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Georgia's Budget and TABOR

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TABOR and TELs

- Tax/Expenditure Limitations (TELs)
- Taxpayer Bill of Rights (TABOR)
- 30 states have some sort of tax or expenditure limitation
 - As of 2005, 4 used population growth and inflation to determine allowable increase in expenditures or taxes.
 - GA's is loosely modeled on Colorado which was suspended in 2005, but Colorado's was much stricter
 - Most states have stepped back from TELs in light of the recent recession.



SR20: Taxpayer Protection Amendment

SR20 Limits Expenditure Growth to:

- (1) An amount equal to the fiscal year spending for any previous fiscal year; or
- (2) An amount equal to the immediately preceding fiscal year spending adjusted for state government inflation and annual population change.
 - Inflationary amount uses gross output of state and local governments



Appropriations NOT Included:

- Homeowners tax relief grants
- Expenditures financed by:
 - Federal funds
 - User charges as long as such charges do not exceed the cost of goods or services
 - Lottery funds
 - Motor fuel
 - Tobacco settlement funds
 - CMO fees and nursing home provider fees
 - Other minor fund sources



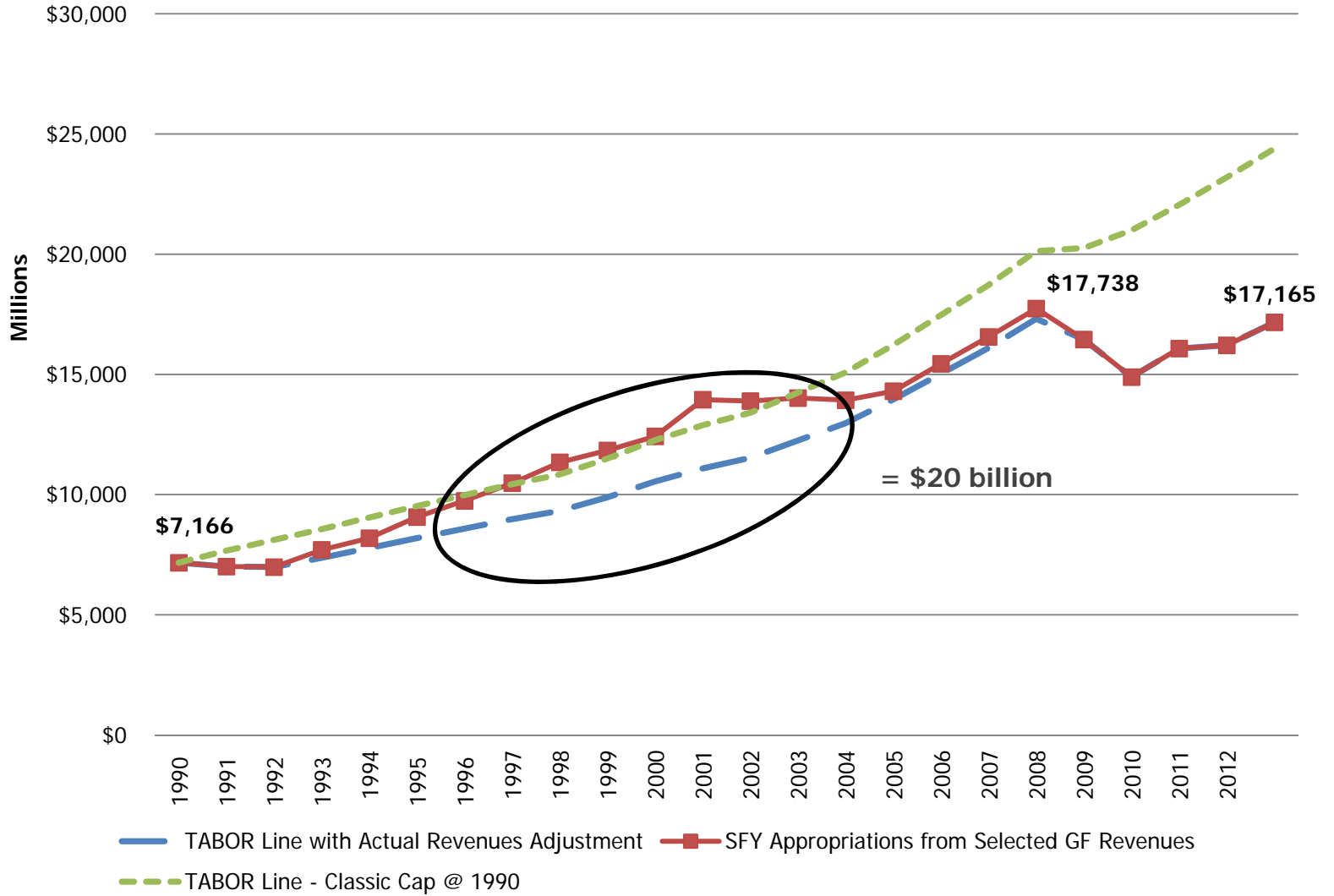
Spending Limit Override

- The General Assembly may exceed the spending limit upon adoption of a joint resolution by 2/3rds vote in both houses.



