About the Georgia Budget and Policy Institute

The Georgia Budget and Policy Institute produces research and state budget analysis to show Georgia ways to provide better education, health care and opportunity for everyone. Visit www.gbpi.org for more information.
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Introduction

Georgia plans to spend $23.7 billion in state funds raised through taxes and fees for the 2017 fiscal year. The budget plan anticipates a revenue increase of $1.9 billion, or 8.8 percent more than the prior year.

The overall increase in dollars appears dramatic compared to recent years but more than 40 percent of the growth comes from a transportation funding overhaul passed during the 2015 legislative session and took effect that July. Most of the other new revenue is consumed by needs of a growing and aging population. The effects of budget cuts imposed during the Great Recession linger, as the state struggles to provide a quality education, access to health care, human services and other essentials. The state’s 2017 budget adds $408 million more for K-12 education over the prior year. That includes another $300 million reduction to ongoing education austerity cuts. But restoring education funding to state standards remains a challenge, as this budget still falls about $166 million short measured by Georgia’s own formula. Education investment is just one of several opportunities for improvement detailed in these pages.

The Georgia Budget and Policy Institute’s Georgia Budget Primer 2017 is a clear explanation of the state’s revenue collections and its spending plan. It includes basics to help a novice understand the budget’s complexities. Seasoned observers of state government will also find this publication is an authoritative desktop reference during the 12-month fiscal year that starts July 1, 2016.

The governor proposed the 2017 state budget at the start of the Georgia General Assembly in January 2016. State lawmakers made minor changes to it before Gov. Nathan Deal signed the budget into law in May. Lawmakers will amend the 2017 state budget after the next legislative session starts in January 2017 to reconcile it with actual revenues and make other needed adjustments. Please visit www.gbpi.org for up-to-date analysis of the changes.

Georgia’s 2017 state budget is the largest on record, as many media outlets reported when the governor signed it into law. At the same time, Georgia’s need to provide services to more people and budget obligations consume much of the new revenue outside of the new transportation initiative. The pages that follow spotlight some of the state’s recent progress and, more importantly, show what more is possible.
Georgia by the Numbers

Importance of the State Budget

Georgia’s budget for 2017 touches the lives of people in every corner of the state. From the mountains of north Georgia to the southern coastal plains, the spending plan affects the quality of life in Georgia’s communities. The state’s future prosperity depends on Georgia’s investments in essential services like education, health care, public safety and transportation, just to name a few. Here are some examples of the wide impact the state budget has on the lives of Georgians:

1.7 million – approximate number of children in the K-12 public school system ($8.9 billion in the 2017 state budget)

2 million – approximate number of Georgians who receive health care coverage who are seniors, disabled, children or low-income parents ($3 billion in the 2017 state budget)

18,000 – approximate miles of road overseen by the Georgia Department of Transportation ($1.71 billion in 2017 state budget)

55,000 – approximate number of inmates in Georgia Department of Corrections facilities ($1.1 billion in 2017 state budget)

Where Georgia Ranks Among the States

When it’s good to rank higher, Georgia is…
50th – in Medicaid spending per patient
38th – in spending, per public school student

When it’s good to rank lower, Georgia is…
7th – in the number of residents living in poverty
7th – in the number of children living in poverty

Sources: Federation of Tax Administrators, U.S. Census Bureau, Kaiser Family Foundation State Health Facts
* Out of 50 states and the District of Columbia
Budget Basics

Georgia’s 2017 fiscal year is July 1, 2016 through June 30, 2017 and the total budget available to the state is $43.7 billion. That includes $23.7 billion in state funding, $13.7 billion in federal funding and $6.3 billion in other funds.

The state budget outlines Georgia’s priorities, how it plans to spend money to meet them and how much revenue it expects to collect. It is the most important piece of legislation lawmakers pass. In fact, it is the only legislation that the General Assembly is legally mandated to pass each year. The Georgia Constitution requires the state to maintain a balanced budget, which means the government cannot spend more money than it collects in revenues.

The budget process is ongoing. Even as Georgia is implementing its current budget, it is auditing the previous year’s budget and planning for the next one. Beyond the General Assembly, many others participate in the process, including the governor, state budget director, state economists, agency leaders and budget officials, state auditors, advocates and the public.
Budget Request Instructions Sent to Agencies: In early summer, the Governor’s Office of Planning and Budget (OPB) sends guidelines to agencies for budget requests.

Agencies Prepare Budget Request: Agencies prepare requests and get board approval (if applicable).

House Approves Its Budget: The House votes on changes to governor’s budget proposals. Passes its version to the Senate.

Legislative Appropriations Process: The Appropriations committees in the Georgia House of Representatives and Senate hold budget hearings for the current and upcoming fiscal year.

Senate Approves its Budget: The Senate reviews the House-passed budget for the current and upcoming fiscal years, can make changes, then votes on latest versions.

Conference Committee Meets: The lieutenant governor and Speaker of the House appoint a conference committee to negotiate a single version of the budget.
Budget Request Submitted:
Agencies submit all requests for current and upcoming fiscal year to OPB by September 1.

Budget Request Analyzed:
The governor, OPB staff, and agency leaders review and assess current and new budget requests.

Budget Documents Sent to the General Assembly:
In January, within the first five days of the General Assembly session, the governor presents budget proposals.

Governor Finishes Budget:
By the end of the calendar year, the governor finalizes the budget proposals.

Final Version Approved:
The House and the Senate each vote to approve the final version.

Appropriations Bill Sent to Governor:
The governor has 40 days from the end of the legislative session to sign the budget bill into law and may veto specific parts of it.
Where Does Georgia’s Money Come From?

Georgia’s fiscal health depends on the state’s ability to raise money from diverse sources in a reliable way. While Georgia has a mix of income taxes, sales taxes and other fees, the reliability of the revenue structure is faltering. The tax code needs to be updated to reflect Georgia’s shift in recent decades to a more service-based economy from one that relied on sales of cars, household appliances and other tangible goods. Many services in Georgia are not taxed, depleting the state’s revenue year after year. The income tax accounts for about half of all state revenue and adds the most stability and fairness to the state tax system. (See “Targeted Tax Reforms Could Bolster Georgia Families and Finances” on page 8.)

