

Georgia Budget Primer 2019

www.gbpi.org

■ About the Georgia Budget and Policy Institute

The Georgia Budget and Policy Institute produces research and state budget analysis to show Georgia ways to provide better education, health care and opportunity for everyone. We are a 501(c)3 nonprofit organization. We depend on the generosity of foundations, corporations and individual donors. If you would like to make a donation or find out more about us, please visit www.gbpi.org or contact our office using the information below.

© July 2018 Georgia Budget & Policy Institute

All Rights Reserved

This document may not be quoted without proper citation.

A PDF is available for reference and distribution at www.gbpi.org.

Georgia Budget & Policy Institute

50 Hurt Plaza SE

Suite 720

Atlanta, GA 30303

404.420.1324

www.gbpi.org



Georgia Budget and Policy Institute



@GaBudget

■ Letter from the Executive Director

Whether you are an elementary school teacher doing God's work, a line worker for a local electric company or a local chamber president recruiting businesses in your community, the staff at GBPI believes that everyone in Georgia needs to understand one of the most important pieces of legislation that passes every year, the state budget. Why? Because the state's annual spending plan touches all of us.



Taifa Smith Butler, Executive Director

The investments lawmakers appropriate each year dictate the amount of services, staffing and resources available to our students in public schools, caseworkers who serve families most in need of support, transportation improvements, training programs to strengthen our workforce, and so much more. The information in this 48-page booklet and associated online digital resources helps summarize the state's 136-page appropriations bill and offer a better understanding of where the dollars come from and where they go.

The best news you'll see in the 2019 budget is the full funding of the K-12 school funding formula. After 16 years of stubborn austerity cuts, Georgia students and teachers will get more resources to help them. The past trend is still documented in this primer and unfortunately the irreversible effects of the cuts on students may be felt for years to come. This and other funding commitments by our state leaders detailed in this book are promising. More needs to be done, however.

The Georgia Budget Primer 2019 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 give people the best opportunity to succeed.

All GBPI team members pitch in to produce this primer each year. We take seriously the opportunity to educate Georgians about the state budget and public policies that affect our quality of life. Our mission is to advance lasting solutions that will expand economic opportunity for everyone.

We are thankful for the generous support of the Pittuloch Foundation that makes it possible for us to publish this booklet and get it into the hands of state and local government officials, community leaders and concerned people like you.

Contents

Introduction	1
Georgia by the Numbers	2
Budget Basics	3
Steps Along Georgia's Budget Path	4
Where Does Georgia's Money Come From?	6
Georgia's Diverse Funding Sources	8
General and Motor Fuel Funds.....	9
Federal Funds	11
Other Funds, Intrastate Transfers.....	12
Tobacco Funds	13
Budget Trends	14
Investment Struggles to Keep Pace with Needs	15
Income Tax Plan Makes Stark Choice	16
State Savings Account Back to Adequate Level	17
Unclear if Tax Breaks Worth Cost	18
State Workforce Stretched Thin	19
Education Funding in Georgia	21
K-12 Formula Fully Funded	22
Budget Restores Funding Cuts	23
Shifted Costs Limit Restored Funding	24
Pre-Kindergarten	25
Dual Enrollment.....	26
University System of Georgia.....	27
Technical College System of Georgia.....	28
Lottery Funds	29
Most Financial Aid Ignores Family Finances	31
Health Care.....	32
Medicaid and PeachCare Spending	33
Georgia's Medicaid Investment Ranks Low.....	34
Georgia Can Extend Health Coverage	35
Behavioral Health and Developmental Disabilities	36
Public Health.....	38
Human Services	39
Child Welfare.....	40
Foster Care.....	41
Low Income Support	42
Child Care Assistance Need Remains	43
Looking Ahead.....	44
Contact Us.....	45

■ Introduction

Georgia plans to spend \$26.2 billion in state funds raised through taxes and fees for the 2019 fiscal year. The budget plan anticipates a revenue increase of \$1.2 billion, or 4.9 percent more than the prior year.

Keep in mind when you hear Georgia's \$26.2 billion budget is record-setting that 64 percent of the increase over the year before is due to natural growth. Unless the state's economy sinks, factors like an increasing population 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.

Georgia's 2019 budget adds \$167 million more to the K-12 spending plan than the prior year, fully funding the state's own formula for the first time in 16 years. The 2019 budget also adds \$20.5 million for children's mental health services for crisis intervention, education assistance and suicide prevention programs. Meanwhile, providers of foster care are allotted \$15.1 million more in the 2019 state budget to keep pace with need, largely caused by Georgia's opioid crisis.

The Georgia Budget and Policy Institute's Georgia Budget Primer 2019 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 of state government will also find this publication is an authoritative reference during the 12-month fiscal year that starts July 1, 2018.

The governor proposed the 2019 state budget at the start of the Georgia General Assembly in January 2018. State lawmakers made minor changes to it before Gov. Nathan Deal signed the budget into law in May. Lawmakers will amend the 2019 state budget after the next legislative session starts January 2019 to reconcile it with actual revenues and make other needed adjustments. Please visit www.gbpi.org for up-to-date analysis of the changes.

An extended run of healthy annual state revenues resulted in a 2019 spending plan that provides a solid foundation for Georgia to invest more in its health care system, schools and communities. Still, much work remains to create a fair and inclusive Georgia where all people prosper.

Georgia by the Numbers

Importance of the State Budget

Georgia's budget for 2019 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 affects 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 ways the state budget affects the lives of Georgians:

1.7 million – approximate number of children in the K-12 public school system (\$9.9 billion in the 2019 state budget)

2 million – approximate number of Georgians who receive health care coverage who are elderly, disabled, children or low-income parents (\$3.1 billion in the 2019 state budget)

18,000 – approximate miles of road overseen by the Georgia Department of Transportation (\$1.9 billion in 2019 state budget)

53,000 – approximate number of inmates in Georgia Department of Corrections facilities (\$1.2 billion in 2019 state budget)

Where Georgia Ranks Among the States

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

45th in Medicaid spending per patient

37th in K-12 spending, per public school student

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

10th in the number of residents living in poverty

5th in the percent of residents without health coverage

44th*

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 2019 fiscal year runs July 1, 2018 through June 30, 2019 and the total budget available to the state is \$46.9 billion. That includes \$26.2 billion in state funding, \$14.1 billion in federal funding and \$6.6 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 is implementing its current budget, it is auditing the previous year's budget and planning for the next one. Beyond the General Assembly, many others participate in the process, 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

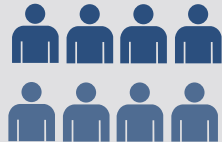


House Approves Its Budget

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

7

HOUSE



SENATE

APPROPRIATIONS COMMITTEES

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



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

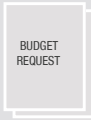


CONFERENCE COMMITTEE

Conference Committee Meets:

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

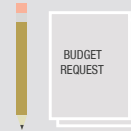
3



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:

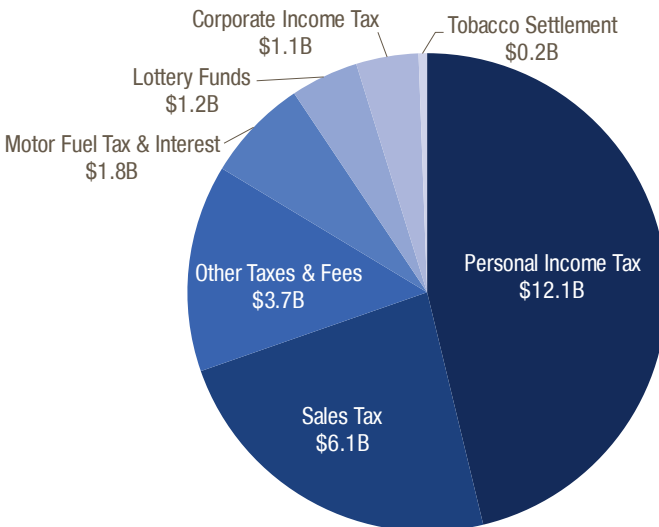
The governor has 40 days from the end of the legislative session to sign the budget bill into law and may veto specific parts of it.

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, rather than primarily using one or the other. Sales taxes provide a consistent baseline of yearly revenue, but they fall more sharply on people and families who work. They also lag behind changes in the economy including the rapid growth of online commerce. 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.

Income Tax Largest Source of State Revenue

2019 Fiscal Year State Revenue Projection \$26.2 Billion



Source: Georgia's 2019 Fiscal Year Budget (HB 684), signed by the governor

Revenue Estimate, 2019 Fiscal Year

Income Taxes	\$13,228,652,059	50.4%
Personal Income Tax	\$12,125,672,979	46.2%
Corporate Income Tax	\$1,102,979,080	4.2%
Sales Tax	\$6,141,780,824	23.4%
Other Taxes and Fees	\$3,672,880,037	14.0%
Motor Vehicle Title Tax (TAVT)	\$719,908,414	2.7%
Insurance Premium Tax	\$508,348,030	1.9%
Motor Vehicle License Fee	\$379,458,109	1.4%
Hospital Provider Payments	\$326,188,448	1.2%
Other Transportation Fees	\$285,000,000	1.1%
Tobacco Tax	\$221,000,000	0.8%
Alcohol Beverage Tax	\$199,472,000	0.8%
Nursing Home Provider Fees	\$157,326,418	0.6%
State Property Tax*	\$0	0.0%
All Other Interest, Fees and Sales	\$876,178,618	3.3%
Designated Funds	\$3,183,602,054	12.1%
Motor Fuel Tax & Interest	\$1,830,500,000	7.0%
Lottery Funds	\$1,201,496,219	4.6%
Tobacco Settlement Funds	\$150,159,978	0.6%
Brain & Spinal Injury Trust Fund**	\$1,445,857	0.0%
Total	\$26,226,914,974	100%

Source: Georgia's 2019 budget (HB 684), signed by the 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.

