Georgia Budget and Policy Institute

STATE BUDGET FACTS

SENATE BUDGET CONTINUES CUTS, LEAVES GEORGIANS WITH CRITICAL GAPS IN SERVICES

OVERVIEW

The Senate approved House Bill 78, which cuts state agency funding by more than $500 million and underfunds enrollment growth in education agencies and Medicaid by nearly $500 million. These cuts are on top of the nearly $2.5 billion in budget cuts implemented over the past three years. Compared to the adopted FY 2009 budget, the FY 2012 budget decreases state general fund spending by 14.6 percent, or $2.9 billion.

Georgia faces a structural deficit that cannot be addressed with budget cuts alone. Instead, a balanced approach that includes new revenue streams and a modernized tax system is needed in order for the state to keep pace with its growing population and to ensure long-term prosperity.

This brief provides an overview of key similarities and differences in the House and Senate proposals as it relates to education, health care, human services and the state's unemployment trust fund. More detailed analysis of each area can be found on www.GBPI.org.

EDUCATION

Overall proposed spending levels for education by the Senate align with the proposed K-12 education, higher education, and technical education budgets in the House version of HB 78. The Senate's proposed budgets for K-12 and higher education entail additional cuts and lessens funding cuts for various programs, while funding for technical education programs is essentially unchanged. When adjusted for inflation, per pupil spending for K-12 and the university system will fall to its lowest level in over a decade, while spending for the technical college system will be 16.9 percent below FY 2009 levels.

Notable differences in the Senate and House proposed budget for K-12 education:

- Restores funding cuts to charter school planning and facility grants ($291,859) and special needs scholarships ($694,770).
- Provides an additional $2.2 million for the dual enrollment program.
- Cuts school improvement program by an additional $1.98 million and the Technical & Career Education program by an additional $570,617.
- Restores $1.2 million in funding for the Agricultural Experiment Station and the Cooperative Extension programs.

For more information on the House version, read GBPI fact sheet, "*HB 78 Means Less for Education (updated March 14, 2011)*."

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Health care

The Senate budget proposal underfunds the Medicaid program in the Department of Community Health budget by potentially $180 million. By not including new funding for projected growth, the governor's initial recommendations would leave the state facing an $80 million funding gap in FY 2012. In addition, both the House budget and the Senate proposal remove nearly $98 million from the Medicaid budget to fund other state programs, such as employer contributions to the state health benefit plan and interest payments to Georgia's unemployment trust fund. The lack of new funding in the governor's initial recommendation for enrollment growth and the transfers now included in legislative proposals combine to create a $180 million hole in the Medicaid budget. Filling this hole will require new revenues in the Amended FY 2012 budget.

Notable differences between the Senate and House proposed budgets for health care:

- The Senate proposal reduces funding added in the House budget to implement a 12-month recertification period for Medicaid enrollees, which is needed to qualify for federal "bonus payments" assumed in both budget proposals. The House budget added $9.1 million to cover the costs of this change; however, the Senate budget provides only $1.3 million. The department could still implement this change and seek new funding as part of the Amended FY 2012 budget in the 2012 Legislative Session.
- The Senate proposal also generates $21.9 million in savings by requiring the Care Management Organizations (CMOs), which operate portions of Georgia's Medicaid program, to absorb the existing 2.25 percent insurance premium tax as part of their administrative allowance. Currently, the premium taxes are not counted as part of the CMO administrative costs, and instead are factored into capitation rates paid by the department to the CMOs. In order to prevent the CMOs from passing these costs to providers, the Senate budget proposal establishes an 87 percent minimum "medical loss ratio" for the CMOs, meaning that 87 percent of capitation payments to the CMOs must be used for medical claims and 13 percent may go towards non-medical costs such as administering the plans and paying the premium taxes. Currently, levying the state's 2.25 percent insurance premium tax on the Medicaid CMOs generates state revenue, which is built into the governor's FY 2012 revenue estimate. Depending on the CMOs' response to the proposed changes, this provision may affect state premium tax revenue.

The Senate proposal, similar to the House's version, shifts money out of the Medicaid program to fill a significant funding gap in the State Health Benefit Plan. The Senate plan increases employee monthly premiums by 19 percent effective January 2012 (compared to a 20 percent increase in the House budget), and increases the charges to school districts for non-certified employees by nearly $21 million above the House proposal. The Senate plan, like the House budget, relies on transferring funding from Medicaid to pay for higher employer contributions across state agency budgets.

For more information on the House version, read "*House Restores Proposed Health Care Cuts; Opens Potential Medicaid Shortfall.*"

Human Services

The Senate proposes $153.5 million, or 24 percent, in cuts to the Department of Human Services (DHS) state budget for fiscal year 2012, as compared to the pre-recession FY 2009 budget. Excluding the $6.6 million added for the State Health Benefit Plan, the DHS cuts rise to $160.7 million, or 25 percent, since FY 2009. Federal Recovery Act funds used to fill a portion of these cuts in FY 2010 and FY 2011 will not be available in FY 2012.

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Notable differences between the Senate and House proposed budgets for DHS:

- DHS is authorized to work with the Department of Community Health on the "Express Lane" project to simplify the Medicaid enrollment process without transferring $1.3 million from DHS Federal Eligibility Benefit Services to the project.
- The EMBRACE contract ($173,250) is not eliminated.

Notable agreements between the Senate and House proposed budgets for DHS:

- Restore $2.8 million for aging services:
  - $225,000 for Alzheimer's Respite Services
  - $1,376,718 for Non-Medicaid Home and Community Based Respite Services
  - $177,859 for the Center for the Visually Impaired
  - $1,045,000 for Elderly Nutrition (Meals on Wheels)
- Added 400 slots to Child Care Services by re-directing funds from a $1.4 million contract with the Ferst Foundation. An estimated 10,000 less children will receive subsidized child care in FY 2012 due to the expiration of Recovery Act funds and minimal re-investment of federal TANF funds.
- Cut $3.6 million for employment support activities. This hits after Recovery Act funds expired on September 30, 2010 for the adult subsidized employment program that placed 2,300 unemployed Georgians in jobs.
- Cut $9.8 million in federal TANF funds for Federal Eligibility Benefit Services that helps an increasing number of struggling families access Medicaid, Temporary Assistance for Needy Families, and Foods Stamps. In 2004, the ratio was 379 cases per worker. In 2010, the cases per worker climbed to 667. The FY 2011 budget called for the elimination of approximately 284 eligibility workers.

For more information on the House version, read GBPI fact sheet, "*Still 'Down to the Bone' with Modest Gains*."

Unemployment Trust Fund

The federal-state unemployment insurance (UI) system is financed through federal and state payroll taxes, and provides payments to eligible workers who are unemployed through no fault of their own. Georgia's unemployment trust fund became insolvent after years of employer tax cuts. In December 2009, Georgia did not have enough reserves to meet its UI obligations and began borrowing from the federal government. Georgia's first interest payment of approximately $24 million is due by October 1, 2011 and cannot be paid out of the state's unemployment trust fund.

In the absence of federal relief, the House and Senate both propose making the first interest payment as follows:

- $18 million in state funds transferred from Medicaid to the Governor's Office Emergency Fund.
- $6 million in state funds from the Department of Labor Unemployment Insurance program, which could eliminate 100 positions in the DOL career centers at a time when Georgia's unemployment surpasses the national average.

Georgia could have joined 20 other states and enacted legislation to levy a special interest assessment on employers. In these states, funds collected through the assessment are segregated from the UI trust fund and are used solely to repay federal interest rather than relying on state funds that could be directed to education, health care or public safety.

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