

2020 Georgia Budget Primer

A Guide to Your State Budget



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Table of Contents

About GBPI	2
Letter from the Director	3
Introduction	4
Budget Basics	5
Steps Along Georgia’s Budget Path	6
Georgia by the Numbers	8
Revenue	9
Where Does Georgia’s Money Come From?	10
Georgia’s Diverse Funding Sources	12
Budget Trends	19
Georgia’s 2020 Budget	21
State Savings Account Tops \$2.5 Billion	22
Tax Breaks Erode Georgia’s Budget	23
Income Tax Revenues Might Fall Due to Tax Cuts	24
Education	25
Teacher Pay Raises Drive K-12 Spending Increase	27
Middle Georgia Lags as Georgia Economy Grows	28
Pupil Transportation Costs Strain Local Schools	29
Pre-K Funding: More Money for Teachers, More Work to be Done	30
Dual Enrollment Funding Cut	31
University System Funding Grows	32
Technical College System Funding Relatively Flat	33
Lottery Funds: Support for Pre-K and College Students	34
Lottery Reserves Top \$1 Billion	35
Lottery Funds Nearly All of State’s Financial Aid	36
State Funds Smaller Share of College Costs	37
Health Care	39
Medicaid and PeachCare Enrollment and Spending	41
Georgia Lawmakers Pursuing Health Care Reform	42
Georgia’s Medicaid Investment Ranks Near Bottom	44
Behavioral Health and Developmental Disabilities	45
Public Health	46
Human Services	47
Foster Care: New Funds Put Families First	49
New Child Welfare Funds Prioritize Prevention	50
Lack of Low-Income Support Creates Hardship	51
Child Care Assistance Need Far Exceeds, Outstrips Resources	52
Criminal Justice	53
Cost of Correctional Control on the Rise	55
Looking Ahead to Next Year	56
Contact Us	57

About GBPI

The Georgia Budget and Policy Institute works to advance lasting solutions that expand economic opportunity and well-being for all Georgians.



GBPI's policy team. From left to right: Danny Kanso, tax and budget policy analyst; Alex Camardelle, economic mobility senior policy analyst; Laura Harker, health care policy analyst; Jennifer Lee, higher education policy analyst; and Stephen Owens, PhD, K-12 education senior policy analyst

GBPI produces research and state budget analysis to show Georgia ways to provide better education, health care and opportunity for everyone. We are a 501(c)3 nonprofit organization. We depend on the generosity of foundations, corporations and individual donors. ***If you would like to make a donation or find out more about us, please visit www.gbpi.org/donate.***

Letter from the Director



Taifa S. Butler, Executive Director

The Georgia Budget and Policy Institute team celebrates 2019 with a challenge to ourselves dubbed “15 Forward.” That serves as a constant reminder to take stock of our accomplishments since our 2004 founding. Our work helped change the state’s policies in ways that benefit school children, working families and people striving for a better life. And,

most importantly, 15 Forward reminds us that our fight to expand opportunity to all Georgians is far from over.

The 2020 Georgia Budget Primer is the latest edition of our signature annual examination of state revenues and investments, the building blocks of a strong economy: diverse tax base, education, health care and human services. Georgia’s budget is your budget.

This guide clearly explains the importance of the state’s investments and spotlights how budget decisions make a world of difference in the lives of millions of Georgians.

A handwritten signature in black ink that reads "Taifa S. Butler".

Taifa S. Butler
Executive Director

Introduction

Georgia plans to spend \$27.5 billion in state money raised through taxes and fees for the 2020 fiscal year. The budget plan anticipates a revenue increase of \$1.3 billion, or five percent more than the prior year.

Georgia's \$27.5 billion 2020 budget is record-setting. The majority of the increase over the prior year is required to simply keep pace with growth and fund a \$3,000 pay raise for Georgia's certified teachers and public school employees. Things like the number of students in our K-12 schools and rising retirement benefits for state employees will almost always increase the cost of running the state from year to year.

In the pages that follow, you will find a guide to state spending for public services and other needs critical to the quality of life for people across Georgia.

The Georgia Budget Primer 2020 is a clear explanation of the state's revenue collections and its spending plan. It can help a novice understand the budget's complexities. Seasoned observers of state government will find this publication is an authoritative reference during the fiscal year that starts July 1, 2020.

The governor proposed the 2020 state budget in January 2019. State lawmakers then modified it before Gov. Brian Kemp signed the budget into law in May 2019. Lawmakers will amend the 2020 state budget after the next legislative session starts January 2020. Please visit www.gbpi.org for up-to-date analysis of the changes.

The state budget charts a course for Georgia families and communities. The pages that follow explain where the state is headed - and where it ought to go to help every Georgian reach their full potential.

Budget Basics



Georgia's 2020 fiscal year runs July 1, 2019 through June 30, 2020. The total budget available to the state is \$48.6 billion. That includes \$27.5 billion in state funding, \$14.4 billion in federal funding and \$6.7 billion in agency funds.



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



The budget process is ongoing. Even as Georgia is implementing its current budget, it is auditing the previous year's budget and planning for the next one. Beyond the General Assembly, many others participate in the process, including the governor, state budget director, state economists, agency leaders and budget officials, state auditors and the public.

Steps Along Georgia's Budget Path

1



Budget Request Instructions Sent to Agencies:

In early summer, the Governor's Office of Planning and Budget (OPB) sends guidelines to agencies for budget requests.

2



Agencies Prepare Budget Request:

Agencies prepare requests and get board approval (if applicable).

8



House Approves Its Budget:

The House votes on changes to the governor's budget proposals.

7



Legislative Appropriations Process:

The appropriations committees in the Georgia House of Representatives and Senate hold budget hearings for the current and upcoming fiscal year.

9



Senate Approves Its Budget:

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

10



Conference Committee Meets:

The lieutenant governor and speaker of the house appoint a conference committee to negotiate a single version of the budget.

3



Budget Request Submitted:

Agencies submit all requests for current and upcoming fiscal year to OPB by September 1.

4



Budget Request Analyzed:

The governor, OPB staff, and agency leaders review and assess current and new budget requests.

6



Budget Documents Sent to the General Assembly:

In January, within the first five days of the General Assembly session, the governor presents budget proposals.

5



Governor Finishes Budget:

By the end of the calendar year, the governor finalizes the budget proposals.

11



Final Version Approved:

The House and the Senate each vote to approve the final version.

12



Appropriations Bill Sent to Governor:

The governor has 40 days from the end of the legislative session to sign the budget bill into law and may veto specific parts of it.

Georgia by the Numbers

Georgia's budget for 2020 touches the lives of people in every corner of the state. The spending plan affects the quality of life for more than 10.5 million Georgians across the state's many diverse communities. The lion's share of that money is allocated to core investments in the state's economic future, including education, health care, public safety and transportation. Here are some examples of the ways the state budget affects the lives of Georgians:



2 million Georgians receive health care coverage who are seniors, disabled, children or parents with low incomes (\$3.4 billion in the 2020 state budget)



1.75 million children enroll in Georgia's 2,300 K-12 public schools. **1.2 million** are eligible for Free and Reduced Price School Meals (\$10.6 billion in the 2020 state budget)



108,000 students graduated from a Georgia public high school in 2018, setting a record state graduation rate of 81.6 percent



465,000 students enrolled in a Georgia public college, university or technical college



343,000 Georgians live under correctional control, including **270,000** on probation, **56,000** inmates and **10,300** parolees (\$1.4 billion in 2020 state budget)



18,000 miles of state highway are overseen by the Department of Transportation, which will also direct \$193 million in FY 2020 to help maintain more than **100,000** miles of county roads and city streets

Sources: Georgia Department of Community Health; Georgia Department of Corrections, January 2019 Average Counts; Georgia Department of Education; Georgia Department of Transportation, Fact Book



Revenue

Revenue

Where Does Georgia's Money Come From?

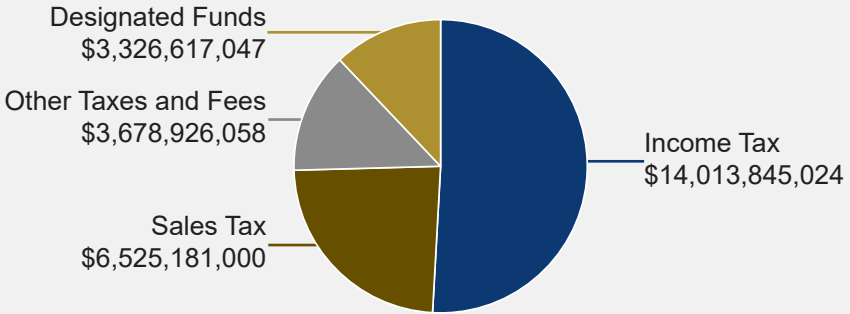
Georgia's fiscal health depends on the state's ability to raise money from diverse sources in a reliable way. Like most states, Georgia collects revenue from a mix of personal and corporate income taxes, sales taxes, gas and vehicle taxes, and various other levies and fees.

Income taxes are the cornerstone of Georgia's revenue system, accounting for more than half of all state funds. Sales taxes are the second largest revenue source, representing a quarter of annual collections. A fair and reliable revenue system requires both types of taxes.

Income taxes help balance the regressive effects of sales taxes and fees by allowing the state to collect a proportionate share of revenue from the wealthiest earners and most profitable corporations. A healthy income tax is also less sensitive to economic trends, which can boost revenue growth during good times but decline sharply when recessions occur.

Sales taxes provide a less consistent baseline of yearly revenue, and they fall more sharply on middle-class families and working people with lower incomes. Sales taxes also historically lag behind innovations that spur changes in Georgia's economy. In January 2019, a new Georgia law began requiring online retailers to collect and remit sales taxes to the state. Marketplace facilitators like Uber's rideshare and Airbnb's room rental services remain untaxed. Proposed legislation is pending for 2020 that would expand the state's authority to apply sales taxes to those two industry categories and other marketplace brokers.

