11-12-2015

A Briefing on Georgia's Budget: The Big Picture

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THE CENTER FOR STATE AND LOCAL FINANCE

Nov. 12, 2015

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Georgia State University | Andrew Young School
Center for State & Local Finance

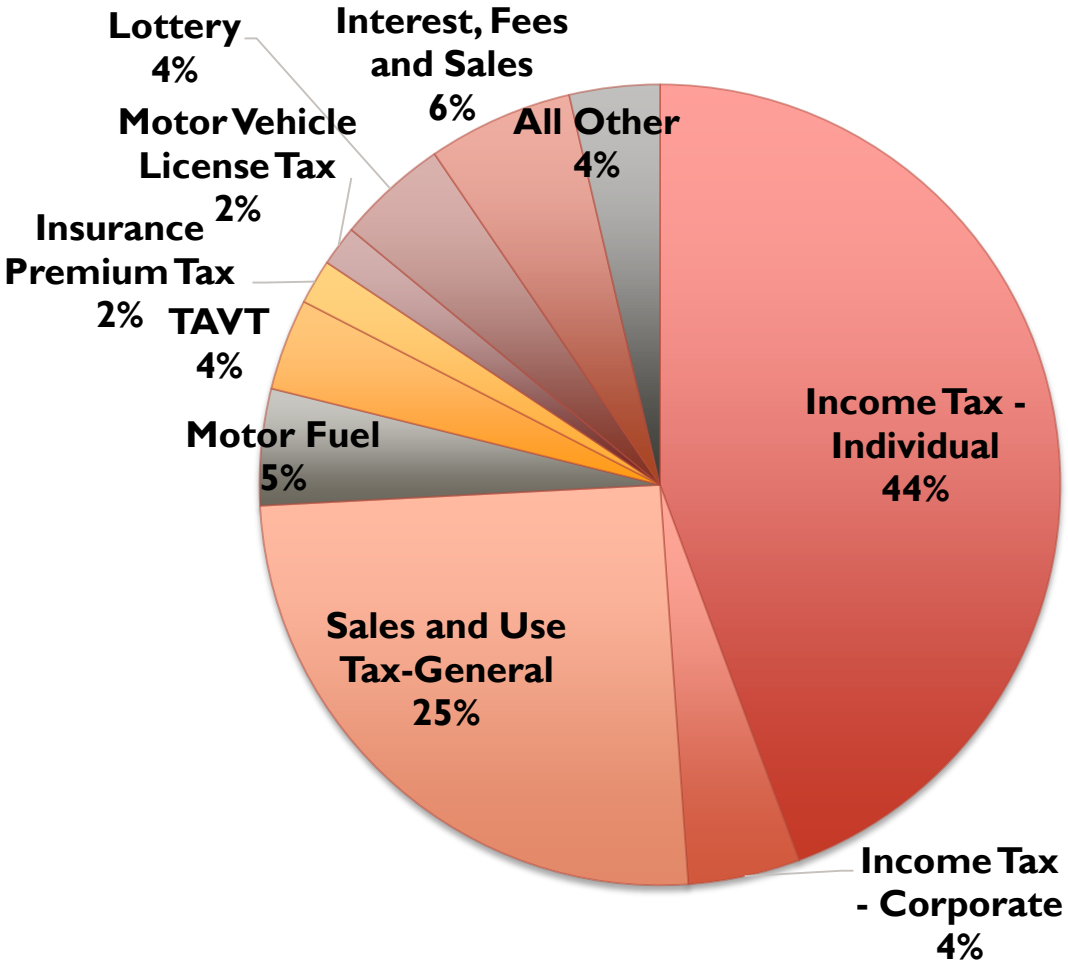
Overview

- Georgia's Revenues
  - Economic drivers of current revenue situation
  - Loss of efficiency in tax system
- Georgia's Expenditures
  - Overview
  - PreK-12
  - Higher Education
  - Medicaid
  - Transportation
- Georgia's Internal Pressures
- Conclusions

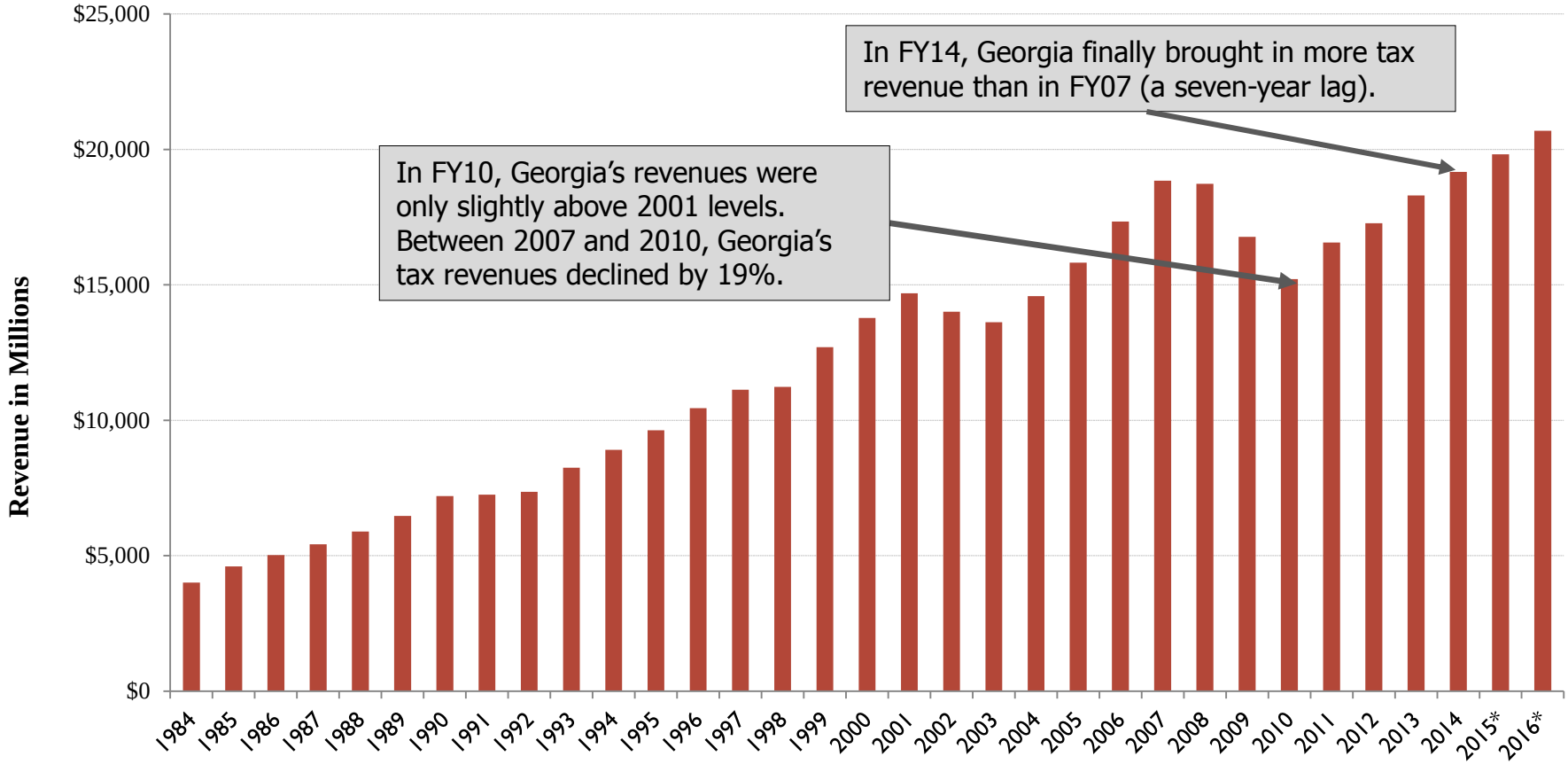
Revenues

Georgia's revenue dilemmas are largely structural.

Georgia's State Fund Revenues (FY 2015A)

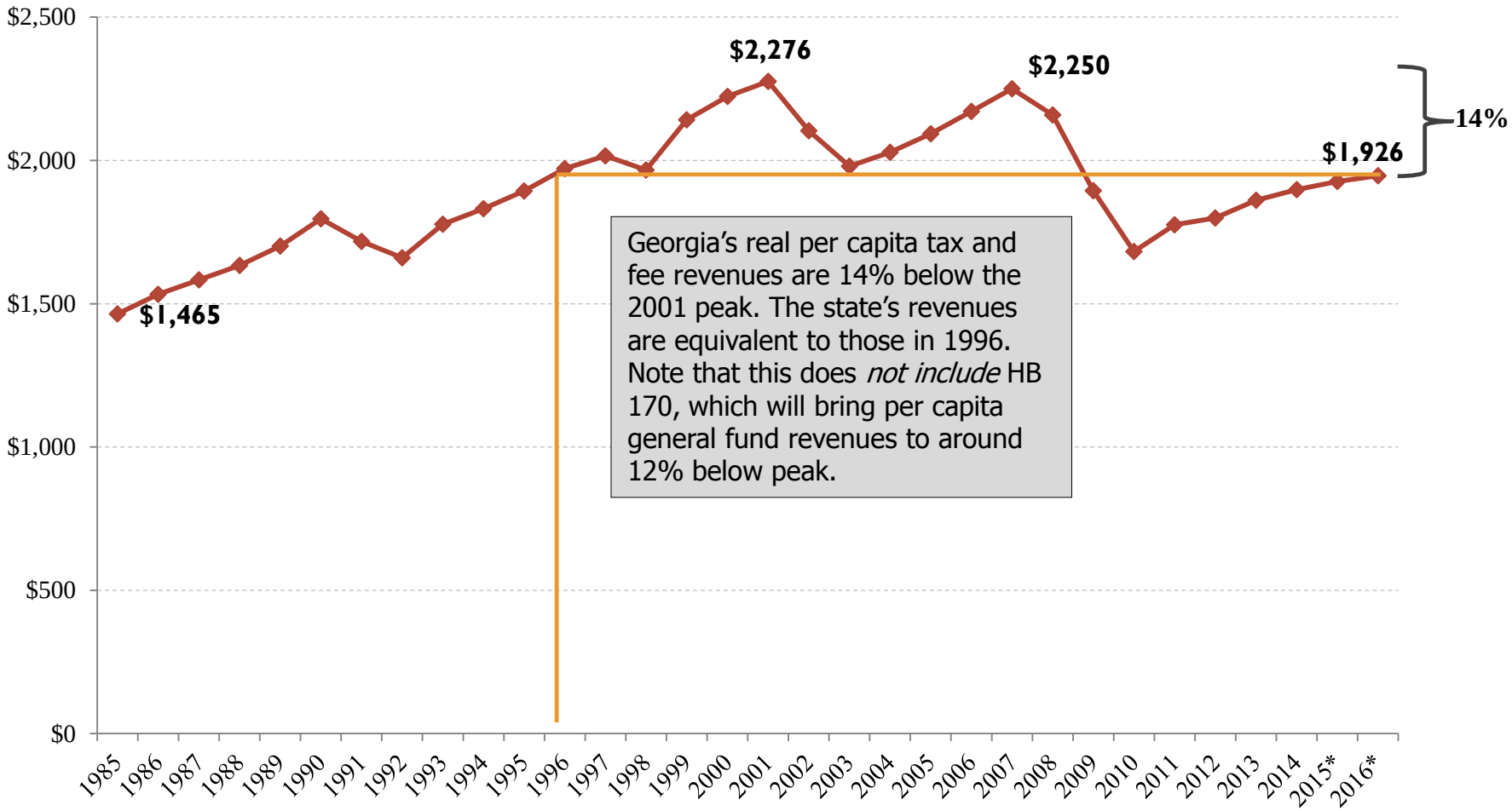


Georgia's General Fund Revenues 1984-2016



Data Sources: State Budgets/Budget in Brief FY15A-FY16
FY16 does not include HB 170, the Transportation Funding Act of 2015

Georgia's Real per Capita General Fund Revenues (2014 dollars)



Data Sources: State Budgets/Budget in Brief, Bureau of Economic Analysis GDP Deflator; Moody's Economy.com GDP forecast data.

Georgia State Revenues Compared to Other States

TABLE 5. GEORGIA'S STATE REVENUE PORTFOLIO (2013 DOLLARS)

State Revenue Portfolio (Real Per Capita)	FY 1995 per capita	Rank	FY 2005 per capita	Rank	FY 2010 per capita	Rank	FY 2013 per capita	Rank
General Revenue from Own Sources	$2,344	44	$2,630	49	$2,206	50	$2,381	50
Taxes (i)	$1,869	40	$2,042	42	$1,608	50	$1,783	49
Property Tax	$6	24	$9	24	$9	21	$6	22
General Sales Tax	$697	23	$692	34	$529	40	$528	41
Selective Sales Tax	$182	50	$216	50	$180	50	$213	49
Individual Income Tax	$757	19	$954	19	$763	26	$878	28
Corporate Income Tax	$129	23	$93	38	$74	35	$80	41
Motor Vehicle License Tax	$41	46	$37	46	$31	46	$46	42
Other Taxes	$57	45	$41	50	$21	50	$32	49
Charges and Miscellaneous Revenue	$475	44	$588	49	$598	48	$598	49
Current Charges	$262	45	$325	45	$384	45	$368	47
Miscellaneous General Revenue	$213	42	$263	47	$214	49	$230	48
Intergovernmental Revenue	$1,029	36	$1,284	46	$1,762	39	$1,463	41
Federal Government	$1,017	32	$1,264	46	$1,734	37	$1,433	39

Georgia State & Local Revenues Compared to Other States

TABLE 3. GEORGIA'S STATE AND LOCAL REVENUE PORTFOLIO (2013 DOLLARS)

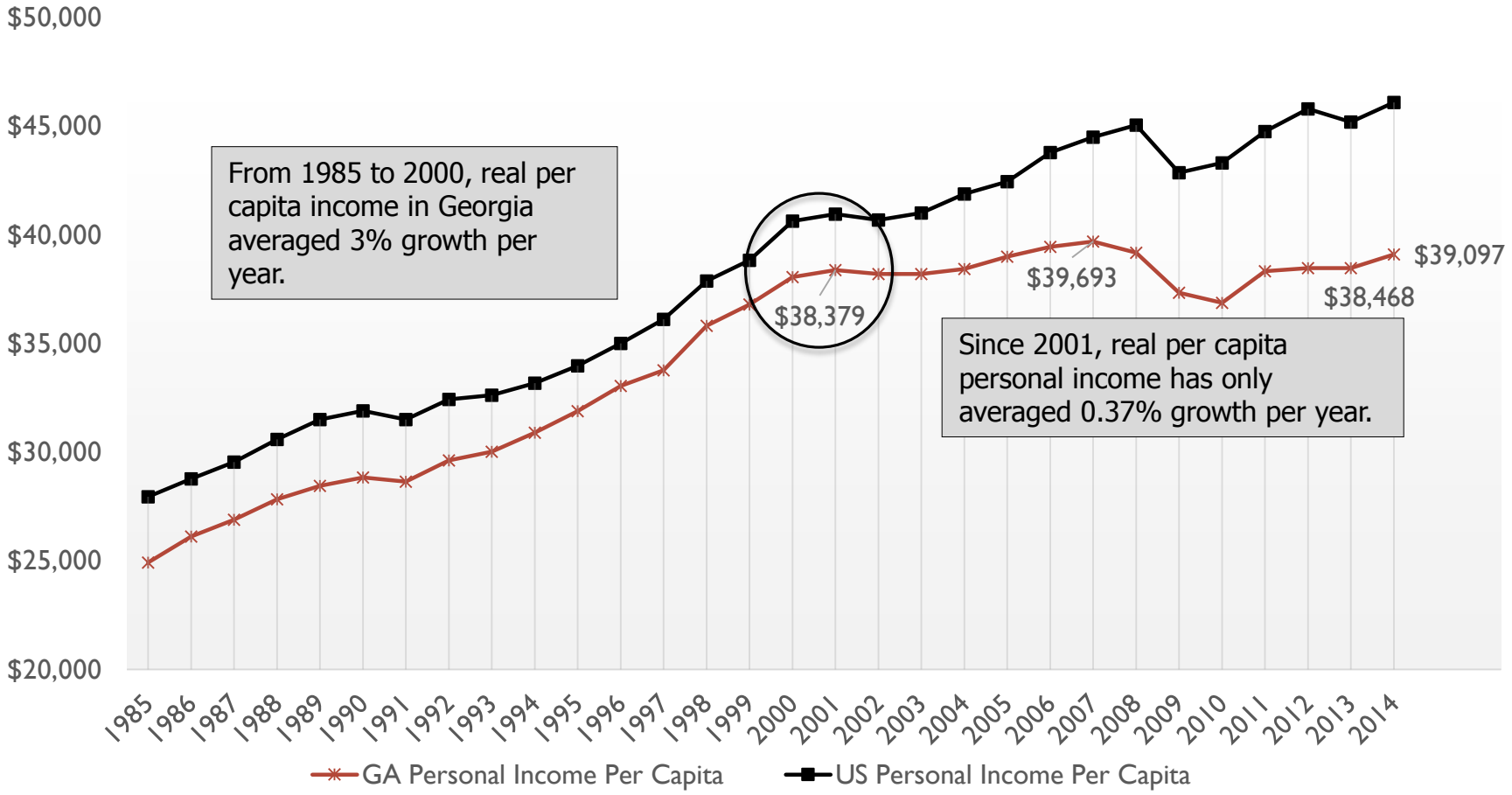
State and Local Revenue Portfolio (Real Per Capita)	FY 1995 per capita	Rank	FY 2005 per capita	Rank	FY 2010 per capita	Rank	FY 2013 per capita	Rank
General Revenue from Own Sources	$4,650	33	$5,158	44	$4,953	47	$4,960	49
Taxes (i)	$3,141	32	$3,580	38	$3,282	44	$3,323	47
Property Tax	$885	33	$1,070	34	$1,149	34	$1,011	33
General Sales Tax	$955	13	$998	22	$917	27	$916	26
Selective Sales Tax	$275	48	$322	47	$289	49	$322	47
Individual Income Tax	$757	23	$954	21	$763	29	$878	33
Corporate Income Tax	$129	24	$93	39	$74	35	$80	42
Motor Vehicle License Tax	$41	46	$37	49	$31	48	$46	48
Other Taxes (ii)	$101	45	$106	51	$59	50	$71	51
Charges and Miscellaneous Revenue	$1,509	25	$1,578	46	$1,671	44	$1,637	44
Current Charges	$1,042	16	$1,075	36	$1,225	34	$1,184	28
Miscellaneous General Revenue	$467	43	$503	48	$446	49	$452	47
Intergovernmental Revenue	$1,099	34	$1,378	47	$1,873	41	$1,578	42
Federal Government	$1,099	34	$1,378	47	$1,873	41	$1,578	42

Georgia's own state and local revenues are equal to 13% of personal income, rank is 43rd; state and local tax revenues are 9% of percent of personal income, rank is 39th.

Economic Shifts

A large portion of Georgia's revenue problems are grounded in a fundamental economic shift.

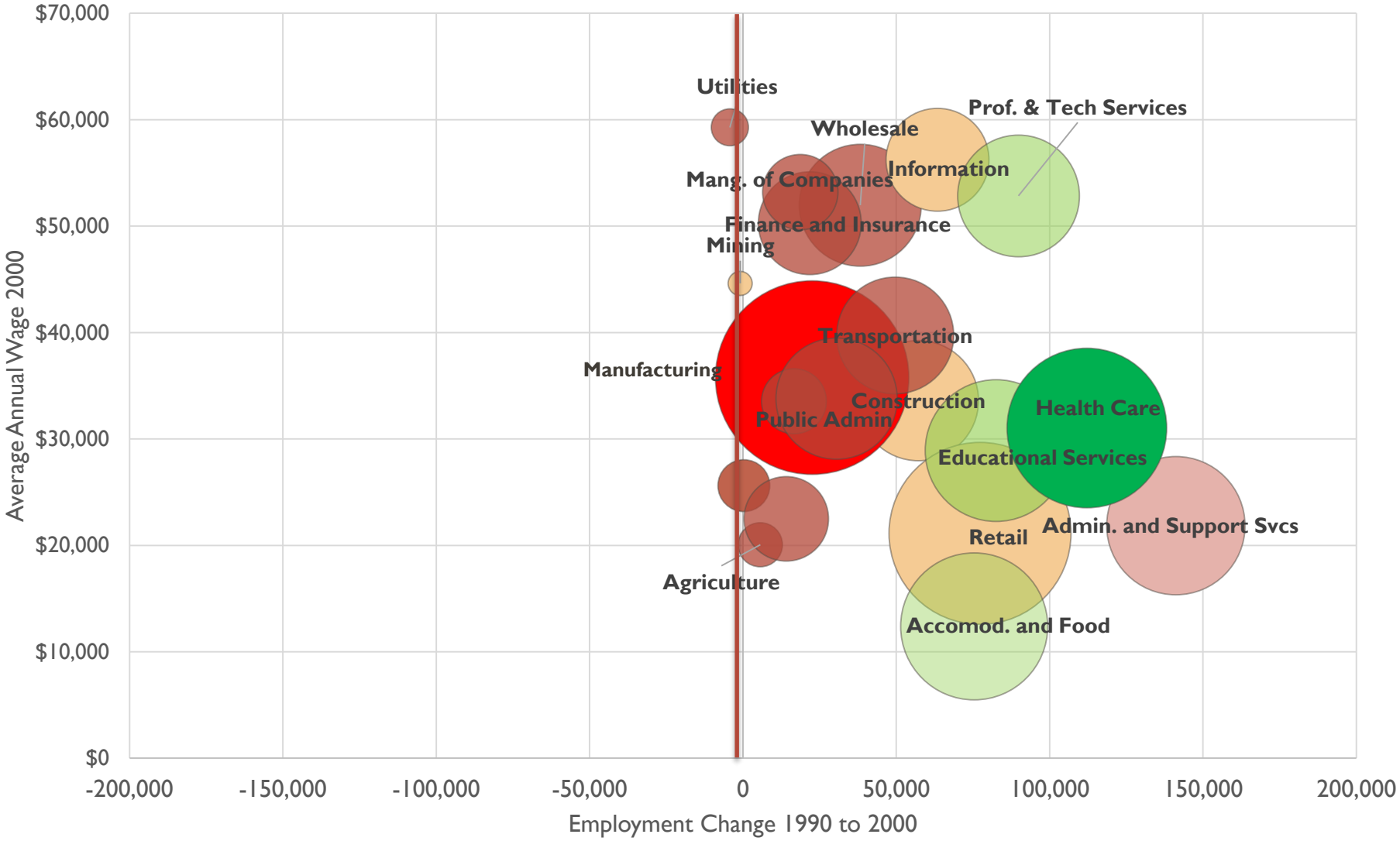
Inflation Adjusted Personal Income Per Capita (2014 dollars)



Data Sources: Bureau of Economic Analysis, GDP Deflator. BLS Regional and State Employment and Unemployment. For more discussion of these issues see: Fiscal Research Center Reports #263 and #253.