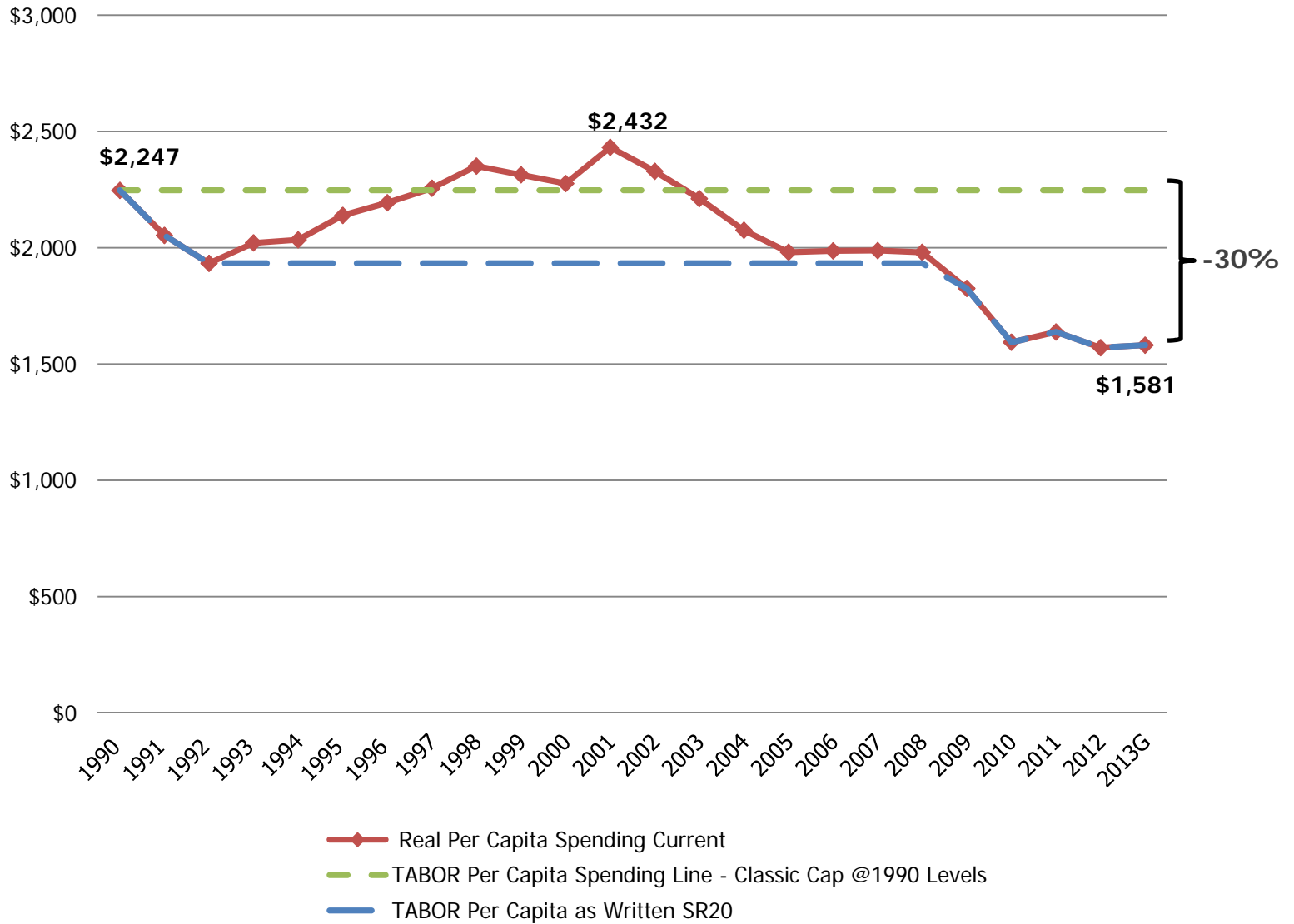
**EXAMINING A SCENARIO
IF TABOR WERE IN PLACE
IN 1990...**

Actual Nominal Spending Levels* v. TABOR Scenarios 1990-2013



*Note: The appropriations reflected here are based on those that would be considered as part of SR20, they do not include all appropriations.

Real Per Capita Spending Actual* v. TABOR Scenarios



*Note: The appropriations reflected here are based on those that would be considered as part of SR20, they do not include all appropriations.



Impact of SR20

- SR20 will have the effect of resetting state revenues at a lower base when revenues decline
- This may or may not be a desirable result depending on your view of government
 - It may prevent expenditure response to “bubbles” and will scale back the scope of government
 - It will lock in low levels of spending