Income Tax Largest Source of State Revenue



Revenue Estimate, 2020 Fiscal Year

Income Taxes	\$14,013,845,024	50.9%
Personal Income Tax	\$12,754,221,000	46.30%
Corporate Income Tax	\$1,259,624,024	4.57%
Sales Tax	\$6,525,181,000	23.69%
Other Taxes and Fees	\$3,678,926,058	13.4%
Motor Vehicle Title Tax (TAVT)	\$616,896,500	2.24%
Insurance Premium Tax	\$523,907,800	1.90%
Motor Vehicle License Fee	\$409,088,000	1.49%
Hospital Provider Payments	\$336,598,954	1.22%
Other Transportation Fees	\$193,383,600	0.70%
Tobacco Tax	\$229,658,200	0.83%
Alcohol Beverage Tax	\$200,222,900	0.73%
Nursing Home Provider Fees	\$157,326,418	0.57%
All Other Interest, Fees and Sales	\$1,011,843,686	3.67%
Designated Funds	\$3,326,617,047	12.1%
Motor Fuel Tax & Interest	\$1,925,866,307	6.99%
Lottery Funds	\$1,249,181,429	4.54%
Tobacco Settlement Funds	\$150,159,978	0.55%
Brain & Spinal Injury Trust Fund	\$1,409,333	0.01%
Total	\$27,544,569,129	100%

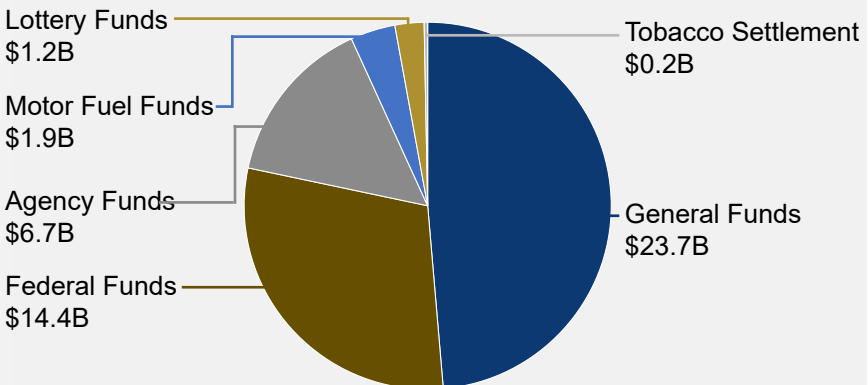
Source: Governor's Budget Report Fiscal Year 2020

Georgia's Diverse Funding Sources

Georgia's total 2020 budget including federal funds is \$48.6 billion and is made up of six major funding sources:

- **General Funds** – Education, public safety and most other traditional state services are paid for from the General Fund, which includes money raised by income taxes, sales taxes and the motor fuel tax for transportation.
- **Federal Funds** – A large share of Georgia's overall spending for health care, K-12 education, transportation and other services is through administration of federal funds.
- **Agency Funds** – These include tuition and fees from colleges and university system research funds.
- **Lottery Funds** – These are dedicated to Pre-Kindergarten programs and scholarships for higher education.
- **Tobacco Settlement Funds or Grants** – This ongoing annual payment, resulting from a legal settlement with the country's four largest tobacco companies over health care costs, can be used for anything in the budget.
- **Intrastate Transfers** – The \$4.4 billion of intrastate transfers include payments from the state health plan and are not counted in the \$48.6 billion budget.

General and Federal Funds Make Up Most of \$48.6 Billion 2020 Budget



Source: Georgia's 2020 Fiscal Year Budget (HB 31), signed by governor

General and Motor Fuel Funds

\$26,143,818,389 (54 percent of Georgia's budget)

The General Fund derives largely from income taxes on personal and corporate earnings and sales taxes on consumer transactions. The state also taxes motor fuel and assesses provider fees on hospitals and nursing homes. More than 95 cents of every dollar appropriated by the state pays for seven core priorities:

- K-12 Education (41 cents of every dollar spent)
- Health Care (19 cents)
- Higher Education (12 cents)
- Public Safety and Corrections (8 cents)
- Transportation (8 cents)
- Debt Service (5 cents)
- Department of Human Services (3 cents)

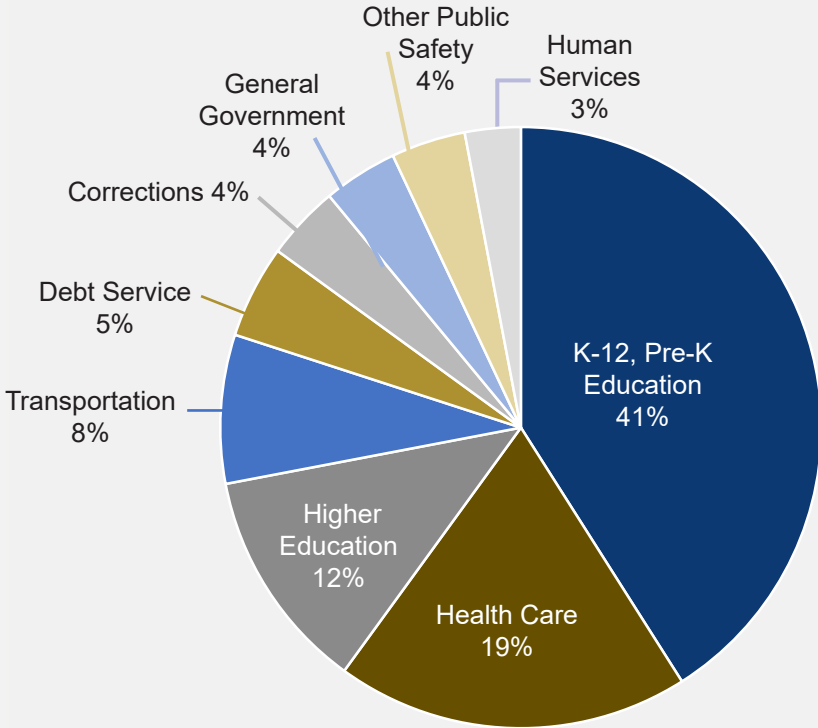
The remaining General Fund spending is for state agencies, boards and commissions. That money includes state activities such as economic development, agriculture and forestry, and grant programs. The General Fund also covers costs of operating the legislative, judicial and executive branches of state government. Not included in Georgia's General Fund are state lottery proceeds and money dedicated to the Brain and Spinal Injury Trust Fund. Lottery proceeds are not included in the General Fund and account for about 5 percent of state funds.

Motor Fuel Funds

Georgia's Constitution restricts spending revenue from state motor fuel taxes to roads and bridges. The money is dedicated to a mix of new construction, maintenance of existing infrastructure and debt service on past investments. Georgia's 2019 motor fuel rates are 27.5 cents per gallon of gas and 30.8 cents per gallon of diesel, a slight uptick from last year. The state's 2020 budget includes \$1.9 billion in motor fuel revenue, an increase of about \$30 million over the 2019 budget.

**Education and Health Care Equal 70
Percent of State Budget**

FY 2020's \$26.1 billion General Fund and Motor Fuel
Funds Budget



Source: Georgia's 2020 Fiscal Year Budget (HB 31), signed by governor

Federal Funds

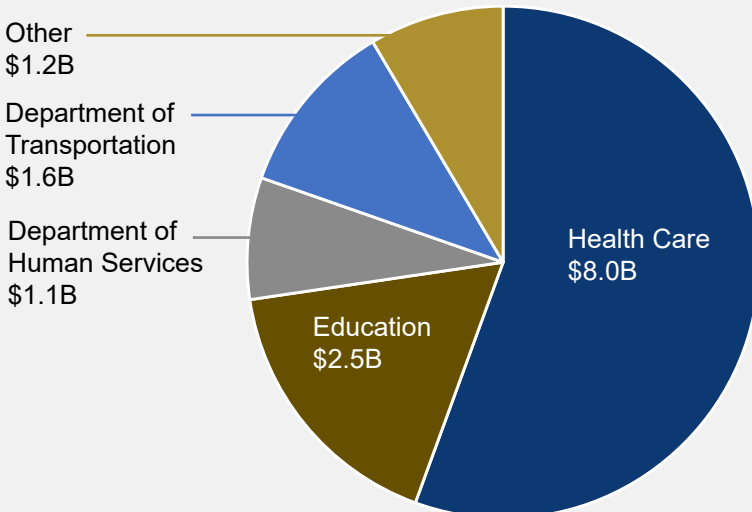
\$14,352,021,866 (30 percent of Georgia's budget)

Money from the federal government flows to a range of state programs and services. Georgia spends the vast majority of federal money on the following:

- \$8 billion for Medicaid, PeachCare and health care
- \$2.5 billion for education, which includes school nutrition programs, services for low-income students and support for students with disabilities
- \$1.6 billion for the Georgia Department of Transportation
- \$1.5 billion for human services, Temporary Assistance for Needy Families and child welfare

Federal rules require the state to match federal funding for Medicaid and many other investments that benefit Georgians. As a result, changes in state funding levels typically track changes in federal funding.

\$14.4 Billion in Federal Funds Pays for Health Care, Education, Transportation and Human Services



Source: Georgia's 2020 Fiscal Year Budget (HB 31), signed by governor

Agency Funds

\$6,730,775,206 (14 percent of Georgia’s budget)

Agency funds include \$2.5 billion in tuition and fees collected by the University System of Georgia and the Technical College System of Georgia. The University System of Georgia accounts for \$2.3 billion in research funds. The money is retained by the individual schools.

Most Agency Funds Come From College Tuition, Fees and Research

Tuition and Fees for Higher Education, Other	\$2,548,845,507
University System of Georgia Research Funds	\$2,344,435,758
All Other Agency Funds	\$1,837,493,941
Total	\$6,730,775,206

Source: Georgia’s 2020 Fiscal Year Budget (HB 31), signed by governor

Intrastate Transfers

\$4,390,436,712 (Included for reference, but not as a net increase to Georgia’s budget)

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

Health Payments Make Up Most Intrastate Transfers

State Health Benefit Plan Payments	\$3,766,590,935
Medicaid Services Payments – Other Agencies	\$280,857,262
Other Intrastate Government Payments	\$238,895,944
Workers Compensation Funds	\$104,092,571
Total	\$4,390,436,712

Source: Georgia’s 2020 Fiscal Year Budget (HB 31), signed by governor

Tobacco Funds

\$150,159,978 (0.3 percent of Georgia's budget)

Georgia receives annual payments from a large settlement signed in 1998 with four of the country's largest tobacco companies, known as the Tobacco Master Settlement Agreement. Georgia is not required to dedicate these payments for specific purposes. As a result, the use of tobacco settlement money can vary from year to year, though most of the money in recent budgets was allotted to health care.

Most Tobacco Funds Used for Health Services	
2019 Tobacco Settlement Fund Budget	
Low Income Medicaid	\$119,561,391
Elderly, Blind and Disabled Medicaid	\$6,191,806
Adult Developmental Disabilities Waiver Services	\$10,255,138
Other	\$14,151,643
Total	\$150,159,978

Source: Georgia's 2020 Fiscal Year Budget (HB 31), signed by governor



Budget Trends

Budget Trends

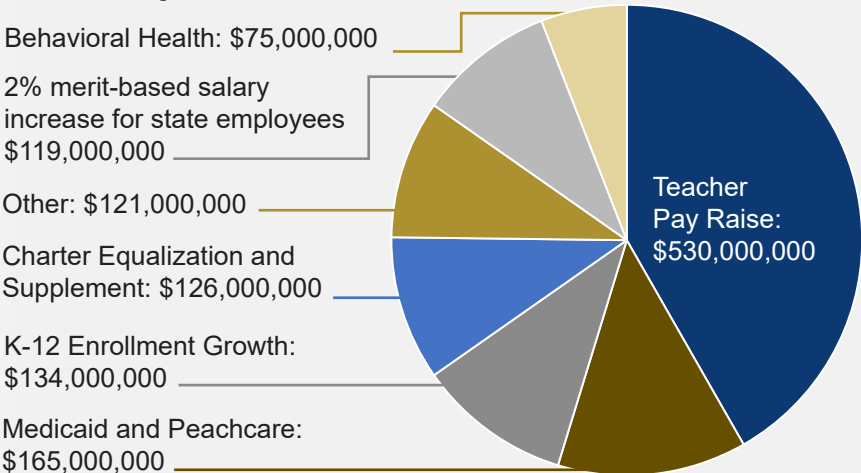
TRENDS

The \$27.5 billion state budget signed into law by Gov. Brian Kemp for the 2020 fiscal year starting July 1, 2019 represents a \$1.3 billion overall increase in state spending from last year, an increase of 5 percent.

