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## A Briefing on Georgia's Budget FY15A-FY16

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# A Briefing on Georgia's Budget FY15A-FY16

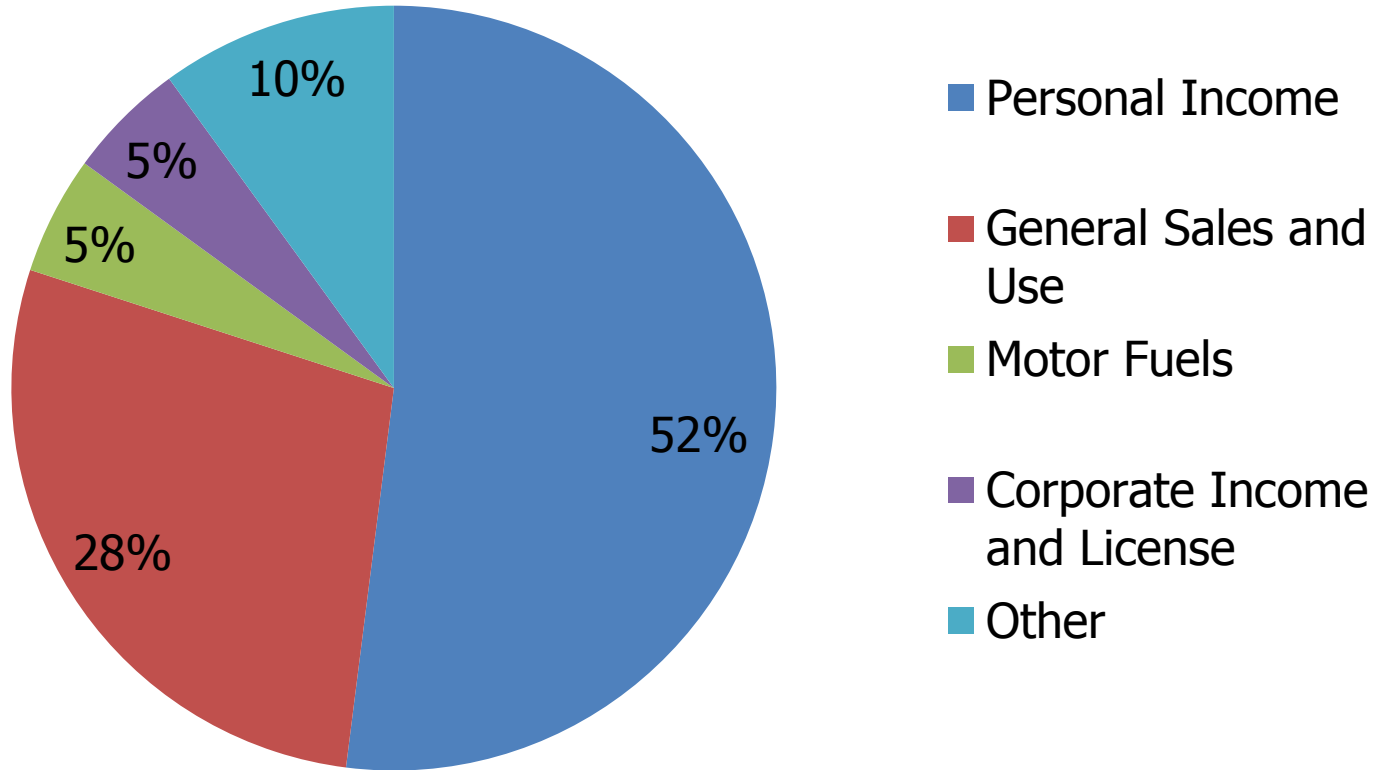
Dr. Carolyn Bourdeaux

Center for State and Local Finance

<http://cslf.gsu.edu/>

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Georgia State University

# Georgia's Tax Revenues



# Georgia Taxes Compared to Other States

- In the 2011 Census of State Government Finances, Georgia ranked 50<sup>th</sup> (lowest) in taxes per capita; in 2012, Census numbers suggests that Georgia is still 50<sup>th</sup>.

TABLE 5. GEORGIA'S FY 2010 STATE REVENUE PORTFOLIO (1989 DOLLARS)

State Revenue Portfolio (Real Per Capita)	FY 1989	Rank	FY 2000	Rank	FY 2009	Rank	FY 2010	Rank	% Below/ Above National Average in FY2010	National Average in FY2010
<i>General Revenue from Own Source</i>	\$1,160	44	\$1,622	44	\$1,389	50	\$1,313	50	-41.7%	\$2,251
<i>Taxes</i>	\$990	35	\$1,294	38	\$1,037	49	\$957	50	-37.0%	\$1,518
Property tax	\$4	22	\$5	21	\$5	21	\$6	21	-90.5%	\$59
General Sales tax	\$316	36	\$444	29	\$342	39	\$315	40	-27.1%	\$432
Selective Sales tax	\$123	47	\$107	50	\$109	50	\$107	49	-58.8%	\$260
Individual Income tax	\$426	13	\$610	17	\$503	25	\$454	25	2.5%	\$443
Corporate Income tax	\$82	17	\$68	27	\$45	38	\$44	35	-42.2%	\$77
Motor Vehicle License tax	\$12	50	\$23	47	\$18	49	\$18	47	-59.2%	\$45
Other Taxes*					\$14	50	\$13	50	-93.8%	\$204
<i>Charges and Miscellaneous Revenue</i>	\$170	50	\$328	46	\$352	49	\$356	48	-51.4%	\$733
Current Charges	\$112	46	\$156	46	\$209	48	\$229	45	-42.4%	\$397
Miscellaneous general revenue	\$59	50	\$172	43	\$143	48	\$127	49	-62.1%	\$336
<i>Intergovernmental Revenue</i>										
Federal government	\$417	35	\$614	43	\$811	46	\$1,031	37	-18.5%	\$1,265

\* In FY 1989 and 2000, the US Census did not report other taxes.

No individual income tax: AK, FL, NV, SD, TX, WA, WY; No general sales tax: AK, DE, MT, NH, OR; No corporate income tax: NV, TX, WA, WY; No Property Tax: CO, CT, DE, HI, ID, IA, NY, NC, OH, OK, SD, TN, TX, UT.

# State and Local Taxes

- Georgia is more reliant on local taxes than many states. Even so, in the 2010 Census of State and Local Government Finances, Georgia ranked 47<sup>th</sup> (lowest) in taxes per capita.

