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By Rusty Paul

It was budget week during the annual MLK Day recess as the House and Senate appropriations committees listened to a cavalcade of state department heads explain how they are complying with Gov. Kemp’s edict to shave four percent from the current year’s spending and six percent next year.

Legislative frustration with those requirements amid sizzling economic growth bubbled up several times during the week as department after department outlined cuts in popular programs, employee furloughs, key employee positions unfilled and other reductions needed to meet the Governor’s $200 million current year and $300 million FY 2021 savings targets.

To tamp down the muttering, Gov. Kemp appeared before the joint committees to argue that the cuts should not significantly impact state services. But hearing a long line of department heads define how a lower budget will affect their agencies, several legislators remained unconvinced by the Governor’s assurances.

Their frustration was amplified when Senate Finance Committee Chair Chuck Hufstetler noted that the “math” just doesn’t work for this year’s planned quarter percent state income tax cut. In spite of a strong economy, the budget problems are driven by several revenue factors.

First, an anticipated revenue windfall from the 2018 federal tax cut failed to materialize leaving previous revenue estimates bereft. Also, other factors further dented state revenue collections.

Previous legislative decisions impacted the state’s fiscal posture, including a package of tax cuts and credits provided to favored groups in recent years and the quarter percent income tax decrease last year.

To ensure tax credit programs produce the benefits they promise, Sen. John Albers introduced a bill to require an fiscal analysis accompany any proposed new tax credit programs and audits of existing credit programs going forward. This bill comes after a state auditor’s report showed problems with popular initiatives like the film tax credit, including fraudulent submissions and an eight fold increase in the program’s cost over the past decade.

Thirdly, the Governor originally demanded the cuts based on a state economist forecast of a mild recession in 2020. Last fall’s recession expectations were baked into the Governor’s revenue projections and cutbacks were needed to cushion the budget from deeper cuts in case that downturn occurred. Since then, however, growth has continued unabated and recession fears have subsided.
The fourth factor behind the budget crunch, which is getting more legislative attention than their contributions, is Gov. Kemp’s budget priorities based on campaign promises made in 2018, particularly a $5000 annual raise for public school teachers. The legislature made a down payment on that promise last year with a $3000 pay boost, but cutting other programs to free funds to finish Kemp’s commitments has generated grumbling, particularly among legislators within his party who face an unpredictable electorate later this year.

Speaker David Ralston, when questioned whether teachers can expect another pay jump this year, said he wasn’t the one who made the promise. In other words, getting another installment this year will be a challenge.

The Governor did help appropriators somewhat by adding home and community based social services to education and healthcare within his exemption from his four/six percent reduction. These programs help the elderly and individuals with special needs avoid institutional care and they are already under a severe strain due to dwindling providers and extensive waiting lists. Providers are struggling with increased costs from state regulatory requirements and no rate increases for almost a decade.

The budget, always the centerpiece of every legislative session, will have heightened scrutiny.