The largest addition to the 2020 state budget is dedicated to financing a \$3,000 pay increase for all certified teachers and public school staff. The \$3,000 is a portion of the larger \$5,000 educator pay raise championed by the governor. It will cost the state \$530 million in the 2020 fiscal year. The budget also includes \$133 million for K-12 enrollment growth, \$48 million for charter system grants and State Charter Schools Commission supplements and \$79 million for charter school equalization. The state also allots \$165 million for growth in Georgia’s Medicaid and PeachCare programs.

\$530 Million Teacher Pay Raise Accounts for Largest Share of New Spending

Share of \$1.3 billion general fund and motor fuel increase in FY 2020 budget



Source: Georgia’s 2020 Fiscal Year Budget (HB 31), signed by governor

Georgia's 2020 Budget

Georgia's annual appropriations steadily increased since the Great Recession ended in 2009, with the lion's share spent on education. Georgia continues to show consistent year-over-year revenue growth. State economists project 3.2 percent revenue growth during the state's 2020 budget year. Below is a timeline of recent major state budget milestones.



March 2018:

Gov. Nathan Deal increases the state's revenue estimate by \$167 million, allowing the General Assembly to approve a \$26.2 billion budget for FY 2019 that fully funded Georgia's public schools for the first time in 16 years.



November 2018:

In response to Hurricane Michael, Deal raises the state's revenue estimate by \$271 million to \$26.5 billion, allowing legislators to approve a major disaster recovery package in the state's first Special Session since 2011.



March 2019:

Gov. Brian Kemp signs the state's amended FY 2019 budget, with \$435 million added to pay for enrollment increases in K-12 public schools, Medicaid growth, increased transportation funding, and \$69 million in school safety grants for Georgia's 2,300 public schools.



May 2019:

Kemp signs Georgia's 2020 budget into law, investing the majority of new funding to increase teacher pay

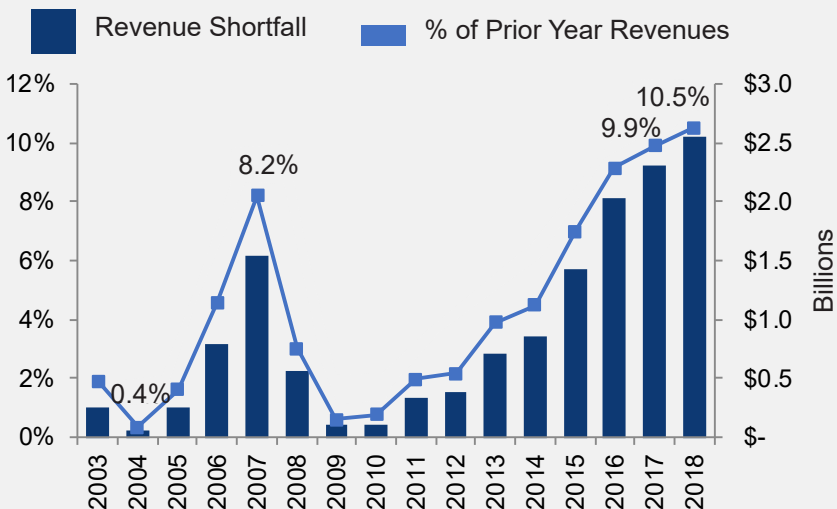
State Savings Account Tops \$2.5 Billion

TRENDS

The Revenue Shortfall Reserve is Georgia’s rainy day fund, meant to provide stability during economic downturns. The fund acts like a savings account for the state to cover expenses and maintain services when revenues decline unexpectedly. Maintaining adequate reserve money is also important to keep Georgia’s stellar AAA bond rating, a top rating that allows lawmakers to borrow money at favorable terms and save millions of dollars in annual interest payments.

Lawmakers do not directly appropriate money to the reserve fund. The balance grows at the end of each fiscal year if there is surplus state revenue – up to 15 percent of the prior year’s revenues. At the outset of the Great Recession, the reserves reached \$1.5 billion before lawmakers tapped the savings to help balance budgets in 2008, 2009 and 2010. Still, the state cut many important services and programs during the recession and for years after. The balance of Georgia’s rainy day fund now stands at \$2.55 billion, or 10.5 percent of 2019 General Fund revenues. That is enough money to operate the state for 34 days in the event of an emergency or recession.

State Savings Account Reaches New Heights



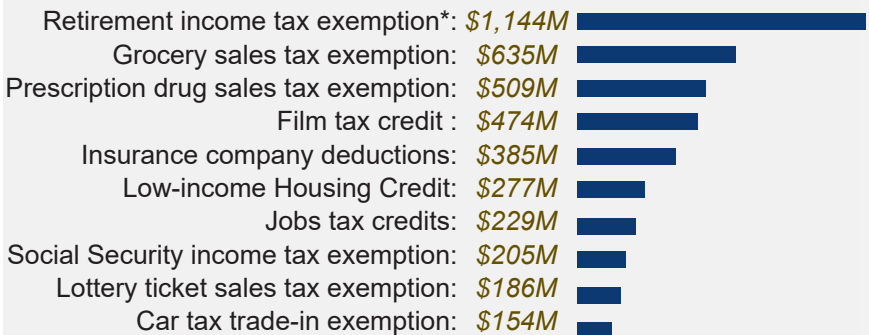
Source: Governor’s Budget Report Fiscal Year 2020, Georgia Budgets in Brief 2003-2015

Tax Breaks Erode Georgia's Budget

The Georgia General Assembly approved 26 tax bills in 2019, including one to extend the state's sales tax exemption for large-scale economic development projects. Georgia continues to forego billions of dollars in state revenue each year through dozens of credits, deductions and other breaks, also known as tax expenditures. Georgia's assortment of tax breaks are designed to achieve policy goals, such as driving economic growth or boosting family finances. The tax breaks are estimated to cost the state \$9.8 billion in lost revenue in the 2020 budget year. Even by a more conservative estimate that excludes a set of business sales tax exemptions found in most states, Georgia's tax breaks still yield an annual cost of about \$5.9 billion.

Some tax breaks provide key protections for families and the economy. Those include sales tax exemptions for groceries and some business purchases, such as energy used in manufacturing. Others deliver outsized gains to select groups or industries, often with questionable benefit to the state. Georgia lacks a formal review process to measure and compare costs and benefits of tax breaks. Lawmakers are poised to consider a proposal in the 2020 session to require a fiscal analysis on all future tax breaks.

Retirement, Income, Food and Film Amongst Largest Tax Breaks



Source: GBPI analysis of Georgia Tax Expenditure Report for FY 2020. List excludes some business-to-business exemptions and standard features of the personal income tax
*Retirement income includes pensions and personal retirement accounts including IRAs and 401ks but not Social Security which is covered under a separate income tax exemption

Income Tax Revenues Might Fall Due to Tax Cuts

Some of the state’s most sweeping tax changes in decades took effect in January 2019 in response to the federal Tax Cuts and Jobs Act of 2017. The federal tax code changes increased state revenue projections by as much as \$1.1 billion by 2020. The General Assembly opted to phase in a major state-level tax cut package and forgo the additional revenue.

The first phase took effect in January, doubling Georgia’s standard deduction and reducing the state’s top personal and corporate income tax rates to 5.75 percent from 6 percent. In 2020, the General Assembly is authorized by the 2019 state legislation to cut Georgia’s top income tax rate to 5.5 percent if legislators elect to pass a joint resolution.

The federal tax revision is projected to reduce the liability of Georgia residents, estates and state-based corporations by about \$7.7 billion in 2020. Meanwhile, the already adopted changes to the state’s tax code are projected to add \$130 million to state revenues. State revenues are projected to shrink by \$550 million in 2020 if lawmakers set the top income tax rate at 5.5 percent. Some lawmakers propose adopting a state-level Earned Income Tax Credit instead of the rate cut, which carries less cost to the state treasury. It also focuses future tax cuts on low- and middle-income households.

Largest Benefits of Georgia Tax Cut Go to Top Earners

2020 Income	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%
Average Income in Group	\$15k	\$30k	\$49k	\$81k	\$260k
Average Federal Tax Change	-47	-356	-577	-1,068	-5,955
Average State Tax Change	-64	-116	-146	-186	-523
Net Share of Resident Tax Cut	-111	-463	-569	-994	-5,724

Source: Institute on Taxation and Economic Policy, June 2019



Education

Education

Georgia lawmakers committed \$707 million more to the state's K-12 public education system in the 2020 budget than the prior year, for a total of \$10.6 billion. More than three-quarters of the funding growth covers salary increases for certified public school teachers and school employees. Pay raises and a second consecutive year of full funding of the state's Quality Basic Education formula marks significant progress. However, many school districts still strain to operate due to a funding formula lawmakers made less equitable in recent years. For example, the state shrank the size of equalization grants that provide more support to low-wealth districts.

The Department of Early Care and Learning receives \$61.8 million from the state's General Fund. The Department of Education receives \$10.6 billion. The higher education budget is \$2.4 billion from the state for the University System of Georgia and \$374 million for the Technical College System of Georgia.

Georgia allocates \$139 million in state money for education programs administered by the Georgia Student Finance Commission. Dual Enrollment receives \$101 million of that to pay for high school students who take college courses. Lawmakers cut the 2020 budget for Dual Enrollment by \$3 million, even as participation continues to grow rapidly.

The Legislature also appropriated \$1.2 billion in lottery funds for education: \$379 million for Pre-Kindergarten and \$857 million for college scholarships and loans, including HOPE Scholarships and Grants. Lottery reserve funds total more than \$1.1 billion.

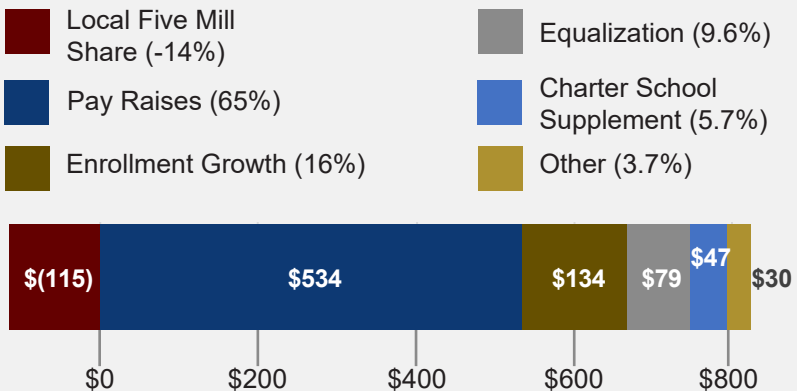
Teacher Pay Raises Drive K-12 Spending Increase

Georgia’s 2020 budget for K-12 education is \$10.6 billion, an increase of \$707 million over the prior year. Most of the new dollars are for pay raises for teachers from Pre-K through 12th grade. Legislators aimed for the allotment to raise the salaries of certified employees by \$3,000 beginning July 1, 2019.

The \$3,000 pay raises will require \$529.8 million from the state General Fund for K-12 teachers and other certified employees. The money also allows for raises for school counselors, social workers, psychologists, media specialists, special education specialists and technology specialists. The General Assembly designated \$3.7 million for merit-based pay adjustments and two percent salary increases for employees across the Department of Education, bringing the total to \$533.5 million.

