

Budget in Review

FY2009A-FY2010



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Overview

During 2009 legislative session, General Assembly members faced balancing the state budget amidst rapidly declining revenues that created large shortfalls in both the FY09 Amended and FY10 General budgets. This document will review:

- 1) The revenue situation that led to some of the reductions made in the FY09A and FY10 budgets;
- 2) The federal stimulus funds that were used to help offset budget reductions; and
- 3) The impact budget cuts had on individual agencies, as well as selected increases.

National Perspective

Nationally, FY09 was a difficult budget year for states.

- 46 states faced budget shortfalls
- 25 states had budget gaps of ten percent or greater, including Georgia

FY10 is expected to be another difficult year for states. 48 states are currently managing budget shortfalls in FY10 over their FY09 budgets. While Georgia is in the top ten of states projecting a shortfall over the original FY09 budget, 8 other states are facing larger budget shortfalls this year.

State	Projected Shortfall	% of Budget
California	\$45,500,000,000	49.30%
Illinois	\$13,200,000,000	47.30%
Arizona	\$4,000,000,000	41.10%
Nevada	\$1,200,000,000	37.80%
New York	\$17,900,000,000	32.30%
Alaska	\$1,300,000,000	30.00%
New Jersey	\$8,800,000,000	29.90%
Vermont	\$278,000,000	24.80%
Georgia	\$4,100,000,000	23.80%
Washington	\$3,600,000,000	23.30%

Source: Center on Budget and Policy Priorities¹

¹ Elizabeth McNichol and Iris Lav. "New Fiscal Year Brings No Relief from Unprecedented State Budget Problems." Center on Budget and Policy Priorities. Updated September 3, 2009. [<http://www.cbpp.org/files/9-8-08sfp.pdf>] Note that this report records Georgia as having a \$1 billion shortfall in FY10, which differs from Governor Perdue's July 2009 estimated shortfall of approximately \$900 million.

According to the National Conference of State Legislatures, states have had to make significant cuts across a variety of policy areas in order to balance their budgets, many of which have been similar to reductions made in Georgia's FY09 and FY10 budgets.

- Alabama, Arizona, Idaho, Illinois, Kentucky, North Carolina, Oregon, and Utah, among other states, have reduced funding across the board for K-12 education. In the case of Utah, funding for K-12 education was reduced by 13%, though this was partially backfilled with stimulus funds. Other states have reduced teacher pay, shortened the school year, and reduced or eliminated special programs (e.g. gifted education, athletics, after-school care, or bilingual programs).
- California, Idaho, Nebraska, Nevada, New York, and Utah have reduced funding for state parks.
- Colorado, Kansas, Michigan, New Jersey, and North Carolina, among others, will close prisons. Other states, such as Washington, are also considering medical parole for elderly or sick non-violent offenders, commuting sentences for non-violent offenders, or utilizing alternative sentencing for drug or DUI offenses.
- A number of states are furloughing employees, and Rhode Island, Illinois, and New Hampshire will furlough state employees 12 days. Delaware, Florida, Hawaii, and Idaho reduced salaries for some government officials. Maine, New Jersey, Ohio, Pennsylvania, and Virginia have either deferred or eliminated scheduled pay raises.
- Connecticut, Maine, New Hampshire, Pennsylvania, and Utah have either reduced employer contributions to health care or raised employee or retiree premiums for coverage.

Additionally, many states have had to access their rainy day funds or other funds sources, including trust funds or tobacco settlement funds, to balance their budgets.

Other states have increased taxes in order to mitigate declining revenues.

- California, Delaware, Hawaii, New Jersey, New York, North Carolina, and Oregon have raised individual income taxes.
- Massachusetts, Nevada, and North Carolina increased the state sales tax. Other states have broadened sales taxes to apply to items including online sales, political advertising, and services rather than just goods.
- Arkansas, Colorado, Delaware, Florida, Hawaii, Kentucky, Mississippi, New Hampshire, New Jersey, North Carolina, Rhode Island, and Wisconsin have raised taxes on cigarettes.

Revenues

The Georgia Constitution requires a balanced budget. Specifically, the state funds portion of the budget must be balanced to the official revenue estimate for the respective fiscal year as set forth by the Governor in his annual budget report.

Revenue Estimates

FY2009 Revenues

Originally, when the FY08 Amended and FY09 General revenue estimates were set, FY08 revenues were projected to grow 2.78% over FY07, and FY09 was projected to grow 5.23% over FY08. In February of the 2008 legislative session, during budget consideration, the Governor lowered the revenue estimate by \$245 million, the equivalent of 3.96% over FY08. These estimates assumed slower revenue growth than the state had seen in FY07 when state revenues had grown 8.66%.

However, final revenue collections for FY08 were .6% *below* FY07. The compounding effect of not having growth in FY08 and estimating some growth in FY09 over FY08 meant that the FY09 revenue estimate was now based on 7.5% growth over FY08.²

Because revenues continued to decline through FY09, the budget gap for FY09 between the initial revenue estimate and actual collections grew. Ultimately, the Governor lowered the revenue estimate for the FY09 budget four times after issuing the initial revenue estimate in January of 2008.

- The original budget was \$20.4 billion in State General Funds and Motor Fuel Funds.
- In February 2008, the Governor lowered the revenue estimate to \$20.1 billion, the final number for HB990, the FY09 General budget (7.5% over FY08 audited revenues).
- In January 2009, the Governor lowered the revenue estimate to \$17.9 billion for the FY09 Amended budget (4.40% below FY08 audited revenues and 11.07% below HB990).
- In February 2009, the Governor lowered the revenue estimate to \$17.5 billion (6.8% below FY08 and 13.3% below HB990).
- After signing the FY09A budget, the Governor lowered the revenue estimate in May to \$17.1 billion (8.26% below FY08 and 14.7% below HB990).
- Unaudited final revenue collections for FY09 came in at \$16.8 billion (10.5% below FY08 revenues and 16.7% below HB990).

² Another number commonly used to describe the FY09 General budget revenue estimate is 8.38% over FY08. 8.38% was growth required in Department of Revenue (DOR) tracked revenues (primarily tax dollars). This number was used when tracking DOR monthly revenue reports but does not match up to total revenues for the state budget.

FY09 Year End Shortfall

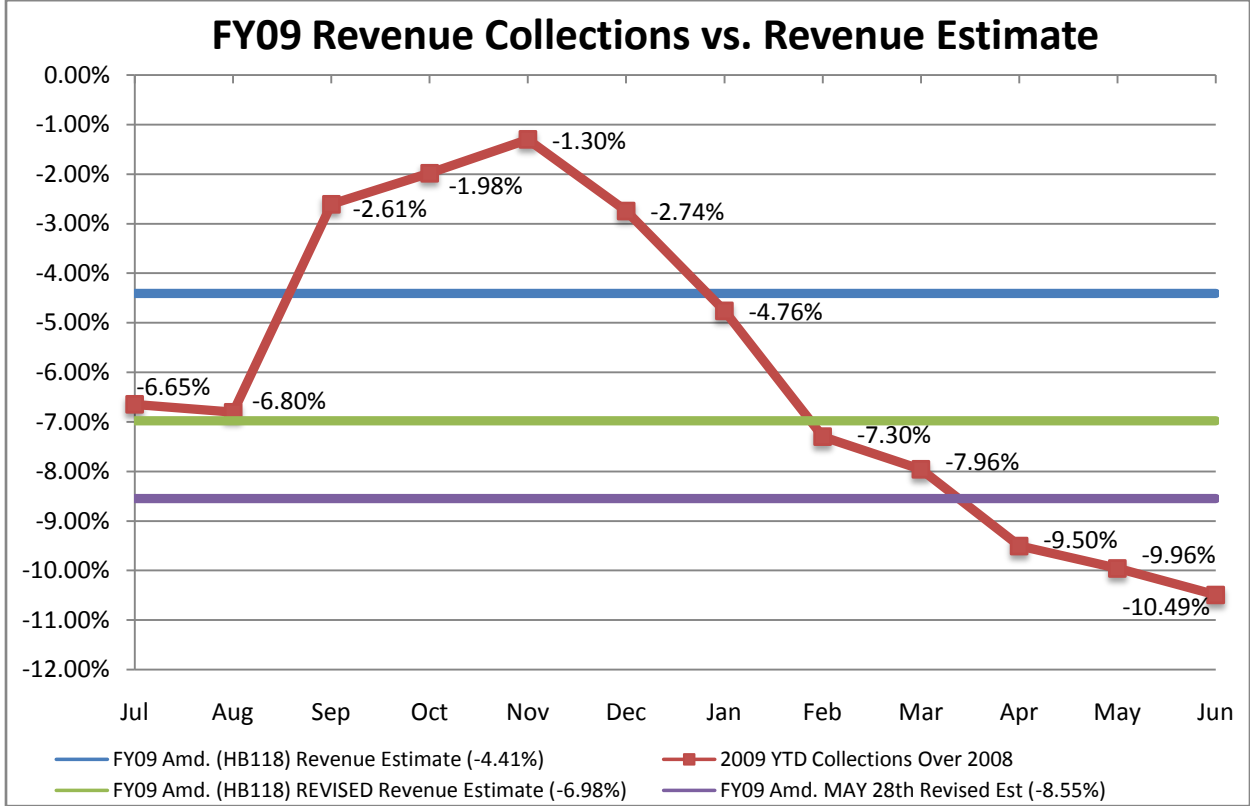
When the Governor reduced his FY09 revenue estimate in May 2009, he projected an additional \$687 million decline, bringing the total fiscal year shortfall to nearly \$3.4 billion. This overrun was covered by:

- \$274 million raised by withholding 25% of agencies’ final monthly allotment (Withholdings from Corrections, Revenue, and Education were offset by the release of \$189.6 million in additional stimulus funds)
- \$50 million in “early remittance to Treasury” payments from items such as debt service savings
- \$362 million in additional Revenue Shortfall Reserves (RSR)

FY09 is the second fiscal year in a row in which the state has had to use funds from the RSR to cover the final year end gap between appropriations and collected revenues. At the end of FY08, the initial sharp declines in revenues caused the state to have to use \$521 million in funds from the RSR.

Tracking the Revenues

Over the course of the year the Senate Budget and Evaluation Office tracks the Department of Revenue’s (DOR) tax and fee collections relative to the revenue estimate. The chart below shows the declining revenues for FY09. The revenue estimate differs slightly from those described above because it includes only DOR tracked revenues. The Department of Treasury collects around \$1 billion in additional revenues which are reflected in the numbers above but not included here.



Historic Declines in Georgia

When adjusting for inflation (to 2008 dollars), Georgia has had only 10 years of revenue declines since 1952. Of those 10 years of declines, 2009 had the most significant decline over the previous year’s revenue.

<u>Top Ten Revenue Declines (1952 to 2009)*</u>	
1. FY 2009 -10.8%	6. FY 2003 -4.0%
2. FY 1975 -6.4%	7. FY 1992 -3.3%
3. FY 2002 -6.1%	8. FY 1991 -2.8%
4. FY 1953 -5.2%	9. FY 1980 -1.9%
5. FY 2008 -4.4%	10. FY 1958 -1.8%

*Adjusted for inflation to 2008 dollars

Source: Reports of the State Auditor and Selected Summary Financial Information

FY10 Revenues

The Governor has lowered his revenue estimate for FY10 twice.

- In January, the Governor proposed a FY10 budget based on \$18.5 billion in revenues (3.23% over the original FY09 Amended revenue estimate and 8.20% below HB990). However, this revenue estimate would have been 10.23% over the final FY09 revenues.
- In February, the Governor lowered the estimate to \$16.99 billion, and this estimate formed the basis of HB119, the FY10 General budget (2.64% below a reduced FY09 Amended revenue estimate and 15.6% below HB990). This revenue estimate is 1.36% over the final FY09 revenues.
- As of August 2009, the Governor is projecting revenues to come in at around \$16.1 billion, a \$4 billion shortfall from the original HB990 (3.72% below FY09 actual revenues and a 20% decline from HB990).

Filling the Gap

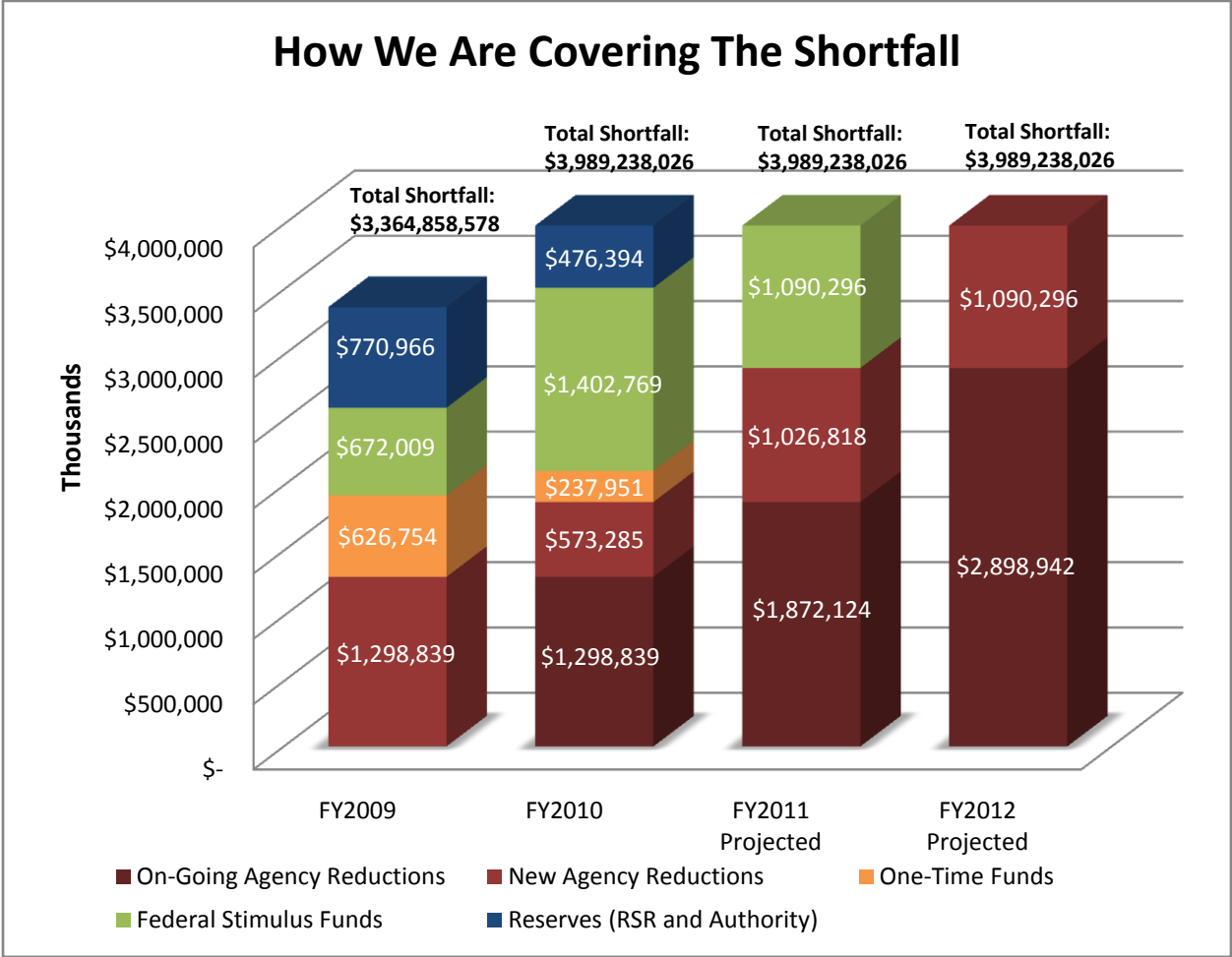
Meeting the shortfalls in revenue in order to balance the budget in FY09 and FY10 required a combined strategy of reducing agency budgets, utilizing one-time fund sources, and offsetting state general fund revenue shortfalls with stimulus funds and state reserves.

While this strategy was able to mitigate the impact of revenue shortfalls on state operations at present, it is not a sustainable strategy if revenues do not begin to grow.

- One-time fund sources and state and authority reserves will be depleted in future fiscal years.
- Stimulus funds are finite and remaining funds will likely be used to balance the FY11 budget or to meet further shortfalls in FY10.

The result is that without revenue growth, the state will have fewer options for meeting shortfalls in future fiscal years and will become more dependent on reducing agency budgets and state operations in order to balance the budget.

The chart below shows how the current FY09 and FY10 budget shortfalls have been met as well as the options left for filling gaps in FY11 and FY12 (assuming no growth in revenues and expenditures from FY10).



FY09 Strategy (HB118)

- Reserves (\$771 million):** \$562 million in regular Revenue Shortfall Reserves (RSR) plus \$187.2 million in RSR for the mid-year adjustment for education, \$20.8 million in authority reserves or agency payments to Treasury (Georgia Technology Authority, Georgia Correctional Industries, and State Personnel Administration). Of the regular RSR, \$200 million was budgeted in HB118 and \$362 million was used because of the year end budget shortfall.

- **Federal Stimulus (\$672 million):** \$482.4 million in Federal Medical Assistance Percentage (FMAP) funds and \$189.6 million in State Fiscal Stabilization funds. The budget stabilization funds were used to cover the 25% June allotment withholding for agencies that could not sustain cuts in the final month.
- **One-Time Funds (\$626.7 million):** \$579 million in State Health Benefit Plan (SHBP) reserves and \$47.1 million in Tobacco Settlement Funds traditionally used by the OneGeorgia Authority
- **Agency Reductions (\$1.3 billion):** The median cut to agency budgets over the FY09 General budget was 9.45% and includes the amounts cut during the final June allotment withholding.

FY10 Strategy (HB119 plus strategy to cover the projected \$900 million shortfall)

- **Reserves (\$476.4 million):** \$258.6 million in RSR, \$152 million in tobacco settlement fund reserves, and \$65.9 million in authority reserves (including Georgia Ports Authority, Georgia Technology Authority, and State Personnel Administration)
- **Federal Stimulus (\$1.4 billion):** \$741.3 million in FMAP funds and \$661.4 million in State Fiscal Stabilization funds
- **One-Time Funds (\$238 million):** \$142 million in drawdown from the Other Post Employment Benefits (OPEB) trust fund account, \$48.8 million in SHBP reserves, and \$47.1 million in Tobacco Settlement Funds traditionally used by the OneGeorgia Authority
- **Agency Reductions (\$1.9 billion):** The median cut to agency budgets over the FY09 General budget was 8.36%; however, OPB is now withholding an additional 5% for most agencies and 3% for Medicaid and Education formula programs.

Final Appropriations

The chart below shows the final agency budget for both the FY09 Amended and FY10 General budgets as well as the change in funding from the FY09 General budget for all State Funds, including Lottery and Tobacco. These same figures are also included at the start of each policy section and are the basis for the funding graphs and analysis in this document. Throughout the document, in using these figures as a guide to agency by agency funding, please note:

- The two "adjusted" columns are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts were not deducted because the funds were covered out of reserves and did not reflect a reduction in an agency's operational budget.
- ARRA budget stabilization and FMAP funds are *included* in the adjusted amounts where appropriate (as these are not "State Funds" and would not appear in a regular State Funds analysis). Again, these funds supplemented selected agencies' operating budgets and so reduced the effect of the cuts. Other stimulus funds flowing directly to state agencies are not reflected as the amounts are subject to change.

- The FY09 adjusted budget also includes the 25% June allotment withholding for agencies which had the effect of around a 1% cut for many agencies. The adjustments also include stimulus funds that were used to “backfill” these cuts and avoid reductions that agencies could not sustain.
- **Department of Education:** FY09 programs "prefunded" in FY08 are moved from FY08 budget to FY09, this makes a difference of \$50,345,470.
- **Department of Human Resources:** The adjustments columns for FY10 unwind the restructure changes so that policy-makers can see the change in a DHR-comparable budget over time and a DCH-comparable budget over time.
- **Department of Community Affairs:** FY09 and FY10 declines include the loss of Land Conservation Funds, One Georgia Authority funding, and Local Assistance Grants, which represent \$63 million of the cuts to DCA in both FY09 and FY10. Without these funds, DCA was still cut by 12.17% in the FY09 Amended from the FY09 General and was cut by 10.44% in the FY10 General budget.
- **Department of Revenue:** FY09 and FY10 includes the \$428 million reduction in the Homeowners Tax Relief Grant. If this amount is subtracted from the DOR budget, the agency faced a 5.6% reduction in FY09 and a 12.6% reduction in its FY10 budget from FY09.

