



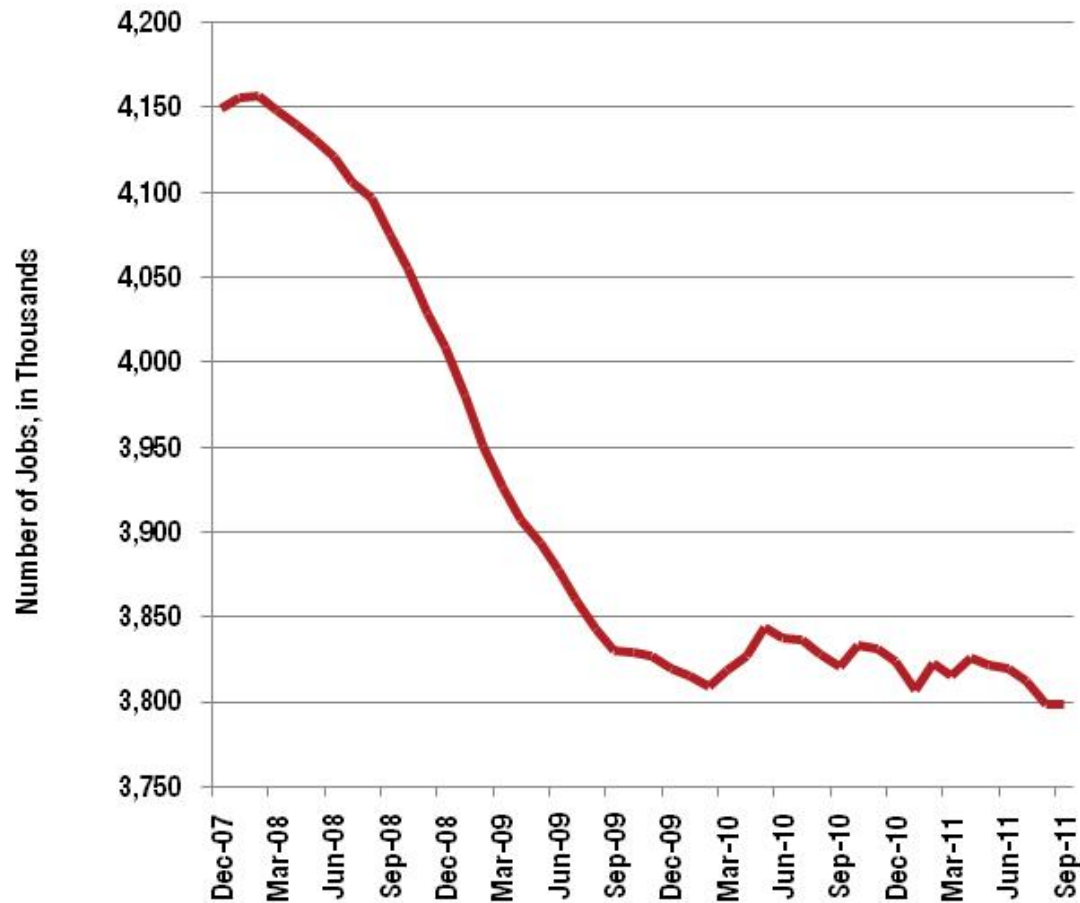
FY 2012
Budget Overview

Georgia Budget & Policy Institute

Alan Essig, Executive Director

November 6, 2011

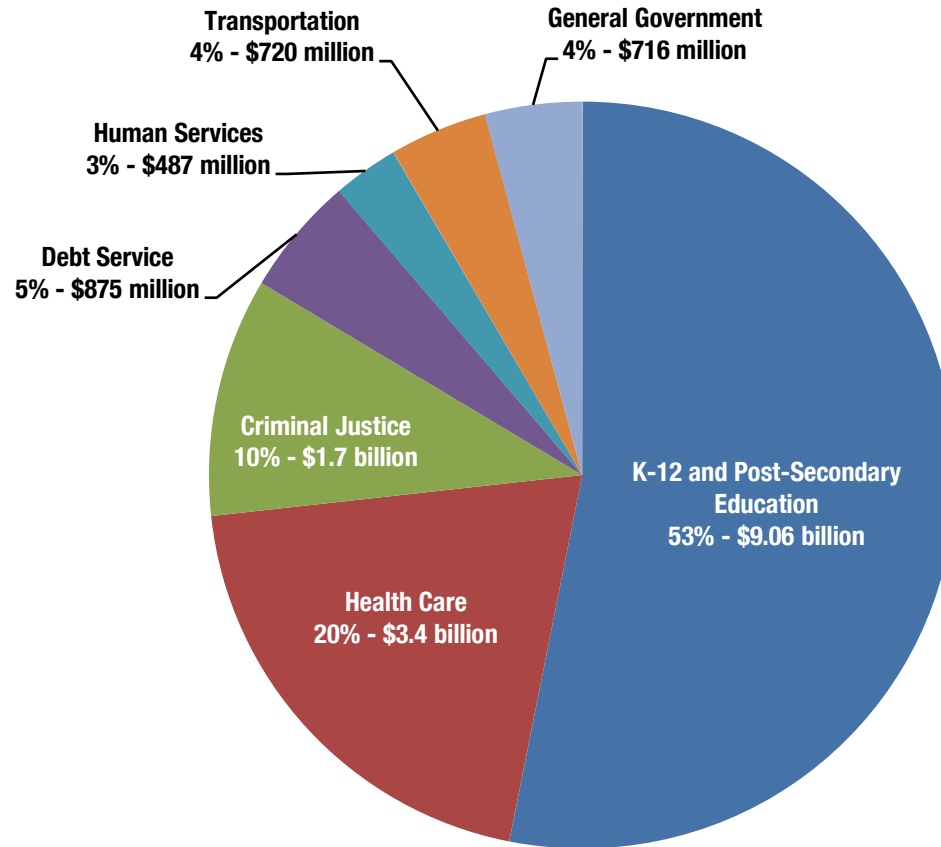
Number of Jobs in Georgia From Start of Recession



