THE CENTER FOR STATE AND LOCAL FINANCE

November 15, 2016

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A Briefing on Georgia's Budget: The Big Picture

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

Overview

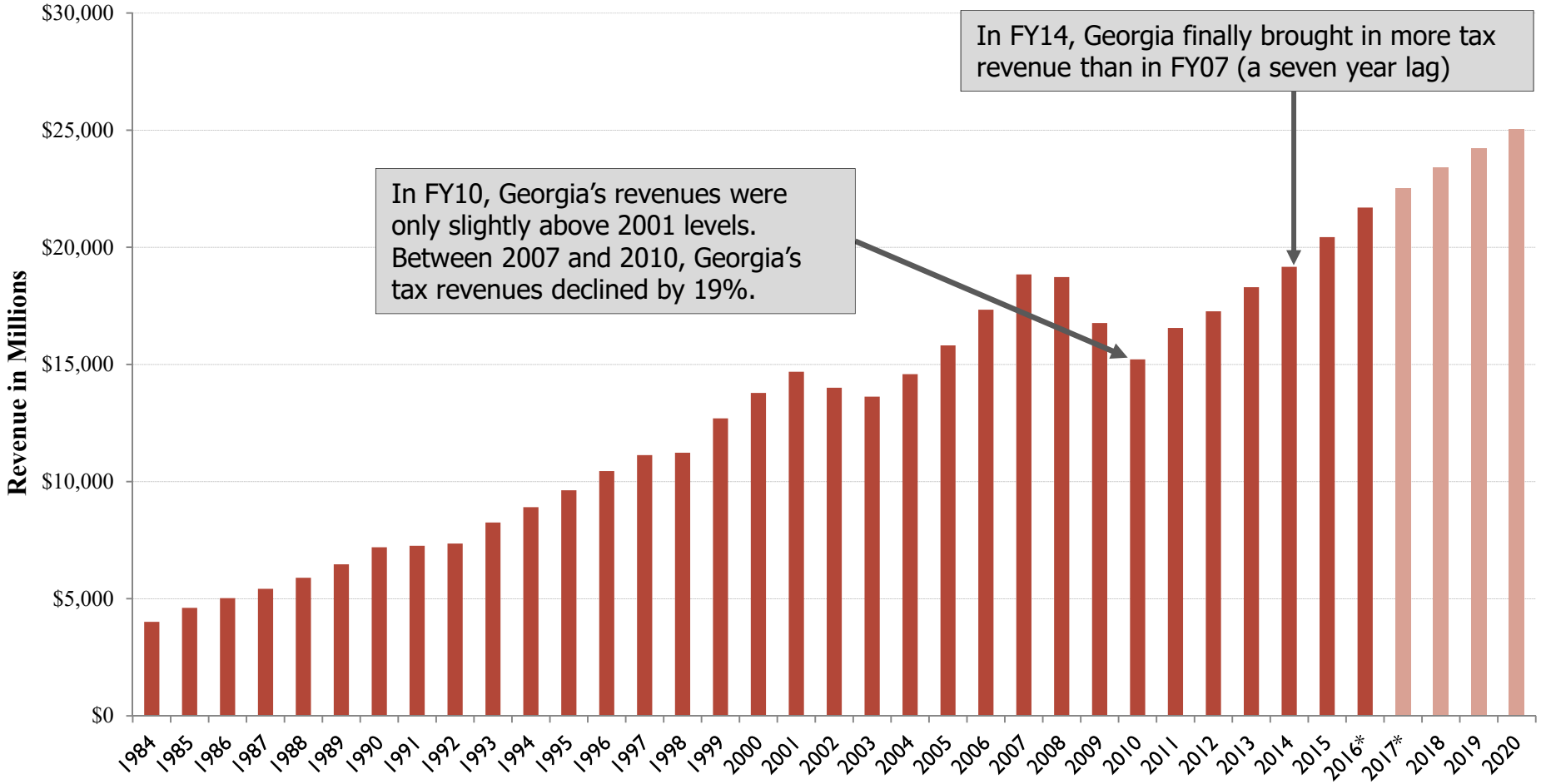
- Georgia's Revenues
  - Economic drivers of current revenue situation
  - Loss of efficiency in tax system
- Georgia's Expenditures
  - Overview
  - PreK-12
  - Higher Education
  - Medicaid
  - Transportation
  - Other
- Conclusions



Revenues

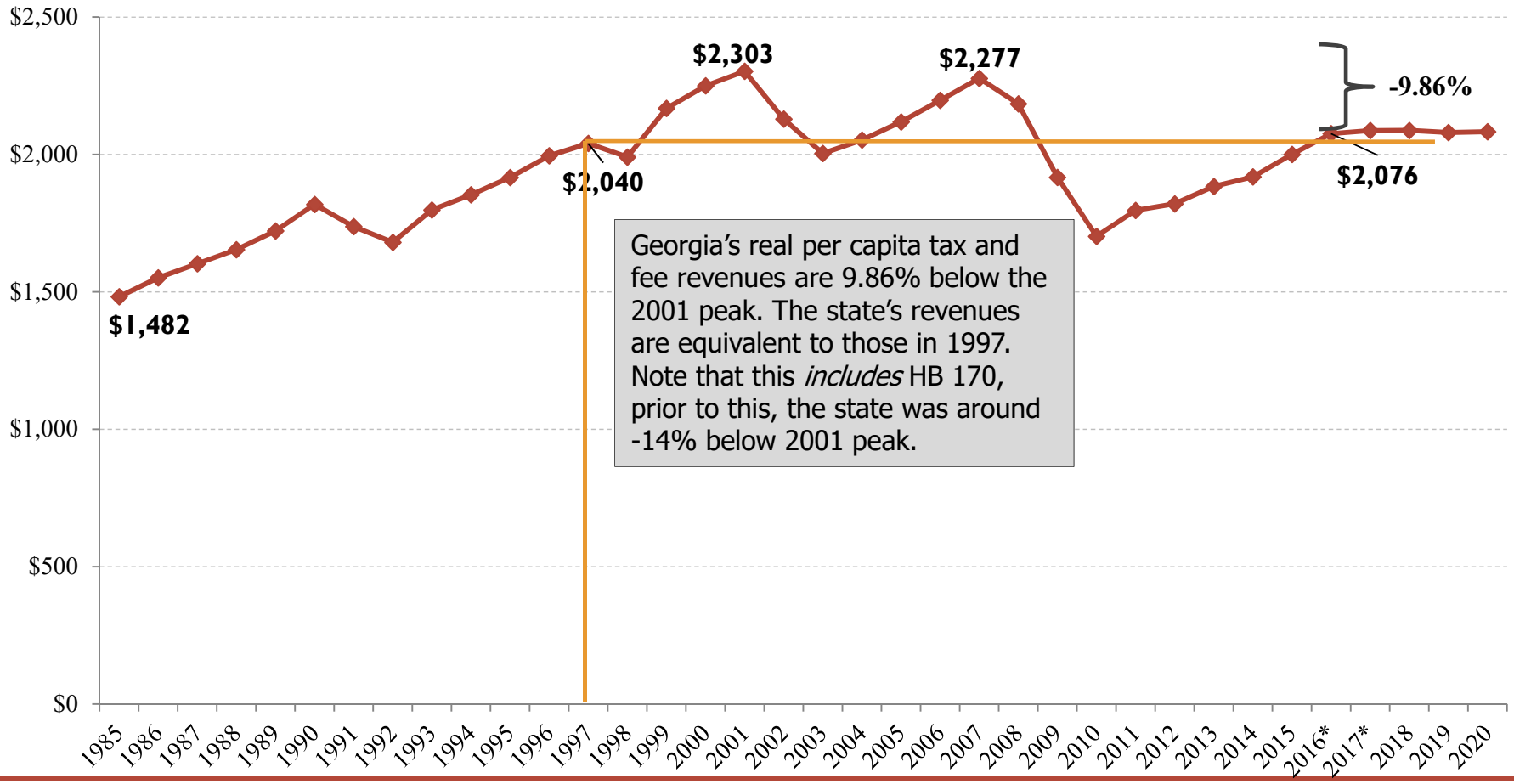
Georgia's revenue dilemmas are largely structural.

Georgia's General Fund Revenues 1984-2020



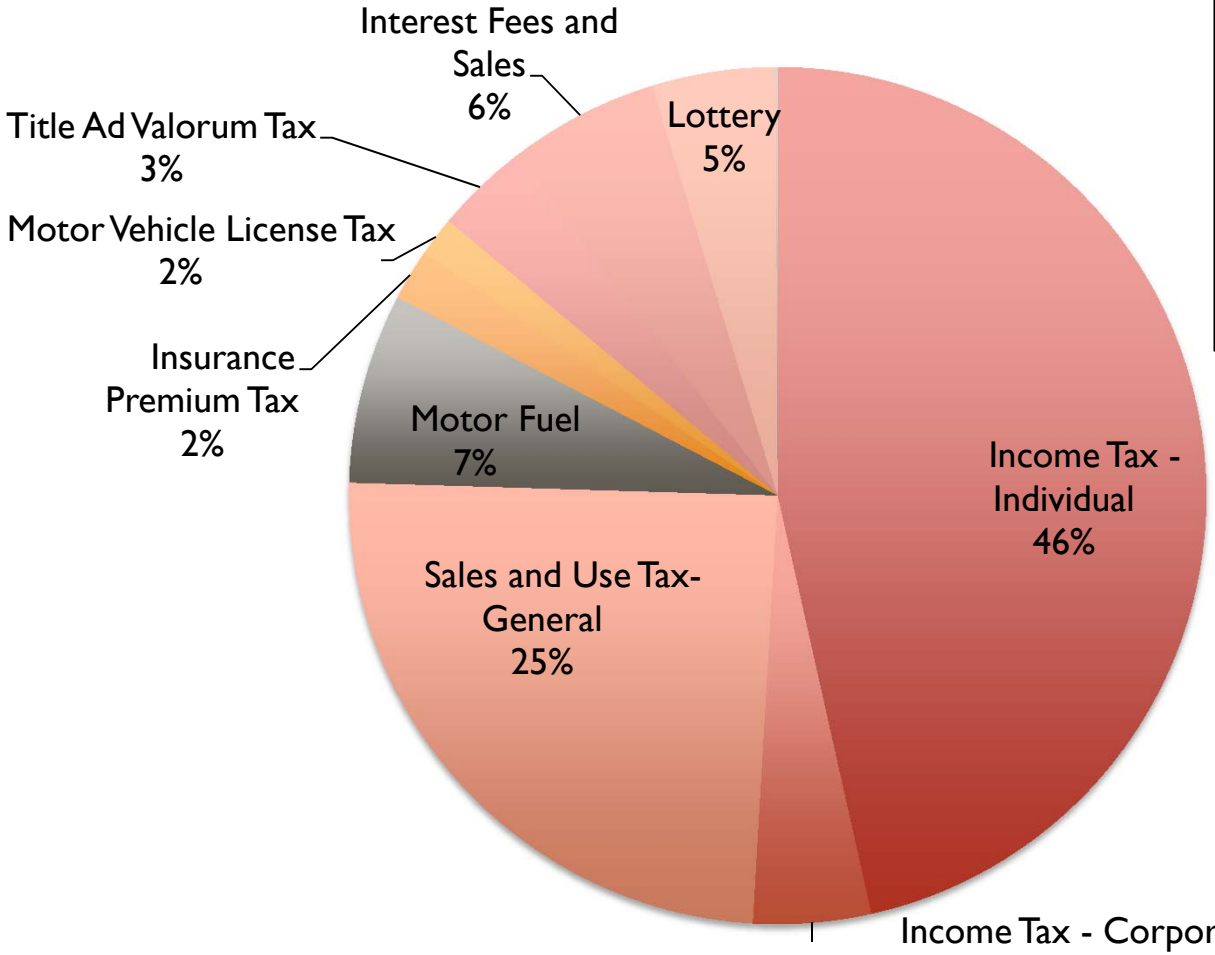
Data Sources: State Budgets/Budget in Brief FY16A-FY17

Georgia's Real per Capita General Fund Revenues (2015 dollars)



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

Georgia's State Fund Revenues (FY 2017G)



In FY17 Budget

$22.5 billion in State General Funds

$23.7 billion in State Funds

Georgia State Revenues Compared to Other States

TABLE 5. GEORGIA'S STATE REVENUE PORTFOLIO (2013 DOLLARS)								
State Revenue Portfolio (Real Per Capita)	FY 1995 per capita	Rank	FY 2005 per capita	Rank	FY 2010 per capita	Rank	FY 2013 per capita	Rank
General Revenue from Own Sources	$2,344	44	$2,630	49	$2,206	50	$2,381	50
Taxes (i)	$1,869	40	$2,042	42	$1,608	50	$1,783	49
Property Tax	$6	24	$9	24	$9	21	$6	22
General Sales Tax	$697	23	$692	34	$529	40	$528	41
Selective Sales Tax	$182	50	$216	50	$180	50	$213	49
Individual Income Tax	$757	19	$954	19	$763	26	$878	28
Corporate Income Tax	$129	23	$93	38	$74	35	$80	41
Motor Vehicle License Tax	$41	46	$37	46	$31	46	$46	42
Other Taxes	$57	45	$41	50	$21	50	$32	49
Charges and Miscellaneous Revenue	$475	44	$588	49	$598	48	$598	49
Current Charges	$262	45	$325	45	$384	45	$368	47
Miscellaneous General Revenue	$213	42	$263	47	$214	49	$230	48
Intergovernmental Revenue	$1,029	36	$1,284	46	$1,762	39	$1,463	41
Federal Government	$1,017	32	$1,264	46	$1,734	37	$1,433	39

Georgia State & Local Revenues Compared to Other States

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

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

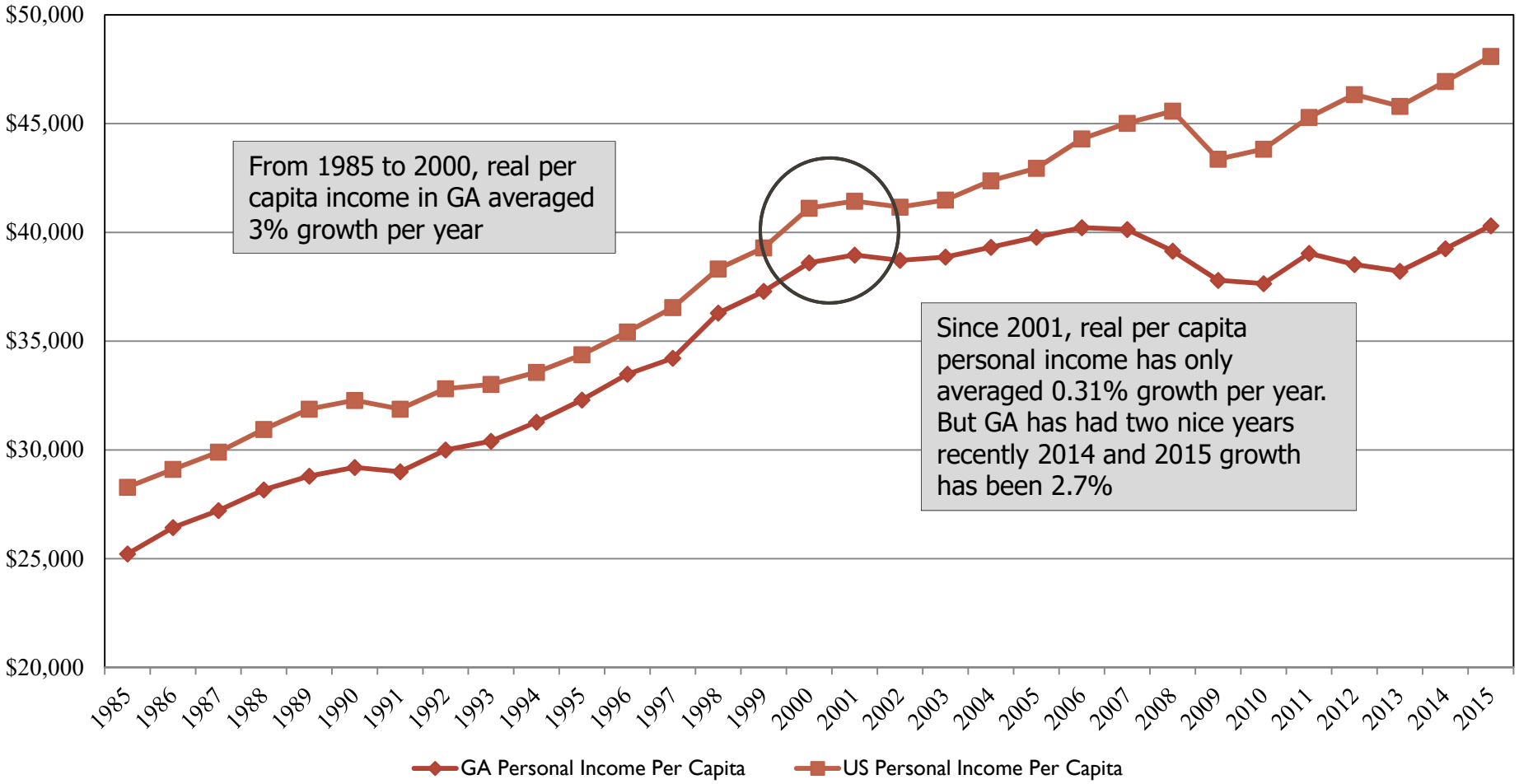
Georgia's own source state and local revenues are equal to 13% of personal income, rank is 43rd; state and local *tax* revenues are 9% of percent of personal income, rank is 39th.



Economic Shifts

A large portion of Georgia's revenue issues are less about policy changes and more about a fundamental economic shift.

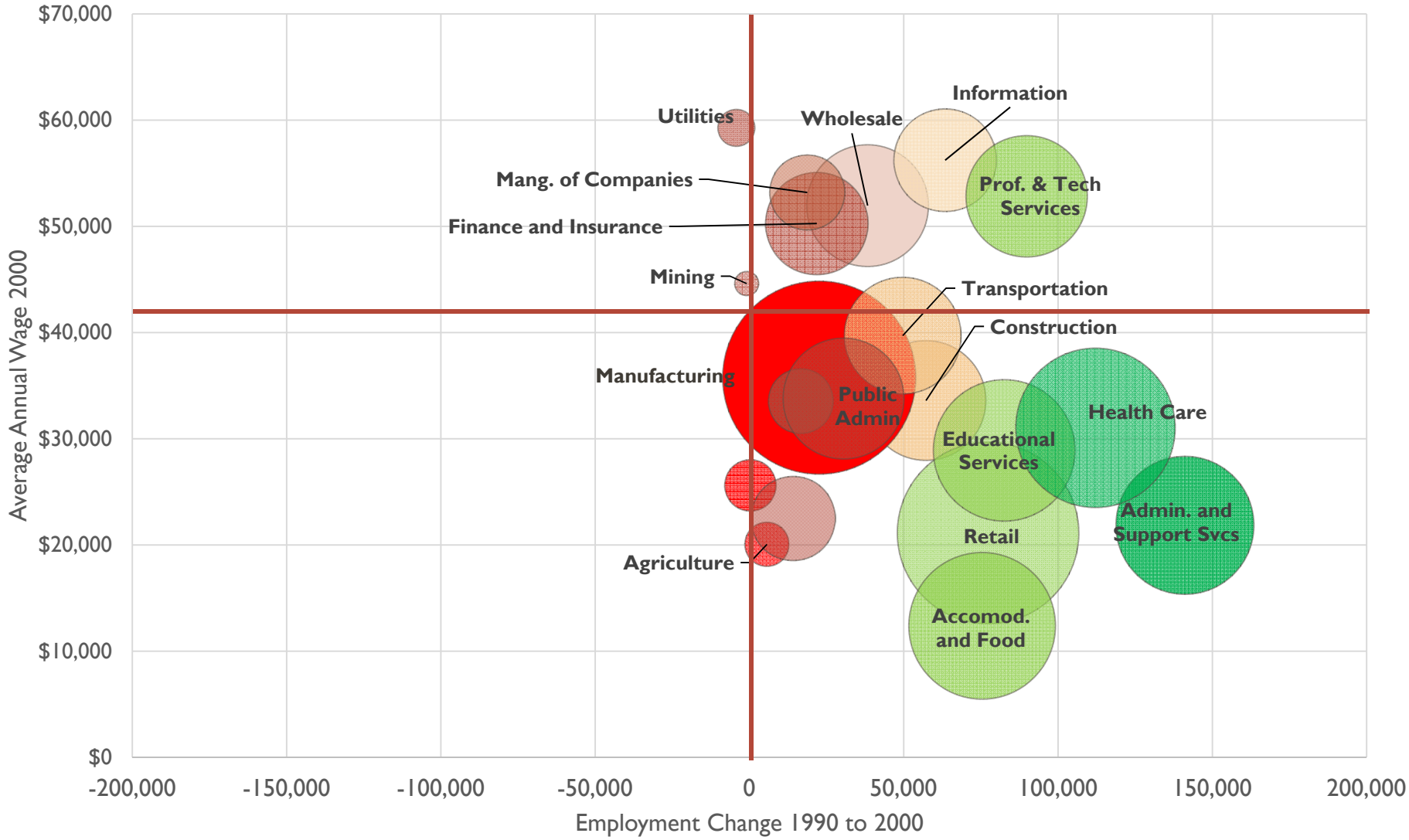
Inflation Adjusted Personal Income Per Capita (2015 dollars)