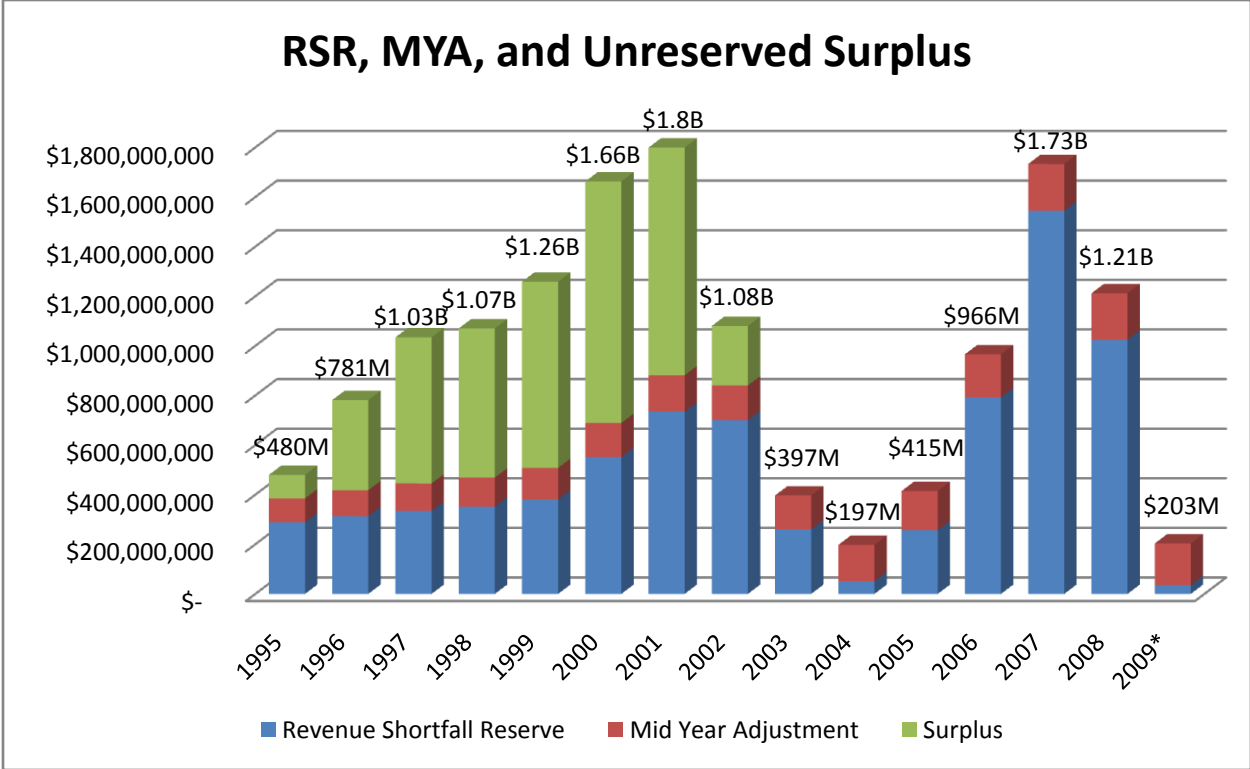
Agency by Agency Reductions to Current Services Budget

Agency	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*	% Change FY09A Adjusted* from FY09G	% Change FY10 Adjusted* from FY09G
Georgia Senate	\$ 11,402,191	\$ 10,383,195	\$ 10,513,575	-8.94%	-7.79%
Georgia House of Representatives	\$ 19,850,950	\$ 18,130,328	\$ 18,302,585	-8.67%	-7.80%
Georgia General Assembly Joint Offices	\$ 10,479,449	\$ 9,545,541	\$ 9,836,665	-8.91%	-6.13%
Dept of Audits and Accounts	\$ 35,427,174	\$ 31,974,212	\$ 32,380,418	-9.75%	-8.60%
Court of Appeals	\$ 14,744,435	\$ 13,316,470	\$ 13,452,235	-9.68%	-8.76%
Judicial Council	\$ 16,345,321	\$ 14,638,651	\$ 14,173,198	-10.44%	-13.29%
Juvenile Courts	\$ 6,691,660	\$ 6,541,830	\$ 6,578,771	-2.24%	-1.69%
Prosecuting Attorneys	\$ 59,281,695	\$ 54,336,534	\$ 57,408,442	-8.34%	-3.16%
Superior Courts	\$ 63,622,100	\$ 58,362,848	\$ 60,499,072	-8.27%	-4.91%
Supreme Court	\$ 8,837,974	\$ 8,160,190	\$ 8,026,295	-7.67%	-9.18%
State Accounting Office	\$ 5,456,173	\$ 4,230,658	\$ 4,626,452	-22.46%	-15.21%
Dept of Administrative Services	\$ 13,792,429	\$ 6,555,567	\$ 7,194,199	-52.47%	-47.84%
Dept of Agriculture	\$ 46,719,425	\$ 42,403,446	\$ 43,529,578	-9.24%	-6.83%
Dept of Banking and Finance	\$ 12,898,273	\$ 12,285,088	\$ 12,355,581	-4.75%	-4.21%
Dept of Community Affairs	\$ 100,549,877	\$ 25,193,451	\$ 26,933,317	-74.94%	-73.21%
Dept of Community Health	\$ 2,514,291,820	\$ 2,330,318,980	\$ 2,571,578,770	-7.32%	2.28%
Dept of Corrections	\$ 1,157,668,132	\$ 1,068,677,991	\$ 1,083,874,741	-7.69%	-6.37%

Dept of Defense	\$ 11,716,641	\$ 10,609,248	\$ 10,693,740	-9.45%	-8.73%
Dept of Driver Services	\$ 62,791,511	\$ 56,513,117	\$ 59,251,761	-10.00%	-5.64%
Dept of Early Care and Learning	\$ 341,592,254	\$ 340,702,086	\$ 353,540,557	-0.26%	3.50%
Dept of Economic Development	\$ 39,581,672	\$ 32,177,272	\$ 33,148,712	-18.71%	-16.25%
Dept of Education	\$ 8,245,943,241	\$ 8,064,140,259	\$ 7,972,800,861	-2.20%	-3.31%
Employees' Retirement System	\$ 7,151,826	\$ 7,002,829	\$ 7,187,430	-2.08%	0.50%
State Forestry Commission	\$ 39,265,053	\$ 34,613,697	\$ 34,463,728	-11.85%	-12.23%
Office of the Governor	\$ 57,642,768	\$ 51,329,666	\$ 48,985,692	-10.95%	-15.02%
Dept of Human Services	\$ 1,661,556,492	\$ 1,515,677,617	\$ 1,524,845,240	-8.78%	-8.23%
Dept of Insurance	\$ 19,230,125	\$ 17,263,363	\$ 17,321,489	-10.23%	-9.93%
Georgia Bureau of Investigation	\$ 77,283,568	\$ 68,520,329	\$ 69,038,754	-11.34%	-10.67%
Dept of Juvenile Justice	\$ 342,932,665	\$ 308,037,052	\$ 316,049,276	-10.18%	-7.84%
Dept of Labor	\$ 55,769,092	\$ 48,691,842	\$ 47,432,021	-12.69%	-14.95%
Dept of Law	\$ 19,650,981	\$ 17,855,472	\$ 18,008,924	-9.14%	-8.36%
Dept of Natural Resources	\$ 130,877,057	\$ 108,996,063	\$ 102,835,328	-16.72%	-21.43%
State Board of Pardons and Paroles	\$ 58,439,590	\$ 53,173,284	\$ 53,417,306	-9.01%	-8.59%
Public Defender Standards Council	\$ 40,439,957	\$ 36,970,640	\$ 39,789,395	-8.58%	-1.61%
Dept of Public Safety	\$ 135,260,351	\$ 121,350,605	\$ 115,040,114	-10.28%	-14.95%
Public Service Commission	\$ 10,348,009	\$ 9,242,973	\$ 9,735,943	-10.68%	-5.91%
Board of Regents	\$ 2,300,517,851	\$ 2,041,500,314	\$ 2,172,971,990	-11.26%	-5.54%
Dept of Revenue	\$ 557,498,041	\$ 550,286,682	\$ 113,235,387	-1.29%	-79.69%
Secretary of State	\$ 40,504,390	\$ 35,624,402	\$ 33,871,025	-12.05%	-16.38%
Soil and Water Conservation Commission	\$ 3,572,839	\$ 3,017,697	\$ 3,185,293	-15.54%	-10.85%
Georgia Student Finance Commission	\$ 576,791,488	\$ 575,272,130	\$ 626,193,024	-0.26%	8.56%
Teachers' Retirement System	\$ 1,523,000	\$ 1,349,187	\$ 1,129,000	-11.41%	-25.87%
Technical College System of Georgia	\$ 370,975,007	\$ 334,490,811	\$ 347,236,215	-9.83%	-6.40%
Dept of Transportation	\$ 856,216,563	\$ 881,778,631	\$ 703,739,441	2.99%	-17.81%
Dept of Veterans Service	\$ 25,701,669	\$ 22,764,723	\$ 22,822,878	-11.43%	-11.20%
State Board of Workers' Compensation	\$ 17,720,194	\$ 19,408,433	\$ 19,319,813	9.53%	9.03%
General Obligation Debt Sinking Fund	\$ 1,009,675,013	\$ 969,990,354	\$ 1,130,957,708	-3.93%	12.01%

Revenue Shortfall Reserve

Although final audited numbers were not available at the time of publication of this report, there will likely be \$462 million in the Revenue Shortfall Reserve for FY10. Because the Governor's revised revenue estimate for the FY10 General budget already includes using \$259 million from the RSR, only \$203.4 million, including \$168 million which can be used for the mid-year adjustment, will be left in the RSR to meet any further fiscal year end revenue shortfalls.



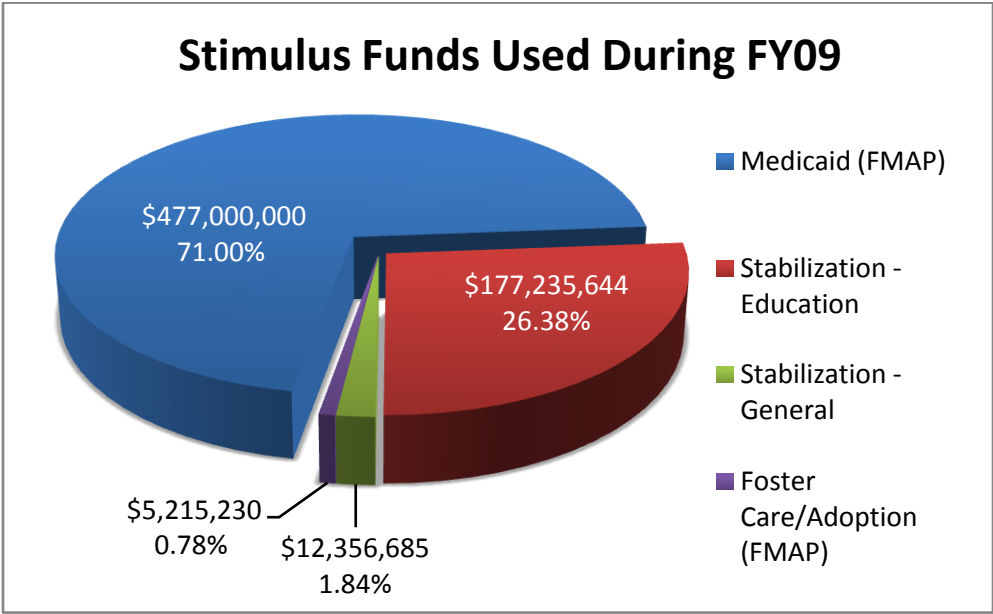
Federal Stimulus Funding

On February 13, Congress approved H.R. 1, the American Recovery and Reinvestment Act of 2009 (ARRA). Most stimulus funding will be distributed through existing grant programs and must be obligated by the end of Federal FY10, or September 30, 2010. Not all stimulus funds will flow through state agencies; in some instances, local communities or organizations must apply directly to the appropriate federal entity for stimulus funding.

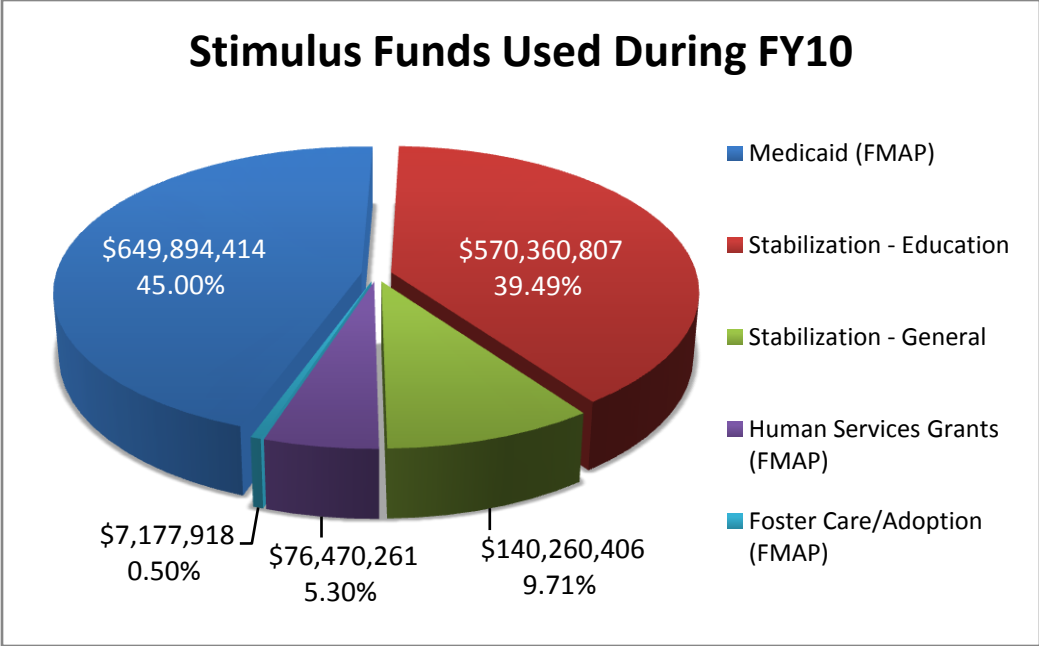
- According to the federal Recovery.gov website, Georgia will receive \$6.5 billion in federal funds from the federal stimulus package. As of August 2009, \$4.8 billion in stimulus funding has been made available to the state, of which, \$1.93 billion has been distributed.

As discussed in the Revenues section, stimulus funds flowing through state government helped the state balance the budget in both the FY09 Amended budget as well as the FY10 General budget.

- The primary two sources of ARRA funds appropriated in FY09 and FY10 were State Fiscal Stabilization funds and Federal Medical Assistance Percentages (FMAP) funds.
- The FY09 Amended budget and the FY10 General budget used approximately \$671.8 million and \$1.4 billion in stimulus funds respectively.³



³ The FY10 amounts reflect funds slightly above those originally appropriated in HB119. The new funds are being used to cover the additional shortfalls in FY10.



- The chart above includes an additional \$49.1 million in Education State Fiscal Stabilization funds that were not appropriated in HB119, but have been identified by the Governor’s Office of Planning and Budget to be used for educational agencies in FY10 to cover additional shortfalls.

State Fiscal Stabilization Funds

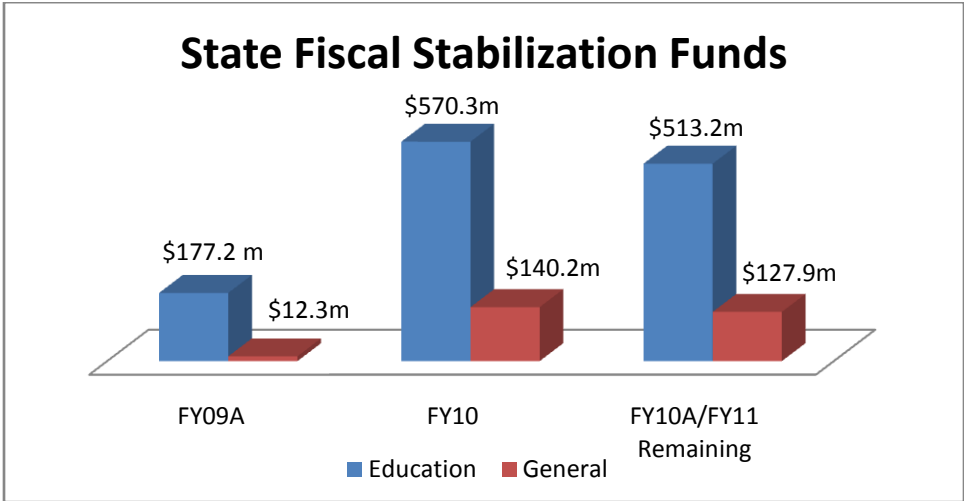
Georgia received a total allocation of \$1.5 billion in State Fiscal Stabilization funds (SFSF), intended to help stabilize state budgets in order to minimize or avoid reductions in education and other essential public services.

- Of the total funds available, federal law stipulates that 81.8% must be used for education, with the remaining 18.2% available for general budgeted expenditures. The state used this portion of the funds to backfill additional budget reductions from the June 2009 allotment withholdings and for education and public safety agencies in FY10.

<u>Education Stabilization</u>		
	FY09	FY10
Department of Education	\$ 157,931,192	\$ 413,145,927
Board of Regents	\$ 17,189,581	\$ 92,617,896
Technical College System of Georgia	\$ 2,114,871	\$ 15,406,239
Unallocated		\$ 49,190,745
Total	\$ 177,235,644	\$ 570,360,807

<u>General Stabilization</u>		
	FY09	FY10
Corrections	\$ 10,000,000	\$ 97,234,674
Georgia Bureau of Investigation		\$ 6,132,772
Public Safety		\$ 8,872,757
Juvenile Justice		\$ 28,020,203
Revenue	\$ 2,356,685	
Total	\$ 12,356,685	\$ 140,260,406

- After using approximately \$900 million in stabilization funds in FY09 and FY10, including the additional \$49.1 million in education funds set aside by the Governor for use in FY10, \$641.1 million remains for the FY10 Amended budget and out-year budgets.



Medicaid Assistance

The ARRA increased the Federal Medical Assistance Percentage (FMAP) payments for Medicaid from a federal matching rate of 65% to a matching rate of 75%. This enhanced match extends from the second quarter of FY09 through the second quarter of FY11, meaning the federal government will pay a larger share of the costs for Medicaid, reducing the state’s obligation. The increased reimbursement rate also affects Adoption and Foster Care reimbursements, which will receive a 6.2% increase in matching rate.

- Changes to FMAP reimbursements were retroactive in FY09 to October of 2008, giving Georgia two additional payments in FY09. Therefore, in the FY09 Amended budget, the state expected to receive an additional \$482 million in FMAP payments.

Additional Stimulus Funds

While the SFSF and FMAP payments were used to meet the budget in FY09 and FY10, the state will also receive substantial funding for other federal programs, including transportation, energy, water, and public safety programs. Additional information on these programs is available from SBEO.

Agriculture

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Department of Agriculture	-9.24%	-6.83%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Department of Agriculture	\$ 46,226,622	\$ 46,719,425	\$ 42,403,446	\$ 43,529,578

*The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget.

Department of Agriculture budget reductions in both FY09 and FY10 were primarily in general operations. The Department met these reductions through a hiring and purchasing freeze.

Consumer Protection

The importance of ensuring Georgia's agricultural products are safe was highlighted this past year with the discovery of salmonella in peanut products manufactured at a plant in Georgia. The outbreak raised concerns about the level of staffing and funding for the food safety function within the Department of Agriculture's Consumer Protection program.

- The General Assembly added \$40,000 in the FY09 Amended budget for four Food Safety positions – one food safety specialist and three food safety inspectors.
- In FY10, the General Assembly appropriated an additional \$160,000 to provide a full year of funding for the four new food safety positions.

Global Marketing

The General Assembly also sought to ensure that markets for Georgia's agricultural products continue to expand worldwide. To this end, the Assembly appropriated \$75,000 in FY10 for marketing efforts in emerging international markets, particularly Caribbean markets and the Dominican Republic.

- The funds will be used to study transportation management, communications, and security at ports to expedite shipping agricultural products to the Caribbean as currently many perishable items do not clear customs in a timely manner.

FY09 Year-End Withholding

The Governor withheld \$772,919 from the Department during the last month of FY09. The Department met the cut through savings from a hiring and purchasing freeze and deferred filling the food safety specialist and three food safety inspector positions until FY10.

Community Health

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Dept of Community Health	-7.32%	2.28%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Dept of Community Health	\$2,398,738,867	\$2,514,291,820	\$ 2,330,318,980	\$ 2,571,578,770

*The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget. ARRA budget stabilization funds and FMAP funds are also added into the final amounts where appropriate (since stimulus is not a "State Fund" it does not appear in the regular State Funds analysis). State funds cuts in Medicaid may reduce FMAP funds available. The adjusted columns for FY10 unwind the DHR restructure changes so that policy-makers can see the change in a DHR-comparable budget over time and a DCH-comparable budget over time.

Healthcare Provider Rates

The original FY09 budget had proposed approximately \$60 million in increases in hospital, nursing home, and provider reimbursement rates under the Medicaid program. Because of the economic downturn, almost all of these increases were deferred, with some notable exceptions.

- The FY10 budget included \$8,793,000 to increase the reimbursement rate to nursing homes for capital improvements (increasing fair rental value reimbursement) and for a quality incentive program.
- The FY10 budget also included \$1,572,750 for the 100 additional slots in the Independent Care Waiver Program (ICWP) to help the low income elderly stay out of nursing homes.