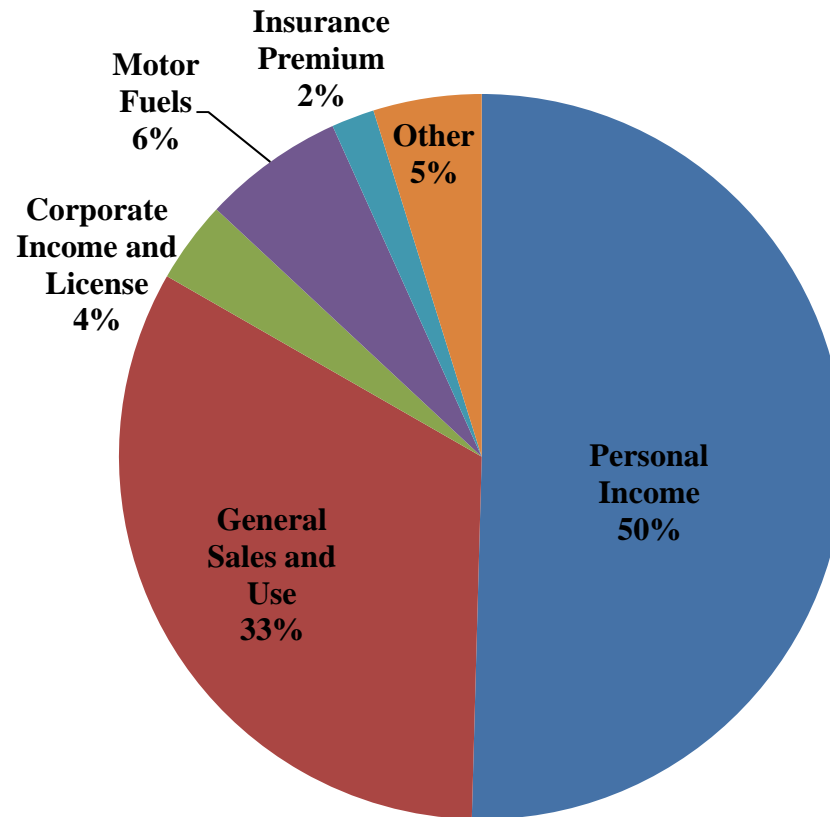
Excess Revenues

- If revenue exceeds the limit on spending the excess shall be appropriated first to fund increases in enrollment in schools then:
 - Transfer to the Revenue Shortfall Reserve (RSR) until fund balance equals 15% of prior FY spending (\$2.6 billion in FY13)
 - Retirement of existing GO debt (\$22 billion in FY13)
 - If RSR is at 15% then will be used to reduce income tax by .25% (\$404 million)