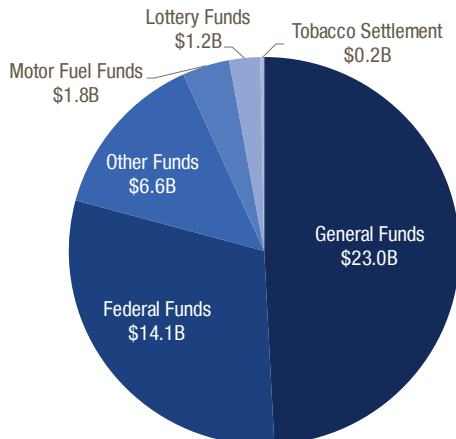
**Less than .01%

Georgia's Diverse Funding Sources

Including federal funds, the total 2019 Georgia budget is \$46.9 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 mostly include tuition and fees from universities and university system research funds.
- **Lottery Funds** – These are dedicated to Pre-Kindergarten programs and scholarships 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 \$4.2 billion of intrastate transfers include payments from the state health plan and are not counted in the \$46.9 billion budget.

General and Federal Funds Make Up Most of \$46.9 Billion 2019 Budget



Source: Georgia's 2019 Fiscal Year Budget (HB 684), signed by governor

General and Motor Fuel Funds

\$24,875,258,777 (53 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. Nearly 96 cents of every dollar collected goes to seven areas:

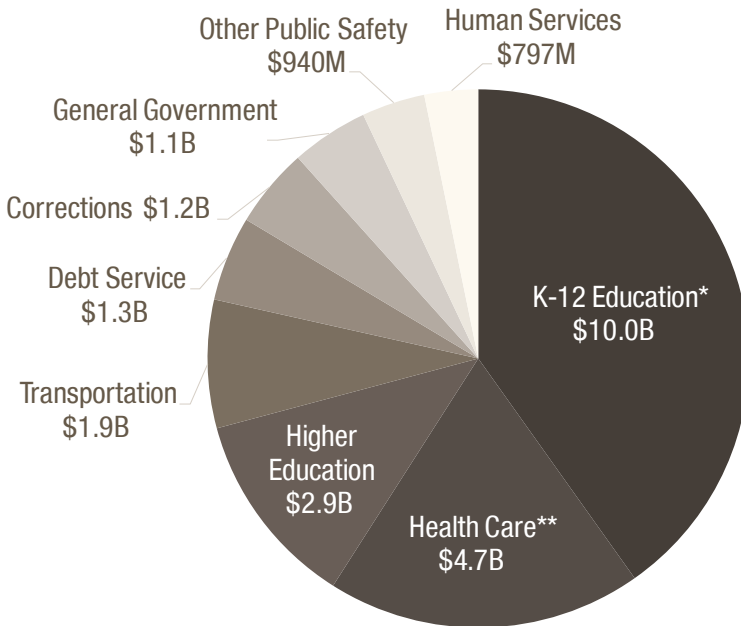
- K-12 Education (40 cents of every dollar spent)
- Health Care (19 cents)
- Higher Education (12 cents)
- Public Safety (9 cents)
- Transportation (8 cents)
- Debt Service (5 cents)
- Human Services (3 cents)

The remaining four 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. Those four cents also include 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 modified and slightly increased the state's motor fuel tax. The 2015 reforms also tied the new rates to both inflation and rising fuel efficiency, so that collections can keep pace with economic trends and changing consumer habits. Georgia's motor fuel rates in 2018 are 27 cents per gallon of gasoline and 30 cents per gallon of diesel, a slight uptick from last year due to the automatic adjustments. The 2015 reforms allowed Georgia to collect an additional \$881 million for investments in roads and bridges in the 2017 budget, the first year collections from the higher levy were included. The state's 2019 budget includes \$1.83 billion in motor fuel revenue, an increase of about \$32 million over the budget enacted in January 2018.

Education and Health Care Equal 70 Percent of State Budget
 2019 Fiscal Year \$24.9 Billion General Fund and Motor Fuel Funds Budget



Source: Georgia's 2019 budget (HB684), signed by governor.

*Education spending details: Georgia's 2018 budget for K-12 includes \$9.9 billion for the Department of Education and \$61.5 million for the Department of Early Care and Learning. Higher Education spending includes \$2.4 billion for the Board of Regents, \$369 million for the Technical College System and \$142 million for the Student Finance Commission.

** Health Care spending includes \$3.1 billion for Medicaid and PeachCare, \$1.1 billion for Behavioral Health and Development Disabilities, \$269 million for Public Health and \$175 million for other health care.

Federal Funds

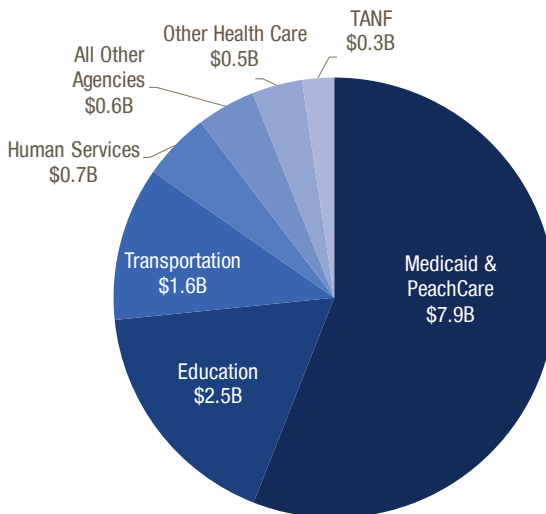
\$14,075,878,141 (30 percent of Georgia's budget)

Money from the federal government flows to a range of state programs and services. Georgia spends the vast majority of federal money on the following:

- \$7.9 billion for Medicaid and PeachCare
- \$2.5 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.

\$14.1 Billion in Federal Funds Mostly Pays for Health Care, Education, Transportation and Human Services



Source: Georgia's 2019 Fiscal Year Budget (HB 684), signed by governor

Other Funds

\$6,562,704,363 (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 \$2.3 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	\$3,402,081,697	51.8%
University System of Georgia Research Funds	\$2,334,323,592	35.6%
All other agency funds	\$826,299,074	12.6%
Total	\$6,562,704,363	100.0%

Source: Georgia's 2019 Fiscal Year Budget (HB 684), signed by governor

Intrastate Transfers

\$4,166,681,595 (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	\$3,672,579,618	88.1%
Medicaid Services Payments - Other Agencies	\$280,857,262	6.7%
Workers' Compensation Funds	\$149,157,733	3.6%
Other Intrastate Govt. Payments	\$64,086,982	1.5%
Total	\$4,166,681,595	100.0%

Source: Georgia's 2019 Fiscal Year Budget (HB 684), signed by governor

Tobacco Funds

\$150,159,978 (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 money can vary from year to year, though most dollars in recent budgets have gone to health care.

Most Tobacco Funds Used for Health Services

2019 Tobacco Settlement Fund Budget		
Low Income Medicaid	\$119,561,391	79.6%
Adult Developmental Disabilities Waiver Services	\$10,255,138	6.8%
Smoking Prevention and Cessation	\$6,857,179	4.6%
Cancer Treatment for Low Income Uninsured	\$6,613,249	4.4%
Aged Blind & Disabled Medicaid	\$6,191,806	4.1%
Underage Smoking Compliance	\$433,783	0.3%
Departmental Administration	\$131,795	0.1%
Cancer Registry	\$115,637	0.1%
Total	\$150,159,978	100.0%

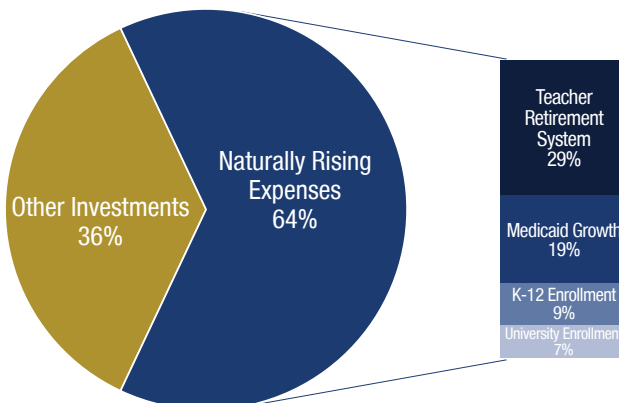
Source: Georgia's 2019 Fiscal Year Budget (HB 684), signed by governor

Budget Trends

The \$26.2 billion state budget signed into law by Gov. Nathan Deal for the 2019 fiscal year starting July 1, 2018 represents a \$1.23 billion increase in total state spending from last year, an increase of 4.9 percent. The spending plan marks a positive step forward on education and a few other crucial issues, yet also falls short of addressing some of the state's pressing needs. The budget includes the first fully funded K-12 education formula in 16 years, more money for foster care and a boost in support for mental health and substance use services, among other positive trends. At the same time, state leaders missed chances to boost Georgia's communities and families, especially allowing another year to pass without accepting billions of federal dollars available to put a health insurance card in every Georgian's pocket through Medicaid expansion.