Figure 1 Income Tax Largest Source of State Revenue
2017 Fiscal Year Total State Revenue Projection is $23.7 billion
### Figure 2  Revenue Estimate, 2017 Fiscal Year

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Taxes</td>
<td>$11,738,770,014</td>
<td>49.4%</td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td>$10,715,557,454</td>
<td>45.1%</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>$1,023,212,560</td>
<td>4.3%</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>$5,658,900,000</td>
<td>23.8%</td>
</tr>
<tr>
<td>Other Taxes and Fees</td>
<td>$3,482,155,966</td>
<td>14.7%</td>
</tr>
<tr>
<td>Tobacco Tax</td>
<td>$209,073,000</td>
<td>0.9%</td>
</tr>
<tr>
<td>Alcohol Beverage Tax</td>
<td>$189,067,700</td>
<td>0.8%</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$7,000,000</td>
<td>0.0%</td>
</tr>
<tr>
<td>Insurance Premium Tax</td>
<td>$441,973,500</td>
<td>1.9%</td>
</tr>
<tr>
<td>Motor Vehicle License Fee</td>
<td>$347,238,700</td>
<td>1.5%</td>
</tr>
<tr>
<td>Nursing Home Provider Fees</td>
<td>$167,969,114</td>
<td>0.7%</td>
</tr>
<tr>
<td>Motor Vehicle Title Tax (TAVT)</td>
<td>$795,830,333</td>
<td>3.4%</td>
</tr>
<tr>
<td>Hospital Provider Payments</td>
<td>$283,993,012</td>
<td>1.2%</td>
</tr>
<tr>
<td>Other Transportation Fees</td>
<td>$157,985,500</td>
<td>0.7%</td>
</tr>
<tr>
<td>All Other Interest, Fees and Sales</td>
<td>$882,025,107</td>
<td>3.7%</td>
</tr>
<tr>
<td>Designated Funds</td>
<td>$2,859,444,258</td>
<td>12.0%</td>
</tr>
<tr>
<td>Motor Fuel Tax &amp; Interest</td>
<td>$1,660,064,000</td>
<td>7.0%</td>
</tr>
<tr>
<td>Lottery Funds</td>
<td>$1,073,563,561</td>
<td>4.5%</td>
</tr>
<tr>
<td>Tobacco Settlement Funds</td>
<td>$124,490,762</td>
<td>0.5%</td>
</tr>
<tr>
<td>Brain &amp; Spinal Injury Trust Fund*</td>
<td>$1,325,935</td>
<td>0.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$23,739,270,238</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Governor's Budget Report Fiscal Year 2017

*Less than .01%
Targeted Tax Reforms Could Bolster Georgia Families

A debate over whether to tinker with Georgia’s tax system roils the General Assembly nearly every year. Supporters of change have a point that Georgia’s aging tax system could use an update. Still, proposals to date mostly miss the mark. Better options are available for lawmakers who want to strengthen Georgia families, broaden economic prosperity and set the state on firm financial footing for the future.

Most recent tax reform plans focus on cutting the 6 percent top rate of Georgia’s personal income tax and in some cases increasing the sales tax to recover resulting lost revenue. But cutting income tax rates is a misguided approach. It delivers meager benefits to most Georgia families, gives a windfall to a select group of taxpayers at the very top and likely jeopardizes the state’s financial health. More than half of the benefit from a 2016 plan to cut Georgia’s top rate, for example, would flow to the wealthiest 20 percent of Georgians, or households making more than about $100,000 a year. And because income taxes account for half of Georgia’s annual revenue, any large-scale cuts to them could weaken state support for schools, infrastructure and other building blocks of a strong economy.

Other tax reform options offer lawmakers a way to target tax cuts to Georgians who can benefit most, while protecting key state services that help families and communities thrive. Creating a state earned income tax credit, or Georgia Work Credit, gives a bottom-up tax cut to more than 1 million Georgia families. Increasing the amount of money Georgians can shield from taxes through standard deductions and exemptions targets an income tax cut to the struggling middle class. And scaling back special deductions and tax breaks that benefit a small share of taxpayers could help offset the lost revenue. More details on ways to target smart tax reforms are available online at gbpi.org in our report “A Tax Blueprint to Strengthen Georgia.”
Georgia’s Diverse Funding Sources

Including federal funds, the total 2017 Georgia budget is $43.7 billion and is made up of six funding sources:

- **General Funds** – Education, public safety and most other traditional state services are paid for from the General Fund
- **Federal Funds** – A large share of Georgia’s overall spending for services is through administration of federal funds
- **Other Funds** – These include things like tuition and fees from universities and university system research funds
- **Lottery Funds** – These are dedicated to Pre-Kindergarten programs and scholarships for higher education
- **Tobacco Settlement Funds** – This ongoing annual payment resulting from a legal settlement with the country’s four largest tobacco companies over health care costs can be used for any reason in the budget
- **Intrastate Funds** – The $3.8 billion of intrastate transfers include payments from the state health plan and are not counted in the $43.7 billion budget

**Figure 3** General and Federal Funds Make Up Most of the $43.7 Billion 2017 Fiscal Year State Budget

Source: Georgia’s 2017 Fiscal Year Budget (HB 751), signed by governor
General and Motor Fuel Funds

$22,665,706,677 (54 percent of Georgia’s budget)

General funds come from state taxes and fees. Nearly 95 cents of every dollar collected goes to seven areas:

- K-12 and Postsecondary Education (51 cents of every dollar spent)
- Health Care (20 cents)
- Public Safety (9 cents)
- Transportation (8 cents)
- Debt Service (5 cents)
- Department of Human Services (3 cents)

The remaining five cents of each dollar pays for all other state agencies, boards and commissions, as well as the judicial and legislative branches.

