PEOPLE-POWERED PROSPERITY

A People-First Economic Vision for Georgia
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Overview: An Investment Plan to Unlock Georgia’s Economic Potential

Georgia today fails to fully leverage the state’s most powerful economic asset—its own people. The most successful, prosperous states are those that build a broad and inclusive middle class, with ample opportunities for people to work their way into it. When families hold good-paying jobs and have money to spend at local shops and restaurants, businesses and the broader economy reap the benefits. When young people attend quality schools that instill a love of learning, they become the next generation of entrepreneurs and inventors. When workers are healthy, literate and well-trained, they fill critical workforce gaps and help their companies grow. When social and economic barriers for women, people of color and immigrants are dismantled, everyone can enjoy the promise of an equitable and prosperous future.

The Peach State already can claim many positive trends in its favor. Thousands of new workers and entrepreneurs move to Georgia each year from around the globe. The state’s economy is adding jobs more quickly than many other states, and corporate trade magazines consistently hail Georgia as the number one place to do business. Georgia’s fiscal house is also in better shape than places like Kansas and Illinois that enacted reckless tax and budget policies in recent years.

Yet at the same time, Georgia falls short of its true economic potential. Nearly one in four Georgia children live in poverty, where many face under-resourced schools and endure home challenges like hunger. Families at all income levels struggle with sky-high college and child care costs, making it harder to stay above water or get ahead. Rural communities face an exodus of people and an influx of opioids, while many urban neighborhoods face steep structural barriers to opportunity. Even in places where circumstances are good, the benefits of growth are not well-shared. And historic inequities for people of color and women, along with unusual obstacles for Georgians born outside the United States, persist.

These shortcomings harm not only individuals and families but also companies, communities and the economy as a whole. As the geographic hub and economic engine of the South, Georgia is capable of so much more.

Moving into the 2018 statewide elections and subsequent governor’s administration, Georgia leaders can seize a golden opportunity to chart a better economic course. People-Powered Prosperity details a new vision for how state lawmakers can pursue that strategy and ways they can responsibly pay for it.

The report outlines a public investment plan aimed at four strategic goals, which include eight specific policy recommendations such as targeted funding hikes for public schools and an ambitious ramp-up of assistance to help families afford child care. We also present a case to show how Georgia can afford to raise $1 billion in new annual revenues as a meaningful down payment on the strategy, a shared investment of reasonable scope. Today Georgia ranks 42nd among the states on a common measure of state and local taxes and $1 billion in additional revenue still keeps Georgia’s taxes low compared to other states. A plan of this size is also similar to what Gov. Nathan Deal and leaders from both parties rallied support for in 2015 to repair Georgia’s roads and bridges.
Four Strategic Goals are Key to a Stronger Georgia

The Peach State holds the promise of a place with a more inclusive economy and more secure middle class, where families from diverse backgrounds rise out of poverty and where lots of new wealth still flows to innovators. To reach that goal, state lawmakers need a new economic vision. Georgia has long employed a business-first approach to the economy, defined by corporate tax breaks, lax regulations and low wages. But what Georgia needs for a stronger and fairer economy is a people-first strategy focused on four strategic goals: Educated youth, skilled workers, thriving families and healthy communities.

**EDUCATED YOUTH.** States with a more educated workforce tend to have stronger economies overall and quality schools help equip communities to compete in today’s global marketplace. Students need both hard skills to one day enter the workforce and a deeper love of learning that leads to new ideas, products, businesses and richer lives. Reaching that goal depends on relentless support for early childhood education and public K-12 schools.³

**SKILLED WORKERS.** Companies and entrepreneurs thrive when they can find workers with a rich set of skills. Policies that support higher education, training programs and basic literacy can offer people lifelong learning opportunities that help minimize workforce gaps and empower Georgians to transform their lives, improve their earnings and career opportunities and contribute more to their communities and the economy.

**THRIVING FAMILIES.** When parents have money in their pockets to make ends meet and to save or invest in their families’ future, the overall economy realizes the gain. Policies such as stronger child care assistance and targeted tax breaks for families can help parents contribute more to the workforce by better balancing career and caregiving responsibilities, while also creating a more stable home environment for children’s future success.

**HEALTHY COMMUNITIES.** Part of having a strong economy that makes good use of everyone’s potential is making sure people are healthy so they can contribute. People are more likely to show up to work on time, get the job done right or start a small business when they’re able to see a doctor when sick or access targeted services for things like substance abuse treatment to get back on their feet. Parents and children who are financially secure and can access good schools, decent jobs and quality public services also tend to be healthier overall.
## Summary of Policy Recommendations in People-Powered Prosperity

### EDUCATED YOUTH

**Update Georgia’s K-12 funding formula to meet today’s rigorous standards.**

Georgia spends well below the national average to support its public schools, and lawmakers consistently shortchange the state’s own funding formula. A sustained commitment to modernizing the formula and boosting funding long-term can improve student learning and future economic success.

