

# AT ISSUE



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## CALENDAR

- |                |  |
|----------------|--|
| <b>7/29/14</b> | <b>Child Protection Study Comm.</b><br>10:00 a.m., 125 CAP                                 |
| <b>8/4/14</b>  | <b>Long-Term Aquifer Storage Study Comm.</b><br>1:00 p.m., Jekyll Island Convention Center |
| <b>8/5/14</b>  | <b>Child Welfare Reform Council - Meeting #3</b><br>Time TBD, CHOA Office Park             |
| <b>8/8/14</b>  | <b>Unified Technology Study Comm.</b><br>11:30 a.m., 307 CLOB                              |
| <b>8/19/14</b> | <b>Mold and Mildew Study Comm.</b><br>12:00 p.m., 307 CLOB                                 |
| <b>8/27/14</b> | <b>Medical Cannabis Study Comm.</b><br>1:00 p.m., Location TBD                             |
| <b>8/27/14</b> | <b>CMO Credentialing Study Comm.</b><br>9:00 a.m., Location TBD                            |

## A Message from Senator Shafer



This edition of *At Issue* deals primarily with topics that our legislative study committees will be examining over the next several months.

Finding ways to fund transportation infrastructure expansion and improvements will be one of the Georgia General Assembly's greatest challenges. The Savannah Harbor Expansion Project, set to begin work this fall now that funding has been secured, has shown us that finding funding solutions is not an impossible task.

I hope you find this edition of *At Issue* interesting and useful. If you have suggestions for topics you would like us to cover, let me know or feel free to contact our Senate Research Office directly.

David J. Shafer, Senate President Pro Tempore

## Finding Necessary Solutions

### Georgia's Transportation Infrastructure Funding Crisis

Angie Fiese, Deputy Director  
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Transportation is a critical component of Georgia's economic competitiveness as a state. Georgia is home to 15 Fortune 500 companies and the world's busiest airport, the nation's fastest growing seaport, the ninth largest transit system, third largest freight rail network, and 6.5 million drivers who travel 108.5 billion miles each year. However, according to the 2013 Annual Urban Mobility Report from the Texas A&M Transportation Institute, Atlanta's traffic is the seventh worst among major U.S. metropolitan areas. While Georgia has the ninth largest interstate system in the nation, our state ranks 49th in per capita transportation funding, according to the American Society of Civil Engineers' 2013 Report Card. Years of underinvestment, an aging transportation system, a growing population, and the effects of the recession have all contributed to a transportation infrastructure funding crisis.

Despite innovative funding mechanisms, such as public-private partnerships, Georgia's transportation leadership has predicted that the current levels of funding can, at best, cover 50 percent of our state's greatest needs. This reality is compounded by the fact that the Federal Highway Trust Fund (Trust Fund), the federal funding source for transportation projects, is facing critical insolvency in the next few months. The Trust Fund provides approximately 20 percent of the nation's funding for highways and public transit, and is almost entirely funded by federal taxes on gasoline and diesel. These taxes have been levied at the same fixed rates, 18.4 cents per gallon for gas and 24.4 cents per gallon for diesel, for almost exactly 20 years, and their purchasing power has decreased by a third or more since it was last raised by Congress.

*(Continued - page 2)*

*(Transportation Funding Crisis – continued from page 1)* To make up for declining gas tax revenues, Congress has had to repeatedly shore up the Trust Fund with transfers from the General Fund. If other solutions are not found and spending remains steady, Congress will need to transfer an additional \$15 billion in 2015 and larger amounts in subsequent years to prevent future shortfalls.

The current federal surface transportation law, Moving Ahead for Progress in the 21st Century (or MAP-21), is due to expire on September 30, 2014. This law authorizes transportation appropriations through October 1, 2014, and federal gas and diesel taxes through September 30, 2016. Congress has introduced two proposals to reauthorize the federal transportation programs. On April 29th, the U.S. Department of Transportation (U.S. DOT) unveiled its GROW AMERICA Act, which would provide a total of \$302 billion for surface transportation over four years. The bill would significantly increase funding for highways, transit and the Transportation Investment Generating Economic Recovery (TIGER) discretionary grant program and expand the federal Trust Fund into a multimodal Transportation Trust Fund that also supports rail and freight.

