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About the Georgia Budget & Policy Institute

The Georgia Budget & Policy Institute (GBPI) seeks to build a more prosperous Georgia. We rigorously analyze budget and tax policies and provide education to inspire informed debate and responsible decision-making, advancing our vision of a state in which economic opportunity and well-being are widely shared among all. GBPI is an independent, nonprofit, nonpartisan organization founded in 2004. Please visit www.GBPI.org for more information.

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INTRODUCTION

The state budget—in the simplest terms—is about having the money to pay for what we need now, while preparing for our future. From our education system to criminal justice to human services—the state budget decides what services we receive and the quality of those services. And these decisions have lasting effects.

The state budget is more than just a list of numbers; it is a blueprint for the quality of life for *all* Georgians. It is as much a reflection of who we are as it is what we value.

Is it important for us to live in safe neighborhoods and drive on well-maintained highways? Do we believe in providing our children with a quality education and our seniors with first-class health care? The answers to these important questions lie within the state budget and the investment decisions made by our elected officials.

Georgia, like many other states, is struggling to regain its foothold after one of the worst recessions since the Great Depression. Our elected officials have the difficult task of crafting a budget in the midst of high unemployment rates and increased poverty. On top of that, Georgia is grappling with a structural deficit and years of budget cuts that threaten the state's ability to provide the services keeping many hardworking families afloat during the recession and recovery.

Finding a solution to our financial challenges won't be easy. Without a balanced approach, including adequate funding and the necessary belt-tightening, the chasm between the type of state Georgia aspires to be and the one we actually live in will only widen.

Our legislators must set priorities for government spending, and make investments that continue to attract businesses and grow jobs in our state—and, they must do so without sacrificing state services that benefit all Georgians but particularly those most vulnerable. The budget decisions must be reflective of our values and our shared desire for a prosperous future. After all, a good state budget plans for the future and the unexpected.

This report provides an overview of the state budget and a forecast of the tough decisions the governor and General Assembly will face during the 2012 Legislative session. For more analysis of the FY 2012 state budget, visit www.GBPI.org.

Importance of the State Budget



- More than 1.6 million students are educated in Georgia's K-12 public school system.
- Some 500,000 students are educated in the state's technical colleges, 4-year colleges and universities annually.
- Approximately 1.7 million Georgians who are elderly, disabled, children, or low-income parents receive health insurance coverage. Furthermore, 700,000 working or retired state employees, teachers, other school district employees and their families receive health insurance through the State Health Benefit Plan.
- Some 55,000 inmates are housed in Georgia's correctional system, and another 150,000 offenders are on state-supervised probation.
- More than 86,000 acres of state parks, historic sites, and other amenities provide recreation areas for 10 million visitors annually.

Source: Governor's Budget Report

Where Georgia Ranks

- 50th (out of 51) in per beneficiary Medicaid expenditures in 2007 (25% below national average).
- 49th (out of 51) in per beneficiary Children's Health Insurance Program (PeachCare) expenditures in 2008 (29% below the national average).
- 15th poorest state in number of children living in poverty (22.3%, or 568,324 children).
- 12th poorest state in total number living in poverty (16.5%, or 1,574,649 Georgians).
- 39th in 4th Grade Math.
- 36th in 4th Grade Reading.
- 38th in 8th Grade Math.
- 35th in 8th Grade Reading.
- 49th State Tax Revenue Per Capita.
- 45th State Tax Revenue as a Percentage of Income.
- 44th State and Local Own Source Revenue Per Capita.
- 39th State and Local Tax Revenue Per Capita.
- 40th State and Local Own Source Revenue as a Percentage of Income.
- 38th State and Local Tax Revenue as a Percentage of Income.

Sources: U.S. Census Bureau, Kaiser Family Foundation Website: www.StateHealthFacts.org, National Assessment of Educational Progress and the College Board, Federation of Tax Administrators

BUDGET OVERVIEW

There are seven main funding sources for the total funds budget for the state of Georgia: General Funds (taxes and fees), Motor Fuel Funds, Lottery Funds, Tobacco Settlement Funds, Federal Funds, Agency Funds, and Intra State Government Transfers.

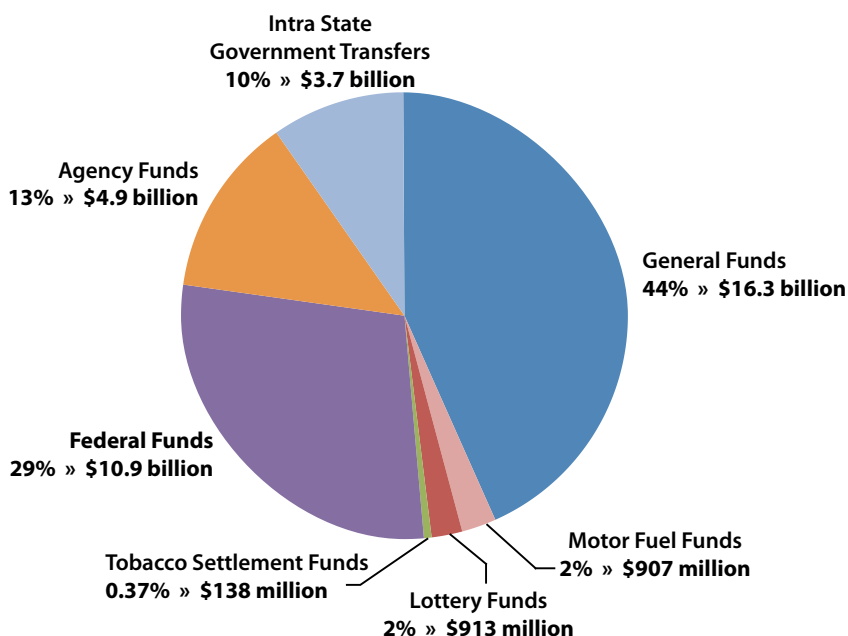
Federal Funds

The fiscal year (FY) 2012 budget contains almost \$11 billion in federal funds:

- More than \$4.6 billion pays for the federal match to the Medicaid program.
- \$1.8 billion for various programs within the Department of Education to assist the state with low-income students, students with disabilities, and nutrition, among others.
- \$1.2 billion for the Department of Transportation.
- \$1.1 billion for various programs within the Department of Human Services such as child welfare, elder services, and Temporary Assistance for Needy Families (TANF), among others.