**Empower districts to invest in proven solutions, especially in high-need schools.**

Schools in high-poverty communities score lower on common metrics of student success, due to overwhelming challenges of entrenched poverty. Tailored investments in proven solutions such as a good principal in every school can help provide every child with the chance to learn.

### SKILLED WORKERS

**Expand aid options to make university education more affordable and technical college tuition-free.**

Georgia has a proud legacy of higher education but too many capable students fall through the cracks due to cost. An expanded suite of financial aid options can help young people and adults alike gain the skills they need to fill the jobs of both tomorrow and today.

**Increase funds for adult basic education, language literacy and skills-training programs.**

State support for services that help adults learn new skills, train for emerging workforce needs or gain entry level abilities such as language literacy can help to fill companies’ short-term openings and empower people to transform their lives and careers.

### THRIVING FAMILIES

**Help more working parents afford child care.**

Skyrocketing costs for quality child care make it hard for parents who are working, running a business or going to school to balance career and home responsibilities. Expanding Georgia’s under-resourced assistance program can help parents contribute to the economy while they provide the best shot possible for their children to thrive.

**Enact a Georgia Work Credit.**

Twenty-nine states offer a targeted tax break to families working their way into the middle class. At up to a few hundred dollars a year, the credit gives parents a modest boost to support their children, afford the basics and make one-time investments such as a reliable car to get to work.

### HEALTHY COMMUNITIES

**Expand health coverage so workers and entrepreneurs can see a doctor.**

Access to health coverage helps people live stronger, more industrious lives. Expanding Medicaid under the federal health care law to cover adults would let more workers and entrepreneurs visit a doctor when they are sick and contribute to their communities.

**Invest in mental health and substance abuse treatments.**

A durable economy needs a reliable pipeline of workers at all skill levels, including people who face unique obstacles. More state support to address rising challenges like opioid addiction can help keep Georgians on their feet and in the workforce.

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### Raise $1 billion in new revenues as a down payment on the plan.

To achieve broad-based prosperity, Georgia must adopt policies that bolster investments in communities and empower more people to succeed. Such a strategy comes with a price for Georgia taxpayers, just like any effort to address shared challenges and pursue common goals. One billion dollars in new yearly revenue keeps Georgia’s taxes below the national average and requires less than $100 more per Georgian per year, on average.
Background: Georgia’s People Hold Untapped Value

Any case for where a state needs to go must begin with a story of where it is, where things fall short and why a different path could prove better. Today, Georgia’s economy provides high profits and decent economic gains—to some. But the average Georgian is barely gaining ground, stuck in place or left out entirely. Lopsided economic growth and declining opportunity weakens communities and undermines the state’s trajectory. A few key points can pinpoint the gaps in today’s economy, show how it fails too many Georgians and highlight how a different approach can help more families, businesses and communities thrive.

It’s too hard for Georgians to get ahead.

Georgians today are working harder than ever yet struggling to succeed. It’s not due to lack of effort. The simple reality is the American connection between hard work and economic reward is severed.

Nationwide, it’s harder than it once was for regular people to get ahead no matter how hard they try. About 92 percent of Americans born in 1940 wound up making more in their careers than their parents, while only 50 percent born in 1980 can expect to do the same. Things tend to be toughest in the South. In Georgia, a child born to parents at the bottom of the income scale has an 8 percent chance at best of working her way into the upper class. More worrisome, that same child has only a 41 percent chance of just reaching the middle class.

That uneven path to prosperity not only breaks a fundamental promise of the American Dream, it’s bad for economic growth. Every Georgian blocked from success is a potential worker, entrepreneur, teacher or inventor whose talents are left on the sidelines.

Much of the problem is tied to inequality. The richest 10 percent of Georgians now bring in about half the state’s total income each year, with the bottom 90 percent of Georgians splitting the other half. That’s far more unequal than a few decades ago.

The lopsided gains are especially tilted to the top 1 percent, or a narrow sliver of investors, shareholders, CEOs and wealthy estates at the very top. An estimated 93 percent of all income growth in Georgia from 1979 to 2014 went to the wealthiest 1 percent, or households making more than about a half-million dollars a year today.
A Georgia child born to parents at the bottom of the economic scale has no more than a 41 percent chance of reaching the middle class, and just an 8 percent chance of reaching the top. The likelihood of getting ahead is even lower in much of the state, especially rural areas. Less than 3 percent of low-income children around Albany, for example, will achieve the proverbial rags-to-riches American Dream.

Odds of Getting Ahead

Economic Scale for Georgia Families
- Bottom - Less than $25,000/year
- Middle - At least $47,000/year
- Upper - At least $108,000/year

Chance to Reach Middle Class
- 25 - 29%
- 29 - 33%
- 33 - 37%
- 37 - 41%
Flat incomes and rising costs squeeze Georgia’s middle class.

