THE PROFILE OF GEORGIA’S ECONOMIC PERFORMANCE AND COMPETITIVENESS

David L. Sjoquist
William J. Smith
Kathleen Thomas

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This report, which presents an analysis of Georgia’s economic performance for the past decade and of Georgia’s economic competitiveness, was prepared as part of an analysis of Georgia’s economic development tax credit program. The report is one of four reports prepared for this purpose and conducted at the request of the Governor’s office. The other three reports are:

*State Economic Development Tax Incentives in the Southeast.*
(Jeanie Thomas)
This report identifies basic features of state tax incentive programs in the southeastern states. Each state synopsis is followed by a brief summary of the 1999 statutory changes. [FRP Report 40](#) (January 2000).

*An Analysis of the Employment Impact of Georgia’s Job Tax Credit.*
(Dagney Faulk)
This report reviews the literature on job tax credits and presents an analysis of the decision to participate in the Georgia Job Tax Credit (JTC) program and of the effect of the JTC on employment. [FRP Report 38](#) (December 1999).

*An Analysis of Georgia’s Economic Development Tax Credit Incentives.*
(Keith Ihlanfeldt, David L. Sjoquist, Jeanie Thomas, William J. Smith, Kathleen Thomas, Dagney Faulk)
This final report provides an analysis of Georgia’s economic development tax incentive program. [FRP Report 42](#) (January 2000).
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A PROFILE OF GEORGIA'S ECONOMIC PERFORMANCE
AND COMPETITIVENESS

I. Economic Performance

A. Introduction

Over the past decade Georgia's economy has out performed the rest of the nation, and in particular leads Alabama, Florida, North Carolina, South Carolina, Tennessee and Virginia in many different economic indicators (Table 1 and Figure 1). These specific states are considered because they border Georgia, or in the case of Virginia, there is specific interest because of its development pattern. For convenience, we refer to these states as the comparison states.

Georgia’s recent growth and present economic strength suggest that it should be a leading contender among Southern states for future business investment. The following summarizes economic growth over the past decade and the current economic environment in Georgia and the comparison states. (The appendix contains employment for 1997 by sector for Georgia and each comparison state, and a discussion of data sources.) Consider the following highlights (Table 1 and Figure 1):

- Relative to the six comparison states, Georgia has had the highest growth rate in total nonfarm employment for the period 1989-1999.

- Georgia leads these comparison states in growth in the service industry and is the only state to realize positive growth in manufacturing.

- Georgians received higher average hourly manufacturing earnings in 1999 than workers in Florida, North Carolina, and South Carolina.

- Georgia continues to benefit from low unemployment, but its unemployment rate is not the lowest among these states.

- Georgia consistently ranks high in the number of new firms that locate in Georgia relative to the comparison states (Table 2).
Table 1. Economic Indicators

<table>
<thead>
<tr>
<th></th>
<th>GA</th>
<th>AL</th>
<th>FL</th>
<th>NC</th>
<th>SC</th>
<th>TN</th>
<th>VA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Nonfarm Employment Growth, 1989-99</strong></td>
<td>31.7%</td>
<td>21.1%</td>
<td>31.5%</td>
<td>24.1%</td>
<td>22.7%</td>
<td>23.3%</td>
<td>18.0%</td>
</tr>
<tr>
<td><strong>Manufacturing Employment Growth, 1989-99</strong></td>
<td>4.7%</td>
<td>-4.1%</td>
<td>-7.8%</td>
<td>-7.4%</td>
<td>-7.4%</td>
<td>-4.0%</td>
<td>-8.2%</td>
</tr>
<tr>
<td><strong>Services Employment Growth, 1989-99</strong></td>
<td>72.7%</td>
<td>52.5%</td>
<td>69.2%</td>
<td>71.3%</td>
<td>59.6%</td>
<td>53.9%</td>
<td>50.6%</td>
</tr>
<tr>
<td><em><em>Average Hourly Earnings,</em> June 1999</em>*</td>
<td>$12.42</td>
<td>$12.58</td>
<td>$11.78</td>
<td>$12.28</td>
<td>$10.78</td>
<td>$12.44</td>
<td>$13.32</td>
</tr>
<tr>
<td><strong>Unemployment Rate, June 1999</strong></td>
<td>3.6%</td>
<td>4.5%</td>
<td>3.9%</td>
<td>2.7%</td>
<td>3.9%</td>
<td>3.1%</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

Note: All data are based on reported figures for June of the specified year.
a. Average hourly earnings are not seasonally adjusted.
Figure 1. Index of Total Nonfarm Employment Growth 1989-1999
(Base Year: 1989\textsuperscript{a})

Source: Bureau of Labor Statistics
a. The index is equivalent to the ratio of each year’s employment to employment in the base year, i.e., 1989.
Table 2. New Companies

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th></th>
<th>1995</th>
<th></th>
<th>1997</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>New</td>
<td>Rank</td>
<td>New</td>
<td>Rank</td>
<td>New</td>
<td>Rank</td>
</tr>
<tr>
<td></td>
<td>Companies</td>
<td></td>
<td>Companies</td>
<td></td>
<td>Companies</td>
<td></td>
</tr>
<tr>
<td></td>
<td>per 1000</td>
<td></td>
<td>per 1000</td>
<td></td>
<td>per 1000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>employees</td>
<td></td>
<td>employees</td>
<td></td>
<td>employees</td>
<td></td>
</tr>
<tr>
<td>Alabama</td>
<td>5.8</td>
<td>37</td>
<td>4.7</td>
<td>46</td>
<td>5.1</td>
<td>39</td>
</tr>
<tr>
<td>Florida</td>
<td>9.7</td>
<td>10</td>
<td>8.4</td>
<td>9</td>
<td>7.7</td>
<td>14</td>
</tr>
<tr>
<td>Georgia</td>
<td>10.3</td>
<td>7</td>
<td>7.1</td>
<td>18</td>
<td>7.6</td>
<td>15</td>
</tr>
<tr>
<td>North Carolina</td>
<td>6.6</td>
<td>27</td>
<td>6.2</td>
<td>23</td>
<td>6.2</td>
<td>27</td>
</tr>
<tr>
<td>South Carolina</td>
<td>5.5</td>
<td>40</td>
<td>5.9</td>
<td>30</td>
<td>6.1</td>
<td>28</td>
</tr>
<tr>
<td>Tennessee</td>
<td>6.3</td>
<td>31</td>
<td>6.2</td>
<td>24</td>
<td>6.2</td>
<td>26</td>
</tr>
<tr>
<td>Virginia</td>
<td>6.7</td>
<td>25</td>
<td>5.8</td>
<td>32</td>
<td>6.4</td>
<td>24</td>
</tr>
</tbody>
</table>

B. State Comparisons of Employment Growth 1988-97

In order to provide more detailed information than reported in Section A, a different data source must be used, the latest available year of which is 1997. The period considered is 1988-1997.\(^1\)

- Among the comparison states, Georgia leads in total nonfarm employment growth (Table 3).
- Georgia grew faster than the U.S. and the comparison states in total employment, metropolitan employment, and nonmetropolitan employment (Figure 2).
- Georgia leads every comparison state but South Carolina in growth in the retail trade sector (Table 3).
- Manufacturing growth is small but positive in Georgia, compared to negative growth in four of the comparison states (Table 3).
- The largest gains in employment in Georgia are in the Atlanta metropolitan area (Figure 3 and Figure 4).
- Employment grew faster than the U.S. as a whole in a majority (98) of the counties in Georgia (Figure 5).
- Seventeen Georgia counties experienced negative employment growth (Figure 6).
- Manufacturing employment growth is much larger when employment in the textile industry is excluded (Table 4 and Figure 7).\(^2\)
- Georgia lags Alabama and South Carolina in employment growth of manufacturing exclusive of textiles (Table 4 and Figure 7).
- Georgia has performed better than the United States in terms of total nonfarm employment growth for most of this decade (Figure 8).

---

\(^1\)Data for this section comes from the Regional Economic Information System (REIS), which provides data through 1997. More recent data are available in Employment and Earnings, but it does not cover all employment sectors. Employment data in Employment and Earnings are for civilian populations only, while REIS figures contain data from the military sector.