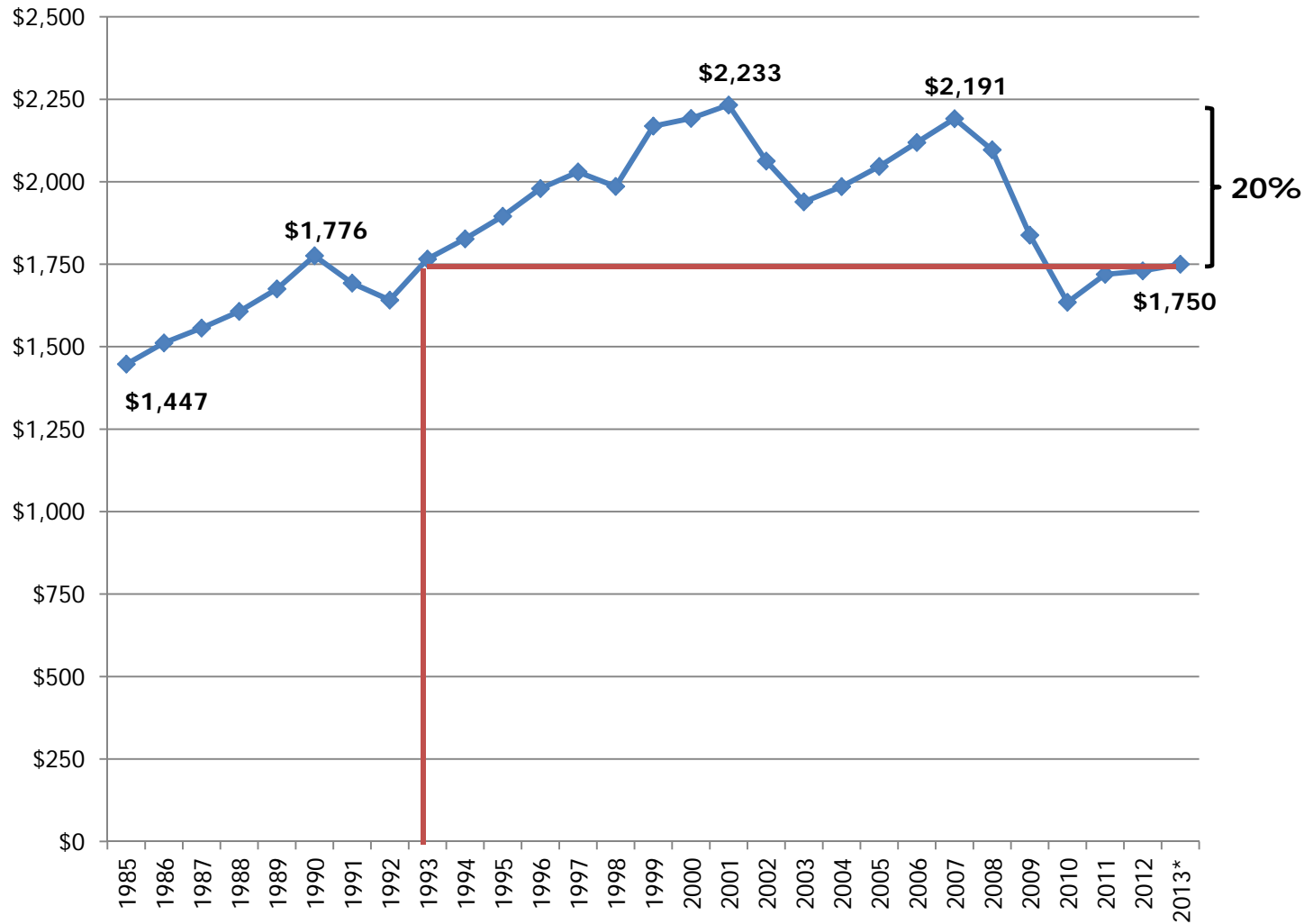


GEORGIA'S CURRENT FISCAL SITUATION

State Tax Revenues

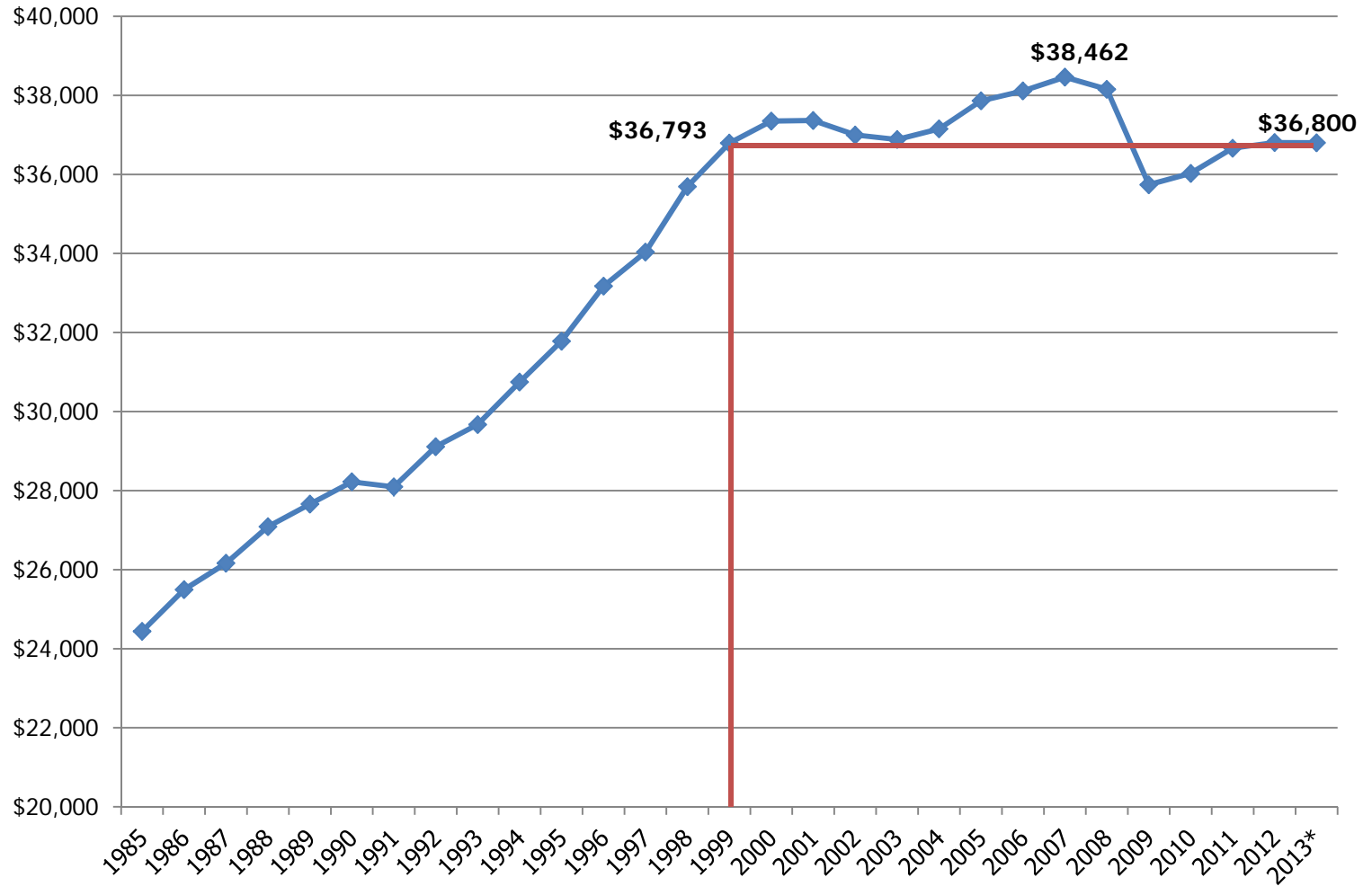


State Tax Revenues Per Capita (2012 Dollars)



