



## Georgia Faces Large Deficits in FYs 2011 & 2012

Georgia faces a structural deficit. The recently approved FY 2010 budget closed a \$3.3 billion budget deficit, which resulted from revenue shortfalls, by using \$1.35 billion in American Recovery and Reinvestment Act (ARRA) Funds, almost \$500 million in various reserve funds, and cutting approximately \$1.5 billion from state agencies. Even with projected revenue growth of approximately 5 percent in FY 2011 and 6 percent in FY 2012 as projected in the governor's FY 2010 budget report, **Georgia will face an FY 2011 budget deficit of \$823 million and an FY 2012 budget deficit of \$1.94 billion.**

**Table I**  
**Projected Budget Deficit FY 2011 and FY 2012<sup>1</sup>**

	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>
<b>Total Expenditures</b>	\$18,819,595,911	\$19,821,022,654	\$20,867,572,650
General Fund Revenue Estimate	\$16,994,247,194	\$17,862,653,226	\$18,927,267,358
One Time Revenues (Reserve Funds)	\$476,394,233		
ARRA Funds	\$1,348,888,095	\$1,134,888,531	
<b>Total Revenues</b>	\$18,819,529,522	\$18,997,541,757	\$18,927,267,358
<b>PROJECTED DEFICIT</b>	<b>0</b>	<b>(-\$823,480,897)</b>	<b>(-\$1,940,305,292)</b>

Expenditures are projected to increase by approximately \$1 billion each year due to teacher and state employee salary increases (2% each year), projected state agency caseload increases, and inflation. According to the state's economist, revenues are also expected to grow by approximately \$1 billion each year. The FY 2010 base budget now includes over \$1.8 billion in ARRA funds and reserve funds, but these funds will be fully phased-out by FY 2012.

### Conclusion

If the governor signs tax cuts as passed by the General Assembly in 2009 (HB 481) the deficit in FY 2012 will increase to over \$3 billion. Without the availability of either reserve funds or federal stimulus funds to help balance the budget, Georgia faces \$3 billion in actual budget cuts in FY 2012 *in addition* to the \$1.5 billion of budget cuts carried forward in FY 2010.

The use of the reserve funds and the ARRA budget stabilization funds in FY 2010 and FY 2011 gives Georgia the opportunity to prudently plan for the long-term fiscal well being of the state. Instead of continuing to pass irresponsible and politically motivated tax cuts that further jeopardize the fiscal health of the Georgia, during the next two legislative sessions the General Assembly has the opportunity to develop tax and budget policy that meets the long-term fundamental needs of Georgia. Reforming the tax code will help assure that the funding of government services that Georgians demand and the economic well being of the state requires such as transportation, healthcare, education, and public safety are protected.

<sup>1</sup> Total expenditures for FY 2010 include expenditures funded through general revenue funds, motor fuel funds, and tobacco fund reserves. Expenditure growth in FY 2011 and FY 2012 is based on projections developed by the Governor's Office of Planning and Budget. Revenue growth for FY 2011 and FY 2012 are based on projections developed by the State Economist as used in page 417 of the FY 2010 State of Georgia Budget Report.