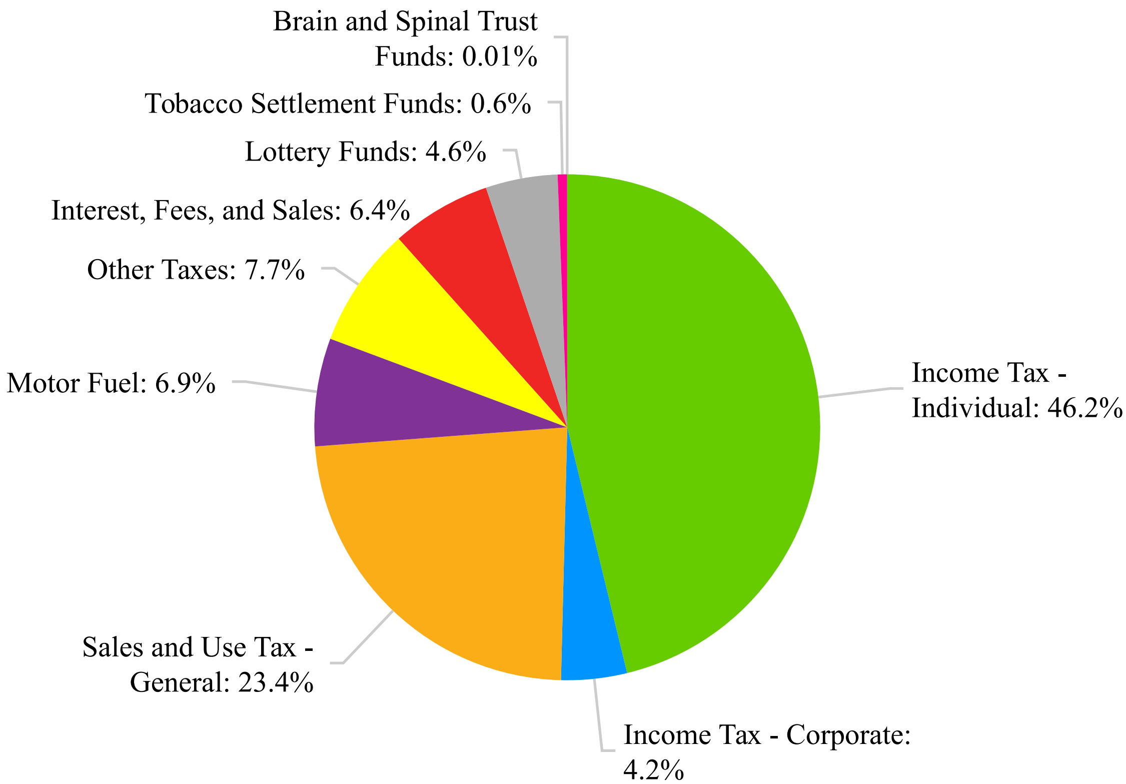
Responsible and Efficient Government

Contents

Estimated State Revenue by Source: Georgia, FY 2019

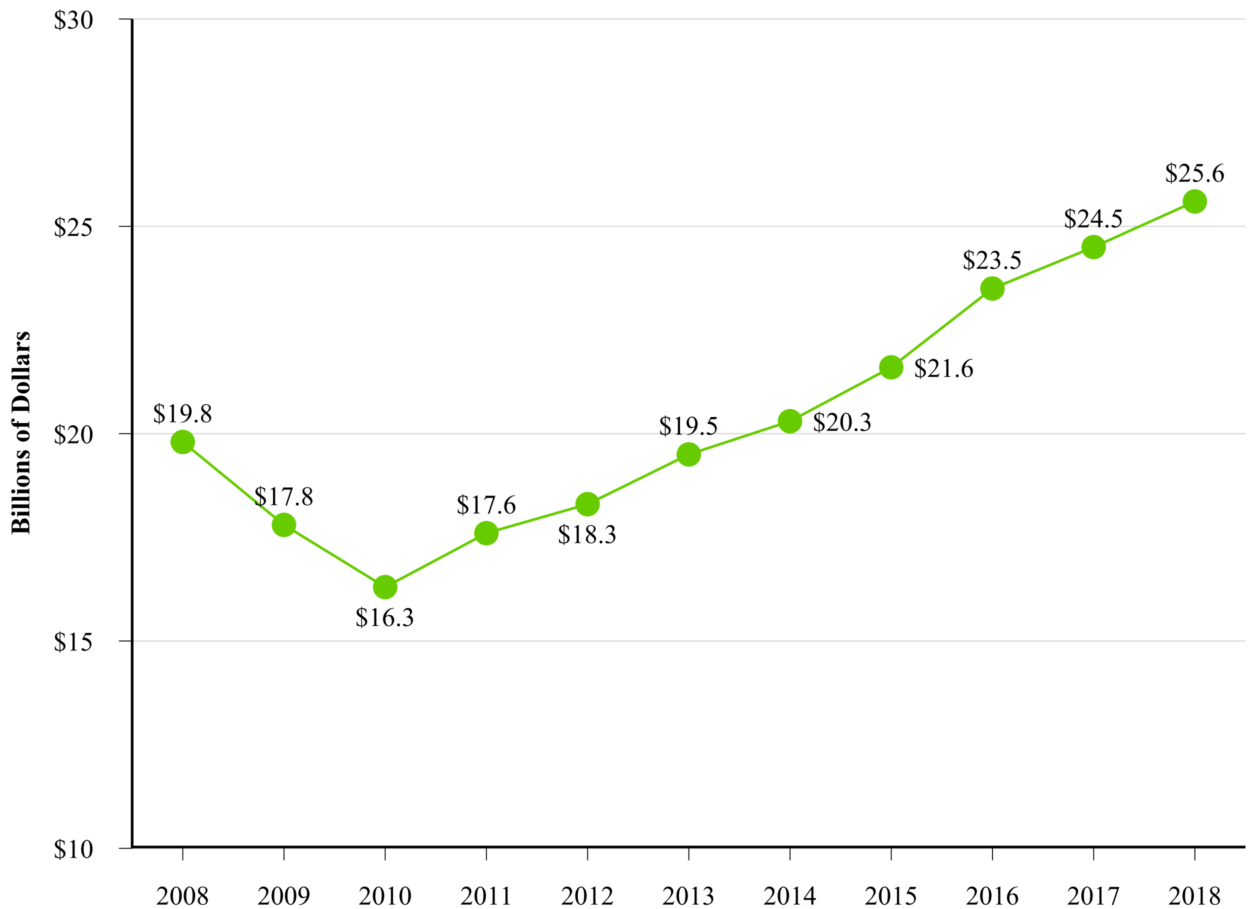


Source: Governor's Office of Planning and Budget, Budget in Brief

- Georgia has a diversified tax base with nearly one-quarter of revenues (23.4%) coming from sales and use tax revenues and about half (50.4%) from individual and corporate income taxes.
- The motor fuel tax is projected to represent 6.9% of total state revenue in FY 2019.
- In 2015, the general assembly passed HB 170, Transportation Funding Act, which changed the way fuel is taxed in Georgia, especially the excise tax. Through this legislation, the general assembly set a base excise tax of 29 cents per gallon for diesel fuel and 26 cents per gallon for all other fuel types.
- The rates are adjusted each year. For 2018, the base excise tax is 30 cents per gallon for diesel fuel and 26.8 cents per gallon for all other fuel types.
- The Georgia Lottery Corporation is also anticipated to represent 4.6% of state revenue in FY 2019.
    - On average, for every dollar spent on a lottery ticket, 25 cents funds the Pre-K and HOPE programs.
- Additional sources of revenue include interest, fees, and sales (6.4%), other taxes (7.7%), and Tobacco Settlement funds (0.6%).

State Spending

Total State Treasury Recepts: FY 2008 - FY 2018

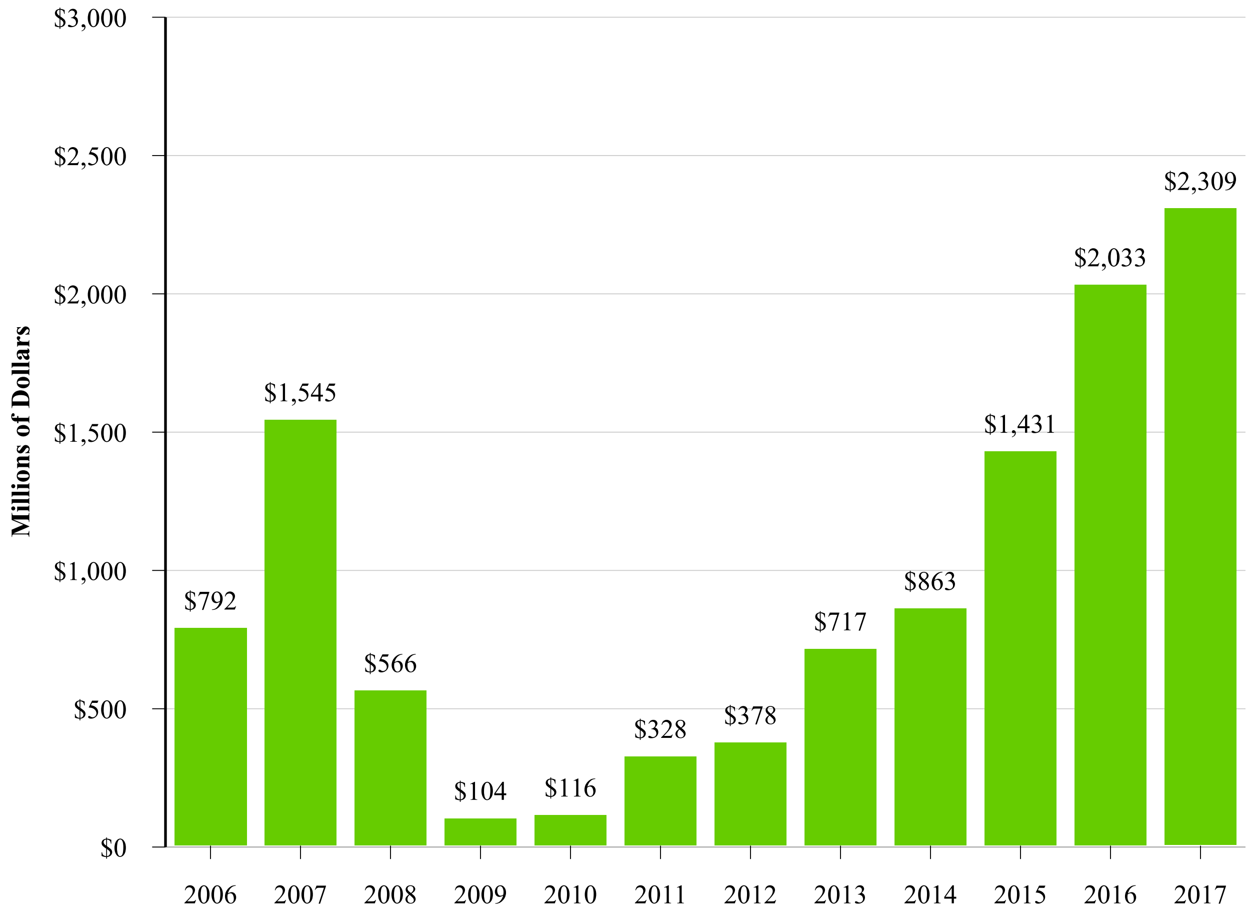


Source: State Accounting Office, Georgia Revenues and Reserves Report FY 2018

- Between FY 2008 and FY 2018, total state revenues have increased by 29% from $19.8 billion to $ 25.6 billion.
- In FY 2018, the state reported $25.6 billion in total treasury receipts.

