



FISCAL RESEARCH CENTER

Estimating Georgia's Structural Budget Deficit

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Atlanta, GA**

**FRC Report No. 209
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ANDREW YOUNG SCHOOL
OF POLICY STUDIES

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I. Introduction

Georgia's state government must end its fiscal year with a balanced budget (see Box 1 for a discussion of the meaning of balanced budget). That means it must identify revenues that are sufficient to pay for operating expenditures. In "normal" economic times, revenue from taxes, fees, and charges should be, but might not be, sufficient to balance the budget, i.e., cover operating expenditures and add to a reserve. In times of recession, these revenues may not be sufficient to cover operating expenses and the state may have to supplement its revenues with one-time funds or reserves or delay certain expenditures. While this strategy of supplementing revenues is useful in buffering the state from short-term economic fluctuations, if this situation persists, then a state faces a more serious fiscal problem, or a "structural budget deficit." A structural budget deficit exists if, even in normal economic times, tax and fee revenues are not sufficient to support existing public service levels, and thus the gap between revenues and expenditures will not "naturally" close as revenue growth outpaces the growth in expenditure demand. Such a deficit requires long-term policy changes to the revenue structure as well as changes to the amount, type, or efficiency of public services provided in order to close the gap.

In this report, we explore the existence of a structural budget deficit for Georgia's state government. To do that, we first explore the actions the state had to take over the past 5 budget years (FY 2007 to FY 2011) to balance the state budget. We then project state revenues and expenditures to FY 2015 assuming no change in revenue policy or public service level. We develop our projected budget based first on budgeted expenditures and revenue structure for FY 2011, and second, on actual net obligations and revenue structure for FY 2009. In developing the projections, we take the base year public service levels and revenue structure as given and project expenditures and revenue based on changes in the level and composition of the population and in the economy.

Given our assumptions, we find that Georgia has made significant strides in closing the gap between expenditures and the level of spending that the revenue structure can support; however, despite the hard choices that were made in the past

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Box 1. Meaning of a Balanced Budget

State law requires that the General Assembly adopt a balanced budget (see OCGA §45-12-76). This means that the General Assembly cannot appropriate funds which exceed the total of the expected surplus from the previous year and the total estimated net treasury receipts from existing revenue sources. The Governor has the sole authority to set the estimated treasury receipts for the fiscal year. However, the Governor can set a revenue forecast that ends up exceeding actual revenues collected. While the adopted budget may be balanced, it may not be balanced in terms of its actual implementation. At year end, the state may have to rely on reserves or unanticipated expenditure withholding to stay “balanced.”

This report examines “structural balance,” a slightly different concept than the actual balanced budget requirements in Georgia law. Structural balance occurs when a state’s revenue structure of taxes, fees, charges and other ongoing revenues are sufficient to support its ongoing operating expenditures. Structural imbalance occurs not only when expenditures exceed revenues but also when a state relies on revenues that are one-time or short-term in nature in order to cover ongoing operating expenses. The state may anticipate and plan to use one-time revenues or may end up using reserves because the revenue estimate exceeds actual revenues collected. Although these situations lead to a balanced budget under state law, the budget still has a “structural deficit.”

Structural deficits may not be a problem if they are short term in nature. The very reason that states build up revenue shortfall reserves is to buffer them from economic fluctuations. However, in the face of a persistent structural deficit a state will eventually exhaust their one-time funds and be forced to make more enduring policy changes to bring expenditures and revenues into alignment.

few years, Georgia is still facing a structural deficit of over \$1.5 billion per year. Between FY 2008 and FY 2010, state general fund revenues declined by around 20 percent.¹ This created significant shortfalls in the budget. In FY 2010, the state faced a \$4.2 billion structural deficit, that is, the deficit that would have existed if FY 2009 expenditures had been allowed to grow to maintain public service levels (i.e., hold expenditures per client served constant) and revenues fluctuated without making policy changes. Policymakers reduced this shortfall to \$2.8 billion by reducing expenditures and made up the difference with one-time funds, reserves and federal

¹ As of the publication of this report, we were still waiting to see final FY 2010 revenues.

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stimulus funds. In the FY 2011 budget, the shortfall was further reduced to \$1.6 billion. Again, the difference was made up with one-time funds, reserves and federal stimulus funds.

In FY 2012, the state will continue to face around a \$1.8 to \$2.0 billion structural deficit, but most likely without federal assistance, reserves, and other one-time funds that can be used to make up the difference. Furthermore, the state has put off paying for long-term liabilities, such as setting aside funds for the health care of future retirees (Other Post Employment Benefits (OPEB) liability). Using a modest set of growth assumptions, our analysis shows that Georgia's revenues will not naturally catch up with expenditures needed to maintain current public service levels until well past FY 2015. Barring unanticipated economic growth or increased federal intervention, this suggests the state faces a persistent structural deficit and that the state must change the structure of its expenditures and revenues to find long-term balance in its operating budget.

The magnitude of the estimated structural budget deficit depends of course on the underlying assumptions regarding the growth in the state economy, inflation, and population. We have used what we believe are reasonable assumptions. While alternative assumptions would change the estimated structural budget deficit by several hundred million, it would require major changes in the underlying assumptions in order to obtain an estimate of no structural budget deficit.

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II. Estimated Structural Deficit

To construct estimates of Georgia's structural budget, we start with net state appropriations.² For the projections using FY 2011 as the base year, we use actual appropriations for FY 2011. Using the FY 2011 General Budget as the base for projections, we estimate expenditure demand by department through FY 2015. We also project expenditures from FY 2009 final net appropriations to create a baseline over which to assess where spending would have been if allowed to grow consistent with population and inflation and where revenues would have been without any of the policy changes adopted in FY 2011.³ Although technically appropriations and expenditures are separate concepts, this report uses net and actual appropriations as a proxy for "expenditure demand" since this allows for more comparable data over time.

To project expenditures we first assume that expenditures will have to increase by the inflation rate in order to maintain current service levels. For the initial case we use forecasts of the Gross Domestic Product (GDP) price index to measure inflation; as an alternative we use forecasts of the Consumer Price Index (CPI), which implies a higher inflation rate.

Expenditures will also have to increase to serve the increase in the client population while maintaining service levels. (The actual assumptions that we used are shown in Tables A-1 and A-3.) We measured the service level as expenditures per client population. For example, for education, we measure the service level as expenditures by the Department of Education per student. We project expenditures based on the forecast of the growth in school age students. We were in part limited by the age categories for which forecast data were available.

Note that expenditures for out years are not forecasts. Rather, they reflect inflation and forecasts of the growth in the population that is served by the programs of each department. We are not trying to predict actual expenditures, but what expenditures would be if service levels did not change. Other than in a couple of cases, we did not adjust for changes in client population due to changes in economic

² Net state fund appropriations are actual state fund appropriations less lapsed funds as reported by the Department of Audits and Accounts in the year end Budgetary Compliance Reports.

³ There were no significant revenue policy changes in FY 2010.

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conditions or other trends. For example, if the percentage of students going to private school were increasing, then using the growth in school age students would over state the growth in expenditures. (We did check, and there is no trend of increasing share of students going to private school.)

Also, in projecting expenditures using FY 2011 appropriations as the base, we added expenditures currently financed by federal budget stabilization funds, the enhanced match for Medicaid, and the additional funds available to the state due to federal forgiveness of Medicaid overpayments to the state for prescription drugs (“clawback funds”). These are included in the baseline of ongoing operating expenditures since they financed the ongoing operations of the state rather than selected one-time expenditures.

Other federal stimulus funds are in the budget but are more closely associated with one-time expenditures, such as the TANF Emergency funds, or are pass-through funds, such as the enhanced stimulus funds for Title 1 reflected in the State Department of Education’s budget. Thus, these expenditures are not included in the base on which the projections were made.

For FY 2009-2011, we also included expenditures that were covered out of public authority reserves, specifically, OneGeorgia reserves and expenditures that were covered from State Health Benefit Plan reserves. These funds were used to finance ongoing operations, and in future years the state will either have to cover the cost of operations out of state funds, cut services, or find an alternative revenue source, such as increasing employee contributions for health care benefits.

For revenues, we relied on audited actual revenues for FY 2007 through FY 2009, the budgeted revenues for FY 2010 and FY 2011, with adjustments for year end FY 2010 revenue changes, and for FY 2012-2015, a forecast prepared by the State Economist for the state Debt Management Plan (June 16th, FY 2010 update). Table A-5 shows the revenue assumptions with FY 2011 as the base year.

There are several important assumptions embedded in the FY 2010 and FY 2011 revenue numbers:

- The Governor and the Office of Planning and Budget took a series of actions to hold back FY 2010 expenditures. These actions minimized the FY 2011 initial shortfall to around \$37.7 million, not including the potential Medicaid shortfall described in the second bullet. Based on

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preliminary FY 2010 final revenue numbers, these withholding actions are assumed to produce an \$88 million *surplus* in FY 2010.

- The FY 2011 budget is based on the assumption that the state will receive at least \$378 million from an extension of the Medicaid enhanced matching rate from Dec. 31st, 2010 through June 20th, 2011. On July 23, Governor Perdue announced cuts in the adopted budget because of the possibility that these federal funds will not be approved.
- The FY 2011 budget is based on the assumption that the state will be able to raise \$287.9 million in funds through the securitization of GEFA revolving loan funds.