\(^2\)These figures are different from those presented in Table 2 because they are from different sources, County Business Patterns, which contains data only through 1996.
Table 3. Employment Growth by Sector 1988-97

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>GA</th>
<th>AL</th>
<th>FL</th>
<th>NC</th>
<th>SC</th>
<th>TN</th>
<th>VA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employment</td>
<td>16.1%</td>
<td>25.1%</td>
<td>17.3%</td>
<td>24.5%</td>
<td>22.1%</td>
<td>17.9%</td>
<td>22.5%</td>
<td>14.9%</td>
</tr>
<tr>
<td>Farm employment</td>
<td>-9.9%</td>
<td>-18.7%</td>
<td>-13.3%</td>
<td>-10.4%</td>
<td>-16.6%</td>
<td>-21.3%</td>
<td>-11.9%</td>
<td>-7.6%</td>
</tr>
<tr>
<td>Nonfarm employment</td>
<td>16.8%</td>
<td>26.1%</td>
<td>18.3%</td>
<td>25.0%</td>
<td>23.2%</td>
<td>18.7%</td>
<td>24.0%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Private employment</td>
<td>18.6%</td>
<td>28.6%</td>
<td>21.6%</td>
<td>26.6%</td>
<td>24.0%</td>
<td>22.3%</td>
<td>26.9%</td>
<td>18.7%</td>
</tr>
<tr>
<td>Ag. Serv.</td>
<td>45.4%</td>
<td>60.9%</td>
<td>58.3%</td>
<td>38.1%</td>
<td>61.2%</td>
<td>56.2%</td>
<td>68.3%</td>
<td>52.2%</td>
</tr>
<tr>
<td>Mining</td>
<td>-23.6%</td>
<td>-17.2%</td>
<td>-7.9%</td>
<td>-26.3%</td>
<td>-17.2%</td>
<td>-7.9%</td>
<td>-31.7%</td>
<td>-29.7%</td>
</tr>
<tr>
<td>Construction</td>
<td>16.6%</td>
<td>17.5%</td>
<td>29.7%</td>
<td>0.5%</td>
<td>27.0%</td>
<td>15.6%</td>
<td>28.2%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-2.4%</td>
<td>2.6%</td>
<td>0.6%</td>
<td>-7.4%</td>
<td>-3.4%</td>
<td>-5.4%</td>
<td>2.1%</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Trans. and public utilities</td>
<td>21.3%</td>
<td>30.3%</td>
<td>18.5%</td>
<td>31.7%</td>
<td>21.3%</td>
<td>25.8%</td>
<td>40.0%</td>
<td>20.5%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>10.8%</td>
<td>14.3%</td>
<td>18.9%</td>
<td>25.3%</td>
<td>17.6%</td>
<td>24.1%</td>
<td>16.1%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>19.1%</td>
<td>30.7%</td>
<td>29.5%</td>
<td>21.2%</td>
<td>27.0%</td>
<td>30.8%</td>
<td>28.0%</td>
<td>19.4%</td>
</tr>
<tr>
<td>Finance</td>
<td>10.5%</td>
<td>23.4%</td>
<td>5.9%</td>
<td>11.6%</td>
<td>26.0%</td>
<td>19.8%</td>
<td>32.1%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Services</td>
<td>33.8%</td>
<td>53.9%</td>
<td>37.7%</td>
<td>50.3%</td>
<td>53.0%</td>
<td>45.7%</td>
<td>44.2%</td>
<td>37.5%</td>
</tr>
<tr>
<td>Government</td>
<td>7.0%</td>
<td>13.5%</td>
<td>4.3%</td>
<td>15.7%</td>
<td>19.0%</td>
<td>4.0%</td>
<td>6.9%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Federal</td>
<td>-9.6%</td>
<td>-5.0%</td>
<td>-17.3%</td>
<td>3.3%</td>
<td>12.4%</td>
<td>-25.2%</td>
<td>-20.4%</td>
<td>-7.3%</td>
</tr>
<tr>
<td>Military</td>
<td>-23.1%</td>
<td>-5.2%</td>
<td>-27.1%</td>
<td>-18.2%</td>
<td>-3.2%</td>
<td>-35.4%</td>
<td>-36.4%</td>
<td>-19.2%</td>
</tr>
<tr>
<td>State and local</td>
<td>16.4%</td>
<td>23.0%</td>
<td>18.0%</td>
<td>25.4%</td>
<td>26.7%</td>
<td>24.8%</td>
<td>19.5%</td>
<td>21.6%</td>
</tr>
<tr>
<td>State</td>
<td>14.4%</td>
<td>31.8%</td>
<td>16.1%</td>
<td>30.2%</td>
<td>26.1%</td>
<td>17.8%</td>
<td>10.3%</td>
<td>13.8%</td>
</tr>
<tr>
<td>Local</td>
<td>17.2%</td>
<td>19.7%</td>
<td>19.0%</td>
<td>23.9%</td>
<td>26.9%</td>
<td>29.4%</td>
<td>23.5%</td>
<td>25.8%</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis, REIS 1969-1997

3 See the appendix for actual employment figures.
Figure 2: Employment Growth 1988-1997

Source: Bureau of Economic Analysis, REIS 1969-1997
Employment growth for the comparison states is an average of growth rates for Alabama, Florida, North Carolina, South Carolina, Tennessee, and Virginia.

Table 4. Growth in Manufacturing Employment 1988-1996

<table>
<thead>
<tr>
<th></th>
<th>Manufacturing</th>
<th>Manufacturing Less Textiles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>2.8%</td>
<td>11.9%</td>
</tr>
<tr>
<td>Alabama</td>
<td>9.6%</td>
<td>19.0%</td>
</tr>
<tr>
<td>Florida</td>
<td>-6.7%</td>
<td>-6.2%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>-0.1%</td>
<td>10.0%</td>
</tr>
<tr>
<td>South Carolina</td>
<td>-1.9%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>4.6%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Virginia</td>
<td>-7.2%</td>
<td>-3.8%</td>
</tr>
</tbody>
</table>

Source: County Business Patterns
Figure 3. Percent Change in Employment, 1988-97
Figure 5. Georgia Employment Compared to the Nation

Percent Change in Employment 1988-97
Note: the U.S. grew at 16 percent
Less than 16%
Greater than or equal to 16%

Miles
Source: BEA

Fiscal Research Program
Figure 6. Negative Employment Growth, 1988-97

Fiscal Research Program
Figure 7. Manufacturing Employment With and Without Textiles

Figure 8. Annual Percentage Growth in Total Nonfarm Employment 1989-1999

Source: Bureau of Labor Statistics
Data are seasonally adjusted and calculated using employment figures from June of each year. Growth is through June 1999.
1. Comparison of Annual Employment Growth for Nonmetropolitan Counties

a. Comparison with the United States

- Total employment in nonmetropolitan counties in Georgia grew faster each year than the U.S. nonmetropolitan regions between 1991-1995, but more recently has lagged the nation (Figure 9).

![Figure 9. Annual Percentage Growth in Nonmetropolitan Employment 1988-1997](image)

Source: Bureau of Economic Analysis, REIS 1969-1997
Data include full and part-time employment, including military.

The following charts present comparisons between Georgia and the comparison states of annual growth rates of nonmetropolitan employment.

Source: Bureau of Economic Analysis, *REIS 1969-1997*


Source: Bureau of Economic Analysis, *REIS 1969-1997*

Data include full and part-time employment, including military.
- Nonmetropolitan employment in Georgia surpassed the Carolinas between 1991 to 1995.

Data include full and part-time employment, including military.

Source: Bureau of Economic Analysis, *REIS 1969-1997*

Data include full and part-time employment, including military.
2. Comparison of Annual Employment Growth for Metropolitan Counties

a. Comparison with the United States

- Total employment for metropolitan areas grew at a more rapid rate each year in Georgia than in the United States as a whole (*Figure 10*).

![Figure 10. Annual Percentage Growth in Metropolitan Employment 1988-1997](image)

Source: Bureau of Economic Analysis, *REIS 1969-1997*
Data include full and part-time employment, including military.
b. **Metropolitan employment growth for the comparison states 1988-1997**

The following charts present comparisons by year of annual growth rates of metropolitan employment between Georgia and the comparison states.

