

# Sine Die: Overview of Georgia's 2022 Fiscal Year Budget

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Bolstered by billions of dollars in unprecedented support from the federal government, Georgia lawmakers enacted a state budget for Fiscal Year (FY) 2022 (HB 81) that maintains nearly \$850 million in cuts from FY 2020 levels (HB 31), a reduction equivalent to cutting approximately 4 percent of General Funds from the budget.<sup>1</sup> Due in large part to \$90 million in savings from the federal government's decision to pay a higher-than-usual share of the cost of Georgia's Medicaid program due to the COVID-19 pandemic, lawmakers were able to restore about half of the cuts made to public education since the pandemic began, with approximately \$561 million in cuts from FY 2020 funding levels remaining. Members of the General Assembly also moved \$22 million in funding from other state agencies and \$15 million from capital projects to restore a total of about \$127 million in cuts initially proposed in Gov. Kemp's executive budget.<sup>2</sup>

Still, Georgia's FY 2022 budget, which is set to take effect on July 1, 2021, (pending Gov. Kemp's signature and potential line-item vetoes) underfunds pre-K thru 12th grade public schools by \$416 million, maintains \$145 million in cuts to higher education, continues \$44 million in cuts to health services and programs, cuts \$14 million from the Departments of Human Services and Labor and reduces funding for other state agencies by \$230 million.<sup>3</sup>

**Some Cuts Restored by General Assembly, But \$850 Million in Cuts Remain in FY 2022 Budget**

	Governor's proposed FY 2022 budget: cut from pre-pandemic Funding Level (FY 2020)	FY 2022 budget as-passed by General Assembly: cut from pre-pandemic Funding Level (FY 2020)	Net Change
<b>PreK-12 Education</b>	\$418,544,678	\$415,708,812	- \$2,835,866
<b>Higher Education</b>	\$167,238,817	\$145,409,174	- \$21,829,643
<b>Health</b>	\$83,104,271	\$44,043,678	- \$39,060,593
<b>Human Services and Department of Labor</b>	\$27,099,838	\$14,236,258	- \$12,863,580
<b>Criminal Legal System/Public Safety</b>	\$147,513,387	\$145,905,290	- \$1,608,097
<b>Other state agencies</b>	\$99,092,258	\$83,792,207	- \$15,300,051
<b>Total</b>	<b>\$942,593,249</b>	<b>\$849,095,419</b>	<b>- \$93,497,830</b>

Source: The Governor's Budget Report, AFY 2021 and FY 2022; House Bill 31 (2019); House Bill 81 (2021).

**Georgia Relies on Influx of Federal Aid to Fund Pandemic Response, Needs of Georgians**

In the FY 2022 budget, lawmakers also recognized that Georgia is set to receive over \$12.5 billion in federal funding authorized through the American Rescue Plan (ARP) that will direct \$4.3 billion to Georgia’s elementary and secondary schools, \$1.5 billion to the state’s child care programs, \$1.2 billion in emergency relief for higher education institutions and students and hundreds of millions more targeted to address needs from hunger to rural public transportation. Most significant to the state government is \$4.7 billion in emergency aid, along with \$262 million in aid for capital projects to stimulate the state’s economy and address long-overdue needs like rural broadband. This federal aid can be used from the point when it is received—likely through two payments up to 12 months apart—through December 31, 2024.

Georgia could also face a significant penalty due to tax legislation passed by the General Assembly during the 2021 legislative session, including a measure to slightly increase the state standard deduction that is estimated to cost \$199 million from FY 2022-23.<sup>4</sup> This is likely to be the costliest measure (House Bill 593), along with Senate Bill 6, which includes several tax credits and economic incentives.<sup>5</sup> The provision of the ARP means that if any state changes its laws in a way that reduces net tax revenue any time after March 3, 2021, and before the state has spent its entire federal allocation (or by 2024), the U.S. Department of Treasury may deduct an equivalent amount from the aid received by the state. This ensures that the federal relief targets families who need aid and prevents states from using the short-term federal resources to enact costly tax cuts.

