

Howard County Economic Outlook and Personal Income Projections

Presentation to:

The Howard County Spending Affordability Committee

By:

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Agenda

1. National Outlook
2. Maryland Outlook
3. Howard County Outlook
4. Howard County Personal Income Projections

National Outlook

Solid – But Underwhelming Growth in 2015

- Employment Has (Finally!) Surpassed Pre-Recession Levels
- Unemployment Down and (Finally!) Approaching 5%
- Inflation Low
- Consumer Spending Up
- Housing Recovering

Challenge = Lack of Wage Growth

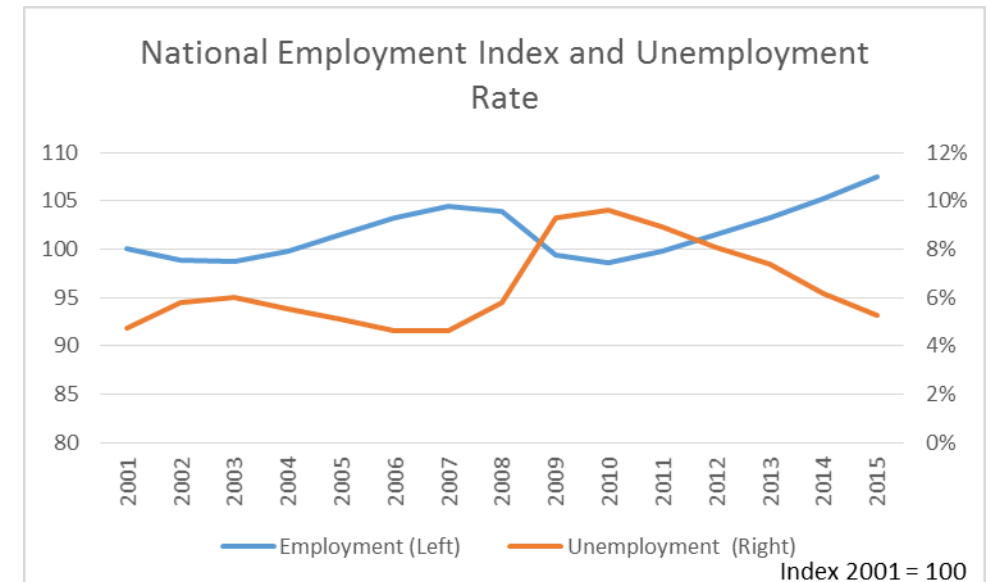
- Labor Market Slack Continues

Opportunity

- Low Inflation
- Low Energy Prices

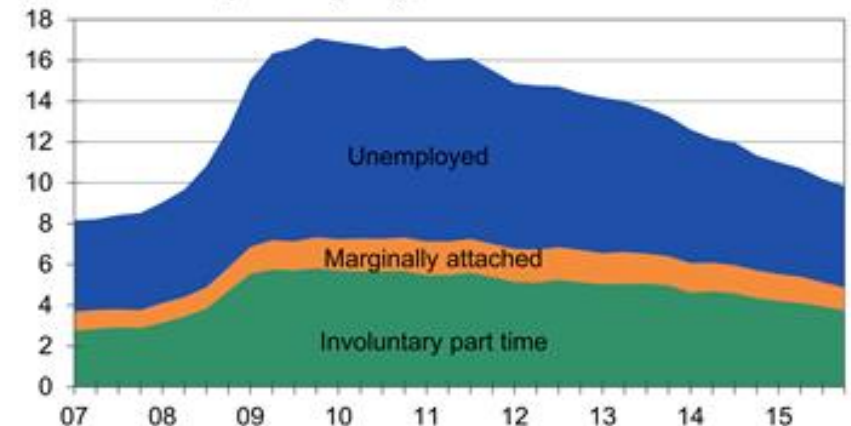
Threat = Global Economy

- Europe Slow Growth – Asia Slowing
- Capital Markets in Turmoil



Labor Market Not Fully Healthy Yet

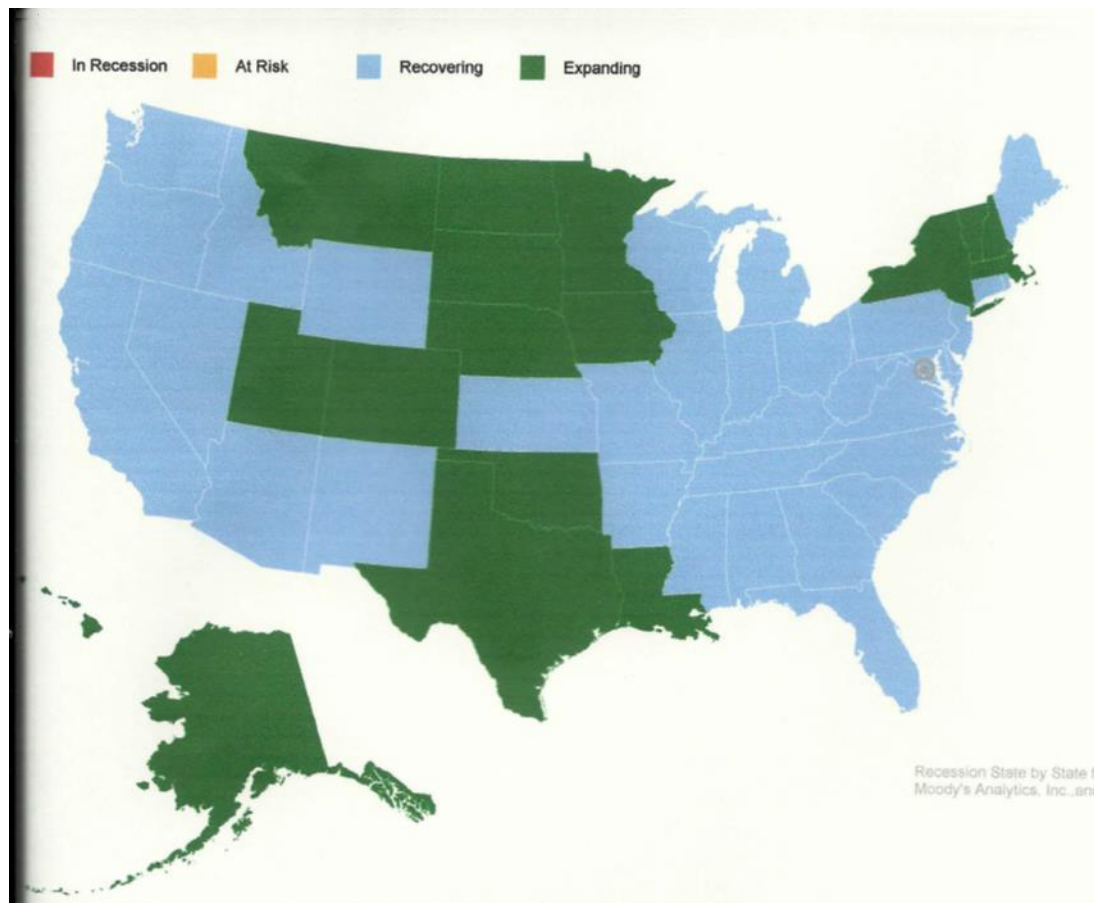
% of labor force plus marginally attached



