

Georgia Budget Issues

Senator Jack Hill

4th District

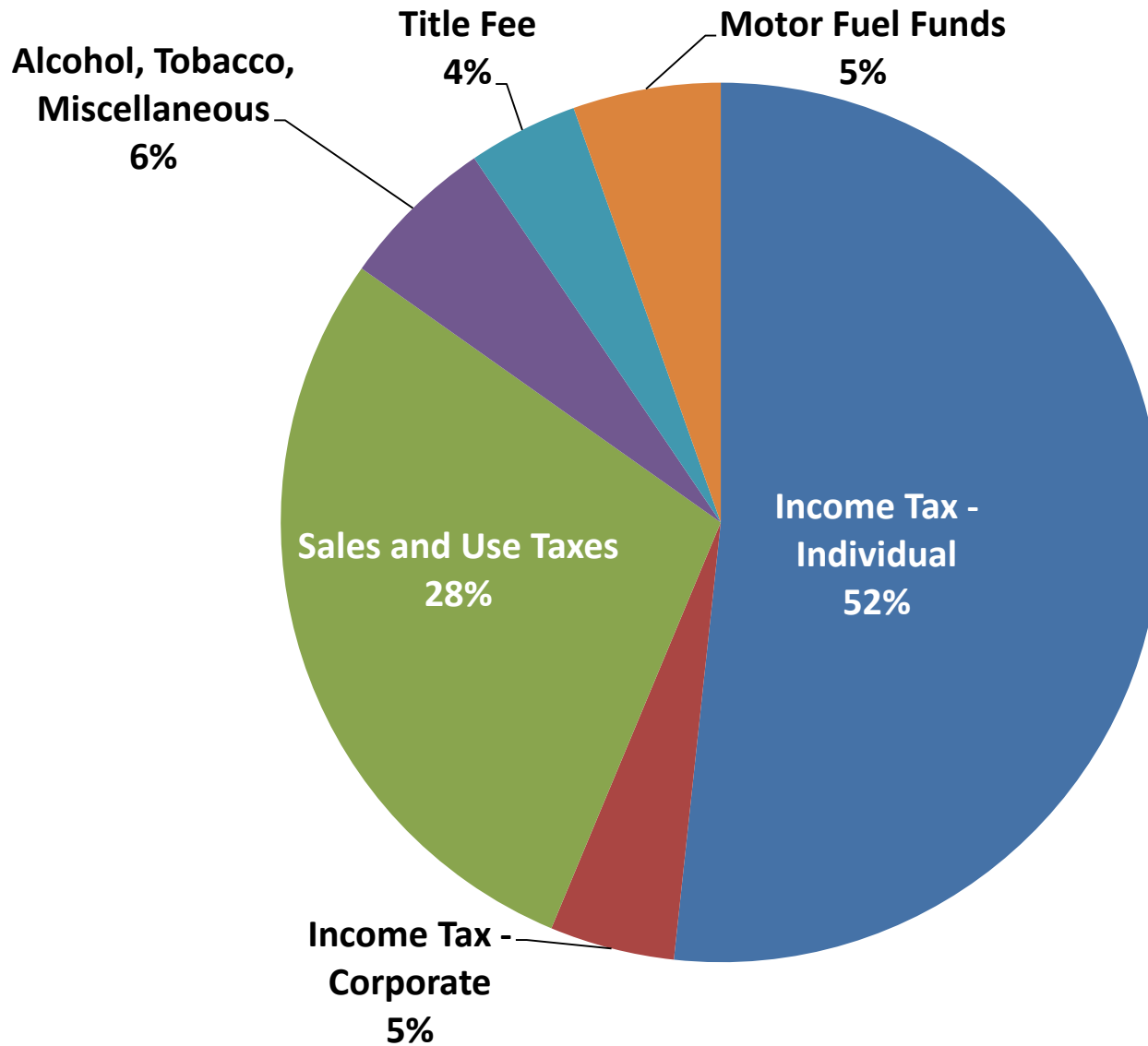


2015 Budget Issues

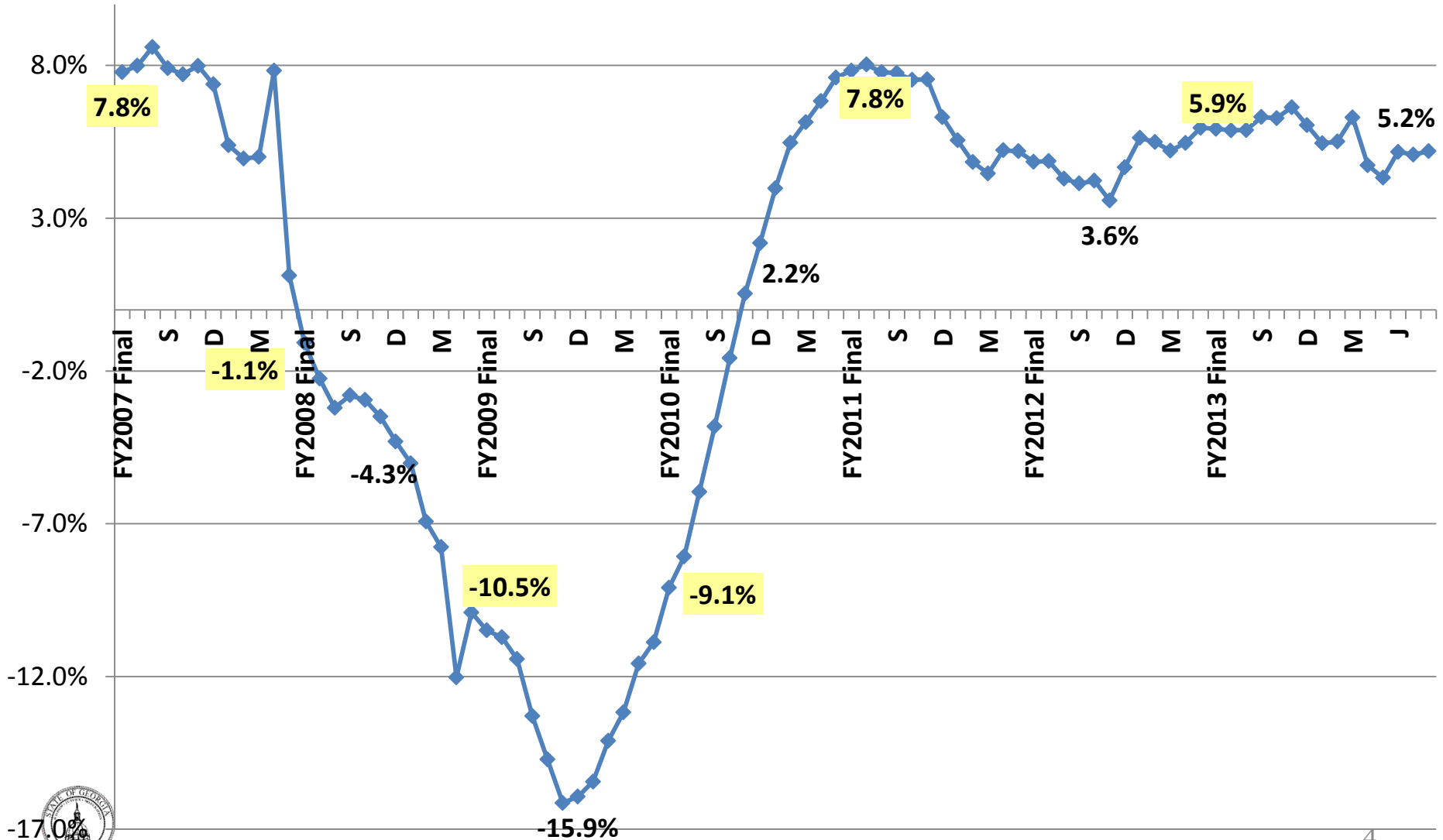
- Individual Income Tax trends – economic recovery
