Best Practices in Georgia’s Budgeting and Financial Management
Part of Balancing the Budget in the Southern States
Alex Hathaway
ACKNOWLEDGMENTS

Balancing the Budget in the Southern States — This six-report series is based on the Volcker Alliance’s Truth and Integrity in Government Finance project results as well as additional research conducted by the Center for State and Local Finance.

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# Table of Contents

Acknowledgments

Introduction 2

The Budget Process in Georgia 3

Georgia’s Budgeting and Financial Management Practices

- Budget Forecasting 4
- One-Time Budget Maneuvers 7
- Legacy Costs 8
- Reserve Funds 10
- Transparency Practices 12

Conclusion 15

References 16

About the Author 17

About the Center for State and Local Finance 17
Introduction

Governments must follow sound fiscal practices because they are stewards of the public’s money. Despite the diversity in U.S. state governments, all states are bound by balanced budget requirements, where planned expenditures cannot exceed expected revenue collections. Working within this fiscally restrained environment can be challenging for states. Nonetheless, even in the most financially troubled states, governments continue to operate and deliver services.

It is often the case, though, that states have room to improve their budgeting and financial management practices. The evaluation of budgeting and financial management practices within some states can highlight model practices that may be of interest to other states. In the Volcker Alliance’s *Truth and Integrity in Government Finance* project, researchers across the country examined key financial practices in all 50 states, with the Center for State and Local Finance leading a team investigating several southern states. While no state’s financial systems are perfect, the project underscored best practices as well as areas for improvement in five areas that span budget formation and adjustments to the inclusion of long-term liabilities and tax expenditures. These five research categories are budget forecasting, one-time maneuvers, legacy costs, reserve funds and transparency practices.

This report highlights how our home state of Georgia operates in the five research categories from fiscal year (FY) 2015 through FY 2018. The specific best practices evaluated in each category are defined as follows.

- **Budget forecasting**: revenue and expenditure estimation including the type of forecasting process, length of revenue and expenditure projections, underlying forecast methodologies and midyear adjustments to the budget
- **One-time budget maneuvers**: one-time actions the state used to maintain structural balance, including the use of proceeds from bonds or asset sales to fund recurring expenditures, and the deferral of expenditures or upfront use of revenues
- **Legacy costs**: contribution practices for major public pensions and other postemployment benefits (OPEB) funds
- **Reserve funds**: structure and function of reserve, or rainy day, funds, including balances and policies for the deposit, withdrawal and replenishment of funds
- **Transparency practices**: additional financial information including debt obligations, the costs of tax expenditures and deferred infrastructure maintenance, and a centralized financial website

The following sections analyze Georgia’s budget process and the state’s operations within the framework of the five research categories. In sum, Georgia employs all best practices in the one-time budget maneuvers category and most of the best practices in budget forecasting practices, legacy costs, reserve funds and transparency practices.

1 All states have a legal requirement for a balanced budget except Vermont, which passes a balanced budget by tradition.
The Budget Process in Georgia

During the summer of each year, the governor sets budget instructions for state agencies based on revenue forecasts from the state economist and projected growth needs from the Office of Planning and Budget (OPB) (GeorgiaGov 2014). In early fall, OPB considers agency budget requests and creates a recommended spending plan for the governor’s consideration. The governor meets with agency directors to discuss their needs, consults the Council of Economic Advisors about the economic health of the state, and reviews updated revenue forecasts from the state economist.

Next, the governor considers recommendations from OPB to produce the Governor’s Budget Report for the following fiscal year; at the same time, amendments to the current budget year are addressed. Final budget decisions are made in December, and the budget report and amendments are proposed to the legislature in January, within five days of the start of the legislative session.

Georgia’s legislature can, and does, alter the proposed budget, but appropriations cannot exceed the revenue estimate, which can be updated during the session based on changes in the economic condition of the state. The budget includes all planned spending, including legacy cost contributions, and may include one-time budget maneuvers to ensure that expenditures do not exceed expected revenues. The budget becomes official once the Appropriations Bill is passed by the legislature and signed by the governor. OPB then creates a Budget in Brief document to highlight aspects of the budget as well as the governor’s vetoes.