Source: Bureau of Economic Analysis, *REIS 1969-1997*

- Metropolitan employment growth in Georgia surpassed Alabama for all of the 90’s and surpassed Florida until 1996.

Source: Bureau of Economic Analysis, *REIS 1969-1997*
Data include full and part-time employment, including military.
Source: Bureau of Economic Analysis, REIS 1969-1997

- Metropolitan employment in Georgia grew faster during the 1990's than the Carolinas until 1996.

Source: Bureau of Economic Analysis, REIS 1969-1997
Data include full and part-time employment, including military.
Source: Bureau of Economic Analysis, *REIS 1969-1997*


Data include full and part-time employment, including military.
3. Growth Along Georgia’s Border

One particular issue of concern that has been voiced is the possible loss of industry to border states. In particular, there is a concern that the aggressive economic development incentives offered by South Carolina and Alabama have resulted in much higher employment growth on the non-Georgia side of the border with these states. Examples of specific firms that choose a South Carolina location on the border of Georgia rather than a Georgia location have been cited as evidence.

We compared the growth in employment in counties that are located on either side of Georgia’s border (*Figure 11*). The comparison of employment growth rates over the past decade of these counties does not suggest that Georgia’s border counties are performing worse than border counties in adjacent states. It may be the case that the border concern is valid for the very recent past and that this is not yet revealed by the data.

To investigate this border issue (as well as other economic development related issues) it would be desirable to track the sites chosen by firms for which Georgia is one of the final two or three sites being considered. It would then be possible to determine whether the success rate (i.e., the percentage of firms that consider and choose a site in Georgia) is changing and whether it is changing in specific geographic areas. However, we were unable to uncover such information.

4. Unemployment

- Georgia has a lower unemployment rate than the nation as a whole (*Table 5*).
- Georgia has a higher unemployment rate than North Carolina, South Carolina, and Virginia (*Table 5*).
Figure 11. Total Employment Growth for Border Counties 1988-1997
Table 5. Civilian Unemployment Rates 1980-1999

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>Georgia</th>
<th>Alabama</th>
<th>Florida</th>
<th>North Carolina</th>
<th>South Carolina</th>
<th>Tennessee</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>7.1%</td>
<td>6.4%</td>
<td>8.8%</td>
<td>5.9%</td>
<td>6.6%</td>
<td>6.9%</td>
<td>7.3%</td>
<td>5.0%</td>
</tr>
<tr>
<td>1985</td>
<td>7.2</td>
<td>6.5</td>
<td>8.9</td>
<td>6.0</td>
<td>5.4</td>
<td>6.8</td>
<td>8.0</td>
<td>5.6</td>
</tr>
<tr>
<td>1990</td>
<td>5.6</td>
<td>5.5</td>
<td>6.9</td>
<td>6.0</td>
<td>4.2</td>
<td>4.8</td>
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<td>4.3</td>
</tr>
<tr>
<td>1997</td>
<td>4.9</td>
<td>4.5</td>
<td>5.1</td>
<td>4.8</td>
<td>3.6</td>
<td>4.5</td>
<td>5.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Jan. 1999*</td>
<td>4.3</td>
<td>3.9</td>
<td>3.9</td>
<td>4.3</td>
<td>3.1</td>
<td>3.7</td>
<td>4.2</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: *1998 Statistical Abstract of the United States*
Unemployment rates through 1997 are annual averages of monthly figures.
*January data are from the Bureau of Labor Statistics, Employment and Earnings June 1999. They are seasonally adjusted.

5. **Gross State Product**

- Georgia lags only one state (Florida) in total Gross State Product (GSP) for 1997 (*Table 6*).

- Georgia’s GSP grew 56 percent from 1991-1997, higher than any of the comparison states (*Table 6*).
<table>
<thead>
<tr>
<th></th>
<th>Georgia</th>
<th>Alabama</th>
<th>Florida</th>
<th>North Carolina</th>
<th>South Carolina</th>
<th>Tennessee</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>$147,448</td>
<td>$75,030</td>
<td>$265,677</td>
<td>$148,713</td>
<td>$68,080</td>
<td>$100,494</td>
<td>$153,449</td>
</tr>
<tr>
<td>1993</td>
<td>$170,903</td>
<td>$82,998</td>
<td>$300,681</td>
<td>$168,550</td>
<td>$75,205</td>
<td>$116,658</td>
<td>$169,972</td>
</tr>
<tr>
<td>1994</td>
<td>$185,982</td>
<td>$89,327</td>
<td>$321,700</td>
<td>$182,268</td>
<td>$80,684</td>
<td>$127,852</td>
<td>$178,788</td>
</tr>
<tr>
<td>1995</td>
<td>$200,152</td>
<td>$94,948</td>
<td>$338,651</td>
<td>$193,635</td>
<td>$85,137</td>
<td>$134,489</td>
<td>$188,002</td>
</tr>
<tr>
<td>1997</td>
<td>$229,473</td>
<td>$103,109</td>
<td>$380,607</td>
<td>$218,888</td>
<td>$93,259</td>
<td>$146,999</td>
<td>$211,331</td>
</tr>
<tr>
<td>% Change 1991-97</td>
<td>55.6%</td>
<td>37.4%</td>
<td>43.3%</td>
<td>47.2%</td>
<td>37.0%</td>
<td>46.3%</td>
<td>37.7%</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis
6. Population

- Between 1988 and 1998 Georgia’s population grew nearly twice as fast as the United States population *(Figure 12).*

- For the period 1988-1998, Georgia experienced a higher growth rate in population than Alabama, North Carolina, South Carolina, Tennessee, and Virginia *(Figure 12).*

![Figure 12. Population Growth 1988-1998](image)

Source: Bureau of Economic Analysis, *REIS 1969-1997*

7. Personal Income

- Georgia ranks fourth among the comparison states in per capita personal income growth from 1988-1997 *(Table 7).*

- Georgia trails only Florida and Virginia in per capita personal income in 1997 *(Table 7).*

- Since 1990, Georgia’s per capita income has grown faster than income per capita in the U.S. *(Figure 13).*
Table 7. Per Capita Personal Income 1988-1997

<table>
<thead>
<tr>
<th></th>
<th>Georgia</th>
<th>Alabama</th>
<th>Florida</th>
<th>North Carolina</th>
<th>South Carolina</th>
<th>Tennessee</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>$15,591</td>
<td>$13,288</td>
<td>$17,092</td>
<td>$14,810</td>
<td>$13,468</td>
<td>$14,482</td>
<td>$18,064</td>
</tr>
<tr>
<td>1989</td>
<td>$16,466</td>
<td>$14,266</td>
<td>$18,405</td>
<td>$15,827</td>
<td>$14,180</td>
<td>$15,438</td>
<td>$19,244</td>
</tr>
<tr>
<td>1990</td>
<td>$17,385</td>
<td>$15,213</td>
<td>$19,127</td>
<td>$16,649</td>
<td>$15,427</td>
<td>$16,309</td>
<td>$20,021</td>
</tr>
<tr>
<td>1991</td>
<td>$17,930</td>
<td>$15,895</td>
<td>$19,451</td>
<td>$17,115</td>
<td>$15,710</td>
<td>$16,976</td>
<td>$20,498</td>
</tr>
<tr>
<td>1992</td>
<td>$18,888</td>
<td>$16,817</td>
<td>$19,910</td>
<td>$18,230</td>
<td>$16,410</td>
<td>$18,256</td>
<td>$21,280</td>
</tr>
<tr>
<td>1993</td>
<td>$19,668</td>
<td>$17,398</td>
<td>$21,080</td>
<td>$19,137</td>
<td>$17,091</td>
<td>$19,139</td>
<td>$22,133</td>
</tr>
<tr>
<td>1994</td>
<td>$20,632</td>
<td>$18,163</td>
<td>$21,761</td>
<td>$19,920</td>
<td>$17,914</td>
<td>$20,088</td>
<td>$23,031</td>
</tr>
<tr>
<td>1995</td>
<td>$21,696</td>
<td>$19,041</td>
<td>$22,676</td>
<td>$20,996</td>
<td>$18,789</td>
<td>$21,109</td>
<td>$23,943</td>
</tr>
<tr>
<td>1996</td>
<td>$22,900</td>
<td>$19,838</td>
<td>$23,834</td>
<td>$22,053</td>
<td>$19,651</td>
<td>$21,800</td>
<td>$24,950</td>
</tr>
<tr>
<td>1997</td>
<td>$23,882</td>
<td>$20,672</td>
<td>$24,799</td>
<td>$23,168</td>
<td>$20,508</td>
<td>$22,699</td>
<td>$26,109</td>
</tr>
</tbody>
</table>

% Change 1988-1997: 53.2% 55.6% 45.1% 56.4% 52.3% 56.7% 44.5%

Source: Bureau of Economic Analysis, REIS 1969-1997

Figure 13. Annual Percentage Growth in Personal Per Capita Income 1988-1997

Source: Bureau of Economic Analysis, REIS 1969-1997
II. Business Climate/Economic Competitiveness

Georgia’s economic performance over the past decade implies that it is an attractive site for business, but there are other ways to gauge the State’s attractiveness or competitiveness. The first is to rely on indicators of competitiveness or business climate while the second involves comparing a firm’s potential profitability at locations in alternative states.

