



FY 2007 BUDGET ADOPTED BY GENERAL ASSEMBLY

Summary

The FY 2007 budget, as adopted by the General Assembly, is based on a General Fund revenue estimate of \$17.6 billion (5.5 percent growth over the FY 2006 revenue projection). In addition, the budget contains \$841 million in lottery funds and \$177 million in Tobacco Settlement funds. The budget includes \$432 million for the Homeowners Tax Relief Grants (property tax cuts), as well as the Board of Education austerity cut of \$170 million and sustained budget reductions within the Board of Regents totaling \$272 million.

Table 1 General Funds Breakdown (\$17.64 billion) <i>Percent of Fund</i>	
Education Funding	53.80%
Medicaid and PeachCare	12.50%
Criminal Justice	9.88%
Health and Social Services	8.72%
Transportation	3.77%
Debt Service	4.92%
Homeowners Tax Relief Grant	2.45%
All Other Government	3.96%

Table 2 Tobacco Funds Breakdown (\$177 million) <i>Percent of Fund</i>	
Medicaid and PeachCare	31.51%
One Georgia Authority	26.55%
School Nurses	16.90%
Department of Human Resources	16.09%
Cancer Coalition	5.62%
Board of Regents	3.24%
Other	0.09%

Table 3 Lottery Funds Breakdown (\$841 million) <i>Percent of Fund</i>	
HOPE Scholarship Program	64.11%
Pre-K Program	35.89%

The FY 2007 budget contains \$753.8 million in additional General Revenue funds over the FY 2006 budget. The FY 2007 budget also contains over \$240 million in one-time Medicaid revenues (prior year surplus and hospital overpayments), as well as over \$128.5 million in projected Medicaid savings. Most of the additional funds are to be used for salary increases, normal formula driven growth, and enrollment growth. Table 4, on the following page, highlights the areas with the largest funding increases and decreases in the FY 2007 budget.

Table 4	
Major Funding Increases and Decreases in FY 2007 Budget	
<i>Increases</i>	
FY 2007 Education and State Employee Salary Increase (4% teacher and state employee; 7% law enforcement personnel)	\$297.7 million
Annualize FY 2006 Education and State Employee Salary Increase	\$66.1 million
Board of Education and Board of Regents formula increases	\$256.6 million
Restore 50% of Board of Education Austerity Cut (class size reduction K-8)	\$163.1 million
Medicaid growth	\$214.6 million
State Employee Health Benefit Plan Shortfall	\$206.9 million
New Debt Service	\$97.8 million
Local Road Initiative (DOT)	\$61.8 million
<i>Decreases</i>	
Medicaid	\$432.5 million
Reduction in Debt Service Existing Bonds	\$131.0 million
Board of Education Local Five Mill Share	\$104.8 million
DOT Savings from Toll Credits	\$59.2 million

Format of Budget Bill

Program Budgeting

The General Assembly continued to use a program budgeting format when structuring the budget bill. Program budgeting appropriates funds to distinct programs as opposed to “object classes” (e.g. travel, supplies, personnel services). The theory behind program budgeting is that program managers, in exchange for receiving increased budget flexibility, will be held accountable for program results. For program budgeting to succeed it is important that:

- Programs are defined correctly. Policy makers and advocates must be clear as to the purpose and expected outcomes of programs. You will get what you measure. Specific, measurable, and relevant outcomes must be established.
- Evaluations and policy analysis must be an integral part of the budget process. The budget has become a “policy” document, and is no longer only about the dollars contained within. Policy and program analysts become as important, if not more important in the budget process as traditional budget and accounting staff. State agencies, the Governor’s Office of Planning and Budget, legislative budget staff, and legislators themselves must develop the skills and expertise necessary to integrate evaluations and policy analysis into the budget process.
- Programs must be funded adequately. We must be careful how failure is defined. A differentiation must be made between programs that are not achieving adequate outcomes due to a flawed concept, policies or management and programs not achieving adequate outcomes due to inadequate funding. There must be realistic expectations as to how much funding is necessary to succeed.

Federal, Agency, and Intra-State Funds

Although state funds account for \$18.6 billion of the FY 2007 budget, federal, agency and intra-state funds account for an additional \$15.9 billion, resulting in a total budget of \$34.5 billion. Traditionally, the budget bill only appropriated a small percentage of non-state general funds. Non-state funds were incorporated into the budget through the state agencies and the Governor’s budget office, with little or no oversight by the General Assembly. Beginning with the FY 2006 budget bill and continuing into FY 2007, the General Assembly appropriated by program over twenty federal, state agency, and intra-state fund sources.

Appropriating federal and agency funds in the budget bill does raise concerns regarding the flexibility state agencies have to manage throughout the fiscal year. It is important that the executive and legislative branches have open and honest discussions about how much and where such funds should be appropriated. The real needs of state agencies need to be taken into consideration. At the same time, all funds need to be accounted for as we budget for results. The General Assembly has an important role to play in regards to accountability and oversight.

Budget Highlights

Board of Education

Increased funding includes:

- \$226.2 million – 4% salary increase;
- \$201.6 million – 2.5% QBE formula enrollment growth;
- \$163.1 million – Restore 50% QBE austerity cut (reduce maximum class size K-8);
- \$138.4 million – Increased employer contribution to State Health Benefit Plan;
- \$21.8 million – Annualization of FY 2006 2% salary increase;
- \$15.4 million – High School Completion Counselors;
- \$10.0 million – Classroom supply gift card;
- \$5.1 million – Restore one-third of austerity cut to QBE formula for media materials;
- \$5.0 million – Rising fuel costs for pupil transportation; and
- \$2.5 million – Academic coaches in Needs Improvement schools.