Georgia's rate of revenue collection continues to show consistent growth since the end of the Great Recession, yet is also more constrained than before the crash. The modest pace of revenue growth means most new spending covers the costs associated with naturally rising needs and expenses, rather than new initiatives. About 64 percent of the \$1.23 billion increase in general and motor fuel funds in the 2019 budget pays for growing enrollment in Georgia's public schools and universities, increased need in Medicaid or the Teacher Retirement System.

Naturally Rising Needs Account for Most New Expenditures



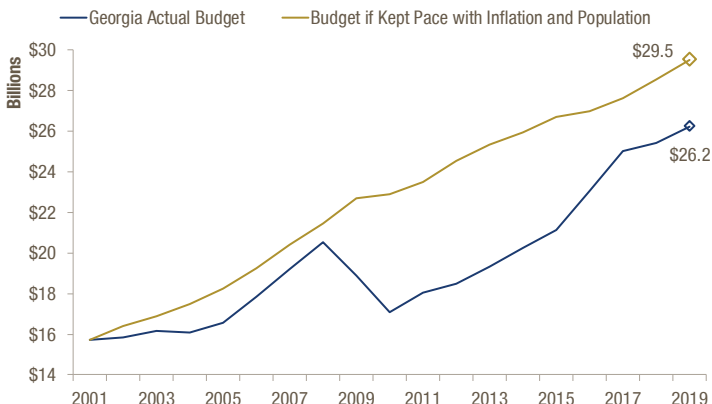
Source: Georgia's 2019 Fiscal Year Budget (HB 684), signed by governor

State Investment Struggles to Keep Pace with Rising Needs

Georgia's \$26.2 billion spending plan is the largest budget in state history in absolute dollar terms, yet it fails to keep pace with the Peach State's rapidly rising needs. The 2019 budget is about \$10.5 billion larger than the 2001 plan passed at the turn of the century, before adjusting for inflation. Meanwhile, Georgia's population grew enormously during that span, adding 2.4 million new residents from 2001 to 2018, a 29 percent increase. Rising population means increased demand on services, including more children attending schools, more drivers on the roads and more seniors in need of health care. The cost of core state functions also increases naturally with the economy over time.

Georgia's budget would be an estimated \$29.5 billion today if state spending kept pace with population and inflation since the turn of the century. The \$3.3 billion gap between that hypothetical budget and Georgia's actual 2019 spending plan represents the difference between how much Georgia invests and what may be a fairer characterization of the true needs of its people. The deficit is due in large part to the recession of the late 2000s, when state revenues plummeted and lawmakers responded with deep cuts to crucial services. Though narrowing in recent years, the gap makes it difficult for lawmakers to tackle urgent challenges such as the opioid crisis or rural hospital closings.

Budget Investment Deficit Remains from Great Recession



Source: GBPI analysis of data from the Bureau of Labor Statistics and Georgia Office of Planning and Budget

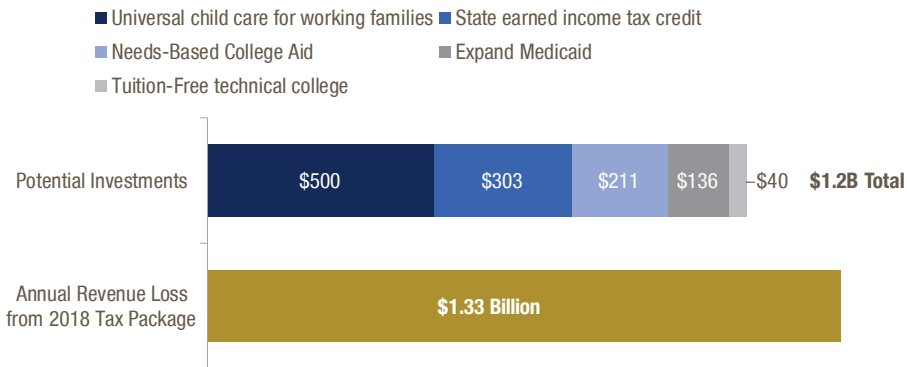
Risky Income Tax Plan Makes a Stark Choice

Georgia lawmakers in 2018 approved some of the state's most sweeping tax changes in decades. Legislators rushed to approve a large income tax cut in response to a potential influx of surplus state revenue Georgia stood to collect as a side effect of recent federal tax changes. The tax plan doubles Georgia's standard deduction and cuts the state's personal and corporate income tax rates to 5.75 percent in 2019 from their decades-long level of 6 percent. The legislation also envisions the state's income tax rates falling further to 5.5 percent in 2020, if lawmakers approve that second step during the 2020 legislative session.

Had lawmakers instead accepted the revenue surge, Georgia stood to gain about an extra \$1.2 billion a year on average over the next five years. Now Georgia will likely collect slightly less in annual revenue than it would have had Congress left prior federal tax law intact. For perspective, the foregone revenue from the tax cut plan is likely more than the combined annual cost to make technical colleges tuition-free, create a needs-based college aid program, enact a state earned income tax credit, eliminate Georgia's health coverage gap by expanding Medicaid and provide universal child care for low-income Georgians under 5-years-old.

Plan Prioritizes Tax Cuts Over Proactive Investments

Comparative annual cost of Georgia tax plan, in millions



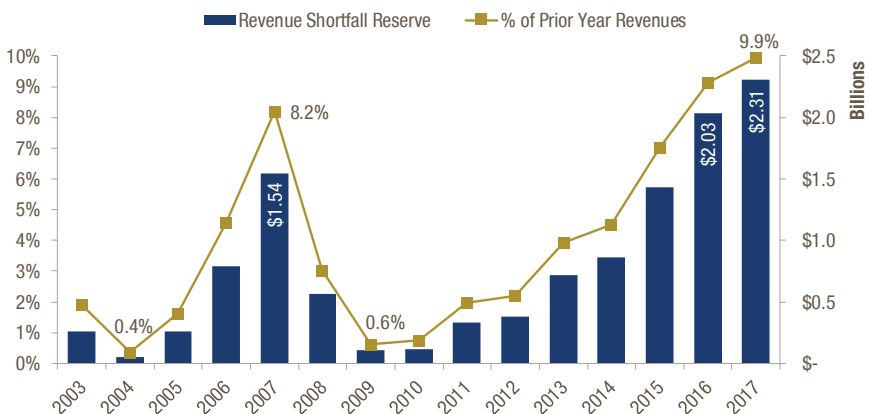
Source: GBPI analysis of official fiscal note for House Bill 918 (LC 34 5383-ECS) and various state and national data on public investments

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. 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.

Georgia budget-writers nearly emptied out the reserve fund during the Great Recession, to soften the severity of cuts to key state services. The governor and legislators responsibly rebuilt the savings account in the years since. At the end of the 2017 budget year, Georgia's reserves held \$2.3 billion, or 9.9 percent of the 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.

State Savings Account Reaches New Heights



Source: Governor's Budget Report Fiscal Year 2019, Georgia Budgets in Brief 2003-2015

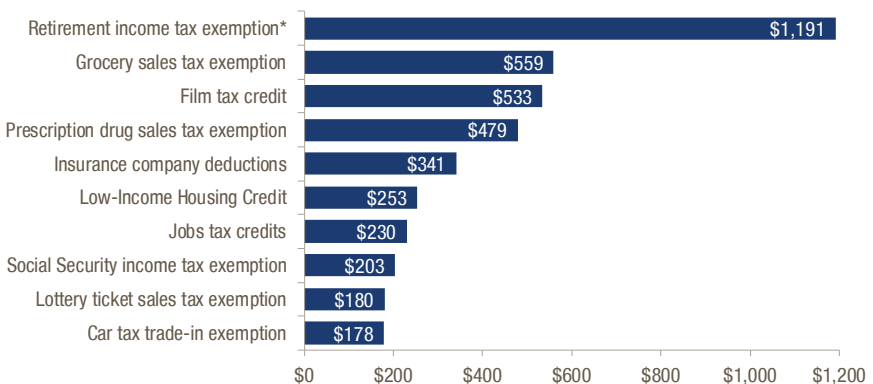
Unclear if All Tax Breaks Worth the Cost

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 finances, Georgia's assortment of tax breaks add up to an estimated \$8.8 billion in lost state revenue in the 2019 budget year. Even by a more conservative estimate that excludes a set of business sales tax exemptions found in most states, Georgia's tax breaks still yield an annual cost of about \$5.3 billion.

Some of Georgia's tax breaks, such as sales tax exemptions for groceries and some business purchases including energy used in manufacturing, provide key 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 a formal review process to measure and compare costs and benefits. Though state lawmakers have begun to slowly move in the right direction in recent years, Georgia still lags behind best-practices policies increasingly common nationwide. In the past five years, at least 27 states, including Florida, Tennessee and Texas, either created a new tax break review process or improved upon existing practices.

