



AT ISSUE STATE EDITION



2016 • Volume 1 • Issue 2

Table of Contents

- 1 **Keeping Georgia's Ports Shipshape and Ready for Business**
- 4 **Efforts to Help Rural Hospitals Stay Afloat**
- 5 **Budget & Evaluation Office Spotlight: Healthcare**
- 5 **A Closer Look at How the Rural Hospital Organization Tax Credit Will Work**



This edition of *At Issue* gives an overview of Georgia's deepwater and inland ports and takes a closer look at efforts to ensure statewide access to quality care, particularly in rural Georgia.

Much attention has been paid to the critically important Savannah Harbor Expansion Project, but Georgia boasts two excellent deepwater ports and a growing network of inland ports. These ports fuel economic development by increasing the flow of goods and creating a range of jobs throughout Georgia.

Ensuring statewide access to quality health care remains a top focus. Health care access is not just about good health; it is a driver of economic development because businesses will not locate or expand in areas where quality health care is not available.

The Georgia General Assembly enacted a rural hospital tax credit, sponsored by Representative Geoff Duncan (R – Cumming), which should help stabilize rural hospitals. The Senate has study committees investigating several health care access issues, including health insurance affordability for lower middle income Georgians.

If you have issues you would like us to cover in future editions of *At Issue*, feel free to call or email me.

David J. Shafer, Senate President Pro Tempore
david.shafer@senate.ga.gov

Economic Development and Tourism

Keeping Georgia's Ports Shipshape and Ready for Business

Satyn Nishon Geary, Senior Policy Analyst
satyn.geary@senate.ga.gov

GEORGIA'S PORTS: OVERVIEW

- The Port of Savannah is comprised of two modern, deepwater terminals: Garden City Terminal and Ocean Terminal. Garden City Terminal is the fourth busiest container handling facility in the United States, and the second busiest on the East Coast. The terminal is served by two Class I railroads operated by Norfolk Southern and CSX Transportation.
- In Fiscal Year 2015, the Port of Savannah handled more than three million 20-foot equivalent (TEU) container units, representing a 17 percent increase from FY 2014.
- The Port of Brunswick is comprised of three deepwater terminals owned by Georgia Ports Authority (GPA). More than 12 major auto manufacturers, supported by three auto processors, utilize Colonel's Island Terminal. This terminal is also home to the South Atlantic's fastest growing bulk export/import operation.
- Mayor's Point Terminal in the Port of Brunswick facilitates the export of Georgia's forest products, while Marine Port Terminal, operated by Logistec U.S.A., specializes in the handling of bulk commodities.
- Georgia's inland terminal operations, Port Bainbridge and Port Columbus, provide a strategic advantage for bulk commodities moving to and from the Southeastern United States.
- At the Port of Brunswick's Anguilla Rail Yard, two additional storage tracks totaling 8,400 feet are being added to the switching yard, which serves both rail lines.

GEORGIA'S PORTS: ECONOMIC IMPACT

State Economic Impact

- \$84.1 billion in sales (9.6 percent of Georgia's total sales);
- \$33.2 billion in state GDP (7.2 percent of Georgia's total GDP);
- \$20.4 billion in income (5.3 percent of Georgia's total personal income);
- 369,193 full and part-time jobs (8.4 percent of Georgia's total employment);
- \$1.3 billion in state taxes; and
- \$1 billion in local taxes.

(continued on page 2)

