

Kickoff at the Capitol



Monday, January 11th marked the first day of the 2010 Georgia General Assembly. Last week, lawmakers used four of their allotted 40 days to get back to business. The Assembly will be in recess this week while budget writers engage in what promises to be a difficult process. Day 5 of the General Assembly will be Monday, January 25th.

David Ralston elected Speaker of the House

The new Speaker, David Ralston, is an attorney and former State Senator. He has served in the House of Representatives of 2002. Speaker Ralston promises a new day in the State Capitol and we are excited to work with him and his new staff.



House Speaker David Ralston and Lee Lemke at the 2010 Joint Legislative Reception

Also, Representative Jan Jones was elected Speaker Pro-Tempore, a historic moment for the General Assembly because she is the first woman to hold the position.



Speaker Pro-Tempore
Jan Jones

With the new House Speaker David Ralston and Speaker Pro-Tem Jan Jones in their leadership positions, there are some changes in the House Committee Chairmanships as Speaker Ralston made adjustments. The House of Representatives released its roster of committee appointments.

Listed are some of the most notable changes in chairman positions:

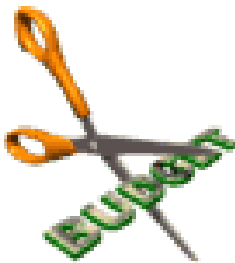
- Rep. Bill Hembree- Rules Chairman (previously Earl Ehrhart)
- Rep. Wendell Williard- Rules Vice-Chairman (previously John Lunsford)
- Rep. Earl Ehrhart- Appropriations Higher Education Vice-Chairman (previously Bob Smith)
- Rep. Terry England- Appropriations Education Vice-Chairman (previously Ed Lindsey)
- Rep. Penny Houston- Appropriations Human Services Vice-Chairman (previously Mark Butler)
- Rep. Len Walker- Higher Education Chairman (previously Bill Hembree)
- Rep. John Meadows- Insurance Chairman (previously Tom Knox)
- Rep. Mark Hamilton- Governmental Affairs Chairman (previously Austin Scott)

- Rep. Clay Cox- Human Relations Chairman (previously Len Walker)

Six new House Members are now seated in the chamber since the 2009 gavel fell. Changes in the Senate include welcoming Senator Buddy Carter, a former House member replacing Eric Johnson who resigned his seat to run for Governor. In addition, Senator Donzella James returned to the Senate to fill the seat vacated by Atlanta’s new Mayor, Kasim Reed. Governor Perdue signaled the need for a renewed dedication to cooperation during his “State of the State” address. It was also his final such address to the General Assembly and lawmakers honored his service with a joint resolution. Instead of the normal focus on the budget and legislative initiatives championed by the Governor, the presentation was more reflective of the challenges that have faced our state and our nation, which tied in well with the fiscal challenges and tough job market that face our state today.

On Tuesday at the annual Eggs & Issues Breakfast hosted by the Georgia Chamber of Commerce at the Georgia World Congress Center. Governor Perdue discussed a range of issues including education, water, transportation and health insurance reform. Lt. Governor Cagle, a Republican, said he will resurrect a plan vetoed by Gov. Sonny Perdue a year ago to cut the state’s capital gains tax and will seek to renew a sales tax exemption for energy used in manufacturing. Cagle acknowledged that the state faces a nearly \$1.5 billion budget shortfall and said that revenue hole will only increase in 2011 and 2012. With the state already facing a budget that is \$3 billion less than it was four years ago, Cagle said the Senate will work to ensure “we do the responsible thing, create efficiencies and bring government back to the 21st century and focus very deeply on cutting taxes.”

Lt. Governor Casey Cagle has asked seven executives from major companies and accounting firms to spend the next month figuring out ways to restructure state government in response to years of budget cuts. The goal of the task force is to begin looking ahead several years and formulate a plan for a restructured government designed to thrive on less revenue.



