A Briefing on Georgia’s Budget: The Big Picture
Overview

• CSLF and the Fiscal Research Center
• Revenues
• Budget Practices
• Georgia’s Expenditures
  – By Policy Area and Over Time
• Georgia’s Education Budget
  – Pre-K through High School
  – Higher Education
Revenues

Georgia’s revenue recovery and structural changes.
Revenue Overview

• Georgia’s Revenues
  – State revenue recovery and outlook
  – Economic recovery from Great Recession
  – Have revenues kept up?
  – Major revenue sources and structural changes
  – State fiscal health
Georgia Revenue Recovery and Outlook

General Fund Revenues ($ millions)

Data Sources: State Accounting Office (SAO) and Governor's Office of Planning and Budget (OPB)
Georgia Revenue Recovery and Outlook

Real General Fund Revenues (2016 $ millions)

Data Sources: SAO, OPB, and U.S. Bureau of Economic Analysis (BEA)
Have revenues kept up with growth?

Real Per Capita General Fund Revenues
(2016 $)

1984-2017 Average: $1,943

Data Sources: SAO, OPB, and BEA
Economic Recovery from the Great Recession

Unemployment Rate*

* Annual and 2017 YTD averages

Data Sources: U.S. Bureau of Labor Statistics (BLS)
Economic Recovery from the Great Recession

Real Per Capita Personal Income (2016 $)

Data Sources: BEA
Revenue recovery falling short?

General Fund Revenues
Percent of Lagged Personal Income

Data Sources: SAO, OPB, and BEA

1989-2017 Average: 5.76%

$1.75B
Sources of Georgia’s State Tax Revenues (FY 2017)

- **Personal Income**: 51%
- **General Sales and Use**: 26%
- **Motor Fuels**: 8%
- **Corporate**: 4%
- **TAVT**: 5%
- **Insurance Premium**: 2%
- **Other**: 4%

Data Sources: SAO
Revenue recovery falling short?

Personal Income Tax Revenues
Percent of Lagged Personal Income

1989-2017 Average: 2.57%

Retirement income exclusion increased 4 times

Data Sources: SAO, OPB, and BEA
Revenue recovery falling short?

Corporate Income Tax Revenues
Percent of Lagged Personal Income

1989-2017 Average: 0.30% 

Data Sources: SAO, OPB, and BEA
Revenue recovery falling short?

State Sales Tax Revenues
Percent of Lagged Personal Income

State rate incr to 4%

Food exemption phase-in

TAVT begins

Motor fuel tax changes

1990-2017 Average: 1.89%

$2.5B

Data Sources: SAO, OPB, and BEA
Table 2. Georgia Sales & Use Tax Revenue Shortfall: Summary of Contributing Factors

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>Est’d FY2014 Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislative Actions:</td>
<td></td>
</tr>
<tr>
<td>Replace sales tax on motor vehicles with TAVT</td>
<td>-$536</td>
</tr>
<tr>
<td>Permanent sales tax exemptions</td>
<td>-174</td>
</tr>
<tr>
<td>Temporary sales tax exemptions</td>
<td>-64</td>
</tr>
<tr>
<td><strong>Total of Legislative Actions since 2000</strong></td>
<td><strong>-$773</strong></td>
</tr>
<tr>
<td>Household Economic Factors:</td>
<td></td>
</tr>
<tr>
<td>Changing consumption mix toward services</td>
<td>-$389</td>
</tr>
<tr>
<td>Growth of online sales (estimated maximum impact)</td>
<td>-250</td>
</tr>
<tr>
<td>Higher household saving rates</td>
<td>-28</td>
</tr>
<tr>
<td>Lower investment in new homes</td>
<td>-32</td>
</tr>
<tr>
<td><strong>Household Factors Total</strong></td>
<td><strong>-$699</strong></td>
</tr>
<tr>
<td>Business Economic Factors:</td>
<td></td>
</tr>
<tr>
<td>Input materials spending</td>
<td>$651</td>
</tr>
<tr>
<td>Input energy spending</td>
<td>-234</td>
</tr>
<tr>
<td>Investment spending</td>
<td>-798</td>
</tr>
<tr>
<td><strong>Business Factors Total</strong></td>
<td><strong>-$381</strong></td>
</tr>
<tr>
<td>All Factors excl. Food</td>
<td><strong>-$1,853</strong></td>
</tr>
<tr>
<td><strong>Food</strong></td>
<td><strong>-$439</strong></td>
</tr>
<tr>
<td><strong>Total Impact of all Factors</strong></td>
<td><strong>-$2,292</strong></td>
</tr>
</tbody>
</table>

