




Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

NAVIGATING FISCAL CRISIS

Economic and Budgeting Tools for Local Governments

1 p.m. | May 28



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)



Presenting today....



David Tanner
Associate Director
dtanner@uga.edu



Wes Clarke, PhD
Economic Impact
Studies
gwclarke@uga.edu



John Hulsey
Financial
Management Training;
jhulsey@uga.edu



Paula Sanford, PhD
Local Government
Technical Assistance
sanfordp@uga.edu



Ted Baggett, JD
Associate Director
baggett@uga.edu



Greg Wilson
Economic Development,
Policy Research,
Workforce Development
gjwilson@uga.edu



Emily Franklin
Fiscal Analyst,
Georgiadata.org
emifrank@uga.edu



Michael Moryc
Webinar Coordinator
moryc@uga.edu



Polling Questions



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

NAVIGATING FISCAL CRISIS
WEBINAR SERIES

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**



**UNIVERSITY OF
GEORGIA**

Carl Vinson
Institute of Government

Sales Tax Distribution Data

Lag

- 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.

Data Source: Georgia Department of Revenue, Georgia Tax Center, “Sales Tax Distribution Search”, Accessed May 13, 2020, <https://gtc.dor.ga.gov/#1>



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.

Data Sources: Georgia Department of Revenue, "Sales Tax Commodity Report," Accessed May 13, 2020, <https://dor.georgia.gov/sales-tax-information-taxing-authorities/sales-tax-commodity-report>



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.



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

NAVIGATING FISCAL CRISIS
WEBINAR SERIES

Methodology

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)

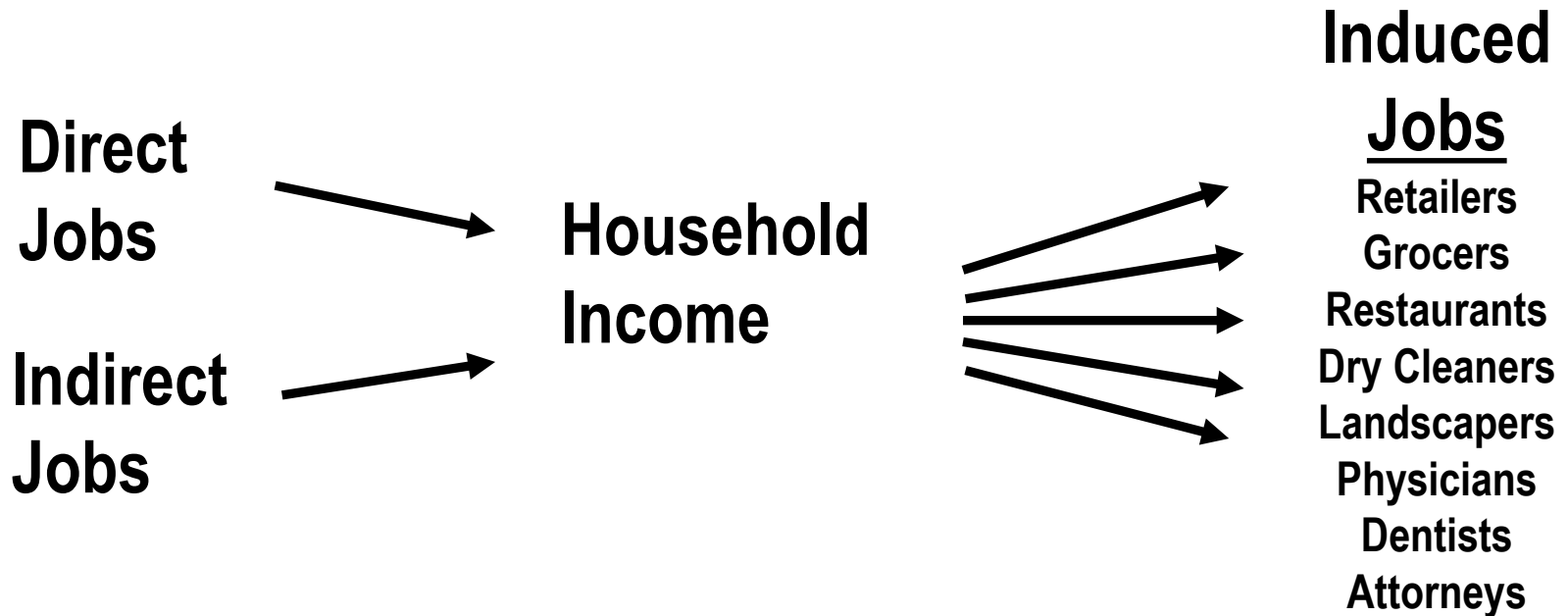


INDIRECT IMPACT

(Jobs related to the supply chain – good and services the mixing plant purchases)