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

Georgia Employment Growth and Wages

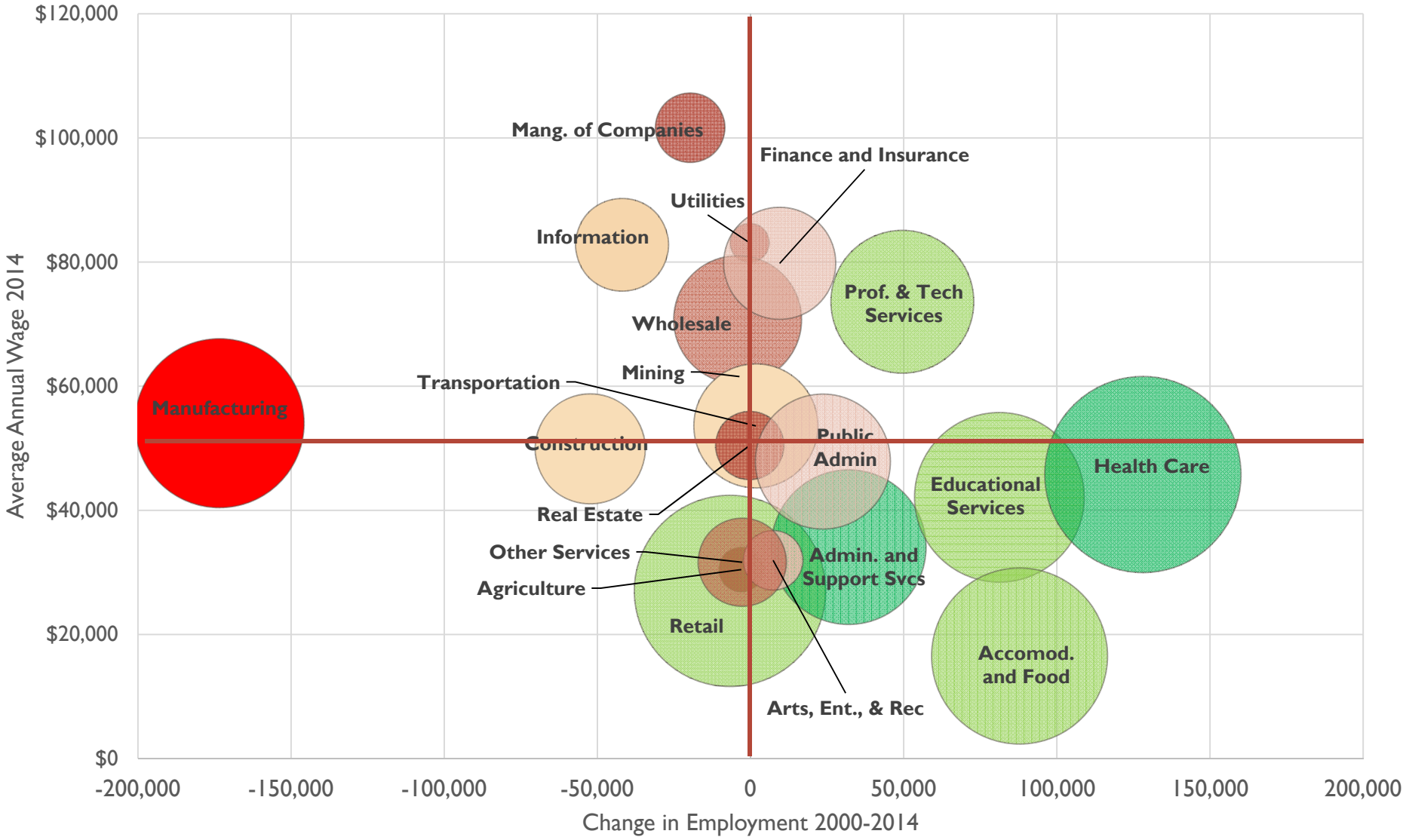
Avg. wages in 2000; employment change 1990-2000 size of bubble is total employment in 2000



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

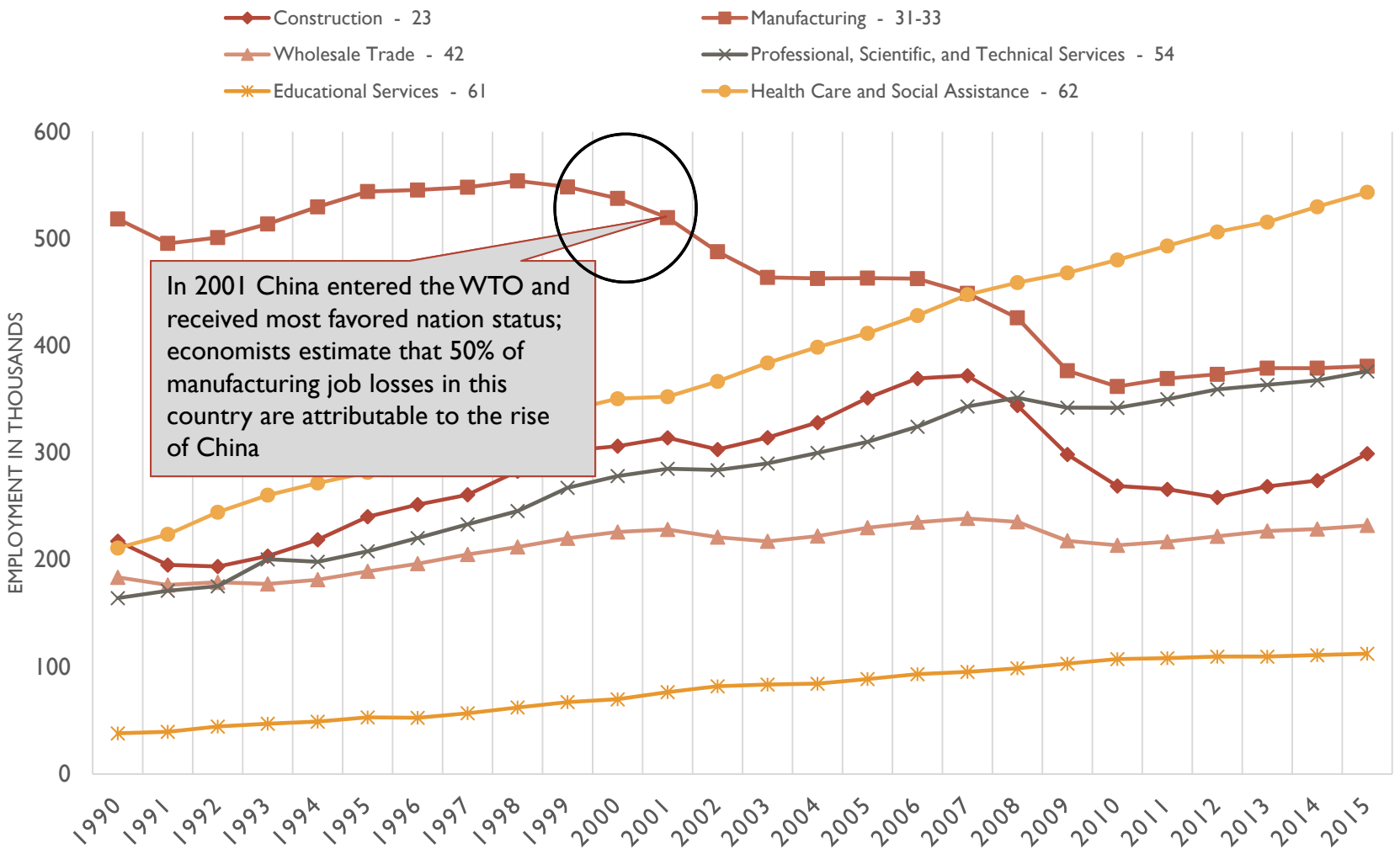
Georgia Employment Growth and Wages

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



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

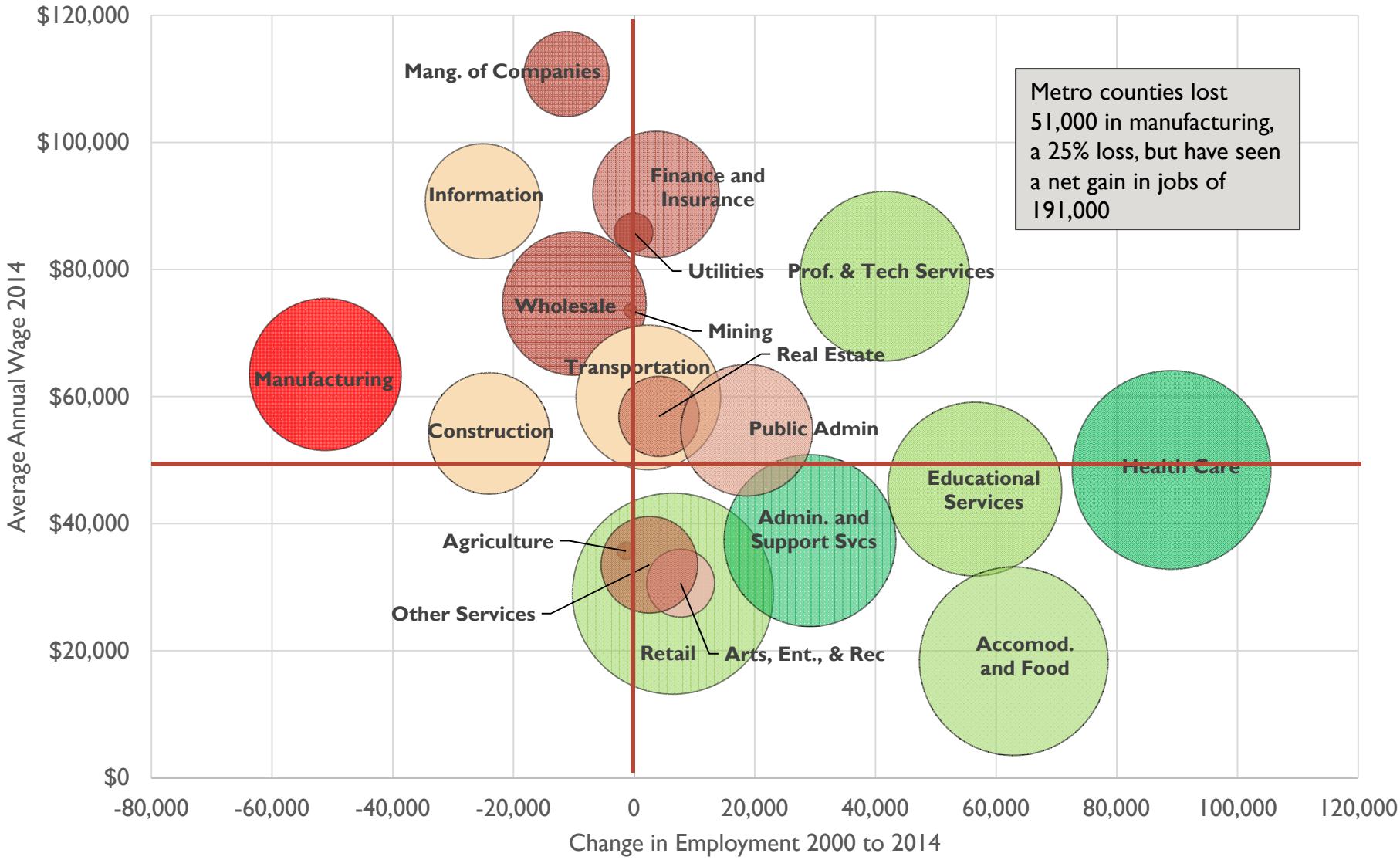
CHANGE IN JOBS IN MAJOR SECTORS



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

Metro Atlanta Employment Growth and Wages

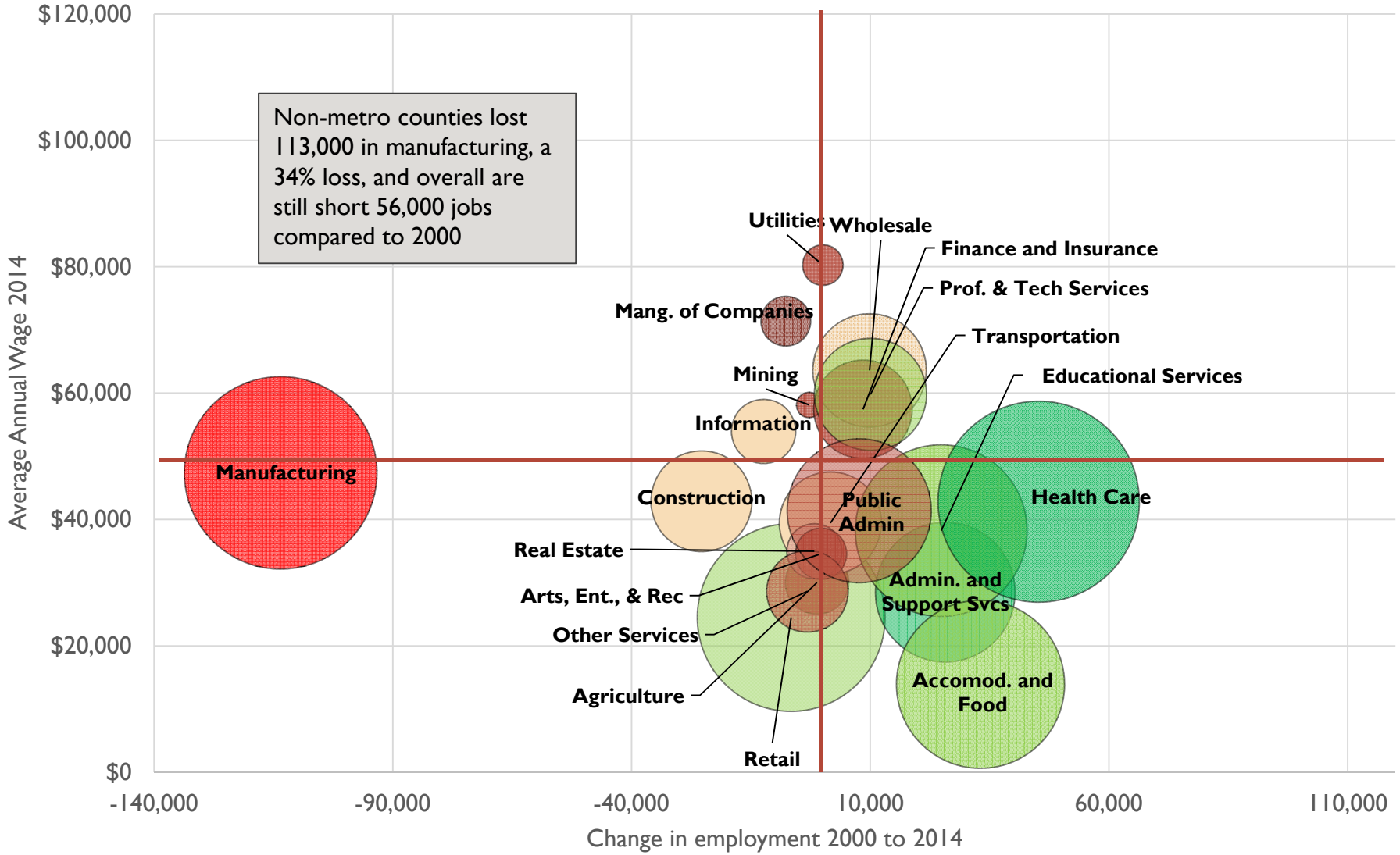
Avg. wages in 2014, employment change 2000-2014, size of bubble is total 2014 employment



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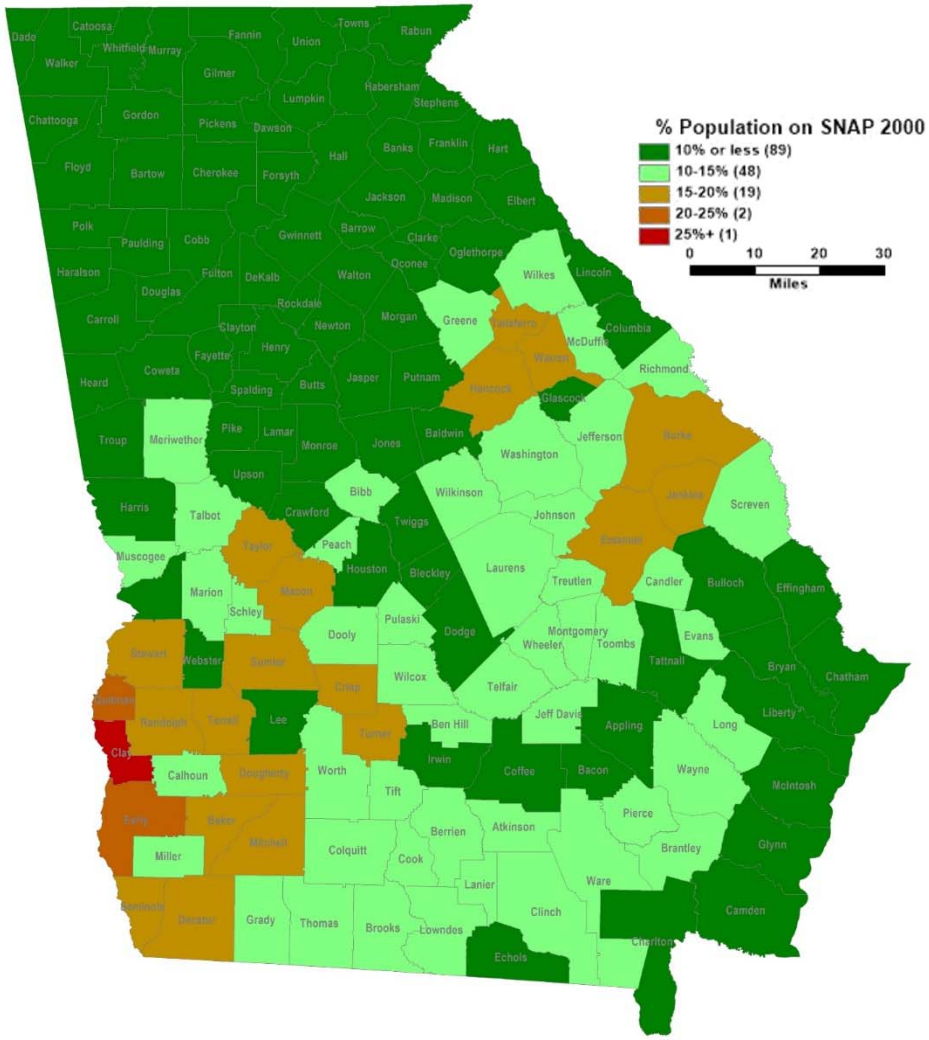
Non-Metro Atlanta Employment Growth and Wages

