Georgia Tech Center for Economic Development Research

INTEGRATING FISCAL IMPACT INTO YOUR ECONOMIC DEVELOPMENT STRATEGY AND GASB 77 REPORTING

DR. ALFIE MEEK

SIDEBAR CONFERENCE, TIFTON

MARCH 9, 2017

CREATING THE NEXT®

Myth:

Growth and development mean an increasing tax base and better financial health for the local government.

Fact:

A growing tax base isn't enough to guarantee financial health. Revenue must grow faster than expenditures.

ECONOMIC IMPACT ANALYSIS

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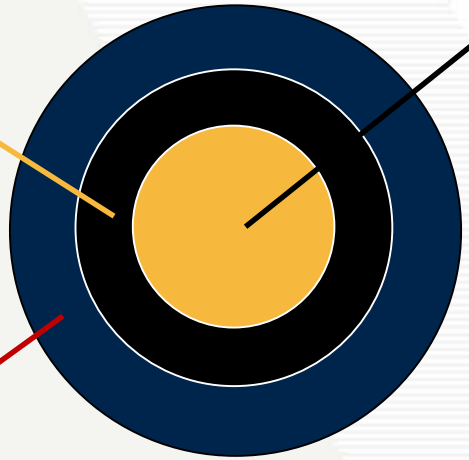
DIRECT ACTIVITY

INDIRECT ACTIVITY

INDUCED ACTIVITY



TOTAL ECONOMIC IMPACT

IS THE SUM OF ALL THREE

CAN ME MODELED FOR ANY GEOGRAPHY

MEASURED IN TERMS OF JOBS, INCOME, VALUE ADDED, & ECONOMIC OUTPUT

BASIS FOR THE "MULTIPLIER"

TOTAL ÷ DIRECT = MULTIPLIER

+ ALWAYS POSITIVE

FISCAL IMPACT ANALYSIS

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EXPENSE

EDUCATION
PUBLIC SAFETY
INCENTIVES, ETC.

REVENUE

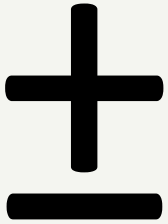
PROPERTY TAX
SALES TAX
FEES, ETC.

BASED ON SPECIFIC CHARATERISTICS OF YOUR COMMUNITY:

LAND USE, TAX STRUCTURE, COMMUTING PATTERNS, SERVICE DELIVERY, ETC.

CHARACTERIZES INCENTIVES AND ECONOMIC DEVELOPMENT SPENDING AS AN INVESTMENT AND CAN DEMONSTRATE TO THE PUBLIC THAT INCENTIVE DECISIONS ARE NOT TAKEN LIGHTLY.

CAN HELP COMMUNITIES WEED OUT BAD DEALS!!



CAN BE POSITIVE OR NEGATIVE!

