

Overview of Georgia's 2016 Fiscal Year Budget

By Alan Essig, Executive Director

The \$21.8 billion budget proposed for Georgia's 2016 fiscal year projects revenue growth of about 4.2 percent in the state's main account for services such as education and public safety, the general fund. That's \$834 million more than the recently revised 2015 revenue estimate. State revenues are above pre-recession levels, but the proposed budget still incorporates in its base several billion dollars in cuts to state programs and services made since 2007. The proposed 2016 state budget is still \$3 billion below the 2007 fiscal year levels, on an inflation-adjusted per capita basis.

Revenues grew since the 2011 fiscal year, but most of the increase was consumed by student-driven formula growth in K-12 schools and higher education, growth of Medicaid and the State and Board of Regents Health Benefit Plans and required contributions to state employee and teacher retirement systems. Other than court-mandated investments in mental health and developmental disabilities programs and a partial restoration of the K-12 education formula austerity cut, revenue growth the past five years was rarely used to restore programs to pre-recession levels, or to create new programs.

Amended 2015 Fiscal Year Budget Overview

State Revenues

The proposed amended 2015 fiscal year spending plan increases Georgia's revenue estimate by \$87 million more than originally proposed last year. Revenue growth through the year's end June 30, 2015 is now forecast to be 3.4 percent more than 2014 revenue collections. Revenues through the first six months of the fiscal year grew at a 5.7 percent rate. The amended budget also includes \$192 million from the Mid-Year Adjustment Reserve, which is available to pay for increased K-12 needs.

Budget Actions

The amended 2015 budget contains several changes from the spending plan that took effect July 1, 2014. Notable changes from the original budget are:

- \$35 million for grants to local school systems for broadband Internet connectivity
- \$20 million for Regional Economic Business Assistance grants
- \$20 million for grants and loans to assist local communities with strategic economic development projects
- \$15 million for Forestland Protection Grants, including \$8 million for school systems
- \$15 million for child welfare services
- \$5 million to provide clinical trials through Georgia Regents University to study the efficacy and safety of cannabidiol in children with medication resistant epilepsy

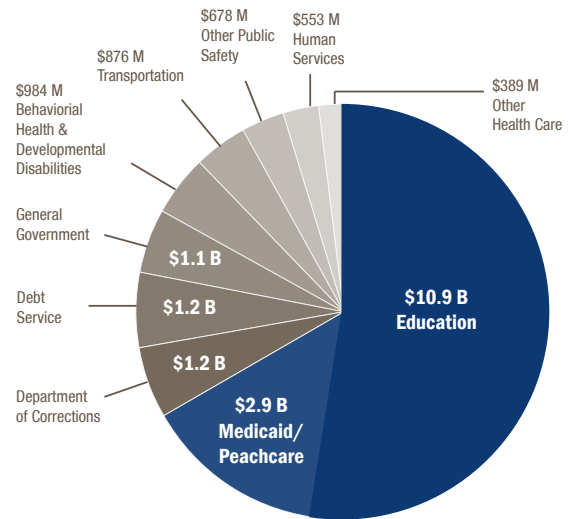
2016 Fiscal Year Budget Overview

The state budget for 2016 allots about 95 percent of the general fund to education, health, public safety, human services, transportation and debt service, or principal and interest on state borrowing.

The 2016 budget proposal increases general fund spending by \$921 million more than the 2015 fiscal year spending plan approved last year. Much of next year's spending pays for enrollment growth. That includes \$173 million for formula growth in K-12 education, \$89 million for Medicaid and PeachCare and \$140 million for obligations to the teachers and state employees' retirement systems. The proposal also includes a 37 percent down payment of \$280 million on the restoration of the \$747 million cut in the state's K-12 funding formula.

The Medicaid budget reflects savings of \$154 million from an increase in federal funds that eliminates the need for state money to cover projected growth in the 2016 fiscal year.

Education and Health Care Dominate 2016 Fiscal Year Budget



Source: The Governor's Budget Report, Fiscal Year 2016

Notable Budget Increases Planned for 2016

Partial Restoration of K-12 Funding Formula Austerity Cut	\$280,000,000
K-12 Education Formula Growth	\$173,234,169
State Employees'/Teacher Retirement System and Board of Regents Health Plan Contributions	\$163,858,097
Medicaid and PeachCare Growth	\$88,988,013
State Employee and Board of Regents Salary Increase	\$51,892,758
Board of Regents Formula Growth	\$14,520,637
Department of Justice Settlement Agreement (Mental Health and Developmental Disabilities)	\$12,430,213

For detailed analysis of the Department of Community Health, Human Services, and education budgets please watch for specialized budget analysis at www.gbpi.org.