State Spending

Revenue Shortfall Reserve: FY 2006 - FY 2017

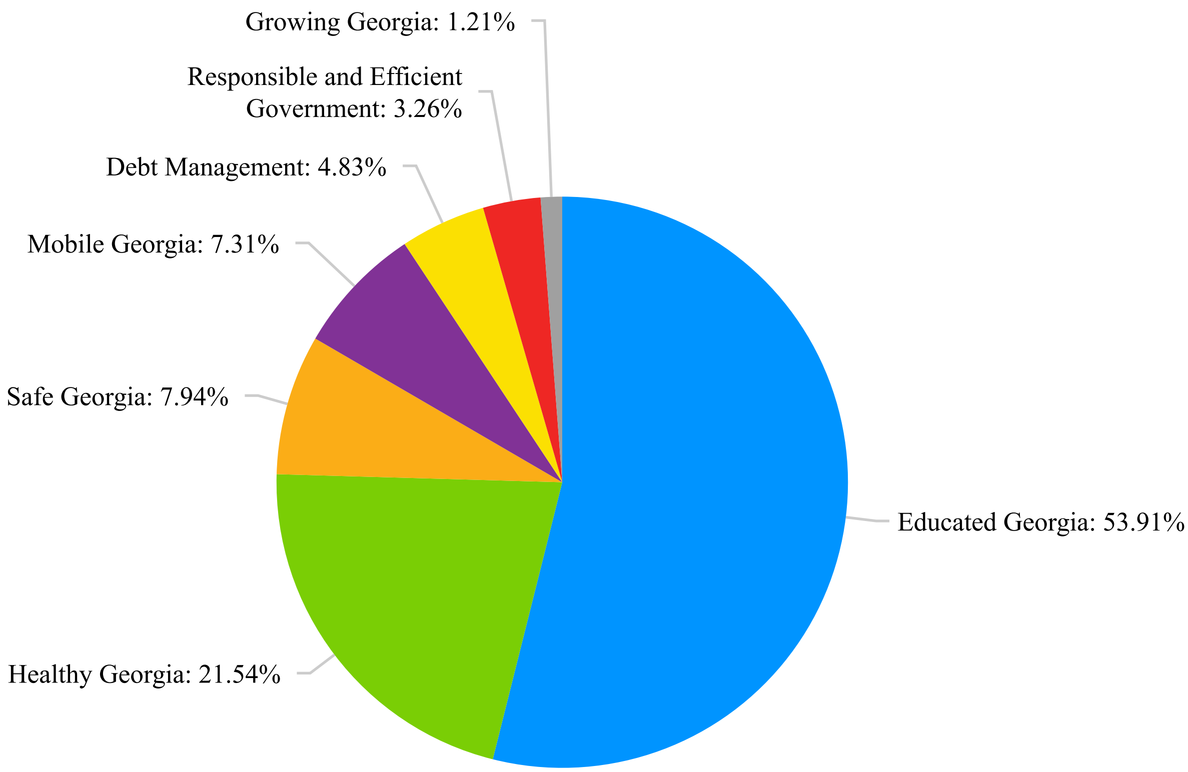


Source: Governor's Office of Planning and Budget

- Georgia's Revenue Shortfall Reserve was created in 1976 to serve as a savings account or "Rainy Day" fund. According to the Center on Budget and Policy Priorities, shortfall reserve funds enabled states to meet increased service demand in the face of declining revenues during the recent recession.
- In 2010, the Shortfall Reserve cap was increased from 10% to 15% of previous year net revenue collections in order to increase Georgia's savings capacity.
- Reserve sources include state net revenues and agency surpluses. 4% of the net revenue of the preceding fiscal year must remain in the fund. The Governor is authorized to release reserve funds beyond that amount.
- Between FY 2009 and FY 2017, the revenue shortfall reserve has increased drastically from $104 million to $2.3 billion

State Spending

Appropriations by State Priority Policy Area: FY 2019



Source: Governor's Office of Planning and Budget

- Education is Georgia's highest priority. More than half of the state budget is dedicated to Pre-K to college education.
- Healthy Georgia funds Medicaid and the State Health Benefit Plan, mental health services, and child protective services.
- Safe Georgia funds adult and juvenile corrections, probation, parole, and the Georgia Bureau of Investigation.
- Mobile Georgia funds transportation services.
- Responsible and Efficient Government programs include administrative functions, such as building maintenance, contract management, and IT services.
- Growing Georgia funds economic development.

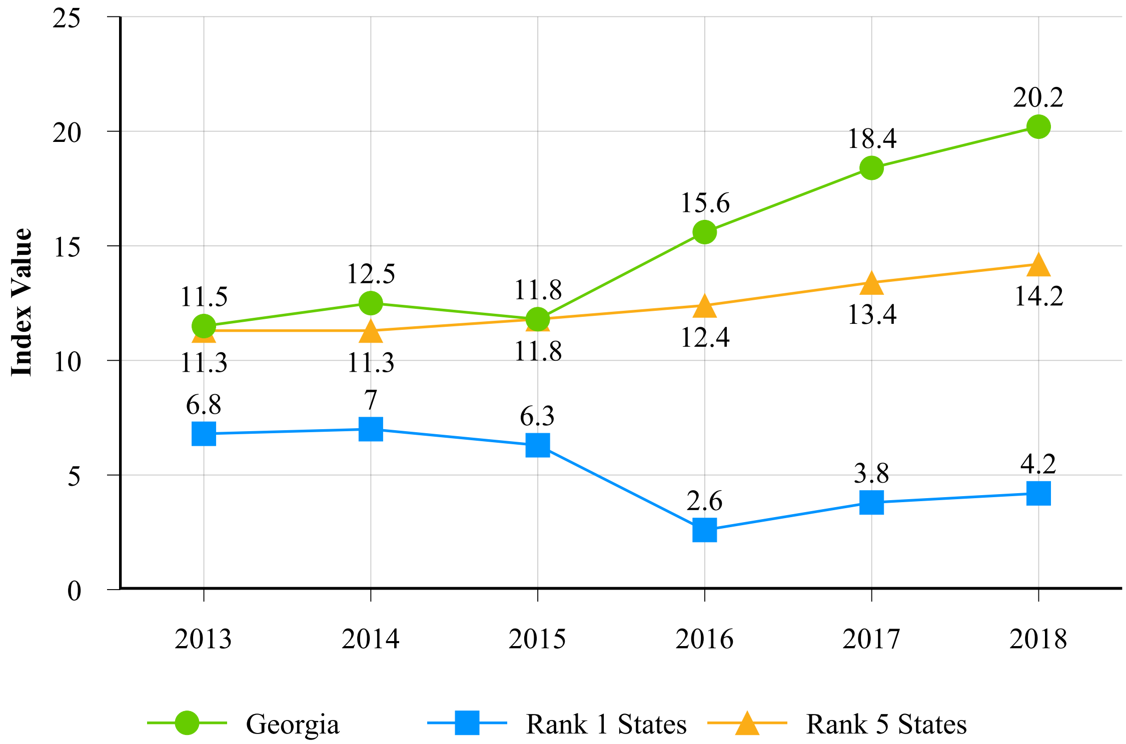
2016 Freedom in the United States Report

ECONOMIC FREEDOM			REGULATORY POLICY		
	State	**Score**		**State**	**Score**
1	South Dakota	0.35	1	Idaho	0.15
2	Idaho	0.31	2	Indiana	0.10
3	Tennessee	0.30	3	Wyoming	0.10
4	Oklahoma	0.25	4	Kansas	0.09
5	New Hampshire	0.22	5	Iowa	0.08
6	Florida	0.22	6	North Dakota	0.08
7	North Dakota	0.17	7	South Dakota	0.08
8	Alabama	0.17	8	Nebraska	0.07
9	Wyoming	0.16	9	Utah	0.06
10	Alaska	0.14	10	Oklahoma	0.05
11	Indiana	0.13	11	Mississippi	0.05
12	**Georgia**	**0.12**	12	South Carolina	0.03
13	Utah	0.12	13	Tennessee	0.02
14	Missouri	0.11	**14**	**Georgia**	**0.01**
15	Virginia	0.10	15	Michigan	0.01

Source: Cato Institute

- Freedom in the 50 United States is an annual index of personal and economic freedom published by Cato Institute. Note: Mercatus Center no longer publishes it.
- The Freedom in the 50 States report ranks states in four main areas, which include Fiscal Policy, Regulatory Policy, Economic Freedom, and Personal Freedom.
- In 2016, Georgia ranked 12th in Economic Freedom and 14th in Regulatory Policy.
- Georgia is the 4th highest ranking southeastern state in the Cato Institute's Economic Freedom ranking and the 3rd highest in the Regulatory Policy ranking.

Camelot Index, Prudent State Government: Georgia and State Rank Comparison, 2013-2018



Source: Federal Funds Information for States (FFIS), State Policy Reports, Camelot Index

- The Camelot Index is a composite measure of states in the areas of economic vitality, society, health, education, crime, and government.
- Five criteria are used to determine the 2018 Camelot Prudent Government scores:
    1. State and local taxes as a percent of personal income
    2. State solvency
    3. Pension funding
    4. Bond ratings
    5. State and local capital spending as a percent of state gross domestic product

    (Howard & Olson, 2018, pp. 8-9)
- Between 2013 and 2016, Georgia ranked among the top 10 Prudent Government States.
- However, Georgia's ranking dropped to 16th and 21st in 2017 and 2018, respectively.

