

ECONOMIC SITUATION

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Much like the nation's New Jersey's economic recovery from the Great Recession has been slow and uneven over the past several months. Statewide employment increased in three of the first six months of the year and declined in the other three. June's 1,900 job decline came on the heels of two consecutive months of strong gains and underscored that the state's recovery—like many other states' and the nation's—will be slow and grinding. The state's unemployment rate stood at 9.6% in June—down slightly from its December 2009 10% peak but still obviously elevated. The number of unemployed individuals in the state totaled 438,200 in June.

Based on current job estimates, it appears that the trough for New Jersey employment occurred in March of this year. This implies that the state lost 244,500 jobs from peak (New Jersey's employment peaked in January 2008, one month after the start of the national recession) to trough – a total job loss of 6%. During the early 1980's recession, the state's employment contracted 5% as 180,000 jobs were lost.

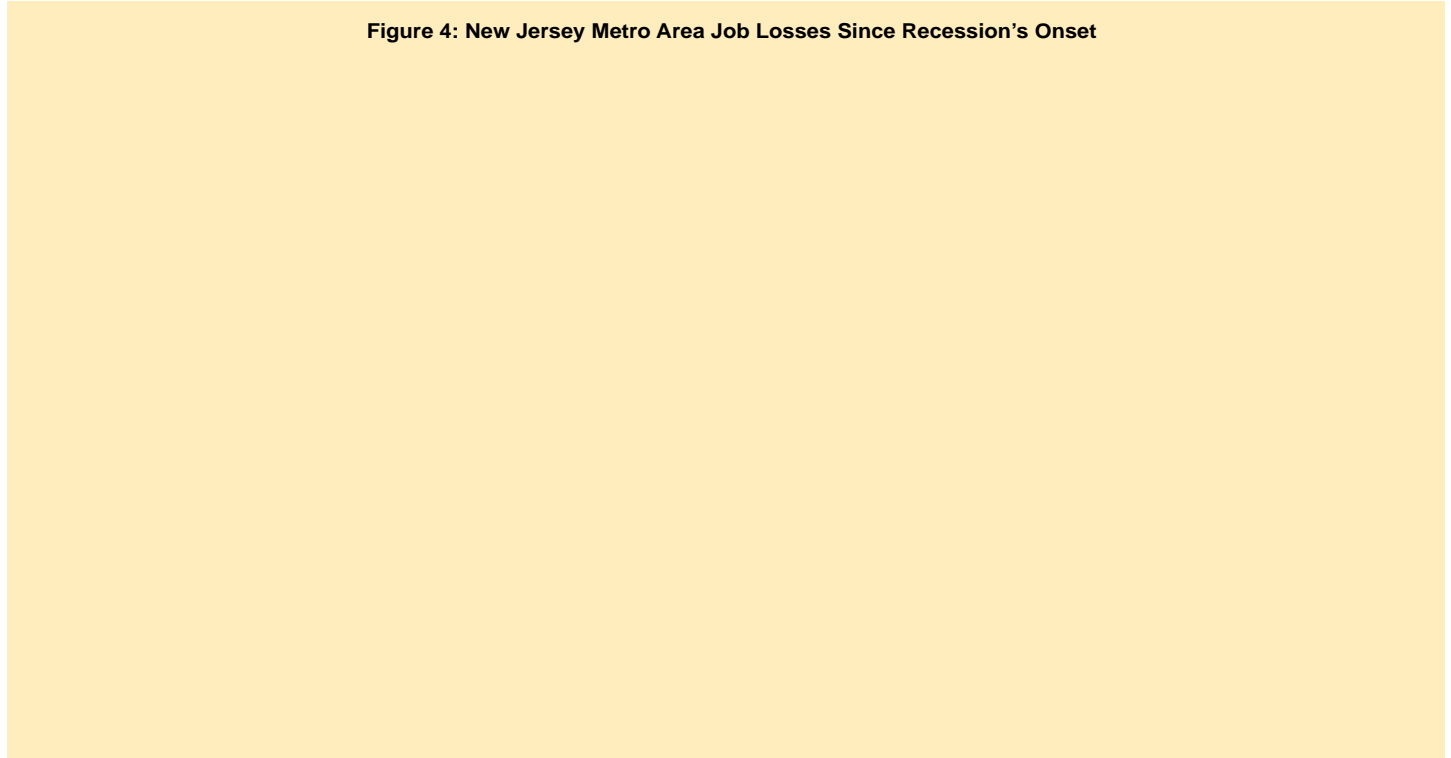
Similar to the national and state economic pictures, Atlantic City's current economic situation remains murky. On one hand, employment in the metropolitan area continues to contract, an indication that stabilization and recovery have not yet fully materialized. In June, total employment was contracting 1% year-on-year. (Figure 1) The pace of job contraction has, however, eased considerably since last summer when the rate of job loss reached 7% year-on-year in June. At the same time, the metropolitan area's unemployment rate has declined in recent months but remains—at a seasonally adjusted 12.3% in June—extremely elevated. (Figure 2)