Direct, Indirect, and Induced Jobs



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

NAICS 3digit	Industry Description	Percent Job Loss	LOCAL ASSUMPTIONS
485	Transit and Ground Passenger Transportation	75%	
487	Scenic and Sightseeing Transportation	75%	
711	Performing Arts, Spectator Sports, and Relate	75%	
712	Museums, Historical Sites, and Similar Instit	75%	
713	Amusement, Gambling, and Recreation Industrie	75%	
721	Accommodation	70%	
722	Food Services and Drinking Places	70%	
493	Warehousing and Storage	50%	
512	Motion Picture and Sound Recording Industries	50%	
481	Air Transportation	40%	
483	Water Transportation	40%	
486	Pipeline Transportation	40%	
442	Furniture and Home Furnishings Stores	30%	



County Report Example

Economic Model (COVID 19) Version:	12 Month Effect	Duration of the Economic Downturn (months)		
		3	6	9
DRAFT - NOT FOR DISTRIBUTION				
COUNTY NAME:				
Employment				
Total Employment (Headcount)	21,135			
Est Direct Effect Job Loss	(2,857)			
Est Indirect Effect Job Loss	(794)			
Total Est Job Loss	(3,651)			
% of Total Jobs Lost	-17.27%			
Labor Income				
Total Employee Compensation	\$719,224,367			
Est Direct Effect Income Loss	(82,469,525)	(20,617,381)	(41,234,762)	(61,852,144)
Est Indirect Effect Income Loss	(26,346,405)	(6,586,601)	(13,173,202)	(19,759,804)
Total Est Income Loss	(108,815,930)	(27,203,982)	(54,407,965)	(81,611,947)
% of Total Employee Compensation Loss	-15.13%	-3.78%	-7.56%	-11.35%
Gross Regional Product				
	\$ 1,393,436,987			
Est Direct Effect Economic Output Loss	-344,501,815.2	(86,125,454)	(172,250,908)	(258,376,361)
Est Indirect Effect Economic Output Loss	-105,068,756.2	(26,267,189)	(52,534,378)	(78,801,567)
Total Est Economic Output Effect	-449,570,571.4	(112,392,643)	(224,785,286)	(337,177,929)
% of GRP loss	-32.26%	-8.07%	-16.13%	-24.20%



Local Economic Impact Report

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





Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

NAVIGATING FISCAL CRISIS

Balancing the Budget During COVID-19

1 p.m. | May 28



WEBINAR SERIES

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



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

TYPES OF DEFICITS



Cyclical

- Short-term in nature
- Caused by temporary economic downturns
- Easier to address and weather

Structural

- Long-term in nature
- Caused by long-term gaps between projected growth and the estimated cost of government-funded services
- Much more difficult to address



IS THE BUDGET BALANCED?

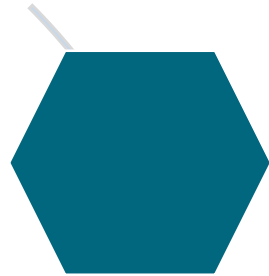


“Accuracy above Balance”
is the
fundamental rule
of budgeting!

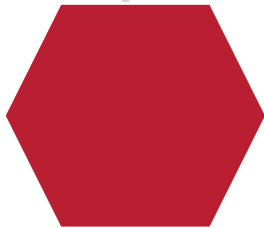
If the budget is balanced *but not accurate*,
it is not balanced!