In both FY09 and FY10, the Medicaid budget benefited from the increases in the federal matching rate from around 65% to 75%. The increased FMAP rate was used to defray cuts in the Medicaid budget.

The Governor's revised FY10 budget recommended a \$148 million reduction in hospital and provider reimbursements to help fill a projected Medicaid funding shortfall. These cuts would have meant a 10% reduction in reimbursement rates for hospitals and a 6% reduction for providers.

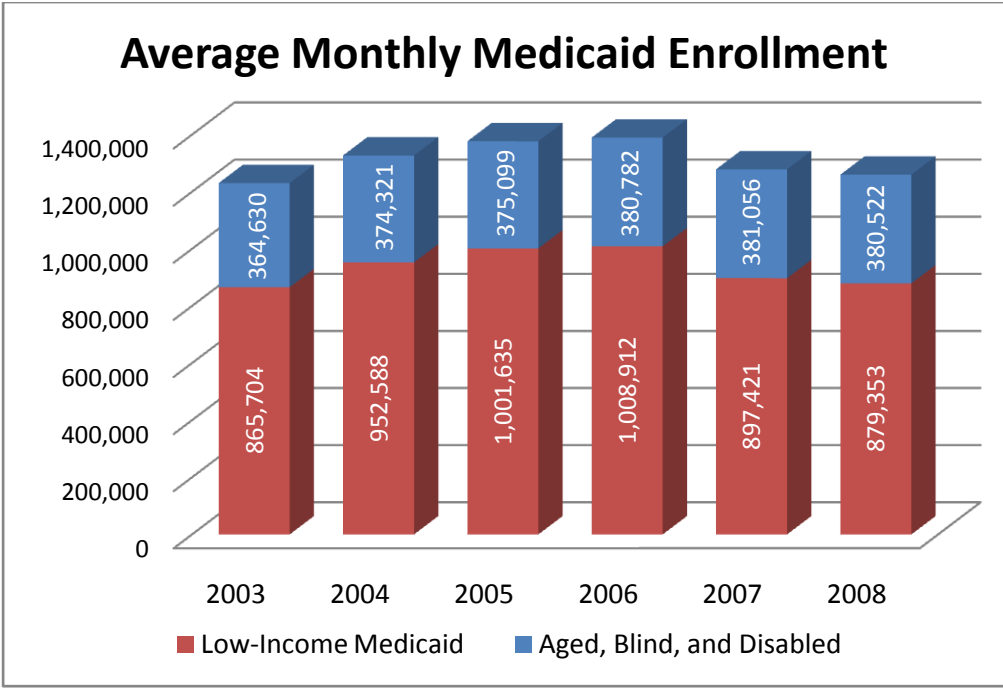
Rather than reduce reimbursement rates for hospitals and providers for Medicaid services, the General Assembly appropriated funds to restore the reductions and appropriated an additional \$146 million to cover growth in Medicaid.

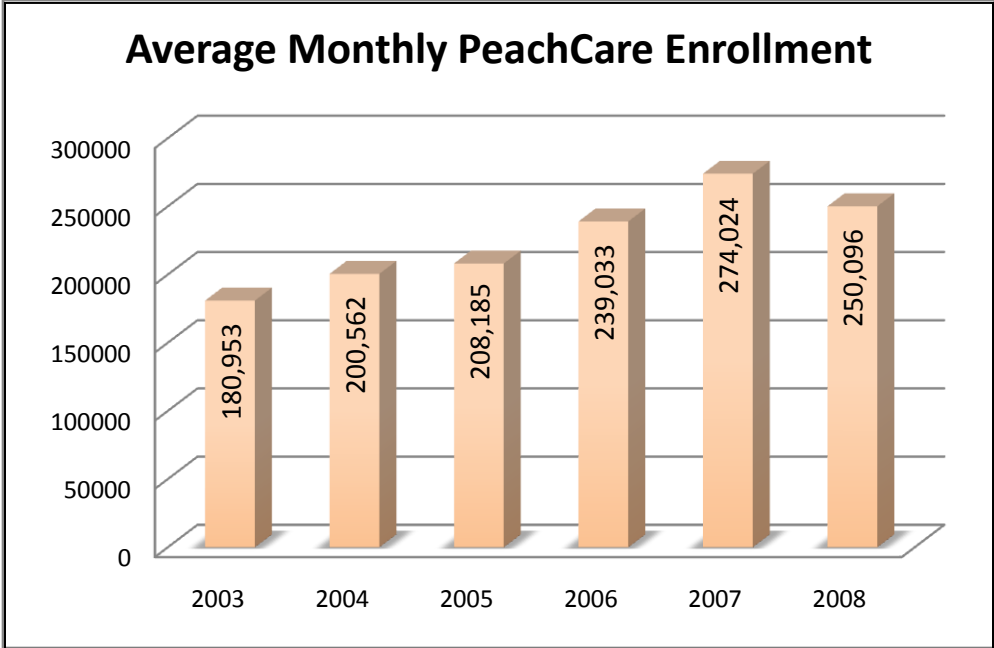
Medicaid Enrollment

Georgia’s increasing unemployment rate has led the Department of Community Health (DCH) to project an increase in the number of Georgians in need of Medicaid or PeachCare for health care coverage.

- For FY10, DCH projected a 7% increase in Medicaid enrollment and a 22.1% increase in PeachCare enrollment.
- Enrollments between 2006 and 2007 dropped by over 100,000. Although some of this decline may be due to improvements in the economy during that period, a substantial portion appears to be due to increased efforts to eliminate duplicate enrollees and verify eligibility and citizenship.

The following charts show historic Medicaid and Peachcare enrollments.





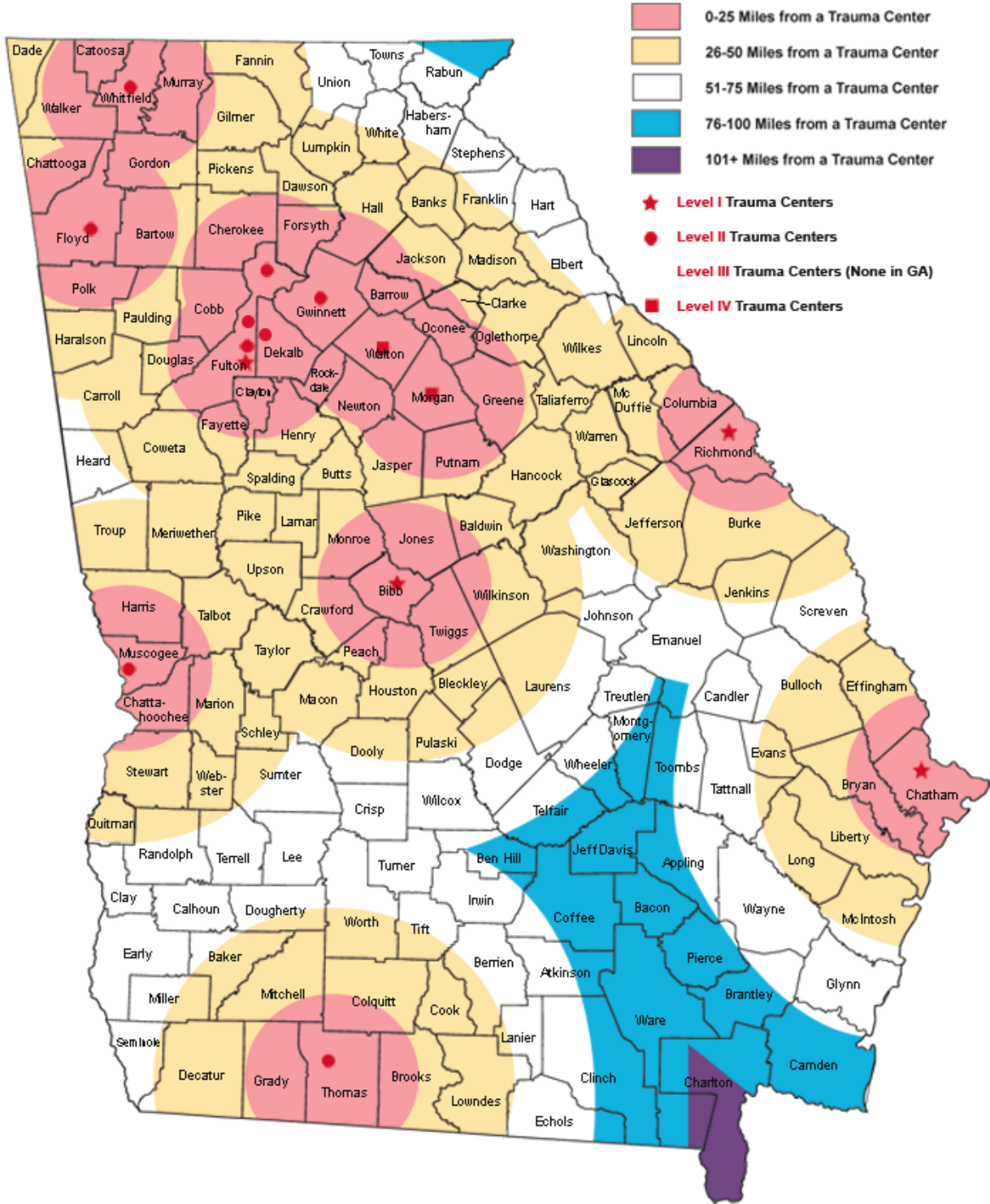
Trauma

Although there have been one-time grants appropriated for trauma care in previous budgets, until FY10, there was no on-going state funding for the state’s trauma system.

- To address trauma funding in the FY10 budget, the General Assembly passed and the Governor signed HB 160, also known as the Super Speeder bill, which mandates an additional \$200 fine on drivers ticketed for exceeding 85 mph on four-lane roads and interstate highways or 75 mph on two-lane roads.
- The Super Speeder bill is expected to generate an additional \$23 million which will be dedicated to funding the state’s trauma network. The Georgia Trauma Commission is the entity responsible for distributing the funding.

The map on the following page shows the current locations of trauma hospitals across the state and the distance county residents are from their nearest trauma center.

Access to Trauma Centers in Georgia



Source: Office of Emergency Medical Services and Trauma

Medical Education

Increasing the number of physicians in Georgia has been an ongoing effort for the state as part of long term planning for the state's health needs.

- The FY09 Amended budget included \$10 million for the Medical College of Georgia (MCG) expansion, including the expansion into the Athens area. The FY10 budget included \$17.6 million for this effort.
- The Governor proposed to reduce funds for graduate medical education by 3.5%, or \$343,977, in the FY09 Amended budget. Although this change was adopted in FY09, the funding was restored in FY10.
- None of the new residency slots added in the FY09 General budget were cut, and the General Assembly restored almost half of the reductions the Governor originally recommended for the operating grants to Mercer and Morehouse Schools of Medicine.
- The FY09 Amended and FY10 General budgets did remove the funds for other planned medical education expansion studies.

FY09 Year-End Withholding

The Department of Community Health was able to avoid operational or service impacts from the \$28,390,989 year end withholding due to an agreement with the Department of Human Resources (DHR) to remit payments to DCH early. DCH expected to lapse \$25.6 million in addition to the unallotted surplus of \$28.4 million, for a total estimated return to the Treasury of over \$54 million.

Criminal Justice

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Dept of Corrections	-7.69%	-6.37%
State Board of Pardons and Paroles	-9.01%	-8.59%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Dept of Corrections	\$1,100,270,926	\$1,157,668,132	\$ 1,068,677,991	\$ 1,083,874,741
State Board of Pardons and Paroles	\$ 55,612,881	\$ 58,439,590	\$ 53,173,284	\$ 53,417,306

*The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget. ARRA budget stabilization funds are also added into the final amounts where appropriate (since stimulus is not a "State Fund" it does not appear in the regular State Funds analysis).

Department of Corrections

Prison Population Growth

Georgia is home to both one of the largest and fastest growing prison populations in the country. Between FY98 and FY08, Georgia's prison population grew 47%, from 36,612 inmates to 54,070.

- According to the Pew Center on the States, in 2008, 1 in 70 adult Georgians was either in jail or prison, the fourth highest rate in the nation.
- When including all adults involved in the correctional system, either through incarceration, parole, or probation, that ratio shrinks to 1 in 13 adults, the highest rate in the nation.

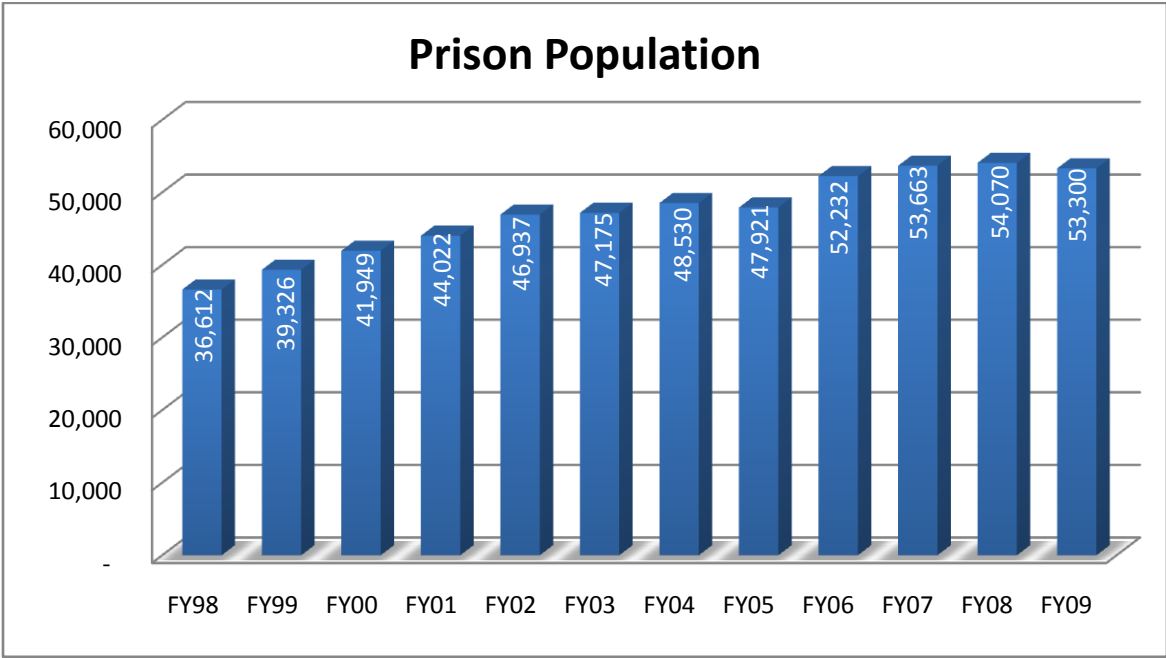
In order to meet the growth needs of the prison system during a time of revenue declines, the state began closing older, high maintenance facilities and consolidating inmates at newer prisons with "fast track" bed expansions. These consolidations are intended to achieve budget efficiencies by reducing overhead and maintenance costs for the Department of Corrections while providing higher levels of security for inmates at Georgia's newer prisons.

- In FY09, Georgia began closing four state prisons, Homerville, Rivers, Milan, and Wayne State Prisons, as well as the West Georgia Boot Camp and the Pelham Pre-Release Center. Closing these facilities will save the state more than \$24 million a year.

As part of the prison consolidation plan, the General Assembly appropriated an additional \$7 million in total new funds in FY10 for the startup or full year operating costs for fast track facilities associated with 1,536 additional beds at prisons statewide:

- Smith State Prison (256 beds)
- Valdosta State Prison (256 beds)
- Coastal State Prison (256 beds)
- Hays State Prison (256 beds)
- Ware State Prison (256 beds)
- Telfair State Prison (256 beds)

Over the past couple years, Georgia has seen its prison population begin to flatten.



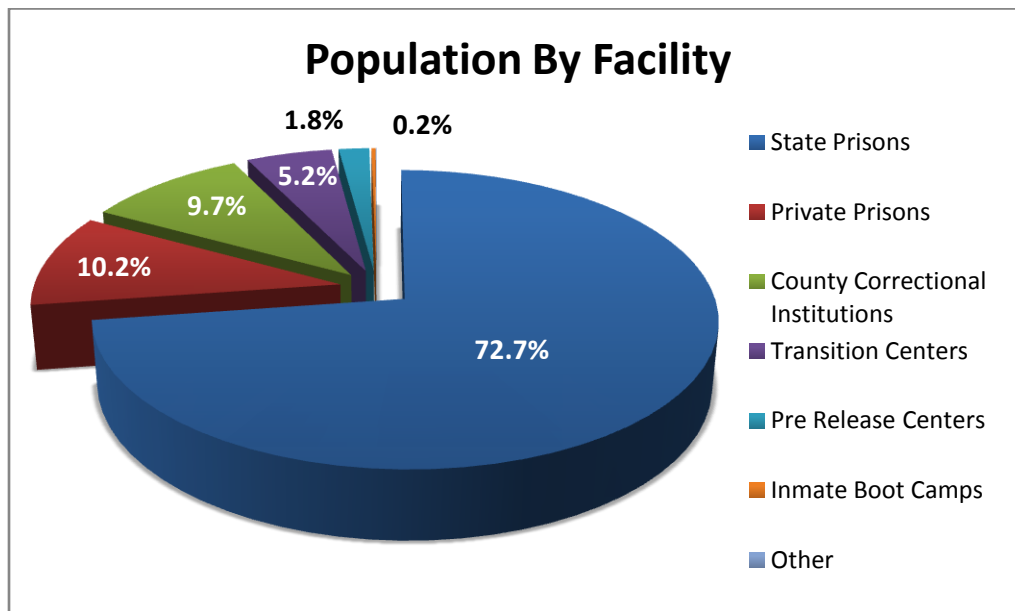
Source: Georgia Department of Corrections

Correctional Facilities

While nearly three quarters of the state’s inmate population are placed in state prisons, more than one in four inmates are placed elsewhere. In FY09 and FY10, the General Assembly appropriated additional funds to provide bed space at non-state prison facilities across the state.

- **Private Prisons:** In FY10, the General Assembly added \$3.5 million to continue the process for a 750 bed private prison expansion. The Department was also directed to use \$2 million in existing funds to restore a Consumer Price Index increase for both of the state’s two private prison providers.

- County Jail Subsidy:** In the FY09 Amended budget, the General Assembly appropriated \$1 million in new funds and transferred \$1.4 million in existing funds from the Offender Management program to the Jail Subsidy program to address the jail backlog and ensure that counties are being reimbursed for housing state prisoners. In FY10, the \$1.4 million was once again transferred to the Jail Subsidy program.
- Day Reporting Centers:** The Department has eliminated the Probation Diversion Center program, which costs \$55 per offender per day, and has begun opening Day Reporting Centers (DRC), which only cost \$10 a day. During the 2009 Session, legislation was passed requiring DRC participants to pay a supervision fee to cover the cost of the program. The Department currently has 11 DRCs. In FY10, the Department plans to open 6 additional DRCs, bringing the total to 17.



Source: Georgia Department of Corrections, FY08

FY09 Year-End Withholding

Department of Corrections (\$20,757,821)

The Department received \$10 million in stimulus funds and so only had to find an additional \$10.8 million in cuts. The majority of these funding reductions occurred in the Health program by managing referrals and having an intermediate discharge facility and transportation unit so that the Department could avoid inpatient costs that occur from extended stays on weekends. The Department is also trying to in-source more procedures within the facilities. The remainder of the savings were realized within the Probation and Transitional Centers program.

Pardons and Paroles (\$894,423)

The agency took excess funds from each object class and did not target specific services for reductions.

Economic Development

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Dept of Community Affairs	-74.94%	-73.21%
Dept of Economic Development	-18.71%	-16.25%
Public Service Commission	-10.68%	-5.91%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Dept of Community Affairs	\$ 181,321,229	\$ 100,549,877	\$ 25,193,451	\$ 26,933,317
Dept of Economic Development	\$ 46,422,812	\$ 39,581,672	\$ 32,177,272	\$ 33,148,712
Public Service Commission	\$ 9,965,190	\$ 10,348,009	\$ 9,242,973	\$ 9,735,943

* The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget.

Department of Community Affairs

The Department of Community Affairs' (DCA) largest budget reductions in the FY09 Amended and FY10 General budgets occurred in two of its attached agencies: the Georgia Environmental Facilities Authority (GEFA) and the OneGeorgia Authority.