To ensure the ongoing solvency of the Trust Fund, the plan would supplement current revenues with \$150 billion from “pro-growth tax reform.” Two provisions in the GROW AMERICA Act of particular interest to Georgia include removing restrictions that prevent states from collecting tolls on interstates to support highway maintenance and raising the limit on tax-exempt private activity bonds issued for highway or surface freight transfer facilities by \$4 billion. The bill is based on the President’s Fiscal Year (FY) 2015 Budget Proposal and has been sent to Congress for consideration.

The second proposal was introduced on May 12th when the Senate Environment and Public Works Committee unveiled its bipartisan MAP-21 Reauthorization Act (S. 2322). The six-year bill would reauthorize many core programs in MAP-21 and gradually increase funding from \$38.4 billion in FY 2015 to \$42.59 billion by FY 2020. Of interest to Georgia are the authorization of a \$400 million per year competitive grant program to fund projects of regional and national significance (similar to the current TIGER grant program) and a new American Transportation Awards Program with the authority to provide \$125 million per year to states that display achievements in project delivery.

The bill also authorizes and funds a national freight program and, like the U.S. DOT bill, re-authorizes the popular Transportation Infrastructure Finance and Innovation Act (TIFIA) federal credit assistance program at its current level of \$1 billion per year.

In Georgia, approximately two dozen transportation projects will not begin because of uncertainty about federal financing of the projects. State law requires the Georgia Department of Transportation (GDOT) to have cash on hand before beginning work on a project. Governor Deal announced on Thursday, May 15th that Georgia will move forward with transportation projects utilizing a “stopgap measure” with \$81.5 million in accrued state motor fuel funds and the sale of \$130 million in previously authorized bonds. However, the three regions that passed the transportation sales tax and use tax (TSPLOST) will continue to see activity on projects funded solely by the new tax and state money.

The failed effort to pass TSPLOST in other regions of the state has spurred transportation leaders and the business community to work together to find a solution to Georgia’s transportation infrastructure funding crisis at the state level. The General Assembly created a Joint Study Committee on Critical Transportation Infrastructure Funding (Committee) this Legislative Session that will meet this summer to determine potential funding mechanisms. Currently, the state receives the most revenue for transportation purposes from the motor fuel tax (see side bar).

One solution that may be considered by the Committee to provide additional transportation funding is dedication of the 1 percent of the state motor fuel tax that currently goes into the General Fund to transportation.

Other proposed solutions include enabling a fractional SPLOST for local governments to use on transportation projects and Vehicle Miles Traveled (VMT) fees that charge motorists based on how many miles they have traveled. *(Continued – page 6)*

## Georgia’s Motor Fuel Taxes

There two types of motor fuel taxes levied by the state.

**Motor Fuel Excise Tax:** This is a tax based on the volume (gallons) of fuel purchased. The amount of the excise tax on gasoline is 7.5 cents per gallon, a rate used since 1971 and which is not indexed for inflation. Improved engine technology and higher fuel efficiency of vehicles has counteracted the efficacy of this tax.

**Prepaid Motor Fuel Sales Tax:** Georgia also collects a 4 percent sales tax on the average retail price of fuel, known as the Prepaid Motor Fuel Sales Tax. Three percent is dedicated to transportation and the remaining 1 percent is allocated to the State General Fund. The tax is collected on a cent-per-gallon rate that is set using a weighted average indexed retail sales price for each type of fuel. Revenues from this tax rise and fall with the price of gasoline. The tax is collected at the wholesale level; therefore, it is indexed to an average price per gallon that is required by law to reset at least twice per year (January 1 and July 1) and may adjust if the price per gallon fluctuates by more than 25 percent (up or down).

The Governor has the power to suspend collection of the tax, but the action requires ratification from the General Assembly.

