

■ Overview of Georgia's 2015 Fiscal Year Budget

By Alan Essig, Executive Director

The \$20.8 billion budget proposed for Georgia's 2015 fiscal year projects general fund revenue growth of 4.3 percent, or \$807 million more than the recently revised 2014 revenue estimate. State revenues are back to pre-recession levels, but the proposed budget still incorporates in its base several billion dollars in program cuts made during the past five years.

While revenue grew since the 2011 fiscal year, most of the increase was consumed by student-driven formula growth in K-12 schools and higher education, growth of Medicaid and the State Health Benefit Plan, and required contributions to state employee and teacher retirement systems. Other than court-mandated investments in mental health and developmental disability programs, revenue growth the past four years has generally not been used to restore programs to pre-recession levels, or to create new programs.

■ Amended 2014 Fiscal Year Budget Overview

State Revenues

The proposed amended 2014 fiscal year spending plan increases Georgia's revenue estimate by \$131 million more than originally projected last year. Revenue growth through the year's end June 30, 2014 is now forecast to be 3.4 percent more than 2013 revenue collections. Revenues through the first six months of the fiscal year grew at a 5.1 percent rate. The amended budget also includes \$183 million from the Mid-Year Adjustment Reserve, which is available to pay for increased K-12 needs.

Budget Actions

The amended 2014 budget contains several changes from the spending plan that took effect July 1, 2013. Notable changes from the original budget are:

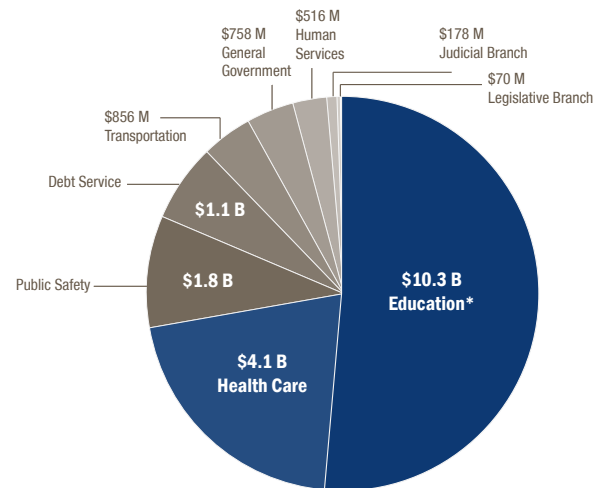
- \$10 million for Regional Economic Business Assistance grants
- \$15 million for economic development projects within the One Georgia Authority
- \$25 million for school digital learning infrastructure within the One Georgia Authority
- \$30.8 million for Medicaid and PeachCare
- \$14.4 million for the Indigent Care Trust Fund Disproportionate Share Hospital program
- \$133.3 million for K-12 midterm adjustment
- \$25.6 million for Forestland Protection Act Grants to school districts and local municipalities and counties
- \$26.7 million to the Department of Transportation for routine maintenance and the Georgia Infrastructure Bank program

2015 Fiscal Year Budget Overview

The state budget for 2015 allots about 95 percent of the general fund to education, health, public safety, human services, transportation, and debt service.

The 2015 budget proposal increases general fund spending by \$928 million more than the 2014 fiscal year spending plan approved by the 2013 Georgia Legislature. Much of next year's spending pays for enrollment growth. That includes \$172.7 million for Medicaid and PeachCare, \$151.5 million for formula growth in K-12 and higher education and \$142.3 million for required payments into the teachers and state employees' retirement systems. The proposal also includes a 30 percent down payment of \$314.3 million on the restoration of the \$1.1 billion cut in the state's K-12 funding formula.

Most New Revenues Needed to Maintain Status Quo



Source: The Governor's Budget Report, Fiscal Year 2015

Figure 1 Notable Budget Increases Planned for 2015

Partial Restoration of K-12 Funding Formula Austerity Cut	\$314,295,574
Funding for Medicaid and PeachCare	\$172,742,343
K-12 and Higher Education Formula Growth	\$151,482,308
State Employees'/Teacher Retirement System and Board of Regents Health Plan Contributions	\$142,285,896
State Employee and Board of Regents Salary Increase	\$50,846,022
Department of Justice Settlement Agreement (Mental Health and Developmental Disabilities)	\$34,482,575

For detailed analysis of the Department of Community Health, Public Health, Human Services, and education budgets please watch for specialized budget analysis at www.gbpi.org.

