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## Legislative Leaders Must Have Vision for the State as They Resolve Budget Crisis

By Alan Essig

Georgia is in the midst of the worst fiscal crisis since the 1930's. Heading into it, Georgia was a very low tax-and-spend state, ranking 49<sup>th</sup> among the 50 states in per capita state expenditures. Due to state tax breaks over the past 25 years and the recession, our state's tax base is inadequate to fund even the low level of services that Georgians have been receiving.

As a result, this coming year's state budget came up more than \$3.1 billion short — 15.7 percent. Governor Perdue and the General Assembly closed this deficit through a combination of budget cuts, federal stimulus funds, and reserve funds. Budget cuts to state agencies accounted for more than \$1.2 billion.

If revenues continue to decline as projected, Georgia will be staring the new budget year in the eye, with an *additional \$1 billion dollar shortfall*. The outlook for budget year 2011 (beginning July, 2010) does not look any better. Georgia is facing a structural deficit.

During the past 25 years governors and legislators have told us repeatedly that we can have a free lunch: Taxes that are already low can be cut further while at the same time we can have strong services and a prosperous future. The result of this fantasy is that Georgia ranks among the lowest states in the country in both educational and health outcomes, and has a transportation system in crisis.

Our structural deficit is not a matter of waste and inefficiency. Governor Perdue has already eliminated tons of waste, increased efficiencies, and maintained the strongest-level bond rating. Georgia has the highest performance management grade in the Southeast and is one of the top eight best-managed states in the country, according to the Pew Center on the States. Although Georgia should continue to strive to meet Governor Perdue's goal of being the best-managed state in the country, further efficiencies alone will not come even close to addressing billion dollar shortfalls.

Because our state government is so efficient and our declining tax base is so small, every tax credit, every cut, every loophole, every "incentive" means less essential services. Since more than nine out of 10 tax dollars Georgia spends is on five areas alone: education, healthcare, social services, public safety, and transportation, multi-billion dollar cuts over the next two

years will negatively affect nearly every Georgian's quality of life. Moreover, the economic health of Georgia will be put further at risk now and in the future.

Real solutions will reform Georgia's outdated tax system and bring in additional revenue. Why *would* we think that a tax code created in the mid 20<sup>th</sup> century is still viable? Georgia can and should have a 21<sup>st</sup> century tax code that funds 21<sup>st</sup> century state services and a prosperous state.

The choice is clear, continued transportation gridlock and drastic cuts to the education, health, and public safety of Georgians, or an adequate and fair tax structure that enables funding high-quality government services in a modern and growing state. Excellence in education, healthcare, and transportation outcomes is not free. It is time for our leaders to treat Georgians as mature adults, put politics and ideology aside, and place Georgia's long-term fiscal and economic health first.

*Essig is the executive director of the Georgia Budget and Policy Institute. For more information about tax preferences, the state budget deficit, and revenue solutions, please visit [www.GBPI.org](http://www.GBPI.org).*

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