



STATE OF GEORGIA
OFFICE OF THE GOVERNOR
ATLANTA 30334-0900

Sonny Perdue
GOVERNOR

TO THE MEMBERS OF THE GENERAL ASSEMBLY

This year I am submitting one budget report to you that contains the changes recommended for the Amended Fiscal Year 2005 Budget and the recommendations for the Fiscal Year 2006 Budget. This budget reflects my priorities of protecting our children and offering them the best quality education in the world; fostering the creation of the best paying jobs in the world; and seeking greater government efficiency and effectiveness so that we spend the people's money with the same care families take with their budgets around the kitchen table.

After two years of declining revenues, Georgia's economy and revenues are recovering from the 2001 recession. Tax collections have grown 10.3% to date in FY 2005, but we are projecting a 6.5% increase for the year as a whole and 6.2% increase for FY 2006. Our revenue growth, however, is accompanied by increases in school and college enrollment; growth in demand for Medicaid services; increases in the cost of health care insurance for teachers, college faculty and state employees; and growth in the demand for most state services due to a growing population (almost 2% annually). These cost and service increases prompted me to ask all agencies to submit three budget scenarios for FY 2006: one reprioritizing their current funding level; one reflecting a 3% reduction; and one representing a 5% growth in funding. This budget proposal reflects some cuts for most agencies - items the agencies identified as lower priorities. But almost all agencies would receive more state funds for FY 2006 than they have in their current budgets.

The increased demand for services and associated costs requires us to be creative in finding ways to deliver services more efficiently and effectively. The Commission for a New Georgia has made recommendations regarding procurement, motor vehicle fleet management, human resources management, leadership development and information technology management. In order to implement these recommendations and improve the management of state government, an initial investment of \$26.4 million will be required. These investments are expected to generate over \$200 million in savings by FY 2009.

Continuing our commitment to education, which represents over half of the state's budget, I am recommending no further reductions to the education formulas in the Department of Education, Board of Regents and Department of Technical and Adult Education (DTAE). In addition, I am recommending full funding for the growth in these enrollment-driven formulas. For the QBE formula for K-12 this growth is \$139 million, for Regents \$103 million and for DTAE \$15 million. The mid-term adjustment for the QBE formula for K-12 in the Amended FY 2005 Budget is \$106 million. For FY 2006 I am recommending a 2% pay raise for all teachers, college faculty and state employees, but for K-12 and pre-K teachers, I am making the effective date of their pay raise September rather than January, returning to what I had recommended last year.

Full funding of the estimated needs of Pre-Kindergarten and HOPE are being recommended with lottery funds. For Pre-K, I am recommending \$5.3 million in the Amended FY 2005 Budget for an additional 1,750 students and \$14.7 million in the FY 2006 Budget for an additional 4,000 students. For the HOPE scholarship and grant programs, \$19.3 million is being recommended in the FY 2006 budget to meet the increased demand and cost of the HOPE program. I am also providing in my FY 2006 bond package the full \$142 million requested by the Department of Education for local school construction for 1,334 new classrooms in 43 school systems throughout the state. The bond package for education also includes \$150 million for Regents with over half of that amount being for major renovations and rehabilitation of existing facilities or research and instructional equipment. For DTAE I am recommending \$47

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million in bonds (\$19 million in new bonds and \$28 million in redirected bonds) with half of that amount for renovations, rehabilitation and equipment and the other half for new construction.

To better protect Georgia's children, I have recommended funding of \$5.4 million to begin hiring 500 new child protective service workers in the Department of Human Resources who will investigate suspected incidences of child abuse and neglect, as well as work with families whose children are at risk of entering the foster care system. I have recommended \$1.3 million to increase the rate paid to foster families, who give our foster children the love, care and guidance they so desperately need. For children with mental health and substance abuse needs, I have recommended \$2.1 million that will serve approximately 625 additional children.

Health care costs continue to grow and I have recommended increased funding for FY 2006 of approximately \$158 million for the Medicaid program - an increase of 8.7%. I have demonstrated a strong commitment to health care in this budget and have not changed any eligibility criteria. Those who are eligible for Medicaid and PeachCare this year will continue to be eligible next year if you adopt my recommendations. I have also recommended an additional \$166 million to fund the growth in the State Health Benefit Plan that provides health coverage for state employees and teachers who elect to participate. My recommendation includes savings initiatives and cost sharing so that the Plan can continue to be managed in a fiscally responsible manner and remain competitive with benefits offered by the private sector. Our teachers, state patrol troopers and, indeed, all of our state employees deserve no less.

My recommendation reflects my commitment to the elderly and developmentally disabled by increasing access to community-based services, so that those who do not want or need institutional care may choose to stay in their home. I have recommended \$3.3 million for an additional 925 waiver slots for the developmentally disabled. For Georgia's growing senior population, I have recommended approximately \$800,000 for 600 citizens who are on the home and community based services waiting list and approximately \$900,000 for Medicaid-eligible seniors for the community care services program.

Georgia needs safe and secure communities and this budget includes funding for the state's crime labs, prison bed expansion, and training Georgia State Patrol troopers. To ensure that critical criminal evidence is analyzed, the Amended Fiscal Year 2005 Budget recommendation includes \$3 million to outsource crime lab cases and my Fiscal Year 2006 recommendation includes \$1.4 million to fund 20 additional crime lab positions. My Fiscal Year 2006 recommendation keeps all current prisons open and provides \$2 million to open 4 day reporting centers and expand the D. Ray James Prison. Additionally, my bond package includes \$20 million to construct 1,152 additional beds at existing prisons. To protect drivers on our roads and highways, I have included \$1.2 million in my Fiscal Year 2006 recommendation to fund a trooper school and create a Georgia State Patrol Motorcycle Patrol unit. My proposed budget also includes funding to improve customer service for issuing driver licenses. I have included \$1.4 million for 46 additional examiner positions.

To provide the infrastructure for sustaining Georgia's economic growth and development, I am recommending \$60 million in bonds for the Georgia Environmental Facilities Authority (GEFA) for water and sewer construction loans for local governments - a \$40 million increase over last year. I am also advancing my Fast Forward program for transportation with another \$300 million for road projects and \$84 million for transit related projects focused on dealing with congestion. Since 2000, total tonnage at our ports has grown by 36% and container tonnage has grown by an outstanding 68%. Therefore, I am recommending \$65 million in bonds for projects to expand the capacity of the Georgia Ports Authority to handle this growth and to deepen and maintain both Savannah and Brunswick harbors.

I am pleased to convey these two budgets to you, since they set us on a path to a promising future for a more educated, healthy, safe and growing Georgia in what will be the best managed state in the nation.

Sincerely,



Sonny Perdue