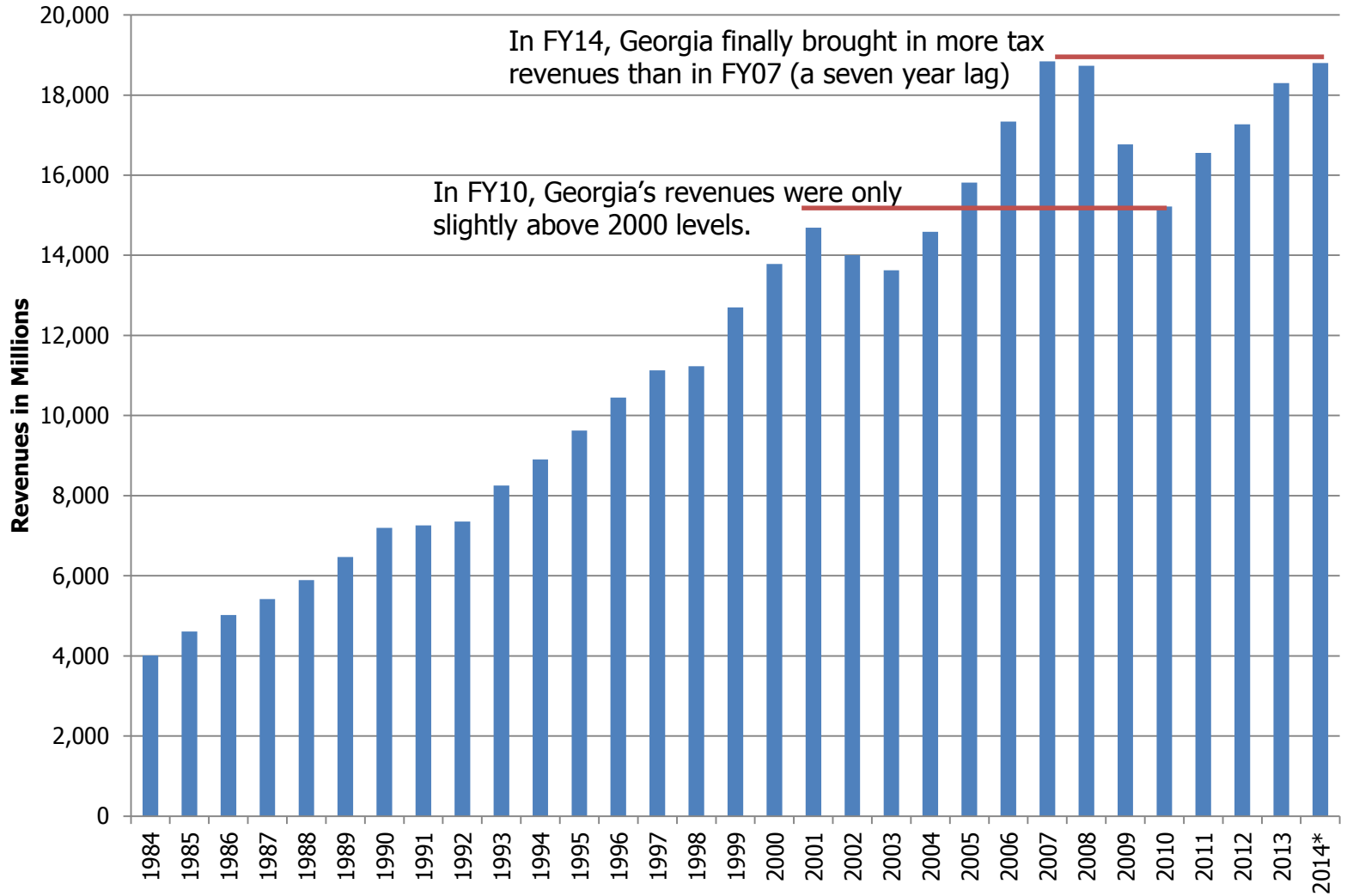
**TABLE 3. GEORGIA'S FY 2010 STATE AND LOCAL REVENUE PORTFOLIO (1989 DOLLARS)**

State and Local Revenue Portfolio (Real Per Capita)	FY 1989	Rank	FY 2000	Rank	FY 2009	Rank	FY 2010	Rank	% Below/ Above National Average in FY2010	National Average in FY2010
<i>General Revenue from Own Source</i>	\$2,381	33	\$3,125	34	\$3,021	47	\$2,965	47	-23.10%	\$3,856
<i>Taxes</i>	\$1,636	30	\$2,228	25	\$2,033	42	\$1,948	42	-23.14%	\$2,535
Property tax	\$445	33	\$568	33	\$673	34	\$686	33	-19.33%	\$850
General Sales tax	\$441	18	\$721	11	\$579	25	\$539	26	-0.34%	\$541
Selective Sales tax	\$179	39	\$169	50	\$174	49	\$172	48	-43.09%	\$302
Individual Income tax	\$426	15	\$610	20	\$503	29	\$454	28	-4.03%	\$473
Corporate Income tax	\$82	17	\$68	27	\$45	39	\$44	35	-45.31%	\$81
Motor Vehicle License tax	\$12	50	\$23	48	\$18	49	\$18	48	-63.05%	\$49
Other Taxes*					\$39	50	\$35	50	-85.23%	\$239
<i>Charges and Miscellaneous Revenue</i>	\$744	26	\$897	42	\$989	47	\$1,017	43	-22.99%	\$1,320
Current Charges	\$527	8	\$537	36	\$689	37	\$728	34	-13.04%	\$837
Miscellaneous general revenue	\$218	46	\$360	39	\$299	48	\$289	46	-40.24%	\$483
<i>Intergovernmental Revenue</i>										
Federal government	\$474	35	\$677	44	\$890	46	\$1,120	41	-19.22%	\$1,386

\* In FY 1989 and 2000, the US Census did not report other taxes.

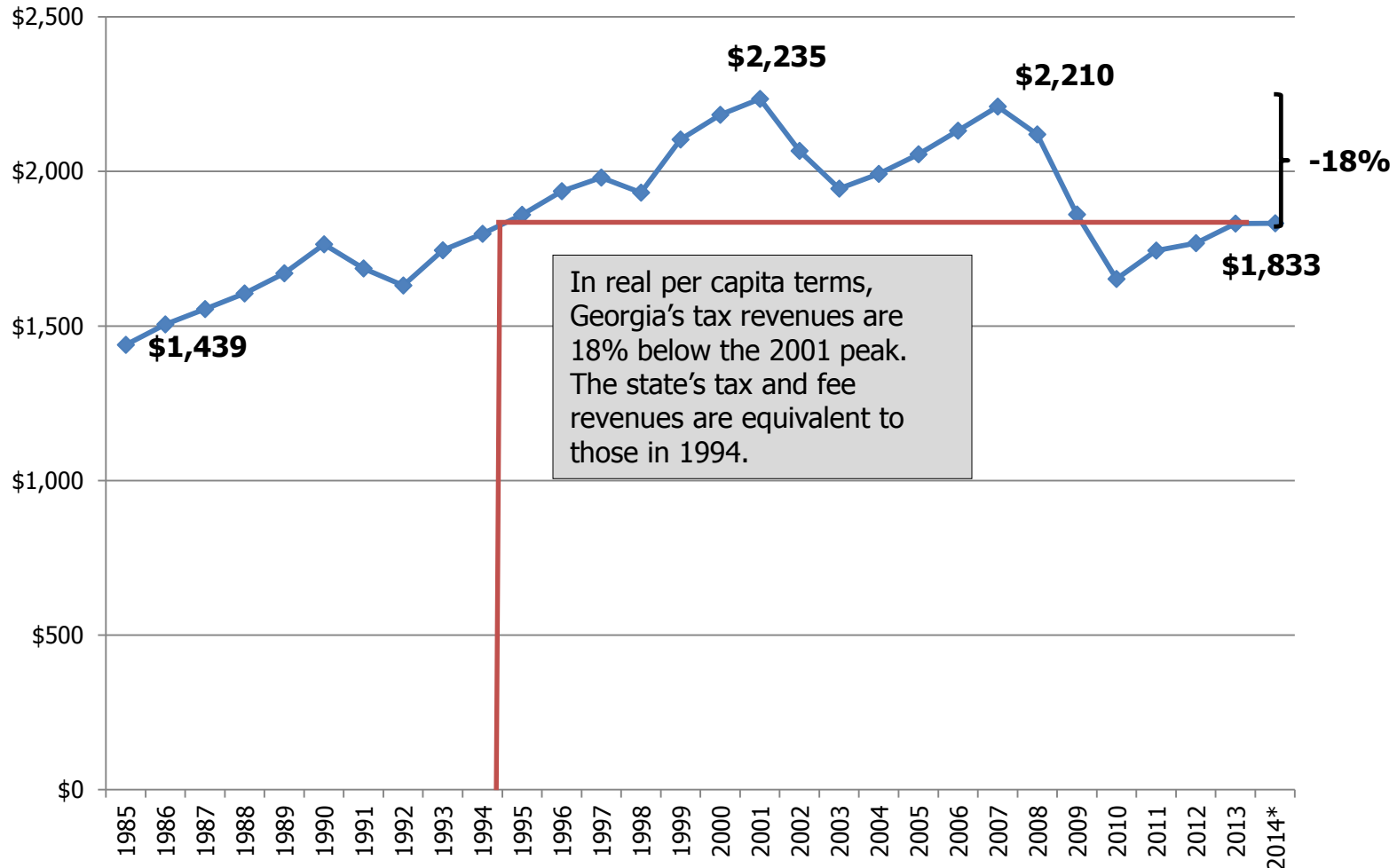
No individual income tax: AK, FL, NV, SD, TX, WA, WY; No general sales tax: DE, MT, NH, OR; No corporate income tax: NV, TX, WA, WY.