Bond Projects

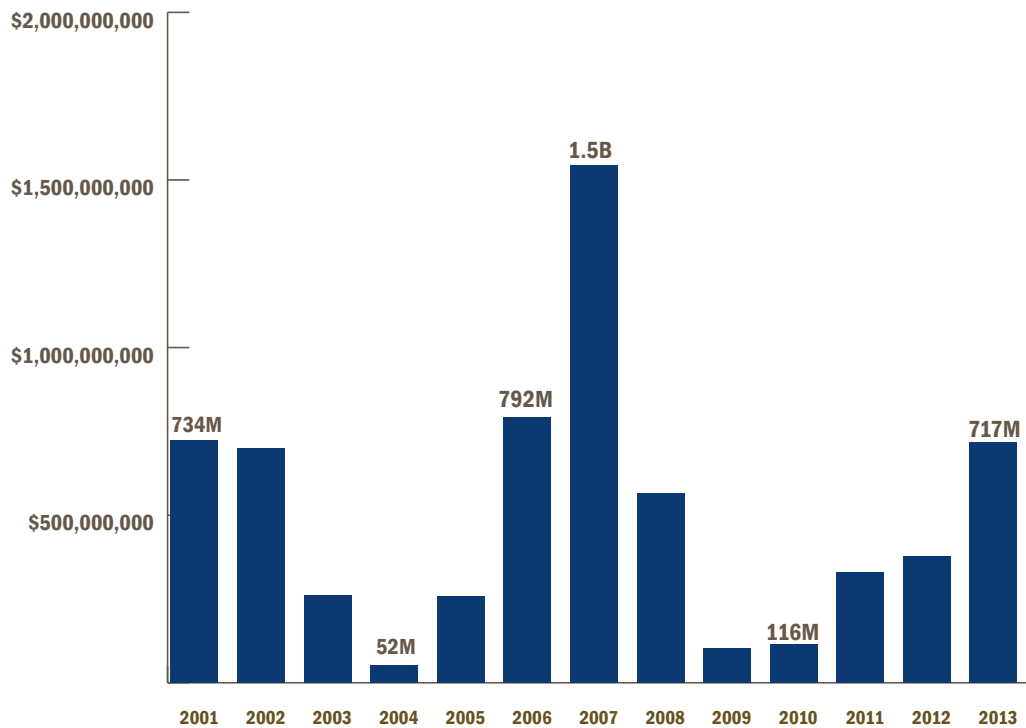
The 2015 budget includes \$763 million for new bond projects. The state sells bonds to pay for capital improvements such as construction of new school buildings as well as renovations and equipment in the k-12 schools, university and technical college systems; construction and renovations to state hospitals, prisons and state office buildings; as well as construction and maintenance of roads and bridges. Notable bond projects include:

- \$272 million for K-12 schools including \$189 million for the Capital Outlay Program and \$20 million for the purchase of buses
- \$147 million for the University System, \$60 million for improvements and renovations statewide and \$45 million for the design and construction of a new Science Learning Center at the University of Georgia
- \$50 million for water, sewer and reservoir construction loan programs
- \$45 million for reservoirs
- \$35 million for the Savannah Harbor Deepening Project

Reserves

The Revenue Shortfall Reserve is Georgia's "rainy day" fund, established to help the state get through tough economic times. The fund contained \$1.5 billion July 1, 2007, enough to operate the state for 30 days. Former Gov. Sonny Perdue withdrew more than \$1.4 billion from reserves during the recent economic downturn to balance the state budgets in 2008, 2009 and 2010. By the end of the 2010 fiscal year, Georgia's reserves had dwindled to \$116 million. The reserves increased each of the last four years, rebuilding to \$717 million, or enough to operate the state for 14 days.

Rainy Day Fund Just Enough to Run State Two Weeks



Source: The Governor's Budget Report, Fiscal Year 2015