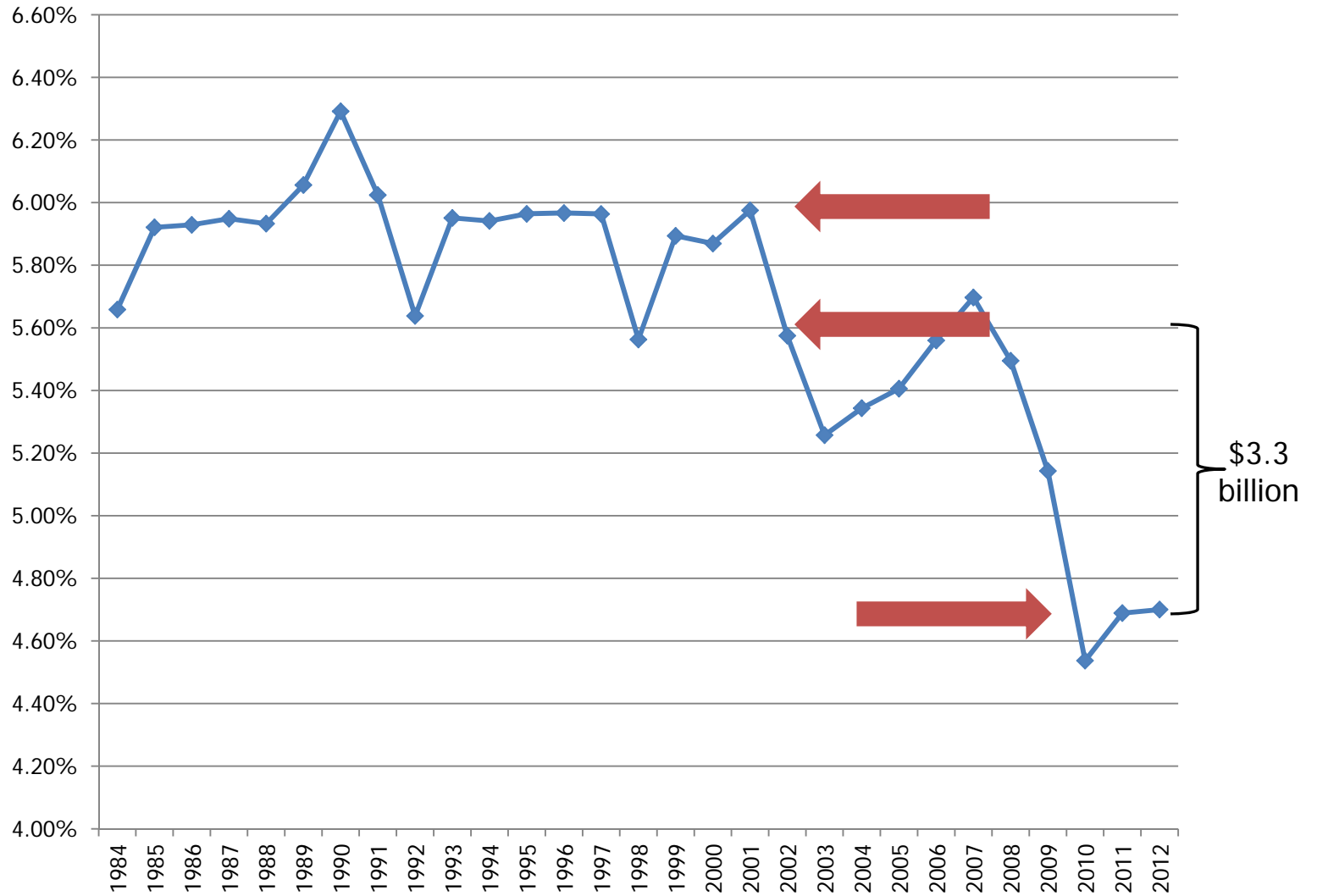
Data Sources: OPB Budget in Brief FY12-FY13, Bureau of Economic Analysis GDP Deflator

State Personal Income Per Capita (2012 Dollars)



Data Sources: Bureau of Economic Analysis, GDP Deflator

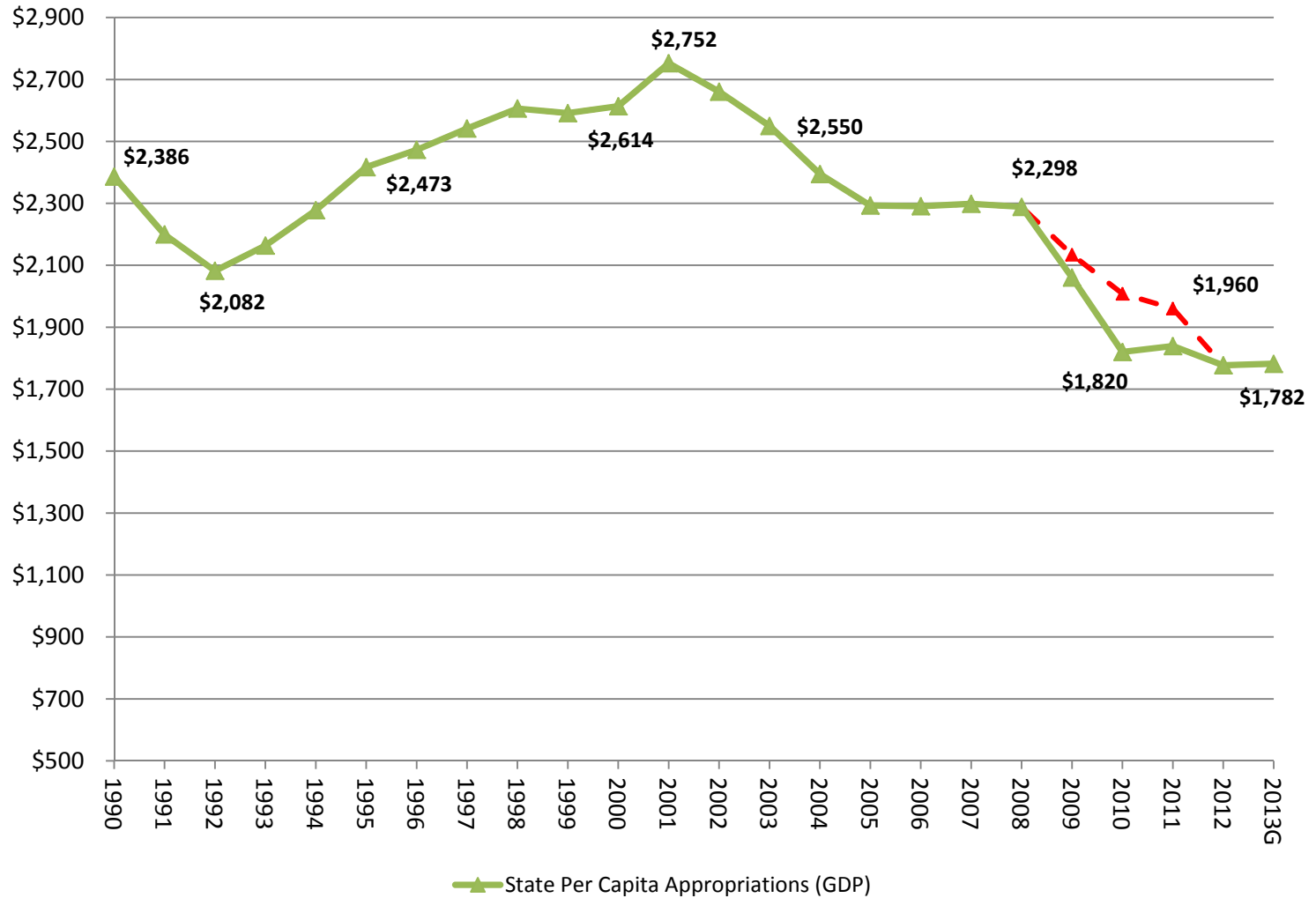
State Tax Revenues as % of Personal Income



