

# FAMILY & POLICY



AN ADVOCACY PROGRAM OF

JANUARY 22, 2010

**The General Assembly was in recess this week for initial budget meetings.** The House and Senate Appropriations committees met jointly to hear from Gov. Perdue and agency heads. Gov. Perdue says he believes the state has ended its economic freefall. However, the economy is still bad, revenues continue to decline, and reserves have been nearly depleted. His FY 2011 budget assumes 4.2% growth (including proposed Medicaid provider fees) and the loss of one-time funds that have been used to plug holes this year. He notes the state has only 77,000 employees, the same number it had in 2000, although the population has grown by 1.7 M. Even so, Gov. Perdue says agencies face more budget cuts averaging 9%, with exceptions for Education (cut by 3%) and Behavioral Health which gets funds to help correct deficiencies found by the Department of Justice. State employees and teachers will take 3 more furlough days during the remainder of FY 2010, but Gov. Perdue says that is not a good long-term management solution and that he does not plan to use furloughs in FY 2011. The budgets are online: [FY 2010 Amended](#) and [FY 2011](#).

**Legislators' initial questions to agency heads about their budgets helped clarify some items and surfaced concerns.** Education: Superintendent Kathy Cox said the Department is facing a "cash flow crisis." With cuts that have already been implemented, 35 local school systems are having difficulty making payroll and bond payments. With additional cuts, many more systems will find themselves in this situation. Basic QBE formula funds are slated for an \$800 M reduction over the rest of FY 2010 and FY 2011. New school buses will be purchased with bonds. The Education Technology Centers (ETCs) and Regional Education Service Agencies (RESAs) will be eliminated; both provide substantial assistance to local school systems. Supt. Cox stated that

eliminating the ETCs may make it impossible for the state to take advantage of an \$800 M federal grant for technology improvements. Legislators asked many questions and were clearly disturbed by the proposed cuts.

Community Health: Commissioner Rhonda Medows explained shortfalls the agency faces largely because of the expiration of federal stimulus funds, the end of one-time tobacco fund adjustments, and the loss of previous Medicaid CMO fees that are no longer allowed. She noted that federal stimulus rules precluded cutting Medicaid eligibility, but Gov. Perdue also has said it would be the wrong thing to do at a time when families are suffering. To fill the

gap, they propose a 1.6% tax on hospital net revenues (and possibly CMOs if congress approves) and repeal of the Medicaid CMOs' exemption from the 2.25% state insurance premium tax. Com. Medows says the alternative is slashing already-low fees paid to providers by more than 15%. Hospital groups oppose their tax because some hospitals would see a net loss. Gov. Perdue has asked them for other ideas. Legislators also questioned the deep cuts to health departments and the absence of new Independent Care Waiver and Money Follows the Person slots. Watch for more on these and on other agencies. Appropriations subcommittees will delve deeper into agencies' budgets and the implications of the proposals over the next few weeks.

**Budget transparency may improve.** [SB 206](#) (Goggans, 7<sup>th</sup>), requiring creation of tax expenditure budgets, will be heard in a House Appropriations subcommittee Monday, 1/25. Advocates and others concerned about government effectiveness say this measure will enable lawmakers and the public to see the cost of special tax breaks along with the rest of the budget. It would also require analysis of whether the tax breaks achieve their stated purposes. SB 206 passed the Senate unanimously in 2009.

## Highlights

- The General Assembly was off for the King Holiday and took its usual budget recess the rest of the week.
- Advocates will meet to discuss the budget and hear from the Ga. Budget & Policy Institute, Monday, 1/25, 2:00 p.m., Room 605 LOB.

## You can help!

Locate your State Representative and Senator: [www.votesmart.org](http://www.votesmart.org) (Check your driver's license for 9-digit zip code.)

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