Georgia Employment Growth and Wages

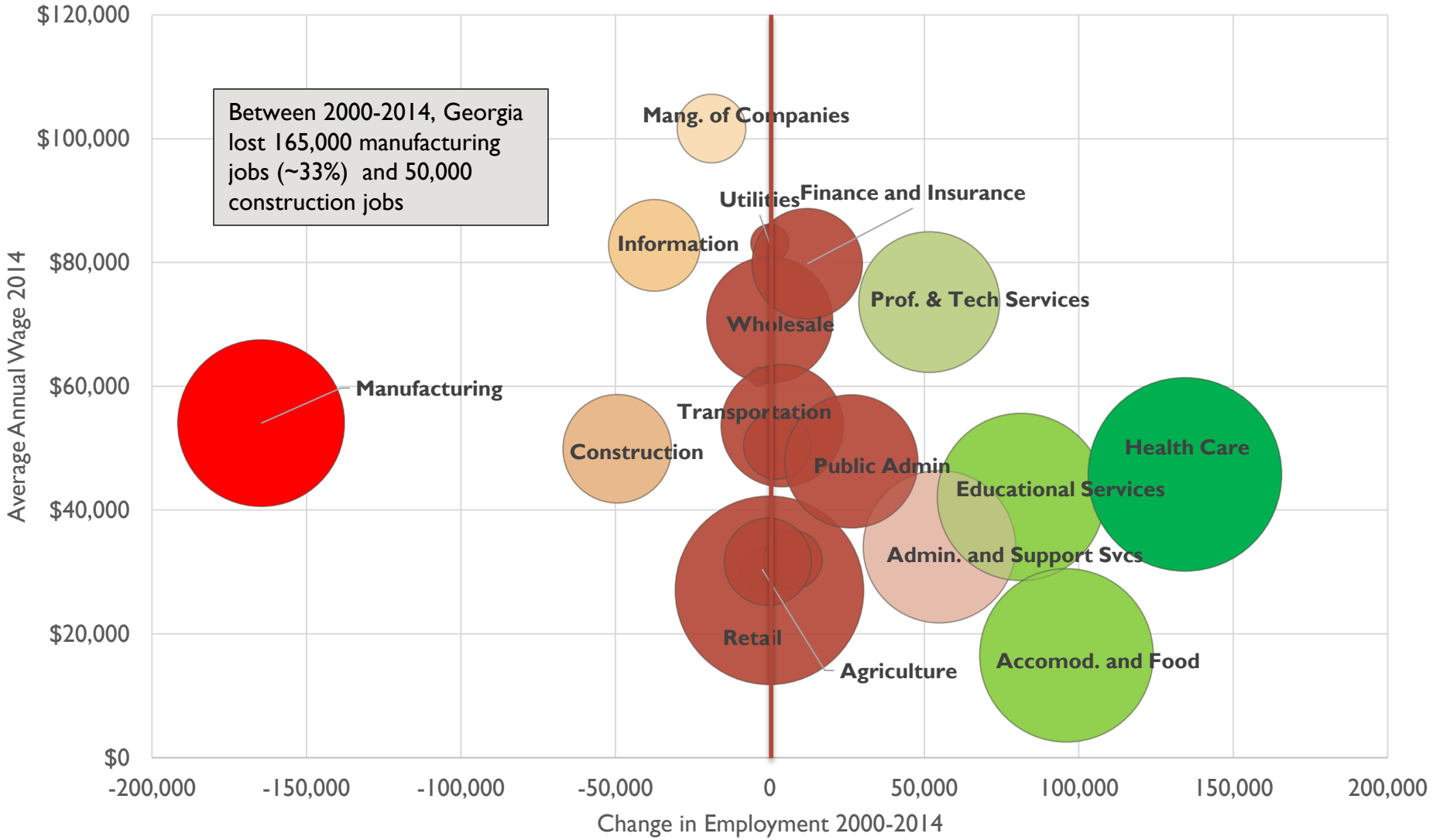
Avg. wages in 2000; employment change 1990-2000 size of bubble is total employment in 2000



Data from GA DOL ES202 Survey; median household income in U.S. was $41,789 in nominal dollars in 2000, U.S. Census. In Georgia, it was $41,481 (Money Income in the U.S., 2000,Table E; page 12,)

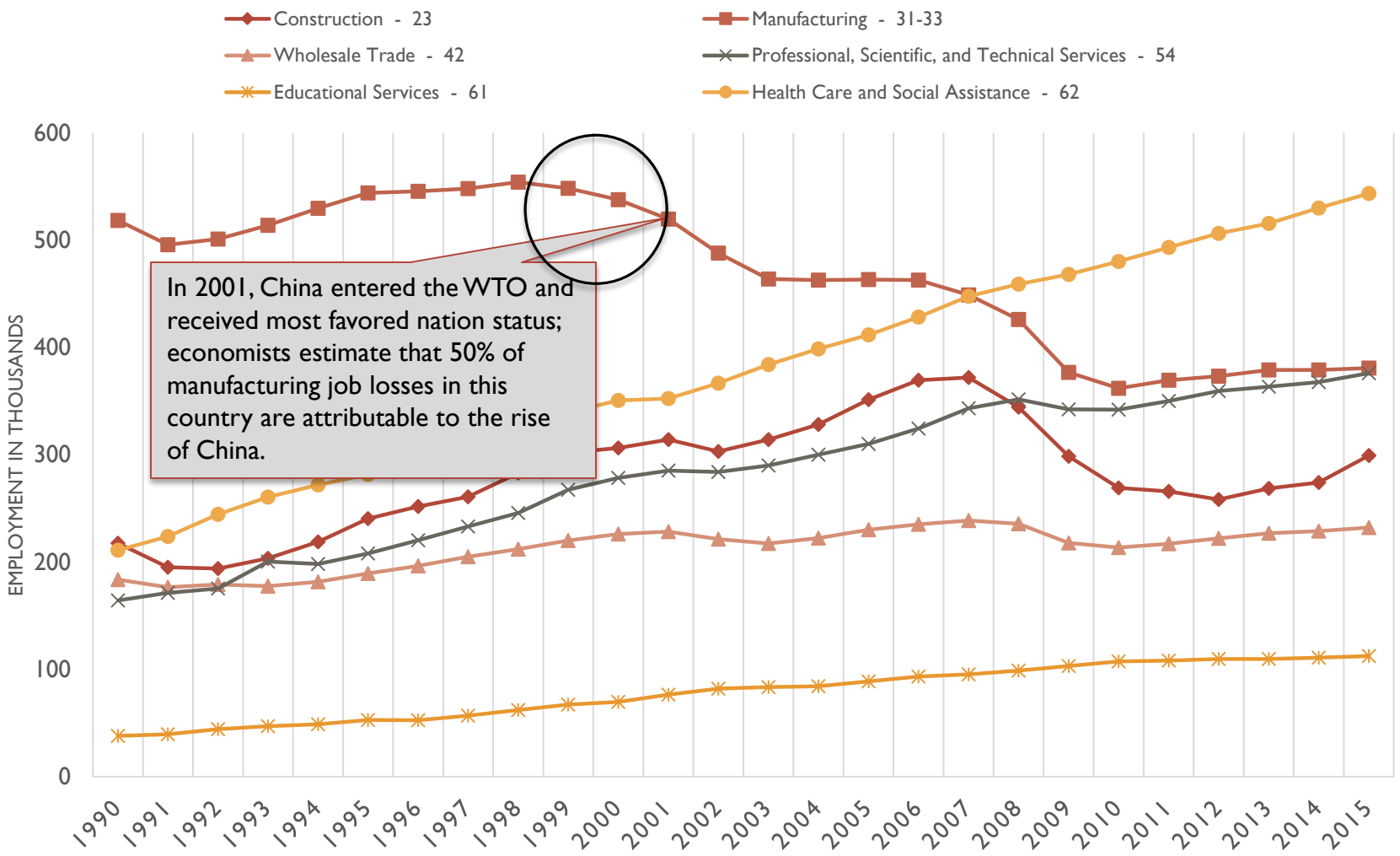
Georgia Employment Growth and Wages

Avg. wages in 2014, employment change 2000-2014, size of bubble is total 2014 employment



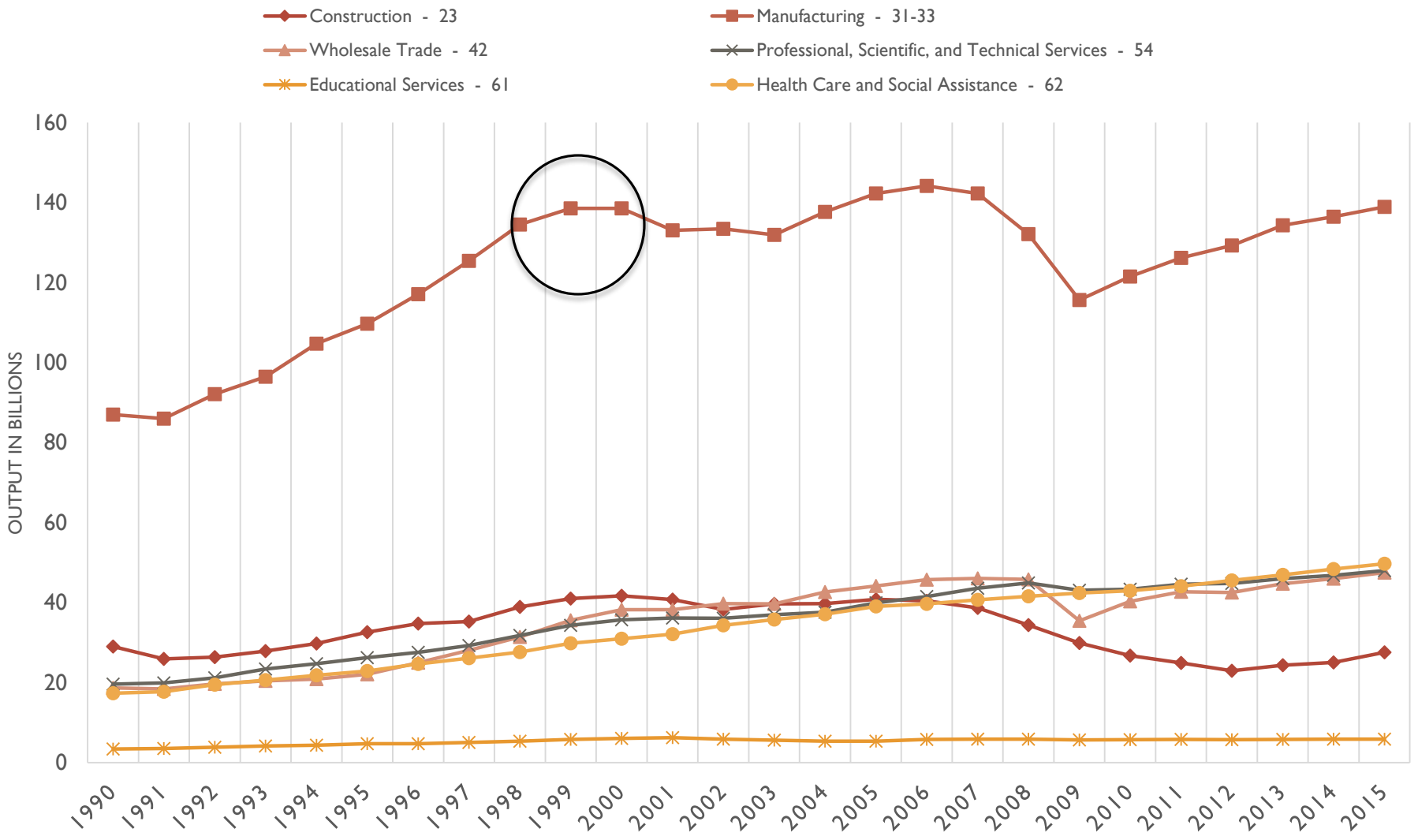
Data from GA DOL ES202 Survey; median household income in U.S. was $51,847 in nominal dollars in 2014, and was $47,958 in Georgia (U.S. Census Bureau, American Community Survey, Table H-8B)

CHANGE IN JOBS IN MAJOR SECTORS



Data Source: REMI Data Tables; note 2013-2015 is projected

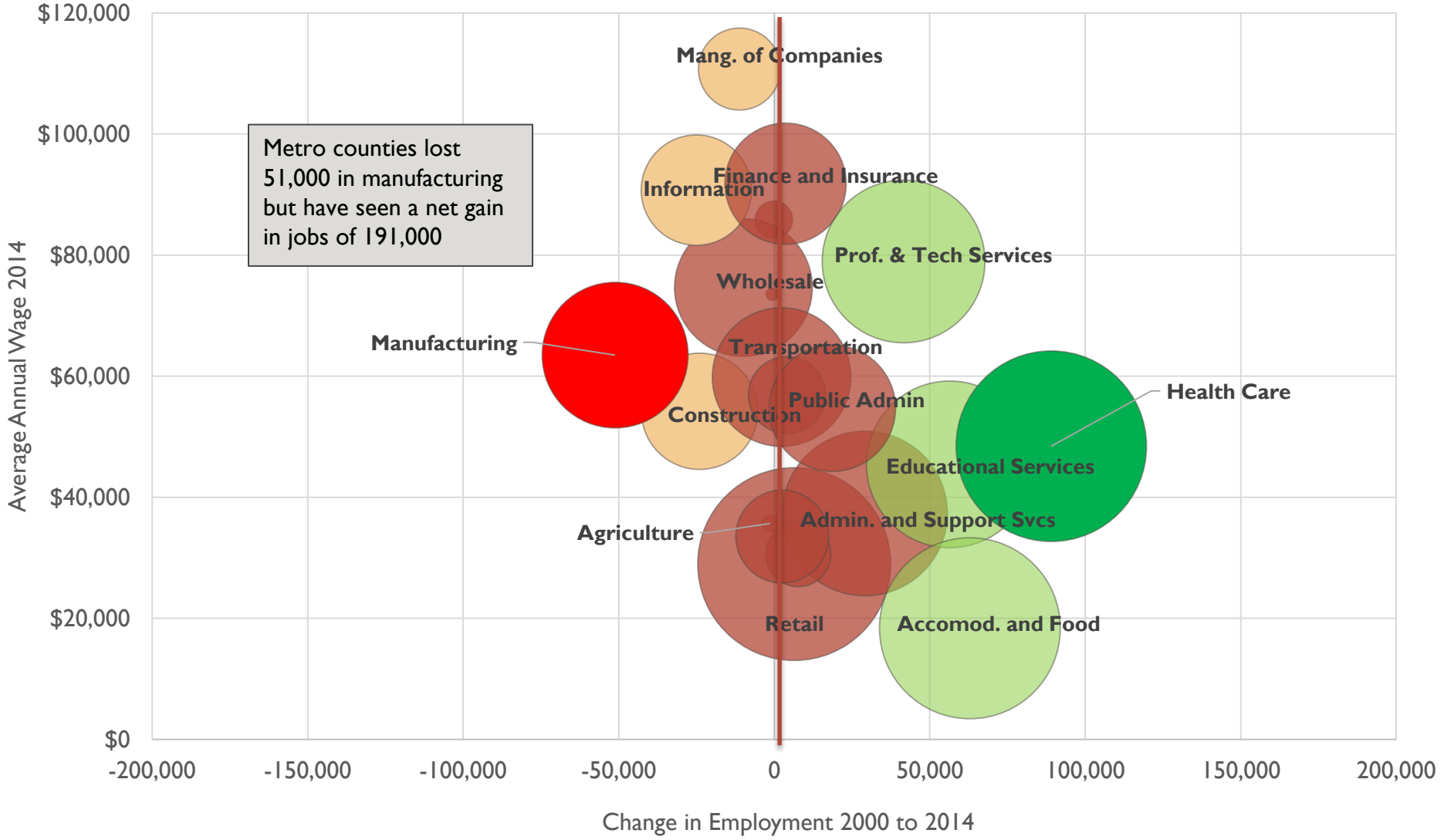
OUTPUT BY SECTOR (2009 DOLLARS)



Data Source: REMI Data Tables; note 2013-2015 is projected

Metro Atlanta Employment Growth and Wages

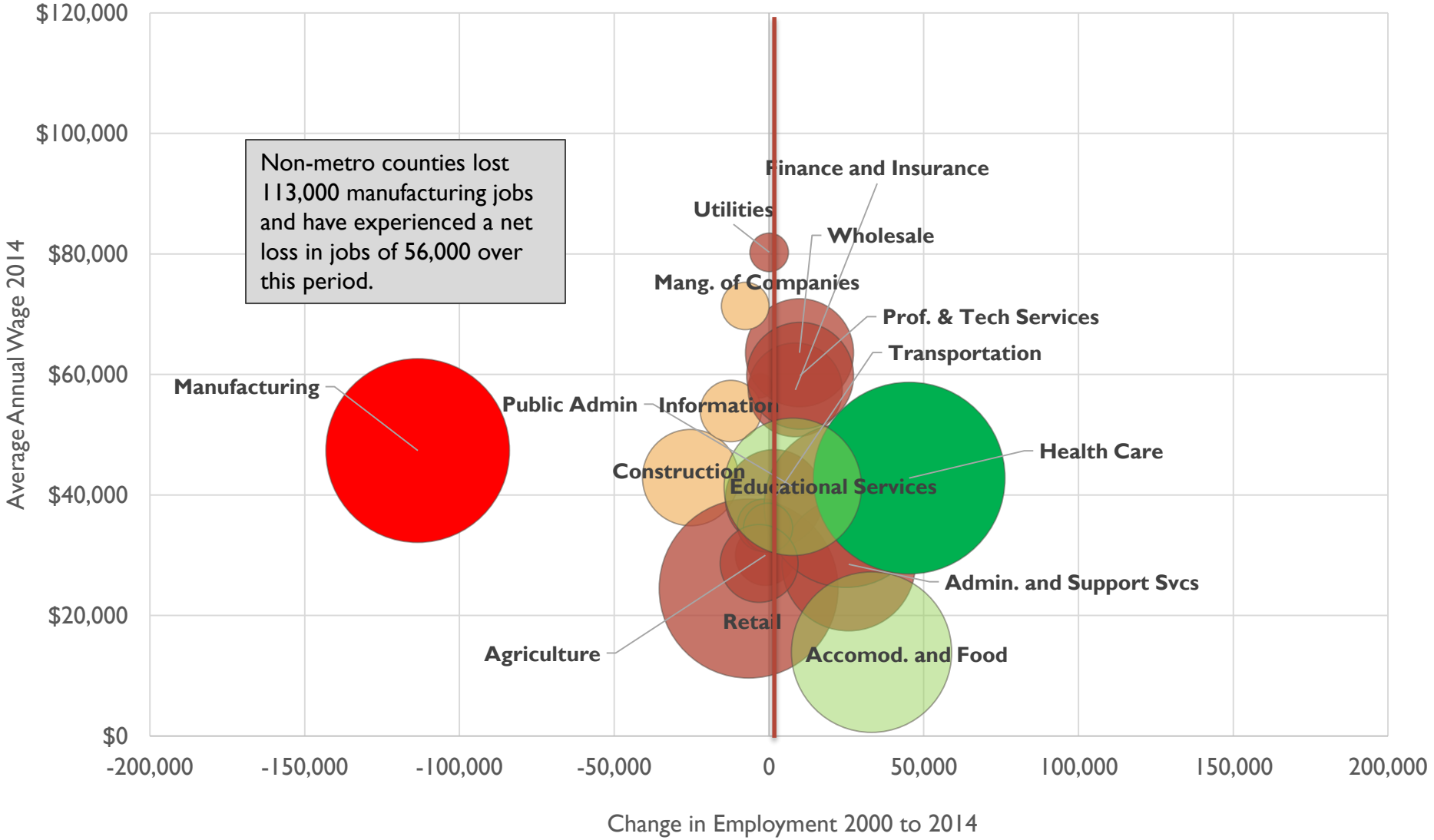
Avg. wages in 2014, employment change 2000-2014, size of bubble is total 2014 employment



Data from GA DOL ES202 Survey; median household income in U.S. was $51,847 in nominal dollars in 2014, and was $47,958 in Georgia (U.S. Census Bureau, American Community Survey, Table H-8B)