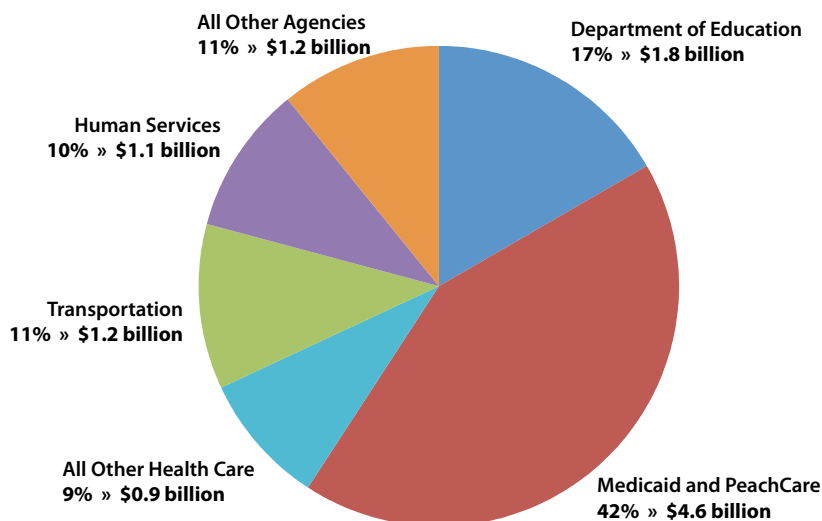
The Medicaid funds and many of the programs within the Department of Human Services require a state match in order to receive federal funds. In other words, a cut in state funds can lead to a corresponding cut in federal funds.

Figure 1:
Seven Main Sources Fund the State Budget
FY 2012 Total Funds (\$37.7 Billion)



Source: FY 2012 Adopted Budget Bill (HB 78)

Figure 2:
Federal Funds Primarily Pay for Health Care, Education, Transportation, and Human Services
FY 2012 Federal Funds (\$10.9 Billion)



Source: FY 2012 Adopted Budget Bill (HB 78)

General Funds

Almost 96 cents of every dollar spent on programs funded through state taxes and fees (not including motor fuel taxes) are allocated to five areas:

- K-12 and Post-Secondary Education (56 cents of every dollar spent),
- Health Care (21 cents of every dollar spent),
- Criminal Justice (11 cents of every dollar spent),
- Debt Service (5 cents of every dollar spent), and
- Department of Human Services (3 cents of every dollar spent).

The remaining 4 cents of every dollar spent pay for all other state agencies, boards and commissions. The Department of Transportation receives less than \$7 million in General Revenue Funds, but receives more than \$713 million in Motor Fuel Funds, which can only be spent on public roads and bridges.

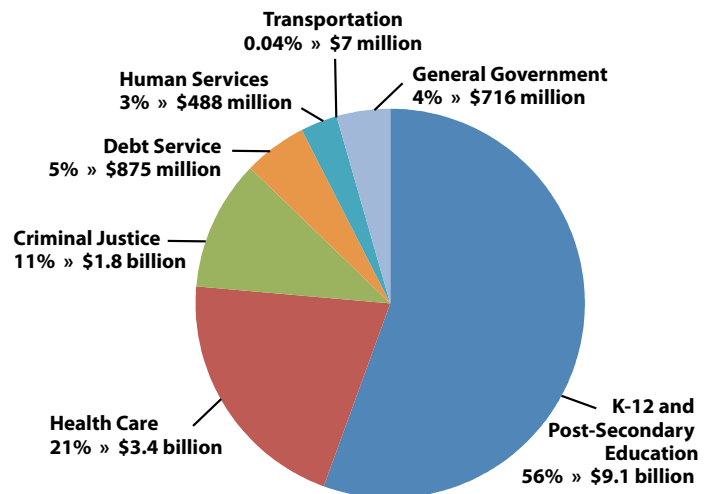
Table 1:

FY 2012 General Funds Budget

Department of Education	\$6,969,195,136	42.7%
Department of Community Health	\$2,352,643,655	14.4%
Board of Regents	\$1,738,805,885	10.6%
Department of Corrections	\$1,054,856,930	6.5%
Behavioral Health and Developmental Disabilities	\$883,469,447	5.4%
Debt Service	\$875,203,537	5.4%
All Other Criminal Justice	\$709,787,537	4.3%
Human Services	\$487,659,516	3.0%
Technical College System of Georgia	\$313,270,886	1.9%
Public Health	\$191,626,675	1.2%
Student Finance Commission	\$37,102,532	0.2%
Department of Transportation	\$6,704,334	0.04%
All Other Government	\$718,137,392	4.4%
Total	\$16,338,463,462	100.0%

Source: FY 2012 Adopted Budget (HB 78)

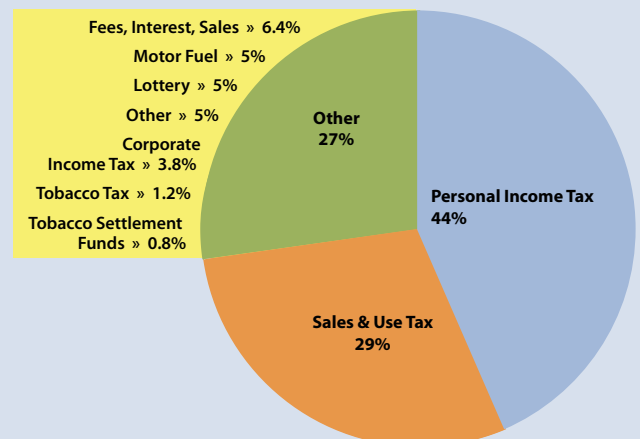
Figure 3:
Almost 96 Cents of Every General Fund Dollar Pays for Education, Health Care, Human Services, Debt Service, and Public Safety
FY 2012 State General Funds Budget (\$16.3 Billion)



Source: FY 2012 Adopted Budget (HB 78)

Where Revenues Come From

Georgia relies on diverse revenue streams, a hallmark of fiscal responsibility, to fund state services. Income and sales taxes comprise almost three-quarters of state revenues, while smaller revenue sources make up the remaining one-quarter of funds.



Sources: Governor's Budget Reports and the Preliminary Official Bond Statement Dated July 14, 2011

Motor Fuel Funds

The state constitution restricts Motor Fuel Funds to be spent only on public roads and bridges. The state of Georgia collects a motor fuel tax of 7.5 cents per gallon on gasoline, diesel fuel, gasohol, liquid propane and other substances sold as motor fuel. The state also levies a retail motor fuel sales tax at a rate of 4 percent. Of the 4 percent, 3 percent goes to transportation with the remaining 1 percent going to the General Funds. The FY 2012 budget appropriated \$907 million in Motor Fuel Funds. Of this amount, \$713 million was appropriated to the Department of Transportation and \$194 million was appropriated to the General Obligation Debt Sinking Fund (debt service).

Tobacco Funds

The tobacco Master Settlement Agreement (MSA) was the largest civil settlement in U.S. history and was negotiated and signed in November 1998 by 46 states and the four largest tobacco companies. Annual payments to the states under the MSA are technically perpetual, though the initial payment schedule lays out 25 years of payments. Georgia is one of only a few states that has not earmarked MSA payments for restricted use. As a result, the specific allocations of MSA funds can vary from year to year.

Table 2:

Tobacco Settlement Funds Focus on Medicaid

FY 2012 Tobacco Settlement Fund Budget

Low-Income Medicaid	\$102,193,257
Mental Retardation Waiver Program	\$10,255,138
Georgia Cancer Coalition	\$7,668,946
Cancer Treatment for Low-Income Uninsured	\$6,613,249
Elder Community Living and Support Services	\$6,191,806
Smoking Prevention and Cessation	\$5,152,439
Underage Smoking Compliance	\$150,000
Cancer Registry	\$115,637
Public Health Administration	\$131,795
TOTAL	\$138,472,267

Source: FY 2012 Adopted Budget Bill (HB 78)

Agency Funds and Intra State Government Transfers

Agency Funds (\$4.9 billion) and Intra State Government Transfers (\$3.6 billion) account for \$8.5 billion in the FY 2012 Total Funds budget. Higher education tuition and fees (\$1.6 billion) and the University System of Georgia research funds (\$1.8 billion) are retained by the individual schools.