Left unaddressed in Georgia's FY 2022 budget is the fate of the state's Medicaid waiver and the nearly 500,000 Georgians who could be covered under the federal Affordable Care Act (ACA). Gov. Kemp included \$76 million in his proposed budget to cover a partial expansion of the state's Medicaid program that was intended to provide coverage to approximately 10 percent of the Georgians otherwise eligible under the ACA, at a recurring cost of up to seven times that of traditional Medicaid expansion, per enrollee.

The implementation of this plan is contingent on the Biden administration approving state waivers that would reduce the number of Georgians eligible for Medicaid through work requirements and other burdensome barriers to accessing care. Gov. Kemp's waiver plan appears likely to be rejected by federal regulators. However, the ARP includes a new incentive for full Medicaid expansion that would grant the state an additional \$1.4 - \$1.9 billion in immediate federal aid in exchange for adopting the same Medicaid eligibility guidelines implemented by 38 other states, allowing Georgians making up to 135 percent of the federal poverty level to enroll in Medicaid.<sup>6</sup> This influx of new federal funding is enough to cover all the costs associated with Medicaid expansion for up to nine years.<sup>7</sup>

In the weeks ahead, the state will receive at least 50 percent of its emergency aid allotment from the ARP, along with more specific instructions from the U.S. Department of Treasury. Gov. Kemp and state lawmakers have not yet put forward specific plans for using the funds to address Georgia's immediate needs and pandemic recovery. However, the legislation specifically authorizes the state to use relief funds to fill budget cuts—with \$516 million in cuts to public education and \$44 million in cuts to health care programs and services set to continue in the FY 2022 budget—and Gov. Kemp and lawmakers should commit to using a share of the state's ARP funds to address these cuts before the budget goes into effect on July 1, 2021.

The ARP also authorizes states to use federal funds for direct payments to provide aid to Georgians affected by the COVID-19 pandemic. Currently, over 3.5 million Georgians are eligible for the Earned Income Tax Credit (EITC), including 1.5 million children.<sup>8</sup> Georgia

could target funds through a direct payment to those receiving the EITC, valued up to \$500 for low-to-middle income families making up to \$60,000 per year at a cost of about \$300 million. Direct payments could also be structured to benefit those who have been most financially harmed by the COVID-19 pandemic.

## **Conclusion**

As the state continues to receive an unprecedented wave of federal aid to assist Georgians, along with state and local governments, lawmakers should leverage the \$4.7 billion in flexible funding granted to the state to first restore the cuts made to core areas of government, then provide aid to Georgians most affected by the pandemic and in need of greater financial support. At the same time, however, state leaders should work to ensure that our state is prepared to fund its obligations to its residents over the medium-to-long-term after federal assistance expires.

It is worth noting that Georgia has preserved \$2.7 billion in reserves, equivalent to about 11 percent of General Fund revenues. Furthermore, lawmakers have left on the table numerous bipartisan, commonsense proposals to raise revenue, including lifting Georgia's rock-bottom tobacco tax and rolling back ineffective special interest tax credits for corporations as the state is expected to grant more than \$10 billion in tax breaks next year. It is clear that much more can and must be done to use the resources available to state leaders to aid Georgians harmed by the COVID-19 pandemic and to contribute to a more equitable economic recovery.

## Appendix I: Summary of Budget Cuts for FY 2022

Pre-K through K-12 Education	
Department of Early Care and Learning (General Funds)	-\$3,496,953
QBE Funding Formula for K-12 Schools	-\$393,148,857
Georgia Network for Educational and Therapeutic Support (GNETS)	-\$10,380,835
Pre-school disability services	-\$7,240,013
Regional Education Service Agencies (RESAs)	-\$247,536
Technology/Career Education	-\$1,194,618
<b>Total (FY 2020 Expenditures to FY 2022):</b>	<b>-\$415,708,812</b>

Source: HB 81 (2021) as passed by General Assembly.

