

# Georgia Budget Primer 2018

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## ■ About the Georgia Budget and Policy Institute

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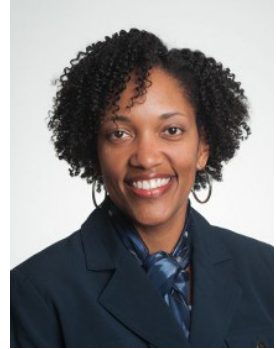
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## ■ Letter from the Executive Director

The state of Georgia boasts 10 million people and is the country's eighth largest state. In the last 15 years, the state has experienced tremendous population growth along with a new richness of cultures and ethnicities. If these positive trends continue, Georgia could be the fifth largest state by the middle of the 21st century, home to a majority of residents of racial and ethnic minorities.



Taifa Smith Butler, Executive Director

With population growth comes demands on public services and systems that require adjustments to maintain the state's quality of life. Georgia's public schools and colleges need to meet the needs of a 21st century economy. Georgia's health care systems need to be accessible and culturally competent to provide the services across the state's diverse geographic landscape. The state's infrastructure and mobility must continue to improve moving people and goods across 18,000 miles of roadways to ensure Georgia's economy remains viable.

The Georgia Budget Primer 2018 is the Georgia Budget and Policy Institute's signature annual publication that connects the dots between state revenues and investments in the pillars of a strong economy: strong diverse tax base, education, health care and human services that support the most vulnerable.

Our vision is an economy in Georgia that works for everyone. The state budget lays out a spending and investment plan that can undergird those building blocks of economic opportunity or undermine the progress that is needed for prosperity in Georgia.

This year's state budget includes some promise with some much-needed investments; however, the opportunity remains to strengthen education and healthcare services that are critical for the long-term viability of Georgia's workforce.

With uncertainty looming in 2017 through 2018 due to evolving federal budget and spending proposals, Georgia needs to ensure funding priorities continue to move the state forward and provide opportunities for families to enjoy economic success into the future.

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## ■ Introduction

Georgia plans to spend \$25 billion in state funds for the 2018 fiscal year. The budget plan anticipates a revenue increase of \$1.26 billion, or 5.3 percent more than the prior year.

Keep in mind when you hear Georgia's \$25 billion 2018 budget is record-setting that 80 percent of the \$1.3 billion increase over the year before isn't discretionary. Unless the state's economy sinks, things like population growth and rising retirement benefits for state employees will almost always make the cost of running the state higher from year to year.

You'll find a guide to state spending for public services and other needs critical to the quality of life for people across Georgia in the pages that follow.

The state's 2018 budget leaves K-12 education spending \$167 million below the state's funding target. It includes a renewed health care provider fee that aims to raise \$900 million to stabilize the state's Medicaid system. Health care is a state expense second only to education. The 2018 budget also offers new resources to support Georgia's children and families, increasing the salaries of child welfare workers by 19 percent with \$26 million designed to tamp down the 29 percent turnover rate among caseworkers in the Department of Family and Children Services.

The Georgia Budget and Policy Institute's Georgia Budget Primer 2018 is a clear explanation of the state's revenue collections and its spending plan. It includes basics to help a novice understand the budget's complexities. Seasoned observers will also find this publication is an authoritative reference during the state's 12-month fiscal year that starts July 1, 2017.

The governor proposed the 2018 state budget at the start of the Georgia General Assembly in January 2017. State lawmakers made minor changes to it before Gov. Nathan Deal signed the budget into law in May. Lawmakers will amend the 2018 state budget after the next legislative session starts January 2018 to reconcile it with actual revenues and make other needed adjustments. Please visit [www.gbpi.org](http://www.gbpi.org) for up-to-date analysis of the changes.

An extended run of healthy annual state revenues resulted in a 2018 spending plan that includes more than a few positives. It's a welcome step on the way to building a more inclusive economy, a place where all Georgians get an opportunity to reach their full potential.

## ■ Georgia by the Numbers

### Importance of the State Budget

Georgia's budget for 2018 touches the lives of people in every corner of the state. From the mountains of north Georgia to the southern coastal plains, the spending plan shapes the quality of life in Georgia's communities. The state's future prosperity depends on Georgia's investments in essential services like education, health care, public safety and transportation, just to name a few. Here are some examples of the wide impact the state budget has on the lives of Georgians:

**1.7 million** – approximate number of children in the K-12 public school system. (\$9.4 billion in the 2018 state budget)

**2 million** – approximate number of Georgians who receive health care coverage who are elderly, disabled, children or low-income parents. (\$3 billion in the 2018 state budget)

**18,000** – approximate miles of road overseen by the Georgia Department of Transportation. (\$1.9 billion in 2018 state budget)

**54,000** – approximate number of inmates in Georgia Department of Corrections facilities. (\$1.2 billion in 2018 state budget)

### Where Georgia Ranks Among the States

When it's good to rank higher, Georgia is...

45<sup>th\*</sup> – in Medicaid spending per patient

38<sup>th</sup> – in spending, per public school student

When it's good to rank lower, Georgia is...

10<sup>th</sup> – in the number of residents living in poverty

10<sup>th</sup> – in the number of children living in poverty

**45<sup>th\*</sup>**

Georgia's rank in  
local and state revenue  
per person

Sources: Federation of Tax Administrators, U.S. Census Bureau, Kaiser Family Foundation State Health Facts

\*Out of 50 states and the District of Columbia

## ■ Budget Basics

Georgia's 2018 fiscal year runs July 1, 2017 through June 30, 2018 and the total budget available to the state is \$45.2 billion. That includes \$25 billion in state funding, \$13.9 billion in federal funding and \$6.4 billion in other funds.

The state budget outlines Georgia's priorities, how it plans to spend money to meet them and how much revenue it expects to collect. It is the most important piece of legislation lawmakers pass. In fact, it is the only legislation that the General Assembly is legally mandated to pass each year. The Georgia Constitution requires the state to maintain a balanced budget, which means the government cannot spend more money than it collects in revenues.

The budget process is ongoing. Even as Georgia implements its current budget, it is auditing the previous year's budget and planning for the next one. Beyond the General Assembly, many others participate including the governor, state budget director, state economists, agency leaders and budget officials, state auditors and the public.

## Steps Along Georgia's Budget Path

1



### Budget Request Instructions Sent to Agencies:

In early summer, the Governor's Office of Planning and Budget (OPB) sends guidelines to agencies for budget requests.

2



### Agencies Prepare Budget Request:

Agencies prepare requests and get board approval (if applicable).

8



### House Approves Its Budget

The House votes on changes to governor's budget proposals. Passes its version to the Senate.

7



### Legislative Appropriations Process:

The Appropriations committees in the Georgia House of Representatives and Senate hold budget hearings for the current and upcoming fiscal year.

9



### Senate Approves its Budget:

The Senate reviews the House-passed budget for the current and upcoming fiscal years, can make changes, then votes on latest versions.

10

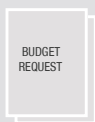


### Conference Committee Meets:

The lieutenant governor and Speaker of the House appoint a conference committee to negotiate a single version of the budget.



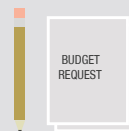
3



**Budget Request Submitted:**

Agencies submit all requests for current and upcoming fiscal year to OPB by September 1.

4



**Budget Request Analyzed:**

The governor, OPB staff, and agency leaders review and assess current and new budget requests.



6



**Budget Documents Sent to the General Assembly:**

In January, within the first five days of the General Assembly session, the governor presents budget proposals.

5



**Governor Finishes Budget:**

By the end of the calendar year, the governor finalizes the budget proposals.

11



**Final Version Approved:**

The House and the Senate each vote to approve the final version.

12

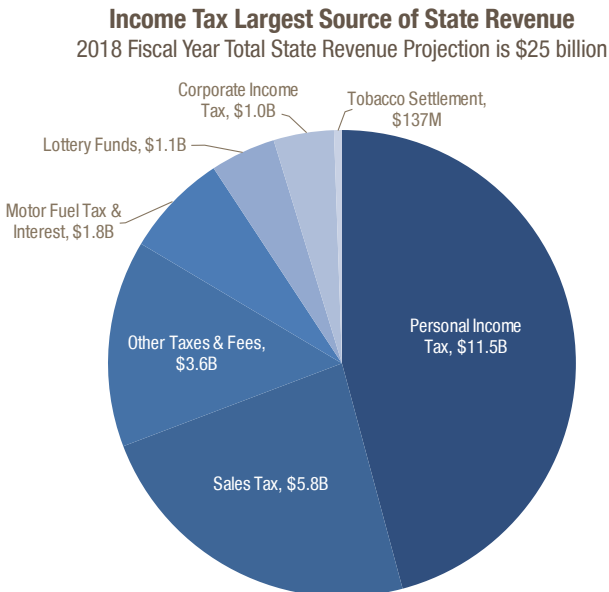


**Appropriations Bill Sent to Governor:**

The governor has 40 days from the end of the legislative session to sign the budget bill into law and may veto specific parts of it.