Data Sources: FRC Report no. 273, Georgia’s Incredible Shrinking Sales Tax Base.
Not all bad news

Other General Fund Revenues
Percent of Lagged Personal Income

Data Sources: SAO, OPB, and BEA
More good news: Setting aside funds for a rainy day

Revenue Shortfall Reserve Total and Percent of State Budget (right scale)

Data Sources: SAO, OPB, and BEA
Budget Practices

Data from the Volcker Alliance Project
Budget Forecasting Components

- Consensus forecasting
- Multi-year projections
- Mid-year adjustments
- Rationale/Methods

Source: Volcker Alliance Truth and Integrity in State Budgeting, Center for State and Local Finance, University of Kentucky, and Florida International University (2017)
One-time Maneuvers Components

- Transfers, deferrals, cost shifting
- Debt or asset sales to finance recurring expenditures

Source: Volcker Alliance Truth and Integrity in State Budgeting, Center for State and Local Finance, University of Kentucky, and Florida International University (2017)
Legacy Costs Components

- Public pension and OPEB contributions relative to actuarially determined amounts

Source: Volcker Alliance Truth and Integrity in State Budgeting, Center for State and Local Finance, University of Kentucky, and Florida International University (2017)
Reserve Funds Components
- Rainy day fund policies
- Tying deposits to revenue volatility
- Rainy day/general fund balances

Reserve Funds Grade
US average: B
SE average: B

Source: Volcker Alliance Truth and Integrity in State Budgeting, Center for State and Local Finance, University of Kentucky, and Florida International University (2017)
Expenditures
Georgia’s state spending is dominated by education – both Pre-K - 12 and higher education.

Pre K-12 Education: 40%
Higher Education: 14%
Health and Human Services: 21%
Public Safety and Judicial: 9%
Transportation: 8%
Debt: 5%
All Other: 3%

Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9
Share of Spending by Policy Area, FY2011-18G

Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product - NIPA Table 1.1.9
Nominal State Appropriations, 1985-2018

Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product - NIPA Table 1.1.9
Real Per Capita State Appropriations (2016 dollars)

