

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

HomeTown Health

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Nov. 13, 2014

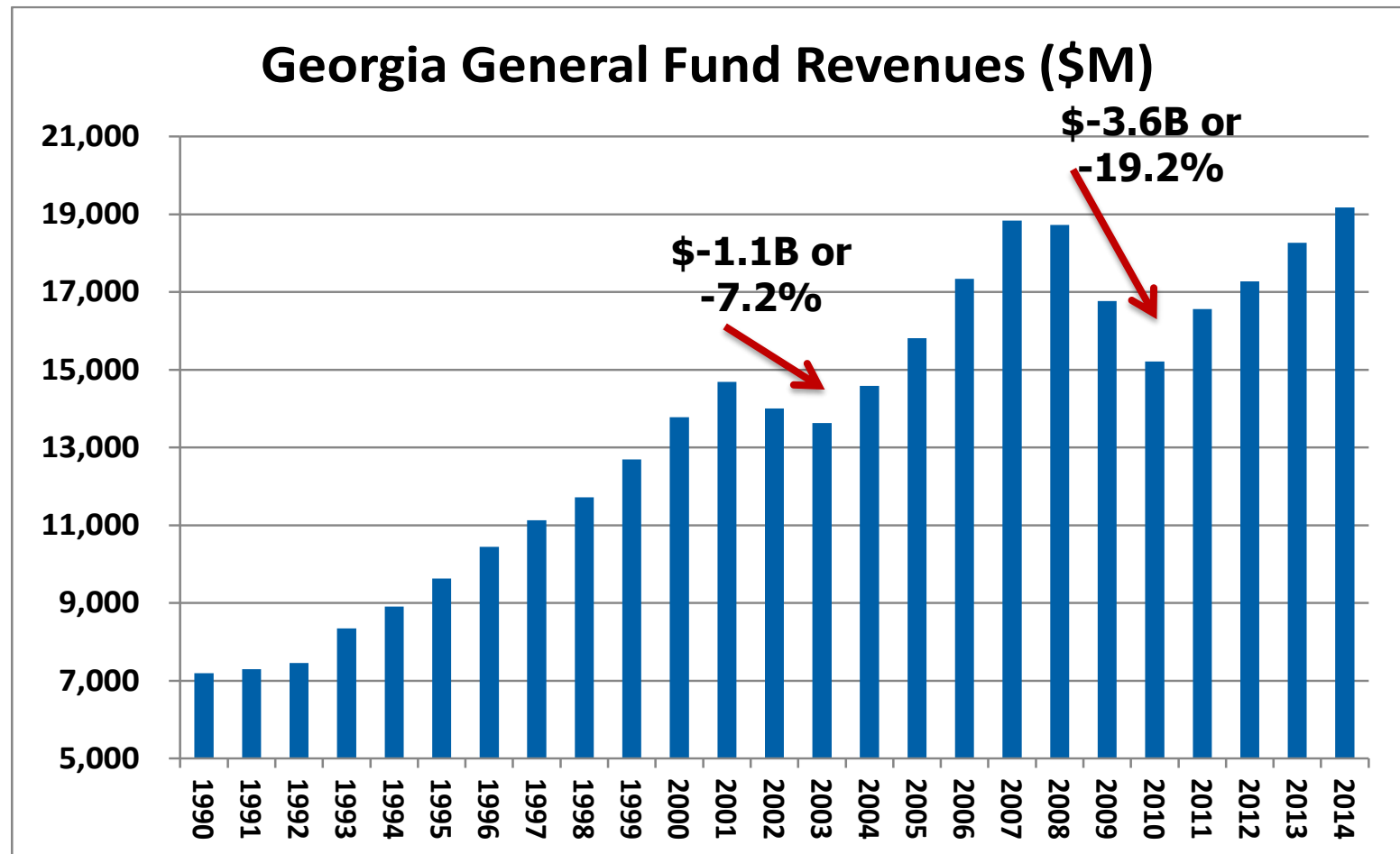
Learning Objective:

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

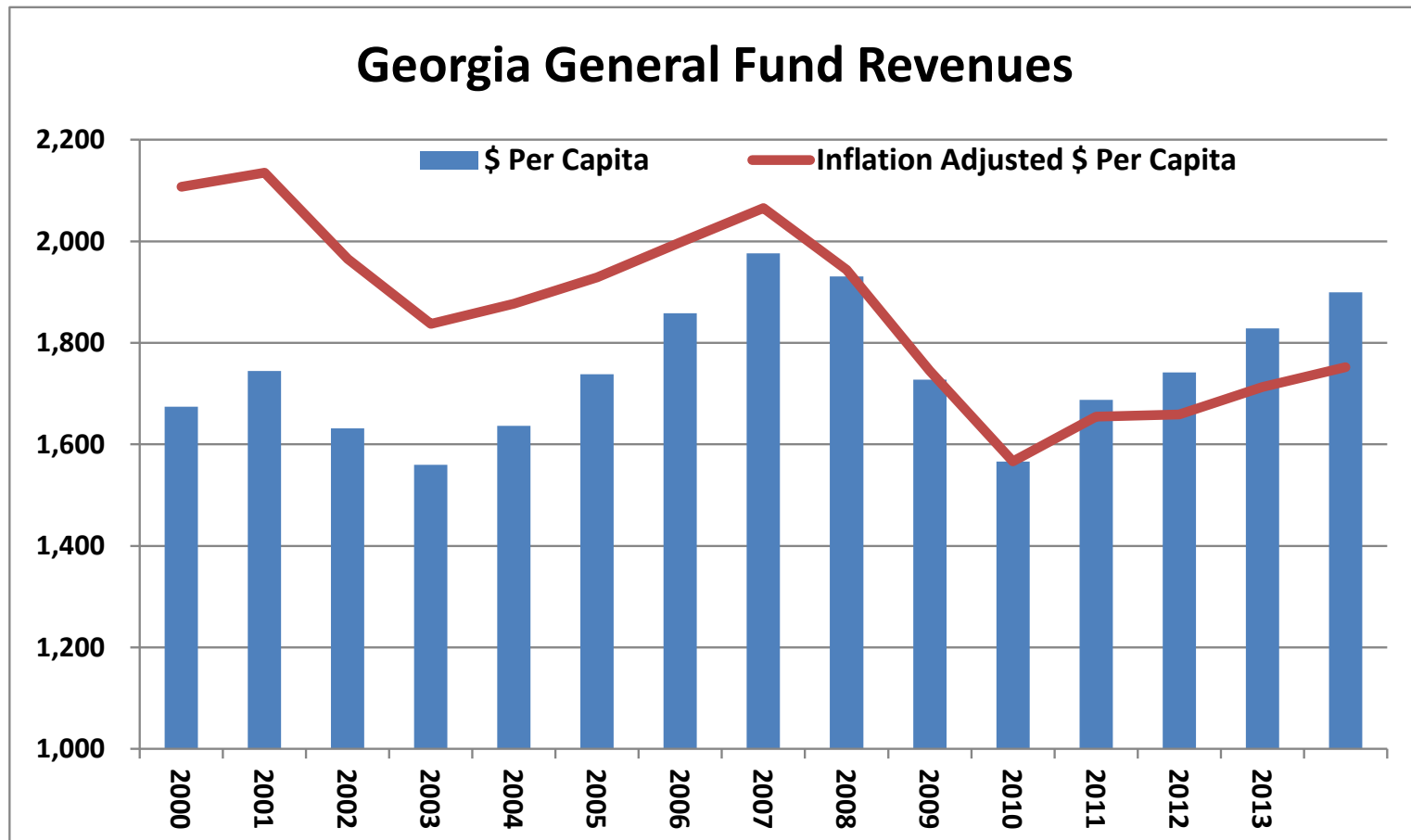
Key Themes

- **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**

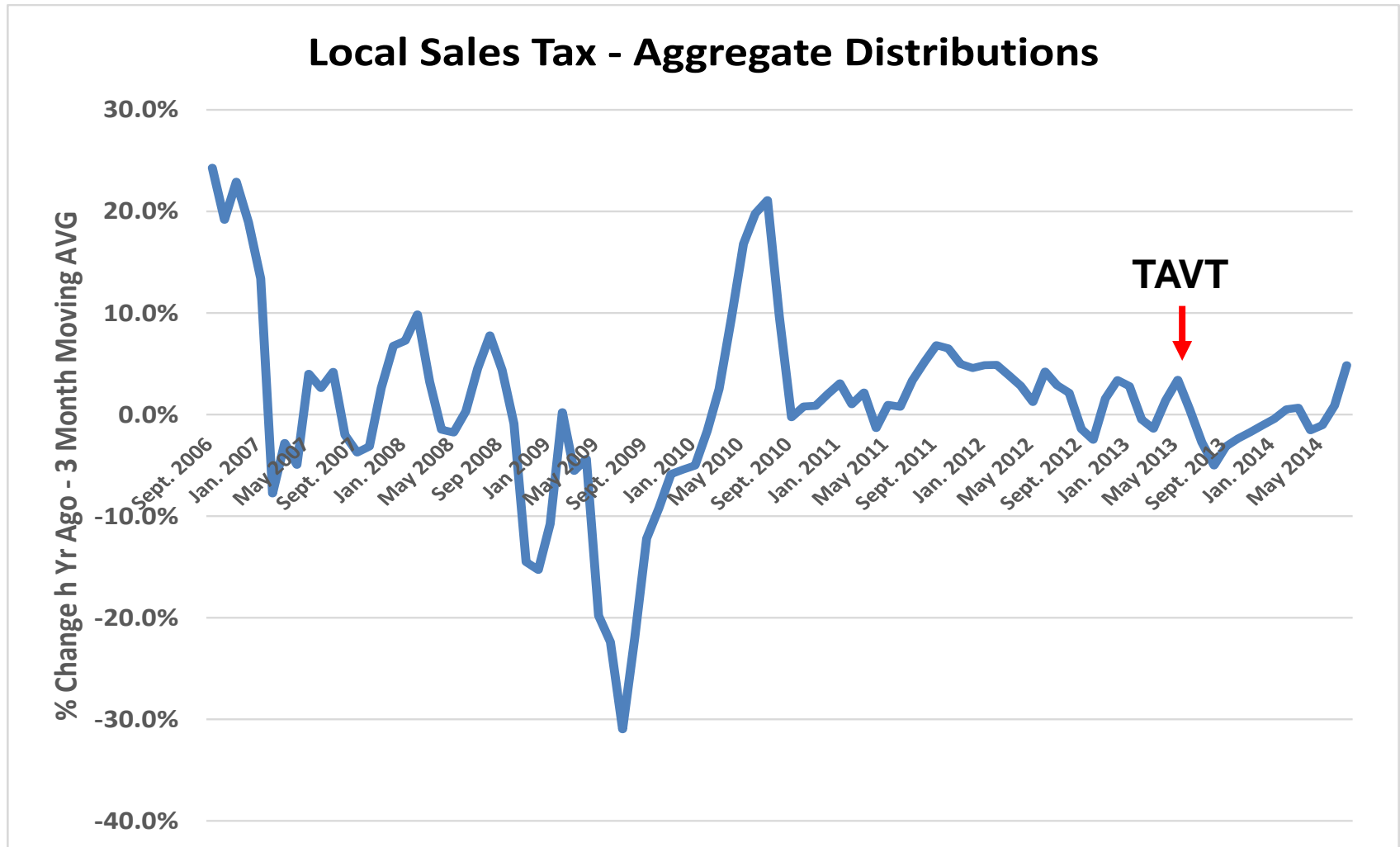
In FY 2014, General Fund Revenues Finally Reached Pre-recession Peak