## Where Does Georgia's Money Come From?

Georgia's fiscal health depends on the state's ability to raise money from diverse sources in a reliable way. Like most states, Georgia collects revenue from a mix of personal and corporate income taxes, sales taxes, gas and vehicle taxes, and various other levies and fees. Income taxes are the cornerstone of Georgia's revenue system, accounting for about half of all state funds. Sales taxes are the second largest revenue source, accounting for nearly a quarter of annual collections. A fair and reliable revenue system requires both of these taxes. Sales taxes provide a reliable baseline of yearly revenue, but they are felt more strongly by working families. They also lag behind changes in the economy. Income taxes help balance out regressive sales taxes and fees by collecting more revenue from wealthier taxpayers and profitable corporations. A healthy income tax is also more sensitive to economic trends, so it helps states maintain strong revenue growth during the good times and recover quicker financially after recessions.



Source: Georgia's 2018 Fiscal Year Budget (HB 44), signed by governor

**Revenue Estimate, 2018 Fiscal Year**

<b>Income Taxes</b>	<b>\$12,497,448,163</b>	<b>50.0%</b>
Personal Income Tax	\$11,454,618,163	45.8%
Corporate Income Tax	\$1,042,830,000	4.2%
<b>Sales Tax</b>	<b>\$5,848,547,000</b>	<b>23.4%</b>
<b>Other Taxes and Fees</b>	<b>\$3,583,705,915</b>	<b>14.3%</b>
Motor Vehicle Title Tax (TAVT)	\$769,270,800	3.1%
Insurance Premium Tax	\$449,404,181	1.8%
Motor Vehicle License Fee	\$377,260,000	1.5%
Hospital Provider Payments	\$310,893,887	1.2%
Other Transportation Fees	\$262,171,800	1.0%
Tobacco Tax	\$215,478,400	0.9%
Alcohol Beverage Tax	\$197,778,000	0.8%
Nursing Home Provider Fees	\$171,469,380	0.7%
State Property Tax*	\$0	0.0%
All Other Interest, Fees and Sales	\$829,979,467	3.3%
<b>Designated Funds</b>	<b>\$3,067,650,157</b>	<b>12.3%</b>
Motor Fuel Tax & Interest	\$1,798,850,000	7.2%
Lottery Funds	\$1,130,965,151	4.5%
Tobacco Settlement Funds	\$136,509,071	0.5%
Brain & Spinal Injury Trust Fund**	\$1,325,935	0.0%
<b>Total</b>	<b>\$24,997,351,235</b>	<b>100%</b>

Source: Georgia's 2018 Fiscal Year Budget (HB 44), signed by governor

\*Georgia's state property tax was eliminated effective January 1, 2016 after a gradual phaseout enacted in 2010 legislation. It is included here as reference.

\*\*Less than .01%

## Georgia's Bottom Line Depends on Healthy Income Tax

The potential to alter Georgia's tax on individual income is a perennial topic at the General Assembly. Georgia employs a graduated income tax rate system with smaller levies on lower levels of income before topping out at 6 percent. Some contend Georgia needs to reduce its top rate to compete with other states, although there is little evidence that reshuffling income tax rates can drive economic growth. Others propose swapping out Georgia's graduated structure for a new flat rate, an approach that is likely to lead to higher total tax bills for families who work in low-wage jobs.

Reasonable options to improve Georgia's income tax are available, such as creating a state earned income tax credit. But more drastic proposals to rework the state's personal income tax can jeopardize the viability of Georgia's revenue system. Thirty years ago, the state collected similar amounts of revenue from taxes on personal income and consumer sales. Yet sales tax collections flattened in subsequent decades due to new tax breaks on groceries and business purchases, a difficult recession and a changing economy that shifted toward untaxed goods and services, including items purchased online. In the upcoming budget year, Georgia is expected to collect roughly twice as much revenue from personal income taxes than sales taxes.

**Income Tax Collections Grow, Sales Taxes Stagnate**  
State tax collections by fiscal year, 2016 dollars



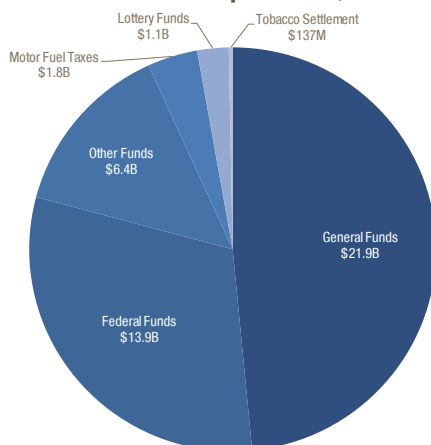
Source: U.S. Census Bureau Annual Survey of State and Local Government Finances, Governor's Budget Report Fiscal Year 2018

## Georgia's Diverse Funding Sources

Including federal funds, the total 2018 Georgia budget is \$45.2 billion and is made up of six funding sources:

- **General Funds** – Education, public safety and most other traditional state services are paid for from the General Fund, which includes money raised by the motor fuel tax for transportation.
- **Federal Funds** – A large share of Georgia's overall spending for services is through administration of federal funds, especially for health care, K-12 education and transportation.
- **Other Funds** – These include things like tuition and fees from universities and university system research funds.
- **Lottery Funds** – These are dedicated to Pre-Kindergarten programs and financial aid for higher education.
- **Tobacco Settlement Funds** – This ongoing annual payment, resulting from a legal settlement with the country's four largest tobacco companies over health care costs, can be used for any reason in the budget.
- **Intrastate Funds** – The \$4.1 billion of intrastate transfers include payments from the state health plan and are not counted in the \$45.2 billion budget.

### General and Federal Funds Make Up Most of \$45.2 Billion 2018 Budget



Source: Georgia's 2018 Fiscal Year Budget (HB 44), signed by governor

## General and Motor Fuel Funds

**\$23,729,877,013 (52 percent of Georgia's budget)**

**General funds come from state taxes and fees on personal and corporate income, consumer transactions, motor fuel purchases and other activity. About 95 cents of every dollar collected goes to seven areas:**

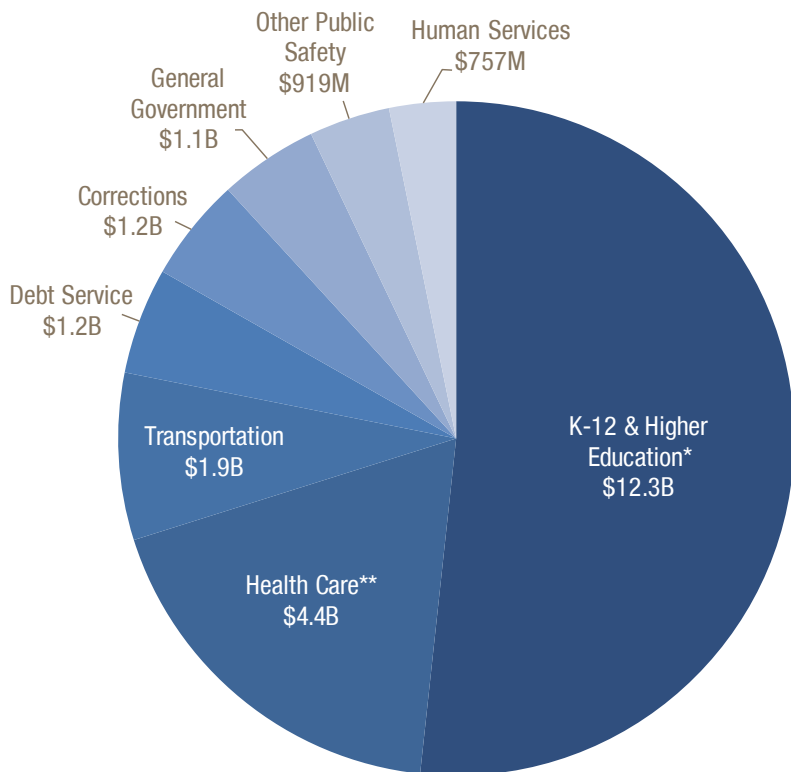
- K-12 and Postsecondary Education (52 cents of every dollar spent)
- Health Care (18 cents)
- Public Safety (9 cents)
- Transportation (8 cents)
- Debt Service (5 cents)
- Department of Human Services (3 cents)

**About five cents of each dollar pay for all other state agencies, boards and commissions, covering diverse responsibilities such as economic development, agriculture and forestry, labor relations and others. That remainder also includes the costs of elected officials and judges in the legislative, judicial and executive branches.**

## Motor Fuel Funds

Georgia's Constitution requires revenue from the state's tax on motor fuel to be spent only for roads and bridges. The money is dedicated to a mix of new construction, maintenance on existing infrastructure and debt service on past investments. Lawmakers passed legislation in 2015 that significantly changed the way Georgia taxes motor fuel, raising the gas tax to 26 cents per gallon of gasoline and 29 cents per gallon of diesel fuel. The 2015 reforms also indexed the new rates to inflation and rising fuel efficiency, so that motor fuel collections can keep pace with changing consumer habits and economic trends. The higher tax resulted in \$657 million in additional transportation funds in the 2017 budget. The state's 2018 budget includes about \$1.8 billion in motor fuel revenue, an increase of about \$139 million over last year.

**Education and Health Care More than Two-Thirds of State Budget**  
 2018 Fiscal Year State General Funds and Motor Fuel Funds Budget: \$23.7 Billion



Source: Georgia's 2018 Fiscal Year Budget (HB 44), signed by governor

\* Education spending details: Georgia's 2018 budget for K-12 is \$9.4 billion, for the University System of Georgia is \$2.3 billion, the Technical College System of Georgia is \$361 million. Also includes Georgia Student Finance Commission's \$114 million and the Dept. of Early Care and Learning's \$61.5 million

\*\* Georgia's 2018 budget for Medicaid and PeachCare is \$2.9 billion; for Behavioral Health & Developmental Disabilities is \$1.1 billion; for Public Health is \$262 million; and for other health care is \$175 million. Health care spending does not include tobacco settlement funds.

