

# GEORGIA PEACH RESEARCH

---

From Joseph Jekyll Advisers LLC

---

P.O. Box 48821 Athens, Georgia 30604  
Telephone 706-255-9469 Email: [tomwilkinsCFA@jekylladvisers.com](mailto:tomwilkinsCFA@jekylladvisers.com) Fax 706-546-4559

September 15, 2011

## Georgia Compared Economically and Philosophically To Other States and to Washington as Learned from Governor Deal's Presentation to Members and Guests at the Athens Country Club on September 9, 2011

- I. The state of Georgia lacks large unionization which almost crippled Wisconsin governor Scott Walker.
- II. Georgia is not constrained with debt limitations as is Washington. In March, Georgia received a triple-A ratings from not one, but all three rating agencies and given a "stable outlook." Only seven other states enjoy this rating. They are Delaware, Iowa, Maryland, Missouri, North Carolina, Utah and Virginia. In a follow-up phone call, Ms. Katy Pando, Director of Communications for the Georgia State Financing and Investment Commission, the latest 10 year Georgia bond was sold at a yield of 1.97% . This about the rate which U.S. 10 year Treasury Bonds are selling for. Georgia's rate compares favorably with today's market of 25% for 10 year bonds from the sovereign nation of Greece. Georgia's predecessor in the governor's office sought \$1 billion in bonds. Deal, in his first year, has asked for half as much.
- III. The economic strategy of Governor Deal is a "live-within-your-means" attitude. It differs from the Keynesian economic model in Washington which sees government spending as a key to consumer spending. Fiscal stimulus will most likely lead to increased debt levels and if occurring, would increase the risks which we currently face.
- IV. Georgia puts emphasis on investments as a means to create jobs and income, as exemplified by:

- a. Among Georgia's ports, Savannah is the fourth largest in the country and believed to be the fastest growing container port. Georgia's ports needs to be modernized to keep up with retooling of the Panama Canal where a gigantic \$15-\$25 billion improvement is underway. This change in Panama will change the size of the ships coming to the Georgia Ports. Georgia needs to upgrade its ports or be a technological disadvantage. The Georgia Port Authority is a large driver of employment and tax income. A report issued last year by Jeffrey Humphreys, Director, and Selig Center for Economic Growth at the University of Georgia estimated that 6.8% of Georgia total GDP and \$1.5 billion in state taxes came from Georgia's deep water ports in fiscal year 2009. Compared to the current Fiscal 2012 (July 2011-June 2012) budget for Georgia, this \$1.5 billion represents 8.7% of the state's incoming General Funds. In a subsequent phone call with Lee Beckmann, Manager of Legislative Affairs for the Georgia Port Authority, Georgia Peach Research pressed him the question: "Is this \$1.5 billion contribution to Georgia taxes from the Georgia Ports an exaggeration?" He said: "no." For readers, who want the full details on this economic impact report, it entitled *The Economic Impact of Georgia's Deepwater Ports on Georgia's Economy in FY 23009*, dated April, 2010. The biggest export commodities are pine tree products, kaolin and north Georgia chickens and exports exceed imports in the past few years.
- b. 600 new jobs are expected from Lowe's planned \$125 million distribution center in northern Georgia. It will as large as 33 football fields. The North Carolina-based home improvement firm says the distribution center will serve the company's stores throughout the Southeast.
- c. Caterpillar, Inc. is planning a \$120 million investment in Spalding County. This represents the single largest capital investment in Spalding County (40 miles south of downtown Atlanta) by any company, said Chuck Copeland, Chair of the Griffin-Spalding Development Authority. Recently, Caterpillar announced that its second-quarter sales were up 37% and its 2011 capital expenditures are estimated at \$3 billion. Obviously, Georgia is attracting large companies.
- d. Triumph Aerostructure-Vought Aircraft Division is investing \$17 million in Milledgeville. This facility will do work for Boeing's 787 Dreamliner.

- e. FPL Food is expanding its Richmond County (Augusta) food processing operation, expecting to create 100 new jobs.
  - f. Osmotica Pharmaceutical Corp. is investing \$20 million in its Cobb County bioscience infrastructure and is expected to create 156 jobs. The company specializes in drug delivery technologies and neurology-based therapies. One of its products is Allegra-D ® which is an antihistamine and decongestant licensed to Sanofi-Aventis, the French company with strong ties with Bristol-Myers Squibb.
  - g. Rock Tenn is investing \$5 million to expand operations in Norcross which is expected to add 500 jobs.
  - h. Re transportation, Governor Deal supports the Special Purpose Local Option Sales Tax (SPLOSH) approach in order to improve the roads. A 1 percent sales tax is scheduled for a vote in July, 2012. A highway to improve truck access to and from the Port of Savannah is in progress. In a subsequent phone call to Gil Goldberg at the Georgia Transportation Board, she confirmed that bonds for this project were recently sold.
  - i. Obviously, Georgia is seeking out large companies to make investments in Georgia which will lead to increased employment. However, Governor Deal has stiff competition from such states as Texas where the corporate income tax rate is zero!
- VI. At a presentation at the Athens Country Club on September 9, 2011, Deal said that August, 2011 revenues are up 9.1% over August, 2010 and July, 2011 revenues increased 7.3% over the same period in 2010. Fiscal 2012 (July, 2011 to June 2012) show Year to Date revenues up 8.2% within which Individual Income Taxes (the largest segment of the state's income) rose 17.6% in the first two months of Fiscal 2012. Governor Deal intends to replenish the "rainy day" fund before changing any budgetary expenses. The bottom line to these numbers is that Georgia is off to a good start for Fiscal 2012.
- VII. *The bottom line is that Georgia has a different perspective than Washington and some other states. Good luck Nathan!*