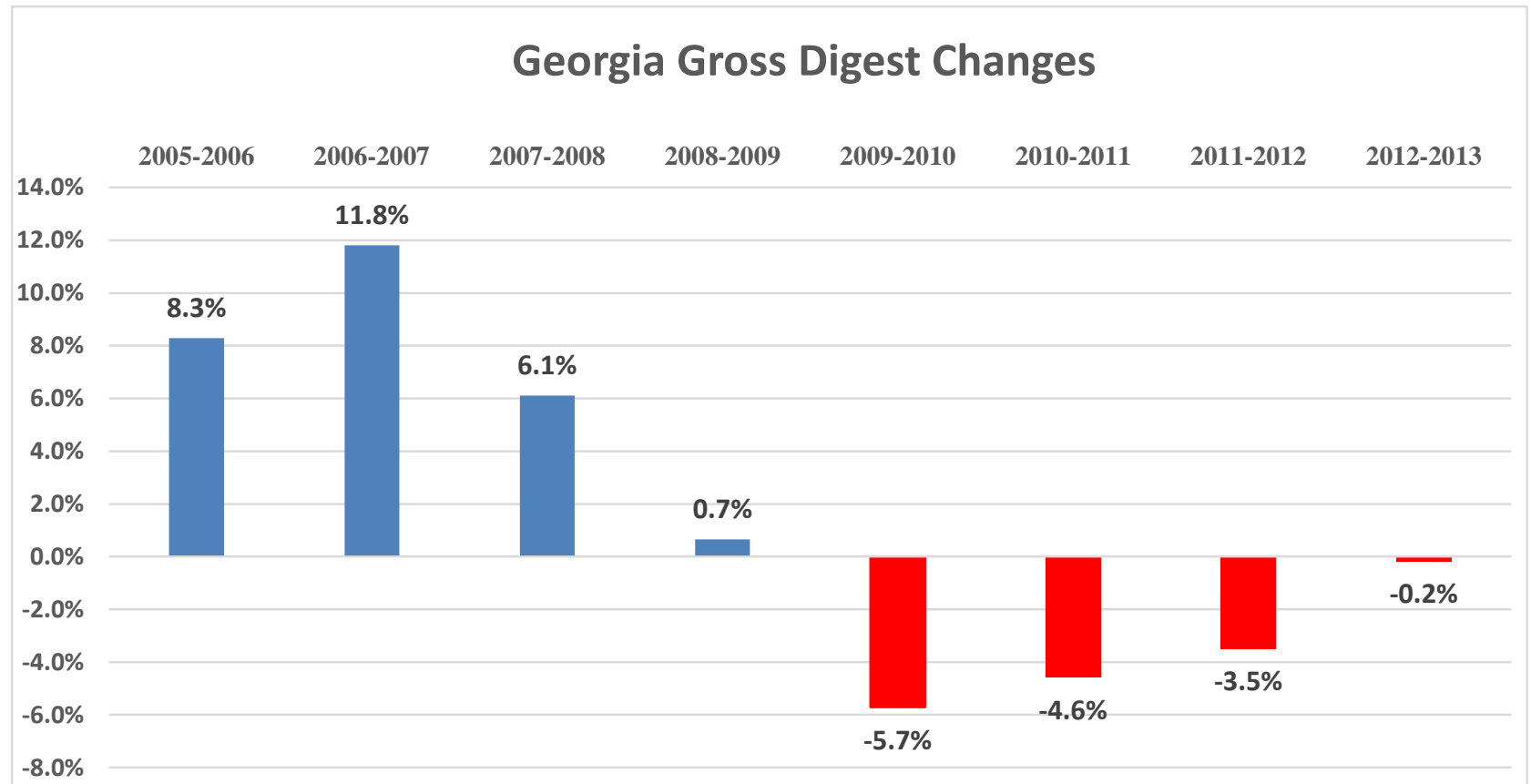
But Adjusted for Inflation and Population Growth, Revenues are Still Below Prior Peak



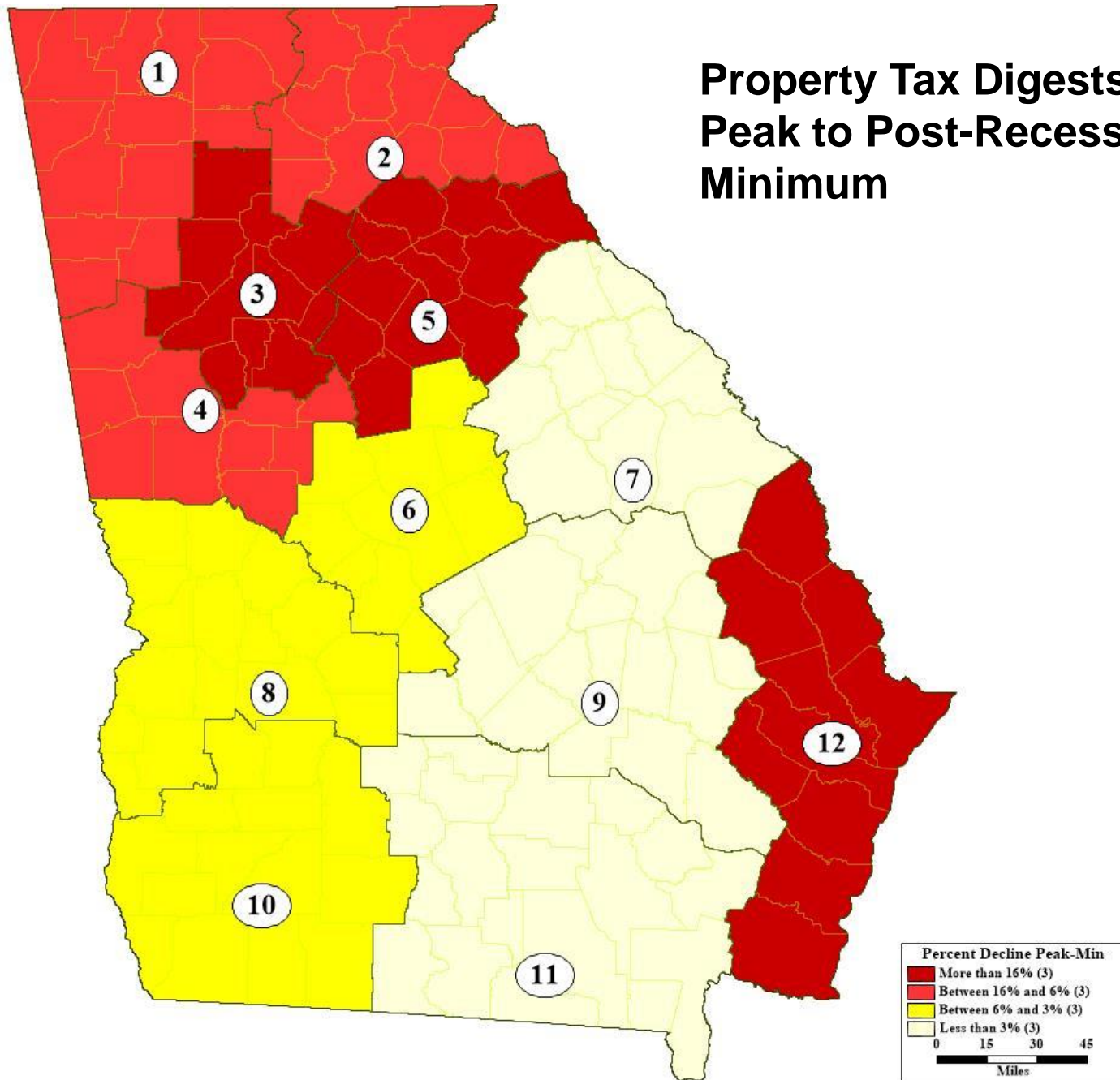
Local Governments Have Faced Similar Challenges