# Georgia's State Tax Revenues 1984-2014




Data Sources: State Budgets/Budget in Brief FY13A-FY14

## Georgia's Tax and Fee Revenues Per Capita (2013 Dollars)

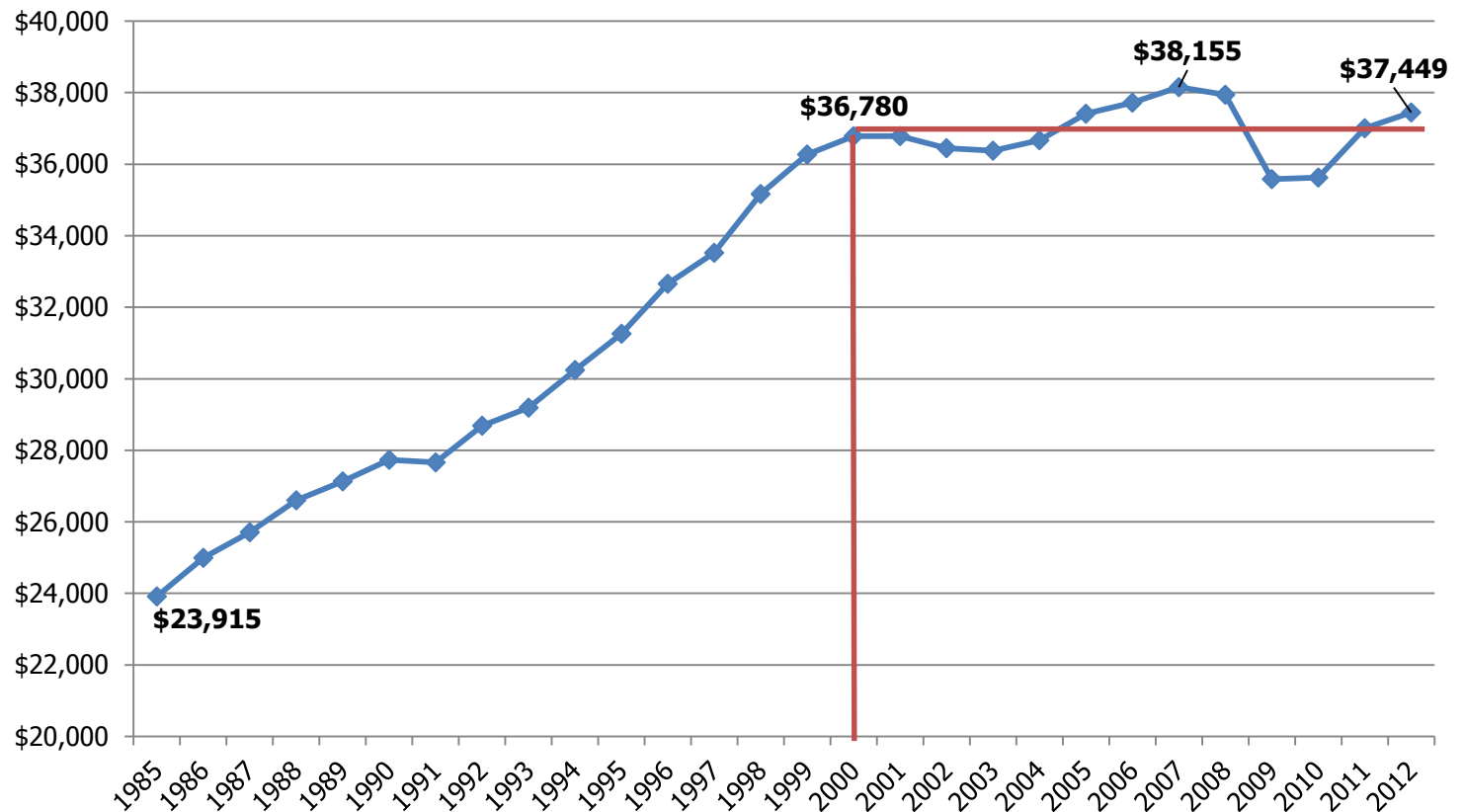


Data Sources: State Budgets/Budget in Brief, Bureau of Economic Analysis GDP Deflator

- 
- Georgia's revenue dilemma reflects:
    - 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.



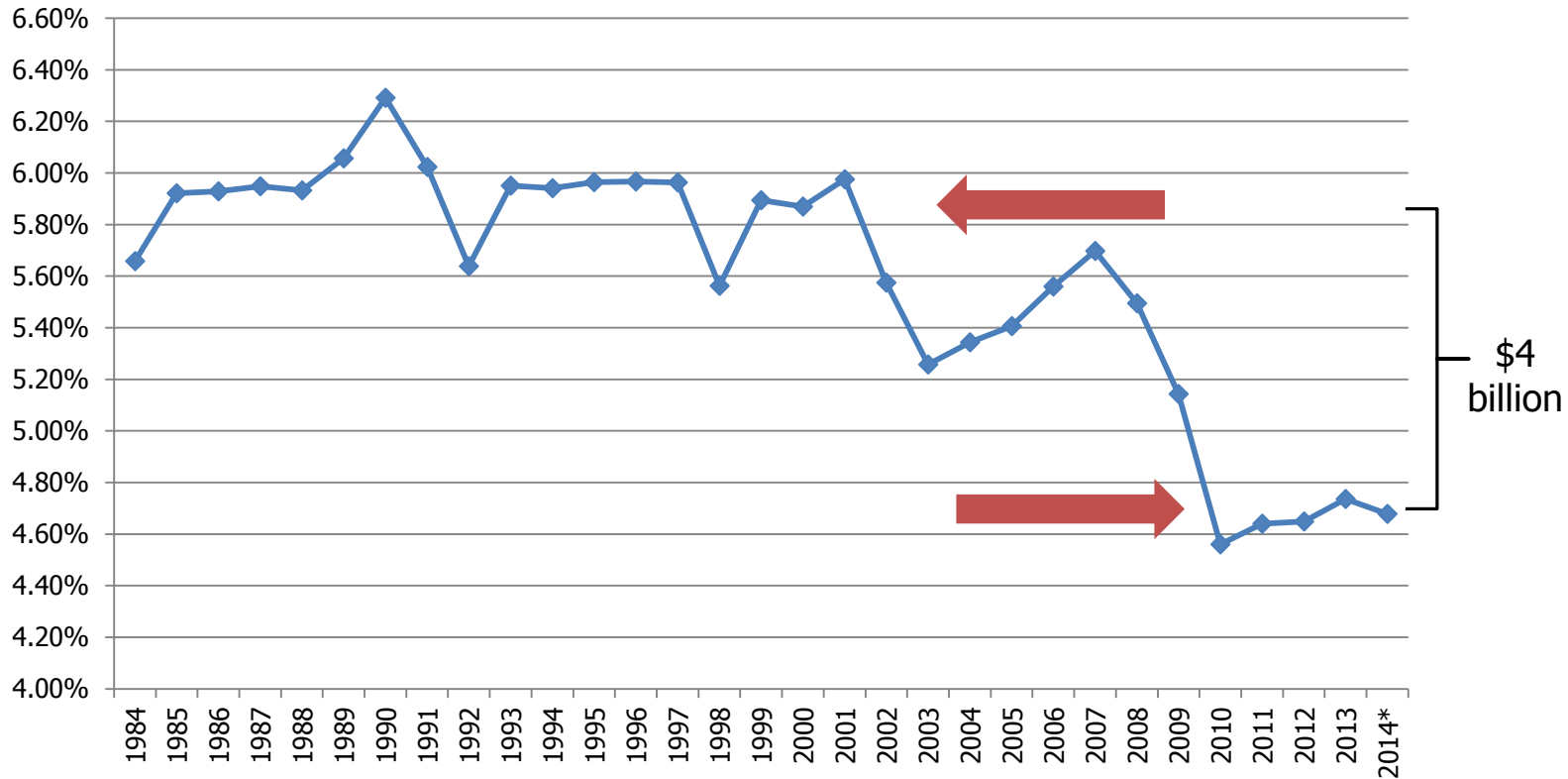
## Inflation Adjusted Personal Income Per Capita (2012 Dollars)



- Georgia's economy saw significant real per capita income growth from 1985 to 1999 (avg. ~3% per year), i.e., Georgians grew wealthier.
- In 2000 (or perhaps earlier), something changed and Georgia has never recovered. (Since 2000, real per capita person income as grown ~.35% per year)
- This period coincides with the loss of significant manufacturing jobs. Between 2000 and 2009, Georgia lost 181,000 manufacturing jobs or 33% of its jobs in this sector.

Data Sources: Bureau of Economic Analysis, GDP Deflator. For more discussion of these issues see: FRC Reports #263 and #253. CSLF Report #4: Jobs in Georgia's Urban and Rural Regions (<http://cslf.gsu.edu/>)

## Georgia State Taxes as a % of Personal Income



- Georgia's revenue issues are not entirely related to the economy, Georgia's tax system now captures a much smaller percentage of the state's "wealth" than it did in prior decades.
  - Between 1984-2001, Georgia taxed 5.89% of personal income on average.
  - Between 2002-2008, Georgia taxed 5.43% of personal income on average.
  - Between 2009-2014, Georgia is taxing around 4.76% of personal income on average.
  - If Georgia increased taxes to capture 5.89% of personal income = \$4 billion in additional revenues in FY13

Data Sources: OPB Budget in Brief, Bureau of Economic Analysis, Author's calculations