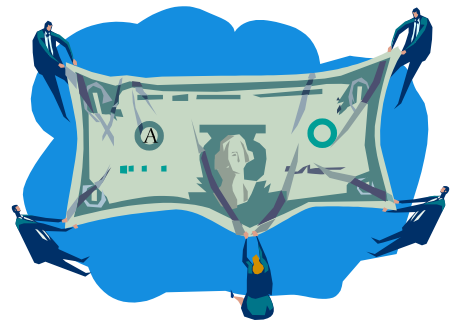
On Wednesday, January 13th, Governor Sonny Perdue addressed a Joint Session for his final State of the State Address. The Governor highlighted Georgia’s past achievements, while also noting that this recession has crippled the budget and impacted every Georgian. He stated, “These times demand that we worry less about bringing home the pork, and more about empowering our people to grow their own hogs.” Perdue also raised the possibility of a special Legislative Session later this year to resolve the tri-state water issue before his term ends in December.

On Friday, Governor Perdue’s recommended Amended 2010 budget totals \$17.4 billion, a \$1.2 billion reduction from the original FY 2010 budget, and the 2011 budget stands at \$18.2 billion. Governor Perdue spoke of the motto adopted by the Georgia Trustees- General Oglethorpe and the original colonists: “Not for self, but for others.” He stated, “That was the charge back then. It was the charge seven years ago and it is the charge today.” Governor outlined a proposal to enhance the way Georgia compensates its teacher by adding a

performance-based pay option to the existing salary system. The compensation model would award salary bonuses based on classroom observation and student growth, enabling effective teachers to be eligible for much higher salaries much earlier in their careers. Under the current system, teachers only receive salary increases for years spent teaching and for advanced degrees earned.

The Governor announced that his FY 2011 budget recommendation will include \$300 million in bond projects for transportation. These projects are aligned with the statewide strategic transportation plan and will focus on projects of statewide significance. The Governor laid out a vision for committing a similar amount in the future budgets, which total as much as \$3 billion over the next decade. The bonds will be paid back using state general funds rather than motor fuel taxes, which are declining at a time when transportation needs are increasing.

“This is the ultimate accountability system, the DOT will be responsible for delivering projects, and the legislature will answer to the voting taxpayers in deciding whether to continue making these investments,” the Governor said. He also said he would support legislation that would create special tax districts for transportation that mirror the state’s 12 regional planning boundaries.



Voters in each region will have the ability to decide on new transportation improvements by voting on a one percent sales tax. The transportation districts will enable a collection of counties to make strategic decisions that will produce growth in their region. The state’s director of planning will work closely with local communities to create a project list for each transportation district. The Governor’s proposal calls for a statewide vote to be held, with the voters in each transportation district considering their specific list. If the district votes yes, the additional sales tax collected in their district will be used to fund their list of projects. If the district votes no, the tax will not be levied.

In addition to the \$300 million, the Governor also recommended \$68 million for the deepening of the Savannah River Harbor. As the environmental studies near completion, the joint federal-state project will deepen the shipping channel from 42 feet to 48 feet allowing the world’s biggest ships to call on the Savannah Port.

Summary of this week’s top issues:

Sales Tax Collections

The House Ways and Means Committee held two hearing this week with the Department of Revenue to discuss the tax collection compliance. One of the primary topics discussed was how the state could do a better job of collecting state and local sales tax. The committee was very supportive of the work the DOR has done on a limited scope to match the local business occupation tax certificates to DOR sales tax registrations. The committee is now looking at what needs to be done to allow these comparisons for all 159 counties through an automated process.

Property Tax Reform

The Senate has come out early in favor of numerous changes to the property tax laws. Senate Majority Leader Chip Rogers is working on a comprehensive rewrite of the property tax code that will make changes primarily to the assessment process and appeal procedures. Also, Lieutenant Governor Casey Cagle has called for additional tax cuts, including property tax cuts, to be implemented this session.