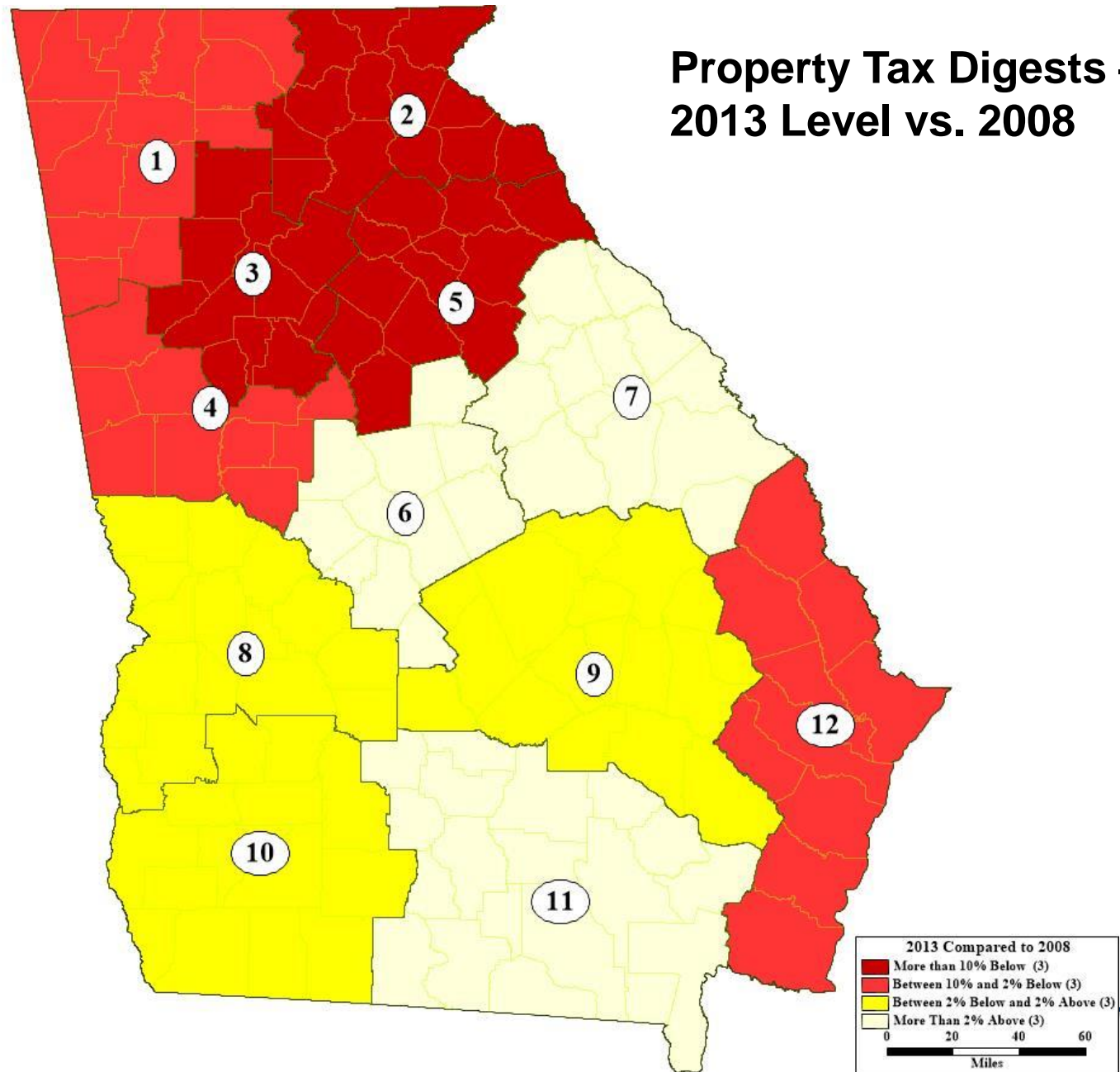
Property Values Declined



Property Tax Digests – Peak to Post-Recession Minimum

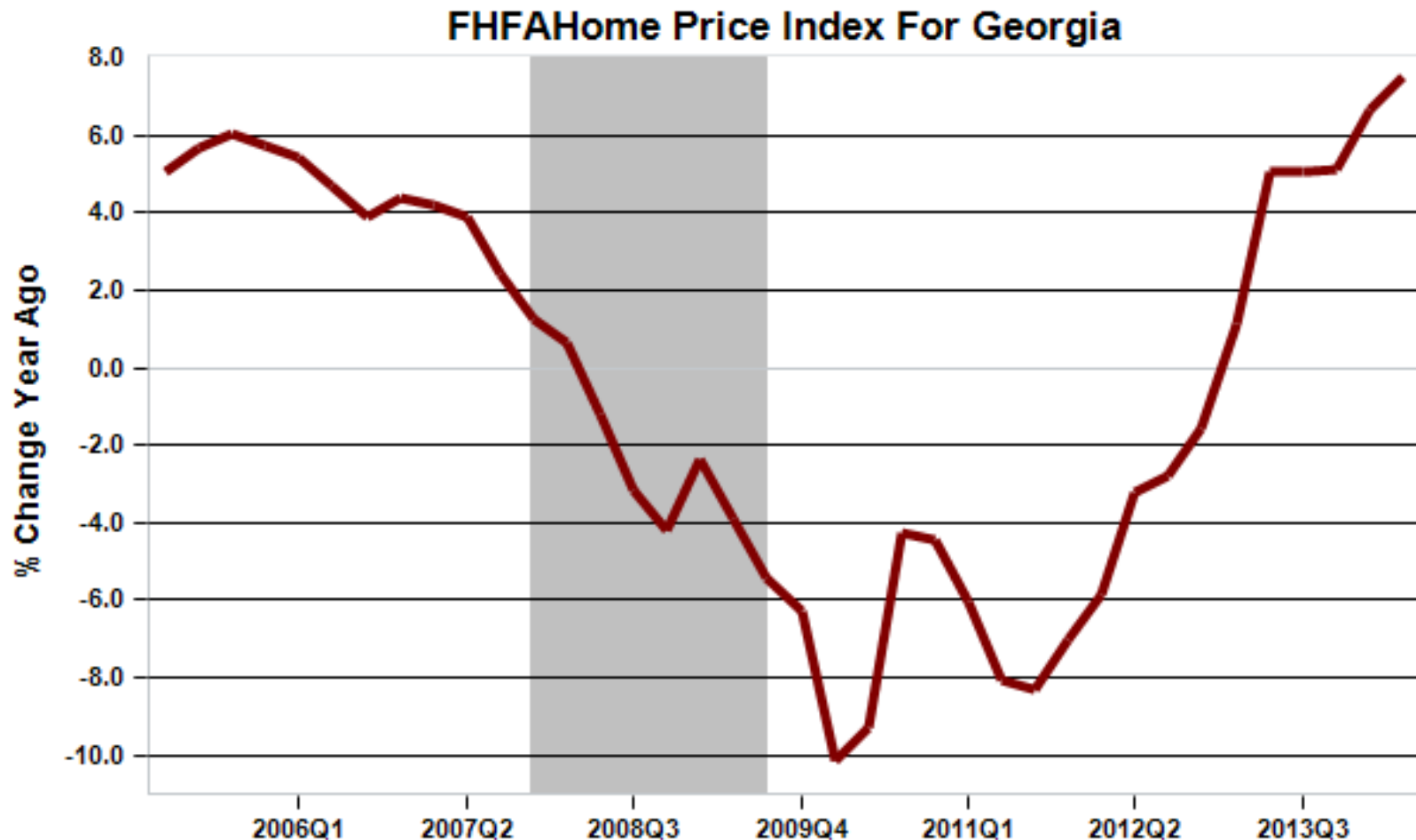


Property Tax Digests – 2013 Level vs. 2008

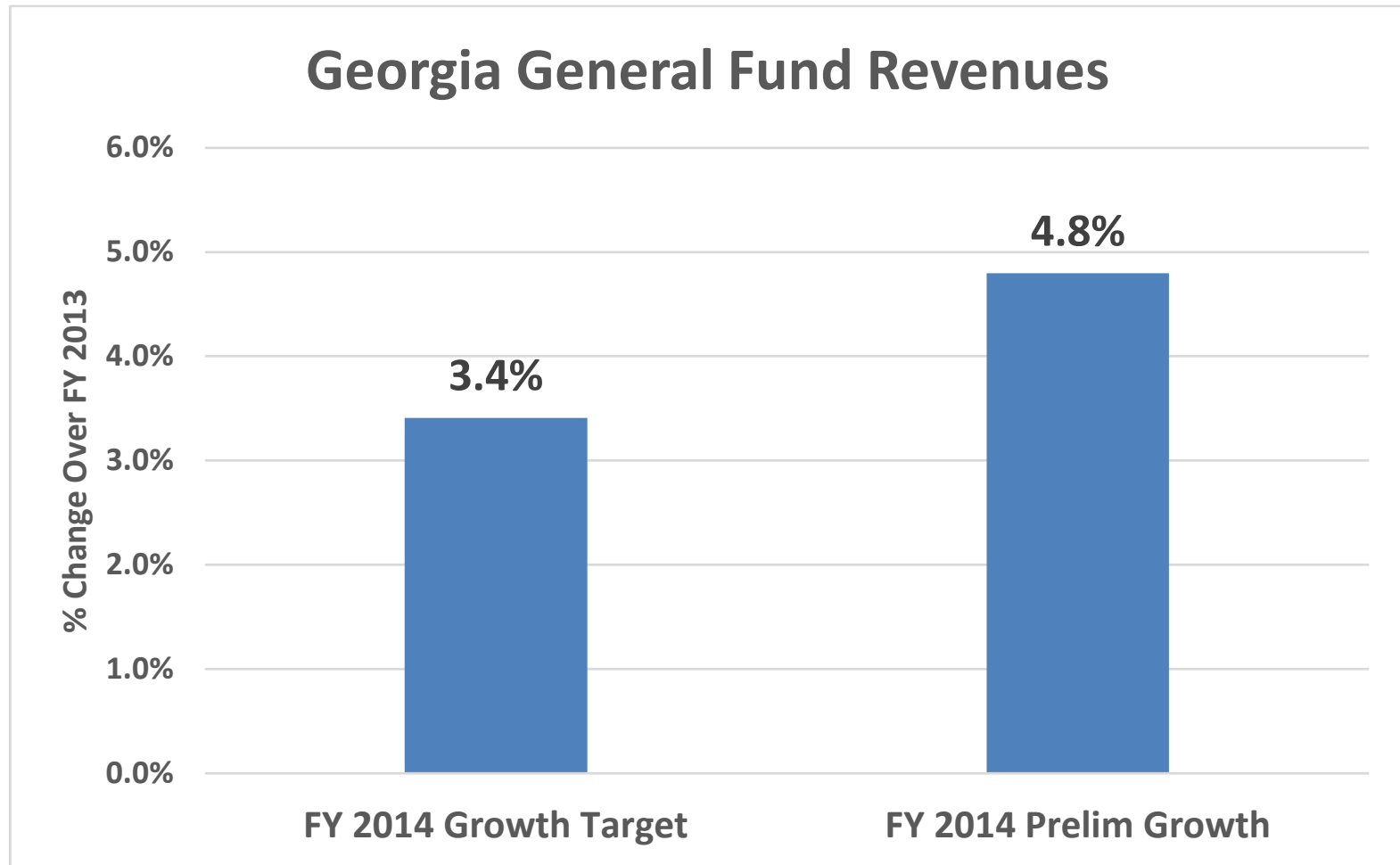


We Believe Digests Have Continued to Recover

We expect that to continue with rising home prices and the time lag between rising prices and home assessments



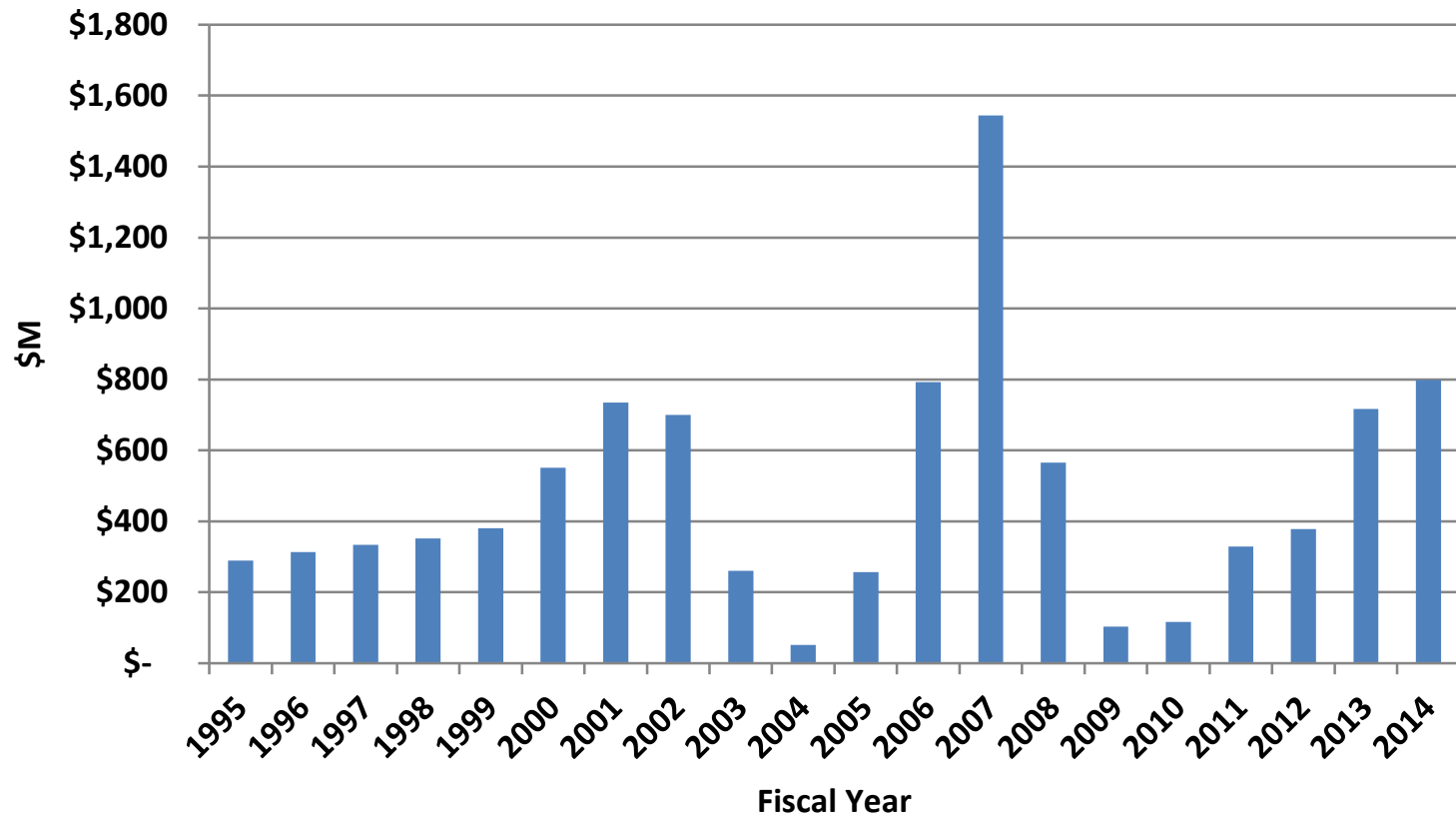
FY 2014 Revenues Outperformed Budget Plan



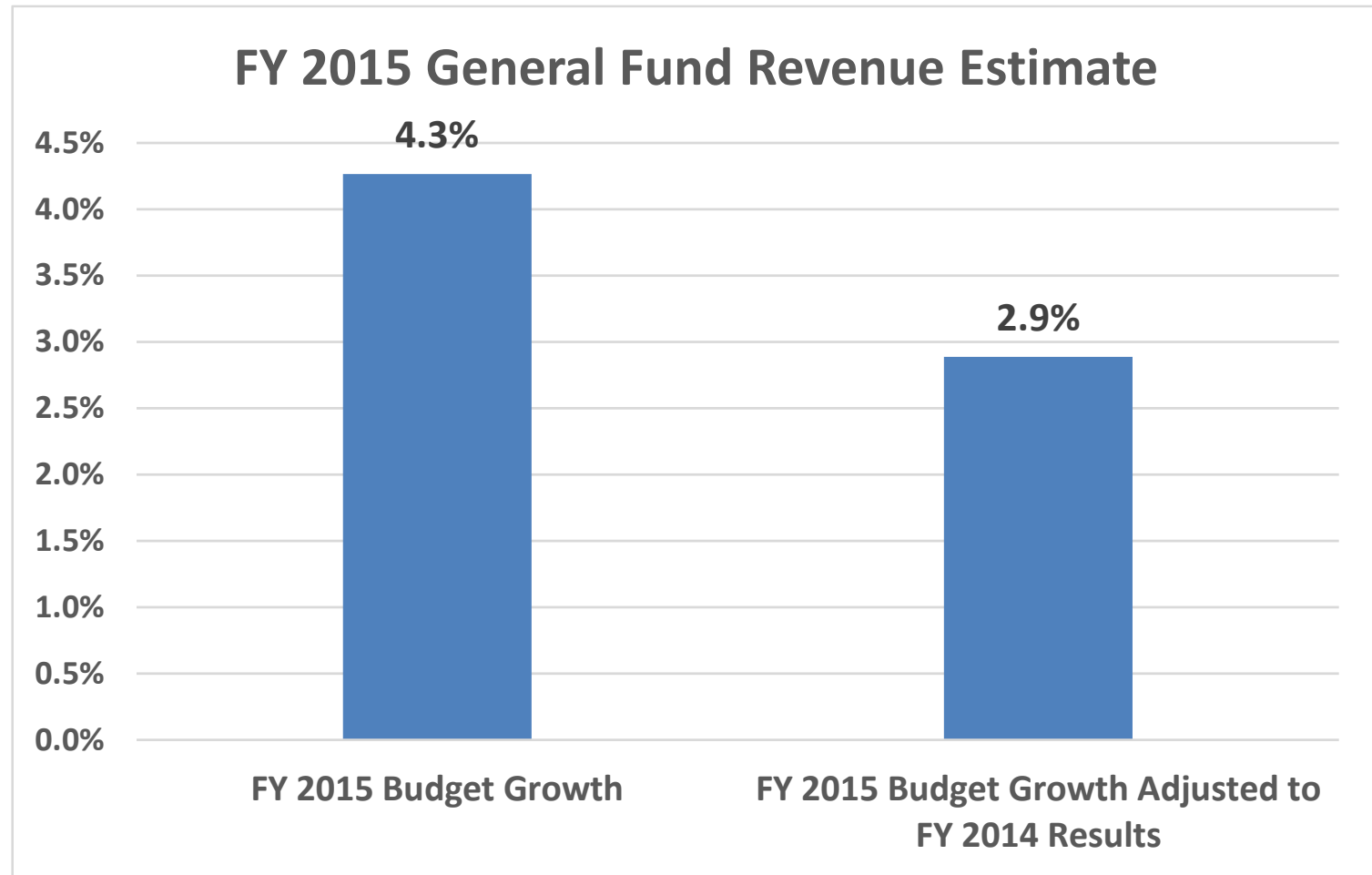
This Allows Georgia to Re-build the Revenue Shortfall Reserve

