

CAPITOL UPDATE

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House struggles to make ends meet

The House of Representatives is pursuing creative measures to fill the gap in the state budget created by difficult economic conditions.

Each Spring, the General Assembly recesses during the second week of the legislative session for budget hearings. During this time, the Governor issues recommendations for the upcoming fiscal year. The House Appropriations Committee works to outline a first draft of the proposed budget. Upon passage through the House, the budget moves to the Senate for further review.

Once modified by the Senate, a Conference Committee is held in which the House and Senate resolve any conflicts in fiscal policy. Finally, the budget reaches the Governor's desk, and is either signed into law or vetoed. In Georgia, the state budget is the only piece of legislation that the Governor reserves the right to line-item veto.

Tensions have been running high under the Gold Dome as the House awaits Senate activity on two crucial pieces of legislation, HB 307 and HB 1055. The House is depending on the passage of both these bills to help raise revenue and alleviate budgetary shortfalls in the upcoming fiscal year. Time is of the essence with only seven days remaining in this legislative session.

HB 307, alternatively known as the Hospital Bed Tax, passed the Senate by a vote of 31-15 on April 1. Sponsored by **Rep. Jim Cole** (R-Forsyth), the bill seeks to assess Georgia hospitals a "provider payment" of 1.45 percent of a hospital's net revenue.

In recent years, the state has been struggling to provide for Medicaid programs as these programs see a simultaneous increase in beneficiaries and decrease in funding. One option to help alleviate the budgetary crisis was to slash Medicaid by 20 percent. Instead, HB 307 would raise revenue from the hospital's provider payment to be matched by the Federal government under the Federal Medical Assistance Act at a rate of 74.96 percent. These funds would be redistributed among hospitals according to Medicaid demand. More affluent hospitals like Piedmont and Northside would see little returns, while Grady stands to receive millions in funding.

HB 1055, sponsored by **Rep. Kevin Levitas** (D-Atlanta), hopes to help the budget by increasing various state fees.

The agricultural industry is heavily impacted by this bill, and there is also a focus on revenue from motor vehicles fees. Overall, the fees encompass a wide variety of industries to bring in an estimated \$90 million for the state.

The Senate is yet to take action on HB 1055.

Spring sees budding economic recovery

Recent reports stipulate that for the first time since November 2008, Georgia is experiencing an increase in monthly revenues. While February's figures were down 9.9 percent from 2009, March has seen a 1 percent increase from last year. While this is positive news, enthusiasm over this progress may be tempered by acknowledging the inflationary impact that the Masters tournament and Braves Opening Day may have had on last month's figures.

Jobs Act headed to Governor's desk

HB1023, sponsored by former State Representative **Tom Graves** (R-Ranger) is on its way to the Governor's desk after the Senate passed it 33-13 on April 1.

This will not be the first time that the Governor has the opportunity to sign or veto the JOBS act. It was first introduced in 2009, but was ultimately vetoed. The 2009 bill included \$2,400 in tax credits for each new worker hired, an eventual elimination of the corporate income tax, and a credit towards unemployment taxes for businesses that hired workers who were previously unemployed.

The version of the JOBS act that passed the Senate last week is a pared-down rendering of the original bill. Among other provisions, the JOBS Act would provide a tax credit to businesses that hire new employees. However, critics of the bill say a tax break is unlikely to incentivize hiring new employees if an employer has no real demand for additional labor.

HB 1023 also outlines \$9 million in tax credits for angel investors who provide funding to start-up businesses. Qualified investments would begin in 2011, and receive the tax credit distributed over three years.

TAG is enthusiastic about the angel investor provision of the JOBS Act, and eagerly awaits action by Governor Perdue on this important piece of legislation to stimulate state-wide economic growth.