# Where did the money go?

## It's not what most people think.

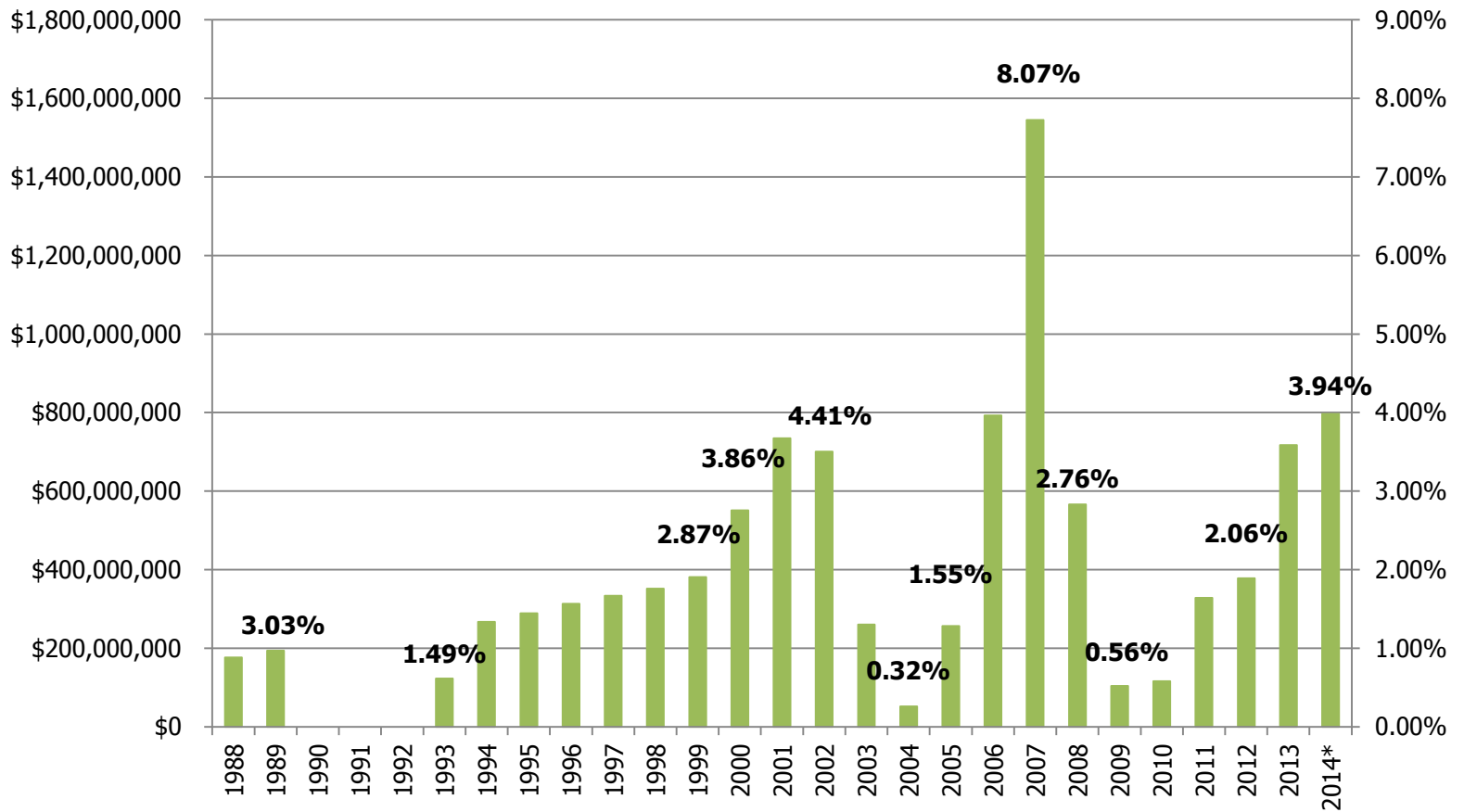
Amounts of Tax Revenue if We Currently Collected at the Historic % of Personal Income							
		Income Tax		Sales and Use Tax		Corporate Income Tax	
Where have we lost revenue?		Average as % of Personal Income	Estimated Tax Revenues in 2013 if Collected at Historic	Average as % of Personal Income	Estimated 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 2009-2013	4.76%	2.23%	\$8,421,358	1.46%	\$5,515,505	0.19%	\$736,635
<b>Actual 2013</b>	<b>4.84%</b>	<b>2.32%</b>	<b>\$8,772,227</b>	<b>1.40%</b>	<b>\$5,277,211</b>	<b>0.21%</b>	<b>\$797,255</b>
2013 Revenues	\$18,295,859		\$8,772,227		\$5,277,211		\$797,255
2013 Revenues at 1989-2001 Average	\$22,289,944		\$9,498,557		\$7,875,074		\$1,374,386
<b>Difference</b>	<b>-\$3,994,085</b>	<b>-7.65%</b>	<b>-\$726,330</b>	<b>-32.99%</b>	<b>-\$2,597,863</b>	<b>-42%</b>	<b>-\$577,131</b>

Income tax decline can be explained in large part by the exemption of retirement income from the income tax.

Roughly a \$1 billion loss in sales tax revenues from removing sales tax on food (1996) and from the shift from motor vehicle sales tax to title fee (2012-2013).

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

## Georgia Revenue Shortfall Reserves Totals and as % of Budget

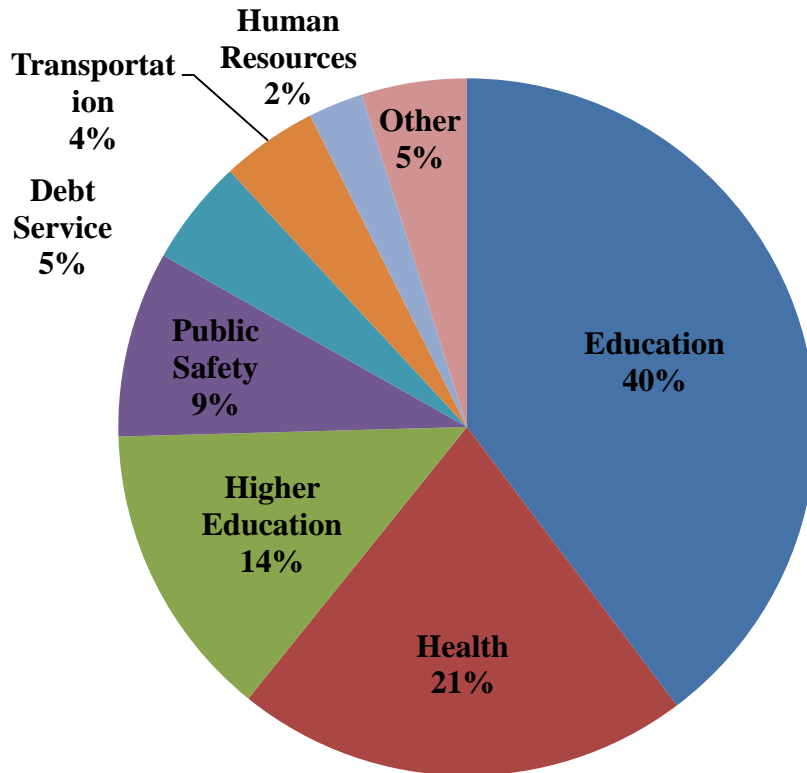


- Georgia is rebuilding its reserves, but the amount is still well below the cushion that the state carried in 2007.

Data Sources: OPB Budget in Brief FY13A-FY14, Selected Summary of Financial Information FY13

# State Fund Expenditures 2013

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

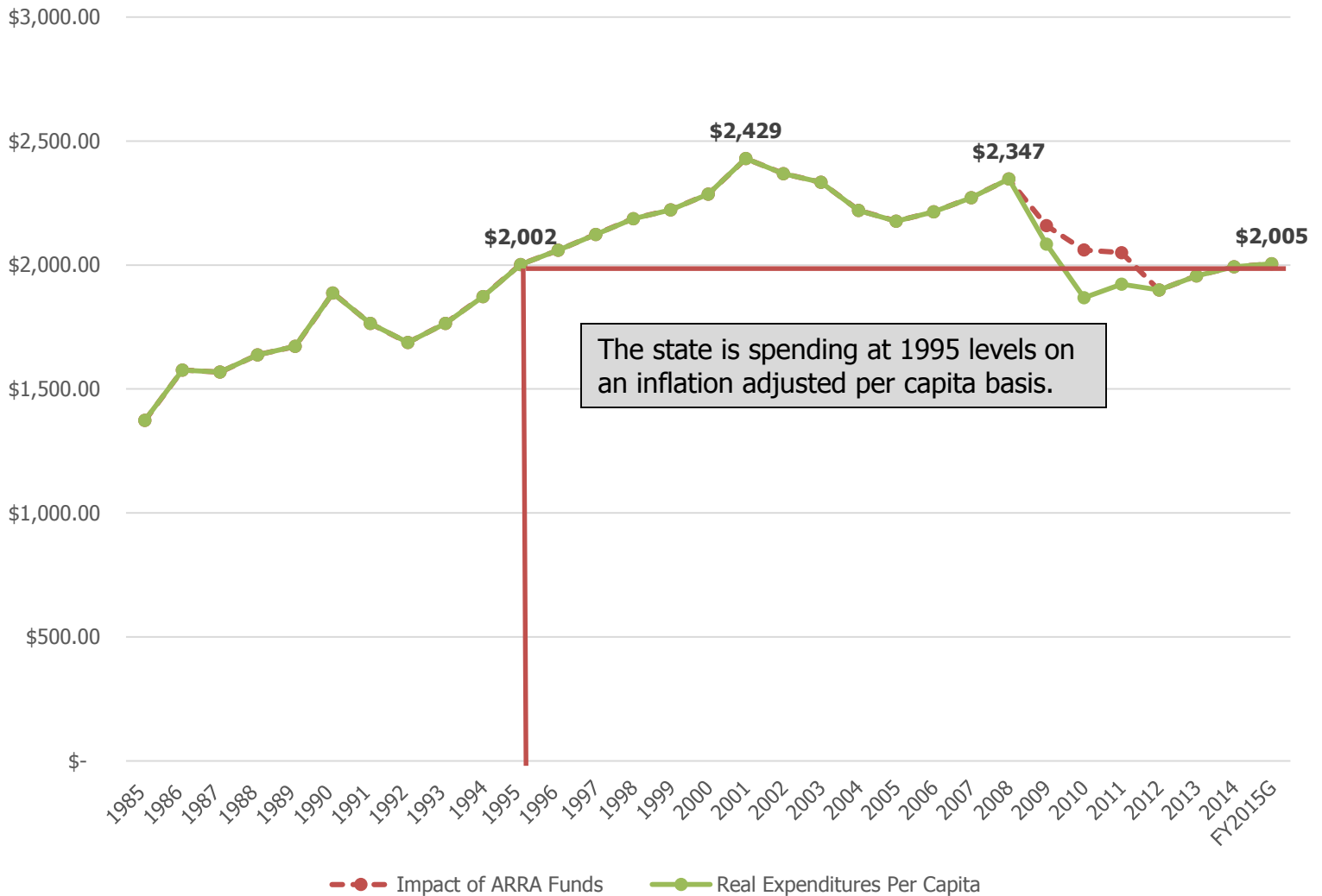


Georgia's state spending is dominated by education – both K12 and higher education.