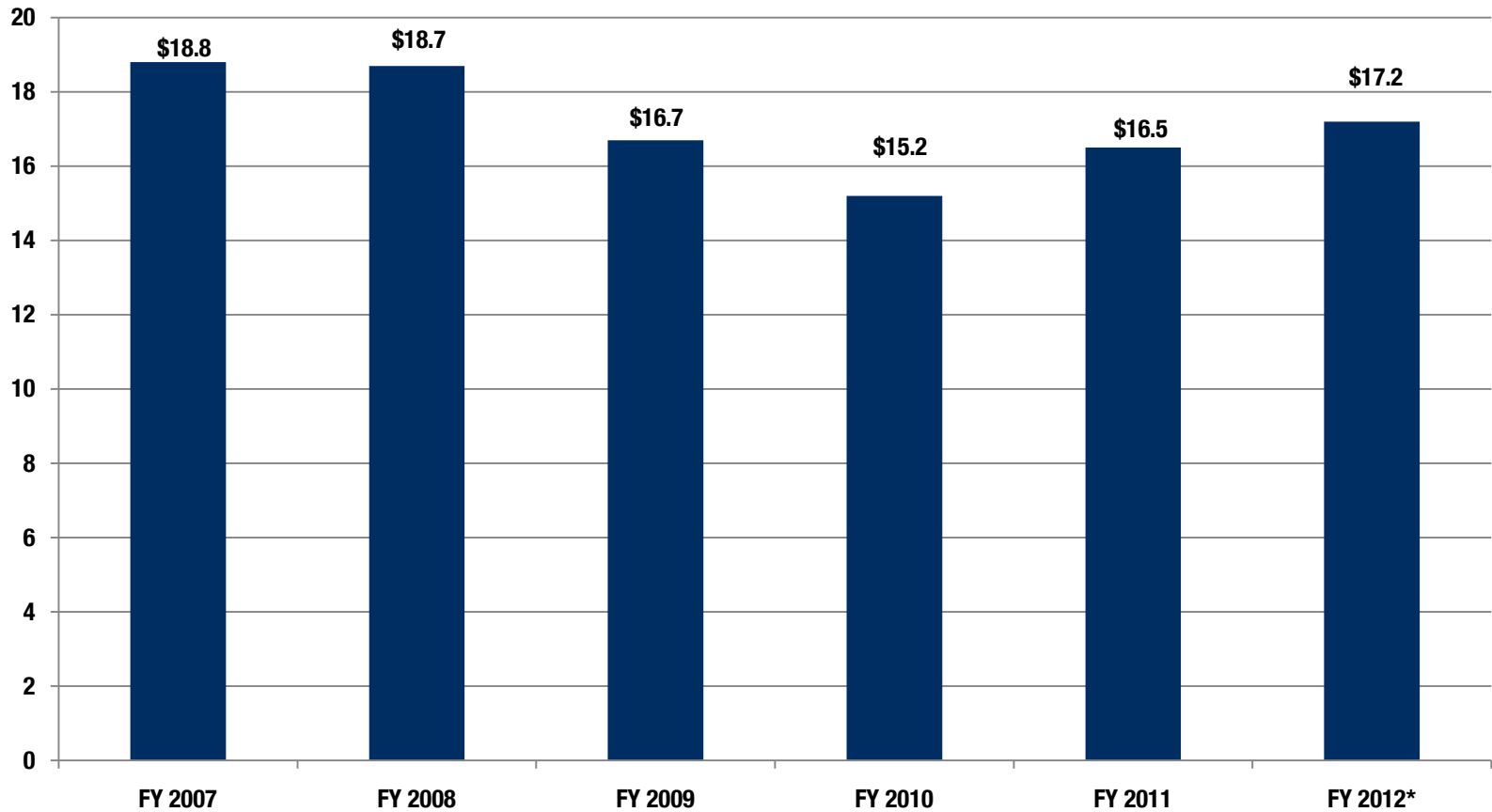
Georgia Tax Rankings

	Ranking
State and local own source revenue as a percentage of income	40 th
State and local business taxes as a percentage of GSP	42 nd
State tax revenue as a percentage of income	45 th
State and local own source revenue per capita	47 th
State tax revenue per capita	49 th