Middle-class Georgians are on shakier ground than their predecessors a generation ago. The leading cause is that wages—the primary source of income for the vast majority of families—remained mostly stagnant since the end of the 1970s. Limit the range to the last 25 years and wages for a typical mid-wage worker in Georgia are up by only 10.4 percent, rising to $33,440 in 2016 from $30,280 in 1991. The bump was even smaller for low-wage workers trying to work their way up, just 6.7 percent over that span.

Though better than nothing, that increase barely outpaces inflation and pales in comparison to rising costs. The average cost for public, four-year college tuition rose by 160 percent during that span nationwide, due in part to declining support for higher education in state budgets. And the average cost of child care for U.S. families with working mothers rose by an estimated 70 percent from 1985 to 2011, according to the U.S. Census Bureau.

These expenses can easily consume a family’s monthly cashflow. The costs of health care, child care, food and housing alone eat up about two thirds of the income needed to maintain a stable middle-class lifestyle.

Things are even more of a challenge in recent years. In 2000, Georgia’s middle class brought home about as much in annual income as families in other states. But their earnings slipped soon after the millennium and then crashed during the Great Recession. Georgia’s median household income fell by nearly $8,000 from 2007 to 2011, steeper than the nation as a whole. As of 2016, middle class Georgians bring home about 7 percent less income than in 2000.

Tight household budgets make it near impossible for middle class families to save. Only half of metro Atlanta residents hold enough liquid savings to cover a $400 unexpected expense, and national data indicate the situation’s similar statewide. That means thousands of Georgia families are one emergency away from disaster and lack the financial cushion to invest in pathways to upward mobility, such as going to college or moving to a better neighborhood.
Economic struggle limits families’ ability to thrive, especially for groups historically excluded from opportunity.

With diminished chances of reaching the middle class and staying there, it’s no surprise Georgia suffers from an above average share of people in poverty. About 23 percent of children in Georgia, 14 percent of working-age adults and 10 percent of seniors in 2016 struggled to get by, as measured by people who live below the federal poverty line. That’s less than $12,000 for an individual or $24,250 for a family of four. Entrenched poverty holds back economic growth by weakening the productivity and spending power of adults and by undermining children’s ability to reach their potential down the road.

Adults living in poverty struggle to contribute as much as they could due to a range of related factors, such as lower levels of health, challenging caregiving responsibilities, unpredictable job schedules and the psychological strain of poverty itself. These constraints combine to make it harder for the working poor to stay in the labor force or increase earnings over time. Despite the challenges, an estimated 56 percent of Georgia families in poverty were working in 2015.

The harmful effects of poverty on the economy are especially strong when viewed in the long-run. Children growing up in poor households typically attend lower performing schools, get access to fewer mentors and enrichment activities and are over-exposed to harmful factors including unstable family life, homelessness or environmental hazards like lead paint. As a result, they are less likely to graduate college or enter the workforce and their earnings are lower as adults. In Georgia, 44 percent of students from families that earn less than $35,000 per year graduate college within six years, compared to 69 percent of students from families above $75,000. And nationwide only 60 percent of children from poor families are likely to be working by age 30, compared to 80 percent of those from middle class or high income families, according to one landmark study.

Poverty’s corrosive effect touches Georgians of all backgrounds, though African Americans and Latinos are over-represented due to historic and current injustices. In 2016, 24 percent of Latinos and 23 percent of African Americans in Georgia lived in poverty, compared to 11 percent of white Georgians and 12 percent of Asians. Poverty is also higher in rural areas. More than 1.1 million Georgians of color lived in poverty in 2016, alongside 581,000 similarly-situated white Georgians.
Georgia’s economy underutilizes the talents of its increasingly diverse population.

Georgia gains enormous value and vibrancy from its status as one of the most diverse states in the country. People of color made up 45 percent of the state’s population in 2015 and might comprise a majority of Georgians by 2030. Georgia is also now home to more than 1 million people born outside the United States. As of 2016, one in 10 Georgians was born in another country, versus one in every 37 in 1990.

But Georgians of color face a steeper climb to realize their potential because of long-standing structural barriers. Georgia’s history of slavery, Jim Crow, exclusion of African Americans from mortgage loans and jobs and decades of low investment in high-minority schools casts a long social and economic shadow. Current barriers, such as subconscious bias among employers and structural racism in the criminal justice system, exacerbate the problem and cause Georgia’s racial income and wealth gaps to persist.

Georgia women are also playing an increasing role, as they now comprise nearly half of Georgia’s workforce and are primary or co-breadwinners in a majority of homes. Yet women continue to earn less money for similar work than men in the state, earning on average 70 cents on the dollar compared to white men.