NEW JERSEY METRO AREAS' JOB LOSSES DURING GREAT RECESSION

All of New Jersey's metropolitan areas have recorded job losses since the onset of the national recession in December 2007. (Figure 4) In absolute terms, the Edison-New Brunswick metro area has seen the largest employment decline since the recession's onset, followed by Newark-Union and Bergen-Hudson-Passaic. In percentage terms, however, Atlantic City's 8.3% employment decline is the largest among the state's metropolitan areas.

Figure 4: New Jersey Metro Area Job Losses Since Recession's Onset



AC HOUSING MARKET

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more significantly over the past two years than the CMHPI suggest. However, unlike the CMHPI, the NAR data indicate that federal incentives for first-time homebuyers worked to temporarily slow home price depreciation over the final two quarters of 2009. According to NAR data, single-family home prices in Atlantic City actually rose 9% in last year's final quarter.

Such discrepancies across these home price indicators are not surprising given their different methodologies. On the assumption that the trend in home prices in the region likely lies somewhere between the CMHPI and the NAR series, Figure 5 also shows a straight-line average of the two home price indicators. On this basis, it is clear that home prices continue to decline albeit at a far more modest pace than they have over the past several quarters.

While the pace of foreclosure activity in Atlantic County moderated during the winter months, it has picked up again more recently. (Figure 6) The average number of monthly foreclosures in Atlantic County for the first half of this year equaled 318 – down from an average reading of 376 for the final half of last year, but significantly higher than the 211 recorded for the first six months of 2009. Foreclosure data from RealtyTrac also

TRACKING AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) MONIES IN ATLANTIC COUNTY

An analysis of the distribution of ARRA monies in Atlantic County is presented in Figure 8, which lists (only) the top twenty-five largest ARRA awards in the county as of March 31, 2010.¹ Based on this analysis, Atlantic County was awarded \$133.3 million of ARRA funds through the first quarter of this year—equal to 1.2% of the county's 2008 total personal income.² This implies an average award of \$491 per county resident. Atlantic County has received approximately 2.7% of all ARRA funds received by New Jersey. (Atlantic County's population accounts for 3.1% of the state's total population.) The \$8.5 million received by the Pleasantville School District—a portion of the \$1 billion New Jersey received via the ARRA's State Fiscal Stabilization Fund-Education Fund project in 2009—represented the single largest award.