Board of Regents

Increases include:

- \$53.0 million – 1.6% increase in semester credit hours;
- \$30.8 million – 4% salary increase;
- \$16.4 million – Annualization of 2% FY 2006 salary increase;
- \$5.0 million – ATDC Seed Capital Fund (bioscience industry);
- \$4.7 million – GRA Alliance VentureLab and Patent Fund and 2 eminent scholars;
- \$2.0 million – Library materials; and
- \$1.5 million – Fort Valley State land grant mission.

General Government, Economic Development and Local Government

Increases include:

- \$61.8 million – Road construction (DOT);
- \$6.5 million – 317 specific Local Assistance Grants (DCA);
- \$5.0 million – Life Sciences Facilities Fund (bioscience industry) (DCA);
- \$5.0 million – Land Conservation Program (Environmental Facilities Authority);
- \$4.0 million – Statewide Wireless Broadband Initiative;
- \$3.5 million – Local Development Fund (DCA);
- \$3.0 million – Statewide Customer Service Initiative;
- \$1.2 million – Increase grant funding for Airport Aid program (DOT);
- \$1.0 million – Bioscience funding (Department of Economic Development);
- \$500,000 – Increased tourism marketing (Department of Economic Development); and
- \$500,000 – Georgia Cities Grant program (DCA).

Department of Human Resources

Increases Include:

- \$11.6 million – 6 month funding and associated infrastructure costs for 1,500 waiver slots for consumers on the Mental Retardation/Development Disabilities waiting list;
- \$3.8 million – Child and adolescent crisis stabilization services;
- \$3.6 million – 1,000 slots in Community Care Services Program;
- \$3.1 million – Provide community services for consumers at West Georgia Regional Hospital;
- \$2.2 million – Implementation of Statewide Automated Child Welfare Information System;
- \$1.5 million – Adult crisis stabilization unit;
- \$1.5 million – Marcus Institute;
- \$1.0 million – Initiate trauma care funding;
- \$1.0 million – Training and treatment services for 200 methamphetamine-addicted adults with children;
- \$800,000 – Increase family foster care per diem rates by 3.2%;
- \$500,000 – Additional funds for prenatal care through the Babies Born Healthy program;
- \$400,000 – Supplemental Public Health Grant-in-Aid funding; and
- \$150,000 – Suicide prevention program.

Savings Include:

- \$4.0 million – Reduction in administrative, contract and operating costs;
- \$2.9 million – Implementation of \$40 fee for new born screening tests (increase tests performed from 13 to 29);
- \$2.1 million – Reducing non-Psychiatrist Physicians at Central State Hospital;
- \$1.5 million – Consolidating the Craig Nursing Center and the Nursing Home Center at Central State Hospital;
- \$1.5 million – Consolidation of DFACS county management (eliminate 60 positions through attrition);
- \$1.0 million – Reduction in After School Care program; and
- \$1.0 million – Transfer 19 child and adolescent consumers to community from Northwest Georgia Regional Hospital.

Criminal Justice

Increases include:

- \$31.0 million – 4,221 additional beds at various prisons and centers (DOC);
- \$10.1 million – Prison health services purchases (DOC);
- \$7.5 million – 3% salary adjustment above normal salary adjustment (7% total) for certain law enforcement personnel (DOC, DJJ, GBI, Pardon and Parole, Public Safety, DNR);
- \$3.2 million – Additional 67 Juvenile Probation and Parole Specialists (DJJ);
- \$1.0 million – Establish Methamphetamine Task Force (GBI);
- \$277,500 – 10 Trooper Motorcycle Unit in metro Atlanta (Public Safety); and
- \$200,000 – Local Law Enforcement and Fire Protection Grants program (GBI).

Department of Community Health

Medicaid Increases:

- \$214.6 million – Projected 5.5% growth;
- \$145.2 million – Replace federal funding (upper payment limit);
- \$102.5 million – Move from cash to accrual basis budget;
- \$22.0 million – Replace Indigent Care Trust Funds for Right From Start Medicaid;
- \$20.0 million – Update nursing home reimbursement rates to 2005 cost reports;
- \$3.3 million – Add 152 slots to Independent Care Waiver Program (ICWP);
- \$2.5 million – Provide dental coverage for pregnant women; and
- \$2.3 million – Fund a \$20 monthly supplement for residents in nursing homes and hospices.

Medicaid Savings: (\$432.5 million)

- \$172.8 million – The use of prior year surplus (one time savings);
- \$78.5 million – CMO implementation;
- \$70.6 million – Recovering hospital overpayments (one time savings);
- \$60.6 million – Higher federal matching rate (FMAP);
- \$25.0 million – Verification of income; and
- \$25.0 million – Implementation of Administrative Services Organization for Aged, Blind and Disabled population.

Bond Projects

The General Assembly approved over \$999 million in new bond projects. Debt service increased by over \$97.8 million for a FY 2007 total of over \$867.3 million.

New Bond Projects include:

- \$442.7 million – Board of Education classrooms and equipment;
- \$238.1 million – Board of Regents buildings, classrooms and equipment;
- \$117.1 million – DTAE buildings, classrooms and equipment;
- \$59.5 million – Georgia Environmental Facilities Authority;
- \$21.6 million – Department of Human Resources;
- \$21.2 million – Department of Corrections;
- \$19.1 million – Ports Authority;
- \$19.0 million – Department of Economic Development; and
- \$15.3 million – Department of Natural Resources.

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