National Impact

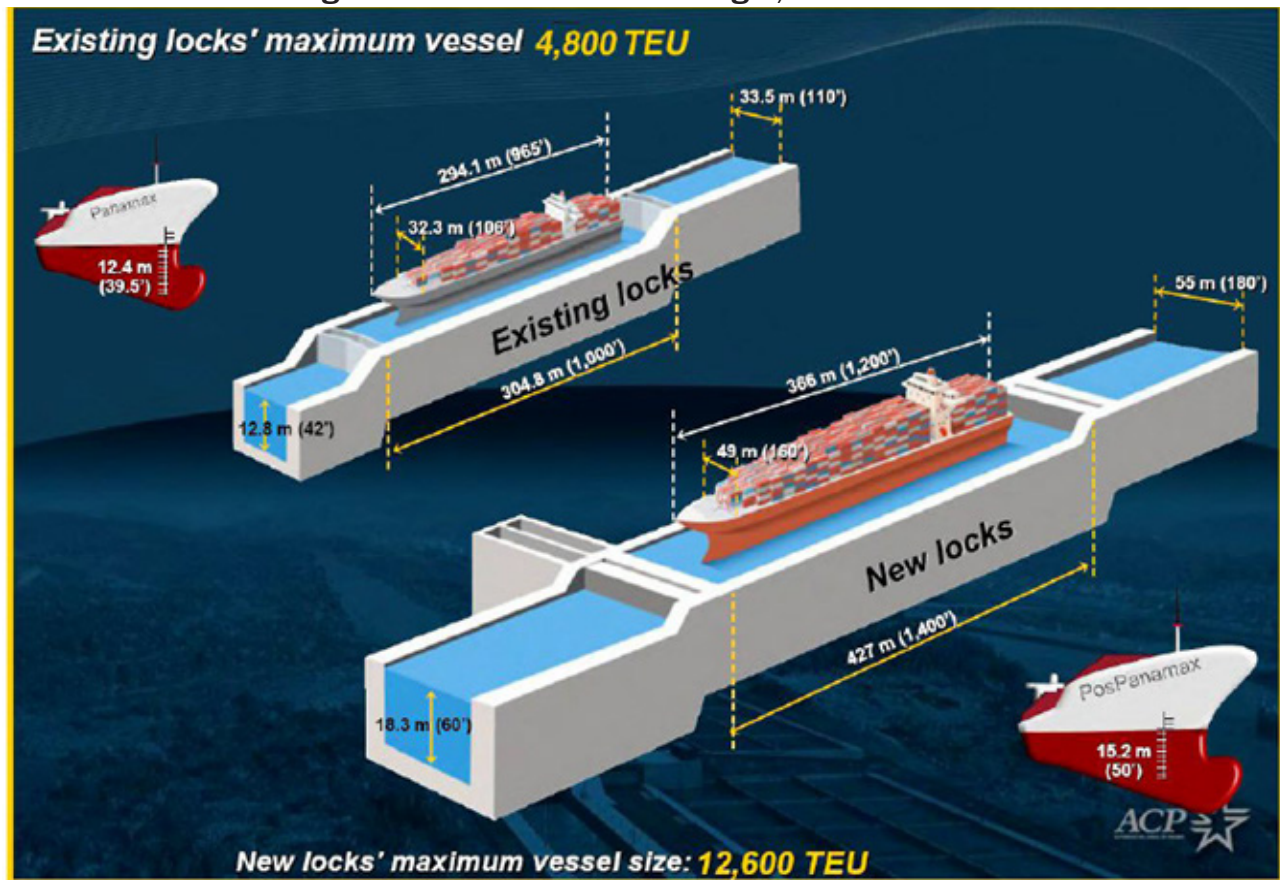
- \$4.5 billion in federal taxes;
- The Port of Savannah moved \$62.5 billion of containerized cargo during FY2014; and
- In FY2014, 8 percent of total U.S. containerized trade moved through the Port of Savannah.

PANAMAL CANAL EXPANSION

- The Panama Canal expansion, a more than \$5 billion project that began in 2007 and was initially projected to be completed in 2014 in commemoration of the 100th anniversary of the man made trade route, officially opened on June 27th.
- The expansion adds two new locks, creating a new lane that can handle more traffic and larger ships. The current locks accommodate ships that can hold up to approximately 5,000 TEUs, while the new locks allow passage of the much larger Post-Panamax and Super Post-Panamax ships, which hold a minimum of 12,000 TEUs up to 14,000 TEUs. The expansion will also increase the maximum draft of vessels traveling to and from the East Coast from 39.5 feet to as much as 50 feet (see Figure 1, below).