Figure 8: Largest ARRA Recipients in Atlantic County
Through March 31, 2010

Rank	Zip Code	Recipient	Funding Agency	Award Type	Local Amount	Recipient Role*
1	08232	PLEASANTVILLE SCHOOL DISTRICT	Department of Education	Grants	\$8,488,910	S
2	08401	ATLANTIC COUNTY UTILITIES AUTHORITY	Environmental Protection Agency	Grants	\$5,932,500	S
3	08234	EGG HARBOR TOWNSHIP BOARD OF EDUCATION INC	Department of Education	Grants	\$5,566,542	S
4	08401	ATLANTIC, COUNTY OF	Department of Labor	Grants	\$4,836,097	S
5	08319	ATLANTIC, COUNTY OF	Department of Transportation	Grants	\$4,812,169	S
6	08330	GREATER EGG HARBOR REGIONAL HIGH SCHOOL DISTRICT	Department of Education	Grants	\$4,712,591	
7	08404	ATLANTIC CITY HOUSING AUTHORITY AND URBAN REDEVELOPMENT AGENCY	Department of Housing and Urban Development	Grants	\$3,652,573	P
8	08240	RICHARD STOCKTON COLLEGE OF NEW JERSEY	Department of Energy	Grants	\$3,646,599	S
9	08217	SOUTH JERSEY TRANSPORTATION AUTHORITY	Department of the Air Force	Grants	\$3,600,000	P
10	08217	SOUTH JERSEY TRANSPORTATION AUTHORITY	Department of Defense (except military departments)	Contracts	\$3,600,000	
11	08310	BOROUGH BUENA MUNICIPAL UTILITIES AUTHORITY	Department of Agriculture	Loans	\$3,549,000	P
12	08205	GALLOWAY TWP SCHOOL DISTRICT	Department of Education	Grants	\$3,501,602	S
13	08205	SEASHORE ELDER HOUSING LIMITED PARTNERSHIP	Department of Housing and Urban Development	Grants	\$3,338,865	
14	08330	HAMILTON TOWNSHIP BOARD OF EDUCATION	Department of Education	Grants	\$3,266,390	S
15	08215	PAGE ETC INC	Environmental Protection Agency	Contracts	\$3,210,253	S
16	08310	BUENA REGIONAL SCHOOL DISTRICT	Department of Education	Grants	\$2,992,037	S
17	08240	RICHARD STOCKTON COLLEGE OF NEW JERSEY	Department of Education	Grants	\$2,906,699	S
18	08037	TRANSPORTATION, NEW JERSEY DEPT OF	Department of Transportation	Grants	\$2,348,430	P
19	08401	ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY	Environmental Protection Agency	Grants	\$2,322,117	S
20	08401	ATLANTIC CITY BOARD OF EDUCATION	Department of Education	Grants	\$2,320,751	S
21	08210	HUMAN SERVICES, NEW JERSEY DEPARTMENT OF	Department of Health and Human Services	Grants	\$2,268,803	
22	08037	HAMMONTON BOARD OF EDUCATION	Department of Education	Grants	\$1,950,910	S
23	08234	ATLANTIC COUNTY UTILITIES AUTHORITY	Department of Energy	Grants	\$1,937,875	S
24	08234	EGG HARBOR TOWNSHIP BOARD OF EDUCATION INC	Department of Education	Grants	\$1,908,659	S
25	08037	SOUTHERN JERSEY FAMILY MEDICAL CENTERS, INC.	Department of Health and Human Services	Grants	\$1,817,440	
TOTAL FOR 25 LARGEST AWARDS					\$88,487,812	

* S=sub-award; P=prime award

A TALE OF TWO GAMING CITIES

As state policymakers consider Governor Christie's proposed plan to revive Atlantic City's gaming industry—creating and managing a tourism district in Atlantic City—it could prove beneficial to compare the development of Atlantic City's economy and gaming industry over the past two decades with Las Vegas'. Despite a host of obvious and significant differences between the two gaming destinations (not least their respective sizes), such an exercise may still prove instructive. The analysis that follows represents an admittedly modest first attempt at such an exercise.

Figure 9: Population and Economic Growth: Las Vegas vs. Atlantic City

LAS VEGAS									
	1990	2006	Change	% Change					
Population	756,170	1,778,129	1,021,959	135%					
Total Establishment Employment Change 1990-2006 relative to population change					543,700 / 1,021,959 =		72%		
A	B	C	D	E	F	G	H	I	
Sector	Employment	1990	2006	Change	% Change	1990 Share Emp	2006 Share Emp	Sector's Contribution to Emp Growth	Sector's Employment Gain/Loss per 1000 Population Change
Total Nonfarm		373.6	917.3	543.7	146%	100%	100%	N/A	N/A
Construction		35.8	108.6	72.8	203%	9.6%	11.8%	13.4%	71
Manufacturing		10.3	27.1	16.8	163%	2.8%	3.0%	3.1%	16
Wholesale Trade		10.7	23.6	12.9	121%	2.9%	2.6%	2.4%	13
Retail Trade		41.7	97.7	56.0	134%	11.2%	10.7%	10.3%	55
Transp., Warehsing, Utils.		14.2	34.8	20.6	145%	3.8%	3.8%	3.8%	20