A. Indicators of Competitiveness/Business Climate

1. Introduction

The term “business climate” is used to describe the conditions firms face in doing business in a given place. The business climate is comprised of the prices, quality, and availability of inputs (particularly workers), the adequacy and condition of public infrastructure, access to markets to which final products are delivered, the prevailing taxes and regulations and certainty and stability of policy. Since the late 1980’s Georgia has enjoyed a period of strong economic growth because of what some have called an excellent business climate. However, in an attempt to attract business other nearby states have engaged in policies that are intended to increase the relative attractiveness, and thus compete for and attract business that might have otherwise located in Georgia.

Although the general definition of business climate is shared by all industries, each has a different set of characteristics that comprise a favorable climate. In the past many viewed a good business climate as synonymous with a good climate for manufacturing. Manufacturing firms brought relatively high paying jobs for a large group of people. However, manufacturing is presumed to move to the location that allows the lowest possible production cost, i.e. the location with the lowest wages, taxes,
energy costs, workers’ compensation costs and unemployment premiums. And, given the past importance of manufacturing, these costs weighed heavily in any discussion of business climate.

However, the industry mix has begun to move away from manufacturing towards industries like services and retail. Thus, any evaluation of the overall business climate would now have much more to consider (i.e., both retail and services are dependent on the size of the local population and local economic momentum).

In making state-level business climate comparisons there are several sources from which to choose. However, the sources differ in the data used, the industry covered, and the methodologies (see Steinnes and Syck (1990) for a review and critique of past business climate studies). Several evaluations only measure state economic performance. For example, *State Policy Reports* publishes an index of economic momentum that primarily measures growth in industry, wages, and population. In this index Georgia ranked 4th. However, measures of performance place emphasis on past growth, not the prospect of future growth. Some evaluations are conducted by state organizations, which simply poll firms to determine which other states are or were under consideration for site location. This approach however, does not provide an accurate comparison of climates since the firms polled usually are those that located (or are interested in locating) in the state conducting the poll. Other evaluations of business climates use state-level economic data focusing on a single industry or firm size, while still others take a broader approach, using economic, demographic, and quality-of-life data to evaluate prospective locations for all firms in all states. The latter two approaches, however, are still subjective measures of business climates since the rankings are influenced by the choice of
variables, especially in reports sponsored by a single state. Nevertheless, the latter two approaches provide a more uniform comparison for all states. (For a summary of common ranking methodologies and their inherent problems see Dardia and Luc (1999)).

a. Industry or size-specific ranking

One of the earliest business climate rankings, produced by Grant Thornton in 1979 (formerly Alexander Grant Co.), focused primarily on cost factors associated with manufacturing firms in Illinois compared with other states. The Center for Business and Economic Development at Auburn University produced a similar ranking comparing Alabama with other states. Although these early reports attracted attention, their results have been heavily criticized and questioned given the source of sponsorship.

More recently business climate comparisons have been generated by organizations that are not sponsored by an individual state. Whirlpool (1997) published a report ranking the business climates of 23 states containing major appliance manufacturing facilities. In this report, Georgia ranks 8th, behind Tennessee, South Carolina and Alabama. The ranking is based on economic data, such as corporate taxes, unemployment compensation, education, and other quality of life factors.

The Washington D.C.-based Small Business Survival Foundation also produces a state ranking that is focused on the economic factors most relevant to the location decision of a small business or entrepreneur. The study combines nine major “costs” incurred by small businesses and entrepreneurs into one index. These costs primarily include various tax rates; however the index is supplemented with crime rate information to account for quality of life. The last published ranking was 1996 in which Georgia ranked 24th.
The New State Economy, produced by the Democratic Leadership Council’s Progressive Policy Institute (Atkinson, Court, and Ward 1999), is a state ranking of business climate that uses economic data to target the climate facing high technology firms, firms in emerging industries, and information-based industries. The overall ranking is a composite of 17 indicators that measure the current strength and the prospects of further growth in these industries. This assessment weights heavily measures of education among the workforce and education among the population in general. Also important is the relative amount of resources dedicated to research and development and the percentage of jobs in managerial and high tech occupations. In 1999, Georgia ranked 25th, which was below Virginia and Florida.

b. General ranking

In addition to these indices of specific climates, there are also rankings of the general business climate. Policom Corporation produces the Annual Ranking of Economic Strength, which uses data maintained by the U.S Department of Commerce, Bureau of Economic Analysis. The ranking combines properties of both business climate, which is the economic costs facing new businesses, and economic performance, which is primarily past growth. Policom’s formulas reward the areas that have had the fastest, most consistent growth over an extended period of time. States that have a history of “boom and bust” are typically ranked lower than area that had a slower, but much more consistence growth pattern. The index also incorporates measures of welfare usage and medical transfers to the poor. From the index a letter grade is assigned. Georgia earned an “A” for the 1998 score, along with North Carolina and Tennessee.
Expansion Management magazine publishes rankings of a variety of costs and advantages associated with state-level firm location, such as taxes, transportation, energy costs, proximity to resources, government incentives, real estate costs, and work force availability. In 1998 Georgia ranked 3rd in worker training programs, 7th in overall employment costs and 15th in overall business climate.

Site Selection magazine also produces a ranking of state business climates based on both economic data and an annual poll of top corporate real estate executives. States are ranked on five criteria, four of them totals for new facilities and expansions taken from Site Selection's New Plant database. Those four criteria are: total new facilities in the most recent Site Selection annual tally (1997); total new facilities over a three-year span (1995-97); total new facilities per 1 million residents; and total facilities per 1,000 sq. miles. The fifth rankings factor is based on the annual poll. Georgia ranked 5th, which is below North Carolina.

2. Ranking by CFED

Of the current business climate rankings, the most well known comes from the Corporation for Enterprise Development (CFED). The procedures for ranking states were developed in association with faculty at Carnegie Melon University. CFED rankings have been criticized for focusing more on the employee rather than the employer by including variables, such as average wages and various quality-of-life variables. Recent rankings, however, have included fiscal stability measures to provide more balance. In spite of criticisms CFED's rankings, it is very comprehensive and provides useful information for both policy makers and firms' location decisions. (For a detailed discussion of the CFED rankings see Boyle (1999) and Schweke (1999)).
Below, we provide a brief overview of the business climate competitiveness of Georgia relative to other states based on CFED’s rankings and other independent sources.

The Corporation for Enterprise Development produces the Development Report Card (Clones 1998), an annual assessment of the strengths and weaknesses of each state’s economic conditions and the potential each demonstrates for future growth. The Report Card evaluates each state’s performance relative to that of all other states by grading the adequacy in three main areas: 1) economic performance, 2) business vitality, and 3) developmental capacity. Of the three measures, development capacity measures the potential for future economic development and is thus a measure of business climate.

The 1998 Development Report Card had the following to say about Georgia:

**Economic Performance**
Georgia again paired with North Carolina to produce the Southeast's only A in Economic Performance for the second year running. The state had the nation's third best overall employment conditions, led by excellent growth in employment calculated either over one year or more. Average annual pay was also growing fast at the same time. The state ranked 9th in pay growth. The disturbing blemish appeared in the substantial increase in the gap between rich and poor (ranked among the ten worst in the country). The state performed well on most quality of life measures except crime and teen pregnancy.