FY 2014 Estimate is Preliminary

Revenue Shortfall Reserve



....ands Sets the State Budget Up Well for FY 2015



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**
-

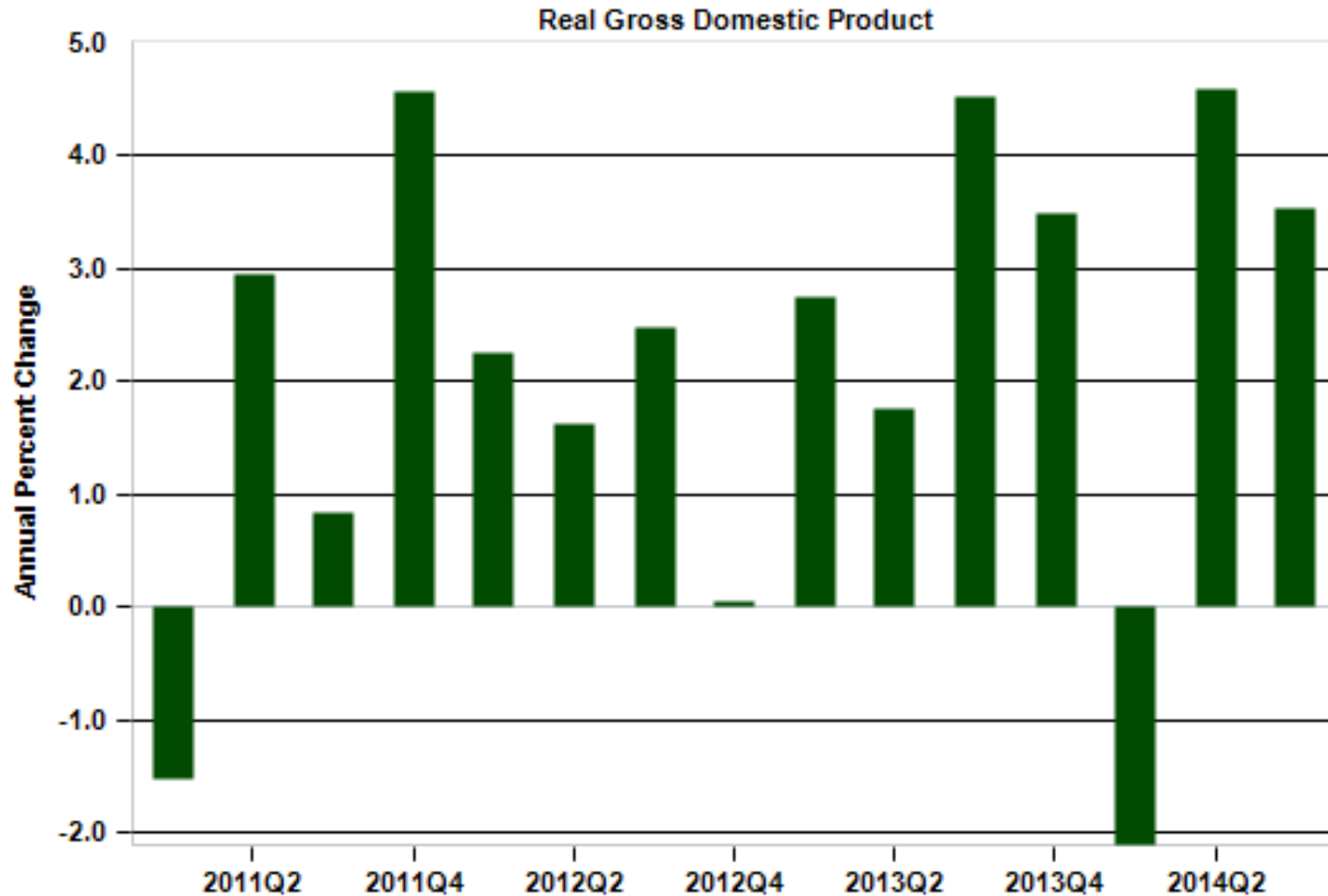
The National Economic Outlook: One View

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

***Mark Zandi
Chief Economist
Moody’s Analytics***

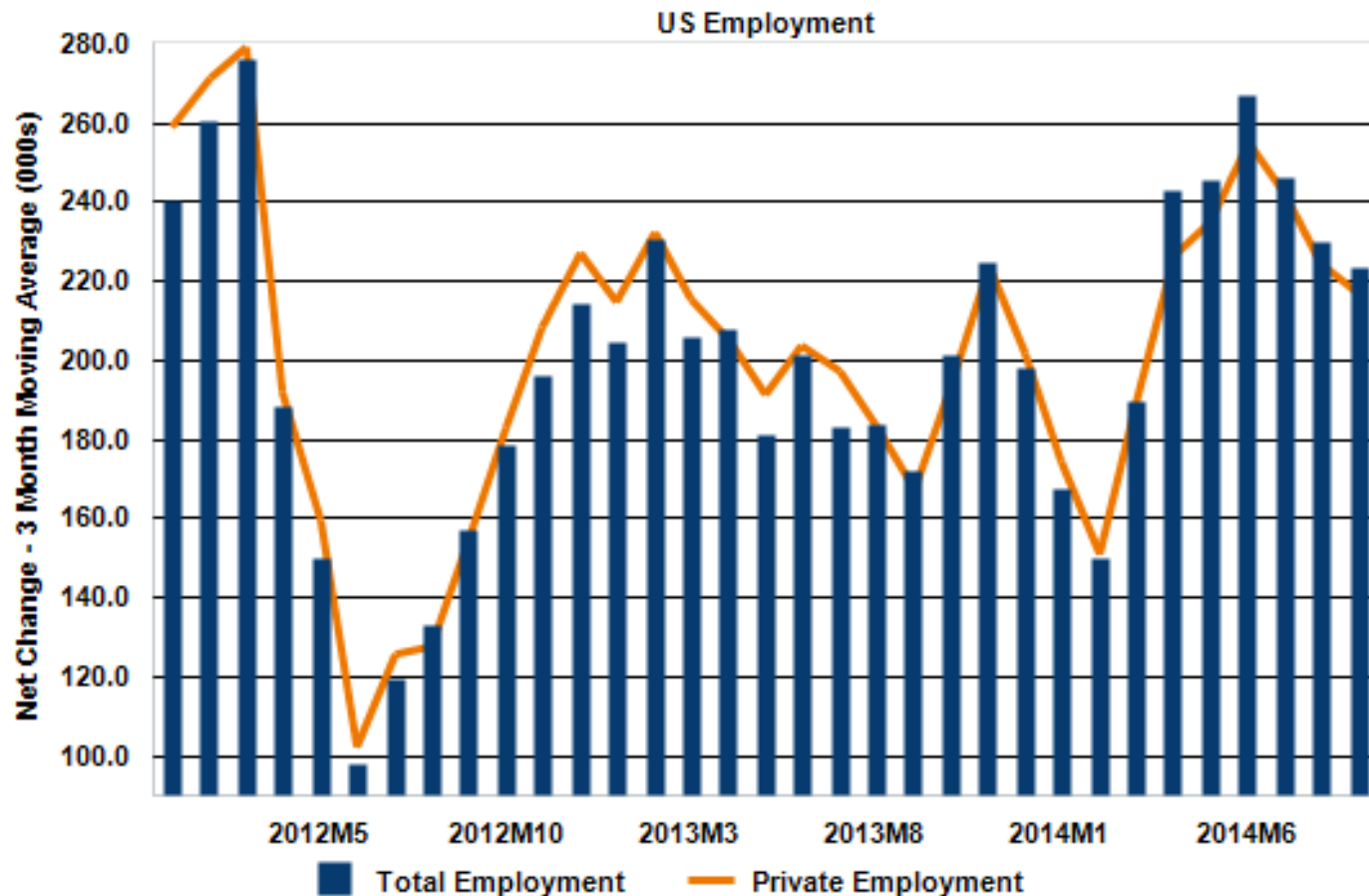
We would expect US growth to pull Georgia’s economy along