Table 3:

FY 2012 Agency Funds and Intra State Government Transfers

State Health Benefit Insurance Payments	\$3,084,954,412
University System of Georgia Research Funds	\$1,793,157,460
Tuition and Fees for Higher Education	\$1,602,132,788
All Other	\$2,076,044,138
TOTAL	\$8,556,288,798

Source: FY 2012 Adopted Budget (HB 78)

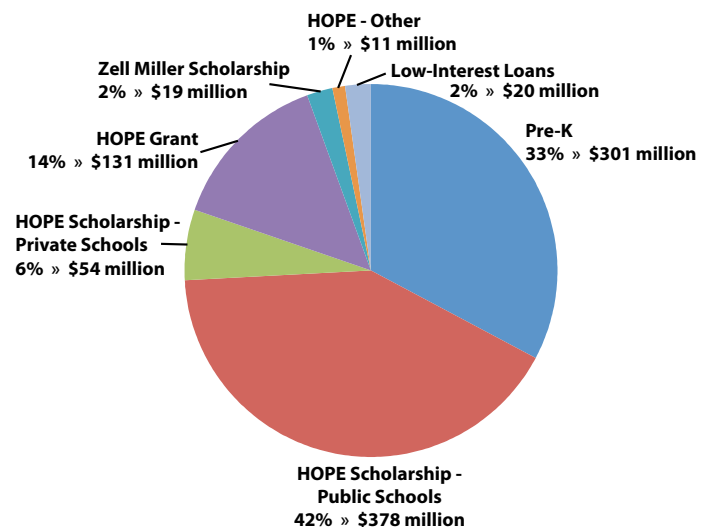
Lottery Funds

Lottery expenditures have three permitted uses:

- Tuition grants, scholarships, or loans for Georgians to attend colleges in the state.
- Voluntary pre-kindergarten for Georgians.

Figure 4:

Lottery Funds Focus on Pre-K and Higher Education *FY 2012 Lottery Funds Budget (\$913 Million)*



Source: FY 2012 adopted budget (HB 78)

Table 4
Lottery Programs Face Significant Cuts

Lottery Funds FY 2011 - FY 2012	FY 2011	FY 2012	Change (\$)	Change (%)
Pre-K	\$355,016,059	\$300,632,586	-\$54,383,473	-15.3%
HOPE Scholarship - Public Schools	\$493,461,474	\$377,666,709	-\$115,794,765	-23.5%
HOPE Scholarship - Private Schools	\$54,663,937	\$54,501,104	-\$162,833	-0.3%
HOPE Grant	\$220,407,829	\$130,737,363	-\$89,670,466	-40.7%
Zell Miller Scholarship		\$19,105,888	\$19,105,888	
HOPE - Other	\$20,154,616	\$10,727,175	-\$9,427,441	-46.8%
College Opportunity Grant	\$15,000,000		-\$15,000,000	
Low Interest Loans		\$20,000,000	\$20,000,000	
CHANGE	\$1,158,703,915	\$913,370,825	-\$245,333,090	-21.2%

Sources: FY 2011 Adopted Budget Bill (HB 77) and FY 2012 Adopted Budget Bill (HB 78)

- Educational technology/training and capital outlay—one-shot expenditures to be funded only when obligations for the first two categories and reserve replenishment are met.

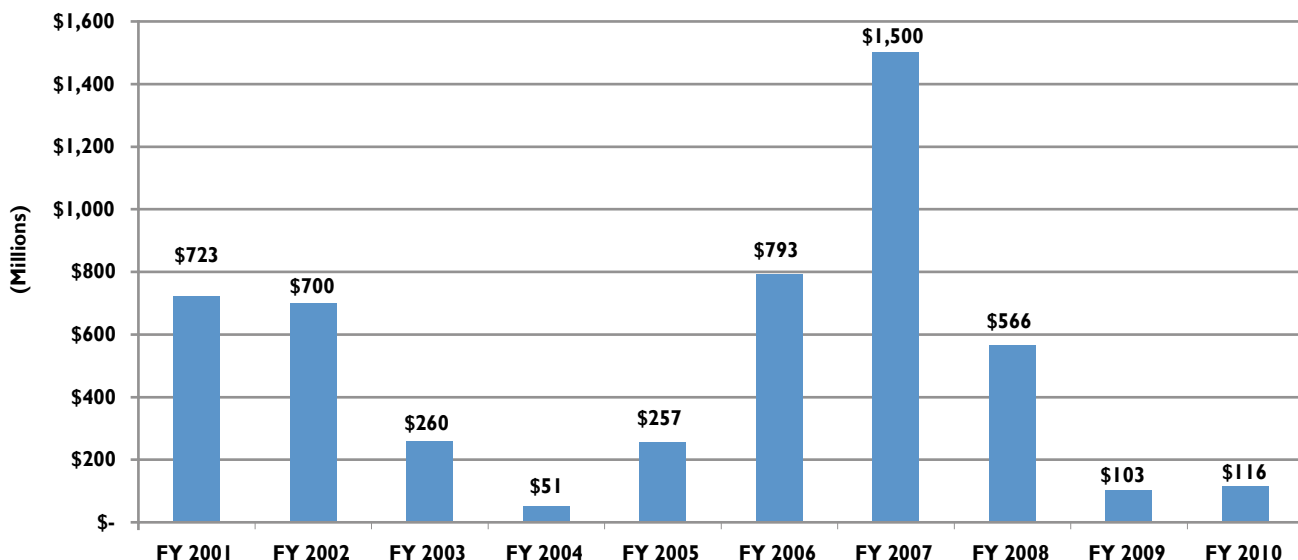
Due to increased demand and cost of the HOPE scholarship program, lottery-funded expenditures were projected to fall short of lottery deposits by more than \$250 million in FY 2012. Legislation was passed during the 2011 session of the General Assembly that restricted the HOPE scholarship and HOPE Grant programs, saving in excess of \$205 million, while the budget for the pre-kindergarten program was cut by \$54 million. Lottery reserves total \$360 million.

Revenue Shortfall Reserve

The Revenue Shortfall Reserve (RSR) is Georgia's "rainy day" fund, established to help Georgia get through tough economic times. Current law provides that the reserve cannot exceed 15 percent of the previous year's net revenue. For each fiscal year, the General Assembly may appropriate an amount up to 1 percent of the previous year's net revenue collections to pay for increased K-12 needs.