For the projections based on FY 2009, we used revenue projections that ignore the effect on revenue from the revenue policy changes made during the 2010 legislative session. Table A-5 shows the revenue projections using 2009 as the base year.

III. Results and Findings

Overview

We first consider the structural deficit in which projections are based on FY 2011 appropriations. Table 1 shows the pattern of revenues and expenditures using both the GDP and CPI inflation indices. (Revenue forecasts do not explicitly use an inflation adjustment, although the forecast of economic conditions on which the revenue forecast are based does account for inflation expectations using the forecast of the GDP price index.) Figure 1 shows the graph of expenditures using the GDP inflation index against the revenue projections. As can be seen, the state has been running a structural deficit for several years as it has dealt with the impact of the national economic crisis. In FY 2008, the state ran over budget by \$710 million. In FY 2009, the state began relying heavily on federal stimulus funds and reserves, a pattern that continues through FY 2011. In FY 2009 through FY 2011, the state began to address the fiscal shortfall, cutting expenditures and raising revenues to narrow the fiscal gap. Most notably the gap closed from \$2.8 billion in FY 2010 to \$1.6 billion in FY 2011, a \$1.2 billion difference. Table 2 shows how the deficit was covered in 2008 through 2010, and Figure 2 shows the prior year and projected deficits.

Using GDP versus CPI as an Inflationary Adjustment

Table 1 also shows the projected expenditures under alternative assumptions regarding inflation. Comparing projected expenditures, it is apparent how important the assumed inflation rate is. For FY 2015, the projected deficit is \$1.5 billion using the GDP price index and \$2.1 billion using the CPI.⁴ Obviously, policymakers will have to grapple with expenditure demand at a much more granular level, but this assessment should help give a sense for the range of the challenge.

⁴ The Bureau of Economic Analysis produces a price index for state and local governments. Unfortunately we do not have a forecast for that price index. However, over the past decade that price index increased 51.8 percent, while the CPI increased 31.2 percent and the GDP price index increased 28.3 percent. This suggests that the CPI may be a better indicator of the price increases government faces than the GDP price index.

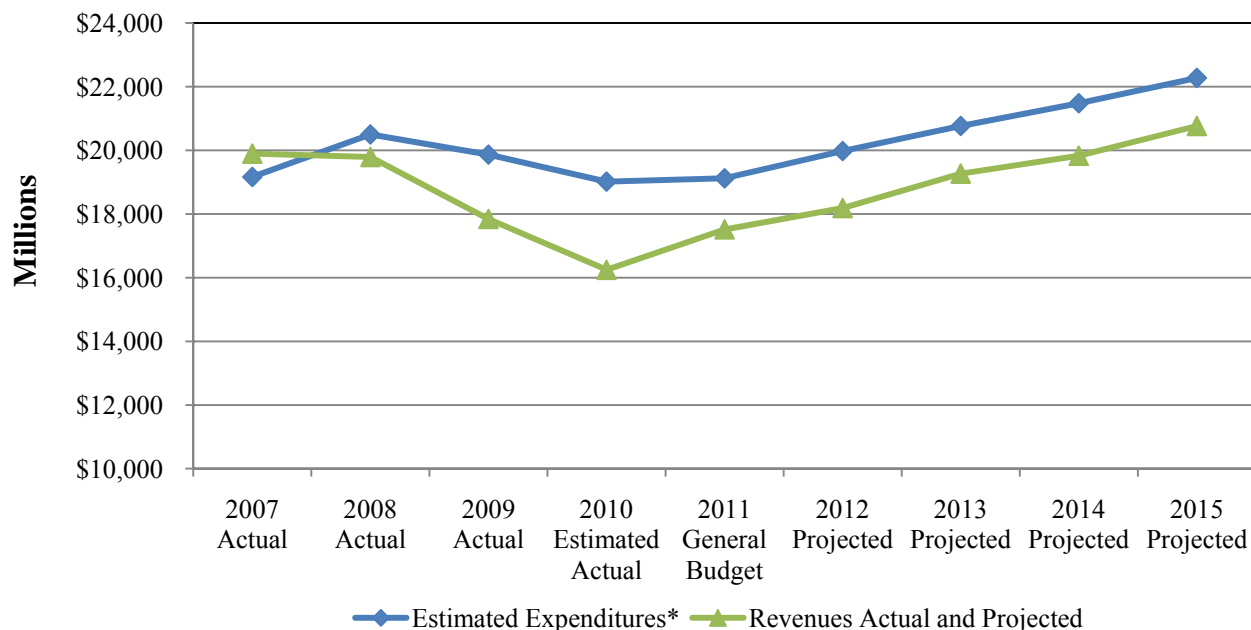
TABLE 1. STRUCTURAL BUDGET ESTIMATES FOR GEORGIA FY07-FY15 (IN MILLIONS OF \$)

	2007 Actual	2008 Actual	2009 Actual	2010 Est. Actual	2011 General Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected
<i>Revenues Actual and Projected</i>									
Tax and Fee Based Revenues	\$19,896	\$19,790	\$17,842	\$16,246	\$17,516	\$18,188	\$19,269	\$19,831	\$20,766
% Decline/Growth		-0.53%	-9.84%	-8.94%	7.82%	3.84%	5.94%	2.92%	4.72%
<i>Estimated Expenditures*</i>									
Using GDP Price Index	\$19,167	\$20,500	\$19,867	\$19,019	\$19,122	\$19,977	\$20,766	\$21,480	\$22,274
% Decline/Growth		6.95%	-3.09%	-4.27%	0.54%	4.47%	3.95%	3.44%	3.70%
Estimated Annual Deficits	\$729	(\$710)	(\$2,025)	(\$2,773)	(\$1,606)	(\$1,789)	(\$1,497)	(\$1,649)	(\$1,508)
Using CPI Price Index	\$19,167	\$20,500	\$19,867	\$19,019	\$19,122	\$20,180	\$21,118	\$21,970	\$22,886
% Decline/Growth		6.95%	-3.09%	-4.27%	0.54%	5.53%	4.65%	4.04%	4.17%
Estimated Annual Deficits	\$729	(\$710)	(\$2,025)	(\$2,773)	(\$1,606)	(\$1,992)	(\$1,850)	(\$2,140)	(\$2,120)

*Net Appropriations FY07-09, FY10 Amended with year end estimated adjustments, FY11 General, Projected Appropriations for FY12-15, Includes State Funds, Budget Stabilization, FMAP Enhancement and Other Reserves

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FIGURE 1. EXPENDITURE AND REVENUE TRENDS FOR ALL STATE FUNDS (GDP INFLATIONARY INDEX)



*Projections use the FY 2011 general budget as the base year.

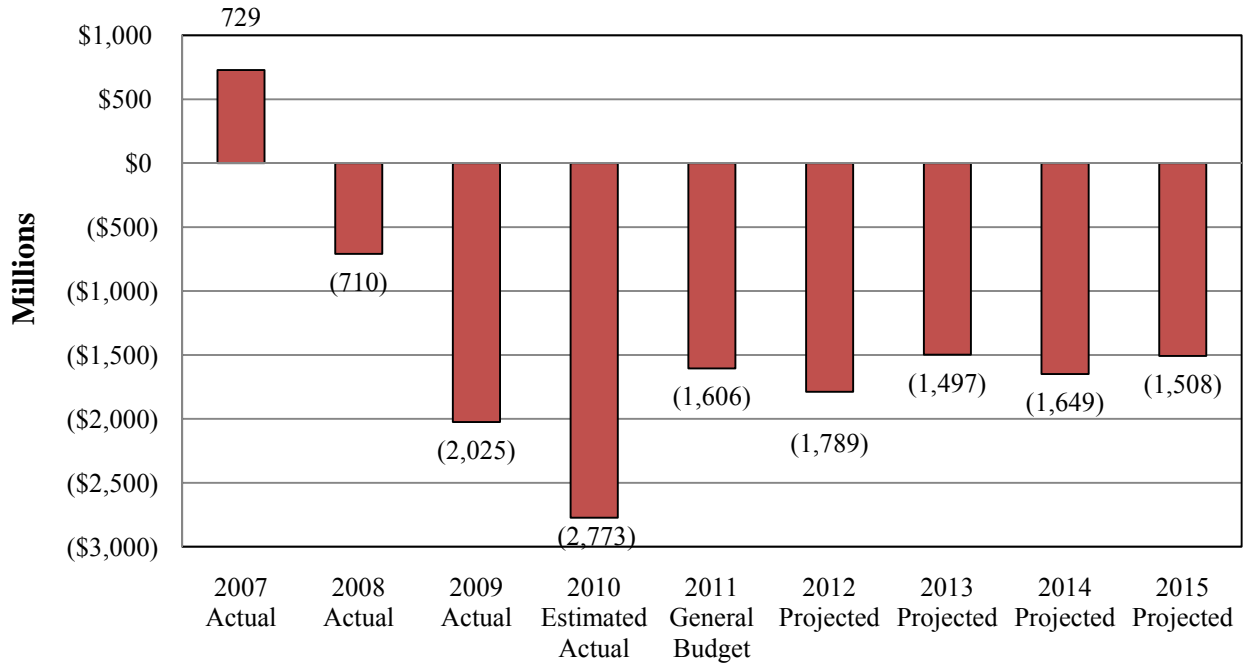
TABLE 2. HOW THE DEFICIT IS COVERED 2008-2011 (IN MILLIONS OF \$)

