

ECONOMIC AND REVENUE EXPECTATIONS

INTRODUCTION

This section of the budget provides a survey of economic indicators and an outlook for the year ahead with a view to providing context for some of the estimates contained in the budget.

NATIONAL OVERVIEW

Overall, the national economy has continued growing at a moderate pace. National job growth and labor income remain constrained, with the unemployment rate hovering around 7.3 percent according the US Department of Labor, with significant numbers of long-term unemployed. The national housing market has not fully recovered, although it is improving at a steady pace with increases in housing permits and starts. Likewise, demand for commercial real estate has shown steady, albeit slow, growth throughout most of the nation (Federal Reserve Beige Book).

Going into the coming year, the following uncertainties may serve to undermine future economic growth - automatic decreases in federal expenditures better known as sequestration, Federal budget disagreements that threaten to shut-down the federal government for an extended period and continuing political turmoil in the Middle East. Depending on the outcome of these factors and other unknowns, economic growth could once again stagnate.

The national unemployment rate at the end of August was 7.3 percent, down from a high of 10.0 percent in October of 2009, but still above historical averages (US Bureau of Labor Statistics). As has been the trend in recent decades, manufacturing fared worse than other employment sectors, while service industries experienced growth in employment that outpaced other sectors.

REGIONAL AND LOCAL ECONOMY

Preliminary August figures from the United States Bureau of Labor Statistics report 5,000 nonfarm jobs were added in the Albany region between August 2012 and August 2013, for 1.1 percent growth. This is the most nonfarm employment in August since 2008. Likewise, the unemployment rate was 6.4 percent in August in the Capital district, the lowest rate since December of 2008.

While the national housing market experienced a series of unprecedented growth followed by devastating decline, the local housing market remained relatively stable. Local home sales did not over accelerate in the pre-recessionary market and generally remained in-line with actual value. Both average residential sale price and median residential sale prices remain relatively constant in the past 4 years within Albany County.

According to RealtyTrac, “the Capital Region is one of the three top markets leading the nation’s housing recovery.” Likewise, housing values are on the rise, increasing by 2 percent in August of 2013 over August 2012, and median sales prices have increased by 3 percent according to The Greater Capital Association of Realtors. Specific to Albany County, year-to-date closings through August have increased 11.6 percent and days on the market have decreased by 13.1 percent – both good signs.

Meanwhile, recent developments in the Commercial sector point to an increase in demand. Development along State Street, the recently released revised plans for the a down-town convention center, the purchase of Kiernan Plaza by the Nano College at SUNY Albany and the expanded development in “Park South” along with commercial development throughout Albany County, all point towards an increase in demand for commercial office and retail space.

ECONOMIC AND REVENUE EXPECTATIONS

The Capital Region, Albany County specifically, has traditionally been dependent on government, healthcare and education for employment. These sectors are traditionally less volatile than other employment segments, insulating Albany County from many global economy-related job losses. The negative impact the recent economy has had on state and local governments has changed that dynamic. With a significant curtailment in State government hiring and a general freeze in wages for many state and local government employees, the local economy has suffered.

