

## Fiscal Overview

### Spending Relative to Other States

Some states are very decentralized, with local government accounting for a large portion of all government spending, while state government plays a larger role in other states. State spending on K-12 education, for example, ranges from 31 percent in Nevada to 85 percent in Hawaii. For this reason, it is important when comparing states to examine state plus local spending. In addition, comparing spending as a percentage of personal income (rather than spending per capita) accounts for cost of living differences.

Georgia is commonly characterized as an extremely low spending and low tax state. An apples-to-apples comparison ranks Georgia 38th in taxes and 34th in spending – below the national average, but above roughly one quarter of the states.

### Fiscal Overview of State and Local Revenues and Expenditures

	Amount in Thousands	Percent of State Personal Income	Rank
<b>Georgia State and Local Revenues</b>			
<b>Taxes</b>	<b>\$31,509,607</b>	<b>9.6%</b>	<b>38</b>
Charges	\$10,686,737	3.3%	29
Miscellaneous general revenue	\$4,638,090	1.4%	46
<b>General revenue from own sources</b>	<b>\$46,834,434</b>	<b>14.3%</b>	<b>40</b>
Revenue from the federal government	\$13,795,539	4.2%	36
<b>General revenues</b>	<b>\$60,629,973</b>	<b>18.5%</b>	<b>38</b>
<b>Georgia State and Local Expenditures</b>			
Current Operations	\$51,246,279	15.6%	35
Construction and capital outlay	\$9,611,736	2.9%	19
<b>General expenditures</b>	<b>\$60,858,015</b>	<b>18.6%</b>	<b>34</b>

Source: US Census Bureau, State and Local Government Finances, <http://www.census.gov/govs/estimate/>, data excludes utilities

A deeper analysis shows areas where Georgia is high or low compared to other states:

#### Revenues

High Relative to other states	Low relative to other states
Alcoholic beverage taxes, Insurance premium taxes, Hospital charges, Solid waste charges	Motor fuel taxes, Higher education charges (tuition)

#### Expenditures

High Relative to other states	Low relative to other states
Higher education scholarships, Corrections, K-12 education, Other education (Pre-K), Hospitals	Interest on debt, Higher education, Highways

See tables 1 and 2 below for a more detailed analysis.

**Table 1. Selected Categories Representing 80 Percent of General State and Local Revenues from Own Sources (FY 2009)**  
**Rank based on percentage of state personal income**

Description	Amount (thousands)	Rank	Per Capita						
			GA	AL	FL	NC	SC	TN	*Average
Tax - Property	\$10,438,954	28	\$1,085	\$501	\$1,584	\$861	\$964	\$745	\$931
Tax - General Sales	\$8,981,969	16	\$934	\$813	\$1,104	\$780	\$682	\$1,316	\$939
Tax - Individual Income	\$7,801,185	26	\$811	\$587	\$0	\$1,012	\$613	\$35	\$449
Charges - Public Hospital	\$3,623,512	15	\$377	\$783	\$319	\$546	\$989	\$429	\$613
Charges - Higher Education (Tuition)	\$1,655,327	43	\$172	\$411	\$136	\$174	\$355	\$198	\$255
Charges - Sewerage	\$1,060,666	24	\$110	\$83	\$136	\$117	\$103	\$96	\$107
Tax - Motor Fuels Sales	\$861,153	43	\$90	\$130	\$166	\$160	\$112	\$129	\$140
Tax - Insurance Premiums	\$730,024	6	\$76	\$57	\$36	\$54	\$27	\$47	\$44
Tax - Corporation Net Income	\$694,717	38	\$72	\$104	\$98	\$95	\$54	\$129	\$96
Charges - Solid Waste Management	\$561,739	12	\$58	\$33	\$114	\$50	\$40	\$30	\$53
Tax - Alcoholic Beverage Sales	\$295,652	8	\$31	\$43	\$32	\$33	\$33	\$41	\$36
Tax - Motor Vehicle License	\$283,406	49	\$29	\$46	\$60	\$65	\$47	\$63	\$56
Tax - Tobacco Sales	\$229,673	43	\$24	\$36	\$24	\$26	\$7	\$48	\$28

**Table 2: Selected Categories Representing 80 Percent of State and Local General Expenditures  
(FY 2009)  
Rank based on percentage of state personal income**