Data Sources: OPB Budget in Brief FY12-FY13, Bureau of Economic Analysis

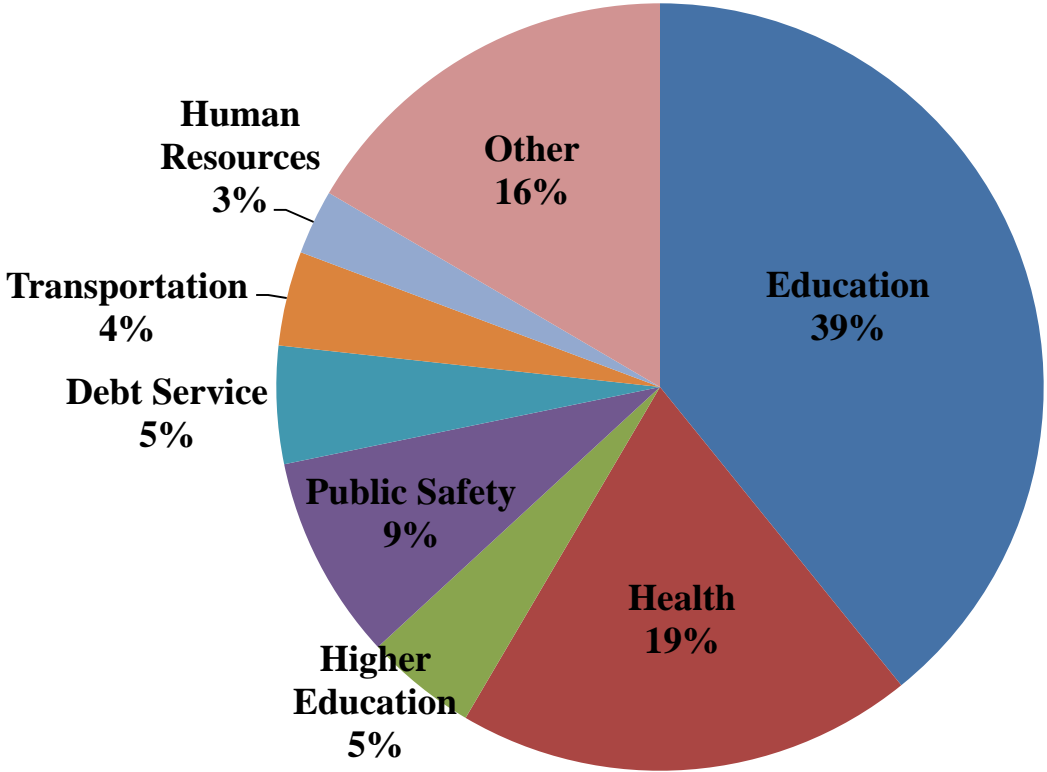
Per Capita State Appropriations Adjusted Using NIPA Inflation Index

(State Funds, 2011 Dollars)



Source: Selected Summary Financial Information; Inflation Index Used: NIPA Table 3.10.4, Row 48

State General Fund Expenditures



Per Capita Inflation Adjusted Growth by Policy Area FY 1990-2013

(Amounts in 2011 Dollars, Includes All State Funds and Budget Stabilization/FMAP*)

	1990	2000	2013	Change 1990-2013	% Change 1990-2000	% Change 2000-2013	% Change 1990-2013
Agriculture	\$13.06	\$8.21	\$3.75	(\$9.31)	-37%	-54%	-71%
Debt Service on Bonds	\$110.98	\$97.16	\$103.63	(\$7.35)	-12%	7%	-7%
Health and Human Services	\$488.66	\$569.27	\$404.82	(\$83.84)	16%	-29%	-17%
Corrections	\$163.45	\$208.68	\$136.02	(\$27.43)	28%	-35%	-17%
Economic Development	\$18.25	\$21.45	\$16.54	(\$1.71)	18%	-23%	-9%
Education	\$876.93	\$1,005.45	\$693.02	(\$183.91)	15%	-31%	-21%
General Government	\$79.41	\$93.12	\$36.21	(\$43.20)	17%	-61%	-54%
Higher Education	\$332.10	\$415.01	\$257.88	(\$74.22)	25%	-38%	-22%
Judicial	\$16.37	\$20.44	\$18.79	\$2.42	25%	-8%	15%
Natural Resources	\$39.33	\$28.47	\$11.53	(\$27.81)	-28%	-60%	-71%
Public Safety	\$44.64	\$37.76	\$20.97	(\$23.67)	-15%	-44%	-53%
Transportation	\$203.02	\$108.73	\$78.65	(\$124.36)	-46%	-28%	-61%
TOTAL	\$2,386	\$2,614	\$ 1,782	(\$604.37)	10%	-32%	-25%

*Includes budget stabilization funds, FMAP and other enhanced Medicaid assistance. Inflation adjustment uses the NIPA index referenced in SR20.



GA Compared to Other Southern States

Note: This following analysis draws on Census data and uses 2010 as the basis for inflationary adjustment. Additionally, the analysis looks at per student or per “full time equivalent, FTE” so numbers will not match to previous slides which used population and 2011 for its inflationary adjustment.

