



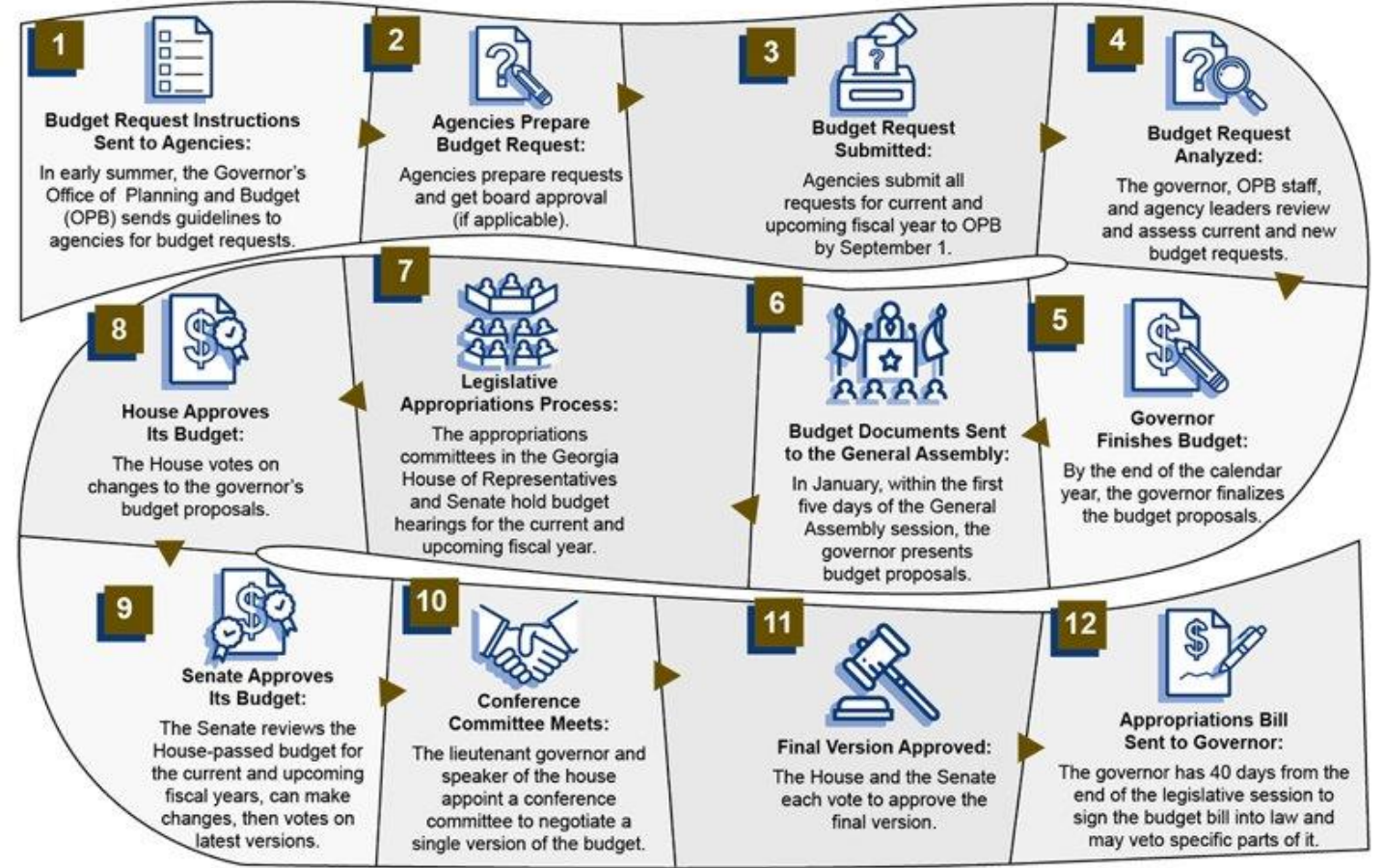
Georgia's FY 2023 State Budget Overview

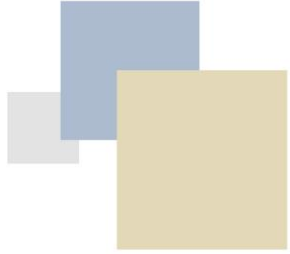
Danny Kanso



GEORGIA'S BUDGET PROCESS

- Fiscal Year starts July 1
- Georgia budget process begins with the executive budget proposal submitted by the Governor
- Legislation starts in Georgia House of Representatives
- General Assembly considers both full year FY 2023 and amended year 2022 budget