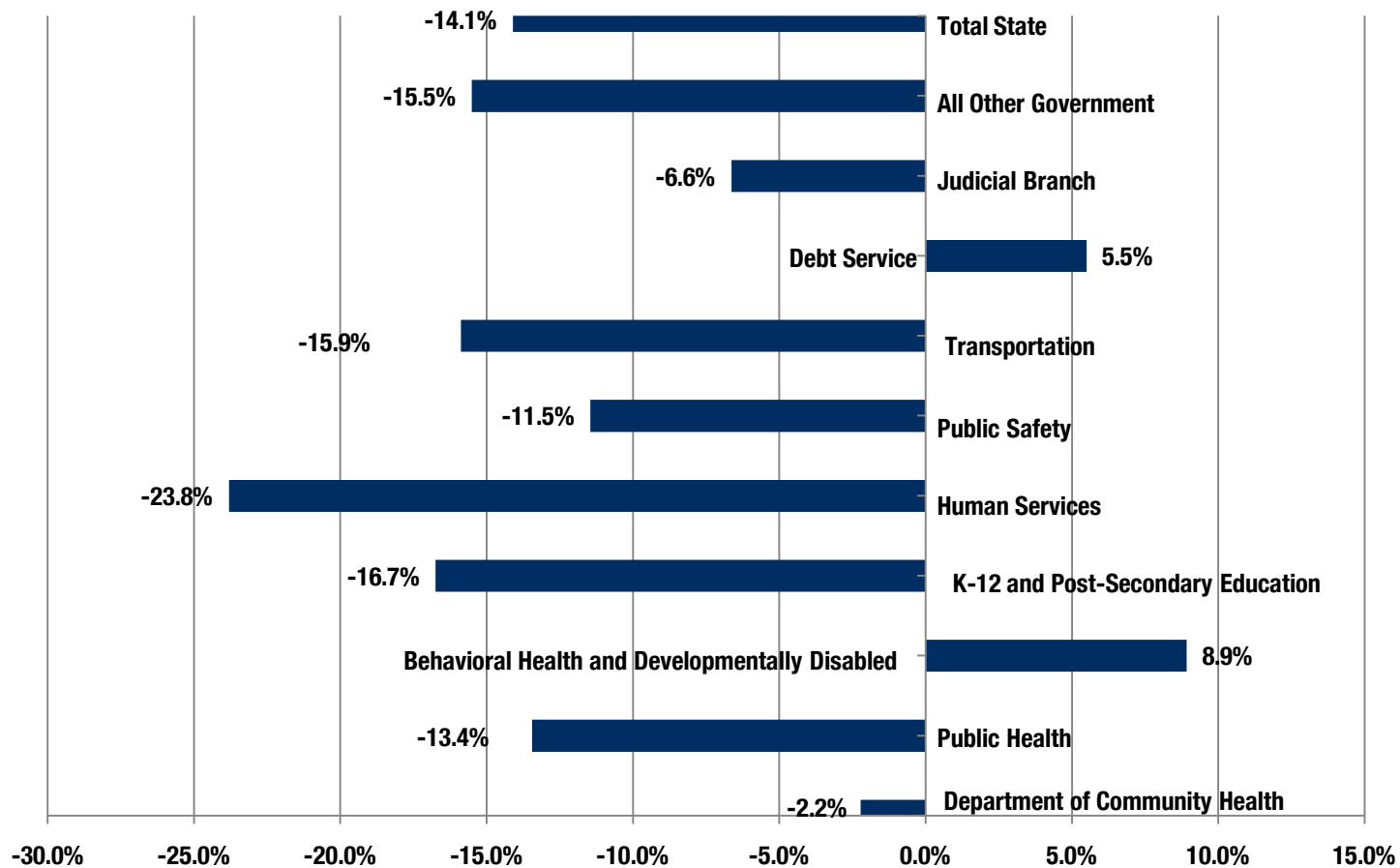
FY 2012 State General Funds Budget (\$17 Billion)