THE JOB CHAIN IN YOUR COMMUNITY

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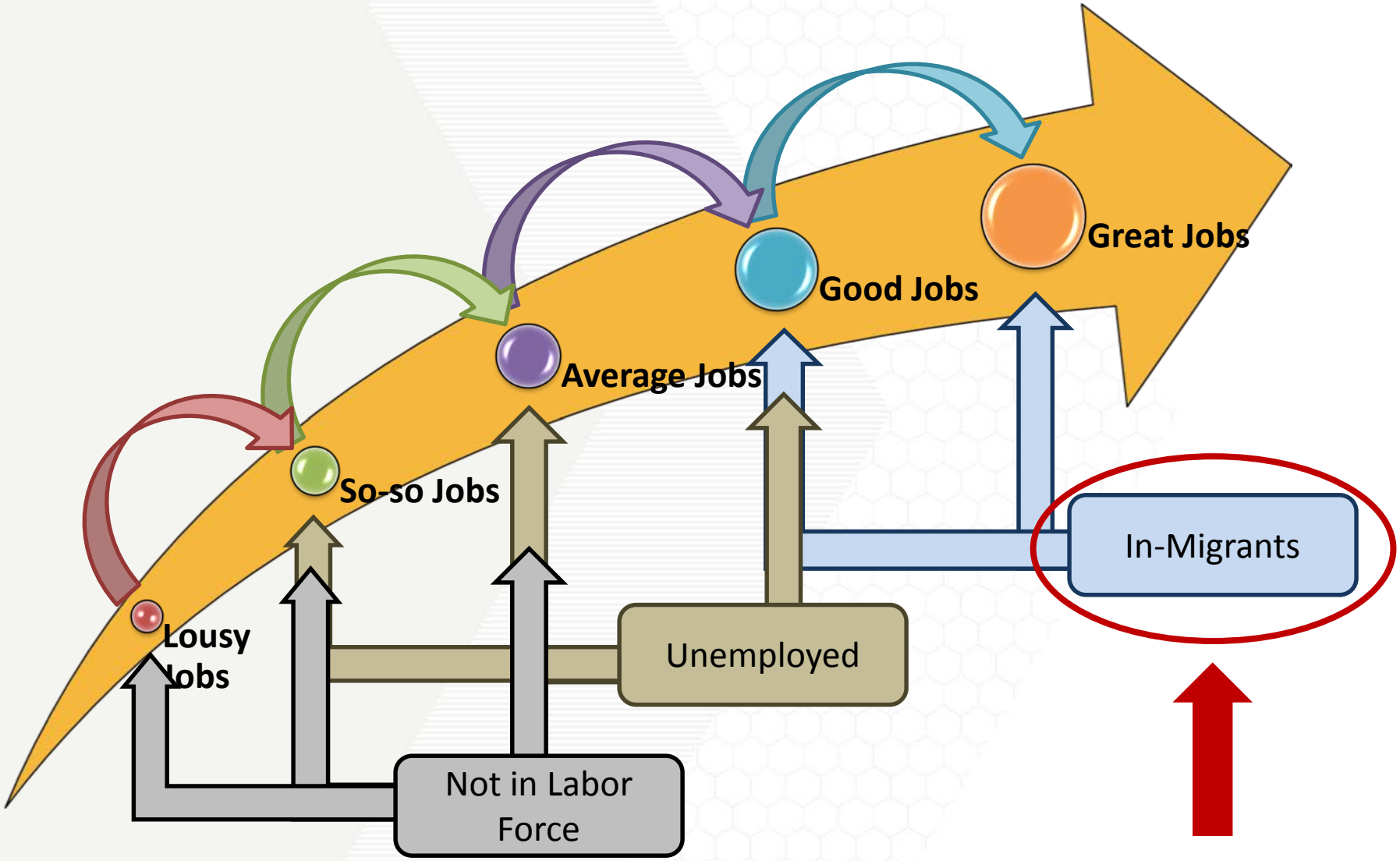

WHERE WILL THE NEW EMPLOYEES LIVE?

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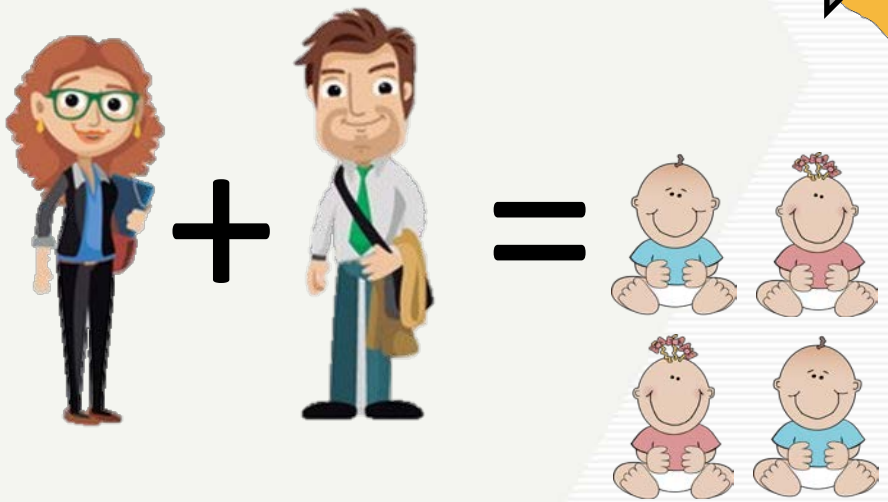
New residential growth results in….