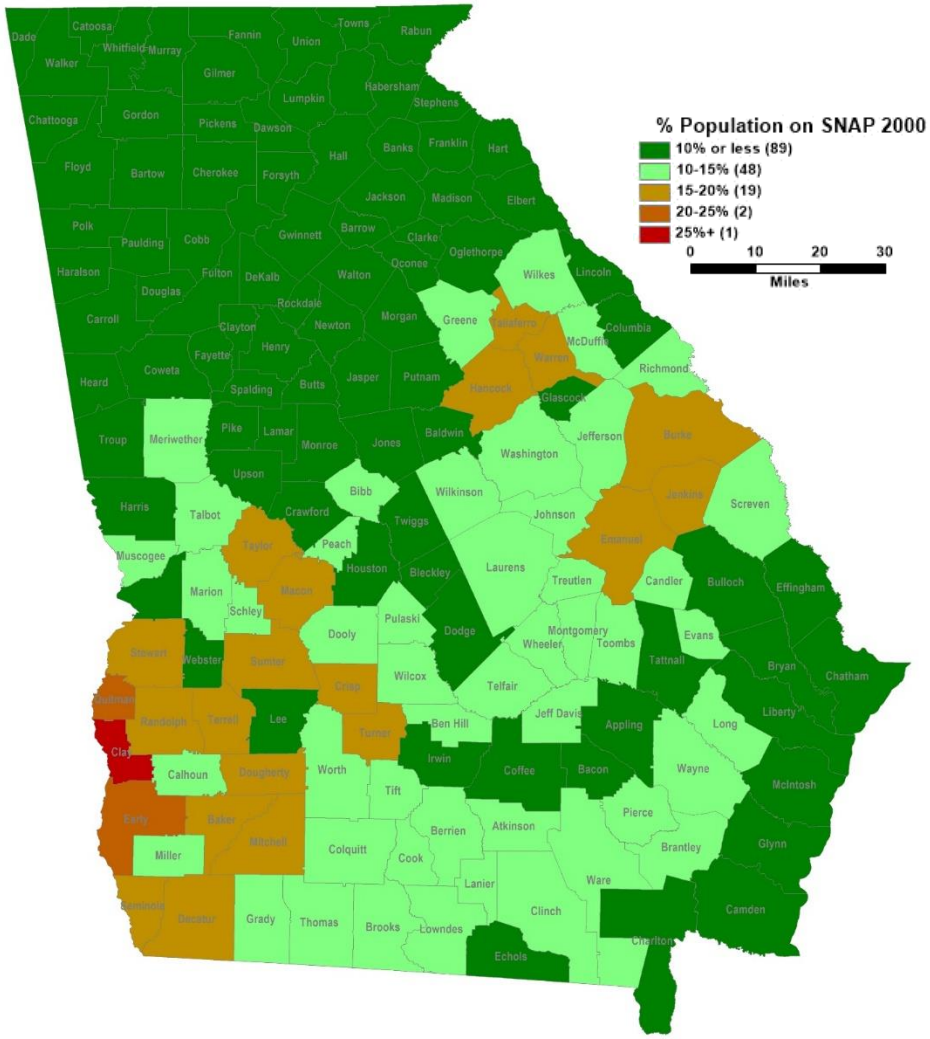
Non-Metro Atlanta Employment Growth and Wages

Avg. wages in 2014, employment change 2000-2014, size of bubble is total 2014 employment

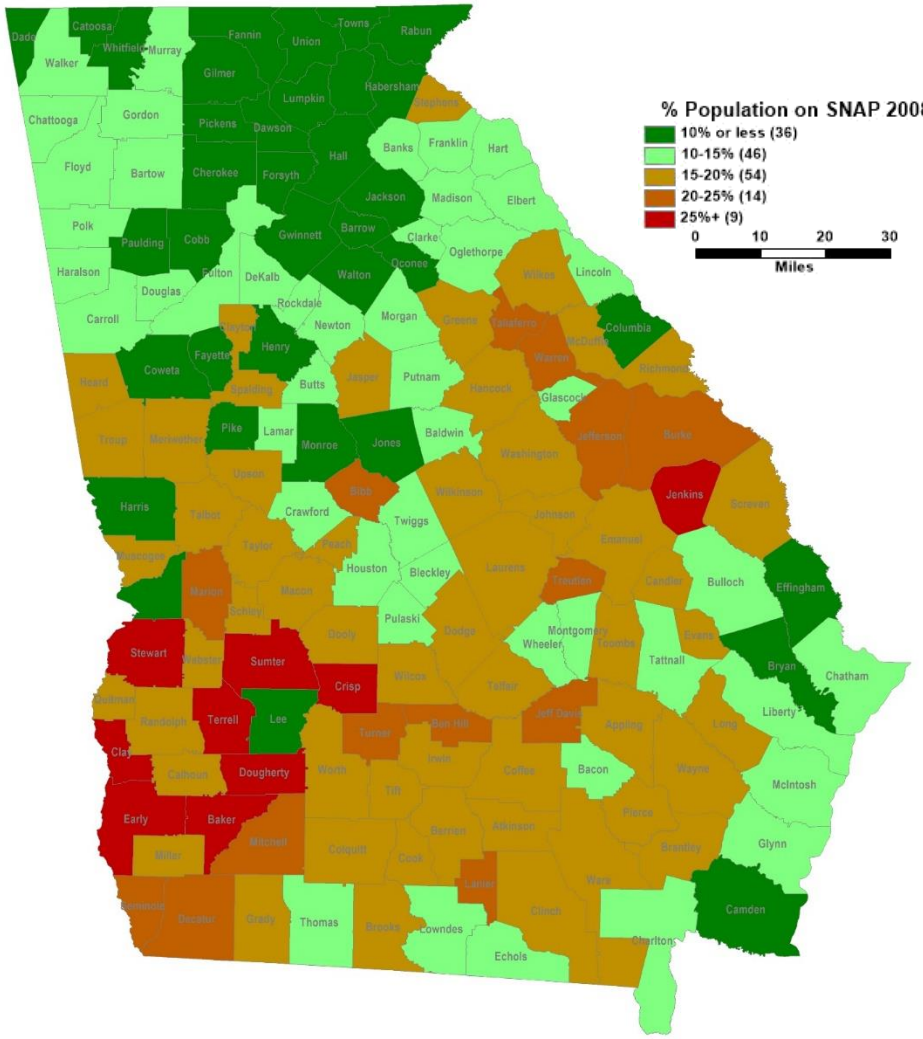


Data from GA DOL ES202 Survey; median household income in U.S. was $51,847 in nominal dollars in 2014, and was $47,958 in Georgia (U.S. Census Bureau, American Community Survey, Table H-8B)

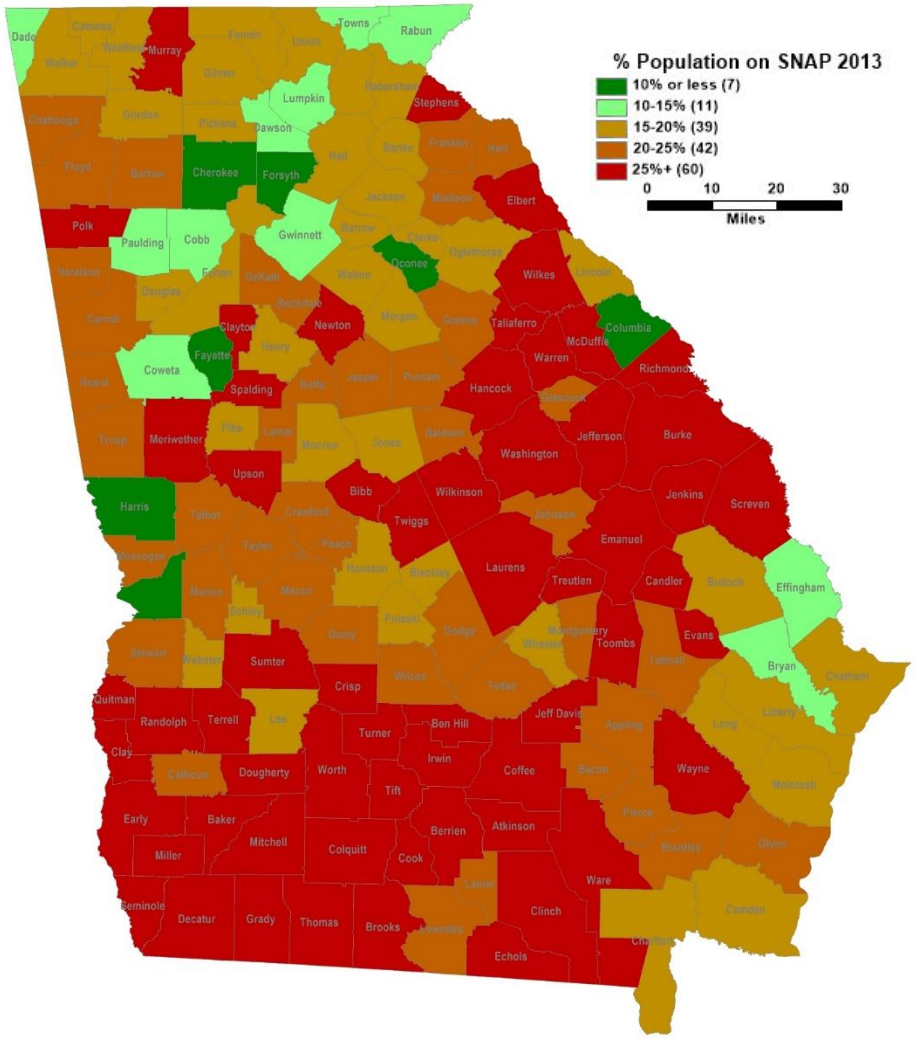
% Population on Food Stamps 2000



% Population on Food Stamps 2008

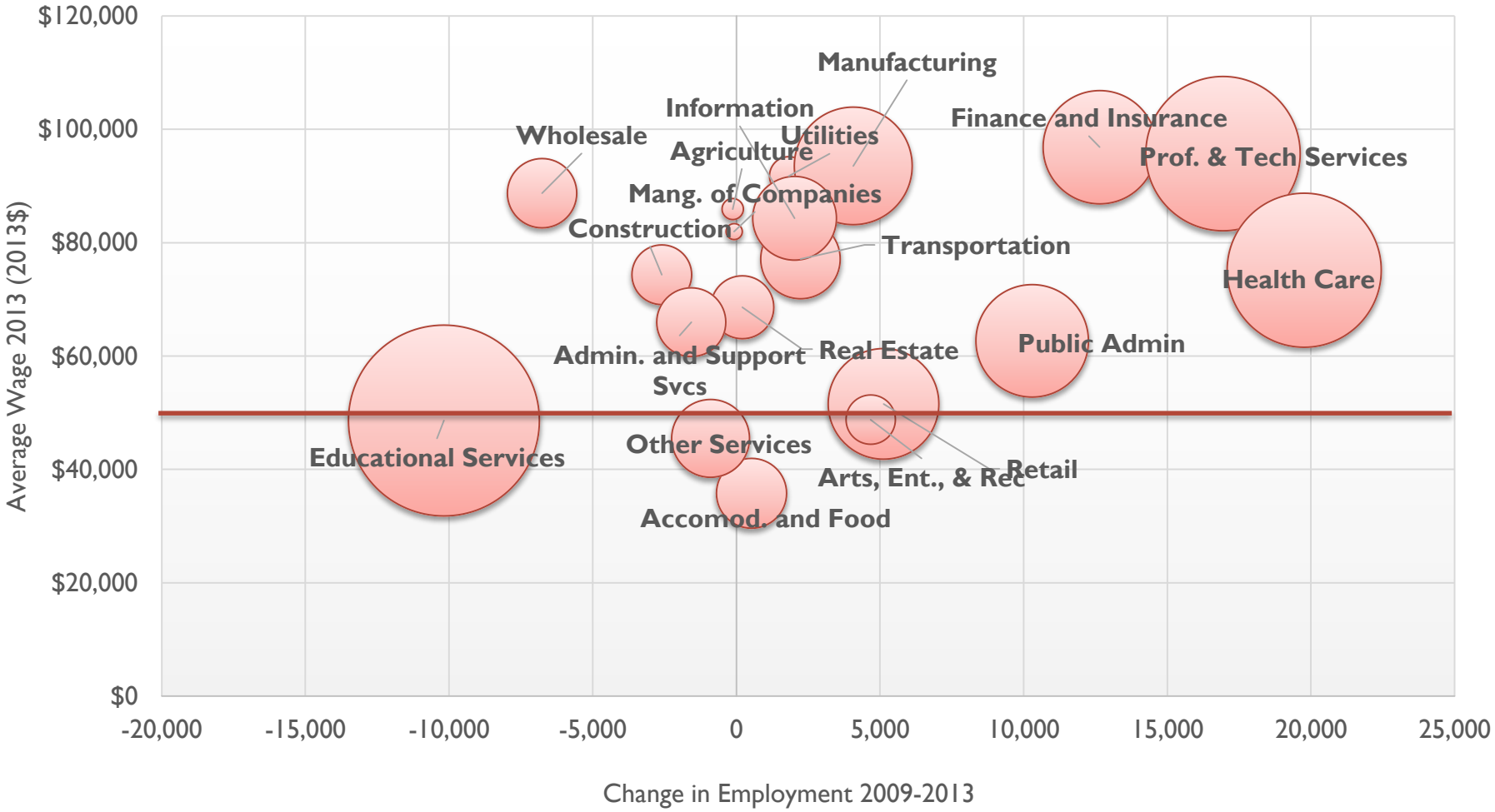


% Population on Food Stamps 2013



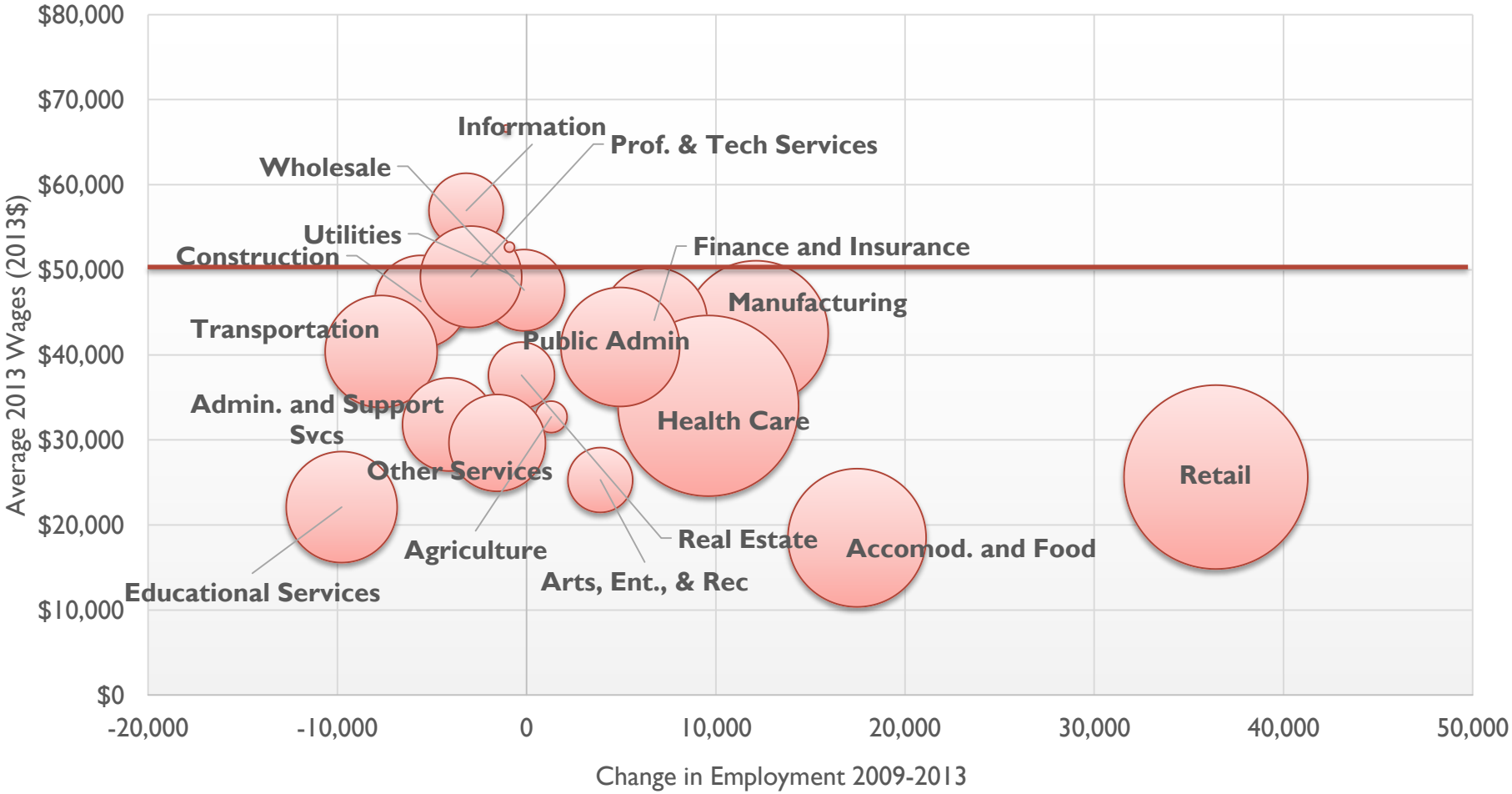
Note: There have been policy changes across the decade to increase eligibility for food stamps (SNAP), but poverty maps show a similar picture.

Georgia Employment Growth & Wages, with College
change 2009-2013, size of bubble is total employment in 2013



Data is from the U.S. Census American Community Survey median household income in U.S. was $51,847 in nominal dollars in 2014, and was $47,958 in Georgia (U.S. Census Bureau, American Community Survey, Table H-8B)

Georgia Employment Growth & Wages, Some College or Assoc. Degree
job change 2009-2013, size of bubble is total employment in 2013



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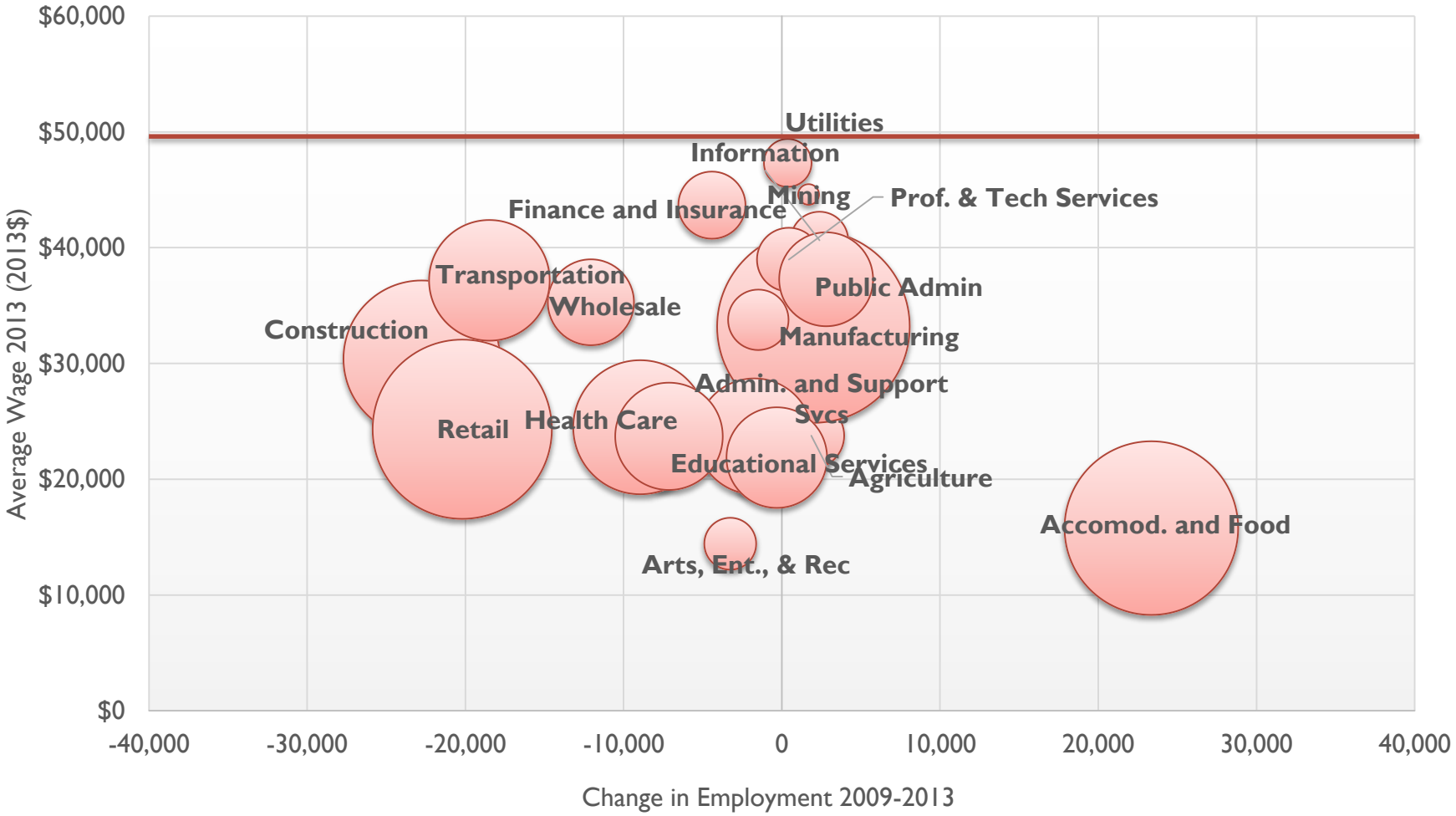
Georgia Employment Growth & Wages, with HS or Less
job change 2009-2013, size of bubble is total employment in 2013



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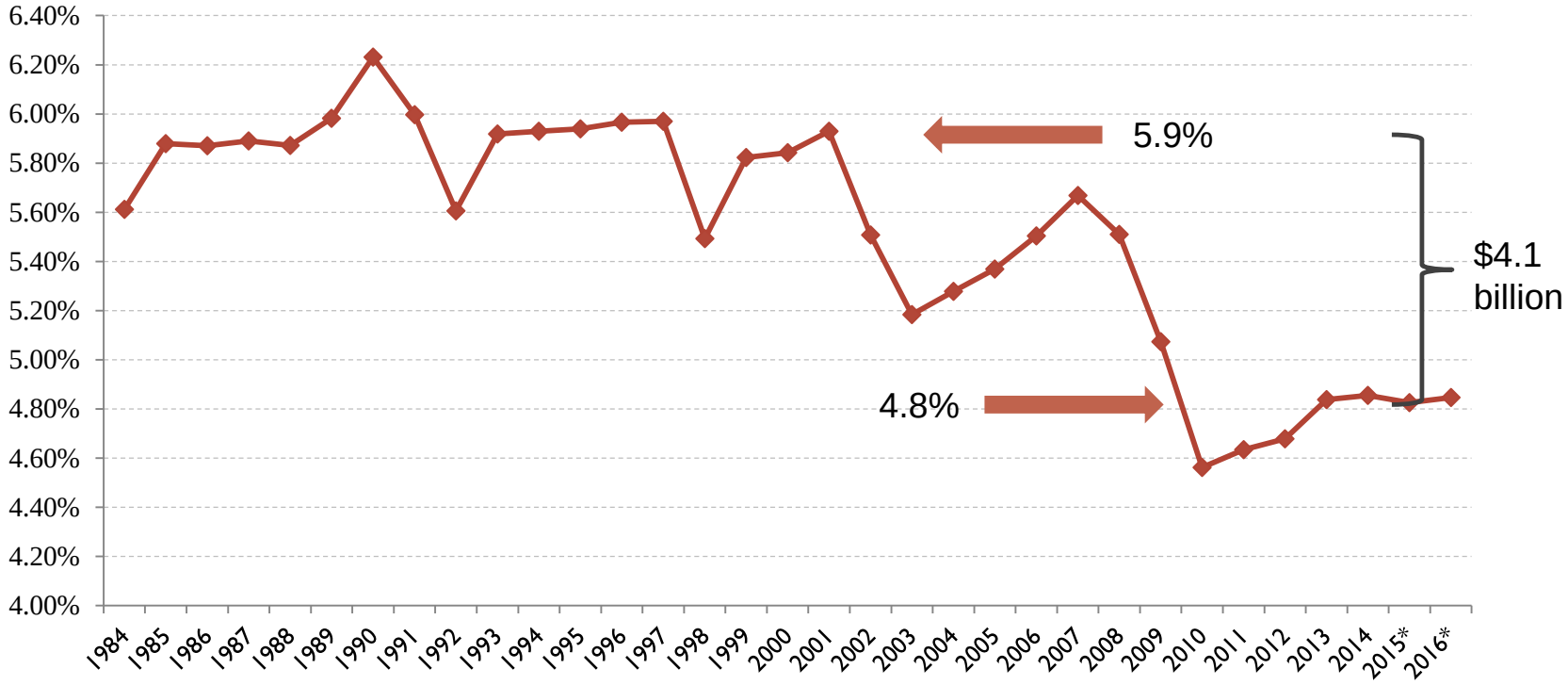
Change in Tax Structure and Efficiency

Georgia Revenues as % of Personal Income



Georgia's revenue issues are not entirely related to the economy, Georgia's tax and fee system now captures a smaller percentage of the state's "wealth" than it did in prior decades.