## Federal Funds

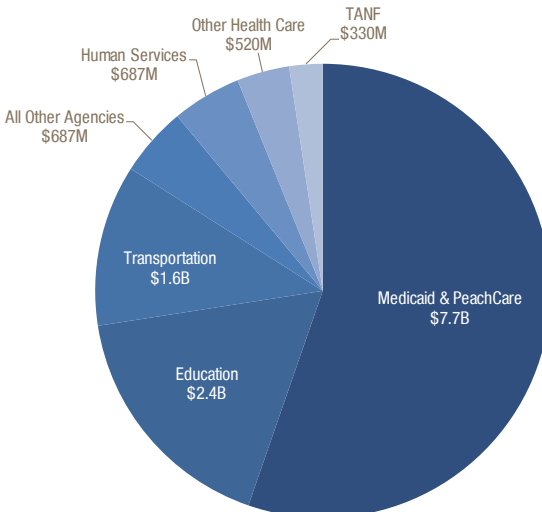
### \$13,889,217,110 (31 percent of Georgia's budget)

Money from the federal government flows to a wide variety of state programs and services. The great majority of federal money is spent for the following:

- \$7.7 billion for Medicaid and PeachCare
- \$2.4 billion for education including school nutrition programs, services for low-income students and supports for students with disabilities
- \$1.6 billion for the Georgia Department of Transportation
- \$1.5 billion for child welfare, elder services, Temporary Assistance for Needy Families (TANF) and other human services

The state is required to use its own dollars to match federal funding for Medicaid and many other investments in its people. Consequently, a cut in state funds for a service can lead to a corresponding cut in federal funds.

### \$13.9 Billion in Federal Funds Mostly Pays for Health Care, Education, Transportation and Human Services



Source: Georgia's 2018 Fiscal Year Budget (HB 44), signed by governor



## Other Funds

**\$6,360,622,846 (14 percent of Georgia’s budget)**

Other Funds include \$3.4 billion in tuition, fees and other revenues collected by the University System of Georgia and Technical College System and \$2.1 billion in University System of Georgia research funds. The money is retained by the individual schools.

### Most Other Funds Come From College Tuition, Fees and Research

Tuition, Fees, Other Higher Education Revenue	\$3,424,482,743
University System of Georgia Research Funds	\$2,130,007,303
All other agency funds	\$806,132,800
<b>Total</b>	<b>\$6,360,622,846</b>

Source: Georgia’s 2018 Fiscal Year Budget (HB 44), signed by governor

## Intrastate Transfers

**\$4,069,096,350 (Included here for reference, but not as a net increase to Georgia’s budget)**

Intrastate transfers are primarily payments from the State Health Benefit Plan.

### Health Payments Make Up Most Intrastate Transfers

State Health Benefit Plan Payments	\$3,461,320,726
Medicaid Services Payments - Other Agencies	\$280,857,262
Other Intrastate Govt. Payments	\$171,675,600
Workers Compensation Funds	\$95,841,580
State Employee and Teacher Retirement Payments	\$59,401,182
<b>Total</b>	<b>\$4,069,096,350</b>

Source: Georgia’s 2018 Fiscal Year Budget (HB 44), signed by governor

## Tobacco Funds

**\$136,509,071 (0.3 percent of Georgia’s budget)**

Georgia receives annual payments from a large settlement signed in 1998 with four of the country’s largest tobacco companies, known as the Tobacco Master Settlement Agreement. Georgia does not explicitly dedicate these payments for specific purposes. As a result, the use of tobacco settlement funds vary from year-to-year.

### Most Tobacco Funds Used for Health Services

<b>2018 Tobacco Settlement Fund Budget</b>	
Low Income Medicaid	\$105,910,484
Adult Developmental Disabilities Waiver Services	\$10,255,138
Smoking Prevention and Cessation	\$6,857,179
Cancer Treatment for Low Income Uninsured	\$6,613,249
Aged Blind & Disabled Medicaid	\$6,191,806
Underage Smoking Compliance	\$433,783
Departmental Administration	\$131,795
Cancer Registry	\$115,637
<b>Total</b>	<b>\$136,509,071</b>

Source: Georgia’s 2018 Fiscal Year Budget (HB 44), signed by governor

## ■ Budget Trends

The \$25 billion state budget signed into law by Gov. Nathan Deal for the 2018 fiscal year starting July 1, 2017 represents a \$1.26 billion increase in total state spending from last year, an increase of 5.3 percent. Georgia's rate of revenue collection continues to show consistent yet modest growth since the end of the economic downturn earlier this decade. Annual revenue growth averaged 4.3 percent from the 2012 to 2017 budget years, excluding a one-time surge due to a package of transportation taxes enacted in 2015.

While the 2018 budget represents a high-water mark for Georgia in absolute dollar terms, it is slightly less than the last budget passed before the recession once accounting for economic changes and the rising needs of a growing state. Once both inflation and the addition of nearly 1 million new Georgians are factored in, the 2018 budget equates to \$2,379 per person, or \$82 less than the 2009 per-person amount. The 2018 budget would include about an extra \$865 million if state lawmakers spent the same per Georgian as before the recession.

The 2018 budget includes some worthwhile investments, such as modest increases to pay for child care subsidies, new child welfare case workers and additional waivers for Georgians with disabilities to receive care at home or in their community. State lawmakers also authorized sizable salary increases of 20 percent for state troopers and 19 percent for child welfare workers to help with recruitment and retention. At the same time, most of the new money is consumed by meeting the needs of an aging and growing population, including increased student enrollment, growing pension liabilities, high health care costs and cost of living adjustments for state employees.

## Georgians' Taxes Lower than in Past

The average Georgian today pays a lower effective tax rate than at most points over the last three decades. During the 1990s, Georgians contributed an average of 5.9 percent of their income to the state treasury, once accounting for all state levies. Those include taxes on income, sales and personal property such as vehicles. Even as state lawmakers cut taxes during that decade with measures like a new exemption for groceries, Georgians' average effective tax rate remained about the same. A strong economy allowed the state to cut taxes while still offering key services.

This dynamic changed at the turn of the century. Georgians saw a dramatic drop in state tax bills on average due to a combination of a weakened sales tax base, two economic downturns and a slew of new tax breaks passed during the 2000s. Revenues plummeted to 4.5 percent of personal income in 2010 due to the fiscal crisis brought on by the Great Recession. Revenues ticked back up in subsequent years, but at 5 percent forecast for the 2018 fiscal year, expected collections are still relatively low. The average Georgian paid an effective tax rate of 5.6 percent at the low point of the 1990s. If that held true today, state lawmakers would gain about an extra \$3 billion in the next budget year to invest in education and other building blocks of a strong economy and thriving communities.

### Georgians Pay Lower Effective Tax Rate than in Past



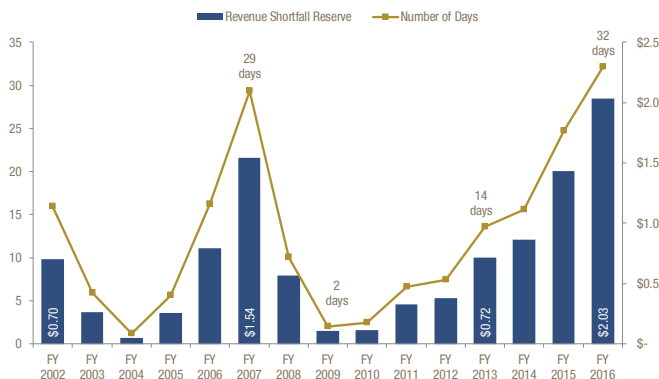
Source: Georgia Budget in Briefs and U.S. Bureau of Economic Analysis

## State Savings Account Back to Adequate Level

The Revenue Shortfall Reserve is Georgia's rainy day fund, meant to provide stability during economic downturns. The fund acts like a savings account for the state to cover expenses and maintain services when revenues decline unexpectedly. Sound financial management guides lawmakers to build up the reserves during good economic times and spend it down in bad times to avoid damaging cuts to key services. Maintaining adequate reserve money is also important to keep Georgia's stellar AAA bond rating, a top rating that allows lawmakers to borrow money at favorable terms and save millions of dollars in annual interest payments.

The General Assembly cannot appropriate money to the reserves through the normal budget process. Instead, any money not spent by the end of each fiscal year is automatically transferred to the fund. Georgia law says the fund cannot exceed 15 percent of the previous year's net revenue. At the end of the 2016 budget year, Georgia's reserves held more than \$2 billion, or 9.1 percent of that year's tax receipts. Now at its highest level in the past 15 years, the reserve fund holds enough money to operate the functions of state government for about 32 days.