Data sources: Budget in Brief FY17A-FY18, BEA NIPA Tables 1.1.4 for GDP, Moody’s Economy.com GDP growth projections and Author’s calculations.
Real Per Capita Changes by Policy Area (2016 dollars, includes all state funds)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>$5.42</td>
<td>$4.21</td>
<td>$4.41</td>
<td>$(1.01)</td>
<td>-19%</td>
<td>$0.19</td>
<td>5%</td>
</tr>
<tr>
<td>Debt Service on Bonds</td>
<td>$113.76</td>
<td>$107.37</td>
<td>$110.82</td>
<td>$(2.94)</td>
<td>-3%</td>
<td>$3.45</td>
<td>3%</td>
</tr>
<tr>
<td>Health and Human Services</td>
<td>$481.26</td>
<td>$486.45</td>
<td>$485.30</td>
<td>$4.04</td>
<td>1%</td>
<td>$(1.15)</td>
<td>0%</td>
</tr>
<tr>
<td>Corrections</td>
<td>$173.98</td>
<td>$149.61</td>
<td>$156.99</td>
<td>$(16.99)</td>
<td>-10%</td>
<td>$7.38</td>
<td>5%</td>
</tr>
<tr>
<td>Economic Development</td>
<td>$26.72</td>
<td>$17.43</td>
<td>$9.70</td>
<td>$(17.01)</td>
<td>-64%</td>
<td>$(7.72)</td>
<td>-44%</td>
</tr>
<tr>
<td>Education</td>
<td>$974.22</td>
<td>$838.05</td>
<td>$901.90</td>
<td>$(72.32)</td>
<td>-7%</td>
<td>$63.85</td>
<td>8%</td>
</tr>
<tr>
<td>General Government</td>
<td>$94.83</td>
<td>$43.52</td>
<td>$42.14</td>
<td>$(52.69)</td>
<td>-56%</td>
<td>$(1.38)</td>
<td>-3%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>$358.41</td>
<td>$293.99</td>
<td>$324.53</td>
<td>$(33.88)</td>
<td>-9%</td>
<td>$30.55</td>
<td>10%</td>
</tr>
<tr>
<td>Judicial</td>
<td>$23.79</td>
<td>$22.33</td>
<td>$24.68</td>
<td>$0.89</td>
<td>4%</td>
<td>$2.34</td>
<td>10%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>$20.90</td>
<td>$13.62</td>
<td>$13.50</td>
<td>$(7.40)</td>
<td>-35%</td>
<td>$(0.13)</td>
<td>-1%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>$26.56</td>
<td>$26.50</td>
<td>$33.66</td>
<td>$7.10</td>
<td>27%</td>
<td>$7.16</td>
<td>27%</td>
</tr>
<tr>
<td>Transportation</td>
<td>$104.89</td>
<td>$92.35</td>
<td>$180.28</td>
<td>$75.39</td>
<td>72%</td>
<td>$87.93</td>
<td>95%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,405</td>
<td>$2,095</td>
<td>$2,288</td>
<td>$(116.82)</td>
<td>-5%</td>
<td>$192</td>
<td>9%</td>
</tr>
</tbody>
</table>

Sources: Budgets in Brief; Selected Summary Financial Information; FY18 General Budget; Author’s Calculations; Inflation Index Used: Gross Domestic Product-NIPA Table 1.1.9.
Real Per Capita Pre-K-12 Education Funding (all state funds, 2016 dollars)

On an inflation adjusted per capita basis, the state is currently spending at 1999/2004/2006/2009 levels on pre K-12 education programs.

Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product - NIPA Table 1.1.9
On an inflation adjusted per capita basis, the state is currently spending at 1996 levels on higher education programs.
Education

Pre-K
K-12
Higher Education
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
Pre-K-12 FTE Student Growth FY 2008-16

Total increase in students: 1.76 million total students in 2016, 1.65 million in 2008

13, mostly rural county districts, had their FTE student populations decline by more than 20 percent.

12, many independent city districts, had their FTE student population increase by more than 20 percent.

Source: Georgia Department of Education (2017)
School Districts’ Total Operating Revenues, 2008-12

154 of the 180 school districts’ operating revenues in 2012 were less than their revenues in 2008.

Source: Georgia Department of Education (2017)
125 of the 180 school districts’ operating revenues in 2016 were above their revenues in SY 2008.

Source: Georgia Department of Education (2017)
Pre-K to 12 Total Appropriations
(Nominal dollars, in billions)

Source: Selected Summary Financial Information; Budget Documents (FY17A and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.4
DECAL Appropriations 2008-18 (2016 Dollars)

Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9
DOE Appropriations 2008-18 (in billions, 2016 dollars)

Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9
QBE Program Appropriations FY 2008-18 (in billions, 2016 dollars)

Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9
Districts’ Property Tax Digests, Pre-Recession Peak Compared to 2016 (Per FTE)

127 of the 180 per FTE school property digests remain below their pre-Recession peak value. 77, almost half, remain 10 percent below where they were going into the recession.

Atlanta Metro, where the decline in property values was the most dramatic, has yet to regain their pre-recession value.