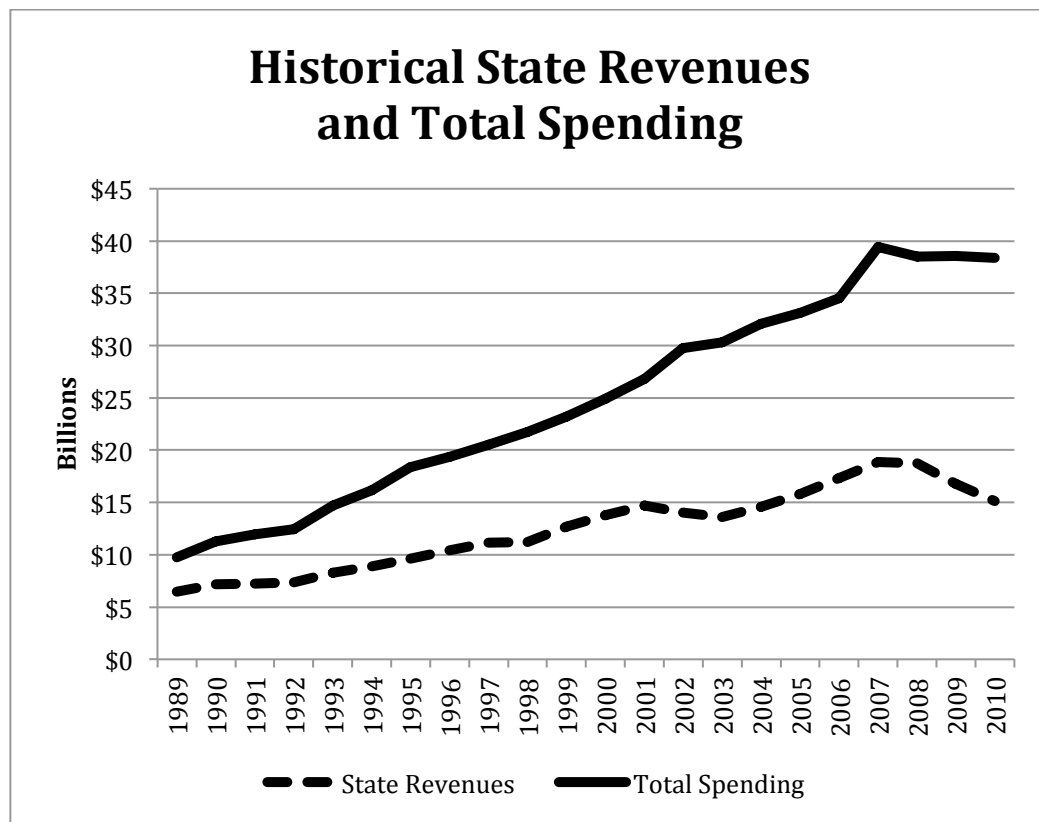
Description	Amount (thousands)	Rank	Per Capita						
			GA	AL	FL	NC	SC	TN	*Average
Current Operations - Elementary & Secondary Education	\$15,907,442	8	\$1,653	\$1,454	\$1,264	\$1,349	\$1,495	\$1,235	\$1,360
Current Operations - Welfare, Vendor Payments for Medical Care	\$7,779,551	31	\$809	\$963	\$838	\$919	\$1,077	\$987	\$957
Current Operations - Higher Education	\$4,316,048	38	\$449	\$766	\$377	\$638	\$548	\$441	\$554
Current Operations - Own Hospitals	\$3,826,875	16	\$398	\$701	\$405	\$600	\$848	\$477	\$606
Construction - Elementary & Secondary Education	\$2,334,126	5	\$243	\$181	\$187	\$141	\$219	\$67	\$159
Current Operations - Police Protection	\$2,152,895	25	\$224	\$216	\$357	\$215	\$204	\$231	\$245
Current Operations - Health Services	\$2,035,158	26	\$212	\$187	\$246	\$318	\$253	\$256	\$252
Construction - Highways	\$1,890,154	33	\$196	\$229	\$273	\$167	\$121	\$241	\$206
Current Operations - Correctional Institutions	\$1,729,540	13	\$180	\$124	\$187	\$152	\$134	\$123	\$144
Interest on General Debt	\$1,471,573	49	\$153	\$221	\$272	\$211	\$276	\$190	\$234
Current Operations - Welfare	\$1,429,130	34	\$149	\$95	\$146	\$143	\$109	\$156	\$130
Current Operations - Highways	\$1,158,750	47	\$120	\$207	\$147	\$141	\$153	\$132	\$156
Current Operations - Housing & Community Development	\$1,018,661	20	\$106	\$82	\$112	\$81	\$86	\$90	\$90
Current Operations - Judicial and Legal Services	\$998,213	24	\$104	\$88	\$118	\$74	\$74	\$96	\$90
Education Scholarships	\$862,565	8	\$90	\$79	\$96	\$40	\$164	\$86	\$93
Current Operations - Other Education	\$672,033	18	\$70	\$68	\$32	\$42	\$66	\$58	\$53

\*Average = Per capita average of Georgia's neighboring states

## Spending Trends

Federal government accounting rules require every state to produce a Comprehensive Annual Financial Report (CAFR). This audited report is the best measure of the total funds spent by the state each year. Below is a comparison of total state spending through 2010, the latest CAFR available.