Georgia's Bond Ratings: 2017

Moody Investor Services	AAA	(since 1974)
Standard and Poor's	AAA	(since 1997)
Fitch's Investor's Service	AAA	(since 1993)

FY 2018 - FY 2022 Debt Management Plan Debt Ratio Targets

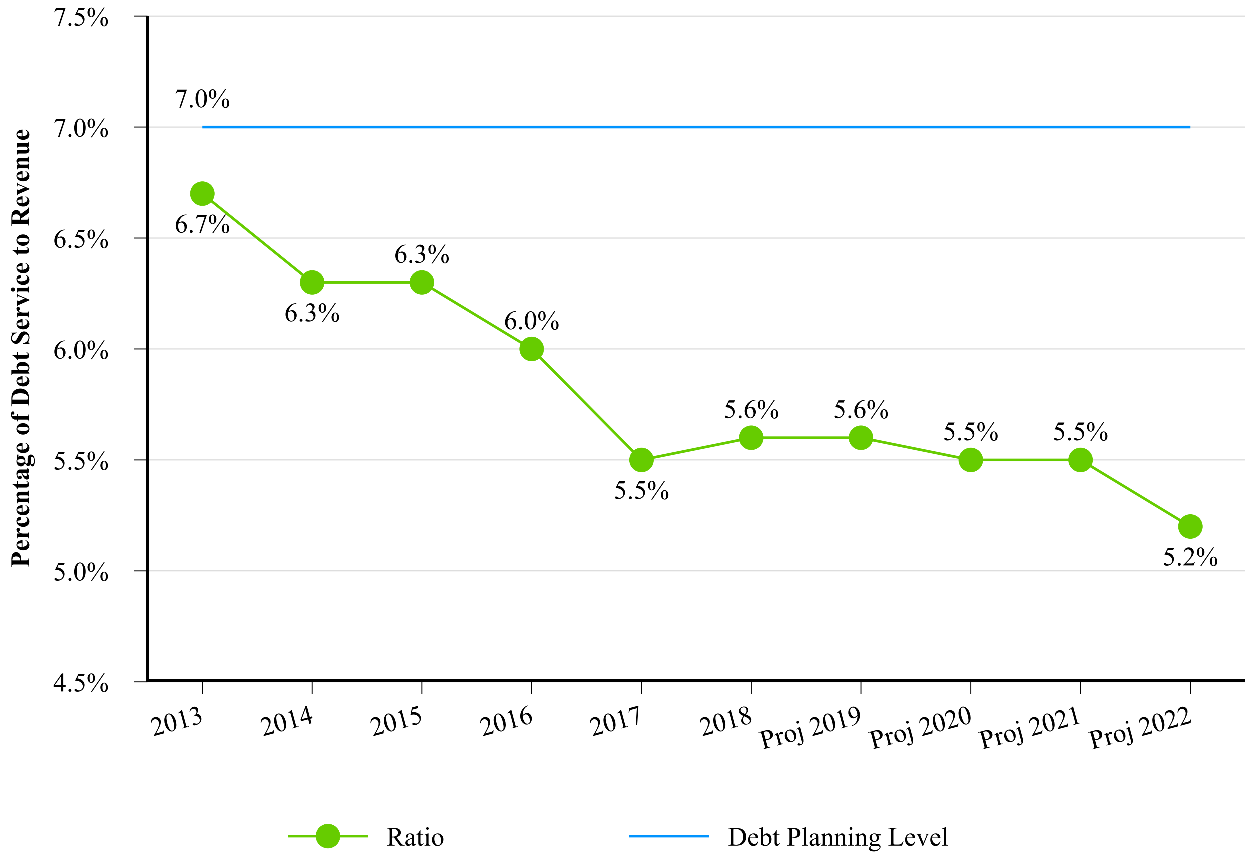
Planning Levels	Without GARVEEs*	With GARVEEs*
Debt per Capita	$1,200	$1,500
Debt Service to Prior Year Revenues	7.0%	8.0%
Debt to Personal Income	3.5%	4.0%

Note: GARVEE bonds are tax-exempt debt instrument financing mechanisms backed by annual federal appropriations for federal-aid transportation projects.

Source: Georgia State Financing and Investment Commission, Debt Management Plan

- Rating agencies scrutinize states in several areas to judge a state's fiscal health. The better a state's bond rating, the lower the interest it must pay on the bonds it issues.
- Rating agency analysts use a 10% debt service level as the standard warning level for states approaching limited fiscal flexibility. They also consider other metrics to measure debt burden such as debt per capita and debt as a percentage of personal income.
- Georgia has maintained its AAA bond rating from all three rating agencies every year since 1997.
- Currently, Georgia is 1 of 12 states with a AAA bond rating from all three major bond rating agencies. The other states are Indiana, Iowa, South Dakota, Delaware, Maryland, Missouri, North Carolina, Tennessee, Texas, Utah, and Virginia.
- Georgia has implemented a formal debt management plan (DMP) to help the State fund ongoing spending priorities. Georgia's DMP sets target levels in three areas: Debt Per Capita, Debt Service to Revenues, and Debt to Personal Income.

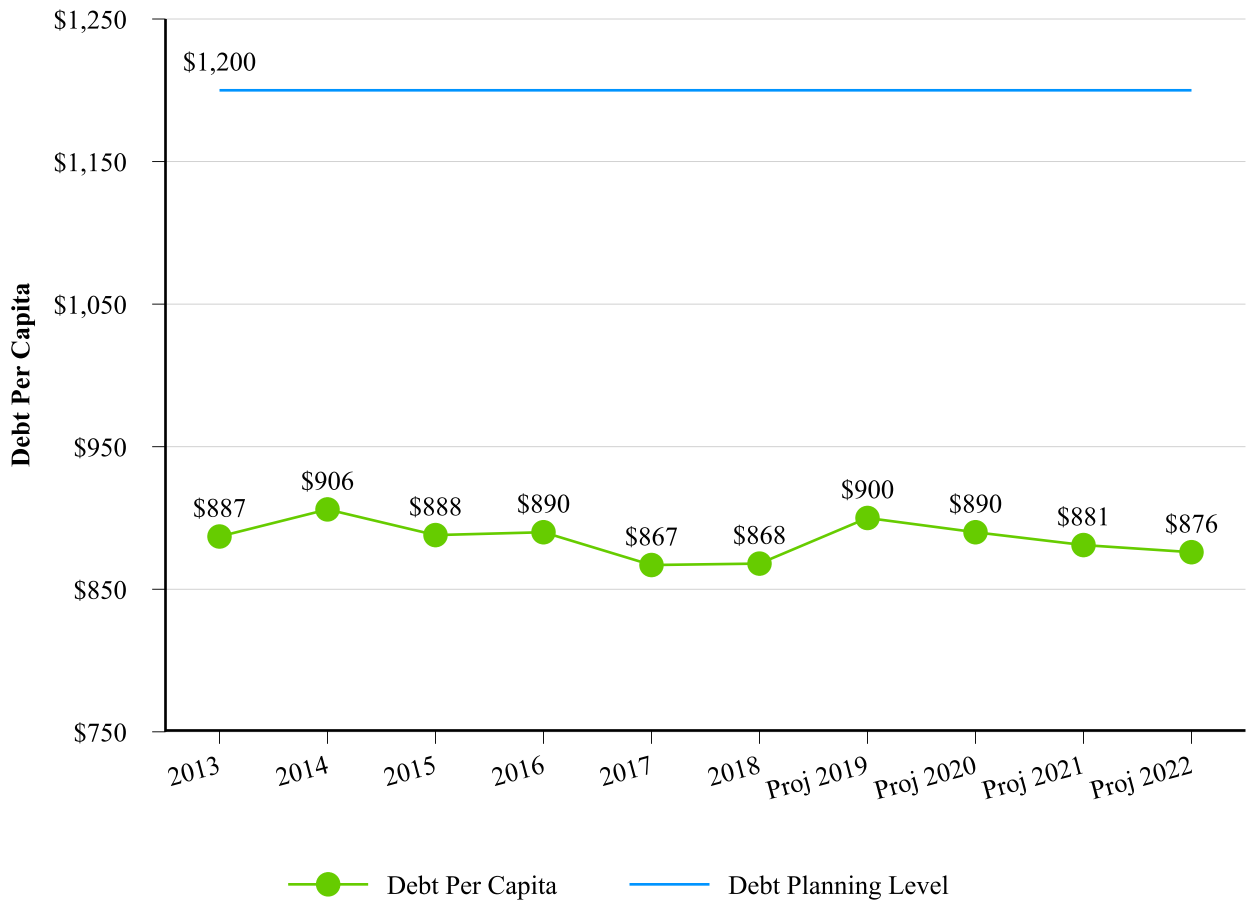
Historic and Projected Annual Debt Service as Percentage of Prior Year Receipts, FY 2013 - FY 2022



Source: Georgia State Finance and Investment Commission, Debt Management Plan

- To restrict over-borrowing, Georgia's constitution sets a debt limit at 10% of the prior year's total treasury receipts, and the state's DMP sets 7% as the planning level for debt.
- Debt service to prior year revenues measures the percentage of revenue dedicated to debt service. Steadily increasing revenue and moderate borrowing at low interest rates keep this measure within target levels.
- Between FY 2013 and FY 2017, the debt service to revenues ratio dropped from 6.7% to 5.5%. The debt service to revenues ratio is projected to continue decreasing through FY 2022.
- By FY 2022, the debt service to revenues ratio is projected to drop to 5.2%.

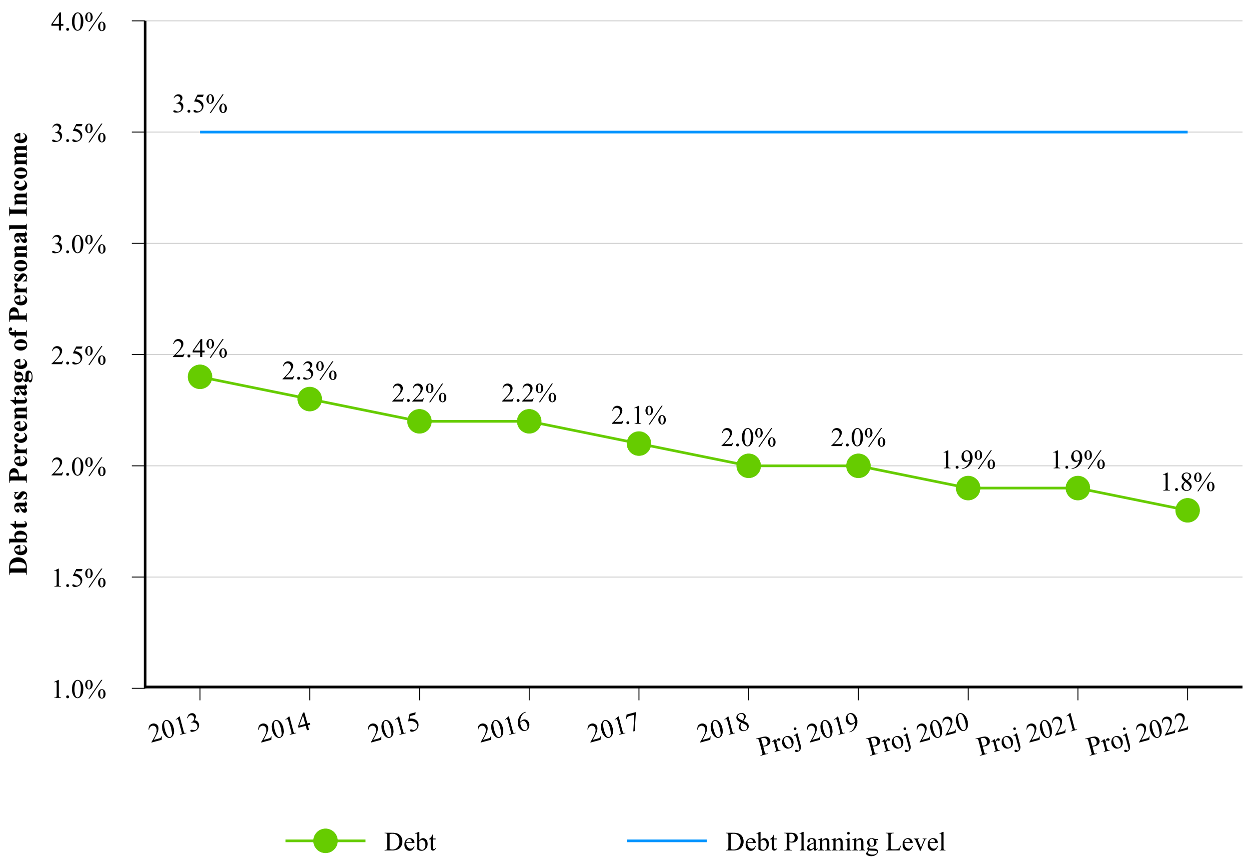
Historic and Projected Debt Per Capita: Georgia, FY 2013 - FY 2022