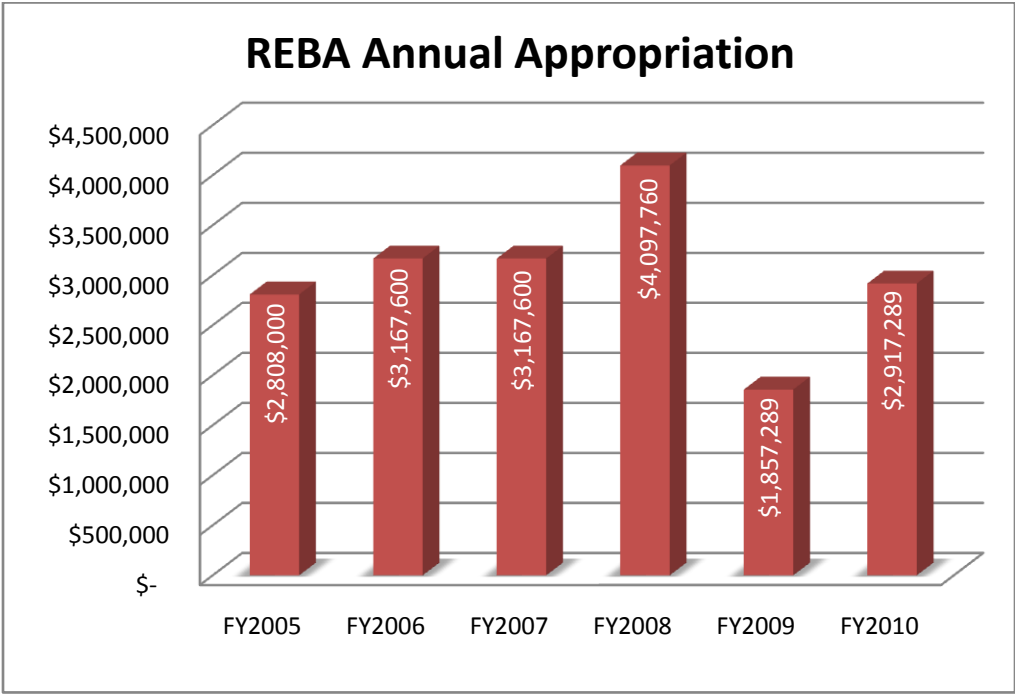
- Of the more than \$70 million eliminated in the DCA budget, \$10 million was the result of eliminating grant funds for the Georgia Land Conservation Program and \$47 million was the result of eliminating all tobacco settlement funds for the OneGeorgia Authority.

Economic Incentive Funding

The Department also sustained large reductions to economic incentive programs, including the Life Sciences Facilities Fund, Regional Economic Business Assistance (REBA) program, and Downtown Development Revolving Loan Fund/Georgia Cities Program.

- **Life Sciences Facilities Fund:** \$4,403,282 in new funding was eliminated in the FY09 Amended and FY10 General budgets. The funds had been used to provide low-cost loan assistance to life-science companies to assist with the expansion, retention, or relocation of those companies within Georgia. The remaining \$10.3 million in reserves were transferred to the REBA program, where there is additional flexibility in the type of companies eligible for funds.

- **Downtown Development Revolving Loan Fund/Georgia Cities Program:** All \$1.5 million in new funding for the program was eliminated in both FY09 and FY10. The program will continue to operate as a revolving loan fund using income from its repayment stream. The funds are used to provide below-market rate financing for cities, counties, and development authorities for capital projects designed to revitalize and enhance core historic downtown areas and adjacent historic neighborhoods in order to spur commercial redevelopment.
- **REBA:** Funding for the program was reduced by \$1,000,000 in the FY09 Amended budget but those funds were restored in FY10. The REBA program works with local development authorities to provide deal closing money to companies considering relocating to Georgia. The funds can be used to purchase fixed assets, including infrastructure, real estate acquisition, construction, or machinery and equipment.



Local Government Assistance

Funds distributed as pass-throughs or grants to local communities across the state were also reduced.

- Both the FY09 Amended and FY10 General budgets eliminated funds for the Signature Communities and Communities of Opportunity grants. The General Assembly redirected funding from the OneGeorgia Authority for Communities of Opportunity grants, but the redirection was vetoed by the Governor.
- Signature Community grants had been used to provide \$50,000 grants to communities to implement innovative initiatives or goals identified in their comprehensive plans. Communities

of Opportunity grants were \$5,000-\$8,000 grants awarded to persistent poverty communities to assist them in implementing strategies to target high priority needs.

- Funding for Local Assistance Grants, local special projects, and water and sewer grants available through GEFA were also reduced or eliminated.

The Department did receive an additional \$1.2 million in FY10 to increase funding for the new Regional Commissions (RC) to aid RCs in providing planning assistance to local governments.

Department of Economic Development

FY09 Amended and FY10 reductions to the Department were primarily reductions in marketing dollars.

The Halls of Fame (Music, Sports, Aviation, and Golf) along with the Georgia Medical Center Authority and Civil War Commission faced budget cuts as part of an ongoing effort to move those entities to self-sufficiency.

Funding for state Visitors Centers was reduced and Centers were encouraged to find savings by altering business hours or partnering with other agencies to offer additional programs at the centers.

FY09 Year-End Withholding

Department of Community Affairs (\$368,727)

The Department used federal and other funds to offset the reduction in state funds. The agency also held open vacancies and reduced funds for the state match to the federal HOME program, which provides funds to build, buy, or rehabilitate affordable housing for rent or homeownership or provides direct rental assistance to low-income people. The Department also deallotted \$60,000 from the REBA fund and returned those funds to the Treasury.

Department of Economic Development (\$555,705)

Across all programs, the Department withheld funds for planned year-end expenditures on new equipment, computer upgrades, and IT expenses and continued to hold open vacancies.

Public Service Commission (\$181,780)

PSC withheld funds from contracts for subject matter experts which will impact what they will have available for cases during FY10.

Education

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Dept of Early Care and Learning	-0.26%	3.50%
Dept of Education	-2.20%	-3.31%
Teachers' Retirement System	-11.41%	-25.87%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Dept of Early Care and Learning	\$ 329,443,829	\$ 341,592,254	\$ 340,702,086	\$ 353,540,557
Dept of Education**	\$7,923,555,171	\$8,245,943,241	\$ 8,064,140,259	\$ 7,972,800,861
Teachers' Retirement System	\$ 1,555,000	\$ 1,523,000	\$ 1,349,187	\$ 1,129,000

*The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget. ARRA budget stabilization funds and FMAP funds are also added into the final amounts where appropriate (since stimulus is not a "State Fund" it does not appear in the regular State Funds analysis).

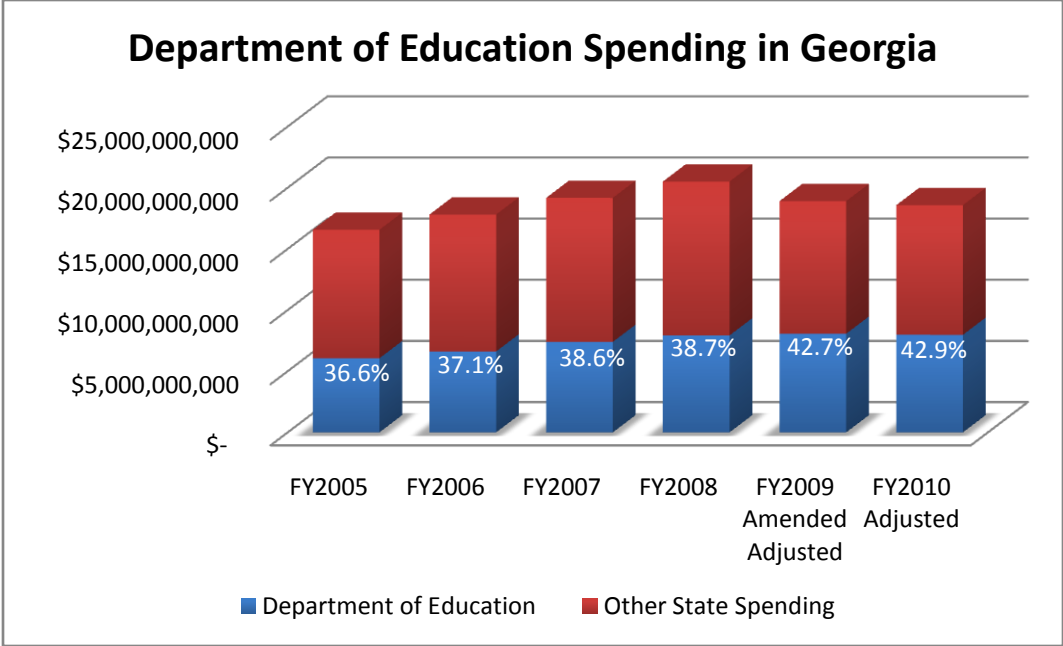
**For the Department of Education, FY09 programs "prefunded" in FY08 are moved from FY08 budget to FY09, this makes a difference of \$50,345,470. These changes are reflected in charts below as well.

While revenue for the state decreased significantly in FY09 and FY10, Pre K-12 enrollment continued to grow. Minimizing the impact of budget cuts on funding for education was a high priority in both the FY09 Amended and FY10 General budgets. Because funding for education activities were not reduced as substantially as other areas of the FY09 and FY10 budgets, education as an overall percentage of the budget increased in FY09 and FY10.

Additionally, both the Department of Early Care and Learning (DECAL) and the Department of Education's (DOE) budgets increased over FY08 appropriations.

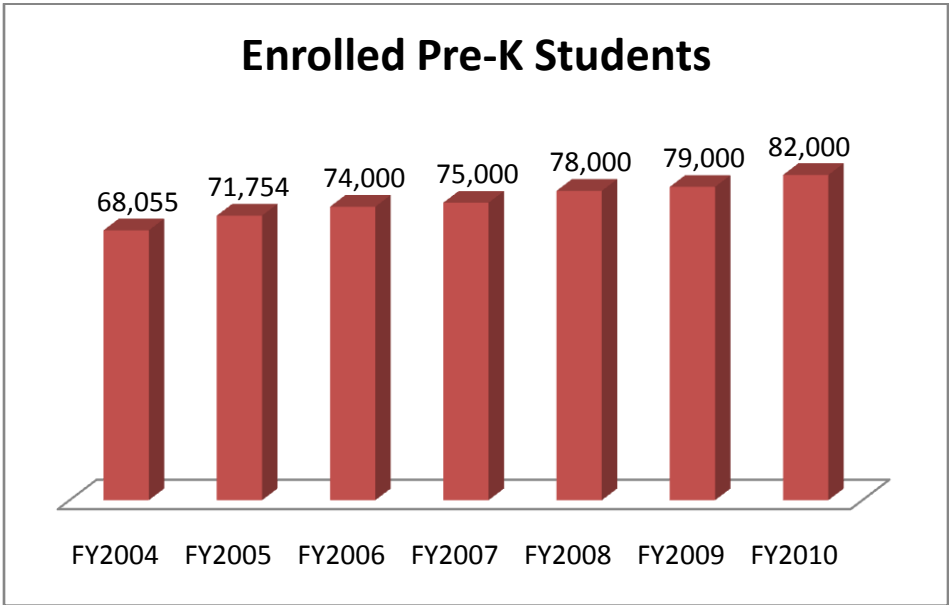
Agency	FY08 FINAL	FY10 General Adjusted*	% Change from FY08
Dept of Early Care and Learning	\$ 329,443,829	\$ 353,540,557	7.31%
Dept of Education**	\$7,923,555,171	\$ 7,972,800,861	0.62%

Because funding for the Department of Education has been cut less than other agencies since FY08, K-12 spending has increased as a percent of the budget from 38.7% of the budget to 42.9%.



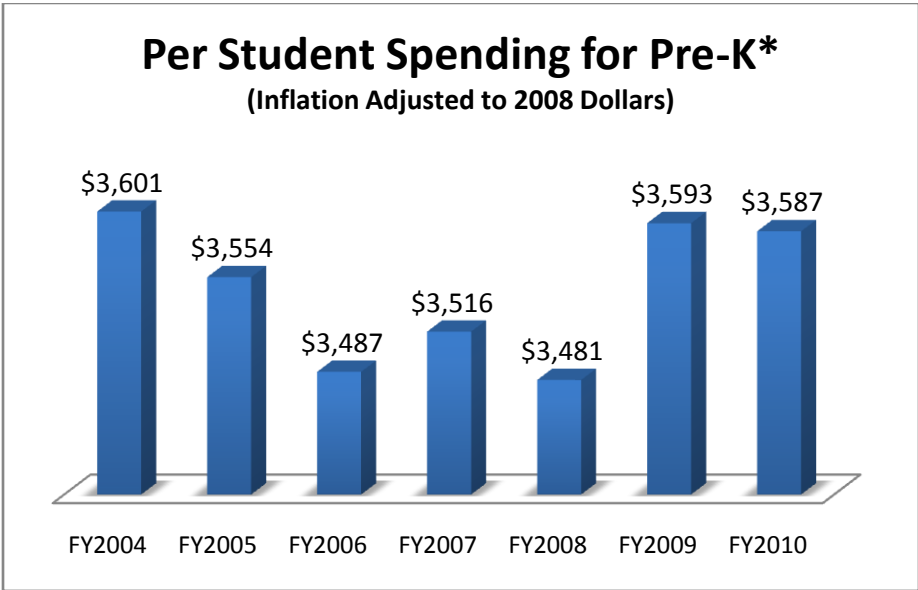
Department of Early Care and Learning

Since 1992, over 866,000 four year olds have attended Georgia’s lottery funded Pre-K program.



Source: Department of Early Care and Learning

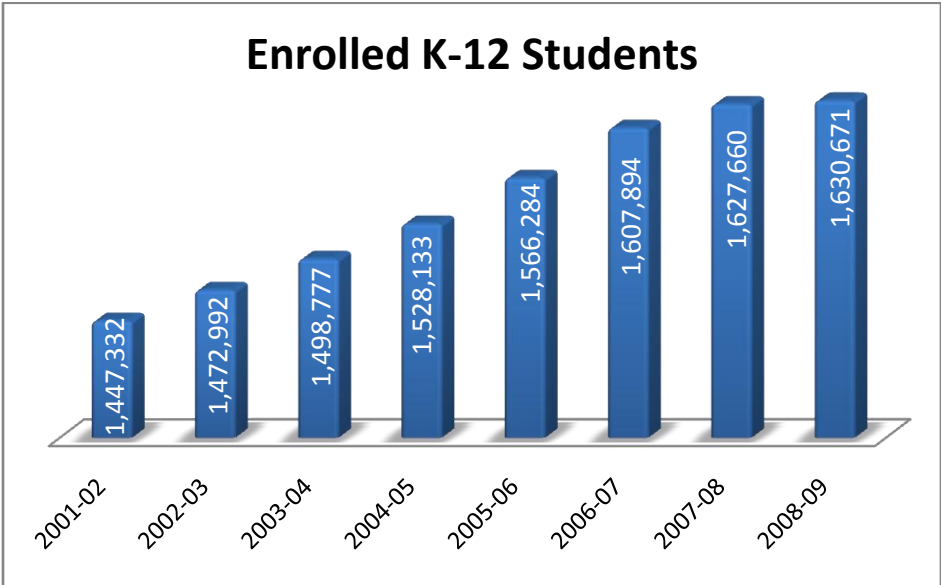
The FY10 budget provides \$350 million for the Pre-K program, a 3.5% increase over the FY09 General budget, including \$12.5 million for 3,000 new Pre-K slots to provide a total of 82,000 slots. However, while appropriations grew 3.5% between FY09 and FY10, because enrollment will grow at 3.8% with the additional slots, real spending per student will decline.



* Per student spending calculated from base grant only. Start-up costs, transportation, and other expenditures are excluded.

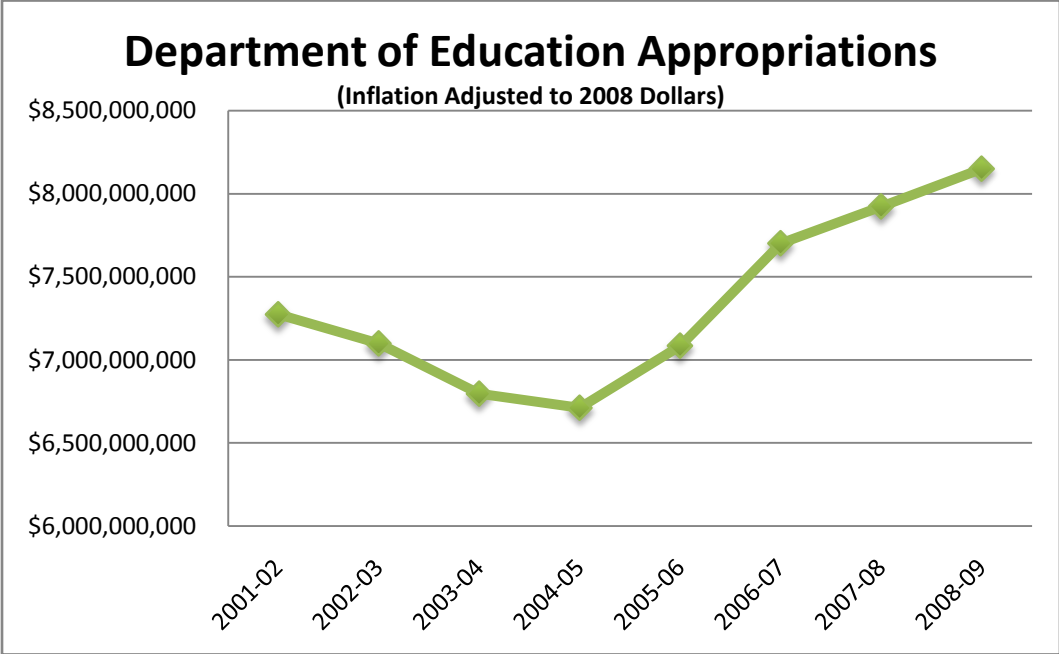
Department of Education Funding Formulas

Georgia’s K-12 student population has grown by 13%, or nearly 200,000 students, since the 2001-02 school year.

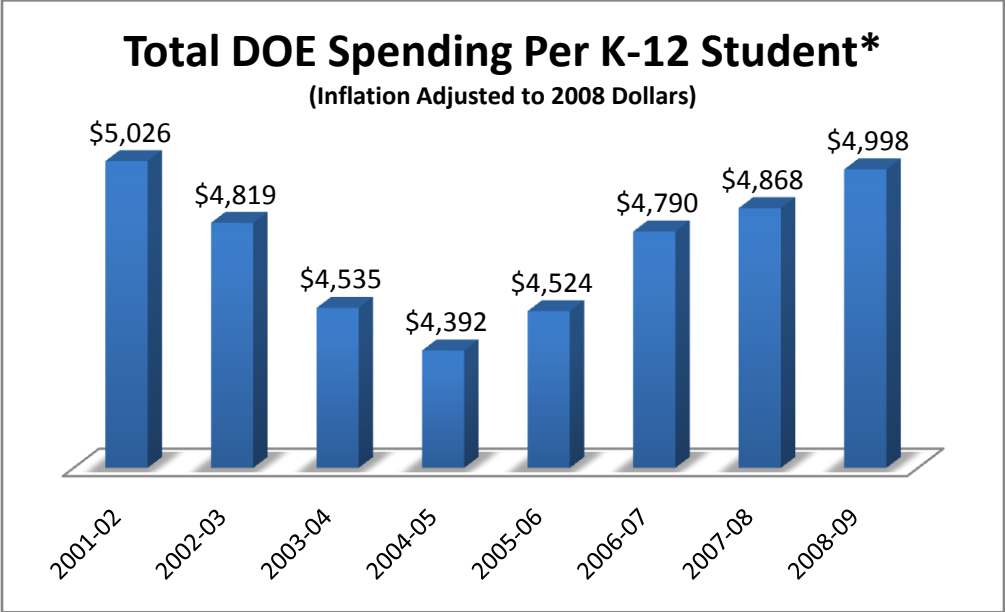


Source: Department of Education

Between FY02 and FY05, declining economic conditions forced the state to make across the board austerity reductions to state agencies, including the Department of Education, in order to maintain a balanced budget.



While the Department of Education’s budget has grown in conjunction with student population since FY05, the austerity reductions to the Quality Basic Education (QBE) funding formula have never been fully restored. Adjusted for inflation, real spending per student remains below FY02 funding levels.



* Per student calculations are based on the total final appropriation to the Department of Education in a fiscal year.

The General Assembly originally appropriated \$50 million in FY09 to partially restore the austerity cuts, but this amount was removed in both the FY09 Amended and FY10 General budgets. The FY10 budget further reduced the QBE formula by 3% or \$147.2 million.

- The American Recovery and Reinvestment Act of 2009 contributed \$413.1 million to the total FY10 QBE appropriation of \$8.463 billion (compared to \$8.481 billion in FY09).