At the end of FY 2007, the RSR contained \$1.5 billion. Former Governor Sonny Perdue used more than \$1.4 billion in RSR funds to help balance the state budgets in fiscal years 2008,

Figure 5:
Rainy Day Fund Needs to be Rebuilt
Revenue Shortfall Reserve (FY 2001 - FY 2010)



Sources: Governor's Budget Reports and the Preliminary Official Bond Statement Dated June 14, 2011

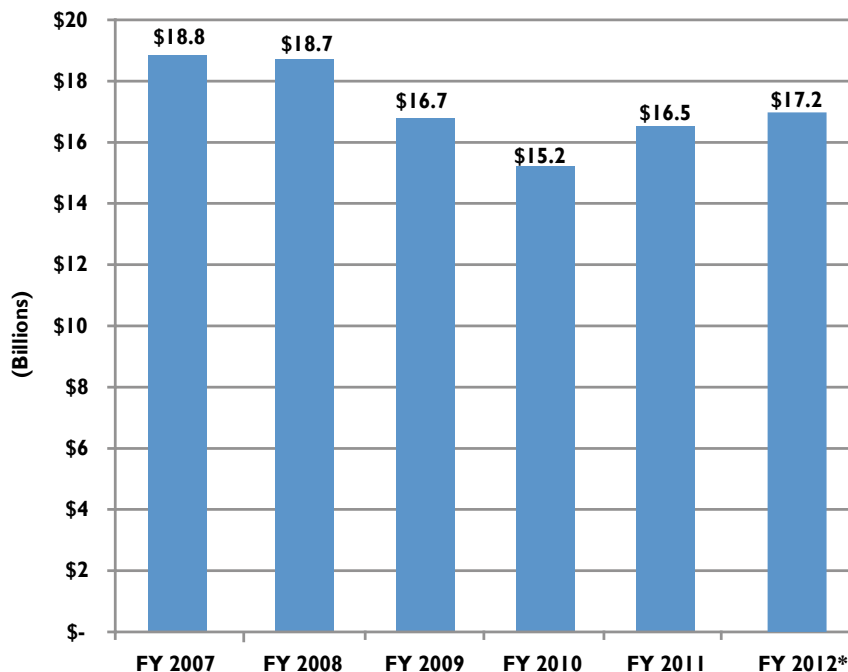
2009, and 2010. The RSR at the end of FY 2010 contained only \$116 million. Due to revenue collections in FY 2011 exceeding the revenue estimate it is expected that the resulting surplus of between \$250 million and \$310 million will be transferred to the Revenue Shortfall Reserve. A full RSR of 15 percent of previous year's revenues would total \$2.5 billion.

BUDGET TRENDS

The Great Recession has caused a dramatic decline in General Funds and Motor Fuel Funds between FY 2007 and FY 2010, totaling \$3.6 billion (19.2 percent). FY 2011 revenues increased by \$1.3 billion compared to FY 2010 due to an increase in various taxes and fees as well as slight economic growth. The FY 2012 budget is based on a revenue estimate of 4.4 percent growth over the FY 2011 revenue collections.

Figure 6:

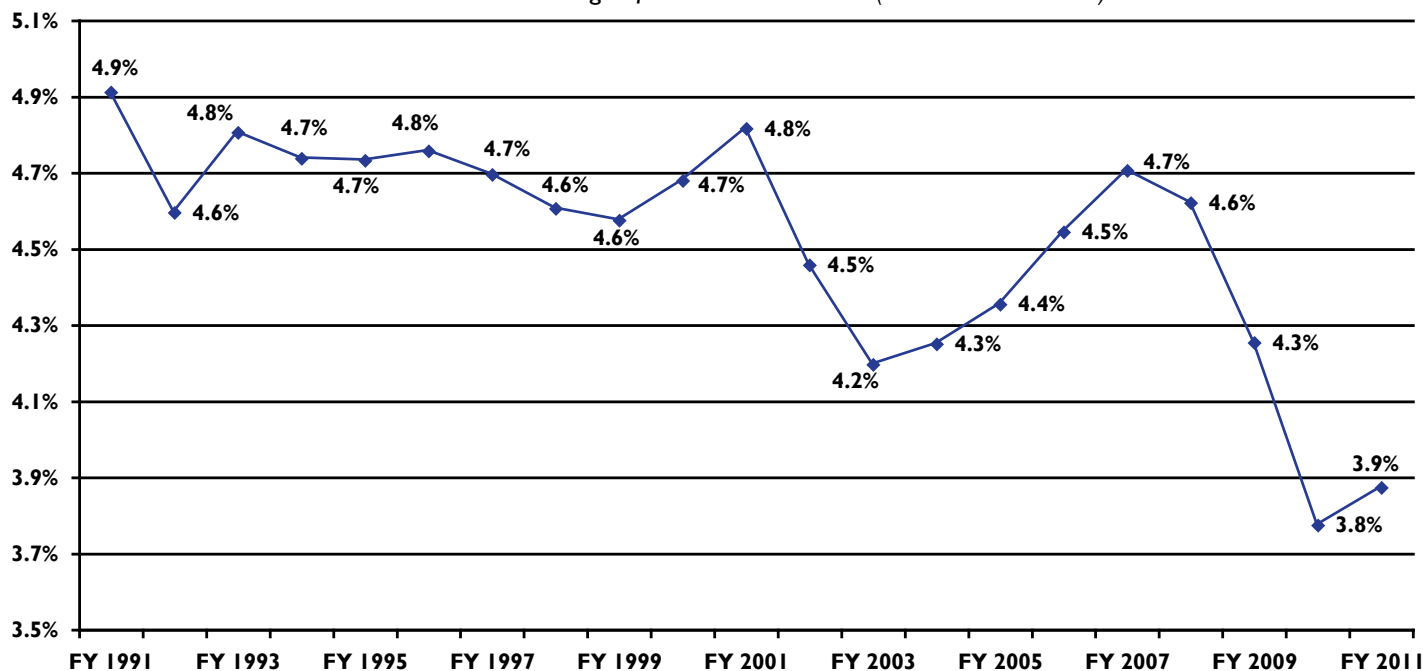
Revenues in 2012 Expected to Remain Below 2007 Levels General Funds and Motor Fuel Funds FY 2007 - FY 2012



Sources: Governor's Budget Reports and the Preliminary Official Bond Statement Dated June 14, 2011.
*Governor's FY 2012 Revenue Estimate

Figure 7:

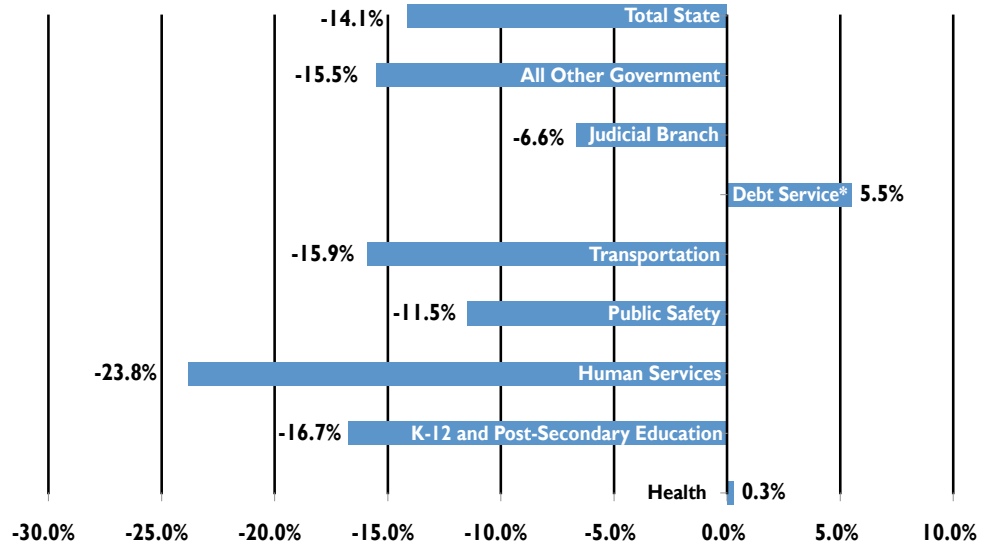
Georgia's Revenues as a Share of the State's Economy at Historic Low Revenues as a Percentage of Gross State Product (FY 1991 - FY 2011)