# Plant Vogtle's Expansion: What's Next?

**John Culverhouse, Senior Policy Analyst**

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The expansion of Plant Vogtle, a Southern Company nuclear facility, is the first U.S. nuclear powered-generating plant to be constructed in over 30 years. The nuclear plant, located south of Augusta, Georgia, currently has two nuclear generating units in operation, and has recently begun the historic \$14.8 billion construction of Units 3 and 4. Southern Company expects Unit 3 to be operational in 2017 and Unit 4 in 2018. Plant Vogtle construction jobs will reach their peak at about 5,000 employees in 2014, and approximately 800 permanent employees will be needed to fully staff the two new units. Plant Vogtle is jointly owned by Georgia Power (45.7%), Oglethorpe Power Corporation (30%), Municipal Electric Authority of Georgia (22.7%) and Dalton Utilities (1.6%). Plant Vogtle's Unit 1 began commercial operation in 1987, and Unit 2 began commercial operation in 1989. Georgia has one other nuclear plant, Plant Hatch, located near Baxley in southeastern Georgia. Nuclear energy provides about 26 percent of the electricity generated in Georgia.

Nuclear energy produces electricity in much the same manner as conventional steam plants that burn coal, oil, or natural gas; however, the heating source which produces the steam is the key difference. Nuclear energy is created from the splitting of uranium atoms in a process called fission. Fission releases energy that can be used to make steam, and the steam is used to power a turbine to generate electricity. Each new reactor will hold 13.5 million uranium fuel pellets. Just one fuel pellet provides as much energy as 149 gallons of oil, one ton of coal, or 17,000 cubic feet of natural gas. The carbon-free energy that will be produced by Vogtle 3 and 4 is equivalent to removing more than 1 million cars from the road each year. Nuclear energy releases zero greenhouse gases.

Georgia's focus on nuclear energy is part of a continuing trend away from dependence on coal-powered electricity. Amidst encouragement from the Public Service Commission (PSC), the state's power suppliers have begun shifting their resources toward renewable energy. Fossil fuels are coming under increasing regulation from the federal government, and Georgia's top power sources: natural gas at 39 percent; coal at 35 percent; and nuclear energy at 23 percent, make renewable energy an attractive and necessary alternative. Renewable energy sources such as wind and solar are seen as a cleaner, more environmentally friendly source of power. Currently, renewable energy sources comprise only three percent of Georgia Power's energy diet, but the PSC recently approved Georgia Power's contracts to expand into wind energy beginning in 2016. The company plans to buy enough wind energy to power 50,000 homes.

On June 2nd, 2014, the United States Environmental Protection Agency (EPA) proposed stringent new regulations designed to limit greenhouse gas emissions contributing to global warming. These new regulations outline a bleak future for coal-powered electricity, and will likely accelerate the shift away from reliance on coal. The Obama Administration's Clean Power Plan proposes cutting nationwide carbon-dioxide emissions from existing power plants 30 percent from their 2005 levels by 2030. The EPA estimates that power bills will rise by 1-3 percent nationally by 2020, but bills will ultimately be lowered through increased efficiencies and non-polluting energy sources. The EPA will set different goals for individual states, depending on the types of power sources used.

In light of the current regulatory environment, the safety and cost-effectiveness of nuclear energy make it a necessary option for Georgia's energy portfolio. The expansion of Plant Vogtle will provide electricity for over 1 million homes and businesses, while leaving only a small carbon footprint behind. -JC

## 2014 Joint Study Committee Appointments

### Emergency Relocation of Abused Adults Study Committee (SR 828)

<i>Sen. Renee Unterman, Co-Chair</i>	<i>Rep. Tommy Benton, Co-Chair</i>
<i>Sen. John Albers</i>	<i>Rep. Gerald Greene</i>
<i>Sen. Nan Orrock</i>	<i>Rep. Jan Tankersley</i>

