

## Analysis: Georgia House Appropriations Bill for Fiscal 2014 Small Improvements Welcome, but Major Course Correction Needed

By Alan Essig, Executive Director

The Georgia House of Representatives made small, positive changes to the governor's proposed 2014 budget. But with limited revenues to meet the needs of Georgians, lawmakers are able to do little more than rearrange deck chairs on the proverbial Titanic.

The \$19.8 billion House Appropriations Bill approved March 12, 2013 softened the blow of budget cuts proposed earlier for both K-12 and higher education by restoring some funding. State representatives also shifted spending priorities to continue funding services for older Georgians who rely on support to live in their own home.

Once again this year analysts for the House Appropriations Committee puzzled over where to find a few million dollars to save critical programs in a nearly \$20 billion budget. That is the nature of constantly managing the state's finances as a crisis.

Years of sticking to the course has worsened Georgia's economy and maintained one of the country's highest unemployment rates. Georgia ranks 32nd in job creation since the 2007 recession began, down nearly 400,000 jobs since the start of the economic downturn.

As Georgia's population grew in recent years, lawmakers avoided the revenue increases that would provide the same level of services once considered standard.

The small changes made to the budget by the Georgia House did nothing to address this year-after-year money crunch that is creating crowded classrooms for Georgia's schoolchildren. Spending on Georgia's schools is down \$1 billion because the state underfunds the Quality Basic Education (QBE) formula.

Cuts of up to 30 percent in some state departments during the recession leave Georgia with an inadequate number of workers who do things like inspect elevators and evaluate hazardous waste sites. An underfunded health care safety net is the product of Georgia's annual avoidance of an inevitable long-term fix.

Georgia continues to test the theory that the best path to a healthy economy is to sacrifice revenue so it can grant hundreds of millions of dollars in corporate tax breaks, while ranking 50th among the states in tax revenue per capita.

Moving the deck chairs around the ship year after year simply isn't working. It's time for a balanced approach that recognizes new revenues and investments are necessary to restore Georgia's once-vibrant economy.

## Analysis of Specific Changes Proposed by Georgia's House of Representatives

### Education

The House is proposing modest changes to the budget submitted by Gov. Nathan Deal for the 2014 fiscal year. The House mitigated cuts to several programs in both the university and K-12 systems. The most significant change proposed by the House is to reduce cuts to Technical Education, the largest program in the technical college system. The governor proposed

a cut of \$27.3 million, which the House reduced to \$21.3 million. Additional money for technical education comes from reducing the award amounts of tuition equalization grants for private college education from \$700 to \$500. Within K-12, the budget still includes the base cut of \$1 billion in the QBE funding formula. Members of the House did adjust funding so it better aligns with the recommendations of the State Education Finance Study Commission. Even so, core services across Georgia's public schools, its universities and its technical schools continue to be hampered by lack of funding. Class sizes are up across all three systems. School districts across Georgia have furloughed teachers and cut instructional days. The university system and the technical college system have increased tuition and fees. More than 70 percent of instructors in the technical college system are part-time, putting the accreditation of the schools in jeopardy. Offsetting small program cuts in the 2014 budget does not address the continued underfunding of the K-12 and higher education systems.

The House Appropriations budget proposes the following changes to the Governor's 2014 budget:

#### **Georgia Department of Education**

- Restores \$2,631,275 to Sparsity Grants
- Reduces cut to Nutrition from \$1,306,720 to \$677,796
- Adds \$1,391,678 for implementation grants to new charter system

#### **University System of Georgia (Board of Regents)**

- Reduces cut to the Agriculture Experiment Station from \$1,053,210 to \$789,907 and adds new \$425,000 for scientists
- Reduces cut to the Cooperative Extension Service from \$884,036 to \$663,027.
- Reduces cut to the Veterinary Medicine Teaching Hospital from \$429,039 to \$42,904

#### **Technical College System of Georgia**

- Reduces cut to Technical Education program from \$27,394,651 to \$21,394,651

### **Health Care**

#### **Department of Community Health**

Medicaid and PeachCare enrollment has grown steadily since the start of the Great Recession, although state funding has not always kept up with demand for services. From June 2008 to July 2012, (the most recent data available), the number of Georgians served by Medicaid and PeachCare increased by nearly 300,000, or about 20 percent, to 1.8 million people. The state's original 2013 budget did not include enough money to pay for new Medicaid and PeachCare patients expected to enroll this year; therefore, the governor's 2014 budget proposal added extra funding to fill the shortfall caused by the inadequate base budget.