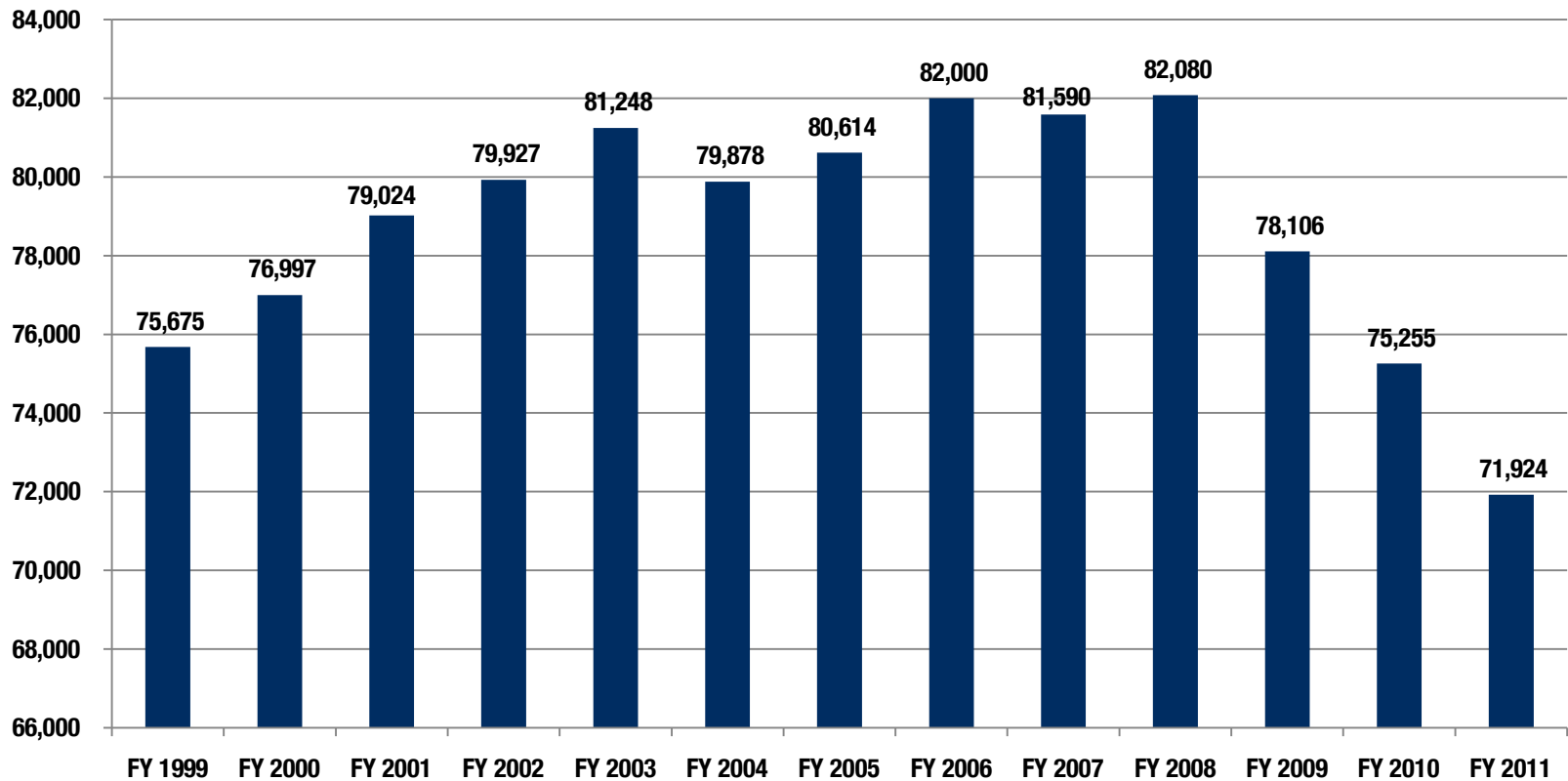
Revenues in 2012 Below 2007 Levels



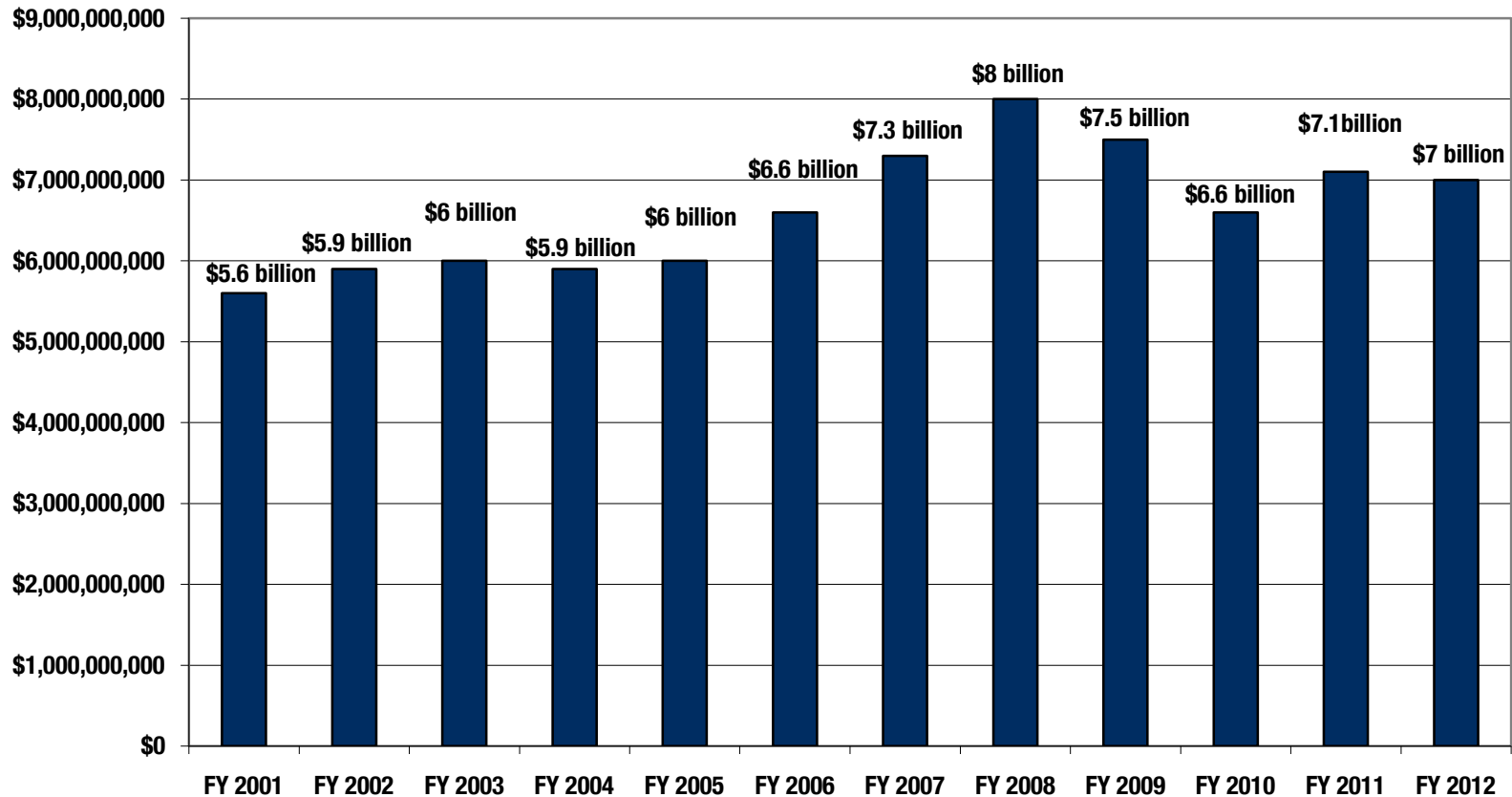
\$2.9 Billion Cuts to State Services (FY 2009 – FY 2012)