During the fiscal year, the governor and OPB ensure agencies do not spend more than allotted in the Appropriations Act, and at the close of the year, any remaining general fund surplus is transferred to the Revenue Shortfall Reserve fund. Finally, the state auditor produces a comprehensive annual financial report (CAFR) in December. Open Georgia, the state’s transparency website, presents the CAFR along with other budget and supporting documents, such as tax expenditure reports.

Georgia’s Budgeting and Financial Management Practices

Georgia’s budget outlines multibillion-dollar commitments to provide services to its citizens. However, the budget process is complex, and it can be challenging for citizens to identify the fiscal practices that fund these services. The following section features Georgia’s fiscal practices, discussed alongside the Volcker Alliance’s best practices framework.
BUDGET FORECASTING

Budget forecasting sets the tone for the budget process. Planning expenditures and maintaining a balanced budget depend on the accuracy of the revenue forecasting process, which can reduce the need for midyear budget adjustments. States can consider several forecasting best practices: using a consensus forecasting process, projecting revenues and expenditures at least three years into the future, and publicizing the underlying forecast assumptions and methodology. Table 1 shows the best practices in budget forecasting adopted by Georgia. Using this criteria, the state produced multiyear forecasts but did not have an open process to arrive at the forecast.

Table 1. Budget Forecasting Practices, FY 2015-18

<table>
<thead>
<tr>
<th>BEST PRACTICE</th>
<th>DO GEORGIA’S METHODS ALIGN WITH BEST PRACTICES?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Release multiyear revenue forecasts</td>
<td>Yes</td>
</tr>
<tr>
<td>Release multiyear expenditure forecasts</td>
<td>Yes</td>
</tr>
<tr>
<td>Avoid substantial, negative midyear budget adjustments</td>
<td>Yes</td>
</tr>
<tr>
<td>Use a consensus forecasting process</td>
<td>No</td>
</tr>
<tr>
<td>Release forecasting rationale and methods</td>
<td>No</td>
</tr>
</tbody>
</table>

Although Georgia’s methods align with best practices in three of the five forecasting issues considered, Georgia is one of only seven states nationally that does not release detailed explanations of its forecasting methodology. The Georgia State Financing and Investment Commission, however, discloses general information about the state’s economic environment through a continuing disclosure document on its website (Heaghney 2017). Georgia also is one of 21 states that does not use a consensus forecasting process. Nevertheless, the state mirrors other forecasting best practices in that it produces multiyear revenue forecasts, like the majority of U.S. states, and is one of 20 states that produce multiyear expenditure forecasts. Additionally, Georgia avoided significant midyear budget adjustments, or expenditure cuts, through FY 2015-18.

The Governor’s Budget Report includes multiyear revenue and expenditure forecasts for the state of Georgia under the “State Expenditure Projections” section. The FY 2019 report does not itemize the long-term revenue forecast, offering a single value for the amended FY 2018 budget and FY 2019 through FY 2022 (OPB 2018). For example, FY 2019 revenues are estimated at $24.7 billion and are expected to

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2 For additional information, see “Revenue Forecasting Practices in the Southern States” (CSLF Report, Publication No. 43; August 14, 2018) by Emily Franklin and Alex Hathaway.

3 This is supported in transparency guidelines from the International Monetary Fund, Organisation for Economic Cooperation and Development, and the Volcker Alliance’s report, Truth and Integrity in State Budgeting: What Is the Reality?

4 The Georgia State Financing and Investment Commission’s website houses economic forecast information on the Other Interim Disclosure webpage, under the Investor/Continuing Disclosure Information section of the Financing & Investment Division.

5 In practice in Georgia, the governor’s office does not rely on consensus revenue forecasting but relies instead on its own detailed revenue estimate.

6 “Multiyear” in the context of this report requires estimates for three or more future fiscal years.
grow 2.7 percent above the amended FY 2018 revenues. This moderate level of growth is expected to continue, with the annual projected revenue growth in FY 2022 at 2.0 percent, totaling $26.4 billion.