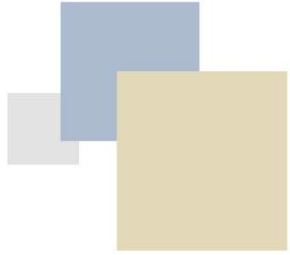
FY 2023 & AFY 2022 Budget Overview

- FY 2023 budget restores most cuts made from FY 2021-22, adding 11 percent or \$3 billion as part of \$30.2 billion budget
- Because of lingering effects of Great Recession, state spending remains slightly below FY 2008 levels (\$2,775 versus \$2,796)
- FY 2023 Budget includes:
 - \$383 million to restore QBE cuts
 - \$518 million for \$2k salary increases for certified educators + university system educators
 - \$230 million to eliminate Special Institutional Fee
 - \$124 million reinsurance waiver, plus other elements of Kemp plan
 - Costly prison purchase/construction plan (\$433 million in AFY 2022 general funds + \$168 million in FY 2023 bond funding)

Georgia's State Spending in FY 2023 Still on Track to Remain Just Below Pre-Great Recession Levels

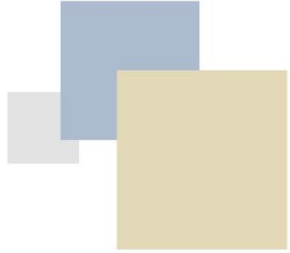
Year	Population	Total State Budget	Spending per person
FY 2023	10,883,984	\$30,203,913,322	\$2,775
FY 2022	10,797,603	\$27,252,569,596	\$2,524
FY 2008	9,697,838	\$27,119,658,915	\$2,796

Source: Governor's Budget Report Amended FY 2022 and FY 2023; Governor's Budget Report Amended FY 2009 and AFY 2008; Ben Ayers, Terry College of Business, Georgia Economic Outlook Presentation; U.S. Bureau of Labor Statistics, Inflation Calculator: January 2009 – December 2021.



Pay Raises To Combat All-time High State Employee Turnover

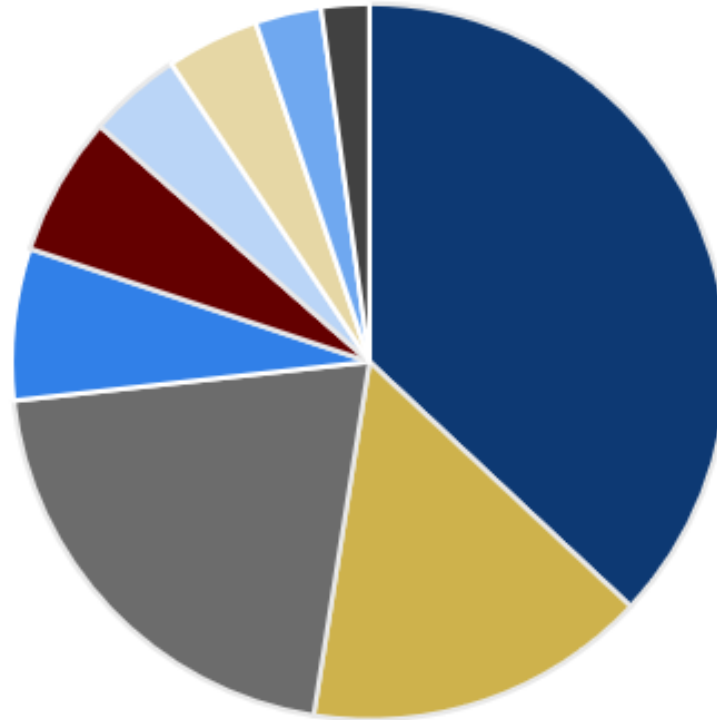
- FY 2023 budget proposal also includes \$5k cost of living raise for state employees + increase in 401(k) match & paid leave
- At end of FY 2021, employee turnover rate averaged 23% -- all-time high (up to 90+% in some positions)
- GA state full-time workforce at 76k employees, down 9% since FY 2019 & down 25% since Great Recession
- Demographics: 65% of employees are women, 46% Black, 3% Hispanic
- Median pay of \$39k



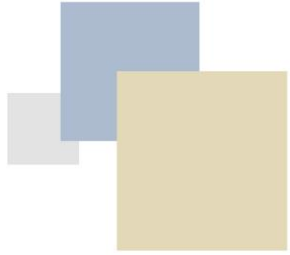
FY 2023 State Spending Overview

Education and Health Care Equal 73 Percent of \$30.2 Billion Budget for Fiscal Year 2023

- Pre-K-12 Education (37.0%)
- Higher Education (15.5%)
- Health Care (20.8%)
- Transportation (6.9%)
- Corrections (6.3%)
- General Government (4.2%)
- Debt Service (4.2%)
- Human Services (3.0%)
- Other Public Safety and State Courts (2.2%)



Source: Governor's Budget Report Amended FY 2022 and FY 2023.



