Economic and Budgeting Tools for Local Governments

1 p.m. | May 28

NAVIGATING FISCAL CRISIS

WEBINAR SERIES
Welcome

Dr. Laura Meadows
Director
Carl Vinson Institute of Government
AGENDA

1. Access to Unemployment Insurance Claims and Sales Tax Data
2. Customized County Economic Impact Model
3. Balancing the Budget During COVID-19 (considerations and scenario budgeting tools)
Polling Questions
Accessing Sales Tax and Unemployment Claims data on Georgiadata.org

Analyzing public data from GDOR and GDOL to understand the economic impact of Covid-19
Sales Tax Distribution Data

- April Distributions reflect March Collections
- Pay attention to trends and percentages
- Impact of stay-at-home orders, social distancing, and changes to consumer behaviors
Sales Tax Distributions Data

Jurisdiction Report (Monthly)

• Sales tax distributions represent distributions of all tax types (LOST, SPLOST, ELOST, etc.) to tax jurisdictions.

• Tax jurisdictions are areas subject to certain tax regulations and can be within or across county boundaries, such as a school district or city tax jurisdiction.

Sales Tax Distributions Data

Commodities Report (Quarterly)

• Sales tax distributions represent the distribution of the 1% local option sales tax (LOST) countywide from each of the commodity sectors.

• 12 Commodity sectors are made up of NAICS industries.

• Commodity Sector report data for LOST may not match the Jurisdiction Report because data is pulled quarterly.

Unemployment Insurance Claims (UI)

**Data limitations**
- The initial claims data are real time data from the Georgia Department of Labor. As such, the data have *not been validated* and some claims may be *duplicative or invalid*.

**Weekly**
- The data are updated weekly on Thursdays. Workforce data come from the Bureau of Labor Statistics. Industry employment data come from Economic Modeling Specialists Inc. (EMSI).

**Trends**
- Consider percentages as orders of magnitude

**Claims**
- Initial UI claims = unemployed individuals requesting determination of eligibility for the UI program
- Initial Cumulative UI claims = cumulative count of the number of initial claims

QUESTIONS
Sales Tax Distributions
Initial Unemployment Insurance Claims
Economic Impact Models

David Tanner, MPA
Wes Clarke, Ph.D.
1. Each County has a baseline local economy

2. Introduce a change (e.g. shock of job losses in 40 industries)
   a. Estimate industry decline for about 40 out of 120 sectors at the three-digit NAICS level using industry reports, news accounts, and expert input
   b. Calculate the loss in each sector by county using IMPLAN employment data
   c. Input the job loss as the change to the economy

3. Measure the impact on jobs, labor income, value added, and economic output

4. Organize model output
Economic Modeling Terms
Example: Concrete Mixing Plant

DIRECT IMPACT
(Jobs related to the Mixing Plant Operation)

INDIRECT IMPACT
(Jobs related to the supply chain – good and services the mixing plant purchases)
Direct, Indirect, and Induced Jobs

Direct Jobs → Household Income
Indirect Jobs → Household Income

Induced Jobs:
- Retailers
- Grocers
- Restaurants
- Dry Cleaners
- Landscapers
- Physicians
- Dentists
- Attorneys
Input-Output Model: Measures of Economic Activity

- Jobs (direct, indirect, induced)
- Labor Income
- Value added (includes producer profit)
  - Labor Income
  - Business profit
  - Taxes collected on behalf of government
- Economic output
  - Gross regional product
  - Value of all goods and services produced or lost due to the shock
## Estimate Job Losses in ~ 40 Industries