Higher Education	
Agricultural Experiment Station (Cooperative Extension Service)/Tifton Veterinary Labs Laboratories Contract	\$559,138
Enterprise Innovation Institute	-\$8,547,024
Forestry Research and Forestry Cooperative Extension	-\$199,792
Georgia Archives	-\$472,468
Georgia Research Alliance	\$976,655
Marine Institute and Marine Resources Extension Center	-\$120,003
Medical College of Georgia Hospital and Clinics	\$3,346,649
Public Service/Special Funding Initiatives	-\$5,172,301
Regents Central Office	-\$1,635,923
Teaching	-\$103,668,151
Veterinary Medicine Experiment Station	-\$434,518
University System of Georgia subtotal	-\$115,367,738
TCSG	-\$30,041,436
<b>Total (FY 2020 Expenditures to FY 2022):</b>	<b>-\$145,409,174</b>

Source: HB 81 (2021) as passed by General Assembly.

Health	
Department of Behavioral Health and Developmental Disabilities (DBHDD)	-\$32,507,601
Adult Addictive Diseases Services	-\$2,910,750
Adult Developmental Disabilities Services	\$10,827,281
Adult Mental Health Services	\$2,088,119
Child and Adolescent Mental Health Services	-\$22,028,241
Departmental Administration	-\$12,061,651
Direct Care Support Services	-\$15,540,269
Georgia Council on Developmental Disabilities	-\$14,000
DBHDD subtotal	-\$39,639,511
Public Health (General Funds, FY 2020 (HB 31) to FY 2022)	-\$4,404,167
<b>Total (FY 2020 Expenditures to FY 2022):</b>	<b>-\$44,043,678</b>

Source: HB 81 (2021) as passed by General Assembly.

Human Services/Economic Mobility (State General Funds)	
Department of Human Services	-\$13,256,279
Labor	-\$979,979
<b>Total (FY 2020 (HB 31) to FY 2022):</b>	<b>-\$14,236,258</b>

Source: HB 81 (2021) as passed by General Assembly.

<b>Criminal Justice (State General Funds)</b>	
Corrections	-\$82,858,378
Community Supervision	-\$19,627,057
Public Safety	-\$4,542,771
State Board of Pardons and Paroles	-\$1,658,671
Juvenile Justice	-\$37,218,413
<b>Total (FY 2020 (HB 31) to FY 2022):</b>	<b>-\$145,905,290</b>

Source: HB 81 (2021) as passed by General Assembly.

Subtotal	-\$765,303,212
Other agencies	-\$83,792,207
<b>Total Cuts FY 2020 (HB 31) to FY 2022 (HB 81)</b>	<b>-\$849,095,419</b>

Source: HB 81 (2021) as passed by General Assembly.

## Appendix II: Summary of Federal Aid

Purpose	Agency	Total
Governor's Office	State aid (Governor's Office)	\$4,654,502,000
Elementary and Secondary School Relief	DOE	\$4,249,371,000
Higher Education Emergency Relief Fund	USG	\$1,209,358,000
Child care stabilization block grant	DECAL	\$970,772,000
Child Care and Development Block Grant	DECAL	\$606,960,000
COVID-19 Capital Projects Fund	State aid (Governor's Office)	\$261,682,000



Purpose	Agency	Total
Low income energy assistance	DHS	\$117,918,000
Special education grants for the states	DOE	\$89,976,000
Emergency assistance to non-public schools	DOE	\$65,585,000
Prevention and treatment substance abuse grant	DBHDD	\$45,985,000
Community mental health services (children and adolescents and adults)	DBHDD	\$45,491,000
Head Start	DECAL	\$26,728,000
Pandemic emergency assistance	DHS	\$22,004,000
Aging nutrition services	DHS	\$20,365,000
Increase in federal matching funds CCDF	DECAL	\$17,504,000
Supplemental nutrition (WIC)	DPH	\$13,267,000
Emergency food and shelter program	DCA	\$12,351,000
Aging supportive & senior centers	DHS	\$12,345,000
Child abuse prevention grants	DHS	\$8,397,000
Museum and library grants	USG	\$4,333,000
Family caregiver support	DHS	\$3,812,000
Child abuse and neglect grants	DHS	\$3,336,000
Emergency Management Performance Grants	GEMA	\$2,679,000
Federal transit grants for rural areas	DOT	\$1,558,000
Aging disease prevention and health promotion	DHS	\$1,206,000
National Endowment for the Humanities grants	Economic Development	\$1,142,000