- Other Post Employment Benefits (OPEB)
- Medicaid Enrollment Growth
- Rural Hospitals
- Pension funding
- Employee leave payout



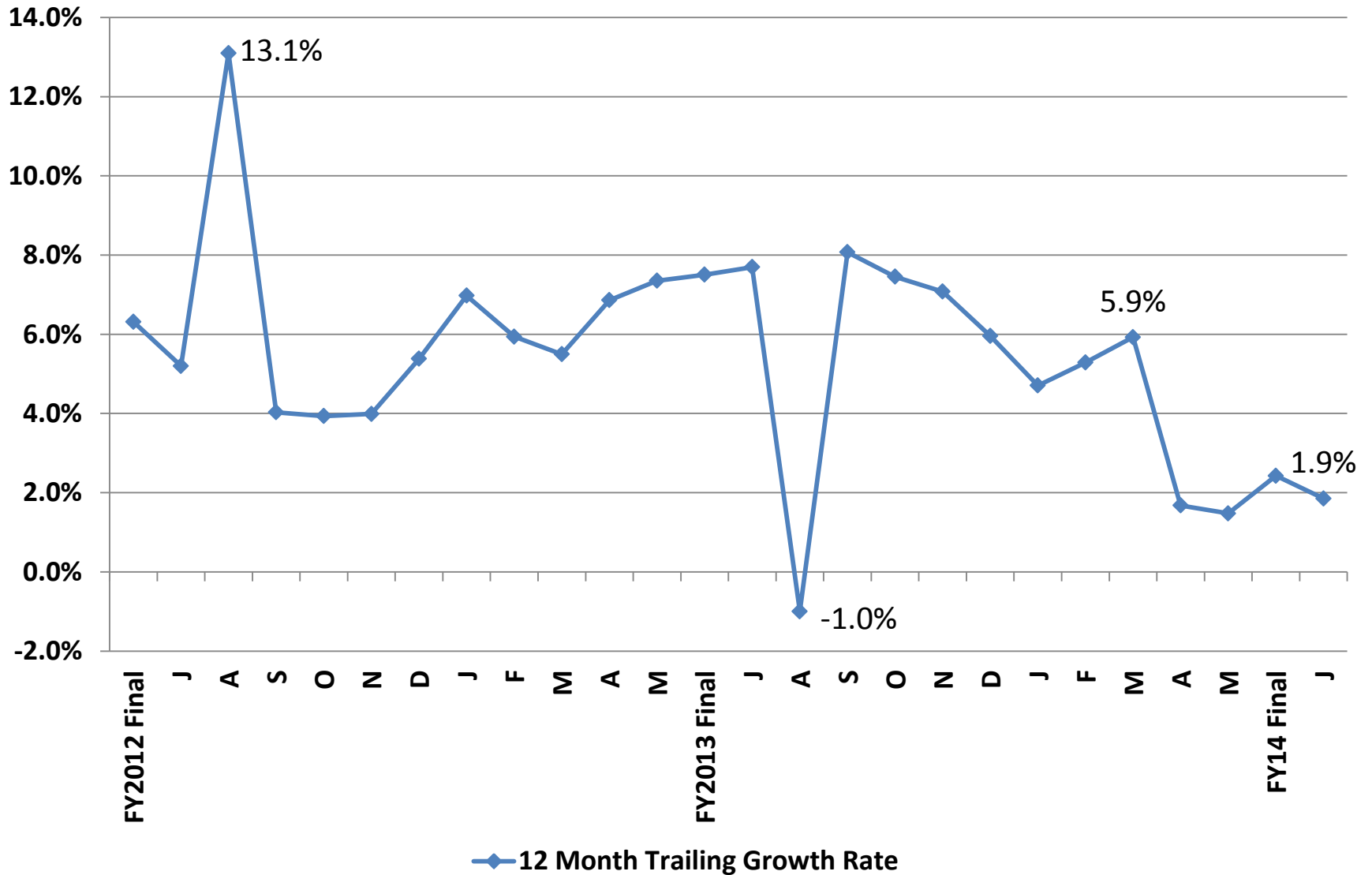
FY15G Department of Revenue Collections Estimate by Source