- Increased property tax
- Increased sales tax
- Increased fines and fee revenue

Some outside the county

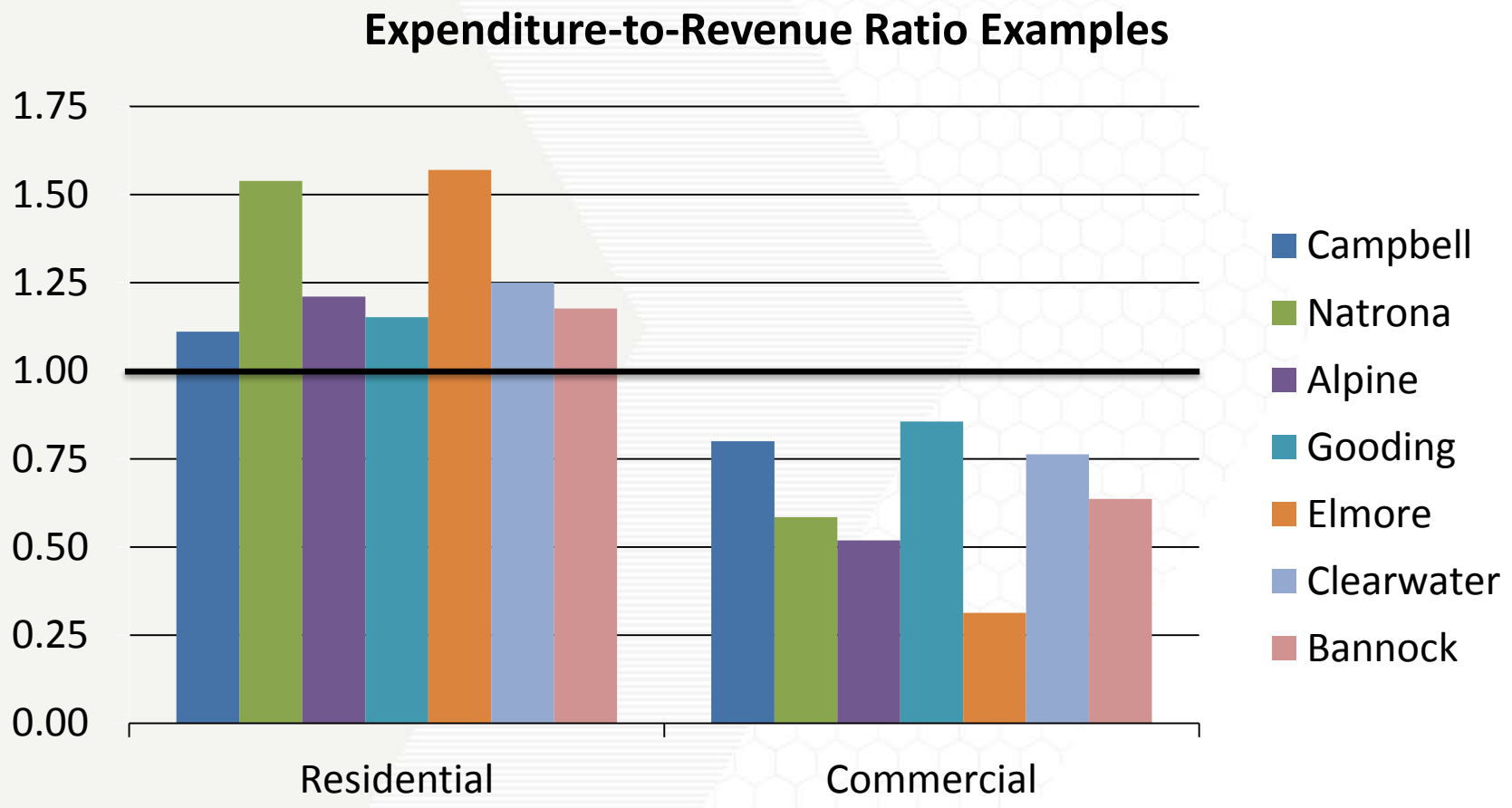