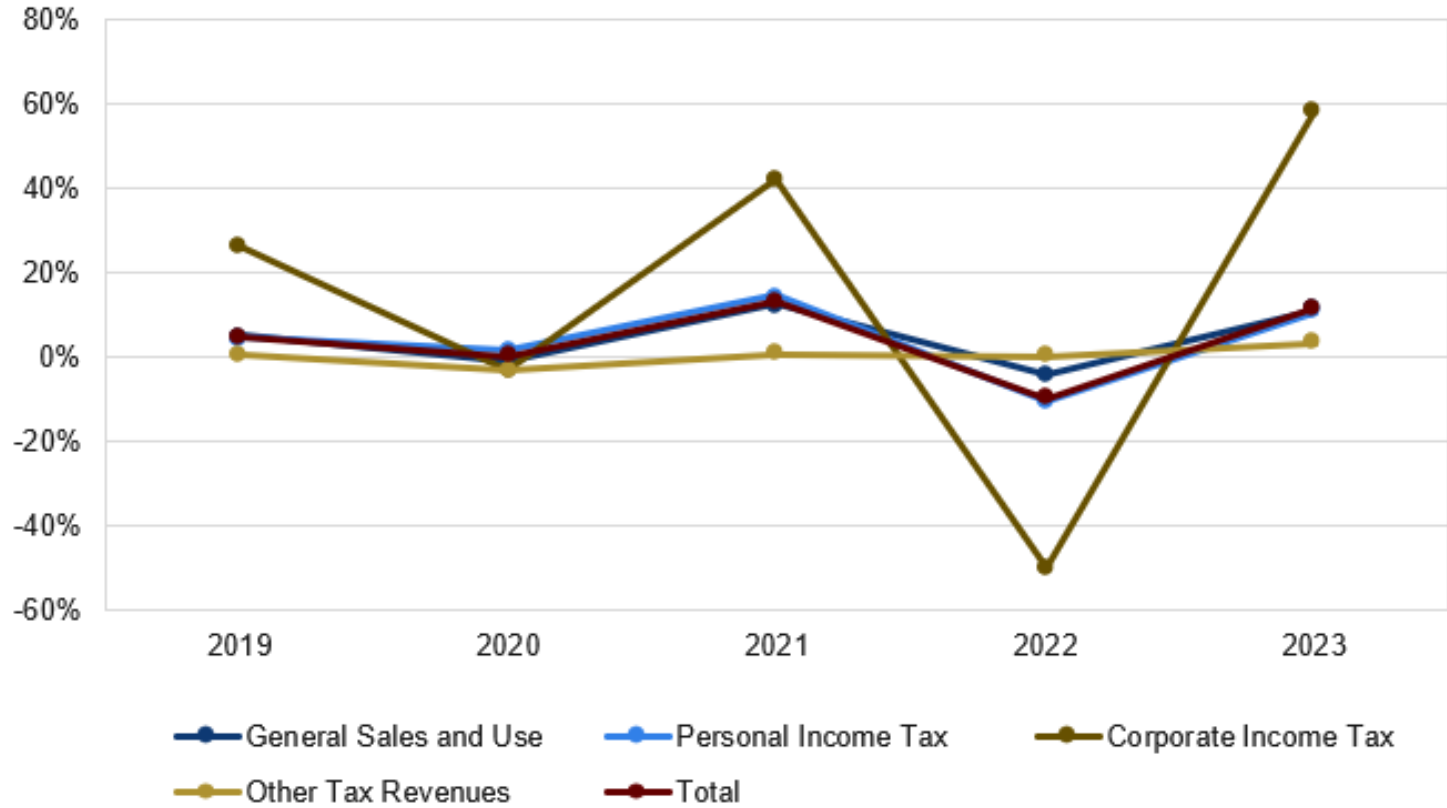
Where Does Georgia's Money Come From?