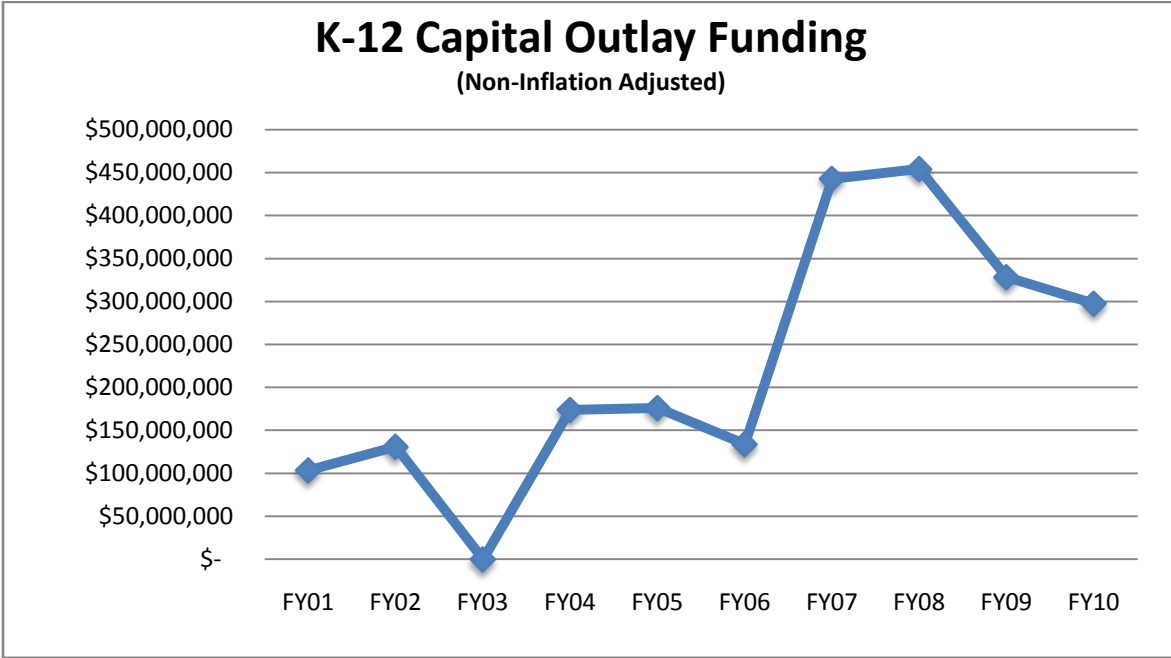
In addition to the primary Quality Basic Education formula used to fund school systems statewide, approximately three out of four school systems also receive funding through the Equalization program, designed to narrow the spending gap per pupil between school systems by reducing the disparity between the tax bases of Georgia’s school systems.

- For FY10, the Equalization formula generated \$631 million, but funding was reduced to \$436.1 million. This was a decline from a \$576.5 million funding level in FY09. The reduction in Equalization funding was pro-rated across all eligible recipient school systems.

Capital Funding

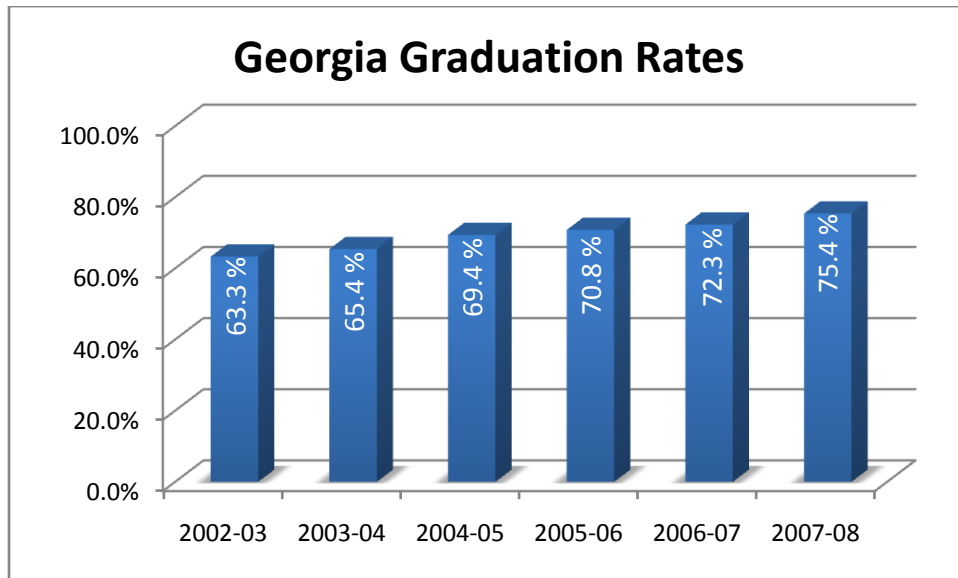
The General Assembly appropriated more than \$297 million in bond funding in the FY10 budget for local school systems to construct new facilities and purchase equipment for schools.

- Of the \$297 million appropriated, over \$107 million was for school systems with the greatest need for capital funding assistance, specifically school systems facing exceptional growth or with low local tax bases.



Graduation Rates

The Governor's Office of Student Achievement reported continued growth in graduation rates for the 2007-2008 school year, exceeding 75%.



Source: Governor's Office of Student Achievement

- The Graduation Coach program was reduced by \$3.7 million in the FY10 budget, and the remaining \$49.2 million for the program was transferred to be included in the Quality Basic Education formula. Local systems were given the discretion to choose whether to spend those funds on graduation coaches.
- Middle school graduation coaches will now only be funded at schools which have feeder high schools with graduation rates at or below 85%.

Other FY10 Items

- The Governor's budget proposal for FY10 would have eliminated all funding for the National Board Certification program. The General Assembly restored the Governor's cut but limited awards to 10% of the base teacher salary, a change from basing awards on each individual teacher's salary, which increases with education and years of experience. For FY10, \$7.2 million was appropriated, compared to \$12.3 million in FY09.
- The Governor's budget proposal would have eliminated funding for the School Nurses program in FY10. The General Assembly restored the program but included a 3% reduction, from \$30 million to \$29.1 million.

- Funding was eliminated for Academic Coaches (\$1.4 million) and Mentor Teachers (\$200,000). Six Science Mentor positions were eliminated, leaving \$2.6 million remaining for Math and Science Mentors.

FY09 Year-End Withholding

Department of Education (\$134,329,801)

\$157,931,192 in stimulus was used to “backfill” the shortfall. The stimulus used to offset the withholdings was greater than the withholdings themselves as the additional funds were distributed to local school districts to aid those districts in managing budget shortfalls.

Department of Early Care and Learning (\$50,944)

DECAL was able to use available federal funds to offset the state funds withholding without any additional impact on operations.

Fiscal Management

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Dept of Audits and Accounts	-9.75%	-8.60%
State Accounting Office	-22.46%	-15.21%
Dept of Administrative Services	-52.47%	-47.84%
Dept of Banking and Finance	-4.75%	-4.21%
Dept of Revenue	-1.29%	-79.69%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Dept of Audits and Accounts	\$ 34,429,800	\$ 35,427,174	\$ 31,974,212	\$ 32,380,418
State Accounting Office	\$ 7,205,916	\$ 5,456,173	\$ 4,230,658	\$ 4,626,452
Dept of Administrative Services	\$ 15,918,189	\$ 13,792,429	\$ 6,555,567	\$ 7,194,199
Dept of Banking and Finance	\$ 12,399,667	\$ 12,898,273	\$ 12,285,088	\$ 12,355,581
Dept of Revenue	\$ 555,974,967	\$ 557,498,041	\$ 550,286,682	\$ 113,235,387

*The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget. ARRA budget stabilization funds and FMAP funds are also added into the final amounts where appropriate (since stimulus is not a "State Fund" it does not appear in the regular State Funds analysis). The Department of Revenue cuts include the reduction in the Homeowners Tax Relief Grant.

Department of Revenue

Revenue Processing

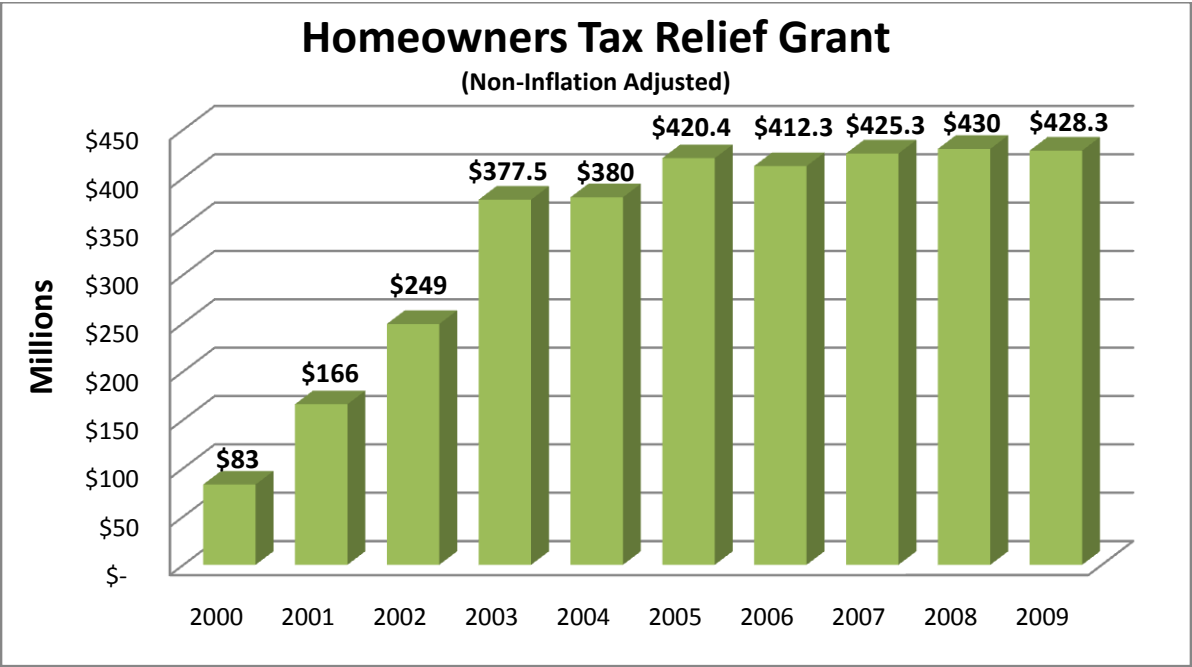
The FY09 Amended budget cut \$2.4 million in funds for temporary staff used to work the second and third shifts at the revenue processing center. Typically, those temporary staff would be hired in January to begin processing returns through spring. However, the second and third shifts did not start until May this year due to budget cuts. The Department was able to access alternative fund sources to pay for the temporary labor. Because of the reduction in staff from January until May at the processing center, the Department ended FY09 with a backlog of 402,000 returns yet to be processed. These returns were processed by the end of August 2009.

Homeowners Tax Relief Grant

The Homeowners Tax Relief Grant (HTRG) provides for a reduction in the assessed value of a home. The amount of the reduction is set by the legislature in the appropriations bill. Counties and cities multiply their millage rate by the exemption amount to determine the credit due for eligible homeowners.

Local governments submit claims to the Department of Revenue for reimbursement of the aggregate amount of all credits. Homeowners see this money as a credit on their property tax bill along with the statutorily required notice, "This reduction in your bill is the result of homeowners tax relief enacted by the Governor and the General Assembly of the State of Georgia."

- The Governor’s FY09 Amended and FY10 General budgets recommended eliminating funding for HTRG. Because FY09 was more than halfway over at the time the Governor’s budget proposal was released, eliminating funds for the grants would have left local governments with significant gaps in their budgets. Therefore, the General Assembly committed to fully fund HTRG at \$428,290,501 in FY09. HTRG was not funded in FY10.



Department of Banking and Finance

The FY10 budget cut \$270,034 from the Consumer Protection and Assistance program. The remaining funds in the program will be used to direct consumers with complaints or concerns with banks to federal and local resources like the Federal Deposit Insurance Corporation (FDIC).

Department of Administrative Services

During the 2009 session, the General Assembly passed HR 161 awarding compensation to an individual wrongfully convicted and imprisoned for twenty years. The FY09 budget included \$299,271 in one-time funds to purchase a 20 year annuity for that individual. All compensation funds were removed in the FY10 budget.

The FY10 budget also reduced funding for the State Purchasing and Fleet Management programs and instructed the Department to make those programs self-sufficient using agency income by FY11.

State Accounting Office

Since programs became the legal level of accountability for the state in 2006, the State Auditor has never been able to certify that Georgia is in compliance. Many of these problems could be remedied by training and corrections to the state's PeopleSoft accounting system. The General Assembly added \$377,345 for training, upgrades, and other activities to aid in program budget compliance.

FY09 Year-End Withholding

Department of Administrative Services (\$51,892)

The agency received all the money they planned to expend prior to June. They had not planned on applying for June allotments and Department operations were not affected by the reductions.

State Accounting Office (\$50,556)

The agency was able to plan for and absorb these reductions through delaying the rehire of two employees and through performance related salary reductions of two other employees.

Department of Banking and Finance (\$236,962)

The agency anticipated budget cuts of this magnitude earlier in the year and held open positions to free up funds in personal services. The agency plans to fill these positions for FY10.

Department of Revenue (\$2,356,685)

The Governor used \$2.1 million in State Fiscal Stabilization Funds to backfill the June withholdings in order to minimize the impact of the withholdings on the Department's ability to process the backlog of tax returns.

Department of Audits (\$591,941)

By moving funds around, the Department of Audits was able to get close to the amount requested.

General Government

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Georgia Senate	-8.94%	-7.79%
Georgia House of Representatives	-8.67%	-7.80%
Georgia General Assembly Joint Offices	-8.91%	-6.13%
Employees' Retirement System of Georgia	-2.08%	0.50%
Office of the Governor	-10.95%	-15.02%
Dept of Insurance	-10.23%	-9.93%
Secretary of State	-12.05%	-16.38%
State Board of Workers' Compensation	9.53%	9.03%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Georgia Senate	\$ 10,942,603	\$ 11,402,191	\$ 10,383,195	\$ 10,513,575
Georgia House of Representatives	\$ 18,995,716	\$ 19,850,950	\$ 18,130,328	\$ 18,302,585
Georgia General Assembly Joint Offices	\$ 9,925,594	\$ 10,479,449	\$ 9,545,541	\$ 9,836,665
Employees' Retirement System of Georgia	\$ 4,556,301	\$ 7,151,826	\$ 7,002,829	\$ 7,187,430
Office of the Governor	\$ 50,614,874	\$ 57,642,768	\$ 51,329,666	\$ 48,985,692
Dept of Insurance	\$ 18,893,621	\$ 19,230,125	\$ 17,263,363	\$ 17,321,489
Secretary of State	\$ 40,070,587	\$ 40,504,390	\$ 35,624,402	\$ 33,871,025
State Board of Workers' Compensation	\$ 17,268,050	\$ 17,720,194	\$ 19,408,433	\$ 19,319,813

*The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget.

Secretary of State

Reductions in the Secretary of State budget were primarily due to cuts to personal services and state contracts. Over 24 filled and 33 vacation positions were reduced in the FY10 budget.

- In the Elections programs, the majority of the reductions were achieved through the removal of one-time funds previously appropriated for both the 2008 election cycle and for Voter-Id related expenses. To offset the reductions, \$25,000 was transferred to the program from Administration to ensure compliance with federal maintenance-of-effort requirements mandated by the Help America Vote Act.

Governor's Office

The FY10 budget eliminated the Consumer Utility Counsel from the Governor's Office of Consumer Affairs. The Counsel had been tasked with representing residential and small-business customers in utility proceedings before the Georgia Public Service Commission and state and federal courts, particularly in rate cases.

State Personnel Administration

The merit system rate was reduced for state agencies from \$147 to \$137 in the FY10 budget. This generated a savings in state funds of \$1,074,892.

FY09 Year-End Withholding

Georgia General Assembly

Joint Offices (\$164,715)

Georgia House of Representatives (\$263,011)

Georgia Senate (\$141,637)

The Georgia General Assembly had additional funds set aside for a special session as well as for computer upgrades in Ancillary Services. Funds were also pulled from programs where there were minor surpluses.

Secretary of State (\$626,335)

The agency was able to meet the withholding due to continuation of efficiencies that had already been implemented at the beginning of the fiscal year, including a travel moratorium, hiring freeze, more stringent spending controls, shift to on-line renewals, and the implementation of a consolidated call center.

Department of Insurance (\$303,808)

The agency was concerned about its ability to meet some end of year expenses, but receipt of some federal funds (Medicare and Housing and Urban Development Inspections funds) helped partially cover the reduction. They are delaying the payment of some bills and instead making some internal transfers of state funds to cover remaining expenses.

Office of the Governor (and attached) (\$909,200)

The Governor's Office continued the hiring freeze on positions and limited both purchases and travel. No special provisions were made aside from these.

Higher Education

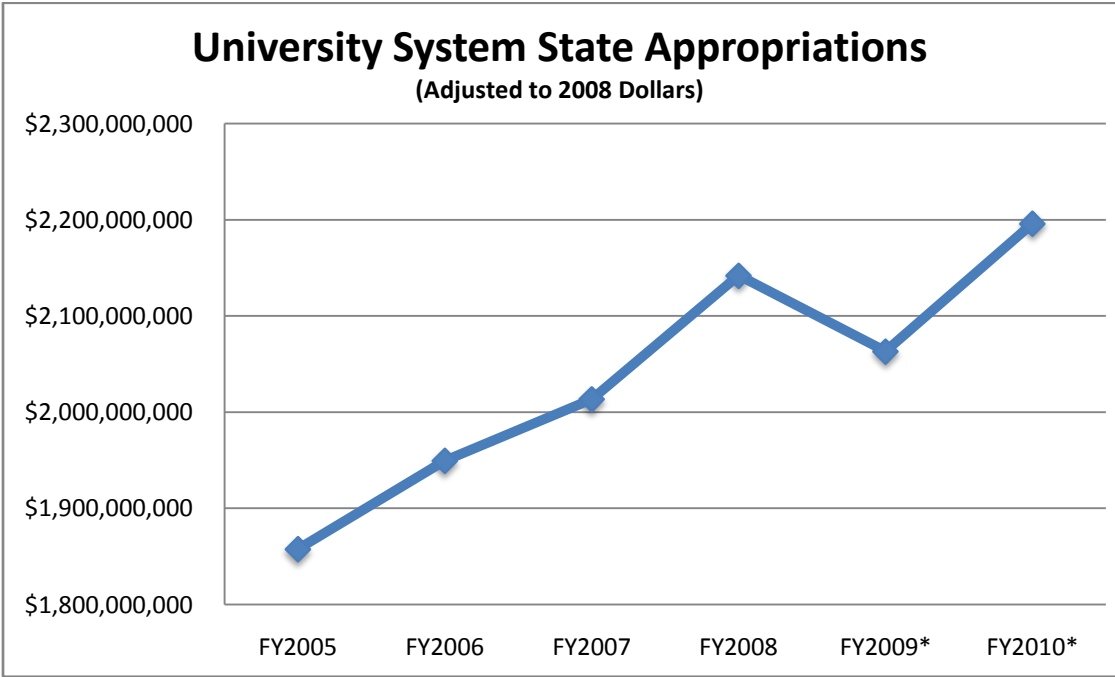
Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Board of Regents	-11.26%	-5.54%
Georgia Student Finance Commission	-0.26%	8.56%
Technical College System of Georgia	-9.83%	-6.40%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Board of Regents	\$2,142,061,132	\$2,300,517,851	\$ 2,041,500,314	\$ 2,172,971,990
Georgia Student Finance Commission	\$ 556,920,642	\$ 576,791,488	\$ 575,272,130	\$ 626,193,024
Technical College System of Georgia	\$ 373,317,567	\$ 370,975,007	\$ 334,490,811	\$ 347,236,215

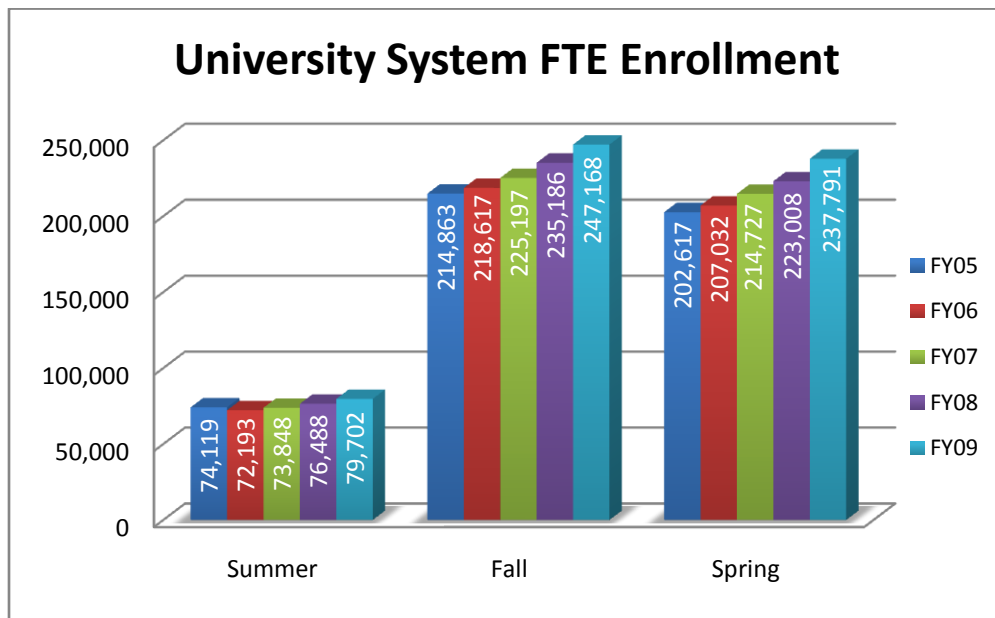
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University System of Georgia Board of Regents



*FY2009 and FY2010 reflect adjusted amounts

Adjusted for inflation, appropriations to the University System of Georgia have grown 18% in real dollars. Over the same period, enrollment has grown by nearly 15%.