Retirement Income, Food and Film Among Largest Tax Breaks

Estimated value of tax expenditure, state revenue in millions, 2019 fiscal year

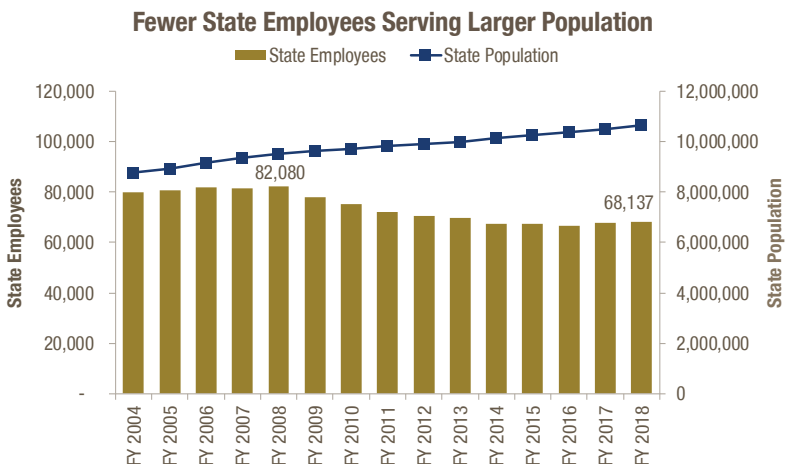


Source: GBPI analysis of Georgia Tax Expenditure Report for FY 2019. List excludes some business-to-business exemptions and standard features of the personal income tax. *Retirement income includes pensions and personal retirement accounts including IRAs and 401ks but not Social Security which is covered under a separate income tax exemption.

State Workforce Stretched Thin to Cover Growing Needs

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. Georgia's state employee workforce shrank since the Great Recession while the needs of the state's population and economy grew. Georgia employed about 14,000 fewer state workers in the 2018 budget year than it did in 2008 before the economic downturn, a drop of 17 percent over a decade.* Georgia added more than 1.1 million new residents in that same span, a spike of 12 percent.

Georgia's workforce rose slightly over the past two years, as both the economy and state revenue collections increased. Still, Georgia's state employees are stretched thin to cover a growing population's needs. Today there is only one state employee per every 156 Georgians, compared to one for every 116 Georgians before the economic crash. 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.



Source: Email from Department of Administrative Services, May 22, 2018

*Numbers exclude Board of Regents, University System

A Detailed Look at Georgia’s 2019 Budget

Education 21

Health Care 32

Human Services 39

■ Education Funding in Georgia

Lawmakers reached a critical benchmark with the 2019 budget: For the first time since 2002, they sent school districts the full amount of money calculated by the state's formula for funding public schools. This marks important progress in supplying schools the resources necessary to meet students' needs, but the funding formula is still outdated. Now 33 years old, it should be replaced with a new formula that aligns with the needs and goals of students today. School districts' budgets also remain strained because legislators shifted costly health insurance and transportation responsibilities onto them in recent years.

The General Assembly also passed legislation this year to create the state's first broad need-based financial aid program to help more students from low-income families access college. It is not funded in the 2019 budget, but future lawmakers will have the opportunity to fund the program and help more Georgians attend college and complete their degrees.

The Department of Early Care and Learning receives \$61.5 million in state general funds, and the Department of Education gets \$9.9 billion. The higher education budget in Georgia is \$2.4 billion for the university system and \$369 million for technical colleges.

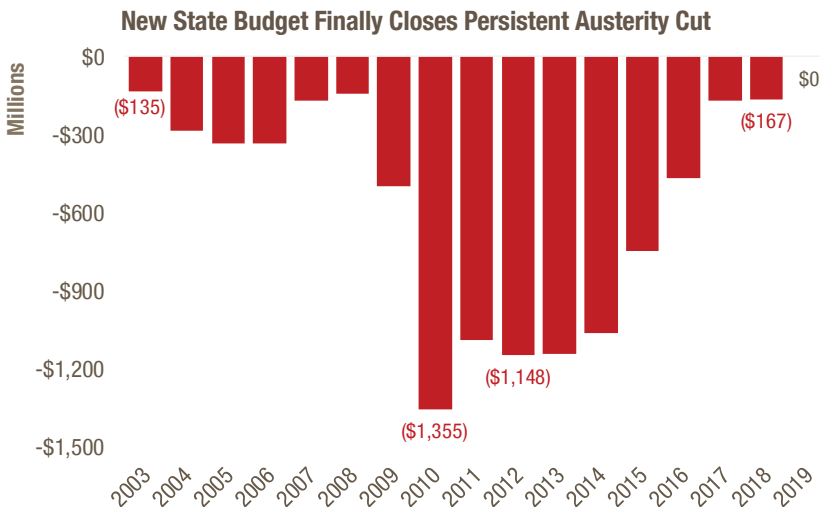
About \$142 million of state general funds are allotted for scholarship, loan and grant programs, including dual enrollment. The legislature also appropriated \$1.2 billion in lottery funds for education, including \$367 million for Pre-Kindergarten and \$834 million for higher education programs, including HOPE scholarships and grants.

The 2019 budget represents a \$624 million increase for education from the General Fund. More than half of the funding growth in education shores up retirement benefits. Lottery funds increased by \$68 million. Lottery reserve funds total more than \$1 billion.

Budget Funds K-12 Formula for First Time in 16 Years

Georgia's spending plan for the 2019 budget year fully funds the state's Quality Basic Education formula for the first time since 2002, putting a stop to funding cuts that soared to \$1 billion each year from 2010 to 2014. Totalling more than \$9 billion over 16 years, Georgia's education austerity cuts caused larger class sizes, teacher furloughs and fewer enrichment activities such as art and music. The scope of the annual cut gradually shrank in recent years, falling to \$167 million in last year's budget.

Closing that gap is a positive step forward, but local districts are still strained by factors such as rising costs and additional funding responsibilities for transportation and health care. These deficiencies are tied to a larger problem: Georgia's 33-year-old funding formula no longer reflects students' needs or the ambitious learning goals the state sets for them. To build on this year's progress, lawmakers can modernize Georgia's antiquated funding formula so it reflects the true costs of educating every child to today's rigorous standards.



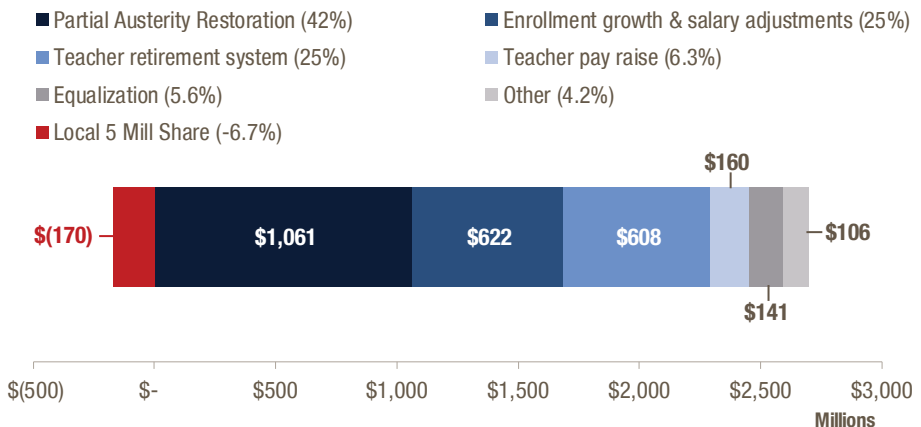
Source: Georgia Department of Education, Midterm State Allotment Sheets Fiscal Years 2003-2018, Initial State Allotment Sheet Fiscal Year 2019

K-12 Funding Increase Restores Deep Cuts and Covers Enrollment Growth

Lawmakers added a total of \$2.5 billion to the K-12 budget from the 2014 to 2019 budget years, a sizable new investment in public education at first glance. But most of the additional funds simply restore prior cuts or cover routine increases such as growing enrollment and pension obligations, rather than going to new classroom programs.

The largest portion of added funds during this span – \$1 billion – restores prior cuts in school district budgets caused by the underfunding of Georgia's Quality Basic Education formula. Student enrollment growth and routine salary adjustments for teachers received \$622 million, the second largest chunk over this span. These funds allow districts to cover the rising number of students in their classrooms and attract and retain high-quality educators. The Teacher Retirement System received \$608 million since 2014 to cover the state's commitment to its public school teachers, including \$362 million in the 2019 budget. Combined, these three items account for 91 percent of the additional \$2.5 billion in K-12 money since 2014.

Most New School Dollars Go to Routine Functions, Not New Programs



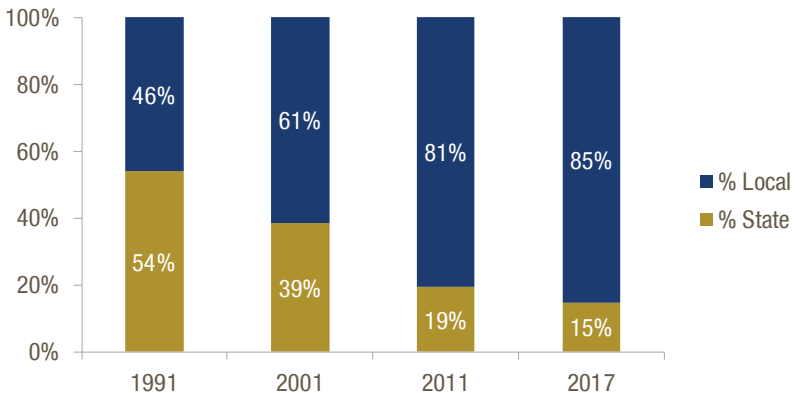
Source: Governor's Budget in Briefs 2014-2018; Georgia's 2019 Fiscal Year Budget (HB 684), as signed by the governor

Elementary and Secondary Education: State Cost Shift Limits Impact of Restored Funding

The money added back to the K-12 formula this legislative session does not stretch as far as it could because the state pushed hefty expenses onto districts over the past few years. In 2012, Georgia lawmakers ended their contribution to the cost of health insurance for non-teaching staff, including bus drivers and custodians, leaving districts to pick up the full tab. 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. Districts now spend \$430 million more each year to cover this cost.