Some inside the county



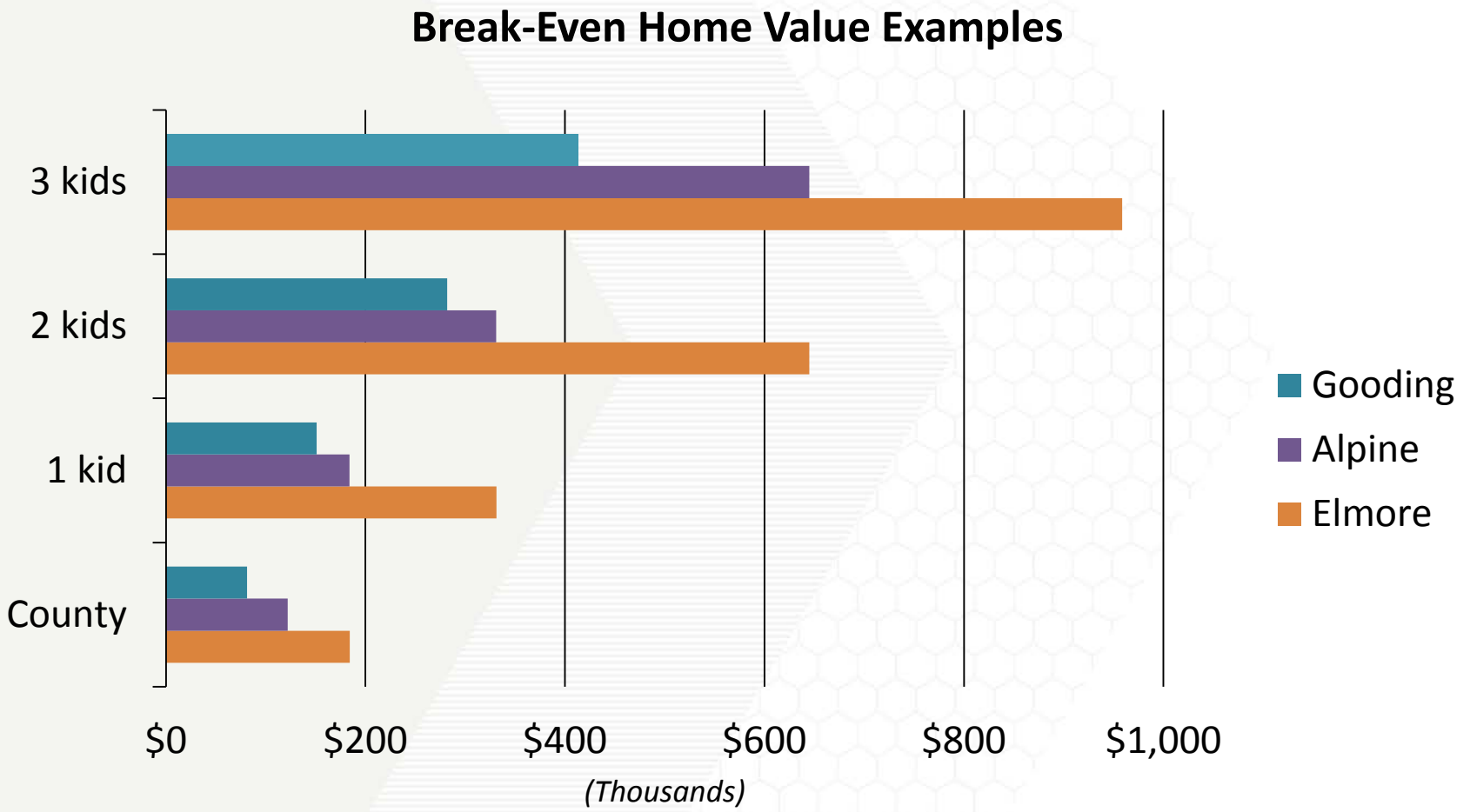
New residential growth also results in….