While appropriations have outpaced enrollment growth since FY05, the Resident Instruction funding formula has not been fully funded during this period. Each year, the formula has included a sustained budget reduction of \$273 million.

- The FY09 Amended budget cut an additional \$177 million from the formula.
- The FY10 General budget added \$108.7 million for enrollment growth, maintenance and operations, and retiree and health insurance expenses, but then included a general reduction to the formula of \$200 million, for a net reduction of \$91.3 million in Resident Instruction funding.

A breakdown of the formula allocation by University System institution is available from SBEO.

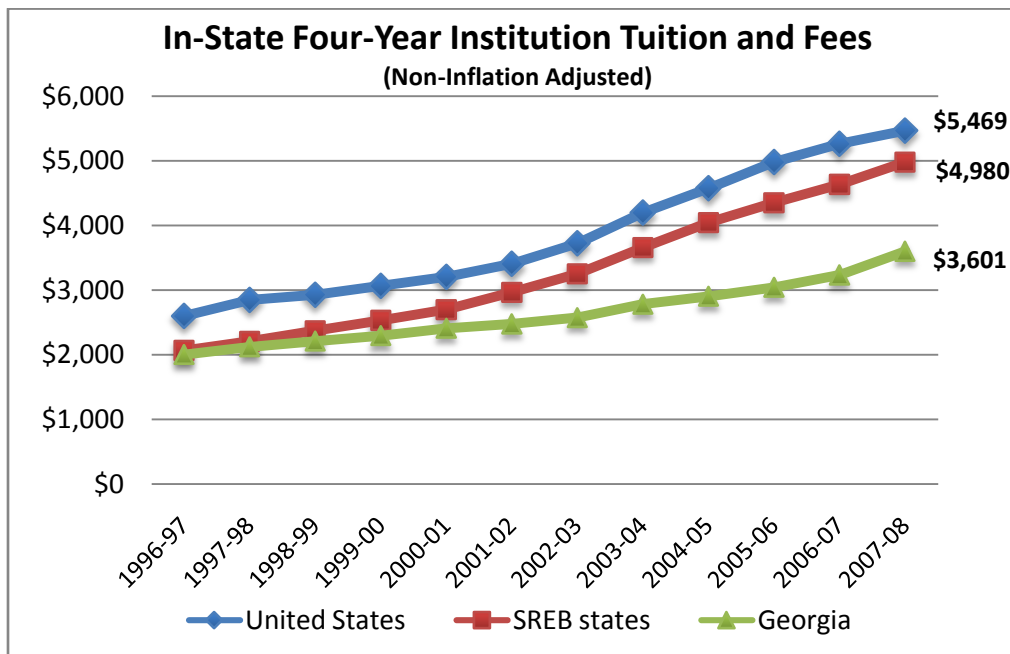
Tuition Increases

Traditionally, state appropriations to the University System budget have provided 75% of the cost of student education. The remaining 25% is expected to come from student tuition and fees.

Tuition and fees for Georgia's public four year institutions has grown each year. However, according to the Southern Regional Education Board (SREB), the cost of a four year education in the state remains 28% below the median cost for the southeast and 34% below the median cost nationwide.

- In FY08, Georgia ranked 14th of the 16 states in the region in the median annual tuition and

required fees for full-time undergraduate students at public four-year colleges and universities and 10th out of 16 at two-year colleges for FY08.



Source: Southern Regional Education Board (2009)

In FY09, Georgia increased tuition by 5-8% (depending on the institution) and instituted a “temporary” student fee increase.

- For FY10, the Board of Regents has opted to freeze tuition at the FY09 per credit hour amounts. However, the full-time designation will change from 12 hours to 15 hours, meaning students will have to pay for hours 13, 14, and 15. This change means that students taking fifteen hours will pay 25% more in tuition.
- The Board is also creating a new tuition model at the University of Georgia and the Georgia Institute of Technology. The tuition at these schools will be a flat \$3,035 per semester, regardless of the number of hours taken. This means that students at these institutions will not have the option of mitigating tuition increases by taking fewer hours; they will pay 25% more.

The Regents are expecting to realize approximately \$50 million in additional revenue from this tuition plan.

Additionally, in 2006, the Board had created a policy that guaranteed freshmen would pay the same tuition for four years, known as “Fixed for Four.” The Board has elected not to extend this policy to incoming freshmen, but will continue to honor the agreement made to the three cohorts already on the plan. Honoring this agreement for these students means that any tuition increases will not realize the

full revenue potential until these cohorts work through the system.

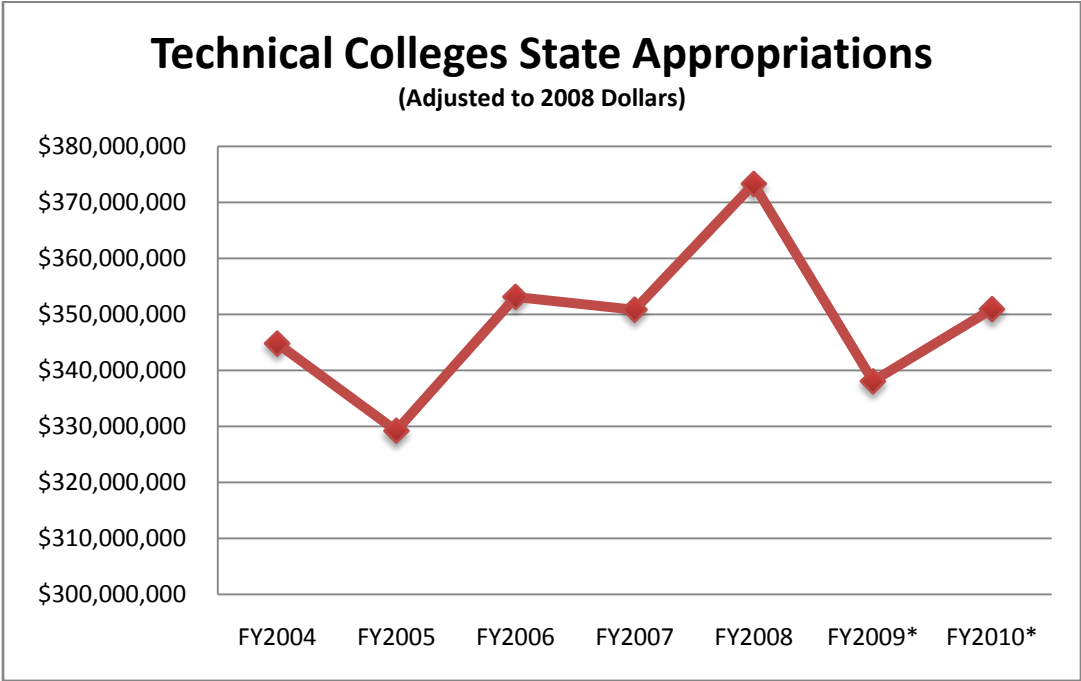
Other FY10 Reductions

- **Eminent Scholars:** Eliminated funds for Georgia Southern University and Kennesaw State University (\$1.5 million)
- **Georgia Cancer Coalition:** Eliminated funding for the Quality Information Exchange (\$4.3 million)
- **Public Service/Special Funding Initiatives:** Reduced funds (\$6.3 million)
- **Public Libraries:** State grants were reduced by \$1.8 million, library repair and renovation funds were reduced by \$900,000, and library formula funds increased based on population. The total public library allocation was \$43 million in FY10 compared to \$46.2 million in FY09.

Technical College System of Georgia

Funding Formula

Funding for the Technical Education formula at TCSG was reduced by \$26.5 million in the FY09 Amended budget and \$11 million in the FY10 General.



*FY2009 and FY2010 reflect adjusted amounts

Career Academies

Career academies are a partnership between the Georgia Department of Education and TCSG that enables high school students to gain career relevant training and experience while still in high school.

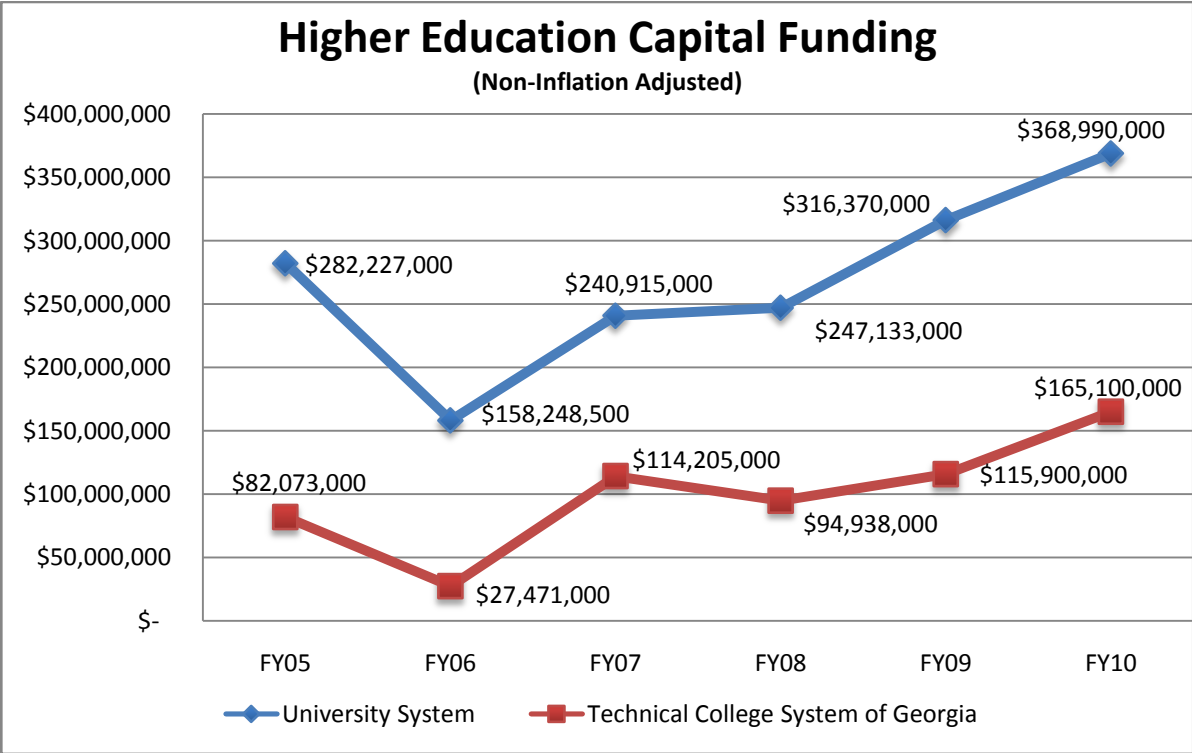
- In FY09, career academies received \$1.25 million in cash and \$15 million in bond funds to provide start-up grants for staffing and facilities expenses for career academies.
- The FY10 budget reduced the cash appropriation for career academies to \$750,000, but provided an additional \$15 million in bond funds.

Five new career academies received start-up grant awards in FY09:

- Athens Community Career Academy
- Lanier Charter Career Academy
- Warren County Career Academy
- Houston County Career Academy
- Southeastern Early College and Career Academy
- Additionally, one existing academy, the Douglas County College and Career Academy, received an additional grant in FY09.

Capital Investments

The FY10 budget includes over \$368 million for capital projects for the University System and \$165 million for TCSG. These funds will be used for major maintenance and repairs, construction projects, and equipment at higher education institutions across the state.



Georgia Student Finance Commission

According to the Southern Regional Education Board (SREB), student financial aid appropriations increased 11% from 2006-07 to 2007-08 in SREB states, while in Georgia they fell 3%. However, Georgia still had the second highest level of total student financial aid in the SREB. The FY10 Georgia Student Finance Commission budget:

- Increased funding for HOPE Scholarships for Public Schools from \$354.3 million to \$390 million,
- Increased funding for HOPE Grants from \$113.3 million to \$130.4 million,
- Reduced HOPE GED and HOPE Scholarships for Private Schools based on projected need, and
- Eliminated funding for the Governor’s Scholarship Program, which provided a stipend for each valedictorian and STAR student graduating from a Georgia high school and attending college in state (\$1.6 million).

FY09 Year-End Withholding

Board of Regents (\$39,783,907)

\$17.2 million of the total reduction to Regents was “backfilled” with stimulus. According to the Board of Regents staff, institutions handled their reduction by reducing year-end spending (forgoing library acquisitions and subscriptions, skipping technology upgrades, etc.) They have also held open vacancies.

Technical College System of Georgia (\$4,862,472)

\$2.1 million of this amount was covered with stimulus funds. A few schools were holding some statutory reserve funds for major projects in FY10 (O.C.G.A. § 20-4-21.1). TCSG had to use these funds to cover the shortfall in FY09. The FY08 reserves are depleted, and the system is unsure of FY09 reserves presently. They also used the “admin” portion of the Career Academies money to cover the reductions, but the actual grants to schools were not reduced.

Georgia Student Finance Commission (\$522,116)

Most of their money is lottery, so the year-end withholdings in state general funds did not affect their largest programs.

Human Development

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Dept of Human Services	-8.78%	-8.23%
Dept of Labor	-12.69%	-14.95%
Dept of Veterans Service	-11.43%	-11.20%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Dept of Human Services	\$1,650,933,741	\$1,661,556,492	\$ 1,515,677,617	\$ 1,524,845,240
Dept of Labor	\$ 55,081,172	\$ 55,769,092	\$ 48,691,842	\$ 47,432,021
Dept of Veterans Service	\$ 26,210,306	\$ 25,701,669	\$ 22,764,723	\$ 22,822,878

*The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget. ARRA budget stabilization funds and FMAP funds are also added into the final amounts where appropriate (since stimulus is not a "State Fund" it does not appear in the regular State Funds analysis). The adjusted columns for FY10 unwind the DHR restructure changes so that policy -makers can see the change in a DHR-comparable budget over time and a DCH-comparable budget over time.

Department of Human Services

Human Resources and Public Health Restructuring

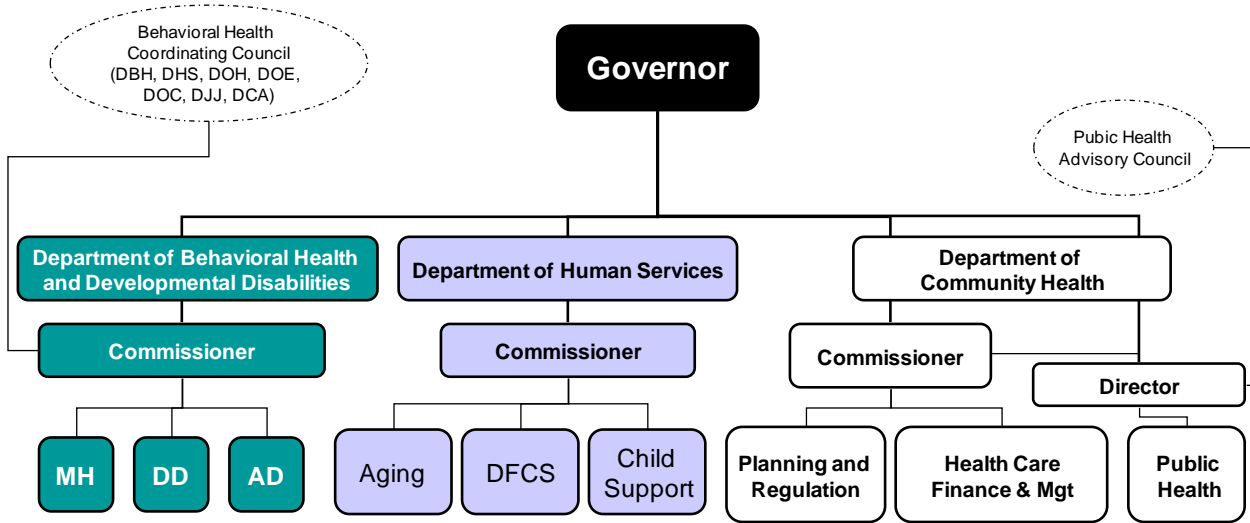
The former Department of Human Resources (DHR) provided services including child welfare and foster care, welfare-to-work assistance programs such as child support services and child care assistance, aging services, mental health and public health services, and substance abuse treatment. During the 2009 legislative session, HB 119 and HB 228 restructured the Department of Community Health (DCH) and the Department of Human Resources and created the Department of Behavioral Health and Developmental Disabilities.

Under the restructure, DHR will become the Department of Human Services and will continue to oversee all of the Division of Family and Children Services, aging, child-support, and the residential child care licensing and regulatory functions.

- DHR will transfer the division of mental health, addictive diseases, and developmental disabilities along with the Suicide Prevention program and Substance Abuse Prevention program to the newly created Department of Behavioral Health and Developmental Disabilities.

DCH was expanded to include the Division of Public Health and the healthcare and long-term care regulatory components, including community living arrangements and adult day care, previously housed within DHR.

- The Division of Public Health will be managed by a director appointed by the Governor and will be advised by an Advisory Council for Public Health made up of 9 Governor’s appointees.



Budget Reductions

In FY09, in order to meet budget reductions, the Department implemented furloughs agency-wide for employees above pay grade 15. There were also additional furloughs implemented within Administration and the Division of Family and Children Services.

The Department also eliminated vacant positions, implemented a hiring freeze to realize savings from attrition, and reduced contracts for services with external providers across its programs.

Waiver Programs

The U.S. Department of Health and Human Services grants waivers to states for Medicaid programs that allow individuals to receive the care they need in their homes rather than in an institution. The Mental Retardation Waiver Program(MRWP) offers Georgians who have mental retardation or a developmental disability, such as cerebral palsy, autism, or other neurological disorder access to home and community-based services.

- In the FY09 Amended budget, the Governor recommended eliminating \$1.7 million for 135 MRWP slots. The General Assembly fully restored funding for these slots.

- The FY10 budget, in addition to again restoring the Governor's proposed cuts to 135 MRWP slots, included an increase of \$3,023,994 in state funds to annualize the cost of 365 MRWP slots on the waiting list and \$2,387,318 in state funds for 150 MRWP slots for the Money Follows the Person program (MFP).

Public Health Grant-In-Aid

The Division of Public Health is responsible for performing or coordinating health programs and services across the state. The state appropriates funds to Public Health to distribute to health districts and local health departments. The state support for local health departments is distributed either through a population and wealth based formula, known as General Grant-in-Aid, or is distributed to specific programs or services, known as Programmatic Grant-in-Aid.

- In the FY09 Amended budget, the Governor proposed cutting 3.5%, or \$2,485,000, of the nearly \$72 million in General Grant-in-Aid for county public health agencies. The General Assembly restored all but \$42,501 of those cuts. However, \$1.2 million of that restoration was withheld by the Department as part of the end of year allotment reductions.

In FY10, the Division of Public Health and its related budgetary programs were transferred to the Department of Community Health. General Grant-in-Aid was consolidated into the new Public Health Formula Grants to Counties program, and state funding was reduced by \$1.6 million from \$71.9 million to \$70.3 million.

Department of Labor

The Department sustained a nearly 15% budget reduction between the FY09 General budget and the FY10 budget. Many of the cuts were due to reducing the allocation of unemployment insurance administrative assessments the Department receives by \$2.8 million, but the Department also lost \$257,142 for new safety inspection employees added in FY09, and had \$741,957 in reductions to vocational rehabilitation grants and contracts.

While the Department's state funds budget had above average reductions compared to other state agencies, the Department is receiving substantial stimulus funding for workforce programs.

- \$88,282,518 in Workforce Investment Act funds for training, work programs, and supportive services in high-growth and demand occupations for Youth, Adult, and Dislocated Workers.
- \$18,686,184 for Vocational Rehabilitation grants to provide services to help eligible persons with disabilities to prepare for and maintain competitive employment. The agency is considering using funds for infrastructure improvement and client services.

Department of Veterans Service

The Georgia War Veterans Home (GWVH) in Milledgeville was established in 1955 as a treatment unit of the Central State Hospital for veterans who need minimal medical services in a residential setting to provide structure in their lives and help and support in dealing with medical and psycho-social problems.

- The Georgia War Veterans Home in Milledgeville, GA was closed on November 30, 2008. The domiciliary housed 81 veteran residents. By the date the domiciliary was permanently closed, all 81 former residents had obtained an alternative housing placement. All 81 residents receive continuing follow-up services by the social services staff of the GWVH.

FY09 Year-End Withholding

Department of Human Services (\$19,706,507)

To meet the required allotment withholding, the Department deferred end of year purchases, reduced contracts, held open vacant positions, and reduced rent payments. The Department also used available federal funds to meet reductions in the Division of Children and Family Services.

Department of Labor (\$947,031)

The Department managed the full reduction in the unemployment insurance program. This program pays for the administration of the unemployment insurance program. The Department anticipates little impact on unemployment insurance applicants because the funds were for vacant positions.