Lawmakers allotted \$134 million for student enrollment growth and routine salary adjustments for training and experience, the second largest category of new education spending. Equalization grants are allotted \$78.6 million to provide financial assistance to low-wealth school districts. Combined, these three appropriations account for 91 percent of the additional money for public education in the 2020 budget.

Majority of New Dollars for Education Go to Teacher Pay Raises



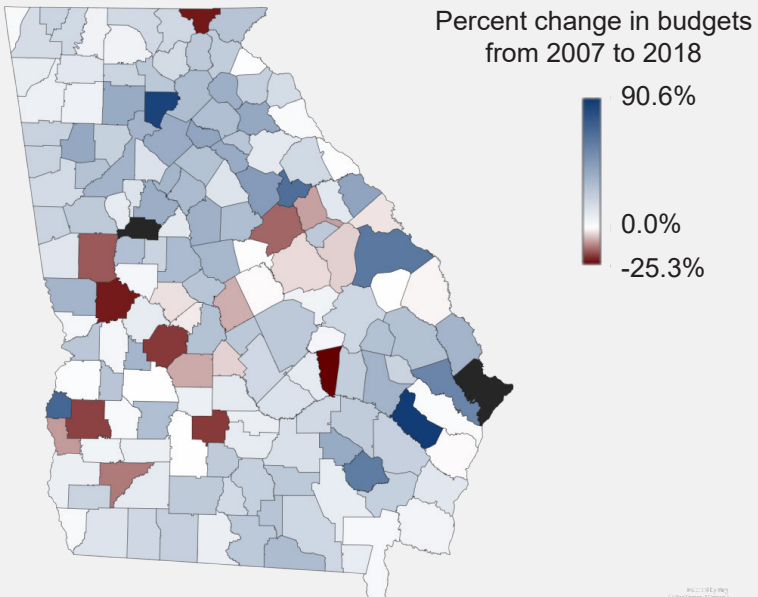
Source: Georgia’s Fiscal Year 2020 Budget (HB 31), signed by governor

Middle Georgia Lags as Georgia Economy Grows

The average school district budget in Georgia grew by 24 percent since 2007. The state's public school enrollment grew by more than 100,000 students in the past 13 years. Over this same time Georgia lawmakers imposed strict state spending reductions on school districts, known as austerity cuts. Lawmakers ended austerity cuts for public schools in the 2019 budget. The 2020 budget continues fully funding the Quality Basic Education formula, the state's spending distribution system.

Even as enrollment grows and the state allots more money to local districts, many school systems are worse off than 10 years ago. School districts in middle Georgia are faring the worst. Twenty-three of Georgia's school systems are funded at lower levels now than in 2007.

Middle Georgia School Districts Struggle With Shrinking Budgets

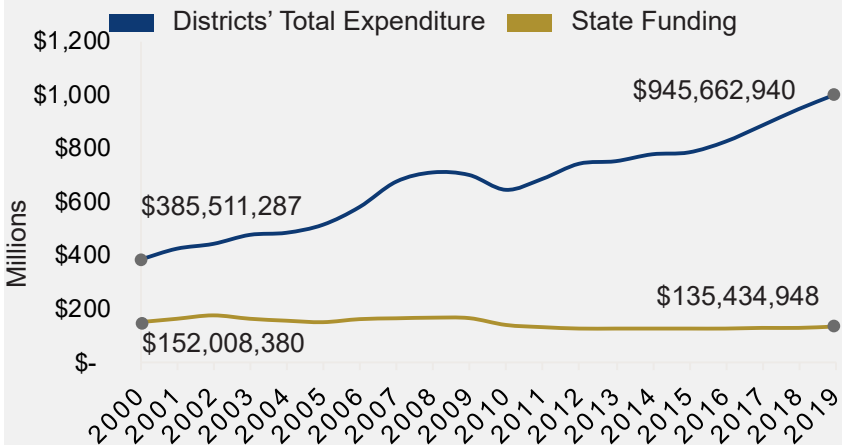


Pupil Transportation Costs Strain Local Schools

The state of Georgia continues a pattern of shortchanging pupil transportation in the 2020 budget. That shortfall triggers safety concerns and creates significant costs for local school districts. Student transportation is allotted \$135 million through the Quality Basic Education funding formula for an 18.9 percent decrease compared to 2009. Over this same time, the costs associated with busing students increased year over year.

One culprit for rising transportation costs is the failure to account for the true needs of Georgia’s schools. Last year the funding formula only paid for 8,827 bus drivers even though there are closer to 14,700 of them statewide. State policymakers also shifted costs for the health insurance of non-teaching staff from the state to local school districts. Those and other expenses continue to reduce the state’s share of student transportation funding since 1991, when it covered 54 percent of total costs. Last year the state paid less than 14 percent of the total cost.

K-12 Transportation Costs Rise, State Funding Does Not



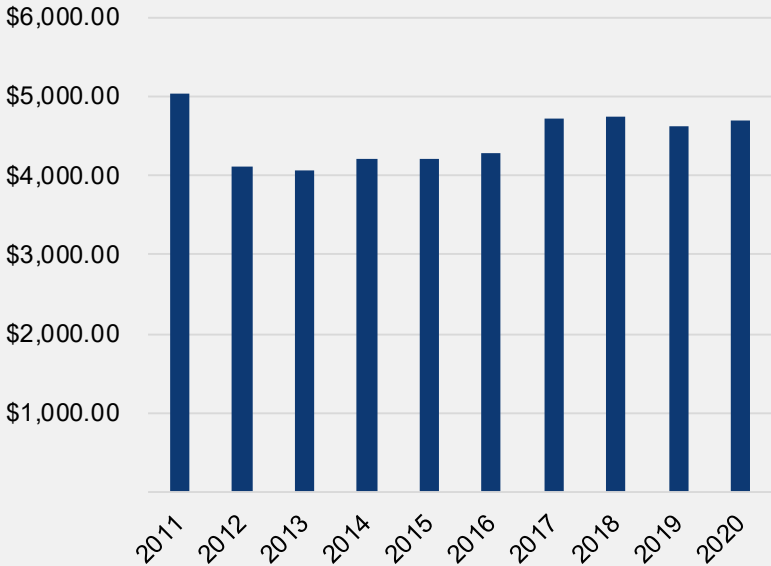
Source: District Expenditure Reports, fiscal years 2000 through 2018, and State Mid-term Allotment Sheets, fiscal years 2000 through 2018, Georgia Department of Education

Pre-Kindergarten Funding: More Money for Teachers, More Work to be Done

Pre-Kindergarten funding is up 3 percent in 2020, with new lottery money available to cover teacher pay increases. The budget includes \$15 million to raise lead teachers' salaries by \$3,000 and \$1.5 million to provide a 2 percent raise for assistant teachers. At a salary of \$15,873 per year for assistant Pre-Kindergarten teachers, this raise will amount to an additional \$317 per year.

The investment in teacher salaries continues a recent trend that keeps Pre-Kindergarten funding on pace with inflation. Still, the state provides less per student for Pre-K than a decade ago. In 2011 Georgia allocated the equivalent of \$5,038 per student when accounting for inflation, \$338 more than in the 2020 budget.

Per Student Pre-K Funding Increases, Still Down from Decade Prior



Source: Georgia's amended fiscal year budgets, 2011-2019; Georgia's Fiscal Year 2020 Budget (HB 31); U.S. Department of Labor, CPI Inflation Calculator

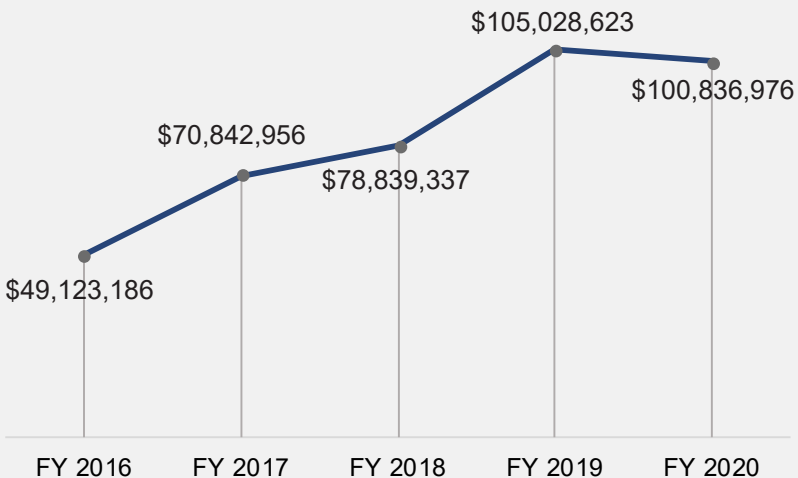
Dual Enrollment Funding Cut

Georgia’s 2020 budget for Dual Enrollment is \$101 million. The program is for high school students who take college-level courses that count for both high school and college credit. The state pays colleges fixed amounts. Colleges cannot charge high school students, though students can be responsible for course-specific fees and transportation costs.

Georgia’s Dual Enrollment program began in 2015, following the consolidation and simplification of duplicative programs. The program originally paid colleges for tuition, mandatory fees and books, as well as funding transportation grants. Participation grew rapidly, and the state more than doubled funding over the 2016 to 2019 fiscal years.

The 2020 budget cuts \$4.2 million in state funds. The program’s administrator, the Georgia Student Finance Commission, eliminated payments for mandatory fees and books for the 2020 fiscal year. The state cut the \$500,000 transportation grant in 2019.

Dual Enrollment Funding Decreases for First Time Since Program Started in 2016



Note: FY 2020 total includes \$1 million in lottery funds.

Source: FY 2016-2020 budgets

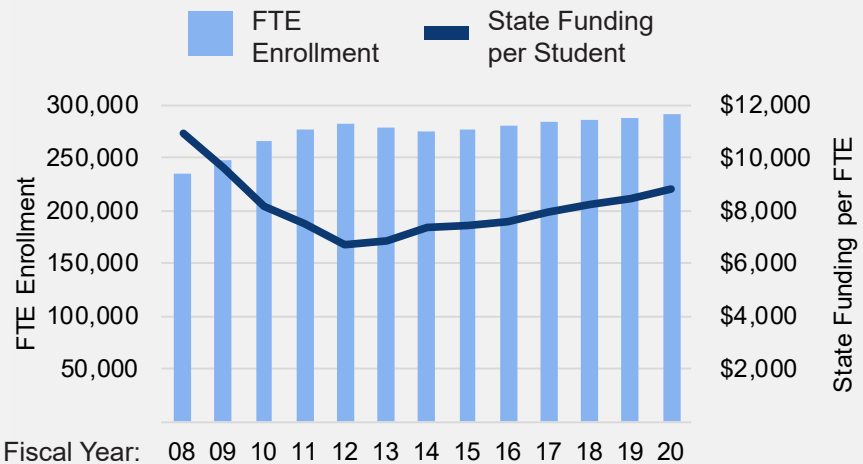
University System Funding Grows

Georgia’s 2020 budget for the university system is \$2.4 billion, about 10 percent of the state’s General Fund. Georgia allocates \$2.2 billion to colleges and universities for student instruction. The state appropriates money to the Board of Regents, which manages Georgia’s public university system and allocates money among its 26 colleges and universities.

State funding increased 6 percent over the prior year. About one-third of the increase is for merit pay, recruitment and retention. A little more than half of it is for formula funding increases based on enrollment and facility square footage.

