The Recovery from the Great Recession: State of Georgia’s Budget and Economy

HomeTown Health

Ken Heaghney
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Learning Objective:

• After attending this session, you will be able to: discuss Georgia’s budget situation post-The Great Recession and current economic trends in Georgia
Key Themes

• Great Recession required re-balancing of state & local government but sustained revenue growth is in place.

• Economic recovery has been slow but is showing signs of accelerating
In FY 2014, General Fund Revenues Finally Reached Pre-recession Peak

Georgia General Fund Revenues ($M)

$-1.1B or -7.2%

$-3.6B or -19.2%
But Adjusted for Inflation and Population Growth, Revenues are Still Below Prior Peak
Local Governments Have Faced Similar Challenges
Property Values Declined

Georgia Gross Digest Changes

<table>
<thead>
<tr>
<th>Year Period</th>
<th>Change</th>
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<tbody>
<tr>
<td>2005-2006</td>
<td>8.3%</td>
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<tr>
<td>2006-2007</td>
<td>11.8%</td>
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<td>2007-2008</td>
<td>6.1%</td>
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<tr>
<td>2008-2009</td>
<td>-5.7%</td>
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<td>2009-2010</td>
<td>-4.6%</td>
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<tr>
<td>2010-2011</td>
<td>-3.5%</td>
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<tr>
<td>2011-2012</td>
<td>-0.2%</td>
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<td>2012-2013</td>
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We Believe Digests Have Continued to Recover

We expect that to continue with rising home prices and the time lag between rising prices and home assessments.
FY 2014 Revenues Outperformed Budget Plan

Georgia General Fund Revenues

% Change Over FY 2013

FY 2014 Growth Target: 3.4%
FY 2014 Prelim Growth: 4.8%
This Allows Georgia to Re-build the Revenue Shortfall Reserve

FY 2014 Estimate is Preliminary
...and Sets the State Budget Up Well for FY 2015

![FY 2015 General Fund Revenue Estimate](image)

- FY 2015 Budget Growth: 4.3%
- FY 2015 Budget Growth Adjusted to FY 2014 Results: 2.9%
Expenditure Growth Expected to be Dominated by a Handful of Programs

- Pension payments (full payment of Annual Required Contribution essential to maintaining AAA bond rating).
- Debt service (mandated by Constitution)
- Education
- Health Care
The National Economic Outlook: One View

“The Economy is on the Verge of a Full- Fledged Expansion”

Mark Zandi
Chief Economist
Moody’s Analytics

We would expect US growth to pull Georgia’s economy along
Strong GDP Growth in 2\textsuperscript{nd} and 3\textsuperscript{rd} Quarters
Growth Driver 1: Labor Market Growth has Strengthened

Despite Weak August, Rapid Acceleration in Net Job Growth from Early 2014
Georgia Employment Growth in Line with US Growth

Non-Farm Employment Growth - US vs. Georgia

Yr/yr % Change - 3 Month Moving Average


Georgia United States
Job Growth is Strong – Averaging 12,000 per Month
Hourly Earnings and Hours Worked are Also Up
Growth is Diversified Across Industries

GA Sector Employment Growth - September 2014
Yr/Yr % Change - 3 Month Moving Average

Professional and Business Services
Construction
Leisure and Hospitality
Manufacturing
Trade Transportation and Utilities
Information
Education and Health
Financial
Government
Other Services
Significant Regional Disparities in Growth Across Georgia

Employment Growth by Metro Area - Sept. 2014
Yr/Yr % Change - 3 Month Moving Average

- Atlanta
- Savannah
- Gainesville
- Augusta
- Hinesville
- Rome
- Dalton
- Athens
- Macon
- Valdosta
- Columbus
- Brunswick
- Albany
- Warner Robins

-1.5% -1.0% -0.5% 0.0% 0.5% 1.0% 1.5% 2.0% 2.5% 3.0%
Initial Unemployment Insurance Claims are Running at Levels Experienced Prior to the Recession
But Georgia’s Unemployment Rate has Surged in Recent Months
Growth Driver 2: Consumers Poised to Ramp Up Spending

*Households’ Balance Sheets in Excellent Condition - Monthly Financial Obligations are at Twenty Year Lows*
Real Disposable Income Growth is Modest and Higher Trend Faded in September
But So Far, Consumer Spending Growth is Muted
Except Auto Sales, Which are Booming
Growth Driver 3: Business Activity has Ramped Up

ISM Indices have Eased Off Multi-Year Highs, But Weakness in Global Markets Raises Concerns for Manufacturing
Growth Driver 4: Housing is Poised for a Rebound

But Growth in Housing Starts has been Modest But Showing Signs of Accelerating

[Graph showing US and Georgia Housing Starts 3 Month Moving Average]
Home Sales Have Been Mixed

*New Home Sales Surged in August but Overall Trend has been Sideways*
Home Prices are Up but Price Appreciation is Slowing
Recap

• State and Local government revenues have stabilized and are growing.

• US economy seems poised for much faster growth than seen during recovery to date.
  – Acceleration in housing activity and consumer spending is required to achieve and maintain a broad based expansion, but we are still waiting on clear acceleration in these sectors.
  – Slow global growth, threat of deflation in Europe could have big repercussions
  – Geopolitical risk is high.
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