Source: Georgia State Finance and Investment Commission, Debt Management Plan

- Debt per capita measures the state debt burden per state resident. Net tax-supported debt per capita is calculated as the total tax-supported debt divided by the population of the state.
- The debt per capita planning level was raised in 2007 from $1,000 to $1,200 due to rising infrastructure costs.
- Figures for the FY 2013 through FY 2017 represent the actual debt per capita. Figures for FY 2018 to FY 2022 reflect projected debt per capita.
- Georgia has kept the debt per capita below the target mark.
- Net tax-supported debt items are debt items supported by the state's tax revenues. Items which are paid by tax revenues are pledged to that payment, such as motor fuel tax pledged to certain State Road and Tollway Authority bonds, which are considered tax-supported debt.

Historic and Projected Debt as Percent of Personal Income: Georgia, FY 2013 - FY 2022

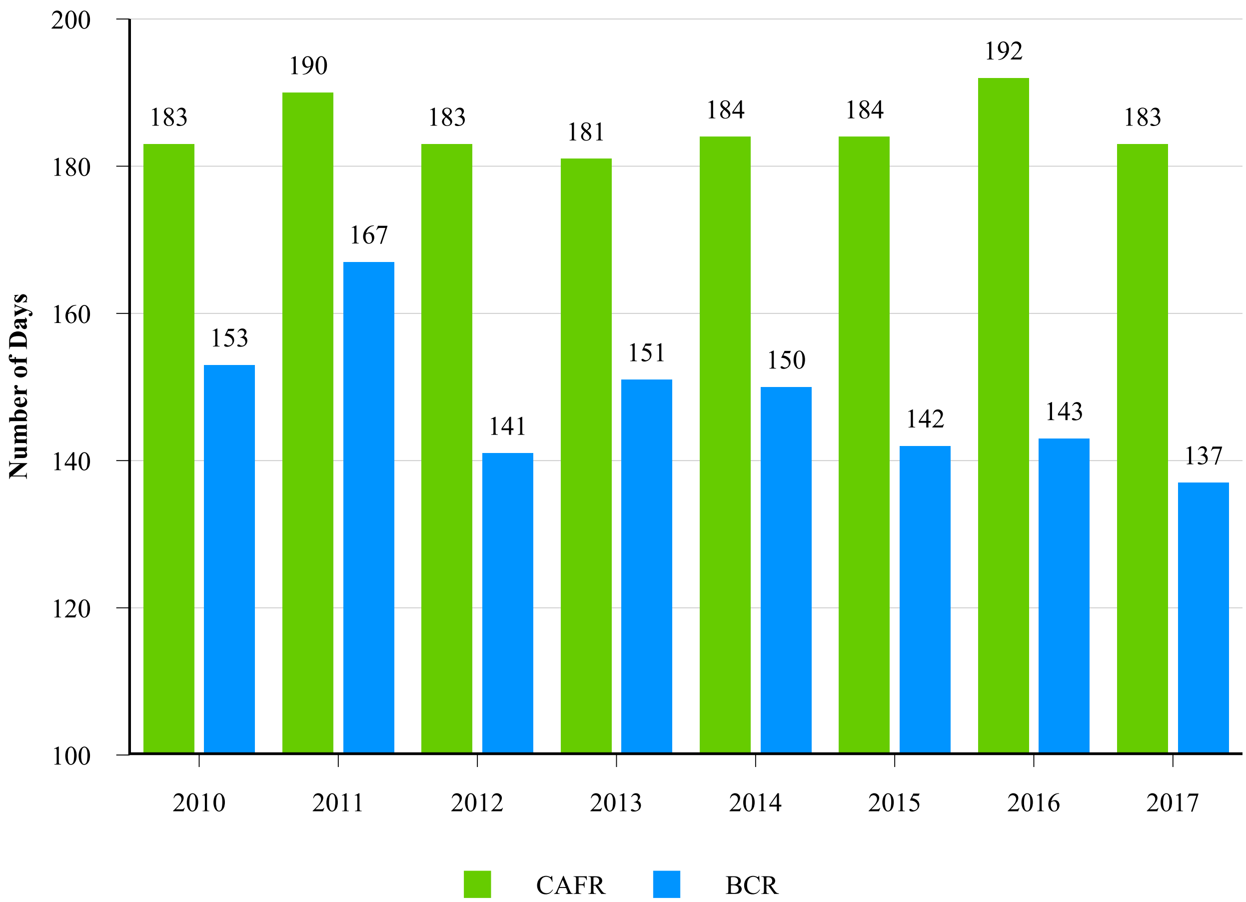


Source: Georgia State Finance and Investment Commission, Debt Management Plan

- Debt as a percent of personal income measures the debt burden to Georgians' personal incomes. It is calculated as the amount of tax-supported debt divided by the total personal income of the state's population.
- Between FY 2013 and FY 2017, the debt as a percentage of personal income decreased slightly.
- The state's planning level for debt as a percentage of personal income has remained at 3.5%. From FY 2013 to FY 2017, the state debt ratio decreased from 2.4% to 2.1%.
- In FY 2018 to FY 2022, the Georgia State Finance and Investment Commission anticipates that the debt as a percentage of personal income will decrease even further, from 2.0% to 1.8%.

Financial Management

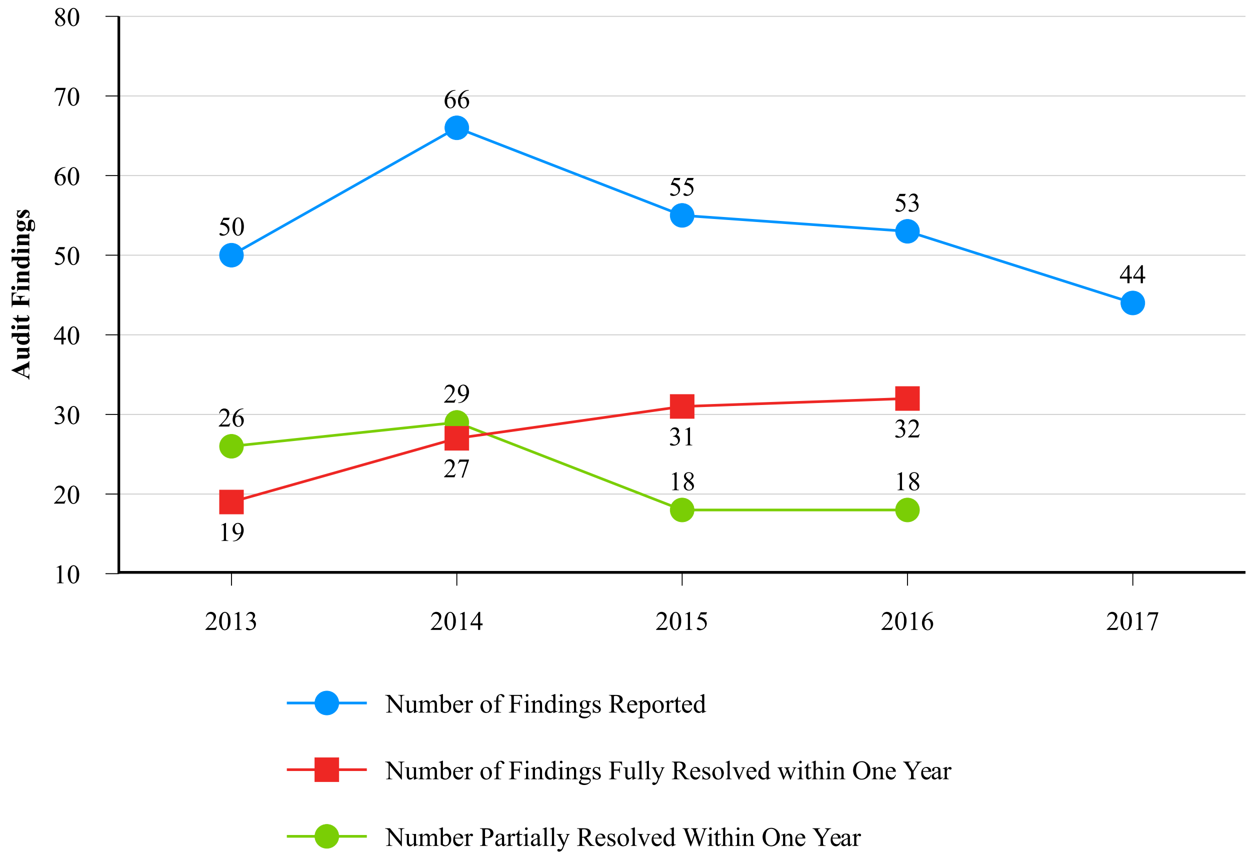
Time Frame to Complete Statewide Financial Reports: FY 2010 - FY 2017



Source: State Accounting Office and Governor's Office of Planning and Budget, Performance Measures Report

- The Comprehensive Annual Financial Report (CAFR) is a standard annual financial report prepared by most governments. The CAFR includes basic information about the state, the auditor’s report, financial statements, and a statistical section.
- While the state budget presents the projected expectations and plan of use for state funds over a year, the state CAFR reports the historical use and financial condition of state government.
- The Budgetary Compliance Report (BCR) shows state agency financial compliance with state amended appropriations act(s) by fiscal year.
- Georgia created a State Accounting Office on July 1, 2005 to establish statewide standards and practices and align responsibility for the state’s financial reports and accounting system.