	2008	2009	2010	2011
Stimulus Revenues - Budget Stabilization and FMAP	\$0	\$668	\$1,758	\$1,010
Medicaid Clawback Reserves	\$0	\$0	\$0	\$86
GEFA Monetization	\$0	\$0	\$0	\$288
Tobacco Reserves	\$0	\$0	\$162	\$0
General RSR and K-12 Reserves	\$188	\$387	\$426	\$0
Public Authority Reserves	\$0	\$0	\$80	\$85
Unanticipated RSR Usage/Use of Prior Year Surpluses*	\$518	\$317	\$0	\$0
Early Return of Surplus	\$4	\$26	\$17	\$0
SHBP/OPEB Reserves	\$0	\$580	\$211	\$52
One Georgia	\$0	\$47	\$47	\$47
Lottery Reserves (Est.)	\$0	\$0	\$161	\$0
<i>Estimated FY10 Surplus/Unresolved FY11 Gap</i>	\$0	\$0	(\$88)	\$38
TOTAL	\$710	\$2,025	\$2,773	\$1,606

*Note that the State General Fund (SGF) shortfalls were slightly larger. This analysis examines uses State Funds and Lottery and Tobacco ran surpluses in FY2008 and FY2009, which has the effect of masking the total impact on reserves. The acronyms refer to the following: FMAP: Federal Medical Assistance Percentages (i.e., the federal government matching rates for the Medicaid program, which were increased as a part of the 2009 stimulus package); GEFA: Georgia Environmental Facilities Authority; RSR: Revenue Shortfall Reserve; SHBP: State Health Benefit Plan; OPEB: Other Post Employment Benefits.

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FIGURE 2. ESTIMATED ANNUAL BALANCES



*Based on GDP inflationary index; projections use 2011 as the base year.

More importantly, the CPI scenario shows expenditure growth roughly equivalent to revenue growth over the next five years, suggesting that the deficit might level off at a \$2.1 billion shortfall for the foreseeable future given Georgia’s current revenue and expenditure structure. Even using the GDP price index, Georgia’s revenues would not “naturally” catch up with expenditures until well after FY 2015. An estimate using average projected growth rates suggests that the structural deficit will persist until after 2020. If the state can close this gap in 2012 by making *structural* changes to its revenues or expenditures, then in the out-years, revenue growth will be sufficient to cover expenditures. If the state chooses to continue to fill the hole with one-time funds, then the deficit will persist.

Using 2009 as a Baseline

Table 3 and Figure 3 show expenditure and revenue projections using FY 2009 final net appropriations and FY 2009 revenues as a baseline. FY 2009 was selected because it was the latest year for which audited numbers are available. The expenditure projections estimate what FY 2010 and FY 2011 expenditures would

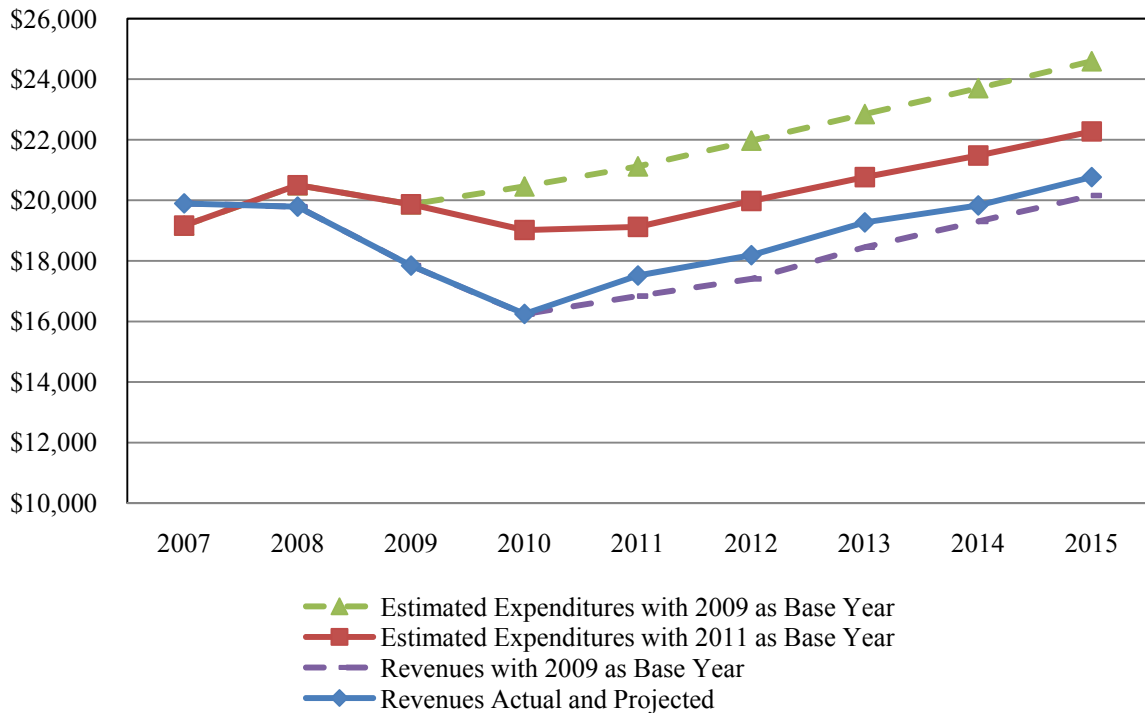
TABLE 3. STRUCTURAL BUDGET ESTIMATES FOR GEORGIA FY07-FY15, PROJECTIONS FROM 2009 AS BASE YEAR (GDP INFLATIONARY INDEX)

	2007 Actual	2008 Actual	2009 Actual	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2014 Projected	2015 Projected
<i>Revenues with 2009 as Base Year</i>	\$19,896	\$19,790	\$17,842	\$16,242	\$16,838	\$17,406	\$18,450	\$19,304	\$20,157
% Decline/Growth		-0.53%	-9.84%	-8.97%	3.67%	3.37%	6.00%	4.63%	4.41%
<i>Revenues Actual and Projected</i>									
Tax and Fee Based Revenues	\$19,896	\$19,790	\$17,842	\$16,246	\$17,516	\$18,188	\$19,269	\$19,831	\$20,766
% Decline/Growth		-0.53%	-9.84%	-8.94%	7.82%	3.84%	5.94%	2.92%	4.72%
<i>Estimated Expenditures with 2009 as Base Year</i>									
Using GDP Price Index	\$19,167	\$20,500	\$19,867	\$20,459	\$21,122	\$21,972	\$22,848	\$23,703	\$24,592
% Decline/Growth		6.95%	-3.09%	2.98%	3.24%	4.02%	3.99%	3.74%	3.75%
Estimated Annual Deficits	\$729	(\$710)	(\$2,025)	(\$4,217)	(\$4,285)	(\$4,566)	(\$4,398)	(\$4,398)	(\$4,436)
<i>Estimated Expenditures with 2011 as Base Year</i>									
Using GDP Price Index	\$19,167	\$20,500	\$19,867	\$19,019	\$19,122	\$19,977	\$20,766	\$21,480	\$22,274
% Decline/Growth		6.95%	-3.09%	-4.27%	0.54%	4.47%	3.95%	3.44%	3.70%
Estimated Annual Deficits	\$729	(\$710)	(\$2,025)	(\$2,773)	(\$1,606)	(\$1,789)	(\$1,497)	(\$1,649)	(\$1,508)

*Net Appropriations FY 2007-09, Projected Appropriations for FY 2010-15.

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FIGURE 3. COMPARISON OF EXPENDITURES AND REVENUES RELATIVE TO 2009 BASELINE PROJECTIONS



have been if allowed to grow with the GDP price index forecast and forecasted changes in the level and composition of the population. The revenue projections estimate what FY 2010 and FY 2011 would have been if revenues grew equivalent to economic growth estimates without any policy changes to increase revenues.⁵

This baseline analysis shows the structural changes that the Governor and General Assembly made to help balance the budget. If Georgia's expenditures had risen with population and inflation in FY 2010 and FY 2011, the gap between revenues and expenditures would have been \$4.2 billion in FY 2010 and \$4.3 billion in FY 2011. Instead, the FY 2010 and FY 2011 budgets, as passed, narrowed the gap to \$2.8 billion in FY 2010 and \$1.6 billion in FY 2011. The difference between the dotted lines and the solid lines in Figure 3 illustrates how the FY 2010 and FY 2011

⁵ Specifically, these revenue projections exclude the hospital fee increase and the user fee bill (HB1055), the Georgia Environmental Facilities Authority (GEFA) monetization of assets, the reinstatement of the insurance premium tax requirements for Medicaid Care Management Organizations, as well as projected revenue increases due to increased funding for enforcement activities through the Department of Revenue. The revenue projections also do not account for the significant increase in projected Lottery funds in FY 2010 and FY 2011.