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

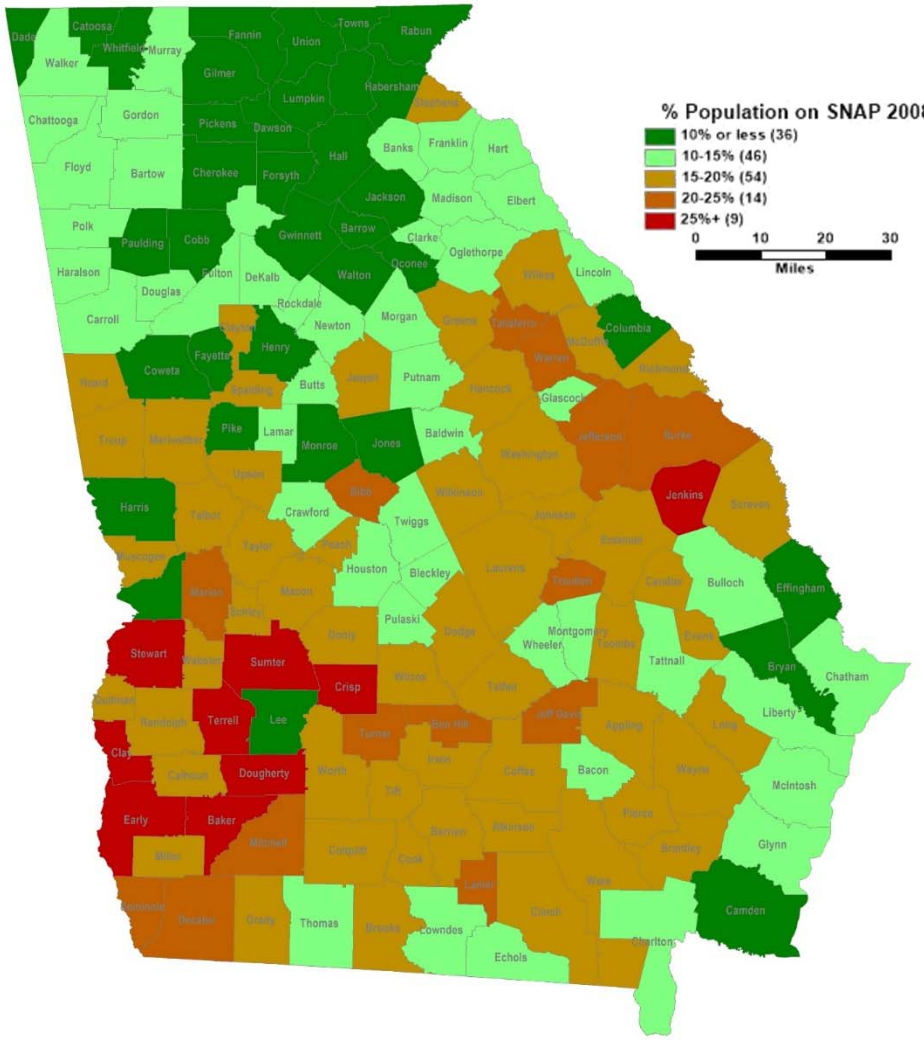


Data from GA DOL ES202 Survey; median household income in US was $51,847 in nominal dollars in 2014, and was $47,958 in Georgia (US Census Bureau, American Community Survey, Table H-8B)

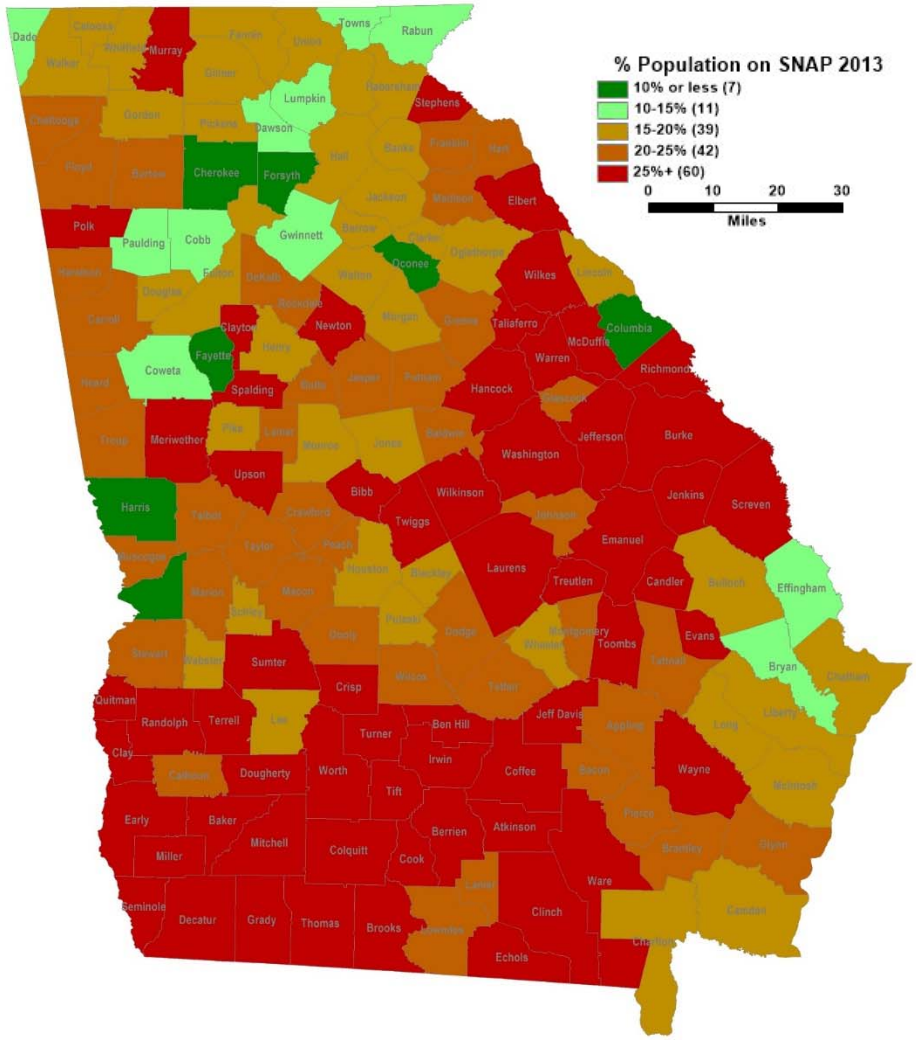
% Population on Food Stamps 2000



% Population on Food Stamps 2008

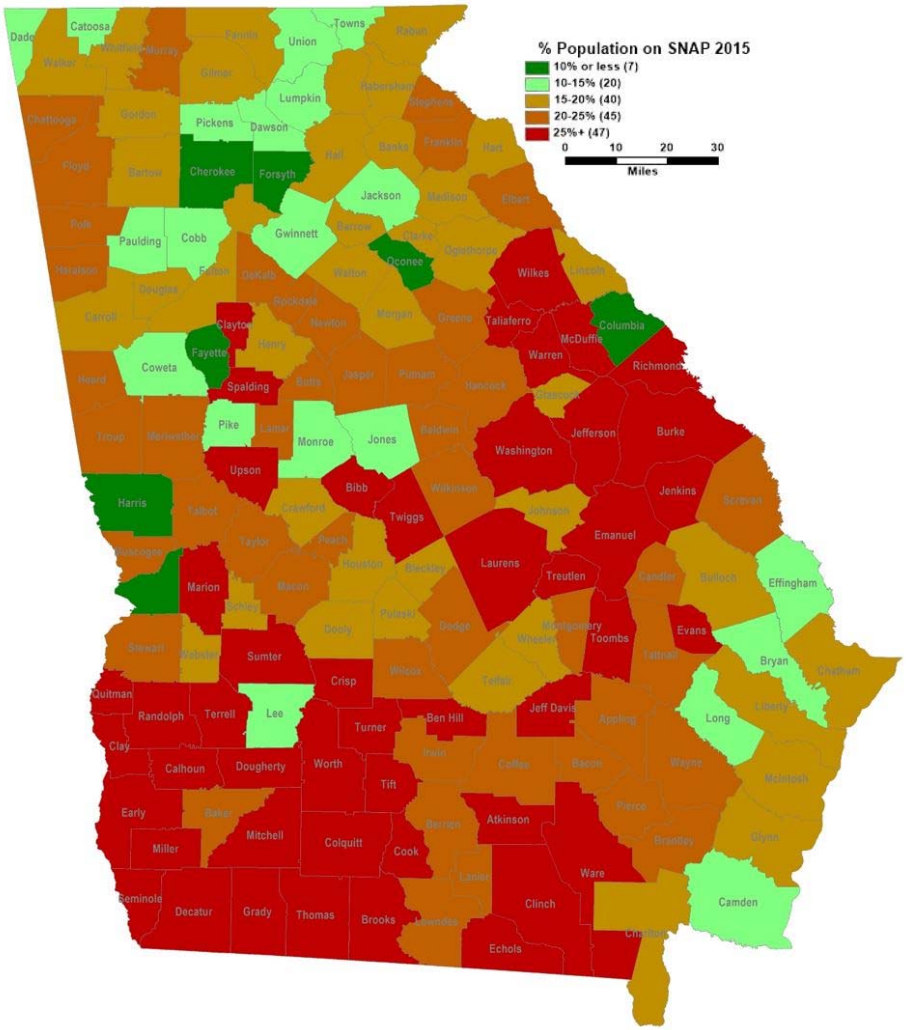


% Population on Food Stamps 2013



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

% Population on Food Stamps 2015

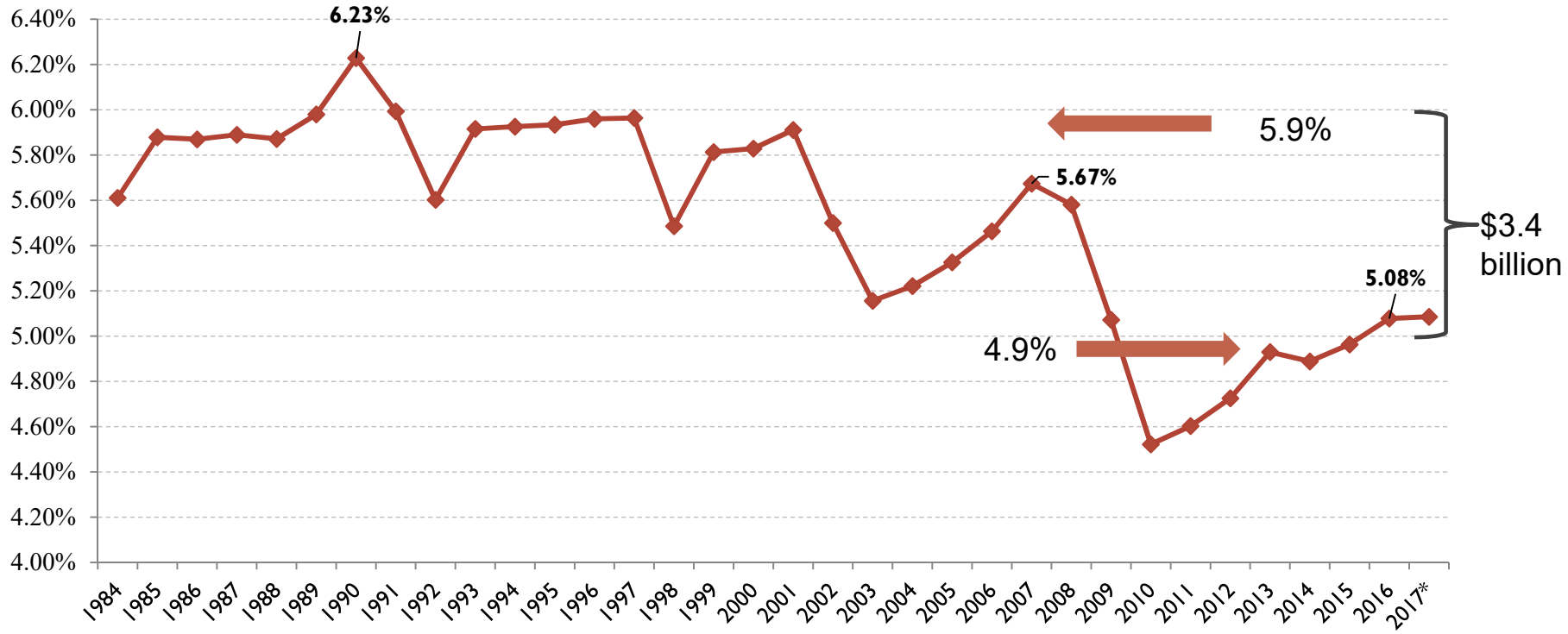


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Change in Tax Structure and Efficiency

Georgia's General Fund Revenues as % of Personal Income



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

- Between 1989-2001, Georgia taxed 5.9% of personal income on average.
- Between 2002-2008, Georgia taxed 5.4% of personal income on average.
- Between 2009-2016, Georgia taxed 4.9% of personal income on average (with HB 170, it is now at 5%)
- If Georgia increased taxes to capture 5.89% of personal income = $3.4 billion in additional revenues in FY16

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

Where did the money go (2016 analysis)?

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 2016 if Collected at Historic	Average as % of Personal Income	Estimated Tax Revenues in 2016 if Collected at Historic	Average as % of Personal Income	Estimated Tax Revenues in 2016 if Collected at Historic
Avg 1989-2001	5.89%	2.51%	10,721,600	2.08%	8,889,565	0.36%	1,551,505
Avg 2002-2008	5.42%	2.52%	10,776,957	1.80%	7,686,712	0.24%	1,032,528
Avg 2009-2016	4.85%	2.27%	9,702,887	1.40%	5,964,633	0.21%	903,152
Actual 2016	5.08%	2.45%	10,084,280	1.32%	5,432,889	0.24%	985,335

2016 SGF Revenues	**$21,698,897**						
2016 Revenues at 1989-2001 Average	$25,161,016						
Difference	-$3,462,118	-6%	-$637,320	-39%	-$3,456,676	-36%	-$566,170

Income tax decline is partly due to the exemption of retirement income from the income tax, valued at roughly $790 million in FY14. Sales tax story is more mixed. Roughly $700 million is from tax shifts (MV and TAVT) and roughly $670 million is tax relief (e.g., the $438 million from the tax exemption on food). The remainder is structural.

Georgia's Revenue Dilemma

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

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

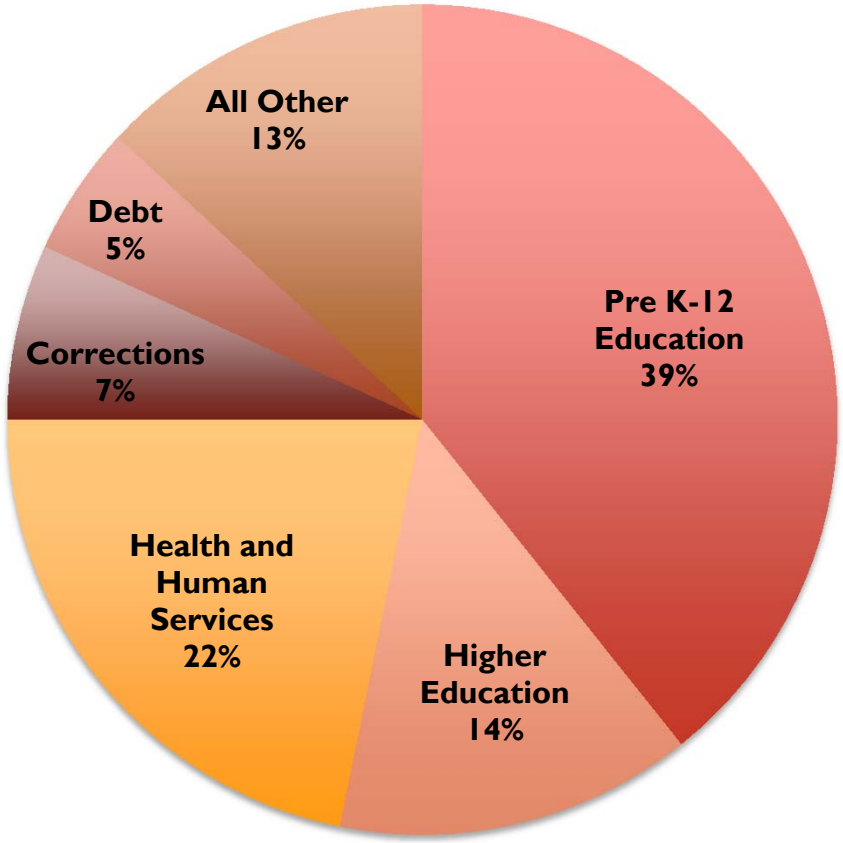


Expenditures

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

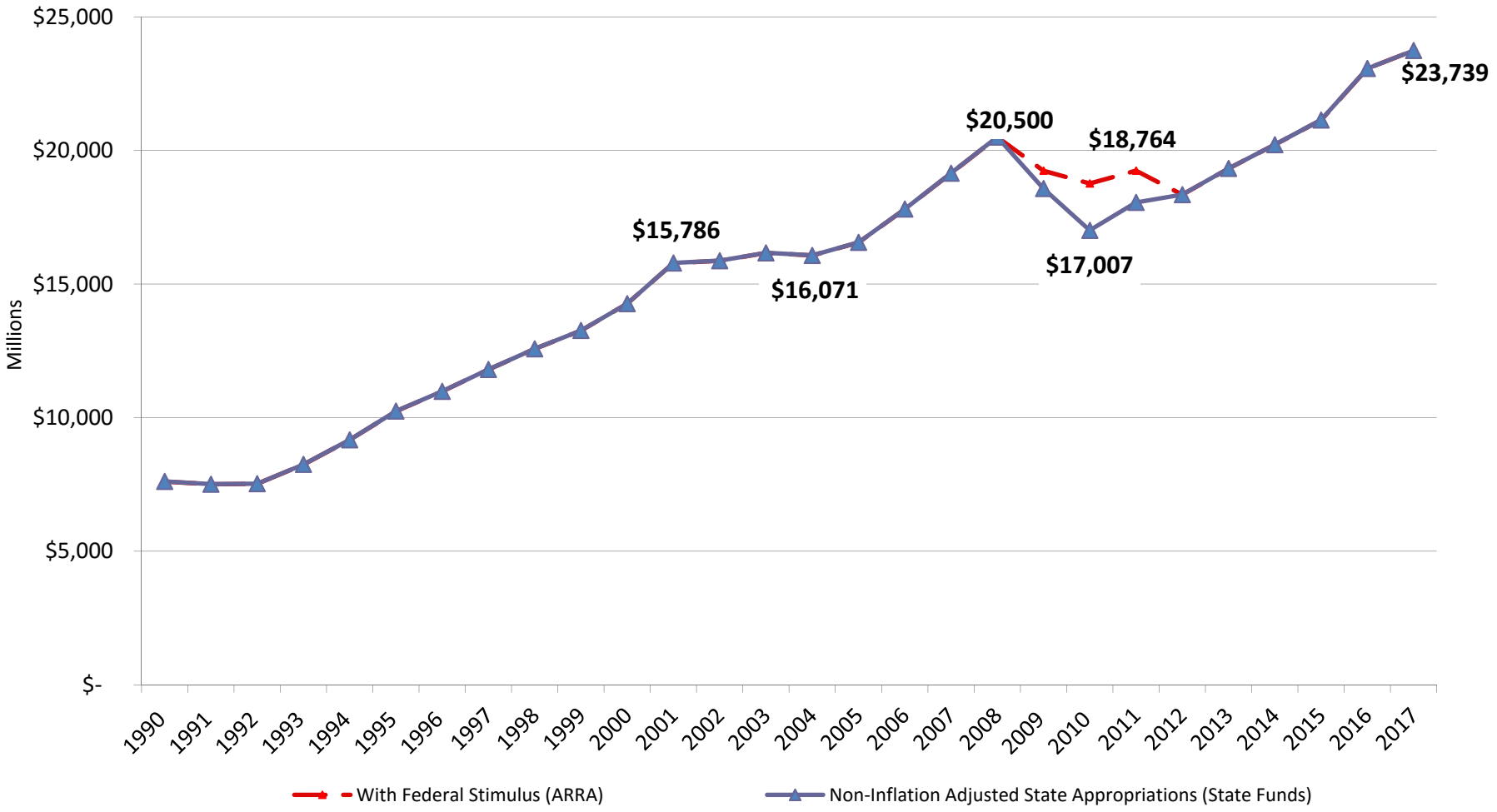
State Fund Expenditures 2017

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



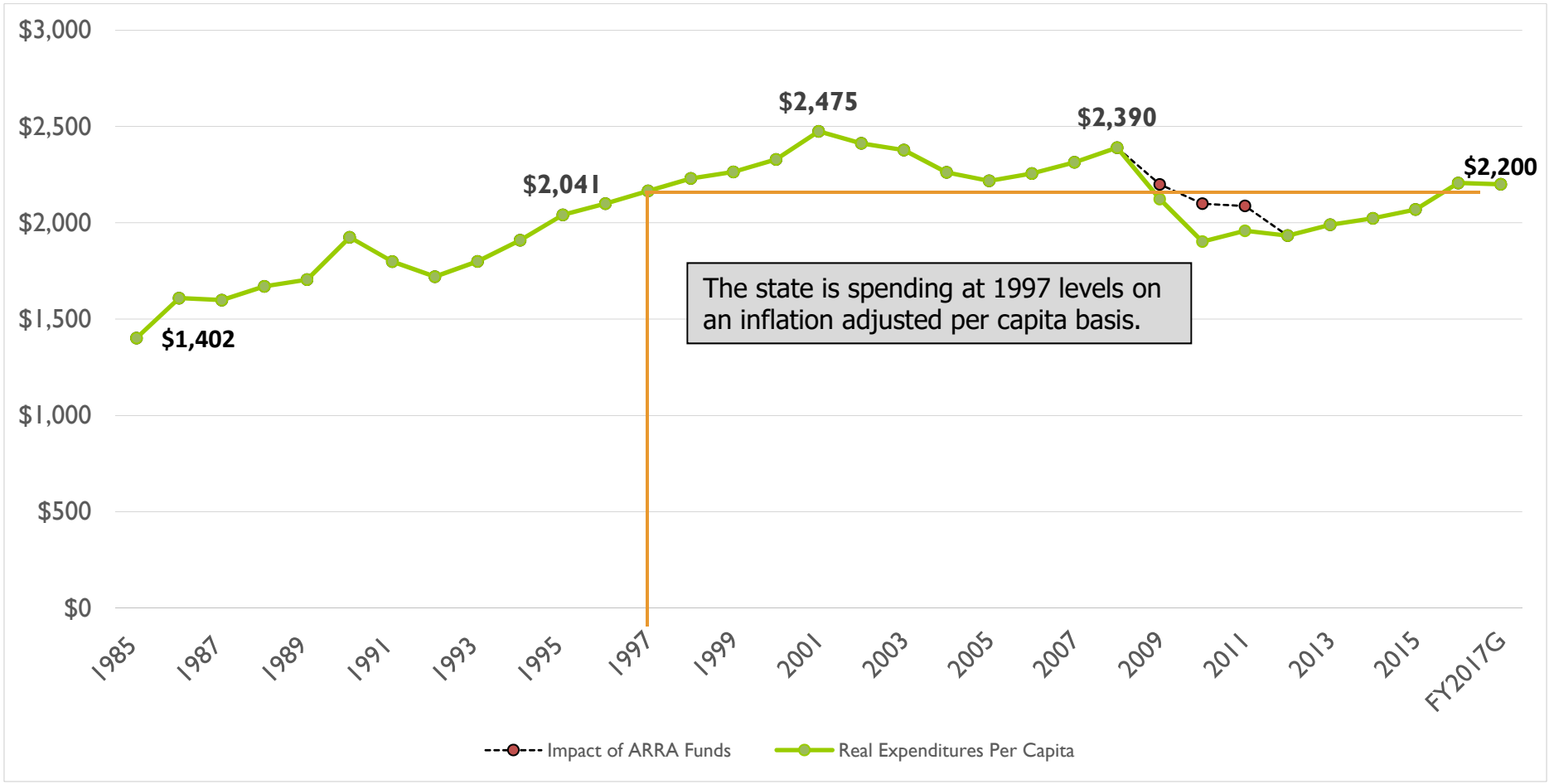
Georgia's state spending is dominated by education – both pre-K12 and higher education (53%).