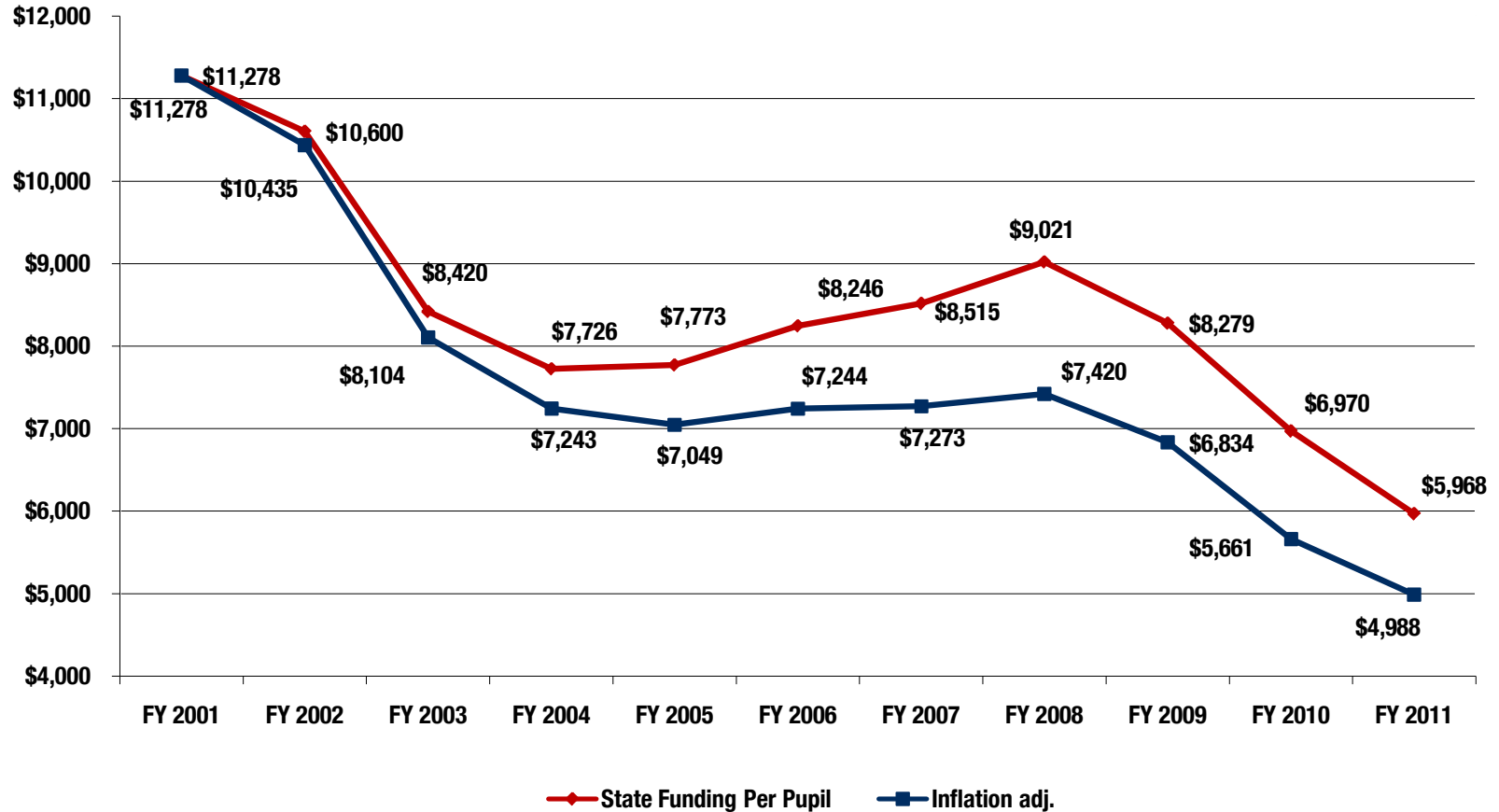
Fewer State Employees Serving 1.7 Million More People



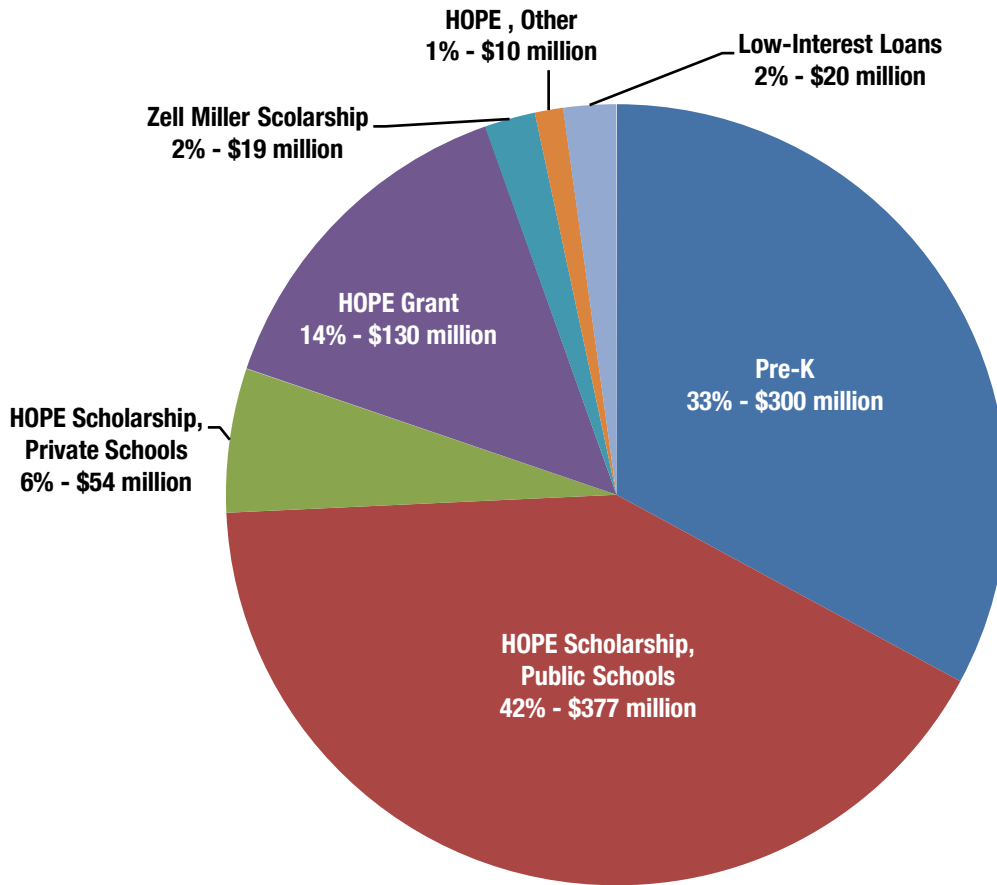
K-12 Funding Has Decreased By More Than \$1 Billion