For expenditures, Georgia provides itemized expenditure projections for education, corrections, social services, transportation and debt (see Figure 1). Only 20 states release these multiyear expenditure estimates. In social services, for example, Georgia projects four-year estimates for behavioral health, community health, human services, and public health, totaling $5.5 billion in FY 2019 and increasing to nearly $6 billion by FY 2022. The upcoming fiscal year projections include policy recommendations, and the out-year projections include caseload changes combined with an inflation factor.

As expected from its steady growth and lack of significant fiscal stress, Georgia did not require downward midyear adjustments to expenditures over FY 2015-18. Unlike recent years, midyear adjustments often result from lower revenue collections that lower the revenue forecast, triggering spending reductions or the need for additional funds from other revenue sources. Midyear adjustments act as course corrections to maintain fiscal balance, but may also reveal underlying issues with the initial forecasting processes. Although Georgia has not needed to implement major midyear adjustments in FY 2015-18, the state does consistently provide additional funding for K-12 education in its amended budget. State statute allows the legislature to appropriate 1 percent of the preceding fiscal year’s net revenue collections from the Revenue Shortfall Reserve, the state’s rainy day fund, for K-12 education as a midyear adjustment. The past several years have seen additional education funding of approximately $200 million.
Georgia does not use a consensus forecasting process or release details of its forecasting methodology. In consensus forecasting, members from the executive and legislative branches formulate revenue estimates jointly. Consensus groups often include other members as well, such as private business leaders or academic experts. The consensus group allows debate of the factors underlying the revenue estimates and may balance out the influence of any one group’s policy priorities (Clemen 1989; Klay and Vonasek 2008). In contrast, executive forecasting processes occur in the executive branch without involving the legislature, and separate forecasting processes result in different forecasts from the executive and legislative branches, which can lead to tension during budget formation. Georgia uses an executive forecasting process in which the governor appoints a state economist who works with the Office of Planning and Budget to prepare and update revenue estimates. The governor also may convene a Council of Economic Advisors to provide additional assistance in the forecasting process (GeorgiaGov 2014). Ultimately, the governor releases revenue estimates that help to guide budget planning and limit the appropriations the legislature can authorize.

While the executive branch creates forecasts in Georgia, the state does not release detailed methodologies underlying the forecasts. Detailed methodologies can take the form of economic assumptions the state makes, the revenue sources considered important for multiyear forecasts or, like
methods released by Virginia, the econometric regression equations (State of Virginia 2017). The Governor’s Budget Report is the main source of revenue estimate information in Georgia. Although the report discusses general economic trends in the state, these are not tightly connected to forecast decisions in the narrative (OPB 2017).

**ONE-TIME BUDGET MANEUVERS**

Another key aspect of budgeting is one-time budget maneuvers. States require flexible financial management strategies to adapt successfully to unforeseeable changes in the economy. These strategies can take the shape of agency budget reductions, fund sweeps, or the use of rainy day funds to support general fund expenses, for example. Other strategies, however, are problematic because they require repayment or open future budget gaps. These one-time budget maneuvers include funding recurring expenditures with debt, employing temporary cost shifting, deferring recurring expenditures, and using asset sales or upfront revenues.

Debt financing is a common practice but should be limited to long-term capital projects that will last at least as long as the repayment schedule of the debt. Using debt proceeds or premiums to fund recurring expenditures shifts the repayment cost to future fiscal years, creating a hole in a future budget. Similarly, selling assets like buildings is potentially a problem if debt service is still being paid on the asset. Moreover, the proceeds from an asset sale can only be used once, therefore upcoming budgets may struggle to replace that revenue source.

Deferring recurring expenditures is another one-time maneuver with potential repercussions. This tactic may lighten expenditures in the current year, but the burden is shifted to a future fiscal year. Likewise, taking revenues early results in fewer revenues later. Temporary cost shifting pushes expenses off to state agencies or other levels of government. Besides increasing the burden on other governments, the temporary nature of this maneuver means future fiscal years will see the return of this cost. Table 2 below presents one-time budget maneuvers. Georgia did well in this category, avoiding all of the maneuvers over the research window, much better than the majority of other states.