### Property Tax Digest Impact on Education Funding Study Committee (SR 875)

<i>Sen. Jack Hill, Co-Chair</i>	<i>Rep. David Knight, Co-Chair</i>
<i>Sen. Frank Ginn</i>	<i>Rep. Mike Dudgeon</i>
<i>Sen. Freddie Powell Sims</i>	<i>Rep. Don Parsons</i>
<i>Sen. Lindsey Tippins</i>	<i>Rep. Ed Rynders</i>
<i>Sen. John Wilkinson</i>	<i>Rep. Al Williams</i>

### Georgia Legacy Program Study Committee (SR 896)

<i>Sen. Steve Henson</i>	<i>Rep. Bubber Epps</i>
<i>Sen. Rick Jeffares</i>	<i>Rep. Chad Nimmer</i>
<i>Sen. Ross Tolleson</i>	<i>Rep. Lynn Smith</i>

### Violence Against Health Care Workers Study Committee (SR 981)

<i>Sen. Renee Unterman, Co-Chair</i>	<i>Rep. Katie Dempsey, Co-Chair</i>
<i>Sen. Gloria Butler</i>	<i>Rep. Robert Dickey</i>
<i>Sen. Butch Miller</i>	<i>Rep. Darlene Taylor</i>

### Prescription of Medical Cannabis for Serious Medical Conditions Study Committee (SR 981)

<i>Sen. Renee Unterman, Co-Chair</i>	<i>Rep. Allen Peake, Co-Chair</i>
<i>Sen. Dean Burke</i>	<i>Rep. Rich Golick</i>
<i>Sen. Butch Miller</i>	<i>Rep. Micah Gravley</i>
<i>Sen. Curt Thompson</i>	<i>Rep. Margaret Kaiser</i>

### Joint Study Committee on Critical Transportation Infrastructure Funding (HR 1573)

<i>Sen. Steve Gooch, Co-Chair</i>	<i>Rep. Jay Roberts, Co-Chair</i>
<i>Sen. Brandon Beach</i>	<i>Rep. Jon Burns</i>
<i>Sen. Tyler Harper</i>	<i>Rep. Terry England</i>
<i>Sen. Jack Hill</i>	<i>Rep. Mark Hamilton</i>
<i>Sen. David Lucas</i>	<i>Rep. Calvin Smyre</i>
<i>Steve Green, Savannah</i>	<i>Edward Lindsey, Atlanta</i>

## Update: The Port of Savannah

**John Culverhouse, Senior Policy Analyst**

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States are not equal. In terms of economic development, a deepwater port is second to none. From New York to Los Angeles and Boston to New Orleans, deepwater ports offer these cities and their states a great competitive advantage. Georgia's deepwater ports provide 352,146 full and part-time jobs, or 8.3% of Georgia's total employment, and also account for \$1.4 billion in state revenue. This is why investing in Georgia's ports is vitally important, and why Georgia has spent hundreds of millions of dollars and countless man hours toward the effort of deepening the Savannah Harbor. Georgia has been patiently waiting for the Federal government to appropriate its share of the cost, and it finally appears that this much needed funding will become a reality. The Savannah Harbor Expansion Program (SHEP) is the next step in making the Port of Savannah one of the country's preeminent ports.

From the very beginning, the Port of Savannah has provided an economic boon for the area. In a tainted part of its history, the slave trade prospered in Savannah as many African-Americans were brought through the Port. The cotton gin, invented by Eli Whitney on a plantation just outside of Savannah, helped spur the commercialization of the Port (and the prevalence of Slavery in the American South). In fact, at the time many of the world's cotton prices were set by the Savannah Cotton Exchange. During World War II, the Port was one of the busiest shipyards in the nation, constructing supply transport Liberty Ships for the war effort. The year 1945 marks the date when the General Assembly created the Georgia Ports Authority by legislative act, and explicitly made development of the ports state business. The Port of Savannah would eventually become the busiest single terminal container facility in the U.S., and the 4th busiest container port in the nation, moving 2.94 million Twenty-foot Equivalent container Units (TEUs) in Fiscal Year (FY) 2013.