Strong GDP Growth in 2nd and 3rd Quarters

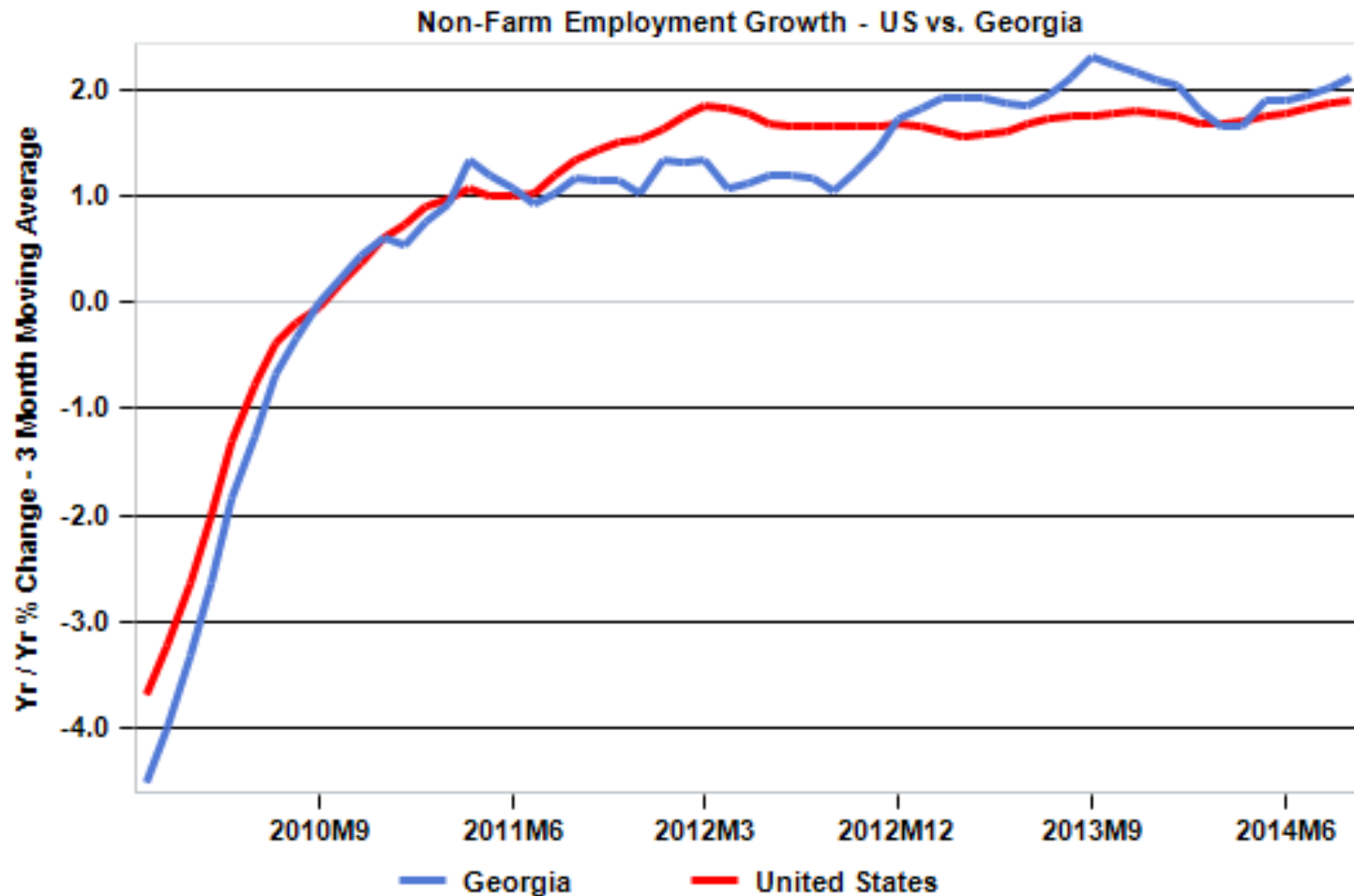


Growth Driver 1: Labor Market Growth has Strengthened

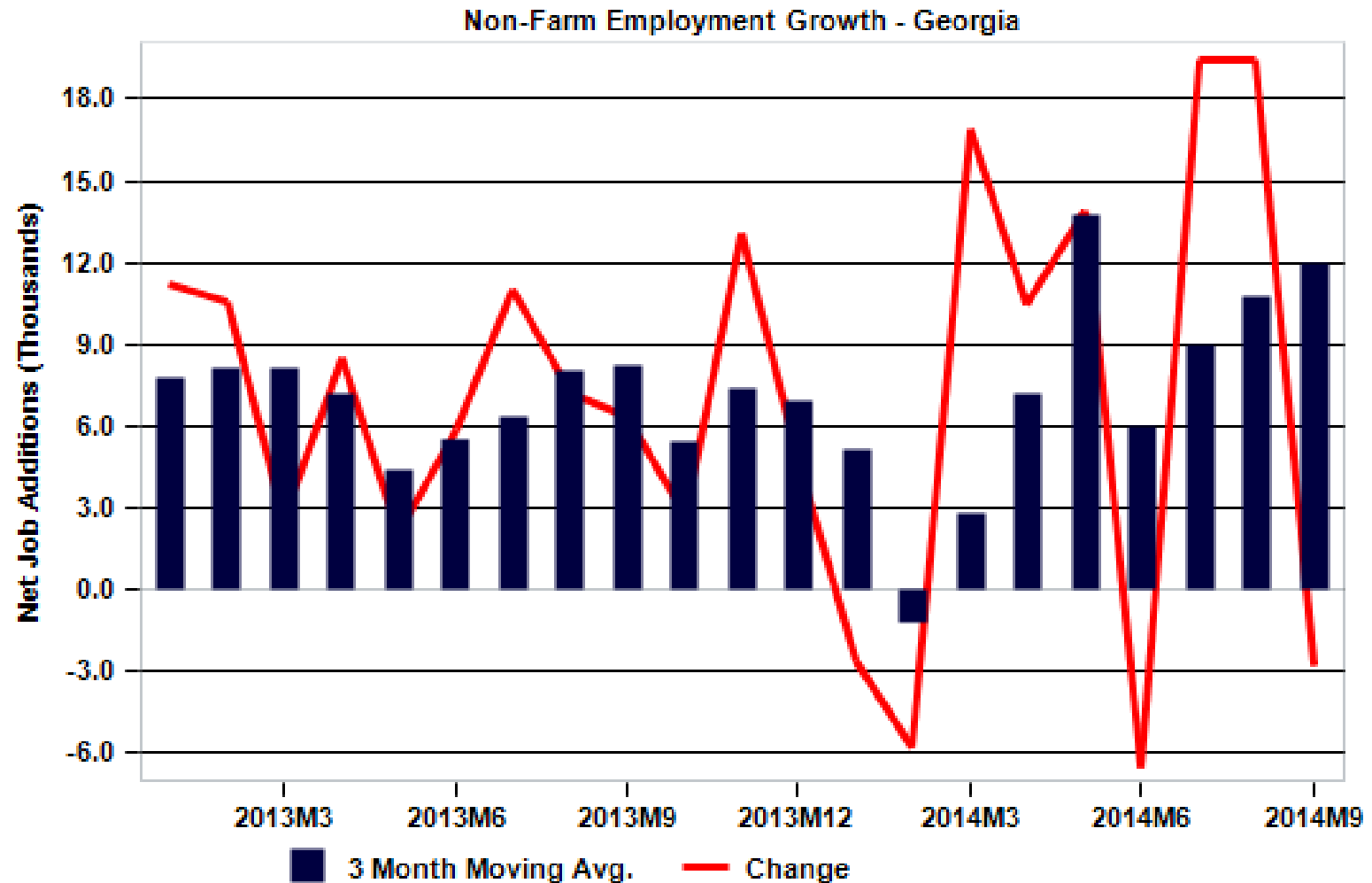
Despite Weak August, Rapid Acceleration in Net Job Growth from Early 2014



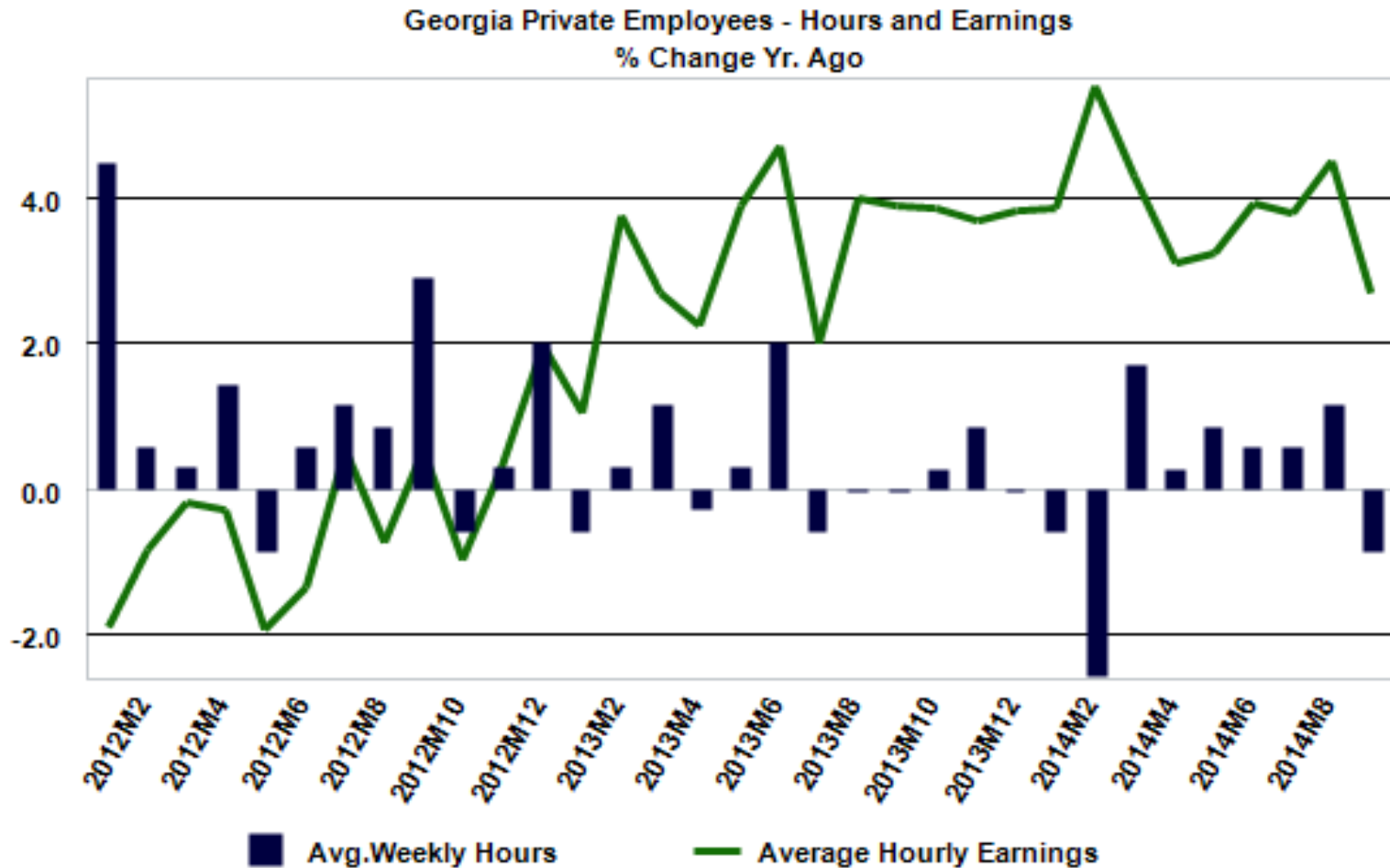
Georgia Employment Growth in Line with US Growth



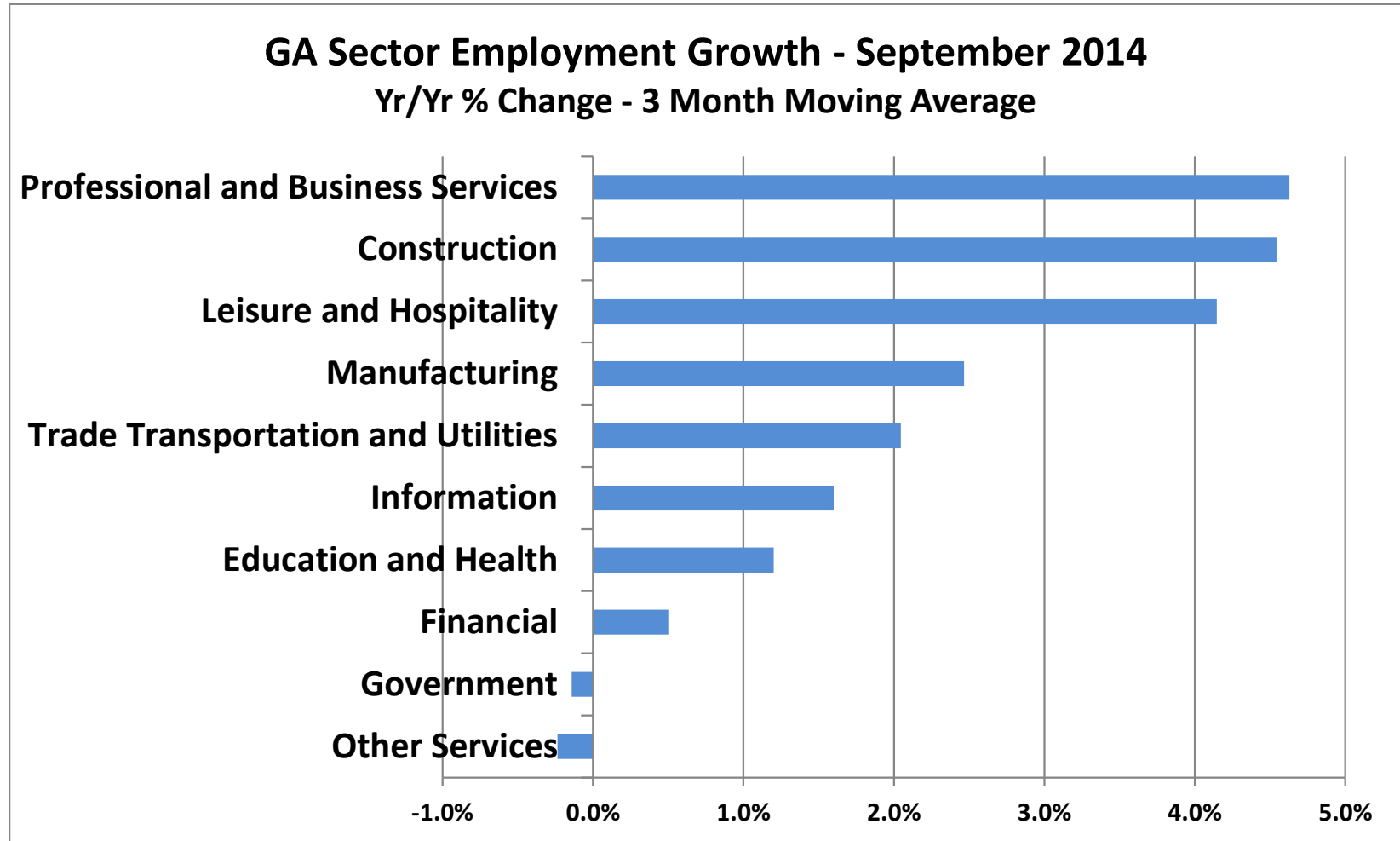
Job Growth is Strong – Averaging 12,000 per Month



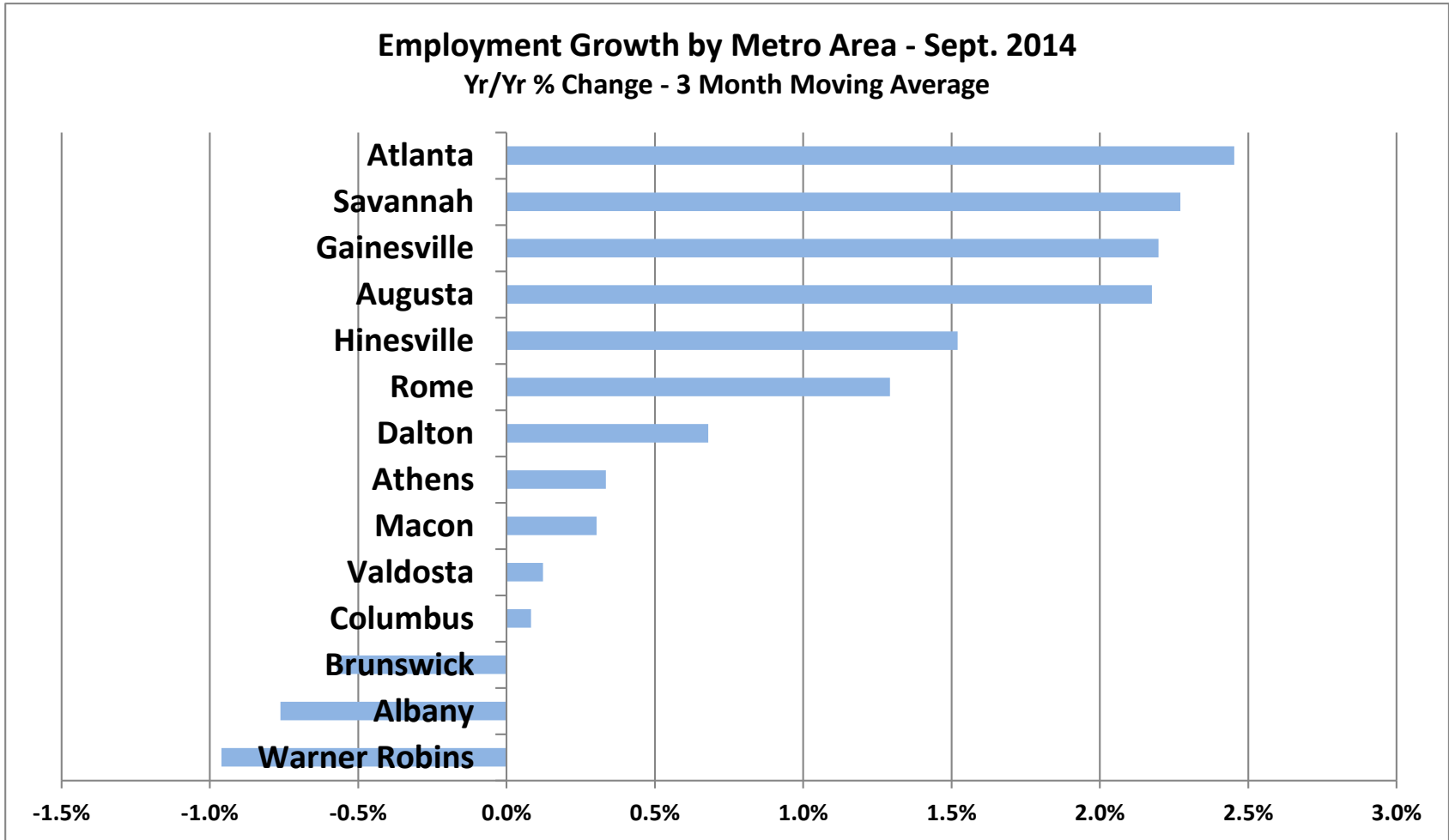
Hourly Earnings and Hours Worked are Also Up