Figure 1

Vessels Transiting the Panama Canal 40% Longer, 64% Wider and 50 Ft. Draft



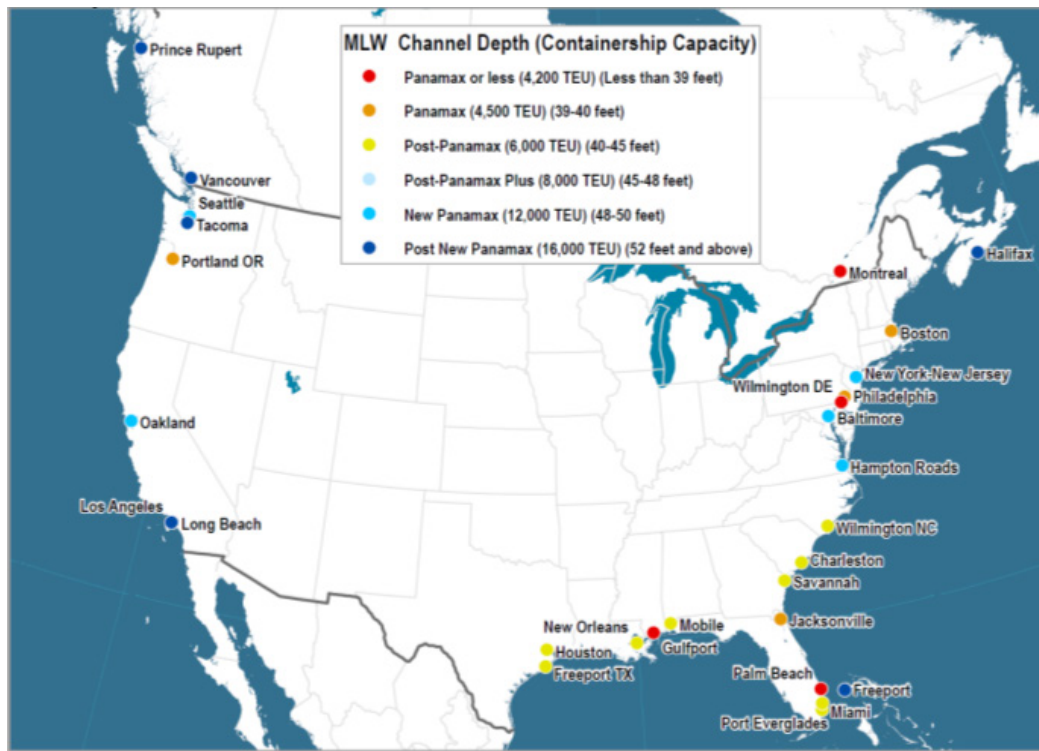
Source: Panama Canal Authority, February 2011

- Ships of this size are becoming increasingly more common, especially for cargo from Asia. According to Maritime Strategies International, they are expected to represent 62 percent of total marine traffic by 2030.
- However, according to the 2016 edition of the CBRE's Seaports and Logistics Annual Report, for cargo that is currently landing on the West Coast and is "discretionary cargo" (goods that have a final destination outside of the port market or region), the outlook is less certain.
- The biggest disadvantage of shipping through the Panama Canal is slower delivery time; cargo shipped through the Panama Canal can take up to 10 days longer to reach the East Coast than cargo moved on intermodal routes from West Coast ports. Intermodal routes shift cargo to trains for final delivery to major consumer markets served by distribution centers near Chicago and the Northeast.
- Further, a report by joc.com states that East Coast ports have been handling the Post-Panamax Containers for years via the Suez Canal. These ships began arriving at East Coast ports well before many of them had completed a deepening of their harbors; ships could only call at ports twice a day at high tide or after they had unloaded enough cargo to lighten their draft at ports with deeper channels before calling ports with shallower drafts. Figure 2, on page 3 illustrates the Mean Low Water (MLW) channel depth at major North American container ports.