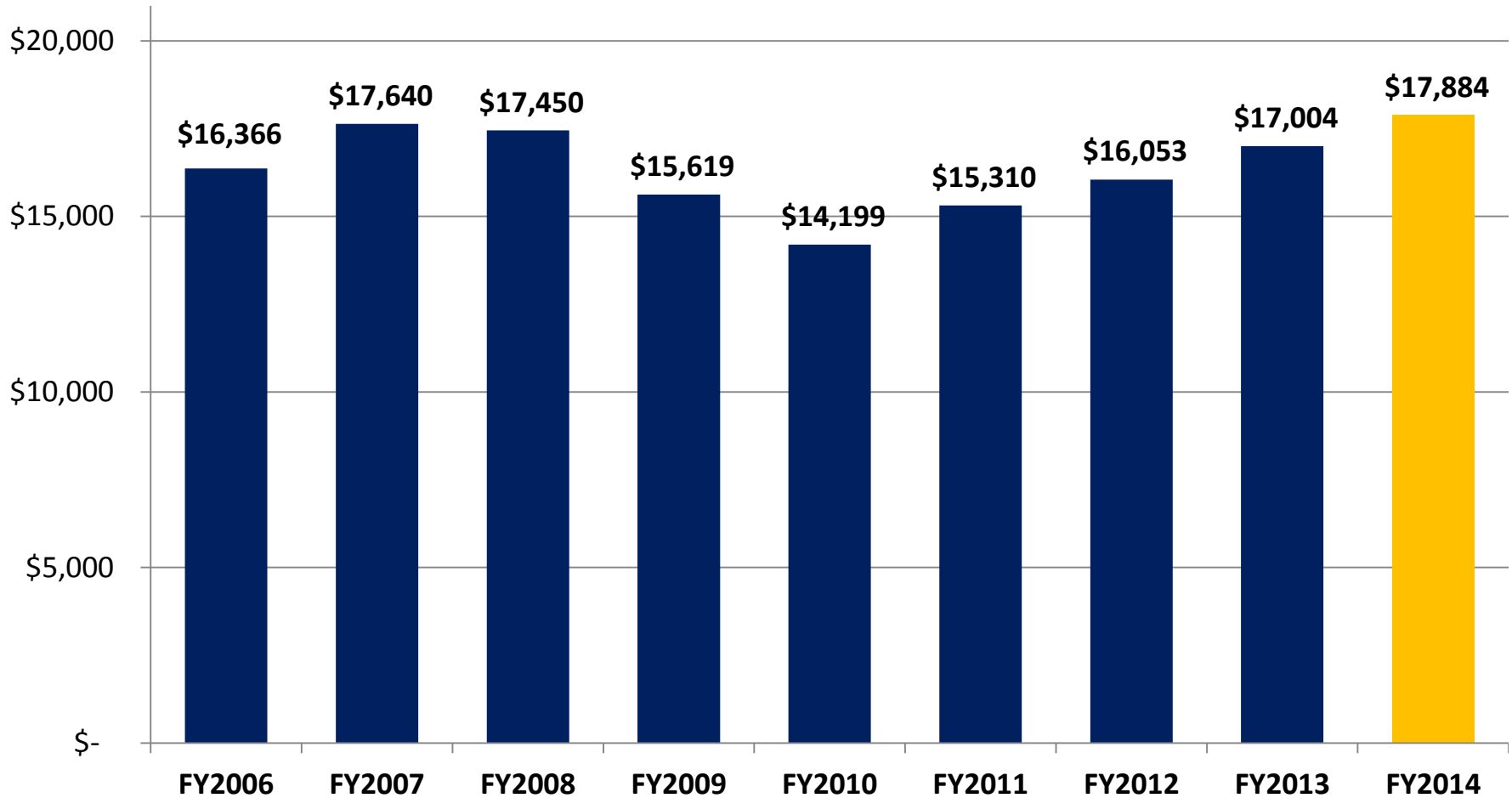
12 Month Trailing Growth Rate



12 Month Trailing Growth Rate: Individual Income Tax



Department of Revenue Collections FY06-FY14



*Only compares revenues collected and reported by the Department of Revenue (primarily tax revenue). Other agency collections, such as insurance premium taxes, are not included.

Other Post Employment Benefits (OPEB)

The report of the actuary on the retiree medical valuations as of June 30, 2013 includes:

- The UAAL for the State Employee OPEB Fund is \$3,587,913,000.
- The UAAL for the School Personnel OPEB Fund is \$10,788,794,736.
- The combined UAAL for the two OPEB funds was \$361 million lower than last years report.

UAAL = Unfunded Actuarial Accrued Liability

ARC = Annual Required Contribution

The combined ARC for the two OPEB funds is \$1.1 billion.