Source: Georgia Department of Revenue (2017)
115 of the 180 per FTE school property digests increased between 2015 and 2016. 51 grew by more than 3 percent.

Atlanta Metro, where the decline in property values was the most dramatic, experienced growth with a few exceptions.
Real Education Funding Per Student Comparison (Per FTE, 2016 dollars)

Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product -NIPA Table 1.1.9

| 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 2005 | Rank in 2005 | Overall Revenue Per FTE 2015 | Rank in 2015 | Change in Rank |
|-------------|---------------------|------------------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------|--------------|-------------------------------|--------------|----------------|}
| Alabama     | 0.8%                | 4%                           | -4%                         | -1%                           | 4%                             | $9,781                        | 11           | $10,140                      | 10           | 1              |
| Arkansas    | 3.9%                | 9%                           | -4%                         | 5%                            | 7%                             | $10,437                       | 8            | $11,174                      | 7            | 1              |
| Florida     | 8.2%                | -14%                         | -3%                         | 8%                            | -6%                            | $10,630                       | 6            | $9,954                       | 11           | -5             |
| Georgia     | 11%                 | -3%                          | -8%                         | 1%                            | -5%                            | $11,486                       | 3            | $10,955                      | 9            | -6             |
| Kentucky    | 2.1%                | 10%                          | 23%                         | 8%                            | 14%                            | $9,776                        | 12           | $11,103                      | 8            | 4              |
| Louisiana   | -7.9%               | 13%                          | 44%                         | 33%                           | 28%                            | $10,085                       | 9            | $12,920                      | 1            | 8              |
| Mississippi | -0.8%               | 0%                           | 18%                         | 3%                            | 6%                             | $8,917                        | 14           | $9,463                       | 13           | 1              |
| Missouri    | -1.1%               | 3%                           | 9%                          | 16%                           | 7%                             | $11,192                       | 4            | $11,953                      | 5            | -1             |
| North Carolina | 8.7%            | -2%                          | -26%                        | 9%                            | -9%                            | $9,978                        | 10           | $9,088                       | 15           | -5             |
| Oklahoma    | 6.8%                | -4%                          | 8%                          | -20%                          | -2%                            | $9,419                        | 13           | $9,227                       | 14           | -1             |
| South Carolina | 5.2%           | 15%                          | 6%                          | 4%                            | 10%                            | $10,948                       | 5            | $12,015                      | 4            | 1              |
| Tennessee   | 5.7%                | 17%                          | 2%                          | 13%                           | 10%                            | $8,763                        | 15           | $9,606                       | 12           | 3              |
| Texas       | 15.5%               | 17%                          | 0%                          | 3%                            | 6%                             | $10,558                       | 7            | $11,212                      | 6            | 1              |
| Virginia    | 6.3%                | 1%                           | 1%                          | -4%                           | 1%                             | $12,259                       | 1            | $12,329                      | 3            | -2             |
| West Virginia | 0.0%           | 3%                           | 23%                         | -8%                           | 7%                             | $11,707                       | 2            | $12,553                      | 2            | 0              |

Calculations from revenue figures provided by the US Census F-33 Financial Survey. Table uses national GDP price deflator to adjust for inflation.
Pre-K-12 Funding Highlights

• Huge cuts after the recession
• Restored but not all the way
  – Austerity cuts still in place
  – Health care benefits for non-certificated employees
  – Pre-K class sizes
• Some local areas continue to decline
Higher Education
Total Appropriations for Higher Education in Georgia (Board of Regents, TCSG, GSFC)

Source: Selected Summary Financial Information; Budget Documents (FY17 and FY18G)
Inflation Index Used: Gross Domestic Product - NIPA Table 1.1.9
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.
## Higher Education State Revenue Changes, 2006-16 (2016 dollars)