Motor Fuel Funds

Georgia’s Constitution requires spending revenue from the state’s tax on motor fuel only on public roads and bridges. The money is dedicated to a mix of new construction, maintenance on existing infrastructure and debt service on past investments. Lawmakers passed legislation in 2015 that significantly changed the way Georgia taxes motor fuel, raising the gas tax to 26 cents per gallon of gasoline and 29 cents per gallon of diesel fuel for an increase of 7 to 8 cents per gallon. The 2015 reforms also indexed the new rates to inflation and rising fuel efficiency, so that motor fuel collections can keep pace with changing consumer habits and economic trends. The higher tax results in an anticipated $1.66 billion in Motor Fuel Funds for the state’s budget for the 2017 fiscal year, a $657 million increase over the original 2016 budget. Also, all gas tax revenue now goes to the Department of Transportation, whereas some of it went to the state’s general fund under the prior system.
Figure 4  Education and Health Care Dominate General Fund Spending
2017 Fiscal Year State General Fund and Motor Fuel Funds Budget: $22.7 Billion

$11.6B Education*

$4.5B Health Care**

$1.7B Transportation

$1.2B Debt Services

$1.1B Corrections

$1.1B General Government

$642M Human Services

$841M Other Public Safety

$1.2B Debt Services

Source: Georgia's 2017 Fiscal Year Budget (HB 751), signed by governor

* Education spending details: Georgia’s 2017 budget for K-12 is $ 8.9 billion, for the University System of Georgia is $2.1 billion, the Technical College System of Georgia is $350 million. Also includes Georgia Student Finance Commission’s $91 million and the Dept. of Early Care and Learning’s $55.6 million

** Health care spending details include tobacco funds: Georgia’s 2017 budget for Medicaid and PeachCare is $3 billion; for Behavioral Health & Developmental Disabilities is $1 billion; for Public Health is $243 million; and for other health care is $174 million
Federal Funds

$13,681,479,298 (31 percent of Georgia’s budget)

Money from the federal government flows to a wide variety of state programs and services. The great majority of federal money is spent for the following:

- $7.4 billion for Medicaid and PeachCare
- $2.4 billion for students with disabilities, low-income students, school nutrition and other education services
- $1.6 billion for the Georgia Department of Transportation
- $1.7 billion for child welfare, elder services, Temporary Assistance for Needy Families (TANF) and other human services

The state is required to use its own dollars to match federal funding for Medicaid and many human services. Consequently, a cut in state funds for a service can lead to a corresponding cut in federal funds.

Figure 5  Federal Funds Primarily Pay for Health Care, Education, Transportation and Human Services

Source: Georgia’s 2017 Fiscal Year Budget (HB 751), signed by governor
Other Funds

$6,162,398,689 (14 percent of Georgia’s budget)

Other Funds include $3.3 billion in tuition and fees paid by University System of Georgia and Technical College System students and $2.2 billion in University System of Georgia research funds. The money is retained by the individual schools.

Figure 6 Most Other Funds Come From College Tuition, Fees and Research

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and Fees for Higher Education, Other</td>
<td>$3,250,203,241</td>
</tr>
<tr>
<td>University System of Georgia Research Funds</td>
<td>$2,188,313,412</td>
</tr>
<tr>
<td>All Other</td>
<td>$723,882,036</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$6,162,398,689</strong></td>
</tr>
</tbody>
</table>

Source: Georgia’s 2017 Fiscal Year Budget (HB 751), signed by governor

Intrastate Transfers

$3,834,802,369 (Included here for reference, but not as a net increase to Georgia’s budget)

Intrastate transfers are primarily payments from the State Health Benefit Plan.

Figure 7 Intrastate Transfers

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Health Benefit Plan Payments</td>
<td>$3,294,877,137</td>
</tr>
<tr>
<td>Medicaid Services Payments - Other Agencies</td>
<td>$280,857,262</td>
</tr>
<tr>
<td>Self Insurance Trust Fund Payments</td>
<td>$159,257,398</td>
</tr>
<tr>
<td>Other Intrastate Govt. Payments</td>
<td>$42,907,037</td>
</tr>
<tr>
<td>State Employee and Teacher Retirement Payments</td>
<td>$56,903,535</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,834,802,369</strong></td>
</tr>
</tbody>
</table>

Source: Georgia’s 2017 Fiscal Year Budget (HB 751), signed by governor
Tobacco Funds

$124,490,762 (0.3 percent of Georgia’s budget)

Georgia receives annual payments from a legal settlement with four of the country’s largest tobacco companies, known as the Tobacco Master Settlement Agreement. Georgia does not earmark these payments for specific purposes. As a result, the use of tobacco settlement funds can vary from year to year.

Figure 8 Tobacco Settlement Funds Focus on Medicaid

<table>
<thead>
<tr>
<th>2017 Tobacco Settlement Fund Budget</th>
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<tbody>
<tr>
<td>Low Income Medicaid</td>
<td>$93,892,175</td>
</tr>
<tr>
<td>Adult Developmental Disabilities Waiver Services</td>
<td>$10,255,138</td>
</tr>
<tr>
<td>Cancer Treatment for Low Income Uninsured</td>
<td>$6,613,249</td>
</tr>
<tr>
<td>Elder Community Living and Support Services</td>
<td>$6,191,806</td>
</tr>
<tr>
<td>Cancer Screening</td>
<td>$2,915,302</td>
</tr>
<tr>
<td>Smoking Prevention and Cessation</td>
<td>$2,368,932</td>
</tr>
<tr>
<td>Regional Cancer Coalitions</td>
<td>$1,204,740</td>
</tr>
<tr>
<td>Clinical Trials, Outreach and Education</td>
<td>$500,000</td>
</tr>
<tr>
<td>Underage Smoking Compliance</td>
<td>$433,783</td>
</tr>
<tr>
<td>Cancer Registry</td>
<td>$115,637</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$124,490,762</td>
</tr>
</tbody>
</table>

Source: Georgia’s 2017 Fiscal Year Budget (HB 751), signed by governor
Budget Trends

Improving Revenue Growth Still Catching up After Years of Cuts

Georgia’s 2017 fiscal year budget is based on projected revenue growth of $1.9 billion, or 8.8 percent, over projected revenues from the 2016 fiscal year. About 43 percent of this revenue growth is due to a transportation funding package enacted in the 2015 session but was not reflected in the original 2016 budget. The $1.1 billion in growth from outside the transportation package represents a moderate increase of 5.3 percent.

The Great Recession caused a dramatic decline in state revenues from the 2008 to 2010 fiscal years, falling by $3.6 billion, or 19.2 percent. Revenues improved at a moderate pace since the 2011 fiscal year and have picked up since 2014, yet inflation-adjusted, per-capita state revenue in 2017 is still expected to fall short of pre-recession levels.