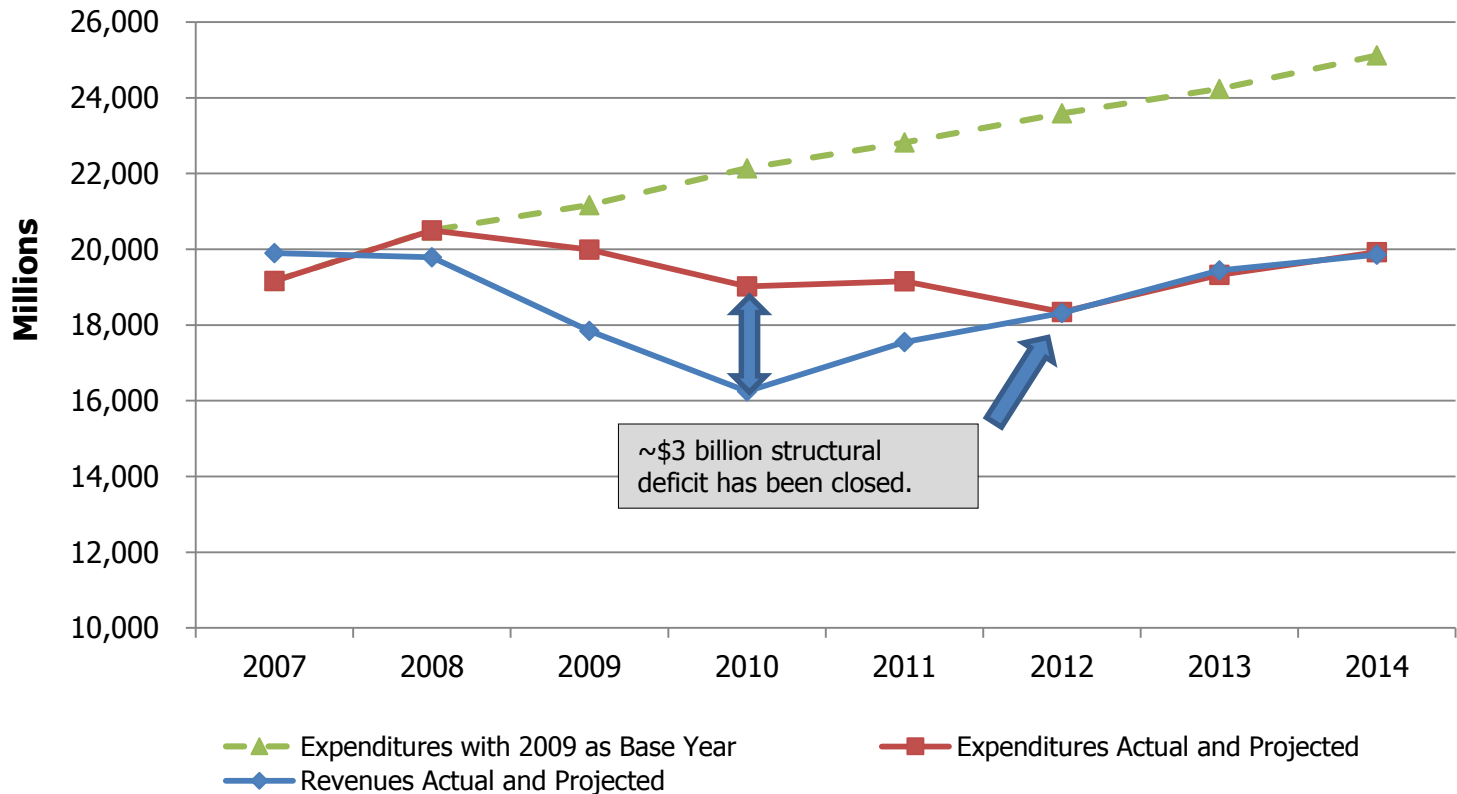
Most analysts expect states to continue to experience pressure on the budget from Medicaid as well as from pensions and other long term liabilities (such as health care obligations for retirees).

Often overlooked, Georgia has an unfunded \$14.7 billion OPEB liability.

# Georgia's Real per Capita Expenditures from Own Source Funds (2014 Dollars)



## Comparison of Expenditures and Revenues Relative to 2009 Baseline Expenditure Projections



- Between 2010 and 2012, Georgia closed a \$3 billion structural deficit.
- Overall Georgia has reduced *annual* spending by \$5 billion below what one would have projected in 2009 based on population and inflation growth (using GDP as a measure if inflation).
- In response to the recession, Georgia also increased revenues through user fees (\$100 million in FY11) and a hospital net revenue tax (\$215 million in FY11 and \$241 million in FY14) which is not reflected in this graph.

## Growth by Policy Area FY 2002-2015

(Includes All State Funds and Budget Stabilization/FMAP\*)

	2002	2008	2009	2010	2014	2015	Change 2008-2015	%Change 2008-2015	% Change 2002-2015
<b>Agriculture</b>	\$45,695	\$46,227	\$40,576	\$39,066	\$40,140	\$43,899	(\$2,328)	-5.04%	-3.93%
<b>Debt Service on Bonds</b>	\$739,869	\$969,780	\$932,990	\$1,040,948	\$1,170,768	\$1,118,667	\$148,887	15.35%	51.20%
<b>Health and Human Services</b>	\$3,025,002	\$4,102,562	\$3,830,037	\$4,053,365	\$4,672,836	\$4,825,875	\$723,313	17.63%	59.53%
<b>Corrections</b>	\$1,237,624	\$1,483,139	\$1,378,787	\$1,388,335	\$1,480,248	\$1,512,061	\$28,922	1.95%	22.17%
<b>Economic Development</b>	\$128,765	\$227,744	\$55,546	\$52,561	\$152,022	\$99,944	(\$127,800)	-56.12%	-22.38%
<b>Education</b>	\$6,290,029	\$8,304,899	\$7,851,190	\$7,563,292	\$7,907,474	\$8,321,926	\$17,027	0.21%	32.30%
<b>General Government</b>	\$607,759	\$808,411	\$768,605	\$339,723	\$444,143	\$428,084	(\$380,327)	-47.05%	-29.56%
<b>Higher Education</b>	\$2,466,385	\$3,055,323	\$2,934,656	\$3,029,417	\$2,839,658	\$2,959,316	(\$96,007)	-3.14%	19.99%
<b>Judicial</b>	\$133,681	\$202,760	\$181,933	\$190,576	\$215,903	\$221,001	\$18,241	9.00%	65.32%
<b>Natural Resources</b>	\$198,615	\$178,164	\$140,174	\$120,764	\$125,563	\$129,913	(\$48,251)	-27.08%	-34.59%
<b>Public Safety</b>	\$191,713	\$226,413	\$207,269	\$200,467	\$240,325	\$257,162	\$30,750	13.58%	34.14%
<b>Transportation</b>	\$806,021	\$894,146	\$918,275	\$745,970	\$924,474	\$918,896	\$24,750	2.77%	14.00%
<b>TOTAL</b>	<b>\$15,871,160</b>	<b>\$20,499,568</b>	<b>\$19,240,040</b>	<b>\$18,764,483</b>	<b>\$20,213,554</b>	<b>\$20,836,745</b>	<b>\$337,176</b>	<b>1.64%</b>	<b>31.29%</b>
<b>Growth Over Previous Year</b>		<b>7.07%</b>	<b>-6.14%</b>	<b>-2.47%</b>					

Sources: Budgets in Brief; Selected Summary Financial Information; FY14 Appropriations Act; Author's Calculations; Inflation Index Used: Gross Domestic Product-NIPA Table 1.1.9; numbers in table are in 1000s



## Per Capita Inflation Adjusted Growth by Policy Area

(Amounts in 2014 Dollars, Includes All State Funds)