**Table 2. One-time Budget Maneuvers, FY 2015-18**

<table>
<thead>
<tr>
<th>BEST PRACTICE</th>
<th>DO GEORGIA’S METHODS ALIGN WITH BEST PRACTICES?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not deferring recurring expenditures</td>
<td>Yes</td>
</tr>
<tr>
<td>Not using revenue and cost shifting</td>
<td>Yes</td>
</tr>
<tr>
<td>Not funding recurring expenditures with debt</td>
<td>Yes</td>
</tr>
<tr>
<td>Not using asset sales or upfront revenues</td>
<td>Yes</td>
</tr>
</tbody>
</table>

7 For additional information, see “Budget Maneuvers in the Southern States” (CSLF Report, Publication No. 48; October 9, 2018) by Alex Hathaway and Jesseca Lightbourne.
Georgia successfully avoided using any of the one-time actions evaluated. During FY 2015-18, 33 states required at least one maneuver in FY 2016 alone. It should be noted that states often use these strategies when under fiscal stress, not as everyday practices, and Georgia has been in relatively stable financial shape in recent years. Nevertheless, the state has strong debt policies that help deter the use of some of these maneuvers.

One such debt policy relates to a nontransparent maneuver called “scoop and toss,” which involves a particular approach in the refinancing of bonds. Scoop and toss refines old bonds with new bonds and reduces debt service on the new bonds in the near-term by scheduling larger debt service payments in later years, potentially increasing the length of repayment as well. With many debt repayment schedules covering 25-30 years, this maneuver can push costs onto future taxpayers. Furthermore, bonds are often multimillion-dollar issuances, and the debt service on refinanced bonds can noticeably impact state budgets.

Although Georgia issued nearly $900 million in refinancing bonds in October 2016 alone, the state is limited by constitutional provisions and agency guidelines from performing scoop-and-toss refinancing (State of Georgia 2016). The repayment terms cannot extend beyond the original bond maturities; this constitutional provision allows the state to refinance at a lower interest rate but not push off repayment. The Georgia State Financing and Investment Commission also has refunding bond guidelines that suggest refinancing should not produce dissavings in any year, and the average life of the new bonds should not exceed the average life of the old bonds (GSFIC 2006). Additionally, Georgia cannot issue pension obligation bonds to fund recurring expenditures associated with public pension systems. These policies are a best practice not only to prevent the state from resorting to problematic maneuvers but also to improve transparency practices and the public’s understanding of debt management.

**LEGACY COSTS**

While one-time budget maneuvers are immediate and short-term budget fixes, legacy costs represent large, long-term obligations. Legacy costs include state obligations to public pension systems and other postemployment benefits (OPEB), primarily retiree healthcare coverage. For many states, these are multibillion-dollar liabilities, and states vary widely in the levels of funding they contribute every year. States generally contribute more funding to pension systems, which have strong legal protections for retirees, through prefunding mechanisms that grow assets. These assets can be invested and create market returns that the state uses to pay portions of the annual contribution. OPEB funding, on the other hand, is not commonly prefunded, and many states have little or no assets in place, despite many having multibillion-dollar liabilities. Part of the reasoning behind this discrepancy is that OPEB options often lack the legal protections of pensions, meaning states have more legal flexibility to change OPEB promises.

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8 Georgia is implicitly prohibited from issuing pension obligation bonds because the state constitution, Article VII, Section IV, Paragraph I specifies the uses of debt, and pension bonds fall outside the scope of debt uses.

9 For additional information, see “OPEB Funding in the Southern States” (CSLF Report, Publication No. 44; August 28, 2018) by Alex Hathaway.
The funded ratio and the actuarially determined contribution (ADC) can provide good insight into the health of a legacy system. The ADC is often used as a benchmark for how well a state is prefunding its future liabilities. ADC amounts are based on the annual costs due in a given year with additional funds based on the amortization of any remaining liability over a timeframe, usually 25-30 years. Table 3 shows whether Georgia met the ADC for pensions and OPEB funds from FY 2015-18. Georgia traditionally meets the ADC for pensions but not OPEB.

