GEORGIA STATE SENATE
BUDGET AND EVALUATION OFFICE

Chairman's Column

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October Revenues - No Signs of Recovery Yet

October revenue numbers were pretty dismal but not unexpectedly since October was a strong month last year. November is also expected to be a really low month. This was before the slide beginning in December of 2008.

Overall Revenue: -$246 million or -17.8%
Individual Income Taxes: -15.5%
State Portion Sales Taxes: -18.2%
Motor Fuel Taxes:
Sales Taxes: -28.2% (Price per gallon is down)
Excise Taxes: Up 1.8% (more gallons sold)
Corporate Income Taxes: -$28 million

Year To Date Figures

Total revenue through 4 months: -$831 million or -15.1%
Individual Income Taxes: -$416 million or -14.8%
State Portion Sales Taxes: -$293 million or -15.6%
Motor Fuel Taxes:
Sales Taxes: -$53 million or -31%
Excise Taxes: Up $4 million or 2.7%
Corporate Income Taxes: -$48 million or -22.6%

Revenue Estimate

In October of this year, the State issued a bond prospectus that included a discussion of FY10 revenues. In July, the Governor had issued a revised revenue estimate of approximately $857 million below the FY10 budget as passed. This prospectus indicated that the Governor now expects the revenue decline to result in a $1.26 billion shortfall from the signed FY10 budget.

The bond prospectus also included a discussion on FY11 revenues. The Governor is projecting 3.9% growth in FY11 over the new revenue estimate for FY10, or -2.5% below FY09 actual revenues. Basically, the state will fall $1.26 billion short of the budget as passed but will then recover approximately half of this in FY11.

To meet the Governor's revised estimate from July, the state is withholding 5% from agency allotments. With the new revenue estimate in the prospectus, an additional 3% will, probably need to be withheld from agencies, as well as other reductions, taking agencies to an 8% reduction.

Revenue Trajectory - A Four Year Regression

The state is currently collecting revenues at the same rate as it did in 2005, although the population has increased by 6%. The state is expected to have one more month of declining revenues from last year, after which revenues should begin to even out in comparison to revenues from last year.

If the state brings in exactly the same amount of revenue as last year in all the remaining months, the FY10 shortfall will likely be around $1.1 billion, slightly smaller than the new revenue estimate of $1.26 billion.

Based on historical collections, the state needed to bring in $4.68 billion (or 31.82% of the budget) through October to be on track to meet the Governor's new revenue estimate. Having brought in $4.66 billion (or the equivalent of 31.17%) the state is currently $17 million behind schedule. If the state was still operating on the revenue estimate in the FY10 budget as passed, the state would currently be $408 million behind schedule.

This historical analysis assumes that the state will bring in substantially more in January through June (on average around 6% growth month over month) than it did last year. Historically these months have been strong as an overall percent of the total budget. But In FY09, these were comparatively weaker months.

Other Issues

There are several other issues affecting this month's revenues that are important to consider when looking at the overall revenue picture. Due to the floods, some businesses were able to delay remittance of sales and withholding taxes to the state. The Department of Revenue estimates that this has delayed around $31 million in tax collections. This will also affect November tax remittances.

Good News on Bond Sales

When Georgia sold $793 million in bonds for various projects around the state recently, there was good news about the interest rates the state received due to Georgia retaining its "AAA" Bond Rating.

For 5 Year Bonds the state paid only 1.49% and for 20 Year Bonds only 2.99%. These outstanding rates resulted in $35 million in savings over the amount budgeted from bond interest and will reduce the annual debt service by $10 million. Even in the difficult economic times faced by the state, this rating signifies the confidence the bond underwriters have in Georgia's ability to handle its budgetary issues in a responsible manner.