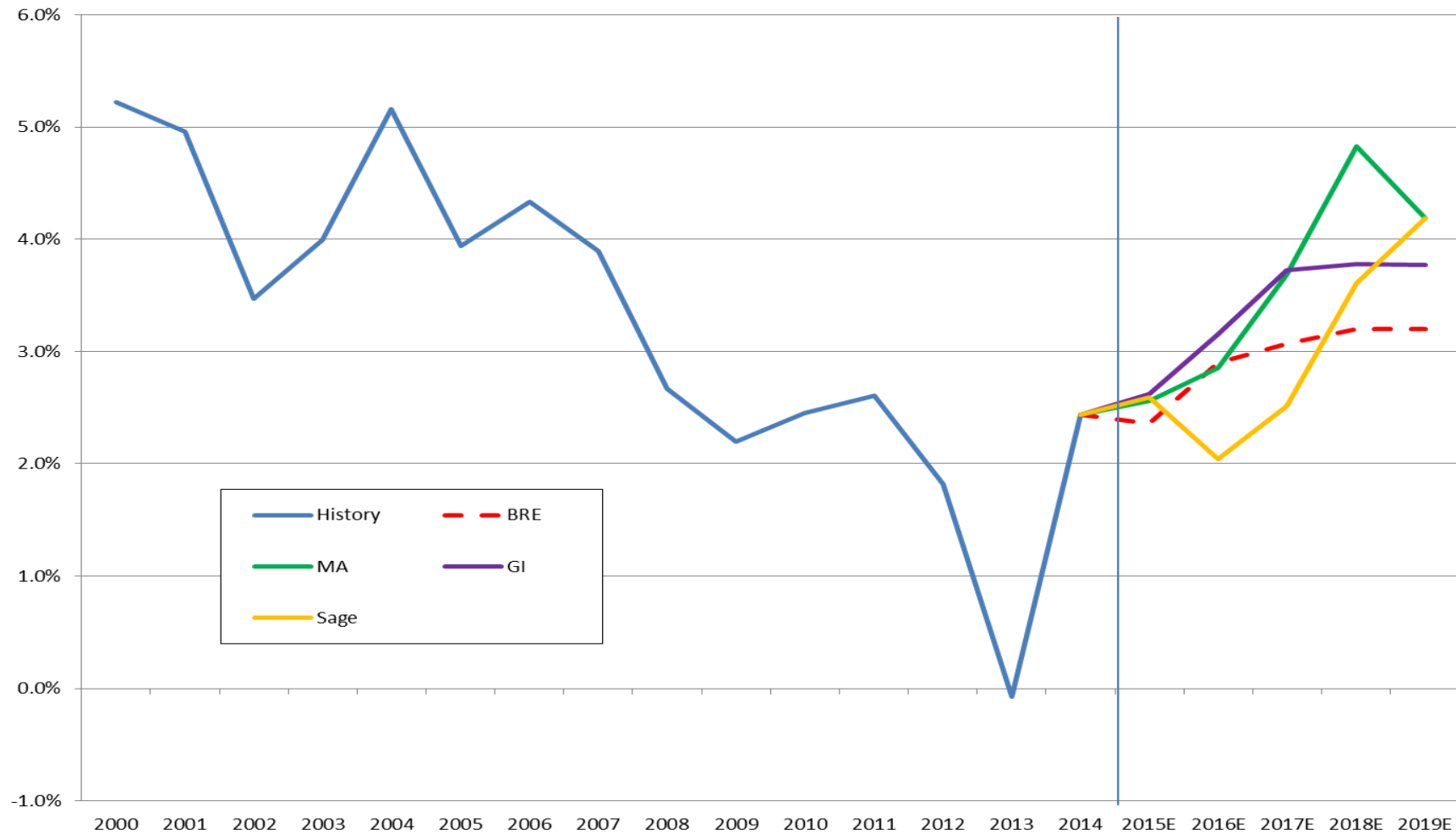
Employment

BRE Maryland Employment Comparison



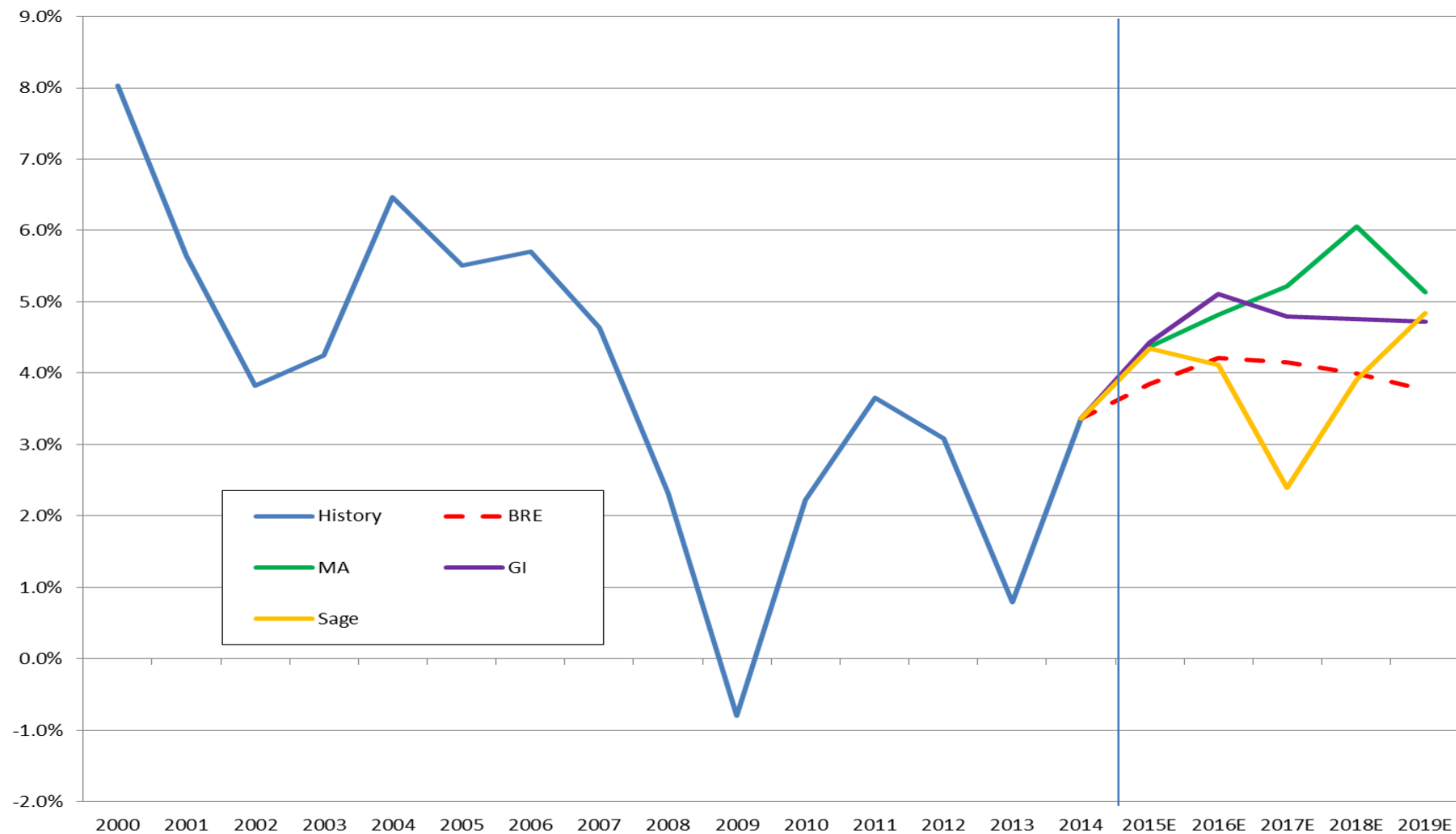
Average Wage Growth