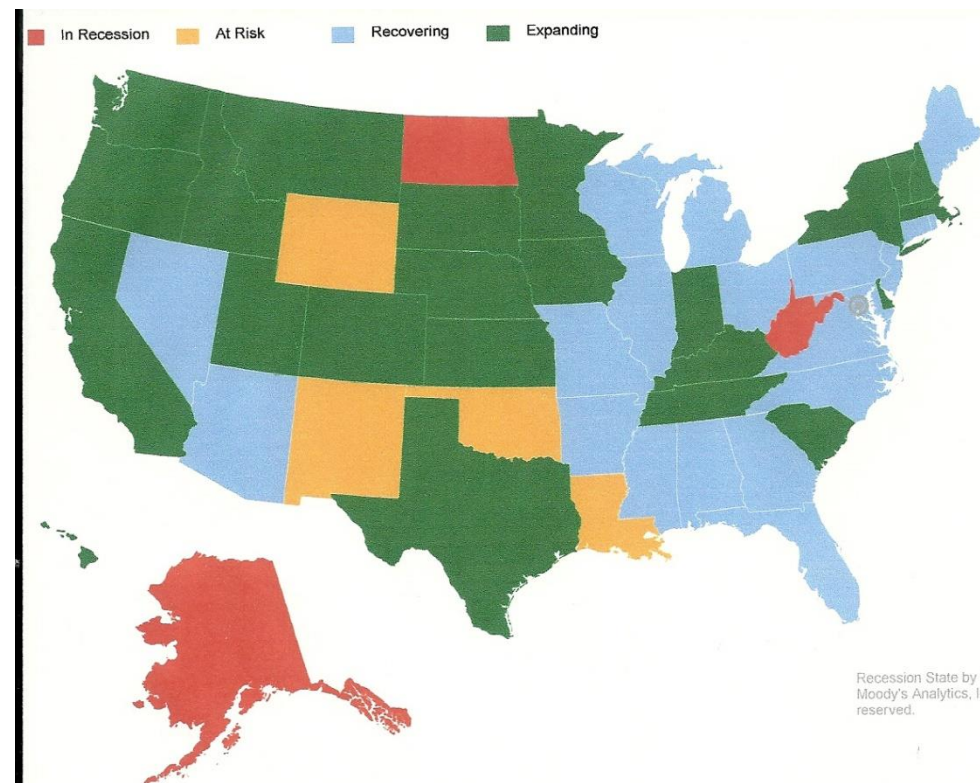
Sources: BLS, Moody's Analytics

National Outlook

Last Year



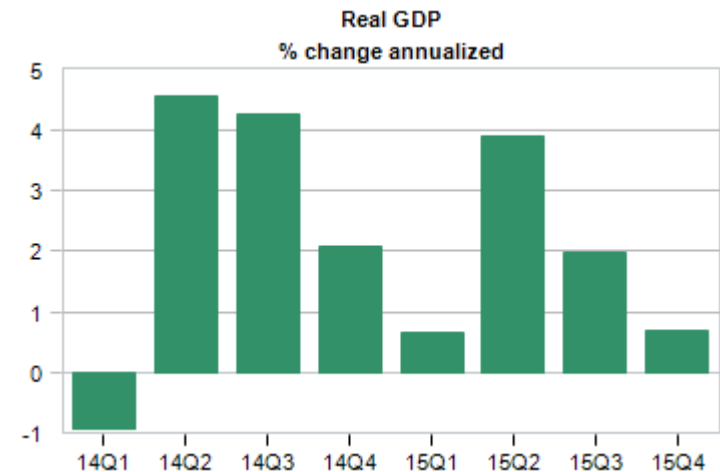
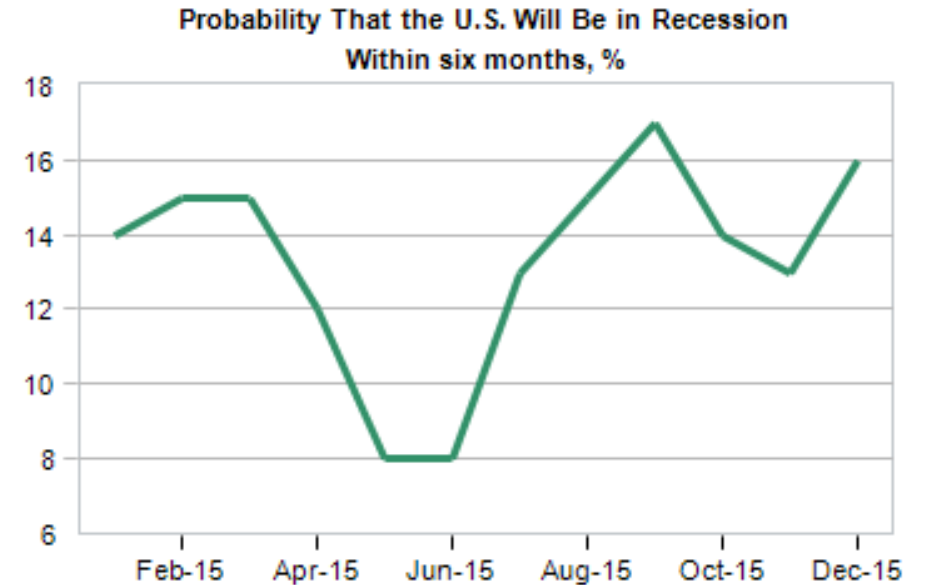
This Year



National Outlook

1. Probability of a Double Dip?
 - Started 2014 at 23%
 - Started 2015 at 14%
 - Ended 2015 at 16%
2. Real GDP Growth – Annualized
 - Q1 – 0.6%
 - Q2 – 3.9%
 - Q3 – 2.0%
 - Q4 – 0.7%
3. With the Exception of 1st Quarter of 2014 – Impacted by Political and Weather Effects – 18 Quarters of Growth

Slow Steady Growth Should Continue



Maryland Outlook

Maryland is in The Midst of a Major Economic Transformation

1. Federal Employment and Government Spending Going from Driver of Growth to Drag On the Economy
 - Federal Spending Cushioned Us from the Last Two Recessions
 - Have to go back to 1991-2 to have a comparable time in Maryland's Economic History
 - Good News – Federal Government Can't Relocate!
2. Challenges to Maryland
 - Must Build on the Assets We Have
 - Diversify Economy
 - Address Business Climate Issues

Maryland Outlook

Table 1
Maryland's Reliance on Federal Spending

<u>Item</u>	<u>Number</u>	<u>Rank</u>
<u>Federal Employment 2014 - By Place of Work</u>		
Federal Jobs (# of Jobs)	221,301	5th
Federal Jobs (% of Employment)	6.3%	5th
<u>Federal Employment 2014 By Place of Residence</u>		
Federal Jobs (# of Jobs)	301,075	3rd
Federal Jobs (% of Employment)	10.1%	2nd
<u>Federal Procurement 2014</u>		
Federal Procurement (Bil \$s)	\$28.1	4th
Federal Procurement (\$s per capita)	\$4,709	3rd

Source: BEA, Census and FPDS

Maryland Outlook

Future Economic Growth Will Depend on:

1. Continued National Recovery
2. Redeployment of Economic Development Assets from Federal to Private Sector Markets
 - In 1990s – Called Defense Conversion

Maryland has Considerable Strengths

- Skilled and Educated Workforce