Number of Findings Reported and Number Resolved Within One Year of Issuance: 2013 - 2017



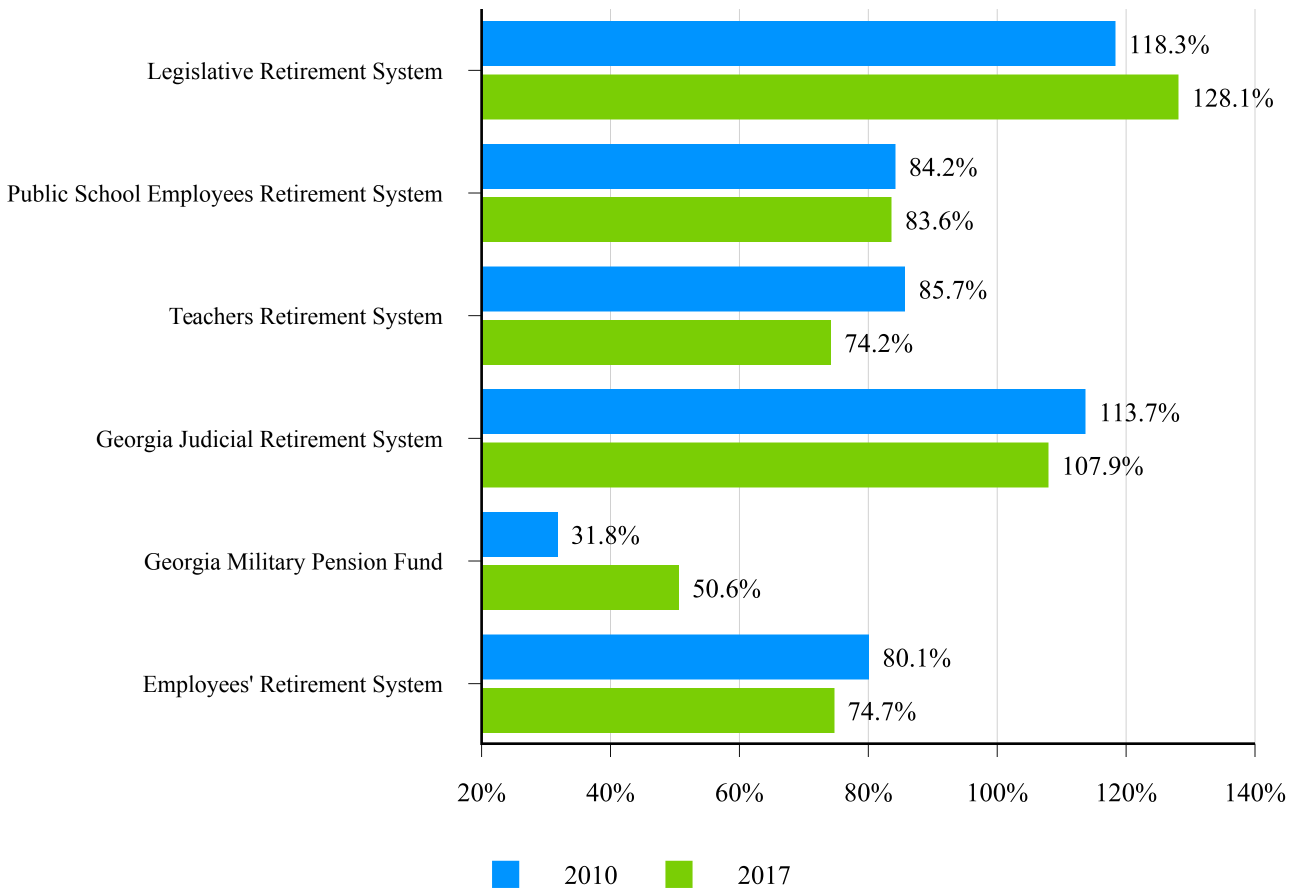
Source: Georgia Department of Audits and Accounts

- The Georgia Department of Audits provides accountability over operations by conducting financial audits and federal compliance audits of all state agencies. Agencies who receive a financial statement or federal compliance audit finding are expected to resolve the issue identified. Agencies are expected to submit a corrective action plan on each finding they receive.
- Annually, the Department of Audits and Accounts performs procedures to determine the extent to which prior-year findings are resolved. While agencies are expected to take action to address findings in a timely manner, it is not always possible to fully resolve a finding within a year.
- The number of single audit findings for Georgia state government agencies fluctuated between FY 2013 and FY 2017, with a high of 66 in FY 2014 and a low of 44 in FY 2017.
- The vast majority of audit findings requiring corrective action have been acted upon. In FY 2016, 94% of findings were fully or partially resolved within one year.

Note:

- DOAA has not released 2017 data at the time of this publication.

Funding Ratio Based on Actuarial Value of Assets for Retirement Systems

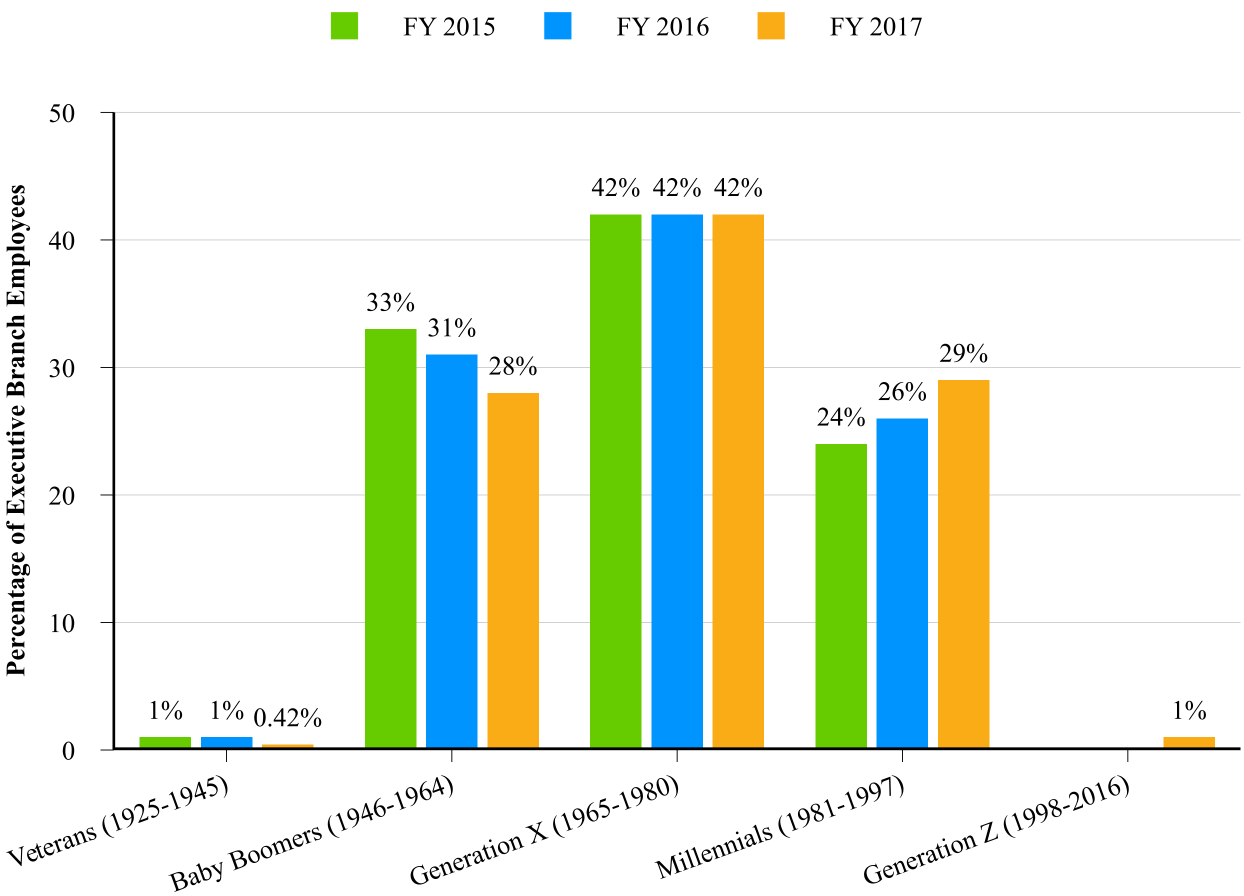


Source: Employees' Retirement System and Teachers Retirement System

- The actuarial funding ratio for Georgia's state retirement systems increased for two of the systems and decreased for four of the systems between 2010 and 2017.
- Benefits paid to Employees' Retirement System (ERS) retirees and beneficiaries increased 21.6% between 2010 and 2017, from $1.11 billion to $1.35 billion.
- There were approximately 49,500 retired members and beneficiaries in ERS in 2017, a 28.2% increase since 2010.
- The actuarial value of assets for ERS increased by 0.8%, from $13.0 billion in 2010 to $13.1 billion in 2017.
- Benefits paid to Teachers Retirement System (TRS) retirees and beneficiaries increased 58.4% between 2010 and 2017, from $2.86 billion to $4.53 billion.
- There were approximately 122,700 retired members and beneficiaries in TRS in 2017, a 41.0% increase since 2010.
- The actuarial value of assets for TRS increased 30.6%, from $54.5 billion in 2010 to $71.2 billion in 2017.
- Funds over 100% mean actuarial assets are greater than actuarial liabilities.

State Employment

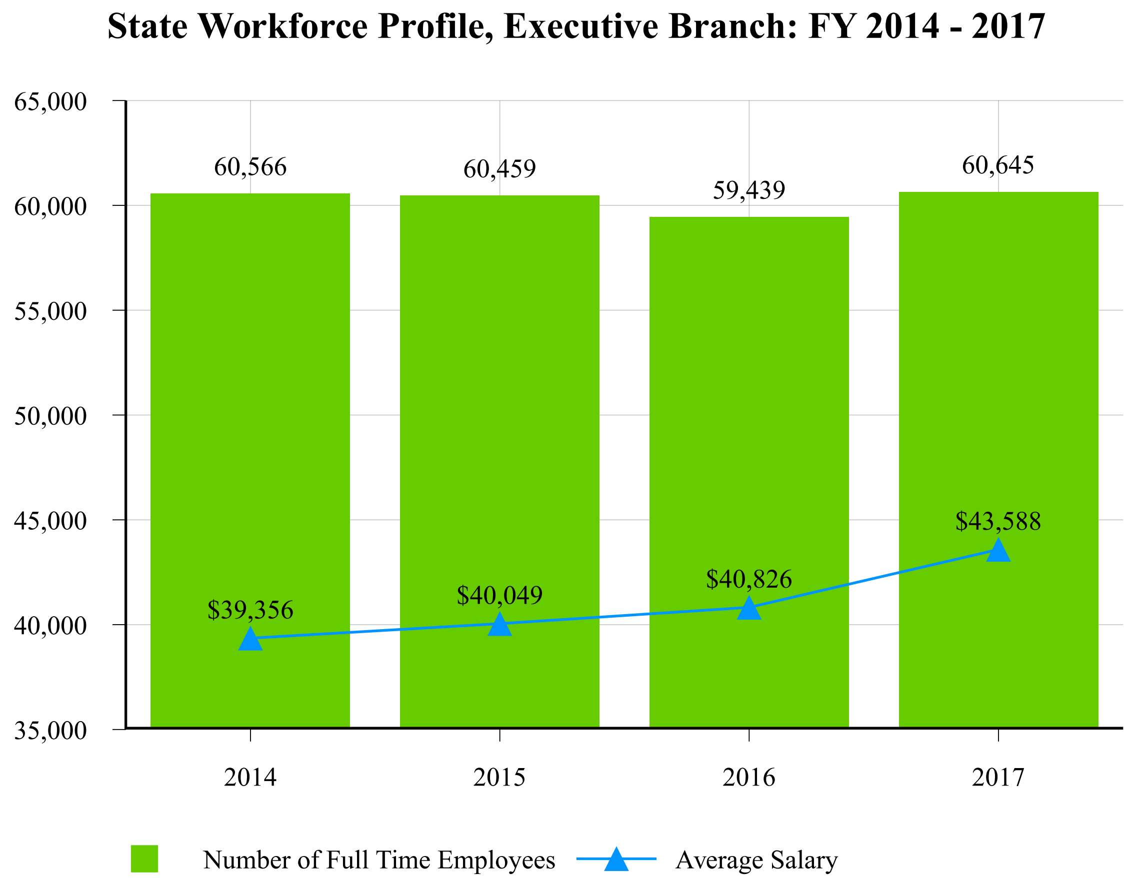
State of Georgia Workforce by Generation



