

SR 20: GA SENATE TAX AND BUDGET REFORM PROPOSAL THE FLAWED FORMULA

SR 20 :: SPENDING LIMIT FORMULA DEFINED

- Constitutional spending limit formula :: “**population growth + state government inflation.**”
- “**Population**” is defined by the United States Census Bureau Annual Population Estimates.
- “**State Government Inflation**” is defined by the United States Bureau of Economic Analysis, *National Income and Products Accounts—Price Index for Government Consumption Expenditures and General Government Gross Output (Table 3.10.4)*.

FLAW #1 :: POPULATION

- “Population” as a government growth measure is problematic and places state programs serving vulnerable and at-risk populations in jeopardy.
- Annual population growth rates are only estimates based on the previous federal census.
- The populations served by government are different than those of the average population, such as children, elderly, and persons with disabilities.

Population Growth, FY 1991-2005 Overall vs. Specific Sub-Populations	
	Population Growth
Total Population Growth	37.9%
State Prison Population	152.6%
University and College Population	52.1%
Medicaid Recipients— <i>Low-income Seniors/Children</i>	77.8%

Note: Medicaid figure does not include PeachCare recipients since PeachCare did not exist in FY 1991. The population growth for Medicaid/PeachCare was 106.3% (1991-2005).

FLAW #2 :: STATE GOVERNMENT INFLATION

- “State Government Inflation” is indexed to national data, not to Georgia or even the region. Therefore, if the cost of living rises faster in Georgia than in other states, upward pressure is placed on the salaries needed to attract high-quality employees to public sector jobs in key areas, such as in education, law enforcement, and public health.
- By only accounting for government outputs, the measure fails to reflect what is happening in the private sector. Attracting high-quality workers often means competing with the private sector. This measure leaves state government unequipped and unprepared to recruit and retain the workforce of tomorrow.
- The government inflation index *does not include Medicaid reimbursements* to private or nonprofit hospitals and physicians and drug companies. This is problematic in that Medicaid and PeachCare represent the second largest Georgia state budget expenditures (about 12%, or \$2.3 Billion in FY 2008).

SR 20 :: A FORMULA FOR DECLINE

- SR 20 places Georgia’s budget on auto-pilot and makes it difficult to fund new or expanded state and federal mandates.
- SR 20 strips the General Assembly of its ability to fund new priorities or even the growth of certain services above the cap without harming other services.
- Spending limits do not make government more efficient, effective, or accountable.