- Increased educational costs
- Increased local government expenditures

Do households generate enough revenue to pay for the increase in government expenses?



Source: Dr. Jeffrey Dorfman, The University of Georgia



Source: Dr. Jeffrey Dorfman, The University of Georgia

INCENTIVE STRATEGY

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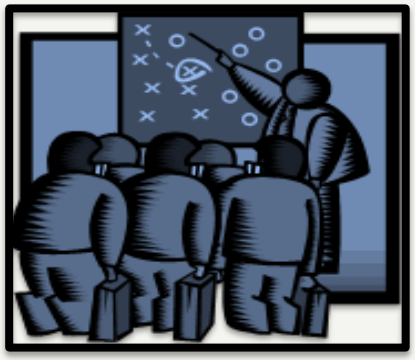
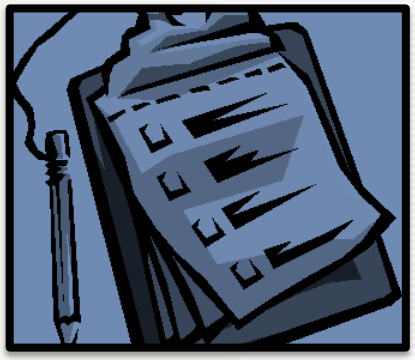
How do you decide when to offer tax abatements via "bonds for title" or any other local incentive, such as permit waivers, fee waivers, expedited permit/plan review, training programs, revolving loan funds, etc.?

HAVE ONE!



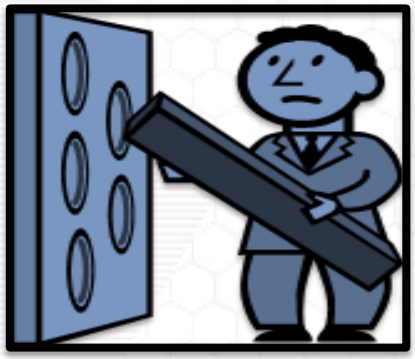
Put your strategy in place BEFORE a project comes looking at your community

SPECIFIC GOALS



- What does your community want to be?
- Target industries?
- Target areas?

UNIQUENESS



- One size does not fit all
- Your strategy needs to fit your goals
- Every company has different needs …ASK!!

AFFORDABILITY

- Understand the FISCAL impact of your offer
- Don't get pulled into paying too much.

PROJECT EXAMPLES – DATA CENTER #1

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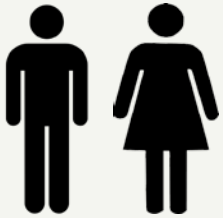


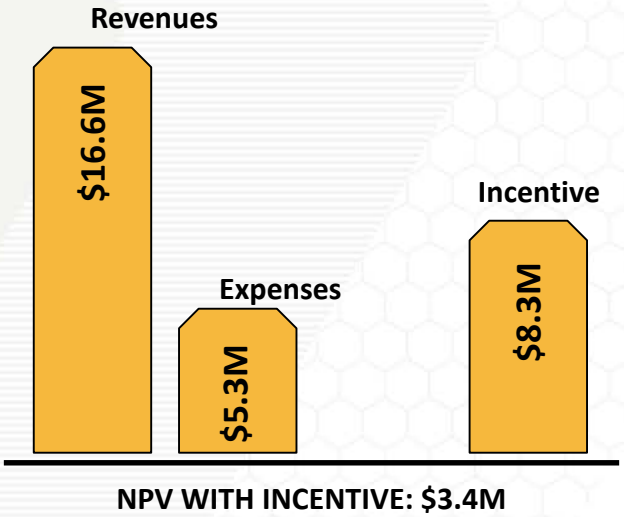
110 new jobs

$250M CAP EX

Incentives:

- 10-year phased in abatement on real property
- 4-year phased in abatement on personal property
- All abatements included the school tax

10-year fiscal analysis:



NPV WITH INCENTIVE: $3.4M

PROJECT EXAMPLES – DATA CENTER #2

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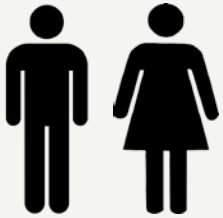


19 new jobs @$83,000/yr.