With the expansion of the Panama Canal, the largest cargo ships in the world will soon be looking for a compatible east coast port in which to unload their cargo. The dredging of the Savannah Harbor from 42 feet to 47 feet is necessary to accommodate these larger ships, and will save billions in reduced transit costs over the life of the project. These ships will be shifting in capacity from 4,500 TEUs to approximately 9,000 TEUs. An initial dredging project will extend the entrance channel to the Savannah River seven miles further out into the Atlantic Ocean, followed by deepening the inner harbor to 47 feet. In addition to the dredging, the project will include recovering a Confederate warship known as the CSS Georgia. The CSS Georgia was scuttled by the Confederate army in 1864 as the approach of General William Tecumseh Sherman, and with it the fall of Savannah, became an inevitability.

On May 20th, 2014, the U.S. House of Representatives approved the 34 projects in the Water Resources Reform and Development Act of 2014 (WRRDA) with a vote of 412-4, and two days later, the Senate followed suit with a 91-7 vote in favor of the measure. On June 10th President Obama signed the WRRDA into law. Until recently the appropriation was seen to be in peril, for the President did not include construction funding for the port deepening in his latest budget proposal, citing issues that the project was over budget. The legislation raises the spending limit, which was set in 1999, to \$706 million in federal and state funds, while authorizing up to \$492 million in federal money for the deepening of the Savannah Harbor. With the President's signature, the state will enter into a Project Partnership Agreement (PPA) with the U.S. Army Corps of Engineers. The PPA will outline how the state and federal governments will share the costs of the project. The state has set aside \$266 million, and port officials expect to begin deploying this money within 90 days of the President's signature of the WRRDA.

The Savannah Harbor Expansion Project is the most important economic development project for the state in a generation, on par with the Centennial Olympic Games of 1996 and the investment in Atlanta's Hartsfield-Jackson International Airport. It will serve to put Georgia at the forefront of international trade, and in this age of globalization, will no doubt provide a superb return on investment. The numbers do not lie, Georgia's ports are a large part of the state's economy, and the expansion will only increase the ubiquity of its economic impact. States are not equal. With the commitment of the Georgia General Assembly to continue to invest in the state's ports, we plan to keep it that way. -JC



# ECONOMIC IMPACT:

## Georgia's Deepwater Ports

*Georgia's coastal region is home to one of the state's most important assets. Cargo ships from all over the world bring products and goods to the United States through this access point, and it is a resource that benefits the entire state.*

### Statewide Impact

- 352,146 Georgians are employed on a full- and part-time basis (8.3% of Georgia's total employment)
- \$66.9 billion in sales (9.5% of Georgia's total sales)
- \$32.4 billion in state GDP (7.8% of Georgia's total GDP)
- \$18.5 billion in income (5.2% of Georgia's total personal income)
- \$1.4 billion in state taxes
- \$1.1 billion in local taxes

### National Impact

- \$4.5 billion in Federal taxes
- \$54,100,815,237 of containerized cargo was moved by the Port of Savannah during FY 2011
- 8.7% of total U.S. containerized trade moved through the Port of Savannah in FY 2011 (based on tonnage)

(*Transportation Funding Crisis - continued from page 2*) The concept of VMT fees represents a shift in transportation funding policy away from gas taxes in order to capture more revenues from high efficiency and alternative fuel vehicles. To date, the VMT method of revenue generation has been implemented only for 5,000 volunteer motorists in Oregon beginning July 1, 2015 and for trucks, on a limited basis, in Illinois. It has been previously tested on a pilot basis in Oregon in 2007 and 2012 and, separately, in 12 cities in the U.S. as part of a federal study conducted by the University of Iowa. Colorado, North Carolina and Virginia also enacted new fees for alternative fuel or hybrid vehicles in 2013.