<table>
<thead>
<tr>
<th>NAICS 3digit</th>
<th>Industry Description</th>
<th>Percent Job Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>485</td>
<td>Transit and Ground Passenger Transportation</td>
<td>75%</td>
</tr>
<tr>
<td>487</td>
<td>Scenic and Sightseeing Transportation</td>
<td>75%</td>
</tr>
<tr>
<td>711</td>
<td>Performing Arts, Spectator Sports, and Related</td>
<td>75%</td>
</tr>
<tr>
<td>712</td>
<td>Museums, Historical Sites, and Similar Institutions</td>
<td>75%</td>
</tr>
<tr>
<td>713</td>
<td>Amusement, Gambling, and Recreation Industries</td>
<td>75%</td>
</tr>
<tr>
<td>721</td>
<td>Accommodation</td>
<td>70%</td>
</tr>
<tr>
<td>722</td>
<td>Food Services and Drinking Places</td>
<td>70%</td>
</tr>
<tr>
<td>493</td>
<td>Warehousing and Storage</td>
<td>50%</td>
</tr>
<tr>
<td>512</td>
<td>Motion Picture and Sound Recording Industries</td>
<td>50%</td>
</tr>
<tr>
<td>481</td>
<td>Air Transportation</td>
<td>40%</td>
</tr>
<tr>
<td>483</td>
<td>Water Transportation</td>
<td>40%</td>
</tr>
<tr>
<td>486</td>
<td>Pipeline Transportation</td>
<td>40%</td>
</tr>
<tr>
<td>442</td>
<td>Furniture and Home Furnishings Stores</td>
<td>30%</td>
</tr>
</tbody>
</table>
### County Report Example

#### Economic Model (COVID 19) Version:
**12 Month Effect**

**DRAFT - NOT FOR DISTRIBUTION**

<table>
<thead>
<tr>
<th>COUNTY NAME:</th>
<th></th>
</tr>
</thead>
</table>

#### Employment

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employment (Headcount)</td>
<td>21,135</td>
</tr>
<tr>
<td>Est Direct Effect Job Loss</td>
<td>(2,857)</td>
</tr>
<tr>
<td>Est Indirect Effect Job Loss</td>
<td>(794)</td>
</tr>
<tr>
<td>Total Est Job Loss</td>
<td>(3,651)</td>
</tr>
</tbody>
</table>

% of Total Jobs Lost: **-17.27%**

#### Labor Income

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employee Compensation</td>
<td>$719,224,367</td>
</tr>
<tr>
<td>Est Direct Effect Income Loss</td>
<td>(82,469,525)</td>
</tr>
<tr>
<td>Est Indirect Effect Income Loss</td>
<td>(26,346,405)</td>
</tr>
<tr>
<td>Total Est Income Loss</td>
<td>(108,815,930)</td>
</tr>
</tbody>
</table>

% of Total Employee Compensation Loss: **-15.13%**

#### Gross Regional Product

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,393,436,987</td>
<td></td>
</tr>
<tr>
<td>Est Direct Effect Economic Output Loss</td>
<td>-344,501,815.2</td>
</tr>
<tr>
<td>Est Indirect Effect Economic Output Loss</td>
<td>-105,068,756.2</td>
</tr>
<tr>
<td>Total Est Economic Output Effect</td>
<td>-449,570,571.4</td>
</tr>
</tbody>
</table>

% of GRP loss: **-32.26%**

### Duration of the Economic Downturn (months):

<table>
<thead>
<tr>
<th></th>
<th>3</th>
<th>6</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Est Direct Effect Job Loss</td>
<td>(2,857)</td>
<td>(86,125,454)</td>
<td>(172,250,908)</td>
</tr>
<tr>
<td>Est Indirect Effect Job Loss</td>
<td>(794)</td>
<td>(26,267,189)</td>
<td>(52,534,378)</td>
</tr>
<tr>
<td>Total Est Job Loss</td>
<td>(3,651)</td>
<td>(112,392,643)</td>
<td>(224,785,286)</td>
</tr>
</tbody>
</table>
1. Designate a point of contact for the government organizations in the county to request a local economic impact report

2. Complete the input spreadsheet by estimating the percent change in job losses in 60 of the 120 different industry sectors

3. Email the spreadsheet to Dr. Wes Clarke [gwclarke@uga.edu]

4. Institute of Government will run the input-output model based on your assumptions

5. Dr. Clarke will return the local economic impact report to the point of contact
Questions
Economic Impact Model
Balancing the Budget During COVID-19
1 p.m. | May 28
LEARNING OBJECTIVES

Recall  the difference between cyclical and structural deficits

Discuss  Short-term financial forecasting

Identify  strategies to address budgetary challenges/fiscal health during the recovery

Observe  how to use the Budget Balancing Tool template
CYCLICAL and STRUCTURAL DEFICITS

What’s the difference?

