



## House Budget and Research Office

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### FY 2021 Budget Instructions Update

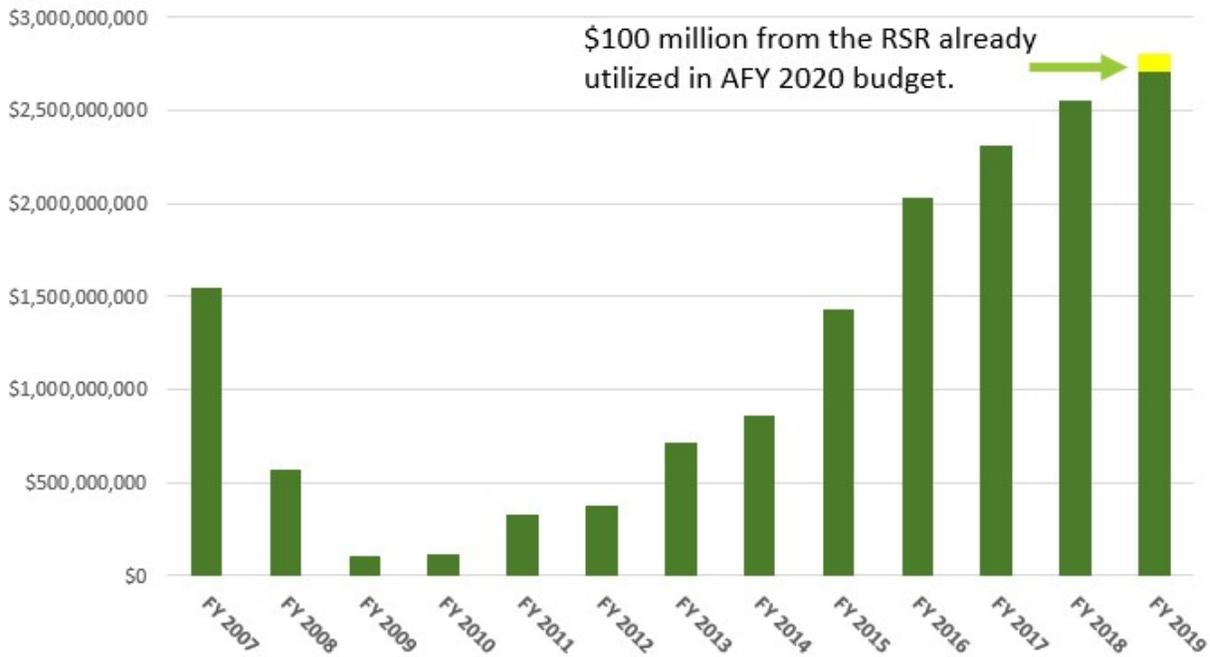
From FY 2008 until FY 2010, the state's budget was dramatically impacted by the Great Recession. In two short fiscal years, the state drained its Revenue Shortfall Reserve (RSR) and cut \$4 billion in funding across state government. The rebound was slow and it was not until FY 2015 that state general funds returned to pre-recession levels.

## State General Funds Appropriations Fiscal Years 2008 – 2021 Estimate



The economic fallout of the COVID-19 pandemic is wreaking havoc on state budgets and has the potential to dwarf the Great Recession. A COVID-19 stress test by Moody's Analytics estimates that the economic shock caused by the virus may generate an estimated 11.8% to 15% tax shortfall for the state of Georgia for the remainder of FY 2020 and into FY 2021. This translates to a shortfall of \$3 to \$3.8 billion across both fiscal years.

# Revenue Shortfall Reserve (RSR)



The Great Recession saw Georgia’s RSR shrink from a record high of \$1.5 billion to \$100 million in two fiscal years. Through careful budget management and a period of economic recovery, Georgia rebuilt the rainy day reserve to a new record high. In March 2020, the governor released and the General Assembly appropriated \$100 million from the RSR to the Governor’s Emergency Fund in the Amended FY 2020 budget to be utilized for COVID-19 response and preparedness expenses. A balance of \$2.7 billion remains in the RSR.

Even with the Governor’s Office of Planning and Budget withholding funds from agency allotments for the remainder of Amended FY 2020 to help manage the shortfall, some amount of the RSR will be utilized to make it through the end of the current fiscal year. Though Georgia’s RSR is currently at a new record high, it is not enough to sustain revenue shortfalls in both the current and next fiscal year without budget reductions. To mitigate this loss of the revenue for next fiscal year, **every state agency is being required to submit a budget reduction of 14%** for the FY 2021 budget by May 20, 2020. These reductions will be considered by the General Assembly when the legislative session resumes.

While the governor has not yet revised the estimate for FY 2021, the reduction of 14% generates nearly \$3.7 billion and is in line with the Moody’s estimate of Georgia’s shortfall. Unfortunately, due to the magnitude of the shortfall, there were no exceptions made to the requested reductions.

The following chart shows just how difficult the looming budget decisions will be. Given that more than 90% of the state budget is tied up in 11 large budget units, it is not possible to balance the budget without impacting some of the most core functions of state government including education, public safety, and health and human services. The chart is an estimate of the reductions that departments have

been asked to submit. The final FY 2021 budget is subject to the revenue estimate set by the governor and appropriations made by the General Assembly.

## Over 90% of All State Funding is in 11 Departments

Rank	Agency	FY 20 State Funds	Percent of Budget	Cumulative Percent	14% Reduction
1	Education	\$10,644,827,624	38.65%	38.65%	\$ (1,490,275,867)
2	Community Health	\$3,572,602,642	12.97%	51.62%	\$ (500,164,370)
3	Board of Regents	\$2,578,608,885	9.36%	60.98%	\$ (361,005,244)
4	Transportation	\$2,003,209,045	7.27%	68.25%	\$ (280,449,266)
5	DBHDD	\$1,230,810,591	4.47%	72.72%	\$ (172,313,483)
6	GO Debt*	\$1,223,649,123	4.44%	77.16%	
7	Corrections	\$1,210,480,569	4.39%	81.56%	\$ (169,467,280)
8	Student Finance	\$1,009,423,419	3.66%	85.22%	\$ (141,319,279)
9	Human Services	\$829,564,834	3.01%	88.23%	\$ (116,139,077)
10	Early Care and Learning	\$440,545,169	1.60%	89.83%	\$ (61,676,324)
11	TCSG	\$373,978,376	1.36%	91.19%	\$ (52,356,973)
12-49	Remaining 38 Agencies	\$2,371,634,227	8.81%	100%	\$ (332,028,792)
	<b>Total</b>	<b>\$27,544,569,129</b>		<b>100%</b>	<b>\$ (3,677,195,954)</b>

\*GO Debt service represents outstanding obligations of the state that must be paid.

### Will there be flexible federal relief?

During the Great Recession, the federal government provided assistance to states through the 'American Recovery and Reinvestment Act of 2009' (ARRA). Georgia received \$1.54 billion in ARRA funds, with the largest portion (\$1.26 billion) designated for education stabilization and the remaining (\$280 million) dedicated to public safety agencies for general stabilization.

As previously reported, Georgia has received targeted federal funds as well as \$4.1 billion for state and local government COVID-19 related expenses; however, unlike ARRA, none of the funds are authorized to backfill state revenue shortfalls. To that end, both the House and Senate Appropriations Chairmen have expressed written support to Georgia's Congressional delegation for additional federal funds that may be used for general stabilization like ARRA. If Congress does authorize additional relief, it would likely not be approved until after the FY 2021 budget has been adopted by the General Assembly.