- However, GPA's incoming Executive Director, Griff Lynch, recently noted in a Saporta Report article that history suggests shippers will return to the Panama Canal once it is fully able to transit large ships. Before construction started, about half the ships that called on Savannah came through the Panama Canal and 30 percent came via the Suez Canal. The numbers are now reversed, but Executive Director Lynch expects them to revert back.

Figure 2

Mean Low Water (MLW) Channel Depth at Major North American Container Ports



Source: Hofstra University, adapted from US Army Corp of Engineers (2012) "U.S. Port and Inland Waterways Modernization: Preparing for Post-Panamax Vessels"

SAVANNAH HARBOR EXPANSION PROJECT

- The U.S. Congress charged the U.S. Army Corps of Engineers (Corps) with the responsibility of improving harbors under the Rivers and Harbors Act of 1899. The Savannah District is the long-term operations and maintenance agent for the harbor. The district routinely dredges the harbor and shipping channel to its currently authorized depth of 42 feet.
- The U.S. Congress charged the Corps with evaluating all practical expansion alternatives to the deepening that it had authorized in 1999.
- The Corps analyzed harbor deepening alternatives, including the additional preparation of an Environmental Impact Statement, and recommended deepening to -47 feet, a depth that provides the greatest benefits to the nation.
- The Savannah Harbor Expansion Project (SHEP) will deepen the Savannah Harbor federal shipping channel from a depth of -42 feet to -47 feet.
- Archeologists mobilized for the first contract on the recovery of the CSS Georgia ironclad in January 2015. The remains of the CSS Georgia, a Confederate ship, currently rest on the bottom of the Savannah River adjacent to the shipping channel, near Old Fort Jackson. The CSS Georgia's location impedes the channel expansion.
- The Savannah District of the Corps was awarded the first dredging contract in March 2015, and deepening began on September 10, 2015. This contract covers the deepening of the outer harbor and the extension of the shipping channel further into the Atlantic Ocean. The outer harbor extends from approximately Fort Pulaski into the Atlantic Ocean. Total harbor deepening completion is expected by 2020.
- According to the Corps, studies demonstrate that the deepening will produce substantial economic benefits for the nation by enabling larger and more heavily-loaded vessels to call on the harbor with fewer tidal delays.
- Also according to the Corps, the total project cost estimate is currently \$706 million. The SHEP is expected to net more than \$174 million in annual benefits to the nation and has a benefit-to-cost ratio of \$5.50 for every \$1 invested.
- The Corps used an existing ship, the Susan Maersk, as its design vessel. It measures 141 feet wide by 1,158 feet long. It can carry 8,200 TEUs, the international standard for shipping containers. Ships even larger than this, such as the GMA Figaro, already arrive safely at the Port of Savannah today, but are light-loaded (not filled to weight capacity) and face tide restrictions.
- The Corps designed the new channel and its navigation features using the specifications of a future shipping fleet, expected to call at Savannah after the SHEP. It designed a wider and deeper turning basin to accommodate the larger ships, and two reaches of the channel and three critical bends to allow wider turns.

(continued on page 4)

- According to the Corps, the cost to expand the harbor will be shared by the federal government and the state with the federal government covering 60 percent of the costs and the state providing the remaining percent.
- According to Melody DeBussey, Director of the Senate Budget and Evaluation Office, the state has approved \$267,180,000 million in bonds from FY2010- FY2015 to cover the state's projected share of SHEP costs.
- On December 18, 2015, President Obama signed into law the Consolidated Appropriations Act, 2016, Public Law 114-113, of which Division D is the Energy and Water Development and Related Agencies Appropriations Act (the Act) for FY 2016. The Act provides \$5.989 billion in FY 2016 appropriations for the Army Civil Works program. Construction projects funded for completion in FY 2016 include the SHEP.
- However, the FY 2017 budget released by the Obama administration last February set aside \$42.7 million for the harbor deepening project. Another \$24.3 million is in the federal budget for this Fiscal Year, which ends September 30th. This falls short of the federal government's share, projected by the Corps to be between \$80-90 million. -SG