The House budget includes \$35.1 million less to pay for health care services for new Medicaid and PeachCare patients in the coming year than in the budget proposed by the governor, even though the original proposal likely underfunded Medicaid already. Unless enrollment is lower than projected, new funding will likely be required in the supplemental 2014 budget next session to cover the health care needs of Georgia's growing population.

The House budget also restores \$50.1 million in rate cuts to doctors, hospitals, and other providers serving Medicaid and PeachCare patients that the governor's budget proposed to implement in July 2013. Other notable additions in the House budget include:

- \$462,525 to provide 28 new slots for the Independent Care Waiver Program
- \$254,350 to increase payment rates for rural health clinics and Federally Qualified Health Centers (FQHCs)
- \$300,000 to create a quality incentive program for the SOURCE program
- \$500,000 to provide start-up funds for two new FQHCs

The House budget also includes a variety of projected cost reductions to trim expenses from the original spending plan:

- \$4 million less in projected spending than originally proposed, (bringing the total to \$9.1 million), by eliminating coverage of elective, induced deliveries prior to the thirty-ninth week
- \$6.5 million from additional hospital cost settlements and reconciled hospital provider fee payments
- \$1.2 million in new pharmacy-related savings

### **Department of Behavioral Health and Developmental Disabilities**

Georgia's behavioral health and developmental disability programs are among the few areas to receive increased state funding in recent years. This increase is driven primarily by a lawsuit settlement with the U.S. Department of Justice (DOJ), which requires the state to serve more Georgians with behavioral health needs in community-based settings instead of institutional settings.

Georgia's 2014 budget year pays for the fourth year of the five-year implementation required by the DOJ Settlement. The House budget represents only a minor change from the governor's 2014 budget proposal. The budget reflects a \$130 million, or about 17 percent, increase since the 2009 fiscal year. Through 2014, Georgia will spend about \$106 million in new state funds for settlement-specific activities since 2009, or nearly 80 percent of the department's budget increase since 2009.

Specifically, the House budget adds \$250,000 to fund the Marcus Autism Center and realizes \$557,174 from increased federal Medicaid funding in 2014.

### **Department of Public Health**

The House budget leaves intact the bulk of the funding cuts proposed in the governor's 2014 budget, including cuts to funding for hypertension services, for the Children's Medical Services program, sickle cell treatment services and outreach services for the Health Check Outreach Program. The House budget further cuts the department's budget for tuberculosis detection, prevention and treatment.

The House budget also adds funding to the department for:

- \$1.6 million to prevent cuts to county grant-in-aid allocations that will otherwise occur as a result of a revised distribution formula first implemented in 2012
- \$570,505 for Sexually Transmitted Disease-related treatment services previously funded with federal money
- \$50,000 to restore previous funding cuts to the Georgia Poison Center

### **Human Services**

Since 2009 the demand for social services escalated, but the state did not allocate more money to the increased need. Instead, the Department of Human Services budget declined, resulting in less help for Georgia's most vulnerable people. Though the 2014 budget proposed by the House restores some of the cuts planned by the governor, the proposal does not fix structural problems in the department. Those include historically high caseloads for child protective service workers and social service eligibility workers, as well as lost federal matching funds to serve people with disabilities. Here are important changes the House made to the governor's budget proposal:

#### **Aging Services**

- Restored \$528,871 for 17 family service worker positions in Elder Abuse Investigations and Prevention
- Restored \$484,559 in Alzheimer's and Respite Care contractual services

#### **Child Welfare Services:**

- Increased spending by \$4.8 million for Out-of-Home Care providers to reflect a 3 percent rate increase. Previously the state's reimbursement to these providers covered less than 75 percent of the providers' costs, contributing to the closing of about 200 foster homes.

#### **Community-Based Services for Juvenile Offenders**

- Transferred \$5 million from the Governor's Office of Children and Families to the Criminal Justice Coordinating Council to create a community-based Juvenile Incentive Funding Grant program to provide incentives to communities to create and use community-based options for juvenile offenders. This supports this year's juvenile justice reform efforts.

**Other Notable Budget Changes the House Proposes**

- Added \$4.3 million in salary increases for the second installment of law enforcement career ladder for law enforcement officers in the Georgia Bureau of Investigation and the Department of Natural Resources
- Added \$7.1 million for contract administration and \$15 million for Local Maintenance and Improvement Grants in the Department of Transportation
- Added \$3.6 million for to the State Toll and Roadway Authority for the State Transportation Infrastructure Bank