Racial and gender gaps, paired with hostility to immigrants, harm everyone. They equal fewer dollars for families to spend at local shops and restaurants, less money to buy homes or cars and less savings to put aside at local financial institutions. Structural barriers for women and minorities stifle the social and economic potential of the next generation, which might lack access to the same educational or entrepreneurial opportunities. And hostility to neighbors born outside the United States creates a society that’s simply meaner, less welcoming and more unfair than our values demand.

A lack of inclusion is also counterproductive to economic growth. Cutting-edge research finds regions with more racial and ethnic integration and more equitable economic outcomes tend to grow faster than places with entrenched racial divides or high inequality. Georgia’s economy could grow by an estimated $12 billion if it closed the racial employment gap and another $15 billion if it closed the gender pay gap. Meanwhile, immigrants now account for 13 percent of Georgia’s workforce and 31 percent of Main Street business owners. Georgia won’t prosper unless everyone living here can thrive.

**Georgia Continues to Grow More Diverse**

Projected Georgia population by race and ethnicity

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<thead>
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<th>2010</th>
<th>2030</th>
<th>2050</th>
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<tbody>
<tr>
<td>White</td>
<td>26.8%</td>
<td>70.1%</td>
<td>71.5%</td>
</tr>
<tr>
<td>Black</td>
<td>8.8%</td>
<td>55.9%</td>
<td>49.6%</td>
</tr>
<tr>
<td>Latino</td>
<td>12.0%</td>
<td>49.6%</td>
<td>44.3%</td>
</tr>
<tr>
<td>Asian</td>
<td>7.1%</td>
<td>15.2%</td>
<td>27.9%</td>
</tr>
<tr>
<td>Other</td>
<td>27.9%</td>
<td>12.0%</td>
<td>15.2%</td>
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Source: PolicyLink Equity Atlas

**$15 billion**

Georgia GDP increase if working women were paid the same as comparable men

Source: Institute for Women’s Policy Research

**$12 billion**

Georgia GDP growth if racial employment gap closed

Source: PolicyLink, Partnership for Southern Equity
Eight Targeted Investments Can Help Georgia’s People and Economy Thrive

The most prosperous states are anchored by an educated and healthy workforce and opportunities for people from all backgrounds to innovate and contribute. The following sections outline eight specific policy recommendations for ways that Georgia lawmakers can better invest in families and communities. An economy built on educated youth, skilled workers, thriving families and healthy communities can deliver wealth and opportunity for everyone by helping tap people’s economic potential at every stage of life.

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<th>People-Powered</th>
<th>Prosperity</th>
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<td>Update Georgia’s K-12 funding formula to meet today’s rigorous standards.</td>
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<td>Empower districts to invest in proven solutions, especially in high-need schools.</td>
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<td>Help more working parents afford child care.</td>
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<td>Enact a Georgia Work Credit.</td>
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<td>Expand health coverage so workers and entrepreneurs can see a doctor.</td>
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<td>Invest in mental health and substance abuse treatments.</td>
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For Georgia to grow a strong workforce and economy, the state needs a rock-solid foundation. That starts with relentless investment in early education and K-12 public schools. A workforce able to compete in the 21st century needs a constant supply of young people on track to become self-sufficient contributors to society. Students need both specific skills to one day enter the workforce and a deeper love of learning that leads to new ideas, products, businesses and richer lives in general.

**Update Georgia’s K-12 funding formula to meet today’s rigorous standards.**

Well-funded public schools help children get a good start in life. Adequate and sustained investment in K-12 schools is shown to improve children’s performance in the classroom and increase their future earnings, with students from low income families showing the most gain. But Georgia ranks 38th in the nation in school spending and invests $1,965 less per student than the national average, even after accounting for regional cost differences.57

State lawmakers also took an axe to public school budgets over the past 15 years, underfunding the state’s K-12 funding formula by more than $9 billion since 2003.58 The shortfall made it hard for districts to keep class sizes down, invest in reform strategies or provide students with the extra support they need to reach the state’s education goals. Lawmakers restored some of the lost funds as the economy improved, yet still shortchanged districts by $167 million in the 2018 budget.

To power a more educated workforce in the future, Georgia needs to change course. The state’s current formula for funding public school students is a legacy of the 1985 General Assembly and is substantially unchanged since then. Meanwhile, students are expected to know and do far more today than 30 years ago.

Georgia needs to modernize its rickety funding formula so it reflects the true costs of educating every child to today’s rigorous standards. Recent efforts to revise the formula focused solely on reallocating existing funding levels, rather than boosting them to the higher amount that today’s economy requires. A renewed and comprehensive approach is needed so lawmakers can identify the true cost to help all students reach state standards and provide local communities with the resources necessary to do so.

Empower districts to invest in proven solutions, especially in high-need schools.

Every student in Georgia should finish high school prepared to enter and complete a training or degree program at a technical college or a university. That sets them on a path to financial security and helps the state foster economic growth. Yet today, too many children fall short of the state’s educational benchmarks, especially young people from low-income families or communities of color that Georgia historically blocked from opportunity.