Per-student funding continues to increase after reaching its lowest point in 2012. But per-student, inflation-adjusted funding is still below pre-recession levels. Per-student funding dropped sharply after several years of budget cuts paired with enrollment increases.

University System Funding and Enrollment Growing Gradually



Note: “Per student” refers to Full Time Equivalent (FTE)
Source: Georgia’s amended fiscal year budgets 2001-2019; Georgia’s FY 2020 Budget (HB 31); Board of Regents, University System of Georgia, fall semester enrollment reports 2001-2018, GBPI estimate of fall 2020 enrollment assuming 1 percent growth. Adjusted for inflation

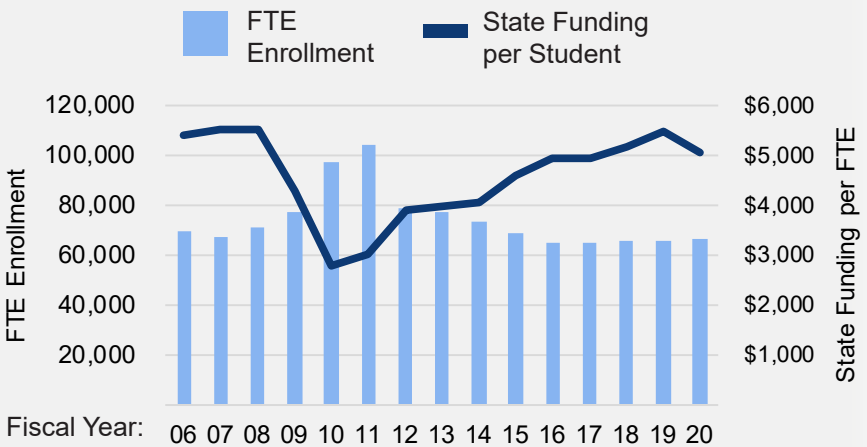
Technical College System Funding Relatively Flat

Georgia’s 2020 budget for technical education is \$334 million. The technical college system includes 22 colleges throughout Georgia. Technical college programs lead to associate degrees, certificates and diplomas.

Per-student funding and overall enrollment remain flat. Technical college enrollment often tracks the economy, as people who can not find work or lose jobs during economic downturns enroll in technical colleges to upgrade their skills. The largest changes in Georgia’s higher education 2020 budget from the prior year include an added \$5.4 million for merit pay, recruitment and retention and a cut of \$3 million for marketing.

The technical college system also administers Adult Education services for people without a high school diploma, the Quick Start program which delivers customized workforce training for Georgia businesses and the Office of Workforce Development.

Technical College Funding and Enrollment Remain Relatively Flat



Notes: “Per student” refers to Full Time Equivalent (FTE). FY 2019 includes \$35 million for a new Aviation Academy at the Paulding Northwest Atlanta Airport
Source: Georgia’s amended fiscal year budgets 2006-2019; Georgia’s 2020 Budget (HB 31); State general funds for technical education only. Technical College System of Georgia, End of Year annual Academic Year Enrollment Reports. GBPI estimate of 2019 and 2020 enrollment assuming 0.5% growth. Adjusted for inflation

Lottery Funds: Support for Pre-K and College Students

Georgia appropriated \$1.2 billion from lottery sales to fund these education programs for 2020:

HOPE Scholarships (Public)

\$703,115,948

For students pursuing bachelor's or associate degrees in public colleges. This money pays for the partial-tuition HOPE Scholarship and the full-tuition Zell Miller Scholarship.

Georgia's Pre-Kindergarten Program

\$378,703,805

For 4-year-olds to access high-quality early learning. Georgia's 2020 Pre-K funding includes a \$16.5 million increase to cover raises for Pre-K teachers and staff.

HOPE Grants

\$66,196,466

For students pursuing certificates or diplomas in technical colleges. This money pays for the partial-tuition HOPE Grant, full-tuition Zell Miller Grant and supplemental HOPE Career Grant, which covers full tuition for students in specific programs when combined with other HOPE grants.

HOPE Scholarships (Private)

\$62,017,197

For students pursuing bachelor's or associate degrees in private colleges.

Student Access Loans

\$26,000,000

Provides low-interest loans to college students.

HOPE GED®

\$1,930,296

One-time awards for students who complete a GED® and enroll in postsecondary education.

Source: Georgia's Fiscal Year 2020 Budget (HB 31), signed by governor

Lottery Reserves Top \$1 Billion

The state appropriates more lottery money than it spends on Pre-K and HOPE programs. The unspent dollars, or surplus, transfers to reserves managed by the Office of the State Treasurer. In the 2018 fiscal year, more than \$78 million in lottery surplus transferred to the reserves.

The Lottery Shortfall Reserve acts as a rainy day fund. If lottery ticket sales underperform leaving a shortfall for education programs, the state can draw on the reserve. Since 2011, the law requires the shortfall reserve to hold 50 percent of the previous year's net lottery proceeds. After reaching this target, any money left is considered unrestricted reserves.

Lottery reserves continue to grow. In 2018, the shortfall reserve held \$619 million and the unrestricted reserves held \$550 million, for more than \$1.1 billion combined.

Lottery Reserves Total More Than \$1.1 Billion



Source: State Accounting Office, 2014-2018 Report of Georgia Revenues and Reserves, 2011-2013 Selected Summary Financial Information

Lottery Funds Nearly All of State's Financial Aid

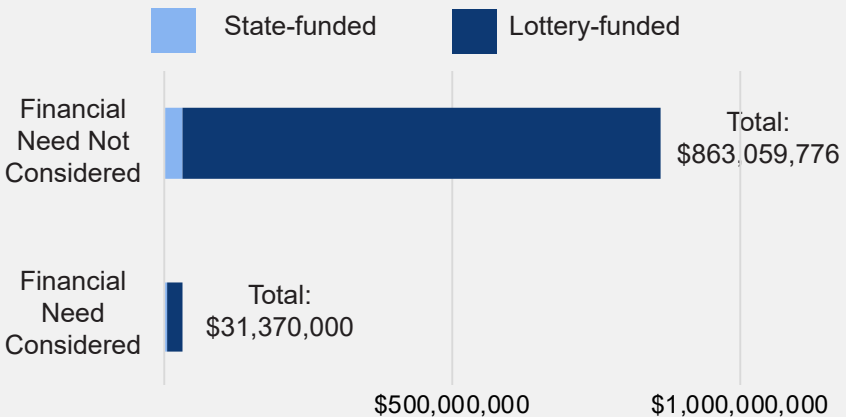
Georgia pays for financial aid through the state General Fund and the lottery. The lottery pays for 96 percent of state aid. The state's 2020 budget allots \$857 million in lottery-funded aid and \$37 million in aid from the state's general fund.

Financial aid eligibility falls into two categories. Need-based aid considers a family's financial situation. Non-need-based aid rewards high test scores or grades, or targets students like members of the Georgia National Guard or those pursuing specific fields like engineering.

Georgia's 2020 budget assigns \$863 million for non-need-based aid and \$31 million for aid that considers financial need. Aid that gives weight to need includes \$26 million in lottery-funded loans and \$5 million for the state-funded REACH program. REACH Scholarships are jointly funded by the state and school districts and serve about 1,800 students.

Lawmakers passed legislation in 2018 to create Georgia's first broad need-based aid program, but the state did not fund it in either the 2019 or 2020 state budgets.

Financial Need not Factored in Most Financial Aid Funding



Source: Georgia's Fiscal Year 2020 Budget (HB 31), signed by governor

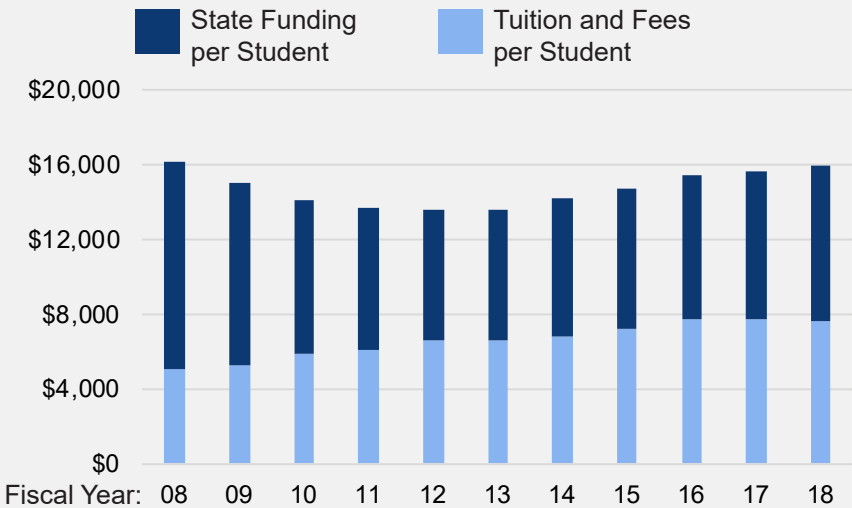
State Funds Smaller Share of College Costs

Public colleges are funded through state appropriations, federal grants, tuition and fees. Generally, federal grants support specific research, state funding and tuition support instruction and student fees pay for services like housing, dining and athletics.

State money subsidizes the cost of higher education in public colleges and universities, lowering the price for students. Over the last decade, Georgia reduced its share of college costs and shifted the burden to students and their families. Colleges continue to raise tuition and fees to meet budget pressures and higher expectations for quality.

The University System of Georgia is the state agency with the most revenue outside of state or federal sources. Georgia's 2020 budget counts on \$2.3 billion in tuition and fees and a \$2.4 billion contribution from the state. Though the university system's funding formula assumes a 75/25 split between state funding and tuition, the current split is closer to 50/50.

University System Revenue Shifted Toward Tuition and Fees



Note: "Per student" refers to Full Time Equivalent (FTE)

Sources: Georgia budget reports, University System of Georgia Annual Financial Reports, Enrollment Reports. Adjusted for inflation

Notes



Health Care

Health Care

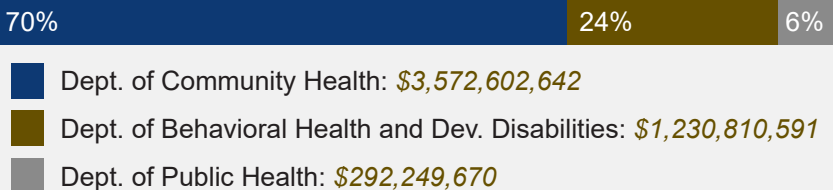
Three state agencies are primarily responsible for health care services in Georgia: the departments of Community Health, Public Health and Behavioral Health and Developmental Disabilities. State funding for these three agencies totals \$5.1 billion in 2020, about 19 percent of state general spending. General Fund appropriations for these agencies account for \$4.5 billion, or 87 percent of the total, while other sources account for about \$643 million. General Fund dollars for these three agencies increased by \$257 million from 2019 to 2020.

The Department of Community Health accounts for \$3.57 billion or 70 percent of total state spending on health care. It operates Georgia’s Medicaid and PeachCare programs, conducts some planning and regulatory functions, and administers the State Health Benefit Plan that provides health care to state employees and teachers. Funding for the state health plan comes from school districts, state agencies and their employees and retirees.

Georgia plans to spend about \$1.2 billion, or 24 percent of Georgia’s 2020 health care expense, on behavioral health and developmental disabilities. This includes some services funded through Medicaid.