- Between 1989-2001, Georgia taxed 5.9% of personal income on average.
- Between 2002-2008, Georgia taxed 5.4% of personal income on average.
- Between 2009-2015, Georgia taxed 4.8% of personal income on average (with HB 170, it will jump to around 5%)
- If Georgia increased taxes to capture 5.89% of personal income = $4.1 billion in additional revenues in FY14

Data Sources: OPB Budget in Brief, Bureau of Economic Analysis, Author's calculations; note that personal income projections for 2015 and 2016 are estimates.

Where did the money go?

Amounts of Tax Revenue if We Currently Collected at the Historic % of Personal Income							
		Income Tax		Sales and Use Tax		Corporate Income Tax	
Where have we lost revenue?		**Average as % of Personal Income**	**Estimated Tax Revenues in 2014 if Collected at Historic**	**Average as % of Personal Income**	**Estimated Tax Revenues in 2013 if Collected at Historic**	**Average as % of Personal Income**	**Estimated Tax Revenues in 2013 if Collected at Historic**
Avg 1989-2001	5.89%	2.51%	$9,498,557	2.08%	$7,875,074	0.36%	$1,374,386
Avg 2002-2008	5.43%	2.53%	$9,561,583	1.80%	$6,821,662	0.24%	$915,543
Avg 2009-2014	4.77%	2.23%	$8,820,430	1.43%	$5,652,469	0.20%	$798,138
Actual 2014	**4.86%**	**2.27%**	**$8,965,572**	**1.30%**	**$5,125,502**	**0.24%**	**$943,806**
2014 Revenues	$19,167,807		$8,965,572		$5,125,502		$943,806
2014 Revenues at 1989-2001 Average	$23,269,389		$9,915,934		$8,221,113		$1,434,779
Difference	-$4,101,582	-9.58%	-$950,361	-37.65%	-$3,095,611	-34.22%	-$490,972

Income tax decline can largely be explained in large part by the exemption of retirement income from the income tax, valued at roughly $790 million in FY14. Sales tax story is more mixed.

Note: Numbers are from historic U.S. Census of Government Finances and may not match exactly to state reported numbers.

Table 2. Georgia Sales & Use Tax Revenue Shortfall: Summary of Contributing Factors

($ millions)	Est'd FY 2014 Effect
Legislative Actions:	
Replace sales tax on motor vehicles with TAVT	-$536
Permanent sales tax exemptions	-174
Temporary sales tax exemptions	-64
Total of Legislative Actions since 2000	-$773
Household Economic Factors:	
Changing consumption mix toward services	-$389
Growth of online sales (estimated maximum impact)	-250
Higher household saving rates	-28
Lower investment in new homes	-32
Household Factors Total	-$699
Business Economic Factors:	
Input materials spending	$651
Input energy spending	-234
Investment spending	-798
Business Factors Total	-$381
All Factors Total	**-$1,853**
Food	-$438.6
Total Impact of all Factors	**-$2.292 billion**

Data Sources: FRC Report, Georgia's Incredible Shrinking Sales Tax Base.

Georgia's Revenue Dilemma

Georgia is highly dependent on core tax revenues: sales, income and property taxes. These taxes have been affected by:

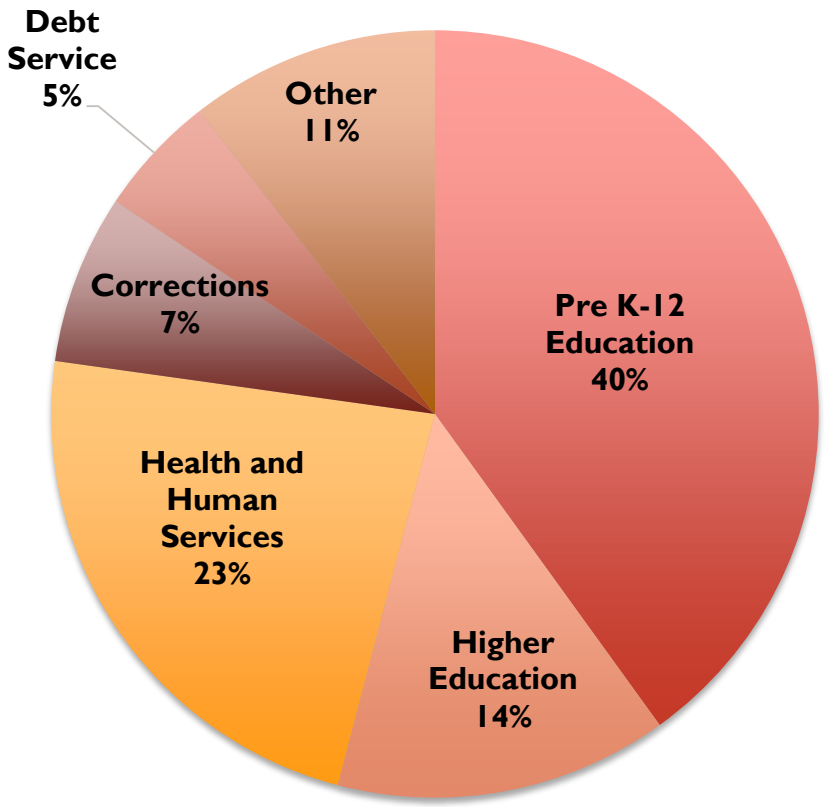
1) underlying structural problems in the economy that pre-date the current recession,
2) changes in what we purchase (ex/ services), how we purchase (ex/ Internet sales), and how we hold our wealth (ex/ stocks and bonds), as well as changes in tax planning have eroded Georgia's tax base,
3) and tax policy decisions to add exemptions, deductions, and credits while keeping the basic tax structure constant.

Expenditures

A critical concern for states is the extent to which Medicaid, pensions, and long-term liability expenses will crowd out investment in human and physical capital.

State Fund Expenditures 2015

(Includes State General Fund, Motor Fuel, Lottery, Tobacco)

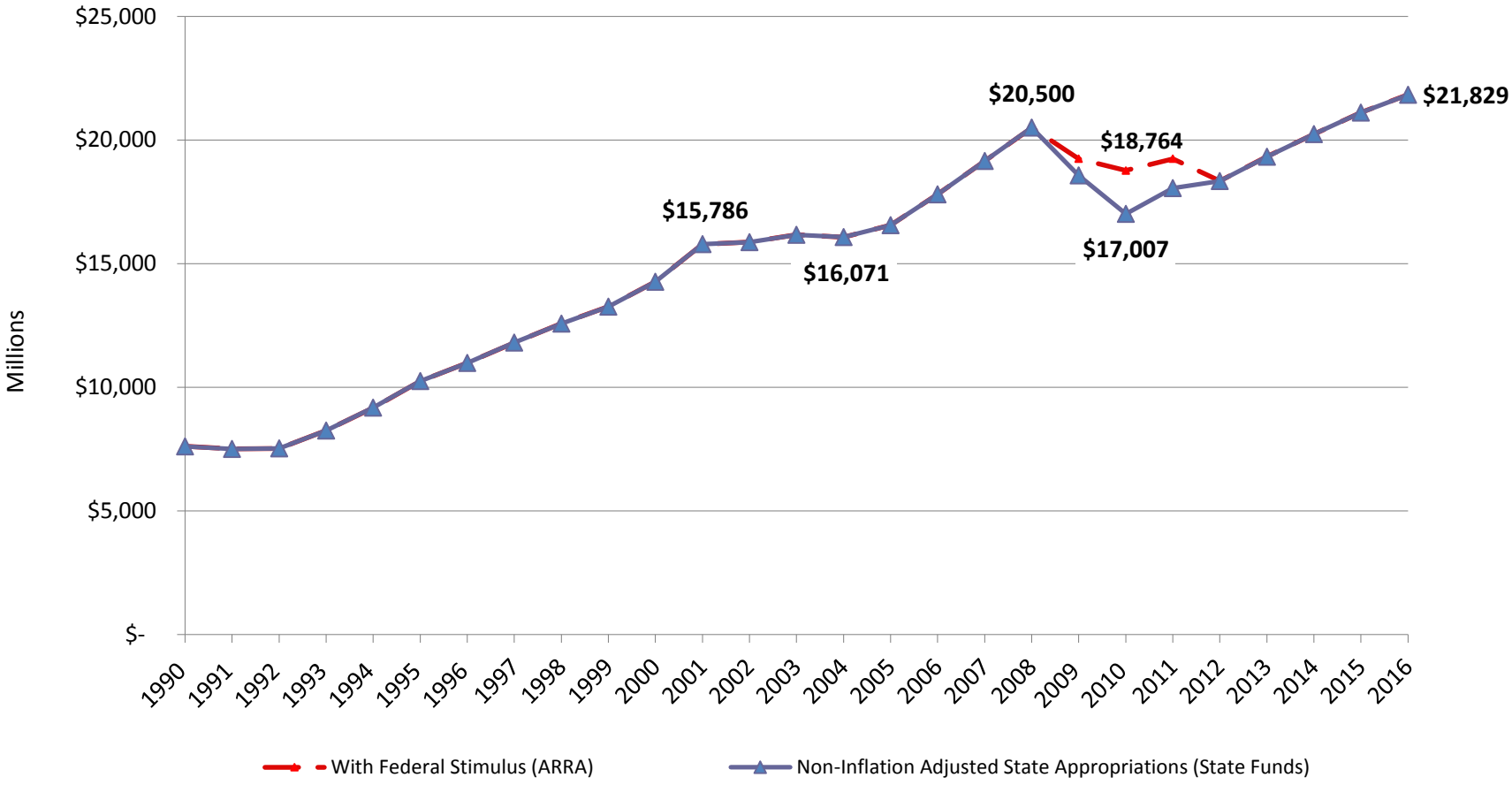


Georgia's state spending is dominated by education – both K12 and higher education.

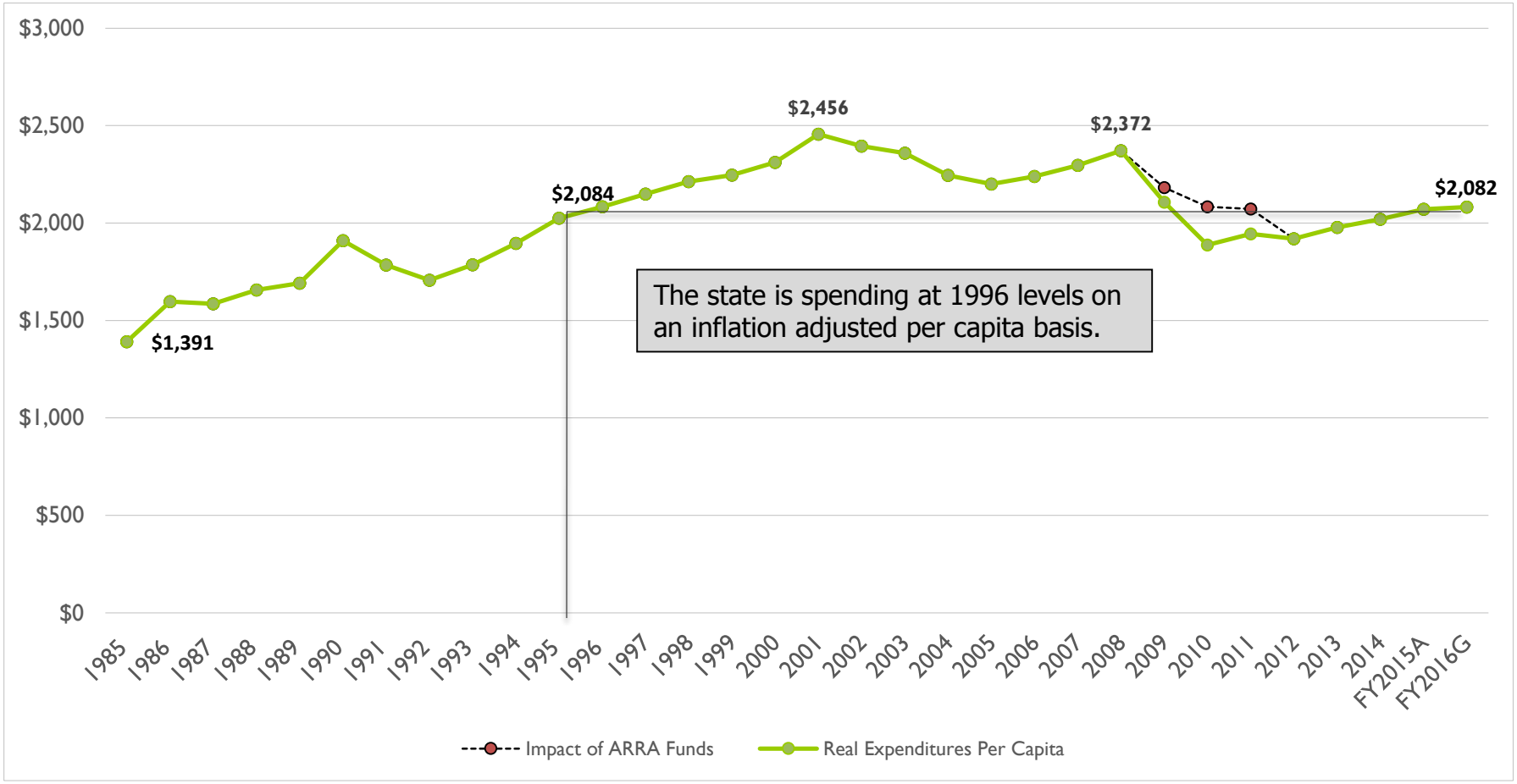
Most analysts expect states to continue to experience pressure on the budget from Medicaid as well as from pensions and other long term liabilities (such as health care obligations for retirees).

Often overlooked, Georgia has an unfunded $18.3 billion OPEB liability.

State Appropriations (All State Funds)



Georgia's Real per Capita Expenditures (2015 dollars)



Data sources: Budget in Brief FY15A-FY16, BEA NIPA Tables 1.1.4 for GDP, Moody's Economy.com GDP growth projections and Author's calculations; does not include HB170

Growth by Policy Area FY 2002-2016
(Includes All State Funds and 2009-2010 Stimulus Funds)

	2002	2008	2009	2010	2015A	2016G	Change 2008-2016	%Change 2008-2016	% Change 2002-2016
Agriculture	$45,695	$46,227	$40,576	$39,066	$42,516	$46,312	$86	0.19%	1.35%
Debt Service on Bonds	$739,869	$969,780	$932,990	$1,040,948	$1,083,145	$1,215,518	$245,738	25.34%	64.29%
Health and Human Services	$3,025,002	$4,102,562	$3,830,037	$4,053,365	$4,881,806	$4,865,267	$762,704	18.59%	60.84%
Corrections	$1,237,624	$1,483,139	$1,378,787	$1,388,335	$1,509,194	$1,560,877	$77,739	5.24%	26.12%
Economic Development	$128,765	$227,744	$55,546	$52,561	$175,779	$102,713	($125,031)	-54.90%	-20.23%
Education	$6,290,029	$8,304,899	$7,851,190	$7,563,292	$8,453,930	$8,879,269	$574,370	6.92%	41.16%
General Government	$607,759	$808,411	$768,605	$339,723	$439,301	$444,396	($364,015)	-45.03%	-26.88%
Higher Education	$2,466,385	$3,055,323	$2,934,656	$3,029,417	$2,965,595	$3,077,492	$22,169	0.73%	24.78%
Judicial	$133,681	$202,760	$181,933	$190,576	$225,290	$239,048	$36,288	17.90%	78.82%
Natural Resources	$198,615	$178,164	$140,174	$120,764	$137,437	$138,622	($39,543)	-22.19%	-30.21%
Public Safety	$191,713	$226,413	$207,269	$200,467	$267,354	$301,642	$75,229	33.23%	57.34%
Transportation	$806,021	$894,146	$918,275	$745,970	$931,559	$957,634	$63,488	7.10%	18.81%
TOTAL	**$15,871,160**	**$20,499,568**	**$19,240,040**	**$18,764,483**	**$21,112,906**	**$21,828,789**	**$1,329,221**	**6.48%**	**37.54%**
Growth Over Previous Year		**7.07%**	**-6.14%**	**-2.47%**		**3.39%**			

Sources: Budgets in Brief; Selected Summary Financial Information; FY16 General Budget; Author's Calculations; Inflation Index Used: Gross Domestic Product-NIPA Table 1.1.9; numbers in table are in 1000s; numbers do not include HB170 which would add around $867 million to transportation spending in FY16 and around $700 million in additional General Fund Revenues.