Department Veterans Services (\$451,272)

The Department managed the reductions through the Georgia War Veterans Nursing Homes: Augusta (\$161,567) and Milledgeville (\$289,705). The reduction deferred payments to both facilities, but was not expected to affect services received by veteran residents of the homes. DVS drew down additional federal funds via a US Department of Veterans Affairs reimbursement arrangement for residents with a 70% or greater service-connected disability to cover the shortfall.

Judicial

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Court of Appeals	-9.68%	-8.76%
Judicial Council	-10.44%	-13.29%
Juvenile Courts	-2.24%	-1.69%
Superior Courts	-8.27%	-4.91%
Supreme Court	-7.67%	-9.18%
Public Defender Standards Council	-8.58%	-1.61%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Court of Appeals	\$ 14,143,127	\$ 14,744,435	\$ 13,316,470	\$ 13,452,235
Judicial Council	\$ 16,198,503	\$ 16,345,321	\$ 14,638,651	\$ 14,173,198
Juvenile Courts	\$ 6,703,551	\$ 6,691,660	\$ 6,541,830	\$ 6,578,771
Superior Courts	\$ 61,232,688	\$ 63,622,100	\$ 58,362,848	\$ 60,499,072
Supreme Court	\$ 8,734,309	\$ 8,837,974	\$ 8,160,190	\$ 8,026,295
Public Defender Standards Council	\$ 38,130,140	\$ 40,439,957	\$ 36,970,640	\$ 39,789,395

*The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget. ARRA budget stabilization funds and FMAP funds are also added into the final amounts where appropriate (since stimulus is not a "State Fund" it does not appear in the regular State Funds analysis).

Overall, the Judicial Branch budget reductions in both FY09 and FY10 were primarily in general operations, but also occurred in personnel reductions. Judicial agencies deferred certain expenses, including equipment purchases and software upgrades, but also instituted a hiring freeze, filling only critical positions and holding open all other vacancies.

Public Defenders Standards Council

The Georgia Public Defenders Standards Council (GPDSC) sustained a budget reduction of 8.58% in FY09. The Council took a larger portion of the total cut in the central office in order to mitigate the impact of cuts to the individual circuit offices.

In FY10, the GPDSC budget was reduced by 1.61%. While the Council sustained many of the same operational cuts seen in the FY09 Amended budget, the Council did receive an increase in funding for conflict cases to meet outstanding obligations.

For criminal cases in which two or more persons implicated in the same criminal offense require public legal defense, GPDSC must contract with external private attorneys to provide independent legal defense services. The intent is to prevent any potential conflicts of interest that could arise from a public defender representing two different clients for the same crime (for example, an attorney, in defending one client, could implicate the other client in the crime). These cases are referred to as “conflict cases.”

The Department of Audits reported in March of 2009 that GPDSC had not been encumbering sufficient funds at the time a conflict case contract was executed to cover the full cost of that contract. The result was a backlog of cases dating to 2005 for which the Council did not have sufficient funds to cover.

- In order to meet the outstanding liabilities for FY05 through FY10 over a two year period, the FY10 budget included an additional \$2.7 million in funds for non-capital conflict cases.

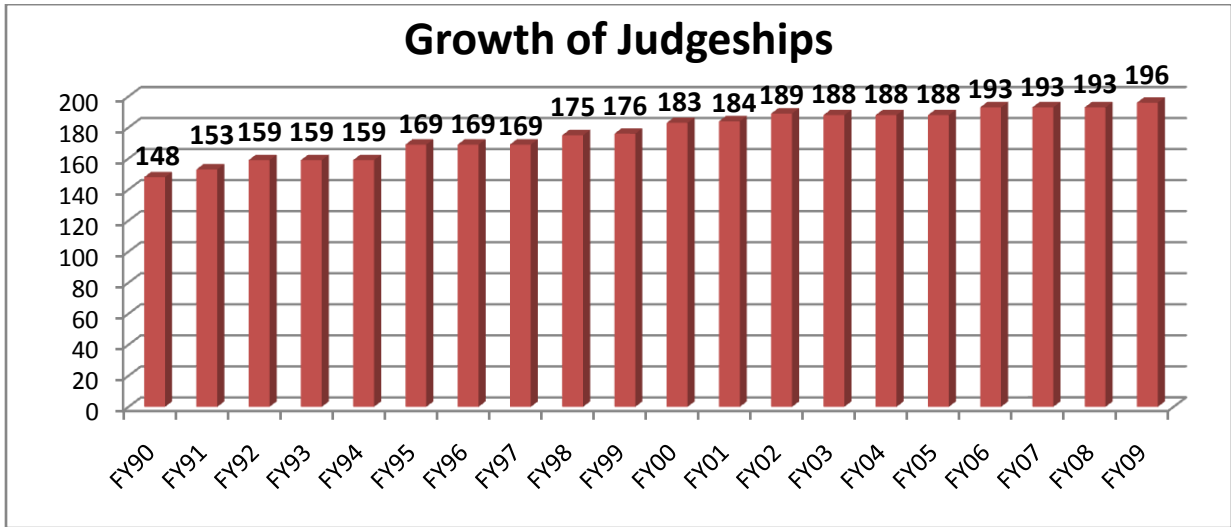
Superior Courts

Superior Courts sustained larger budget reductions in FY09 when compared to FY10 primarily due to the reduction of \$1.87 million for the use of senior judges. Senior judges are retired superior court judges who are able to take the place of a full-time judge during court if a full-time judge is ill or unable to appear. For FY09, all but \$60,000 for emergency situations was eliminated for the remainder of the fiscal year. The FY10 budget reduced all but \$400,000 for the use of senior judges.

Judgeships

In FY10, three new Superior Court judgeships were added for the Alcovy, Atlanta, and Brunswick Judicial circuits, per HB 1163 (2008 Session).

- For each new judgeship funded, one Assistant District Attorney (ADA) position and one Assistant Public Defender (APD) position were also funded. \$1.3 million was used to fund these new positions.



Natural Resources

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
State Forestry Commission	-11.85%	-12.23%
Dept of Natural Resources	-16.72%	-21.43%
Soil and Water Conservation Commission	-15.54%	-10.85%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
State Forestry Commission	\$ 37,290,677	\$ 39,265,053	\$ 34,613,697	\$ 34,463,728
Dept of Natural Resources	\$ 136,855,764	\$ 130,877,057	\$ 108,996,063	\$ 102,835,328
Soil and Water Conservation Commission	\$ 4,017,863	\$ 3,572,839	\$ 3,017,697	\$ 3,185,293

*The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget.

State Parks

The Department of Natural Resources (DNR) manages 48 state parks and 15 historic sites across the state. The FY10 budget reduced funding for Parks, Recreation, and Historic Sites within DNR by \$4.1 million and instructed the Department to “pursue a strategy of self-sufficiency for all golf course, lodge, and park operations.” The Department currently plans to manage the cuts as follows:

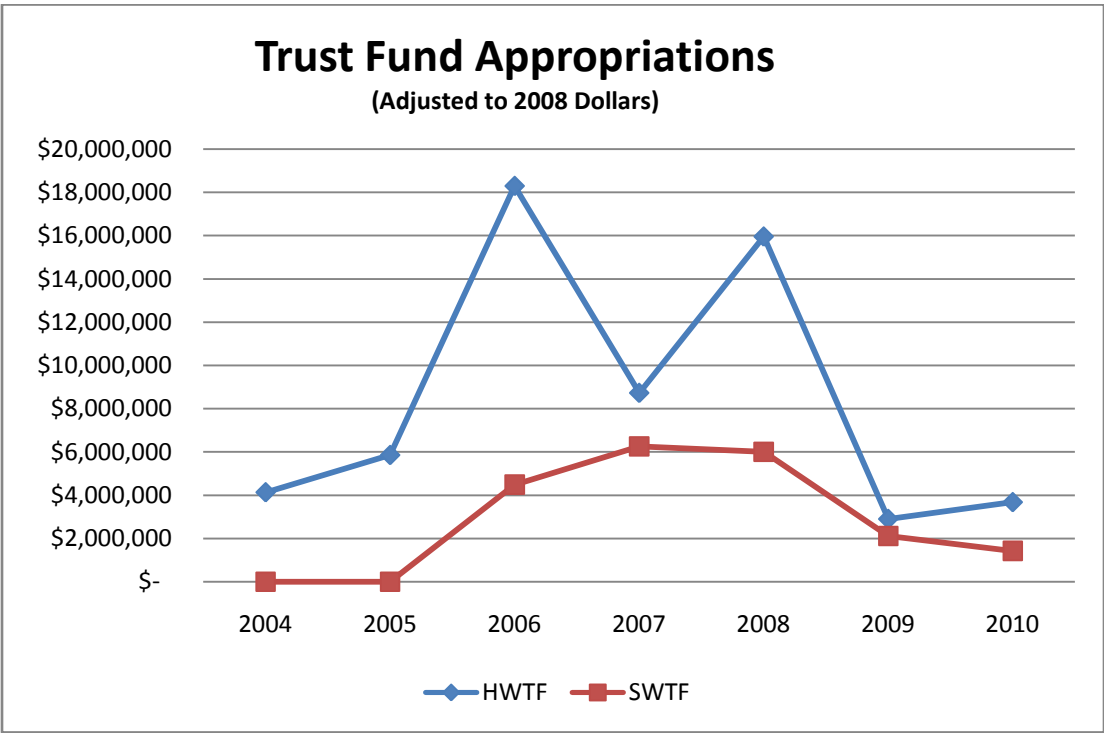
- Historic Sites:** The operations and management of three historic sites (Jeff Davis, Lapham Patterson House, and Robert Toombs) will be returned to the local community. Additionally ten historic sites’ operational days were reduced with the majority of the sites switching to an operating week of Thursday through Saturday. DNR is in communication with four of these ten locations’ local communities to possibly turn operations fully over to them.
- State Parks:** Five state parks (Bobby Brown, Hart, Providence Canyon, Sprewell Bluff, and Sweetwater) have decreased access, amenities, and staff. DNR has changed these parks’ designation to State Outdoor Recreation Areas.
- Park Lodges:** Six park lodges will continue operations and request for qualified contractors will be received by September 2009. DNR hopes to outsource these lodges by January 1, 2010. One lodge, Smithgall Woods, was switched to a standard park cabin rental, and one lodge, Suwannee River, will remain closed.

- Golf Courses:** Seven state golf courses will continue operations while working to increase self-sustainability. The Department has sent out Requests for Proposals for all golf courses and has a goal of outsourcing by November 1, 2009. Additionally, the City of Fargo will be assuming operations and maintenance of the Fargo Golf Course.

Environmental Trust Funds

The Solid Waste and Hazardous Waste Trust Funds are used by the Environmental Protection Division of the Department of Natural Resources to address specific environmental issues. In both the FY09 Amended and FY10 General budgets, both of the Trust Funds were reduced.

- Solid Waste Trust Fund (SWTF):** The fund, which addresses abandoned scrap tires, takes emergency, preventative, and corrective action at waste disposal facilities that threaten health, and provides grants to address solid waste issues, was reduced by \$3,906,915 in FY09A and by \$4,592,862 in FY10.
- Hazardous Waste Trust Fund (HWTF):** The fund, which is used to investigate and cleanup abandoned hazardous sites, to help local governments address old leaking landfills, to review private party cleanups to ensure that standards are met, and to fund the Pollution Prevention Assistance Division, was reduced by \$5,080,792 in FY09A and by \$4,402,901 in FY10.



FY09 Year-End Withholding

Department of Natural Resources (\$1,417,993)

To manage the year end reductions in FY09, the Department charged additional expenses that would normally have been covered with state funds out of federal funds. The impact is that there will be fewer federal funds available in FY10 to aid in mitigating any further reductions in state funds. The Department also limited year end spending to only essential operations in order to minimize the need to shift costs to federal funds.

Georgia Forestry Commission (\$624,609)

The Commission held funds throughout the fiscal year in the event that additional reductions needed to be realized at year-end. Additionally, the Commission has to hold funds in preparation for the spring fire season. This year the fire season was light due to frequent and plentiful spring rains. Due to the heavy fire season in 2007, the Commission received fire management grants, but revenues from these grants were not received until FY09 and were used to help avoid major cuts to personnel or firefighting equipment.

Soil and Water Conservation Commission (\$61,085)

The Commission held about \$46,000 in operating expenses during the fiscal year anticipating that the June allotment would be reduced. These operating expenses were items deemed necessary, like replacing old computers, but not affordable during the fiscal year. In the U.S.D.A. Flood Control Watershed Structures program, \$15,000 was held by deferring follow-up maintenance work on 8 dams.

Public Safety

Funding Changes

Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Prosecuting Attorneys	-8.34%	-3.16%
Dept of Defense	-9.45%	-8.73%
Georgia Bureau of Investigation	-11.34%	-10.67%
Dept of Juvenile Justice	-10.18%	-7.84%
Dept of Law	-9.14%	-8.36%
Dept of Public Safety	-10.28%	-14.95%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Prosecuting Attorneys	\$ 57,617,713	\$ 59,281,695	\$ 54,336,534	\$ 57,408,442
Dept of Defense	\$ 11,491,013	\$ 11,716,641	\$ 10,609,248	\$ 10,693,740
Georgia Bureau of Investigation	\$ 74,268,077	\$ 77,283,568	\$ 68,520,329	\$ 69,038,754
Dept of Juvenile Justice	\$ 327,254,873	\$ 342,932,665	\$ 308,037,052	\$ 316,049,276
Dept of Law	\$ 18,446,804	\$ 19,650,981	\$ 17,855,472	\$ 18,008,924
Dept of Public Safety	\$ 122,206,673	\$ 135,260,351	\$ 121,350,605	\$ 115,040,114

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Prosecuting Attorneys

In order to meet FY09 budget reductions, all state funded employees were furloughed 13 days over the course of the fiscal year. For both FY09 and FY10, the agency also deferred filling vacant positions, reduced general operating funds, and cancelled plans to replace outdated equipment.

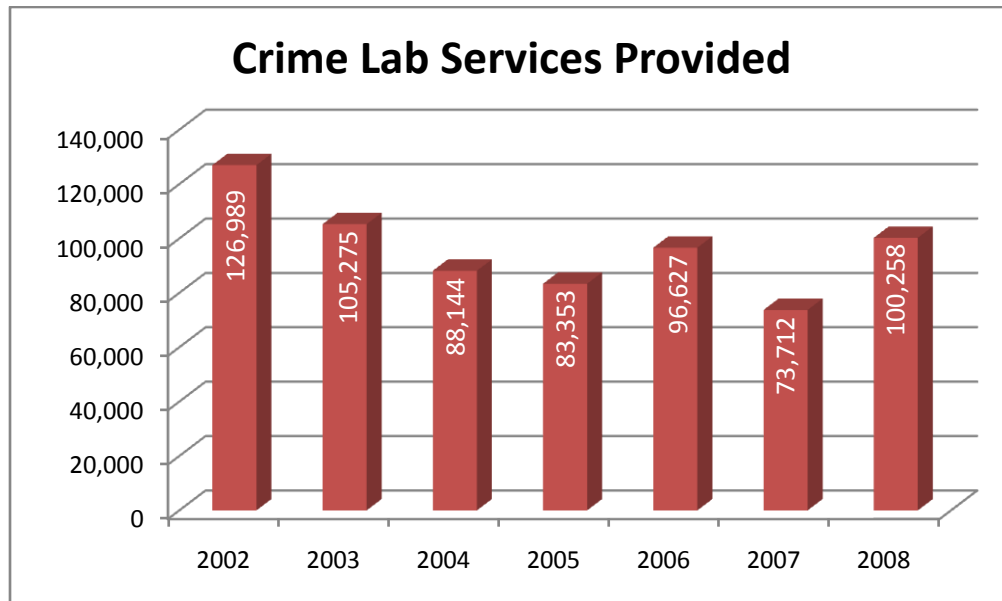
Georgia Bureau of Investigation

GBI operates 15 regional investigative offices, 3 regional drug offices and provides supervisory support with a special agent-in-charge to 13 multi-jurisdictional task forces focused on drug enforcement. GBI also provides investigative support to local agencies upon request.

- The FY09 Amended and FY10 General budgets reduced funds for personal services to realize savings from a Bureau-wide hiring freeze, reassigning agent positions, and eliminating certain vacant, temporary, or part-time labor.

GBI operates eight regional crime labs, including the headquarters lab in Atlanta, that provide forensic and pathology services (including chemistry, firearms, forensic biology, latent print, question documents, toxicology, trace evidence, and photography analysis) to the state and local law enforcement agencies in each region. Crime labs also provide medical examiner offices.

- In FY09 and FY10, funding for the crime labs located in Summerville, Moultrie, and Columbus was restored in order to fund the remainder of FY09 and nine months of operations in FY10.



Department of Juvenile Justice

Personal Services Reductions

The FY09 Amended budget reduced personal services for the Department through a six day furlough for grade 15 and above positions, freezing vacant positions, reducing the use of part-time employees, eliminating positions added in the FY09 General budget, and replacing certain full-time positions with part-time employees. Additionally, the Department consolidated its five state regions into four in order to consolidate staff and reduce regional positions.

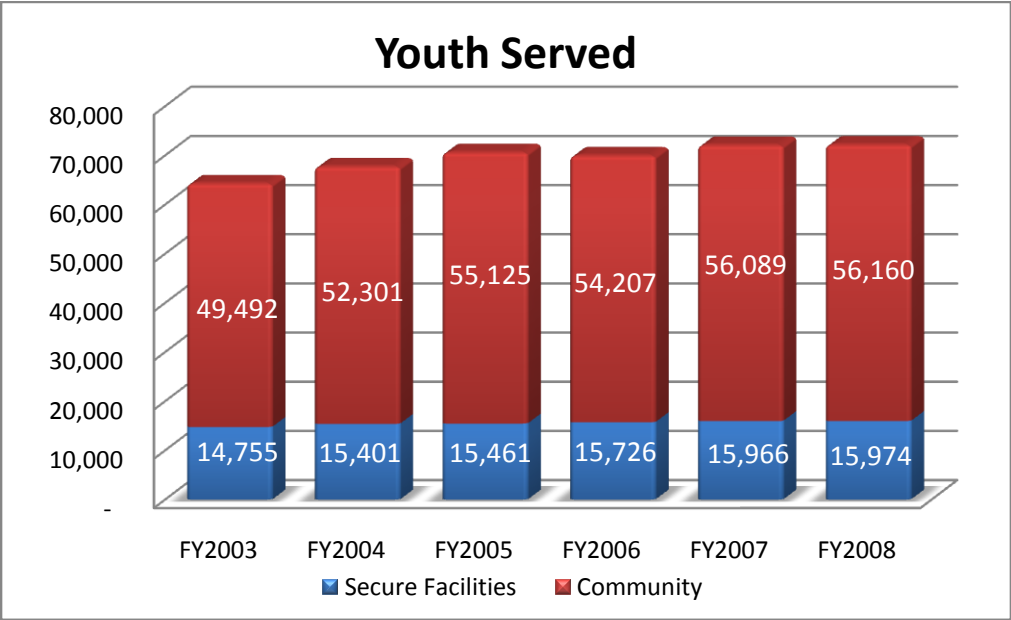
Short Term Program (STP)

HB 245 (2009 Session) changed the length of stay for the Short Term Program (STP) from 60 days to 30 days. STP is an alternative sentencing option available to judges, aside from probation or commitment to DJJ, for a range of offenses up to aggravated misdemeanors. Because of this change, the Department was able to close the McIntosh Youth Development Campus (YDC) as well as the North Georgia and Blakely Wilderness Programs, saving over \$7 million.

FY09 also curtailed funds used to contract for services and eliminated funding for certain programs in the community, including the Weekend Sanctions Program, 21st Century After School Learning Program,

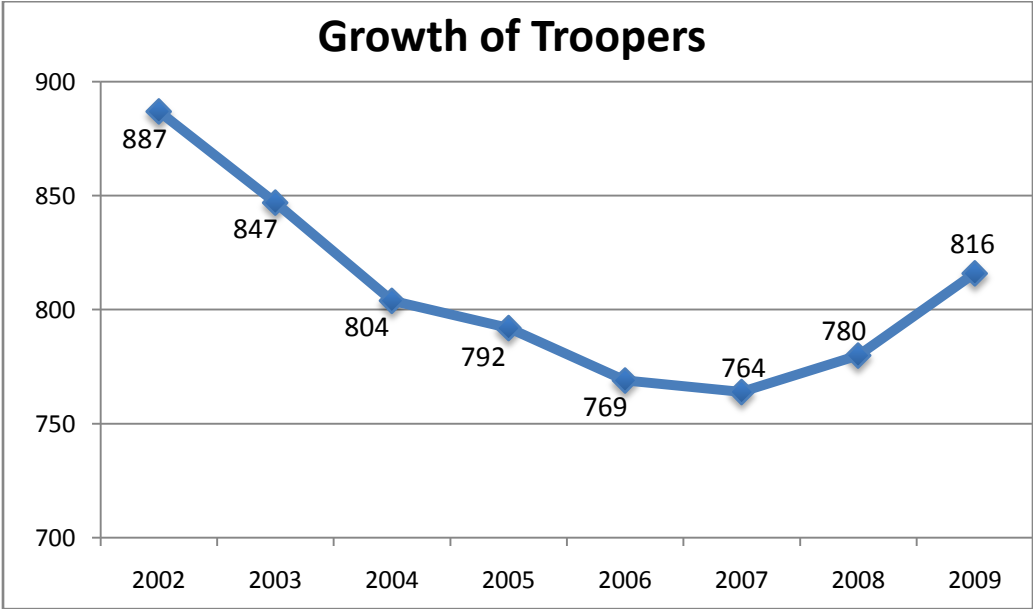
and Think Exit at Entry Transition Program. The FY10 budget also cut funds for the Family Based Intervention Program.