	2002	2008	2009	2010	2014	2015	Change 2002-2015	% Change 2008-2015	% Change 2002-2015
<b>Agriculture</b>	\$6.82	\$5.29	\$4.55	\$4.29	\$3.96	\$4.22	(\$2.86)	-20%	-38%
<b>Debt Service on Bonds</b>	\$110.41	\$111.04	\$104.71	\$114.32	\$115.46	\$107.64	\$5.04	-3%	-3%
<b>Health and Human Services</b>	\$451.43	\$469.74	\$429.86	\$445.14	\$460.82	\$464.36	\$9.39	-1%	3%
<b>Corrections</b>	\$184.70	\$169.82	\$154.75	\$152.47	\$145.98	\$145.49	(\$38.72)	-14%	-21%
<b>Economic Development</b>	\$19.22	\$26.08	\$6.23	\$5.77	\$14.99	\$9.62	(\$4.22)	-63%	-50%
<b>Education</b>	\$938.69	\$950.89	\$881.16	\$830.59	\$779.82	\$800.76	(\$158.87)	-16%	-15%
<b>General Government</b>	\$90.70	\$92.56	\$86.26	\$37.31	\$43.80	\$41.19	(\$46.90)	-55%	-55%
<b>Higher Education</b>	\$368.07	\$349.83	\$329.36	\$332.69	\$280.04	\$284.75	(\$88.03)	-19%	-23%
<b>Judicial</b>	\$19.95	\$23.22	\$20.42	\$20.93	\$21.29	\$21.27	\$1.34	-8%	7%
<b>Natural Resources</b>	\$29.64	\$20.40	\$15.73	\$13.26	\$12.38	\$12.50	(\$17.26)	-39%	-58%
<b>Public Safety</b>	\$28.61	\$25.92	\$23.26	\$22.02	\$23.70	\$24.74	(\$4.91)	-5%	-14%
<b>Transportation</b>	\$120.29	\$102.38	\$103.06	\$81.92	\$91.17	\$88.42	(\$29.12)	-14%	-26%
<b>TOTAL</b>	<b>\$ 2,369</b>	<b>\$ 2,347</b>	<b>\$ 2,159</b>	<b>\$ 2,061</b>	<b>\$ 1,993</b>	<b>\$ 2,005</b>	<b>(\$375.11)</b>	<b>-15%</b>	<b>-15%</b>
			-8.0%	-4.6%					

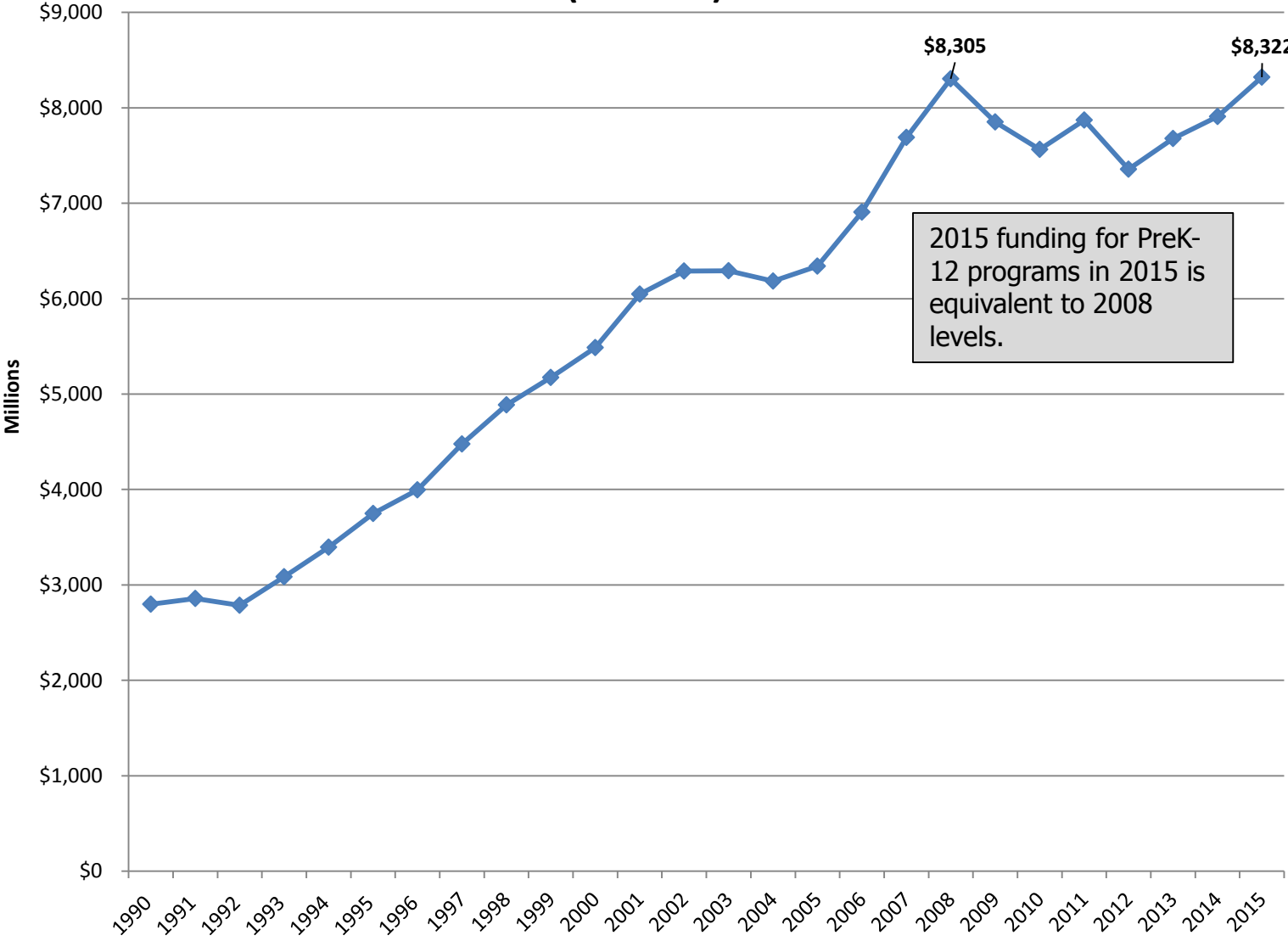
\*Includes budget stabilization funds, FMAP and other enhanced Medicaid assistance.

Sources: Budgets in Brief; Selected Summary Financial Information; FY14 Appropriations Act; Author's Calculations; Inflation Index Used: Gross Domestic Product-NIPA Table 1.1.9; numbers in table are in 1000s



# **EDUCATION**

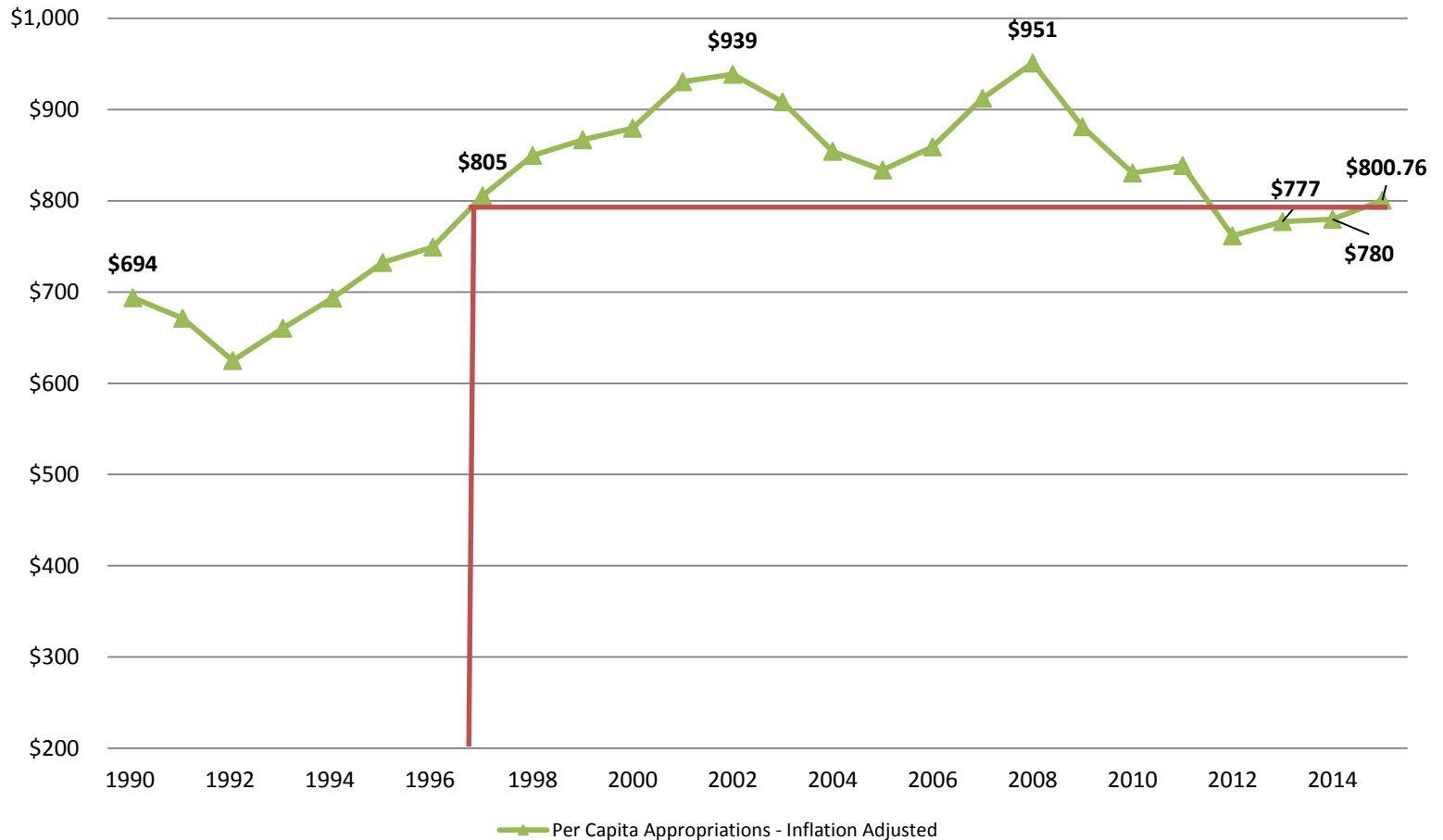
# Pre-K to 12 Total Appropriations, Nominal Dollars (millions)



2015 funding for PreK-12 programs in 2015 is equivalent to 2008 levels.