BRE Maryland Average Wage Comparison



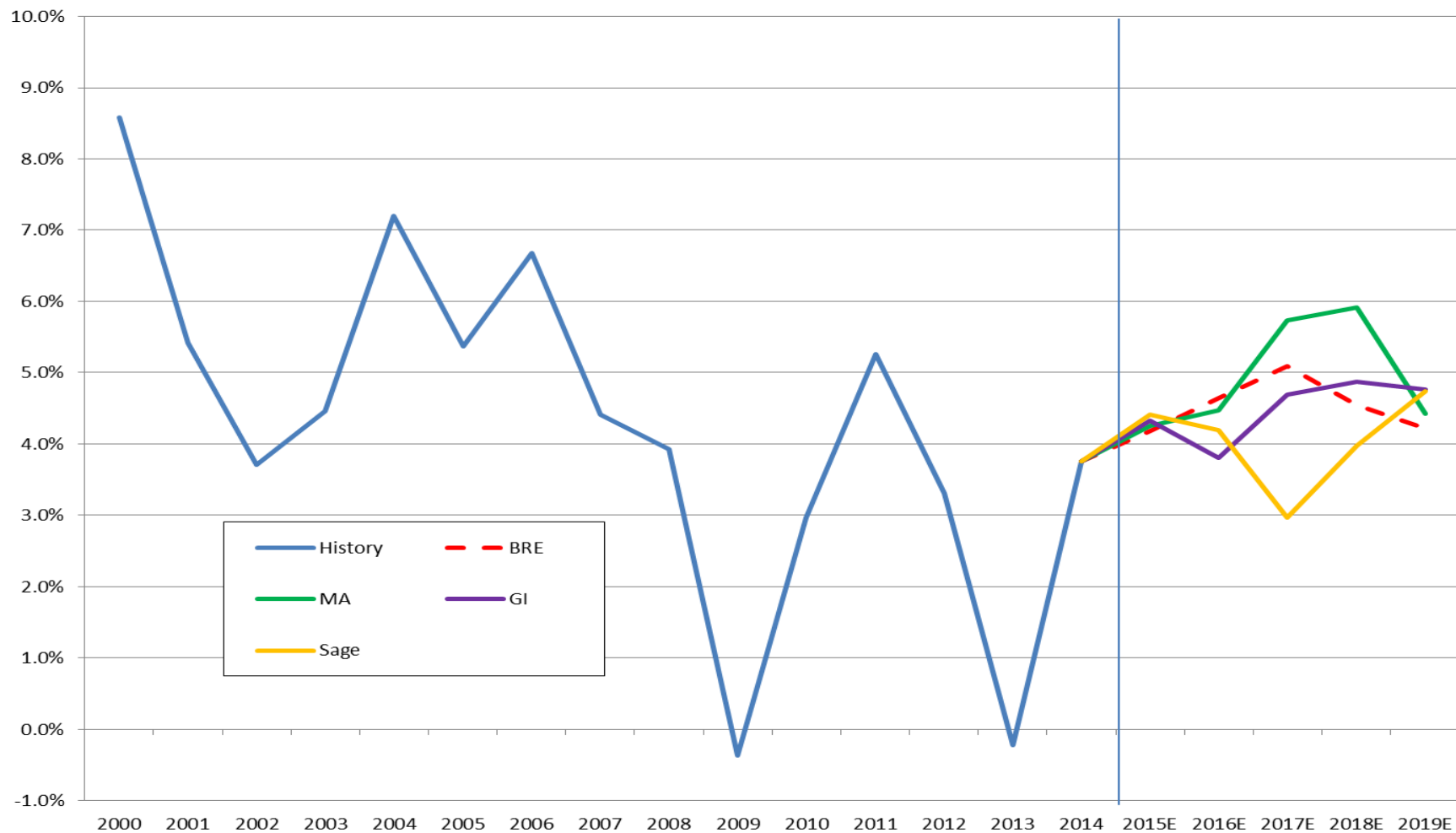
Aggregate Wage Growth

BRE Maryland Aggregate Wage & Salaries Comparison