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budgets narrowed the gap, showing that the state's primary strategy for closing the gap was through reducing expenditures rather than increasing revenues.

In FY 2010, the budget, as adopted, reduced the structural deficit by \$1.4 billion (or the \$4.2 billion projected deficit minus the \$2.8 billion actual deficit that was filled with one time funds, stimulus, and reserves). This reduction was entirely achieved through expenditure reductions over the 2009 baseline. In FY 2011, the budget as adopted reduced the structural deficit by \$2.7 billion (\$4.3 billion minus the \$1.6 billion actual deficit). Again, this reduction came primarily from spending reductions: around \$2 billion from expenditure reductions and \$679 million from revenue increases.

Out Year Shortfalls

Although the state has clearly closed part of the structural budget gap, a significant shortfall remains. Assuming the state moves \$37.7 million in federal stimulus funds into FY 2010 to cover potential shortfalls, FY 2011 will begin with a \$37.7 million shortfall. If the \$378 million federal enhanced Medicaid match is not extended in FY 2011 through the end of the fiscal year, this will increase the shortfall to around \$416 million. In FY 2012, the loss of stimulus, reserves, and one-time funds will open up an initial \$1.6 billion hole in the budget. The projections described here show an \$854 million increase in expenditures and a \$672 million increase in revenues, increasing the shortfall from \$1.6 billion to \$1.8 billion. In 2013-2015, expenditure growth declines to around \$765 million on average, while revenue growth would increase to around \$859 million, on average, gradually outpacing the expenditure growth.

How realistic is an \$854 million increase in expenditures? From 1999-2008, ten years prior to the 2009 downturn, expenditure growth averaged 5.1 percent annually. \$854 million represents 4.5 percent growth, well below Georgia's historic growth levels.

More specifically, in the coming years, Georgia will face significant pressure for increased expenditures from a variety of sources:

- The state will face pressure to fund growth in the K-12 and higher education formula programs. Based on previous year trends, this number might easily top \$250 million.

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- Medicaid and the State Health Benefit Plan (SHBP) will place pressure on the budget as health care costs rise and as the state takes on additional responsibilities as part of the national health care reform. In FY 2011, already the state is projecting shortfalls in the SHBP of approximately \$180 million. Part of this shortfall is going to be covered with structural changes to employee benefits; however, part may be covered with one-time federal assistance in FY 2011, which will have to be replaced in future fiscal years.
- The state may face pressure to increase employer contributions to the retirement system in order to make up for stock market losses in 2008-2009. The state may also face pressure from the rating agencies to resume its contributions for future retiree health benefits.
- The state will face pressure across a variety of other policy areas such as federal demand for increased spending on the mental health system and local demands that the state honor its Constitutionally mandated commitment to fund the Forest Land Protection Act.

Unfortunately, even if the state could keep expenditures flat in FY 2012, revenues are only projected to grow by \$672 million, leaving at least a \$900 million gap that will have to be filled. The state would have to keep expenditures flat until FY 2013 in order for revenue growth to catch up with expenditures. Also telling is that based on these projections, Georgia's revenues will not surpass FY 2007 levels until FY 2015.

IV. Conclusion

Barring an exceptionally fast economic recovery, Georgia is facing a long-term structural budget deficit, and in the absence of increased federal funds, will have to substantially alter its expenditure and/or revenue structure to bring the budget into balance. Many states are facing a similar dilemma. According to the National Association of State Budget Officers, most states will not recover to pre-recession revenue levels until FY 2013 or FY 2014, and most states have patched together current budgets relying heavily on stimulus, reserves and other one-time funds.⁶ However, the stop gap measures cannot last forever. In the next couple of years, state governments are going to have to make choices that will affect the structure of government services for decades to come.

⁶ Prah, Pamela, (2010) "Raising state revenue: The year of the punt" Stateline.org, June 16, 2010.

Appendix. Assumptions and Details of the Procedures

Expenditures with 2011 Base Year

As noted in the report, net appropriations and actual appropriations are used as a proxy for “expenditures.” Net appropriations, appropriations less lapsed surplus funds, generally would reflect expenditures plus encumbrances for most years. They would not capture prior year funds spent within a particular fiscal year. Net appropriations are calculated consistently and have been reported for many decades in the Department of Audits and Accounts Budgetary Compliance Reports. Net appropriations are used as a basis for FY 2007 through FY 2009 expenditures. The FY 2010 Amended budget serves as the basis for FY 2010 numbers and the FY 2011 General budget serves as the basis for FY 2011 estimates as well as the base for FY 2012-2015 projections.

We ignore non-state funds such as federal grants and non-state fund reserves, *except* American Recovery and Reinvestment Act (ARRA) funding that was directly used to shore up the operating budget. ARRA funds include education and general budget stabilization funds, and Medicaid stimulus funds. We include one-time use of reserves that have been used to support operating expenditures in FY 2009 through FY 2011. We have also included the \$86 million in state funds that the state was able to retain due to federal forgiveness of Medicaid prescription drug overpayments or “clawback” funds, since these are also a one-time federal policy change.

Ignoring other federal and agency revenues implicitly assumes either that these funds will grow in order to maintain the current service levels, or that if they do not, then the state will not increase its expenditures in order to maintain the service level (i.e., they are one-time funds for one-time purchases). However, if the state is using short term or one-time federal funds to support operating expenses, this would mean that this analysis is *understating* the operating shortfall that the state will face in the out years.

For inflation, we took the forecasts developed by Moody’s Economy.com of the Gross Domestic Product (GDP) price index and the Consumer Price Index (CPI). Forecasted inflation is larger using the CPI than the GDP price index. The forecasted annual inflation rates for GDP average around 1.6 percent for 2012-2015 and average

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2.5 percent using CPI. We used these forecast for all expenditures except health care. For health care we used Moody's Economy.com forecast of personal consumption of health care expenditures. The health care inflation rate averages 3 percent for 2012-2015. All expenditures were increased by the forecasted inflation rate. This implies that labor costs will increase at the rate of inflation.

To estimate the growth in the population served by most departments, we used the forecasted population growth by the appropriate age group as provided by Moody's Economy.com. The age groupings did not always match the desired age category, so we used the age grouping closest to the age category we would have wanted to use. There were exceptions to the use of these population forecasts.

- Enrollment in the Technical College System of Georgia has expanded due to the current recession. We assumed that future enrollment would follow the same rate of increase and decrease over time as it did following the 2001 recession.
- Enrollment in the University System of Georgia is likely to increase due to the increase in the number of high school graduates and the trend for a larger percentage of graduates to enroll in college. To develop the forecast of enrollment, we used historic enrollment in the system to forecast future enrollment.
- For the prison and parole population, we used historic prison and parole populations to forecast future prison and parole populations. Prison population will respond to the size of the state population, changes in the age distribution, and to general trends in criminal behavior.

For bonded indebtedness, we estimated projected growth in debt service based on the FY 2011 bond package and then assumed future bond packages at around \$800 million each year. This would have the effect of flatlining debt service at the FY 2011 level of approximately \$1.2 billion each year. For the FY 2009 baseline analysis we flatlined debt service at the FY 2009 level.

The Department of Human Resources (now the Department of Human Services, the Department of Behavioral Health and Developmental Disabilities and the Division of Public Health at the Department of Community Health) serves many differing population groups. We categorized the various programs by the nature of the population each program serves and projected the expenditures for each grouping of programs.

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Projecting the expenditures for the Department of Community Health was particularly difficult. Over the past decade the state has made many policy changes that have affected enrollment and the payments to health care providers. Health care expenditures by the state are also affected by changes in federal government policy, for example, the federal government stimulus package increased the federal matching rate for Medicaid, thus lowering the state's burden to maintain service program levels. On the other hand, health care reform will require increased state expenditures on health care. To project health care expenditures we used the inflation rate for health care, as discussed above, and the forecasted increase in state population. We found that the historic growth in the state's health care programs was about equal to the growth in the state population.

For several departments we assumed that there would be no increase other than for inflation. For example, there is no reason to expect that expenditures for the General Assembly would increase due to an increase state population. For departments that provide general administrative support for the rest of the state government, it was assumed that expenditures would increase at the same rate as all other expenditures, with no separate adjustment for inflation.

Table A-1 lists all of the departments and the basis for projection expenditures. Table A-2 shows the projected expenditures by department from the FY 2011 baseline.

Expenditures for out years are trends, not forecasts. That is, they reflect inflation and growth in the population that is served by the programs of each department.