Sources: Governor's Budget Reports and the U.S. Bureau of Economic Analysis

Georgia General Revenue Funds averaged 4.7 percent of the economy between FY 1997 and FY 2001. The recession in FY 2002 and FY 2003 resulted in state revenues as a share of the economy declining to 4.2 percent in FY 2003. State revenues did not recover to the pre-recession FY 2001 levels until FY 2007. The Great Recession has resulted in state revenues as a share of the economy plummeting to historic lows of between 3.8 and 3.9 percent in fiscal years 2010 and 2011, respectively. There would be \$3.5 billion in the budget to fund schools and other state priorities if Georgia would regain a level of 4.7 percent, the average during the 90s.

Figure 8:
\$2.9 Billion in Cuts to State Services
Percent Change in Funds (FY 2009 - FY 2012)



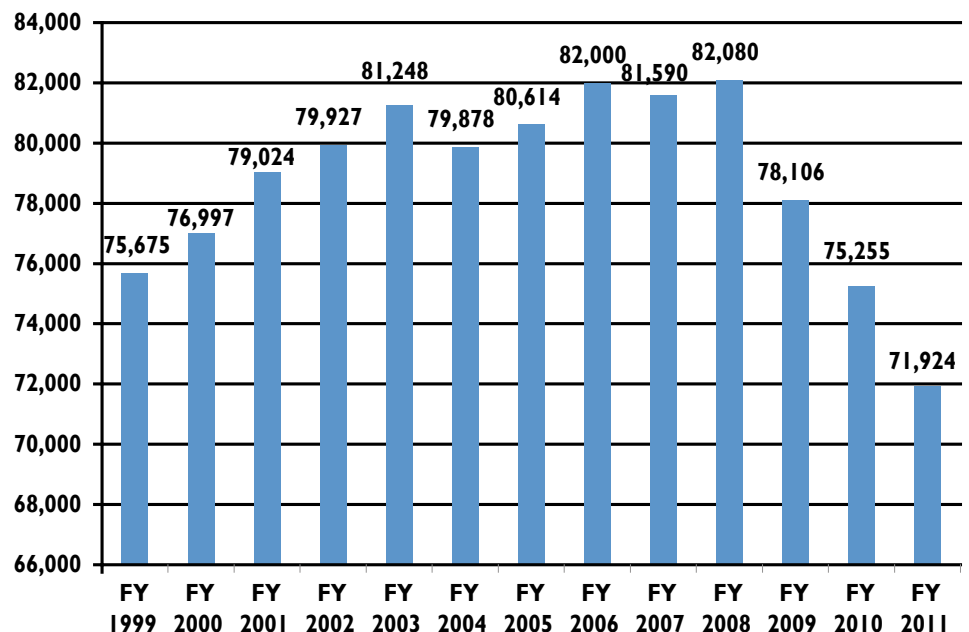
Sources: FY 2012 adopted budget (HB 78) and Governor's Budget Reports
*Debt service funds are used to pay for building projects.

Basic Growth in a Typical Budget Year

- Increased K-12 Enrollment (\$175 million)
- Increased University System Enrollment (\$75 million)
- Increased Technical College System Enrollment (\$50 million)
- Increased Medicaid and PeachCare Enrollment (\$100 million)
- Increase in State Prisoners Plus Cost of Health Care for Aging Prison Population (\$50 million)
- Teacher and Other State Employee Salary Increases (\$120 million per 1 percent increase)

Source: House Budget Office presentation at 27th Biennial Institute

Figure 9:
Fewer State Employees Today Than in Late 1990s, But Serving More Than 1.5 Million More People
Total State Employees (not including Board of Regents)



Source: State Personnel Administration Website

Table 5:

**Change in General Funds
Budget FY 2009 to FY 2012**

State Agency	% Change	State Agency	% Change
Accounting Office	-32%	Insurance	-16%
Administrative Services (DOAS)	-43%	Judicial Branch	-7%
Agriculture	-34%	Juvenile Justice	-17%
Audits	-17%	Labor	-32%
Banking and Finance	-14%	Law	-10%
Behavioral Health and Developmental Disabilities	9%	Natural Resources	-34%
Community Affairs	-12%	Pardons and Parole	-11%
Community Health - Medicaid/ PeachCare	0%	Public Defenders Standards Council	-4%
Corrections	-9%	Public Health Programs	-13%
Debt Service	6%	Public Safety	-17%
Defense	-24%	Public Service Commission	-18%
Driver Services	-9%	Board of Regents	-24%
Economic Development	-19%	Revenue	1%
Education	-15%	Secretary of State	-26%
Forestry	-28%	Technical College System	-16%
General Assembly	-7%	Transportation	-16%
Georgia Bureau of Investigation	-18%	Veterans Service	-20%
Human Services	-24%		

Source: Author's calculations based on FY 2009 adopted budget (HB 990) and FY 2012 adopted budget (HB 78)

Table 6:

Largest State Employers (as of 7/1/2011)

Agency	Number FTE
Corrections	12,187
Behavioral Health and Developmental Disabilities	6,544
Human Services - DFACS	6,191
Community Service Boards	5,456
Technical College System	6,101
Transportation	4,613
Public Health	4,797
Juvenile Justice	3,563
Labor	3,534
Natural Resources	2,007
Human Services - Other	2,097
Public Safety	1,652
Revenue	1,155
All Other State Agencies	12,027
TOTAL	71,924

Source: State Personnel Administration Website

Budget Cuts

The FY 2012 General Funds and Motor Fuel Funds budget totals \$17.2 billion and is based on a 14.1 percent revenue decline from the original FY 2009 budget, resulting in \$2.9 billion in cuts to services.

The number of state employees (not including Board of Regents) has decreased by 8,609, or 10.5 percent, since the end of FY 2008. Compared to FY 1999, the number of state employees has decreased by 2,204, or 2.9 percent. This compares to a population increase of more than 20 percent between FY 1998 and FY 2011.