The media's focus on the "nearly \$3 billion of budget cuts from 2009 to 2012" is misleading. First, it is important to count all of the money. Over a third of state spending in 2011 came from the federal government (more than \$13 billion). To ignore this spending is clearly misleading. Second, in Georgia, as in most states, spending rises quickly during good economic times and must be ratcheted back during recessions due to balanced budget requirements. (The chart below shows the dips starting in 2002 and again in 2008, with steep increases in between.) It's easy, but misleading, to make the case that spending is growing either too fast or too slowly by cherry picking the right starting and ending points in the economic cycle. It's more accurate to look at spending over an entire economic cycle. Finally, budget predictions can often be inaccurate since no one can perfectly predict the future. Where possible, audited, actual spending figures should be used.



The size of government in Georgia has nearly doubled since 1980. The inflation-adjusted, per capita cost of state and local government was \$4,216 in 1980 and it was \$7,984 in 2008.

Source: Tax Foundation interactive tables,

<http://interactive.taxfoundation.org/tabor/?cL=1&s=GA&IT=pop&g=&bY=1990&l=1&i=1&pC=1>

Table 3 below shows total dollars (state and federal) starting with actual audited spending in 2005 (a year that is roughly a midpoint between recessions) through the 2010 budget.

Table 3: Total State and Federal audited expenditures FY2005-FY2010

<b>Agency</b>	<b>2005</b>	<b>2010</b>	<b>Five-year Growth</b>
Education	\$7,584,846,987	\$9,638,527,715	27.1%
Community Health	\$10,011,302,919	\$12,243,297,101	22.3%
Board of Regents	\$3,940,899,751	\$5,316,609,332	34.9%
Transportation	\$2,293,124,017	\$1,971,638,690	-14.0%
Human Resources/Behavioral Health	\$3,182,387,994	\$2,618,028,557	-17.7%
Corrections	\$965,850,492	\$1,093,371,034	13.2%
Other	\$5,133,663,209	\$5,517,770,492	7.5%
<b>Total Expenditures</b>	<b>\$33,112,075,369</b>	<b>\$38,399,242,921</b>	<b>16.0%</b>

This shows that despite one of the worst economic recessions in memory, the state is spending more than \$5 billion more in 2010 than it spent in 2005 – an increase of 16 percent. Large increases in education and health care spending were offset by decreases in transportation and human services spending. Based on the Governor’s 2013 Budget, spending will be slightly higher in 2013 than it was in 2010.

Table 4: Total State and Federal estimated expenditures through FY2013

<b>Agency</b>	<b>2010</b>	<b>2013*</b>	<b>Three-year Growth</b>
Education	\$9,638,527,715	\$8,353,852,952	-13.3%
Community Health/Public Health	\$12,243,297,101	\$12,547,424,681	2.5%
Board of Regents	\$5,316,609,332	\$6,179,349,158	16.2%
Transportation	\$1,971,638,690	\$2,000,830,751	1.5%
Human Resources/Behavioral Health	\$2,618,028,557	\$2,684,785,939	2.5%
Corrections	\$1,093,371,034	\$1,153,216,125	5.5%
Other	\$5,517,770,492	\$5,796,860,966	5.1%
<b>Total Expenditures</b>	<b>\$38,399,242,921</b>	<b>\$38,716,320,572</b>	<b>0.8%</b>

\* Based on Governor’s FY 13 Recommendations

Rank of Georgia’s salaries and wages for state and local government employees as a percentage of personal income: 24<sup>th</sup> highest

**Cost of Georgia Higher Education: 2009-2010 Annual net tuition and fee revenue**

Four-Year Colleges and Universities: \$5,268 (13<sup>th</sup> highest out of 16 SREB states)  
 Two-Year Colleges, including Technical Colleges: \$2,655 (9<sup>th</sup> highest out of 16 SREB states)

Source: Southern Regional Education Board, [http://www.sreb.org/page/1126/srebstate\\_data\\_exchange.html](http://www.sreb.org/page/1126/srebstate_data_exchange.html)

**Comparisons**

Based on the information in Tables 1 and 2, it is possible to project savings by multiplying the difference in per capita amounts and multiplying by Georgia’s population.

For example, Georgia’s motor fuel taxes are \$70 lower per person than North Carolina and Florida. Based on Georgia’s 2009 population of 9.6 million, increasing Georgia’s motor fuel taxes up to the level of North Carolina or Florida would raise more than \$670 million annually.

At the same time, if Georgia reduced its spending on school construction to the southeastern average it would save \$84 per person, or more than \$800 million annually. Since school construction is primarily funded at the local level, this would provide an opportunity for a substantial property tax cut.