Seventy percent of Georgia school district leaders say poverty is the most significant out-of-school issue, and most schools where at least half of students are low-income are graded as failing by state leaders. According to state education data, 99 percent of extreme-poverty schools, where at least 75 percent of students are low-income, earned a D or F on Georgia’s K-12 school grading system. The same is true of only 5.4 percent of low-poverty schools, where 25 percent or less of students are low-income.

Students struggle in higher-poverty schools because children face serious challenges at home that often interfere with their learning. Impediments such as insufficient food on the table, erratic housing arrangements or low parental support can cause children to lose focus or degrade their mental health. In-school learning factors, such as teacher retention, access to instructional materials and expended course offerings, also tend to be subpar due to lack of resources in high-poverty and high-minority schools.

Georgia cannot afford to leave these students behind, if only for the sake of the state economy. More than 60 percent of children in Georgia’s K-12 schools today are eligible for free- or reduced-price lunch, up from 45 percent in 2002. At the same time, Georgia companies struggle to find enough educated workers. Without improving education for low-income students, too many Georgians will see their talents go untapped and the state’s economy will struggle to cope.

To turn the tide, Georgia leaders can deploy a comprehensive approach that combines strategies to reduce poverty among students and their families over the long term while strengthening the schools they attend today. The most promising approach is to give districts the resources to tailor local strategies around what we know works: great principals, decent pay and training for teachers, more targeted support for at-risk students and other interventions.

Companies and entrepreneurs thrive when they can find workers with a rich set of skills. Support for higher education, training services and basic literacy that offer lifelong learning opportunities for people are among the policies that can help Georgia fill workforce gaps and empower Georgians to transform their lives, improve their earnings and career opportunities and contribute more to their communities and the economy.

**Make university education more affordable and technical college tuition-free.**

Georgia can claim a proud legacy of support for colleges and universities. The state chartered the country’s first public university in 1785 at the University of Georgia, and about two centuries later it launched the most ambitious merit-based aid program in the United States. Yet too many promising Georgians struggle to access education beyond high school due to high costs and gaps in the state’s financial aid strategy.

Steep funding cuts to higher education since 2000 led to rising tuition and fees statewide, making college less affordable and undermining Georgia’s ability to produce an educated workforce. Georgia needs 250,000 additional college graduates to meet its own workforce goals by 2025. But the university and technical college systems estimate that between 20,000 to 30,000 students are dropped each year due solely to failure to pay tuition.

Georgia’s main strategy to make college affordable is the HOPE program. Though HOPE scholarships and grants are generous, relying on them alone leaves gaps for many students. In the university system, 70 percent of low-income students and 80 percent of black students do not receive HOPE. And adult learners and associate’s degree seekers are locked out of the program due to certain arbitrary limits.

Georgia can reclaim its place as a leader in higher education by reinvesting in its colleges and expanding financial aid to better reach Georgians of all backgrounds. An improved and affordable suite of aid strategies such as work-study programs and last-dollar scholarships that cover tuition and fees left after other financial aid runs out can help make a post high-school education a reality for more Georgians.

**More details:** “Strengthen Georgia’s Workforce by Making College Affordable for All,” GBPI, January 2018.
Increase funding for adult basic education, language literacy and skills-training programs.

Along with a better path to college, improved access to lifelong learning opportunities for adults is crucial for Georgia’s economy. Renewed state support for programs that help people learn new job skills or gain entry level abilities like language literacy can help to fill companies’ short-term needs and improve people’s long-term prospects. This is especially important when viewed alongside the state’s mid-skill jobs gap. Middle-skill jobs include occupations such as nursing assistants and electricians that require education beyond high school but typically less than a four-year degree. These professions account for 55 percent of Georgia’s labor market but only 43 percent of the state’s workers are trained to do them, an imbalance that could grow larger soon.

The state’s Complete College Georgia initiative reports that boosting the number of adult learners is a key component to fill Georgia’s skill gap. Yet state leaders devoted only $14 million to adult basic education in 2016. Thirty-six states spend more to educate their adult population, with services such as language literacy, basic numeracy and computer skill training. Georgia can strengthen its pipeline of workers with a better-funded, multipronged approach to adult education.

One of the most promising strategies is to create a career pathways program for low-income parents, at an estimated cost of $31 million a year in federal funds. Common in other states, career pathways are a series of connected education programs and support services that help people secure employment in a specific industry or occupation. One such program in Arkansas is credited with boosting incomes for participating low-income families by $3,000 and roughly doubling their likelihood to gain some sort of workforce credential.


Another option is to expand state funding for English as a Second Language classes, which received less than $2 million in 2016. More than 300,000 members of Georgia’s adult workforce report a lack of English proficiency, but the state’s English language programs enrolled only 12,000 people in 2016. Among this underserved population are 55,000 Georgians who completed a college education abroad yet struggle to speak fluent English.