- Meds and Eds (Hospital and Universities)
- Federal and University R&D Base
- Life Sciences Leader
- Other Technology Businesses

Maryland's Business Climate is Seen as a Weakness

Howard County Outlook

Howard County a Leader in Maryland – Substantial Assets

1. Location

- Access to both Major Metro Area Markets

2. Workforce

- Growth of a Highly Educated/High Income Resident Base

3. Emerging Center for Employment Growth

- Not Just BRAC/Fort Meade
- Downtown Columbia/Route 1/Gateway?

But -- County Seeing Warning Signs

- Slowdown in Employment Growth

Howard County Outlook

– Gaining People and Jobs

Population Growth

Table 2
Maryland Population Growth, By County 2001 - 2014

	2000	2014	2000-2014	
			#	%
Maryland	5,296,647	5,976,407	679,760	12.8%
Allegany County	74,909	72,952	(1,957)	(2.6%)
Anne Arundel County	489,677	560,133	70,456	14.4%
Baltimore County	753,947	826,925	72,978	9.7%
Calvert County	74,556	90,613	16,057	21.5%
Caroline County	29,735	32,538	2,803	9.4%
Carroll County	150,881	167,830	16,949	11.2%
Cecil County	85,964	102,383	16,419	19.1%
Charles County	120,524	154,747	34,223	28.4%
Dorchester County	30,671	32,578	1,907	6.2%
Frederick County	195,277	243,675	48,398	24.8%
Garrett County	29,852	29,679	(173)	(0.6%)
Harford County	218,914	250,105	31,191	14.2%
Howard County	247,876	309,284	61,408	24.8%
Kent County	19,201	19,820	619	3.2%
Montgomery County	873,874	1,030,447	156,573	17.9%
Prince George's County	801,091	904,430	103,339	12.9%
Queen Anne's County	40,580	48,804	8,224	20.3%
St. Mary's County	86,196	110,382	24,186	28.1%
Somerset County	24,746	25,859	1,113	4.5%
Talbot County	33,806	37,643	3,837	11.4%
Washington County	131,911	149,573	17,662	13.4%
Wicomico County	84,638	101,539	16,901	20.0%
Worcester County	46,559	51,675	5,116	11.0%
Baltimore City	651,262	622,793	(28,469)	(4.4%)