Bond Projects

The 2016 budget includes \$800 million for new bond projects. The principal and interest included in the state budget for these new bonds totals \$85.4 million. The state sells bonds to pay for capital improvements, such as construction of new buildings. Bond projects include renovations and equipment in the K-12 schools, university and technical college systems, construction and renovations to state hospitals, prisons and state office buildings, as well as construction and maintenance of roads and bridges. Some notable bond projects for 2016 are:

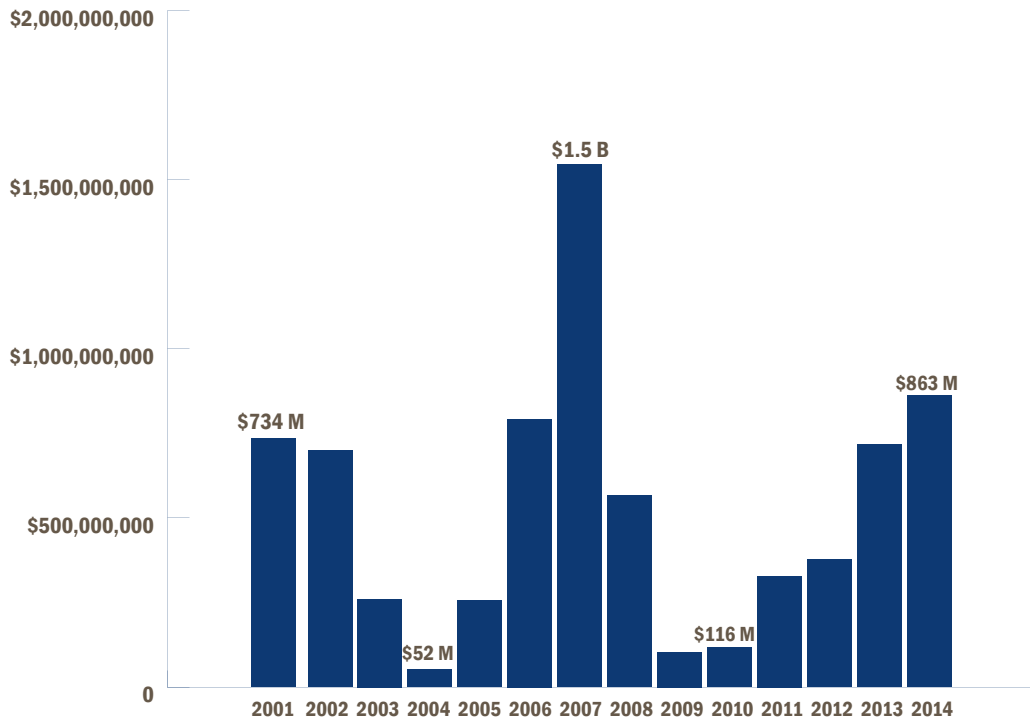
- \$272 million for K-12 schools, including \$226 million for the Capital Outlay Program and \$20 million for the purchase of buses
- \$232 million for the University System, \$60 million for improvements and renovations statewide, \$43 million for Phase II of the design and construction of the Business Learning Community at the University of Georgia and \$33 million for design, construction, and equipment for the new Interdisciplinary Academic Building at Georgia Southern University
- \$29 million for the construction of the new Human Services Building in Gwinnett County

- \$23 million for construction of parking facilities at the Georgia World Congress Center

Reserves

The Revenue Shortfall Reserve is Georgia’s “rainy day” fund, established to help the state get through tough economic times. The fund held \$1.5 billion July 1, 2007, enough to operate the state for 30 days. Former Gov. Sonny Perdue withdrew more than \$1.4 billion from reserves during the economic downturn to balance the state budget in 2008, 2009 and 2010. By the end of the 2009 fiscal year, Georgia’s reserves dwindled to \$104 million. The reserves increased each of the last five years, rebuilding to \$863 million, or enough to operate the state for 16 days.

Rainy Day Fund Still Not at Pre-Recession Levels



Source: The Governor’s Budget Report, Fiscal Year 2016