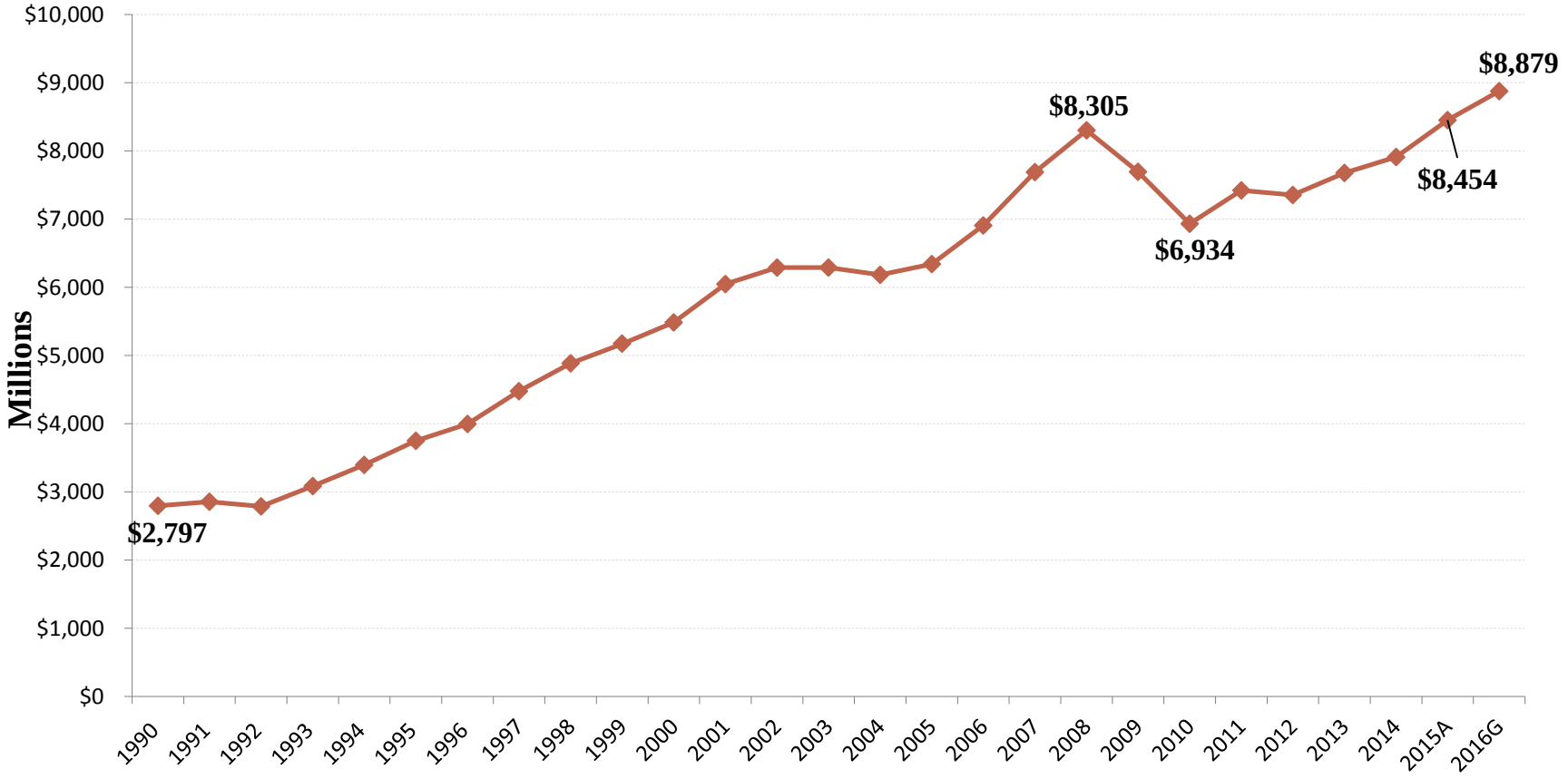
Per Capita Inflation Adjusted Growth by Policy Area (2015 dollars, includes All State Funds)

	2002		2008	2009	2010		2015A	2016G	Change 2008-2016	% Change 2008-2016	% Change 2002-2016
Agriculture	$6.89		$5.35	$4.60	$4.34		$4.17	$4.42	($0.93)	-17%	-36%
Debt Service on Bonds	$111.60		$112.20	$105.84	$115.55		$106.24	$115.92	$3.72	3%	4%
Health and Human Services	$456.30		$474.66	$434.48	$449.95		$478.85	$463.98	($10.67)	-2%	2%
Corrections	$186.69		$171.60	$156.41	$154.11		$148.03	$148.86	($22.74)	-13%	-20%
Economic Development	$19.42		$26.35	$6.30	$5.83		$17.24	$9.80	($16.55)	-63%	-50%
Education	$948.81		$960.86	$890.65	$839.58		$829.23	$846.79	($114.07)	-12%	-11%
General Government	$91.68		$93.53	$87.19	$37.71		$43.09	$42.38	($51.15)	-55%	-54%
Higher Education	$372.04		$353.49	$332.91	$336.29		$290.89	$293.49	($60.00)	-17%	-21%
Judicial	$20.16		$23.46	$20.64	$21.16		$22.10	$22.80	($0.66)	-3%	13%
Natural Resources	$29.96		$20.61	$15.90	$13.41		$13.48	$13.22	($7.39)	-36%	-56%
Public Safety	$28.92		$26.20	$23.51	$22.25		$26.22	$28.77	$2.57	10%	-1%
Transportation	$121.58		$103.45	$104.17	$82.81		$91.37	$91.33	($12.12)	-12%	-25%
TOTAL	**$2,394**		**$2,372**	**$2,183**	**$2,083**		**$2,071**	**$2,082**	**($290.02)**	**-12%**	**-13%**
				-8.0%	-4.6%			**0.5%**			

Sources: Budgets in Brief; Selected Summary Financial Information; FY16 General Budget; Author's Calculations; Inflation Index Used: Gross Domestic Product-NIPA Table 1.1.9; numbers in table are in 1000s; numbers do not include HB170 which would add around $867 million to transportation spending in FY16 and around $700 million in additional General Fund Revenues.

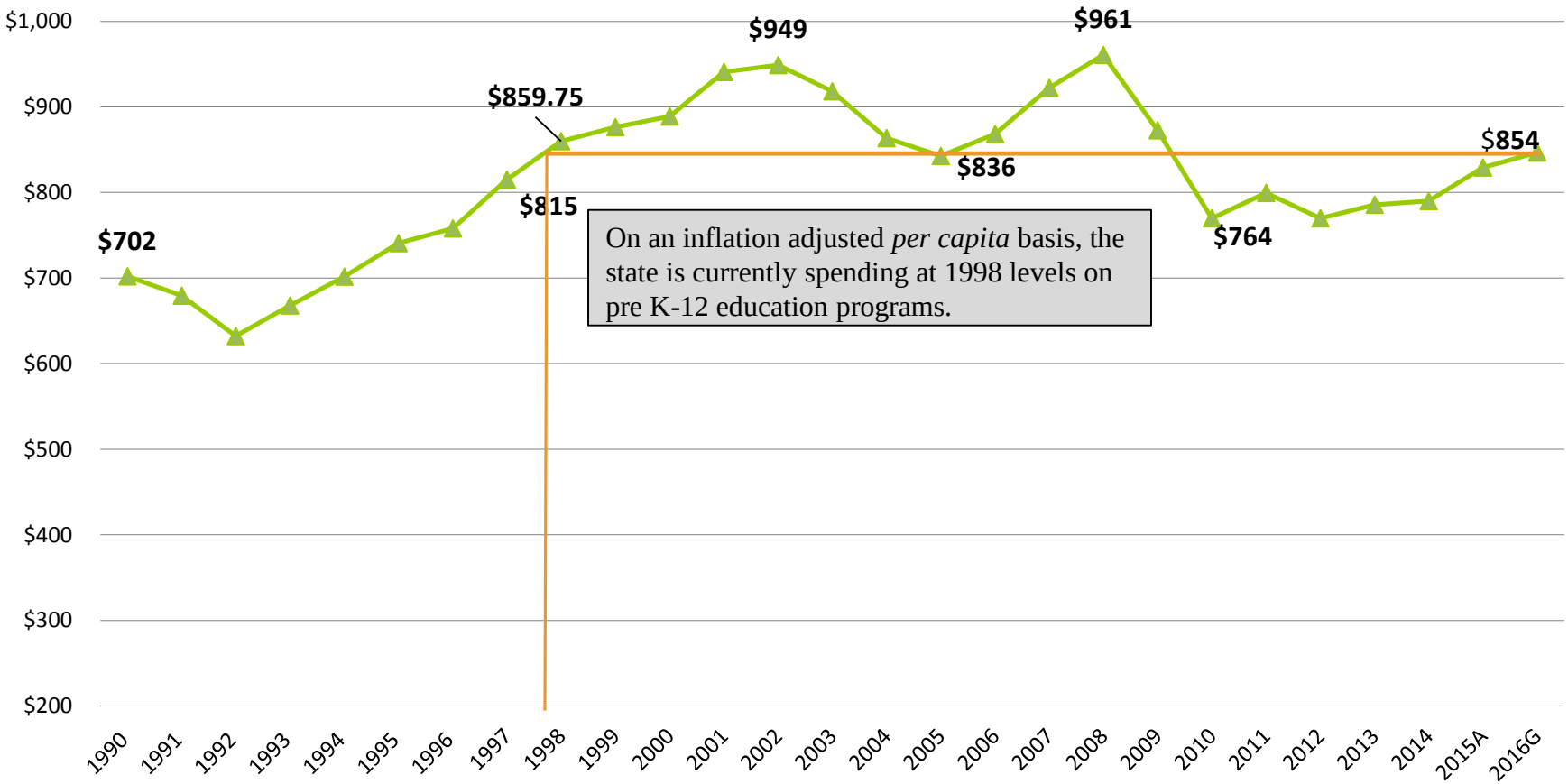
Education

Pre-K to 12 Total Appropriations
(Nominal dollars)



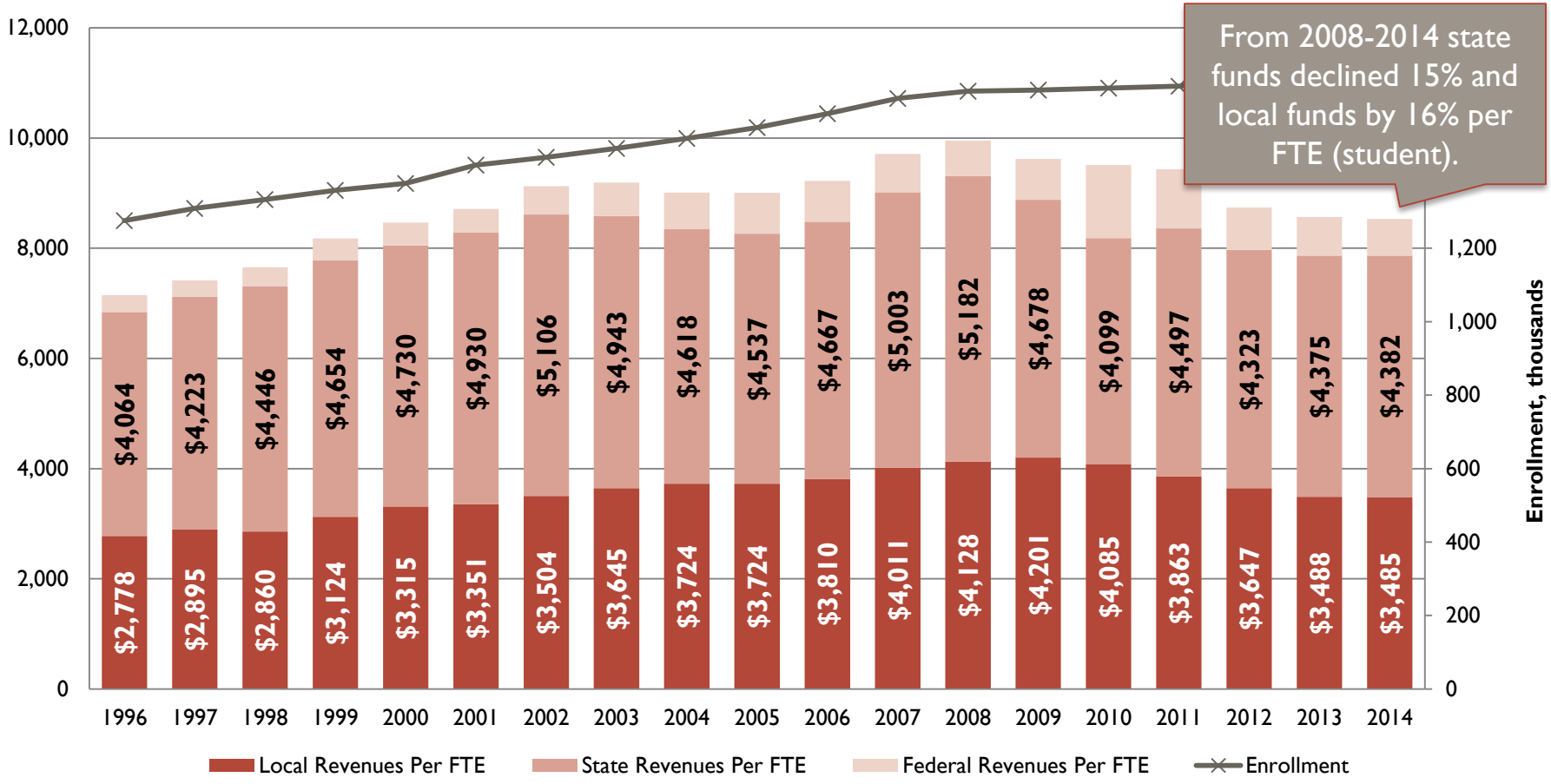
Source: Selected Summary Financial Information
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.4

Per Capita Inflation Adjusted Education Funding Pre K-12 (all funds, 2015 dollars)



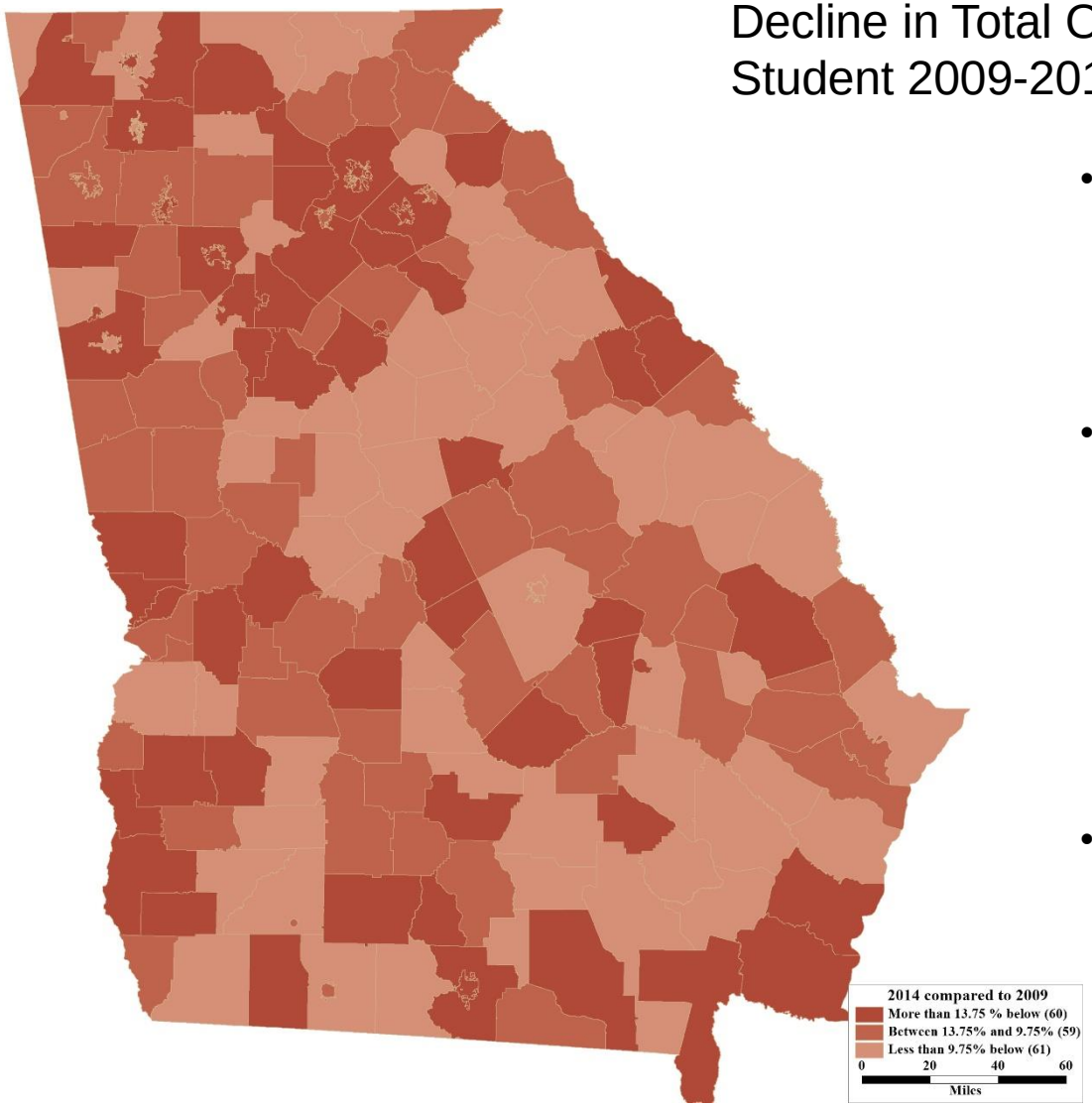
Source: Selected Summary Financial Information;
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

Real School District Revenues per FTE and Enrollments 1996-2014 (2014 dollars)

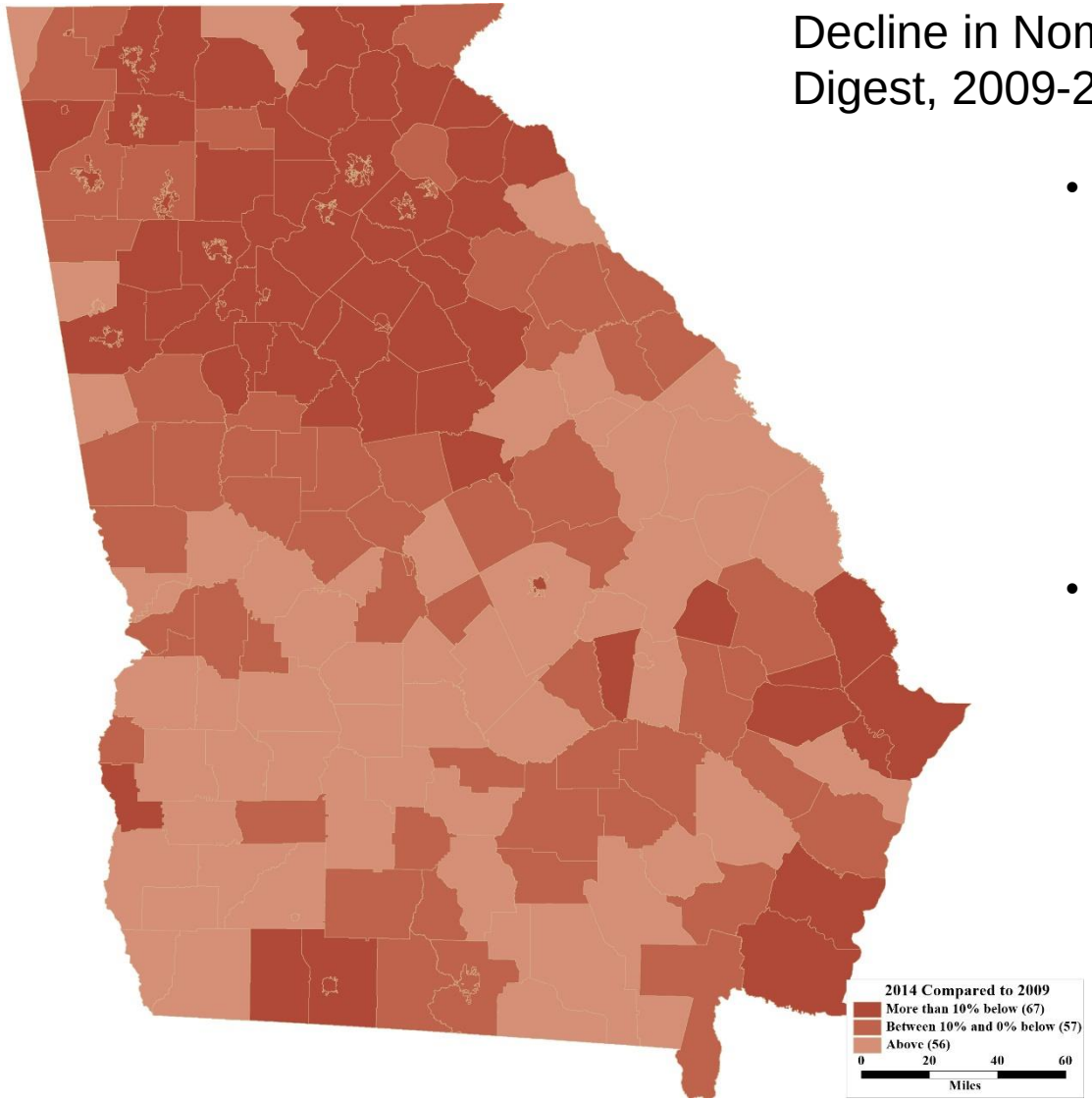


Source: GA-DOE data on revenues for school districts; note that these revenues do not include ESPLOST.
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

Decline in Total Operating Revenues per Student 2009-2014



- It is important to realize that the decline in revenue per student was not distributed evenly across the state.
- 60 of 180 school districts experienced a decline in total revenues per student of greater than 14% (dark red). 59 experienced a decline in total revenues per student greater than 10% (medium).
- A notable effect of the recession was that the “rich got poorer” as the housing crisis heavily affected the metro area ring suburbs.



Decline in Nominal Property Tax Digest, 2009-2014

- 67 of 180 school districts experienced a decline in nominal property tax digest of greater than 10 percent (decline is much greater if look at it on a real per FTE basis)
- Note the impact on metro Atlanta.

Real Per Student (FTE) K-12 Education Revenues Georgia v. Average for Southern States

Average Southern State, 2012 Dollars

	Trend Between 2002 and 2012 in Per Pupil Revenues				
Revenue Level	2002	Share of Total	2012	Share of Total	Percent Change
Local	$3,593	38.45%	$4,134	39.37%	15.06%
State	$4,859	52.00%	$5,036	47.96%	3.65%
Federal	$892	9.55%	$1,330	12.67%	49.03%
Total	$9,344		$10,500		12.37%
Total Enrollment for SLC States	16,974,665		18,504,070		9.01%

Georgia, 2012 Dollars

	Trend Between 2002 and 2012 in Per Pupil Revenues				
Revenue Level	2002	Share of Total	2012	Share of Total	Percent Change
Local	$4,857	44.28%	$4,938	46.94%	1.67%
State	$5,350	48.78%	$4,466	42.46%	-16.51%
Federal	$761	6.94%	$1,116	10.61%	46.63%
Total	$10,967		$10,520		-4.08%
Total Enrollment for Georgia	1,470,634		1,666,039		13.29%

Calculations are from revenue figures provided by the U.S. Census F-33 Financial Survey and represent a per state average amount over 15 southeast states (AL, AR, FL, GA, KY, LA, MS, MO, NC, OK, SC, TN, TX, VA, and WV). Table uses national GDP price deflator to adjust for inflation. Numbers include capital and operating expenses.

Education Comparison 2002-2012 (2012 dollars)

State	Enroll-ment Growth	State Revenue Per FTE Growth	Local Revenue Per FTE Growth	Federal Revenue Per FTE Growth	Overall Revenue Per FTE Growth	Overall Revenue Per FTE 2002	Rank in 2002	Overall Revenue Per FTE 2012	Rank in 2012	Change in Rank
Alabama	3%	3%	18%	23%	10%	8,732	11	9,585	10	1
Arkansas	6%	25%	8%	54%	25%	8,667	13	10,869	6	7
Florida	6%	-23%	14%	32%	-1%	9,171	8	9,080	12	-4
Georgia	**13%**	**-17%**	**2%**	**47%**	**-4%**	**10,967**	**1**	**10,520**	**8**	**-7**
Kentucky	4%	11%	28%	57%	21%	8,733	10	10,549	7	3
Louisiana	-8%	25%	46%	102%	43%	8,920	9	12,740	2	7
Mississippi	0%	9%	27%	47%	20%	7,612	15	9,127	11	4
Missouri	-2%	1%	14%	50%	11%	10,133	5	11,221	4	1
North-Carolina	13%	-8%	-21%	69%	-6%	9,256	7	8,746	15	-8
Oklahoma	7%	-7%	8%	18%	1%	8,688	12	8,770	14	-2
South-Carolina	6%	-4%	16%	31%	7%	10,319	4	11,023	5	-1
Tennessee	11%	15%	0%	66%	13%	7,971	14	8,995	13	1
Texas	18%	5%	-3%	43%	5%	9,865	6	10,316	9	-3
Virginia	8%	4%	13%	63%	13%	10,551	3	11,883	3	0
West-Virginia	0%	12%	75%	35%	33%	10,580	2	14,077	1	1

- In 2002, Georgia ranked first among southern states in per student spending; in 2012, it had moved to 8th; this appears to be driven largely by cuts in state funding.