Estimating Georgia's Structural Budget Deficit

TABLE A-1. FY 2011 NET APPROPRIATIONS AND BASIS FOR PROJECTIONS

Agency	Fund Source	Projections	2011G
Agencies with Single Factors for Projections			
General Assembly-Senate	State Funds	Inflation Only	\$9,956,175
General Assembly-House	State Funds	Inflation Only	\$17,317,593
General Assembly-Joint	State Funds	Inflation Only	\$8,336,395
Audits and Accounts, Department of	State Funds	Other expenditures	\$29,934,016
Judicial Branch-Court of Appeals	State Funds	Population over 19	\$12,531,853
Judicial Branch-Judicial Council	State Funds	Population over 19	\$13,448,850
Judicial Branch-Juvenile Court Judges	State Funds	Population 5 to 19	\$6,765,382
Judicial Branch-Prosecuting Attorneys	State Funds	Population over 19	\$55,767,074
Judicial Branch-Superior Courts	State Funds	Population over 19	\$57,314,930
Judicial Branch-Supreme Court	State Funds	Inflation Only	\$7,726,631
Accounting Office, State	State Funds	Other expenditures	\$3,837,653
Administrative Services, Department of	State Funds	Other expenditures	\$10,615,793
Banking and Finance, Department of	State Funds	Population over 19	\$11,249,726
Community Affairs, Department of	State Funds	Population	\$25,665,615
Corrections, Department of	State Funds	Inmate History	\$971,895,293
	ARRA	Inmate History	\$84,877,989
Defense, Department of	State Funds	Population 5 to 19	\$8,660,548
Driver Services, Department of	State Funds	Population over 19	\$58,204,543
Early Care and Learning, Department of	State Funds	Population 4 and under	\$356,293,479
Economic Development, Department of	State Funds	Inflation Only	\$28,502,844
Education, Department of	State Funds	Population 5-19	\$7,004,431,274
	ARRA	Population 5-19	\$126,169,790
Employees' Retirement System	State Funds	Inflation Only	\$8,790,784
Financing and Investment Commission,	State Funds	Flat Growth in Debt Service	\$1,166,841,207
Forestry Commission, Georgia	State Funds	Inflation Only	\$28,530,457
Insurance, Department of	State Funds	Population	\$15,753,147
Investigation, Georgia Bureau of	State Funds	Population	\$60,411,421
	ARRA	Population	\$6,132,772
Juvenile Justice, Department of	State Funds	Population 5-19	\$266,457,146
	ARRA	Population 5-19	\$28,020,203
Labor, Department of	State Funds	Population 19-64	\$39,486,525
Law, Department of	State Funds	Other expenditures	\$16,981,081
Natural Resources, Department of	State Funds	Population	\$91,103,109
Pardons and Paroles, State Board of	State Funds	Paroles	\$50,847,673
Properties Commission, State (4)	State Funds		\$3,200,000

Table A-1 continues next page...

Estimating Georgia's Structural Budget Deficit

TABLE A-1 (CONTINUED). FY 2011 NET APPROPRIATIONS AND BASIS FOR PROJECTIONS

Agency	Fund Source	Projections	2011G
Agencies with Single Factors for Projections (cont.)			
Public Defender Standards Council	State Funds	Population	\$38,438,945
Public Safety, Department of	State Funds	Population	\$101,043,195
	ARRA	Population	\$8,872,757
Public Service Commission	State Funds	Inflation Only	\$8,439,986
Regents of the University System of Georgia, Board of	State Funds	Enrollment History	\$1,946,348,132
	ARRA	Enrollment History	\$0
Revenue, Department of	State Funds	Population	\$109,938,316
	ARRA	Population	\$0
Secretary of State	State Funds	Population	\$31,415,522
Soil and Water Conservation Commission, State	State Funds	Inflation Only	\$2,774,843
Student Finance Commission, Georgia	State Funds	Post-Secondary Enrollment	\$805,392,439
Teachers Retirement System	State Funds	Inflation Only	\$965,000
Technical and Adult Education, Department of	State Funds	Enrollment History	\$319,910,401
	ARRA	Enrollment History	\$0
Transportation, Department of	State Funds	Population	\$682,112,491
Veterans Service, State Department of	State Funds	Population	\$21,182,680
Workers' Compensation, State Board of	State Funds	Population 19-64	\$20,975,522
Agencies with Multiple Factors Used in Projection			
Agriculture, Department of	State Funds	Population	\$22,610,858
	State Funds	Inflation Only	\$7,380,156
Governor, Office of the	State Funds	Constant	\$3,469,576
	State Funds	Inflation Only	\$12,589,731
	State Funds	Other Expenditures	\$8,646,643
	State Funds	Population	\$9,844,690
	State Funds	Population 5-19	\$6,109,052

Table A-1 continues next page...

Estimating Georgia's Structural Budget Deficit

TABLE A-1 (CONTINUED). FY 2011 NET APPROPRIATIONS AND BASIS FOR PROJECTIONS

Agency	Fund Source	Projections	2011G
Agencies with Multiple Factors Used in Projection (cont.)			
<i>Community Health, Department of</i>			
Direct Health Expenditures (Medicaid & Peachcare)	State Funds	Population over 19/ Medical Inflation	\$1,675,189,088
	ARRA - Medicaid Clawback	Population over 19 - ARRA/Medical Inflation	\$748,909,573
		Population over 19/ Medical Inflation	\$86,339,260
	State Funds	Population 5-19/Medical Inflation	\$66,279,941
Other Expenditures (incl. Public Health)	State Funds	Population over 19	\$7,809,846
	State Funds	Population 5-19	\$37,428,809
	State Funds	Population	\$200,706,973
	State Funds	Other DCH Expenditures	\$85,955,008
<i>Behavioral Health and Developmental Disabilities</i>			
	State Funds	Population over 19/ Medical Inflation	\$499,679,799
	State Funds	Population 5-19/Medical Inflation	\$82,477,984
	State Funds	Population/Medical Inflation	\$147,730,847
	State Funds	Inflation Only/Regular Inflation	\$817,666
	State Funds	Other DBHDD Expenditures	\$33,974,332
<i>Human Services, Department of</i>			
	State Funds	Inflation Only	\$8,078,681
	State Funds	Population	\$101,419,794
	State Funds	Population 5-19	\$260,935,444
	ARRA - Medicaid	Population 5-19	\$7,177,918
	State Funds	Population over 64	\$74,571,491
	State Funds	Other DHR Expenditures	\$37,134,465
Use of Statewide Reserves			
OneGeorgia	Reserves	Constant	\$47,123,333
SHBP	Reserves	Population/Medical Inflation	\$36,150,000

TABLE A-2. PROJECTIONS USING 2011G AS BASE (GDP INFLATIONARY INDEX)

Agency	2007 Net Approps	2008 Net Approps	2009 Net Approps	2010A	2011G	2012 Projected	2013 Projected	2014 Projected	2015 Projected
General Assembly-Senate	\$9.78	\$10.94	\$10.00	\$9.62	\$9.96	\$10.13	\$10.32	\$10.47	\$10.63
General Assembly-House	\$17.49	\$19.00	\$17.59	\$16.75	\$17.32	\$17.62	\$17.95	\$18.22	\$18.50
General Assembly-Joint	\$9.08	\$9.93	\$8.99	\$8.53	\$8.34	\$8.48	\$8.64	\$8.77	\$8.90
Audits and Accounts, Department of	\$31.93	\$34.43	\$30.06	\$29.77	\$29.93	\$31.27	\$32.51	\$33.62	\$34.87
Judicial Branch-Court of Appeals	\$13.11	\$14.14	\$12.50	\$12.52	\$12.53	\$13.02	\$13.55	\$14.04	\$14.54
Judicial Branch-Judicial Council	\$13.66	\$16.20	\$14.21	\$13.05	\$13.45	\$13.97	\$14.54	\$15.06	\$15.60
Judicial Branch-Juvenile Court Judges	\$6.53	\$6.70	\$6.46	\$6.45	\$6.77	\$7.01	\$7.28	\$7.54	\$7.82
Judicial Branch-Prosecuting Attorneys	\$52.16	\$57.62	\$50.86	\$55.53	\$55.77	\$57.94	\$60.28	\$62.47	\$64.70
Judicial Branch-Superior Courts	\$54.25	\$61.23	\$55.17	\$58.01	\$57.31	\$59.55	\$61.95	\$64.20	\$66.49
Judicial Branch-Supreme Court	\$8.16	\$8.73	\$7.72	\$7.59	\$7.73	\$7.86	\$8.01	\$8.13	\$8.25
Accounting Office, State	\$6.80	\$7.21	\$4.04	\$4.12	\$3.84	\$4.01	\$4.17	\$4.31	\$4.47
Administrative Services, Department of	\$22.02	\$15.92	\$6.17	\$9.83	\$10.62	\$11.09	\$11.53	\$11.92	\$12.37
Agriculture, Department of	\$42.91	\$46.23	\$40.58	\$39.14	\$29.99	\$30.98	\$32.04	\$33.03	\$34.04
Banking and Finance, Department of	\$11.58	\$12.40	\$11.57	\$11.25	\$11.25	\$11.69	\$12.16	\$12.60	\$13.05
Behavioral Health and Developmental Disabilities	\$0.00	\$0.00	\$0.00	\$722.18	\$764.68	\$804.97	\$847.17	\$889.64	\$934.28
Community Affairs, Department of	\$140.76	\$181.32	\$24.37	\$22.57	\$25.67	\$26.64	\$27.69	\$28.68	\$29.69
Community Health, Department of	\$2,622.61	\$2,371.06	\$2,371.59	\$2,783.22	\$2,908.62	\$3,059.20	\$3,217.38	\$3,375.33	\$3,540.60
Corrections, Department of	\$997.76	\$1,100.27	\$1,032.88	\$1,049.87	\$1,056.77	\$1,100.20	\$1,146.58	\$1,190.17	\$1,234.91
Defense, Department of	\$8.82	\$11.49	\$10.14	\$9.83	\$8.66	\$8.98	\$9.32	\$9.66	\$10.01
Driver Services, Department of	\$53.43	\$61.42	\$54.20	\$53.70	\$58.20	\$60.47	\$62.92	\$65.20	\$67.53
Early Care and Learning, Department of	\$313.65	\$329.44	\$337.11	\$343.02	\$356.29	\$369.14	\$382.96	\$395.87	\$409.09
Economic Development, Department of	\$34.68	\$46.42	\$31.17	\$30.09	\$28.50	\$28.99	\$29.54	\$29.99	\$30.44
Education, Department of	\$7,394.66	\$7,973.90	\$7,512.78	\$7,220.79	\$7,130.60	\$7,392.11	\$7,674.45	\$7,950.81	\$8,242.40
Employees' Retirement System	\$8.08	\$4.56	\$7.00	\$6.96	\$8.79	\$8.94	\$9.11	\$9.25	\$9.39
Financing and Investment Commission,	\$867.36	\$969.78	\$932.99	\$1,044.95	\$1,166.84	\$1,268.85	\$1,275.30	\$1,227.01	\$1,226.98

Table A-2 continues next page...