**Business Vitality**
For the fourth year in a row, Georgia earned an A in Business Vitality, ranked as the nation's 6th most dynamic business sector. Entrepreneurship is the state's biggest strength, led by the 6th largest increase in the rate that new companies are formed. The state has managed to improve the structural diversity of its economy as well, making it less vulnerable to future economic fluctuations. Existing businesses rated fair as the moderately large income from companies that compete out of state were countered by a large business closure rate.

**Development Capacity**
Changes in the locally owned banking industry resulted in a comparative decline in Georgia's Financial Resources grade, causing the state to miss the Honor Roll. Loans to equity were among the five lowest in the country and deposits per capita and commercial & industrial loans were below
average. Meanwhile, the state's infrastructure remained among the nation's best (led by highway conditions that were second best), but Human Resources lagged the nation. Most troubling is that Georgia had the second worst high school graduation rate in the country, which does not bode well for the future workforce.

CFED grades for Georgia and our comparison states are presented in Table 8. Georgia performs as well or better than any comparison state in most categories. However, education, crime, teen pregnancy rates, income disparity and financial resources all are mentioned as areas where Georgia compares poorly with other states. Deficiencies in these areas are the cause for the grade of “C” in Georgia’s development capacity.

3. Costs of Doing Business

Firms make location decisions based on the costs of doing business in one area relative to another. The costs of inputs such as labor, energy and taxes are important considerations in the location choice. Relatively low costs are associated with a good business climate. For labor, however, cost considerations extend also to workforce quality. Comparisons of costs are a more direct measure of competitiveness.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Georgia</th>
<th>Florida</th>
<th>N. Carolina</th>
<th>S. Carolina</th>
<th>Tennessee</th>
<th>Alabama</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Performance</td>
<td>A</td>
<td>D</td>
<td>A</td>
<td>C</td>
<td>D</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td>Business Vitality</td>
<td>A</td>
<td>B</td>
<td>B</td>
<td>B</td>
<td>C</td>
<td>C</td>
<td>A</td>
</tr>
<tr>
<td>Development Capacity</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>F</td>
<td>C</td>
<td>D</td>
<td>B</td>
</tr>
</tbody>
</table>
a. Manufacturing wage adjusted for productivity

Although manufacturing firms use average wages to proxy the cost of labor in an area, the important statistic is the productivity of a worker in relation to the wages paid. However, that statistic is elusive since productivity per worker is hard to accurately calculate. However, we can adjust wages for the level of productivity by dividing total wages in manufacturing by total value added in manufacturing. This statistic depicts the ratio of labor costs to the value that labor produced within a state. The larger the number the more expensive the unit labor is relative to the value added.

Relative to the rest of the country for 1992 (latest year for which data is available), Georgia has low manufacturing wages adjusted for productivity (Figure 14). Among comparison states, Georgia’s adjusted manufacturing wages are lower than South Carolina’s, Alabama’s and Florida’s and just above Tennessee’s. Only Virginia and North Carolina have substantially lower relative manufacturing labor costs.

b. Energy prices

Statistics comparing state averages of electricity rates are indicative of rate differentials for other fuels as well. In general, the farther you locate from the sources of energy (the gas fields of the Southwest, coal mines in the Central Atlantic, and hydro-electric sites), the more expensive energy will be. Taxes and state policies make a big difference in what one pays for energy. There are also price variations within states among users of differing quantities and among types of industrial service (such as cheaper rates for those who agree to close their plants on high-use days). Many concessions are made to firms newly locating in an area or who demonstrate they can
obtain service from a competitor utility. To compare energy costs across states we use the average revenue per kilowatt-hour, which measures the average price charged to industries within the state.

Georgia's energy costs are below the U.S. average and are below average for the comparison states (Figure 15). Although Alabama, South Carolina and Virginia have lower energy costs, the difference is relatively small.

c. **Taxes**

Figure 16 depicts combined state and local tax revenue per capita. Georgia remains competitive with the rest of the U.S. but is somewhat higher than most neighboring states in terms of tax costs. However, in examining tax competitiveness, considerations should extend beyond simply calculating the tax bill. Investment in public infrastructure, tax equity, tax fairness and tax stability also influence firm location decisions. Although CFED rates highly Georgia's fiscal stability and investment in infrastructure, Georgia's tax fairness ranked 42nd; however, that was above Alabama, Tennessee, and Florida. (For a discussion of how to measure tax climate, see Tannenwald 1996.)

d. **Educational characteristics**

Educational characteristics speak directly to the quality of applicants a firm choosing to locate in Georgia might expect. Georgia has performed poorly relative to other states in most categories pertaining to education. State average test scores such as the SAT (Figure 17), the AFQT (Armed Forces Qualification Test (Figure 18), and 8th grade math proficiency (Figure 19) were among the bottom ten in the U.S. Of the comparison states, however, South Carolina consistently had lower test scores and
Figure 15. Energy Costs, 1996
("+")=Comparison States

Revenue per kwh

Idaho  Washington  Kentucky  Montana  Oregon  Wyoming  Utah  Nebraska  Wisconsin  Oklahoma  Alabama  West Virginia  Texas  Virginia  Iowa  Indiana  Ohio  Louisiana  Georgia  Minnesota  Mississippi  New Mexico  Missouri  North Dakota  Colorado  Arkansas  South Dakota  (U.S. Average)  Kansas  Delaware  North Carolina  Nevada  New Mexico  Iowa  Arizona  Illinois  Maryland  Pennsylvania  Maine  California  Connecticut  New Jersey  Rhode Island  Massachusetts  New Hampshire  Hawaii
Figure 16. State and Local Taxes Per Capita, 1995
("+"=Comparison States)
Figure 17. Average SAT Score, 1998
(Some States Not Reported)
("+"=Comparison States)
Figure 18. Armed Forces Qualification Test, 1996
("+"=Comparison Georgia)
Figure 19. Average Proficiency in Math, Eighth Grade, 1996
(Some States Not Reported)
("+"=Comparison States)
Alabama scored lower on the AFQT and 8th grade math proficiency. (Alabama did not report average SAT scores.)

High school completion rates have also lagged comparison states as well as the rest of the county. Although Georgia is 3rd among the seven comparison states in the percentage of the population over age 25 with a high school diploma (Figure 20), it remains below the U.S. average.

4. Summary of Georgia’s Business Climate

The information presented above suggests that Georgia’s business climate is among the best in the region and average when compared with the rest of the country. Georgia has relatively low costs, a high quality of infrastructure and substantial economic momentum. Education, however, is Georgia’s primary weakness and is the source of the “C” rating for development capacity from CFED. The developmental capacity of a state is partially dependent on the available human resources, and Georgia’s education system lagged the other parts of the country. However, the overall picture of Georgia’s business climate is positive.

B. The Relative Competitiveness of Georgia

One way of analyzing the relative competitiveness of the state is to calculate the profitability of a hypothetical firm across various locations. Comparing how profits differ across states for an identical firm provides an important measure of the competitiveness of the state.
Figure 20. Percentage of Population Over 25 with a High School Diploma, 1997
("+"=Comparison States)
KPMG conducted such an analysis in order to determine the effect of tax incentives on the profitability of different sites. KPMG considered three hypothetical firms (a manufacturer, high-tech company and company headquarters) in each of four states: Alabama, Georgia, North Carolina, and South Carolina. Using assumed financial and labor values, taxes are calculated with and without state tax incentives. Essentially, all three firms are identical with the exception of equipment.

1. Assumption of the KPMG Study

There are several assumptions made in the analysis conducted by KPMG, for which there are reasonable alternatives, which appear to drive the results that KPMG find.

a. Location

The analysis assumes specific locations in each state, namely Eufaula, AL, Atlanta, GA, Greenville, SC, and Asheville, NC. This has several implications:

- Since the City of Atlanta has a much higher property tax rate than other jurisdictions in the State, the jurisdiction selection may put Georgia in bad light. (It depends upon whether property tax rates in other parts of the other states are also lower than in Georgia.