The majority of revenue growth in the 2017 budget is obligated to pay for normal growth in government expenses and services. More students are enrolled in Georgia schools, wages lost in the sluggish economy made more Georgians eligible for Medicaid and PeachCare and the state is incurring increased expenses due to state employees and retirees’ health insurance and retirement costs. Revenues are not sufficient to replenish the vast majority of services lawmakers cut from 2008 to 2010, during the depths of the recession. Increases in the 2017 state budget include:

- $300 million for partial restoration of the K-12 funding formula cut
- $210 million statewide and targeted pay raises for state agencies, universities and technical colleges
- $182 million for K-12 and University system formula growth
- $106 million for enrollment growth and higher reimbursement rates for Medicaid
- $105 million increased funding for out-of-home care, which includes replacing federal funding no longer available
- $29 million for Move on When Ready
- $20 million for economic development programs, including Invest Georgia
New Road and Bridge Money Drives Revenue Growth

The $23.7 billion state budget for the 2017 fiscal year includes a $1.9 billion increase in spending compared to the 2016 budget approved last year, an uptick of almost 9 percent. A sizable chunk of that growth is due to the state’s new commitment to adequately maintain Georgia’s roads and bridges. Lawmakers approved legislation in 2015 to raise new revenue for roads and bridges. The changes raised the state motor fuel tax by about 7 cents per gallon of gasoline and 8 cents per gallon of diesel, added fees on electric cars and heavy trucks and created a new $5 per night tax on hotel stays. Combined, the higher fuel tax and new vehicle fees caused transportation revenue estimates for the 2017 budget year to swell by $815 million above the state’s 2016 budget. That increase accounts for 43 percent of the state’s total $1.9 billion revenue growth over that same span.

Figure 9  Transportation Funding Leaps Due to New Tax Changes

Georgians Paying Historically Less in Taxes

The average Georgian today devotes a smaller share of their income to state taxes than was the case for most of the last three decades. During the 1990s, Georgians paid an average of 5.9 percent of their income in state taxes. Even as the state cut taxes during the 1990s, the share of the average Georgian’s income taxed to support state government remained the same. A strong economy allowed the state to cut taxes while still offering key services.

This dynamic changed last decade. The prior tax cuts combined with subsequent recessions to cause a dramatic drop in the share of income Georgians pay in taxes. Revenues plummeted as a share of personal income to an historic low of 4.5 percent in 2010. State revenue as a share of personal income ticked up to 5 percent in the 2016 fiscal year as the economy improved and new revenue was generated by the 2015 transportation tax legislation. But that percentage is still historically low. The average Georgian paid 5.6 percent in personal state income taxes at the low point during the 1990s. If that held true in 2017, the state would gain about $3.2 billion to invest in education and other building blocks of a strong economy.

**Figure 10  Georgians Paying State Smaller Share of Income Than in Past**

State revenue as percentage of personal income (1990-2017 fiscal years)

Sources: Governor’s Budget reports and U.S. Bureau of Economic Analysis
Reserve Fund

The Revenue Shortfall Reserve is Georgia’s “rainy day” fund, meant to provide stability during economic downturns. The fund acts like a savings account for the state to cover expenses and maintain services when revenues decline unexpectedly. Georgia law says the fund cannot exceed 15 percent of the previous year’s net revenue. At the end of the 2015 fiscal year, this fund held $1.4 billion, which is as large as it has been since the start of the Great Recession. Reserves would need to be about $2.7 billion to match 15 percent of last year’s revenues.

Maintaining an adequate amount of money in the fund is important to keep Georgia’s exceptional AAA bond rating, a top rating that allows the state to borrow money at the most favorable terms, which saves millions of dollars in interest payments. The General Assembly may also use the fund to spend an amount equal to 1 percent of the previous year’s net revenue to pay for increased K-12 education needs. The General Assembly cannot appropriate money to the fund through the normal budget process. Instead, any money not spent by the end of each fiscal year is automatically transferred to the fund. Prior to the Great Recession, the reserves grew to $1.5 billion, or enough to operate the state for about 30 days.

Figure 11  Rainy Day Fund Nearly Back to Pre-Recession High
Revenue Shortfall Reserve, 2001-2014 Fiscal Years

Source: Georgia’s 2017 Fiscal Year Budget (HB 751), signed by governor
Tax Expenditures

Georgia foregoes billions of dollars in state revenue each year through dozens of credits, deductions and other special preferences called tax expenditures. Often described as hidden spending, tax expenditures are intended to promote policy objectives that can range from economic development to support for working families. Georgia’s assortment of tax breaks will cost the state an estimated $8.1 billion in the 2017 budget year, or nearly the amount state lawmakers invest annually in K-12 education.

Some of Georgia’s tax breaks, such as the state sales tax exemption on groceries, provide critical protections for families and the economy. Others offer abnormally large benefits to groups like wealthy retirees and insurance companies and may not deliver enough benefit to offset the state’s lost revenue. A growing number of states are scrutinizing this hidden spending to get a better deal for taxpayers. Since 2012, 19 states including Alabama, Florida, Tennessee and Texas either created a new tax break review process or improved upon existing policies. Following their lead can help Georgia get a better bang for its buck.

Figure 12 Georgia’s Tax Expenditures are Costly

<table>
<thead>
<tr>
<th>Sales Tax Breaks</th>
<th>Income Tax Breaks</th>
<th>Other Tax Breaks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Inputs</td>
<td>Senior Income Exemptions</td>
<td>Insurance Company Tax Breaks</td>
</tr>
<tr>
<td>Prescription Drugs, Other Health</td>
<td>Film Tax Credit</td>
<td>Car Tax (TAVT) exemptions</td>
</tr>
<tr>
<td>Food for Home Consumption</td>
<td>Non-Film Business Subsidies</td>
<td>Miscellaneous</td>
</tr>
<tr>
<td>Lottery Tickets</td>
<td>Housing &amp; Historic Rehabilitation</td>
<td></td>
</tr>
<tr>
<td>Other Sales Tax Exemptions</td>
<td>Other Income Tax Exemptions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8.1 BILLION</strong></td>
<td><strong>$841 million</strong></td>
</tr>
<tr>
<td><strong>Sales Tax Breaks</strong></td>
<td><strong>$5.4 billion</strong></td>
<td><strong>$1.9 billion</strong></td>
</tr>
<tr>
<td><strong>Income Tax Breaks</strong></td>
<td><strong>$3.8 billion</strong></td>
<td><strong>$420 million</strong></td>
</tr>
<tr>
<td><strong>Other Tax Breaks</strong></td>
<td><strong>$651 million</strong></td>
<td><strong>$368 million</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$612 million</strong></td>
<td><strong>$53 million</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$169 million</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>$131 million</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: GBPI analysis of Georgia Tax Expenditure Report for FY 2017. Notes: Income Tax total excludes personal exemption, standard deduction and credit for taxes paid to other states. *Food for Home Consumption includes a $499 million exemption for groceries and a $113 million exemption for SNAP and WIC purchases.
State Employee Declines

Until recent years, Georgia employed enough people to respond to the needs of a growing population. Georgia employed more than 15,000 fewer state workers during the 2016 fiscal year than it did prior to the Great Recession, a drop of about 19 percent over nearly a decade.* The result is a much smaller group of state employees trying to serve a much larger population. That means fewer state patrol officers keeping our highways safe, fewer health and safety inspectors protecting the public from illness and injury and fewer examiners to meet the demand for business licenses.