**Rainy Day Fund Tops \$2 Billion Goal**



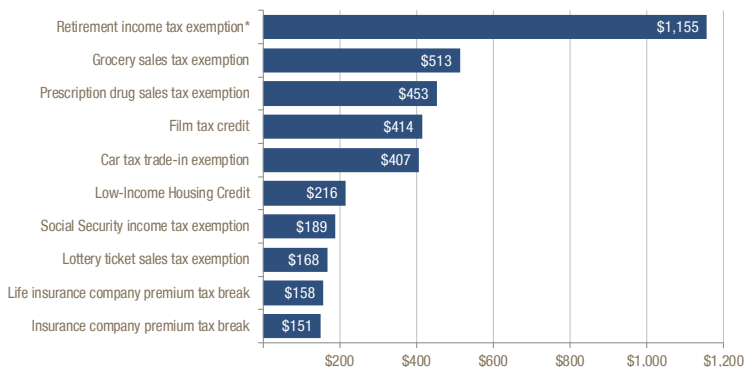
Source: Georgia's 2018 Fiscal Year Budget (HB 44), signed by governor, Budgets in Brief 2003-2015

## Unclear if All Tax Breaks Worth the Cost

Georgia foregoes billions of dollars in state revenue each year through dozens of credits, deductions and other breaks technically known as tax expenditures. Aimed at policy goals such as economic growth or boosting family pocketbooks, Georgia's assortment of tax breaks add up to an estimated \$8.6 billion in lost state revenue in the 2018 budget year. Even by a more conservative estimate that excludes a set of business exemptions found in most states, Georgia's tax breaks still yield an annual cost of about \$5 billion.

Some of Georgia's tax breaks, such as sales tax exemptions for groceries and key business purchases including energy used in manufacturing, provide protections for families and the economy. But others deliver outsized gains to select groups or industries, often with questionable benefit to the state. It's unclear which tax breaks are worth the cost and which aren't because Georgia lacks any formal review process to measure and compare costs and benefits. A growing number of states is charting a path that protects taxpayers and makes sure tax breaks are working as lawmakers intend. In the past five years, at least 27 states, including Florida, Texas and other Southern neighbors, either created a new tax break review process or improved upon existing practices.

**Estimate Value of 10 Largest Tax Breaks**  
All state tax expenditures amount to \$8.61 billion in 2018



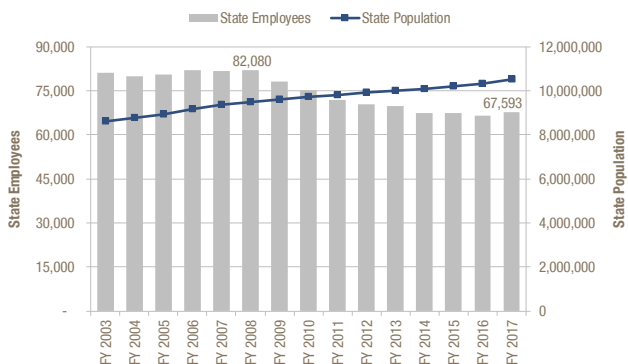
Source: Georgia Tax Expenditure Report for FY 2018 \*Excludes Social Security which is covered under a separate income tax exemption. "Retirement income" includes pensions and personal retirement accounts such as IRA and 401Ks. List excludes exemptions for business-to-business transactions.

## Fewer Employees Serving More People

Georgia continues to grow rapidly, adding residents and businesses faster than the national average. The state’s ongoing growth brings many benefits, but also a slew of challenges on issues such as housing, transportation and public safety. Since the Great Recession, Georgia’s state employee workforce has shrunk while the needs of the state’s population and economy have grown. Georgia employed about 14,500 fewer state workers during 2017 than it did in 2008 before the economic downturn, a drop of nearly 18 percent over a decade.\* Georgia added about 1 million new residents in that same span, a spike of nearly 11 percent.

As a result, a smaller number of state employees are stretched thin to cover a growing set of needs. That means a decrease in state patrol officers keeping highways safe, fewer health and safety inspectors protecting the public and fewer examiners to keep up with demand for business licenses. One positive sign is the fact that Georgia’s workforce grew over the last year, the first growth since the recession. State agencies added nearly 1,100 workers from 2016 to 2017, due mostly to a large boost in the number of child welfare workers in the Department of Family and Child Services. Lawmakers also included new money in the budget to increase salaries for social service case workers and state troopers to address dangerously high turnover rates in those fields.

**Fewer State Employees Serving Larger Population\***



Source: Email from Department of Administrative Services, June 1, 2017.

\*Numbers exclude Board of Regents, University System

## A Detailed Look at Georgia's 2018 Budget

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## ■ Education Funding in Georgia: Financial Challenges for Schools Remain

Georgia is spending nearly \$12.3 billion on education in the 2018 fiscal year, or about 51.7 percent of the state's budget. The Department of Early Care and Learning receives \$61.5 million and \$9.4 billion goes to the Department of Education. The Legislature is directing \$2.3 billion to the university system and \$361 million to the technical college system. About \$114 million of the state's General Fund is allotted to the Georgia Student Finance Commission for scholarship, loan and grant programs, including the state's dual-enrollment program, Move On When Ready. In addition, the Legislature appropriated \$1.1 billion in lottery funds for education: \$364 million for Pre-Kindergarten and \$766 million for the HOPE financial aid programs.

The 2018 budget represents an increase of \$714 million for education from the General Fund and \$57 million in lottery funds. These increases continue the modest but steady gains seen after the deep cuts made during the recession.

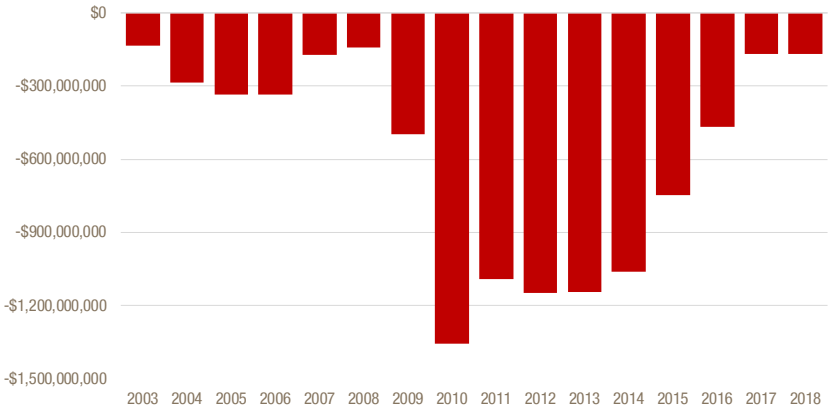
School districts across Georgia continue to face financial challenges particularly to meet the needs of low-income students. State funding for public schools is close to the level set by the state funding formula, but the formula is an outdated benchmark. Designed 32 years ago, it does not align with the much higher student academic goals now in place, nor does it reflect students' growing needs. More than 60 percent of students in Georgia's public schools are low-income. Most require extra support to meet academic goals, but the state is not investing resources to supply them. Georgia ranks 38th in spending per student and invests \$1,965 less per student than the national average.

Tuition pressure on Georgia's college students remains high. Over the last 10 years, the cost burden in the university system shifted from the state to students and from appropriations to tuition and fees. Tuition and fee revenue used to be relatively small compared to appropriations, but this year these two revenue sources are projected to contribute similar amounts to the university system. Although total university system revenue growth has tracked closely with inflation, tuition and fees are rising at a faster pace as universities rely more heavily on this funding source.

## Elementary and Secondary Education: Progress Stalls on Reversing K-12 Funding Cuts

The 2018 budget holds a mixed bag for K-12 schools. The General Assembly added \$160 million to raise teacher salaries, the first increase since 2009, but it also halted progress in reversing its cuts to the state’s formula for funding public schools. Schools are short \$166.7 million in 2018 according to this 32-year-old benchmark. This brings the cumulative cut to more than \$9.2 billion since 2003. That shortfall, combined with rising costs, makes it hard for districts to bring class sizes back down, invest in reform strategies and provide low-income and other at-risk students with the extra support they often need to reach the academic goals the state sets.

### Austerity Cuts Persist: 16 Years of Underfunding Public Schools



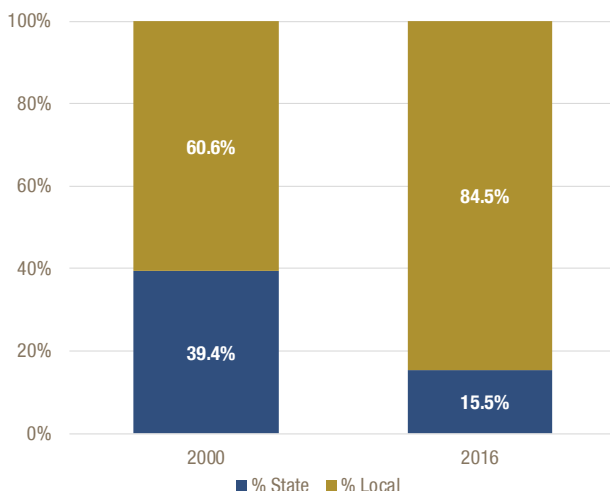
Source: Georgia Department of Education, Midterm State Allotment Sheets Fiscal Years 2000-2017, Initial State Allotment Sheet Fiscal Year 2018

## Elementary and Secondary Education: Cost Shifting Undermines Restored Funding

From 2015 to 2017, the General Assembly reversed much of the austerity cuts it imposed on school districts. Cost shifting by the Legislature diminishes the impact of the restored funds, however. In 2012 the Legislature eliminated funding for health insurance for districts' non-teaching staff, a cost the state and districts shared for many years. The monthly amount districts pay to the State Health Benefit Plan for health insurance for each of these workers soared from \$296 in 2012 to \$945 in 2018. In total, districts are spending \$430 million more annually on this expense.