The Department of Public Health operates a variety of population-based programs such as immunizations, health screenings and infectious disease control. It receives \$277 million, or about 6 percent of Georgia’s 2020 health spending.

Health Spending by Agency



Source: Georgia’s 2020 Fiscal Year Budget (HB 31), signed by the governor

Medicaid and PeachCare Enrollment and Spending

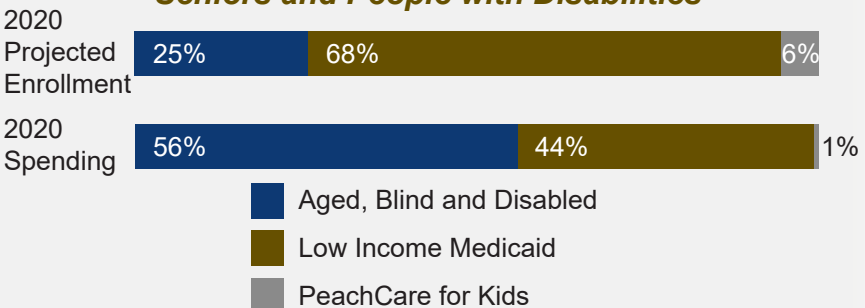
Medicaid and PeachCare serve about 2 million Georgians, or one in five residents. The programs are important sources of health coverage for children, pregnant women, low-income seniors and people with physical and developmental disabilities.

Medicaid and PeachCare cover nearly half of all children in Georgia, or about 1.3 million children. Medicaid also pays for more than half of all births in Georgia. PeachCare is a separate program serving children from families with incomes above the Medicaid threshold, but who often lack access to employer-sponsored coverage. PeachCare is mostly funded by the federal Children’s Health Insurance Program.

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

Low-Income Medicaid serves children, pregnant women, and some parents with very low incomes. The Aged, Blind and Disabled portion of the program serves the elderly and people with a qualifying disability. Most Medicaid enrollees qualify through the low-income program, but the majority of spending is for elderly and disabled patients.

Bulk of Medicaid Spending is for Children, Seniors and People with Disabilities

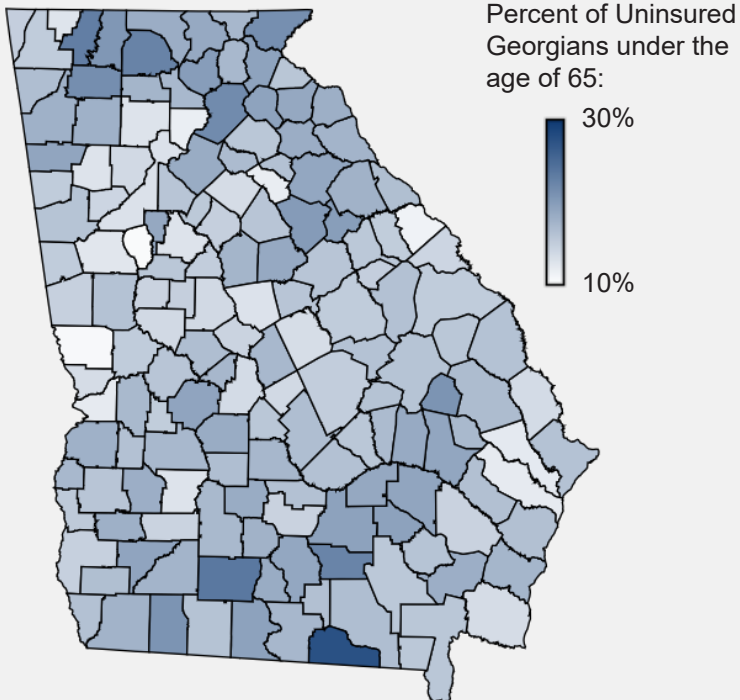


Source: Georgia’s 2020 Fiscal Year Budget (HB 31), signed by the governor

Georgia Lawmakers Pursuing Health Care Reforms

Georgia continues to face health care challenges such as a high uninsured rate, rural hospital financial strains, worker shortages and rising care costs. In 2019, Gov. Brian Kemp signed legislation to allow the state to pursue two types of waiver plans to the federal government. The 1115 waiver allows states to modify federal rules related to their Medicaid programs, and the 1332 waiver allows states to modify rules related to the federal health care marketplace. Georgia's amended 2019 budget provided \$2.6 million for hiring a private consultant to provide policy recommendations for both of these waivers. This included \$1.6 million in state money, matched with \$1 million in federal funds.

Rural Georgia Faces High Uninsured Rates



Source: 2017 United States Census Data

The 1115 Waiver – Goal is More Georgians Covered, Potential Missed

Lawmakers passed legislation in 2019 that allows the state to submit a waiver request to increase Medicaid eligibility up to the poverty line, or \$12,100 a year for an individual. If the state covers everyone in that range, more than 267,000 additional uninsured Georgians would qualify for Medicaid coverage. The federal government agrees to pay for 90 percent of the costs for expanding Medicaid eligibility up to about \$16,000 a year for an individual. Because Georgia's waiver plan falls short of that threshold, the state might only get its current 67 percent matching rate unless there is a change in federal rules. The state cost for implementing the waiver plan is not included in this year's budget. Money will need to be added in the 2021 budget to cover the state's share of waiver-associated costs.

The 1332 Waiver – Goal is to Reduce Marketplace Premiums

This waiver aims to allow Georgia to make changes to the federal health insurance marketplace where about 450,000 Georgians buy their health insurance coverage. Lawmakers did not include any specific requirements for the proposal in the authorizing legislation. Lawmakers did suggest some ideas, such as creating a reinsurance program, changing the premium tax credits and redefining essential health benefits. The reinsurance program is the most common option states use for this waiver, and it has had success reducing marketplace premiums. States pay for most of the reinsurance program costs through federal pass-through funding, but are responsible even if this federal amount falls short of the program costs. The 1332 waiver might not affect the state budget as federal money could cover most of the costs. However, the state still might need to spend money on administration of the plan, which will be a responsibility of the Department of Insurance.

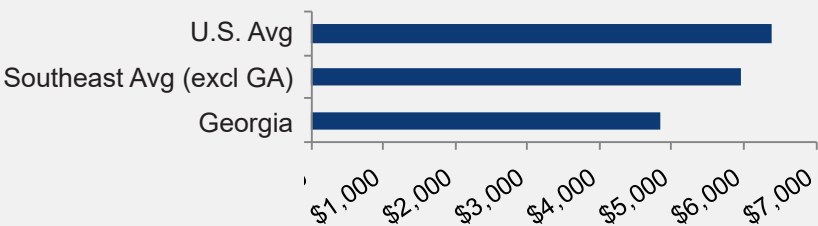
Georgia’s Medicaid Investment Ranks Near Bottom

Georgia expects to spend \$3.4 billion in state funds to serve the nearly 2 million Georgians covered by Medicaid and PeachCare, a modest amount by national standards. Georgia’s spending per Medicaid enrollee ranked fifth lowest among the states, coming in at 32 percent below the national average in 2014, the most recent year available. Georgia ranked last in Medicaid spending per low-income resident in 2015.

Georgia’s low rank by both measures belies the harsh health and economic realities faced by much of its population. Georgia consistently scores poorly in national health assessments, suggesting higher per-enrollee spending than most states is needed. Georgia had a poverty rate of 15 percent and ranked 10th worst for poverty among states in 2017. The uninsured rate in Georgia is the fourth-highest in the country. This suggests that higher per-capita spending is appropriate to pay for a large population of Medicaid-eligible residents.

A greater investment in Medicaid can allow the state to expand health services and increase the rates of reimbursement for health care providers. The 2020 budget adds new state money over the prior year to boost reimbursement rates for dental care and nursing home direct care. The last significant increase in reimbursement for primary care and OB/GYN doctors was in the 2018 budget when lawmakers increased rates to 2014 Medicare levels. Georgia needs to invest more to bring the state closer to the national average.

Georgia Medicaid Spending Per Person Ranks Low



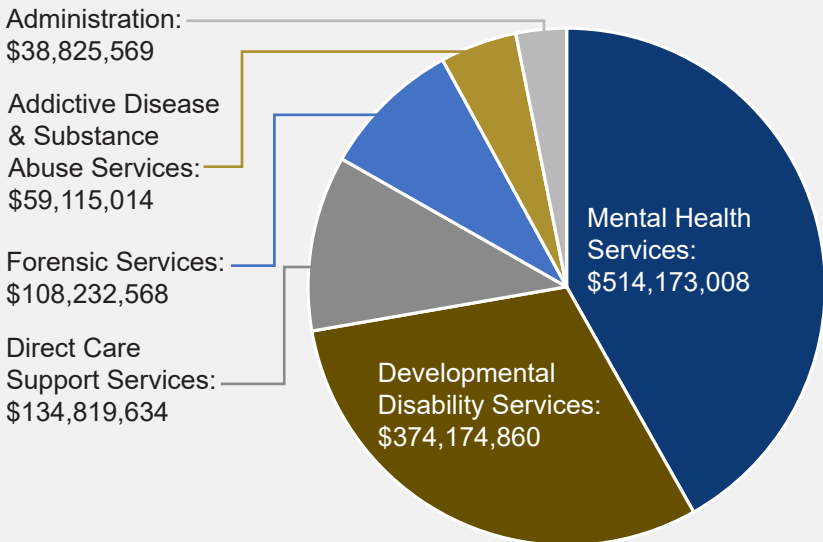
Source: Kaiser Family Foundation, 2015

Behavioral Health and Developmental Disabilities

The Department of Behavioral Health and Developmental Disabilities operates a variety of programs that serve Georgians with mental health needs, addiction and developmental disabilities. The department also operates programs for forensic evaluation and treatment for Georgians under court jurisdiction. The department receives more than \$1.2 billion in 2020 from the General Fund along with \$10.3 million in Tobacco Funds, a combined increase of \$73.7 million compared to 2019.

Georgia entered into a legal settlement in 2010 with the U.S. Department of Justice that laid out a plan for the state to increase its mental health and developmental disability services in home or community settings relative to institutions. The state invested \$256 million new state dollars from 2011 to 2018, including supported housing for people moving out of institutions, strengthening the behavioral crisis response system and adding new community-based behavioral health services.

Mental Health, Developmental Disabilities More Than Two-Thirds of BHDD Budget



HEALTH CARE

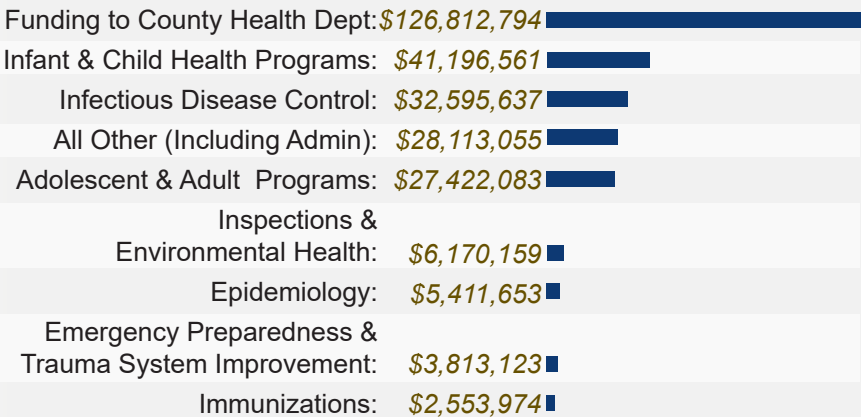
Source: Georgia's 2020 Fiscal Year Budget (HB 31), signed by the governor

Public Health

The Department of Public Health operates a variety of programs focused on health promotion, disease prevention and health-related disaster response and preparedness. The department receives \$277 million from the General Fund and \$13.7 million in Tobacco Settlement money in 2020. The trauma care network commission, which is included in the department’s budget, receives \$16.7 million from the General Fund in 2020. The largest state-funded programs provide financial assistance to county health departments, aim to prevent the spread of infectious disease and provide treatment and health promotion services aimed at children and infants. The department’s 2020 budget represents a \$10 million increase compared to 2019.