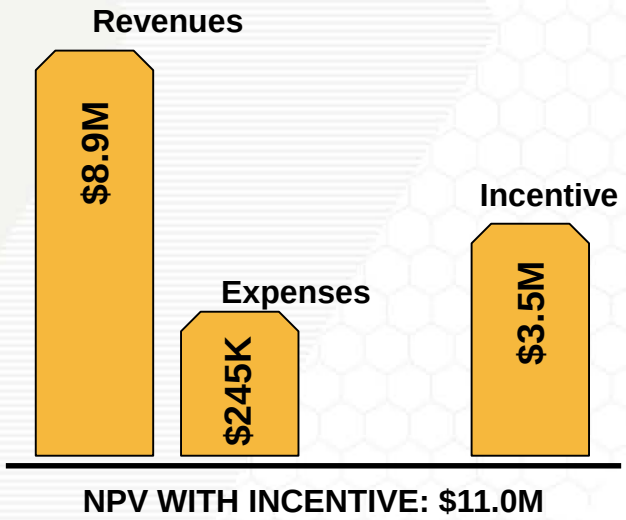
$250M CAP EX

$1B initial estimate
$600M revised
$250M final

Incentives:

- 10-year phased in abatement on real property
- 4-year phased in abatement on personal property
- All abatements included the school tax
- $174K in system development charge waiver

10-year fiscal analysis:



Government Finance Officers Association

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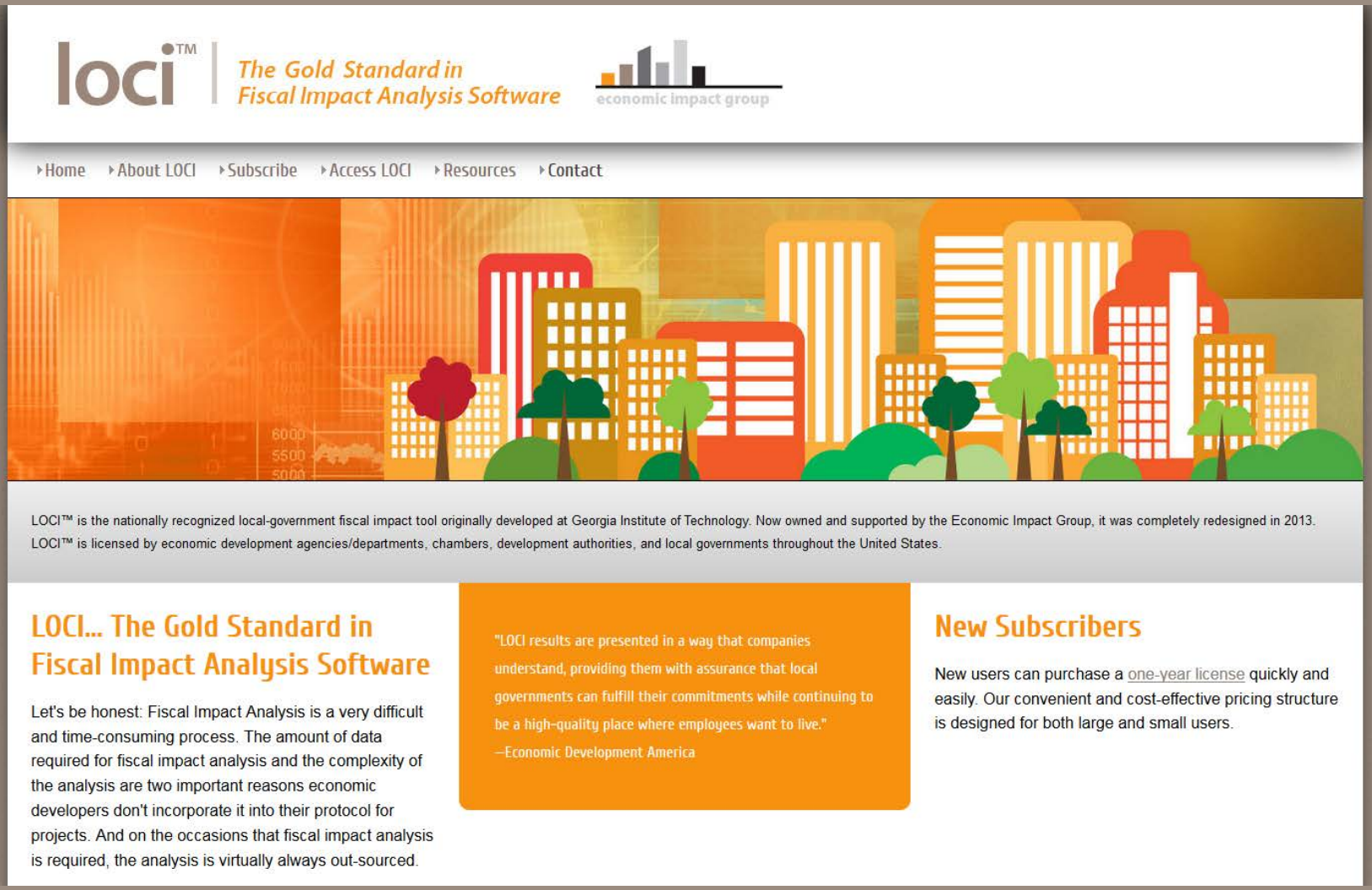
RECOMMENDATION:

LETTER OF TRANSMITTAL SHOULD INCLUDE:

1. COST BENEFIT ANALYSIS (FISCAL IMPACT ANALYSIS)
2. EXPLAINATION OF HOW TAX ABATEMENTS ARE ACCOUNTED FOR AND INCORPORATED INTO THE BUDGET PROCESS
3. DESCRIPTION OF THE POLICIES GOVERNING TAX ABATEMENTS AND METHODOLOGIES USED TO DETERMING RETURN ON INVESTMENT
4. IDENTIFICATION OF THOSE RESPONSIBLE FOR MONITORING COMPLIANCE AND ABATEMENT AGREEMENTS
5. RELATIONSHIP BETWEEN TAX ABATEMENTS AND GOVERNMENTS GOALS
6. FIVE-YEAR CHART OF BENEFITS ANTICIPATED
   - FINANCIAL
   - NONFINANCIAL



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Miscellaneous Measures

Summary of Settings | All Details | By Major Category | Fiscal Impact Summary | Misc. Measures

Miscellaneous Measures	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Jobs held by residents of local jurisdiction	0	28	34	40	57	57	57
Jobs held by workforce outside local jurisdiction	0	72	86	100	143	143	143
>>>>>Total new employment	**0**	**100**	**120**	**140**	**200**	**200**	**200**
Paid to residents of local jurisdiction	$0	$1,136,000	$1,363,200	$1,590,400	$2,272,000	$2,272,000	$2,272,000
Paid to in-commuters to local jurisdiction	$0	$2,864,000	$3,436,800	$4,009,600	$5,728,000	$5,728,000	$5,728,000
>>>>>Total new income	**$0**	**$4,000,000**	**$4,800,000**	**$5,600,000**	**$8,000,000**	**$8,000,000**	**$8,000,000**
Estimated new households in local jurisdiction	0	5	11	19	24	28	31
Estimated new pupils in school system	0	3	7	12	15	18	20
By resident employees of local jurisdiction	$0	$640,847	$769,016	$897,186	$1,281,694	$1,281,694	$1,281,694
By in-commuters to local jurisdiction	$0	$0	$0	$0	$0	$0	$0
By facility	$0	$312,500	$375,000	$437,500	$625,000	$625,000	$625,000
By visitors	$0	$0	$0	$0	$0	$0	$0
>>>>>Total new retail sales	**$0**	**$953,347**	**$1,144,016**	**$1,334,686**	**$1,906,694**	**$1,906,694**	**$1,906,694**
Number of visitors	0	0	0	0	0	0	0
Duration of stay in days	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Avg. daily expenditure per person	$0	$0	$0	$0	$0	$0	$0