K-12 Education Funding

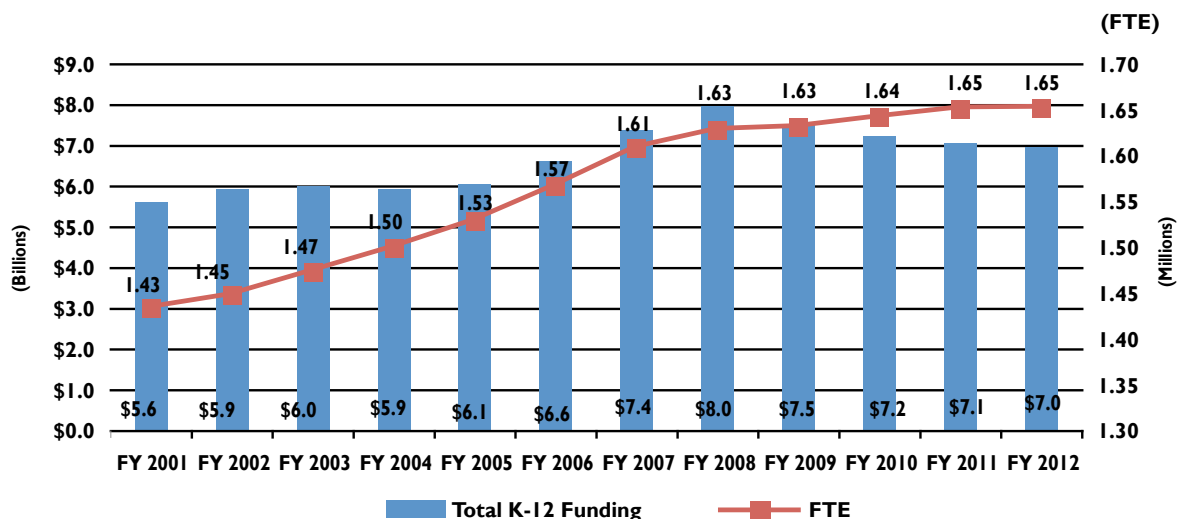
Funding for the Department of Education has been cut by more than \$1 billion since FY 2008. When adjusted for inflation, per capita full time equivalent (FTE) spending decreased by \$451 per pupil between FY 2001 and FY 2011. The FY 2011 budget would have needed to increase by \$745 million to be at the same inflation-adjusted per capita level as FY 2001.

As state funds decreased, local school districts have increased their share of total funding. During FY 2001, and discounting federal funds, local school districts contributed 40 percent of school funding while the state contributed 60 percent. Over the last 10 years education funding has become a 50-50 local/state split.

Figure 10:

K-12 Funding Has Decreased By More Than \$1 Billion

Department of Education Funding FY 2001 – FY 2012

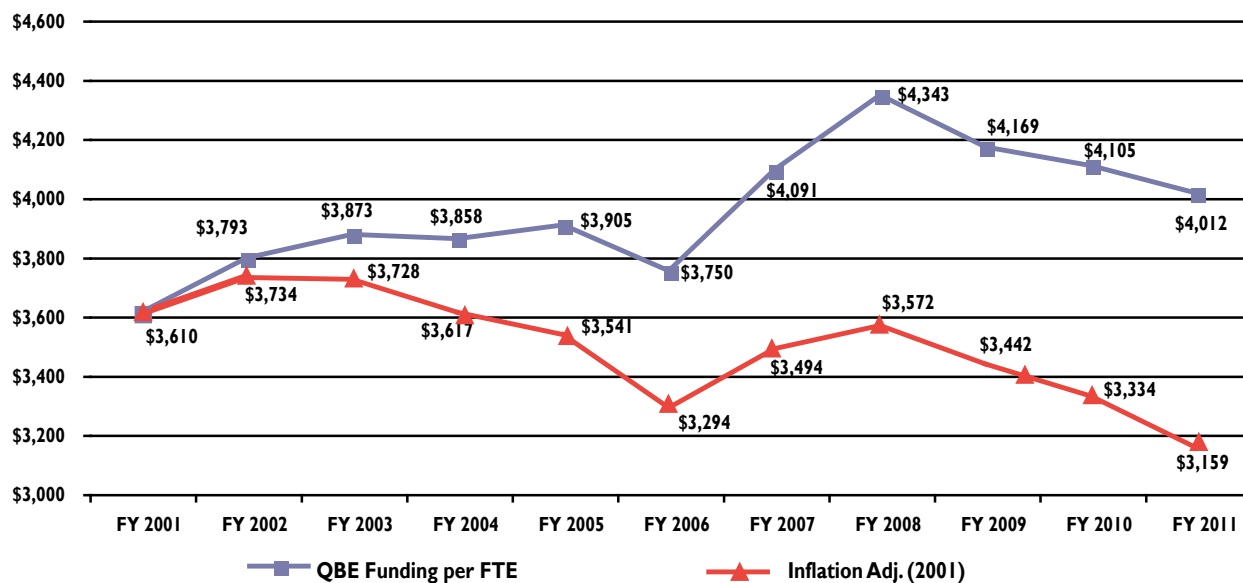


Source: Budget bills FY 2001 - FY 2012

Figure 11:

K-12 Funding Has Not Kept Up with Student Growth and Inflation This Past Decade

Department of Education Expenditures per FTE (FY 2001 - FY 2011)



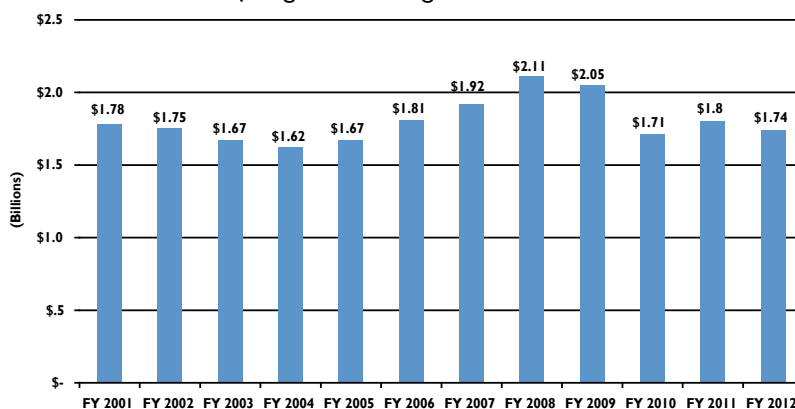
Sources: Amended Appropriation Reports, AFY 2001 - AFY 2011, Georgia Department of Education Allotment Sheets; and Consumer Price Index

Board of Regents Funding

Funding for the Board of Regents is approximately \$40 million less in FY 2012 than the FY 2001 budget. Since 2001 the number of FTE's has increased by 95 percent and inflation has increased by 23 percent. When adjusted for inflation, per capita FTE spending has decreased by \$6,290 between FY 2001 and FY 2011. The FY 2011 budget would have needed to increase by \$1.9 billion to be at the same inflation-adjusted per capita level as FY 2001.