State Appropriations (All State Funds)



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Georgia's Real per Capita Expenditures (2015 dollars)



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

Growth by Policy Area FY 2002-2017

(Includes All State Funds and 2009-2010 Stimulus Funds)

	2002	2008	2009	2010	2015	2016A	2017G	Change 2008-2017	%Change 2008-2017	% Change 2002-2017
Agriculture	$45,695	$46,227	$40,576	$39,066	$42,516	$46,343	$47,831	$1,605	3.47%	4.67%
Debt Service on Bonds	$739,869	$969,780	$935,990	$1,040,948	$1,083,145	$1,215,481	$1,202,844	$233,064	24.03%	62.58%
Health and Human Services	$3,025,002	$4,102,562	$3,830,037	$4,053,365	$4,907,075	$5,121,705	$5,174,114	$1,071,552	26.12%	71.04%
Corrections	$1,237,624	$1,483,139	$1,378,787	$1,388,335	$1,509,194	$1,559,971	$1,626,321	$143,182	9.65%	31.41%
Economic Development	$128,765	$227,744	$55,546	$52,561	$175,779	$121,766	$104,810	($122,934)	-53.98%	-18.60%
Education	$6,290,029	$8,304,899	$7,851,190	$7,563,292	$8,453,845	$8,991,740	$9,324,773	$1,019,873	12.28%	48.25%
General Government	$607,759	$808,411	$768,605	$339,723	$439,014	$469,732	$448,096	($360,316)	-44.57%	-26.27%
Higher Education	$2,466,385	$3,055,323	$2,931,656	$3,029,417	$2,965,595	$3,133,669	$3,302,765	$247,441	8.10%	33.91%
Judicial	$133,681	$202,760	$181,933	$190,576	$225,290	$242,465	$255,819	$53,059	26.17%	91.37%
Natural Resources	$198,615	$178,164	$140,174	$120,764	$137,437	$141,938	$142,056	($36,108)	-20.27%	-28.48%
Public Safety	$191,713	$226,413	$207,269	$200,467	$267,354	$304,306	$327,625	$101,213	44.70%	70.89%
Transportation	$806,021	$894,146	$918,275	$745,970	$931,559	$1,716,358	$1,782,216	$888,071	99.32%	121.11%
TOTAL	**$15,871,160**	**$20,499,568**	**$19,240,040**	**$18,764,483**	**$21,137,803**	**$23,065,474**	**$23,739,270**	**$3,239,702**	**15.80%**	**49.57%**
Growth Over Previous Year		**7.07%**	**-6.14%**	**-2.47%**	**4.57%**	**9.12%**	**2.92%**			

Sources: Budgets in Brief; Selected Summary Financial Information; FY17 General Budget; Author's Calculations; Inflation Index Used: Gross Domestic Product-NIPA Table 1.1.9; numbers in table are in 1000s; numbers do include HB170.

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

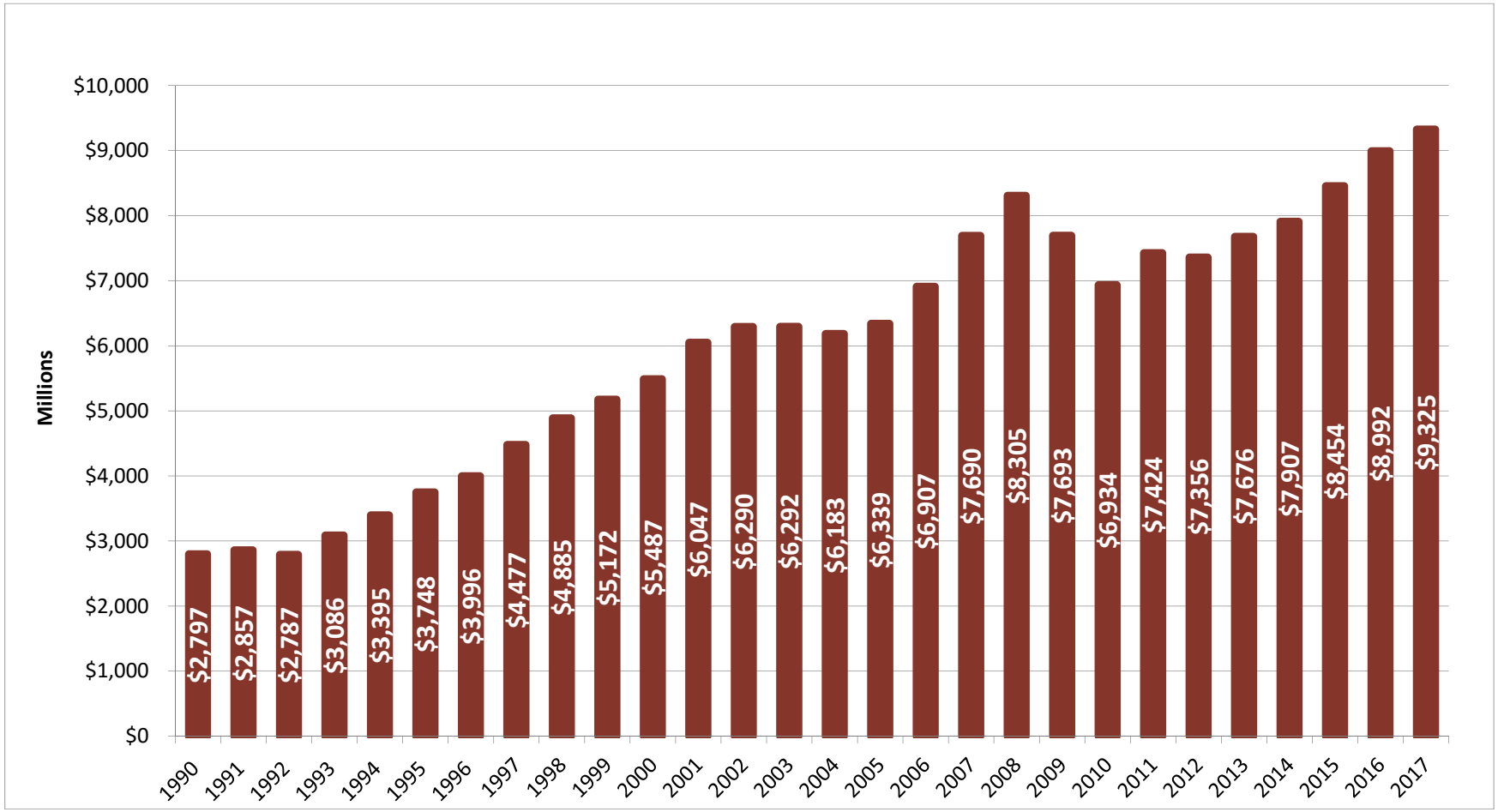
	2002		2008	2009	2010		2015	2016A	2017G	Change 2002-2017	% Change 2008-2017	% Change 2002-2017
Agriculture	$6.95		$5.39	$4.64	$4.37		$4.16	$4.43	$4.43	($2.51)	-18%	-36%
Debt Service on Bonds	$112.48		$113.08	$107.01	$116.46		$106.04	$116.28	$111.48	($1.01)	-1%	-1%
Health and Human Services	$459.89		$478.39	$437.90	$453.48		$480.39	$489.99	$479.52	$19.64	0%	4%
Corrections	$188.15		$172.95	$157.64	$155.32		$147.74	$149.24	$150.72	($37.43)	-13%	-20%
Economic Development	$19.58		$26.56	$6.35	$5.88		$17.21	$11.65	$9.71	($9.86)	-63%	-50%
Education	$956.27		$968.41	$897.65	$846.16		$827.60	$860.23	$864.19	($92.07)	-11%	-10%
General Government	$92.40		$94.27	$87.88	$38.01		$42.98	$44.94	$41.53	($50.87)	-56%	-55%
Higher Education	$374.96		$356.27	$335.18	$338.92		$290.32	$299.79	$306.09	($68.87)	-14%	-18%
Judicial	$20.32		$23.64	$20.80	$21.32		$22.06	$23.20	$23.71	$3.39	0%	17%
Natural Resources	$30.20		$20.78	$16.03	$13.51		$13.45	$13.58	$13.17	($17.03)	-37%	-56%
Public Safety	$29.15		$26.40	$23.70	$22.43		$26.17	$29.11	$30.36	$1.22	15%	4%
Transportation	$122.54		$104.26	$104.99	$83.46		$91.20	$164.20	$165.17	$42.63	58%	35%
TOTAL	**$2,413**		**$2,390**	**$2,200**	**$2,099**		**$2,069**	**$2,207**	**$2,200**	**($212.78)**	**-8%**	**-9%**
			3.3%	-8.0%	-4.6%		2.3%	6.6%	-0.3%			

Sources: Budgets in Brief; Selected Summary Financial Information; FY16 General Budget; Author's Calculations; Inflation Index Used: Gross Domestic Product-NIPA Table 1.1.9; numbers in table are in 1000s; numbers do include HB170.



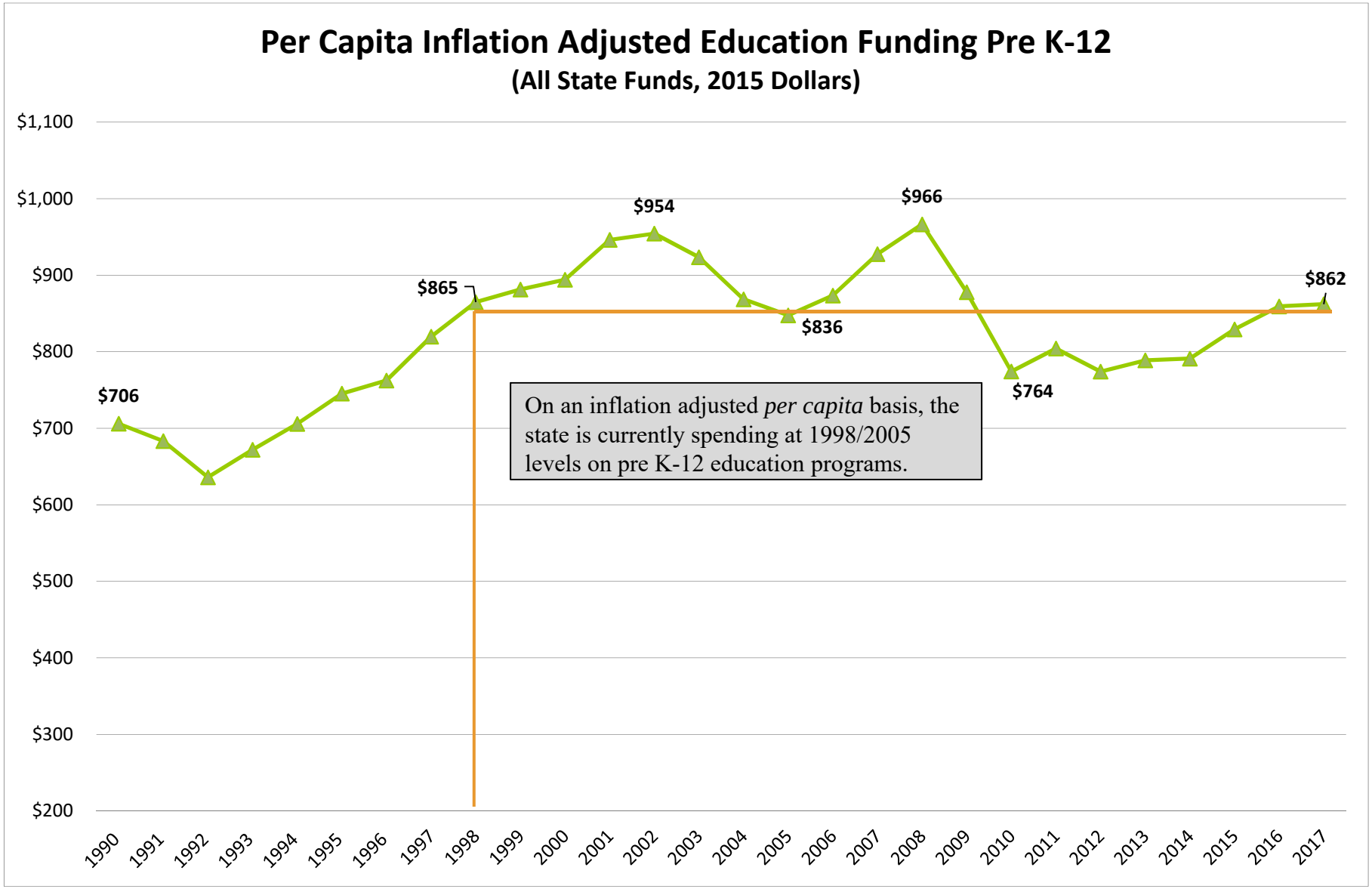
Education

Pre-K to 12 Total Appropriations
(Nominal dollars)



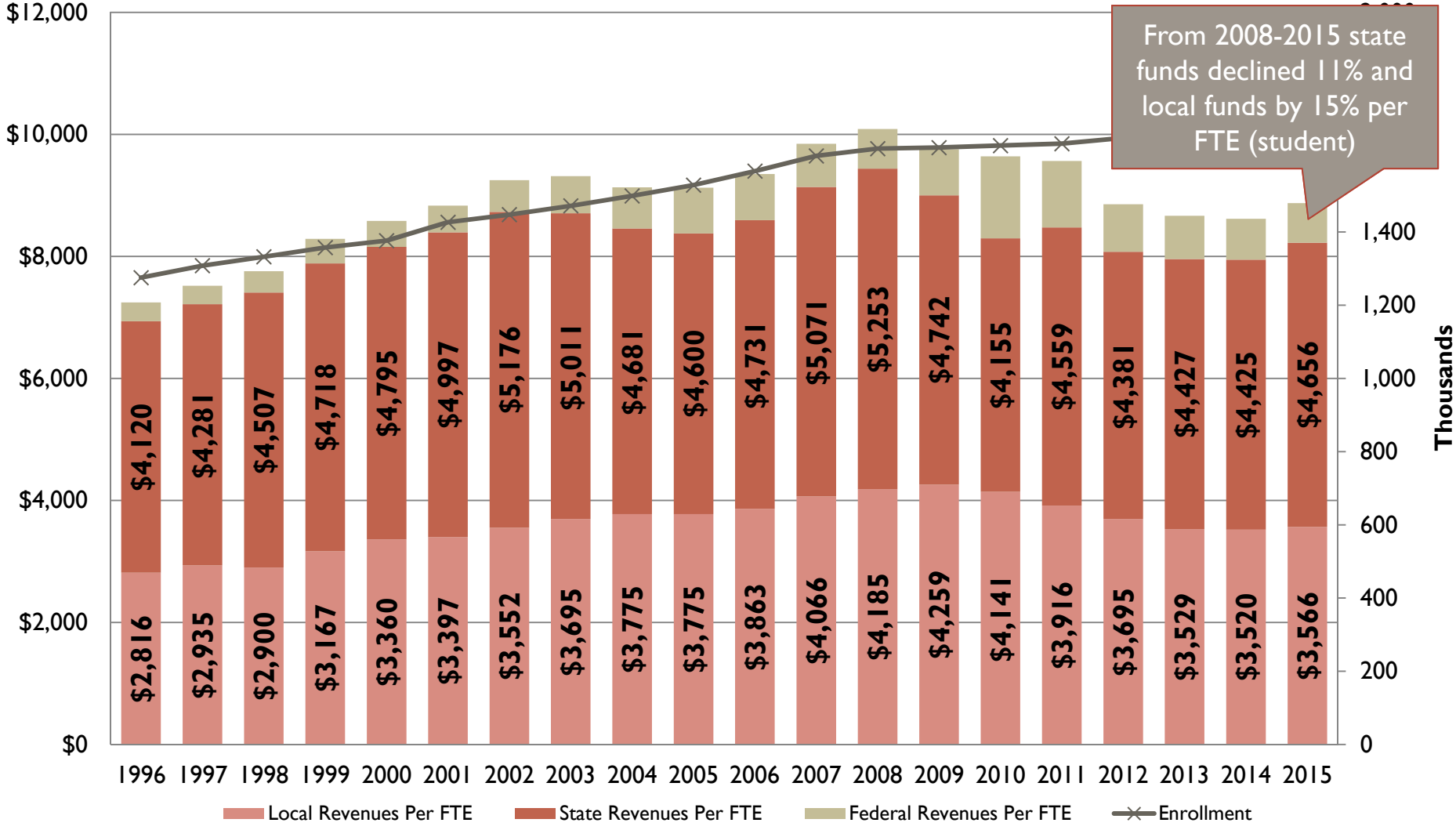
Source: Selected Summary Financial Information; Budget Documents (FY16A and FY17G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.4

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Source: Selected Summary Financial Information; Budget Documents (FY16A and FY17G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

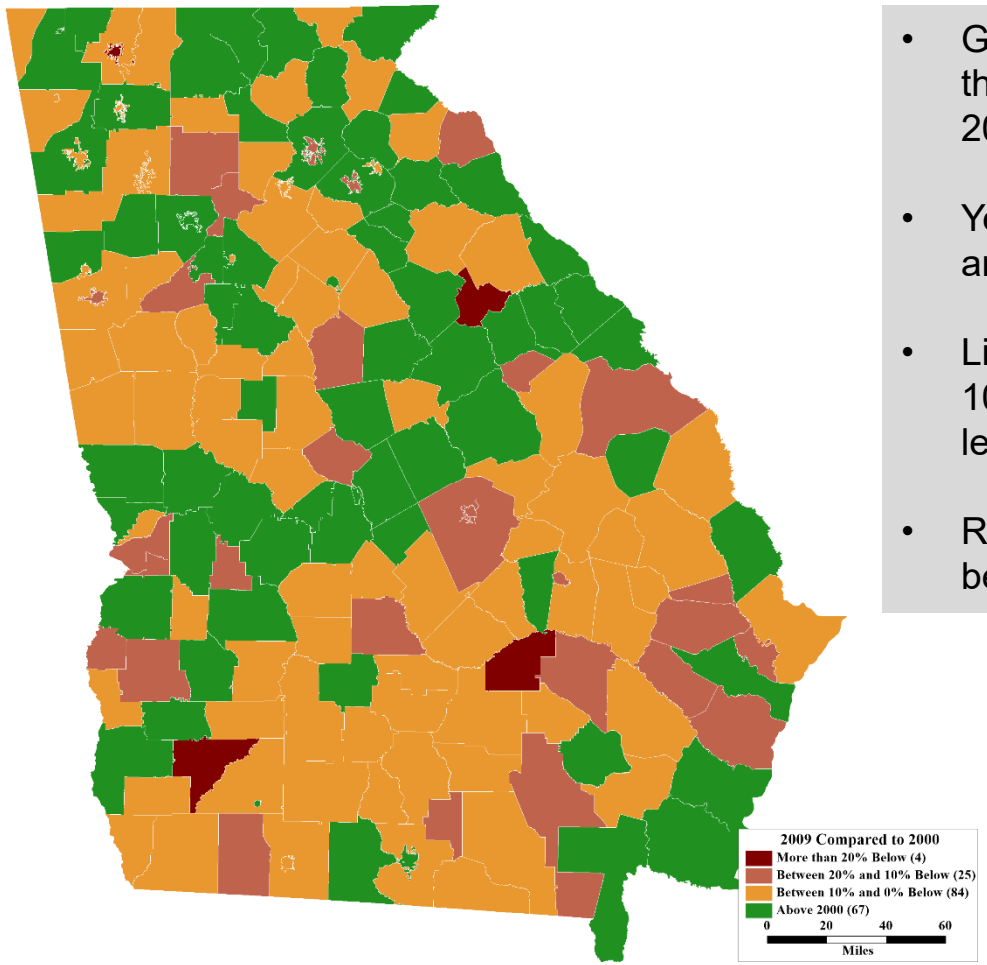
GA DOE Reported School District Real Revenues per FTE and Enrollments 1996-2015 (2015 Dollars)