Health & Human Services

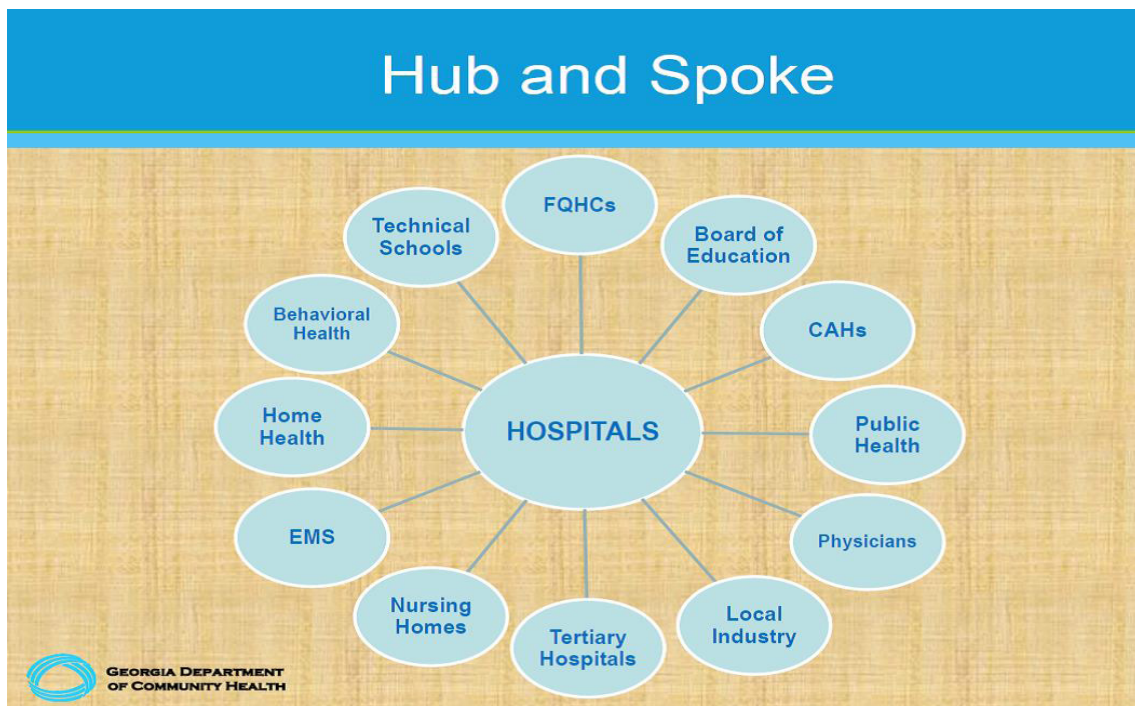
Efforts to Help Rural Hospitals Stay Afloat

Elizabeth Holcomb, Principal Policy Analyst, Projects Manager
elizabeth.holcomb@senate.ga.gov

Of Georgia's 159 counties, 109 are rural and home to less than 35,000 people. These rural populations are typically less healthy than those living in urban areas, more likely to be under-insured or uninsured, and more likely to suffer from heart disease, obesity, diabetes, and cancer.

Given this disparity, Georgia's rural hospitals struggle to remain open. Between 2010 and 2014, as many as five hospitals in rural Georgia closed. The State Office of Rural Health (SORH), in Cordele, strives to stabilize and strengthen struggling rural health care systems across the state with a budget of more than \$17.5 million from federal and state funds. SORH—in cooperation with Medicaid care management organizations, State Health Benefit Plan administrators, private insurers, and local governments—monitors a four-site "Hub and Spoke" pilot program that prevents the over-utilization of the Emergency Department (ED) as a primary care access point. The goal of this "Hub and Spoke" model is to best utilize technology to ensure that patients receive treatment in the most appropriate setting, while consequently relieving the cost pressures on small rural hospitals' EDs. The "hubs" consist of communities with nursing homes, home health, rural health clinics, and a regional hospital, while the "spokes" include smaller critical access hospitals, ambulances equipped with WiFi and telemedicine, school clinics equipped with telemedicine, Federally Qualified Health Centers (FQHCs), public health departments, and local physicians. The original four hubs for the pilot program include:

- Union General in Blairesville, Georgia (Blue Ridge Mountains);
- Crisp Regional in Cordele, Georgia (South Georgia);
- Appling HealthCare System in Baxley, Georgia (South Georgia); and
- Emanuel Regional Medical Center in Swainsboro, Georgia (Middle Georgia).



The pilot program was appropriated \$3 million in State General Funds for Fiscal Year 2016. Each of the four hubs was granted \$750,000—and submitted a \$100,000 local match requirement from the hospital and local government—to develop a sustainability plan for their hospital and community that could in turn be shared with all rural hospitals to enhance the sustainability of rural health care in Georgia. The pilot sites submitted their budgets and work plans to Governor Nathan Deal’s Rural Hospital Stabilization Committee. These plans, which were approved in late October 2015, incorporate around a “right patient, right place, right time” concept, in which a patient is directed to the most appropriate health care setting for his or her needs at the time care is needed.

The pilot program also received \$3 million in General Appropriations for FY 2017 and the Rural Hospital Stabilization Committee has already named the 2017 Rural Hospital Stabilization Pilot sites. Habersham Medical Center (Demorest, GA), Upson Regional Medical Center (Thomaston, GA) and Miller County Hospital (Colquitt, GA) have been chosen as the grantees. Additional information will be presented at future meetings of the Committee as plans are developed for the three new sites and progress reports are submitted by the current four pilot hospitals.

During the 2016 Legislative Session, the Georgia General Assembly also worked to address rural hospital closures by passing Senate Bill 258 on Day 40. This legislation creates a tax credit for donations to rural hospital organizations and is intended to help reduce the number of hospital closures in Georgia. Specifically, it allows corporations and people in Georgia to claim state tax credits for donating to rural health care centers that treat the uninsured or those with Medicare or Medicaid. The new law has the potential to help 48 hospital organizations in Georgia. A complete list of the hospital organizations eligible to receive donations under the new tax credit was released on August 22, 2016 and is available on DCH’s website. -*EH*

Budget and Evaluation Office Spotlight: *Healthcare*

Melody DeBussey, Director
melody.debussey@senate.ga.gov

In State Fiscal Year (SFY) 2017 General Budget:

- In Department of Community Health, in Healthcare Access and Improvement, stated “Utilize existing funds to continue the Rural Hospital Stabilization Committee’s grants, with pilot sites to be selected by the Rural Hospital Stabilization Committee.” continued funding of \$3,000,000.
- In Department of Community Health, in Healthcare Access and Improvement, “Increase funds to establish a Patient Centered Medical Home (PCMH) grant program for rural stabilization” for \$300,000.
- In Department of Community Health, Medicaid: Low-Income Medicaid, stated “Increase funds for a \$250 add-on payment for newborn delivery in rural counties (population less than 35,000).” \$387,407 state funds, \$1,203,500 total funds.
- In Georgia Board for Physician Workforce, Board Administration, transferred \$208,779 “to support tracking long-term rural capacity needs for physicians and other healthcare providers.”
- In Georgia Board for Physician Workforce, Physicians for Rural Areas, continued funding of \$200,000 for the rural dentistry loan repayment program.
- In Georgia Board for Physician Workforce, Physicians for Rural Areas, transferred \$100,000 “to assist Georgia South Family Medicine Rural Residency Training Program.”
- In Georgia Board for Physician Workforce, Physicians for Rural Areas, “Provide funds for a loan repayment program for Physician Assistants and Advanced Practice Registered Nurses practicing in rural and underserved areas” for \$200,000.