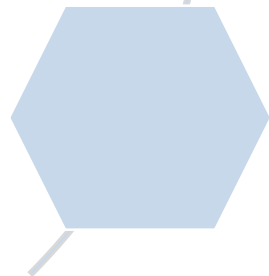
INDICATORS OF STRUCTURAL DEFICITS



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



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

FINANCIAL FORECASTING



Short-term forecast

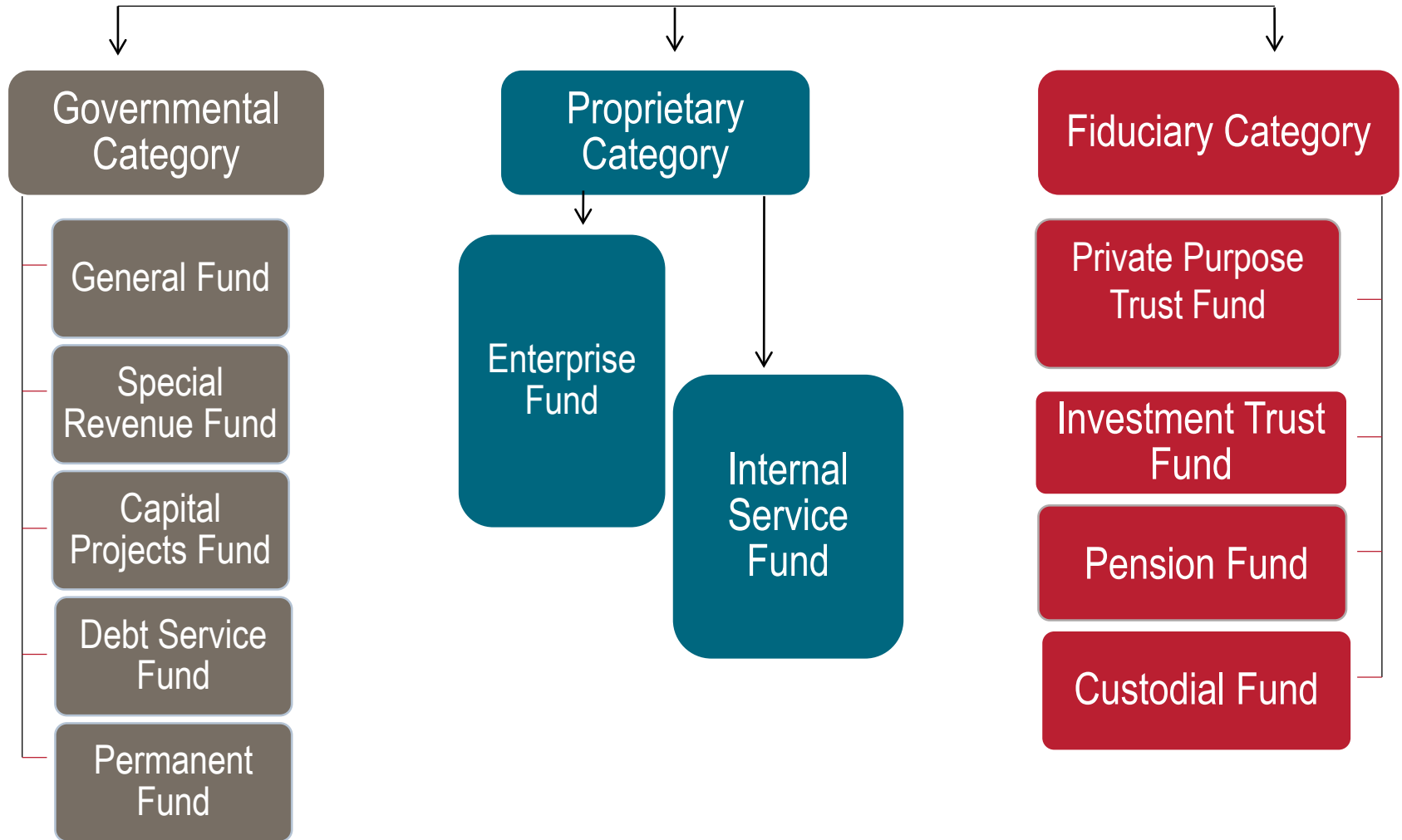
Ensure that operations can continue as planned for the coming months

Long-term forecast (3-5 years)

Assess the impact and effect of the crisis on government revenues and expenditures



Reporting Entity





Know the Majors!

Analyze the details

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



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

Pension and
OPEB contributions

Increases/decreases in
debt service expenditures

Increases/decreases in
transfers from
other funds



SHORT-TERM FORECAST



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?