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By Major Catagory

Summary of Settings | All Details | By Major Category | Fiscal Impact Summary | Misc. Measures

Revenues/Expenditures	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Yea
Sales Taxes	0	10,249	12,298	14,349	20,497	20,497	20,497	20,4
Property Taxes	0	273,341	265,604	256,695	322,547	305,283	286,801	266,1
Franchise Fees	0	0	0	0	0	0	0	
Business License/Occupation Tax	0	1,861	2,295	2,741	3,882	3,931	3,968	3,9
Liquor License Revenues	0	26	59	95	121	143	158	1
Alcoholic Beverage Tax Revenues	0	82	181	295	377	444	492	4
Services	0	0	0	0	0	0	0	
Revenues from Fines	0	731	1,630	2,658	3,394	3,991	4,429	4,4
Revenues from Permits	0	74	167	271	347	408	452	4
Miscellaneous Fees	25,000	5,817	12,968	21,144	26,998	31,754	35,240	35,2
Water Revenues	0	0	0	0	0	0	0	
Wastewater Revenues	0	0	0	0	0	0	0	
Solid Waste Revenues	0	0	0	0	0	0	0	
Electric Power Revenues	0	0	0	0	0	0	0	
Other Utility #1 Revenues	0	0	0	0	0	0	0	
Other Utility #2 Revenues	0	0	0	0	0	0	0	
Salvage Value	0	0	0	0	0	0	0	
TOTAL REVENUES	**$25,000**	**$292,181**	**$295,202**	**$298,248**	**$378,163**	**$366,451**	**$352,037**	**$331,3**
Support	2,000,000	264,702	226,851	190,153	230,128	186,164	145,373	108,4
Education	0	0	0	0	0	0	0	
Public Works	0	1,479	3,296	5,375	6,863	8,072	8,959	8,9
Recreation/Libraries	0	601	1,342	2,186	2,793	3,284	3,644	3,6
Court System	0	1,017	2,268	3,698	4,722	5,554	6,164	6,1
General Government	0	3,273	7,296	11,896	15,190	17,866	19,826	19,8
Health Services	0	709	1,582	2,578	3,292	3,871	4,296	4,2
Social Welfare	0	226	503	821	1,048	1,232	1,367	1,3

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FISCAL ANALYSIS STRATEGY FOR GASB 77

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WHO DOES IT?

- Internal analysis?
- Independent third party?

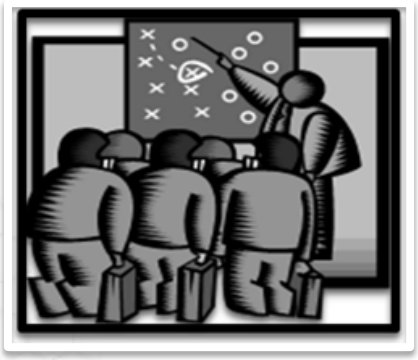
KEEP IT SIMPLE

- You don't need a multi-page report
- Aggregate your projects for GASB 77 reporting
- A short summary paragraph and a five-year chart of benefits will work.

BE CONSISTENT

- Make fiscal analysis a habit
- Analyze every project
- Adjust old projects as employment and investment numbers are realized.

EVALUATE



Make adjustments to your economic development policies to better meet your community goals

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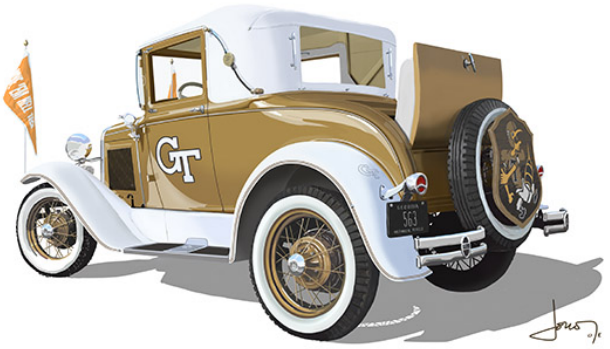

QUESTIONS?

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