Transportation

Senate:

SB 305- Enables the Georgia Department of Transportation to contact Design/Build Projects up to 30% of the total amount of construction projects awarded in the previous fiscal year. The current law allows GDOT to contract up to 15%. Current Status-*Senate Transportation Committee*

SR 821- Enables the Georgia Department of Transportation to enter into multi-year construction agreements. Current Status-*Senate Transportation Committee*

Public Private Partnership Rules- These rules outline the way PPI can be implemented by GDOT. Current Status: *Passed Senate Transportation Committee*

House:

Public Private Partnership Rules- These rules outline the way PPI can be implemented by GDOT. Current Status-*Passed House Transportation Committee*

Water:

SB311- Water Savings and Conservation Act- The focus of this bill is to conserve water by fixing leaking pipes. Some outdated water systems leak nearly 20% of potable water before it ever reaches the end user. This bill would put a program in place by the Georgia Environmental Protection Division to encourage increased efficiency in these water delivery systems. If the water provider cannot make repairs to a leaking system in a timely manner, then another water service could step in to make the repairs, but with strings attached.

Actions related to the 2009 ruling by Federal Judge Paul Magnuson regarding water uses from Lake Lanier included information on water management proposals stemming from the Governor's Water Contingency Planning Task Force and a legislative discussion with Natural Resources Chairmen Ross Tolleson and Representative Lynn Smith. There is talk that Georgia, Florida and Alabama could pass identical legislation to resolve the water dispute.



Federal Issues:

SR 801- U.S. Congress; Cap and Trade legislation; request to avoid passing an energy tax that hurts all Americans- Urging resolutions seldom garner much attention, but this one echoes that sentiments of many industries' members.

White House officials and senior Democrats stated their commitment to a cap-and-trade measure in 2010 and defended the Environmental Protection Agency's authority to regulate greenhouse-gas emissions under the Clean Air Act. This comes as moderate senators urged the White House to reconsider cap and trade in favor of energy reforms, and Republicans stepped.



Elections:

2010 is an election year for State Representatives and for our next Governor. The following individuals have filed to run for Governor of Georgia. During the coming months, names will undoubtedly be added and subtracted from the list. This is a good time to be politically active with all the candidates seeking support and feedback from the voting public. Whether you are Democrat, Republican or other, now is the time make your voice heard on the issues that affect us and our industry.

Active Candidates for Governor in 2010 (as of 01/18/09):

- Insurance Commissioner John Oxendine (R) reports \$2.2 million cash on hand.
- Eric Johnson(R) reports \$1.3 million cash on hand.
- Rep. Austin Scott (R) reports \$159,000 cash on hand.
- Karen Handel (R) reports \$400,000 cash on hand.
- Congressman Nathan Deal (R) reports \$940,000 cash on hand.
- Former Governor Roy Barnes (D) reports \$2.4 million cash on hand.
- Attorney General Thurbert Baker (D) reports \$665,000 cash on hand.
- Rep. Dubose Porter (D) reports \$303,000 cash on hand.
- Gen. David Poythress (D) reports \$264, 000 cash on hand

2010 Joint Reception

As a recap of our 2010 Joint Legislative Reception on January 13th, we had over 80 legislators attend, with 11 hosts and 120 guests who were also in attendance. We were honored to have the newly elected House Speaker David Ralston and the Department of Transportation Commissioner Vance Smith. Most would agree that the reception provided an excellent

opportunity to meet key Legislators and make new contacts. I would like to give a special thanks to Dallas Bouley and Porsche Collier for preparing this event. We would also like to thank the Georgia Industry Association who participated:

Allen Denyse – Denyse Signs
Brian Johnstone – Lockheed-Martin
Burl Fineklstein – Kason Industries
Chris Zimmerman – Twin Engines, Inc.
Danny Zink – Cottrell Trailers, Inc.
Davis Kaplan – Denyse Signs
Elizabeth Brock – Pallets, Inc.
Jennifer Birtz- Habir, Arogeti & Wynne

Jim Jones – Dixie Industrial
Joanna Cheng - Habir, Arogeti & Wynne
John Corn- Habir, Arogeti & Wynne
Karen Fite- GA Tech EII
Mark Munson – Omnivue
Russ Kilby- Marmon-Keystone
Tom Deems – New Riverside Ochre