Source: Georgia Department of Administrative Services, FY 2017 Workforce Report

- Since 2015, the Baby Boomer generation has declined in the workforce from approximately 33% to 28%, while the Millennial generation has grown from 24 % to 29 %, replacing the 5 % lost by "boomers" departing the workforce.
- Nearly 59 % of all hires in state government in FY 2017 came from the Millennial category.
- The average age of state employees in 2017 was 44 years.
- Georgia state government is an “at will” employer, meaning that either party may end the employment relationship at any time for any reason, except an unlawful reason, without incurring a penalty. The state eliminated its civil service system in 1996.
- The average tenure of state employees is approximately 9 years. In FY 2017, more than 1 out of 2 of Georgia's state employees (50.8%) were employed with the state 5 years or less. An additional 1 out of 6 employees(15.6%) were with the state between 6 and 10 years.

State Employment

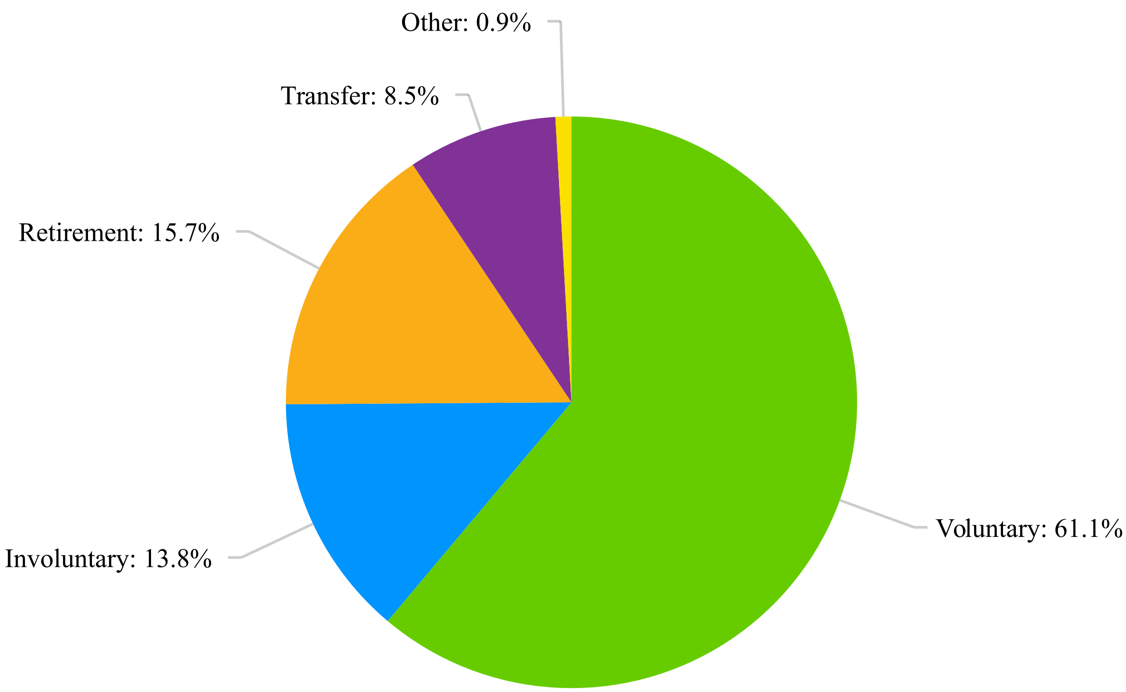


Source: Georgia Department of Administrative Services, FY 2017 Workforce Report

- State employment since FY 2014 has been steady at around 60,000 full-time Executive Branch employees.
- Since FY 2010, the state enterprise workforce (inclusive of state authorities, technical colleges, and judicial and legislative branch employees) was reduced from 75,200 employees to 67,771 in FY 2017, a reduction of approximately 9.9%.
- Average salaries realized an increase in FY 2017 due to statewide pay raises awarded to state law enforcement officers, which is also the largest state workforce job family.
- The percent of minorities in the executive branch of government annually exceeds 50 %. In FY 2017, it was nearly 56 %.
- The average number of years for executive branch employees was 8.8 years in FY 2017, which was down from 9.2 from the previous two fiscal years.

State Employment

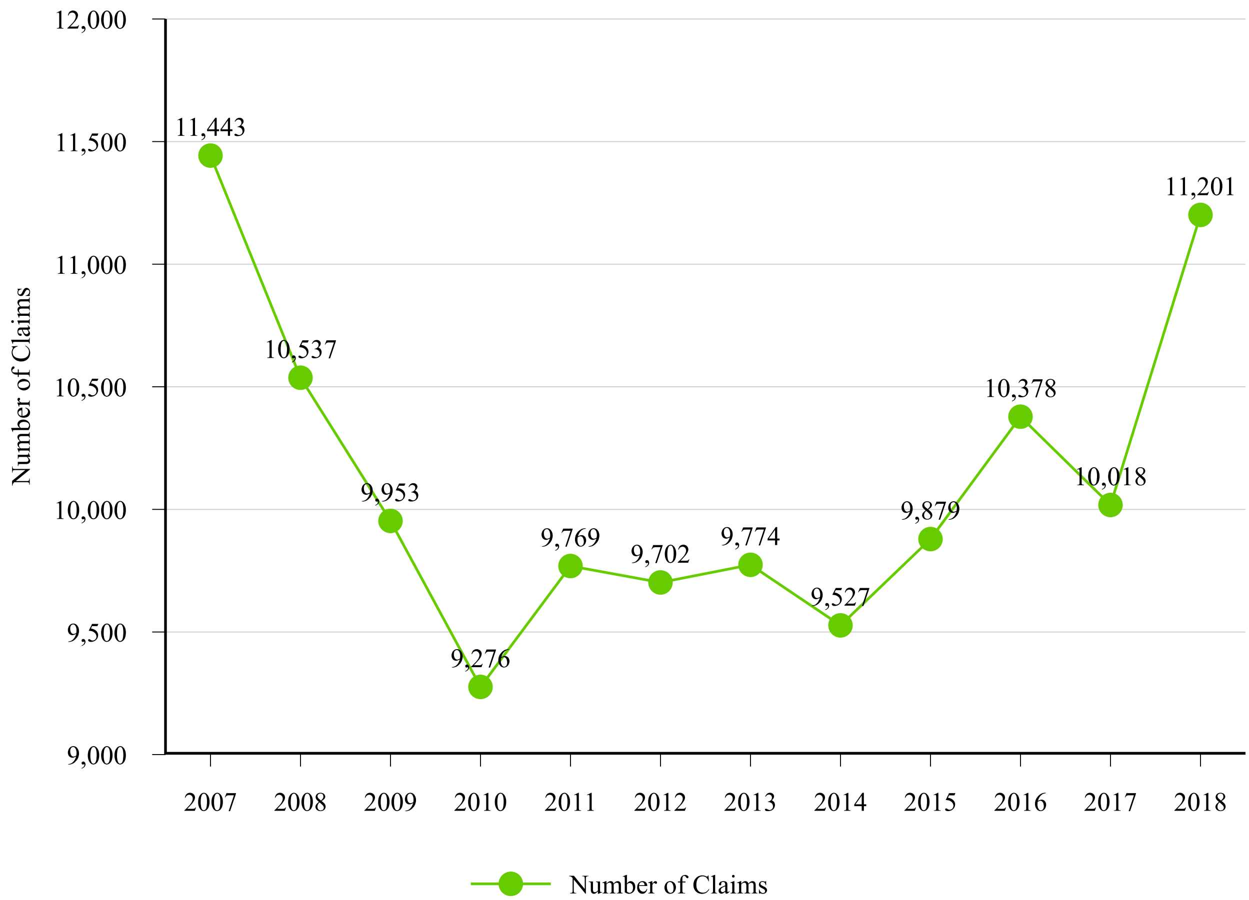
Employee Turnover: Georgia, FY 2017



Source: Georgia Department of Administrative Services, FY 2017 Workforce Report

- In FY 2017, there were 11,224 total separations among state employees. Almost two thirds of these separations were voluntary (61.1%). Approximately one in seven separations were due to retirement.
- Involuntary turnover includes reasons such as failure to meet terms of employment, dismissal, release, and reductions in workforce. There were 1,545 such terminations in FY 2017 or 13.8% of total separations.
- Between FY 2012 and FY 2017, voluntary separations increased from 57% to 61%.
- The overall turnover rate among state employees was 19.5% in FY 2017.

