Spotlight: Local Property Taxes and Education

The fiscal impact of the “Great Recession” continues to haunt parts of the region’s public sector and it will likely continue having a negative impact for years to come. In particular, Pre-K-12 public education is still struggling in the recession’s aftermath. By most measures, the private sector continues to make improvements in both the State of Georgia and across the West Georgia Region. Within our region, new unemployment insurance claims are back to pre-recession levels. Unemployment rates continue to decline, and jobs are starting to return as well. However, local school systems continue to face three important difficulties: 1) a substantially diminished property tax base, 2) the continued growth in the Pre-K-12 student population, and 3) the increase in the share of low-income families with school-aged children.

The housing-led recession and the subsequent financial meltdown in Georgia resulted in substantially lower local residential property values across the state. At times, Georgia has ranked as high as third in foreclosure rates in the U.S. since 2007, and counties within the West Georgia Region have been ranked at the top of the state’s high-foreclosure counties. Over the last few years, a typical foreclosure has led to that house being resold at a large discount from its pre-foreclosure, pre-recession price. Within counties posting high foreclosure rates, these lower-priced houses made up a large number of the comparable sales used to estimate the value of other nearby houses, whether or not these nearby properties were foreclosure sales themselves. Thus, even houses that did not go through a foreclosure process experienced substantial reductions in market value as a result. The wave of foreclosures led to an overall reduction in “fair-market values,” which forms the basis for local property taxes. As housing and other real property declined in value, so did the ability of local government (including school officials) to raise revenues for ongoing public service provision.

The graph on page 4 depicts the tax digest for the six West Georgia Counties. As of 2014, the fair market value of properties in the region has yet to return to pre-recession levels.

In Georgia, public schools receive funding from three main sources. In 2014, local funds accounted for about 41% of school funding, primarily generated from local property taxes. The federal government contributed 8% of total education funding, while the state’s share accounted for about 51%. Each school district has the authority to levy a property tax within its jurisdiction to generate local revenue for schools. Though school districts are

(Continued on page 4)
From March 2014 to March 2015, Georgia’s unemployment insurance claims declined by 3%. Unemployment insurance claims in the West Georgia Region declined at an even faster rate: the number of individuals filing unemployment claims in the region in March 2015 was 1,667, 108 fewer claims than in March 2014, or a 6% drop. The largest decline in UI claims was experienced by Carroll County (26% decline) followed by Douglas (12% decline), Polk (-9% change) and Haralson (-6% change) Counties. Within the region, only two counties experienced an increase in UI claims: Coweta County with an 18% increase in claims, and Paulding County with a 9% increase. Although the number of UI claims in the West Georgia Region is slowly nearing pre-recession levels, there is still room for improvement. For example, in 2006 the average monthly UI claims in the Region equaled 1,507, which amounts to 160 fewer claims (or 11%) than in March of 2015.

Total employment in the West Georgia region continues to show improvement. The most recent data indicate that all six West Georgia Counties experienced overall job growth between 2013Q3 and 2014Q3. With the exception of Polk County, which experienced a more modest job growth rate, every County in the region posted growth rates above the State’s 3.17% overall employment growth rate. Once more, Coweta posted the fastest job growth of any county in the region at 5.07%. The largest increases in employment within Coweta came from Healthcare, which added 650 new jobs during the year, and Construction, which added 109 new jobs. Manufacturing added a total of 377 jobs. Education Services in Coweta County experienced an increase of 58 jobs or 14%. After Coweta County, Paulding showed the second largest increase in employment, followed by Haralson County. Employment growth in Haralson County was all concentrated in the Private Sector, and more specifically in Manufacturing (105 new jobs), Accommodation and Food Services (59 new jobs) and Retail Trade (51 new jobs). The only loss of employment in the region came from Government sector.