When parents have money in their pockets to make ends meet and to save or invest in their families’ future, the overall economy gains. Policies such as stronger child care assistance and targeted tax breaks for families can help parents contribute more to the workforce by better balancing career and caregiving responsibilities, while also creating a more stable home environment for children’s future success.

Help more working parents afford child care.

Georgia’s economy relies far more than in decades past on the workforce contributions of both adults in married households, as well as single parents. That means affordable, quality child care is a more crucial link in the economic chain than it used to be. Yet the cost of infant child care is comparable to more than two semesters of tuition at many state universities. In Georgia, the average annual price of child care for a toddler in a child care center is $7,311, while the average price for before and after-school care for a school-aged child in a child care center is $2,751. These costs can easily consume nearly half of a working family’s income.

Georgia helps a select few families shoulder the burden, but state support falls well short of need. Georgia’s Childcare and Parent Services program assists with the care of 54,000 children weekly, out of the 623,000 low-income children under 13 years old in working families who likely need care.

Helping parents with the high costs of child care can boost the state’s economy by removing a barrier to families’ full economic participation. About 14 percent of women nationwide ages 25 to 54 who are not in the workforce cite home responsibilities as their leading reason for not working, compared to only 1 percent of men. Research also shows that parents who receive help paying for child care are more likely to stay employed, put in more hours and avoid child-related disruptions such as missed days.

An ambitious ramp-up of the state’s child care assistance program would take advantage of an opportunity to reinforce Georgia’s working families, stabilize the workforce available to companies and bolster the state’s economy. Ensuring that all Georgia children up to four years old can afford high-quality, center-based child care could cost about $500 million a year. More modest investments, such as $7 million a year to help technical college parents in the HOPE Career Grant program afford care, are viable starting points.

Enact a Georgia Work Credit

One of the best tools to help ensure that all Georgians share in the state’s prosperity is a state-level Earned Income Tax Credit (EITC), or Georgia Work Credit. Created in 1975 and expanded under presidents from both parties, the federal EITC is perhaps the nation’s most effective tool to help working families reach the middle class. Available only to people who work, it cuts federal taxes for modest-wage people like cashiers, mechanics and nurses. About 1.1 million Georgia families, or 25 percent of all Georgia households, already receive the federal credit.

Twenty-nine states, including neighboring South Carolina, build on the EITC’s track record of success by providing a similar credit against state and local taxes. Following their lead by creating a refundable Georgia Work Credit set at 10 percent of the federal version could provide eligible families a few hundred dollars a year, up to a ceiling of around $630.

The extra money can deliver a booster shot to Georgia’s economy, both today and in the long run. In the short-term, a new state credit would pump millions of dollars into local communities by giving families more disposable income to spend at small businesses, pay bills or save for the future. Studies of the federal credit indicate that every $1 claimed by local taxpayers generates up to $2 of local economic activity.

The credit’s economic impact continues into the future by putting children on a firmer pathway to future success. Decades of research and evidence from other states show that children whose families receive more income from the EITC are likelier to grow up in stable home environments, excel in school, graduate high school, attend college and earn more as adults. 78

Creating a Georgia Work Credit is a bold investment to break the cycle of poverty, strengthen rural and urban communities and help working families get ahead. A refundable Georgia Work Credit set at 10 percent of the federal EITC costs an estimated $303 million a year.


Who Would Georgia Work Credit Support?

1.1 million
Working families eligible for Georgia Work Credit

770,000
Number of working mothers eligible for Georgia Work Credit

80,000
Number of military families eligible for Georgia Work Credit

$303 million
Potential value of 10% credit to local communities

Communities Statewide Gain from a Georgia Work Credit

Share of taxpayers who claim the federal EITC, by county

Source: GBPI analysis of Internal Revenue Service data, 2014
Part of building a strong economy that makes good use of everyone’s potential is ensuring people are healthy so they can contribute. People are more likely to show up to work on time, get the job done right or start a new business when they’re able to see the doctor when they get sick or access targeted services for things like substance abuse treatment to get back on their feet and contributing to the fullest. Access to health care also protects people from the economic shock that can come with a sudden medical emergency or chronic illness.

**Expand health coverage so workers and entrepreneurs can see a doctor.**

When people can take care of their medical needs, it keeps them healthier and more productive and protects them from health-related financial shocks due to a health emergency or treatment for an expensive chronic illness. Research also indicates that access to publicly funded coverage can help give potential entrepreneurs the confidence to take the risk of starting a new business.

Georgia’s Medicaid program now provides critical access to care for about 2 million children, seniors, pregnant women and people with disabilities, yet state lawmakers fail to tap its full benefit. Only four states today spend less per Medicaid enrollee than Georgia does, limiting its reach and leaving many unable to access key services. It also covers very few working-age adults, because lawmakers refused to expand the program under the federal health care law. That leaves about 240,000 Georgians stuck in the coverage gap, where they make too little to qualify for current subsides on the marketplace and too much to qualify for Medicaid under Georgia’s strict rules.