Presented by: John G. Hulsey, CGFM, CPFO
# TYPES OF DEFICITS

<table>
<thead>
<tr>
<th>Cyclical</th>
<th>Structural</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Short-term in nature</td>
<td>• Long-term in nature</td>
</tr>
<tr>
<td>• Caused by temporary economic</td>
<td>• Caused by long-term gaps between projected</td>
</tr>
<tr>
<td>downturns</td>
<td>growth and the estimated cost of government-</td>
</tr>
<tr>
<td>• Easier to address and weather</td>
<td>funded services</td>
</tr>
<tr>
<td></td>
<td>• Much more difficult to address</td>
</tr>
</tbody>
</table>
“Accuracy above Balance”

is the fundamental rule of budgeting!

If the budget is balanced *but not accurate*,
it is not balanced!
INDICATORS OF STRUCTURAL DEFICITS

- Balancing your budget during “good times,” using short-term cost saving strategies
- Fund balance is declining every year
- Overreliance on tax anticipation notes
FINANCIAL FORECASTING

Short-term and Long-term

Presented by: John G. Hulsey, CGFM, CPFO
FINANCIAL FORECASTING

**Short-term forecast**

Ensure that operations can continue as planned for the coming months

**Long-term forecast (3-5 years)**

Assess the impact and effect of the crisis on government revenues and expenditures
Governmental Category
- General Fund
- Special Revenue Fund
- Capital Projects Fund
- Debt Service Fund
- Permanent Fund

Proprietary Category
- Enterprise Fund
- Internal Service Fund

Fiduciary Category
- Private Purpose Trust Fund
- Investment Trust Fund
- Pension Fund
- Custodial Fund
## GENERAL FUND REVENUES