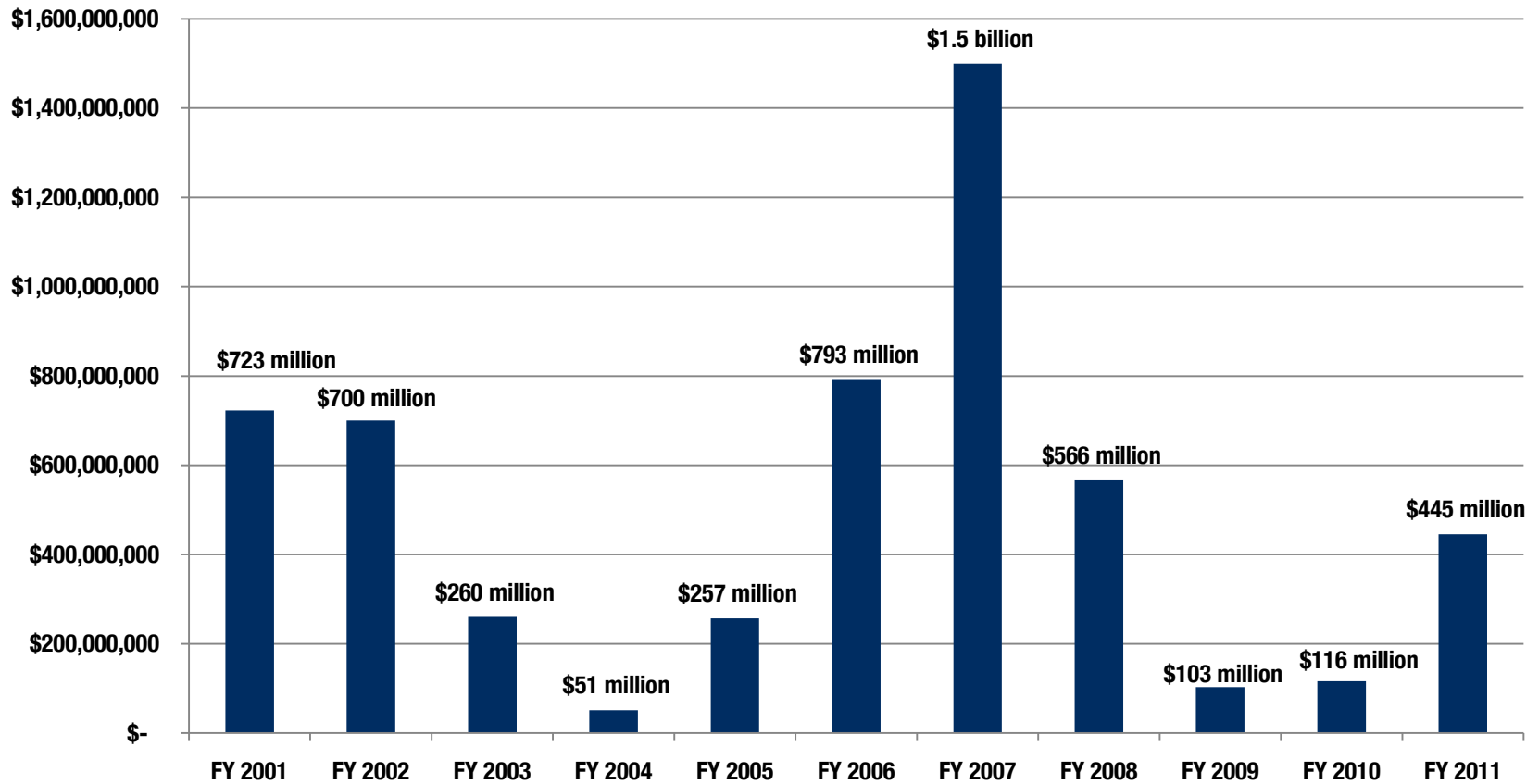
Regents Funding Lags Behind Student Growth and Inflation



FY 2012 Lottery Funds Budget (\$913 Million)