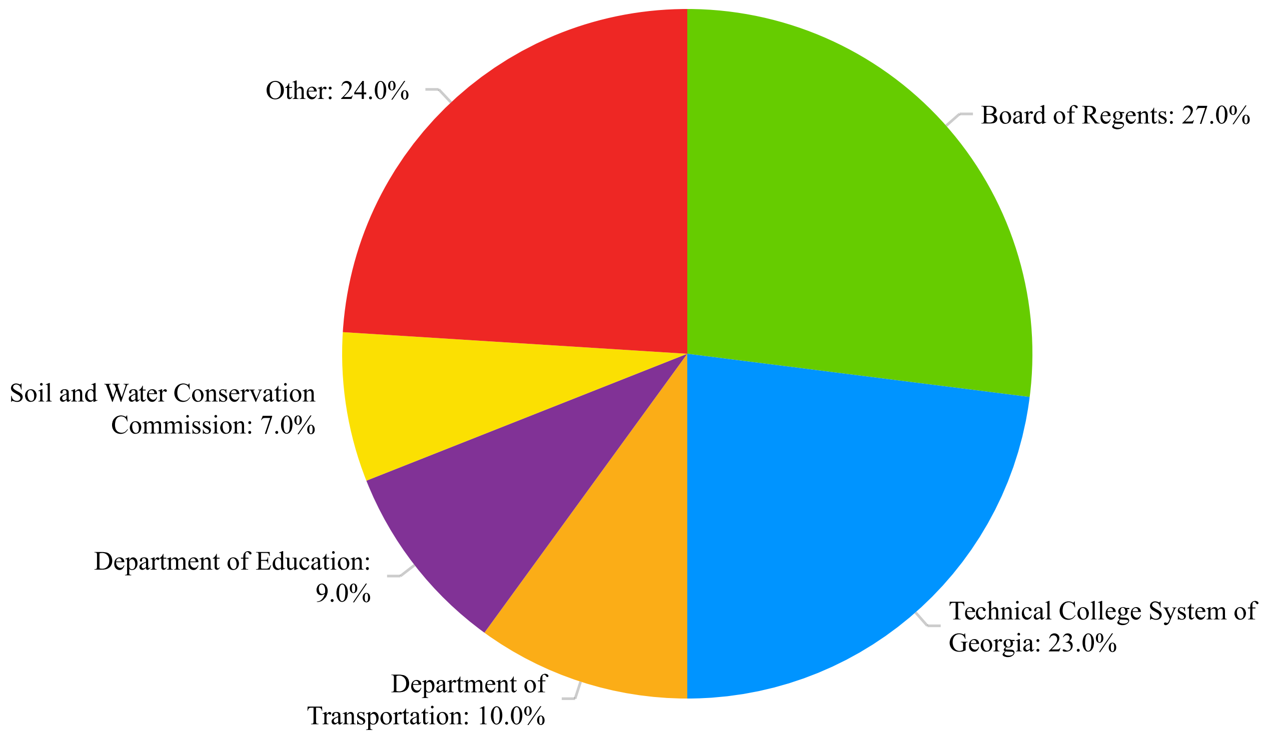
Risk Management: FY 2007 - FY 2017



Source: Georgia Department of Administrative Services (DOAS) - Excludes Unemployment Insurance claims

- The DOAS' Risk Management Services (RMS) manages the self-insured programs that include unemployment insurance, auto physical damage, workers compensation, property, general liability, cyber, and auto liability claims. Claims exclude unemployment insurance claims.
- The Workers' Compensation (WC) program, which provides benefits to employees for compensable work injury or illness is the state's largest insurance program, making up over 63 percent of all claims. Incurred claims for the program have exceed $1 billion since 2007.
- General Liability is the second largest risk program. The program functions include coverage determination, investigations, liability assessment, case assessment and claim evaluation, settlement negotiation, litigation management and claim resolution. Incurred claims have exceeded $300 million since 2007.
- Risk services also included property, which protects state-owned assets from damage from various hazards and the automobile property damage program protects state-owned or leased vehicles.

Georgia State Finance and Investment Commission Managed Projects: FY 2017



Source: Georgia State Financing and Investment Commission, Annual Report, 2017

- The Georgia State Finance and Investment Commission (GSFIC)'s Construction Division managed 122 total projects in FY 2017 with a budget of $1,410,599,376.
- 59% of GSFIC managed projects are attributed to 3 educational agencies: the Board of Regents (27%), the Technical College System of Georgia (23%), and the Department of Education (9%). The remaining projects support the Department of Transportation (10%), the Soil and Water Conservation Commission (7%), and other agencies (24%).

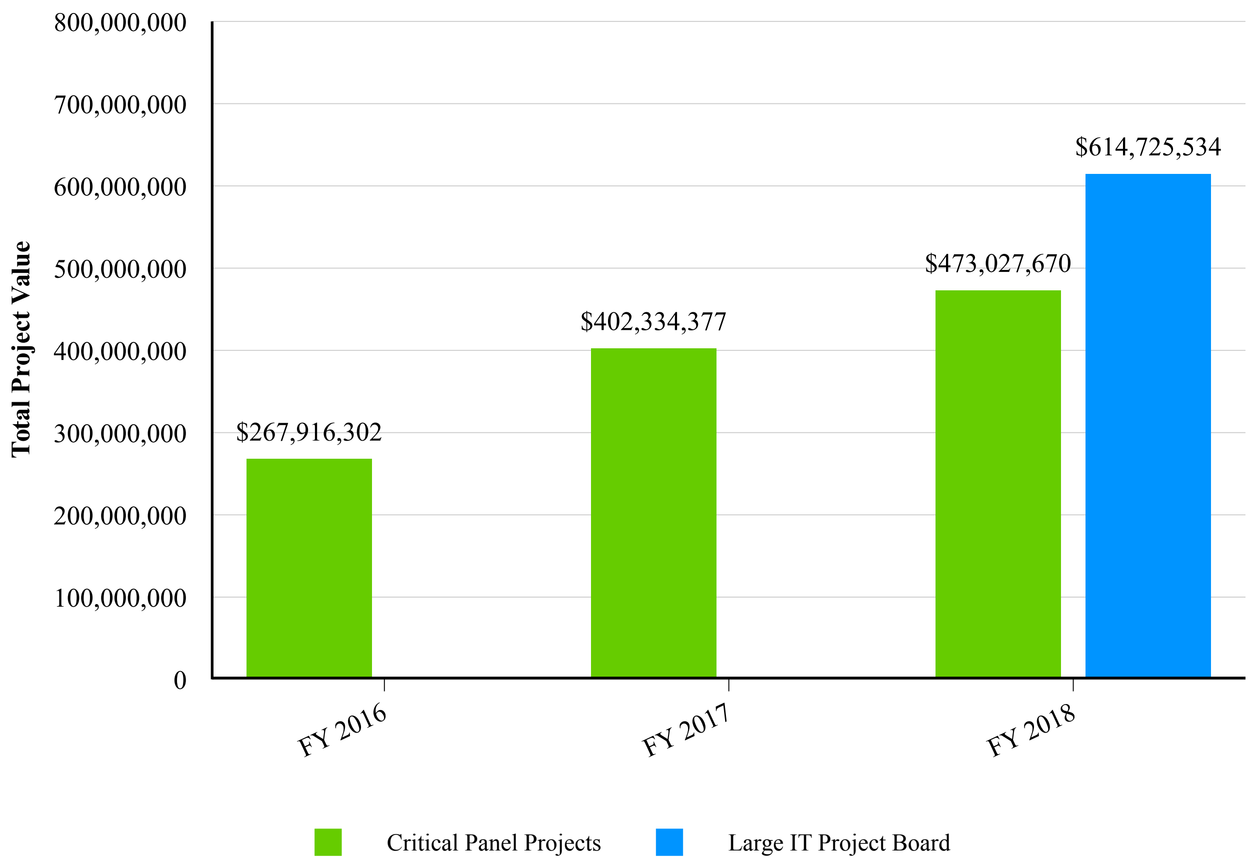
Georgia Information Technology Investments

	FY 2015	FY 2016	FY 2017
Infrastructure	$ 194,391,806	$ 196,234,783	$ 207,659,818
Network	$ 60,574,433	$ 55,690,939	$ 60,943,899
Application	$ 367,663,506	$ 411,804,706	$ 412,943,419
Other IT Costs	$ 15,761,930	$ 19,495,087	$ 18,608,889
Total IT Investment	$ 638,391,674	$ 683,225,516	$ 700,156,026

Source: Georgia Technology Authority, Annual State Information Technology Report, 2017

- The state spent more than $700 million on technology in FY 2017 compared to $683 million in FY 2016.
- The Georgia Technology Authority (GTA) manages the delivery of IT infrastructure services to 86 Executive Branch agencies and managed network services to 1,255 state and local government entities.

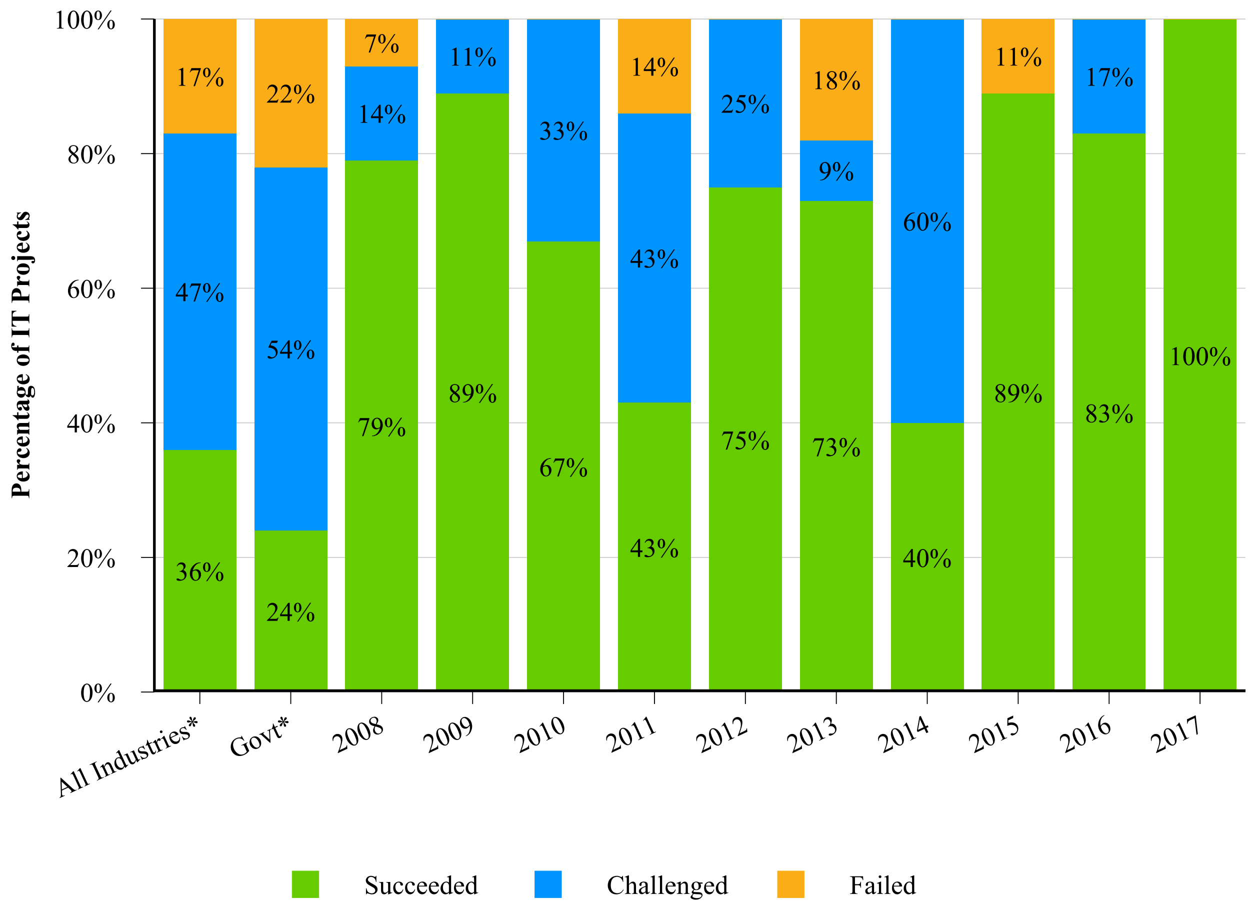
State Technology Projects Reviewed by the Georgia Technlogy Authority: FY 2016 - FY 2018



Source: Georgia Technology Authority

- The State's Critical Project Review Panel oversees high-impact, high-cost technology investments to help ensure successful outcomes.
- In 2017, the Office of Planning and Budget, Georgia Technology Authority, and the Department of Administrative Services enacted the Large IT Project Executive Decision-Making Board policy. The Large IT Project Executive Decision-Making Board oversees large IT Projects that cost at least $10 million over 5 years or that are identified as significant to the state.
- Projects reviewed in the initial year of the Large IT Project Executive Decision-Making Board included large-scale IT modernization projects at the Department of Community Health, the Department of Public Health, and the Georgia Bureau of Investigation.
- Disciplined portfolio and project management, coupled with oversight by the Critical Review Panel and project assurance, saved the state up to $102 million through cost avoidance in FY 2017.