Local governments are also carrying most of the cost of getting students to and from school safely every day. This was once an expense shared equally by the state and districts, but now the state covers only about 15 percent of districts' rapidly escalating transportation costs. Lawmakers took a step in the right direction during the 2018 legislative session by adding \$930,000 to the transportation formula and \$15 million in bonds for bus replacement. But school districts are still left to cover the gap. There are more than 3,600 school buses 15 years or older on the roads every day in communities across the state, raising worrisome safety concerns.

State Covers a Shrinking Share of Student Busing Costs



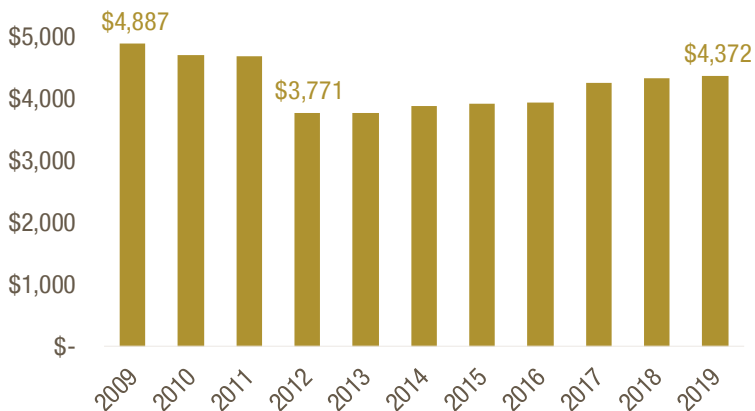
Source: Final Report of the Senate Study Committee on School Transportation, Nutrition and Support Personnel (2000). Georgia State Senate. GBPI analysis of District Expenditure Reports, fiscal years 2001, 2011 and 2017, and State Mid-term Allotment Sheets, fiscal years 2001, 2011 and 2017, Georgia Department of Education.

Pre-Kindergarten Funding Continues to Lag

Funding for the Pre-Kindergarten program inches up by less than 1 percent in fiscal year 2019 to cover the rising costs of teacher retirement benefits. But per student funding is down \$515 from 2009 when adjusted for inflation, a decline of nearly 11 percent.

Weakened state support threatens the program's ability to provide quality early education to Georgia's children. The quality standard for teacher-to-student ratio is 1-to-10 and a maximum class size of 20, according to the National Institute for Early Education Research. Georgia falls short of this benchmark. Its teacher-to-student ratio is 1-to-11 and maximum class size is 22. A 2015 commission convened by Gov. Nathan Deal to examine early childhood and other education programs recommended increasing funds for Pre-K to lower class sizes, but the Legislature has not acted on these recommendations.

Per Student Pre-K Funding Still Down from Before Recession



Source: Georgia's amended fiscal year budgets, 2009-2018; Georgia's Fiscal Year 2019 Budget (HB 684); U.S. Department of Labor, CPI Inflation Calculator

Dual Enrollment (formerly Move On When Ready)

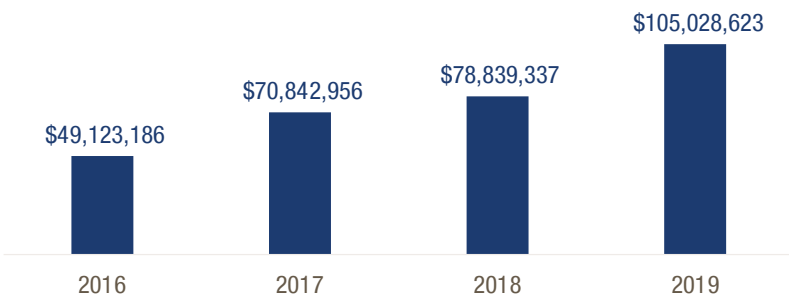
Dual enrollment is a program for high school students who take college-level courses that count for both high school and college credit. The state pays colleges fixed amounts for tuition, mandatory fees and books. Colleges may not charge high school students for additional tuition and mandatory fees,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

The 2019 budget increases appropriations by \$27 million to meet the projected increase in demand and cuts the \$500,000 transportation grant. These changes equal a 33 percent net funding increase from last year, resulting in a final budget of \$105 million. Dual enrollment funding more than doubled from 2016 to 2019.

Dual enrollment is paid for through general state funds. The 2019 budget includes the following policy changes:

- Adds a new cap of 15 credit hours per student per semester
- Requires similar professional development for adjunct and full-time faculty teaching dual enrollment courses
- Requires similar admissions standards for dual enrollment students at private and public colleges
- Directs the Georgia Student Finance Commission to identify priority courses that lead to a degree, technical certificate or diploma in a high-demand field

Dual Enrollment Funding More Than Doubled from 2016 to 2019



Source: Georgia's 2019 Fiscal Year Budget (HB 684), signed by governor

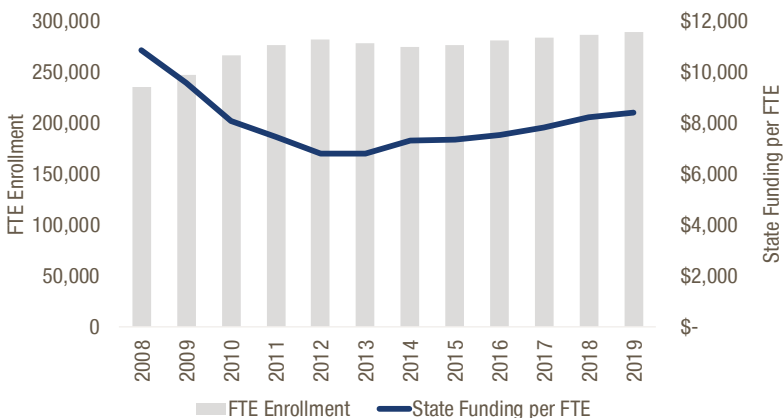
University System of Georgia

The 2019 budget for the university system is \$2.4 billion, or about 9 percent of the state's general funds. Georgia allocates \$2.2 billion to colleges and universities for student instruction, with the remaining \$200 million for miscellaneous programs like the Georgia Cyber Innovation and Training Center. The state appropriates funds to the Board of Regents, which manages Georgia's public university system and allocates money among its 28 colleges and universities.

This year's budget represents a 4.8 percent increase in state funding per full-time equivalent student (FTE) from last year, assuming 1 percent growth in student enrollment. About half of the increase shores up the retirement benefit plan, and half is due to formula funding increases in enrollment and square footage.

Per-student funding continues to make modest gains after reaching its lowest point in 2012. However, per-student funding is still below pre-recession levels after adjusting for inflation. Per-student funding dropped sharply after several years of simultaneous budget cuts and enrollment increases.

University System Funding and Enrollment Making Slow Gains



Source: Georgia's AFY budgets 2001-2018; Georgia's FY 2019 Budget (HB 684); Board of Regents, University System of Georgia, fall semester enrollment reports 2001-2017, GBPI estimate of fall 2018 enrollment assuming 1 percent growth. Adjusted for inflation.

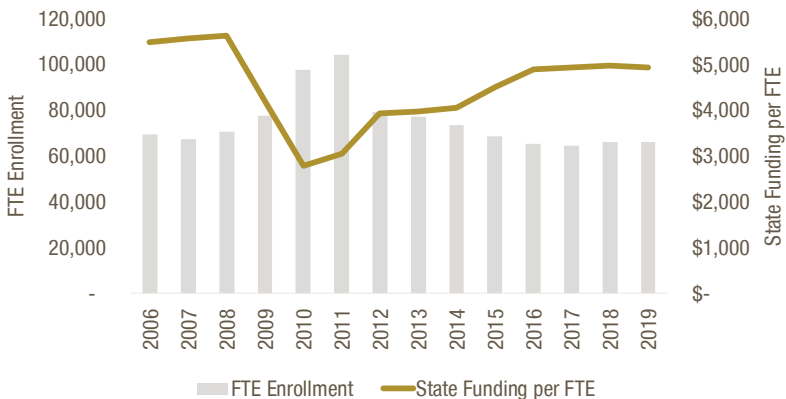
Technical College System of Georgia

The 2019 state budget for technical education is \$326 million, representing an increase of less than 1 percent from last year. The technical college system includes 22 colleges throughout Georgia. Technical colleges provide a range of programs including associate's degree, certificate and diploma programs.

Per-student funding and overall enrollment remain flat. During the recession, technical colleges saw a combination of steep funding cuts and enrollment surges. Workers who lost their jobs during the economic downturn enrolled in technical colleges as they sought to upgrade their skills. In 2011, budget pressure led the legislature to cut funding to the technical college system and to HOPE Scholarships and Grants, which subsidize the cost of attending programs at technical colleges.

In the 2019 budget, the Governor's Office of Workforce Development transferred to the Technical College System of Georgia. A related \$82 million of federal funds, but no state funds, transferred to the technical college system.

Technical College Per-Student Funding and Total Enrollment Remain Flat



Source: Georgia's AFY Budgets 2006-2018; Georgia's FY 2019 Budget (HB 684); State general funds for technical education only. Technical College System of Georgia, End of Year annual Academic Year Enrollment Reports. Adjusted for inflation

Lottery Funds: Support for Pre-K and College Students

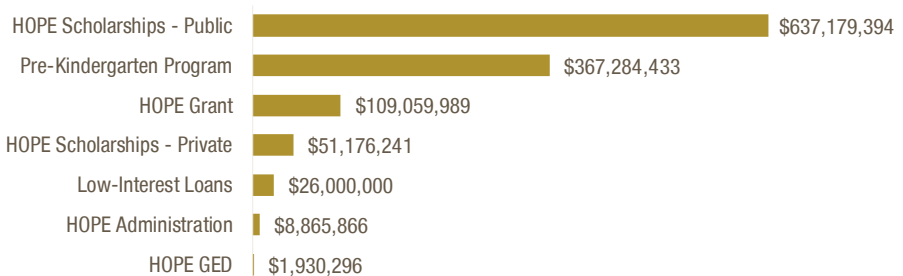
In addition to the state's general funds for higher education, Georgia appropriated \$1.2 billion from lottery sales to fund the following education programs in 2019:

- **The Helping Outstanding Pupils Educationally (HOPE) Scholarship** is for students pursuing bachelor's or associate's degrees. 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, which combined with other grants cover full tuition for students in specific majors.
- **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 access high-quality early learning.