Source: U.S. Bureau of the Census

Employment Growth

Table 3
Total Employment Growth, By County 2001-2014

	2001	2007	2014	2001-2007		2007-2014	
				#	%	#	%
Maryland	2,421,899	2,547,351	2,552,623	125,452	5.2%	5,272	0.2%
Allegany County	29,910	29,417	29,147	(493)	(1.6%)	(270)	(0.9%)
Anne Arundel County	200,174	232,880	255,373	32,706	16.3%	22,493	9.7%
Baltimore County	360,128	376,757	364,651	16,629	4.6%	(12,106)	(3.2%)
Calvert County	18,010	21,817	21,732	3,807	21.1%	(85)	(0.4%)
Caroline County	8,596	8,932	9,254	336	3.9%	322	3.6%
Carroll County	48,471	56,964	56,465	8,493	17.5%	(499)	(0.9%)
Cecil County	25,573	30,763	30,643	5,190	20.3%	(120)	(0.4%)
Charles County	36,968	42,217	41,225	5,249	14.2%	(992)	(2.3%)
Dorchester County	11,295	11,760	11,064	465	4.1%	(696)	(5.9%)
Frederick County	79,434	94,857	95,257	15,423	19.4%	400	0.4%
Garrett County	10,345	11,863	11,621	1,518	14.7%	(242)	(2.0%)
Harford County	70,442	83,589	88,149	13,147	18.7%	4,560	5.5%
Howard County	132,935	147,018	159,886	14,083	10.6%	12,868	8.8%
Kent County	7,914	8,600	7,694	686	8.7%	(906)	(10.5%)
Montgomery County	449,881	459,387	455,820	9,506	2.1%	(3,567)	(0.8%)
Prince George's County	304,022	315,864	303,015	11,842	3.9%	(12,849)	(4.1%)
Queen Anne's County	11,167	14,308	14,094	3,141	28.1%	(214)	(1.5%)
St. Mary's County	34,448	39,230	42,580	4,782	13.9%	3,350	8.5%
Somerset County	6,965	7,112	6,705	147	2.1%	(407)	(5.7%)
Talbot County	18,642	19,444	18,680	802	4.3%	(764)	(3.9%)
Washington County	63,194	66,780	66,772	3,586	5.7%	(8)	(0.0%)
Wicomico County	41,753	46,902	44,080	5,149	12.3%	(2,822)	(6.0%)
Worcester County	24,423	24,533	23,610	110	0.5%	(923)	(3.8%)
Baltimore city	381,155	344,740	331,750	(36,415)	(9.6%)	(12,990)	(3.8%)
Unallocated	46,057	51,616	63,357	5,559	12.1%	11,741	22.7%

Source: BLS

Howard County Outlook

-- Population /Workforce Growth as Key Driver

Gaining Population from Domestic and International Migration

But - Mixed Impact of Migration

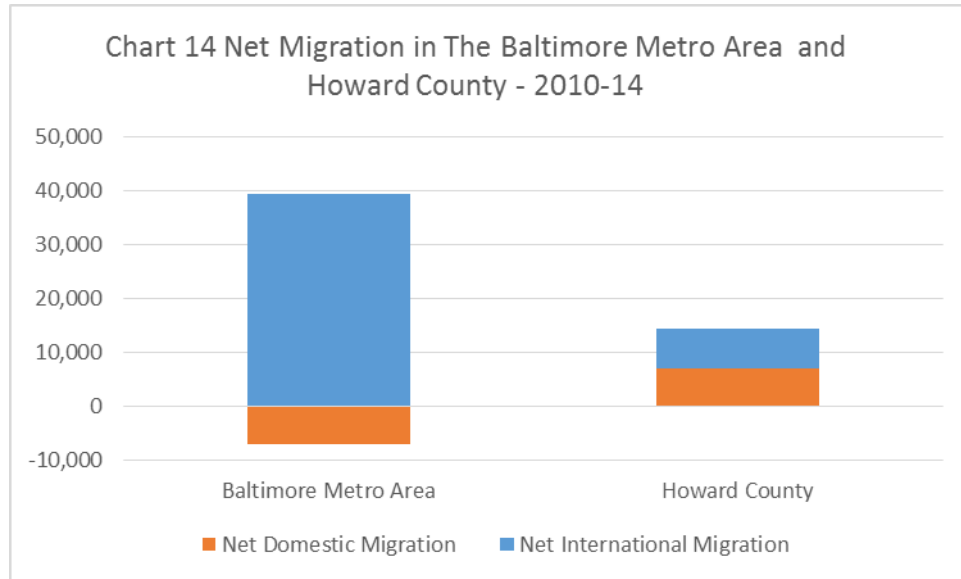


Table 7
Howard County Migration Trends

Item	2008-09	2009-10	2010-11	2011-12	2012-13
Total In-Migration (Returns)	9,722	9,701	9,402	10,648	10,786
In-State	5,831	5,745	5,657	6,371	6,547
Other	3,891	3,956	3,745	4,277	4,396
Average Income	\$61,052	\$61,391	\$65,550	\$67,446	\$69,430
Total Out-Migration (Returns)	9,163	8,911	9,251	9,751	10,600
In-State	5,287	5,514	5,346	5,706	6,191
Other	3,876	3,397	3,905	4,045	4,409
Average Income	\$60,659	\$59,057	\$61,152	\$76,774	\$75,712
Net In-Migration	559	790	151	897	186
In-State	544	231	311	665	356
Other	15	559	(160)	232	(13)
Income Difference	\$393	\$2,334	\$4,398	(\$9,328)	(\$6,281)