Real Per Medicaid Enrollee Expenditures by Fund Source for the Average SLC State
(in 2009 Dollars)

Fund Source	Trend Between 2000 and 2009 in Per Enrollee Expenditures by Fund Source				
	2000	Share of Total	2009	Share of Total	Percent Change
State/Local	\$1,945	34.17%	\$2,012	31.73%	3.45%
Federal	\$3,747	65.83%	\$4,328	68.27%	15.50%
Total	\$5,692		\$6,340		11.38%
Enrollment Total for SLC States (millions)	11.7		16.7		42.26%

Revenue figures are from CMS estimates of per enrollee spending in Medicaid. Enrollment numbers are from counts of enrollments from December of each year. State and federal estimates are derived from FMAP annual shares for each state. The numbers represent a per state average amount over 15 SE States (AL, AR, FL, GA, KY, LA, MS, MO, NC, OK, SC, TN, TX, VA, and WV). Inflation adjustment is made using GDP Price Deflator.

State Comparisons 2000-2009
(in 2009 Dollars)

	Overall Growth in Expenditures	Enrollee Growth	Growth in Per Enrollee Expenditures	Per Enrollee Exp. 2000	Rank in 2000	Per Enrollee Exp. 2009	Rank in 2009	Change in Rank
Alabama	33%	37%	-6%	5,432	9	5,086	14	-5
Arkansas	75%	50%	23%	4,767	14	5,871	10	4
Florida	62%	59%	14%	5,151	10	5,855	11	-1
Georgia	28%	57%	-18%	5,892	7	4,835	15	-8
Kentucky	36%	30%	2%	6,959	1	7,089	3	-2
Louisiana	79%	47%	15%	5,520	11	6,000	8	0
Mississippi	51%	24%	17%	4,981	12	6,606	2	-1
Missouri	52%	16%	30%	6,323	6	6,469	7	4
North Carolina	61%	48%	6%	6,455	4	7,088	4	0
Oklahoma	90%	51%	26%	4,955	13	5,150	9	4
South Carolina	55%	15%	33%	4,981	12	6,606	6	6
Tennessee	19%	-11%	26%	4,092	15	5,150	13	2
Texas	85%	80%	2%	6,323	6	6,469	7	-1
Virginia	62%	59%	10%	6,455	4	7,088	4	0
West Virginia	38%	27%	5%	6,561	3	6,886	5	-2

**GA is 50th in
the nation in
per enrollee
Medicaid
spending**

Revenue figures are from CMS estimates of total spending in Medicaid. Enrollee estimates are based on December enrollment counts. Table uses national GDP price deflator to adjust for inflation.

Real Per FTE K12 Education Revenues for the Average Southern State
(in 2010 Dollars)

Trend Between 2000 and 2010 in Per Pupil Revenues

Revenue Level	2000	Share of Total	2010	Share of Total	Percent Change
Local	\$3,442	39.44%	\$4,208	40.16%	22.26%
State	\$4,543	52.06%	\$4,687	44.74%	3.17%
Federal	\$741	8.50%	\$1,582	15.10%	113.38%
Total	\$8,726		\$10,477		20.06%
Total Enrollment for SLC States (millions)	16.68		18.28		10%

Calculations are from revenue figures provided by the US Census F-33 Financial Survey and represent a per state average amount over 15 SE 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.

K-12 Education Per Student Expenditures State Comparisons 2000-2010
(in 2010 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 2000	Rank in 2000	Overall Revenue Per FTE 2010	Rank in 2010	Change in Rank
Alabama	3%	-3%	24%	105%	15%	8,475	10	9,724	12	-2
Arkansas	5%	55%	-30%	132%	34%	7,994	12	10,677	9	3
Florida	11%	-33%	34%	115%	7%	9,355	4	9,986	11	-7
Georgia	17%	-16%	13%	147%	8%	9,967	1	10,745	6	-5
Kentucky	5%	5%	26%	101%	21%	8,483	10	8,442	10	-1
Louisiana	-12%	27%	53%	149%	51%	8,077	1	8,077	1	10
Mississippi	-2%	12%	30%	106%	31%	6,042	3	6,042	3	2
Missouri	-2%	13%	0%	163%	15%	9,081	3	9,081	3	-2
North-Carolina	13%	-13%	97%	115%	27%	9,081	3	9,081	3	4
Oklahoma	4%	-7%	30%	54%	12%	7,891	14	7,843	14	-1
South-Carolina	7%	3%	28%	113%	22%	8,909	8	10,840	5	3
Tennessee	7%	16%	5%	75%	16%	7,453	14	8,654	15	-1
Texas	19%	-1%	12%	116%	15%	9,273	5	10,694	7	-2
Virginia	10%	5%	22%	124%	20%	9,965	2	12,003	2	0
West-Virginia	-3%	0%	20%	99%	15%	9,764	3	11,275	4	-1

**GA is 36th in
the nation in
per student K-
12 revenues**

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

Real Per FTE Revenues for Higher Education for the Average SLC State
(in 2011 Dollars)

Trend Between 2000 and 2011					
Fund Source	2000	Share of Total	2011	Share of Total	Percent Change
State/Local Appropriations	\$7,399	72.45%	\$6,072	58.79%	-17.94%
Tuition	\$2,814	27.55%	\$4,257	41.21%	51.27%
Total	\$10,213		\$10,328		1.13%
Total Enrollment in SLC States (millions)	2.99		4.33		45.07%

Revenue figures are from State Higher Education Executive Officers Association, State Higher Education Finance Report. Numbers are adjusted using a GDP Price Deflator to make them comparable to other budgetary numbers in this presentation. The numbers represent a per state average amount over 15 SE States (AL, AR, FL, GA, KY, LA, MS, MO, NC, OK, SC, TN, TX, VA, and WV).