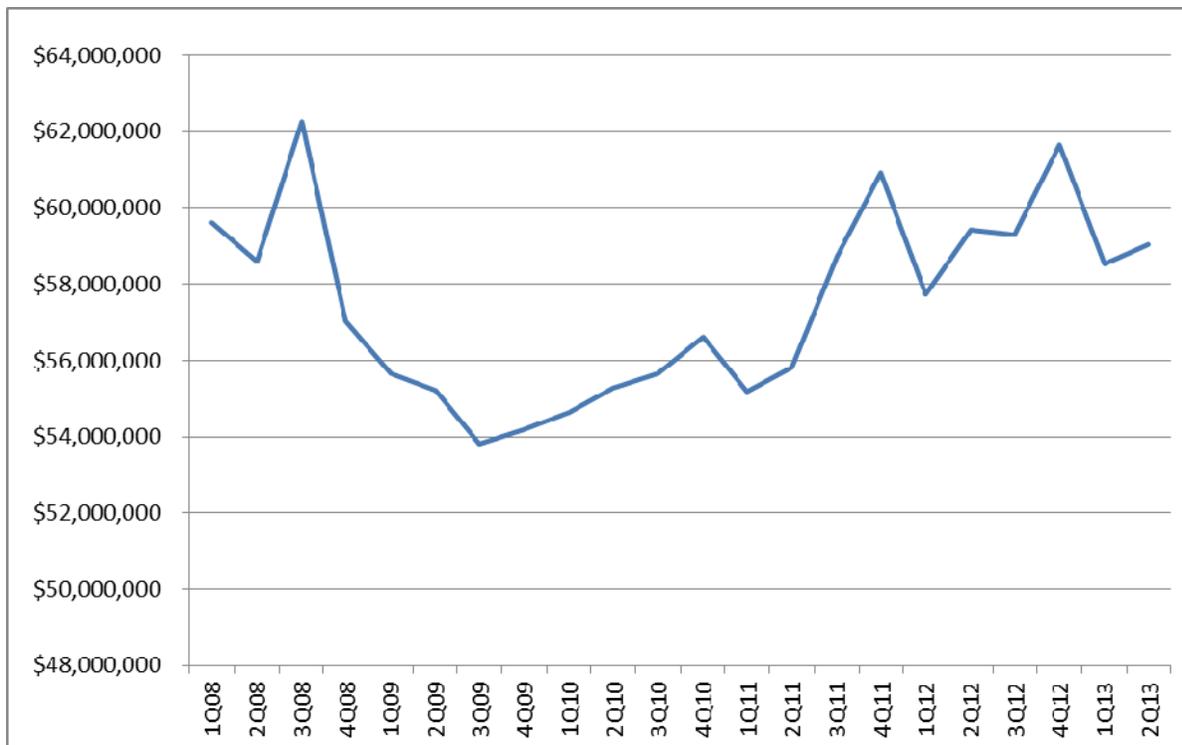
Fortunately, recent private investments in the local economy and promises of new investments reposition Albany County and the Capital Region in terms of private sector employment. Likewise, there has recently been an uptick in hiring by state agencies.

Current trends point to a baseline adjustment of the long-term employment and economic trends in the region, shifting away from heavy reliance on state government jobs as the high technology sector grows, while the traditional dependence on the health and education sectors continue.

SALES TAX RECEIPTS

Within Albany County, the largest source of revenue is sales tax receipts. Sales tax revenue decreased sharply in recent years impacting local government cash flow. Consecutive years in which sales tax receipts were substantially lower than anticipated resulted in the need for the County to borrow money through the issuance of a Tax Anticipation Note (TAN) to provide sufficient cash to meet ongoing obligations.

However, Albany County sales tax revenue has increased by approximately 0.86 percent through the middle of September. This builds on annual growth in 2012 of approximately 3.2 percent on top of growth of 3.8 percent in 2011. However, as can be seen in the graph below, Albany County quarterly sales tax collections still have not recovered to the collection levels of the first half of 2008. Also, the spike in the third and fourth quarter of 2011 were the result of increased economic activity directly related to the devastation and requisite rebuilding that took place following hurricanes Irene and Lee.



ECONOMIC AND REVENUE EXPECTATIONS

Given the year-to-date growth, and expectations for a continually tepid economic recovery, this budget assumes that 2014 collections will be down slightly from those amounts budgeted for 2013.

CONCLUSION

While the National economy is in the midst of recovering from the economic recession of 2007, serious constraints still persist on Albany County. Federal and state financial support is limited, while demand for County services continues to grow. But despite these headwinds, the outlook for Albany County's Budget has significant positives.

The recession was not as severe in Albany County, the housing market was not as overvalued and unemployment compares favorably to much of the nation. Likewise, newly announced investments and ongoing construction projects currently underway will help to rejuvenate our economy.