Source: IRS

Howard County Outlook

-- Population /Workforce Growth as Key Driver

County has Substantial Workforce/ Demographic Assets

County Population is:

- High Income – Median Household Income is \$107,490 (MD=\$73,971)
- Employed – 72% Labor Force Participation Rate (MD = 68%)
- Educated – 60% of Workers have a Bachelors or Above (MD = 38%)
- Professional – 59% of Workers are Employed in Management, business, science, and arts occupations (MD = 45%)

County Serves Two Major Labor Markets

Table 15
In-Out Commuting in Howard County

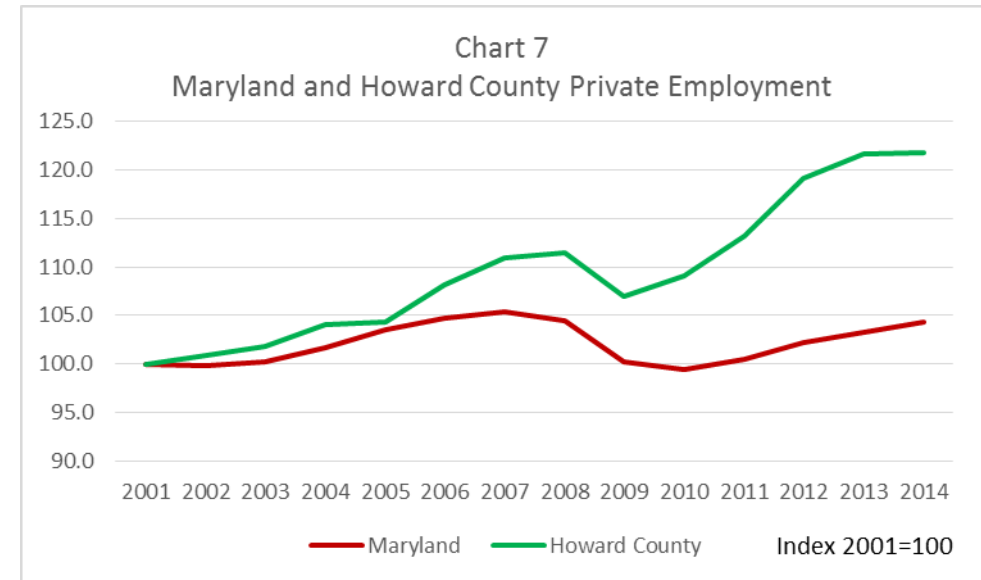
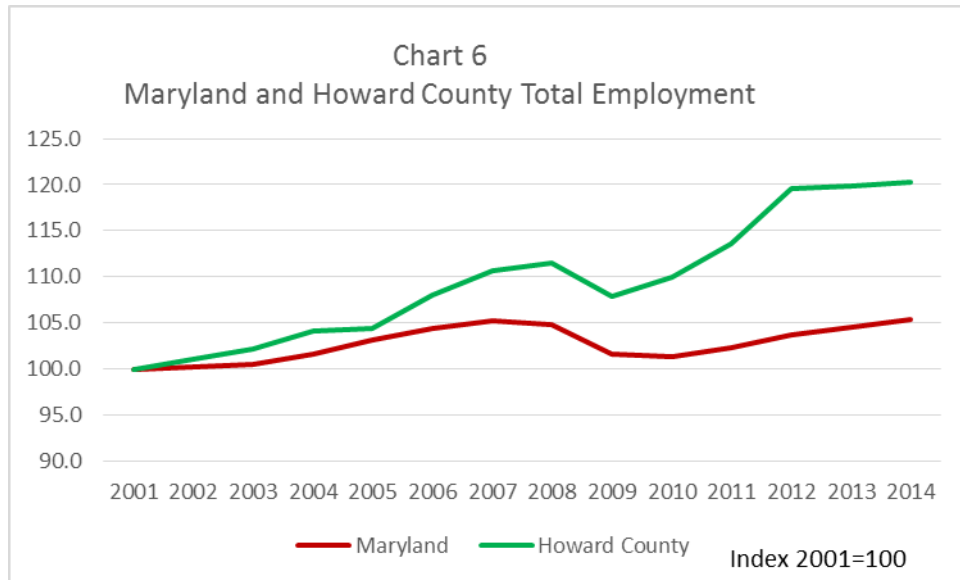
Jurisdiction	Howard County Workers	% of Total	Howard County Jobs	% of Total
Total	<u>137,421</u>	<u>100%</u>	<u>150,123</u>	<u>100%</u>
Howard County	37,697	27%	37,697	25%
Other Baltimore Metro	48,181	35%	66,593	44%
Washington Metro	47,106	34%	35,125	23%
Other Jurisdiction	4,437	3%	10,708	7%