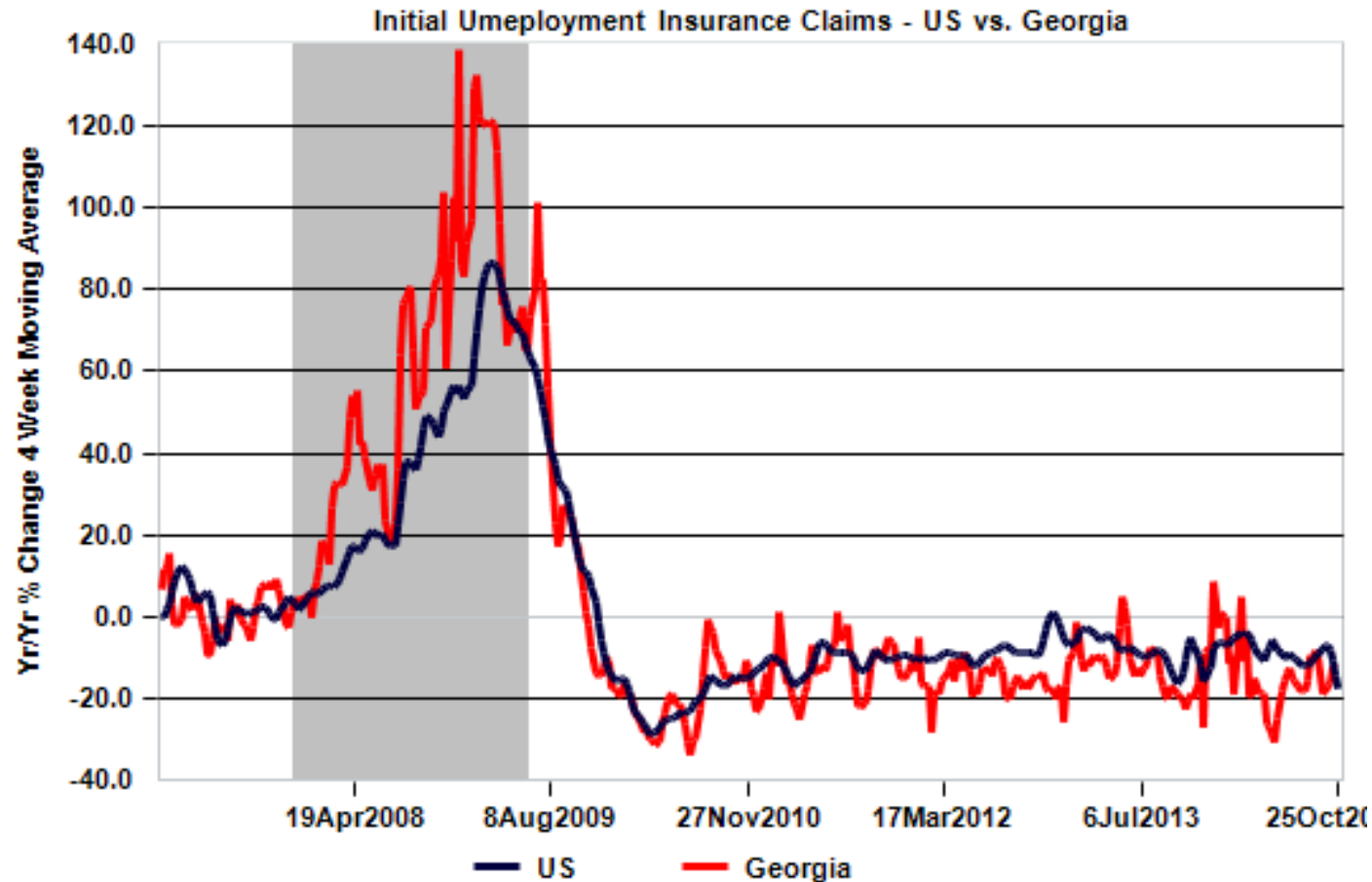
Growth is Diversified Across Industries



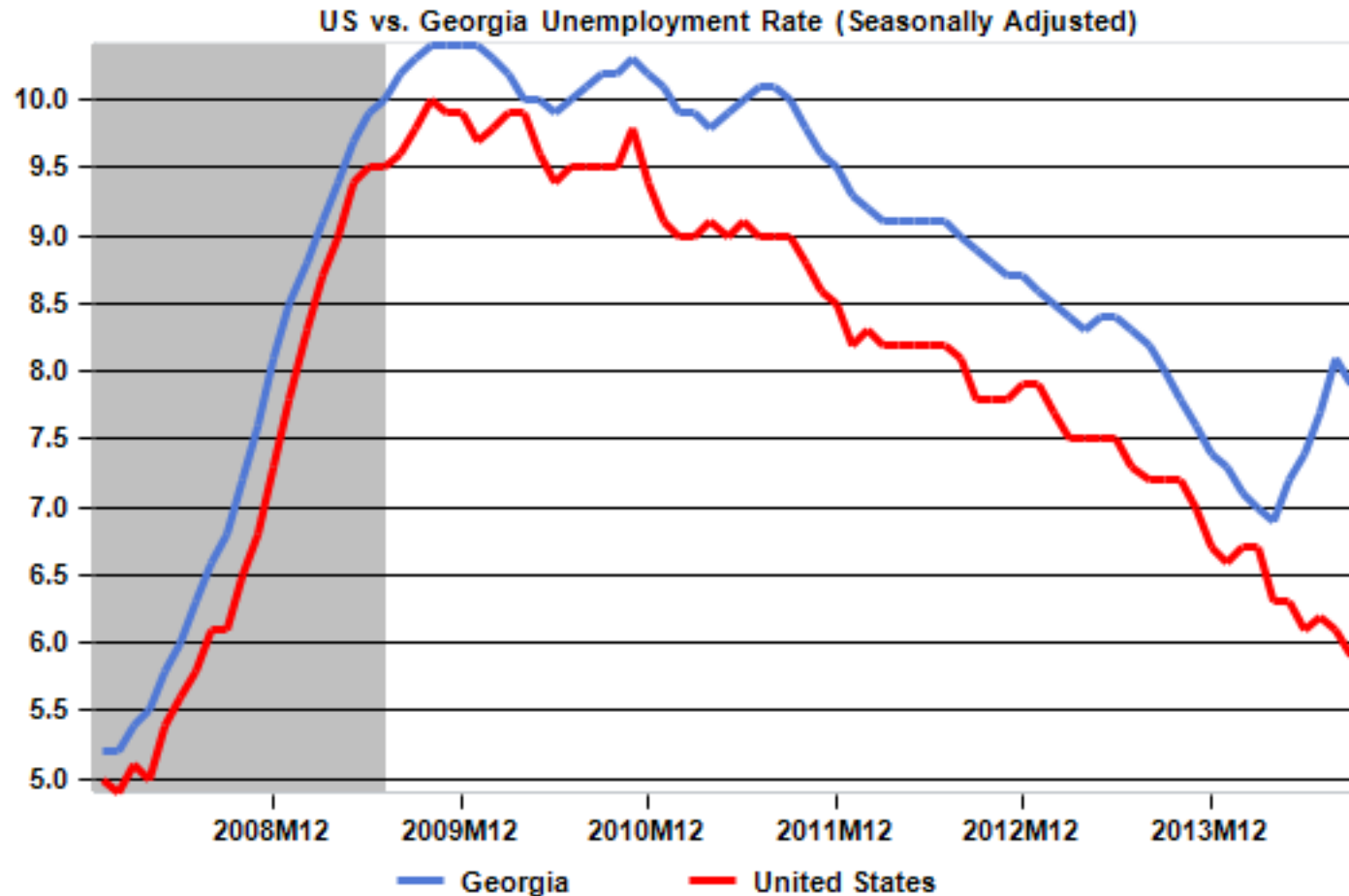
Significant Regional Disparities in Growth Across Georgia



Initial Unemployment Insurance Claims are Running at Levels Experienced Prior to the Recession