Other Post Employment Benefits (OPEB)

- Currently financing benefits on a Pay As You Go basis
 - Assets not accumulating in an advance funding strategy
- Bond raters noted the substantial OPEB liability
- Reforms enacted in FY13 include requiring retirees pay based on the retiree's length of service
- Other high rated states focusing on OPEB funding



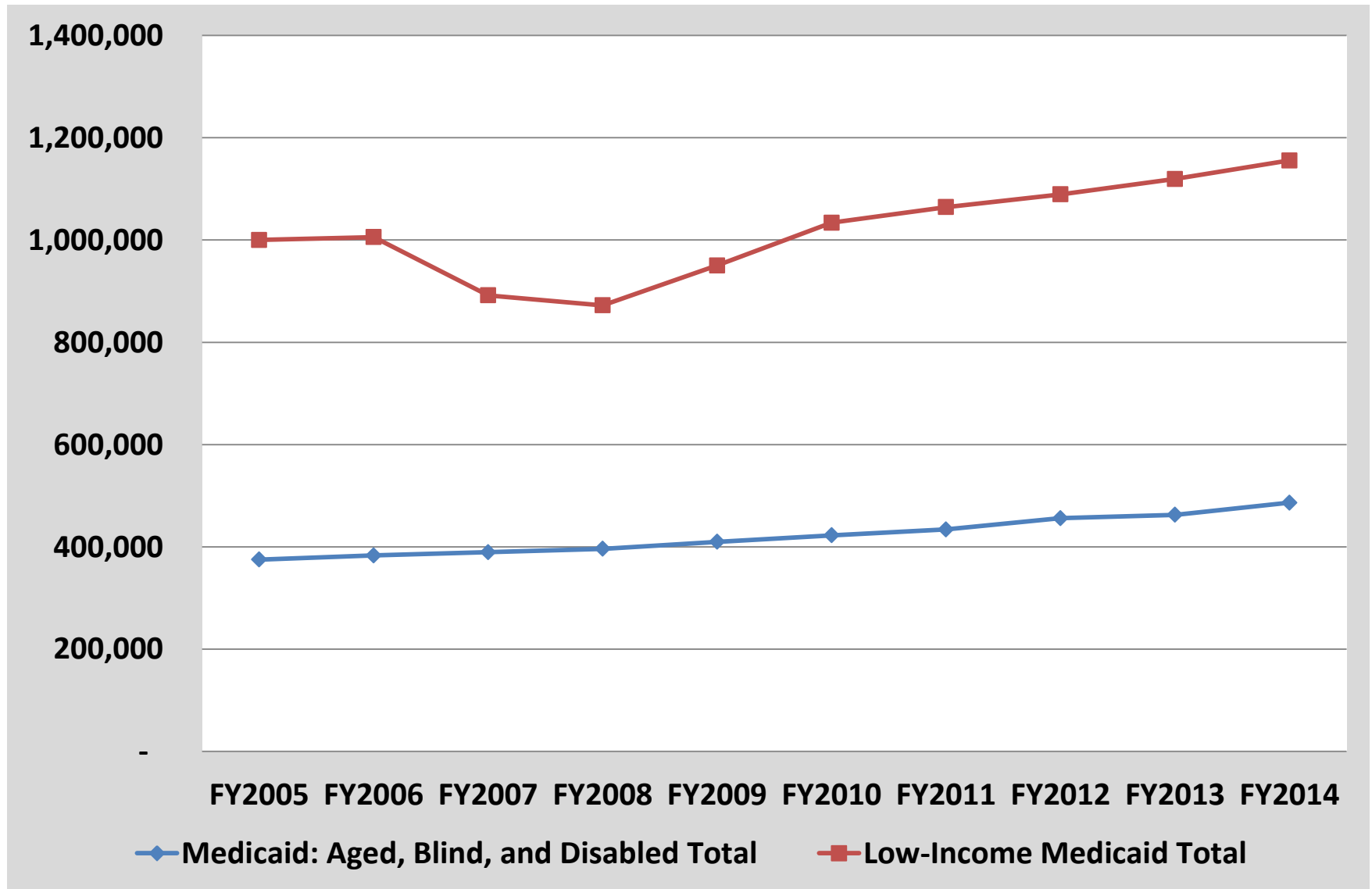
Formula Funded Areas FY08-FY14

	2008	2014	% Change 08-14	Difference
Georgia Population	9,697,838	9,992,167*	3.03%	294,329
Education				
K-12 FTEs	1,627,660	1,700,688	4.48%	73,028
Regents FTEs	235,186	274,449	16.69%	39,269
TCSG FTEs	73,897	77,508	4.88%	3,611
Health				
Medicaid Enrollees	1,268,682	1,641,900	29.42%	339,506
PeachCare Enrollees	252,068	218,356	-13.37%	
Corrections				
Inmates	59,795	55,668	-6.90%	-4,127
Probationers	142,663	164,051	14.99%	21,388



