

**GEORGIA STATE SENATE
BUDGET AND EVALUATION OFFICE**

Chairman's Column
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GEORGIA'S EXPENDITURE AND REVENUE PORTFOLIO

As the state considers how to address the budget shortfall in fiscal year 2010, it may be helpful to consider the current position of the state compared to other states in revenues and expenditures. Past columns have discussed Georgia's revenue and expenditure "portfolio" compared to other states. Several weeks ago, the US Census updated its report on state and local expenditures and revenues for the FY06-2007 fiscal year. This column discusses some of the recent results.

Overall Rankings

Georgia has always been one of the lowest states in terms of per capita revenues and expenditures. In FY06, Georgia ranked 50th and 46th in per capita tax collections and expenditures respectively. In FY07, Georgia shifted to 47th in terms of revenues, and dramatically, jumped to 34th in expenditures. Examining these numbers though, suggests some interesting and qualifying dynamics.

Splitting these numbers in state and local revenues and expenditures shows that local governments raise more revenue and spend more relative to their counterparts in other states than the state does. In 2007, the state continued to rank 50th in revenues, but moved in rank from 49th to 44th in expenditures per capita. Local governments increased from 27th to 25th in revenues per capita, and increased from 25th to 21st in expenditures. A lower ranking indicates higher tax collections and expenditures.

State Expenditures

The state-only expenditures were \$3,750 per capita in 2006 and moved up to \$4,361 in 2007, a \$611 increase. However, over 60 percent of this increase appears to have been driven by capital investments being made by the state. In particular, during this period of time, the Georgia Department of Transportation over counted around \$2.4 billion in federal funds nearly doubling its spending on roads and bridges. The shortfall created led to the current crisis at the Department where a significant amount of spending had to be scaled back in 2008 and 2009 to cover shortfalls.

This hypothesis appears supported by other increases in the Census report from 2006 to 2007. Georgia jumps from 50th in the nation in capital outlay in 2006 to 7th in 2007, or from \$200 per capita to \$577 per capita, an unrealistic increase. Georgia's spending on highways, which makes up a significant portion of state spending on capital outlay, jumped from 49th in the nation at \$153 per capita to 7th in the nation at \$562 per capita, also unrealistic. This alone would explain around \$400 of the \$611 increase.

Current operations, the non-capital part of the budget, increased by \$120 from \$1,976 to \$2,096, less than 4% and the remaining increases came in interest costs, insurance benefits and repayments, etc.

A Look at Local Government Taxes and Expenditures

Local expenditures increased from \$4,071 per capita to \$4,441 in 2007, an increase of \$370.00 equaling 8.3%. At least 70 percent of this increase is attributable to an increase in their current operations budget shifting from \$3,191 to \$3,451, an increase of \$260 or 7.5%. Capital outlay also increased at the local level on a per capita basis going from \$696 per capita to \$814 and shifted Georgia local governments from 12th to 11th in the nation in terms of local government capital investment.

So, according to the latest U.S. Census numbers in 2007, total state and local spending and revenue rankings fell because of increases in local taxes and spending.

NEXT WEEK: A look at Georgia's Revenues Portfolio compared to other states.