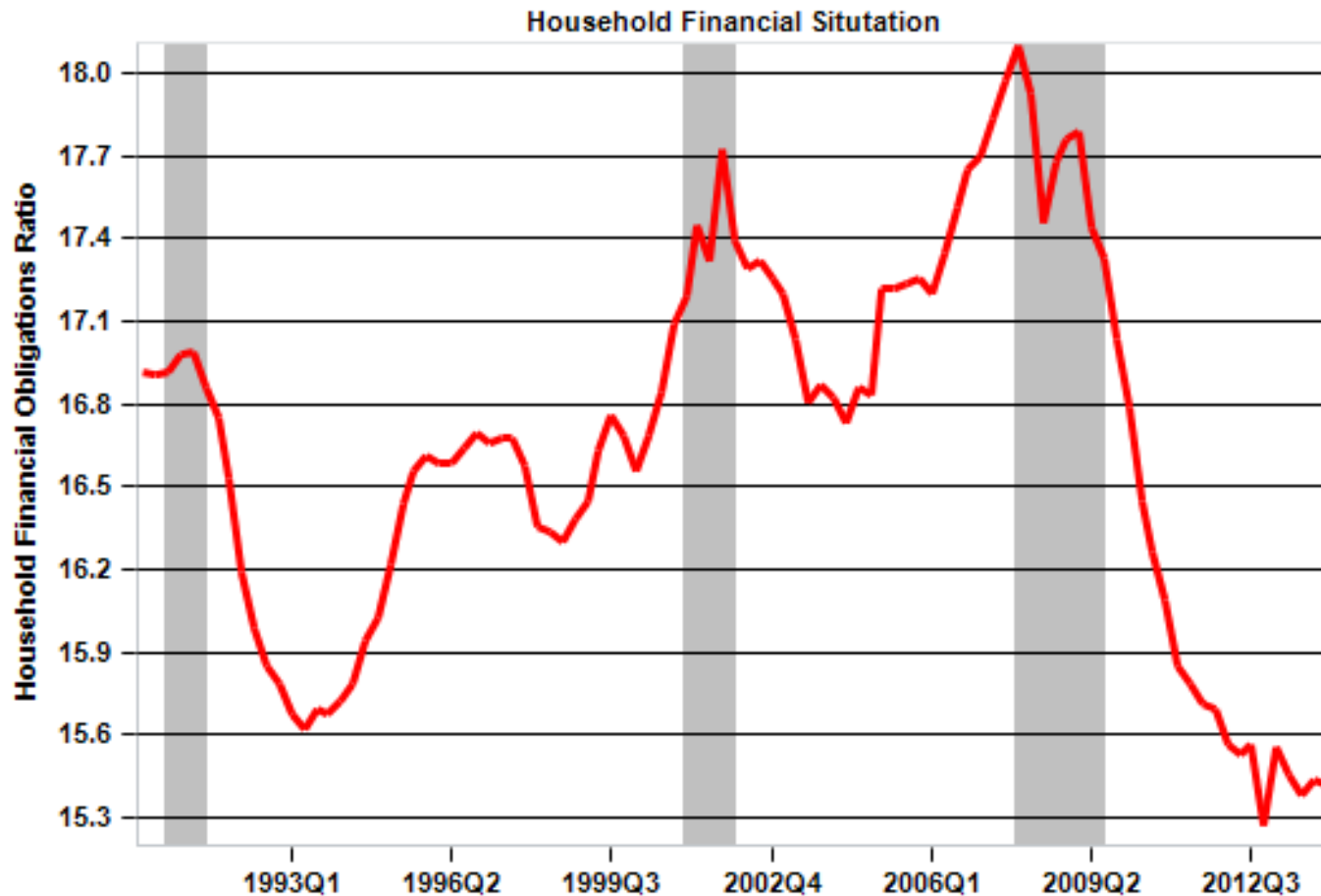


But Georgia's Unemployment Rate has Surged in Recent Months

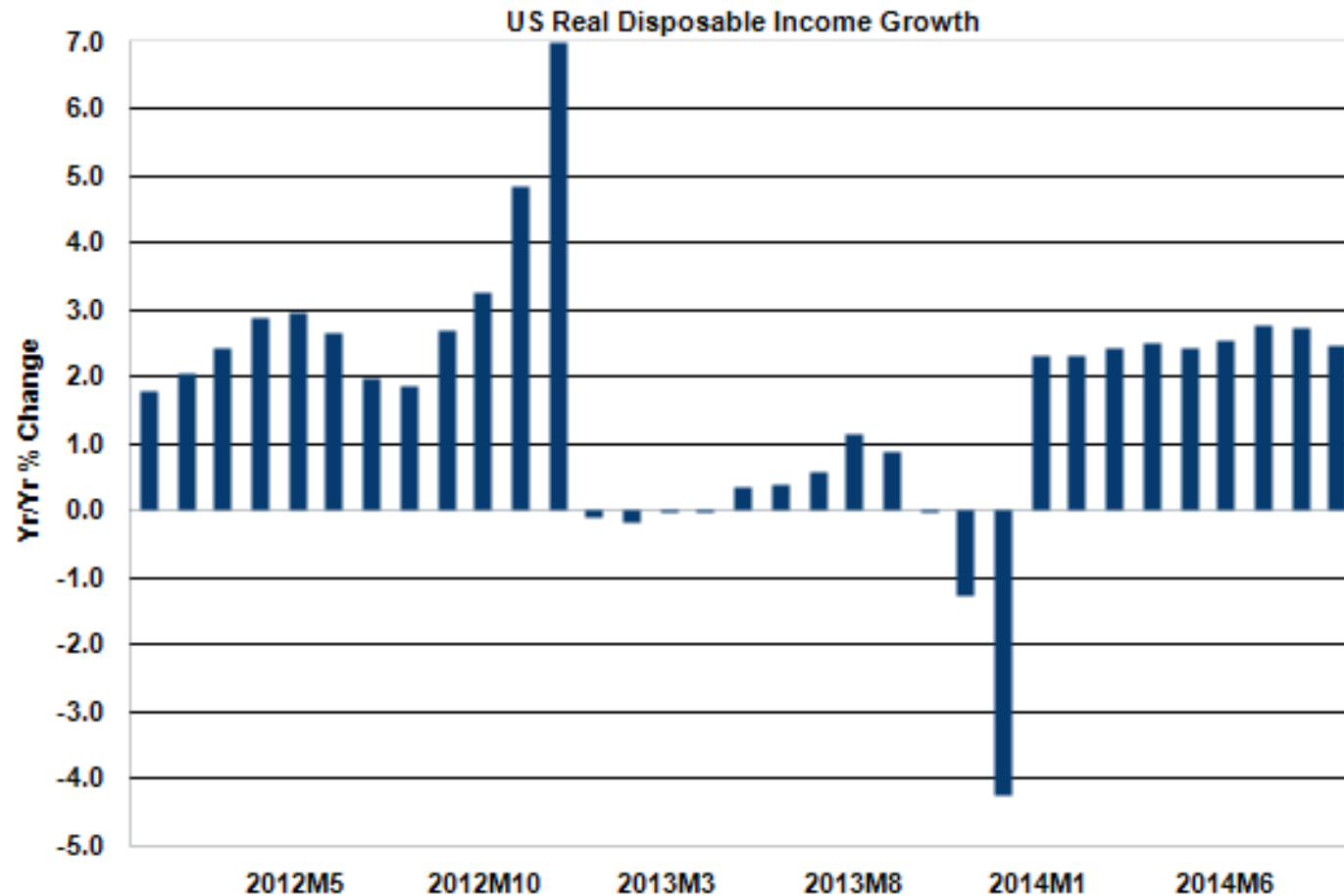


Growth Driver 2: Consumers Poised to Ramp Up Spending

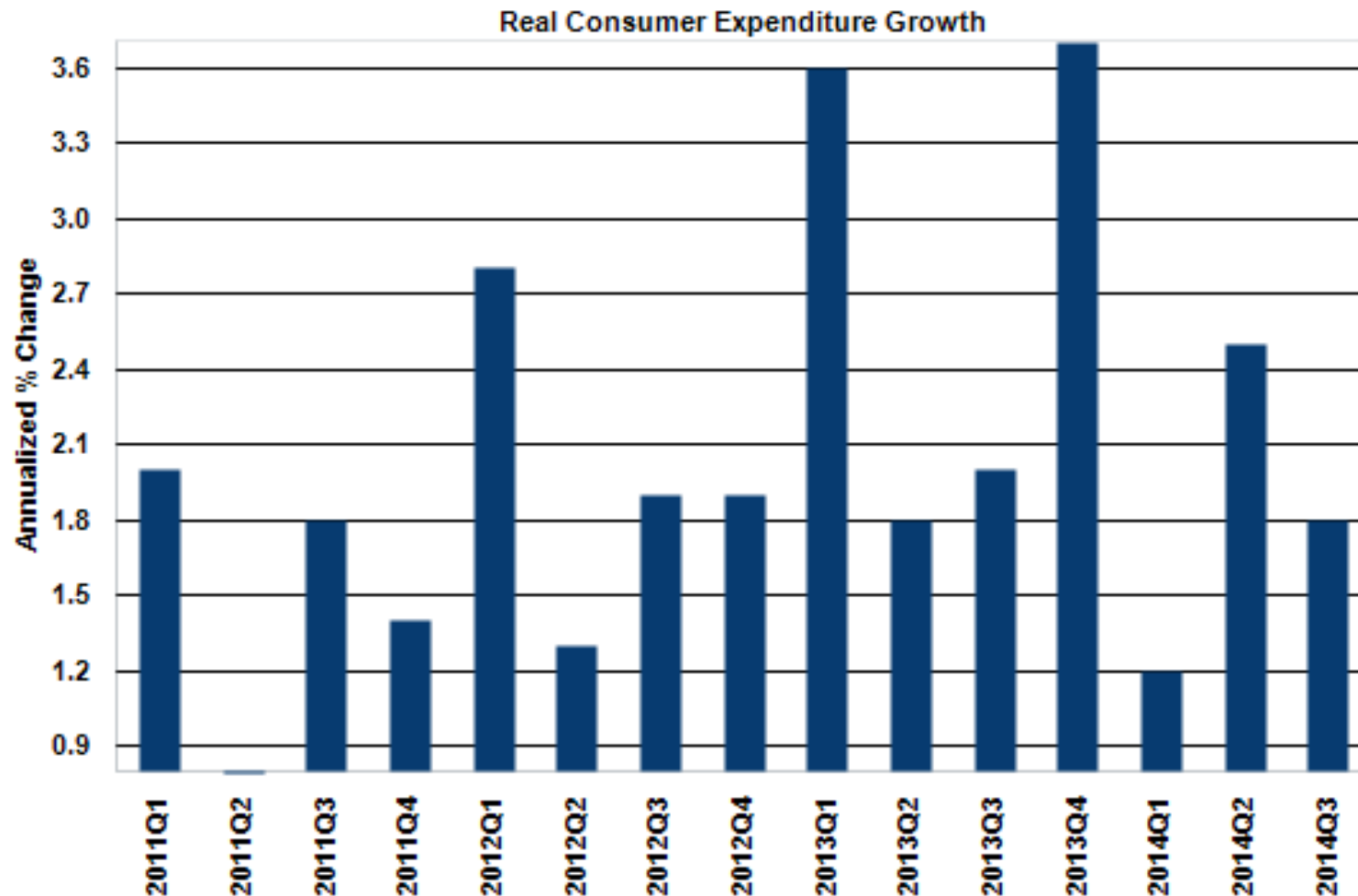
Households' Balance Sheets in Excellent Condition - Monthly Financial Obligations are at Twenty Year Lows



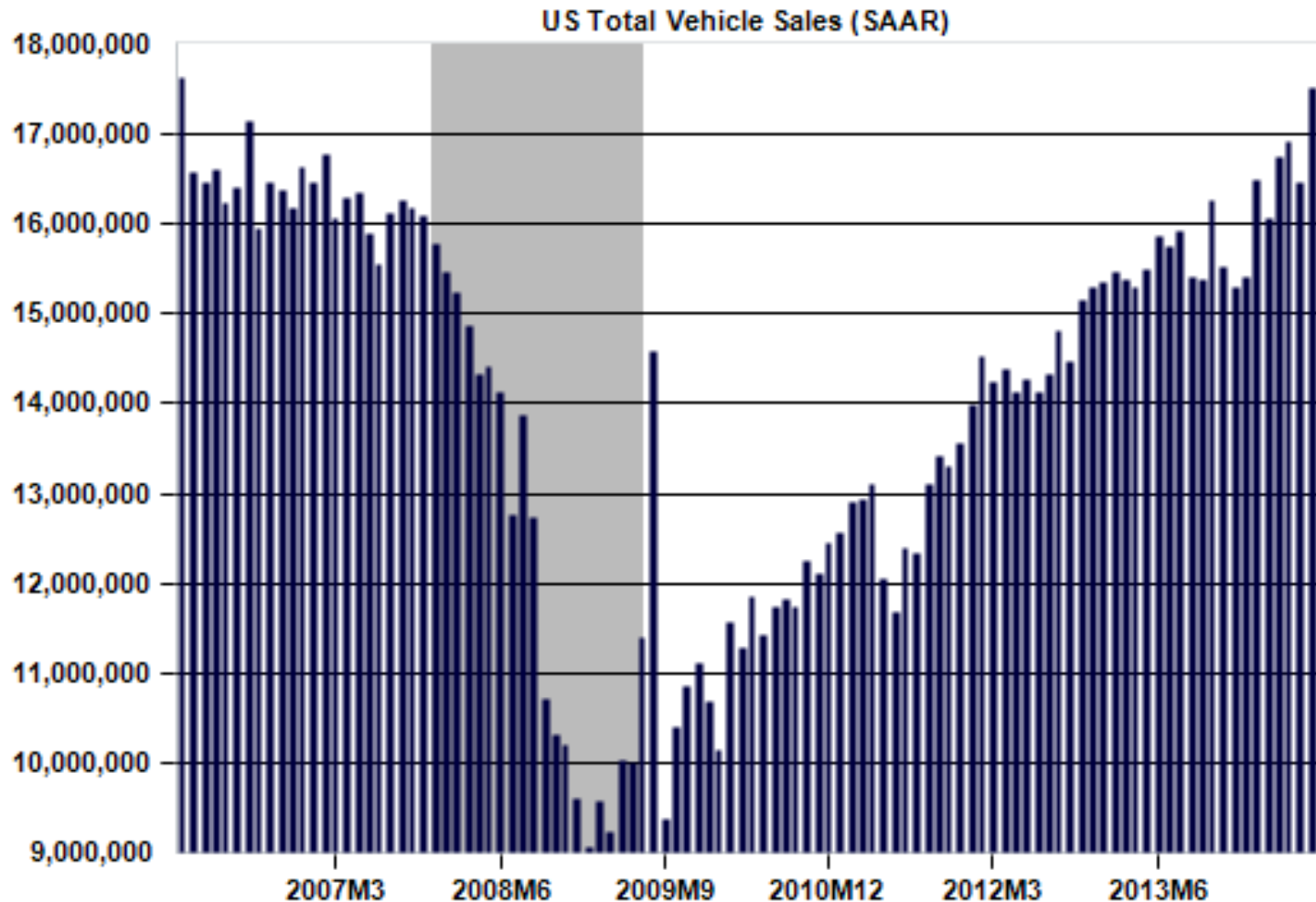
Real Disposable Income Growth is Modest and Higher Trend Faded in September