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

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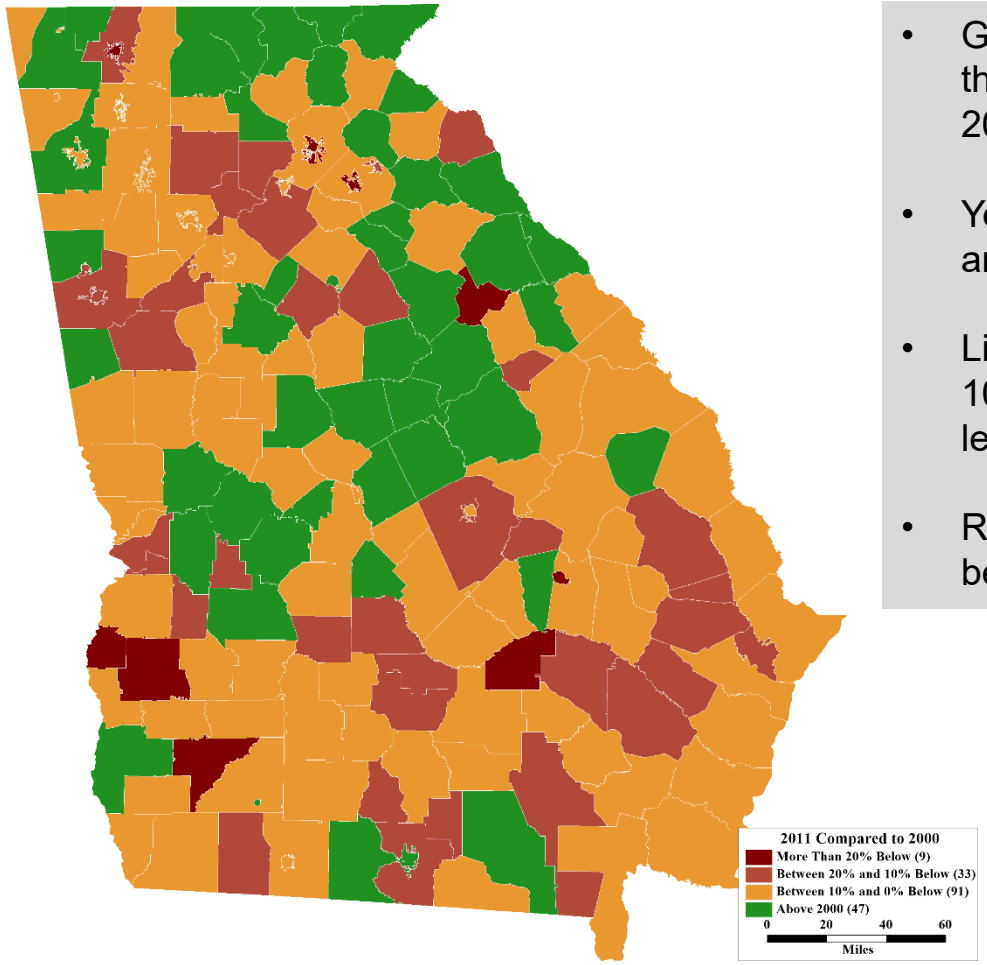
Change in real per FTE total operating revenues for education 2000-2009



- Green districts are those spending above 2000 levels.
- Yellow is between 0 and 10% below 2000.
- Light red is between 10-20% below 2000 levels.
- Red is more than 20% below 2000 levels.

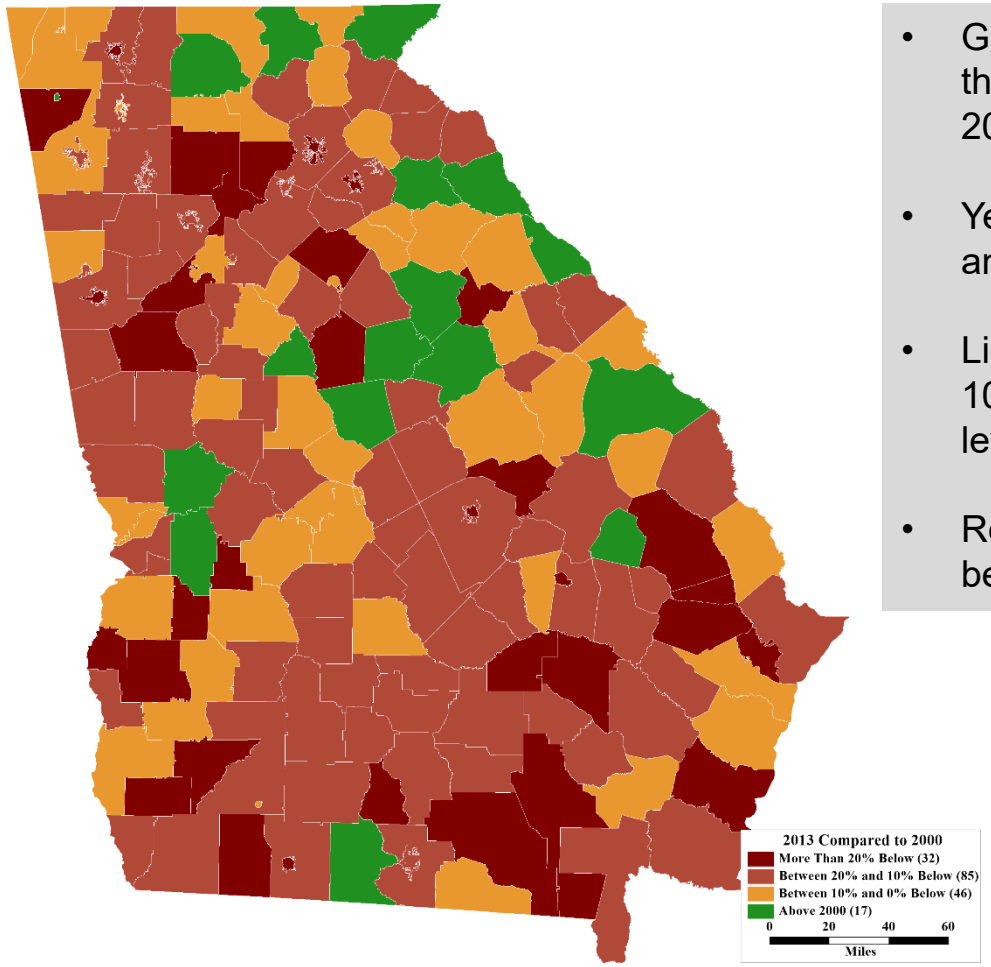
Source: GA-DOE data (DE-46) files on revenues for school districts; note that these revenues do not include ESPLOST.
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

Change in real per FTE total operating revenues for education 2000-2011



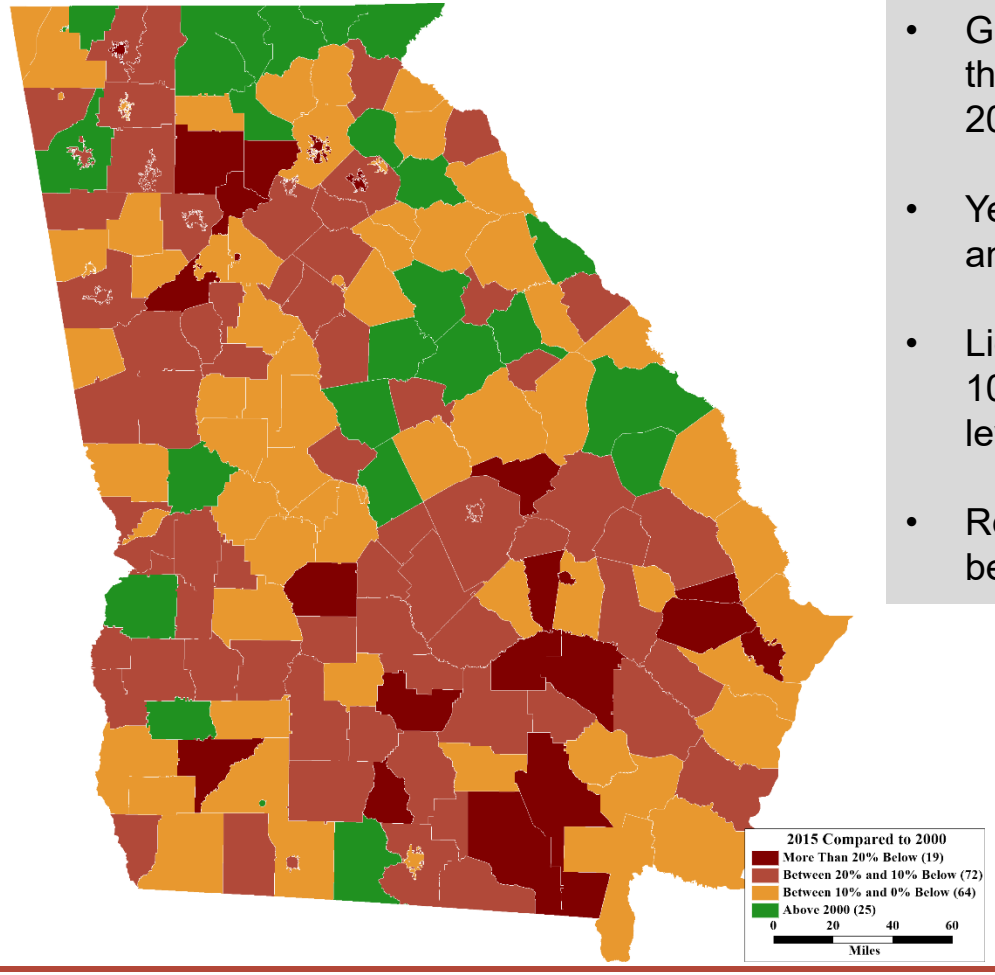
- Green districts are those spending above 2000 levels.
- Yellow is between 0 and 10% below 2000.
- Light red is between 10-20% below 2000 levels.
- Red is more than 20% below 2000 levels.

Change in real per FTE total operating revenues for education 2000-2013



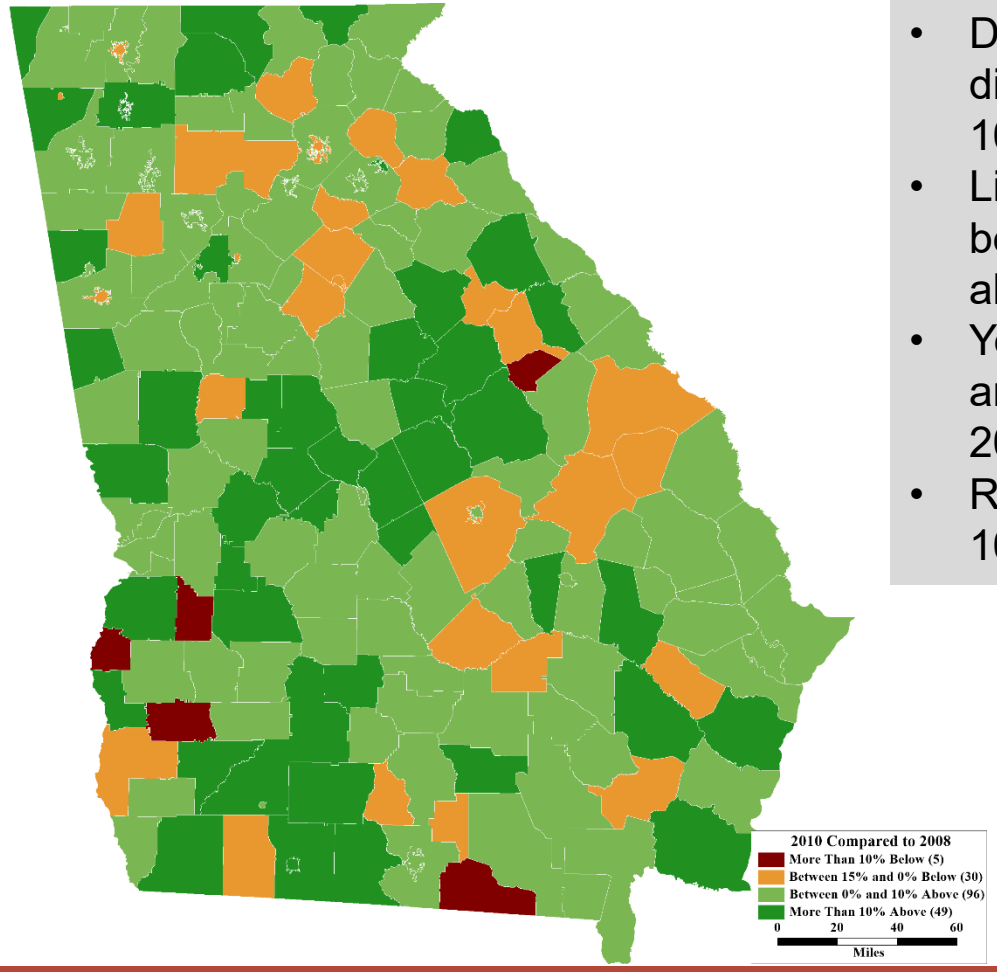
- Green districts are those spending above 2000 levels.
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- Light red is between 10-20% below 2000 levels.
- Red is more than 20% below 2000 levels.

Change in real per FTE total operating revenues for education 2000-2015



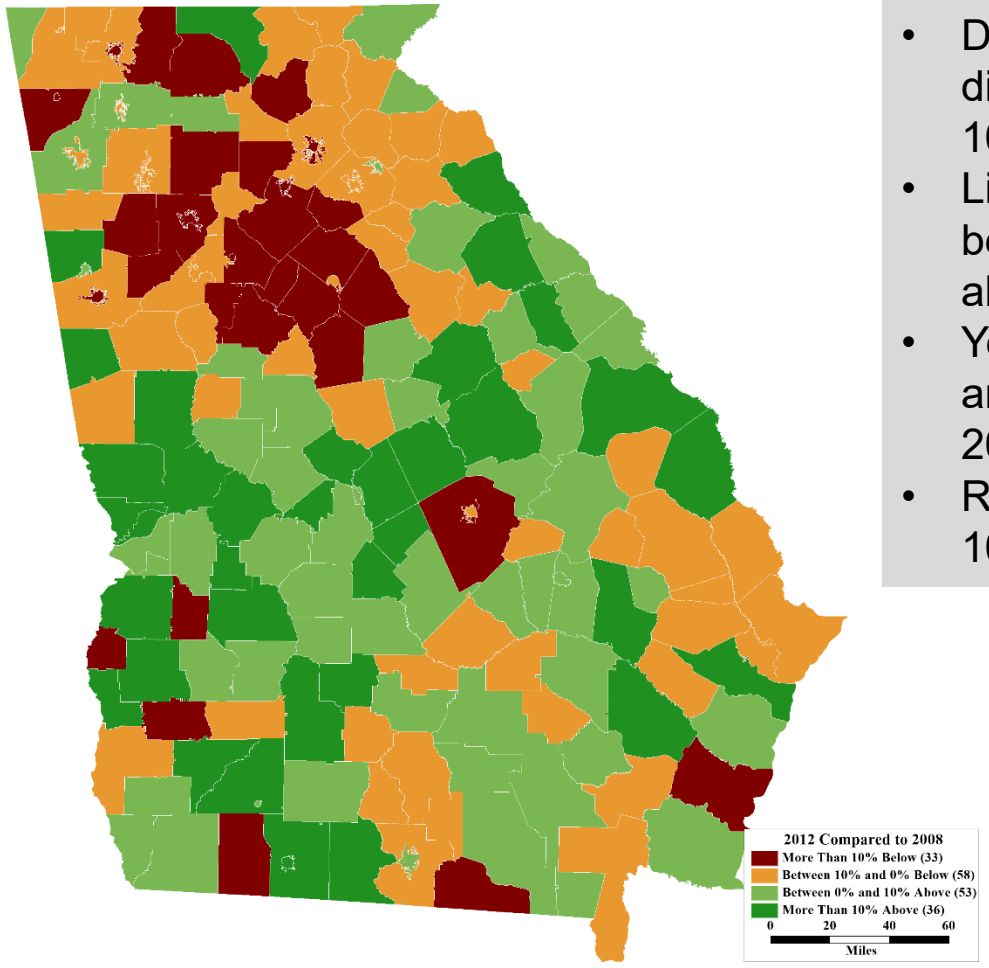
- Green districts are those spending above 2000 levels.
- Yellow is between 0 and 10% below 2000.
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Change in nominal property tax digest per FTE 2008 to 2010



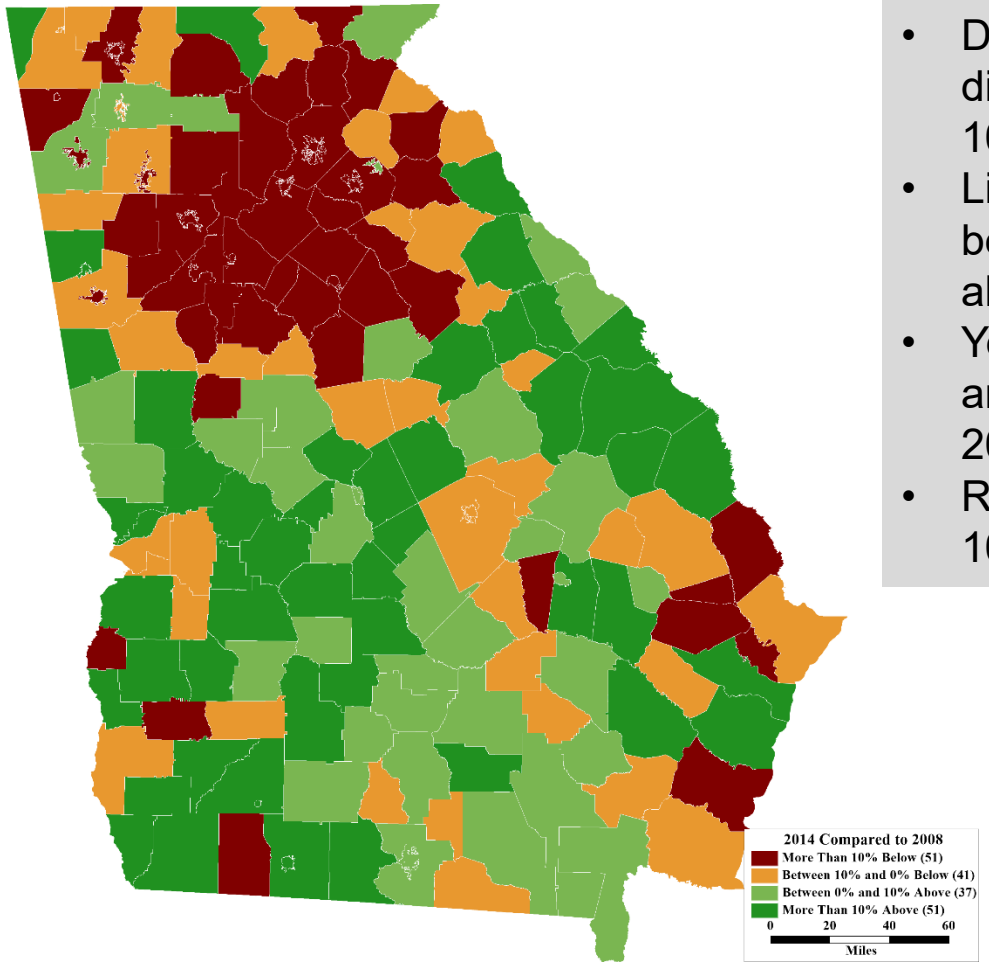
- Dark green are districts more than 10% above 2008
- Light green between 0 and 10% above 2008
- Yellow is between 0 and 10% below 2008
- Red is more than 10% below 2008