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

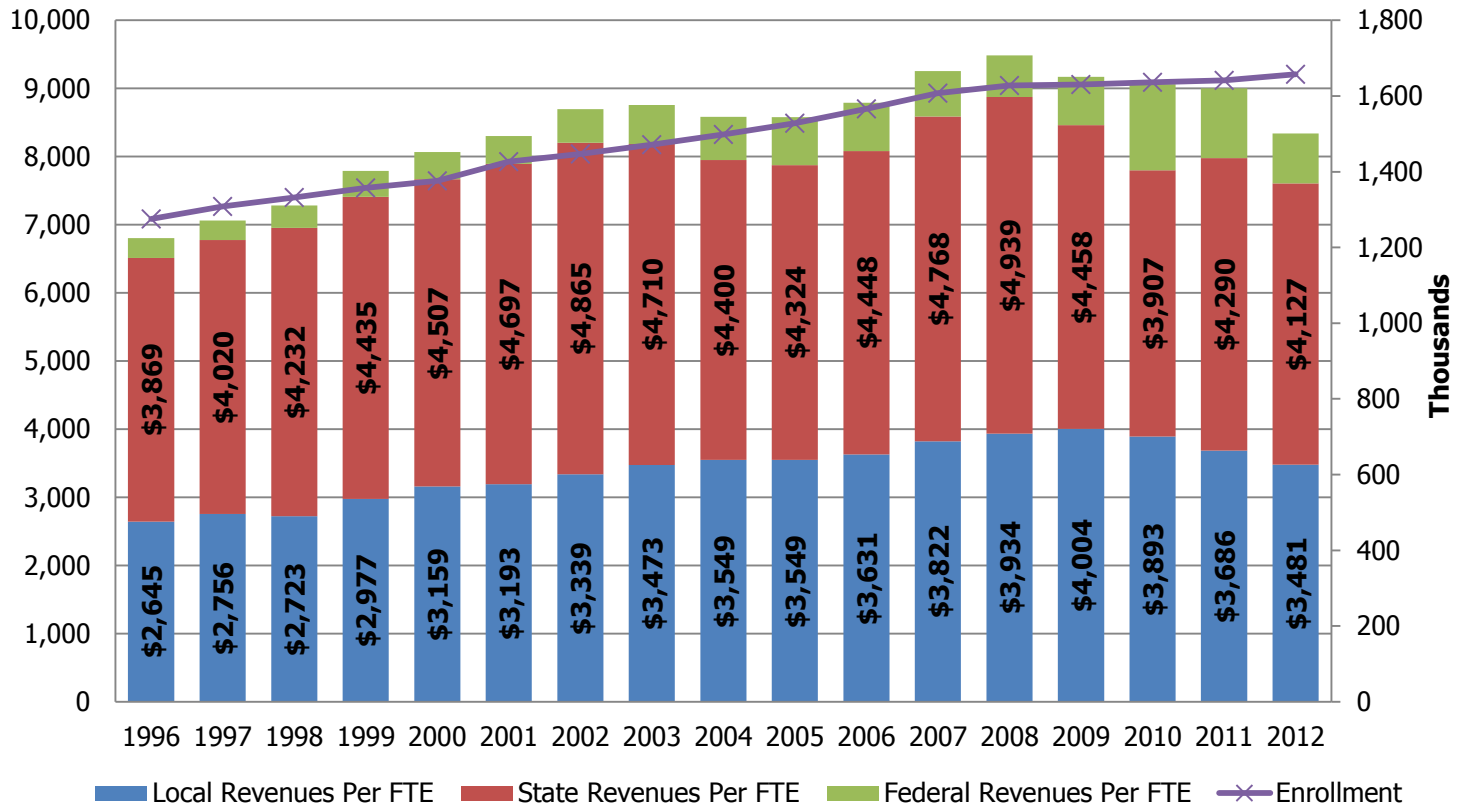
## Per Capita Inflation Adjusted Education Funding Pre K-12 (All State Funds)



- On an inflation adjusted *per capita* basis, the state is currently spending at 1997 levels on preK-12 education programs in total.
- From the 2008 peak, real state funds expenditures per student have declined 16%.
- To return to 2008 funding levels would require \$1.5 billion additional state funding

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

## School District Operating Revenues per FTE and Enrollments 1996-2012 (2011 Dollars)



- Examining K-12 education operating funds on a per student basis shows total funding of \$8,340 in 2012, roughly equivalent to funding in 2001 and representing a 12% decline from 2008.
- State per FTE funding declined from \$4,939 in 2008 to \$4,127 in 2012, a 16% decline.

### Real Per FTE K12 Education Revenues for the Average Southern State

(in 2011 Dollars)

Trend Between 2002 and 2011 in Per Pupil Revenues					
Revenue Level	2002	Share of Total	2011	Share of Total	Percent Change
Local	\$3,525	38.45%	\$4,029	38.33%	14.30%
State	\$4,767	52.00%	\$4,878	46.40%	2.32%
Federal	\$876	9.55%	\$1,605	15.27%	83.31%
Total	\$9,168		\$10,512		14.66%
Total Enrollment for SLC States	16,974,665		18,389,573		8.34%

### Real Per FTE K12 Education Revenues for Georgia

(in 2011 Dollars)

Trend Between 2002 and 2011 in Per Pupil Revenues					
Revenue Level	2002	Share of Total	2011	Share of Total	Percent Change
Local	\$4,765	44.28%	\$4,964	45.87%	4.17%
State	\$5,249	48.78%	\$4,497	41.56%	-14.32%
Federal	\$747	6.94%	\$1,361	12.57%	82.29%
Total	\$10,760		\$10,822		0.57%
Total Enrollment for Georgia	1,470,634		1,666,039		13.29%

- These tables draw on US Census data to capture all revenues (including capital funds) for school districts in Georgia versus 14 other southern states.
- Importantly, overall Georgia spends more than the southern state average. However, it's state funds have declined sharply compared to the average of other southern states and local funds have not made up the difference.

**State Comparisons 2002-2011**  
(in 2011 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 2011	Rank in 2011	Change in Rank
Alabama	3%	6%	16%	70%	15%	8,567	11	9,876	12	-1
Arkansas	6%	23%	5%	94%	28%	8,504	13	10,885	6	7
Florida	5%	-17%	20%	109%	12%	8,998	8	10,034	10	-2
<b>Georgia</b>	<b>13%</b>	<b>-14%</b>	<b>4%</b>	<b>82%</b>	<b>1%</b>	<b>10,760</b>	<b>1</b>	<b>10,822</b>	<b>7</b>	<b>-6</b>
Kentucky	3%	8%	29%	92%	23%	8,568	10	10,557	9	1
Louisiana	-8%	16%	44%	101%	38%	8,751	9	12,063	2	7
Mississippi	0%	4%	25%	90%	23%	7,468	15	9,208	13	2
Missouri	-1%	-4%	11%	107%	11%	9,942	5	11,058	4	1
North- Carolina	12%	-7%	20%	94%	10%	9,081	7	9,951	11	-4
Oklahoma	6%	-9%	8%	52%	4%	8,524	12	8,866	14	-2
South- Carolina	6%	-9%	16%	64%	8%	10,125	4	10,894	5	-1
Tennessee	10%	17%	-4%	73%	13%	7,820	14	8,800	15	-1
Texas	17%	7%	-2%	88%	10%	9,678	6	10,629	8	-2
Virginia	8%	2%	14%	75%	13%	10,352	3	11,716	3	0
West-Virginia	0%	9%	21%	63%	19%	10,380	2	12,319	1	1

- Compared to other southern states, Georgia has invested more in K-12 education; however, Georgia's rank is declining.
- In 2002, Georgia ranked first among southern states in per student spending; in 2011, it had moved to 7<sup>th</sup>; this appears to be driven largely by cuts in state funding.