Most lottery funds support HOPE Scholarships for students pursuing associate's or bachelor's degrees in Georgia's public colleges. The second-largest expenditure of lottery funds is for Georgia's public Pre-Kindergarten programs.

The biggest change in lottery funds spending from the previous year is a \$65 million increase to boost HOPE scholarships in public colleges by 3 percent and meet projected need. Almost half of that increase, \$30 million, is to meet the rising cost of Zell Miller scholarships, which about 10 percent of eligible bachelor's degree students receive.

Most of the \$1.2 Billion Lottery Funds for Education Support HOPE Programs



Source: Georgia's Fiscal Year 2019 Budget (HB 684), signed by governor

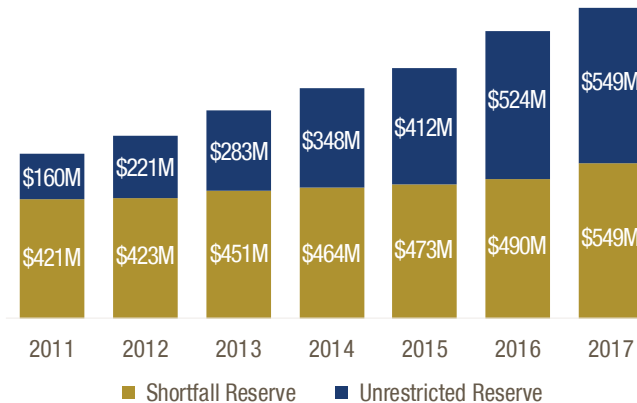
Lottery Reserve Funds

The state appropriates more lottery dollars than it spends on Pre-K and HOPE programs. The unspent, or surplus, lottery money transfers to reserve funds managed by the State Treasury. In budget year 2017, more than \$53 million in lottery surplus transferred to the reserves.

The state has two lottery reserve funds: the Lottery Shortfall Reserve and an unrestricted reserve. 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 the amount used for education programs falls short of the appropriated amount, the shortfall reserve can bridge the funding gap. By law, the shortfall reserve must hold an amount equal to 50 percent of the previous year's net lottery proceeds. The second unrestricted reserve fund is made up of surplus dollars in excess of the 50 percent requirement.

Since the state created the 50 percent requirement in 2011, lottery reserves continue to grow. In 2017, both the shortfall and unrestricted reserves held \$549 million each, totaling more than \$1 billion.

State Covers a Shrinking Share of Student Busing Costs



Source: State Accounting Office, 2014-2017 Report of Georgia Revenues and Reserves, 2011-2013 Selected Summary Financial Information.

Most State Financial Aid Ignores Family Finances

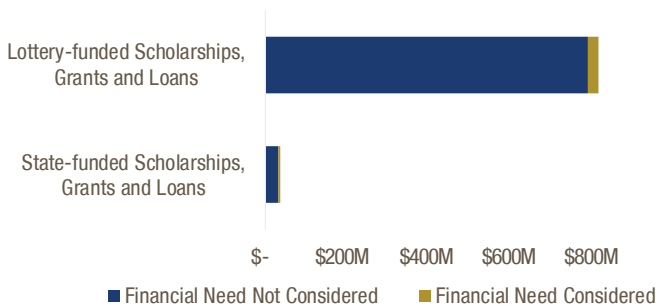
Georgia funds college financial aid programs through two sources: the lottery and state funds. The lottery funds the vast majority (96 percent) of state aid. The 2019 budget includes \$823 million in lottery-funded scholarships, grants and loans and \$36 million in state-funded scholarships, grants and loans.

Financial aid eligibility falls into two categories. Need-based eligibility considers a family's financial situation. Non-need-based eligibility rewards high test scores or grades, or targets students pursuing specific fields like engineering or specific student populations like members of the Georgia National Guard.

The vast majority (96 percent) of state scholarships, grants and loans are non-need-based. The 2019 budget includes \$829 million for aid that does not consider financial need and \$31 million that considers financial need in some way. Existing state-funded aid that considers need includes \$26 million in loans and \$5 million for the REACH program, which serves about 1,200 students.

Legislation passed in 2018 creates the state's first broad need-based aid program in Georgia. The program is not funded in the 2019 budget, but future lawmakers will have the opportunity to fund the program and help more students go to college and complete their degrees.

Lottery Accounts for Most Financial Aid and Does Not Consider Financial Need



Source: Georgia's Fiscal Year 2019 Budget (HB 684), signed by governor

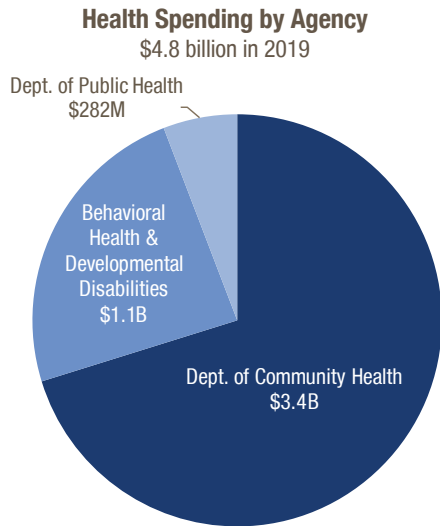
Health Care

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 \$4.8 billion in 2019, which is about 19 percent of state general spending. General Fund appropriations for these agencies account for \$4.2 billion, or about 87 percent, while other sources total about \$633 million. Money from the General Fund for these three agencies grew by \$305 million from 2018 to 2019.

The Department of Community Health is the largest of Georgia's three health care agencies. It accounts for \$3.4 billion, or 70 percent of total state spending on health care. It operates Georgia's Medicaid and PeachCare programs, operates 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 about \$1.1 billion on behavioral health and developmental disabilities, which includes mental health and substance abuse services and assistance for people living with disabilities. This is about 24 percent of Georgia's 2019 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 \$282 million, or about 6 percent of Georgia's health spending.



Source: Georgia's 2019 Fiscal Year Budget (HB 684), signed by the governor

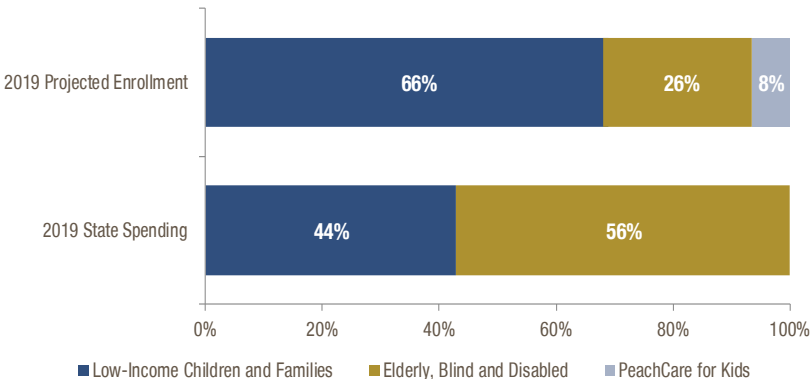
Medicaid and PeachCare Enrollment and Spending

Medicaid and PeachCare are expected to serve more than 2 million Georgians in 2019. 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 2019 Fiscal Year Budget (HB 684), signed by the governor.

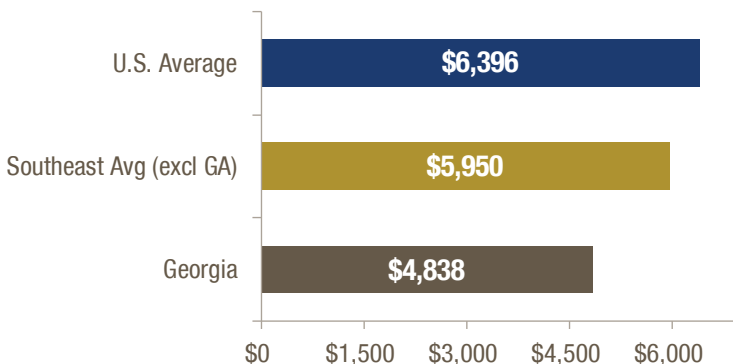
Georgia's Medicaid Investment Ranks Near Bottom

Georgia expects to spend \$3.1 billion in state funds to serve nearly 2 million people covered by Medicaid and PeachCare, a modest amount by national standards. Georgia's spending per Medicaid enrollee ranked fifth lowest among the states, coming in at 32 percent below the national average in 2014, the most recent year available. Georgia ranked last in Medicaid spending per low-income resident in 2015.

Georgia's low rank by both measures belies 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 16 percent and ranked 10th worst for poverty among states in 2016. The uninsured rate in Georgia is the fifth-highest in the country. This suggests that higher per-capita spending is appropriate to pay for a large population of Medicaid-eligible residents.

