Tax Shift Proposals Would Hurt Georgia Schools

By Wesley Tharpe, Policy Analyst

Plans to drastically cut or abolish state income taxes and replace them with higher sales taxes are gaining traction in Georgia. These tax shift plans threaten to harm Georgia’s schoolchildren and university students because deep income tax cuts would likely lead to new rounds of state budget cuts, on top of those already enacted in recent years.

Income tax cuts could lead to education funding cuts. Georgia state lawmakers approved $7.4 billion for local school districts, $1.9 billion for universities and $306 million for technical colleges in the 2014 budget year. Personal and corporate income taxes account for more than half of Georgia’s total tax revenue. Supporters of tax shift legislation say higher sales taxes could replace the revenue lost from deep income tax cuts, but evidence from other states says otherwise. A tax shift plan recently passed in North Carolina will cost more than $700 million per year once fully implemented. Lawmakers there are slashing funding for textbooks, teachers in the lower grades and support for the state’s universities as a result.

Public school children are already squeezed by deep cuts. Georgia state lawmakers are currently underfunding K-12 education by $1 billion per year. State lawmakers are supposed to fund K-12 schools through the Quality Basic Education (QBE) formula, which weights factors such as district-level student enrollment and local property tax revenue. Georgia has underfunded this education formula since 2002 by a total of $7.6 billion, resulting in larger class sizes, teacher furloughs and shortened school calendars. State support for Georgia’s pre-K program has fallen 22 percent since 2009. About 8,000 Georgia families are on a waiting list for the pre-K program.

Declining state support putting college education out of reach. Georgia’s per student funding for higher education fell to $4,777 in 2013 from $11,278 in 2001, adjusted for inflation. Colleges responded to the cuts by eliminating courses, increasing class sizes and raising tuition to ever-higher levels.

Endangering education would weaken Georgia’s economy. States with a stronger commitment to funding public education are better able to attract high-wage employers, which give well-educated workers the chance to earn a better income and enjoy a higher quality of life. More than half of economic development professionals say improving public education should be Georgia’s No. 1 priority in order to strengthen the state’s economy for the long-term, according to a recent survey. Reckless income tax cuts would inflict even more damage to Georgia schools already squeezed by years of underfunding. The result will be a state with diminished ability to add good jobs, attract new businesses and provide graduates with the opportunities they need in today’s knowledge-based economy.

For more information download GBPI’s full report, “Tax Shift Plans Threaten Georgia’s Future.”