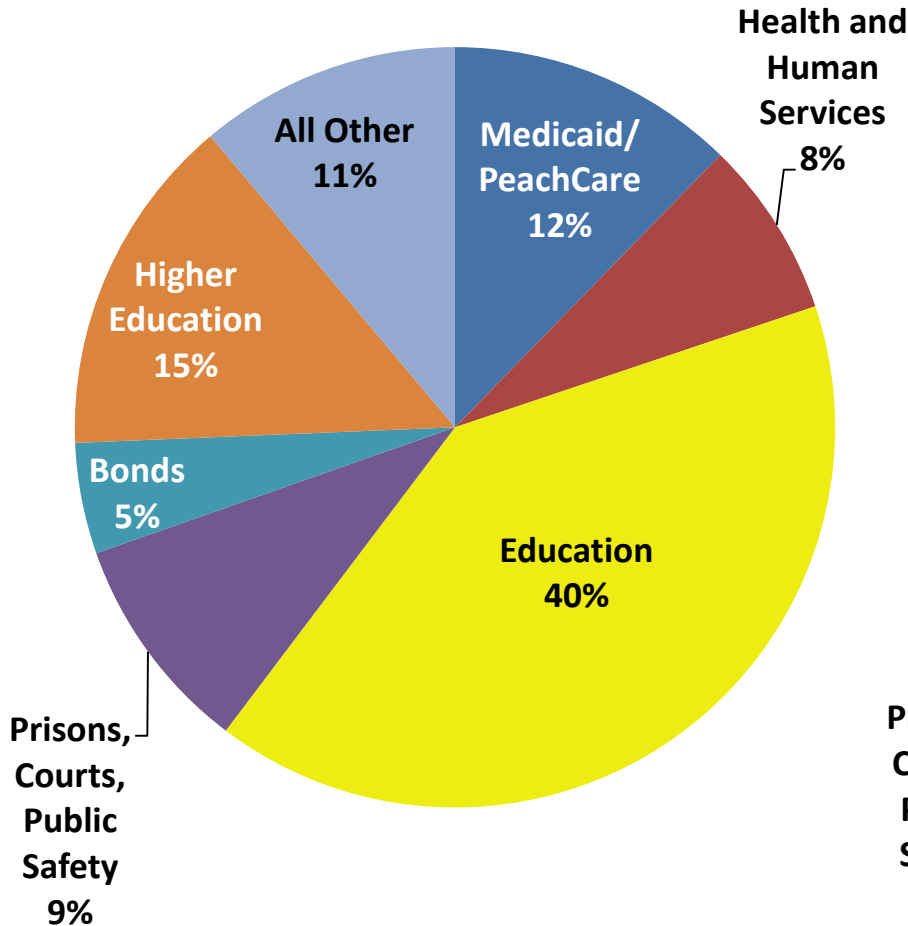
*from Census as of July 1, 2013

Medicaid Enrollment FY05-FY14

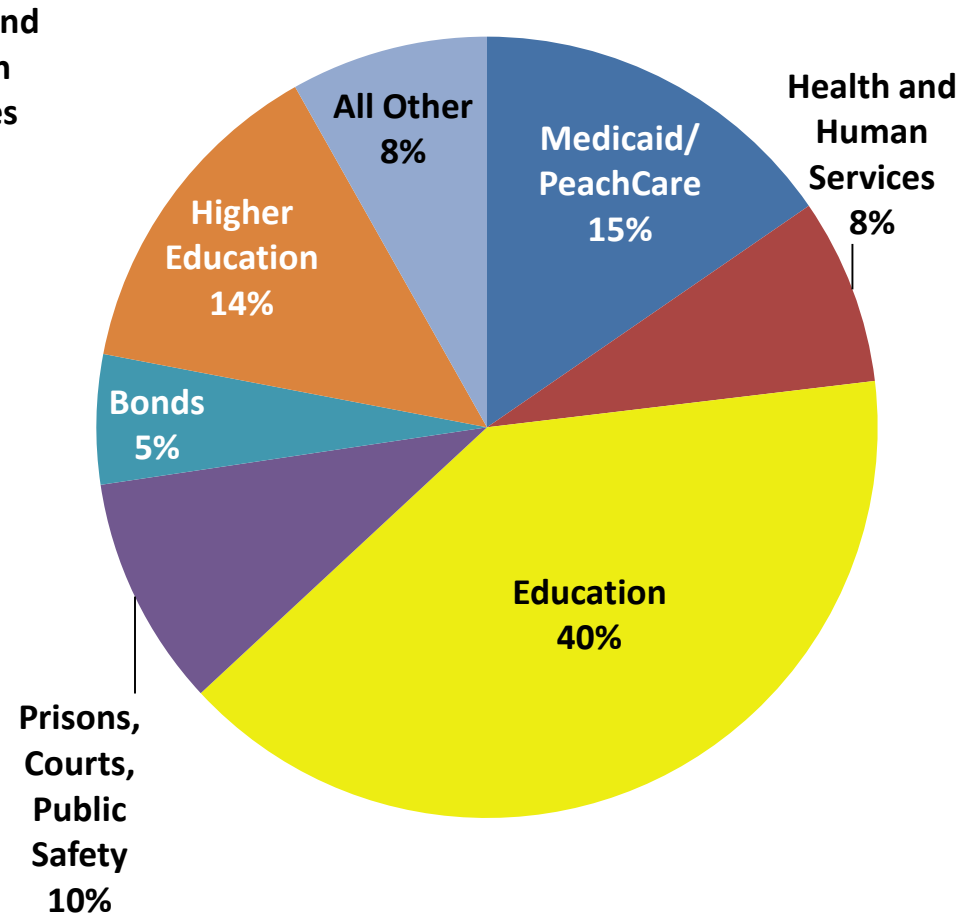


2008A to 2015G Budget Comparison

2008A



2015G



Rural Hospitals – Ongoing Challenges

Cash Flow

- Continue to struggle with cash flow

Population Support Base

- As of June, Georgia with 159 counties had almost 153 hospitals for 10 million people where by comparison South Carolina has about 5 million population with 66 hospitals and 46 counties
 - Georgia rural hospitals depending on much smaller sustaining population