However, the year 2013 marked a turning point for state gas taxes. Previously, no state legislature had approved a gas tax increase for three years running, and 17 states had not raised their gas taxes in more than 20 years. In 2013, legislatures in six states enacted bills that are likely to increase total revenues from taxes on gasoline. Virginia's House Bill 2313 made it the first state to repeal its cents-per-gallon gas tax altogether and replace it with a tax that is a percentage of the wholesale price, plus a bigger portion of a boosted sales tax. The bill allows the bulk of the new revenues to come from gas taxes or sales taxes, depending on whether Congress authorizes states to collect sales taxes from out-of-state retailers. Maryland, Massachusetts and Vermont also enacted bills that will increase overall gas taxes by allowing them to track with the economy to some degree, either by tying the tax rates to inflation or adding percentage-based taxes on top of cents-per-gallon rates. Wyoming was the first state to enact a simple gas tax increase, from 14 cents per gallon to 24 cents per gallon, followed by New Hampshire in 2014, which raised its tax by 4.2 cents per gallon.

With the gridlock at the federal level surpassing the gridlock on our highways, Georgia and other states will play an increasingly significant role in transportation funding. Our state will be at a competitive advantage if we invest in our transportation infrastructure and find a solution to our transportation infrastructure funding crisis. -AF

## Transportation Funding Sources

Local transportation funding is derived from primarily two sources:

### Special Purpose Local Option Sales Tax (SPLOST):

This tax is usually a 1 percent sales tax levied by a county or local government for funding of capital projects which include transportation projects. Most of these taxes have a four- to five-year term and are approved by the voters through a referendum. Spending on transportation projects usually accounts for 30 to 100 percent of total SPLOST revenue. Primarily, these revenues are used as a match to state and federal funds for larger capital projects. Additionally, SPLOST revenues are used to support the bond financing of major local transportation projects.

**Local General Fund:** This fund tends to fund operations and maintenance of existing transportation infrastructure in local jurisdictions.

## 2014 Senate Study Committee Appointments

### Senate Entrepreneur in Residence Study Committee (SR 820)

*Sen. Judson Hill, Chair*  
Sen. Brandon Beach  
Sen. Frank Ginn  
Sen. David Lucas  
Sen. Fran Millar  
Sen. Bruce Thompson

### Senate Senior Technology Gap Study Committee (SR 881)

*Sen. Valencia Seay, Chair*  
Sen. John Albers  
Sen. Brandon Beach  
Sen. Gloria Butler  
Sen. Chuck Hufstetler

### Senate Mold and Mildew Remediation Contractor Study Committee (SR 953)

*Sen. Donzella James, Chair*  
Sen. Mike Crane  
Sen. Vincent Fort  
Sen. Jeff Mullis  
Sen. Jack Murphy

### Senate Child Protection Study Committee (SR 973)

*Sen. Horacena Tate, Chair*  
Sen. Charlie Bethel  
Sen. Gloria Butler  
Sen. Fran Millar  
Sen. Ron Ramsey  
Sen. Renee Unterman

### Senate Unified Courts Technology Study Committee (SR 986)

*Sen. Josh McKoon, Chair*  
Sen. Vincent Fort  
Sen. William Ligon  
Sen. Jesse Stone  
Sen. Curt Thompson

### Medicaid Care Management Organizations Credentialing Senate Study Committee (SR 1175)

*Sen. Dean Burke, Chair*  
Sen. Charlie Bethel  
Sen. Gail Davenport  
Sen. Tim Golden  
Sen. Chuck Hufstetler  
Sen. Lester Jackson  
Sen. Fran Millar

### Georgia Code of Military Justice Senate Study Committee (SR 1192)

*Sen. Hunter Hill, Chair*  
Sen. Mike Dugan  
Sen. Ed Harbison

### School Discipline Senate Study Committee (SR 1200)

*Sen. Emanuel Jones, Chair*  
Sen. Hardie Davis  
Sen. Bill Heath  
Sen. Lindsey Tippins  
Sen. John Wilkinson

### 9-1-1 System Modernization Senate Study Committee (SR 1203)

*Sen. Jeff Mullis, Chair*  
Sen. John Albers  
Sen. Vincent Fort  
Sen. Frank Ginn  
Sen. Jack Murphy

### Long-Term Aquifer Storage Senate Study Committee (SR 4)

*Sen. Ross Tolleson, Chair*  
Sen. Tyler Harper  
Sen. Rick Jeffares  
Sen. William Ligon  
Sen. Freddie Powell Sims

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