Calculations from revenue figures provided by the U.S. Census F-33 Financial Survey.
Table uses national GDP price deflator to adjust for inflation.

Major State Budget Cuts between 2009-2016 in Pre-K through 12

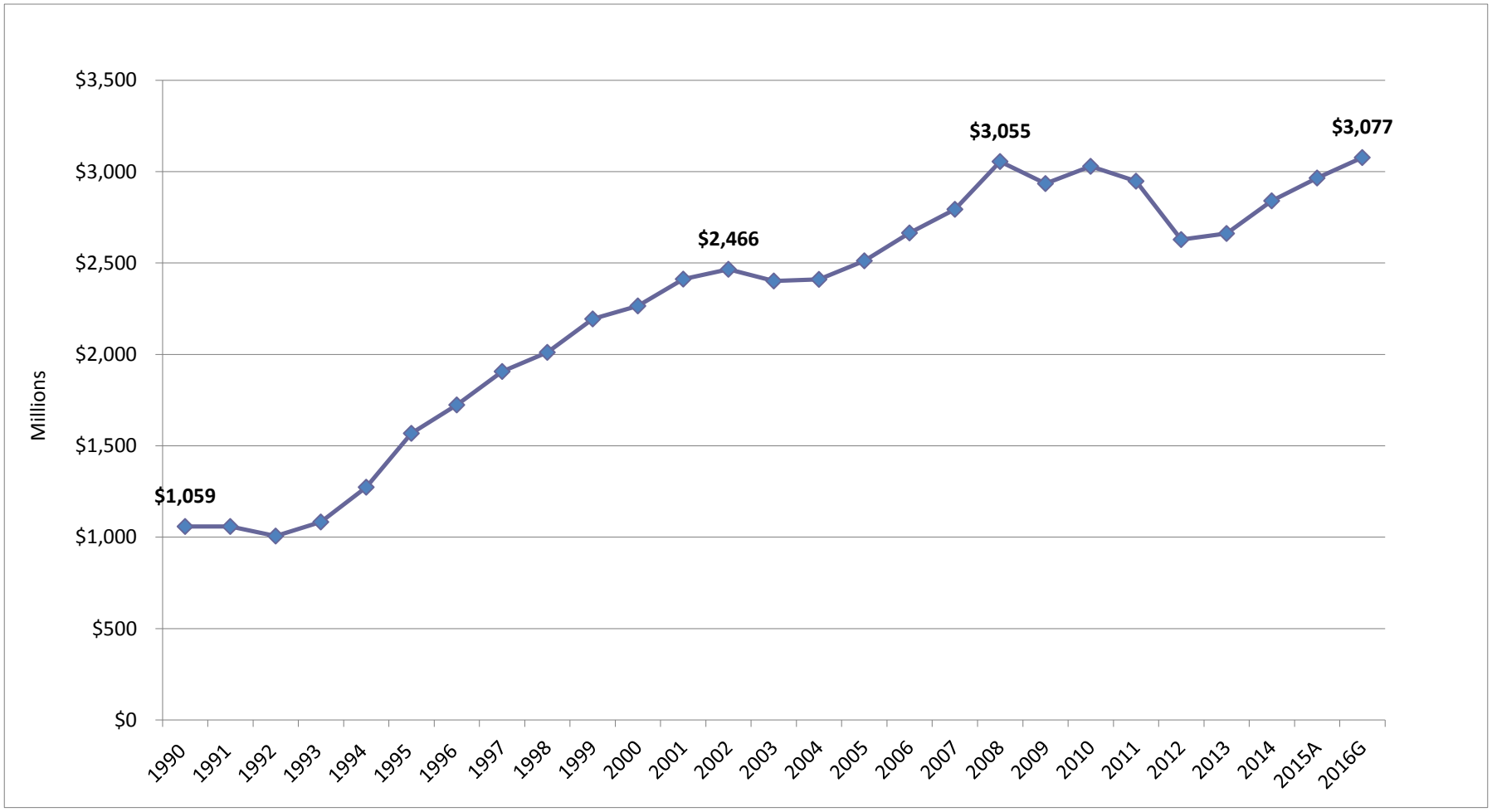
- Significant effort to restore QBE funding: 10.8% growth between 2009 and 2016; remaining austerity cut of $466.8 million in FY 2016 budget.
- A 16% nominal cut in funding for Georgia's pre-K program between FY11-13; Funding has since grown by 7.9% to FY16 (still $33m below FY11).
  - Cut originally included a 20-day reduction in the number of days of pre-K (restored in FY14) and increases in class size by two students.
- Elimination of the following programs:
  - graduation coaches, academic coaches, mentor teachers, classroom supply cards, health insurance supplements for non-certificated school employees (ex/ bus drivers, school lunch room workers), migrant education, National Board Certification Salary Enhancement, SAT and ACT Prep, eliminate CRCT for grades 1 and 2; eliminate writing assessment for grades 3 and 5.
- Also have been declines in state contributions to support health benefits for school employees.
  - Cumulative $402.8 million annual cut in health coverage for non-certificated employees.

Projections: Likely v. Aspirational

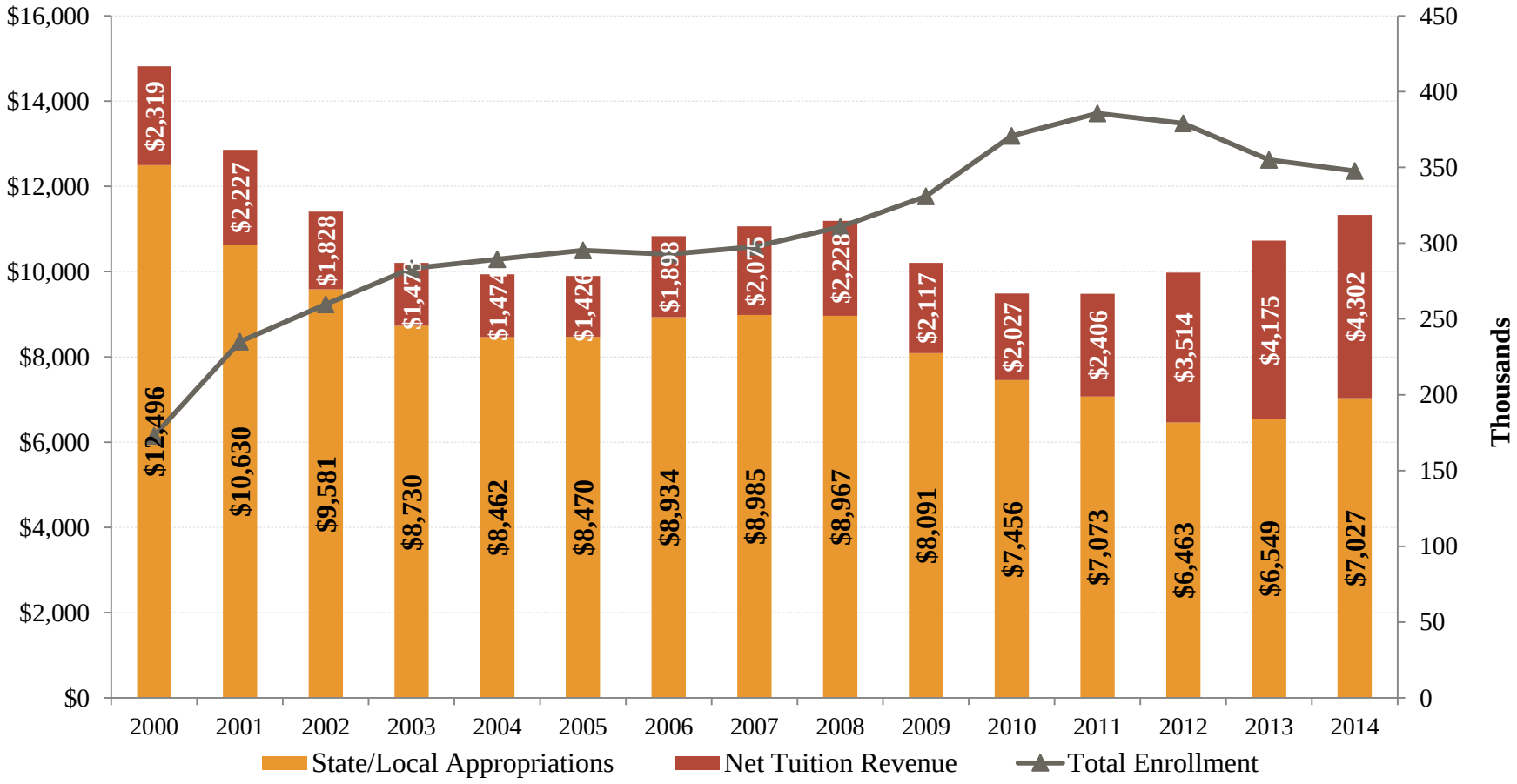
- In 2014, school districts would need $2.4 billion in additional funds to match the 2008 per student funding levels.
  - State would need to contribute $1.36 billion.
  - School districts would need to raise $1 billion.
- Property tax digests are coming back but are still nowhere near pre-recession levels in most areas.

Higher Education

Higher Education Appropriations



Real per Student (FTE) Higher Education Revenues and Total Enrollment (2014 Dollars)



Revenue figures from State Higher Education Executive Officers Association, State Higher Education Finance Report. These numbers are not weighted by type of student; state appropriations include HOPE and other state financial aid and grant programs.
Numbers are adjusted using a GDP Price Deflator.

Real Per Student (FTE) Higher Ed Revenues Georgia v. Average for Southern States

Average Southern State, 2014 Dollars

	Trend Between 2004 and 2014 in Per FTE Revenues				
Revenue Source	2004	Share of Total	2014	Share of Total	Percent Change
Approp.	$6,505	65.35%	$5,875	52.34%	-9.68%
Tuition	$3,450	34.65%	$5,349	47.66%	55.06%
Total	$9,955		$11,225		12.75%
Total Enrollment for SLC States	3,563,607		4,221,226		18.45%

Georgia, 2014 Dollars

	Trend Between 2004 and 2014 in Per FTE Revenues				
Revenue Source	2004	Share of Total	2014	Share of Total	Percent Change
Approp.	$8,462	85.16%	$7,027	62.02%	-16.96%
Tuition	$1,474	14.84%	$4,302	37.98%	191.80%
Total	$9,937		$11,330		14.02%
Total Enrollment for Georgia	289,382		347,733		20.16%

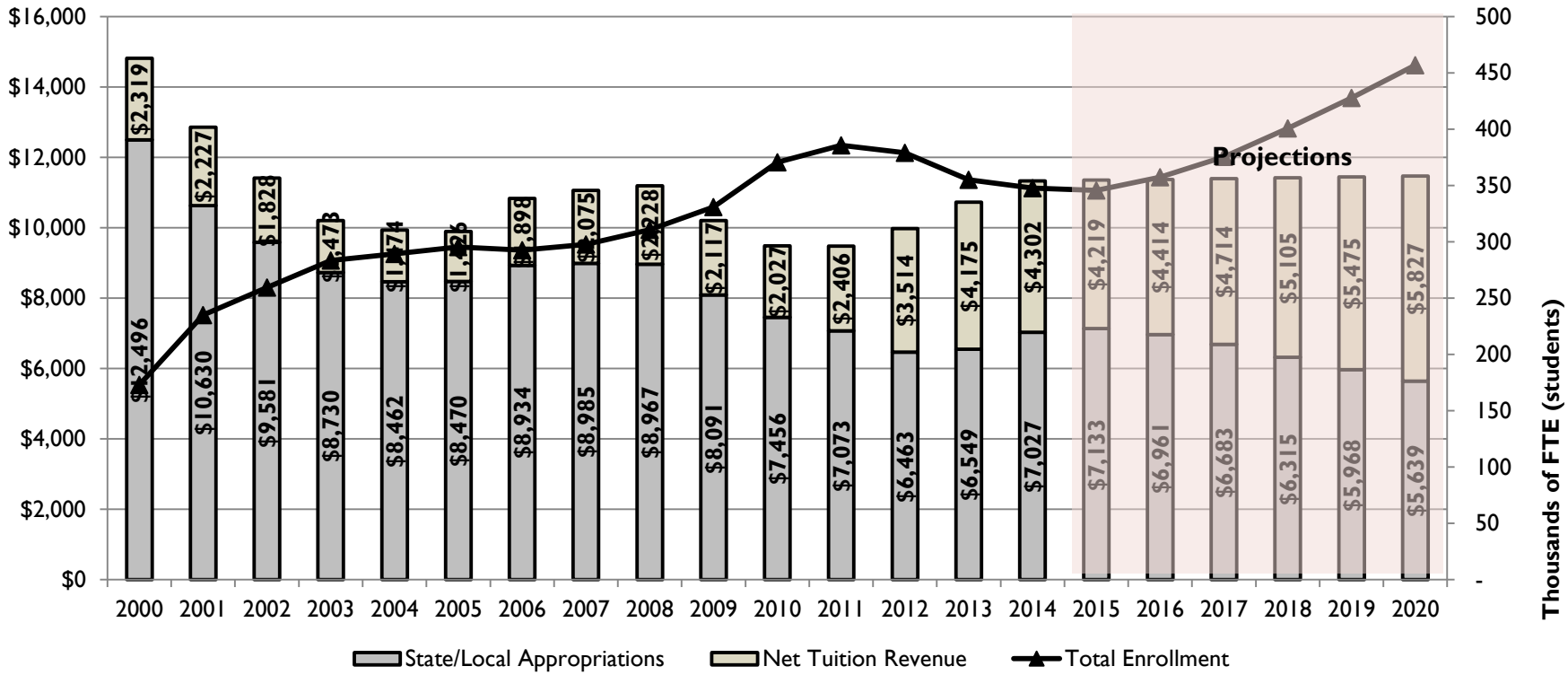
Revenue figures from State Higher Education Executive Officers Association, State Higher Education Finance Report. These numbers are not weighted by type of student; state appropriations include HOPE and other state financial aid and grant programs. Numbers are adjusted using a GDP Price Deflator.

Southern States Higher Ed. Comparison 2004-2014 (2014 Dollars)

State	Enrollment Growth	Approp. Per FTE Growth	Tuition Per FTE Growth	Total Revenue Per FTE Growth	Total Revenue Per FTE 2004	Rank in 2004	Total Revenue Per FTE 2014	Rank in 2014	Change in Rank
Alabama	7%	-10%	72%	29%	10,926	4	14,139	1	3
Arkansas	24%	6%	40%	17%	9,571	9	11,189	9	0
Florida	22%	-19%	7%	-12%	9,496	10	8,393	15	-5
Georgia	**20%**	**-17%**	**192%**	**14%**	**9,937**	**8**	**11,330**	**8**	**0**
Kentucky	11%	-19%	86%	11%	10,958	3	12,188	3	0
Louisiana	-8%	-16%	76%	9%	8,505	15	9,305	14	1
Mississippi	13%	-8%	12%	-1%	9,421	11	9,325	13	-2
Missouri	17%	-24%	34%	-3%	11,161	2	10,839	12	-10
North Carolina	28%	-4%	47%	8%	10,822	5	11,729	6	-1
Oklahoma	9%	6%	80%	29%	8,558	14	11,014	11	3
South Carolina	20%	-27%	50%	8%	11,164	1	12,110	4	-3
Tennessee	12%	4%	30%	15%	10,392	6	11,926	5	1
Texas	24%	6%	58%	22%	9,334	12	11,362	7	5
Virginia	24%	-13%	61%	21%	10,280	7	12,468	2	5
West Virginia	10%	-2%	61%	26%	8,798	13	11,052	10	3

Revenue figures from State Higher Education Executive Officers Association, State Higher Education Finance Report. These numbers are not weighted by type of student; state appropriations include HOPE and other state financial aid and grant programs. Numbers are adjusted using a GDP Price Deflator.

Projections: Status Quo



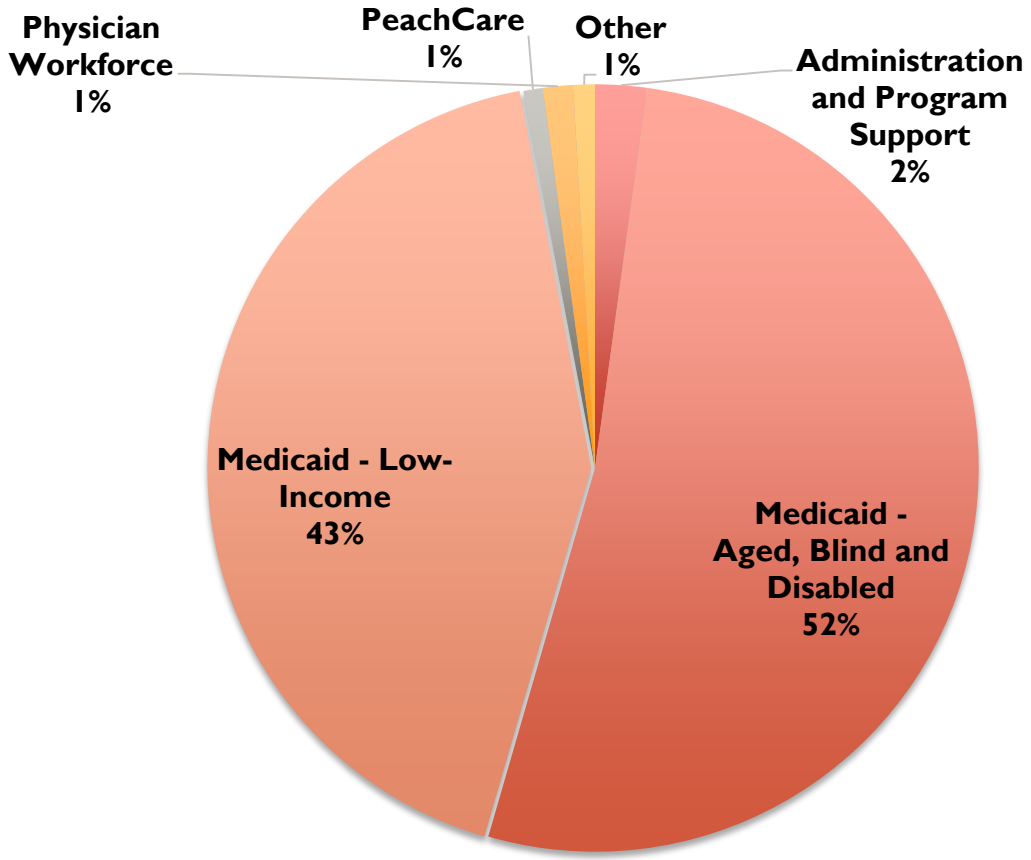
- The basic math of public sector higher education is that if state support doesn't grow enough on a per student basis, *then as enrollment grows the state funds will be spread thinner and thinner across each student* and tuition will rise… even if colleges hold flat the cost per student.
- Assuming that per student expenditures are largely flat (0.2% growth); and state appropriations grow at around 1%, then appropriations per FTE will decline by 20%, and tuition will rise by 35% by 2020; this does assume a fairly aggressive growth in student population.

Back of the Envelope Projections: 60% 25-34 with Post-Secondary Degree

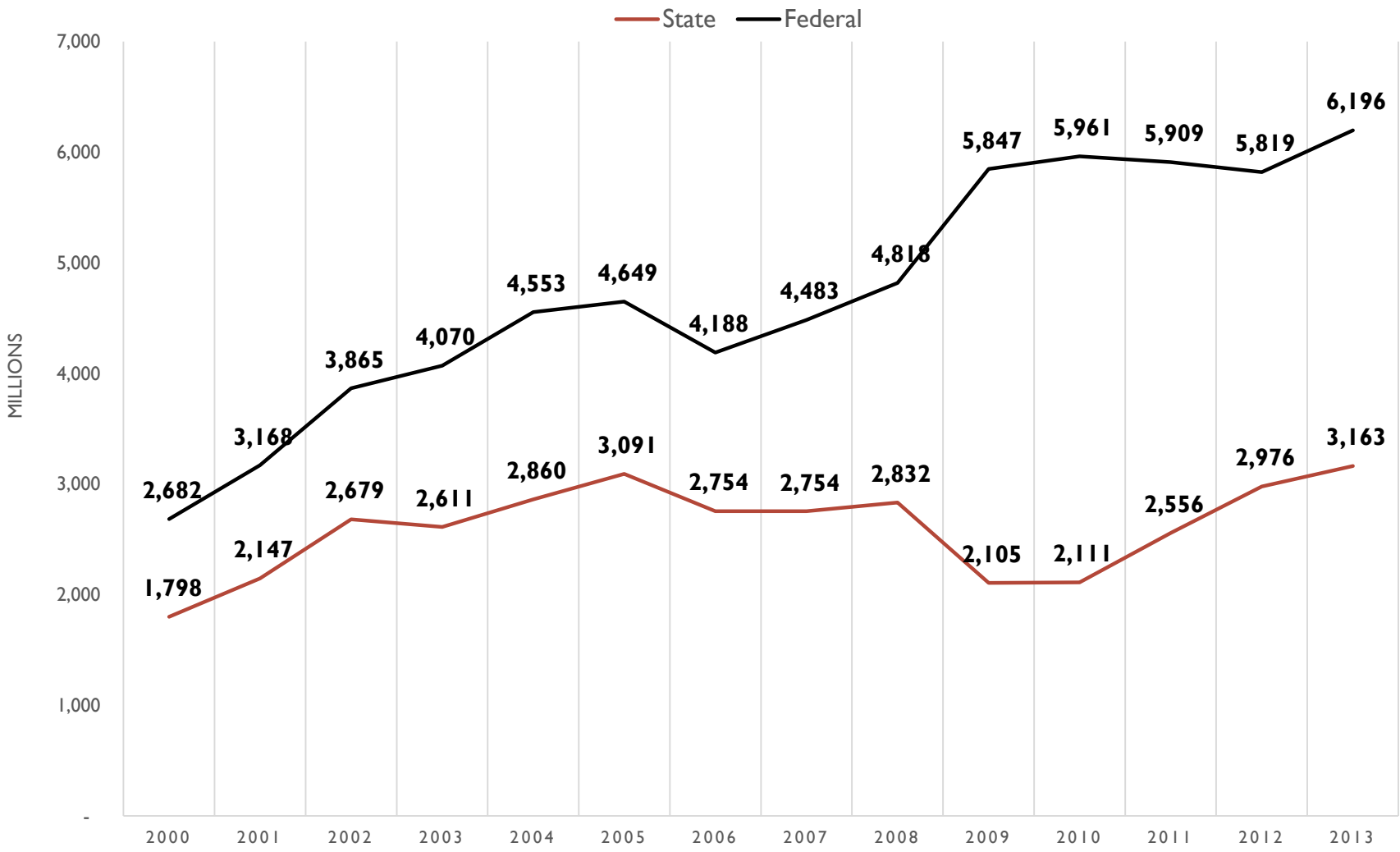
- Per the U.S. Department of Education, around 35-37% of Georgians between 25-34 have a college degree and around 350,000 were enrolled in 2014.
- To get to a 60% college attainment level, Georgia would essentially have to increase the public systems student population by around 67%.
- Assuming current levels of per student spending, this will cost around $1.6 billion more annually in state appropriations OR will require tuition to rise by 65%.