- Income Tax: Largest source of revenue (51%)
- Sales Tax (25%)
- Other Taxes and Fees (12%)
- Designated Funds (12%) (Motor Fuel, Lottery, Tobacco Settlement, etc.)
- FY 2022 to 2023 Changes to Revenue Estimate (projected):
 - Personal income tax up 11% (\$1.4 billion)
 - Sales Tax up 11% (\$753 million)
 - Corporate income tax up 59% (\$516 million)
 - Other tax revenues up 3% (\$133 million)

Revenue Estimate, 2023 Fiscal Year	
Income Taxes	15,498,885,959
Personal Income Tax	14,101,897,565
Corporate Income Tax	1,396,988,394
Sales Tax	7,402,314,196
Other Taxes and Fees	3,519,890,274
Motor Vehicle Title Tax (TAVT)	650,000,000
Motor Vehicle License Free	370,000,000
Other Transportation Fees (Motel excise tax, highway impact fees, for-hire ground transportation tax)	210,960,527
Insurance Premium Tax	560,000,000
Tobacco Tax	237,000,000
Alcohol Beverage Tax	245,000,000
Fireworks excise tax	1,700,000
Hospital Provider Payments	380,916,567
Nursing Home Provider Fees	162,388,579
All Other Interest, Fees and Sales	701,924,601
Designated Funds	3,571,862,366
Motor Fuel Tax & Interest	2,002,887,881
Lottery Funds	1,418,726,951
Tobacco Settlement Funds	148,525,344
Brain & Spinal Injury Trust Fund	1,611,604
Safe Harbor for Sexually Exploited Children Fund	110,586
Total	30,203,913,322

Source: Governor's Budget Report Amended FY 2022 and FY 2023

Georgia's Revenues Remain Volatile, Rebound from Anticipated Slump



Source: Governor's Budget Report Amended FY 2022 and FY 2023; Governor's Budget Report Amended FY 2021 and FY 2022.



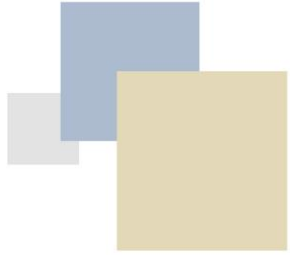
Pre-K-12 Education

- \$383 million to close QBE cuts in AFY 2022 and FY 2023 (underfunded in 11 of 14 most recent years since Great Recession at cost of over \$7 billion)
- \$2k pay raise for certified educators in FY 2023 and one-time salary supplement in AFY 2022
- \$188 million for school buses in AFY 2022 (est. 1,747 buses at cost of \$88k, likely to be more costly to replace aging fleet)
- Gaps: funding for students in poverty (44 other states), Sparsity Grant funded at 25%, more transportation funding needed



Higher Education

- \$230 million to restore funding to teaching formula for USG institutions and to eliminate the Special Institutional Fee on students (created in 2009)
- \$231 million for \$5k pay raise for educators
- Covers an increase in tuition payments for HOPE Scholarship/Grant up to 90% for all USG and TCSG programs
- Adds Law Enforcement and Criminal Justice to the 17 fields currently covered under the HOPE Grant at 100% tuition
- Needs-based scholarship remains unfunded



Health Care

- Medicaid: \$38 million for express enrollment for children/recipients of SNAP and TANF; coverage increased for new mothers from 6 to 12 months
- \$129 million to Developmental Disabilities and Behavioral Health, some cuts remain
- FY 2023 budget includes \$124 million for reinsurance program for ACA exchange (record enrollment of 654k)
- Budget also includes \$16 million to abandon ACA federal marketplace
- \$26% increase in public health including \$10 million for AIDS Drug Assistance and Health Insurance Continuation Program

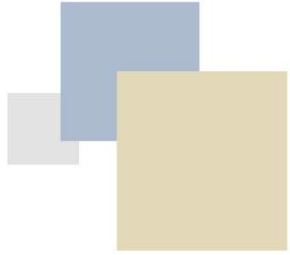
State Uninsured Rate Remains High As Kemp Medicaid Proposal Is Blocked

Total People Covered is Highest and Cost Per-Enrollee Lowest Under Full Medicaid Expansion

	Partial Medicaid expansion waiver (As approved)	Partial Medicaid expansion waiver (Work requirement removed)	Full Medicaid expansion
Estimated enrollment in first year	31,093	269,000	481,956
Estimated state cost in first year	\$75 million	\$651 million	\$239 million
Cost per-enrollee	\$2,420	\$2,420	\$496

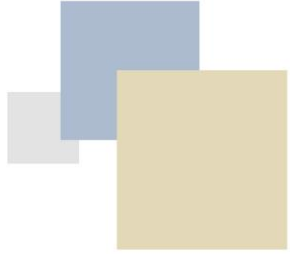
Source: Harker, Laura. February 17, 2021. "Expand Medicaid Fully; Reject Risky and Expensive State Plan." Georgia Budget & Policy Institute.