- North Carolina, South Carolina, and Georgia assign counties to tiers based on their economic condition and provide different levels of tax credits in the various tiers. The selected jurisdictions for the KPMG study are in the highest ranked tier economically (i.e., best off), an issue for North Carolina, South Carolina and Georgia. (Alabama has no tier structure, but does have enterprise zones. Eufaula is in an enterprise zone.) For the job tax credits, North Carolina has a credit range of $500 to $12,500 per job. Georgia has a range of $500 to $2500. South Carolina has a credit range of $1,500 to $4,500. Selecting the highest tier means South Carolina has a job tax credit that is three times Georgia’s. However, if a location was in the worse off tier had been selected, South Carolina’s credit would have been only 1.8 times as large.
b. **Job tax credit for North Carolina**

It appears that the calculation for the North Carolina job tax credit was incorrectly conducted. The North Carolina job tax credit for the area that KPMG choose is $500 per worker and is allocated in equal amounts over 4 years. (It is unlike Georgia’s job tax credit in that Georgia allows the full credit in each of five years.) Thus, the maximum that income tax could be reduced is $75,000 under the KPMG assumption of 150 new workers. The KPMG study, however, reports a reduction in income tax liability from the job tax credit of $1,231,924 over the 15 year period.

c. **Local incentives**

The KPMG analysis restricts its consideration of tax incentives to those that are explicitly allowed by state law. Alabama and South Carolina have such legislation, but Georgia and North Carolina do not. Thus, the KPMG study implicitly assumes that the local governments in Alabama and South Carolina will provide property tax abatement, but that Georgia and North Carolina do not. We know that local governments in Georgia provide a variety of incentives, but there is no formal information collected on the extent of the property tax abatements. Furthermore, there may be other local incentives that are provided in Georgia as well as the other states.

d. **Tax apportionment**

It is assumed that 100 percent of the firm’s profit are taxed in the home state. Georgia and South Carolina double weight sales in the apportionment formula. To the extent that these firms shipped out of state, the 100 percent apportionment assumption overstates taxes in Georgia and South Carolina. This is probably not a major factor.
e. Salaries

In South Carolina there is a tax credit based on salary. The assumed salary for most of the workers (140 out of 150) is $35,000, or $17.50 per hour. Based on average salaries in manufacturing in South Carolina, that is high.

2. Findings and Source of Differences in Net Tax Liability

The KPMG report finds that while Georgia compares favorably before tax incentives are imposed, it does not compare well after tax incentives are factored in. We focus on the manufacturing firm and the five-year tax liability figures to show the source of the tax reduction and the source of the difference between states.

In Alabama and South Carolina over a third of the decrease in tax liability is due to property tax abatement. In Alabama, property tax liability falls to 25 percent of the original level, while in South Carolina it falls to 57 percent of the original level.

In Alabama there is also a large decrease in sales tax liability. In South Carolina the Job Development Fee accounts for over 50 percent of the reduction in the tax liability.

3. Re-Analysis of KPMG Study

To investigate the effect of alternative assumptions, we redid the KPMG study, but only for the manufacturing firm. Other than addressing the issues discussed below, we employed all of the assumptions made in the KPMG study. Rather than using a location that is in the best off tier, we assumed locations in the economically worst off counties. Instead of picking one specific county, and therefore the tax rates associated with that county, we assumed tax rates that are the average for the counties in the economically worst tier. In particular, we made the following changes. For Alabama, we assumed a local sales tax rate of 2 percent rather than 3 percent and a property tax rate of
43 mills rather than 44 mills. For Georgia, we used a property tax rate of 25 mills rather than 50.9 mills. For South Carolina we assumed a property tax rate of 225 mills rather than 231.5 mills and a local sales tax of one percent instead of no local sales tax. For North Carolina, we assumed a property tax rate of 32 mills rather than 37.48 mills.

We assumed that the average hourly wage rate was $11.35, the average in the South Carolina for production and non supervisory workers. We also assumed that the Job Development Fee would be allowed for 10 years, not the maximum of 15 years; this adjustment is based on conversations with officials in South Carolina. (While a lower hourly wage rate will increase taxable profit, we assumed the same profit that KPMG did.)

Finally, we considered only the effect of state funded tax credits, and not locally funded property tax abatements. We do, however, show the effect on net tax liability if the property tax abatements in Alabama and South Carolina are included in the analysis.

As can be seen from Table 9 and Table 10, our results are substantially different than the results from KPMG. Table 9 is from the KPMG study and shows that after the application of the tax incentives the other three states have substantially lower tax liability than Georgia. At the extreme, for the 15-year period, net tax liability, i.e., after the application of the tax incentives in South Carolina is about 25 percent of Georgia’s net tax liability. Our results (Table 10) suggest that net tax liability in Georgia is still lower after the application of the state financed tax incentives. Even allowing for property tax abatements in Alabama and South Carolina, the net tax liability in those states are still higher than in Georgia over the 15 year period.
Table 9. KPMG Analysis of Tax Incentives

ABC Company -- Manufacturing
Without Incentives

<table>
<thead>
<tr>
<th></th>
<th>Alabama 5 Years</th>
<th>Alabama 15 Years</th>
<th>Georgia 5 Years</th>
<th>Georgia 15 Years</th>
<th>South Carolina 5 Years</th>
<th>South Carolina 15 Years</th>
<th>North Carolina 5 Years</th>
<th>North Carolina 15 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>$345,094</td>
<td>$1,208,929</td>
<td>$637,096</td>
<td>$2,231,870</td>
<td>$530,914</td>
<td>$1,859,891</td>
<td>$743,279</td>
<td>$2,603,848</td>
</tr>
<tr>
<td>Franchise Tax</td>
<td>$1,623,000</td>
<td>$5,178,000</td>
<td>$25,000</td>
<td>$75,000</td>
<td>$541,000</td>
<td>$1,726,000</td>
<td>$811,500</td>
<td>$2,589,000</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$1,031,875</td>
<td>$2,501,862</td>
<td>$2,328,166</td>
<td>$5,710,980</td>
<td>$2,491,519</td>
<td>$5,505,649</td>
<td>$1,536,680</td>
<td>$3,643,056</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$920,000</td>
<td>$920,000</td>
<td>$480,000</td>
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<td>$400,000</td>
<td>$400,000</td>
<td>$720,000</td>
<td>$720,000</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>$3,919,969</td>
<td>$9,808,791</td>
<td>$3,470,262</td>
<td>$8,497,850</td>
<td>$3,963,433</td>
<td>$9,491,540</td>
<td>$3,811,459</td>
<td>$9,555,904</td>
</tr>
</tbody>
</table>

CAUTION: The above conclusions are based upon detailed calculations that reflect various assumptions that materially affect the amounts as indicated. Please review the assumptions and subsequent calculations for appropriateness.

ABC Company -- Manufacturing
With Incentives

<table>
<thead>
<tr>
<th></th>
<th>Alabama 5 Years</th>
<th>Alabama 15 Years</th>
<th>Georgia 5 Years</th>
<th>Georgia 15 Years</th>
<th>South Carolina 5 Years</th>
<th>South Carolina 15 Years</th>
<th>North Carolina 5 Years</th>
<th>North Carolina 15 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$0</td>
<td>$0</td>
<td>$315,457</td>
<td>$979,946</td>
</tr>
<tr>
<td>Franchise Tax</td>
<td>$1,248,000</td>
<td>$4,803,000</td>
<td>$25,000</td>
<td>$75,000</td>
<td>$541,000</td>
<td>$1,726,000</td>
<td>$477,000</td>
<td>$1,609,000</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$257,969</td>
<td>$1,106,688</td>
<td>$2,328,166</td>
<td>$5,710,980</td>
<td>$1,423,725</td>
<td>$3,146,085</td>
<td>$1,536,680</td>
<td>$3,643,056</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$140,000</td>
<td>$140,000</td>
<td>$480,000</td>
<td>$480,000</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$720,000</td>
<td>$720,000</td>
</tr>
<tr>
<td>Net Tax Liability</td>
<td>$1,645,969</td>
<td>$6,049,688</td>
<td>$3,211,714</td>
<td>$8,122,850</td>
<td>$2,680,182</td>
<td>$6,252,031</td>
<td>$3,175,320</td>
<td>$7,343,980</td>
</tr>
<tr>
<td>Job Development Credit (Cash available over 15 years)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$1,400,000</td>
<td>$4,200,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Tax Liability</td>
<td>$1,645,969</td>
<td>$6,049,688</td>
<td>$3,211,714</td>
<td>$8,122,850</td>
<td>$1,280,182</td>
<td>$2,052,031</td>
<td>$3,175,320</td>
<td>$7,343,980</td>
</tr>
</tbody>
</table>