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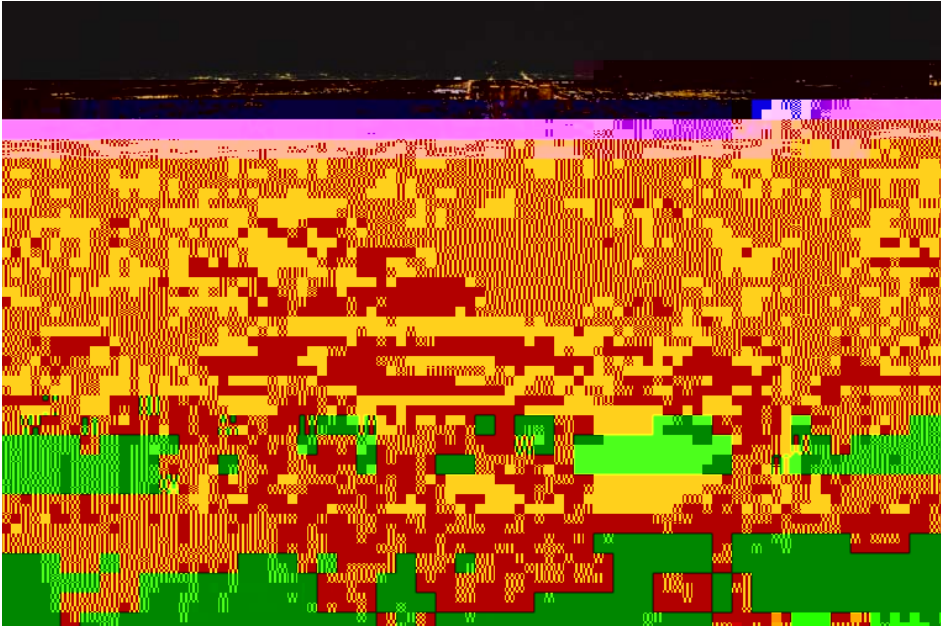
Figure 9 also shows the distribution of employment by sectors for 1990 and 2006, and each sector's employment gain/loss in both absolute and growth terms over the period. Column H shows each sector's contribution to job growth over the period. For example, the increase in professional and business services employment in Las Vegas between 1990 and 2006 (+80,100) accounted for 14.7% of its total employment change. The differences between Atlantic City and Las Vegas shown in Column H are striking. Most importantly, employment gains in Las Vegas' casino industry accounted for 15.6% of the

A TALE OF TWO GAMING CITIES

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Atlantic City, the comparable figure is an eye-popping 150. For government employment, the comparable figures are 52 in Las Vegas and 85 in Atlantic City. It should be noted that demographic differences do not explain these discrepancies. In particular, the under-19 population accounts for 28.5% of Las Vegas' population, compared to 26.5% in Atlantic City. And, the 65+ population accounts for 18.8% of Las Vegas' population, compared to 14.4% in Atlantic City. In other words, demographic differences between the two metro areas do not appear to provide a reasonable demand-side explanation for the type of job growth Atlantic City experienced vis-à-vis Las Vegas during this period.

LAS VEGAS' LESSON?



There exists a large economics literature that analyzes the factors that play a role in regional and metropolitan area economic growth. Among others, these factors include: a highly skilled/educated workforce, special locational and/or natural resource advantages, regulatory and/or tax structures, rates of private and public capital investment, in-migration and immigration, and chance. Many of these factors often work in conjunction with one another, generating positive feedback effects. Further, economists have enhanced their understanding of the roles endogenous growth, agglomeration economies, and path-dependent growth processes play in regional/metropolitan growth.