Expanding Medicaid as most other states did can provide coverage to about 148,000 Georgians in working families. It can also create 56,000 additional jobs each year and add $6.5 billion to the state’s economy, according to analysis by Georgia State University.

A full expansion of Georgia’s Medicaid program costs an estimated $136 million a year over the next four years. And every $1 of state money for expansion draws down an additional $9 from the federal government, a sound return on investment by any measure. Using federal dollars to pay for essential health services Georgia now pays for with state funds could also free up savings for budget-writers to invest in other needs such as mental health and substance abuse treatments.

**More details:** “Georgia Ready to Close the Coverage Gap,” GBPI, January 2018.

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**HEALTHY COMMUNITIES**

148,000

People in working families could gain health coverage if Georgia expanded Medicaid

Failure to Expand Keeps More Georgians Uninsured

Share of residents without health coverage, 2016

<table>
<thead>
<tr>
<th>Expansion States</th>
<th>U.S.</th>
<th>Georgia</th>
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<tr>
<td>6.5%</td>
<td>8.8%</td>
<td>12.9%</td>
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Invest in mental health and substance abuse treatments.

More Georgians than in the past cope with a mental illness or substance use disorder, which if left untreated can pose a steep barrier to full participation in the economy. Still, most people hold the potential to get back on their feet and contribute to the workforce, as long as they’re able to get the consistent treatment they need.

About 1.3 million Georgia adults suffered with a diagnosed mental illness in the past year. Mental health conditions are often underdiagnosed and undertreated, making the likely scope of mental illness even broader. Though mental illness and substance abuse do not necessarily cause one another, people with mental illness are more likely to experience a substance use disorder than people without one.

Substance abuse problems are sharply on the rise, especially in Georgia’s mountain and rural areas. Drug overdose deaths in Georgia rose by 35 percent from 2012 to 2016, mainly due to the nationwide opioid epidemic. About 69 percent of overdose deaths in 2016 were related to opioids, including heroin and synthetic drugs such as oxycodone and morphine.

State lawmakers made significant progress in recent years to improve behavioral health treatment for core challenges of mental health and drug addiction. But Georgia can afford to do even more. For example, state lawmakers withdrew nearly all support for substance use treatment during the Great Recession and funding still isn’t restored.

Research shows that pre-arrest diversion programs for nonviolent drug offenders, more investment in early prevention programs and increased support for housing services can improve outcomes for people with mental health or substance use problems. A comprehensive strategy to embrace best-practice solutions and pair them with more resources can help stem the tide of the rising mental health and substance use crisis and give people a viable path to get back on their feet and contributing to the economy.


1.3 million
Georgia adults diagnosed with a mental illness

35%
Increase in Georgia drug overdoses, 2012-2016

25%
Increase in Georgia suicides, 2012-2016

State Funds for Substance Use Treatment Down Sharply

The state’s emerging opioid crisis may be partly to blame for the workforce shortages stymieing local efforts to attract new jobs.

–Valdosta Daily Times, June 2017
Georgia Can Afford an Ambitious Investment in its People

To achieve broad-based prosperity, Georgia must adopt policies that bolster investments in communities and empower more people to succeed. Such a strategy comes with a price for Georgia taxpayers, just like any effort to address shared challenges and pursue common goals. Making technical college tuition-free is likely to cost no more than $40 million per year, for example, while a new Georgia Work Credit set at a 10 percent match of the federal version comes in at $303 million annually. These people-first investments are comparable to amounts of money Georgia currently sets aside for business-first priorities, like insurance company tax breaks.

The full slate of recommendations in People-Powered Prosperity is likely to cost up to a few billion dollars each year. We propose that Georgia lawmakers can raise $1 billion in new annual revenues as a meaningful down payment on a people-first approach.

An investment of this scope is reasonable. Georgia levies relatively low taxes compared to other states and has ample room to raise new public funds without becoming an ultra-high tax state like California or New York. Georgia today ranks 42nd among the states in the amount of revenue it collects in state and local taxes as a share of the state’s personal income. If lawmakers approved another $1 billion in one fell swoop, Georgia would still rank only 40th on that measure. Just to reach the national midpoint, where half of states collect less revenue and half collect more, Georgia would need to raise state and local tax levels by almost $5 billion.
The relatively modest boost to state revenues needed to fund a down payment on this plan only requires a few extra dollars from taxpayers. An extra $1 billion in state revenue averages out to less than an extra $100 per person more than what Georgians contribute under today’s system. The slightly higher tax levels would still rank low in historical terms. During the 1990s, Georgians contributed an average of 5.9 percent of their income to the state treasury once accounting for all state levies. Today, that rate is 5 percent. Under this plan, it’s 5.2 percent.

