U.S. economic recovery remains uneven, fragile across counties

NACo analysis of county economies shows counties face challenges ahead

WASHINGTON, D.C. – U.S. economic growth continued last year for the 3,069 county economies, but the recovery remained uneven and fragile, according to an analysis of four economic performance indicators by the National Association of Counties (NACo). As a result of the fragile and uneven recovery, many counties are continuing to struggle with their budgets, meet financial obligations and provide essential public services.

NACo’s new study, County Tracker 2013: On the Path to Recovery assesses the performance of the nation’s county economies by studying annual changes in four indicators – economic output (GDP), employment, the unemployment rate and home prices. The report also contains case studies to illustrate how specific county economies fared during the recession and recovery. The counties profiled include, Tarrant County, Texas (population 1.9 million), Los Angeles County, Calif. (10 million), Linn County, Iowa (215,000) and Mountrail County, N.D. (9,000).

The economic indicators analyzed by NACo suggest that 2013 was a year of growth, but the recovery remained fragile. By 2013, the economic output (GDP) in about half of all county economies recovered or had no declines over the last decade. Home prices were in the same situation. But this is only part of the story. Jobs recovered in one quarter of county
economies and in only 54 county economies unemployment is back to pre-recession levels. The low unemployment recovery rates show the fragility of the recovery.

The recovery has been also uneven. All counties, large, mid-sized or small, have been affected by the recession but the patterns of recovery vary significantly.

Large county economies were at the core of the recession and the recovery. Only 4 percent of the nation’s large county economies – in counties with more than 500,000 residents – delivered around 58 percent of the county economies’ output (GDP) growth and a similar share of the added jobs over the recovery. Large county economies in the South such as in Tarrant County, Texas bounced back quickly.

“While blessed with an economic diversity that enabled us to withstand the national recession better than other areas of the country, we were most impressed with the resilience of Tarrant County’s manufacturing and housing sectors, which allowed them to respond quicker to developing opportunities,” said Roy Brooks, commissioner, Tarrant County, Texas, and chair of NACo’s Large Urban County Caucus (LUCC).

Employment in medium-size county economies was more stable during the recession, but had a mixed record in 2013. About half of the medium-sized county economies – in counties with populations between 50,000 and 500,000 residents – had shorter and/or shallower job recessions than the national average.

“One of the factors that helped stabilize Linn County’s economy through the recession was the amount of post-flood construction and revitalization that took place,” said NACo President Linda Langston, supervisor, Linn County, Iowa. “Nearly $1 billion was reinvested throughout our community from federal, state, local and private sources in the five years since the flood. Linn County also has the benefit of the value-added agriculture industry and expanding new start-up businesses that helped to fully restore us to pre-recession levels.”

The recovery in small county economies covered the entire scale of potential outcomes. Twenty-seven small county economies – in counties with fewer than 50,000 residents – had no recession or fully recovered across all four indicators by 2013. The housing market downturn was mild in small county economies, with more than half not going through home price declines or already returned to pre-recession home price levels by 2013.

This fragile and uneven recovery across county economies adds to the challenges that counties face currently. Most counties survived through the recession because of their fiscally prudent approaches.

“Los Angeles County would not have weathered the recession as strongly as we did without our focus on fiscal prudence, as well as the partnerships we have with our labor unions, who have foregone cost of living increases to avoid furloughs and layoffs,” said Los Angeles County Board of Supervisors Chairman Don Knabe, member of the NACo Large Urban County Caucus. “Our frugality has paid off through the rough economic times. Nevertheless,
as we see improvements, we must remain disciplined and continue to operate within our means.”

Counties with fast growing economies, such as Mountrail County, N.D. have a hard time to keep up with the necessary service delivery.

“The fast growth that Mountrail County experienced for the last several years has been great with jobs, but tough on the county’s infrastructure and on the county’s residents on fixed incomes,” said Greg Boschee, commissioner, Mountrail County, N.D.

Other counties, with challenged economies are finding new ways to maintain services and prepare their counties for the future.

“Trying to run county government in a contracting economy and declining population base has its challenges. But similar to running a business, if you are successful at making your organization as efficient as possible in delivering quality goods or services in trying times, you prepare your organization for greater success during more favorable times” said Matthew McConnell, commissioner, Mercer County, Pa.

In addition to the situation of their economy, all counties face a triple threat from the uncertainty around major federal policy changes, from tax reform, entitlement reform and appropriation cuts, not accompanied by cuts in unfunded mandates and federal regulations.

“The national economic numbers mask the growth patterns on the ground,” said Emilia Istrate, NACo’s director of research and lead author of the report. “The dynamics within county economies affect the capacity of counties to deliver services and meet their financial obligations. The County Tracker offers a reminder that the U.S. economy happens on the ground, in the 3,069 county economies that provide the basis for county governments. As fiscal tightening continues to limit the scope of state and federal investment, it is becoming imperative for states and the federal government to work with counties to maintain the fundamentals of the U.S. economy – county economies.”

For economic performance data for each of the 3,069 county economies and comparisons across county population groups, please see the County Tracker interactive at www.naco.org/countytracker.

Data and Methods
The County Tracker examined county economic performance through 2013 based on data from Moody’s Analytics on four economic performance indicators: economic output (GDP), employment, the unemployment rate and home prices.

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The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo assists America’s 3,069 counties in pursuing excellence in public service to produce healthy, vibrant, safe and resilient counties. NACo promotes sound public policies, fosters county solutions and innovation, promotes intergovernmental and public-private collaboration and provides value-added services to save counties and taxpayers money. More information at: www.naco.org.