



Georgia hurting for funds

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By Ashley Speagle

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ATLANTA — Budget and policy experts say Georgia may face a \$3 billion budget hole in fiscal 2012 if legislators continue to neglect revenue options to replenish state funds.

“Legislators are now in crisis mode, and there’s no long-term discussion,” said Allan Essig, executive director of the Georgia Budget and Policy Institute. “There’s a problem dealing with it month to month rather than looking at trends.”

Legislators cut more than \$1 billion from the 2010 budget earlier in the session. They’re taking a two-week break while leaders look at the proposed \$18.2 billion budget for fiscal 2011.

Sen. Don Thomas, R-Dalton, said in a news release that the current budget compares to 2005 revenue levels, although Georgia’s population has grown by more than 600,000.

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“We have tried to adjust our budget through the use of furloughs and other cost-cutting measures,” said Rep. Tom Dickson, R-Cohutta. “However, it has become apparent that there must be more permanent action.”

Mr. Essig said that trying to “cut our way out” does not restock state funds, something Georgia will need when the state doesn’t have federal stimulus money or one-time funds to balance the budget.

He also said a low revenue reserve fund could hurt the state’s AAA bond rating, which means schools and other projects would cost more to build.

The Georgia Budget and Policy Institute recommends several ways to raise revenue, including ending tax breaks that aren’t working, increasing income tax rates and tightening tax rules on corporations.

Sen. Jeff Mullis, R-Chickamauga, said in a news release that economic development is the key to revenue.

That includes developing state transportation and keeping taxes low to make the state appealing for new business.

“Companies want to locate where taxes are low,” Sen. Mullis said. “Georgia has one of the lowest corporate income tax rates, ranking 42nd in the nation, according to Georgia State University’s Fiscal Research Center.”

However, Mr. Essig said low taxes, especially for those with higher incomes, mean lower-income families pay a larger percentage to cover Georgia’s revenue shortfall.

REVENUE SUGGESTIONS

- * Suspend or end ineffective tax breaks
- * Broaden the sales tax base
- * Adjust the income tax rate to reflect modern income ranges
- * Close corporate loopholes
- * Update fees
- * Increase the cigarette tax \$1 a pack

Source: Georgia Budget and Policy Institute

The Institute on Taxation and Economic Policy in Washington, D.C., reported that Georgia’s poorest paid 11.6 percent of their income in taxes, while middle-income taxpayers paid 10.4 percent and the richest paid 6.9 percent.

February revenue numbers will be confirmed this week, and legislators said they may re-evaluate budget numbers then.

“If the numbers are negative or even flat, I think the legislature will take another look at the amended budget because the governor planned that on a 4 percent increase,” said Rep. Barbara Massey Reece, D-Menlo.

Rep. Reece agreed that legislators should focus on Georgia's economic future, but said she could not support tax increases right now.

"All we can do right now is try to weather this storm without completely wiping out needed programs and services, but there needs to be more long-term planning," Rep. Reece said.

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