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Overview of House of Representatives' Proposed FY 2010 Budget (HB 119)

By Alan Essig, Executive Director

Summary

- The FY 2010 state budget (House Bill 119) totals \$18.57 billion, representing a \$3.1 billion (15.5%) decline in revenues from the FY 2009 budget (HB 990) passed during the 2008 session of the General Assembly. HB 119 closes the deficit through the use of federal stimulus funds (\$1.4 billion), reserve funds (\$400 million) and budget cuts throughout state government (\$1.3 billion).
- The House of Representatives identified approximately \$200 million more in federal stimulus funds than was proposed by the governor. These funds allow for the restoration of some cuts and help avoid deeper cuts, but are short-term solutions.
- According to the governor, the Medicaid budget is under-funded by between \$140 million and \$150 million; however, the House did not budget additional funds to reflect DCH's recently revised enrollment forecast. *The Medicaid budget should be fully funded to meet the needs of all eligible Georgians.*
- Additional tax breaks passed by the House of Representatives will lead to further budget cuts.

The General Assembly should consider increased and ongoing revenue sources such as an increase in the cigarette tax and implementation of a fee on care management organizations (CMOs).

American Recovery and Reinvestment Act Funds

The House of Representatives identified and appropriated approximately \$1.44 billion in ARRA funds within the FY 2010 budget, approximately \$200 million more than the governor proposed.

Table 1

American Recovery and Reinvestment Act Funds

Medicaid FMAP Increase	\$731,564,224
State Fiscal Stabilization Fund	\$648,284,541
Program Specific	\$58,145,000
TOTAL	\$1,437,993,765

State Fiscal Stabilization Fund

The state will receive an estimated \$1.54 billion between FY 2009 and FY 2011 from the State Fiscal Stabilization Fund (\$1.26 billion set aside for use in education programs and \$280 million that is more flexible and can be used throughout state government). The FY 2009 budget includes appropriating \$145 million to the Department of Education. Approximately \$1.1 billion remains for use in education and \$280 million remains for use throughout state government in FY 2010 and FY 2011. *To assure adequate funding in FY 2011, a two-year fiscal plan should be followed assuring that an equivalent amount of funds are allocated to FY 2011 based on whatever funds are used in FY 2010.*

The governor proposes using \$140 million of flexible funds in public safety agencies (50%) and \$427 million of education funds (38%) in the Department of Education, Board of Regents, and the Technical College System of Georgia in the FY 2010 budget. These federal funds are not to be used to replace previously announced cuts but are to be used to supplant (replace) state funds in order to avoid further cuts due to the governor’s downward \$1.6 billion revision of the FY 2010 revenue estimate.

The House of Representatives also appropriated \$140 million of flexible funds in public safety agencies (50%) and an additional \$81 million of education stimulus funds to education agencies, totaling \$508 million (46%). Its overall State Fiscal Stabilization Fund appropriation is \$648 million.

Assuming a similar appropriation of \$648 million in FY 2011, there is consequently approximately \$50 million of State Fiscal Stabilization Funds still available for FY 2010 and FY 2011 (\$100 million total) that the General Assembly could appropriate in the budget now.

Table 2

State Fiscal Stabilization Fund

Department of Education	\$400,000,000
Board of Regents	\$92,617,896
Technical College System of Georgia	\$15,406,239
TOTAL EDUCATION FUNDS	\$508,024,135
Department of Corrections	\$97,234,674
Department of Juvenile Justice	\$28,000,000
Department of Public Safety	\$8,872,757
Georgia Bureau of Investigation	\$6,132,772
TOTAL PUBLIC SAFETY FUNDS	\$140,260,406
TOTAL STATE FISCAL STABILIZATION FUND	\$648,284,541

Medicaid FMAP Increase

The American Recovery and Reinvestment Act increases the federal Medicaid match from 65.05% to 74.82%, resulting in an additional federal match of \$731.6 million in federal funding. Approximately \$649.9 million comes through the Department of Community Health (DCH) and \$81.7 million comes through the Department of Human Resources (DHR).

Program Specific American Recovery and Reinvestment Act Funds

The House of Representatives appropriated \$58.1 million in ARRA funds within the Department of Human Resources. Most of these funds are to increase services and are not being used to supplant state funds.

Table 3
Use of ARRA Funds in Department of Human Resources

Child Care Services: time-limited child care	\$27,000,000
Child Support Services: increase support paid to families	\$14,000,000
Child Welfare Services: Foster Care and Adoption Assistance	\$13,000,000
Food Stamp Eligibility and Benefits: for caseload growth	\$2,000,000
Elder Support Services: Nutritional Services Incentive Program	\$1,045,000
Support for Needy Families Family Assistance: food banks	\$1,100,000
TOTAL	\$58,145,000

Education

Department of Education

The Department of Education budget totals \$7.5 billion in state funds. The House appropriated \$400 million of ARRA funds in the Department of Education budget, \$81 million above what the governor recommended. Most of the ARRA funds were used to supplant state funds. Highlights of the overall education budget proposal include:

- Using \$25 million in ARRA funds to partially restore cuts to the QBE funding formula, leaving the QBE austerity cut of \$263 million.
- Restoring \$29.1 million to fund school nurses.
- Restoring \$13.7 million to fund the National Board Certification Program.
- Agreement with the governor's proposal to decrease equalization funding by \$112 million.