Purpose	Agency	Total
Georgia Council for the Arts	Economic Development	\$914,000
Capital Assistance Programs for Elderly and Disabled	DHS	\$642,000
Long-term Care Ombudsman services	DHS	\$274,000
<b>Total</b>		<b>\$12,470,457,000</b>

Source: HB 81 (2021) as passed by General Assembly.

## End Notes

<sup>1</sup> GBPI Analysis: Governor's Office of Planning and Budget. The Governor's Budget Report, AFY 2021 and FY 2022. <https://opb.georgia.gov/budget-information/budget-documents/governors-budget-reports>; House Budget and Resource Office. (2019, March 27). House Bill 31, LC 34 5480. [https://www.legis.ga.gov/api/document/docs/default-source/house-budget-and-research-office-document-library/2020\\_fiscalyear/fy\\_2020\\_bill\\_conf\\_cmte.pdf?sfvrsn=eda5ba25\\_2](https://www.legis.ga.gov/api/document/docs/default-source/house-budget-and-research-office-document-library/2020_fiscalyear/fy_2020_bill_conf_cmte.pdf?sfvrsn=eda5ba25_2); House Budget and Resource Office. (2021, March 31). House Bill 81, LC 34 5728. [https://www.legis.ga.gov/api/document/docs/default-source/house-budget-and-research-office-document-library/2022\\_fiscalyear/fy\\_2022\\_bill\\_conference\\_committee\\_substitute\\_\(hb\\_81\).pdf?sfvrsn=d6e40e27\\_2](https://www.legis.ga.gov/api/document/docs/default-source/house-budget-and-research-office-document-library/2022_fiscalyear/fy_2022_bill_conference_committee_substitute_(hb_81).pdf?sfvrsn=d6e40e27_2)

<sup>2</sup> Ibid.

<sup>3</sup> GBPI Analysis of: House Budget and Resource Office. (2019, March 27). House Bill 31, LC 34 5480. [https://www.legis.ga.gov/api/document/docs/default-source/house-budget-and-research-office-document-library/2020\\_fiscalyear/fy\\_2020\\_bill\\_conf\\_cmte.pdf?sfvrsn=eda5ba25\\_2](https://www.legis.ga.gov/api/document/docs/default-source/house-budget-and-research-office-document-library/2020_fiscalyear/fy_2020_bill_conf_cmte.pdf?sfvrsn=eda5ba25_2); House Budget and Resource Office. (2021, March 31). House Bill 81, LC 34 5728. [https://www.legis.ga.gov/api/document/docs/default-source/house-budget-and-research-office-document-library/2022\\_fiscalyear/fy\\_2022\\_bill\\_conference\\_committee\\_substitute\\_\(hb\\_81\).pdf?sfvrsn=d6e40e27\\_2](https://www.legis.ga.gov/api/document/docs/default-source/house-budget-and-research-office-document-library/2022_fiscalyear/fy_2022_bill_conference_committee_substitute_(hb_81).pdf?sfvrsn=d6e40e27_2)

<sup>4</sup> <https://gbpi.org/adding-up-the-fiscal-notes-crossover-day-2021/>

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<sup>5</sup> Ibid.

<sup>6</sup> Harker, L. (2021, March 17). *Medicaid is now an even better deal for Georgia*. GBPI.  
<https://gbpi.org/medicaid-is-now-an-even-better-deal-for-georgia/>

<sup>7</sup> Ibid.

<sup>8</sup> Institute on Taxation and Economic Policy, March 2021.