Figure 13  Fewer State Employees Serving Larger Population*

Source: Email from Georgia Department of Administrative Services, May 16, 2016.
*Excludes Board of Regents, University System of Georgia.
### Figure 14 Largest State Agency Employers

<table>
<thead>
<tr>
<th>Agency</th>
<th>Employees*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrections</td>
<td>11,232</td>
</tr>
<tr>
<td>Human Services - Dept of Family &amp; Children Services</td>
<td>6,218</td>
</tr>
<tr>
<td>Technical Colleges</td>
<td>6,007</td>
</tr>
<tr>
<td>Behavioral Health Centers / CSB</td>
<td>4,963</td>
</tr>
<tr>
<td>County Public Health Depts.</td>
<td>4,838</td>
</tr>
<tr>
<td>Other Public Safety</td>
<td>4,737</td>
</tr>
<tr>
<td>Dept. of Beh. Health &amp; Dev. Disabilities</td>
<td>4,144</td>
</tr>
<tr>
<td>Transportation</td>
<td>4,034</td>
</tr>
<tr>
<td>Juvenile Justice</td>
<td>3,612</td>
</tr>
<tr>
<td>Human Services - Other</td>
<td>3,422</td>
</tr>
<tr>
<td>Agriculture &amp; Forestry</td>
<td>2,722</td>
</tr>
<tr>
<td>Court System &amp; related</td>
<td>1,745</td>
</tr>
<tr>
<td>Other Education</td>
<td>1,434</td>
</tr>
<tr>
<td>Community Health</td>
<td>904</td>
</tr>
<tr>
<td>All Other</td>
<td>6,500</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>66,512</strong></td>
</tr>
</tbody>
</table>

Source: Email from Georgia Department of Administrative Services, May 26, 2016

*Full-time equivalent employees*
A Detailed Look at Georgia’s 2017 Budget

Education ................................................................. 23
Health Care ............................................................... 31
Human Services ......................................................... 37
Education Funding in Georgia: Years of Cuts Cast Long Shadow

Georgia is spending $11.6 billion on education in the 2017 fiscal year or about 51 percent of the state’s general fund budget. Spending on elementary and secondary education is $8.9 billion. The budget for the university system is $2.1 billion and is $350 million for technical colleges. The state’s 2017 budget allots the Georgia Student Finance Commission $91 million in non-lottery funds and $55.6 million to the Department of Early Care and Learning.

This constitutes a $640 million increase from 2016 and partially reverses years of deep cuts. This increase follows two years of modest bumps and reduces some of the financial pressure education leaders face but does not eliminate them.

Georgia ranks 38th in per-student funding for K-12 education, according to the U.S. Census Bureau, and is home to the fifth most students in poverty as measured by participation in the federal free and reduced lunch program. Georgia spends $1,800 less per student than the national average despite the fact increased funding is connected to higher achievement, particularly for low-income students. Gov. Nathan Deal convened a commission to examine K-12 funding in 2015 proposed a formula intended to more effectively distribute state dollars to school districts. Equally important is whether the money allocated is sufficient to meet students’ needs and the state’s workforce development goals. These figures suggest it is not.

The state’s investment in higher education diminished over time leading to tuition hikes that price postsecondary programs beyond the reach of many students and complete them. Enrollment in technical colleges is down and student loan debt is climbing. These challenges will continue given the growing percentage of low-income students in K-12, the feeder system for postsecondary schools.
Elementary and Secondary Education: K-12 Funding Formula Short $166 Million

Georgia’s public school students are getting $166 million less in the 2017 fiscal year than called for in the state’s funding formula. This is a smaller shortfall than in previous years, but districts continue to face fiscal constraints as they work to bring class sizes back down, restore discontinued programs, eliminate teacher furlough days and raise teachers’ salaries. The General Assembly underfunded schools every year since 2003, cutting more than $9 billion from its Quality Basic Education formula over 15 years.

Figure 15 Georgia’s 15 Years of Underfunding its Education Formula

Source: Georgia Department of Education, Midterm Allotment Sheets, fiscal years 2003-2016; Email from Georgia Dept. of Education Jan. 19, 2016
Elementary and Secondary Education: Restored Funding and Cost Shifting

State funding for K-12 schools is an inflation-adjusted 2.3 percent lower in 2017 than in 2002. This is an improvement compared to recent years, but even this progress does not keep pace with growing student poverty. The state is also shifting significant costs to school districts, which lessens the effect of the funding increases.

Students in poverty face barriers to educational success and require additional support and resources to meet the high academic standards the state has set for them. The percentage of Georgia’s students in poverty (based on participation in the federal free- and reduced-price lunch program) climbed from 44 percent to about 62 percent in 2016. Meanwhile, more local revenues pay for expenses the state once covered. Georgia stopped funding health insurance for school bus drivers and other school support staff in 2012. The monthly amount districts pay for health insurance for each of these workers soared to $846 in 2017 from $296 in 2012. State funding for student transportation also dropped. Georgia is spending about 22 percent less per student to bus them to and from school in 2017 than in 2002.