But So Far, Consumer Spending Growth is Muted



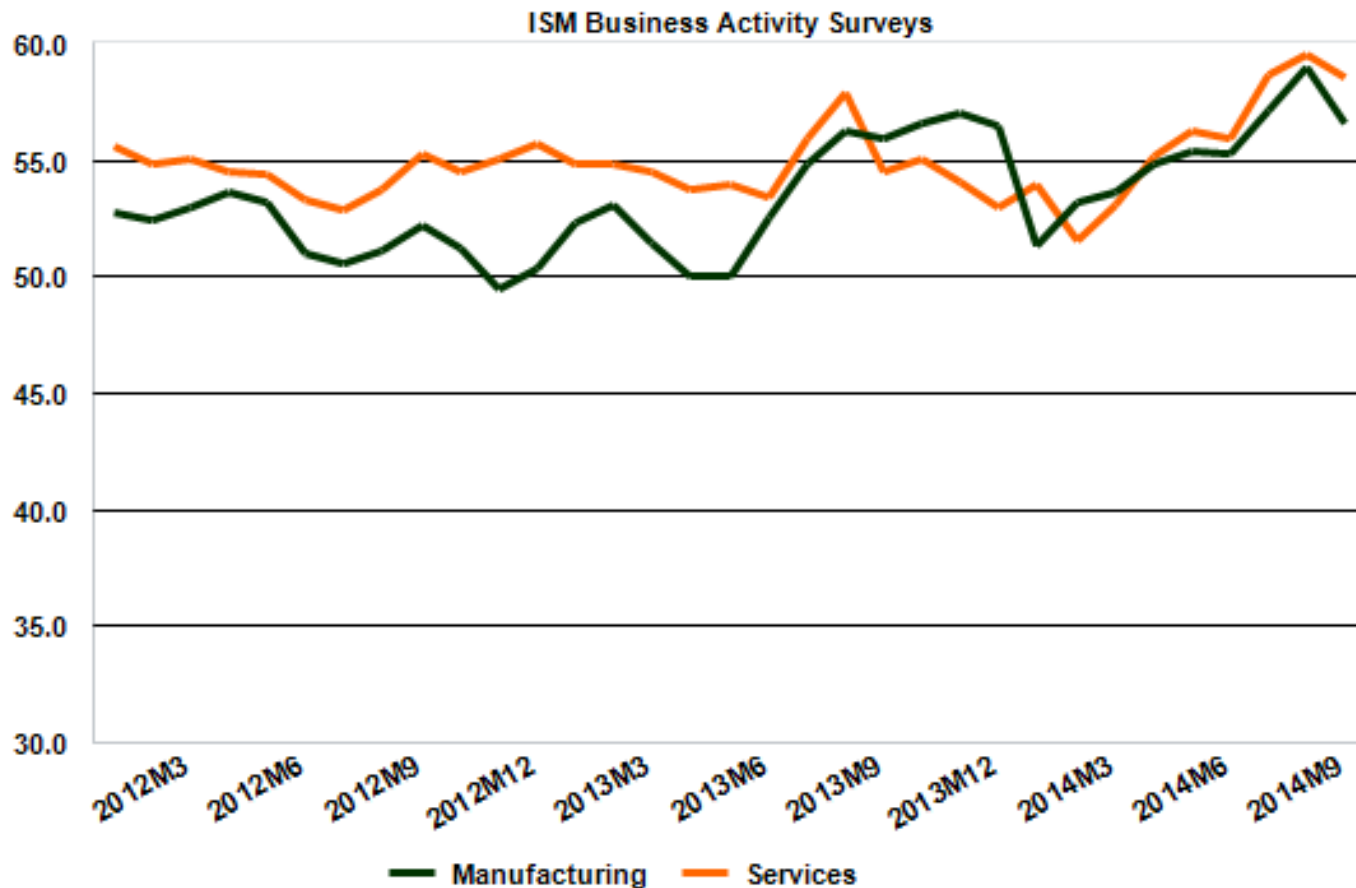
Except Auto Sales, Which are Booming



Growth Driver 3: Business Activity has Ramped Up



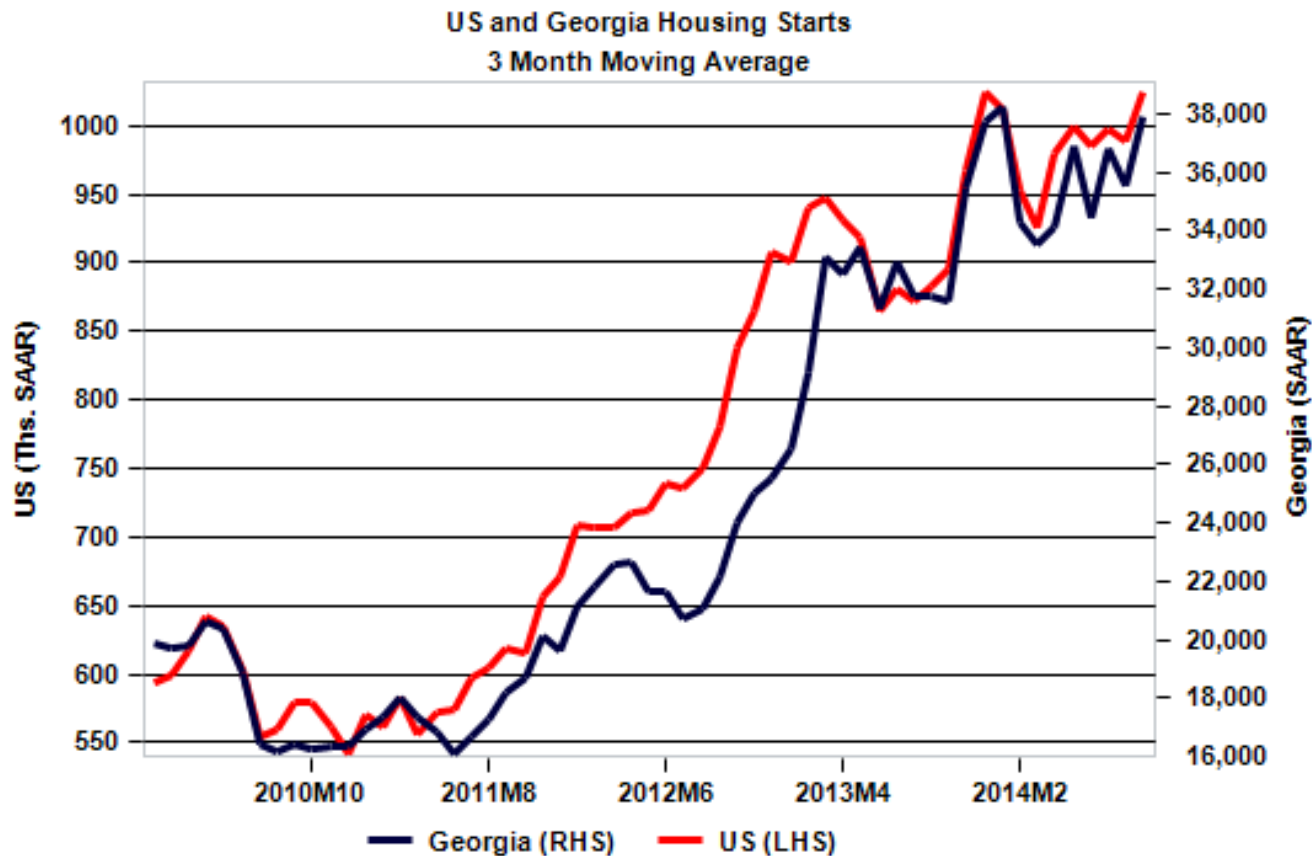
ISM Indices have Eased Off Multi-Year Highs, But Weakness in Global Markets Raises Concerns for Manufacturing



Growth Driver 4: Housing is Poised for a Rebound



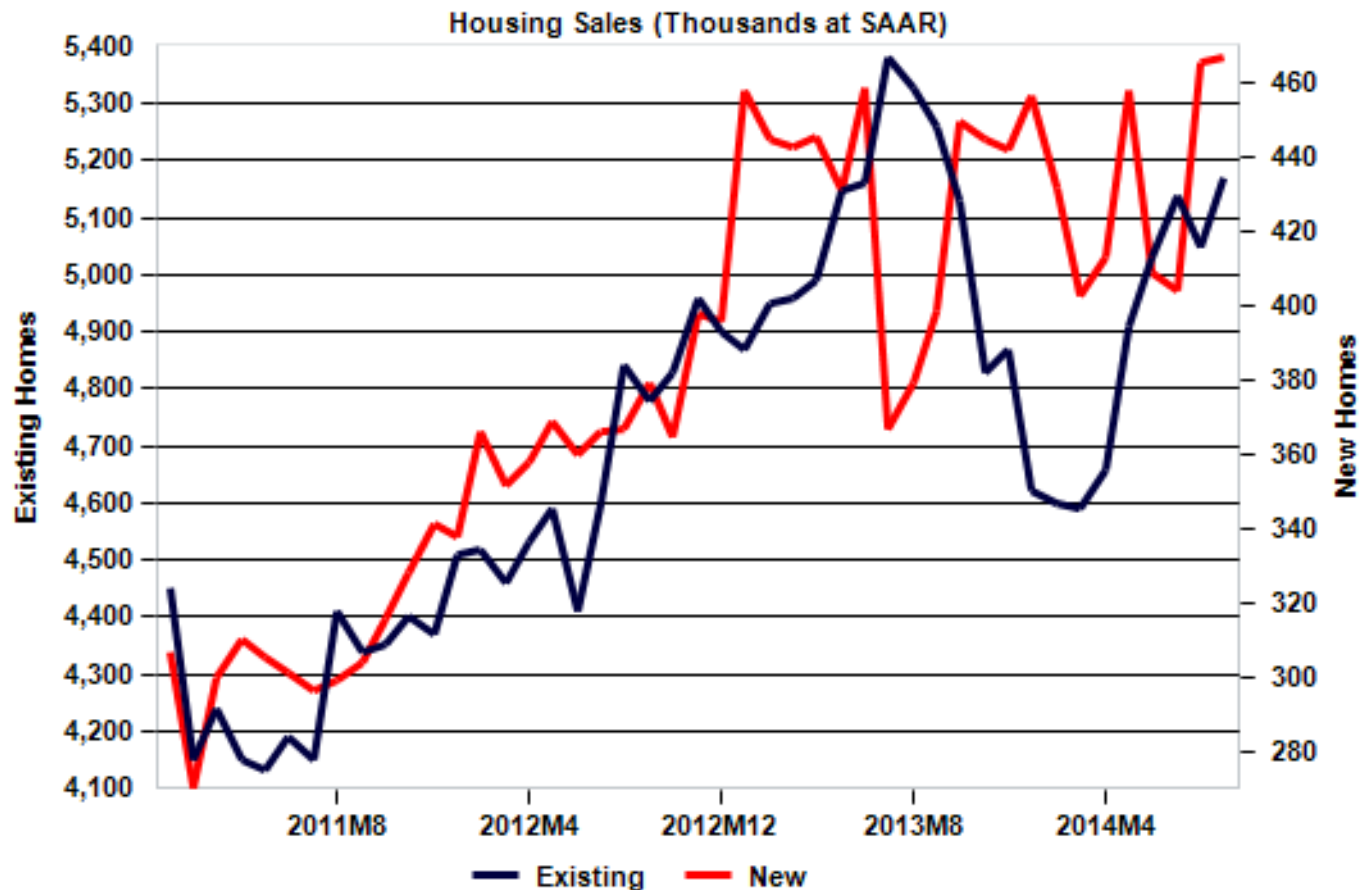
But Growth in Housing Starts has been Modest But Showing Signs of Accelerating



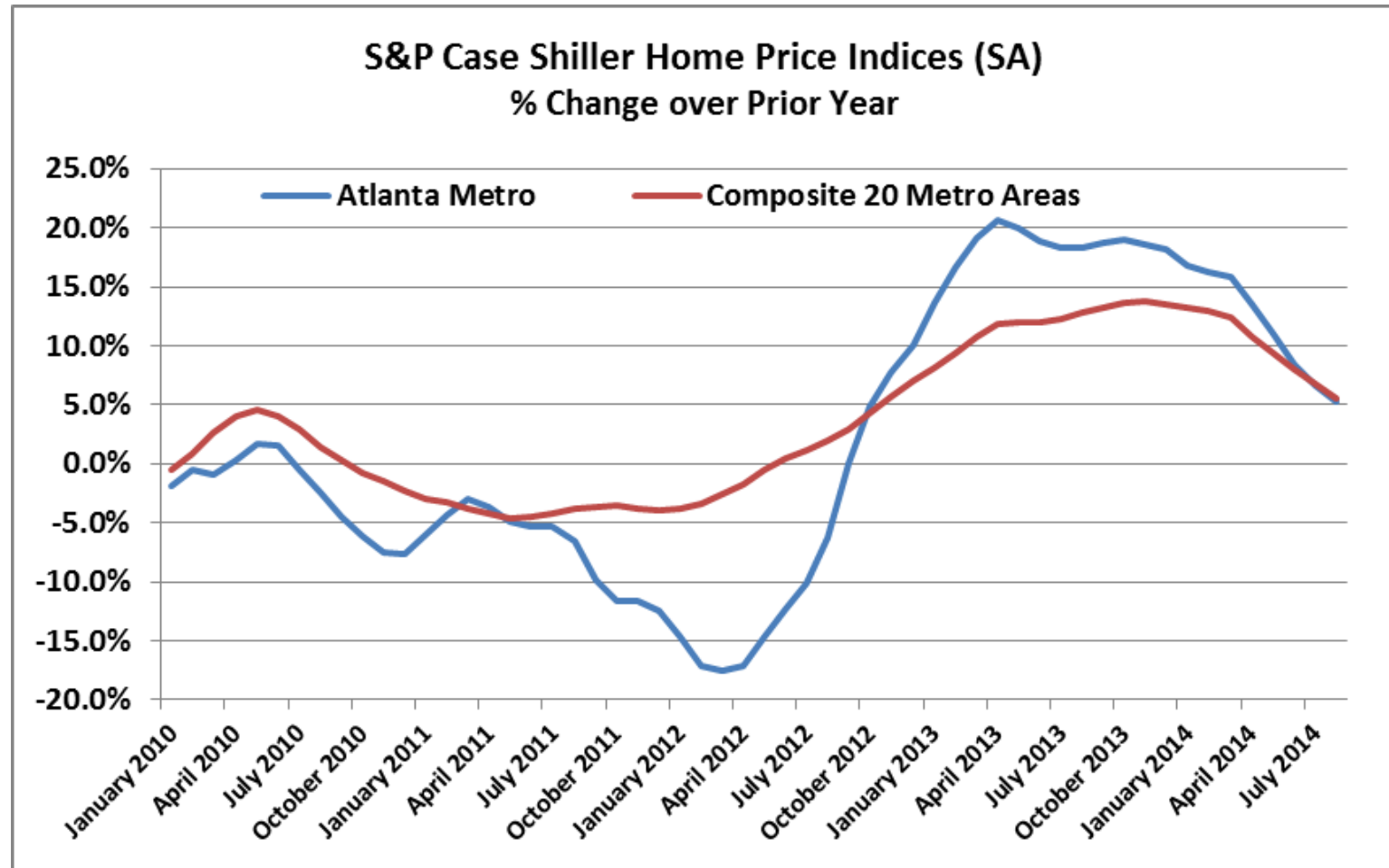
Home Sales Have Been Mixed



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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