The region’s unemployment rates for the first three months of 2015 continued to decline. In March, the region’s overall rate stood at 6.1%, a 0.4 improvement over the rate observed in December 2014 (6.5%). The decrease in the unemployment rate was due to an increase in employment: in the first three months of 2015, the West Georgia Region experienced an increase of 3,492 in the number of employed workers. Moreover, the labor force in the region also increased by 2,478 participants. With the exception of Haralson County, where the unemployment rate increased from 6.2% in December 2014 to 6.6% in March 2015, and Polk County, where the unemployment rate stayed constant at 6.8%, every other County in the Region posted a lower unemployment rate. The largest drops were seen in Coweta and Paulding Counties where the March 2015 unemployment rates reached 5.4% and 5.3%, respectively.
A large share of revenue for local public services depends on the size of the county’s property tax digest. The chart to the right depicts each West Georgia County’s real (inflation-adjusted) property tax digest as a percent of the 2007 tax digest. It also depicts a county’s ability to fund local public services at the 2007 level. A value of one or higher means that a county could fund at least the level of services available in 2007 without changing millage rates, assuming constant external funding sources. After accounting for inflation, every county in the region remains below its 2007 digest. Coweta’s housing prices were least affected by the Great Recession, and as of 2014, its digest was 91.1% of its 2007 level. Alternatively, Paulding and Douglas experienced the largest real decline in their digests, which currently stand at 66.7% and 68.8% respectively of their 2007 digests. Until property values recover, expect continued austerity for local governments.

Homebuilding activity in the region increased for the third year in a row. In 2014, the West Georgia Region permitted 1,959 single-family homes, an increase of 33% over 2013 levels. The growth rate in permit activity in the region surpassed both the growth rate in Georgia and in the U.S. Paulding, Coweta, and Carroll counties account for almost all of the gains. Paulding added 873 new permits in 2014, which is 83% more permits than in 2013. Coweta permitted 738 new single-family units (a 9% increase over 2013), while Carroll added 111 more single family permits (a 32% increase relative to 2013). Douglas County permitted 224 new single-family units, an 8% increase over 2013 data. Polk and Haralson were the only counties in the region experiencing declines in permit activity. Polk issued only 10 permits, while Haralson permitted only 2 new single-family units.

The rebound in single-family home prices has continued through April 2015; however, the year-over-year growth rates for the first four months of 2015 are starting to move from recovery mode back towards the longer term trend. Home prices continue to grow, just at a slower pace as compared to last year. The average growth rate for the first four months of 2015 was 8.5%, as compared with a growth rate of 19.0% for the same four-month period in 2014. West Georgia’s April 2015 average SFR sales price was $171,087, or 9.3% higher than in the previous year. Coweta posted the highest average sales price in the region at $208,241, but also posted the lowest year-over-year growth rate in sales price at 2.2%. The highest growth rate in average sales price was Polk, whose average SFR sales price increased by 52.9% over April, 2014. Though housing prices have been rising until recently, inventories for sale have not. However, April 2015 data show a substantial increase in SFR units coming into the market. New listings increased 18.4% over April, 2014. The largest increases in new listings came from Polk (+37.4%) and Carroll (+29.8%). Growth in prices (and, possibly equity) over the past two years has encouraged potential sellers to finally start listing.
able to set their own millage rates, in the majority of districts, the rate is not allowed to be set above 20 mills without voter approval. A “mill” is defined as $1 of tax for every $1,000 of taxable value.

As the chart on page 1 indicates, West Georgia’s student population (full-time equivalence or FTE) continues to increase from 102,023 PreK-12 students in 2007 to 108,411 in 2014, or at an average growth rate of about 0.8% per year; however, the real (inflation-adjusted) local property tax revenue directed to schools in the West Georgia Region has declined an average 3.7% per year over the period 2007 to 2014. Falling or stagnant revenues combined with a growing student population have compelled local education officials to increase the millage rates in four of the six West Georgia Counties, Douglas (+6.1%), Polk (+6.5%), Carroll (+7.7%) and Haralson (+26.3%). Currently, the school millage rates within the region range from a low of 16.274 in Polk to 19.85 in Douglas.

Although current academic research is inconclusive about the marginal impact of overall dollars spent in PreK-12 education, the consensus view is that targeted funds that are spent on improving the classroom experience, enhancing teacher quality and in reducing the student-teacher ratio all tend to be positively associated with measures of student success. In contrast, more spending on general operating expenses outside the classroom has not demonstrated any consistent impact on achievement scores. Georgia’s share of spending on instruction has remained almost constant since the start of the recession. Within the West Georgia Region, however, total spending on instruction fell 7.8% between the 2007-2008 and 2010-2011 academic years. Additionally, the average share of expenditures used for instructional purposes has also edged downward slightly. These two changes in the region are likely due to the combination of a relatively large number of recent capital improvements on local campuses combined with the growth of class sizes. Capital improvements add to non-instructional spending, and since 2009, the State of Georgia has relaxed the class-size limits due to the decline in school funding as a result of the recession.