Payor Mix

- Payor mix with cost reimbursement shifting

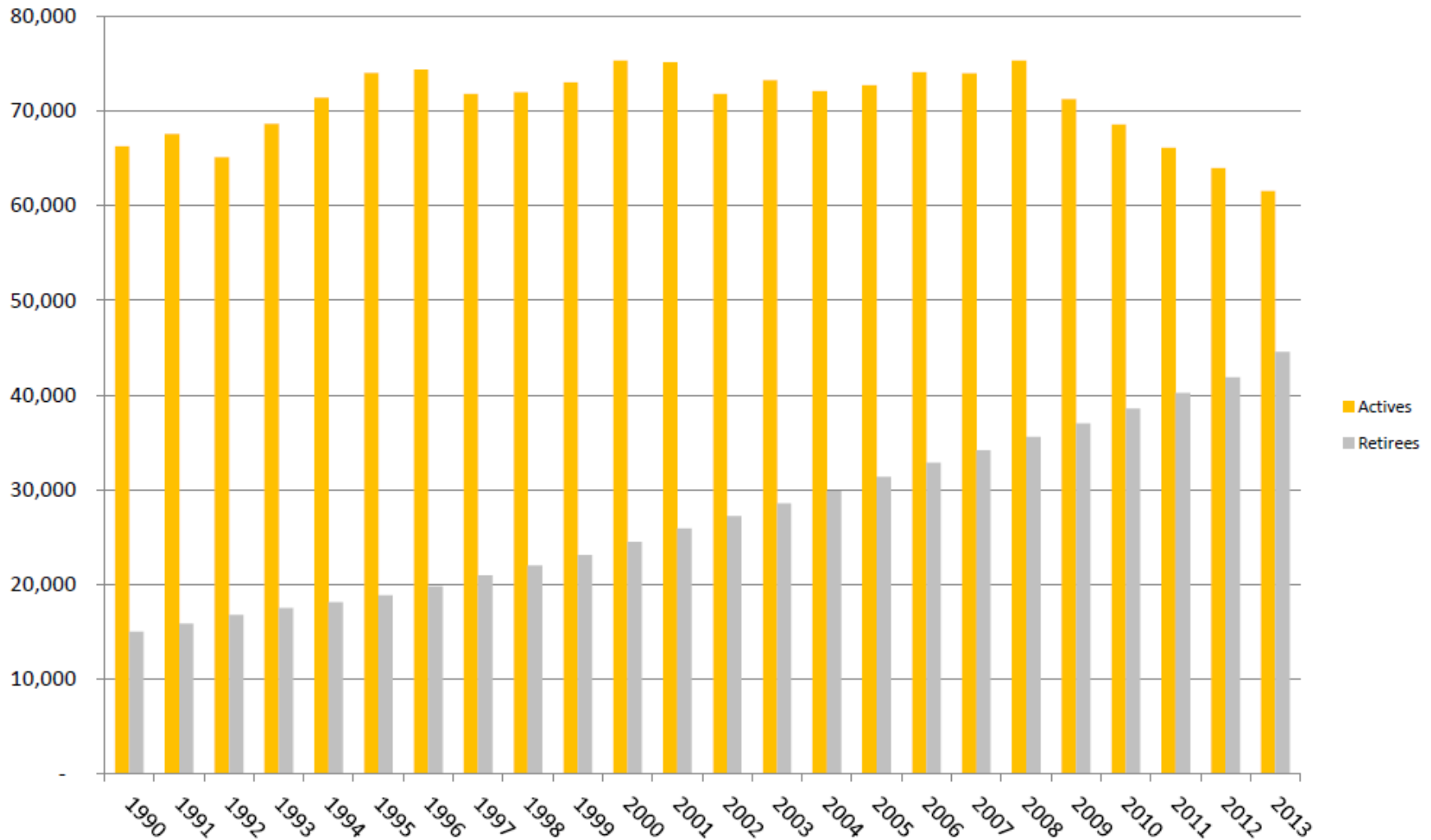
Governor recognized the problem and appointed Rural Hospital Stabilization Committee April 2014