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

# Major State Budget Cuts Between 2009-2014 in Pre-K through 12

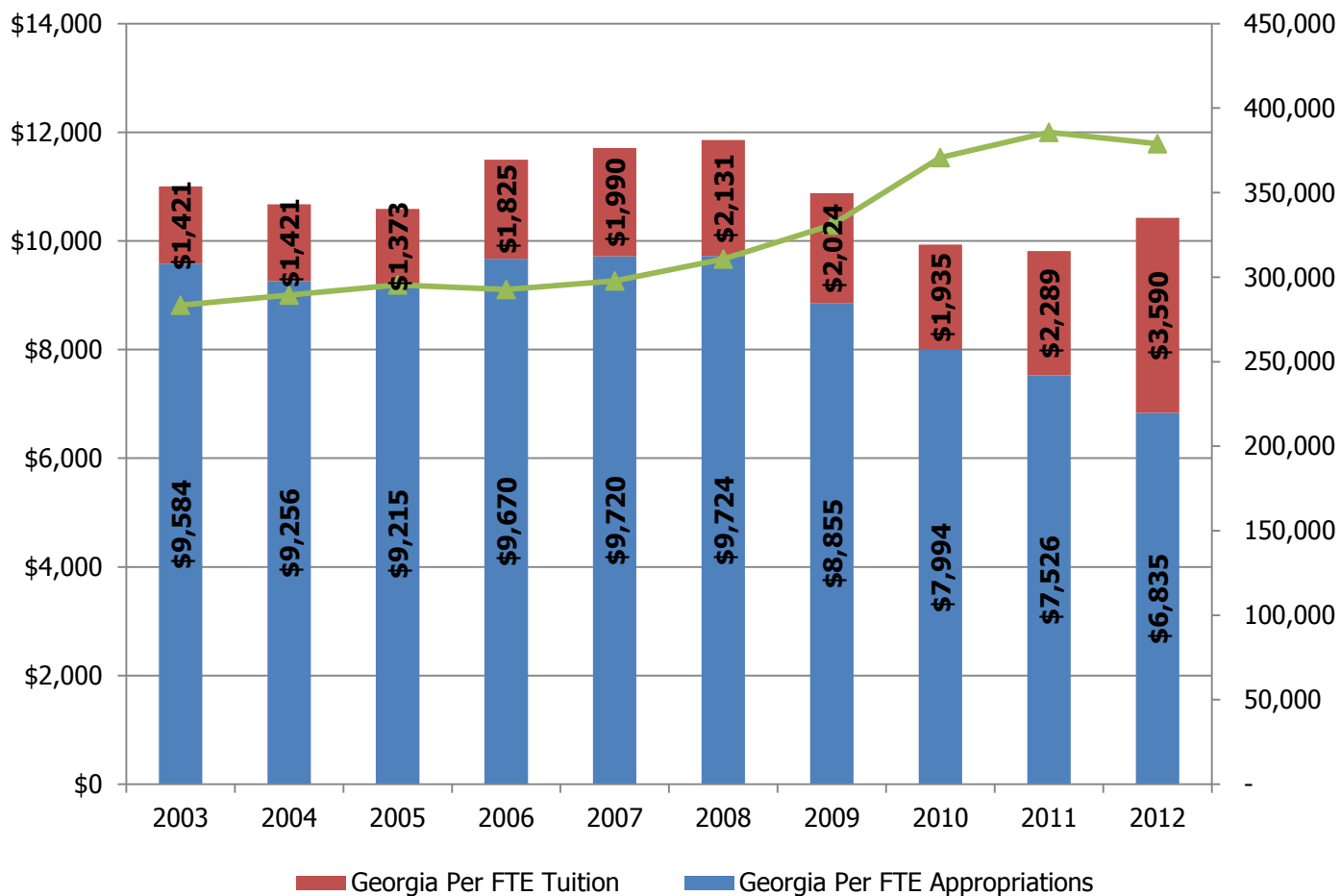
- A 12% nominal cut in funding for Georgia's pre-K program between FY12-14
  - Cut originally included a 20 day reduction in the number of days of pre-K (restored in FY14) and increases in class size by 2 students.
- Elimination of the following programs:
  - Graduation coaches, academic coaches, mentor 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.
- Significant increases in the costs of health benefits





# **HIGHER EDUCATION**

## Georgia Higher Education Revenues and Enrollment 2003-2012



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. These numbers are not weighted by type of student (an adjustment that SHEEO often makes); additionally, state funds represent state appropriations only, not any local contributions, but do include HOPE and other state financial aid and grant programs. This state aid direct to students is netted out of tuition revenue and added to the state funding revenues.

## Real Per FTE Revenues for the Average SLC State

(in 2011 Dollars)

### Trend Between 2003 and 2012

Fund Source	2003	Share of Total	2012	Share of Total	Percent Change
State/Local Appropriations	\$7,980	71.12%	\$6,304	57.48%	-21.01%
Tuition	\$3,241	28.88%	\$4,664	42.52%	43.88%
<b>Total</b>	<b>\$11,222</b>		<b>\$10,968</b>		<b>-2.26%</b>
Total Enrollment in SLC States (millions)	3.45		4.35		25.82%

### Real Per FTE Revenues for Georgia

Fund Source	2003	Share of Total	2012	Share of Total	Percent Change
State/Local Appropriations	\$9,584	87.09%	\$6,835	65.57%	-28.68%
Tuition	\$1,421	12.91%	\$3,590	34.43%	152.68%
<b>Total</b>	<b>\$11,005</b>		<b>\$10,425</b>		<b>-5.27%</b>
Total Enrollment (millions)	0.28		0.38		33.74%

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 Student 2003-2012**  
(in 2011 Dollars)

	<b>State/ Local Appropriations per FTE</b>	<b>Tuition Per FTE</b>	<b>Overall Spending Per FTE</b>	<b>Student Growth</b>	<b>Overall Funding Per FTE 2000</b>	<b>Rank in 2003</b>	<b>Overall Funding Per FTE 2012</b>	<b>Rank in 2012</b>	<b>Change in Rank</b>
Alabama	-9%	66%	19%	14%	\$12,150	3	\$14,454	1	2
Arkansas	-12%	2%	-8%	36%	\$10,752	12	\$9,878	13	-1
Florida	-31%	-9%	-25%	34%	\$10,891	10	\$8,181	15	-5
Georgia	-29%	153%	-5%	34%	\$11,005	9	\$10,425	10	-1
Kentucky	-22%	51%	-1%	13%	\$12,488	2	\$12,307	2	0
Louisiana	-17%	54%	-2%	2%	\$10,187	13	\$10,010	12	1
Mississippi	-17%	28%	-3%	27%	\$11,259	6	\$10,879	8	-2
Missouri	-29%	36%	-5%	18%	\$10,029	14	\$9,547	14	0
North Carolina	-8%	37%	1%	36%	\$11,773	4	\$11,893	4	0
Oklahoma	-16%	84%	6%	14%	\$10,005	15	\$10,576	9	6
South Carolina	-50%	58%	-14%	28%	\$12,930	1	\$11,071	6	-5
Tennessee	-18%	19%	-6%	21%	\$11,569	5	\$10,900	7	-2
Texas	-16%	11%	-8%	27%	\$11,250	7	\$10,389	11	-4
Virginia	-28%	76%	14%	28%	\$10,795	11	\$12,265	3	8
West Virginia	-15%	46%	4%	19%	\$11,243	8	\$11,738	5	3
US Avg	-22%	49%	0%	18%	\$10,976		\$10,989		

# Outlook for Georgia's FY15 Budget

- Growth projections: revenue estimate now based on 3% growth over FY14 (based on year end numbers)
  - Currently YTD coming in at 4.7% over FY14 (note this is less robust than last year's revenue growth, but still good)
  - Current budget includes growth of \$547 million over FY14
  - @ 4% growth would add \$207 million

# FY15 Demands

- FY15 Shortfalls include:
  - \$82 million for Medicaid shortfalls (CMO payment)
  - ~\$100 million for K-12 RSR Midyear Adjustment (\$192 million available)
- \$800 million in RSR (excluding K-12 Reserve)
  - About 3.7% of net revenues in FY14

# FY16 Demands

- Assume 3.32% growth over 4% growth:  
~\$870 million in additional funds
- Areas of Demand (Estimates)
  - \$146 million in Medicaid growth, including ACA
  - \$ 30 million in Behavioral Health
  - \$ 20 million Human Services
  - \$ 140 million education funding increase for growth
  - \$ 45 million higher education for growth
  - \$ 130 million retirement needs
  - \$511 million in required funds**
- Other: Pay Raises, OPEB Contributions (\$1.1 billion),  
Education Funding Restoration (\$1.5 Billion)

# Future Expectations

- The state's situation is slowly improving, but the theme of this decade is governmental retrenchment.
- State is finally in a position to start filling the deep holes left by the recession.

## Policy considerations on the horizon:

- OPB has asked agencies for budget proposals that are flat funded.
- Likely to be pressure to increase funding for K-12 education; shift to some form of merit pay system for teachers.
  - Increasing focus on teacher education, training and support; innovations in paying master teachers to move to low performing schools
  - Funding formula rewards training and experience, but teachers that draw down more T&E may be more likely to gravitate to high performing schools
- Board of Regents enrollments increasing only a little.
  - Shift to focus on graduation rates in BOR formula
  - Goal is to ensure 60% of Georgia young adults receive some form of higher education, state currently at 42%.
  - Estimated cost of this goal given current expenditure patterns would be over \$1 billion more in 2020 (in today's dollars).