Additionally, families with school-aged children have not seen their incomes bounce back as quickly as the overall jobs numbers might suggest. In 2007, the year the recession started, 50.1% of Georgia’s students qualified for free or reduced lunches (FRL). In 2014, that number had risen to 62.4%, which represents an increase of 22.4% in 7 years. Within West Georgia, three county school districts, Douglas (61.5%), Haralson (77.0%) and Polk (83.2%) posted FRL rates at or above the state average. Furthermore, five of the nine city and county school districts experienced faster growth in FRL than did the state overall. Furthermore, in four of the six West Georgia counties, the real (inflation-adjusted) per capita personal income (PCPI) in 2013 is below that in 2007. Only Paulding and Polk have seen real income growth over the past six years. Douglas posted the largest real PCPI decline of -6.6% over the period, while Paulding experienced a 10.1% increase. Although the relationship between poverty, achievement, and the cost of providing education is complex, what is clear is that declining real incomes don’t make the educator’s job easier.

Most signs suggest that housing prices are bouncing back, and that economy is in picking up momentum; however, schools, whose revenue depend heavily on property values, continue to struggle to find ways to provide and pay for education services. Rising numbers of families qualifying for free and reduced price lunches and a growing number of students in the region also present West Georgia education administrators with a continued challenge.

Update (continued from page 1)

ing) were interestingly enough the counties with the tightest job market based on the unemployment rate.

Recent employment and housing numbers provide further evidence of economic recovery in the West Georgia Region. Total employment rose in the region by 4.2% between 2013Q3 and 2014Q3 (the most recently available data). Employment growth ranged from a low of 3% in Polk County to a high of 5.3% in Coweta County. All six of the region’s counties added jobs in the goods-production and the services-providing sectors while three counties (Carroll, Polk and Paulding) added jobs in the government sector. Carroll County added 358 production jobs, 958 service-providing jobs (with the greatest gains in retail trade) and 72 government jobs. Coweta County’s added 1,771 jobs between 2013Q3 and 2014Q3 with the health care, manufacturing, and retail trade sectors generating the most growth. Although Douglas County is continuing to experience a decline in local government jobs, overall employment was up by 1,272 mainly due to expanded hiring by manufacturing and food services establishments. Haralson’s net addition of 259 jobs was a result of new hiring in manufacturing, food services and retail trade. About one-fourth of Paulding’s net employment gains (975) were in food services but the county has been seeing growth across a number of sectors including manufacturing, construction, retail, health care, and local government (mainly K-12). Polk County added 330 jobs between 2013Q3 and 2014Q3 with the greatest gains in temporary employment, food services, and local government. Housing construction in the region continued a modest expansion in the first three months of 2015 with a total of 473 single family permits compared to 430 for the same 3-month period of 2014. Coweta and Paulding counties accounted for about 80% of these permits.

A number of recent (and planned developments) will be impacting employment and economic growth in the region. Carroll County will be benefiting from a planned expansion of Sugar Foods in Villa Rica. The facility packages various products for the food industry and is planning on adding 100 jobs to its existing workforce of 335 workers over the next few years. The Courtyard by Marriot Hotel and Conference Center is planning its opening in July in Downtown Carrollton, adding about 40 jobs. Carrollton’s first Aldi’s grocery store opened in April. In Coweta County, Yamaha Motor announced that it will be adding about 150 jobs in 2015 to support continued growth in ATV and Side-by-Side vehicle production. Spancrete, a Wisconsin-based pre-cast concrete manufacturer, held its grand opening in Newman in February. The 40 jobs added by Spancrete will be offset somewhat by the recent closing of the Insteel Industries concrete plant in Newman. Abide Brewing Company, Newman’s first brewery, opened for business in March. Recent openings in Douglasville (Douglas County) include a new Hooters Restaurant and a Pet Supermarket. Douglasville-based Metro Bancshares (which operates three MetroBank banking offices) was purchased by Birmingham-based ServisFirst Bancshares. A number of recreation and other projects will be funded as a result of the recent bond issue approved by the Haralson County Commission. The Haralson County and the Bremen City school systems are also submitting construction projects before the voters in the November election. Recent expansions in Paulding County include Turn4 Logistics, a flatbed trucking company, and Dallas Memory Care, an Alzheimer care facility. Retail developments in Polk County include two new restaurants in Cedartown (Cedar & Smoke and Jefferson’s) and the Silver Comet Bakery Cafe in Rockmart.