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>FY 2020 Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>TAXES</td>
<td></td>
</tr>
<tr>
<td>311000</td>
<td>General Property Taxes</td>
<td></td>
</tr>
<tr>
<td>311100</td>
<td>Real Property - Current year</td>
<td>4,705,000</td>
</tr>
<tr>
<td>311110</td>
<td>Public Utility</td>
<td>65,000</td>
</tr>
<tr>
<td>311200</td>
<td>Real Property - Prior year</td>
<td>11,500</td>
</tr>
<tr>
<td>311300</td>
<td>Personal Property - Current year</td>
<td>548,000</td>
</tr>
<tr>
<td>311310</td>
<td>Motor Vehicle (includes TAVT)</td>
<td>220,000</td>
</tr>
<tr>
<td>311320</td>
<td>Mobile Home</td>
<td>1,000</td>
</tr>
<tr>
<td>311340</td>
<td>Intangible Recording</td>
<td>32,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total General Property Taxes</strong></td>
<td><strong>5,582,500</strong></td>
</tr>
<tr>
<td>313000</td>
<td>General Sales &amp; Use Taxes</td>
<td></td>
</tr>
<tr>
<td>313100</td>
<td>Local option sales and use taxes (LOST)</td>
<td>3,825,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total General Sales &amp; Use Taxes</strong></td>
<td><strong>3,825,000</strong></td>
</tr>
<tr>
<td>314000</td>
<td>Selective Sales &amp; Use Taxes</td>
<td></td>
</tr>
<tr>
<td>311600</td>
<td>Real Estate Transfer Tax</td>
<td>19,000</td>
</tr>
<tr>
<td>311710</td>
<td>Franchise Taxes - Electric</td>
<td>746,000</td>
</tr>
<tr>
<td>311730</td>
<td>Franchise Taxes - Gas</td>
<td>234,000</td>
</tr>
<tr>
<td>311750</td>
<td>Franchise Taxes - Cable</td>
<td>100,000</td>
</tr>
<tr>
<td>314100</td>
<td>Hotel/Motel tax</td>
<td>262,000</td>
</tr>
<tr>
<td>314200</td>
<td>Alcoholic beverage excise tax</td>
<td>485,000</td>
</tr>
<tr>
<td>314300</td>
<td>Alcohol beverage mixed drink</td>
<td>360,000</td>
</tr>
<tr>
<td>314400</td>
<td>Excise tax on rental motor vehicles</td>
<td>15,000</td>
</tr>
<tr>
<td>314500</td>
<td>Excise Tax on Energy Used in Manufacturing</td>
<td>5,000</td>
</tr>
<tr>
<td>316100</td>
<td>Business &amp; Occupation Taxes</td>
<td>325,000</td>
</tr>
<tr>
<td>316200</td>
<td>Insurance premium taxes</td>
<td>1,075,000</td>
</tr>
<tr>
<td>316300</td>
<td>Financial institution taxes</td>
<td>19,000</td>
</tr>
<tr>
<td></td>
<td><strong>Total Selective Sales &amp; Use Taxes</strong></td>
<td><strong>3,645,000</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL TAXES</strong></td>
<td><strong>13,052,500</strong></td>
</tr>
</tbody>
</table>
VARIABLES TO MODEL

DECLINE IN . . .

• sales tax - %

• vehicle sales (TAVT)

• excise taxes (hotel/motel, liquor)

• permitting fees

• user charges (recreation)

• court fines/fees

• property tax collections

• business licenses (occupational taxes)
SHORT-TERM FORECAST

- Increases/decreases in personal services expenditures
- Increases/decreases in operating expenditure items
- Increases/decreases in capital expenditures
- Increases/decreases in debt service expenditures
- Increases/decreases in transfers from other funds

Pension and OPEB contributions
A well developed forecast should:

- Ensure the integrity of the starting point data
- Provide different scenarios
- Allow for flexibility
- Show the impact on fund balance
- Reveal the potential need for interfund or short-term borrowing as a result of cash flow difficulties
FUND BALANCE: HOW MUCH IS ENOUGH?

More fund balance needed …

• if highly dependent on one revenue stream

• (in general fund) if insufficient capital reserves exist
BALANCED BUDGET

Recurring Revenues = Appropriations

Structurally Balanced!
BALANCED BUDGET

\[ \text{Revenues} + \text{Assigned Fund Balance} = \text{Appropriations} \]

Structurally Imbalanced!
The entire Fund Balance may **not** be available to fund the deficiency of revenues and expenditures!
FUND BALANCE CHECKUP

Reference your existing fund balance policy

Are you in compliance with your existing policy?

Will fund balance be used to balance the budget?

Is there a plan in place to replenish the fund balance?
O ther Considerations

Component unit debt

Contractual debt obligations for which there is no dedicated millage rate

Debt service coverage ratios for enterprise funds

One-cent voter referendum approved capital projects (SPLOST/TSPLOST/ESPLOST) – will need to be reviewed

How much of the budget is dedicated to debt service payments

If debt issuance is backed by these programs and revenues are not sufficient, governments will have to look to the general fund to make up any shortfalls
BUDGET STRATEGIES

Improving your cash position!