Table 3. Meeting ADC for Legacy Costs, FY 2015-18

<table>
<thead>
<tr>
<th>BEST PRACTICE</th>
<th>DO GEORGIA’S METHODS ALIGN WITH BEST PRACTICES?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make actuarial contributions for public pensions</td>
<td>Yes</td>
</tr>
<tr>
<td>Make actuarial contributions for OPEB</td>
<td>No</td>
</tr>
</tbody>
</table>

For decades, Georgia has met the ADC for its two major pension funds, the Employees’ Retirement System (ERS) and Teachers Retirement System of Georgia (TRS). Meeting the ADC should bring the funded ratio toward 100 percent, but other factors, such as market returns, can affect the funded ratio. At the end of FY 2017, ERS had a net pension liability of $4 billion with a funded ratio of 76 percent, above the national average of 66 percent (Pew 2018). TRS represents a significantly larger liability, with a net liability of $18.6 billion and a funded ratio of 79 percent (State of Georgia 2017). For comparison, 38 states met the ADC for their major public pensions in FY 2017.

Because estimating legacy costs requires projecting assets and liabilities—using myriad factors—many years into the future, it can be difficult to gauge accurately how well funded a pension system is. Even small changes to the underlying assumptions used to project assets or liabilities can result in multibillion-dollar swings in net liabilities. For instance, TRS’s current discount rate, which indicates what TRS’s assets can expect to earn over time, is 7.5 percent. A one-percent reduction in the discount rate would balloon the net pension liability from $18.6 billion to $30.5 billion (State of Georgia 2017). While such a large assumption change is drastic, pension valuation studies regularly make smaller tweaks to the system. After Georgia’s last pension system valuation update, the state made nearly $600 million in additional pension payments over the past two years to contribute the updated ADC.

Unlike its pension contributions, Georgia does not contribute to OPEB funds at the ADC level, and the funded ratios of the state’s major OEPB funds are significantly lower than those of the state’s pensions. Until recently, Georgia funded OPEB on a pay-as-you-go basis, where the state pays the annual costs incurred in a given year without consideration for additional prefunding. The two largest funds—the state OPEB fund and the school OPEB fund—had no assets as of the 2014 valuation. However, the state instituted reforms in 2015 to begin prefunding OPEB obligations but not at the ADC level.11 The General

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10 The national average from Pew 2018 is for 2016 funded ratio data.

11 Because Georgia is not contributing at or above the ADC requirement, the state received “No” responses for OPEB contribution levels for FY 2015-18.
Assembly authorized additional OPEB funding in FY 2015 of $187 million and $115 million for FY 2016. For comparison, the ADC in FY 2016 for the two major OPEB funds exceeded $1.1 billion (DCH 2014). By the 2016 valuation, the state OPEB fund was 14.3 percent funded with a total liability of $3.6 billion, and the school OPEB fund was 0.9 percent funded, with a larger total liability of $10.5 billion (State of Georgia 2017).

RESERVE FUNDS
A reserve, or rainy day, fund acts as a savings account for a state. Maintaining healthy reserves allows a state to cushion shortfalls in revenue or unexpected increases in expenditures; however, a state must overtax its citizens to build reserves. In effect, current taxpayer may never benefit from a reserve built today but not used for many years. States must balance the need for building a rainy day fund with taxpayer equity across years.

This research category looks at whether states had funds in their reserve accounts—or surplus general funds that can act as reserves—over several fiscal years. Reserve fund disbursement policies are evaluated to ensure the state cannot remove funds for any purpose. Without strict withdrawal rules in place, a state could use this money to fund policies or programs in the budget. Not only would this leave fewer reserves available during an emergency, but it also potentially opens future budget holes if the program must be funded in future years. A related feature this research category examines is the reserve fund replenishment policy: Do states have policies requiring regular deposits into the reserve fund or replenishment policies for any withdrawn funds? Finally, this section looks for states tying reserve fund deposits to volatile sources of revenue and historical trends in revenue growth. Doing so ensures more money is saved in good times and requires less to be deposited when the state is facing fiscal pressure in bad times. Table 4 indicates whether Georgia maintains reserve balances and has good policies in place governing reserve funds. Overall, Georgia has relatively healthy reserve fund policies.