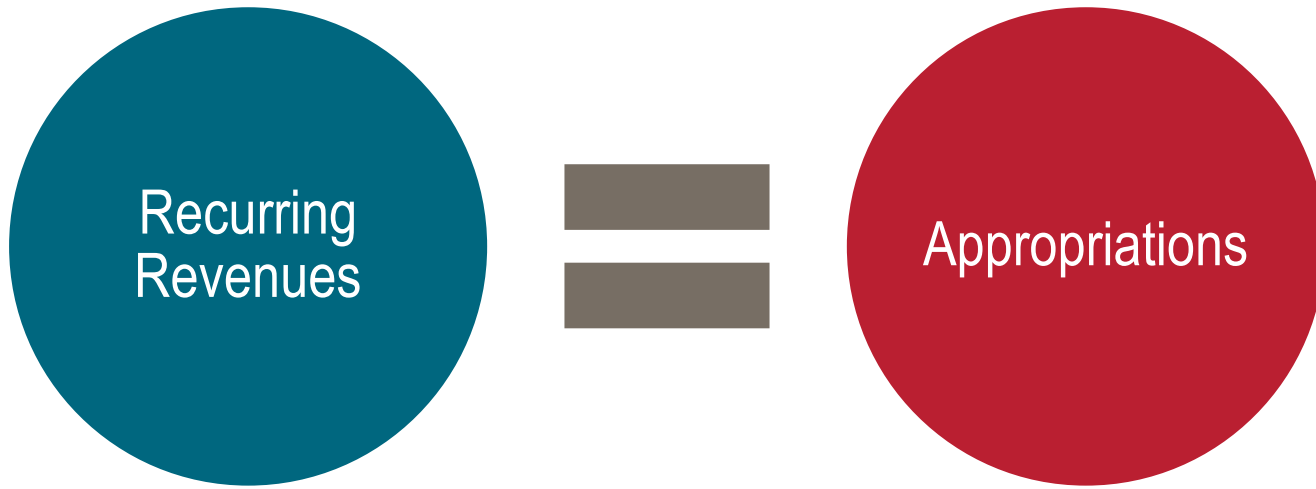


More fund balance needed ...

- if highly dependent on one revenue stream
- (in general fund) if insufficient capital reserves exist



BALANCED BUDGET



Structurally Balanced!



BALANCED BUDGET



Structurally Imbalanced!



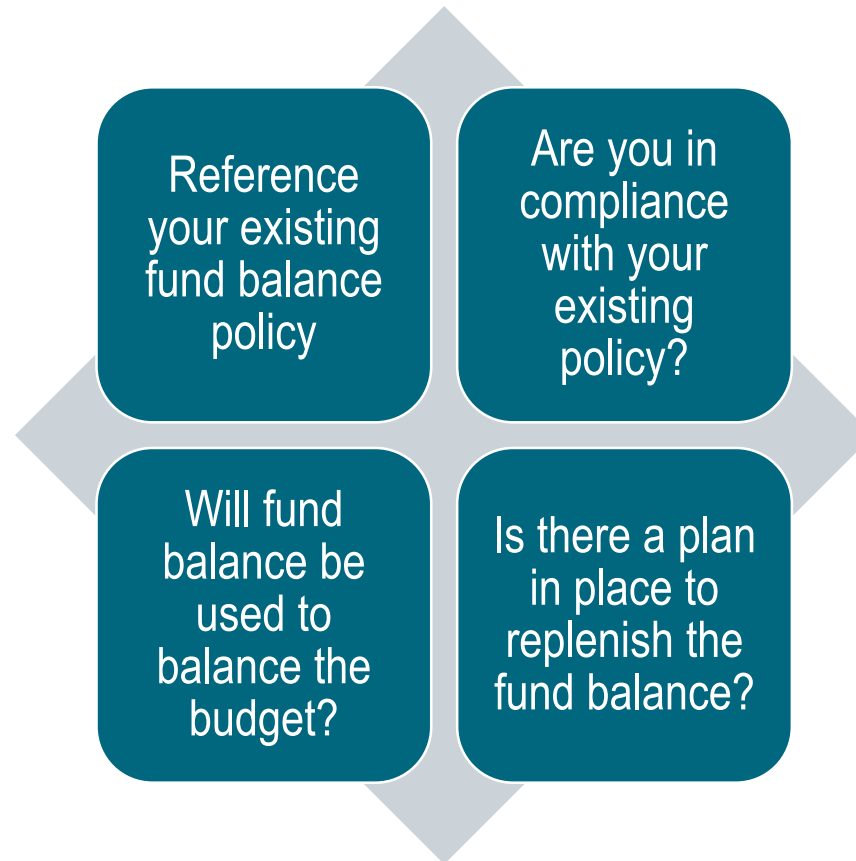
AVAILABLE FUND BALANCE



The entire Fund Balance may not be available to fund the deficiency of revenues and expenditures!