Medicaid

DCH FY16G State Funds Budget

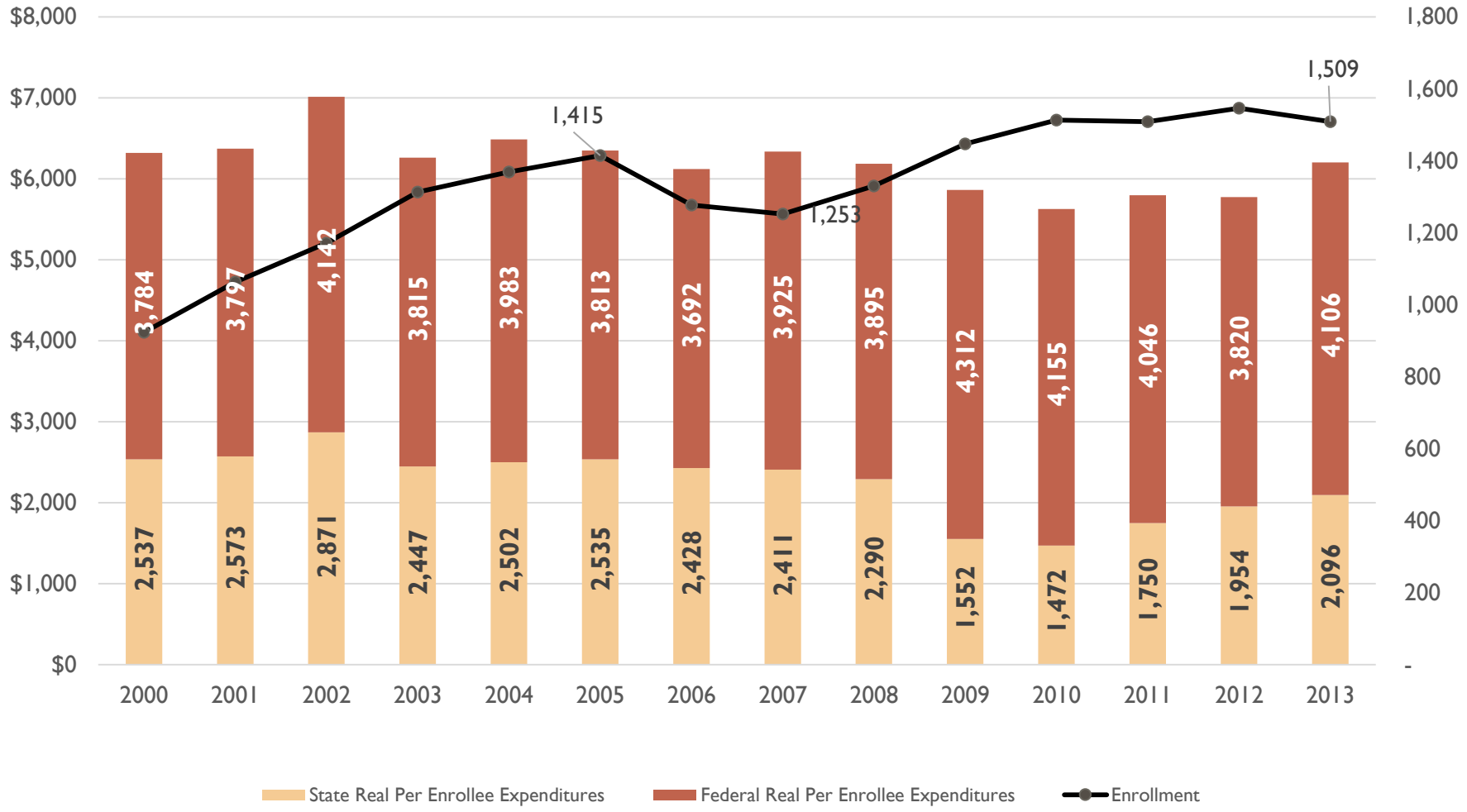


NOMINAL MEDICAID EXPENDITURES IN GEORGIA FFY2000-2013



Revenue figures from CMS-64 federal reports on expenditures.

REAL GEORGIA MEDICAID EXPENDITURES PER ENROLLEE BY FUND TYPE FFY2000-2013, 2013 DOLLARS



Revenue figures from CMS-64 federal reports; enrollment numbers are from the Kaiser Family Foundation counts for the month of December for each calendar year; NOTE that other reports count any enrollee at any point in time during a year; in these counts Georgia may have a large enrollment which has the effect of decreasing estimates of cost per enrollee.

Real Per Enrollee Expenditures by Fund Source for the Average SLC State

(in 2013 Dollars)

Trend Between 2000 and 2013 in Per Enrollee Expenditures by Fund Source

Fund Source	2000	Share of Total	2013	Share of Total	Percent Change
State/Local	$2,360	34.37%	$2,656	34.28%	12.54%
Federal	$4,507	65.63%	$5,092	65.72%	12.98%
Total	$6,867		$7,748		12.83%
Enrollment Total for SLC States (millions)	11.7		18.5		58.79%

Real Per Enrollee Expenditures by Fund Source for Georgia

Trend Between 2000 and 2013 in Per Enrollee Expenditures by Fund Source

Fund Source	2000	Share of Total	2013	Share of Total	Percent Change
State/Local	$2,554	40.13%	$2,096	33.79%	-17.92%
Federal	$3,810	59.87%	$4,106	66.21%	7.79%
Total	$6,363		$6,202		-2.53%
Enrollment Total for Georgia (millions)	0.9		1.5		63.35%

Revenue figures from CMS-64 federal reports; enrollment numbers are from the Kaiser Family Foundation counts for the month of December for each calendar year; NOTE that other reports count any enrollee at any point in time during a year; in these counts Georgia may have a large enrollment which has the effect of decreasing estimates of cost per enrollee.

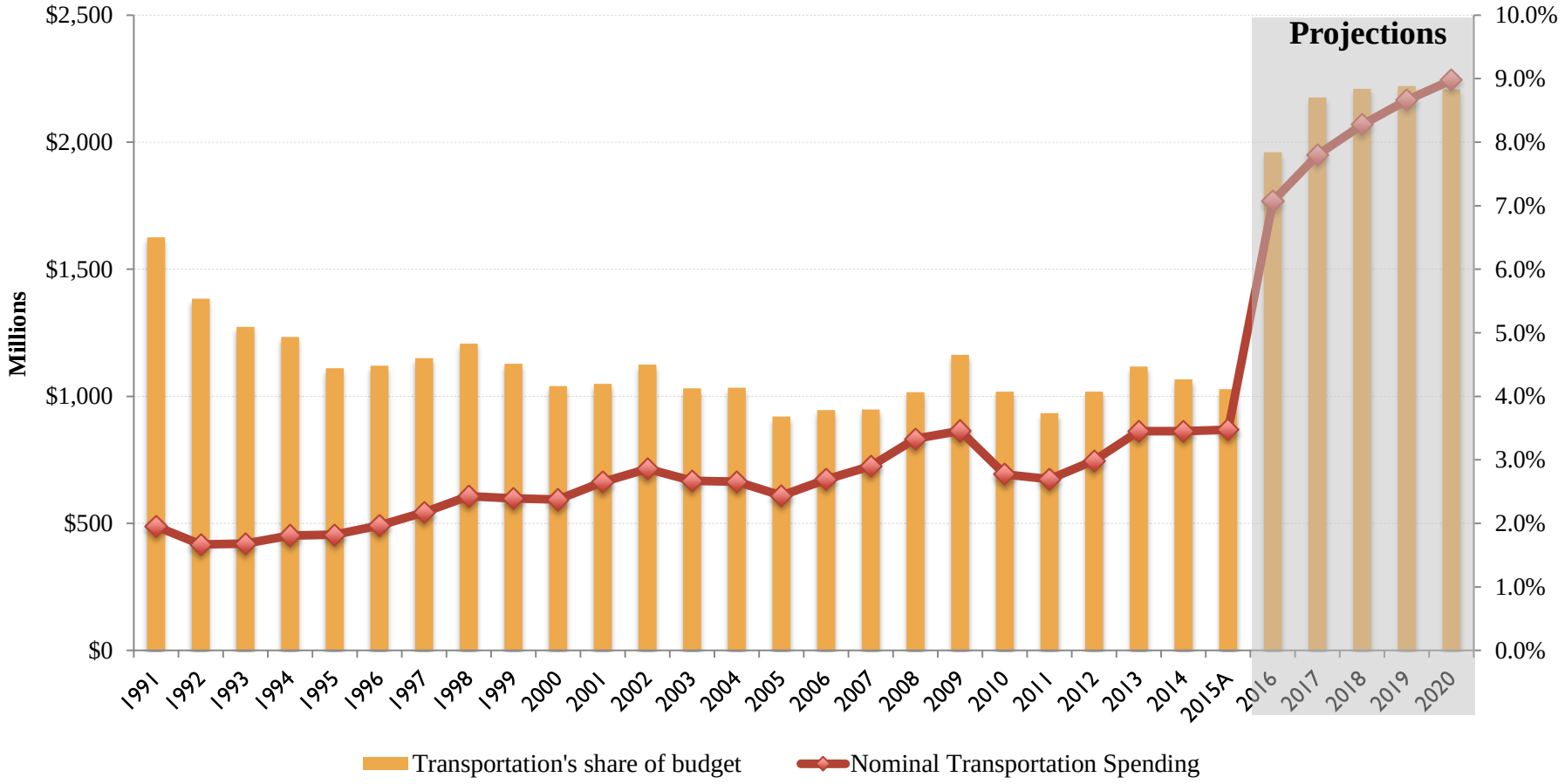
SLC Medicaid Comparison: 2000-2013
(2013 dollars)

	Overall Growth in Expenditures	Enrollee Growth	Growth in Per Enrollee Expenditures	Per Enrollee Exp. 2000	Rank in 2000	Per Enrollee Exp. 2013	Rank in 2013	Change in Rank
Alabama	43%	56%	-8%	6,655	8	6,090	14	-6
Arkansas	105%	57%	30%	6,254	12	8,159	5	7
Florida	83%	99%	-8%	6,255	11	5,758	15	-4
Georgia	**59%**	**63%**	**-3%**	**6,363**	**10**	**6,202**	**13**	**-3**
Kentucky	44%	33%	8%	7,126	7	7,731	8	-1
Louisiana	57%	77%	-12%	7,884	3	6,970	11	-8
Mississippi	81%	30%	39%	5,615	14	7,802	7	7
Missouri	71%	11%	55%	7,769	5	12,020	1	4
North Carolina	68%	66%	1%	8,266	1	8,354	4	-3
Oklahoma	107%	74%	19%	6,093	13	7,225	9	4
South Carolina	36%	37%	-1%	6,543	9	6,488	12	-3
Tennessee	34%	-9%	47%	4,840	15	7,119	10	5
Texas	97%	100%	-1%	8,179	2	8,058	6	-4
Virginia	105%	76%	16%	7,882	4	9,166	2	2
West Virginia	68%	35%	25%	7,284	6	9,078	3	3

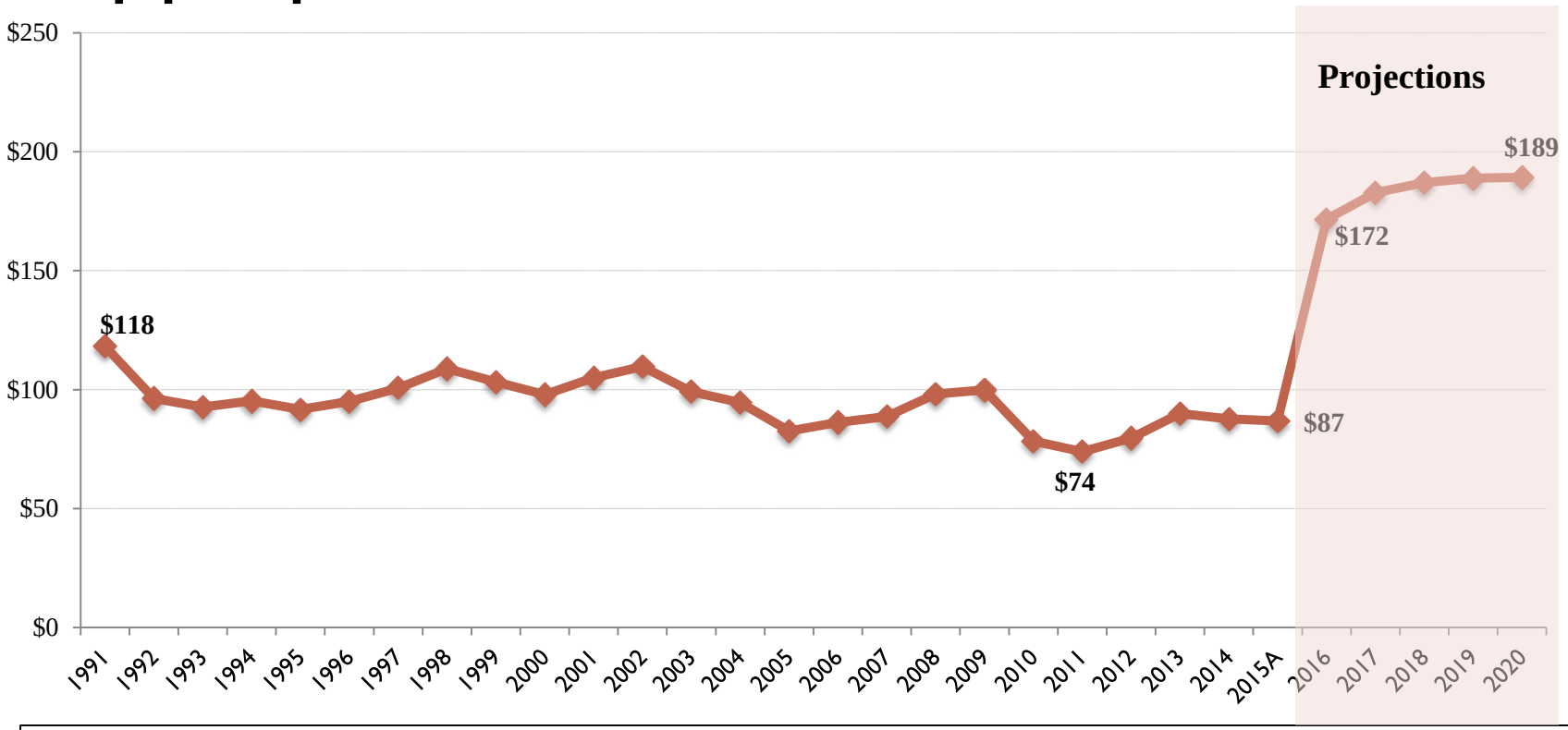
Sources: Kaiser Family Foundation for December Medicaid Enrollment data, data on Net Total Medicaid Expenditures from the Centers for Medicare & Medicaid Services. Table uses national GDP price deflator to adjust for inflation.

Transportation

Transportation Appropriations and Budget Share



Real Per Capita Transportation Appropriations (FY 2016 dollars)



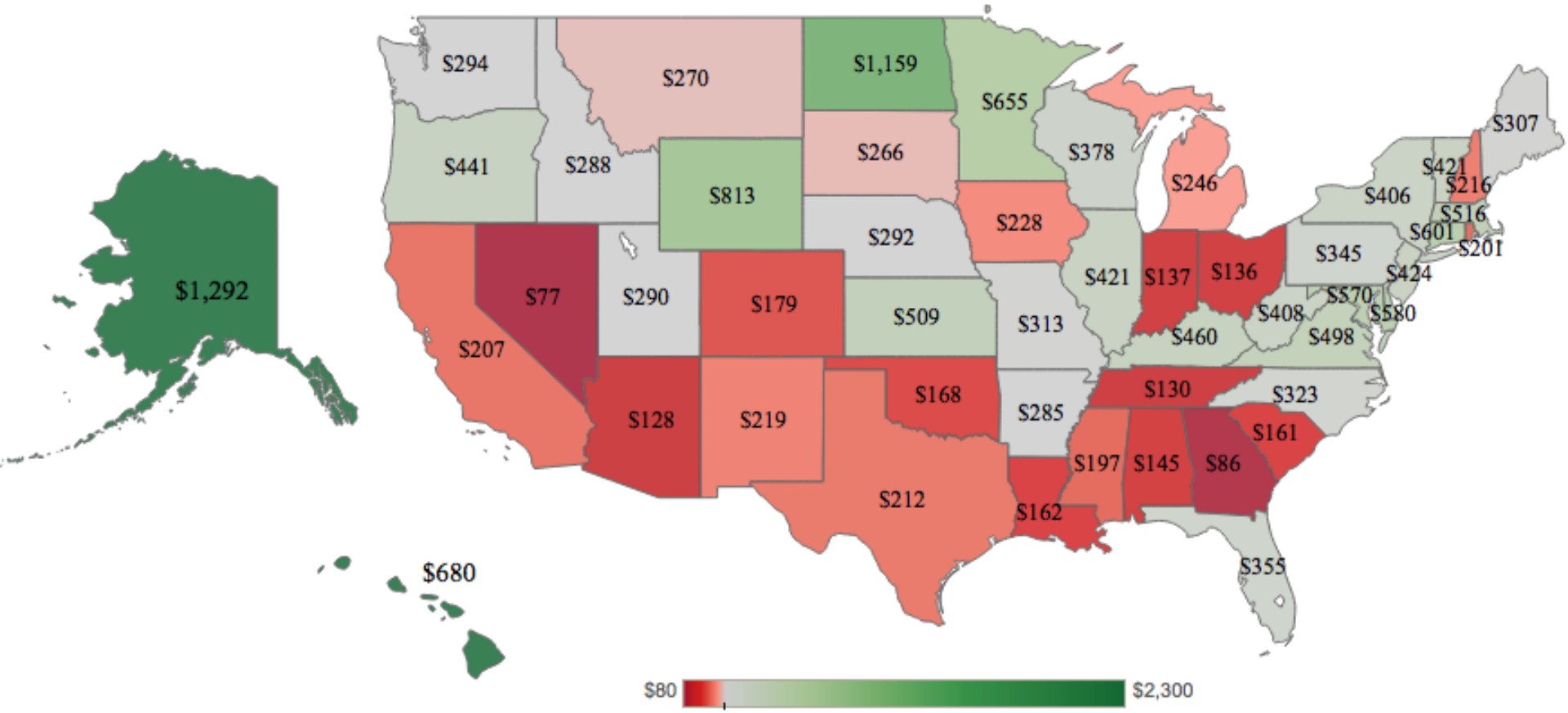
- In real dollar terms, per capita spending on transportation has declined by 27% between 1991 and 2015.
- The Transportation Funding Act of 2015 (HB 170) is projected to increase per capita transportation spending by 99% in FY 2016, and by 136% in FY 2020 over FY 2015 levels.

SLC Transportation Comparison 2004-2014 (2014 dollars)

State	Transportation Spending Growth	Per Capita Spending Growth	Per Capita Transportation Spending 2004	Rank in 2004	Per Capita Transportation Spending 2014	Rank in 2014	Change in Rank
Alabama	-11%	-17%	$175	12	$145	13	-1
Arkansas	13%	5%	$272	9	$285	7	2
Florida	35%	18%	$301	8	$355	4	4
Georgia	**-40%**	**-47%**	**$162**	**13**	**$86**	**15**	**-2**
Kentucky	19%	12%	$413	2	$460	2	0
Louisiana	-49%	-51%	$333	7	$162	11	-4
Mississippi	-24%	-27%	$270	10	$197	9	1
Missouri	-13%	-17%	$377	5	$313	6	-1
North Carolina	9%	-7%	$346	6	$323	5	1
Oklahoma	-1%	-10%	$187	11	$168	10	1
South Carolina	-55%	-61%	$410	3	$161	12	-9
Tennessee	-9%	-18%	$159	14	$130	14	0
Texas	73%	44%	$147	15	$212	8	7
Virginia	31%	17%	$425	1	$498	1	0
West Virginia	8%	5%	$387	4	$408	3	1

Source: NASBO State Expenditure Reports; when including the first year revenue effects of the Transportation Funding Act with the FY 2014 Transportation appropriations, per capita transportation spending rises to $171.66. Georgia would then rank 10th out of all SLC states, an improvement of five ranks.