Figure 16 Funding Not Keeping Pace with Georgia Students’ Needs

Source: Georgia’s amended fiscal year budgets 2002-2016, 2017 Fiscal Year Budget (HB 751); Georgia Dept. of Education, Free/Reduced Lunch Enrollment fiscal years 2002-2016; U.S. Dept. of Labor, CPI inflation calculator
Lottery Funds: Support for Pre-K and College Students

Georgia expects to spend $1.07 billion in lottery revenue in the 2017 fiscal year on education programs:

- Helping Outstanding Pupils Educationally (HOPE) Scholarships are for high-achieving students pursuing a bachelor’s or associate’s degree. These funds include money for the Zell Miller Scholarship.
- HOPE grants are for students who maintain a 2.0 grade point average in a certificate or diploma program at a technical college. These funds include money for the Strategic Industries Workforce Development Grant and the Zell Miller Grant.
- HOPE GED grants are one-time awards to students who complete a GED and enroll in a postsecondary education program.
- Student Access Loans provide low-interest loans to college students.
- Georgia’s Pre-Kindergarten program is for four-year-olds to prepare for kindergarten.

Figure 17 Most Lottery Money Supports HOPE Programs

Source: Georgia’s Fiscal Year 2017 Budget (HB 751), signed by governor
**Pre-Kindergarten: A Step Forward but Quality Lags**

Funding for the Pre-Kindergarten program in the 2017 fiscal year is up 11 percent over 2016. The added money is for pay raises for lead and assistant teachers, an important step to improve teacher retention. Despite this bump, funding has not returned to the pre-recession amount. Per student funding is nearly 9 percent below 2007, adjusted for inflation. Critical needs remain.

The program’s class size maximum of 22 students does not meet the quality standard recommended by the National Institute for Early Education Research. In addition, start-up money distributed by the state to help launch new Pre-K classes no longer reflects the actual costs incurred by program providers. The governor’s Education Reform Commission recommends lowering class sizes to 20 and increasing start-up funds to $12,000 from the current $8,000, in order to improve quality. The money is not budgeted in 2017 to implement these recommendations.

**Figure 18 Per Student Pre-K Funding Trails Pre-Recession Levels**

Source: Georgia’s amended fiscal year budgets, 2009-2016; Georgia’s 2017 Fiscal Year Budget (HB 751), signed by governor; U.S. Dept. of Labor, CPI inflation calculator
University System of Georgia: Less State Support, Tuition Hikes

State funding per full-time equivalent student in the university system in the 2017 fiscal year is an inflation-adjusted 50 percent less than Georgia invested in 2001. The decline in funding spurred tuition hikes and institutional mergers, most recently the announced combination of Albany State University and Darton State College.

The university system could deploy significantly more resources if the state maintained past levels of investment. If per-student funding in the 2017 fiscal year matched the 2007 level when adjusted for inflation, the state would send about $620 million more into the system, mitigating the need for large tuition increases. Even without adjusting for inflation, an estimated $268 million more would go to the system if the 2007 per-student funding level was applied this year.

Figure 19 More Students, Less State Funding

Source: Georgia’s amended fiscal year budgets 2001-2016, Georgia’s 2017 Fiscal Year Budget (HB 751); Board of Regents, University System of Georgia, fall semester enrollment reports 2001-2015; GBPI estimate of fall enrollment Fiscal Year 2017; U.S. Dept. of Labor, CPI inflation calculator
Diminishing College Affordability

College costs are squeezing Georgia’s students. Tuition is rising while state funding is shrinking. Families struggle to cover the increase as earnings do not go as far as a decade ago. More students are borrowing to pay for college and the debt they carry is climbing.

Georgia’s median household income was $49,555 in 2014, the most recent year of data from the U.S. Census Bureau, or nearly 11 percent lower than 2007 when adjusted for inflation. Average tuition across the university system rose an estimated 99 percent from 2007 to 2017, much more at some institutions. The yearly cost to attend many state four-year universities now tops $20,000, counting tuition, mandatory fees, room and board, books and supplies.

The state also made deep funding cuts to Georgia’s technical colleges in fiscal years 2009 and 2010 and tuition hikes followed. Tuition jumped 147 percent to $89 per credit hour in 2015 from $36 per credit hour in the 2009 fiscal year. Both postsecondary systems froze tuition levels for the 2016-2017 school year. This is the second consecutive year technical schools froze tuition rates.

Figure 20 Average Loan Debt for Georgia Graduates

Source: The Institute for College Access & Success, Student Debt and the Class of 2007-2014
Technical College System of Georgia: State Funding Still Trails Pre-Recession Level

State spending per full-time equivalent student in the technical college system is nearly 3 percent below 2007 in inflation-adjusted dollars. This follows increases in recent years after plummeting recession-era, per-student funding. Much of the financial gain is due to declining enrollment. In 2015 student enrollment fell 35 percent compared to the 2011 peak.

Today’s technical college enrollment is nearly as low as 2007 and it appears it will continue to slide. Student enrollment in fall 2015 declined 4.4 percent system-wide from fall 2014. Lack of affordability is one reason. More than 58 percent of technical college students are considered low-income based on participation in the federal Pell Grant program. These students can struggle with increasing costs paired with reductions in the HOPE Grant award. They may take fewer classes or drop out.

Figure 21 Per Student Funding Lags Pre-Recession Level

Source: Georgia’s Amended Fiscal Year Budgets 2007-2016, Georgia’s 2017 Fiscal Year Budget (HB 751), signed by governor; Technical College System of Georgia, End of Year Enrollment Report, fiscal years 2007-2011, academic years 2012-2015; U.S. Dept. of Labor, CPI inflation calculator; GBPI estimate of enrollment in academic years 2016 and 2017
Health Care

Health care services are primarily delivered through three state agencies, the departments of Community Health, Public Health and Behavioral Health and Developmental Disabilities. State funding for these three agencies totals nearly $4.5 billion in 2017, which is about 20 percent of total state spending. General fund appropriations account for $3.9 billion, or about 87 percent, while other sources total about $577 million. Money from the general fund portion of the state budget for these three agencies grew by nearly $300 million from 2016 to 2017.

The Department of Community Health is the largest of Georgia’s three health care agencies. It accounts for more than $3.2 billion, or 71 percent of total state spending on health care. It operates Georgia’s Medicaid and PeachCare programs, some planning and regulatory functions and the State Health Benefit Plan that provides health care to state employees and teachers. Funding for the state health plan comes from school districts, state agencies and their employees and retirees and is not counted in the state spending figure above.

Georgia plans to spend about $1 billion on behavioral health and developmental disabilities, which includes some services funded through Medicaid. This is about 23 percent of Georgia’s 2017 health care expense.