Note: Primary Jobs

Source: Census - LEHD

Howard County Outlook

-- Stronger Employment Growth Than State

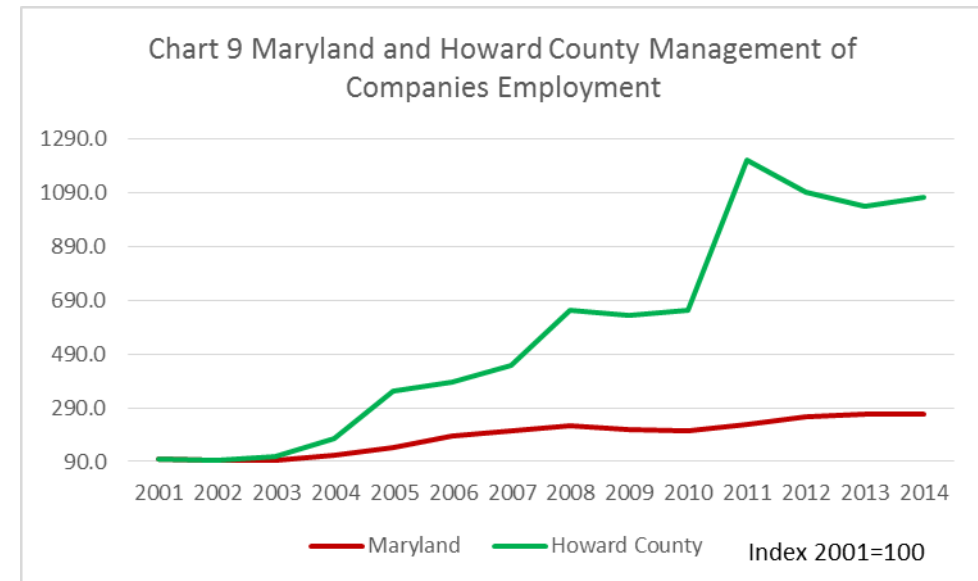
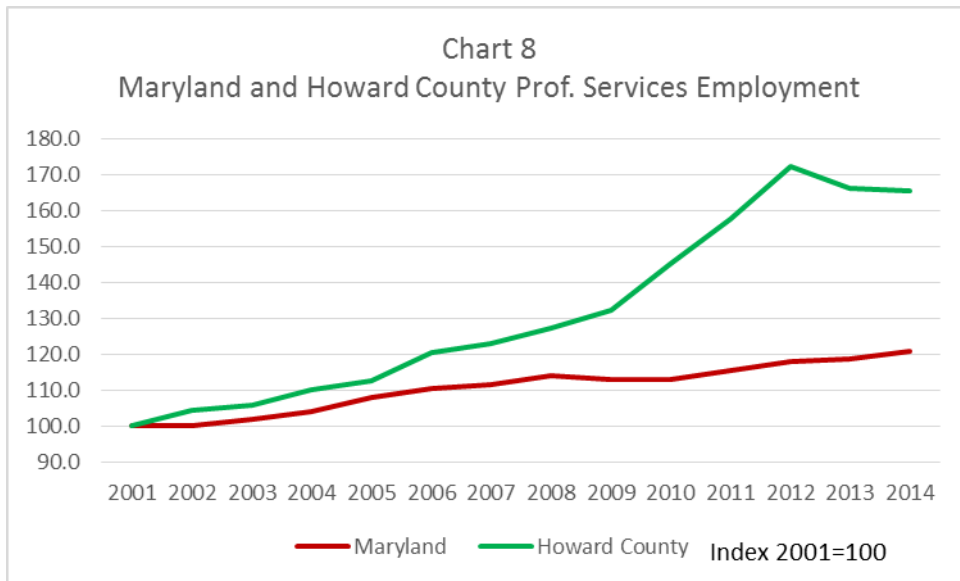


Howard County Outlook

-- Stronger Employment Growth Than State

Strong Growth in Professional Services

Strong Growth in Corporate Facilities



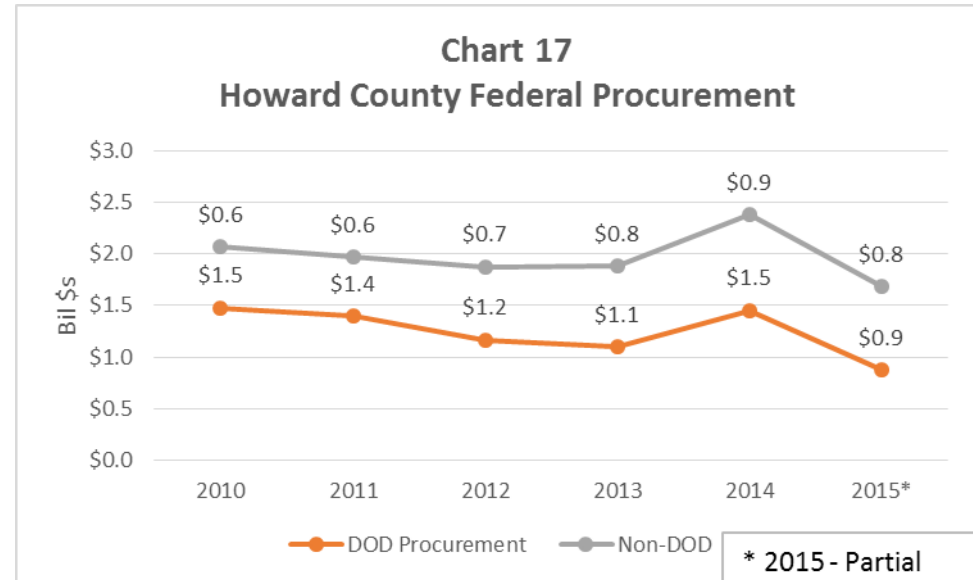
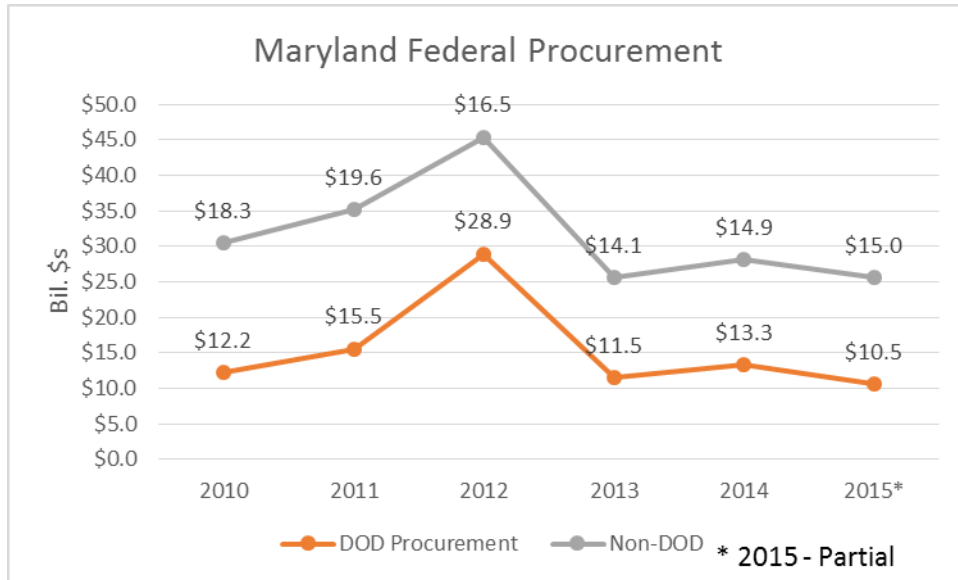
Howard County Outlook