TABLE A-2 (CONTINUED). PROJECTIONS USING 2011G AS BASE (GDP INFLATIONARY INDEX)

Agency	2007 Net Approps	2008 Net Approps	2009 Net Approps	2010A	2011G	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Forestry Commission, Georgia	\$33.91	\$37.29	\$32.73	\$29.29	\$28.53	\$29.02	\$29.56	\$30.01	\$30.47
Governor, Office of the	\$59.03	\$50.61	\$49.61	\$69.15	\$40.66	\$41.86	\$43.10	\$44.24	\$45.44
Human Services, Department of	\$1,432.53	\$1,650.21	\$1,389.11	\$491.18	\$489.32	\$509.84	\$531.89	\$553.12	\$575.40
Insurance, Department of	\$17.69	\$18.89	\$16.28	\$15.71	\$15.75	\$16.35	\$17.00	\$17.60	\$18.22
Investigation, Georgia Bureau of	\$65.88	\$74.27	\$65.40	\$66.47	\$66.54	\$69.08	\$71.80	\$74.35	\$76.98
Juvenile Justice, Department of	\$297.71	\$327.25	\$295.51	\$297.54	\$294.48	\$305.28	\$316.94	\$328.35	\$340.39
Labor, Department of	\$51.66	\$55.08	\$46.99	\$42.11	\$39.49	\$40.92	\$42.36	\$43.69	\$45.04
Law, Department of	\$14.67	\$18.45	\$16.66	\$16.78	\$16.98	\$17.74	\$18.44	\$19.07	\$19.78
Natural Resources, Department of	\$109.45	\$136.86	\$104.56	\$88.89	\$91.10	\$94.58	\$98.30	\$101.79	\$105.40
Pardons and Paroles, State Board of	\$50.11	\$55.61	\$50.39	\$50.06	\$50.85	\$52.38	\$54.04	\$55.55	\$57.09
Personnel Board, State - Merit System of	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Properties Commission, State (4)	\$0.00	\$1.25	\$0.00	\$0.00	\$3.20	\$0.00	\$0.00	\$0.00	\$0.00
Public Defender Standards Council	\$36.34	\$38.13	\$35.01	\$37.50	\$38.44	\$39.91	\$41.47	\$42.95	\$44.47
Public Safety, Department of	\$103.56	\$122.21	\$115.07	\$107.93	\$109.92	\$114.11	\$118.60	\$122.82	\$127.16
Public Service Commission	\$9.05	\$9.97	\$8.74	\$8.75	\$8.44	\$8.59	\$8.75	\$8.88	\$9.01
Regents of the University System of Georgia, Board of	\$1,933.30	\$2,142.06	\$2,039.87	\$1,981.86	\$1,946.35	\$2,039.11	\$2,137.77	\$2,231.65	\$2,328.07
Revenue, Department of	\$540.98	\$555.97	\$545.88	\$103.75	\$109.94	\$114.13	\$118.62	\$122.84	\$127.19
Secretary of State	\$37.26	\$40.07	\$34.04	\$30.70	\$31.42	\$32.61	\$33.90	\$35.10	\$36.34
Soil and Water Conservation Commission, State	\$3.10	\$4.02	\$2.89	\$2.82	\$2.77	\$2.82	\$2.88	\$2.92	\$2.96
Student Finance Commission, Georgia	\$524.44	\$539.94	\$578.10	\$735.64	\$805.39	\$842.05	\$881.09	\$918.11	\$956.12
Teachers Retirement System	\$1.76	\$1.56	\$1.30	\$0.97	\$0.97	\$0.98	\$1.00	\$1.02	\$1.03
Technical and Adult Education, Department of	\$336.85	\$373.32	\$316.69	\$316.45	\$319.91	\$338.96	\$335.14	\$333.47	\$330.06
Transportation, Department of	\$726.11	\$832.73	\$864.08	\$692.72	\$682.11	\$708.13	\$735.99	\$762.16	\$789.12

Table A-2 continues next page...

TABLE A-2 (CONTINUED). PROJECTIONS USING 2011G AS BASE (GDP INFLATIONARY INDEX)

Agency	2007 Net Approps	2008 Net Approps	2009 Net Approps	2010A	2011G	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Veterans Service, State Department of	\$23.86	\$26.21	\$22.36	\$19.82	\$21.18	\$21.99	\$22.86	\$23.67	\$24.51
Workers' Compensation, State Board of	\$16.10	\$17.27	\$18.61	\$19.15	\$20.98	\$21.74	\$22.50	\$23.21	\$23.93
<i>Use of Statewide Reserves</i>									
OneGeorgia	\$0.00	\$0.00	\$47.12	\$47.12	\$47.12	\$47.12	\$47.12	\$47.12	\$47.12
OPEB	\$0.00	\$0.00	\$0.00	\$139.32	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
SHBP	\$0.00	\$0.00	\$579.63	\$71.66	\$51.95	\$54.67	\$57.51	\$60.36	\$63.37
Year End Adjustments				(\$33.50)					
TOTAL	\$19,166.61	\$20,499.57	\$19,866.79	\$19,019.18	\$19,122.21	\$19,977.11	\$20,765.96	\$21,480.03	\$22,274.23

Estimating Georgia's Structural Budget Deficit

Expenditures with FY 2009 Base Year

For the baseline projections using FY 2009 as the base year, we repeated the process described above continuing to use Moody's Economy.com projections of GDP, CPI and personal health care consumption for FY 2010 and FY 2011. The one difference in the analysis was that we did not have net appropriations divided by program. So for those agencies where we made estimates at a more granular level, we used the percentage of programmatic divisions from FY 2011 and split the FY 2009 appropriations by agency based on these percentage amounts. Ultimately, the differences between the projection factors were very minor so differences in how expenditures were split between FY 2009 and FY 2011 within an agency are unlikely to have a significant difference on the results.

Because the Department of Human Services was divided up in FY 2010, we combined total expenditures for the Department of Community Health, the Department of Human Services and the Department of Behavioral Health and Developmental Disabilities and broke up FY 2010 and FY 2009 appropriations based on the percentage distribution of the programmatic appropriations for each of these agencies in FY 2011. Then based on this percentage distribution we projected forward using the same factors that we used in FY 2011. So for instance, in FY 2011, the state spent \$4.2 billion on these three agencies, and of this amount \$37 million or 0.9 percent was spent on public health for populations between 5-19 years of age. In FY 2009, the state spent \$3.7 billion on these three agencies, and the analysis assumes that 0.9 percent was spent on public health for populations between 5-19. Once the FY 2009 "baseline" was established, then FY 2010 and FY 2011 amounts were projected based on inflation and growth in the projected growth in the population from 5-19.

Table A-3 shows the projected base by department from the 2009 baseline and Table A-4 shows the projected expenditures by department from the 2009 baseline.