Districts are also spending more on student transportation, a service mandated by the state. State transportation funding per full-time equivalent student shrank from about \$112 to \$75 between 2000 and 2016. Districts cover a growing portion of transportation costs with local money, leaving them with less to spend in the classroom on student learning.

**Shrinking State Funds for Student Transportation\***



Source: Georgia Department of Education, Midterm State Allotment Sheet, fiscal years 2000 and 2016, District Expenditure Reports, fiscal years 2000 and 2016

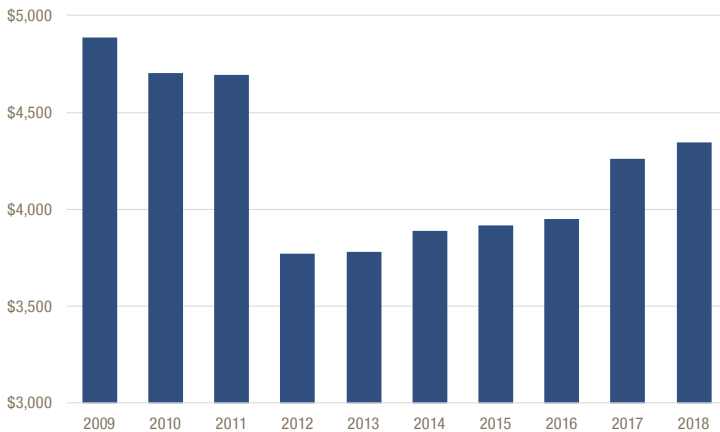
\*2016 is the most recent district expenditure data available

## Pre-Kindergarten: Quality & Access Concerns Continue

Funding for the Pre-Kindergarten program gets a bump in the 2018 fiscal year, but per-student funding is about 11 percent below the 2009 inflation-adjusted level. The General Assembly added funds in 2017 to give a much-needed boost to Pre-K teachers' salaries and reduce turnover. Critical needs remain, though.

The current class ratio of one teacher to 22 students is above the quality standard of one-to-20 set by the National Institute for Early Education Research. Some communities also have Pre-K waitlists because they do not have enough high-quality providers. One reason is the low amount the state offers to cover start-up costs for new Pre-K classrooms. A 2015 commission convened by Gov. Nathan Deal to examine early childhood and other education programs recommended increasing funding for Pre-K to lower class sizes and raise start-up costs to \$12,000 from \$8,000. The Legislature has not acted on these recommendations.

**Per Student Pre-K Funding Lags Pre-Recession Levels**  
(Adjusted for inflation)



Source: Georgia's amended fiscal year budgets, 2009-2017; Georgia's Fiscal Year 2018 Budget (HB 44), signed by governor; U.S. Dept. of Labor, CPI Inflation Calculator

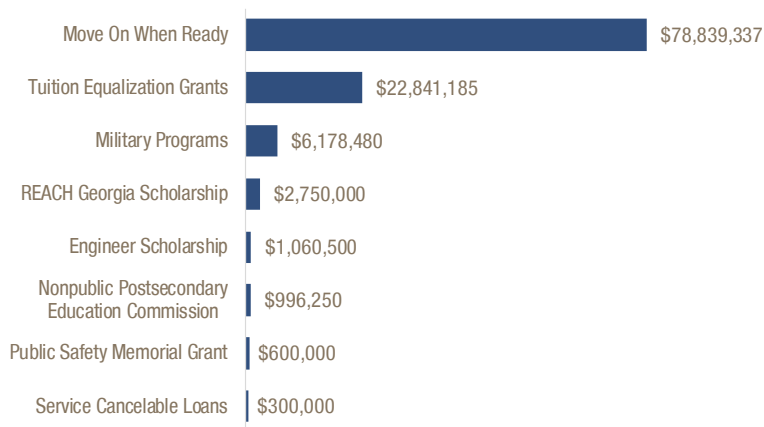
## Move On When Ready

Move On When Ready is a program for high school students who take college-level courses that count for both high school and college credit or, dual enrollment. The state pays colleges fixed amounts for tuition, mandatory fees and books. Colleges may not charge high school students for additional tuition and mandatory fees, though students may be responsible for course-related fees and transportation costs.

The program is growing. The 2018 state budget added \$21 million to meet the projected increase in demand but reduced funds for transportation grants by \$500,000. These changes resulted in a budget of \$78.8 million.

The state allots \$114 million for higher education scholarships, loans and grant programs. Move On When Ready is the largest of these programs. The second-largest are Tuition Equalization Grants at \$22.8 million, awarded to residents who attend private colleges in Georgia. The Legislature increased the budget for these grants by \$1.6 million to increase the award amount from \$900 to \$950 per year.

### Dual-Enrollment Program is Largest Use of State General Funds for Higher Education Grants and Scholarships



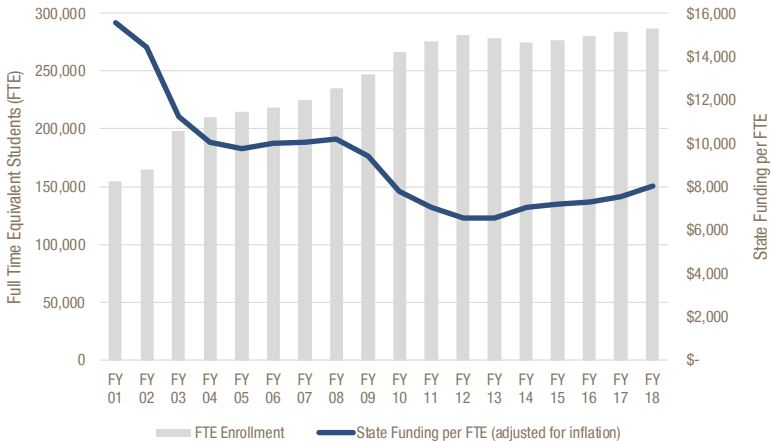
Source: Georgia's Fiscal Year 2018 Budget (HB 44), signed by governor. Military Programs include North Georgia Military Scholarship and ROTC Grants, Georgia Military College Scholarship, and HERO Scholarship.

## University System of Georgia

The 2018 budget for the university system is \$2.3 billion, about one-tenth of the state's General Fund. Georgia allocates \$2 billion to colleges and universities for student instruction. The state appropriates money to the Board of Regents, which manages Georgia's public university system and allocates the money among the 28 colleges and universities in the system. The state budget expects student contributions of an additional \$2.2 billion in tuition and fees to the university system.

This year's budget represents a 6.3 percent increase in state funding per full-time equivalent student (FTE) from last year. Per-student funding has made modest gains every year since reaching its lowest point in 2012. However, per-student funding is still almost half of what it was in 2001, after adjusting for inflation.

**University System Per-Student Funding Recovering, But Still Far Below Pre-Recession Levels**



Source: Georgia's amended budgets 2001-2017; Georgia's 2018 Fiscal Year Budget (HB 44), signed by governor Board of Regents, University System of Georgia, fall semester enrollment reports 2001-2016, GBPI estimate of fall enrollment FY 2018; adjusted for inflation using Bureau of Labor Statistics CPI-U South

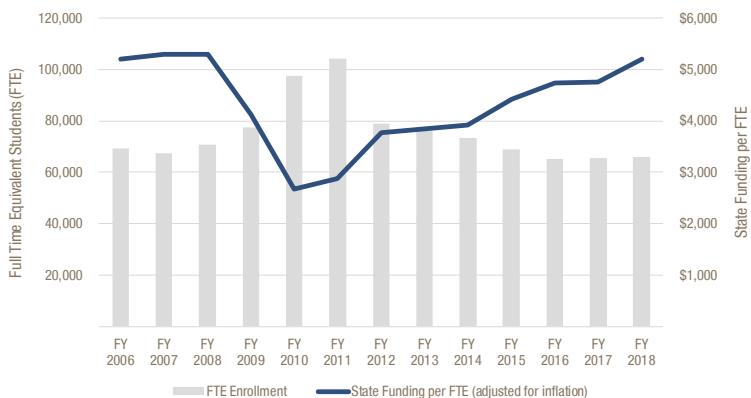
## Technical College System of Georgia

The 2018 state budget for technical education is \$322 million, representing a 3.2 percent increase from the previous year. The technical college system includes 22 individual colleges with 85 campuses throughout Georgia. Technical colleges provide a range of programs including associate’s degree, certificate and diploma programs.

State spending per student is now back to 2006 levels after adjusting for inflation, following a combination of steep funding cuts and enrollment surges during the recession. Workers who lost their jobs during the economic downturn increased technical college enrollments, as budget pressure led the legislature to cut funding in 2011 to the technical college system and to HOPE scholarships and grants.

This year the technical college system experienced a slight decrease in enrollments, continuing the downward trend that started after the sharp decline between 2011 and 2012. Enrollments are now lower than in 2006.