Howard County Private No Employment Growth by Sector

	2001	2007	2012	2013	2014	CAGR Long Term		Last 2 Years	
						2001-7	2007-14	#	CAGR %
Total Employment	117,360	130,126	139,804	142,744	142,888	1.7%	1.3%	3,084	1.1%
Agriculture, forestry, fishing and hunting	ND	ND	711	ND	ND				
Mining, quarrying, and oil and gas extraction	ND	ND	58	ND	ND				
Utilities	216	193	ND	ND	ND				
Construction	11,733	11,730	9,493	10,305	10,295	(0.0%)	(1.8%)	802	4.1%
Manufacturing	8,334	6,835	7,068	7,455	7,437	(3.3%)	1.2%	369	2.6%
Wholesale trade	11,768	13,304	12,744	13,221	12,500	2.1%	(0.9%)	(244)	(1.0%)
Retail trade	18,586	17,618	16,299	16,659	16,649	(0.9%)	(0.8%)	350	1.1%
Transportation and warehousing	4,572	4,260	ND	ND	ND	(1.2%)			
Information	2,249	4,024	3,636	3,829	3,625	10.2%	(1.5%)	(11)	(0.2%)
Finance and insurance	4,957	5,859	5,873	6,075	6,205	2.8%	0.8%	332	2.8%
Real estate and rental and leasing	2,192	2,896	2,923	2,882	2,856	4.8%	(0.2%)	(67)	(1.2%)
Professional and technical services	17,305	21,302	29,821	28,799	28,629	3.5%	4.3%	(1,192)	(2.0%)
Management of companies and enterprises	240	1,078	2,621	2,496	2,578	28.5%	13.3%	(43)	(0.8%)
Administrative and waste services	7,547	9,677	9,944	11,160	11,132	4.2%	2.0%	1,188	5.8%
Educational services	1,461	1,925	2,936	2,948	2,828	4.7%	5.6%	(108)	(1.9%)
Health care and social assistance	10,185	11,142	12,723	13,383	14,495	1.5%	3.8%	1,772	6.7%
Arts, entertainment, and recreation	2,488	2,049	2,952	3,114	3,051	(3.2%)	5.9%	99	1.7%
Accommodation and food services	8,892	11,691	11,266	11,713	11,763	4.7%	0.1%	497	2.2%
Other services, except public administration	4,173	4,283	4,651	4,452	4,630	0.4%	1.1%	(21)	(0.2%)
Unclassified	140	1	NC	n.a.	NC				

Howard County Outlook

-- Key Driver and Key Challenge are the Same – Federal Procurement



Howard County Outlook

-- Key Driver and Key Challenge are the Same – Federal Procurement

Concentration in Tech Business

Table 17
Federal Procurement in Howard County
By Industry Classification, 2015

Industry	Mil. \$s	% of total
Total	\$1,675.8	100%
Utilities	\$0.1	0%
Construction	\$23.7	1%
Manufacturing	\$204.1	12%
Wholesale Trade	\$4.7	0%
Retail Trade	\$39.4	2%
Transportation and Warehousing	\$10.0	1%
Information	\$33.9	2%
Finance and Insurance	\$1.3	0%
Real Estate and Rental and Leasing	\$12.3	1%
Professional, Scientific, and Technical Services	<u>\$1,201.5</u>	<u>72%</u>
Architectural, Engineering, and Related Services	\$48.5	3%
Computer Systems Design and Related Services	\$196.4	12%
Management, Scientific, and Technical Consulting Services	\$88.4	5%
Scientific Research and Development Services	\$848.7	51%
All Other	\$19.4	1%
Administrative and Support and Waste Management and Remediation Services	\$13.8	1%
Educational Services	\$8.8	1%
Health Care and Social Assistance	\$121.2	7%
Arts, Entertainment, and Recreation	\$0.0	0%
Accommodation and Food Services	\$0.0	0%
Other Services	\$11.2	1%
Public Administration	\$0.7	0%
NO NAICS CODE SPECIFIED	(\$10.7)	-1%