Estimating Georgia's Structural Budget Deficit

TABLE A-3. FY 2009 NET APPROPRIATIONS AND BASIS FOR PROJECTIONS

Agency	Fund Source	Projections	2009
Agencies with Single Factors for Projections			
General Assembly-Senate	State Funds	Inflation Only	\$9,999,775
General Assembly-House	State Funds	Inflation Only	\$17,587,616
General Assembly-Joint	State Funds	Inflation Only	\$8,992,651
Audits and Accounts, Department of	State Funds	Other expenditures	\$30,062,442
Judicial Branch-Court of Appeals	State Funds	Population over 19	\$12,504,491
Judicial Branch-Judicial Council	State Funds	Population over 19	\$14,209,805
Judicial Branch-Juvenile Court Judges	State Funds	Population 5 to 19	\$6,459,615
Judicial Branch-Prosecuting Attorneys	State Funds	Population over 19	\$50,864,198
Judicial Branch-Superior Courts	State Funds	Population over 19	\$55,167,987
Judicial Branch-Supreme Court	State Funds	Inflation Only	\$7,716,625
Accounting Office, State	State Funds	Other expenditures	\$4,038,497
Administrative Services, Department of	State Funds	Other expenditures	\$6,174,461
Banking and Finance, Department of	State Funds	Population over 19	\$11,571,163
Community Affairs, Department of	State Funds	Population	\$24,372,873
Corrections, Department of	State Funds	Inmate History	\$1,022,879,754
	ARRA	Inmate History	\$10,000,000
Defense, Department of	State Funds	Population 5 to 19	\$10,143,291
Driver Services, Department of	State Funds	Population over 19	\$54,198,428
Early Care and Learning, Department of	State Funds	Population 4 and under	\$337,106,995
Economic Development, Department of	State Funds	Inflation Only	\$31,173,321
Education, Department of	State Funds	Population 5-19	\$7,354,847,076
	ARRA	Population 5-19	\$157,931,185
Employees' Retirement System	State Funds	Inflation Only	\$7,002,829
Financing and Investment Commission,	State Funds	Flat Growth in Debt Service	\$932,990,354
Forestry Commission, Georgia	State Funds	Inflation Only	\$32,730,123
Insurance, Department of	State Funds	Population	\$16,282,757
Investigation, Georgia Bureau of	State Funds	Population	\$65,399,949
Juvenile Justice, Department of	State Funds	Population 5-19	\$295,505,602
	ARRA -	Population 5-19	\$8,441
	Medicaid		
Labor, Department of	State Funds	Population 19-64	\$46,987,585
Law, Department of	State Funds	Other expenditures	\$16,657,672
Natural Resources, Department of	State Funds	Population	\$104,557,949
Pardons and Paroles, State Board of	State Funds	Paroles	\$50,393,532

Table A-3 continues next page...

Estimating Georgia's Structural Budget Deficit

TABLE A-3 (CONTINUED). FY 2009 NET APPROPRIATIONS AND BASIS FOR PROJECTIONS

Agency	Fund Source	Projections	2009
Agencies with Single Factors for Projection (cont.)s			
Public Defender Standards Council	State Funds	Population	\$35,010,269
Public Safety, Department of	State Funds	Population	\$115,068,410
Public Service Commission	State Funds	Inflation Only	\$8,744,291
Regents of the University System of Georgia, Board of	State Funds	Enrollment History	\$2,022,681,864
	ARRA	Enrollment History	\$17,475,741
Revenue, Department of	State Funds	Population	\$543,521,657
	ARRA	Population	\$2,356,685
Secretary of State	State Funds	Population	\$34,042,098
Soil and Water Conservation Commission, State	State Funds	Inflation Only	\$2,885,816
		Post-Secondary	
Student Finance Commission, Georgia	State Funds	Enrollment	\$578,098,615
Teachers Retirement System	State Funds	Inflation Only	\$1,304,939
Technical and Adult Education, Department of	State Funds	Enrollment History	\$314,571,239
	ARRA	Enrollment History	\$2,114,871
Transportation, Department of	State Funds	Population	\$864,076,690
Veterans Service, State Department of	State Funds	Population	\$22,356,008
Workers' Compensation, State Board of	State Funds	Population 19-64	\$18,613,644
Agencies with Multiple Factors Used in Projection			
Agriculture, Department of	State Funds	Population	\$30,590,911
	State Funds	Inflation Only	\$9,984,835
Governor, Office of the	State Funds	Constant	\$4,233,720
	State Funds	Inflation Only	\$15,362,511
	State Funds	Other Expenditures	\$10,550,992
	State Funds	Population	\$12,012,898
	State Funds	Population 5-19	\$7,454,518
Community Health, Department of Direct Health Expenditures (Medicaid & Peachcare)	State Funds	Population over 19/Medical Inflation	\$1,522,016,520
	ARRA - Medicaid	Population over 19 - ARRA/Medical Inflation	\$680,432,287

Table A-3 continues next page...

Estimating Georgia's Structural Budget Deficit

TABLE A-3 (CONTINUED). FY 2009 NET APPROPRIATIONS AND BASIS FOR PROJECTIONS

Agency	Fund Source	Projections	2009
Agencies with Multiple Factors Used in Projection (cont.)			
<i>Community Health, Department of (cont.)</i>			
	ARRA - Medicaid	Population over 19 - ARRA/Medical Inflation	\$680,432,287
	Clawback	Population over 19/Medical Inflation	\$78,444,745
	State Funds	Population 5-19/Medical Inflation	\$60,219,569
Other Expenditures (incl. Public Health)	State Funds	Population over 19	\$7,095,745
	State Funds	Population 5-19	\$34,006,469
	State Funds	Population	\$182,355,133
	State Funds	Other DCH Expenditures	\$78,095,627
<i>Behavioral Health and Developmental Disabilities</i>			
	State Funds	Population over 19/Medical Inflation	\$453,991,083
	State Funds	Population 5-19/Medical Inflation	\$74,936,528
	State Funds	Population/Medical Inflation	\$134,222,931
	State Funds	Inflation Only/Regular Inflation	\$742,902
	State Funds	Other DBHDD Expenditures	\$30,867,855
<i>Human Services, Department of</i>			
	State Funds	Inflation Only	\$7,339,999
	State Funds	Population	\$92,146,375
	State Funds	Population 5-19	\$237,076,554
	ARRA - Medicaid	Population 5-19	\$6,521,598
	State Funds	Population over 64	\$67,752,973
	State Funds	Other DHR Expenditures	\$33,739,039
Use of Statewide Reserves			
OneGeorgia	Reserves	Constant	\$47,123,333
SHBP	Reserves	Population/Medical Inflation	\$426,400,000

TABLE A-4. PROJECTIONS USING 2009 NET APPROPRIATIONS AS BASE (GDP INFLATIONARY INDEX)

Agency	2007 Net Approps	2008 Net Approps	2009 Net Approps	2010A	2011G	2012 Projected	2013 Projected	2014 Projected	2015 Projected
General Assembly-Senate	\$9.78	\$10.94	\$10.00	\$10.08	\$10.16	\$10.33	\$10.53	\$10.69	\$10.85
General Assembly-House	\$17.49	\$19.00	\$17.59	\$17.73	\$17.87	\$18.17	\$18.51	\$18.79	\$19.08
General Assembly-Joint	\$9.08	\$9.93	\$8.99	\$9.06	\$9.13	\$9.29	\$9.47	\$9.61	\$9.76
Audits and Accounts, Department of	\$31.93	\$34.43	\$30.06	\$30.94	\$31.94	\$33.22	\$34.54	\$35.83	\$37.17
Judicial Branch-Court of Appeals	\$13.11	\$14.14	\$12.50	\$12.83	\$13.19	\$13.71	\$14.26	\$14.78	\$15.31
Judicial Branch-Judicial Council	\$13.66	\$16.20	\$14.21	\$14.58	\$14.99	\$15.58	\$16.21	\$16.80	\$17.39
Judicial Branch-Juvenile Court Judges	\$6.53	\$6.70	\$6.46	\$6.61	\$6.79	\$7.03	\$7.30	\$7.57	\$7.84
Judicial Branch-Prosecuting Attorneys	\$52.16	\$57.62	\$50.86	\$52.17	\$53.67	\$55.76	\$58.01	\$60.12	\$62.27
Judicial Branch-Superior Courts	\$54.25	\$61.23	\$55.17	\$56.59	\$58.21	\$60.48	\$62.92	\$65.21	\$67.53
Judicial Branch-Supreme Court	\$8.16	\$8.73	\$7.72	\$7.78	\$7.84	\$7.97	\$8.12	\$8.25	\$8.37
Accounting Office, State	\$6.80	\$7.21	\$4.04	\$4.16	\$4.29	\$4.46	\$4.64	\$4.81	\$4.99
Administrative Services, Department of	\$22.02	\$15.92	\$6.17	\$6.35	\$6.56	\$6.82	\$7.09	\$7.36	\$7.63
Agriculture, Department of	\$42.91	\$46.23	\$40.58	\$41.49	\$42.46	\$43.87	\$45.38	\$46.78	\$48.22
Banking and Finance, Department of	\$11.58	\$12.40	\$11.57	\$11.87	\$12.21	\$12.69	\$13.20	\$13.68	\$14.16
Behavioral Health and Developmental Disabilities	\$0.00	\$0.00	\$0.00	\$719.81	\$755.37	\$795.17	\$836.86	\$878.82	\$922.91
Community Affairs, Department of	\$140.76	\$181.32	\$24.37	\$25.04	\$25.75	\$26.73	\$27.78	\$28.77	\$29.79
Community Health, Department of	\$2,622.61	\$2,371.06	\$2,371.59	\$2,734.16	\$2,865.09	\$3,013.54	\$3,169.48	\$3,325.19	\$3,488.14
Corrections, Department of	\$997.76	\$1,100.27	\$1,032.88	\$1,089.70	\$1,124.69	\$1,170.91	\$1,220.26	\$1,266.65	\$1,314.27
Defense, Department of	\$8.82	\$11.49	\$10.14	\$10.39	\$10.66	\$11.05	\$11.47	\$11.88	\$12.32

Table A-4 continues next page...