**Per-Student Funding back to Pre-Recession Levels, but Enrollment Remains Stagnant**



Source: Georgia’s amended budgets 2006-2017; Georgia’s 2018 Fiscal Year Budget (HB 44), signed by governor; State general funds for technical education only. Technical College System of Georgia, End of Year annual Academic Year Enrollment Reports. Adjusted for inflation to 2017 dollars using BLS, CPI-U South; GBPI estimates of enrollment for fiscal years 2017 and 2018

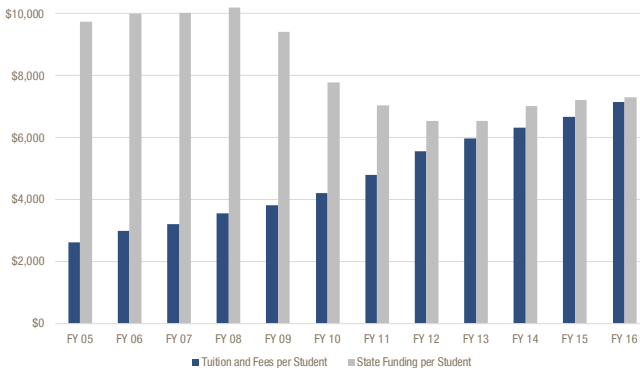
## Colleges Rely More on Tuition and Fees

Public higher education in Georgia is funded through a combination of state appropriations, federal grants, tuition and fees. Generally, federal grants support specific research projects, state appropriations and tuition support instruction, and student fees support services such as housing, dining and athletics programs.

The cost of providing higher education is higher than the sticker price students see. State appropriations subsidize this cost in its public colleges and universities, lowering the price for students and families. Within the last decade, Georgia decreased subsidies for higher education. Colleges and universities continue to raise tuition and fees to combat increased budget pressures and higher expectations for quality.

Less state support for colleges shifts costs to students. In 2005, state appropriations per student were more than 3.5 times tuition and fee revenue per student in the university system. Since appropriations fell and tuition and fees rose, these revenue sources are now similar. The 2018 state budget for the university system is \$2.3 billion, and Georgia expects students to pay \$2.2 billion in tuition and fees.

### Student Payments in Tuition and Fees Almost Match State Contributions to University System



Sources: Georgia budget reports, University System of Georgia Annual Financial Reports, Enrollment Reports. Numbers adjusted for inflation. Per student refers to Full Time Equivalent

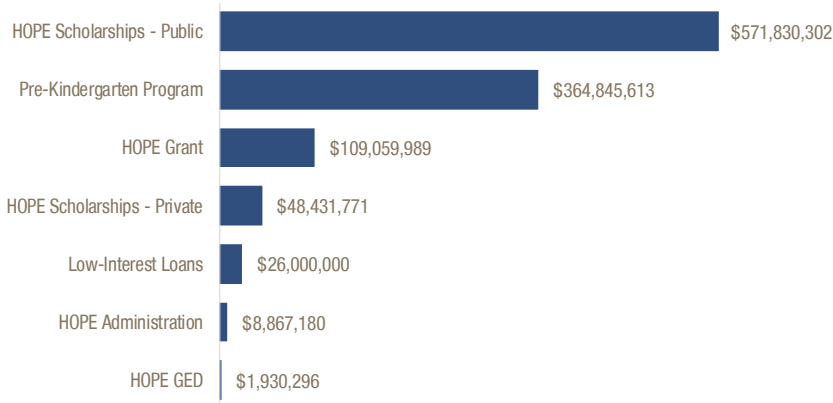


## Lottery Funds: Support for Pre-K and College Students

In addition to the state’s budget for higher education, Georgia appropriated \$1.1 billion from lottery sales to fund the following education programs in 2018:

- **The Helping Outstanding Pupils Educationally (HOPE) Scholarship** is for students pursuing bachelor’s or associate’s degrees. Scholarship awards increased by 3 percent. These funds include both the partial-tuition HOPE scholarship and the full-tuition Zell Miller Scholarship.
- **HOPE grants** are for students pursuing certificates or diplomas in technical colleges. These funds include the partial-tuition HOPE Grant, full-tuition Zell Miller Grant and supplemental HOPE Career Grant.
- **HOPE GED grants** are one-time awards for students who complete a GED and enroll in postsecondary education.
- **Student Access Loans** provide low-interest loans to college students.
- **Georgia’s Pre-K program** is for 4-year-olds to prepare for kindergarten.

### Most Lottery Funds for Education Support HOPE Programs



Source: Georgia’s Fiscal Year 2018 Budget (HB 44), signed by governor

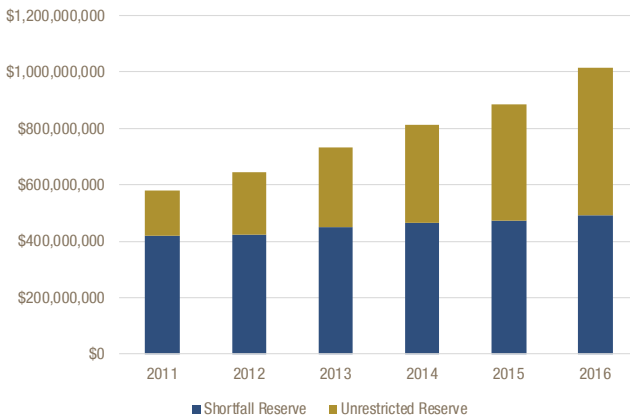
## Lottery Reserve Funds

Every year, the Georgia Student Finance Commission awards fewer lottery dollars for HOPE programs than the state appropriates. These appropriated but unspent lottery funds are transferred to reserves managed by the State Treasury.

Similar to the Revenue Shortfall Reserve fund (see page 17), the Lottery Shortfall Reserve acts as a rainy day fund to make up for any future shortfalls in lottery revenue. If lottery ticket sales underperform and net lottery proceeds (the amount used for education programs) fall short of the appropriated amount, the lottery shortfall reserve can bridge the funding gap. The shortfall reserve is required to hold an amount that is equal to 50 percent of the previous year’s net lottery proceeds.

Since the state created the 50 percent requirement in 2011, surplus lottery funds continue to grow. Additional surplus funds above the 50 percent requirement are held in an Unrestricted Reserve fund available for appropriation by the legislature. In 2016, the shortfall reserve held \$490 million and the unrestricted reserve held \$524 million. Together, lottery reserves total more than \$1 billion.

### Surplus Lottery Funds Total More Than Twice Legal Requirement



Source: State Accounting Office, 2014-2016 Report of Georgia Revenues and Reserves, 2011-2013 Selected Summary Financial Information

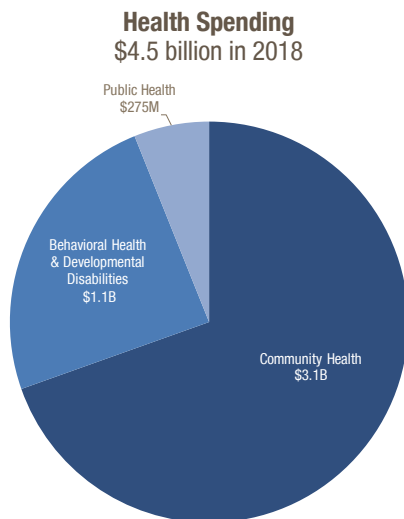
## Health Care

Health care services are primarily delivered through three state agencies: the departments of Community Health, Public Health and Behavioral Health and Developmental Disabilities. State funding for these three agencies totals \$4.5 billion in 2018, about 18 percent of total state spending. General Fund appropriations for these agencies account for \$3.9 billion, or about 87 percent, while other sources total about \$620 million. Money from the General Fund for these three agencies grew by \$39 million from 2017 to 2018.

The Department of Community Health is the largest of Georgia's three health care agencies. It accounts for \$3.1 billion, or 70 percent of total state spending on health care. It operates Georgia's Medicaid and PeachCare programs, some planning and regulatory functions, and the State Health Benefit Plan that provides health care to state employees and teachers. Funding for the state health plan comes from school districts, state agencies and their employees and retirees and is not counted in the state spending figure above.

Georgia plans to spend \$1.1 billion on behavioral health and developmental disabilities, which includes some services funded through Medicaid. This is about 24 percent of Georgia's 2018 health care expense.

The Department of Public Health operates a variety of population-based health programs such as immunizations, health screenings and infectious disease control. It receives \$275 million, or about 6 percent of Georgia's health spending.



Source: Georgia's 2018 Fiscal Year Budget (HB 44), signed by governor

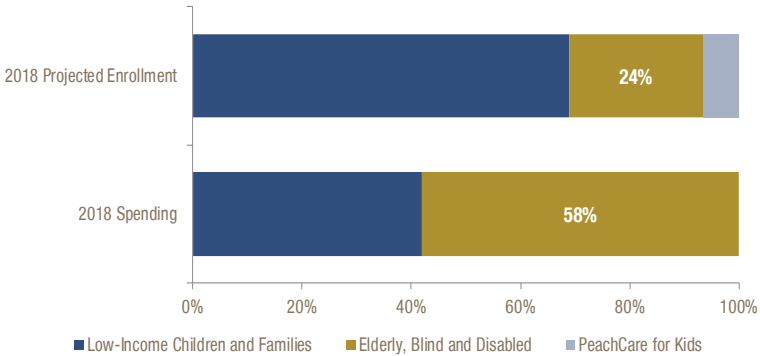
## Medicaid and PeachCare Enrollment and Spending

Medicaid and PeachCare are expected to serve more than 2 million Georgians in 2018. The programs are important sources of health coverage for children, pregnant women, low-income seniors and people with physical and developmental disabilities. Medicaid and PeachCare cover nearly half of all children in Georgia. More than 1.3 million children, two-thirds of total state enrollees, are covered through the two programs. Medicaid also pays for more than half of all births in Georgia.