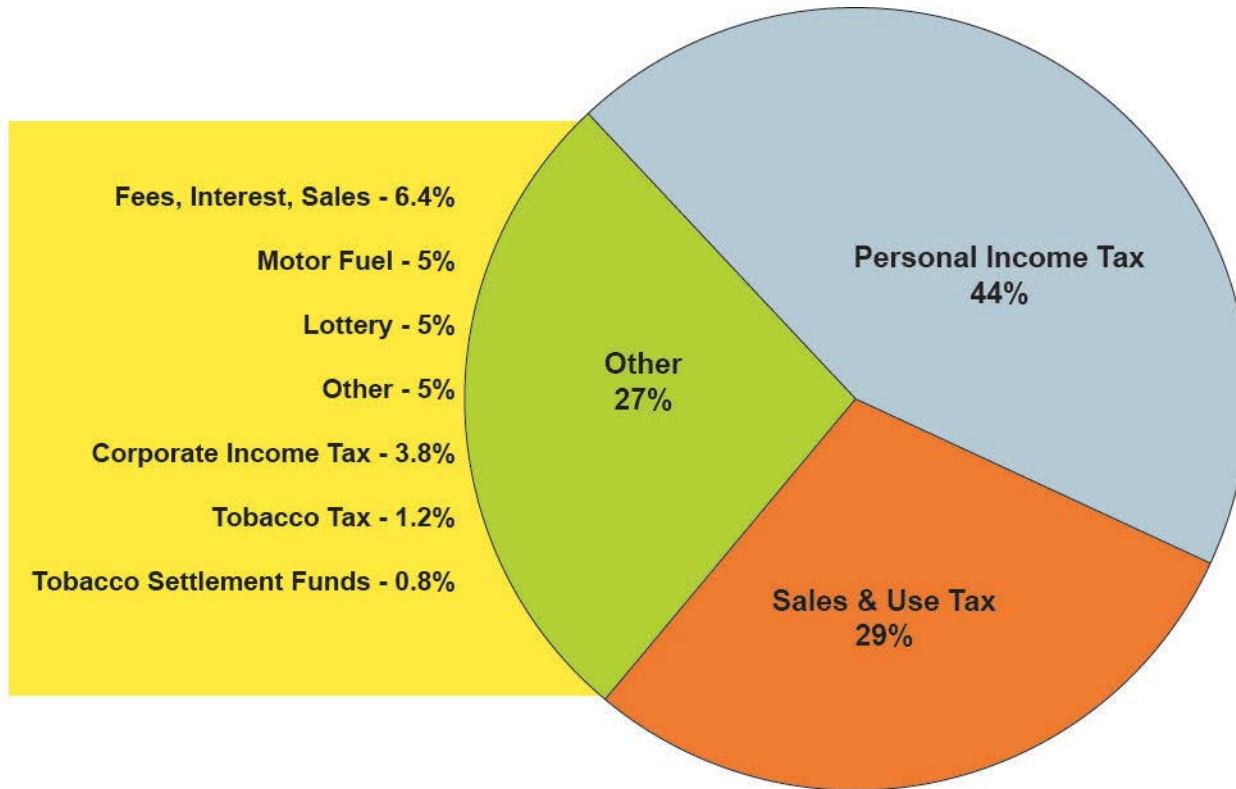
Rainy Day Fund Needs to be Rebuilt



FY 2013 Budget

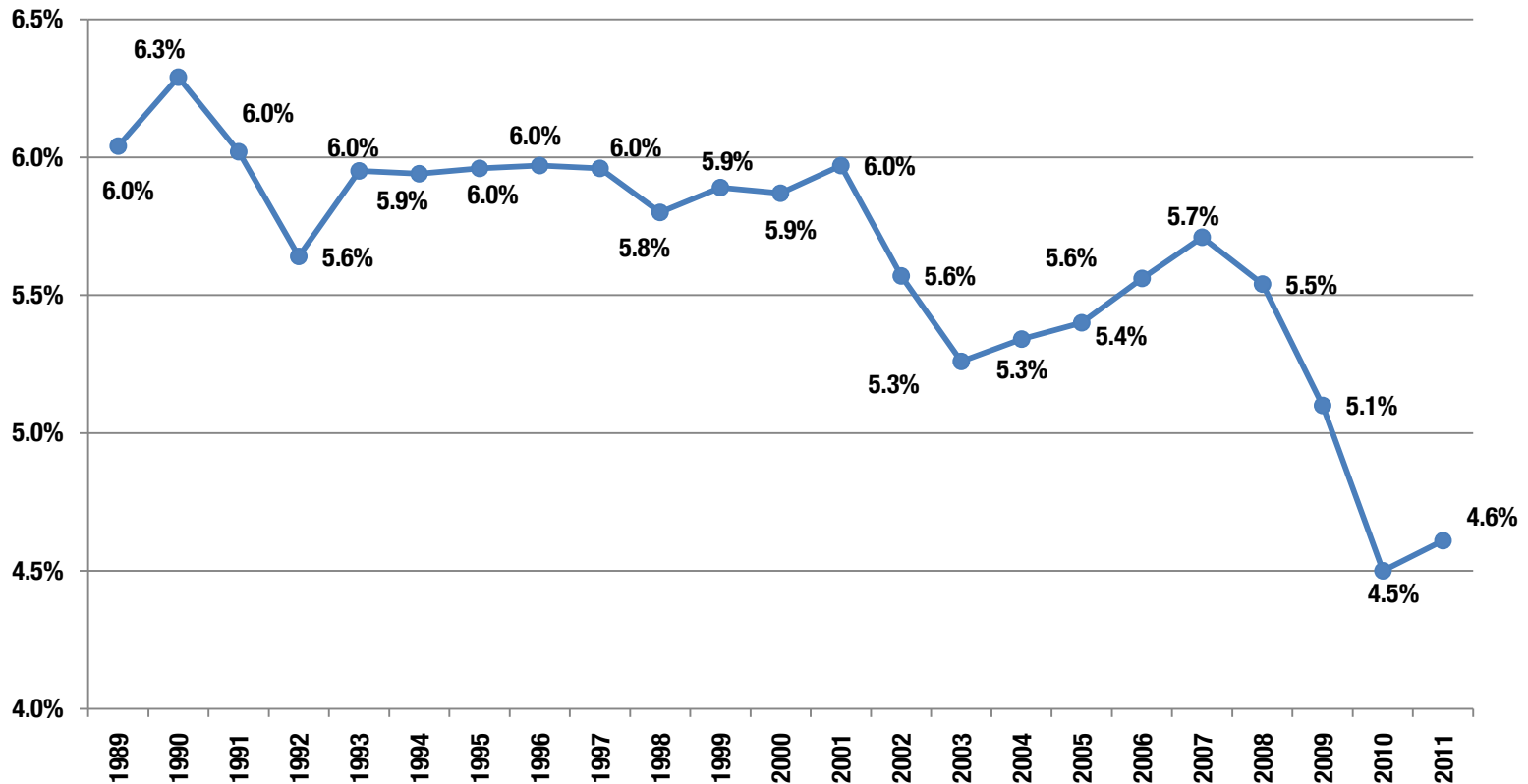
- Preliminary FY 2013 Revenue Estimate – 5% Growth (\$850 million)
- \$1 Billion Shortfall
 - Department of Community Health - \$430 million
 - K-12 and Higher Education Growth - \$217 million
 - Retirement Systems - \$170 million
 - Behavioral Health DOJ Agreement - \$66 million
 - Tax Cuts - \$60 million

