

## August 2011 Analysis of Revenue Collections

---

### August Revenues

Department of Revenue tracked tax collections for the first two months of FY2012 were up \$191.6 million, or 8.1% over the same period in FY2011. Individual categories year to date are as follows:

- Individual Income taxes increased \$204.4 million or 17.6%.
- Sales and Use Tax collections increased \$9.4 million or 1.1%.
- Total Motor Fuel Tax collections increased \$10.3 million or 6%.
- Corporate Income Tax collections were -\$36 million, a decrease of \$44.3 million or -530%. Just as last month, this was primarily due to a high level of refunds. Positive revenue in the form of estimated payments, assessments, and returns are actually up by \$10.6 million, or 27.3% over FYTD 2011.

### Revenue Trajectory

In the first two months of FY2012, tax collections compared to the same time period in FY2011 show a growth rate of 8.2%, inching past the 7.8% full fiscal year growth of FY2011 over FY2010. While it is encouraging to see continued growth following a positive year, optimism should be cautious until completion of the first quarter of FY2012.

Currently, there are some issues looming with the potential to impact the state budget:

1. New developments in proposed federal taxes and expenditures have the potential to impact the state in two ways. First, cuts in federal programs may require the state to assume a greater financial role in the delivery of certain services. Second, with almost \$90 billion (FY2009) in federal payments, contracts, and salaries flowing into Georgia, reductions have the potential to weaken income, sales, and other taxes that result from federal spending.
2. Georgia's FY2012 revenue estimate is built on a growth rate of approximately 5% above collections for FY2011, equal to about \$600 million of additional revenue. While attainable based on past trends, this growth rate is ambitious.

### Revenue Shortfall Reserve

The new level for the Revenue Shortfall Reserve will be announced when the FY2011 collections are audited and released. Currently, the RSR stands at \$116 million, covering the cost of approximately 3 days of state operations. In 2007, the state had the equivalent of 31 days of state operations in reserve.