**Some Possible Options to Pay for a People-Powered Strategy**

State lawmakers can pursue several straightforward options to pay for a robust public investment plan. Picking from the suggestions below or other revenue sources provides a responsible way for legislators to empower families today and build the state’s long-term foundation for economic success. Just these four options, for example, provide Georgia about $1.2 billion in new revenue for people-first investments each year. But this list is not exhaustive. Other viable and responsible revenue options exist as well.

- **Trim back questionable tax breaks for big business**

  Each year, Georgia foregoes hundreds of millions of dollars through various credits and exemptions for private companies. Some tax breaks probably provide a good return on investment but others likely fail to deliver enough benefit to offset the state’s lost revenue. Unlike Georgia’s investments in education or health care, tax breaks are rarely reviewed to ensure effectiveness. Lawmakers can take a close look at tax breaks including those provided to insurance companies, which stand to claim an estimated $309 million worth of exemptions through two programs in 2018.

- **Enact a corporate minimum tax**

  In the past, Georgia’s corporate income tax brought in more revenue to support the needs of the state’s communities. But profitable corporations worked for decades to carve out loopholes and avoid paying a reasonable share. Today, about 90 percent of businesses that file corporate income tax returns in Georgia report no taxable income at all. One option common in other states is a corporate minimum tax, which ensures all corporations, including foreign companies doing business in Georgia, kick in at least a modest sum to help pay for public services and pro-family investments. Adding a new minimum tax set at $1,000 per corporation could generate about $250 million a year for people-first investments.

- **Increase the cigarette tax by $1 per pack**

  At 37 cents per pack, Georgia charges the third lowest cigarette tax in the nation and the lowest rate among its neighbor states. Alabama, Arkansas, Florida, Kentucky, Mississippi, North Carolina and South Carolina all raised tobacco tax rates in recent years. If Georgia follows lead of its neighbors, it can raise substantial revenues while also helping achieve the vital public health goal of discouraging tobacco use. Hiking the state’s cigarette tax by $1 per pack could raise more than $400 million annually. It would also keep Georgia in the lower-half of tobacco tax rates nationwide. The current median state, where half of states have higher tobacco taxes and half have lower ones, is South Dakota, where cigarettes are taxed at $1.53 per pack.

- **Extend the sales tax to cover some services**

  Georgia’s state sales tax policies are mostly unchanged from the 1950s and lag changing consumer spending patterns. The sales tax applies to most physical goods people purchase but few household services. A working-class Georgia family that buys a new lawnmower for their own yard pays sales taxes, while an affluent family that hires a lawn service company does not. Georgia can look for strategic ways to gradually extend the sales tax to more services without overburdening consumers. Applying the sales tax to repair and installation services for things like appliance installations and home renovation could net $239 million a year.
A fairer Georgia with a stronger economy and more vibrant middle class is within reach. State lawmakers can wield proven policy tools to improve schools, smooth the path to higher education and lifelong learning, help keep people healthy and give more families a decent shot at a good quality of life. That can create a virtuous cycle of economic success. Stable families and productive workers lead to stronger economies, and stronger economies where people receive better education, better jobs and more income help build stronger families. That’s good for Georgia’s companies and communities. In fact, that’s good for everyone.

The 2018 statewide elections and turnover in the governor’s office offer a golden opportunity for the Peach State to embark on a people-powered path. It wouldn’t be the first time Georgia raised new revenues to tackle shared interests. In 1989, Gov. Joe Frank Harris bumped the state sales tax to 4 percent from 3 percent to invest in better schools. In 1992, Georgia voters approved the lottery as an indirect tax on gambling to improve access to college. And in 2015, Gov. Deal and leaders from both political parties came together to pass nearly $1 billion worth of taxes and fees to repair Georgia’s roads and bridges.

We’ve done it before. We can do it again. A Georgia where all people are free to realize their potential is worth it.
Endnotes

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4 Mobile companies and entrepreneurs today want top-notch talent and high quality of life, as well as a stable and healthy workforce that can both get the job done right and afford the products they make. “The magic formula for attracting and retaining entrepreneurs is this: a great place to live plus a talented pool of potential employees, and excellent access to customers and suppliers.” “What Do Entrepreneurs Want in a City?” Endeavor Insight, 2014.


6 Georgians are working harder than ever, raising their productivity level by 75 percent from 1979 to 2015. But wages for a typical Georgia worker rose by only 19 percent over that same span. Economic Policy Institute.


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92  GBPI analysis of 2015 state and local finance data from the U.S. Census Bureau.

93  Ibid. Georgians in 2015 contributed 9.1 percent of their total personal income in state and local taxes, which equated to $35.9 billion in total taxes paid. If they had paid 10.3 percent of their income, which is the equivalent rate in the median state nationwide, Georgia’s state and local governments would have collected an estimated $40.5 billion, for an approximate difference of $4.6 billion.

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100  GBPI analysis based on data generated in official fiscal note for unnumbered Senate bill LC 34 4402, February 11, 2015.

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