Per Capita Transportation Spending
(FY 2014)



Georgia State University | Andrew Young School
Center for State & Local Finance

Internal Pressures

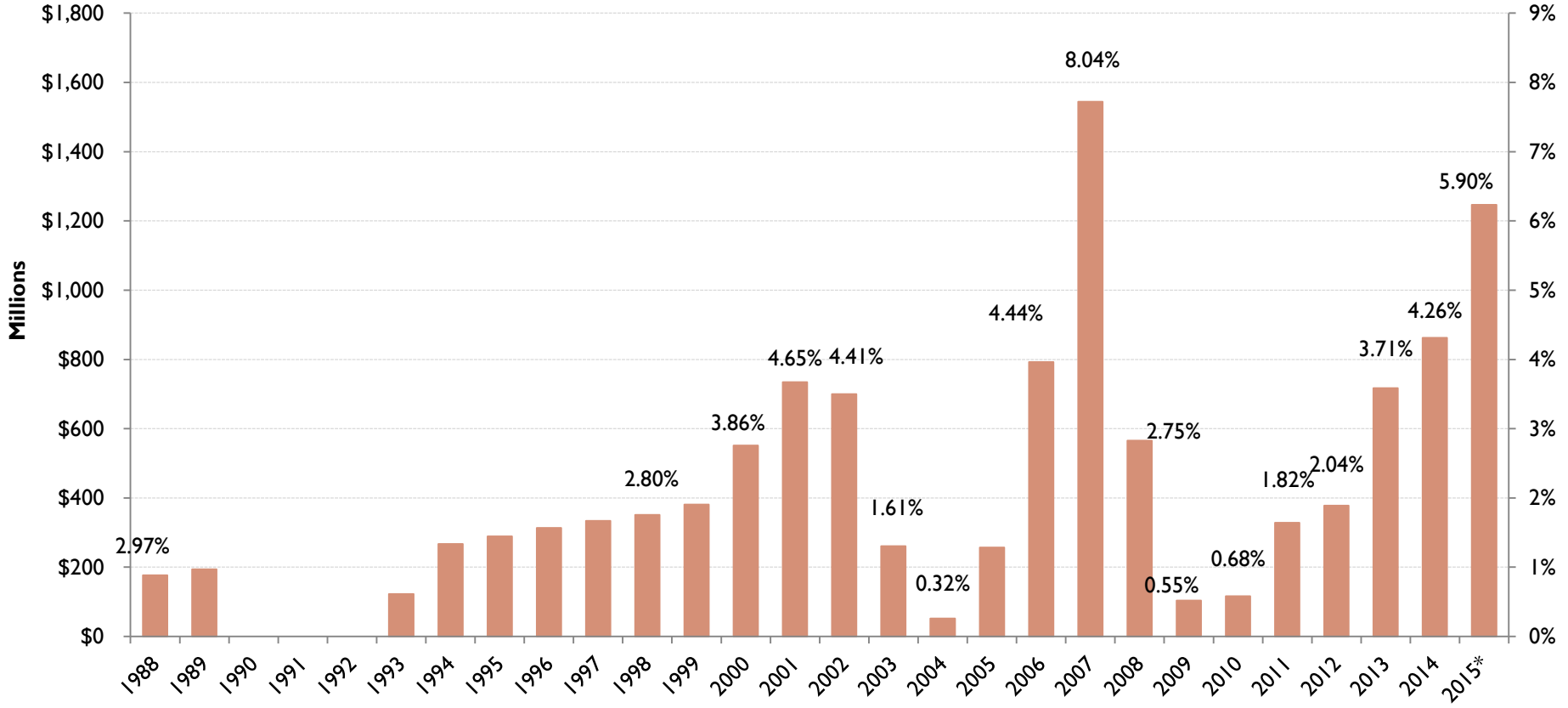
Rebuilding Reserves

Loss of Human Capital

Other Post-Employment Benefits

Pension Benefits

Revenue Shortfall Reserve Total and as a % of Budget: 1988 - 2015



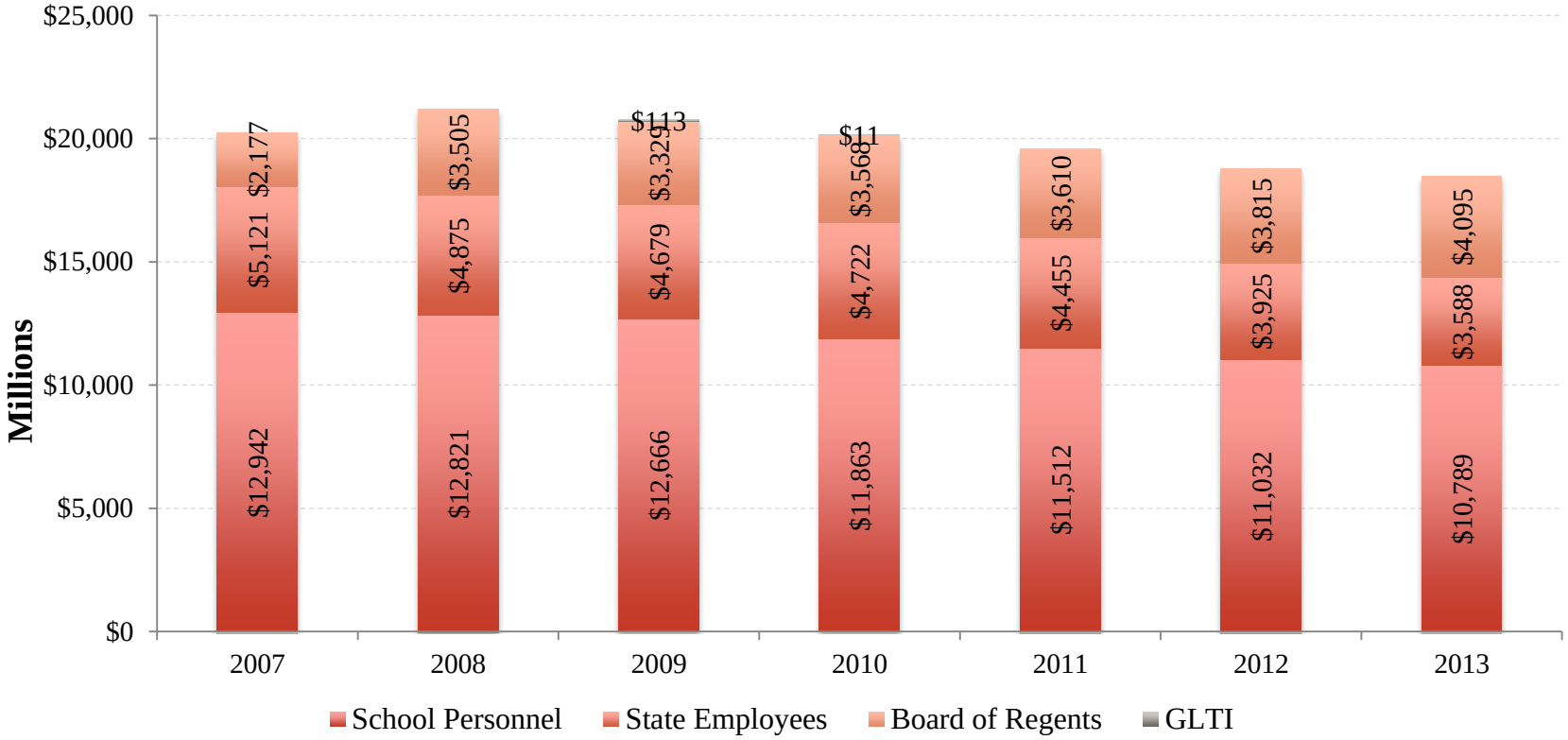
Georgia is rebuilding its reserves, but the amount is still well below the cushion the state carried in 2007. The statutory target is 4% of *net revenues* (not expenditures reported here). In 2015, the state exceeded this target.

Data Sources: OPB Budget in Brief FY15A-FY16; Selected Summary of Financial Information FY15 and author calculations for FY15.

State and Local Government Employment (FTEs)

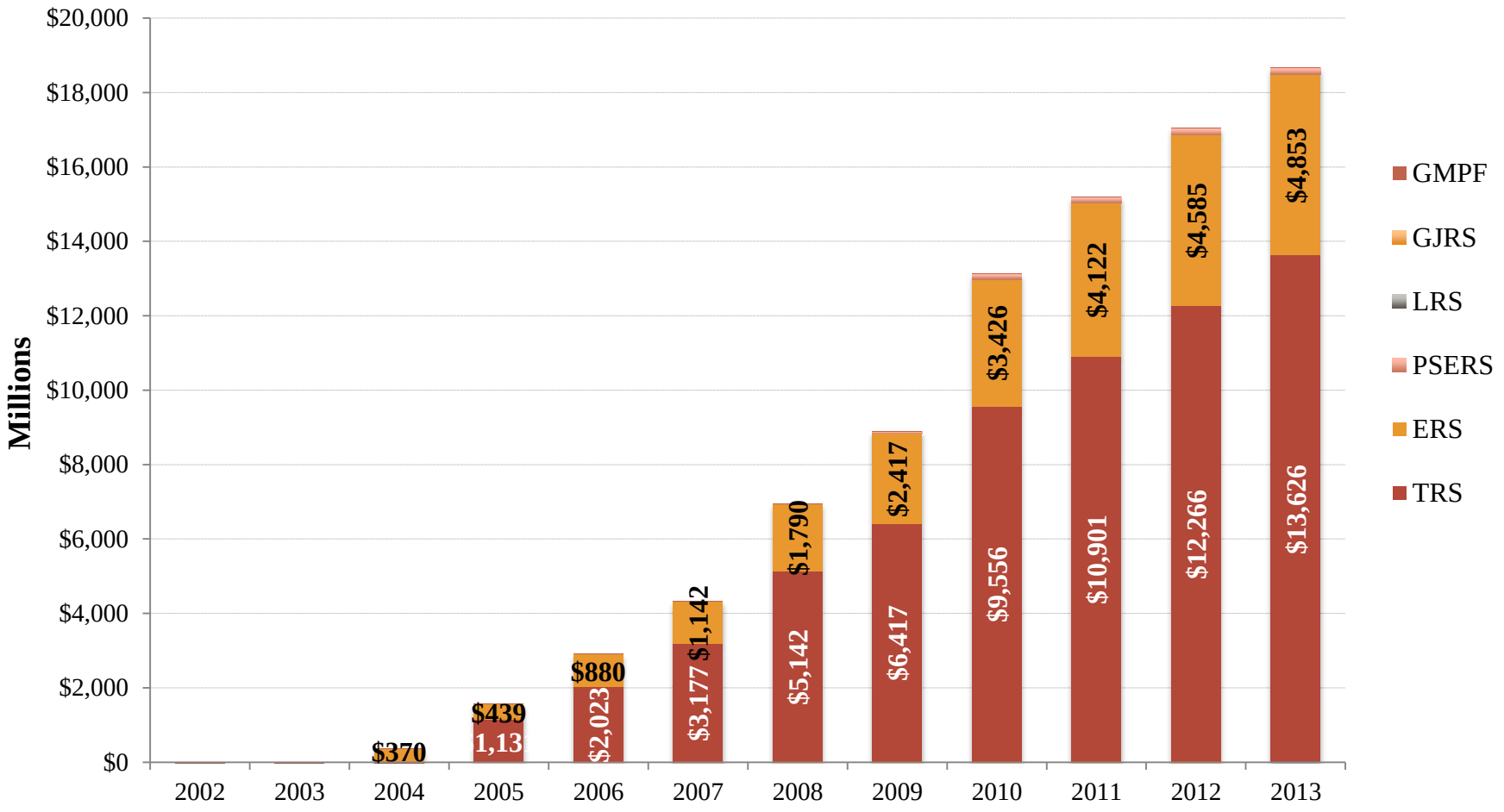
	2000	2008	2013	2000-2008	2008-2013	2000-2013
Total	453,736	539,073	512,186	19%	-5%	13%
Total Non-Education	212,237	229,952	213,483	8%	-7%	1%
Major Non-Education Categories						
Administration	16,044	19,804	17,247	23%	-13%	7%
Corrections	26,595	30,438	27,104	14%	-11%	2%
Highways	13,794	14,652	12,383	6%	-15%	-10%
Public Welfare	10,302	10,436	10,009	1%	-4%	-3%
Health	18,541	15,854	14,405	-14%	-9%	-22%
Hospitals	33,081	28,073	26,641	-15%	-5%	-19%
Police	24,261	27,691	26,968	14%	-3%	11%
Fire	9,462	12,236	12,703	29%	4%	34%
Major Education Categories						
K-12 Education						
Instruction	139,678	172,245	157,903	23%	-8%	13%
Non-Instruction	53,576	80,413	78,415	50%	-2%	46%
Higher Education						
Instruction	13,500	17,793	18,435	32%	4%	37%
Non-Instruction	26,968	35,416	40,397	31%	14%	50%

Real Unfunded OPEB Liability
(2013 dollars)

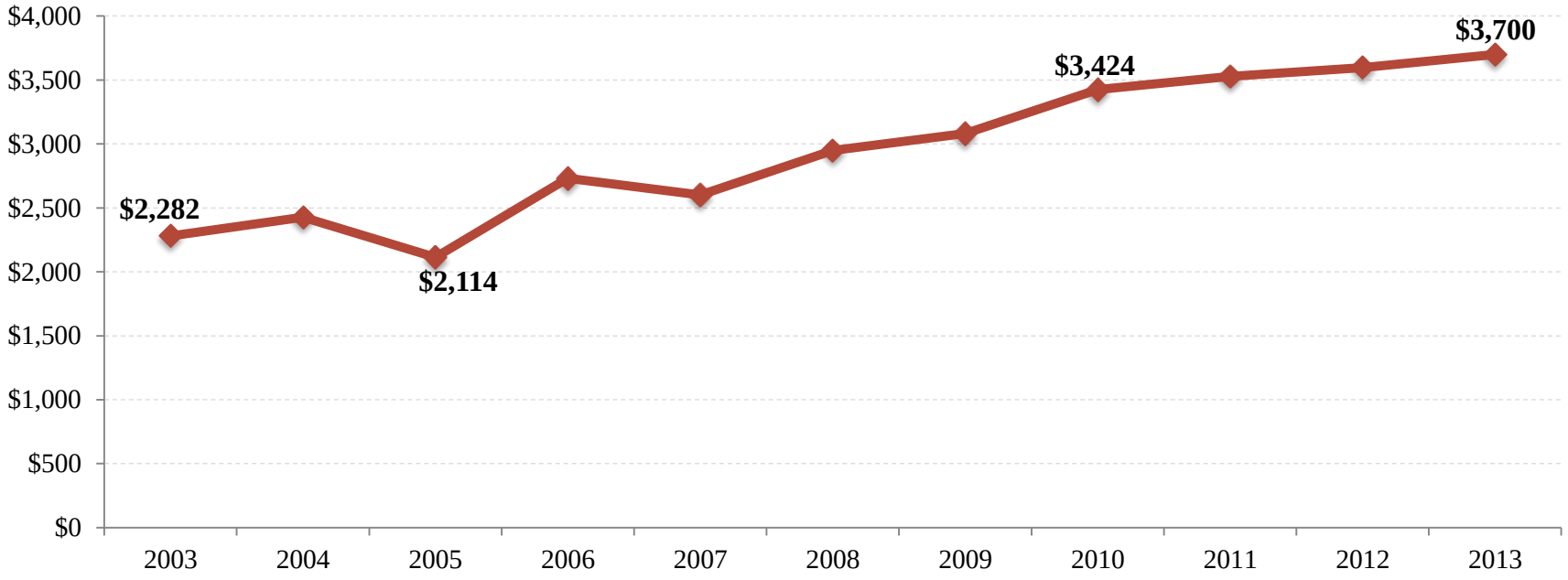


- Georgia's real unfunded OPEB liabilities have shrunk by 13.4% from 2008 to 2013, from $21.2 to $18.3 billion.
- In 2013, Georgia ranked 35th in lowest unfunded OPEB liabilities per capita and 18th in OPEB funding ratio.

Real Unfunded Pension Liabilities
(2013 dollars)

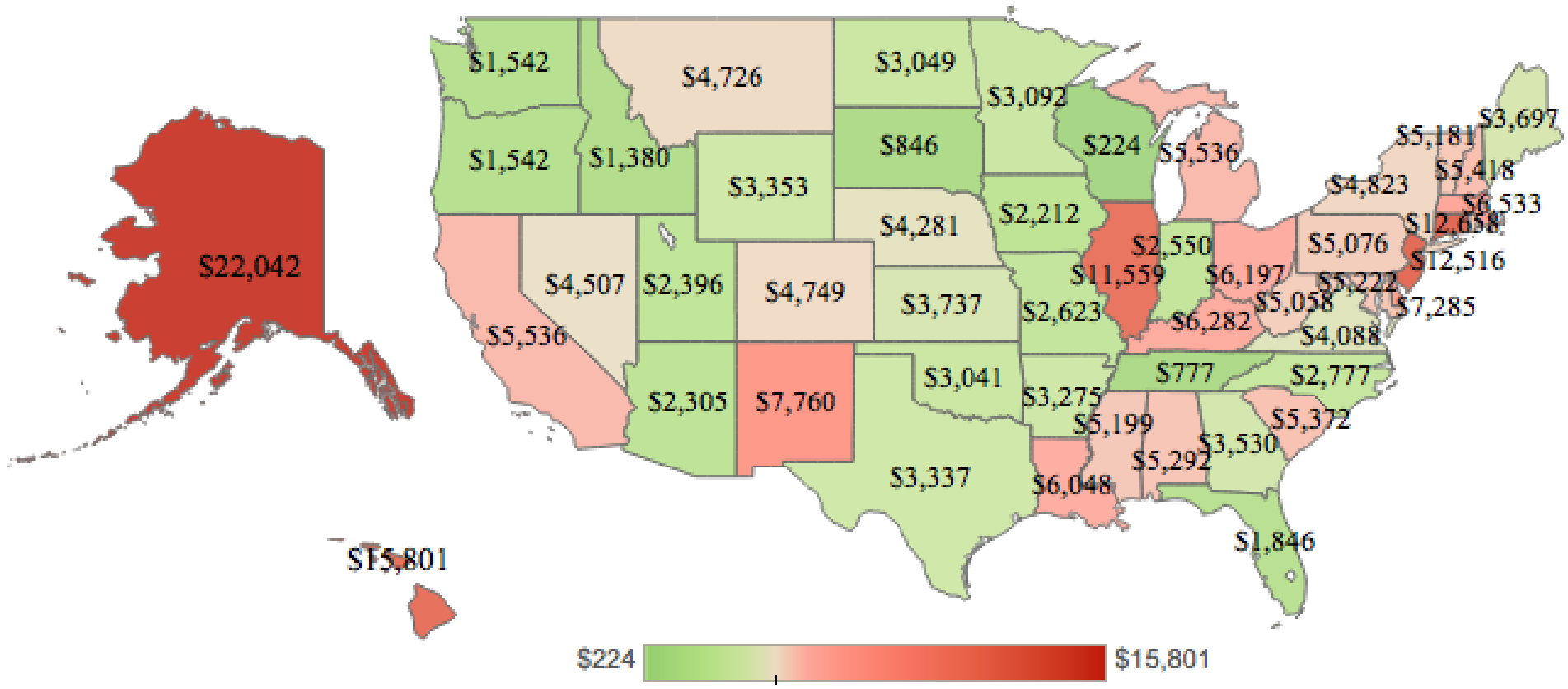


Georgia's Per Capita Unfunded Pension and OPEB Liabilities
(2013 dollars)



- In real dollar terms, Georgia's per capita unfunded Pension and OPEB liabilities increased by 62.15% between 2003 and 2013.
- The increase is driven by unfunded Pension obligations. Unfunded OPEB liability per capita decreased by 22.8% between 2003 and 2013.

Per Capita Unfunded OPEB and Pension Liabilities (FY 2012)



Source: The Pew Charitable Trusts

Key Takeaways

- Georgia is suffering a serious economic reset that may take a generation to outgrow; the loss of low skill/moderate wage manufacturing puts Georgia in a position much like that of the Rust Belt states in the 1970s and 1980s.
  - Georgia does not have the same high tax, high debt, high pension liability that some of these states faced (and continue to face).
  - On the other hand, Georgia does not have the more highly educated workforce that some of these state's have.
- The economy is growing again and most indicators suggest a positive outlook for solid growth going forward, but there should be no expectation that state funded services will regain pre-recession levels at least on a real per capita basis.
- Georgia has some internal demands that require attention, including the loss of human capital within the state government and shoring up OPEB and pension benefits.
- The state also faces the challenge of maintaining fiscal discipline in the face of an intense need to invest in human and physical capital in order to position itself for a future without a low skill/moderate wage manufacturing sector.

FY16 Amended

- Georgia's state funds budget in the FY16 general budget is $21.8 billion.
  - ~$700 million in new transportation revenues from HB170
  - Current State General Fund Revenue estimate only 1% over prior year (since 2012 state has averaged 5% growth in revenues)
  - Assuming revenue growth of around 4% (or 7% with transportation funding) over FY15, the state will also have around $560 million in additional funds midyear.
    - ~$130 million for K-12 growth ($204 million for K-12 mid-year adjustment)
    - $104 million for Medicaid growth

FY17 General Budget

- At around 4% growth, will add $878 million to the state budget; at 5% growth will add $1 billion
  - ~$180 million K-12 growth
  - $118 million for Medicaid
  - $54 million for Board of Regents growth
- Other?
  - K-12 “austerity cut” of $460 million, $180 million for transportation
  - $241 million for new formula
  - ~$400 million for 3% pay raise (of which ~$225 million for teachers, $60 million for Board of Regents)*
  - OPEB Annual Required Contribution of $202 million for FY17

*Estimates based on FY09 payroll numbers and conversations with budget staff.