Medicaid is the main source of coverage for Georgians with long-term care needs, both in nursing homes and in community-based settings. Medicaid is the primary payer for three-fourths of nursing home patients in Georgia. Medicaid also helps pay Medicare premiums for more than 170,000 older Georgians.

Low-Income Medicaid serves children, pregnant women and some parents with very low incomes. The Aged, Blind & Disabled portion of the program serves the elderly and people with a qualifying disability. Most enrollees qualify through the low-income Medicaid program, but the majority of spending is for elderly and disabled patients. PeachCare is a separate program that serves children from families with income above the Medicaid threshold but often lack access to employer-sponsored coverage. PeachCare is entirely funded by the federal Children’s Health Insurance Program.

### Bulk of Medicaid Spending is for Seniors and Disabled People



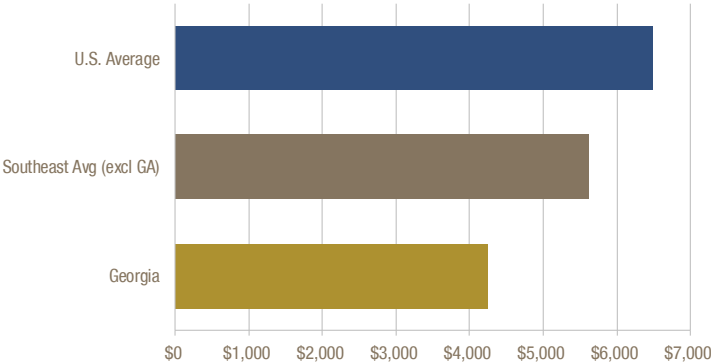
Source: Georgia’s 2018 Fiscal Year Budget (HB 44), signed by governor, enrollment forecast provided by Department of Community Health

## Georgia’s Medicaid Investment Ranks Near Bottom

Georgia expects to spend nearly \$3 billion in state funds to serve more than 2 million residents covered by Medicaid and PeachCare, a modest amount by national standards. Georgia’s spending per Medicaid enrollee ranked fifth lowest among the states in 2014. This mark was 24 percent below the national average.

Georgia’s low rank by both measures underscores the harsh health and economic realities faced by much of its population. Georgia’s population consistently scores poorly in national health assessments, suggesting higher per-enrollee spending than most states is needed. Georgia had a poverty rate of 17 percent and ranked 10th worst for poverty among states in 2015. The uninsured rate in Georgia is the second-highest in the country. This suggests that higher per-capita spending is appropriate to pay for a large population of Medicaid-eligible residents.

### Georgia Medicaid Spending Per Person Ranks Low



Source: Kaiser Family Foundation

A greater investment in Medicaid would allow the state to expand health services and increase the rates of reimbursement for health care providers. The 2018 Budget adds nearly \$18 million in new state funds to boost reimbursement rates for some primary care services, but bringing Georgia’s investment closer to the national average will require more widespread funding increases.

## Georgia Medicaid, PeachCare Rely on Federal Funds

More than half of federal payments made to the state of Georgia are for Medicaid and PeachCare. The 2018 budget includes \$7.2 billion in federal money for Medicaid, 66 percent of Georgia's total Medicaid budget. PeachCare is projected to receive \$461 million from the federal government in 2018.

The 2018 budget expands behavioral health services for children and increases primary care provider reimbursement rates. The state is leveraging legal settlement funds and a fee paid by health care providers to draw down new federal dollars for these investments. In the 2018 budget, Georgia receives \$2.17 for every \$1 in state funds invested in the Medicaid program.

The Georgia hospital provider fee is expected to raise \$310 million in 2018. This revenue is matched with federal Medicaid dollars. Lawmakers renewed the provider fee this year until 2020, preventing a budget shortfall of more than \$900 million in both state and federal funds.

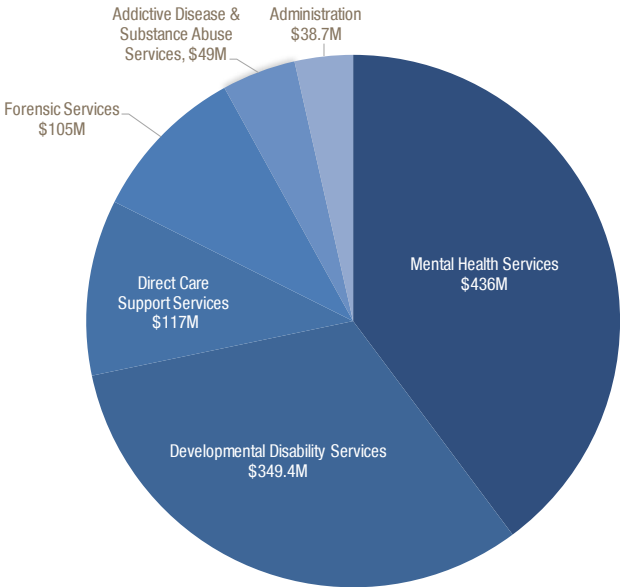
Proposals to change the financing structure of Medicaid include block grants and capping federal payments per enrollee. These changes would shift significant costs to the state, resulting in cuts to the Medicaid program and a strain on other areas of the budget such as education, transportation and public safety. Preserving the existing structure of Medicaid is critical to ensure the state can meet the health care needs of residents and strengthen the health care system.

## Behavioral Health and Developmental Disabilities

The Department of Behavioral Health and Developmental Disabilities operates programs that serve Georgians with mental health needs, addiction and developmental disabilities. The department also operates programs for forensic evaluation and treatment for Georgians under court jurisdiction. The department is set to receive more than \$1.08 billion in 2018 from the General Fund along with \$10.3 million in Tobacco Funds, a combined increase of \$65.2 million compared to 2017.

Georgia entered into a legal settlement in 2010 with the U.S. Department of Justice that laid out a plan for the state to increase its mental health and developmental disability services in home or community settings and rely less on institutions. The 2018 budget adds \$38 million for the department to continue providing home and community-based services and reduce the waiting list for these services.

### More than Mental Health and Developmental Disabilities



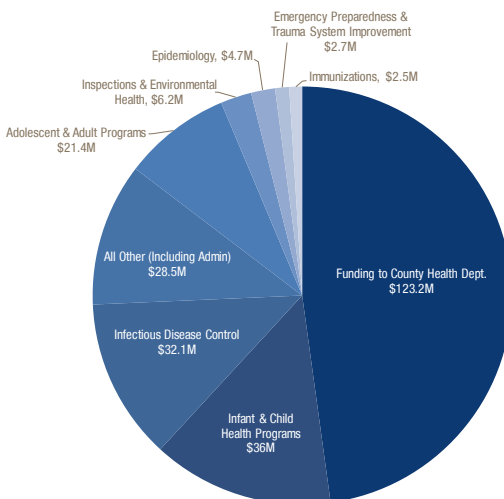
Source: Georgia's 2018 Fiscal Year Budget (HB 44), signed by governor

## Public Health

The Department of Public Health operates a variety of programs focused on health promotion, disease prevention and health-related disaster response and preparedness. The department is set to receive \$243.8 million from the General Fund and \$13.7 million in Tobacco Settlement money in 2018. The trauma care network commission, which is included in the department’s budget, receives \$16.4 million from the General Fund. The largest state-funded programs provide financial assistance to county health departments, aim to prevent the spread of infectious disease and provide treatment and health promotion services aimed at children and infants. The department’s 2018 budget represents a \$14.8 million increase compared to 2017.

Georgia’s public health programs also receive significant federal support. Federal money accounts for 58 percent of the department’s \$686.5 million budget in 2018, while state funding accounts for the rest. The federally funded Special Supplemental Nutrition Program for Women, Infants and Children, also known as WIC, makes up the bulk of the federal funds and more than a third of the department’s total budget for 2018.

### Much of Public Health Funding Flows to County Health Departments



Source: Georgia’s 2018 Fiscal Year Budget (HB 44), signed by governor



## Human Services

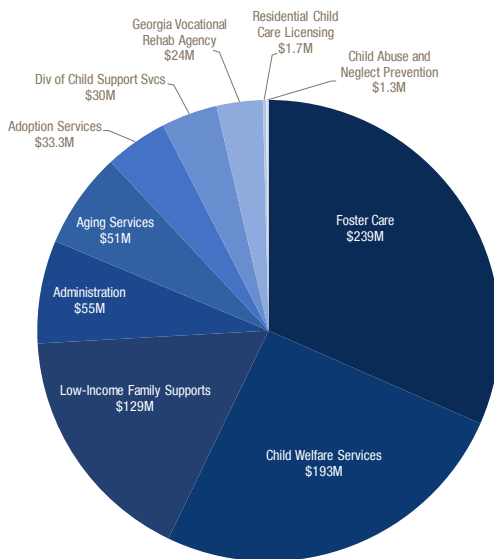
Georgia's Department of Human Services oversees state spending to protect children and seniors, as well as provide non-medical assistance to people with low incomes. The agency's state funding is \$757 million in 2018, or 3 percent of state spending.

Child welfare-related services represent the largest share of the department's responsibilities, accounting for \$467 million, or 62 percent, of its 2018 budget. These services include protecting children from abuse, abandonment and neglect, as well as safeguarding them in suitable temporary and permanent homes.

About \$129 million of the Human Services budget helps low-income families gain access to Temporary Assistance for Needy Families, nutrition assistance, Medicaid and other federal services. These services help children stay healthy and keep adults prepared for job opportunities, putting them on a path to financial independence.