The Department of Public Health operates a variety of population-based health programs such as immunizations, health screening and infectious disease control. It receives $260 million, or about 6 percent of Georgia’s health spending.
Medicaid and PeachCare Enrollment and Spending

Medicaid and PeachCare are expected to serve more than 2 million Georgians in 2017. The programs are important sources of health coverage for children, pregnant women, low-income seniors and people with physical and developmental disabilities. Medicaid and PeachCare cover nearly half of all children in Georgia. More than 1.3 million children are likely to get covered through the two programs in 2017, or more than 63 percent of all Georgians enrolled in them. Medicaid also pays for more than half of all births in Georgia.

Medicaid is the main source of coverage for Georgians with long-term care needs, both in nursing homes and in community-based settings. Medicaid is the primary payer for three-fourths of nursing home patients in Georgia. Medicaid also helps pay Medicare premiums for more than 170,000 older Georgians.

Low-Income Medicaid serves pregnant women, children and some parents with very low incomes. The Aged, Blind & Disabled portion of the program serves the elderly and people with a qualifying disability. Most enrollees qualify through the low-income Medicaid program, but the majority of spending is for elderly and disabled patients. PeachCare is a separate program serving children from families with income above the Medicaid threshold, but who often lack access to employer-sponsored coverage.

**Figure 23** Bulk of Medicaid Spending is for Children, Seniors

<table>
<thead>
<tr>
<th>Enrollment</th>
<th>2017 Projected Enrollment</th>
<th>24% Low-Income Medicaid</th>
<th>54% Aged, Blind, &amp; Disabled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spending</td>
<td>2017 Spending</td>
<td>54%</td>
<td>24% Aged, Blind, &amp; Disabled</td>
</tr>
</tbody>
</table>

Source: Georgia’s 2017 Fiscal Year Budget (HB 751), signed by the governor, enrollment forecast provided by Dept. of Community Health
Georgia’s Medicaid Investment Ranks Near Bottom

Georgia expects to spend more than $3 billion in state funds to serve more than 2 million residents covered by Medicaid and PeachCare, a modest amount by national standards. Georgia’s spending per Medicaid enrollee ranked second lowest among the states, coming in about 30 percent below the national average in 2011, the most recent year this data is available. Georgia spent the fourth lowest amount per-capita of any state, nearly 35 percent below the national average in 2012, the most recent year per capita data is available.

Georgia’s low rank by both measures belies the harsh health and economic realities faced by much of its population. Georgia’s population consistently scores poorly in national health assessments, suggesting higher per-enrollee spending than most states is needed. Georgia ranked sixth worst for poverty in 2012, which also suggests higher per-capita spending is appropriate to pay for an exceptionally large population of Medicaid-eligible residents.

The 2017 budget adds nearly $45 million in new state funds to boost reimbursement rates for some primary care services, but bringing Georgia’s investment closer to the national average will require more funding increases spread more broadly through the health care system.
More than 300,000 Georgians Fall into Coverage Gap

New coverage options from the Affordable Care Act are increasing health insurance opportunities for many Georgians. More than 580,000 Georgians enrolled in health insurance through the federal health insurance marketplace for 2016. Nearly nine in 10 Georgians who enrolled through the marketplace receive tax credits that make their health insurance more affordable. About 120,000 more children are expected to get coverage through Medicaid compared to 2013, and potentially 100,000 young adults stayed covered through their parents’ health insurance as a result of the law.

However, more than 300,000 uninsured Georgians fall into a coverage gap as a result of the state’s decision not to expand Medicaid eligibility to working-poor adults. Federal tax credits kick in when family income reaches the federal poverty level, about $20,200 for a family of three or $11,900 for an individual. Georgia Medicaid covers non-disabled adults only if they have dependent children and also have income below about 38 percent of the poverty level. To date, Georgia’s leaders have rejected federal money to cover these uninsured Georgians through Medicaid.

Figure 25 Uninsured Adults in Poverty Fall into Georgia’s Coverage Gap
Behavioral Health and Developmental Disabilities

The Department of Behavioral Health and Developmental Disabilities operates a variety of programs that serve Georgians with mental health needs, addiction and developmental disabilities. The department also operates programs for forensic evaluation and treatment for Georgians under court jurisdiction. The department is budgeted to receive more than $1.02 billion in 2017 from the general fund along with $10.3 million in tobacco settlement money, a combined increase of $43.6 million compared to 2016.

Georgia entered into a legal settlement in 2010 with the U.S. Department of Justice that lays out a plan for the state to increase its mental health and developmental disability services in home or community settings relative to institutions. From 2010 to 2016 the state spent $172.7 million to meet the terms of the settlement. Money added in 2017 continues the trend of increased funding for these services, including:

- $23.5 million for pay raises for state employees, with additional pay hikes for workers in high-turnover jobs
- $11.9 million to increase payments to providers serving Georgians under the Comprehensive Supports Waiver program
- $1.2 million for 100 new slots for the New Options Waiver program
- $5.7 million for a behavioral health crisis center

Figure 26 More than Mental Health and Developmental Disabilities

Source: Georgia’s 2017 Fiscal Year Budget (HB 751), signed by the governor
Public Health

The Department of Public Health operates a variety of programs focused on health promotion, disease prevention and health-related disaster response and preparedness. The 2017 state budget allots the department $229.1 million from the general fund and $13.7 million in tobacco settlement money. The Georgia Trauma Commission receives $16.4 million of general fund money. The largest state-funded programs help fund county health departments, aim to prevent the spread of infectious disease and provide treatment and health promotion services to help children and infants.

Georgia’s public health programs also receive significant federal support. Federal money accounts for nearly 60 percent of department’s $671.8 million budget in 2017, while state funding accounts for the rest. The federally-funded Special Supplemental Nutrition Program for Women, Infants and Children, also known as WIC, makes up the bulk of the federal funds and more than a third of the department’s budget for 2017.

The department’s 2017 budget represents a $19.9 million increase over 2016, including:

- $8 million to fund pay raises for state employees
- $4.3 million for raises for state employees in high-turnover jobs
- $1.4 million for state grants to county public health departments

Figure 27 Much of Public Health Funding Flows to County Health Departments

Source: Georgia’s 2017 Fiscal Year Budget (HB 751), signed by the governor
Human Services

Georgia’s Department of Human Services oversees state spending to protect children and the elderly and provide non-medical assistance to people with low incomes. State funding for the agency is $642 million in 2017, less than 3 percent of state spending.