FUND BALANCE CHECKUP



OTHER 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.



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

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

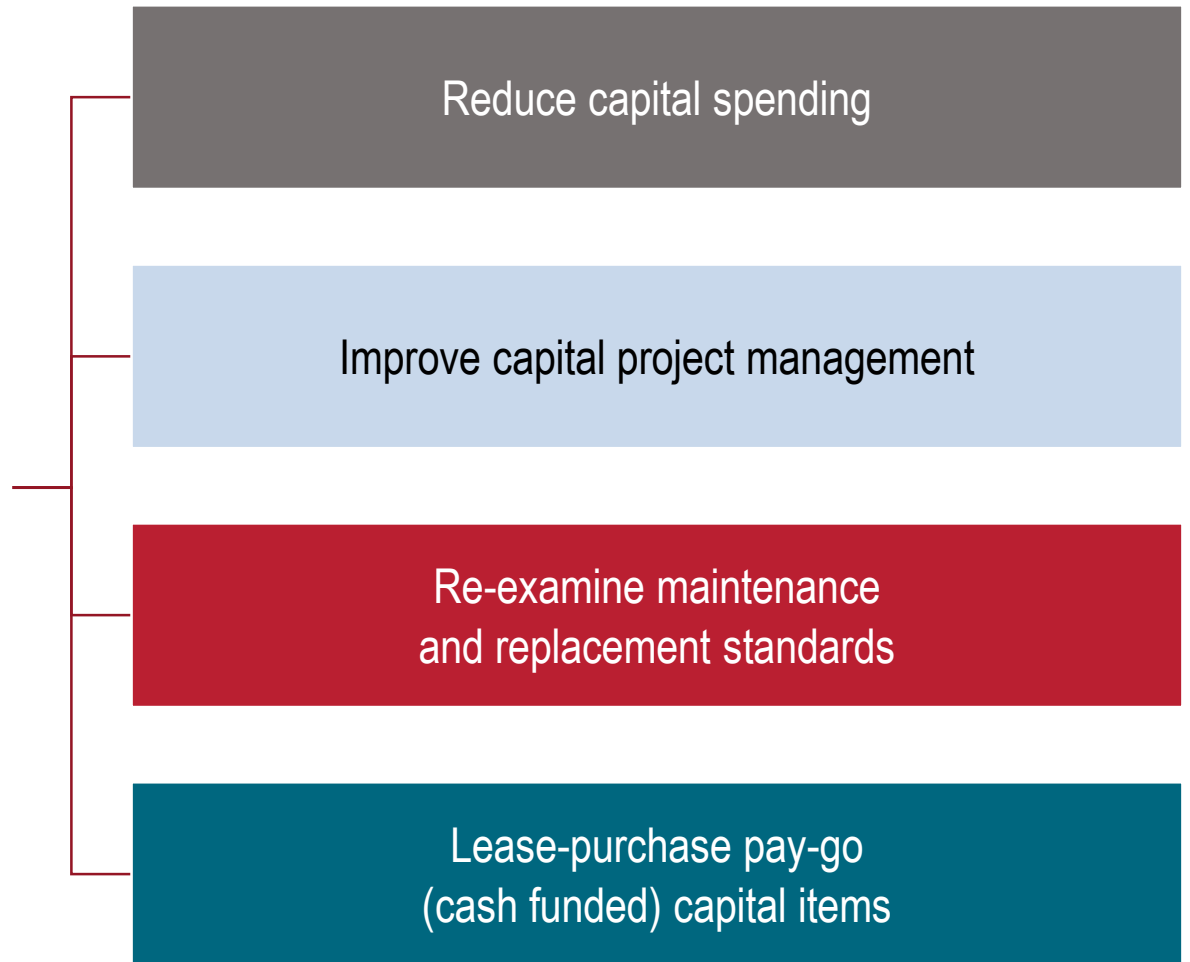
Rethink subsidies

Freeze non-critical travel and professional service contracts



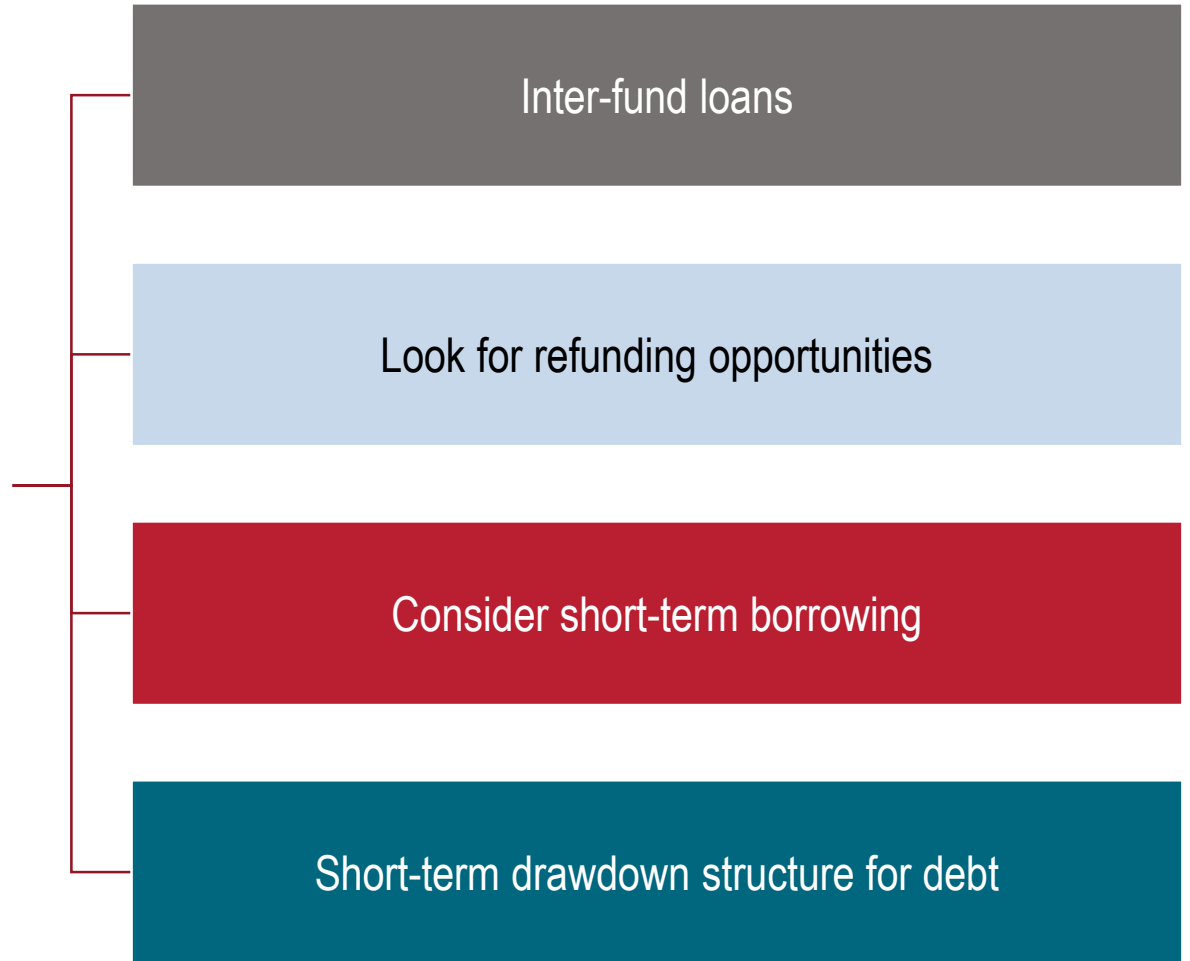


CAPITAL SAVINGS





DEBT MANAGEMENT





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.



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

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



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA

Thank you for attending today



David Tanner
Associate Director
dtanner@uga.edu



Wes Clarke, PhD
Economic Impact
Studies
gwclarke@uga.edu



John Hulse
Financial
Management Training;
jhulse@uga.edu



Paula Sanford, PhD
Local Government
Technical Assistance
sanfordp@uga.edu



Ted Baggett, JD
Associate Director
baggett@uga.edu



Greg Wilson
Economic Development,
Policy Research,
Workforce Development
gjwilson@uga.edu