Change in nominal property tax digest per FTE 2008 to 2012



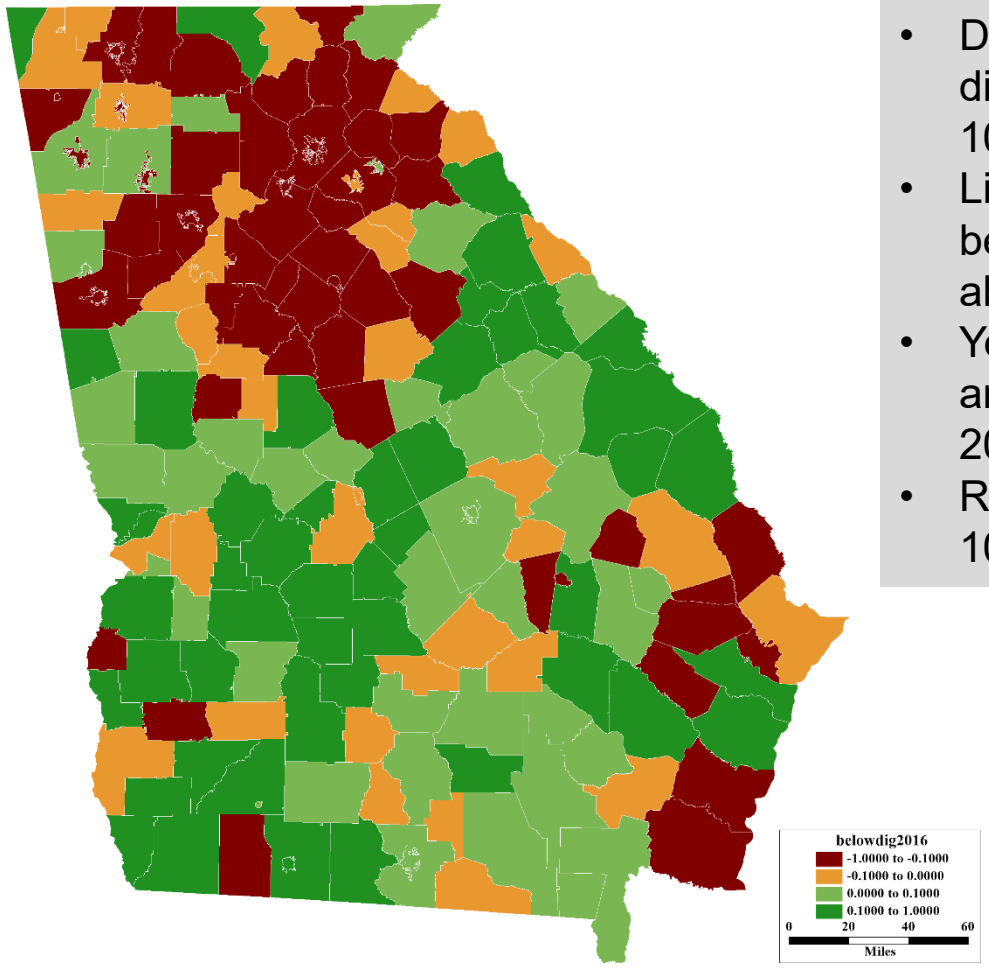
- Dark green are districts more than 10% above 2008
- Light green between 0 and 10% above 2008
- Yellow is between 0 and 10% below 2008
- Red is more than 10% below 2008

Change in nominal property tax digest per FTE 2008 to 2014



- Dark green are districts more than 10% above 2008
- Light green between 0 and 10% above 2008
- Yellow is between 0 and 10% below 2008
- Red is more than 10% below 2008

Change in nominal property tax digest per FTE 2008 to 2016



- Dark green are districts more than 10% above 2008
- Light green between 0 and 10% above 2008
- Yellow is between 0 and 10% below 2008
- Red is more than 10% below 2008

Real Per FTE K12 Education Revenues for the Average Southern State

(in 2015 Dollars)

Trend Between 2004 and 2014 in Per Pupil Revenues

Revenue Level	2004	Share of Total	2014	Share of Total	Percent Change
Local	$3,770	39.36%	$4,051	38.58%	7.44%
State	$4,779	49.89%	$5,052	48.11%	5.72%
Federal	$1,029	10.75%	$1,123	10.69%	9.10%
Total	$9,578		$10,500		9.63%
Total Enrollment for SLC States	17,389,701		18,701,335		7.54%

Real Per FTE K12 Education Revenues for Georgia

(in 2015 Dollars)

Trend Between 2004 and 2014 in Per Pupil Revenues

Revenue Level	2004	Share of Total	2014	Share of Total	Percent Change
Local	$5,119	46.70%	$4,658	45.89%	-9.00%
State	$4,911	44.80%	$4,465	43.99%	-9.09%
Federal	$932	8.50%	$1,028	10.13%	10.29%
Total	$10,962		$10,151		-7.40%
Total Enrollment for Georgia	1,522,424		1,699,185		11.61%

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. Numbers include capital and operating expenses.

Education Comparison 2004-2014 (2015 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 2004	Rank in 2004	Overall Revenue Per FTE 2014	Rank in 2014	Change in Rank
Alabama	1.3%	10%	16%	3%	11%	$8,657	13	$9,621	11	2
Arkansas	5.8%	28%	-10%	1%	18%	$8,814	11	$10,440	7	4
Florida	8.2%	4%	19%	-3%	8%	$14,128	1	$15,271	1	0
Georgia	11.6%	-9%	-9%	10%	-7%	$10,962	3	$10,151	10	-7
Kentucky	3.5%	6%	24%	8%	12%	$9,132	10	$10,187	9	1
Louisiana	-7.8%	12%	46%	44%	29%	$9,351	9	$12,108	2	7
Mississippi	0.0%	-4%	21%	6%	5%	$8,345	14	$8,782	14	0
Missouri	-2.3%	4%	10%	21%	8%	$10,196	5	$11,018	6	-1
North-Carolina	8.7%	-3%	-10%	13%	-4%	$9,413	8	$9,042	12	-4
Oklahoma	7.1%	-3%	8%	-11%	0%	$8,719	12	$8,715	15	-3
South-Carolina	4.7%	11%	11%	3%	10%	$10,107	6	$11,156	5	1
Tennessee	8.9%	18%	-2%	19%	9%	$8,222	15	$8,987	13	2
Texas	16.0%	10%	-2%	5%	3%	$9,975	7	$10,290	8	-1
Virginia	6.9%	8%	1%	1%	4%	$11,053	2	$11,468	4	-2
West-Virginia	-0.1%	8%	23%	-1%	11%	$10,878	4	$12,098	3	1

- In 2002, Georgia ranked first among southern states in per student spending; in 2014, it had moved to 10th; originally the decline was driven by state funding, but increasingly local fund declines are playing a role.

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

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Major State Budget Cuts between 2009-2017 in Pre-K through 12

- Significant effort to restore QBE funding: Around a 22% increase in an $8 billion+ program, only remaining austerity cut of $166.8 million in FY 2017 budget.
- However, Equalization funding is equivalent to 2008 levels in nominal dollars.
- A 16% nominal cut in funding for Georgia's pre-K program between FY11-13; as of FY17 funding is now roughly back to FY11 levels.
  - 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.
- The state eliminated the following programs:
  - graduation coaches, academic coaches, mentor teachers, classroom supply cards, health insurance supplements for non-certificated school employees (ex/ bus drivers, school lunch room workers), migrant education, National Board Certification Salary Enhancement, SAT and ACT Prep, eliminate CRCT for grades 1 and 2; eliminate writing assessment for grades 3 and 5.
- Also have been declines in state contributions to support health benefits for school employees.
  - Cumulative $402.8 million annual cut in health coverage for non-certificated employees.

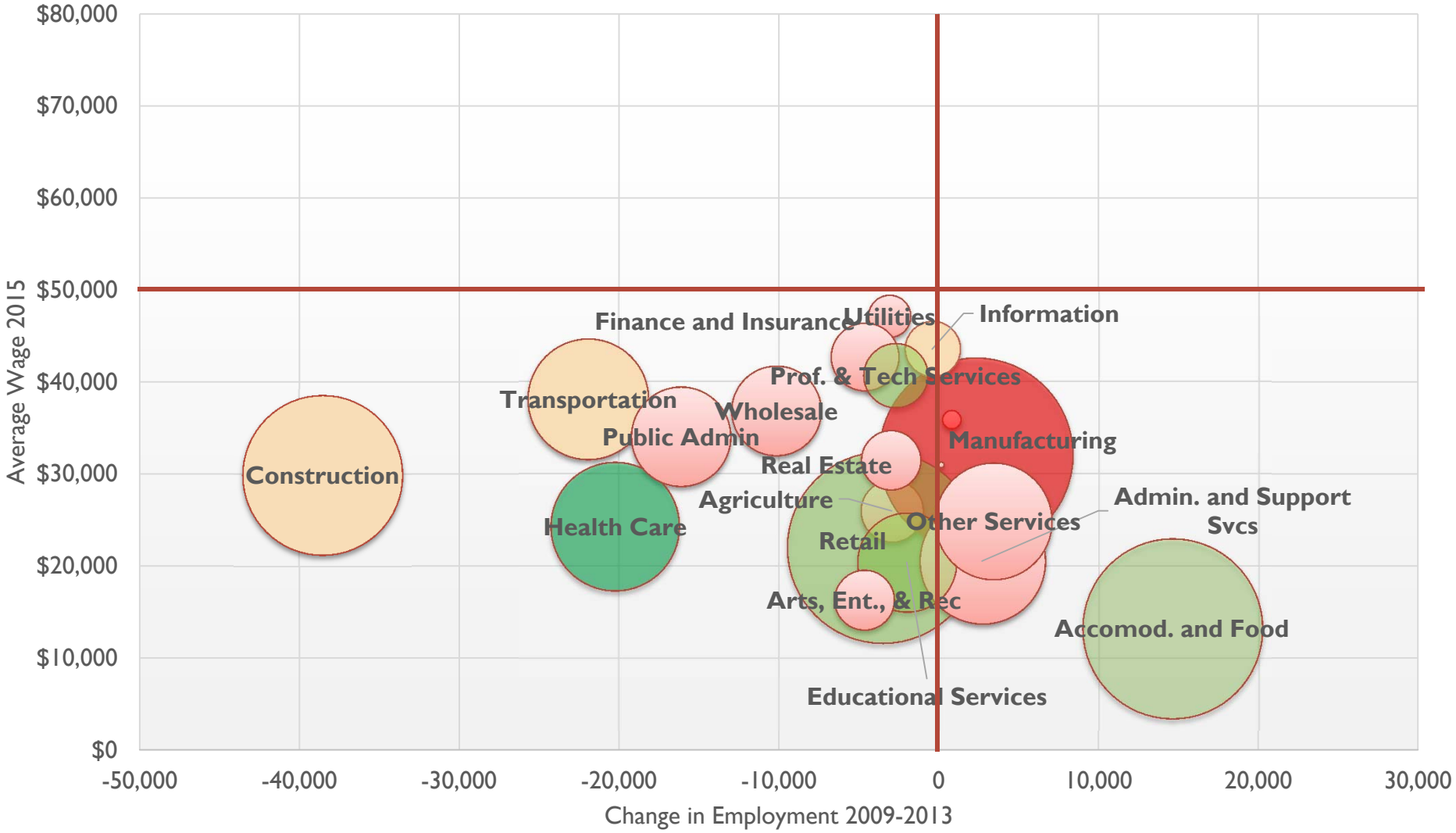
Projections: Likely v. Aspirational

- In 2015, school districts would need $2 billion in additional funds to match the 2008 per student funding levels.
  - State would need to contribute $1 billion more
  - School districts would need to raise $1 billion more
- Note that the state contribution is moving upward; so the gap is shrinking not growing, but local governments on average continue to decline on real per capita basis
- Property tax digests are coming back but are still nowhere near pre-recession levels in most areas.



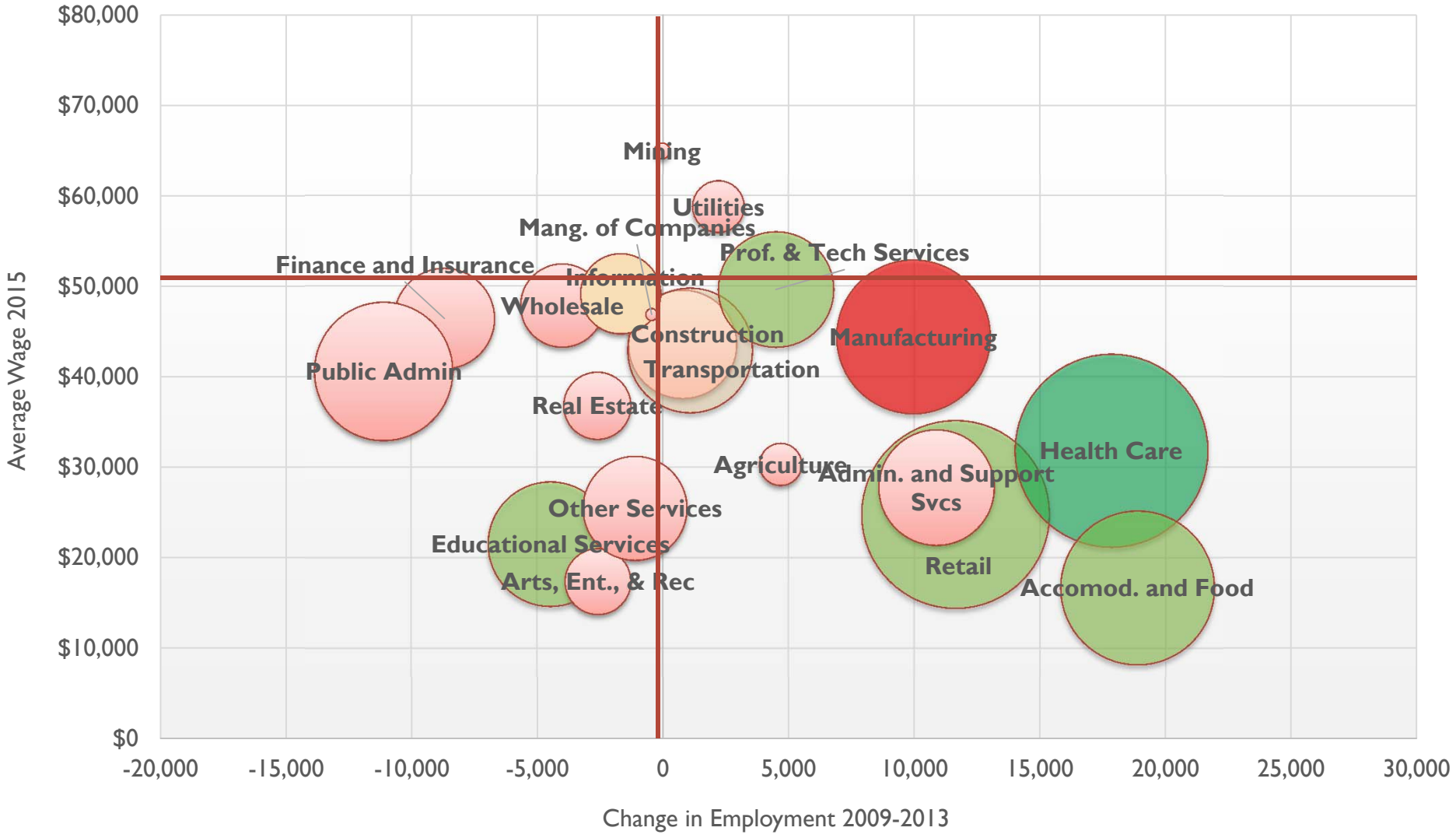
Higher Education

Georgia Employment Growth & Wages, with HS or Less
job change 2009-2015, size of bubble is 2015 employment



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

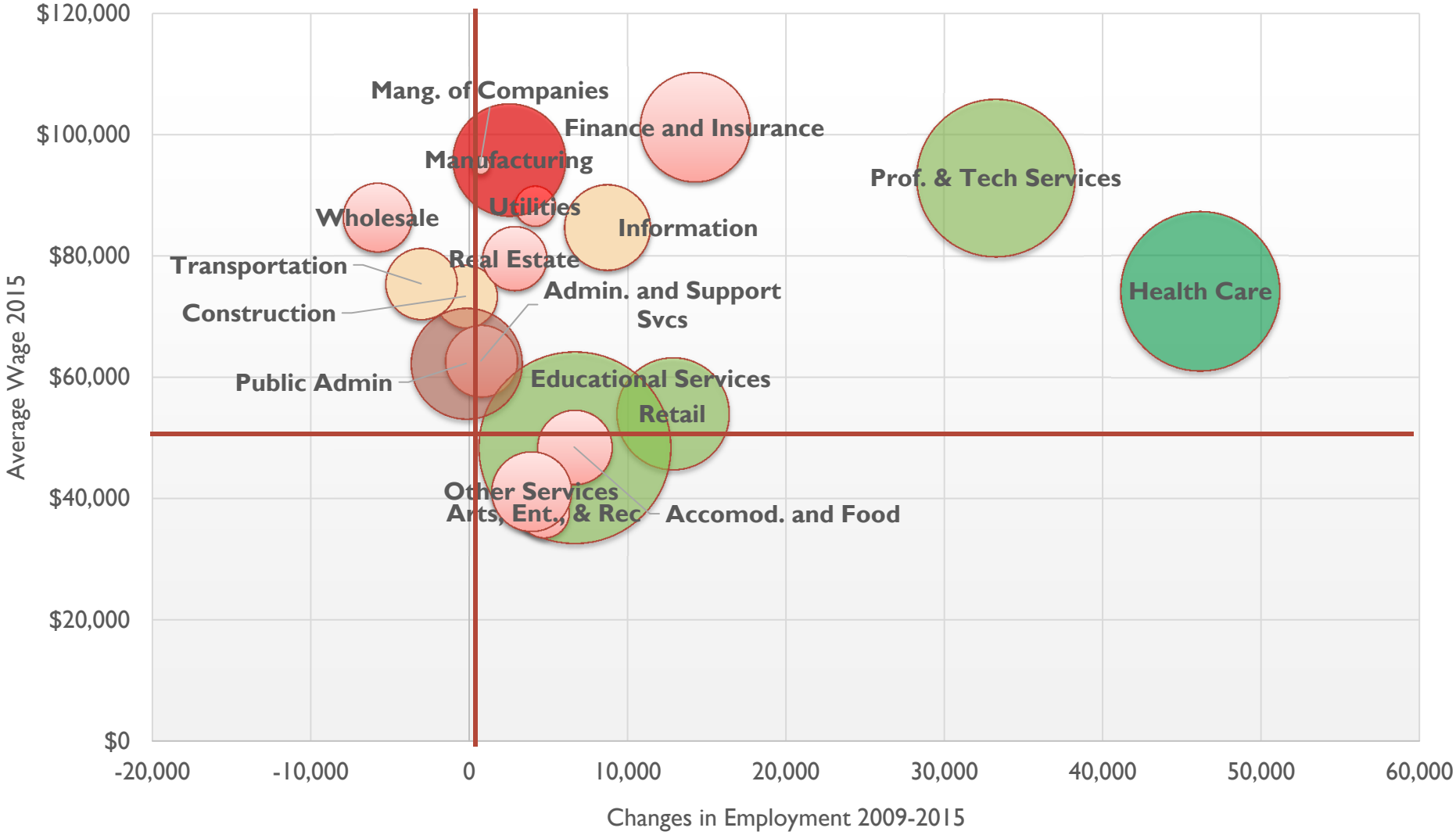
Georgia Employment Growth & Wages, Some College or Assoc. Degree
job change 2009-2015, size of bubble is 2015 employment