Presented by:
John G. Hulsey, CGFM, CPFO
Paula Sanford, Ph.D.
OPTIONS FOR IMMEDIATE IMPACT

- Personal services
- Operating
- Capital
- Debt management and borrowing
- Other options to increase revenue and cash flow
OPERATIONAL SAVINGS

- Look for areas of consistent surplus in the budget
- Save energy – underutilized buildings
- Review all contracts
- Rethink subsidies
- Freeze non-critical travel and professional service contracts
CAPITAL SAVINGS

- Reduce capital spending
- Improve capital project management
- Re-examine maintenance and replacement standards
- Lease-purchase pay-go (cash funded) capital items
DEBT MANAGEMENT

- Inter-fund loans
- Look for refunding opportunities
- Consider short-term borrowing
- Short-term drawdown structure for debt
OTHER OPTIONS

- Re-examine committed amounts of fund balance
- Review internal service fund charges and cost allocation
- Review all fees to ensure you are meeting your cost recovery goals
- Consider monetizing assets
PERSONAL SERVICE SAVINGS

- Short-term hiring freeze
- Eliminate vacant positions
- Share personnel
- Allow voluntary time off or part-time status
- Mandatory time off
- Look for opportunities to reduce benefits
Budget Balancing Tool

Presented by: Paula Sanford, Ph.D.
CONCLUSION

- Cyclical vs. structural deficits
- Ensure data is timely and accurate
- Multiple scenario planning
- Policy considerations: pros and cons
- Budget monitoring and effective communication
Questions
Thank you for attending today

Wes Clarke, PhD  
Economic Impact Studies  
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Emily Franklin  
Fiscal Analyst, Georgiadata.org  
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Michael Moryc  
Webinar Coordinator  
moryc@uga.edu
Upcoming Free Webinars

- **Navigating Fiscal Crisis: Easy Access to Economic Data (Georgiadata.org)**
  10 a.m. June 4
  Learn how to access important data for decision-making through Georgiadata.org. Presenters: David Tanner, Emily Franklin, Greg Wilson

- **Navigating Fiscal Crisis: Managing Cash Flow**
  10 a.m. June 9
  In this pandemic-induced economic downturn; hopefully, your government has a short-term forecast that ensures that operations can continue as planned for the coming months and that your government has a viable cash position. At the end of this session, you should be able to recall the steps involved in preparing a cash flow forecast and prepare a basic cash flow forecast. Presenter: John Hulsey

- **Navigating Fiscal Crisis: Short-Term Funding Strategies**
  10 a.m. June 16
  In the event your cash flow forecast reveals a deficit – what options are available to you? At the end of this session, you should be able to identify the options for short-term financing, including advantages and disadvantages of each. Presenters: John Hulsey and Paula Sanford

- **Navigating Fiscal Crisis: Communicating the New Normal**
  10 a.m. June 23
  During times of fiscal stress, effective communication with the public and your employees is critical. At the end of this session, you should be able to implement techniques for effective communication to the public and employees. Presenter: Paula Sanford
Institute of Government Resources

COVID-19 Resources

Join us for Navigating Fiscal Crisis, a series of free webinars to help communities respond to the fiscal crisis caused by the COVID-19 pandemic. Offered by the Institute's experts, webinars will cover making ends meet against revenue shortfalls, tools for budgeting and analyzing the economy, planning for cashflow, short-term funding strategies and communicating difficult financial decisions.

County Economic Impact Report
The Institute of Government is offering Georgia’s local governments the opportunity to request a local economic impact model report based on local assumptions of job loss by industry sector for a given county. This a time-limited complimentary service to help Georgia’s local governments better understand the economic impact of COVID-19. We ask you to identify a person who can serve as the point of contact for the governments in the county who can facilitate completing the local assumptions worksheet. Download the worksheet to get started.

Budget Balancing Template
The Institute's Budget Balancing Template is a flexible and straightforward tool that allows a user to easily input different cost savings measures and compare those to three revenue scenarios. The downloadable template is meant to assist local government officials in their efforts to create a balanced budget that meets their community’s needs during uncertain times.

To download templates and access webinar recordings go to https://cviog.uga.edu/covid-19-resources.html
Thank you for attending

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Carl Vinson Institute of Government

www.cviog.uga.edu