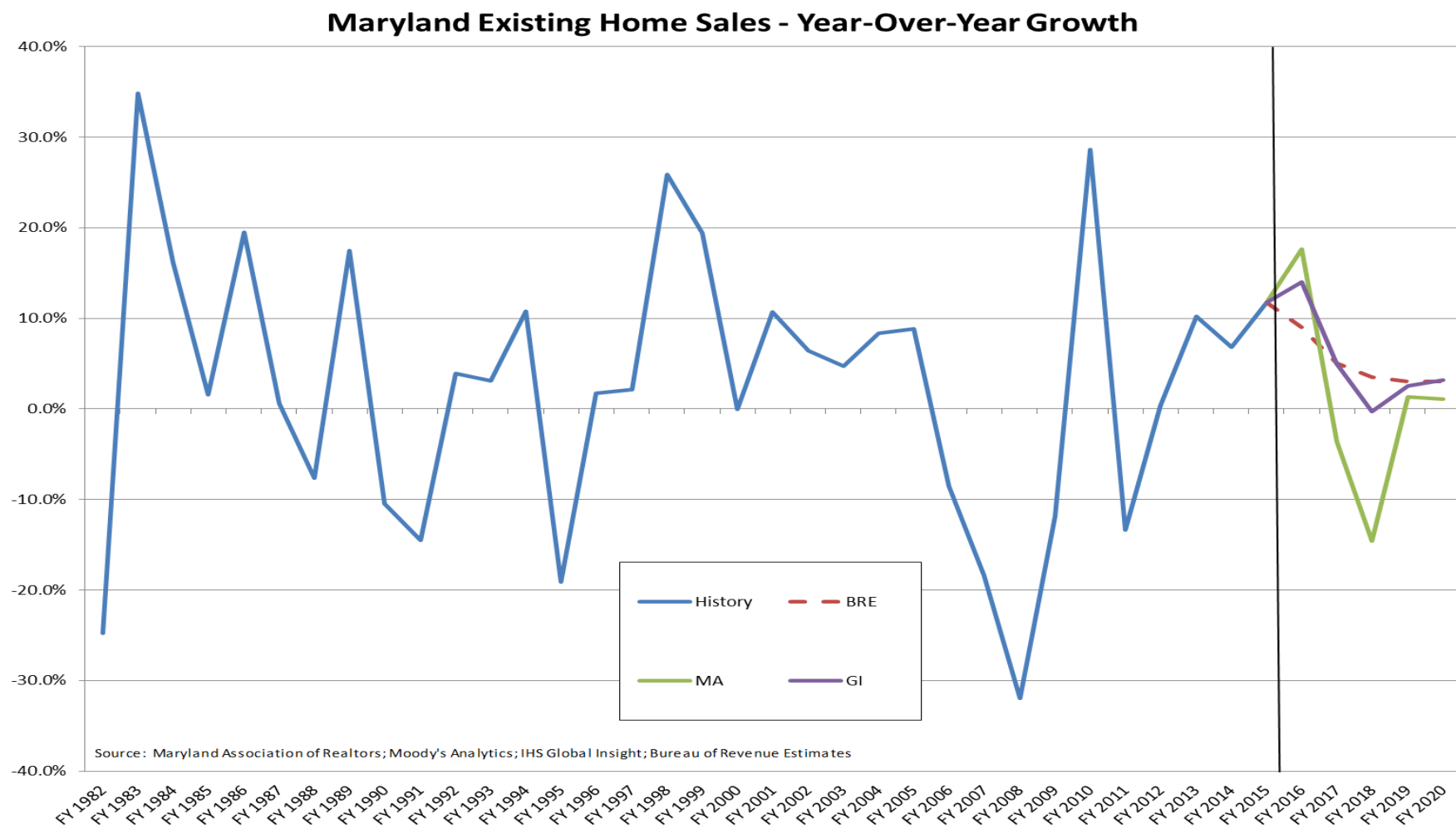


Total Personal Income Growth

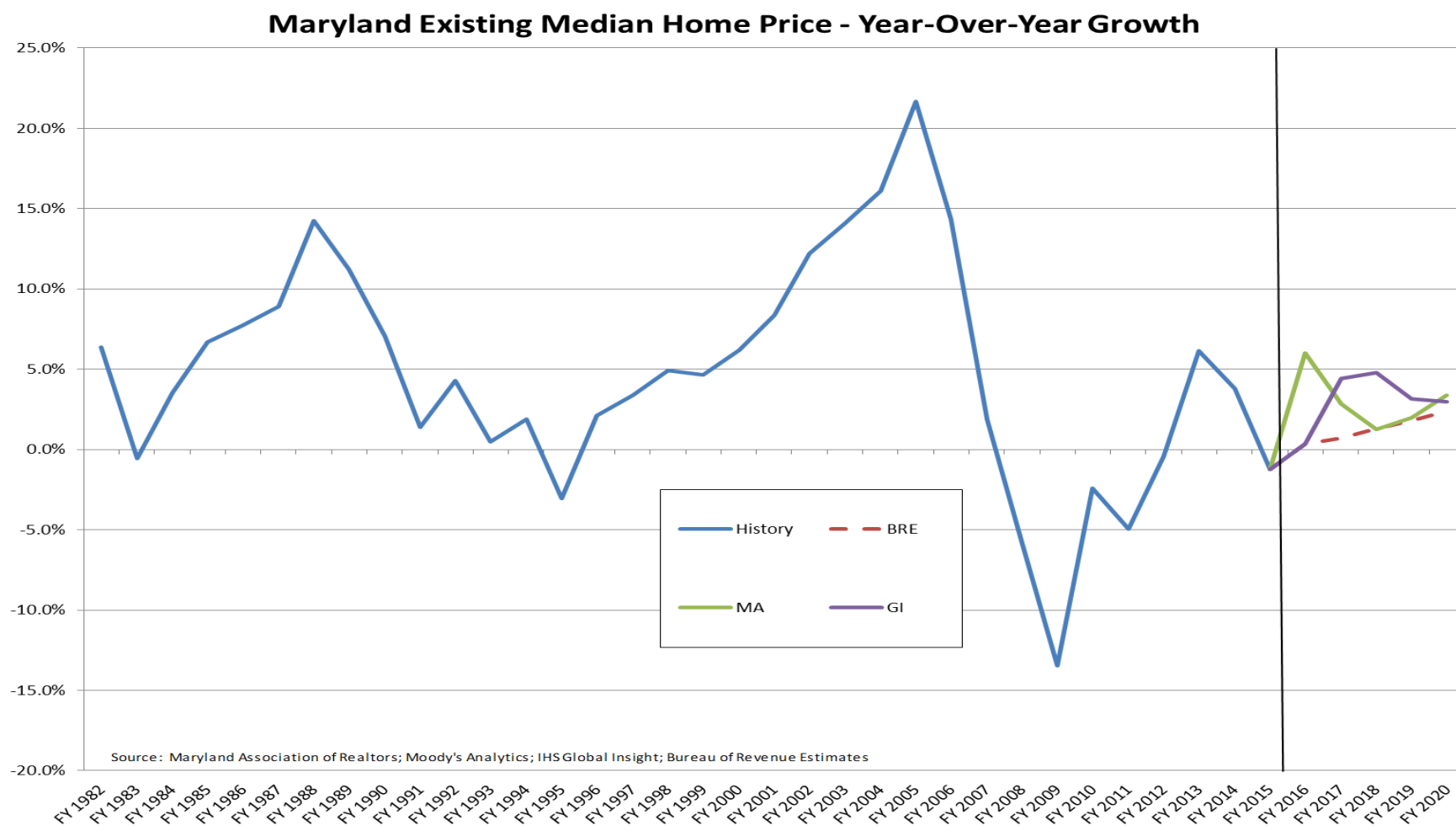
BRE Maryland Personal Income Comparison



Smoothed Outlook – No Burst!



Prices Improve as Foreclosures Reduced



Contact Info

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Risks

- Geopolitical
 - Currently Fighting in Several Nations
- Oil Prices
- Slowing World Growth
- Federal Funds Rate
- All Things Federal Government
 - Positive and Negative