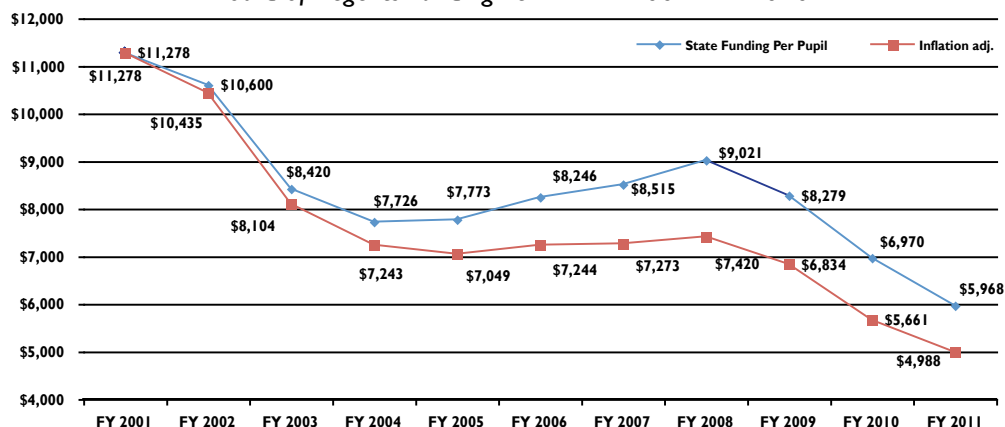
As state funding has decreased and enrollment has exploded, the university system has attempted to make up a portion of the funding shortfall by increasing tuition. Over the last three years tuition has increased on average by more than 70 percent.

Figure 12:
Regents Funding Stagnates While Number of Students Soars
Board of Regents Funding FY 2001 - FY 2012



Source: Budget Bill FY 2001 - FY 2012

Figure 13:
Board of Regents Funding Lags Behind Student Growth and Inflation
Board of Regents Funding Per FTE FY 2001 - FY 2010



Sources: Governor's Budget Reports, FY 2001 - FY 2011, University System of Georgia, FTE Reports, Fall Enrollment, FY 2001 - FY 2011, and Consumer Price Index

Table 7:
University System Enrollment and Tuition Skyrockets

University System of Georgia	Fall 2008	Fall 2010	% Change	Growth Rate Fall 2005 to Fall 2010	Annual Avg Fall 2005 to Fall 2010
Total Enrollment	272,910	311,442	14.1%	24.2%	4.8%
Tuition and Mandatory Fees	Fall 2008	Fall 2011	% Change		
Research Universities	\$5,156	\$9,361	81.6%	108.4%	18.1%
Regional Universities	\$3,920	\$6,625	69.0%	96.6%	16.1%
State Universities	\$3,595	\$6,111	70.0%	95.8%	16.0%
State Colleges	\$2,269	\$3,764	65.9%	39.6%	6.6%
Two-Year Institutions	\$2,038	\$3,417	67.7%	93.9%	15.7%
University System Average	\$3,127	\$5,353	71.2%	86.7%	14.4%

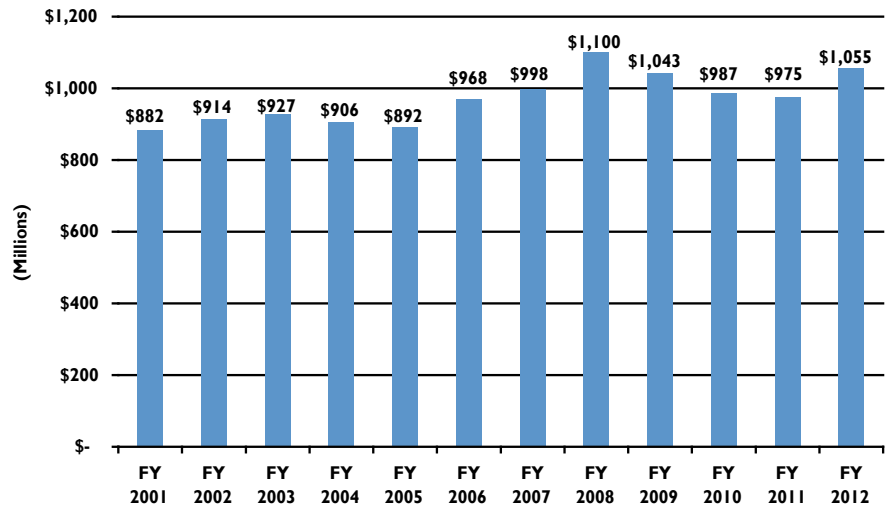
Sources: University System of Georgia, Fiscal Affairs Division, Tuition and Fee Information, Fall 2008 and Fall 2010. University System of Georgia, Office of Research & Policy Analysis, Enrollment Reports, FY 2001 - FY 2011.

Department of Corrections

The Department of Corrections (DOC) General Funds budget has increased by \$173 million (20 percent) between FY 2001 and FY 2012. Over this same time period the number of inmates and parolees has increased by 21 and 28 percent, respectively, while the number of employees has decreased by 17 percent.

Over the past six years the number of inmates over the age of 50 has increased by 77 percent. The percentage of older inmates as compared to the total prison population has increased from 9.5 percent in September 2005 to 15 percent in July 2011. This trend has long-term implications to the overall cost of the Department of Corrections, in that older inmates have more serious and costly health problems than younger inmates. Unless sentencing laws and parole policies are changed, the number of older inmates and the corresponding costs will continue to increase.

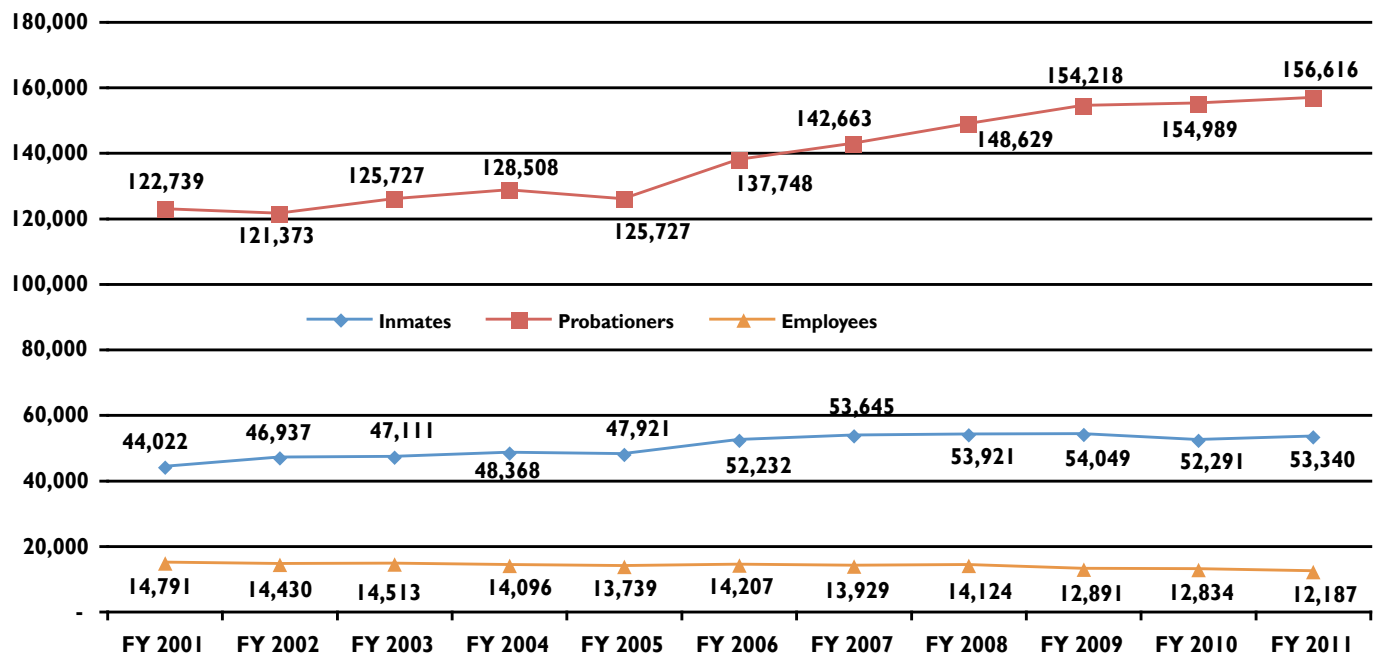
Figure 14:
Department of Corrections General Fund Budget
(FY 2001 - FY 2012)