Board of Regents

The Board of Regents budget totals \$2.08 billion in state funds. The House appropriated \$92.6 million of ARRA funds in the Board of Regents budget. The ARRA funds were used to supplant state funds. Highlights of the overall Board of Regents budget proposal include:

- Reductions to the funding formula of \$200 million (an increased reduction of \$15 million from the governor's proposal). Formula reductions now total \$472 million.
- Restoring funds for seed capital fund (\$5 million).
- Restoring funds for the Medical College of Georgia (\$5 million).

Technical College System of Georgia

The Technical College System of Georgia budget totals \$321.6 million in state funds. The House appropriated \$15.4 million of ARRA funds in the Technical College System of Georgia budget. The

ARRA funds were used to supplant state funds. Highlights of the overall Technical College System of Georgia budget proposal include:

- Reduction in the formula funding of \$30.8 million (an increased reduction of \$2.3 million from governor's proposal).
- Agreement with the governor's proposal to decrease adult literacy funding by \$1.5 million.
- Agreement with the governor's proposal to decrease Quick Start funding by \$1.8 million.
- Agreement with the governor's proposal to decrease Career Academy funding by \$2.0 million.

Department of Community Health

The Department of Community Health budget totals \$1.94 billion in state funds. The House assumes state savings of \$649.9 million from the increased federal Medicaid matching rate included in the ARRA, a \$44.1 million increase from the governor's proposal. In total, the House uses the additional federal funds to reduce the general fund appropriation to the Department of Community Health (DCH) by \$34.7 million below the governor's revised budget proposal. Highlights of the overall Department of Community Health budget proposal include:

- Redirecting FMAP savings used by the governor to fund potential enrollment growth of approximately \$155.4 million to instead restore provider reimbursement rate cuts included in the governor's revised budget proposal. Restoring rate cuts generates the \$44.1 million increase in ARRA funds noted above.
- The House budget funds Medicaid based on the enrollment forecast included in the governor's original budget, which does not account for higher enrollment growth in recent months. GBPI estimates that the governor's original proposal (and thus the House budget) includes the equivalent of approximately \$68 million for projected Medicaid and PeachCare enrollment growth. This does not likely provide adequate funding for Medicaid and PeachCare, as enrollment growth has picked up in recent months and is expected to continue to grow as the state's unemployment increases. The Governor has projected that the House budget underfunds Medicaid by between \$140 million and \$150 million.
- Providing \$250,000 for the application and funding of a federal waiver to increase the income eligibility level for family planning services to match the eligibility level for pregnancy-related services.
- Providing \$8.8 million to fund "fair rental value" and a quality incentive program for nursing homes.
- Rejecting the governor's proposal to increase the share of State Health Benefit Plan premiums paid by employees from 25 percent to 30 percent.

Department of Human Resources

The Department of Human Resources budget totals \$1.4 billion in state funds. The House appropriated \$58.1 million of ARRA funds from specific federal programs (Table 3) and \$83.1 million from the increased federal Medicaid match. Most of the funds from specific federal programs are appropriated to increase services and are not being used to supplant state funds. There are, however, various cuts throughout DHR. Highlights of the overall Department of Human Resources budget proposal include:

Partially Restores or Increases Funds

- Georgia Trauma Network Commission: Provides an additional \$10 million in state funds. Transfers 11 percent of trauma appropriation to DCH to provide emergency medical services with a rate increase to cover uncompensated care.
- Out-of-Home Care: Restores funds for child-placing agency reimbursement rates for the lowest three levels of care (\$2 million in state funds, \$0.5 million in federal funds).
- Public Health: Restores \$2.5 million in state funds for general grant-in-aid funding for county boards of health.
- Family Violence: Partially restores funding for sexual assault centers, resulting in a \$0.1 million cut from a \$0.6 million cut, and family violence shelters, resulting in a \$0.2 million cut from a \$0.8 million cut.

Additional Cuts

- Child Welfare Services – Reduces child protective services caseworkers through attrition and maintains a 15:1 caseload ratio by cutting an additional \$3.3 million.

No Restoration of Governor's Cuts

- Eligibility Determination: Reduces eligibility determination positions through attrition (\$2.6 million state funds and \$1.2 in federal funds). These positions provide access to health care for low-income families, children, pregnant women, and persons who are aged, blind, or disabled.
- All Addictive Diseases and Mental Health Cuts (excluding State Health Benefit Plan (SHBP)):
 - Reduces child, adolescent, and adult non-medically necessary community support services by \$4 million.
 - Defers expansion of a pilot substance abuse treatment program for families and children (\$3.3 million).
 - Cuts adult addictive disease core and specialty services funding by \$1.3 million.
 - Reduces supported employment funding for adult mental health consumers by \$3 million.
 - Cuts adult mental health services contracts by \$1.7 million.
 - Defers planned expansion of summer activities for youth with serious emotional disturbances (\$1 million).
- Developmental Disabilities: Reduces funds (\$3.4 million) for 135 vacant Mental Retardation Waiver Program (MRWP) slots provided for in FY 2009. MRWP is a home and community-based waiver for persons who have been diagnosed with a developmental disability. This reduction will put pressure on the regions when people present to the state from prison, caregiver death, homeless shelter, and other vulnerable circumstances.
- Elder Services
 - Discontinues Wellness: Take Charge of Your Health program and reduces funding for wellness and nutrition education programs (\$0.9 million).
 - Discontinues Life-Long Planning Program (\$1.0 Million).

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