Source: FPDS

Driven by a Few Contractors

Table 16
Top Federal Vendors in Howard County, 2015

Company/Organization	Mil. \$s	%
John Hopkins University / APL	\$839.7	50%
Magellan Behavioral Health, Inc.	\$117.6	7%
Agentase, LLC	\$53.8	3%
Motorola, Inc.	\$45.7	3%
ICX Tactical Platforms Corp.	\$33.9	2%
Accenture Federal Services	\$31.1	2%
International Business Machines	\$27.1	2%
SRA International, Inc.	\$22.7	1%
AT&T Corporation	\$22.5	1%
Livanta, LLC	\$20.1	1%
FEi Systems	\$19.2	1%
NewWave-GDIT, LLC	\$19.1	1%
ManTech Advanced Systems International	\$17.2	1%
Impaq International	\$16.7	1%
Northrop Grumman	\$15.4	1%
All Other	<u>\$374.0</u>	<u>22%</u>
Total	\$1,675.8	100%

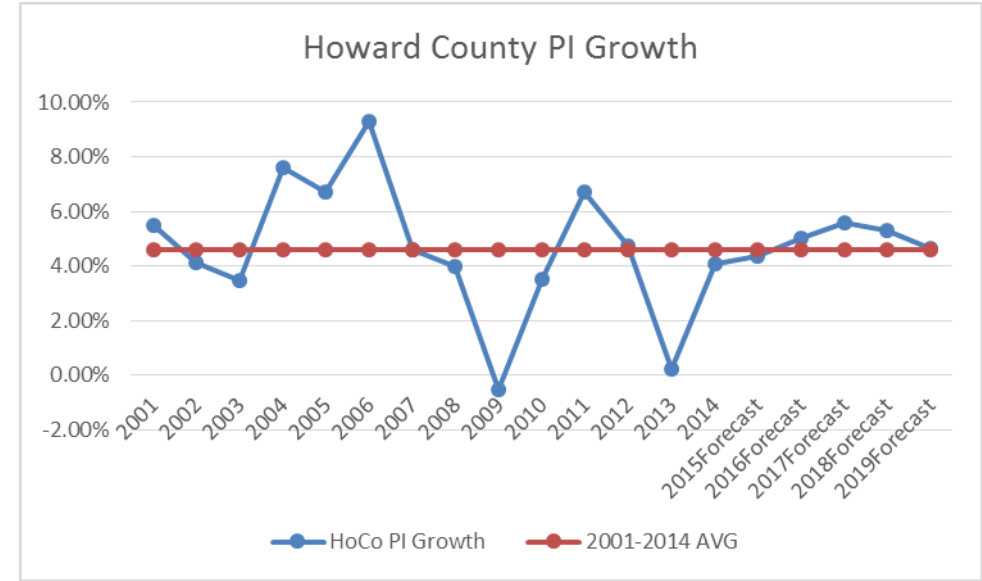
(1) 2015 Procurement data is preliminary.

Source: FPDS

Howard County Outlook

Table 18
Howard County Personal Income Projections
Richard Clinch Forecast

Year	County Personal Income (Mil. \$s)	County PI Growth	State Personal Income (Mil. \$s)	State PI Growth	County Share of Maryland Personal Income
<u>Results by Fiscal Year</u>					
FY2008 Actual	\$17,092	4.3%	\$275,010	4.2%	6.2%
FY2009 Actual	\$17,380	1.7%	\$279,800	1.7%	6.2%
FY2010 Actual	\$17,635	1.5%	\$283,433	1.3%	6.2%
FY2011 Actual	\$18,541	5.1%	\$295,142	4.1%	6.3%
FY2012 Actual	\$19,595	5.7%	\$307,718	4.3%	6.4%
FY2013 Actual	\$20,069	2.4%	\$312,389	1.5%	6.4%
FY2014 Actual	\$20,500	2.2%	\$317,916	1.8%	6.4%
FY2015 Forecast	\$21,367	4.2%	\$330,446	3.9%	6.5%
FY2016 Forecast	\$22,374	4.7%	\$345,108	4.4%	6.5%
FY2017 Forecast	\$23,563	5.3%	\$362,487	5.0%	6.5%
FY2018 Forecast	\$24,842	5.4%	\$381,103	5.1%	6.5%
FY2019 Forecast	\$26,074	5.0%	\$398,648	4.6%	6.5%
<u>Results by Calendar Year</u>					
2007 Actual	\$16,758	4.6%	\$269,714	4.4%	6.2%
2008 Actual	\$17,427	4.0%	\$280,306	3.9%	6.2%
2009 Actual	\$17,333	(0.5%)	\$279,294	(0.4%)	6.2%
2010 Actual	\$17,938	3.5%	\$287,571	3.0%	6.2%
2011 Actual	\$19,144	6.7%	\$302,712	5.3%	6.3%
2012 Actual	\$20,046	4.7%	\$312,724	3.3%	6.4%
2013 Actual	\$20,091	0.2%	\$312,054	(0.2%)	6.4%
2014 Actual	\$20,909	4.1%	\$323,778	3.8%	6.5%
2015 Forecast	\$21,825	4.4%	\$337,113	4.1%	6.5%
2016 Forecast	\$22,924	5.0%	\$353,102	4.7%	6.5%
2017 Forecast	\$24,202	5.6%	\$371,871	5.3%	6.5%
2018 Forecast	\$25,482	5.3%	\$390,335	5.0%	6.5%
2019 Forecast	\$26,666	4.6%	\$406,961	4.3%	6.6%
2020 Forecast	\$27,790	4.2%	\$422,300	3.8%	6.6%



Why am I so positive on Personal Income growth in light of recent setbacks?

1. National recovery is expected to gain strength
2. Maryland's recovery gaining momentum
3. Federal budget is stabilizing
4. Opportunities for growth and diversification