Change in Real Revenues per College Student 2000-2011

	State/ Local Appropriations per FTE	Tuition Per FTE	Overall Spending Per FTE	Student Growth	Overall Funding Per FTE 2000	Rank in 2000	Overall Funding Per FTE 2011	Rank in 2011	Change in Rank
Alabama	-15%	64%	16%	28%	\$10,242	8	\$11,906	1	7
Arkansas	-16%	99%	10%	44%	\$8,969	12	\$9,890	10	2
Florida	-24%	14%	-14%	60%	\$9,518	10	\$8,149	15	-5
Georgia	-44%	2%	-37%	123%	\$14,314	1	\$9,077	14	-13
Kentucky	-25%	36%	-6%	41%	\$12,321			3	-1
Louisiana	17%	29%	20%	8%	\$7,800			13	2
Mississippi	-31%	52%	-10%	36%	\$10,500			2	-7
Missouri	-28%	72%	-1%	17%	\$11,300			5	-1
North Carolina	-4%	23%	1%	64%	\$11,320			4	-1
Oklahoma	-13%	259%	21%	26%	\$8,265	14	\$9,964	9	5
South Carolina	-27%	73%	9%	37%	\$9,232	11	\$10,042	8	3
Tennessee	4%	17%	9%	25%	\$9,691	9	\$10,516	7	2
Texas	-2%	19%	5%	44%	\$10,270	7	\$10,761	6	1
Virginia	-25%	80%	10%	38%	\$10,568	6	\$11,655	2	4
West Virginia	-10%	49%	13%	29%	\$8,722	13	\$9,839	11	2

GA is 49th in
the nation in
per student
Higher
Education
revenues



Real Per Capita Highway Revenues for the Average SLC State (in 2010 Dollars)

Fund Source	Trend Between 2001 and 2010 in Per Capita Revenues				
	2000	Share of Total	2010	Share of Total	Percent Change
State/Local	\$290	69.83%	\$302	64.35%	4.02%
Federal	\$125	30.17%	\$167	35.65%	33.35%
Total	\$415		\$469		12.87%

Revenue figures are from Federal Highway Administration form SF-1The numbers represent a per state average amount over 15 SE States (AL,AR, FL, GA, KY, LA, MS, MO, NC, OK, SC, TN, TX, VA, and WV). Inflation adjustment is made using GDP Price Deflator.

Change in Real Highway Revenues per Capita 2000-2010 (in 2010 dollars)

	State/			Overall	Overall	Overall	Overall	Change in Rank
	Local	Federal	Overall	Funding per Capita 2000	Rank in 2000	Funding per Capita 2010	Rank in 2010	
Alabama	-3%	31%	12%	\$355	9	\$396	12	-3
Arkansas	-9%	32%	2%	\$484	4	\$496	6	-2
Florida	49%	22%	42%	\$318	12	\$452	8	4
Georgia	-25%	30%	-3%	\$282	14	\$272	15	-1
Kentucky	9%	5%	7%	\$516	2	\$555	4	-2
Louisiana	49%	58%	52%	\$353	10	\$411	5	5
Mississippi	-24%	76%	7%	\$407	11	\$365	13	-3
Missouri	33%	27%	31%	\$455	3	\$455	3	4
North Carolina	21%	-22%	9%	\$406	7	\$406	7	-1
Oklahoma	-12%	139%	23%	\$477	5	\$477	5	2
South Carolina	37%	33%	36%	\$271	15	\$271	15	2
Tennessee	-22%	38%	-3%	\$316	13	\$305	14	-1
Texas	30%	-8%	18%	\$338	11	\$398	11	0
Virginia	-5%	24%	0%	\$485	3	\$485	7	-4
West Virginia	-23%	28%	-8%	\$767	1	\$707	1	0

**GA is 50th in
the nation in
per capita
revenues for
highways**

Revenue figures are from Federal Highway Administration form SF-1. Inflation adjustment is made using GDP Price Deflator.



Outlook for Georgia's FY13 Budget

- Growth projections: revenue estimate based on 4.9% growth over FY12 (for Dept. of Revenue collected funds)
 - Currently YTD coming in at 4.8% over FY12
 - Growth of \$789 million over FY12
- (Note: This is very close to what a SR20 growth amount would be.)



FY13 Demands

- FY13 Shortfalls include:
 - \$354 million shortfall in Medicaid and Peachcare from population growth and issues in underfunding
- \$170 million available for K-12 RSR Midyear Adjustment



FY14 Demands

- Assume 5% growth over current:
\$843 million
- Areas of Demand
 - \$336 million in Medicaid growth
 - \$235 million loss from Provider Fee
 - \$43 million for Behavioral Health for DOJ Settlement
 - \$65 million est. ERS increase to meet ARC
 - \$55 million TRS increase to meet ARC
 - \$734 million in required funds**

 - \$100 million est. for K-12 growth
 - \$100 million est. for Higher Ed growth



Future Expectations

With or without SR20, the theme of this next decade is going to be governmental retrenchment.

- Federal retrenchment will affect funding for a variety of programs.
- State growth is likely to be consumed disproportionately by health expenses and will only be sufficient to cover basic growth needs and fill holes created during the recession.
- OPB has asked agencies to develop 3% cut scenarios for FY13A and FY14.
- Local revenues will see several more years of pressure from declining property values.