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

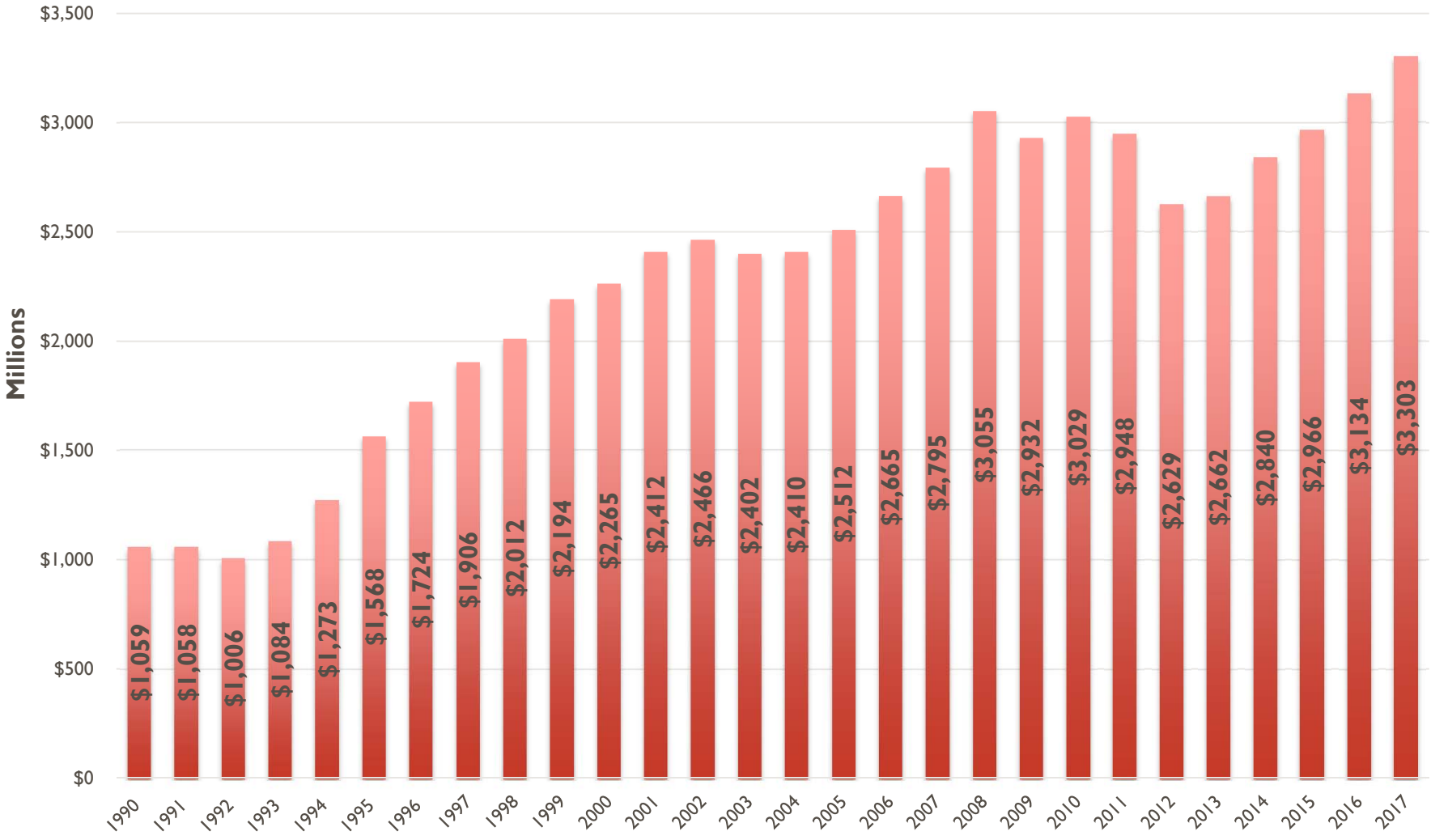
Georgia Employment Growth & Wages, with College

job change 2009-2015, size of bubble is total employment in 2015



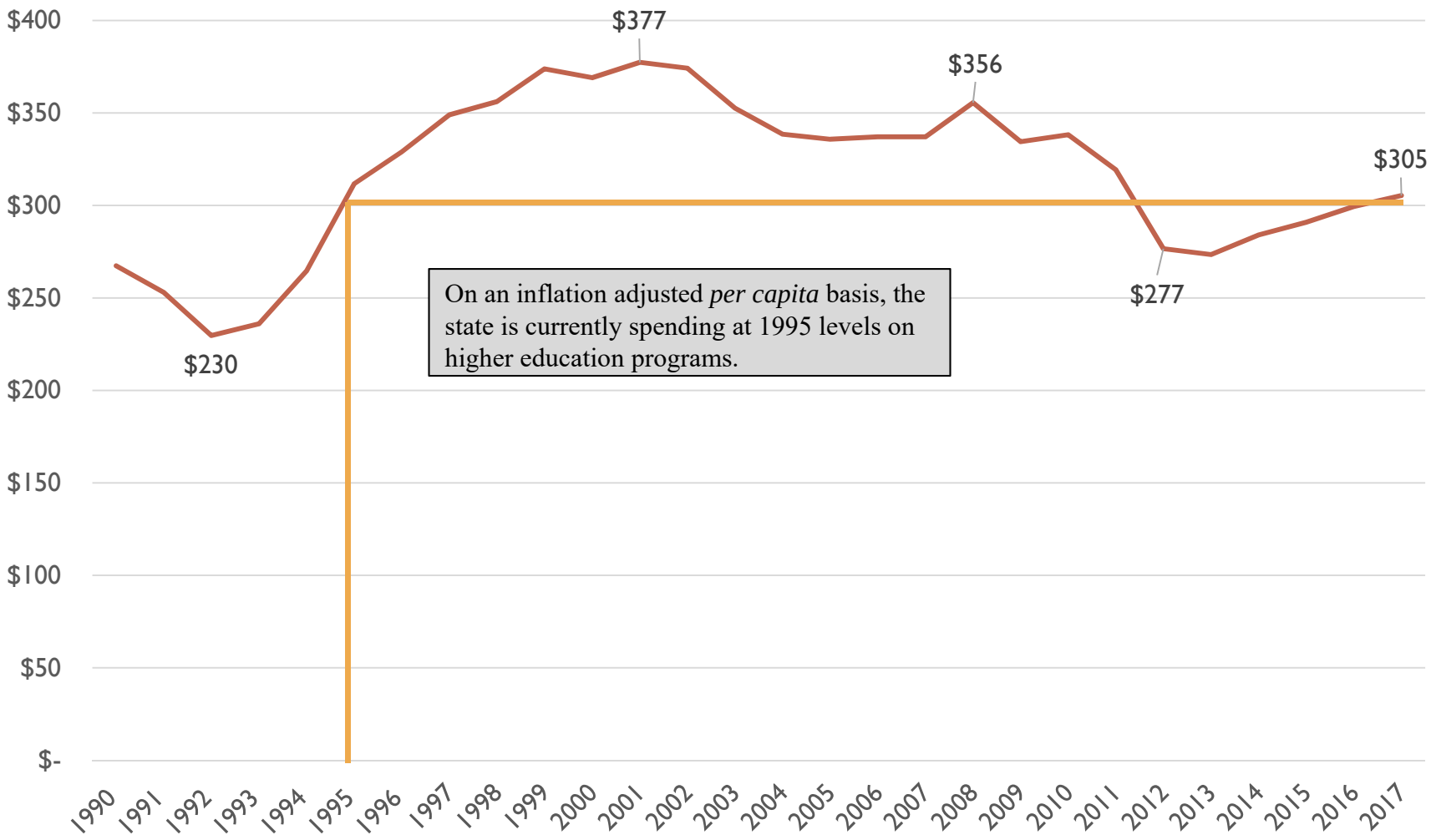
Data is from the US Census American Community Survey median household income in US was $51,847 in nominal dollars in 2014, and was $47,958 in Georgia (US Census Bureau, American Community Survey, Table H-8B)

Total Appropriations For Higher Education in Georgia (Board of Regents, TCSG, GSFC)



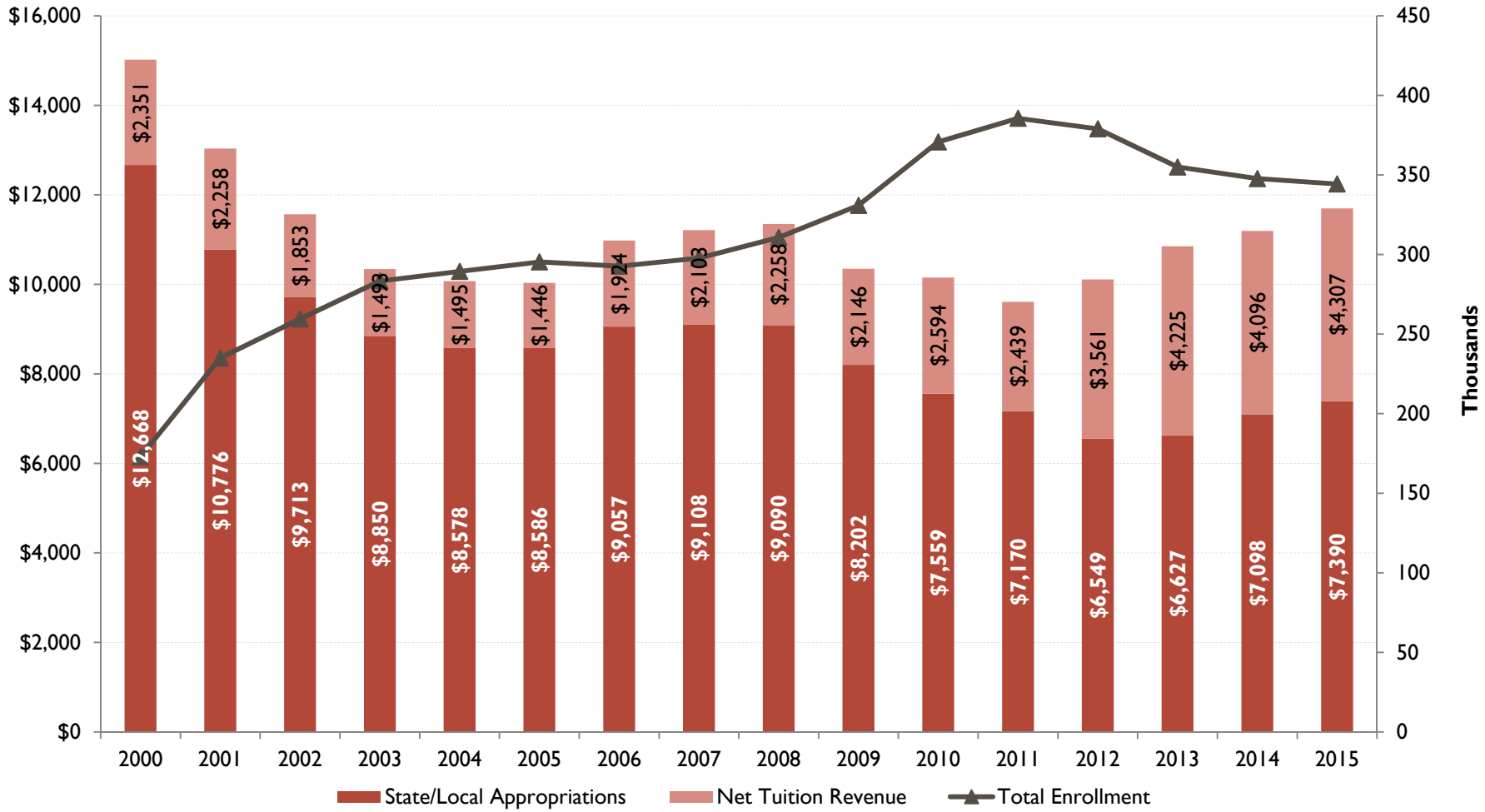
Source: Selected Summary Financial Information; Budget Documents (FY16A and FY17G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

Real Per Capita Appropriations for Higher Education (2015 Dollars)



Source: Selected Summary Financial Information; Budget Documents (FY16A and FY17G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

Real Per Student Higher Education Revenues for Georgia (2015 Dollars) and Total Enrollment



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

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Real Per FTE Higher Education Revenues for the Average Southern State

(in 2015 Dollars)

	Trend Between 2005 and 2015 in Per FTE Revenues				
Revenue Source	2005	Share of Total	2015	Share of Total	Percent Change
Approp.	$6,660	64.09%	$6,108	51.78%	-8.28%
Tuition	$3,732	35.91%	$5,687	48.22%	52.38%
Total	$10,392		$11,795		13.50%
Total Enrollment for SLC States	3,613,877		4,162,761		15.19%

Real Per FTE Higher Education Revenues for Georgia

(in 2015 Dollars)

	Trend Between 2005 and 2015 in Per FTE Revenues				
Revenue Source	2005	Share of Total	2015	Share of Total	Percent Change
Approp.	$8,586	85.59%	$7,390	63.18%	-13.93%
Tuition	$1,446	14.41%	$4,307	36.82%	197.87%
Total	$10,032		$11,697		16.60%
Total Enrollment for Georgia	295,356		344,325		16.58%

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

State Comparisons 2005-2015

(in 2015 Dollars)

State	Enrollment Growth	Approp. Per FTE Growth	Tuition Per FTE Growth	Total Revenue Per FTE Growth	Total Revenue Per FTE 2005	Rank in 2005	Total Revenue Per FTE 2015	Rank in 2015	Change in Rank
Alabama	8%	-9%	62%	26%	$11,588	4	$14,623	1	3
Arkansas	18%	14%	44%	25%	$9,348	13	$11,680	10	3
Florida	19%	-21%	31%	-9%	$9,770	9	$8,922	15	-6
Georgia	**17%**	**-14%**	**198%**	**17%**	**$10,032**	**8**	**$11,697**	**9**	**-1**
Kentucky	8%	-9%	63%	16%	$11,003	6	$12,783	3	3
Louisiana	-10%	-17%	91%	13%	$8,575	15	$9,674	14	1
Mississippi	10%	1%	49%	19%	$9,508	10	$11,354	13	-3
Missouri	18%	-18%	14%	-5%	$12,580	1	$11,961	7	-6
North Carolina	16%	1%	57%	15%	$10,717	7	$12,287	5	2
Oklahoma	0%	16%	77%	36%	$8,799	14	$11,996	6	8
South Carolina	23%	-27%	24%	-2%	$12,073	2	$11,784	8	-6
Tennessee	9%	-14%	47%	7%	$11,630	3	$12,412	4	-1
Texas	22%	5%	51%	20%	$9,504	11	$11,360	12	-1
Virginia	20%	-16%	50%	15%	$11,244	5	$12,968	2	3
West Virginia	3%	-6%	52%	20%	$9,503	12	$11,425	11	1

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

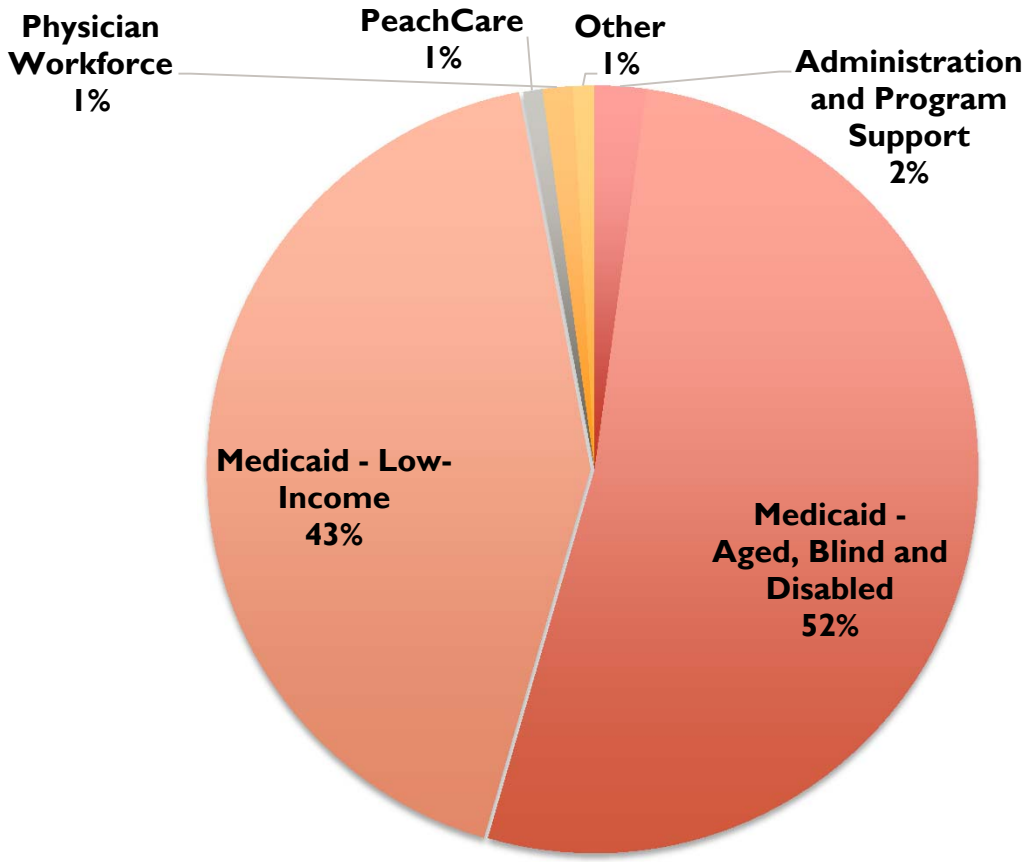
Back of the Envelope Projections: 60% 25-34 with Post-Secondary Degree