Retirement Systems

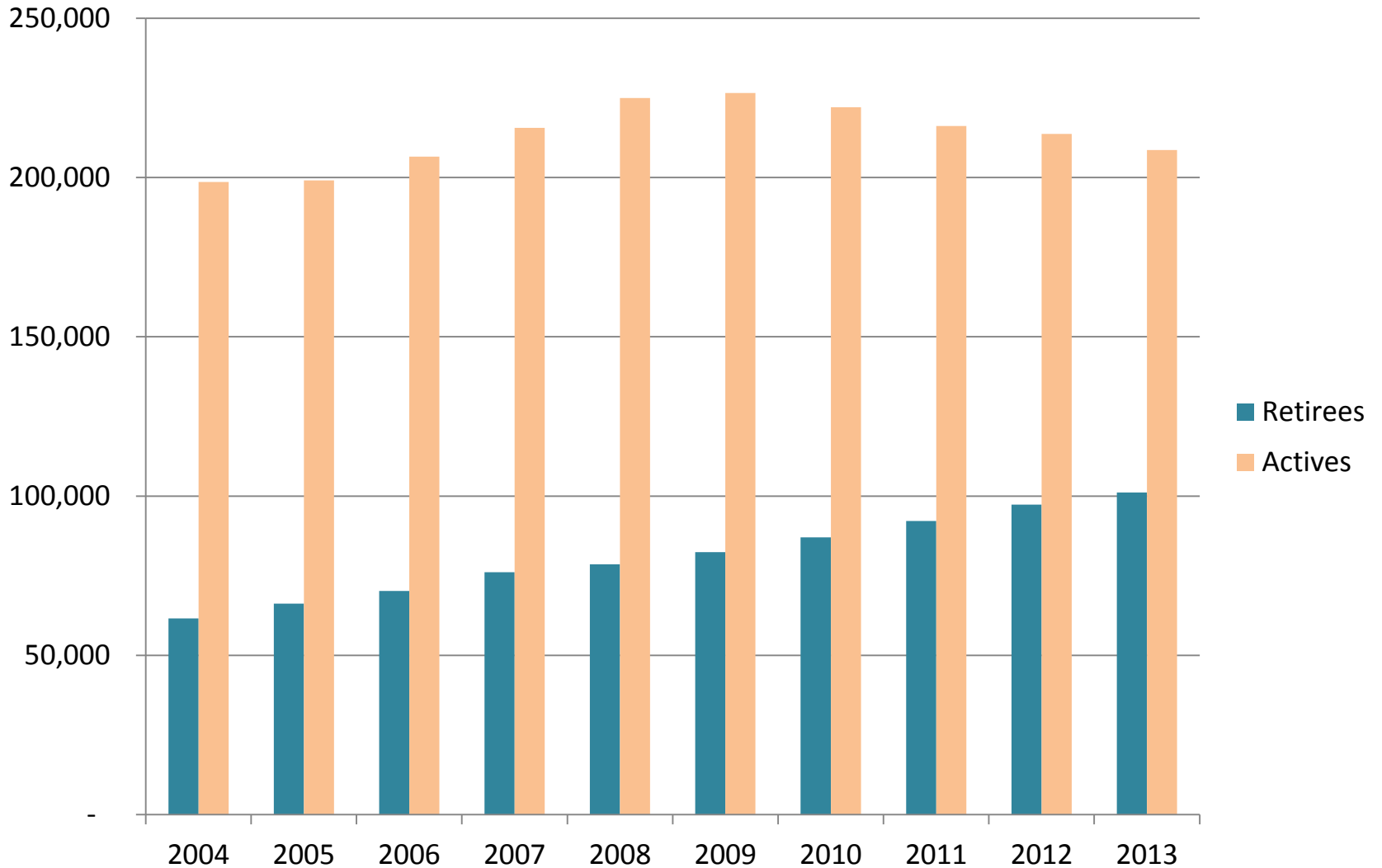
According to the Pew Center of the States, **Georgia in 2010 was considered a “solid performer”** in terms of its pension system.

- Teachers’ Retirement System (TRS)– **81.1% funded** with \$66.5 billion in assets
 - 108,000 Retirees/beneficiaries with an annual payout of \$3.7 billion
- Employees’ Retirement System (ERS)– **71.4% funded** with \$13 billion in assets
 - 63,500 Retirees/beneficiaries with an annual payout of \$1.38 billion

ERS Changes in Membership 1990-2013



TRS Changes in Membership 2004-2013



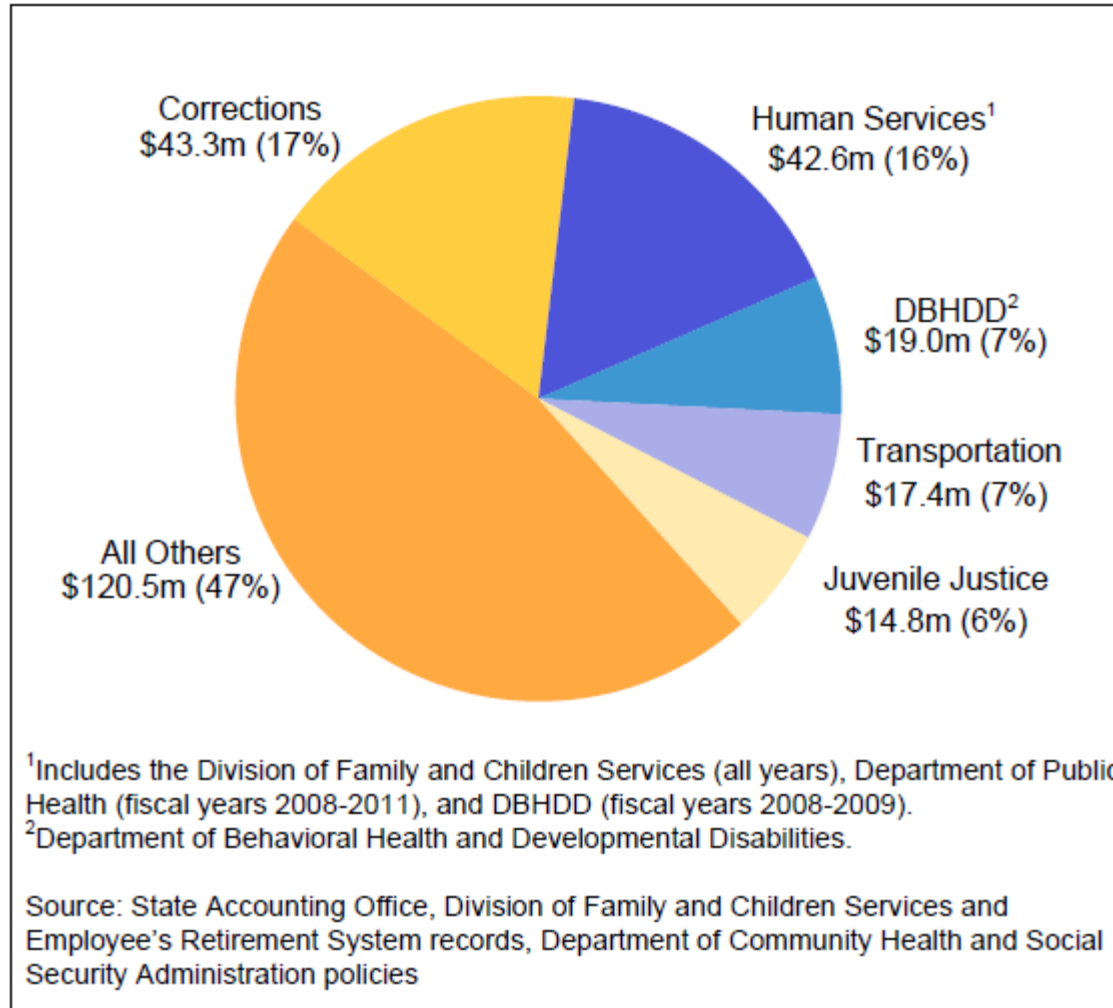
Employee Leave Payout

- Overall, payout costs and turnover rates among state agency and USG employees have increased over time¹
- During the recession, average turnover among state agency employees dropped from 16.4% to 13.4%¹
- Now that the economy is improving, employees are starting to find jobs or retiring, in some cases triggering large employee leave payouts for agencies, even as their base of active employees declines