A greater investment in Medicaid can allow the state to expand health services and increase the rates of reimbursement for health care providers. The 2019 budget adds nearly \$17 million in new state funds to boost reimbursement rates for nursing home providers, but bringing Georgia's investment closer to the national average will require more widespread funding increases.

Georgia Medicaid Spending Per Person Ranks Low



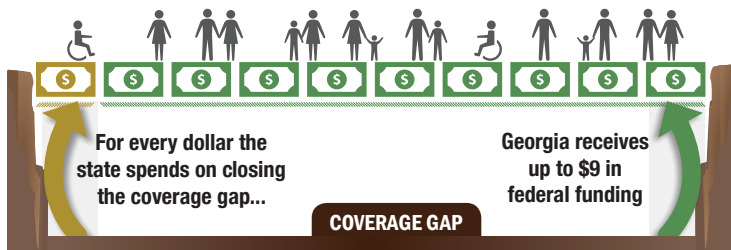
Source: Kaiser Family Foundation

Georgia Lawmakers Can Extend Health Coverage to Hundreds of Thousands of Uninsured Georgians

The health insurance marketplace created by the Affordable Care Act enrolled about 480,000 Georgians in 2018. These health coverage gains helped Georgia's uninsured rate among employed people to fall 22 percent from 2013 to 2015. Nearly 9 in 10 Georgians who enrolled through the marketplace receive tax credits that reduce the cost of their health insurance premiums.

However, many Georgians still remain uninsured and are not able to get health care services when they need them. Georgia has the fifth highest uninsured rate at 13 percent, with more than 1.2 million uninsured residents. Georgia can significantly reduce the number of uninsured by joining the 34 states that expanded Medicaid eligibility, including Arkansas, Louisiana and Virginia. The new eligibility would provide coverage for people with incomes less than \$16,750 for an individual and \$28,675 for a family of three. More than 460,000 Georgians stand to gain a health insurance card if state lawmakers approve Medicaid expansion in 2019.

Expanding Medicaid eligibility leverages about \$3 billion in federal funds that Georgia can use to pay for health services and help shore up the state's struggling rural health system. That expansion requires an estimated \$246 million in annual state matching funds over the next few years before accounting for resulting cost savings. Much of that new spending will likely be offset by increased economic activity in health-related commerce and decreased spending on health care for the uninsured.



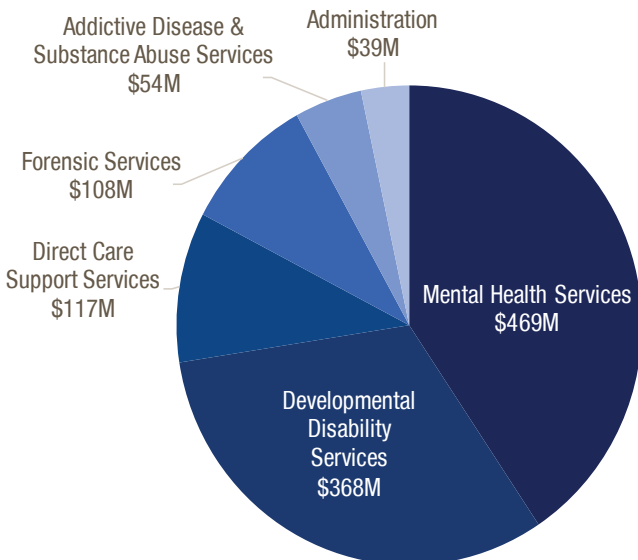
Behavioral Health and Developmental Disabilities

The Department of Behavioral Health and Developmental Disabilities operates a variety of 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 budgeted to receive more than \$1.1 billion in 2019 from the General Fund along with \$10.3 million in Tobacco Funds, a total increase of \$59.7 million compared to 2018.

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 relative to institutions.

Mental Health, Developmental Disabilities More Than Two-Thirds of Budget

\$1.1 Billion in 2019



Source: Georgia's Fiscal Year 2019 Budget (HB 684), signed by governor

Behavioral Health Funding Increases as Mental Illnesses and Substance Abuse Disorders Grow

In the past few years drug overdoses and suicide deaths increased rapidly in Georgia. Drug overdose deaths increased by 35 percent from 2012 to 2016 and suicides increased 25 percent in that time. This accelerating crisis calls for an increase in funding for mental health and substance abuse treatment and prevention.

Georgia's 2019 budget adds \$20.5 million for the department to implement recommendations of the Commission on Children's Mental Health. That includes \$10.4 million to pay for services for children and adolescents in mental health crisis, \$4.3 million to extend mental health services to 100 more schools through the Georgia APEX Program, and \$1.1 million for suicide prevention programs.

Georgia's 2019 budget also adds money for mental health crisis services, including \$6 million for a new behavioral crisis center and \$5.9 million for crisis services for children under 12 who are diagnosed with autism. The budget allots \$5 million for community-based services for people with mental illness and \$4 million for substance abuse recovery programs. This is a good start to increase the availability of services and support. But the state support is still relatively low in some areas, such as substance abuse prevention programs. A sustained investment is needed to respond to Georgia's need for more behavioral health treatment.

\$20.5 million Added for Children's Health Recommendations

Purpose of Recommendation	Amount
One-time and ongoing funds for crisis respite services	\$10,400,198
School-based Georgia Apex Program for 13 additional grants	\$4,290,000
Plan and implement supported employment and education assistance for 500 more young adults at the rate of \$6,120 per year, effective Jan. 1, 2019	\$1,530,000
Suicide prevention	\$1,092,000
Opioid abuse prevention for youth	\$790,801
High fidelity wraparound services training	\$610,545
One-time and ongoing funds for telemedicine services	\$382,500
Develop a mobile application in coordination with the Georgia Crisis & Access hotline	\$1,416,611
Total general funds for commission recommendations	\$20,512,655

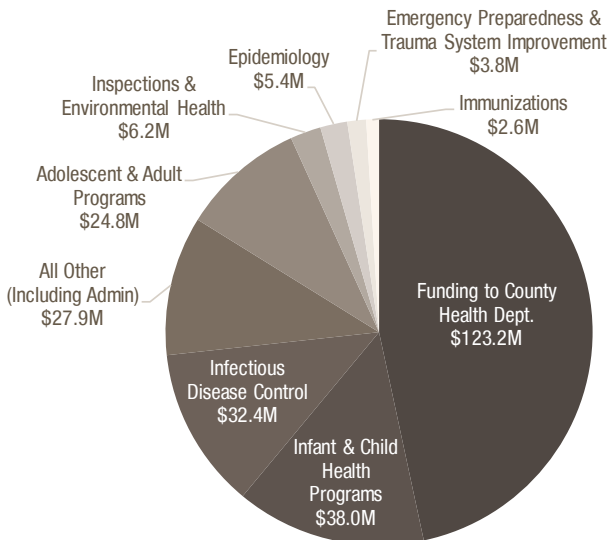
Public Health

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 budgeted to receive \$267 million from the General Fund and \$13.7 million in Tobacco Settlement money in 2019. The trauma care network commission receives \$16.7 million from the General Fund in 2019. 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 2019 budget represents a \$7 million increase compared to 2018.

Georgia's public health programs also receive significant federal support. Federal money accounts for 58 percent of the department's \$688 million budget in 2019, 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 2019.

Much of Public Health Funding Flows to County Health Departments

\$267 million in 2019



Source: Georgia's Fiscal Year 2019 Budget (HB 684), signed by governor

Human Services

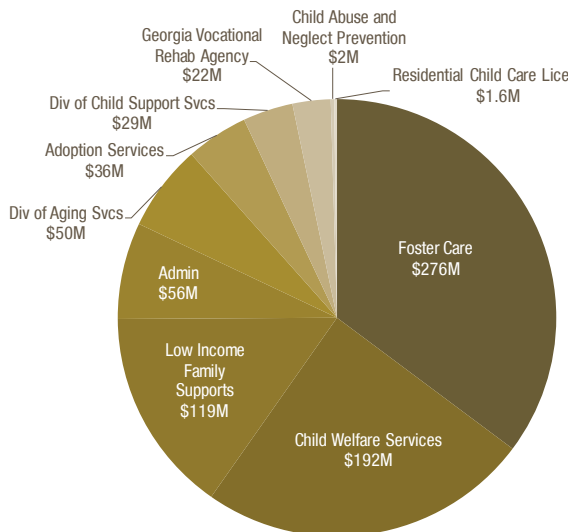
Georgia's Department of Human Services oversees state spending to protect children and the elderly as well as provide non-medical assistance to people with low incomes. State funding for the agency is \$797 million in 2019, about 3 percent of total state spending.

Child welfare-related services represent the largest share of the department's responsibilities, accounting for \$507 million, or 63 percent, of the department's 2019 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 temporary supports help children stay healthy and help keep adults prepared for job opportunities, putting them on a path to financial independence.

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

Georgia's Children Major Focus of Human Services



Georgia's 2019 Fiscal Year Budget (HB 684), signed by the governor

Child Welfare: Growing Resources for System Trauma

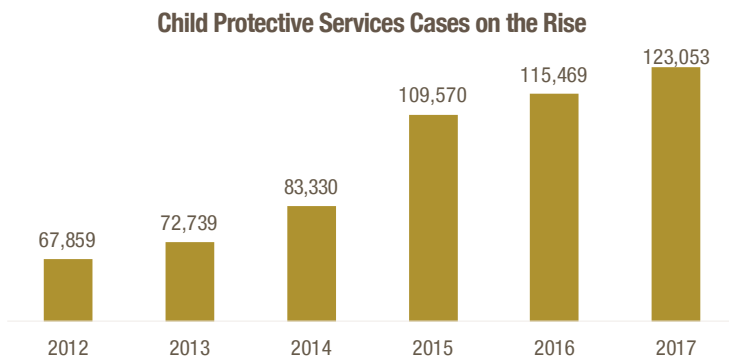
The Child Welfare portion of the Human Services budget, \$194 million, pays the salaries of staff who investigate allegations of child abuse, abandonment and neglect.