Georgia Revenues



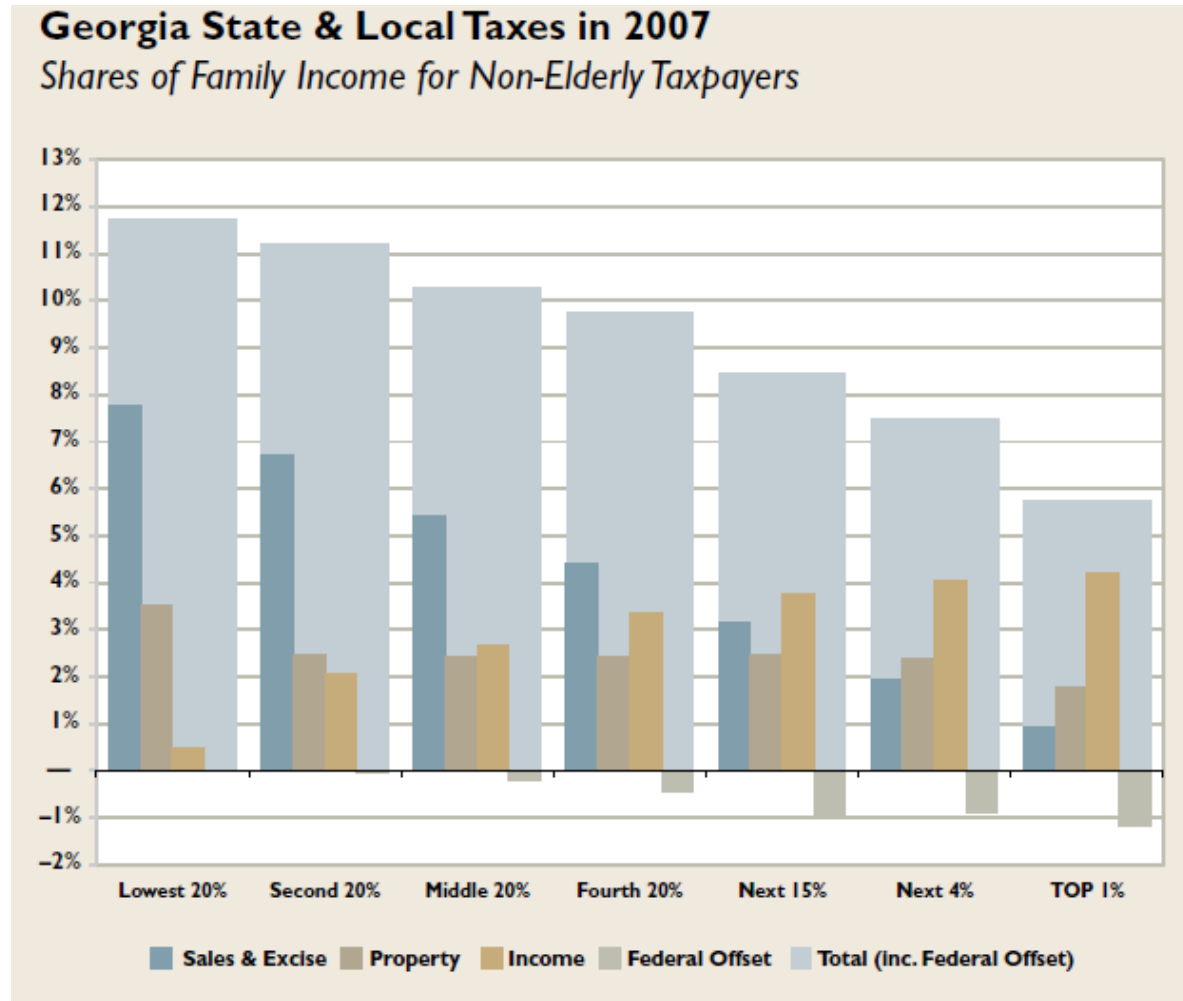
Where Georgia Stands on Adequacy: Historic Low

State Revenues as a Percentage of Personal Income



Sources: Georgia Budget & Policy Institute; Data from the Bureau of Economic Analysis and Georgia Governor's Budget Books.

Tax Reform: Fairness



GBPI Recommended Options for Reform

1. Cut the state sales tax rate from 4.0% to 3.75% and cover more services to mirror 21st century spending trends.
2. Modernize income tax brackets, rates and standard deductions to better reflect current incomes. Cut top rate from 6.0% to 5.5%.
3. Create an earned income tax credit to offset sales taxes for the state's lowest earners.
4. Eliminate special tax breaks that shift more of the tax obligation to fewer taxpayers.
5. Close loopholes and update the net worth tax, cigarette tax and motor fuel tax.

Tax Council Recommendations

- Decrease corporate and personal income tax to a flat 4% rate.
- Broaden sales tax to include some services.
- Eliminate and sunset various sales tax exemptions, including eliminating the grocery exemption.
- Eliminate business tax credits and create economic development fund.
- Increase cigarette tax by 31 cents.
- Adjustments to Motor Fuel Tax, Insurance Premium Tax, and Communications Services Tax.

Special Joint Committee Recommendations

House Bill 388

- Decrease income tax to 4.55% and broaden base.
- Expand sales tax to car repair services.
- Expand sales tax to person-to-person used car sales
- 7% tax on telecommunications.
- New sales tax exemption for energy used in manufacturing, mining and agriculture.

Governor's Competitiveness Council



LET'S KEEP IN TOUCH.

Alan Essig, Executive Director
aessig@gpbi.org
404.420.1324



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About the Georgia Budget & Policy Institute

GBPI seeks to build a more prosperous Georgia. We rigorously analyze budget and tax policies and provide education to inspire informed debate and responsible decision-making, advancing our vision of a state in which economic opportunity and well-being are shared among all. GBPI is an independent, nonpartisan nonprofit founded in 2004.