Georgia’s public health programs also receive significant federal support. Federal money accounts for 57 percent of the department’s \$698 million budget in 2020, while state funding accounts for the rest. The federally funded Special Supplemental Nutrition Program for Women, Infants and Children, also known as WIC, makes up the bulk of the federal funds and more than a third of the department’s total budget for 2020.

Much of Public Health Funding Flows to County Health Departments



Source: Georgia’s 2020 Fiscal Year Budget (HB 31), signed by the governor



Human Services

Human Services

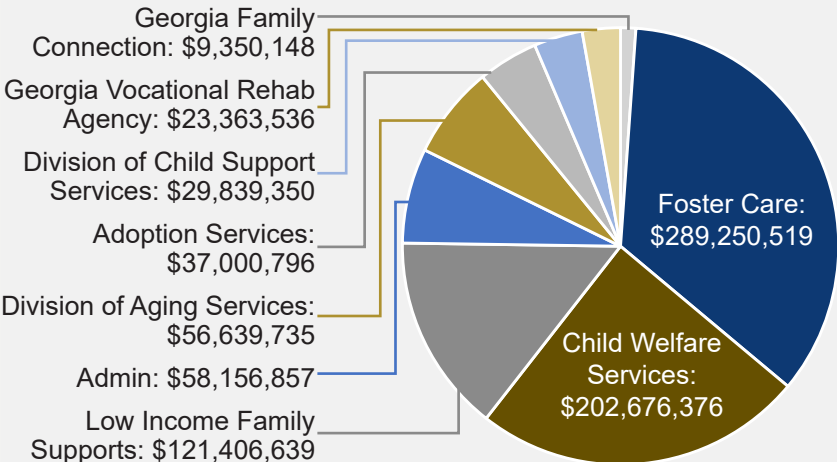
Georgia’s 2020 budget for the Department of Human Services is \$830 million and includes new support to ensure the safety of Georgia’s most vulnerable children. The budget provides the agency with \$36 million more than the prior year.

The spending plan continues payments for families caring for foster children. The agency plans to make significant improvement to its system this year to reduce both the number of youth in foster care and reports of child abuse.

Most state funding for the agency is for child welfare and foster care related services. The Division of Family and Children Services’ efforts to protect the welfare of children account for about 63 percent of the agency’s overall budget.

The state pays staffers to evaluate eligibility for federal low-income assistance programs, such as Medicaid, the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families. Smaller yet vital programs such as vocational training for adults and elder protection services account for the remaining funds.

Georgia’s Children Primary Focus of Human Services



Source: Georgia’s 2020 Fiscal Year Budget (HB 31), signed by the governor

Foster Care: New Funds Put Families First

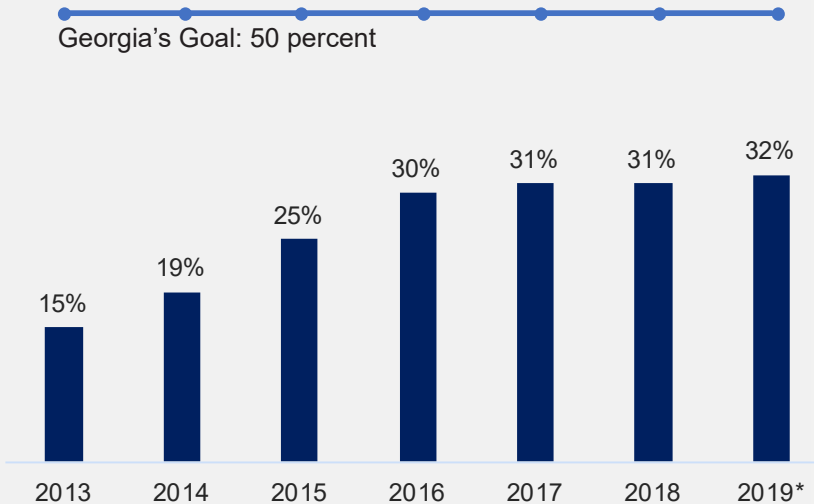
Improving Georgia’s foster care system remains a priority for the Department of Human Services. The state’s 2018 and 2019 budgets helped ease expenses associated with caring for youth in foster care by raising the payment rates for foster families. The 2020 budget adds about \$10 million more than the prior year to pay for new foster families, with an emphasis on placing foster care children with relatives.

The agency is also adapting to major reforms brought on by 2018’s federal Family First Prevention Services Act. The act’s goals are two-fold: to prevent children from entering foster care by using federal money to pay for support services that help children remain with family, and to increase the placement of children with relatives instead of group care facilities.

Georgia’s goal is to place 50 percent of foster youth with relatives. The current rate is 32 percent, up from 15 percent in 2013.

Georgia Emphasizes Placing Children with Relatives

Percent of relative foster placement, by year



Source: Georgia Division of Family and Children Services

*Data for 2019 represents placements made in January, February and March of 2019

New Child Welfare Funds Prioritize Prevention

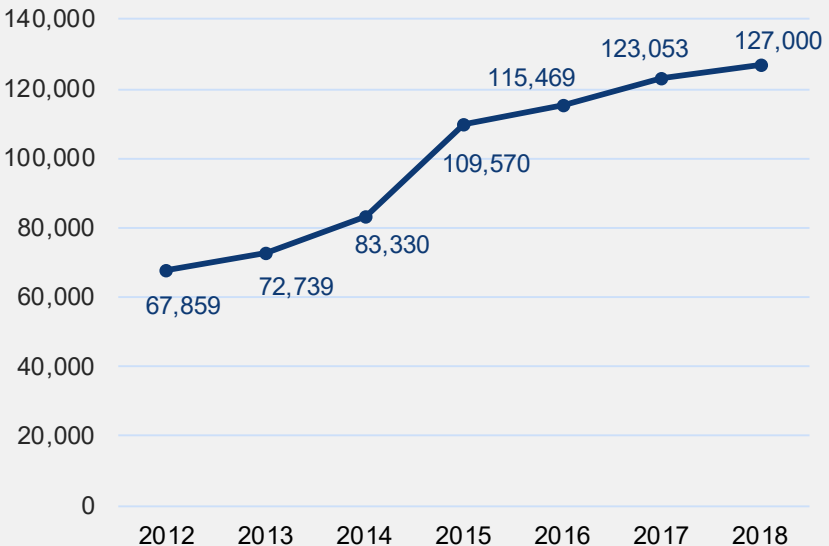
The child welfare portion of the Human Services budget, \$202 million, pays investigators who look into allegations of child abuse, abandonment and neglect. Growing resources in this branch of the agency also reflect the state’s compliance with the Family First Prevention Services Act.

The 2020 budget includes money to update the state’s online SHINES child welfare database. Database improvements aim to help the agency’s frontline caseworkers conduct timely investigations of child abuse, document cases and refer families to services. The goal is to allow the agency to intervene and provide family support to avoid referring a child to the foster care system. The plan is to provide at-risk families with increased access to mental health services, substance abuse counseling and parenting training.

Reports of child abuse nearly doubled in Georgia in recent years, to 127,000 in 2018 from 67,859 in 2012.

Reports of Child Abuse Continue to Climb in Georgia

Number of reports, by year



Source: Georgia Division of Family and Children Services

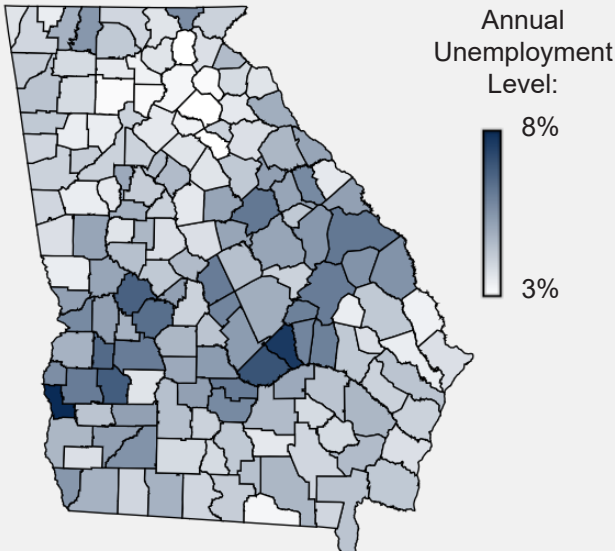
Lack of Low-Income Support Creates Hardship

Georgians in many pockets of the state still struggle with unemployment, jobs offering low wages and fewer hours than they are willing to work, or simply a scarcity of quality job opportunities.

The Department of Human Services 2020 budget includes \$121 million to pay hundreds of state employees to administer federal safety net programs that provide basic support for people with little income until they get back on their feet.

The state's level of support for low-income Georgians remains insufficient. Many counties still cope with high unemployment and job scarcity. These challenges could lead to greater demand for services that support low-income people and require the agency add additional case workers to administer benefits and help workers find jobs that pay enough to support a family.

Georgia Still Suffers from Recession-Era Unemployment in Some Areas



Source: Bureau of Labor Statistics, 2018

Child Care Assistance Need Far Exceeds, Outstrips Resources

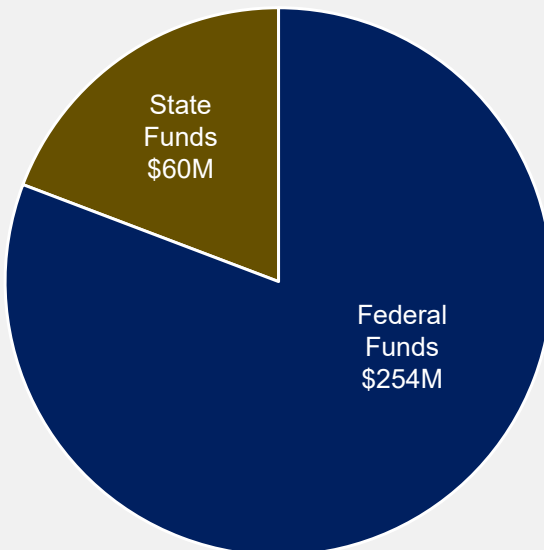
The Department of Early Care and Learning provides access to affordable child care for low-income working families. Parents who receive child care subsidies experience fewer work disruptions, stay employed longer and enjoy higher family earnings.