<table>
<thead>
<tr>
<th>BEST PRACTICE</th>
<th>DO GEORGIA’S METHODS ALIGN WITH BEST PRACTICES?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintain positive reserve/GF balance</td>
<td>Yes</td>
</tr>
<tr>
<td>Use reserve fund disbursement policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Use reserve fund deposit policy</td>
<td>Yes</td>
</tr>
<tr>
<td>Tie reserves to revenue volatility</td>
<td>No</td>
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</tbody>
</table>

Georgia maintained a positive reserve balance over the research period and has policies governing the withdrawal and deposit of reserve funds. The state only lacks the tying of reserve balances to revenue volatility or historical trends, seen in the reserve fund policies of 16 states. After falling to a 10-year low of $104 million during the Great Recession in FY 2009, Georgia has made a concerted effort to improve the

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12 For additional information, see “Reserve Fund Policies in the Southern States” (CSLF Report, Publication No. 47; September 11, 2018) by Bethel Habte, Alex Hathaway and Jesseca Lightbourne.
Revenue Shortfall Reserve’s (RSR) balance (see Figure 2), in part through quite conservative—which some observers would consider low-balled—revenue estimates. The reserve fund has maintained a balance above $1 billion since FY 2015 (OPB 2018). At the beginning of FY 2018, the rainy day fund held more than $2.3 billion in reserves, the largest balance in the state’s history (State of Georgia 2017).

According to state statute, all end-of-year surplus must be transferred to the RSR up to a cap of 15 percent of the previous fiscal year’s net revenue. For FY 2018, the reserve cap was greater than $3.7 billion. Additionally, Georgia has no explicit policy for replacing any funds that are withdrawn from the RSR because all end-of-year surplus is deposited into the fund. While some states have no deposit policies, potentially going many years without making reserve fund deposits, others require any funds withdrawn from reserves be restored within a given time frame.13 Georgia’s policy falls somewhere in between.

The reserve fund policies allow the state to use RSR balances for several purposes. RSR balances are required to cover any end-of-year general fund deficit. Additionally, the state allows 1 percent of reserves to be withdrawn during the fiscal year for K-12 education. The state regularly does this to fund K-12 education using up-to-date enrollment numbers. Finally, the governor may release any amount over 4 percent of the previous year’s net revenues for appropriation by the legislature.

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13 South Carolina, for example, requires any withdrawn reserves be replaced within five fiscal years.
TRANSPARENCY PRACTICES\textsuperscript{14}

Transparency practices look at whether states maintain an official transparency website for the public and whether they present any additional information needed for the public to understand a state’s long-term fiscal health.\textsuperscript{15} Based on the Volcker Alliance project’s research questions, this information includes debt obligations, tax expenditures and deferred infrastructure maintenance costs. Debt obligations include outstanding bonds, particularly general obligation bonds, as well as annual debt service costs. Tax expenditures are estimates of state revenues lost to tax credits, deductions or abatements. Many states regularly produce comprehensive tax expenditure reports addressing these costs. Finally, infrastructure costs are often large, and delaying maintenance is problematic because the costs to repair infrastructure often increase over time. Table 5 presents the additional transparency measures Georgia discloses that help provide a better understanding of the state’s structural health. The state does well in this category.

\textsuperscript{14} For additional information, see “Fiscal Transparency and Accessibility in the Southern States” (CSLF Report, Publication No. 42; July 31, 2018) by Anna Sexton and Alex Hathaway.

\textsuperscript{15} An emerging issue that has implications for online transparency is the security of governmental websites. High-profile data breaches in both the public and private sectors have illustrated the importance of strong cybersecurity protocols.
Table 5. Transparency Practices, FY 2015-18

<table>
<thead>
<tr>
<th>BEST PRACTICE</th>
<th>DO GEORGIA’S METHODS ALIGN WITH BEST PRACTICES?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disclose deferred maintenance costs</td>
<td>No</td>
</tr>
<tr>
<td>Provide debt information</td>
<td>Yes</td>
</tr>
<tr>
<td>Maintain consolidated budget website</td>
<td>Yes</td>
</tr>
<tr>
<td>Disclose tax expenditure costs</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Georgia uses three of the four best practices evaluated. The state does not produce comprehensive estimates of deferred infrastructure maintenance costs. For context, only California and Alaska have published such an analysis. Nonetheless, infrastructure costs are becoming a prominent public concern, and the state should account for the true cost of these liabilities to prevent, as much as possible, large and unexpected infrastructure maintenance costs in the future.