TABLE A-4 (CONTINUED). PROJECTIONS USING 2009 NET APPROPRIATIONS AS BASE (GDP INFLATIONARY INDEX)

Agency	2007 Net Approps	2008 Net Approps	2009 Net Approps	2010A	2011G	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Driver Services, Department of	\$53.43	\$61.42	\$54.20	\$55.59	\$57.19	\$59.42	\$61.82	\$64.06	\$66.35
Early Care and Learning, Department of	\$313.65	\$329.44	\$337.11	\$345.08	\$353.97	\$366.74	\$380.47	\$393.29	\$406.43
Economic Development, Department of	\$34.68	\$46.42	\$31.17	\$31.42	\$31.67	\$32.21	\$32.81	\$33.31	\$33.82
Education, Department of	\$7,394.66	\$7,973.90	\$7,512.78	\$7,692.75	\$7,892.23	\$8,181.67	\$8,494.17	\$8,800.04	\$9,122.78
Employees' Retirement System	\$8.08	\$4.56	\$7.00	\$7.06	\$7.11	\$7.24	\$7.37	\$7.48	\$7.60
Financing and Investment Commission,	\$867.36	\$969.78	\$932.99	\$932.99	\$932.99	\$932.99	\$932.99	\$932.99	\$932.99
Forestry Commission, Georgia	\$33.91	\$37.29	\$32.73	\$32.99	\$33.25	\$33.82	\$34.45	\$34.98	\$35.51
Governor, Office of the	\$59.03	\$50.61	\$49.61	\$50.55	\$51.57	\$53.06	\$54.65	\$56.14	\$57.68
Human Services, Department of	\$1,432.53	\$1,650.21	\$1,389.11	\$454.04	\$467.33	\$487.00	\$508.14	\$528.49	\$549.85
Insurance, Department of	\$17.69	\$18.89	\$16.28	\$16.73	\$17.20	\$17.86	\$18.56	\$19.22	\$19.90
Investigation, Georgia Bureau of	\$65.88	\$74.27	\$65.40	\$67.19	\$69.09	\$71.73	\$74.55	\$77.20	\$79.93
Juvenile Justice, Department of	\$297.71	\$327.25	\$295.51	\$302.59	\$310.44	\$321.82	\$334.12	\$346.15	\$358.84
Labor, Department of	\$51.66	\$55.08	\$46.99	\$48.09	\$49.38	\$51.18	\$52.98	\$54.64	\$56.33
Law, Department of	\$14.67	\$18.45	\$16.66	\$16.78	\$16.98	\$17.66	\$18.37	\$19.05	\$19.76
Natural Resources, Department of	\$109.45	\$136.86	\$104.56	\$107.42	\$110.46	\$114.68	\$119.19	\$123.43	\$127.79
Pardons and Paroles, State Board of	\$50.11	\$55.61	\$50.39	\$50.01	\$51.06	\$52.60	\$54.26	\$55.77	\$57.33
Personnel Board, State – Merit System of	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Properties Commission, State (4)	\$0.00	\$1.25	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Public Defender Standards Council	\$36.34	\$38.13	\$35.01	\$35.97	\$36.99	\$38.40	\$39.91	\$41.33	\$42.79
Public Safety, Department of	\$103.56	\$122.21	\$115.07	\$118.21	\$121.57	\$126.21	\$131.17	\$135.84	\$140.64

Table A-4 continues next page...

TABLE A-4 (CONTINUED). PROJECTIONS USING 2009 NET APPROPRIATIONS AS BASE (GDP INFLATIONARY INDEX)

Agency	2007 Net Approps	2008 Net Approps	2009 Net Approps	2010A	2011G	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Public Service Commission	\$9.05	\$9.97	\$8.74	\$8.81	\$8.88	\$9.03	\$9.20	\$9.34	\$9.49
Regents of the University System of Georgia, Board of	\$1,933.30	\$2,142.06	\$2,039.87	\$2,069.44	\$2,150.08	\$2,252.54	\$2,361.53	\$2,465.24	\$2,571.75
Revenue, Department of	\$540.98	\$555.97	\$545.88	\$560.80	\$576.72	\$598.72	\$622.27	\$644.40	\$667.19
Secretary of State	\$37.26	\$40.07	\$34.04	\$34.97	\$35.97	\$37.34	\$38.81	\$40.19	\$41.61
Soil and Water Conservation Commission, State	\$3.10	\$4.02	\$2.89	\$2.91	\$2.93	\$2.98	\$3.04	\$3.08	\$3.13
Student Finance Commission, Georgia	\$524.44	\$539.94	\$578.10	\$599.84	\$621.87	\$650.18	\$680.32	\$708.90	\$738.25
Teachers Retirement System	\$1.76	\$1.56	\$1.30	\$1.32	\$1.33	\$1.35	\$1.37	\$1.39	\$1.42
Technical and Adult Education, Department of	\$336.85	\$373.32	\$316.69	\$372.21	\$405.15	\$429.28	\$424.44	\$422.32	\$418.00
Transportation, Department of	\$726.11	\$832.73	\$864.08	\$887.69	\$912.89	\$947.71	\$984.99	\$1,020.02	\$1,056.10
Veterans Service, State Department of	\$23.86	\$26.21	\$22.36	\$22.97	\$23.62	\$24.52	\$25.48	\$26.39	\$27.32
Workers' Compensation, State Board of	\$16.10	\$17.27	\$18.61	\$19.05	\$19.56	\$20.27	\$20.99	\$21.64	\$22.31
<i>Use of Statewide Reserves</i>									
OneGeorgia	\$0.00	\$0.00	\$47.12	\$47.12	\$47.12	\$47.12	\$47.12	\$47.12	\$47.12
OPEB	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
SHBP	\$0.00	\$0.00	\$579.63	\$604.83	\$634.76	\$667.99	\$702.62	\$737.49	\$774.23
TOTAL	\$19,166.61	\$20,499.57	\$19,866.79	\$20,458.76	\$21,122.23	\$21,972.12	\$22,848.24	\$23,702.56	\$24,592.32

Estimating Georgia's Structural Budget Deficit

Revenues

To project revenue based on FY 2011, we relied on the June 16, 2010 updated revenue forecast provided by the State Economist at Georgia State University for the State Debt Management Plan. We also used the state's projections for Lottery, Tobacco, and Brain and Spinal Injury Trust fund revenues from the State Debt Management Plan. To project revenue based on FY 2009 actual revenue, we used a forecast from the State Economist that excluded revenue policy changes that were adopted for FY 2011. Table A-5 shows the revenue by source by year.

TABLE A-5. REVENUE PROJECTIONS

	2007 Actual	2008 Actual	2009 Actual	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Revenue Projections 2009 Base Year, 2010-2015 Projected w/ No Policy Changes									
Total State General Fund (Actual 2007-2009, Projected 2010-2015)	\$18,840	\$18,728	\$16,767	\$15,207	\$15,803	\$16,371	\$17,416	\$18,270	\$19,122
		-0.60%	-10.47%	-9.30%	3.92%	3.60%	6.38%	4.91%	4.96%
Lottery	\$892	\$892	\$894	\$894	\$894	\$894	\$894	\$894	\$894
Tobacco Settlement Funds	\$157	\$164	\$177	\$138	\$138	\$138	\$138	\$138	\$138
Brain and Spinal Injury Trust Fund	\$3	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Other	\$4	\$4	\$2	\$0	\$0	\$0	\$0	\$0	\$0
Projected Revenues 2009 Base No Policy Changes	\$19,896	\$19,790	\$17,842	\$16,242	\$16,838	\$17,406	\$18,450	\$19,304	\$20,157
		-0.53%	-9.84%	-8.97%	3.67%	3.37%	6.00%	4.63%	4.67%
	2007 Actual	2008 Actual	2009 Actual	2010 Projected	2011 Projected	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Revenue Projections 2011 Base Year, 2012-2015 Projected w/ No Policy Changes									
Total State General Fund (Actual 2007-2009, 2010 Amended*, 2011 General*, Projected 2012-2015)	\$18,840	\$18,728	\$16,767	\$15,214	\$16,247	\$17,148	\$18,228	\$18,790	\$19,725
		-0.60%	-10.47%	-9.26%	6.79%	5.55%	6.30%	3.08%	4.98%
Lottery	\$892	\$892	\$894	\$884	\$1,128	\$900	\$900	\$900	\$900
Tobacco Settlement Funds	\$157	\$164	\$177	\$146	\$140	\$138	\$138	\$138	\$138
Brain and Spinal Injury Trust Fund	\$3	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Other	\$4	\$4	\$2	\$0	\$0	\$0	\$0	\$0	\$0
Projected Revenues 2011 Base	\$19,896	\$19,790	\$17,842	\$16,246	\$17,516	\$18,188	\$19,269	\$19,831	\$20,766
		-0.53%	-9.84%	-8.94%	7.82%	3.84%	5.94%	2.92%	4.23%

* 2010 and 2011 match to the Amended and General budget revenue estimates except that they deduct State Fund reserves and the GEFA securitization funds.

About the Author

Carolyn Bourdeaux is an Associate Professor of Public Administration. She recently returned to the Andrew Young School after a leave of absence working as Director of the Georgia Senate Budget and Evaluation Office. Her recent research focuses on state budget decision-making, program and performance based budgeting.

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Estimating Georgia's Structural Budget Deficit

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