Child welfare-related services represent the largest share of the department’s responsibilities, accounting for $380 million, or 59 percent, of the department’s 2017 budget. These services include protecting children from abuse, abandonment and neglect, as well as safeguarding them in suitable temporary and permanent homes.

About $127 million of the Human Services budget helps low-income families gain access to Temporary Assistance for Needy Families, nutrition assistance, Medicaid and other federal services. These temporary supports help children stay healthy and help keep adults prepared for job opportunities. Other department functions protect and sustain older Georgians, enforce parents’ responsibility to financially support children and help people with disabilities get jobs.

Figure 28 Georgia’s Children Major Focus of Human Services

Source: Georgia’s 2017 Fiscal Year Budget (HB 751), signed by governor
Child Welfare: More Workers to Bolster Line of Defense


Lawmakers added about $7.4 million to the department’s budget in 2017 to hire 175 additional Child Protective Services workers. Caseworkers are often a child’s first line of defense against abuse and neglect. The money for additional caseworkers is part of Gov. Nathan Deal’s plan to achieve an average caseload of 15 families per worker by the end of 2017. Such a ratio allows child welfare workers adequate time to talk with families face-to-face, assess a child’s safety risk and follow up to confirm necessary services and supports are provided.

More money is likely needed in the 2018 budget to achieve the governor’s objective. Each child welfare case manager now handles about 21 cases. The new case managers added through the 2017 spending plan are expected to help lower the average to about 18 cases per worker.

Figure 29 Child Welfare Caseworkers Stretched Thin

*Note: A court settlement set service benchmarks for Fulton and DeKalb counties.
Source: Georgia Department of Human Services
Foster Care Gets Boost as Child Abuse Reports Rise

Foster families, child placement agencies and child care institutions, or group homes, continue to cope with significant unmet needs. Georgia’s 2017 budget adds $51 million to address growth in foster care. Recent child deaths and a new centralized toll-free number for suspected child abuse reports contributed to a 42 percent increase in the number of children placed in foster care since March 2014.

Georgia’s 2017 budget also adds $4.3 million to increase the rates paid to foster families, child placing agencies and group homes by 1.5 percent. Rates paid to families are probably still inadequate to cover the cost of caring for children.

A family caring for a foster child younger than five is paid about $15 a day, unless the family requests more to meet a child’s unique needs. This $15 must cover food, shelter, clothing, supervision and oversight. Families that earn less than $62,010 per year in southern urban areas spend an average of $24 per day to provide for a child under five, according to the U.S. Department of Agriculture. Families in rural areas that earn similar incomes spend more than $20 per day on average caring for young children.

Figure 30 Foster Care & Adoptive Placements Up by 42 Percent Over Two Years

Source: Georgia Department of Human Services
Low-Income Supports:
Families Struggle in Sluggish Economy

Georgians continue to struggle with high poverty, unemployment or, in many cases, jobs offering fewer hours than they are willing to work. The state’s human services workers are handling 63 percent more cases than prior to the 2007 recession. Georgia’s 2017 budget adds 180 workers to help families, but this still leaves fewer workers than 2007.

These workers help families obtain Temporary Assistance for Needy Families (TANF), food assistance, Medicaid, and child care assistance. TANF is a state-federal partnership designed to help low-income families reach financial independence through job preparation, temporary cash assistance and other support. The Supplemental Nutrition Assistance Program also known as food stamps helps low-income families afford the food they need to work, attend school and otherwise contribute to their communities. Medicaid provides health insurance for some low-income Georgians, primarily children (see Health Care section, page 32).

Food assistance is the fastest growing of these low-income supports. Food assistance more than doubled in Georgia from November 2007 to March 2016. Qualifying families must have incomes near the poverty level.

Figure 31 Fewer Assistance Workers, Increased Poverty Since 2007
State Raises Investments to Support Older Georgians

The population of Georgians age 60 and older is projected to grow 41 percent by 2030. The aging population will need more support services. The state’s 2017 budget increases investment in anticipation of this growth.

Georgia’s Adult Protective Services investigates and helps prevent abuse, neglect and exploitation of Georgians 65 or older who are not in long-term care. A spike in financial crimes targeting the state’s senior and disabled citizens is creating the need for more workers to protect their interests. Adult Protective Services cases increased nearly 57 percent from 2011 to 2015.

The 2017 budget plan adds $760,000 to hire 11 additional employees in the final installment of a three-year plan to phase in 33 new workers.

The budget also adds $2 million for adult community living and support services. These services allow older Georgians to live independent lives in their own communities instead of nursing homes. The new funding is expected to reduce a waiting list of more than 13,000 people seeking assistance with home-delivered meals, transportation, minor home repairs and other services.

Figure 32 Adult Protective Services Cases Climb

Source: Georgia Dept. of Human Services
Looking Ahead to Next Year

Gov. Nathan Deal’s ambitious education reform agenda got shelved at the outset of 2016, but appears certain to take center stage when the General Assembly convenes again in Atlanta in January 2017. Education tops only health care spending on Georgia’s priority list, both as a budget consideration and as an investment in communities across the state. Those two will likely be joined by proposals to tinker with the tax system as the Legislature debates the big challenges Georgia faces.

Comprehensive changes to education policies and to the 31-year-old formula the state uses to distribute funding among its 180 public school districts seem sure to provide a lively legislative debate in 2017. The good news is for the first time since recession-era cuts shorted public schools about $1 billion per year, the annual austerity reduction could be left in the past. Still, concerns include the possible adoption of a new formula without ensuring it matches funding levels needed to help students achieve the increasing standards the state requires of them.

Georgia lawmakers appear poised to take a first serious look at closing the state’s health insurance coverage gap next year since the 2010 federal health care law passed. More than 300,000 uninsured Georgians fall into a coverage gap as a result of the state’s decision not to expand Medicaid eligibility to working-poor adults. Accepting the substantial federal funding available provides access to a doctor and pumps billions of dollars into Georgia’s struggling health care system.

State lawmakers will work to make these critical investments and more this year while likely also debating a change to the tax system that could make it harder to pay for them. Georgia’s aging tax laws are in need of an update and one way is to target tax cuts through a Georgia Work Credit to help the people who can benefit most.

Education, health care and the well-being of children deserve top billing when state lawmakers return to the Gold Dome in 2017. The opening gavel provides a new opportunity for them to embrace what’s possible.
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