Many of these factors and processes played roles in Las Vegas' stunning growth over the past few decades. While there are several lessons that could be drawn from the analysis presented here, one seems particularly important. Namely, *sustained* growth in a metro area's principal export industry can help engender strong, broad-based growth across the rest of its economy. The result is an increasingly diversified economy whose primary export industry remains central to its economic fortunes. This type of sustained growth is manifested in Las Vegas' casino hotels employment, which grew 4.3% annually between 1990 and 2006.⁷ In Atlantic City, casino hotels employment declined 0.7% per annum over the same period. Clearly, many of the aforementioned factors contributed to (and thus help explain) this growth differential—not least the historical contexts and purported policy rationales of

ATLANTIC CITY'S FUTURE

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route, they must also begin to find ways to nurture a broader and more diversified Atlantic City economy—an economy in which gaming remains important but is not the sole and/or primary growth engine. While there are some important efforts underway that would contribute to this goal—perhaps most importantly the NextGen Research Park—significantly more would be needed in order to foster a brighter economic future for Atlantic City.

Given current economic realities—tight fiscal conditions, a weakened consumer environment, high debt burdens, stringent credit conditions for many businesses, and the real likelihood of significantly more subdued national economic growth over the medium term—the second path seems more likely to materialize than the first. Moreover, the vision embedded in the Governor's recently announced "take over" plan appears to have much in common with the stabilization/modest growth path. In the event this plan is adopted, properly executed, and works, Atlantic City's gaming industry

should stabilize in the near term and could experience modest growth over the medium-term. (The still-fragile national recovery will play a significant role in this regard.) While such an outcome would be welcome given recent history, and would contribute to Atlantic City's near- and medium-term

stabilization, it will—in the absence of additional sustained efforts to nurture a more broad-based, diversified economy—likely prove insufficient to guarantee it robust, broad-based long-term economic growth. ■



¹ Analysis based on zip-code entry into Recovery.org, the federal website devoted to tracking all ARRA monies.

² 2009 personal income data are not yet available.

³ Note that the closing of the Sands casino in late 2006—which resulted in nearly 2,000 lost jobs—does not result in a significant downward bias in the annual 2006 figure shown. In other words, excluding the data from the final quarter of 2006 entirely (and using the first three quarters worth of data only for 2006) still results in a significant decline in casino employment for the period shown. In fact, this casino closing and the fact that the national recession began to affect both metro areas ahead of December 2007 (the official commencement of the recession) is the primary reason 2006 was chosen as the most appropriate endpoint for the analysis. Additionally, it should be noted that Las Vegas' economy has underperformed Atlantic City's for the past two years. Moreover, Las Vegas' housing and construction sectors have been ravaged by the Great Recession and national housing market downturn—an indication that some of Las Vegas' phenomenal growth was purely speculative-driven.

⁴ This column thereby controls for the obvious differences in the two metro areas' respective sizes.

⁵ Additionally, it seems unlikely that the purported increase in part-year residents in the Atlantic City/Southern New Jersey region is substantial enough to explain the educational and health care services discrepancy.

⁶ Importantly, it should be noted that Las Vegas' unemployment rate has risen dramatically over the course of the past two years and currently stands above Atlantic City's.

⁷ Industry-based capital expenditure data at the metro area level would constitute the best indicator of this type of sustained growth. Unfortunately, such data do not exist. Industry-based employment data thus represent the best alternative proxy.

⁸ Along these lines, it is interesting to note that while Borgata's entrance into Atlantic City in 2003 provided much-needed new investment, and served to increase total industry revenue, the revenue gains in 2004 and 2005 were unequally distributed. In 2004 (Borgata's first full calendar year of operation), six of the eleven pre-Borgata properties suffered revenue declines, while in 2005, four did. Thus, it seems likely that while the entrance of a few new properties may serve to increase total industry revenue, some existing operators would not benefit. Such a scenario would thus likely limit the employment and income effects on the Atlantic City economy.

⁹ Whether or not this type of growth is or is not desirable is debatable. In purely economic (living standard) terms it might be deemed as such. On other terms, it may not.

¹⁰ Oliver Cooke, "The Economic Impact of Gaming in Atlantic City" *Casino Gaming in Atlantic City: A Thirty Year Retrospective, 1978-2008*, eds., Brian J. Tyrrell, Israel Posner, Comteq Publishing. (Margate, NJ: 2009)

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