Other department functions protect and sustain older Georgians, enforce parents' responsibility to financially support their children and help people with disabilities get jobs. The department's employees also license, monitor and inspect temporary foster homes.

**Georgia's Children Major Focus of Human Services**



Source: Georgia's 2018 Fiscal Year Budget (HB 44), signed by governor

## Child Welfare: Workers Receive Needed Investment

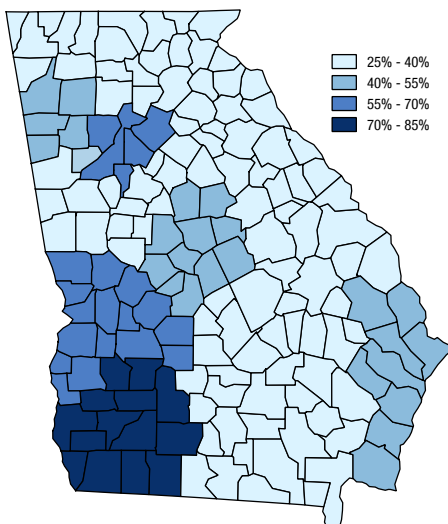
The Child Welfare portion of the Human Services budget, \$193 million, pays the salaries of workers who investigate allegations of child abuse, abandonment and neglect.

Lawmakers added about \$26 million to the department’s budget in 2018 to boost salaries for child welfare case managers and their supervisors by 19 percent on average. The governor’s 2015 Child Welfare Reform Council report recommended pay increases for case managers.

Low salaries are a big cause of frequent staff turnover. The turnover rate for Georgia child welfare workers stands at 29 percent.

Reducing turnover among child welfare case managers helps reduce caseloads for each worker. Each child welfare case manager handled anywhere from 20 to 31 cases at once in 2016, with variation by region. Child welfare experts indicate caseloads should be about 10 to 15 cases per worker. The Division of Family and Children’s services projects caseloads to range from eight to 19 per worker with improved case manager retention.

**Reducing Turnover Projected to Reduce Caseloads for Child Welfare Workers**  
 Projected Average Caseload Reduction if All Positions Filled



Source: Georgia Department of Human Services  
 \*Note: Centralized intake call center staff are housed in Region 10. These workers do not carry a caseload, making a decrease appear artificially high

## Foster Care Gets Boost as Child Abuse Reports Rise

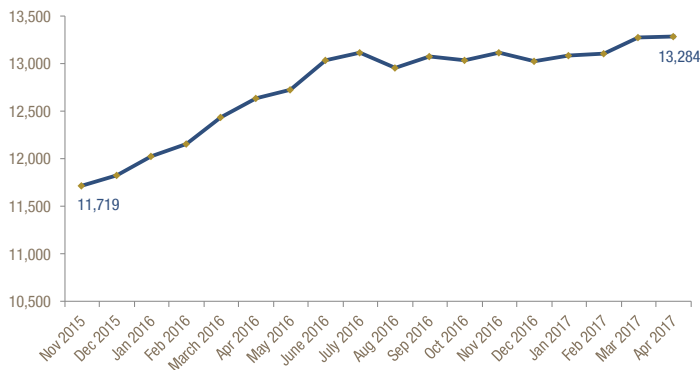
Foster families, child placement agencies and child care institutions, or group homes, are set to receive additional money to help meet the needs of Georgia's children. Georgia's 2018 budget adds \$20 million to keep pace with growth in foster care. Increased reports of child abuse contributed to a 13 percent uptick in the number of children placed in foster care since November 2015.

The 2018 budget adds nearly \$11 million to increase monthly payments for child care costs to about a quarter of Georgia's foster families. The foster families projected to receive the increase are recruited and managed by the Division of Family and Children's Services, as opposed to private agencies.

Foster families recruited and managed by private agencies are scheduled to receive a similar increase over two years. Georgia's 2018 budget adds \$5 million to increase payments to these foster families. The spending plan also adds nearly \$15 million to increase monthly payments to relatives caring for children in foster care.

In 2017, the state reimbursed a family that cared for a foster child \$15 to \$20 per day, depending on the age of the child and the type of placement. This is designed to cover food, shelter, clothing, basic supervision and oversight.

**Foster Care Placements Up 12 Percent Over 1.5 Years**



Source: Georgia Department of Human Services

## New Integrated Eligibility System Increases Efficiency, Reduces Fraud Risk

Georgia's 2018 spending plan adds \$11 million to complete implementation of an Integrated Eligibility System – Georgia Gateway. Georgia Gateway is the largest information technology project in the state's history. The system is designed to serve as a one-stop shop to help Georgians to determine eligibility for six of the state's major benefit programs:

- Medical Assistance, including PeachCare for Kids
- Supplemental Nutrition Assistance Program
- Temporary Assistance for Needy Families
- Women, Infants, and Children Supplemental Nutrition Program
- Childcare and Parent Services Program
- Low Income Home Energy Assistance Program

Georgia Gateway replaces outdated systems used to determine eligibility. The new system is designed to offer timely and more accurate delivery of assistance for residents across programs. The department received federal scrutiny over delays in processing benefits from 2014 to 2016. Federal officials warned Georgia it faced \$76 million in penalties for the delays until lifting the threat in December 2016.

The new integrated system is also designed to reduce the risk of fraud, increase efficiency and lessen manual work. Federal funding covers the bulk of the Georgia Gateway system.

A pilot of the new system is now taking place for every program except energy assistance in the state's counties other than DeKalb, Gwinnett and Fulton. The department plans to phase in these three counties September 2017.

## State Adds Money for Quality Child Care, Substantial Needs Remain

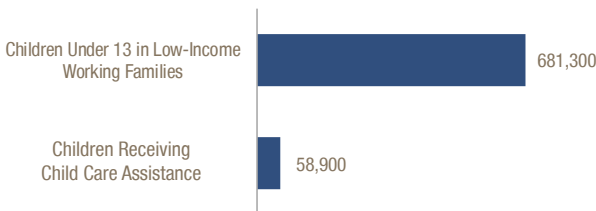
Georgia’s Department of Early Care and Learning provides access to quality child care and early learning for families that earn low incomes. Parents who receive child care assistance generally experience fewer work disruptions, stay employed longer and enjoy higher family earnings.

The high cost of child care can be a huge financial obstacle for parents who want to work. The average annual cost of center-based child care for an infant in Georgia is \$7,597. The average cost is \$4,451 for a school-aged child. These costs can easily consume from one quarter to more than half of a low-income family’s budget.

Georgia’s 2018 budget adds \$5.5 million for the state’s child care subsidy program – the first new state money for child care assistance in at least 10 years. The money should provide an incentive to providers in the subsidy program to increase the quality of care they offer. This helps parents focus on work without worrying while their children receive quality early learning that better prepares them for school.

This new investment is an encouraging development, but additional resources are needed to ensure more parents can access quality child care.

### Georgia Child Care Assistance Helps a Fraction of Those in Need



Sources: FY 2015 – Monthly Adjusted Number of Children Served, Office of Child Care, Administration for Children & Families; Working Poor Families Project Analysis of Analysis of American Community Survey, 2015 (Washington, D.C. Population Reference Bureau). A family is defined as working if all family members ages 15 and older either had a combined work effort of 39 weeks or more in the prior 12 months, or all family members ages 15 and older have a combined work effort of 26 to 39 weeks in the prior 12 months and one now unemployed parent looked for work in the prior four weeks. Low-income refers to a family with an income below 200% or double the threshold for poverty as defined by U.S. Census Bureau

## ■ Looking Ahead to Next Year

For years Georgia struggled to recover from the recession as the debilitating effects of budget cuts lingered for public schools, its rural health care system and its ability to set aside savings to prepare for the next economic downturn.

At the start of 2017, Gov. Nathan Deal pointed to the state's improving fortunes as he unveiled Georgia's 2018 budget. The state's reserves now top \$2 billion. The 2018 spending plan includes pay raises for law enforcement and child welfare workers. The 2018 budget projects spending \$1.9 billion on roads and bridges, a continued commitment of increased spending to maintain the public structures that keep Georgia's economy moving.

Now it is time for Georgia to find ways to increase investments in other building blocks of a sound state economy. Georgia is still stuck on the wrong end of many national rankings when it comes to education, health care and other measures of quality of life.

Lawmakers can make progress on several fronts with a modernized approach to tax strategy. One way to help families worried about falling behind is to carve out a tax cut for Georgia families that work but still struggle to make ends meet in low-wage jobs. A Georgia Work Credit, or state Earned Income Tax Credit, provides a bottom-up tax cut to workers earning low wages. More money in the pocket helps workers and their families and helps ensure a reliable customer base for small businesses and local economies.

The state's future is developing in its public school and college classrooms. Georgia can't quite eliminate the persistent underfunding of K-12 education, a lingering legacy of the recession. Lawmakers left a \$167 million austerity cut in the 2018 budget. The state can do more to reach its goal of increasing the number of Georgia college graduates by 250,000 by 2025. Helping qualified students from low-income families afford college through need-based aid is a sustainable strategy for the state to reach its graduation goals.

Georgia is in much better shape than peer states that slashed revenues even as the economy contracted. It is time to use that economic health to build momentum with new investments in our workers and communities. A solid foundation is set. Georgia can build on it to create a more inclusive economy where everyone participates and thrives.

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