Finance

A Closer Look at How the Rural Hospital Organization Tax Credit Will Work

Justin Cook, Senior Policy Analyst
justin.cook@senate.ga.gov

What is the Rural Hospital Organization Tax Credit?

The Rural Hospital Organization Tax Credit lowers the state income taxes owed by an individual or business that makes a qualifying donation to a qualifying rural hospital, according to the amount which they donate.

How it Works?

Senate Bill 258 lists out the rules which anyone must follow to be eligible for this new tax credit. Under these rules, anyone wishing to receive this tax credit must first have their donation preapproved by the Department of Revenue. After the Department of Revenue preapproves of the donation, the donor must make the donation within 60 days to receive the tax credit.

(continued on page 6)

How much of a tax credit is allowed per person?

That depends on whether the person is making a donation as an individual or through his or her business:

- Taxpayers that file as single individuals, or as head of household, will receive a tax credit for 70 percent of the amount which they donate OR \$2,500, whichever is less;
- Taxpayers that file as joint filers are treated similarly, except that their tax credit cap is at \$5,000;
- Corporations will receive a tax credit for 70 percent of the amount that they donate OR 75 percent of their income tax liability, whichever is less.

It is important to remember that these credits can be used to reduce or eliminate a donor's tax bill, but any additional credits must be carried forward to be used within the next five years.

Is there a limit to the amount of tax credits the State will allow?

Yes. Only \$50 million tax credits will be given for rural hospital donations for the year 2017. This amount increases to \$60 million in 2018, and \$70 million in 2019. All tax credits will be awarded on a first come, first serve basis. Because of this cap, anyone wishing to take advantage of this program will want to secure their preapproval as soon as the Department of Revenue begins taking applications. The Qualified Education Expense Tax Credit, which operates under similar rules, reached its own cap on the first day that applications were accepted for 2015. Although it is unsure whether the same will happen for the Rural Hospital Tax Credit, such a result is possible.

What hospitals can I donate to?

This bill was tailored to benefit hospitals located in rural areas. Thus, any hospital wishing to benefit from this program must either be a Critical Access Hospital (which by definition must operate 35 miles from another hospital or Critical Access Hospital), or be located in a county with a population of less than 35,000 individuals, according to the 2010 census (excluding military personnel and their dependents living in a military base or installation in the county).

In addition to these requirements, each participating hospital must:

- Participate in Medicaid and Medicare;
- Provide healthcare primarily to indigent patients, and receive at least 10 percent of their gross net revenues from the treatment of indigent patients;
- Be operated by a local government or be considered a Section 501(c)(3) tax-exempt organization (and file a IRS Form 990 or a similar form created by the state); and
- Be current with all audits and reports required by law.

Any hospital wishing to participate must create a five-year plan that shows the financial viability and stability of the hospital. In addition, each hospital must report to the Department of Revenue all contributions which it receives and how these contributions were used.

Is there a limit to the amount of donations which a hospital can receive?

Yes. Only up to \$4 million in tax credits can be used for donations to any one hospital in any given year. Furthermore, from January 1st to June 30th of each year, this amount is divided equally between individual taxpayers and corporations, so that individuals and corporations can each only receive \$2 million of available tax credits for donating to any one hospital. Any remaining tax credits after July 1st available for donating to any one hospital can be allocated without regard to whomever is making the donation, so long as it does not go over the \$4 million limit.

If any hospital has reached their limit on donations under this program, the Department of Community Health will redirect donors to hospitals most in need by providing a list of other eligible hospitals, ranked according to their financial need. -JC



Senate Bill 258 bill signing ceremony, April 26, 2016.

Senate Research Office

Angie Fiese, Director

angie.fiese@senate.ga.gov

204 Coverdell Legislative Office Building

404.656.0015

Senate Budget & Evaluation Office

Melody DeBussey, Director

melody.debussey@senate.ga.gov

208 Coverdell Legislative Office Building

404.463.1970

Senate Press Office

Ines Owens, Acting Director

ines.owens@senate.ga.gov

201 Coverdell Legislative Office Building

404.656.0028