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

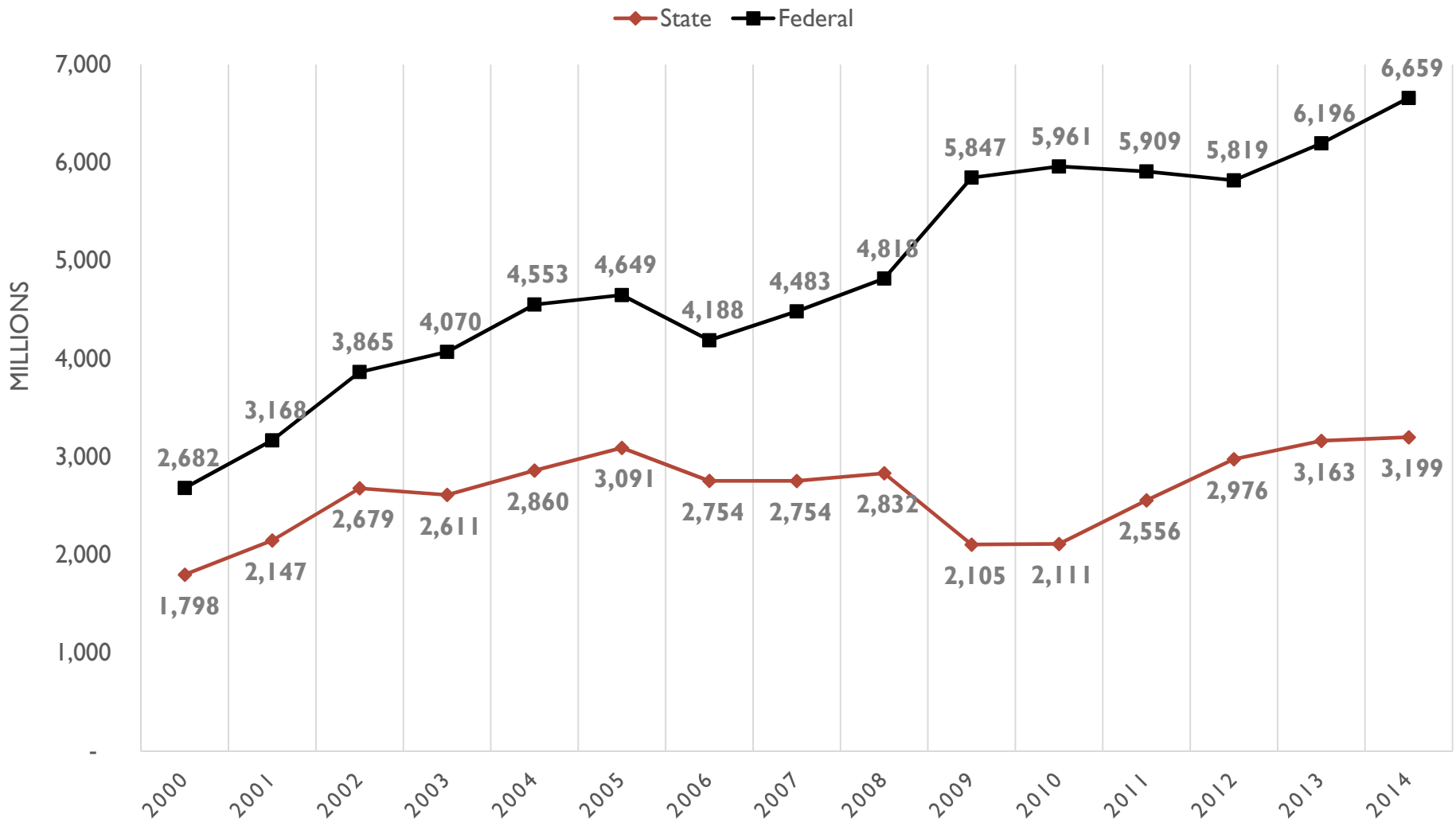


Medicaid

DCH FY16G State Funds Budget

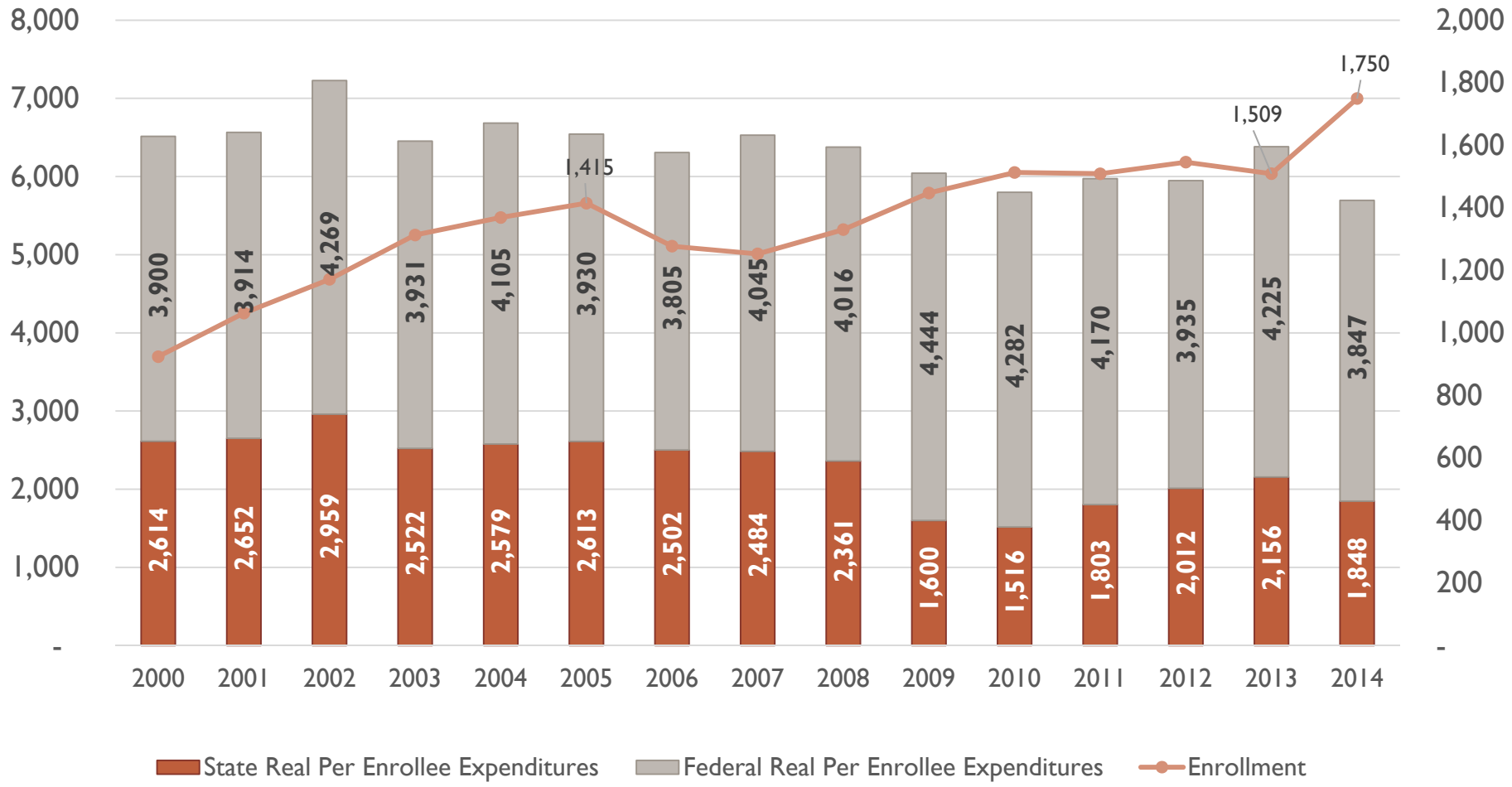


NOMINAL MEDICAID EXPENDITURES IN GEORGIA FFY2000-2014



Revenue figures from CMS-64 federal reports on expenditures.

Real Georgia Medicaid Expenditures per Enrollee by Fund Type
FFY2000-2014, 2015 Dollars



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

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Real Per Enrollee Expenditures by Fund Source for the Average SLC State
(in 2015 Dollars)

Fund Source	Trend Between 2000 and 2014 in Per Enrollee Expenditures by Fund Source				
	2000	Share of Total	2014	Share of Total	Percent Change
State/Local	$2,416	34.37%	$2,391	33.71%	-1.05%
Federal	$4,614	65.63%	$4,703	66.29%	1.93%
Total	$7,030		$7,094		0.91%
Enrollment Total for SLC States (millions)	11.7		21.7		86.20%

Real Per Enrollee Expenditures by Fund Source for Georgia

Fund Source	Trend Between 2000 and 2014 in Per Enrollee Expenditures by Fund Source				
	2000	Share of Total	2014	Share of Total	Percent Change
State/Local	$2,614	40.13%	$1,848	32.45%	-29.31%
Federal	$3,900	59.87%	$3,847	67.55%	-1.36%
Total	$6,514		$5,695		-12.58%
Enrollment Total for SLC States (millions)	0.9		1.7		89.38%

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

State Comparisons 2000-2014
(in 2015 Dollars)

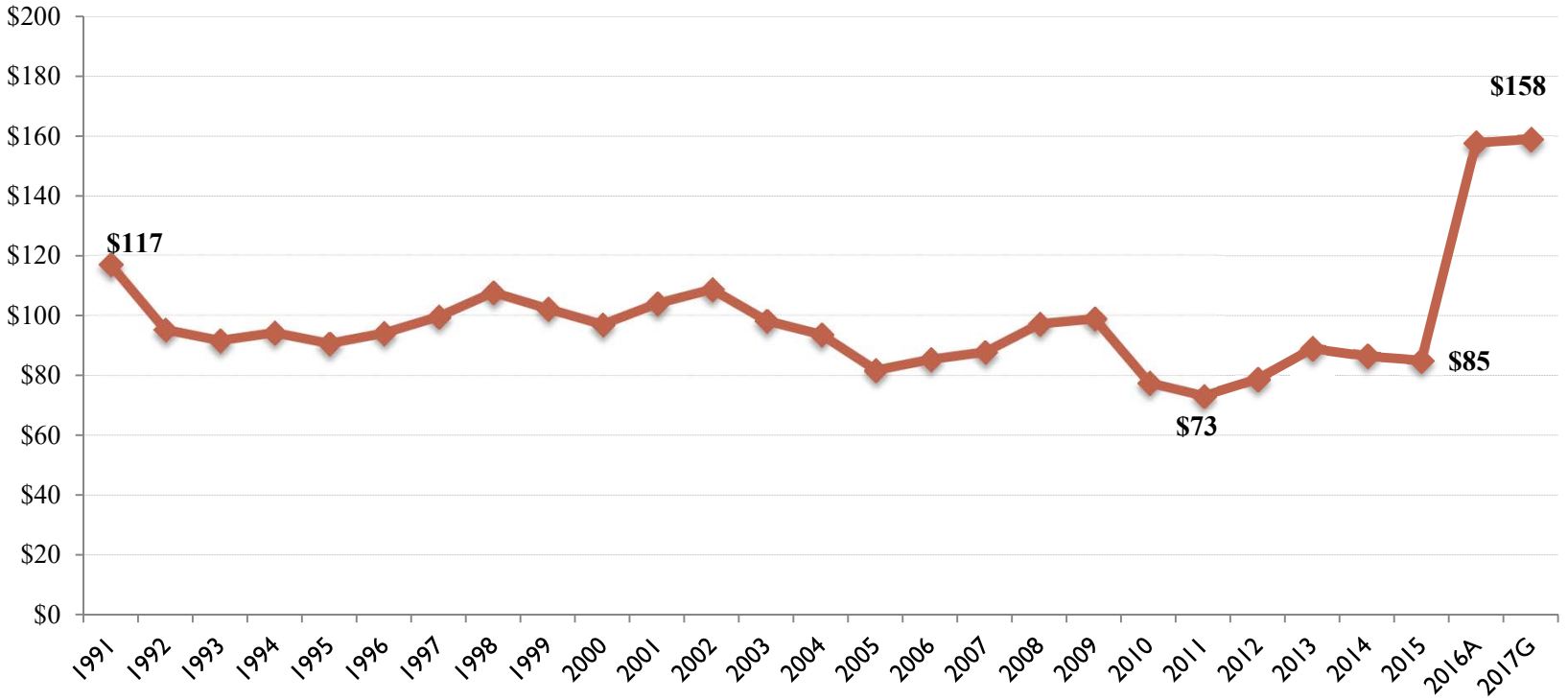
	Overall Growth in Expenditures	Enrollee Growth	Growth in Per Enrollee Expenditures	Per Enrollee Exp. 2000	Rank in 2000	Per Enrollee Exp. 2014	Rank in 2014	Change in Rank
Alabama	48%	60%	-7%	$6,813	8	$6,315	12	-4
Arkansas	135%	134%	0%	$6,402	12	$6,406	11	1
Florida	96%	101%	-2%	$6,404	11	$6,274	13	-2
Georgia	66%	89%	-13%	$6,514	10	$5,695	15	-5
Kentucky	91%	82%	5%	$7,295	7	$7,646	3	4
Louisiana	58%	75%	-10%	$8,071	3	$7,268	4	-1
Mississippi	83%	48%	24%	$5,748	14	$7,100	6	8
Missouri	70%	22%	39%	$7,953	5	$11,049	1	4
North Carolina	70%	101%	-16%	$8,463	1	$7,124	5	-4
Oklahoma	112%	105%	3%	$6,237	13	$6,442	10	3
South Carolina	53%	76%	-13%	$6,699	9	$5,819	14	-5
Tennessee	42%	2%	39%	$4,955	15	$6,880	8	7
Texas	120%	160%	-15%	$8,373	2	$7,088	7	-5
Virginia	112%	100%	6%	$8,069	4	$8,552	2	2
West Virginia	82%	101%	-9%	$7,457	6	$6,754	9	-3

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



Transportation

Real Per Capita Transportation Spending (State Funds)



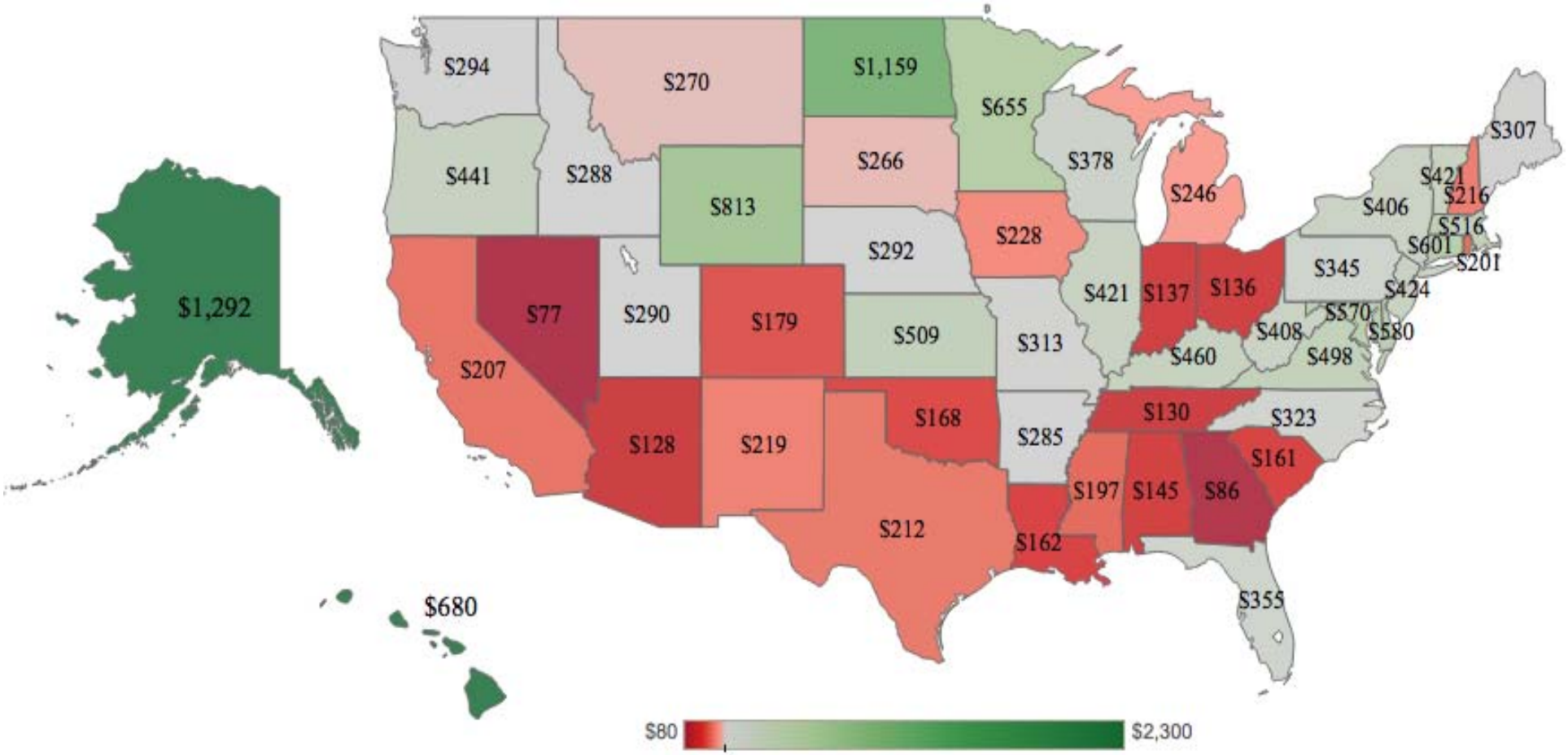
- In real per capita dollars spending on transportation declined by 27% between 1991 and 2015.
- The Transportation Funding Act of 2015 (HB 170) increased per capita transportation spending by 86% in FY 2017.

SLC Transportation Comparison 2004-2015 (2015 dollars)

State	Per Capita Spending Growth	Per Capita Transportation Spending 2004	Rank in 2004	Per Capita Transportation Spending 2015	Rank in 2015	Change in Rank
Alabama	-20%	$175	12	$143	12	0
Arkansas	11%	$272	9	$306	7	2
Florida	27%	$301	8	$388	4	4
Georgia	**-41%**	**$162**	**13**	**$97**	**15**	**-2**
Kentucky	19%	$413	2	$498	2	0
Louisiana	-51%	$333	7	$167	11	-4
Mississippi	-21%	$270	10	$218	9	1
Missouri	-18%	$377	5	$312	6	-1
North Carolina	-10%	$346	6	$317	5	1
Oklahoma	4%	$187	11	$198	10	1
South Carolina	-66%	$410	3	$141	13	-10
Tennessee	-19%	$159	14	$131	14	0
Texas	60%	$147	15	$240	8	7
Virginia	22%	$425	1	$527	1	0
West Virginia	5%	$387	4	$414	3	1

Source: NASBO State Expenditure Reports; when including the first year revenue effects of the Transportation Funding Act, Georgia moves to $158 in real per capita spending in FY17. On this table this increase would move Georgia to 12th, below Louisiana but above Alabama.

Per Capita Transportation Spending
(FY 2014)



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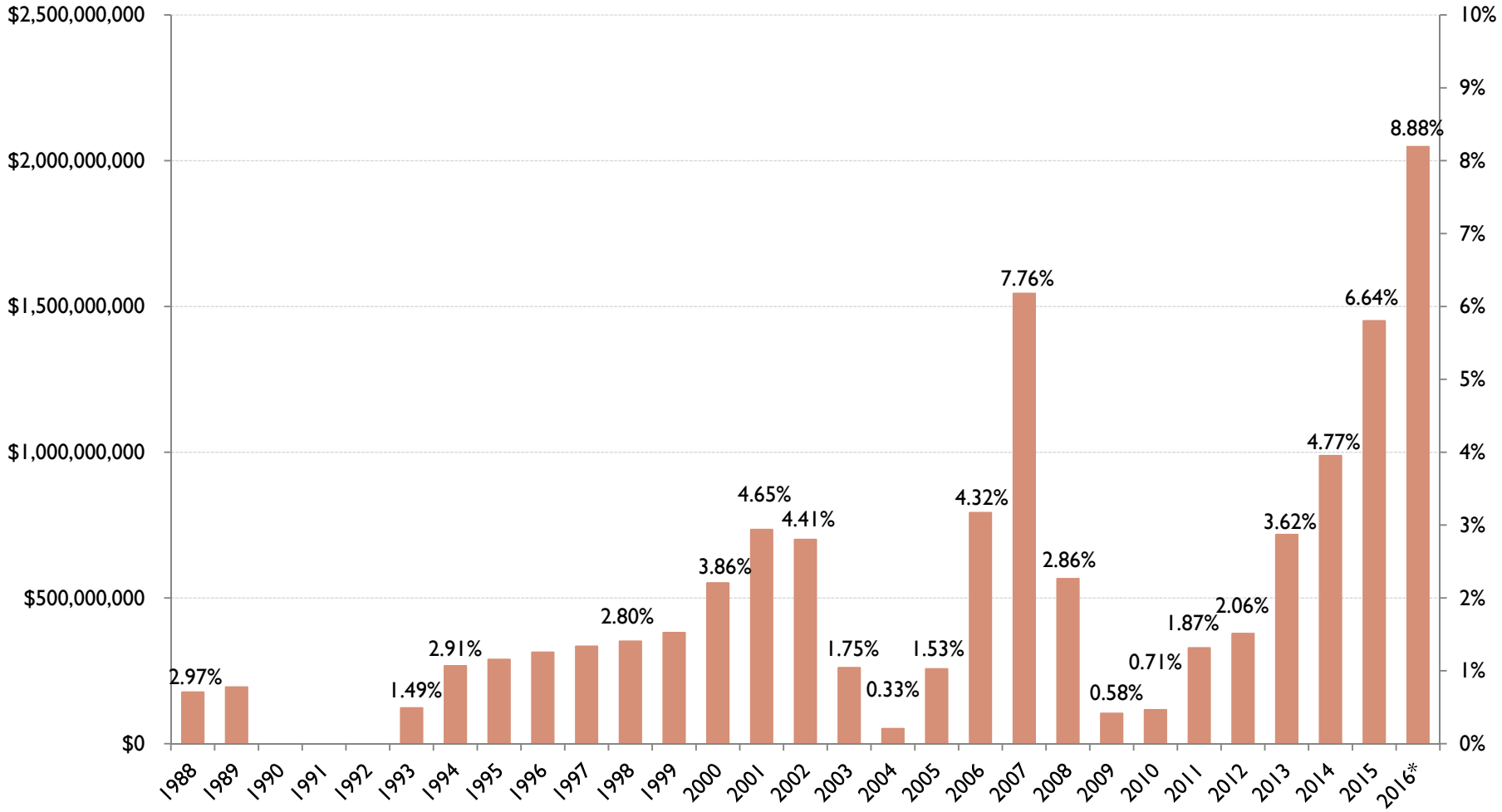


Other Fiscal Issues

Rebuilding Reserves

Other Post Employment Benefits

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



Other Post-Employment Benefits (largely health benefits)

- Georgia typically makes the full ARC for all of its pension funds. The main "hole" in the budget ties to OPEB:
  - OPEB State Employees, UAAL of $3.4 billion, ARC of $275 million, state contributed $267 million in FY16
  - OPEB Teachers, UAAL of $10.5 billion, ARC of $873 million, state contributed $408 million; **$465 million short**
  - Regents OPEB, UAAL of $2.7 billion, ARC of $295 million in FY16, BOR contributed $111 million; **$184 million short**

FY17A Outlook

- The state appears to be on solid footing as it goes into the last half of FY17.
  - FY17G was based on $22.5 billion in State General Fund Tax and Fee Revenues
    - Originally, this required 3.8% growth over FY16A estimates
    - FY16 final numbers were 2.48% above estimates ($538 million)
    - So FY17 now only requires 1.28% growth to make budget.
    - October revenues were tracking at 4.8% YTD growth;
      - income tax @ 3% YTD; net sales @ 4% YTD
  - Based on past behavior, most likely state will only make a small adjustment upward in the FY17 estimate
    - Cover Medicaid growth @ $115 million
    - K-12 reserve will cover approx. $135 million in K-12 education growth
    - Perhaps other minor adjustments to DBHDD, education, etc.

FY18 Outlook

- Some other states are experiencing fiscal stress
  - Some due to oil/gas prices (ex/ LA, TX, OK, WY); but note that this is also affecting state sales tax revenues, which have an energy component in them
  - Some due to federal cuts and sequestration (ex/ MD, VA)
  - Some states had a rough end to 2016 because of weak stock market/capital gains issues in 2015
- Georgia by and large appears to be solid
  - FY16 Growth 4.6% (w/ transportation bill, 8.8%)
  - FY15 Growth 6.6%
  - FY14 Growth 4.8%
  - 4% growth over FY17G for FY18 = $900 million

@ 4% Growth = $900 million for FY18

Budget Needs (estimates)	Amount (millions)
Pension ADEC (TRS & ERS)	$217
Medicaid Growth	$121
K-12 Growth	$216
Higher Education Growth	$82
K-12 Austerity Cut Restoration	$166
Law Enforcement 20% Pay Raise	$53
DBHDD Budget Request	$54
TOTAL	**$909 million**
1% Pay Raise	$125
Other OPEB? Medicaid Expansion? Education Funding Formula?	