The Georgia State Financing and Investment Commission annually releases a discussion of debt-related information in the Debt Management Plan. The Georgia Constitution sets a debt service limit of 10 percent of prior-year net treasury receipts. The estimated debt service for FY 2019 is $1.37 billion, representing 5.5 percent of prior-year receipts. In the past decade, Georgia’s debt service has generally remained below 7 percent, except following the Great Recession when debt service peaked at 8.1 percent of prior-year receipts in FY 2011 (OPB 2018).

The Debt Management Plan estimates debt issuances for four future years and contains narratives and tables discussing overall debt burdens, types of debt and debt service costs (GSIFIC 2017). The plan includes long-term projections of general obligation bond debt service (see Figure 3). Long-term projections help to plan future debt issuances, ensuring debt service does not become overly burdensome and helping follow state statutes that limit general obligation debt. The Debt Management Plan also provides comparisons of Georgia’s debt use and other triple-A rated states. Twenty-seven other states produce a debt management or debt capacity report on a regular basis.
Georgia also maintains a consolidated series of budget websites and publishes tax expenditure costs and debt information. The majority of budget information can be found on the websites of the State Accounting Office and OPB. The State Accounting Office website holds the comprehensive annual financial reports, revenue and reserve balance reports, and budgetary compliance reports. The OPB website contains a page on the budget process in Georgia, broken down into six phases, and a document detailing the history of major budgeting changes in the state. This website offers easy access to appropriations acts, executive budget proposals, budget memos and citizen-friendly Budgets in Brief, which summarize the highlights of passed budgets. OPB also includes links to fiscal notes, which analyze revenue and expenditure impacts of potential legislation, and the annual tax expenditure report.

Finally, the tax expenditure report is required by statute and created for the state by the Fiscal Research Center at Georgia State University. The report comprehensively evaluates Georgia’s tax expenditures over a three-year period with quantitative estimates and narrative support (GDOAA 2017). The report includes federal provisions to which the state conforms, state-level individual and corporate income tax provisions, sales and use tax provisions, and other provisions, such as the insurance premium tax and the financial institutions special state occupation tax. The report also includes a concise summary of expired provisions and distributional tables by adjusted gross income for several exemptions. Across the country, 37 states produce some version of a tax expenditure report.

The Fiscal Research Center is a sister center of the Center for State and Local Finance in the Andrew Young School of Policy Studies at Georgia State University.
Conclusions

States should continually strive to improve the efficiency, effectiveness and equality of their financial management practices. Of the 19 practices examined for the Volcker Alliance’s *Truth and Integrity in Government Finance* project over FY 2015-18, Georgia uses best practices 14 times, including all of the one-time budget maneuvers. Georgia offers valuable examples for other states of debt B, reserve building and pension funding.
References


Best Practices in Georgia’s Budgeting and Financial Management
About the Author

Alex Hathaway is a research associate with the Center for State and Local Finance and the Fiscal Research Center. He holds a master’s degree in public policy with a concentration in health policy from Georgia State University, a professional doctorate in chiropractic medicine from Life University, and bachelor’s degree from the University of Georgia. His research interests include healthcare finance, state fiscal practices, higher education policy, and program evaluation.

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The Center for State and Local Finance’s (CSLF) mission is to develop the people and ideas for next generation public finance by bringing together the Andrew Young School’s nationally-ranked faculty and the broader public finance community. CSLF conducts innovative, nonpartisan research on tax policy and reform, budget and financial management, education finance, and economic development and urban policy. Additionally, it provides premier executive education in public finance for state and local finance officials and works with local and state partners on technical assistance projects on fiscal and economic policy.

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