Source: Budget Bills FY 2001-FY 2012

Figure 15:
Department of Corrections Staff Declines Despite Growth in the Number of Inmates and Probationers

Department of Corrections Inmates, Probationers, and Staff (FY 2001 - FY 2011)



Source: Georgia Department of Corrections Monthly Reports

Medicaid/PeachCare

The Medicaid and PeachCare programs provide health insurance for low-income, pregnant women and children as well as long-term care services for low-income elderly and those with disabilities.

From the original FY 2009 appropriation to FY 2012, total state funding for the three programs combined remained essentially flat. However, these programs will likely combine to serve at least 100,000 more Georgians in FY 2012 than in FY 2009. In addition to health care inflation and enrollment growth caused by a weak economy, the Medicaid program will be under additional financial stress from several sources over the next few years. The Medicaid program is predicted to face a funding shortfall of several hundred million dollars this current fiscal year due to underfunding in the FY 2012 budget and conservative estimates of enrollment growth by the General Assembly. Additionally, the \$220 million in hospital fees currently in the Medicaid base budget is set to expire in FY 2014.

Department of Human Services

The Department of Human Services (DHS) provides services focused on child welfare, child support, low-income supports, aging services, and residential child care among others. Nearly three-quarters of state funds in DHS go to:

- Child welfare-related services such as investigations into child abuse and neglect and provision of shelter for victims of abuse.
- Low-income support services, which connect low-income families to assistance programs such as food stamps and Medicaid.

State funds have decreased by nearly 24 percent, from \$640 million to nearly \$488 million, from FY 2009 to FY 2012. This funding decrease has come as demand for services has increased dramatically due to the Great Recession. Food stamp cases have increased by almost 89 percent over the past seven years while the number of eligibility workers has decreased by 19 percent. The ratio of cases per eligibility worker has increased by 76 percent.

Table 8:

Medicaid and PeachCare Funding FY 2009 and FY 2012

	FY 2009 Original Appropriation (HB 990)	FY 2012 Original Appropriation (HB 78)
AGED BLIND AND DISABLED		
State General Funds	\$1,138,859,171	\$1,182,182,833
Hospital Fee Revenue		\$25,488,041
Nursing Home Fees	\$120,805,958	\$131,321,939
Total Aged Blind and Disabled	\$1,259,665,129	\$1,338,992,813

LOW-INCOME MEDICAID		
State General Funds	\$916,833,695	\$640,361,746
Tobacco Funds	\$50,973,695	\$102,193,257
Hospital Fee Revenue		\$197,022,758
Total Low-Income Medicaid	\$967,807,390	\$939,577,761

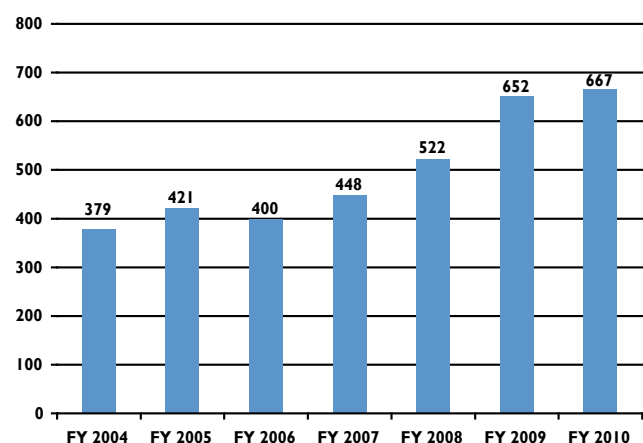
PEACHCARE FOR KIDS		
State General Funds	\$98,672,929	\$53,812,229
Hospital Fee Revenue		\$1,627,249
Total PeachCare for Kids	\$98,672,929	\$55,439,478

	FY 2009 Original Appropriation (HB 990)	FY 2011 Original Appropriation (HB 948)
TOTAL MEDICAID AND PEACHCARE		
State General Funds	\$2,154,365,795	\$1,876,356,808
Tobacco Settlement	\$50,973,695	\$102,193,257
Hospital Fee Revenue		\$224,138,048
Nursing Home Fees	\$120,805,958	\$131,321,939
Total Medicaid and PeachCare	\$2,326,145,448	\$2,334,010,052

Sources: FY 2009 adopted budget (HB 990) and FY 2012 adopted budget (HB 78)

Figure 16:

Ratio of Cases Per Eligibility Worker Increases



Source: DHS Commissioner B.J. Walker Joint Appropriations Committee Presentation, January 21, 2010

CONCLUSION

The state budget is one of the most important documents created by the governor and General Assembly. It not only addresses our state's current needs, but it also sets the tone for how we prevent today's problems from getting worse. The roads and bridges we drive on, the state highway patrol on which we rely, and so much more—they are all affected by the state budget.

Like all of us the state does not have an endless supply of financial resources and so our elected officials are faced with making tough choices of how to invest these limited dollars. The priorities set by our funding choices must be reflective of our values *and* provide a road map for a strong future.

Perhaps more importantly than where we choose to invest our dollars is ensuring that the state has enough income to support the needs of its growing population. For the FY 2012 Legislative session, the governor and General Assembly must accomplish comprehensive tax reform—Georgia cannot afford another year to pass with an outdated tax system that is not reflective of modern incomes, spending habits and economy.

Additionally, the state must take a hard look at how it balances the budget. After years of budget cuts on top of cuts, the state's ability to meet basic quality of life priorities has declined.

- State revenues dropped by nearly 20 percent over two years, spurring state leaders to cut basic necessities such as education, public safety, and services for vulnerable Georgians, by almost \$3 billion.
- More than half of the funds cut (\$1.8 billion) came from K-12 and post-secondary education.
- The number of state employees fell to 1990s levels, even as the number of Georgians rose by more than 1.5 million and their demands on state services grew in response to the recession.

The services that we depend on today are the direct result of budget decisions made decades before. Georgia has uncovered every stone and stretched every dollar as far as it could go—it's time for a new strategy. It's time to make budget decisions that promote future economic prosperity, including investments in public structures, education and human services.