Emily Franklin
Fiscal Analyst,
Georgiadata.org
emifrank@uga.edu



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**

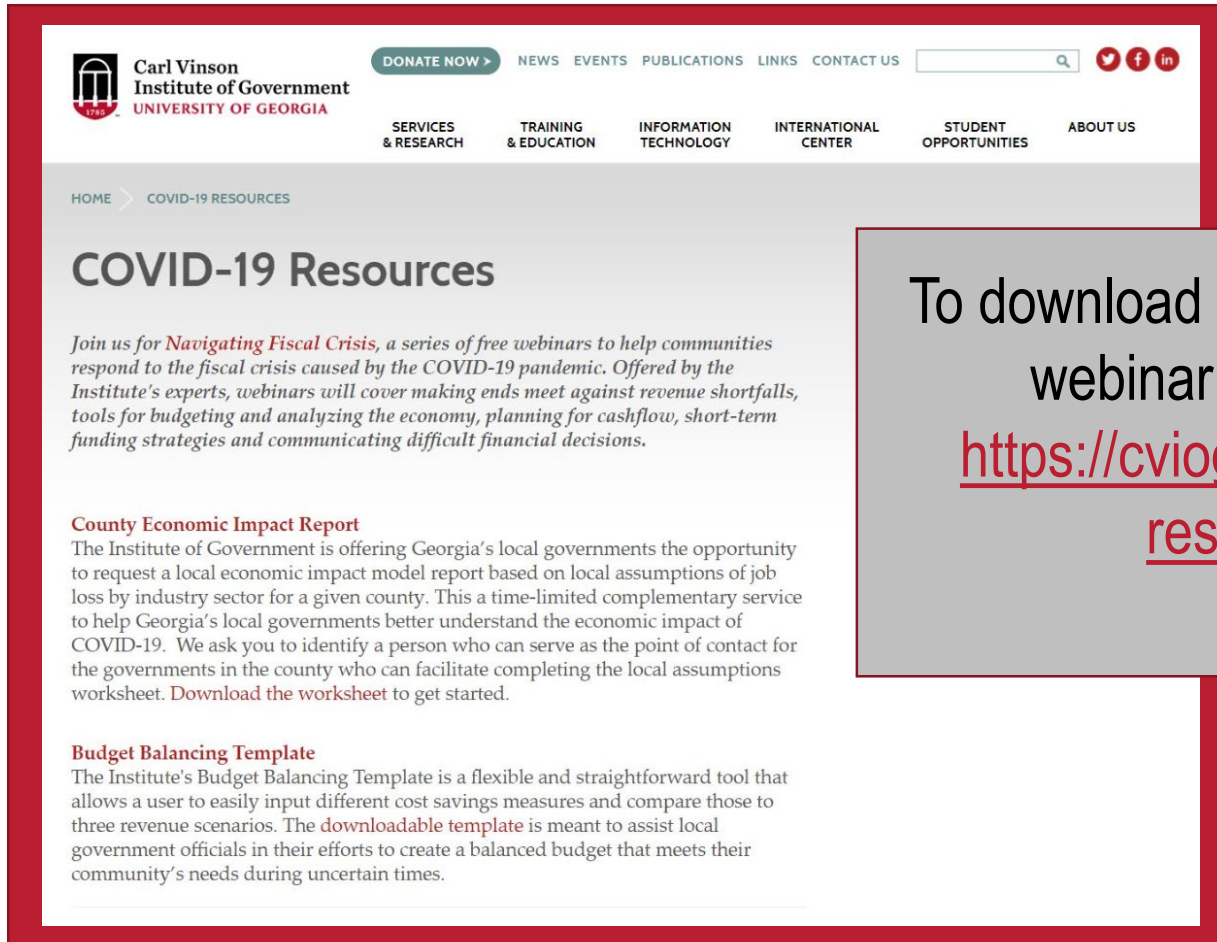
10 a.m. June 23

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



The screenshot shows the website for the Carl Vinson Institute of Government at the University of Georgia. The header includes the logo, navigation links (DONATE NOW, NEWS, EVENTS, PUBLICATIONS, LINKS, CONTACT US), a search bar, and social media icons. A secondary navigation bar lists SERVICES & RESEARCH, TRAINING & EDUCATION, INFORMATION TECHNOLOGY, INTERNATIONAL CENTER, STUDENT OPPORTUNITIES, and ABOUT US. The main content area is titled "COVID-19 Resources" and features a paragraph about "Navigating Fiscal Crisis" webinars, a section for "County Economic Impact Report" with a description of the service, and a section for "Budget Balancing Template" with a description of the tool.

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 complementary 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

Connect With Us!



facebook.com/
VinsonInstitute



@ CVIOG_UGA



Carl Vinson Institute
of Government



www.cviog.uga.edu



Carl Vinson
Institute of Government
UNIVERSITY OF GEORGIA