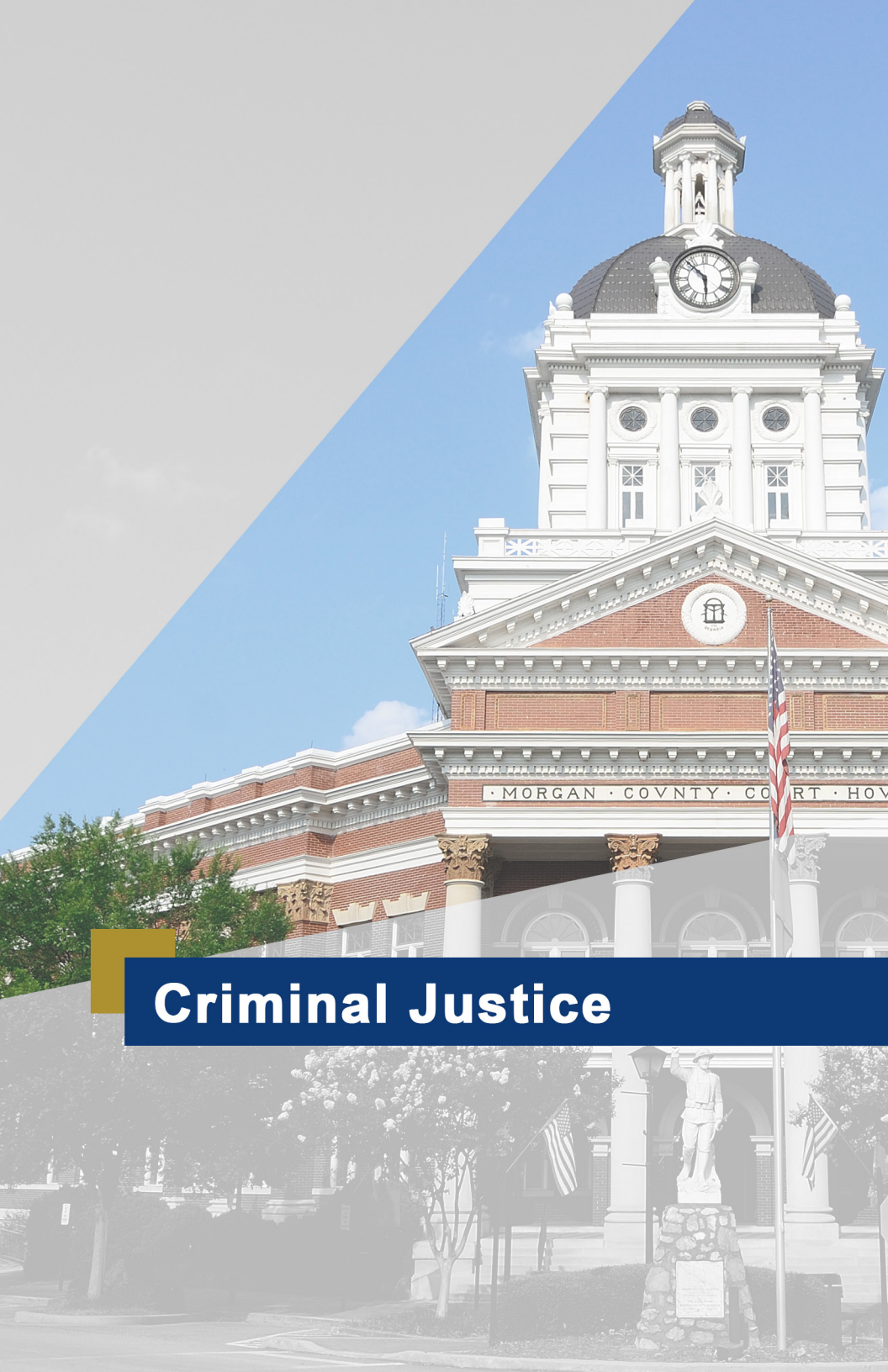
Georgia's 2020 budget adds \$500,000 to pay for new openings for children. The average annual cost of child care for an infant in Georgia was about \$9,000 in 2018. Child care expenses can consume nearly half of a low-income family's budget.

The state's child care assistance program serves about 54,000 children per week, but it is likely more than 600,000 income-eligible children in low-income working families need it. More funding is needed to ensure all Georgia parents can afford high-quality child care.

2020 Child Care Assistance Mostly Federally Funded

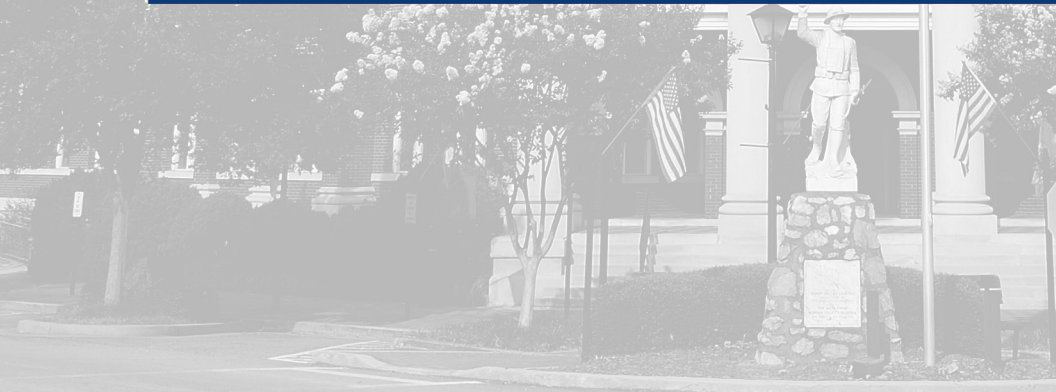
Total funds: \$314,000,000





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Criminal Justice



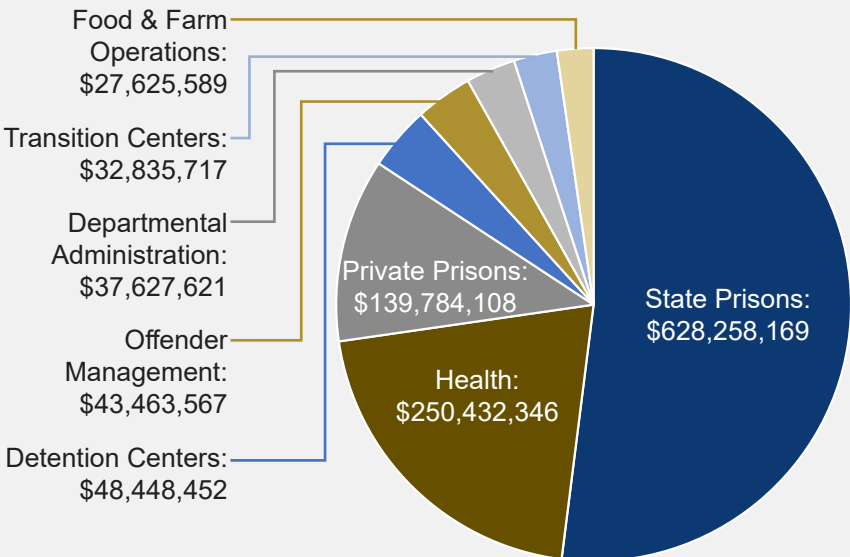
Criminal Justice

The Georgia Department of Corrections budget for 2020 is \$1.2 billion. The department oversees the state’s prison system, including contracts carried out by private prisons. Corrections officers make up most of the department’s workforce.

Recent criminal justice reform efforts focus on the goals of saving costs on housing inmates and improving outcomes when they return to communities. Since 2012, seven major new laws took effect designed to reduce the length of imprisonment, mandatory minimum sentencing and expand probation and parole eligibility.

When former Gov. Nathan Deal started the reforms in 2012, the state’s prison population was 54,900. By 2018, the population was only lowered to 54,500. During that time the department’s budget grew by 15 percent, with most of the new money allotted to mental health support and education initiatives.

Most of Corrections Budget Spent on Prisons



Source: Georgia’s 2020 Fiscal Year Budget (HB 31), signed by the governor

Cost of Correctional Control on the Rise

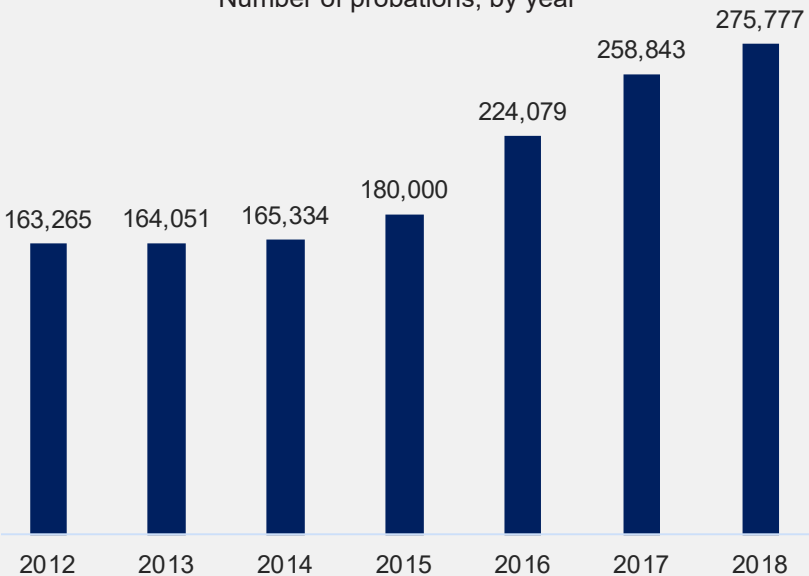
Georgia’s 2020 budget allocates \$186 million to the Department of Community Supervision. The state created this agency in 2015 to oversee major initiatives to help released citizens return to communities and oversee the state’s probationers. The department plans to spend \$167 million in 2020 to support probation, now classified as Field Services. The state’s probation budget has nearly doubled since 2012.

The agency reports that one in 13 adults are on felony probation in Georgia. This is double the rate in Texas and four times the rate in North Carolina, making Georgia number one in the nation for the number of individuals under community supervision.

Probation might seem like a better alternative to incarceration, but it can also contribute to recidivism. Probation imposes time-consuming conditions and fees that low-income people struggle to pay. Minor violations, such as missing a meeting with a probation officer, can result in re-incarceration.

Georgia Probation Numbers on the Rise

Number of probationers, by year



Source: Georgia Department of Community Supervision 2018 Annual Report

Looking Ahead to Next Year

Gov. Brian Kemp's inaugural budget in 2020 is remarkable for what is in it, as well as what is not. Included is \$530 million to give K-12 teachers \$3,000 pay raises in the new school year. What is not included is money to expand access to health care to hundreds of thousands of Georgians under a Medicaid waiver idea still taking shape.

Education and health investments account for more than half of state spending, year after year. That holds true again for Georgia's \$27.5 billion budget for 2020. Still, many of Georgia's 180 school districts will struggle to balance the books as the state shifts costs onto them for employee insurance and student transportation. Many Georgia hospitals struggle financially, still awaiting solutions like Medicaid expansion to pump needed dollars into the health care system.

When lawmakers tend to the people's business in the 2020 General Assembly, they can seize on some opportunities within easy reach. They can extend the promise of higher education by funding a 2018 measure that aims to enroll more students from low-income families. They can embrace full Medicaid expansion to give health coverage to hundreds of thousands more Georgians at less state cost than any waiver plans up for discussion. And for the sake of the state's financial health, they can resist an election year raid on the state treasury to hand out more tax breaks.

That is a substantial wish list. And the fortunes of 10.5 million Georgians are riding on it.

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