Since FY03, the number of youth served by DJJ has grown by more than 12%.

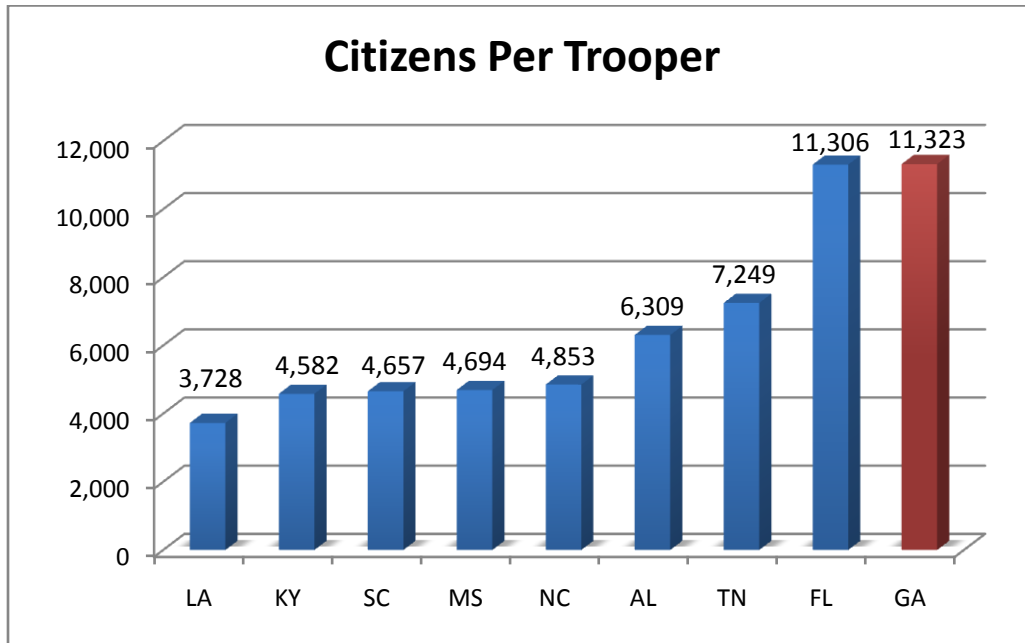


Department of Public Safety

Since 2002, the number of troopers available to patrol Georgia’s roadways has decreased annually. To combat the decline in troopers, the FY08 and FY09 General budgets increased funding for new trooper schools.



- Despite the recent growth, when compared to all southeastern states, Georgia ranks last in the ratio of road miles to troopers with 143 miles for every trooper and last in the ratio of population to troopers with 1 trooper for every 11,323 Georgians.



- In the FY09 Amended, the General Assembly reduced funding for the 86th Trooper School and eliminated it entirely in FY10. However, the Criminal Justice Coordinating Council awarded the Department of Public Safety \$3,011,233 in stimulus funding through the Edward Byrne Memorial Justice Assistance Grant to fund the 87th Trooper School for thirty cadets in FY10.

The Department also realized savings by curtailing purchasing and training costs, eliminating vacant positions, and by reallocating existing troopers to enforcement positions able to be funded through non-state funds.

FY09 Year-End Withholding

Department of Law (\$311,753)

The agency bills DOAS risk management for work they do on tort, civil rights, and employment cases, and DOAS pays the agency from the risk management trust fund. This year, more hours were billed than was anticipated by the agency and these funds were used to cover the allotment.

Department of Public Safety (\$2,231,240)

The agency deferred replacing patrol vehicles which freed up close to \$1.7 million. The remainder of the cut was taken from any excess funds remaining in the budget. No other specific program/item was targeted.

Georgia Bureau of Investigation (\$1,335,357)

The agency maintained monthly projections of all departments and captured any projected surplus from these programs. There was no one item/program targeted.

Department of Defense (\$207,771)

The agency reduced unmatched state funds from Youth Challenge Academies, and as a result, approximately 100 students for the year that the Georgia General Assembly added back were dropped. This reduction did not affect federal funds associated with the program.

Department of Juvenile Justice (\$5,330,289)

The agency implemented a total hiring freeze, including security and health care personnel and teachers, which saved the largest amount of funds. Part-time positions were reduced to 20 hours per week, all purchasing was halted with the exception of food and other standard monthly contracts. Finally, all placements to contract facilities were capped at 100% capacity for the month of June.

Transportation

Funding Changes

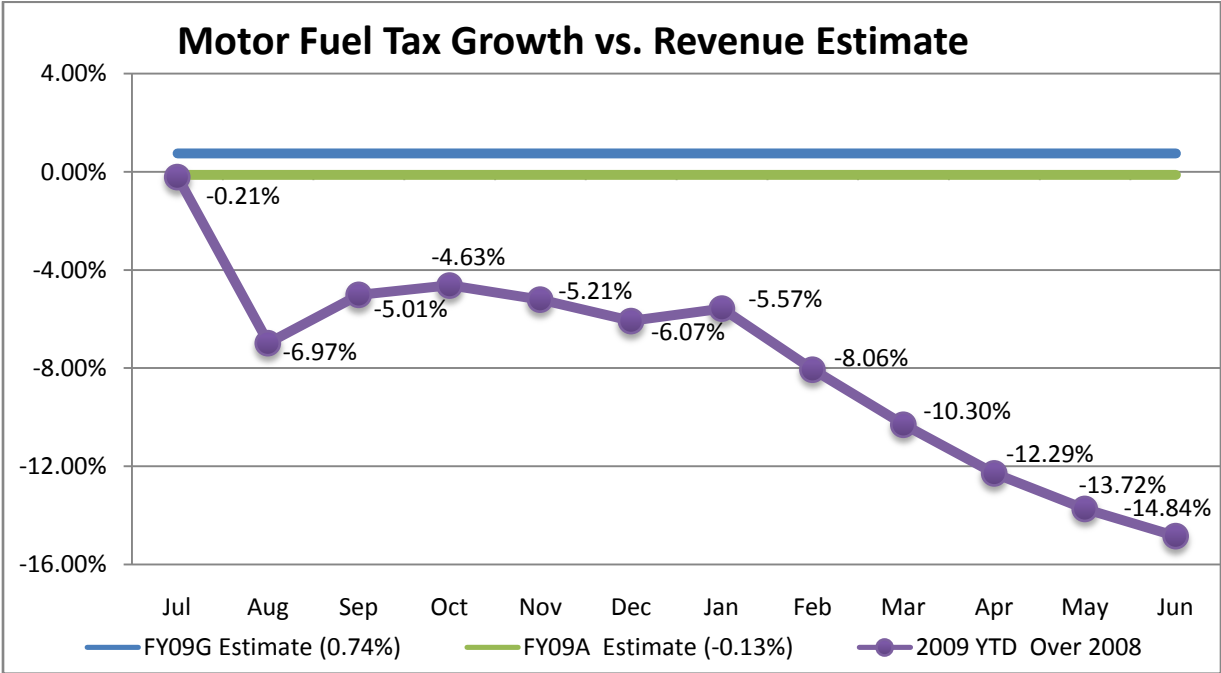
Agency	% Change FY09 Amended Adjusted* from FY09 General	% Change FY10 Adjusted* from FY09 General
Dept of Driver Services	-10.00%	-5.64%
Dept of Transportation	2.99%	-17.81%
Median Cut to Agencies	-9.45%	-8.36%

Agency	FY08 FINAL	FY09 General	FY09 Amended Adjusted*	FY10 General Adjusted*
Dept of Driver Services	\$ 61,420,009	\$ 62,791,511	\$ 56,513,117	\$ 59,251,761
Dept of Transportation	\$ 832,725,819	\$ 856,216,563	\$ 881,778,631	\$ 703,739,441

*The adjusted amounts are meant to give policy-makers a feel for the actual cut to an agency's "current services budget." SHBP funding cuts are not deducted because the funds were covered out of reserves and therefore did not reflect a reduction in an agency's operational budget.

Motor Fuel Revenues

The Georgia Department of Transportation (GDOT) has a dedicated source of funding for the majority of its budget. All motor fuel funds collected by the state through the \$0.075 excise tax or 3% sales tax must be used for roads or bridges, per the Georgia Constitution. Only the Department of Transportation or the General Obligation Debt Sinking Fund may currently receive motor fuel funds.

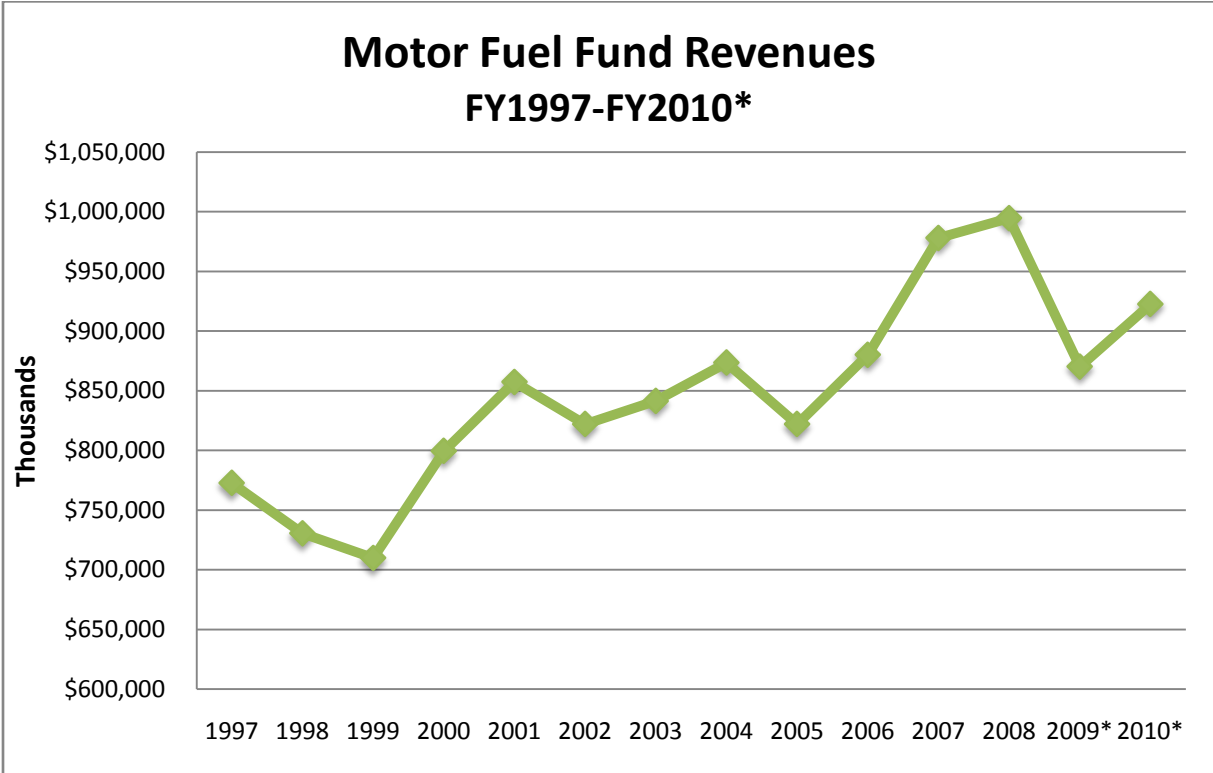


Despite a dedicated funding stream, the Department of Transportation has faced revenue shortfalls with the rest of the state.

The revenue estimate for motor fuel funds is constitutionally determined and must be set equal to the prior year funds. Because a General budget passes before the final prior year numbers are known, the revenue estimate will be adjusted in the Amended budget based on the actual motor fuel funds received.

Final motor fuel collections for FY09 are expected to show a 13.4% decline from FY08 revenues, more significant than even the total state funds decline of 10.5% from FY08. However, transportation projects continued to be funded at FY08 levels and the difference had to be made up out of state reserves. In FY10, the revenue estimate will be adjusted down to match the actual FY09 revenues received.

- Actual FY08 Motor Fuel fund revenue collections were \$994,790,336.
- Actual FY09 collections are expected to be \$861,156,000, or 13.4% below FY08 collections.
- The FY10G revenue estimate for motor fuel funds was \$894,250,000, 10% below FY08 but will be adjusted in the FY10 Amended to reflect actual FY09 collections.



*FY2009 revenues are unaudited. FY2010 revenues reflect the revenue estimate as passed in HB119. All funds are adjusted for inflation to 2008 dollars. Revenues do not include interest income on motor fuel deposits.

The chart above shows the fluctuations in motor fuel revenues since 2005. Rapidly increasing gas prices resulted in large increases in revenue collections between 2005 and 2008. Between 2007 and 2008 gas

prices remained high, but demand began to be curtailed as a result of the high prices. Between 2008 and 2009, average gas prices dropped significantly. When combined with decreasing demand, the result is a sharp decline in motor fuel fund revenues.

Transportation Shortfall

In addition to sharp revenue declines, the Department of Transportation's FY09 budget was further complicated by an audit that found a FY08 year-end deficit of \$456,219,591.

The deficit was caused by several factors, including improperly recognizing federal obligations, failing to record contracts in a timely manner, failing to create contingency reserve accounts for projects, and executing contracts without having sufficient funds on hand to meet the full fiscal obligation of the contract as required by the Georgia Constitution.

The Department was able to avoid a statutory deficit in FY08 by recognizing \$456 million of FY09 revenue in FY08, but this created a shortfall in FY09. While GDOT was able to use \$244 million in FY09 General Obligation bonds to cover part of the shortfall, the Department had to cut \$175 million from its operating budget to avoid another deficit.

In order to cover the deficit, the FY09 Amended budget:

- Reduced Local Road Assistance (\$20,247,427), Off-System (\$11,000,000), and Most Needed (\$11,000,000) funds for state and local highway construction and maintenance,
- Redirected \$16.5 million in motor fuel fund interest rate savings from the GO Debt Sinking fund to GDOT, and
- Directed the Department to reduce \$201.6 million in spending on operating expenses. The Department took the following actions in order to meet that reduction:
 - Furloughing all staff one day per month through the end of FY09
 - Filling only critical vacancies and eliminating funding for other vacancies
 - Reducing contracts (including mowing, landscaping, and information technology services)
 - Limiting equipment and motor vehicle purchases to critical needs only

As the full deficit was to be corrected through these reductions in FY09, the FY10 General budget made only general operational reductions across motor fuel funded road programs to meet declining motor fuel fund revenue projections.

Transforming Transportation

During the 2009 session, the General Assembly passed SB 200, the Transforming Transportation Investment Act, which will restructure how transportation projects are selected at the Department of Transportation.

SB 200 creates a Planning Division at GDOT headed by a Planning Director who is appointed by the Governor, subject to approval by a majority vote of the House Transportation Committee. The Planning Director is responsible for:

- Developing the statewide transportation plan and Statewide Transportation Improvement Program (STIP), subject to approval by both the Governor and State Transportation Board, and
- Developing allocation formulas for a statewide transportation asset management program, a statewide transportation asset improvement program, and a local maintenance and improvement program.

Funds appropriated for the statewide transportation asset improvement program and the local maintenance and improvement program must be at least 10%, though not more than 20%, of motor fuel funds.

Intermodal Transportation

Air Transportation

The General Assembly passed SB 85 during the 2009 Legislative Session creating the Georgia Aviation Authority, which consolidates the aviation programs of the Department of Transportation, Department of Public Safety, Georgia Forestry Commission, and Department of Natural Resources.

HB 119, the FY10 General budget, did not fund the Georgia Aviation Authority, rather the Governor, through Executive Order, transferred funds from each participating agency to the newly established Authority.

- From the Department of Transportation, the Governor transferred \$657,795 in other funds and \$1,695,877 of proceeds from the sale of two aircraft, 25 positions, 2 motor vehicles, 7 aircraft, and associated equipment. The FY10 budget had directed the Department to sell state planes and recognized \$1,478,221 in proceeds from those potential sales.
- From the Department of Natural Resources, the Governor transferred \$828,600 in state general funds, \$100,000 in other funds, 4 positions, 2 motor vehicle, 4 aircraft, and associated equipment.
- From the Department of Public Safety, the Governor transferred \$1,269,277 in state general funds, 6 positions, 19 aircraft, and associated equipment.

- From the Georgia Forestry Commission, the Governor transferred \$1,607.432 in state general funds, 24 positions, 3 motor vehicles, 24 aircraft, and associated equipment.

Airport Aid

The Airport Aid program provides assistance to publicly owned airports for planning, capital improvements, maintenance, and approach aids.

- The FY09 Amended and FY10 General budgets reduced funding for grants to local airports by \$3.2 million and \$8.8 million, respectively.

Transit

The FY09 Amended and FY10 General budgets reduced funding for grants to local transit systems for capital maintenance projects by \$875,814 and \$788,401, respectively.

ARRA Funding

Georgia expects to receive over \$1.1 billion in federal funds for transportation projects across the state.

Highway Investment

Georgia will receive \$932 million in Highway Investment Grants, of which, \$624 million is designated for projects anywhere in the state, \$279 million is for Metropolitan Planning Organizations (MPO) and areas with a population less than 5,000, and \$28 million is set aside for transportation enhancement projects.

Of the funds left to the discretion of GDOT, the State Transportation Board approved the following project categories and funding levels:

- 10% for Safety projects – prioritized by accident rates and benefit/cost
- 10% for Bridges – prioritized by bridge ratings
- 26% for New Capacity projects – prioritized by project prioritization scores
- 50% for Maintenance projects – 20% to interstate and 30% for resurfacing
- 4% for Enhancement projects – prioritized by eligibility and readiness

On March 19, 2009, the State Transportation Board approved 135 ARRA eligible projects with a total cost of \$512 million. 49 approved projects were let for construction in May 2009. A complete list of approved projects is available from the Senate Budget and Evaluation Office.

Public Transportation Investment

Georgia will receive \$144 million for public transportation, of which MARTA will receive \$7.4 million. GDOT will receive the remaining \$136.2 million to be allocated as follows:

- \$12.3 million for urbanized areas with populations under 200,000,

- \$25.6 million for the non-urbanized parts of the state, and
- \$98.7 million will go directly to larger transit systems in urbanized areas of the state. Funds are included for administration and Georgia GDOT plans to use 15 percent (about \$3 million) for administrative purposes associated with grant and project administration.

GDOT has issued two calls for projects to the state's transit providers from which the Department will make grant awards.

Department of Driver Services

Secure ID Initiative

The FY10 budget includes \$3.8 million to purchase a new Digitized Licensing system to increase the security of Georgia driver's licenses by including security features on the new licenses such as microprinting, raised signatures, and a tamper resistant material that destroys the card if one attempts to alter it. These features are designed to make Georgia driver licenses more difficult to produce fraudulently.

While the FY10 budget increased funds for the license printing costs of the new licenses, the budget also reduced funds added in FY09 for two auditor positions that were to be hired as part of the Secure ID initiative. The auditors would have been used to review customer identification and residency/citizenship documentation required for a license application.

Georgia Driver's Education Commission

The Georgia Driver's Education Commission awards grants to local high schools to fund start-up costs for Driver's Education programs. Funds may be used to purchase educational materials, computer equipment, or to pay for instructors. Funds for the Commission are those collected through the 5% fee attached to all traffic violations in Georgia per Joshua's Law.

- The FY09 Amended budget reduced funding for the Commission by 10 percent (\$275,621).
- The FY10 General budget eliminated \$1.26 million from the Commission while retaining \$1.5 million to provide funds for 15 recipients.

FY09 Year-End Withholding

Department of Driver Services (\$1,048,389)

The reductions came entirely from the Customer Service Support and License Issuance programs.

- **Customer Service Centers:** The Department held open vacancies that would otherwise have been filled, eliminated plans for additional security cameras for CSCs remote monitoring of customer lines at various CSCs, and deferred some routine maintenance.

- **License Issuance:** The Department pared down programming upgrades/modifications that were going to be implemented as part of the conversion to the new Digitized Licensing System (DLS) and also cancelled the purchase of a mail scanner to process licenses returned as undeliverable through the mail. As all licenses will now be delivered via mail, the Department had hoped to purchase an additional machine to handle the increased workload.

Department of Transportation (\$1,117,104)

In accordance with the Constitution, no state motor fuel funds could be withheld from the Department, therefore, all withholdings were from State General funds only.

- **Rail and Ports and Waterways:** Funds were taken from unneeded year end regular operating expenses, including some deferred maintenance in the Rail program.
- **Airport Aid:** The full \$712,104 was taken from grants by deferring a planned extension to a runway in Tifton. This extension has been deferred until FY10.
- **Transit:** The full \$300,000 is capital assistance that would have been provided to MARTA but was withheld.

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