GEORGIA BUDGET & POLICY INSTITUTE  GBPI.org



Tax and Budget

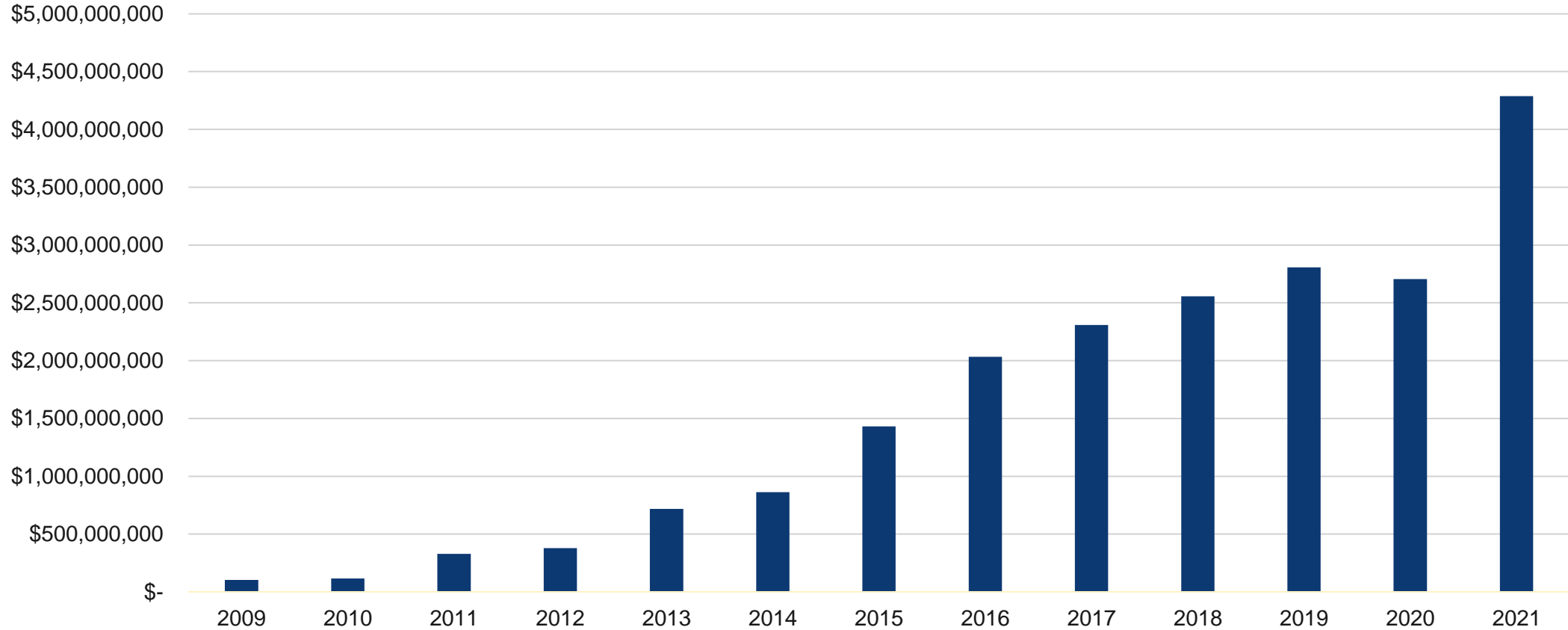
- Gov. Kemp's AFY 2022 budget proposes using \$1.6 billion of \$3.8 billion prior year surplus for refund payments of \$250-500
- State leaders still have not made decisions on most of \$4.7 billion in flexible ARP funding
- Georgia has opportunity to enact Earned Income Tax Credit, Strengthen Child and Dependent Tax Credit, and invest in working families
- Risky tax proposals would jeopardize recovery



State Debt Remains Low, But Budget Proposes \$600 Million For Prisons

- State of GA uses bond debt to take advantage of AAA bond rating for capital construction and long-term investments at more manageable cost
- Georgia's constitution permits a max annual debt service of 10 percent, but state currently projects debt service of 5.5 percent or \$1.3 billion
- AFY 2022 budget would dedicate \$433 million in general funds to purchase a new state prison and \$168 million in FY 2023 for transformation project that also includes building an additional 3,000-person capacity prison

State Savings Account Reaches Record High With \$3.8 Billion Surplus





As State Charts Recovery, Consensus Revenue Options Remain

- Raise tobacco tax to the national average (\$700 million)
- Close the double deduction loophole, Georgia is 1 of 4 states allowing some to collect an itemized deduction for state taxes paid (\$175 million)
- Make Georgia's tax code more transparent; Manage expensive tax breaks by instituting caps, eliminating wasteful loopholes, and eliminating transferability (\$1 billion+)
- Repeal low-economic return exemptions in the state income tax code that primarily benefit high-income earners (total of over \$10+ billion in tax breaks, FY 2022 estimate)