

Governor Nathan Deal recently signed into law the Appropriations Act for Fiscal Year 2016, which takes effect as the official budget for the state of Georgia on July 1, 2015. This budget appropriates over \$21.8 billion in state funds, and the vast majority of those funds, \$19.3 billion, are state general funds. State general funds can be spent for any purpose, and their sources are made up largely of taxes and fees. Most state agencies receive state general funds in their budgets – in fact many state agencies do not receive any other type of state funds at all. However, did you know that nearly \$2 billion of Georgia’s state fund budget consists of lottery proceeds and motor fuel funds?

Lottery proceeds are actually nontax revenue. The Georgia Lottery Corporation remits their profits – basically everything that the Corporation does not spend on prizes, operations, or retailer commissions – to the state of Georgia as lottery proceeds. Lottery proceeds are heavily restricted by the Georgia Constitution, so most state agencies do not receive any of these funds in their budgets. According to Article I, Section II, Paragraph VIII of the Georgia Constitution, lottery funds must be spent on HOPE scholarships and grants, the Pre-Kindergarten program, or educational technology enhancements. Effectively this means that all lottery funds are appropriated to either the Department of Early Care and Learning (DECAL) or the Georgia Student Finance Commission (GSFC).

DECAL and GSFC use these funds to reimburse public and private educational institutions that provide individual students with Pre-K services or post-secondary education opportunities covered by the HOPE scholarships and grants. Any remaining funds at the end of the year lapse to the lottery Shortfall Reserve. The Fiscal Year 2016 Appropriations Act appropriates over \$977 million in lottery proceeds to these two agencies.

The use of motor fuel funds is also very restricted by the state Constitution; Article III, Section IX, Paragraph VI specifies that the state must spend any funds raised by the motor fuel tax on roads and bridges in the state.

If you’ve been following recent events, you may know that Governor Deal recently signed into law HB 170, the Transportation Funding Act of 2015. This law will provide additional revenue for funding transportation purposes in the state. Prior to this new law, motor fuel funds primarily came from two different fuel taxes: a motor fuel excise tax of 7.5 cents per gallon, and a three percent sales tax per dollar spent on fuel purchases. The new law will change these two taxes into a single excise tax of \$0.26/gallon of gasoline or \$0.29/gallon of diesel. These amounts are also now going to be indexed to inflation, so they will rise or fall with the Consumer Price Index. There will also be new annual fees on heavy trucks and electric vehicles, as well as a \$5 per night hotel/motel fee on rented or leased accommodations.

Motor fuel funds are appropriated to the Department of Transportation to fund current projects, or to the General Obligation Debt Sinking Fund to repay transportation project bonds. The Fiscal Year 2016 Appropriations Act allocates just over \$1 billion to these two purposes, but that amount is based on motor fuel collections in Fiscal Year 2015 – Georgia law dictates that the amount of motor fuel-related collections in one fiscal year defines the amount to be appropriated in the next fiscal year. Presumably in the Fiscal Year 2017 budget, there will be even more motor fuel funds to appropriate.

If you are interested in learning more about revenues in the state of Georgia, be sure to register for the Carl Vinson Institute of Government’s Revenue Administration course next fiscal year!