*From Department of Audits and Accounts Report entitled “Employee Annual and Sick Leave Addendum” August 19, 2014, page 5. Covers activities related to state agency employees in fiscal years 2008 through 2013 and USG employees in fiscal years 2010 through 2013.

Employee Leave Payout

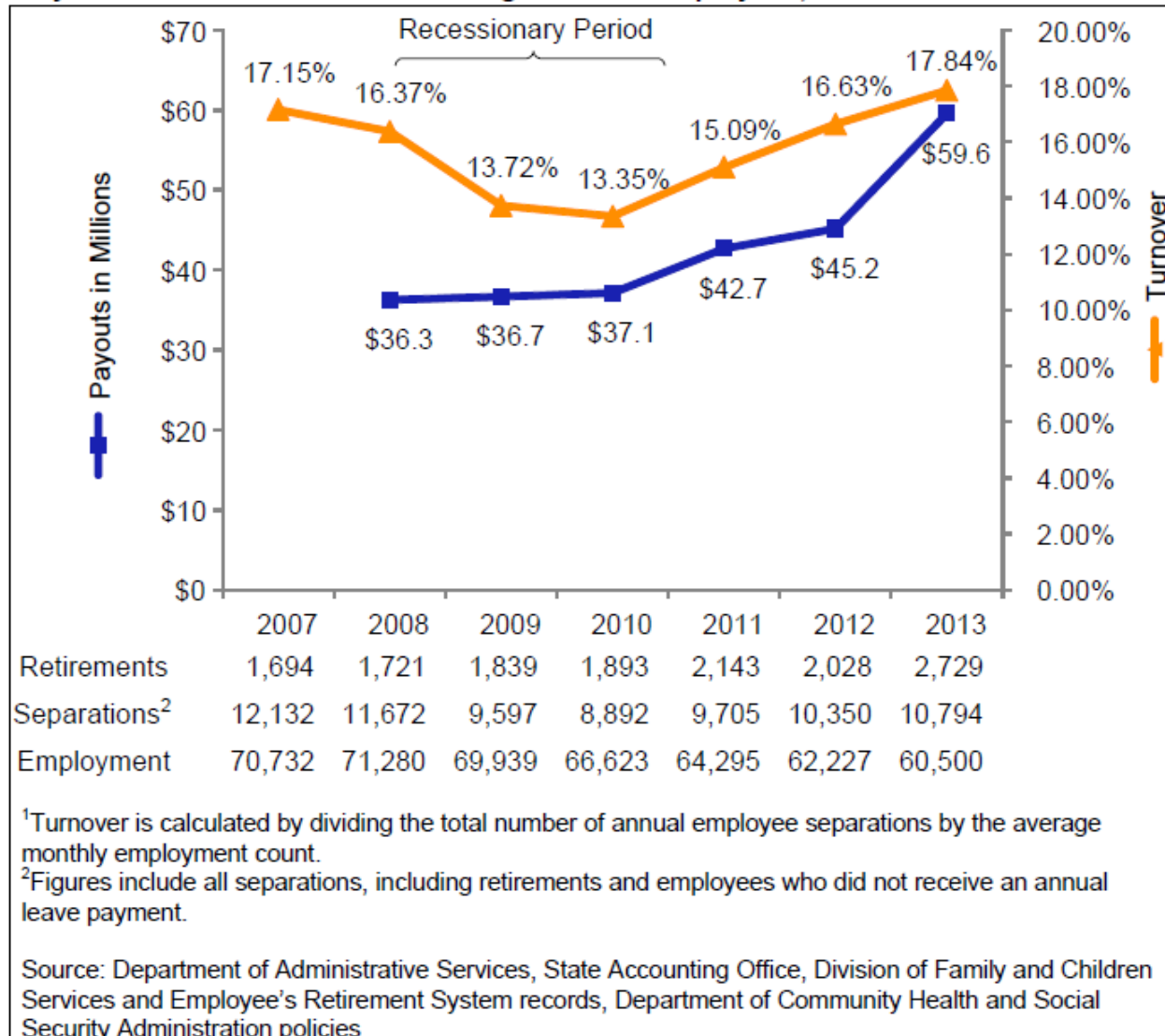
Five State Agencies Comprise More than Half of Payout Costs, Fiscal Years 2008 – 2013



*Chart from Department of Audits and Accounts Report entitled "Employee Annual and Sick Leave Addendum" August 19, 2014

Employee Leave Payout

Payouts and Turnover of Benefit-Eligible State Employees, Fiscal Years 2007 - 2013¹



*Chart from Department of Audits and Accounts Report entitled "Employee Annual and Sick Leave Addendum" August 19, 2014

Takeaways

Great progress in recovering from the recession –

- After 2 months, FY15 revenues are up 4.5%
- RSR approaching \$1B
- Triple AAA bond rating

...but we need to address

-OPEB

-maintain funding pension annual required contributions

-continued emphasis on state employee compensation.



Questions?