GEORGIA STATE SENATE
BUDGET AND EVALUATION OFFICE

Chairman's Column

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STATE REVENUES STILL TRENDING DOWNWARD

September Revenue figures released this week show Georgia continues to show a strong negative trend coming in at some $260 million dollars less than September of 2008. Total revenues were $1.37 billion or 16.0% less than last year.

Individual Income taxes were off $123 million or minus 14.2% continuing to show weakness in that category. Sales tax collections for the month totaled $754 million or minus some $96 million, for a reduction of 11.4%. Local distribution was about even but the state portion was off by 22.4%.

Motor Fuel Taxes were down $14 million or about 16.8%.

Year to Date figures are a matter of concern. Total revenues are off $584.5 million or 14.2% for the first quarter of the year.

The present budget is built on an estimate of a shortfall of $900 million.

More analysis next week.

STIMULUS REPORT CARD EXPECTED NEXT WEEK

It has been nearly eight months since the President signed the American Recovery and Reinvestment Act (ARRA) of 2009 on February 17, 2009 and next week marks an important reporting deadline for stimulus funds recipients. Georgia's second quarterly report on how stimulus funds have been spent within the state is due to the federal government by October 10 as required under the transparency and accountability provisions set forth in the Recovery Act.

The federal government will compile the data received from all recipients and expects to begin releasing recipient information on funds spent and jobs created or saved by ARRA funding on October 15. This information will be available at Recovery.gov, the federal website established to track ARRA spending. Initial estimates for the Act were that it could create approximately 6.8 million jobs by the end of 2012. The data released next week should begin to provide actual figures to show whether stimulus spending is on track to meet those initial estimates.

While all recipients of funds under the ARRA are subject to quarterly reporting requirements and oversight by Federal agency inspectors, the General Accounting Office has selected Georgia as one of sixteen targeted states in which it will conduct additional oversight activities. In order to ensure that Georgia fully complies with all of the requirements established in both the Recovery Act and those developed by the General Accounting Office, the Governor's Office has appointed a director of stimulus accountability to oversee the implementation process in the state. Additionally, some state agencies have hired staff just to manage stimulus implementation for their agency.

GEORGIA'S IMPLEMENTATION OF STIMULUS FUNDS

To date, Georgia has paid out nearly $2.6 billion, or nearly 40%, of the $6.5 billion in stimulus funds announced for the state. That pay out rate is slightly higher than the national average of 35%. While the federal government has made more than $6 billion of the $6.5 billion available for Georgia to draw down, there are several reasons why the distribution of those funds has been slower than some expected.

DELAYS OF IMPLEMENTATION

One primary reason that all available funds have not yet been spent by the state is that, due to declining economic conditions, the state has reserved certain funds to ensure their availability across multiple fiscal years. The Recovery Act included deadlines for spending stimulus funds in order to encourage federal agencies and states to distribute the funds as soon as possible. For some funds, including the State Fiscal Stabilization Fund (SFSF), the largest grant to states in the Recovery Act, the deadline to spend them is not until September 30, 2011.

Georgia received a total allocation of $1.5 billion, 81.8% of which must be used for education, while the remaining 18.2% is available for general budgeted expenditures. After using approximately $900 million in stabilization funds in FY09 and FY10, $641.1 million remains for the FY10 Amended and FY11 General budgets. Stabilization funds are intended to be used to offset declining revenues across states and help states avoid larger budget reductions. Allocating these funds across multiple fiscal years allows the state to mitigate sudden drops in state revenues and maintain a better continuity of state services for taxpayers.

Additionally, while most of Recovery Act funds flow through existing grant programs, some elements of the Recovery Act created new grant programs. For these new programs, federal agencies had to first establish program guidelines for implementation before applications could be accepted and awards could be made for the funds. For some of these programs, creating new guidelines took several months. In the case of the Health Information Technology (HIT) program, which will provide funds for technological advancements like broadband telemedicine or electronic health records systems, guidelines for the program were not established until August. While states may now apply for the program, awards are not anticipated until January.