<table>
<thead>
<tr>
<th>State</th>
<th>Enrollment Growth</th>
<th>Approp. Per FTE Growth</th>
<th>Tuition Per FTE Growth</th>
<th>Total Revenue Per FTE Growth</th>
<th>Total Revenue 2006</th>
<th>Rank in 2006</th>
<th>Total Revenue 2016</th>
<th>Rank in 2016</th>
<th>Change in Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>9%</td>
<td>-19%</td>
<td>65%</td>
<td>21%</td>
<td>12,498</td>
<td>2</td>
<td>15,100</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Arkansas</td>
<td>13%</td>
<td>1%</td>
<td>49%</td>
<td>17%</td>
<td>10,375</td>
<td>10</td>
<td>12,161</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Florida</td>
<td>18%</td>
<td>-20%</td>
<td>35%</td>
<td>-7%</td>
<td>10,154</td>
<td>11</td>
<td>9,454</td>
<td>14</td>
<td>-3</td>
</tr>
<tr>
<td>Georgia</td>
<td>18%</td>
<td>-16%</td>
<td>147%</td>
<td>13%</td>
<td><strong>11,145</strong></td>
<td>8</td>
<td><strong>12,585</strong></td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Kentucky</td>
<td>6%</td>
<td>-17%</td>
<td>60%</td>
<td>9%</td>
<td>12,010</td>
<td>4</td>
<td>13,117</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Louisiana</td>
<td>1%</td>
<td>-25%</td>
<td>27%</td>
<td>-8%</td>
<td>9,957</td>
<td>12</td>
<td>9,172</td>
<td>15</td>
<td>-3</td>
</tr>
<tr>
<td>Mississippi</td>
<td>9%</td>
<td>2%</td>
<td>59%</td>
<td>24%</td>
<td>9,553</td>
<td>14</td>
<td>11,813</td>
<td>10</td>
<td>4</td>
</tr>
<tr>
<td>Missouri</td>
<td>20%</td>
<td>-19%</td>
<td>12%</td>
<td>-6%</td>
<td>12,348</td>
<td>3</td>
<td>11,606</td>
<td>12</td>
<td>-9</td>
</tr>
<tr>
<td>North Carolina</td>
<td>13%</td>
<td>-2%</td>
<td>49%</td>
<td>11%</td>
<td>11,898</td>
<td>5</td>
<td>13,254</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>0%</td>
<td>-10%</td>
<td>69%</td>
<td>16%</td>
<td>9,929</td>
<td>13</td>
<td>11,559</td>
<td>13</td>
<td>0</td>
</tr>
<tr>
<td>South Carolina</td>
<td>23%</td>
<td>-27%</td>
<td>20%</td>
<td>-4%</td>
<td>12,825</td>
<td>1</td>
<td>12,253</td>
<td>7</td>
<td>-6</td>
</tr>
<tr>
<td>Tennessee</td>
<td>10%</td>
<td>-10%</td>
<td>44%</td>
<td>9%</td>
<td>11,780</td>
<td>6</td>
<td>12,838</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Texas</td>
<td>24%</td>
<td>-3%</td>
<td>37%</td>
<td>10%</td>
<td>10,883</td>
<td>9</td>
<td>11,976</td>
<td>9</td>
<td>0</td>
</tr>
<tr>
<td>Virginia</td>
<td>17%</td>
<td>-16%</td>
<td>62%</td>
<td>21%</td>
<td>11,690</td>
<td>7</td>
<td>14,162</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>West Virginia</td>
<td>-1%</td>
<td>-5%</td>
<td>53%</td>
<td>23%</td>
<td>9,506</td>
<td>15</td>
<td>11,689</td>
<td>11</td>
<td>4</td>
</tr>
</tbody>
</table>

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.
Higher Education Issues

• Importance of a college degree for earnings and jobs
• Higher costs for state and students – how will that be managed
• HOPE scholarship changes
• Expanding population necessitates more facilities
Connect with us!

mreeves9@gsu.edu, rbuschman1@gsu.edu

twitter: @CSLF_PubFinance
cslf.gsu.edu