Project Delivery Effectiveness: Georgia versus Benchmarks, FY 2008 - FY 2017



* Benchmarks

*Source: Georgia Technology Authority and *the Standish Group 2016 CHAOS Report*

- The Georgia Technology Authority (GTA) produces monthly enterprise portfolio scorecard reports.
- Continually tracking the health of the state's major IT projects helps identify potential problems and immediately take corrective actions to mitigate the risk of a failed project.
- Georgia's project delivery effectiveness compares favorably with other governmental entities and the private sector.
- In FY 2017, Georgia completed 100% of state IT projects on time and on budget. According to the Standish Group's 2016 CHAOS Report, approximately 1 in 4 (24%) government IT projects and more than 1 in 3 (36%) of all industry IT projects were completed on time and on budget.

Technology

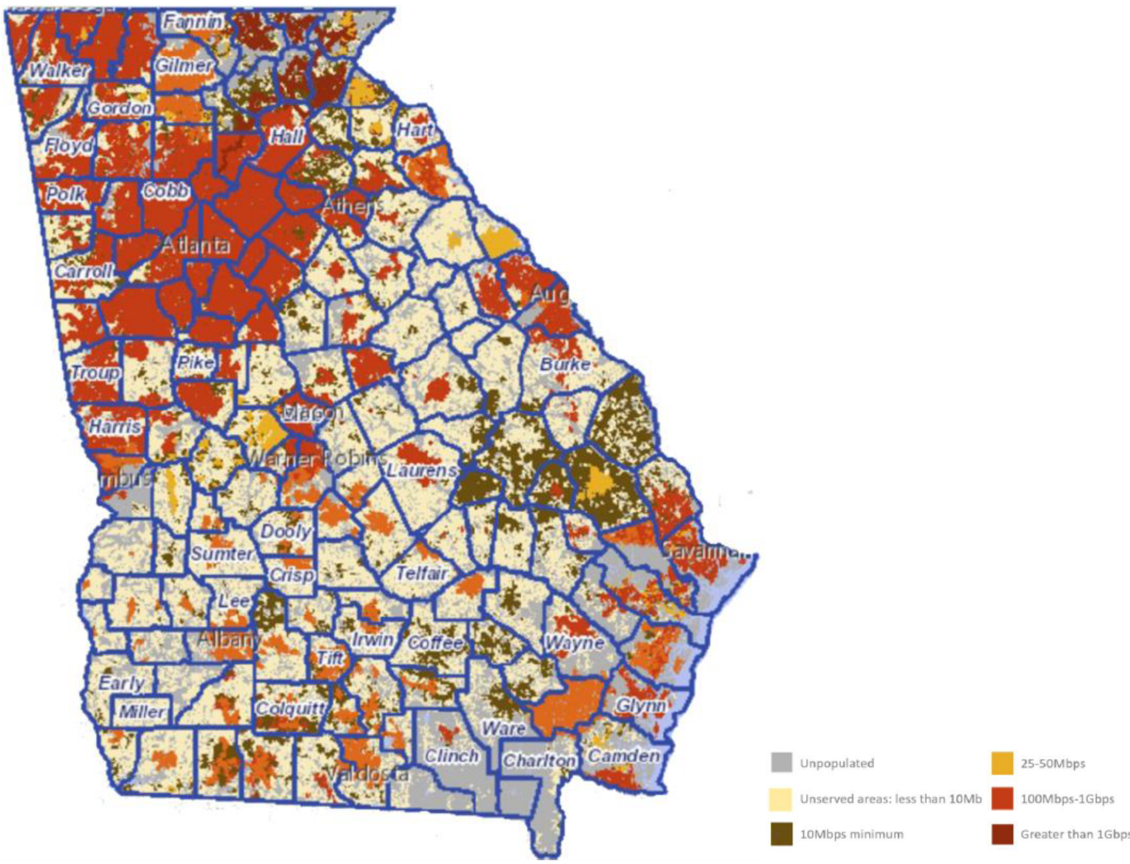
Digital States Survey Performance Grade: Southeastern States, 2014 and 2016

State	2014	2016
Alabama	C	C+
Florida	C	B+
Georgia	**A-**	**A-**
North Carolina	C+	B+
South Carolina	C+	B-
Tennessee	B+	B+

Source: The Government Technology, Center for Digital Government, Digital States Survey

- The Center for Digital Government's Digital States Performance Institute (DSPI) identifies and promotes best and emerging practices in the public sector IT community. The Digital States Survey assesses state use of information and communications technology.
- The Digital States Survey uses criteria such as an approach consistent with state priorities, return on investment, improvement, innovative solutions, and effective collaboration.
- Georgia ranked highest among the southeastern states and was among 10 states in the nation who scored an A or A- in 2016.
- Georgia won 1st place in the "Enterprise ICT" category of the survey. ICT stands for information and communication technology.
- States graded as an "A" are trending sharply up, measure results, and operate efficiently.

State of Georgia: Broadband Speed & Access



Speed Tier	Served	Unserved
3 Mbps*	3,826,700	262,600
10+ Mbps	3,724,336	364,465
25+ Mbps	3,451,200	638,100

**Mbps stands for megabits per second.*

Source: Georgia Technology Authority

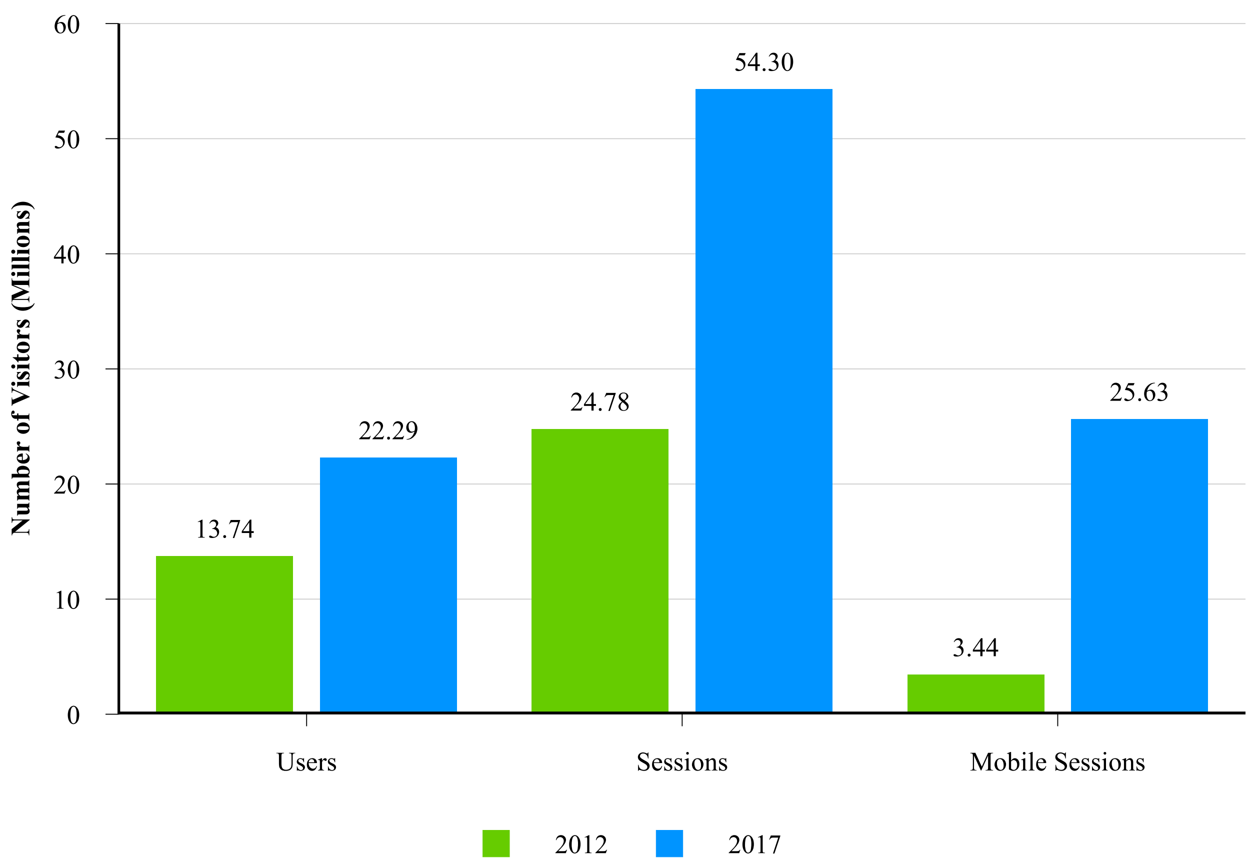
- Broadband allows users to access the Internet and Internet-related services at significantly higher speeds than those available through "dial-up" Internet access services. Broadband speeds vary significantly depending on the particular type and level of service available.

- Broadband is an enabling technology for state services. Education, telemedicine, and public safety are all greatly enhanced by broadband technology.

- The fastest advertised broadband Internet speeds tend to be in urban areas.

- Between 2015 and 2026, The Federal Communications Commission (FCC) is predicted to give $510 million from the Connect America Fund (CAF) program to eight service providers in Georgia. This money will assist these broadband service providers in expanding broadband into unserved areas of Georgia. The providers accepting the money have to provide speeds of a minimum of 10 Mbps down and 1 Mbps up to the funded locations. FCC predicts that funding will help approximately 175,000 unserved locations.

Statistics for the Digital Services Georgia Web Platform (Georgia.Gov): 2012 and 2017



Source: Georgia Technology Authority

- In 2017, the Georgia.gov platform had more than 22 million users, which is a 62% increase from 2012, and almost 140 million page views.
- Between 2012 and 2017, the number of sessions more than doubled from 24.8 to 54.30 million, and the number of mobile sessions drastically increased from 3.44 million to 25.6 million.
- A session is defined as one individual visitor who arrives at your web site and proceeds to browse. A session counts all visitors, no matter how many times the same visitor may have been to the site.