The 2019 budget includes \$980,000 more for child advocacy centers. That will support an increase in equipment and therapeutic, medical, and outreach services. These centers coordinate with the department in the investigation of child abuse and offer abuse prevention education for professionals and adults.

Reports of child abuse nearly doubled in Georgia in recent years, to 123,000 in 2017 from 67,859 in 2012.

The budget also allots \$2.2 million for 19 care coordinator positions for foster youth. This follows a recommendation by Georgia's Commission on Children's Mental Health to extend access to services for children dealing with social-emotional trauma in the foster care system.

Recommendations from the governor's Child Welfare Reform Council prompted the division to improve retention and recruitment of child welfare workers to ease the high caseloads that exceeded recommended industry standards of 15 cases per worker. The division reported in 2018 it filled more than 700 positions, increased base salaries, and reduced the average caseload per worker to 19 from 38.



Source: Georgia Department of Human Services

Foster Care Gets Boost as Child Abuse Reports Rise

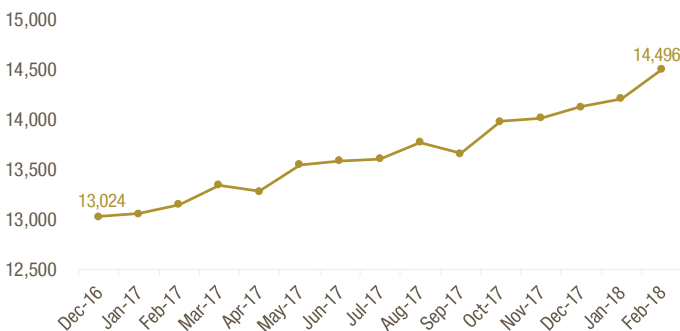
Foster families, child placement agencies and child care institutions, or group homes, are allotted \$15.1 million more in the 2019 state budget to keep pace with growth in foster care. Georgia's opioid crisis is cited as one of the largest culprits causing the growth in the number of children placed in foster care. From December 2016 to February 2018, the number of children in foster care grew 11.1 percent.

In 2018, the governor and lawmakers increased per-diem rates \$10 for foster families recruited directly by the Division of Family and Child Services. The additional money is meant to ensure foster families can support children in their care and to bring Georgia's rates more in line with other states. Also in 2018, relatives caring for foster children and families served through private agencies received an increase of \$5 per day. The 2019 budget adds \$20.3 million to increase per-diem rates by an additional \$5 for these two types of foster families.

The budget also includes \$2.4 million more for a 2.5 percent per-diem rate increase for child-caring institutions, or group homes. Child placement agencies also received \$1.1 million to cover increased administrative costs.

The state intends to reimburse a family that cares for a foster child from \$25 to \$30 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 11 Percent



Source: Georgia Department of Human Services

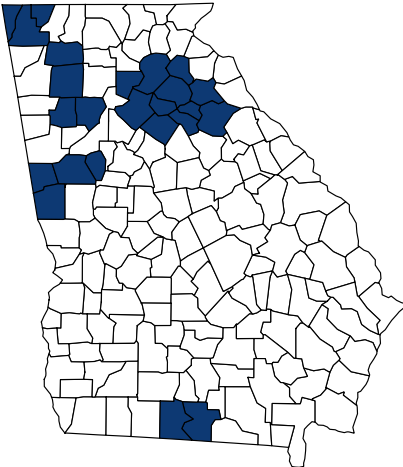
Shrinking Low-Income Support Creates Hardship

Georgians still struggle in many pockets of the state with unemployment, jobs offering low wages and fewer hours than they are willing to work, or simply a scarcity of quality job opportunities. The Department of Human Services 2019 budget includes \$129 million to pay the salaries of hundreds of state employees who administer federal safety-net programs that provide a base level of support for people until they get back on their feet and into the workforce.

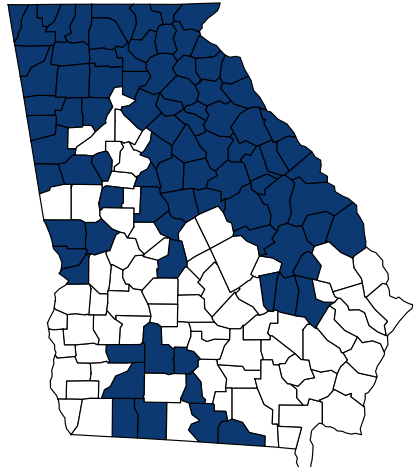
In some ways the landscape for support is shrinking in Georgia. A growing number of counties now limit the length of time childless adults can receive food assistance. In the years since the Great Recession ended, Georgia gradually increased the number of counties where childless adults are required to find a job within three months of receiving food assistance. This can create hardship in the many Georgia counties still coping with high unemployment and job scarcity. These challenges may lead to greater demand for low-income supports and require that Georgia add additional case workers to administer benefits or help participants find work.

Georgia Sees More Counties Using Time Limits on Food Assistance

2017: 24 counties



2018: 93 counties



Source: Georgia Department of Human Services

Substantial Need Remains for Child Care Assistance

Bright from the Start, also known as Georgia's Department of Early Care and Learning, provides access to quality child care 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 continue working. In 2017, the average annual cost of center-based child care for an infant in Georgia was \$7,769. The average cost was \$4,630 for a school-aged child. These costs can easily consume nearly half of a low-income family's budget, depending on family size.

The state's child care subsidy program is a crucial work support and serves about 54,000 children per week. More than 623,000 children in low-income working families are likely in need of affordable, quality care.

Lawmakers added \$5.5 million in the 2018 budget for the child care subsidy program, the first new state money for child care assistance in 10 years. The 2019 budget does not build on that momentum. More robust funding of the state's child care assistance program is still needed to ensure that all Georgia parents with children up to four years old can afford high-quality, center-based child care.

Georgia Child Care Assistance Not in Reach for All Who Need It



Only about
1 in 10
Georgia children
eligible for child care
assistance receive it

Source: Georgia Department of Early Care and Learning

■ Looking Ahead to Next Year

Georgia's rapid population growth means the need is greater than ever for state services and investments key to the quality of life in communities across the state. You might think Georgia's \$26.2 billion spending plan for the 2019 fiscal year, the largest budget in state history, must be adequate to meet the needs of its 10.5 million people.

That is not the case. Rural hospitals are struggling to cover the cost of treating Georgia's uninsured patients. The state's workforce development efforts are falling short for want of a financial lifeline to keep deserving college students in class. Local school districts are in a constant scramble to cover shifted costs of insurance and student transportation once paid from the state treasury.

So, it seems counterintuitive that Georgia lawmakers turned away from more than \$1 billion in new revenue expected from 2017's federal tax changes. That is enough to pay for a comprehensive people-first agenda that can provide families across Georgia with more access to health care, more educational opportunities, widespread child care assistance and even a bottom-up tax cut for the state's working families.

Lawmakers can shore up Georgia's financially struggling health care system and give nearly 500,000 uninsured people access to health care through Medicaid expansion, leveraging \$9 in federal money for every \$1 of the state's investment. The 2018 General Assembly created a potential springboard to college for potential students with a framework for a need-based aid program that will require money to get started.

And while it's commendable that lawmakers fully funded the state's K-12 education in the 2019 budget for the first time in 16 years, the 1985-era formula still dates to a time when fewer than 6 million people called Georgia home and only the rare household owned a personal computer. It's past time for Georgia to assess what it costs to educate schoolchildren in the 21st century and then provide the money to pay for it.

Georgia's 2019 budget should be \$29.5 billion today if state spending kept pace with population and inflation since the turn of the century. That's more than \$3 billion than lawmakers approved. It's a gap that needs to close to ensure a fair and inclusive Georgia where all people prosper.

Contact Us

Georgia Budget and Policy Institute | www.gbpi.org
50 Hurt Plaza SE, Suite 720
Atlanta, Georgia 30303

GBPI's Policy Team

Budget Overview

Taifa Smith Butler, Executive Director
404.420.1324 x 102 | tbutler@gbpi.org

K-12 Education

Stephen Owens, Senior Policy Analyst
404.420.1324 x 105 | sowens@gbpi.org

Health Care

Laura Harker, Policy Analyst
404.420.1324 x 103 | lharker@gbpi.org

Tax and Economic Policy

Wesley Tharpe, Research Director
404.420.1324 x 110 | wtharpe@gbpi.org

Human Services

Alex Camardelle, Senior Policy Analyst
404.420.1324 x 100 | acamardelle@gbpi.org

Higher Education

Jennifer Lee, Policy Analyst
404.420.1324 x 111 | jlee@gbpi.org

GBPI Staff

Jennifer Owens, Deputy Director
404.420.1324 x 107 | jowens@gbpi.org

Jessica Hood, Operations Manager
404.420.1324 x 104 | jhood@gbpi.org

Alex Welch, Communications Associate
404.420.1324 x 112 | awelch@gbpi.org

Eric Strunz, Outreach Manager
404.420.1324 x 106 | estrunz@gbpi.org

John McCosh, Deputy Director of Communications
404.420.1324 x 109 | jmccosh@gbpi.org



www.gbpi.org