NOTE: The Job Development Credit for South Carolina is actual cash that is received by a company regardless of the tax liability of the company.
<table>
<thead>
<tr>
<th></th>
<th>Alabama 5 years</th>
<th>Alabama 15 years</th>
<th>Georgia 5 years</th>
<th>Georgia 15 years</th>
<th>South Carolina 5 years</th>
<th>South Carolina 15 years</th>
<th>North Carolina 5 years</th>
<th>North Carolina 15 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>$354,094</td>
<td>$1,208,929</td>
<td>$637,096</td>
<td>$2,231,870</td>
<td>$530,914</td>
<td>$1,859,891</td>
<td>$743,279</td>
<td>$2,603,848</td>
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<tr>
<td>Franchise Tax</td>
<td>$1,623,000</td>
<td>$5,178,000</td>
<td>$25,000</td>
<td>$75,000</td>
<td>$541,000</td>
<td>$1,726,000</td>
<td>$811,500</td>
<td>$2,589,000</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$1,008,424</td>
<td>$2,445,002</td>
<td>$1,164,083</td>
<td>$2,855,490</td>
<td>$2,421,563</td>
<td>$5,351,063</td>
<td>$1,312,000</td>
<td>$3,110,401</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$780,000</td>
<td>$780,000</td>
<td>$480,000</td>
<td>$480,000</td>
<td>$480,000</td>
<td>$480,000</td>
<td>$720,000</td>
<td>$720,000</td>
</tr>
<tr>
<td>Total Tax Liability</td>
<td>$3,765,518</td>
<td>$9,611,931</td>
<td>$2,306,179</td>
<td>$5,642,360</td>
<td>$3,973,477</td>
<td>$9,416,954</td>
<td>$3,586,779</td>
<td>$9,023,249</td>
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</table>

**Manufacturing Plant with Incentives**

<table>
<thead>
<tr>
<th></th>
<th>Alabama 5 years</th>
<th>Alabama 15 years</th>
<th>Georgia 5 years</th>
<th>Georgia 15 years</th>
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<th>South Carolina 15 years</th>
<th>North Carolina 5 years</th>
<th>North Carolina 15 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>$0</td>
<td>$0</td>
<td>$378,548</td>
<td>$1,175,935</td>
<td>$315,457</td>
<td>$979,946</td>
<td>$441,640</td>
<td>$1,871,378</td>
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<tr>
<td>Franchise Tax</td>
<td>$1,248,000</td>
<td>$4,803,000</td>
<td>$25,000</td>
<td>$75,000</td>
<td>$541,000</td>
<td>$1,726,000</td>
<td>$477,000</td>
<td>$1,609,000</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$1,008,424</td>
<td>$2,445,002</td>
<td>$1,164,083</td>
<td>$2,855,490</td>
<td>$2,421,563</td>
<td>$5,351,063</td>
<td>$1,312,000</td>
<td>$3,110,401</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$93,333</td>
<td>$93,333</td>
<td>$480,000</td>
<td>$480,000</td>
<td>$480,000</td>
<td>$480,000</td>
<td>$720,000</td>
<td>$720,000</td>
</tr>
<tr>
<td>Tax Liability</td>
<td>$2,349,757</td>
<td>$7,341,335</td>
<td>$2,047,631</td>
<td>$4,586,425</td>
<td>$3,758,020</td>
<td>$8,537,009</td>
<td>$2,950,640</td>
<td>$7,310,779</td>
</tr>
<tr>
<td>Job Development Fee</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$775,600</td>
<td>$1,551,200</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Tax Liability</td>
<td>$2,349,757</td>
<td>$7,341,335</td>
<td>$2,047,631</td>
<td>$4,586,425</td>
<td>$2,982,420</td>
<td>$6,985,809</td>
<td>$2,950,640</td>
<td>$7,310,779</td>
</tr>
</tbody>
</table>

**Change in Net Tax Liability**

<table>
<thead>
<tr>
<th></th>
<th>Alabama 5 years</th>
<th>Alabama 15 years</th>
<th>Georgia 5 years</th>
<th>Georgia 15 years</th>
<th>South Carolina 5 years</th>
<th>South Carolina 15 years</th>
<th>North Carolina 5 years</th>
<th>North Carolina 15 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in Tax</td>
<td>$1,415,761</td>
<td>$2,270,596</td>
<td>$258,548</td>
<td>$1,055,935</td>
<td>$991,057</td>
<td>$2,431,145</td>
<td>$636,139</td>
<td>$1,712,470</td>
</tr>
<tr>
<td>% Reduction in Tax</td>
<td>37.60%</td>
<td>23.62%</td>
<td>11.21%</td>
<td>18.71%</td>
<td>24.94%</td>
<td>25.82%</td>
<td>17.74%</td>
<td>18.98%</td>
</tr>
<tr>
<td>Tax as % of Georgia Without Incentives</td>
<td>1.63</td>
<td>1.70</td>
<td>1.00</td>
<td>1.00</td>
<td>1.72</td>
<td>1.67</td>
<td>1.56</td>
<td>1.60</td>
</tr>
<tr>
<td>With Incentives</td>
<td>1.15</td>
<td>1.60</td>
<td>1.00</td>
<td>1.00</td>
<td>1.46</td>
<td>1.52</td>
<td>1.44</td>
<td>1.59</td>
</tr>
</tbody>
</table>

**Net Tax Liability with Local Property Tax Incentives**

<table>
<thead>
<tr>
<th></th>
<th>Alabama 5 years</th>
<th>Alabama 15 years</th>
<th>Georgia 5 years</th>
<th>Georgia 15 years</th>
<th>South Carolina 5 years</th>
<th>South Carolina 15 years</th>
<th>North Carolina 5 years</th>
<th>North Carolina 15 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$251,839</td>
<td>$1,081,536</td>
<td>$1,164,083</td>
<td>$2,855,490</td>
<td>$1,383,750</td>
<td>$3,057,750</td>
<td>$1,312,000</td>
<td>$3,110,401</td>
</tr>
<tr>
<td>Net Tax Liability</td>
<td>$1,593,172</td>
<td>$5,977,869</td>
<td>$2,047,631</td>
<td>$4,586,425</td>
<td>$1,944,607</td>
<td>$4,692,496</td>
<td>$2,950,640</td>
<td>$7,310,779</td>
</tr>
<tr>
<td>Reduction in Tax</td>
<td>$2,172,345</td>
<td>$3,634,062</td>
<td>$258,548</td>
<td>$1,055,935</td>
<td>$2,028,870</td>
<td>$4,724,458</td>
<td>$636,139</td>
<td>$1,712,470</td>
</tr>
<tr>
<td>% Reduction in Tax</td>
<td>57.69%</td>
<td>37.81%</td>
<td>11.21%</td>
<td>18.71%</td>
<td>51.06%</td>
<td>50.17%</td>
<td>17.74%</td>
<td>18.98%</td>
</tr>
<tr>
<td>Tax as % of Georgia Without Incentives</td>
<td>1.63</td>
<td>1.70</td>
<td>1.00</td>
<td>1.00</td>
<td>1.72</td>
<td>1.67</td>
<td>1.56</td>
<td>1.60</td>
</tr>
<tr>
<td>With Incentives</td>
<td>0.78</td>
<td>1.30</td>
<td>1.00</td>
<td>1.00</td>
<td>0.95</td>
<td>1.02</td>
<td>1.44</td>
<td>1.59</td>
</tr>
</tbody>
</table>
4. Other Studies

Fisher and Peters (1998) evaluate the after-incentive returns, including both state and local incentives, for hypothetical firms in several industries across several sites in several states. Among the sites they selected in the four states considered in the KPMG study, Georgia has at least one site that is better than the sites considered in the other three states. Fisher and Peters’ purpose was not a comparison of the effect of incentives, and thus the book does not contain much detailed geographical analysis. Their conclusion that the most desirable location differs by industry and that locations within a state differ in their desirability is supported by other work on tax incentives.

