

**GEORGIA STATE SENATE
BUDGET AND EVALUATION OFFICE**

Chairman's Column

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First Quarter of the FY2010 Fiscal Year - Hard to Find Seeds of Recovery

Even considering the \$166 million in refunds paid in FY 2010, the trend after the first quarter is closer to the bottoming out of the last six months than to a hoped-for rebound.

It is important to remember that we casually use two sets of different figures. One is the revenue collections reported monthly by the Department of Revenue and the other is the total revenues of the state including fees and other payments which become the state budget.

This report, then, is about the tax collections reported this month by the Department of Revenue. The revenue estimate the state is operating under today is 3.54% under the final 2009 revenues or \$553 million dollars for a new revenue total of \$15,071,468,173. September is historically one of the better months (4th) of the year but this September only equaled the revenues in Sept. of 2005.

After the first quarter, state tax collections lag actual 2009 figures by \$584 million dollars or -14.2%. Without the income tax and sales tax backlog paid out in this fiscal year, revenues are still trending downward by about 7%.

Based on historical collection trends, the state needed to bring in \$3.58 billion through September to be on track to meet the Governor's July revised FY10 revenue estimate. Having brought in \$3.52 billion, the state is currently \$60 million behind schedule. If the Governor had not revised his revenue estimate in July, the state would currently be \$264 million under the revenue needed.

For the first quarter of FY2010, a comparison of these categories to FY2009 is eye opening. Incidentally, the effects of the \$166 million in refunds paid out in FY2010 diminishes month after month into the new year.

- Individual Income Taxes down 14.6%
- Net Sales Taxes down 14.7%
- Motor Fuel Sales Taxes down 32.2%
- Motor Fuel Excise Taxes up 3.1%
- Corporate Income Taxes down 10.5%
- Tobacco Taxes down 2.7%
- Alcohol Taxes unchanged
- Property Taxes up 52% (\$3 million)
- Motor Vehicle Collections down 3.6%
- Other Sales and Fees down 75.6% (\$16 m)

The 2010 Budget includes \$1.4 billion in Federal Stimulus funds and almost one half billion from the Revenue Shortfall Reserve and other reserves. The current state Shortfall Reserve totals \$217 million. Georgia has used \$1.4 billion of the reserve it had two years ago.

There are other budgetary issues facing the state in this fiscal year, including additional Mental Health funds, 25% state match for FEMA flood relief payments, assistance with the costs of H1N1, growth in enrollment in Colleges and tech schools - in short, plenty to "Say Grace" over.