5. Limitations of the Studies

The approach to analysis of the relative profitability of various locations that is used by KPMG, and which we adopted, uses a very simple framework, and as such has substantial limitations. First, it considers only one type of manufacturing firm in one location. A comprehensive study would involve performing such a calculation for different types of hypothetical firms at several different sites since costs, taxes, and incentives will differ by the nature of the business and location. The adopted approach ignored differences in the cost of land, in productivity adjusted wage rates, in transportation costs, etc. To the extent that these costs differ, the competitiveness of the states are not appropriately measured. However, to the extent that we are only interested in showing the effect of tax incentives, that is not a fatal flaw. Finally, the approach ignores what happens at the local level in terms of incentives. Without knowing that, it is not really possible to make meaningful comparisons of the effect of tax incentives.
References


### Appendix

#### A. Employment by Sector 1997

<table>
<thead>
<tr>
<th></th>
<th>Georgia</th>
<th>Alabama</th>
<th>Florida</th>
<th>North Carolina</th>
<th>South Carolina</th>
<th>Tennessee</th>
<th>Virginia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total full- and part-time employment</td>
<td>4,469,792</td>
<td>2,325,305</td>
<td>8,032,538</td>
<td>4,612,376</td>
<td>2,146,949</td>
<td>3,285,827</td>
<td>4,123,480</td>
</tr>
<tr>
<td>Farm employment</td>
<td>62,176</td>
<td>56,179</td>
<td>89,441</td>
<td>87,827</td>
<td>30,129</td>
<td>96,313</td>
<td>62,041</td>
</tr>
<tr>
<td>Nonfarm employment</td>
<td>4,407,616</td>
<td>2,269,126</td>
<td>7,943,097</td>
<td>4,524,549</td>
<td>2,116,820</td>
<td>3,189,514</td>
<td>4,061,439</td>
</tr>
<tr>
<td>Private employment</td>
<td>3,740,238</td>
<td>1,887,475</td>
<td>6,894,827</td>
<td>3,821,304</td>
<td>1,758,150</td>
<td>2,790,359</td>
<td>3,280,525</td>
</tr>
<tr>
<td>Ag. serv., forestry, fishing</td>
<td>48,108</td>
<td>25,871</td>
<td>154,324</td>
<td>55,289</td>
<td>22,392</td>
<td>30,320</td>
<td>42,109</td>
</tr>
<tr>
<td>Mining</td>
<td>9,179</td>
<td>11,854</td>
<td>11,914</td>
<td>5,267</td>
<td>2,345</td>
<td>6,654</td>
<td>13,331</td>
</tr>
<tr>
<td>Construction</td>
<td>255,080</td>
<td>145,349</td>
<td>460,130</td>
<td>302,364</td>
<td>138,167</td>
<td>192,549</td>
<td>254,918</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>604,249</td>
<td>393,122</td>
<td>516,158</td>
<td>855,272</td>
<td>371,184</td>
<td>531,860</td>
<td>419,775</td>
</tr>
<tr>
<td>Transportation and public utilities</td>
<td>259,956</td>
<td>107,905</td>
<td>387,948</td>
<td>197,278</td>
<td>86,849</td>
<td>177,107</td>
<td>191,478</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>257,726</td>
<td>102,382</td>
<td>377,892</td>
<td>200,638</td>
<td>77,286</td>
<td>155,287</td>
<td>154,016</td>
</tr>
<tr>
<td>Retail trade</td>
<td>771,821</td>
<td>399,077</td>
<td>1,486,932</td>
<td>775,034</td>
<td>402,633</td>
<td>562,488</td>
<td>677,616</td>
</tr>
<tr>
<td>Finance, insurance, and real estate</td>
<td>297,786</td>
<td>115,105</td>
<td>661,297</td>
<td>272,532</td>
<td>127,022</td>
<td>221,331</td>
<td>285,485</td>
</tr>
<tr>
<td>Services</td>
<td>1,236,333</td>
<td>586,810</td>
<td>2,838,232</td>
<td>1,157,630</td>
<td>530,272</td>
<td>912,763</td>
<td>1,241,797</td>
</tr>
<tr>
<td>Government</td>
<td>667,378</td>
<td>381,651</td>
<td>1,048,270</td>
<td>703,245</td>
<td>358,670</td>
<td>399,155</td>
<td>780,914</td>
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<tr>
<td>Federal, civilian</td>
<td>92,878</td>
<td>53,535</td>
<td>118,447</td>
<td>60,623</td>
<td>28,558</td>
<td>50,429</td>
<td>167,146</td>
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<tr>
<td>Military</td>
<td>95,287</td>
<td>44,446</td>
<td>117,460</td>
<td>122,160</td>
<td>56,661</td>
<td>24,966</td>
<td>171,985</td>
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<tr>
<td>State and local</td>
<td>479,213</td>
<td>283,670</td>
<td>812,363</td>
<td>520,462</td>
<td>273,451</td>
<td>323,760</td>
<td>441,783</td>
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<tr>
<td>State</td>
<td>141,253</td>
<td>92,849</td>
<td>207,895</td>
<td>168,188</td>
<td>101,158</td>
<td>90,788</td>
<td>144,858</td>
</tr>
<tr>
<td>Local</td>
<td>337,960</td>
<td>190,821</td>
<td>604,468</td>
<td>352,274</td>
<td>172,293</td>
<td>232,972</td>
<td>296,925</td>
</tr>
</tbody>
</table>

Source: Bureau of Economic Analysis, *REIS 1969-1997*

#### B. Data Sources

1. **Bureau of Economic Analysis, Regional Economic Information System**

The REIS CD-ROM contains personal income estimates for the years 1969-1997, for all counties, metropolitan areas, states, state metropolitan and nonmetropolitan portions, BEA regions, BEA Economic Areas, and the United States. The following information is available: personal income by major source and earnings by industry, total
full and part-time employment by industry, regional economic profiles, transfer payments, and farm income and expenses.


These reports provide monthly state labor force data, including the number employed and unemployed out of the civilian labor force, and unemployment rates.

3. Bureau of the Census, County Business Patterns

These reports provide annual series of subnational economic data by industry. Data are available from the following industries: agricultural services, forestry and fishing; mining; construction; manufacturing; transportation and public utilities; wholesale trade; retail trade; finance, insurance, and real estate; and services. Further divisions among industries follow the Standard Industrial Classification (SIC) codes.

4. Bureau of the Census, Statistical Abstract of the United States

This annual series reports summary statistics on the social, political, and economic organization of the United States. This report also includes state data on a variety of subjects, including the historical unemployment rates used.
ABOUT THE AUTHORS

David Sjoquist is Professor of Economics and Director in the Fiscal Research Program of the Andrew Young School of Policy Studies at Georgia State University. He has published widely on topics related to state and local public finance and urban economics. He holds a Ph.D. from the University of Minnesota.

William J. Smith is a Research Associate in the Fiscal Research Program and a Ph.D. candidate in the Andrew Young School of Policy Studies at Georgia State University. His research interests include education finance, urban economic geography, and urban and regional fiscal policy.

Kathleen Thomas is a Research Associate in the Fiscal Research Program and a Ph.D. candidate in the Andrew Young School of Policy Studies at Georgia State University. Her research interests include education finance, state and local fiscal policy, and public finance. She holds a M.A. from the University of Alabama.

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   Margo Doers, Administrative Support

Graduate Research Assistants
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   Kiran Hebban
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A Profile of Georgia's Economic Performance and Competitiveness.
(David L. Sjoquist, William J. Smith, Kathleen Thomas)
This report compares Georgia's recent economic performance and it's economic competitiveness relative to the U.S. and surrounding states. FRP Report 41 (January 2000).

State Economic Development Tax Incentives in the Southeast.
(Jeanie Thomas)
This report identifies basic features of state tax incentive programs in the southeastern states. Each state synopsis is followed by a brief summary of the 1999 statutory changes. FRP Report 40 (January 2000).

Rewards for High Student Achievement and Interventions for Persistently Low Student Achievement. (Ben Scafidi and the GERC's Rewards and Interventions staff)
This report prepared for the Governor's Education Reform Study Commission Accountability Committee (GERSC) discusses issues and design of education accountability programs and a menu of options for education reform. FRP Report/Brief 39 (December 1999).

An Analysis of the Employment Impact of Georgia's Job Tax Credit.
(Dagney Faulk)
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