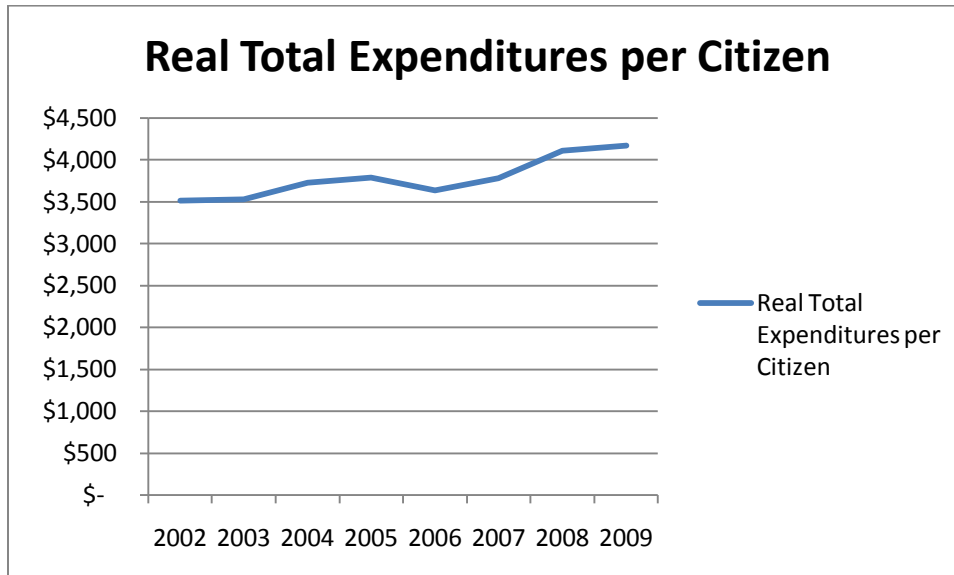


Georgia's Inflation Adjusted Expenditures per Citizen Increase nearly 20 percent in 7 Years

Figures from Georgia's Comprehensive Annual Financial Reports (2002 – 2009)¹ show that inflation adjusted² State expenditures per citizen³ have increased to \$4,191 in 2009 from \$3,512 in 2002. The sources of the increase are Medicaid, unemployment insurance, higher education, and k-12 funding. The expenditures represented in the chart below include all revenue sources – State taxes, federal grants, user fees, interest, and other revenue sources as listed in Georgia's Comprehensive Annual Financial Report – Statement of Activities table.



Georgia officials have limited control over entitlement expenditures such as Medicaid. Georgia officials set the rules for Medicaid within federal guidelines, but once a Medicaid eligible patient receives services from a health care provider, the State's Department of Community Health must issue a payment. Unemployment insurance is also considered by many to be an entitlement. Transfer payments to the unemployed increase when the economy goes down. Education funding for local school districts and contributions to higher education, on the other hand, are areas over which State officials have direct control. In recent years lawmakers have increased funding for k-12 education in response to concerns over Georgia's standing in national educational performance comparisons.

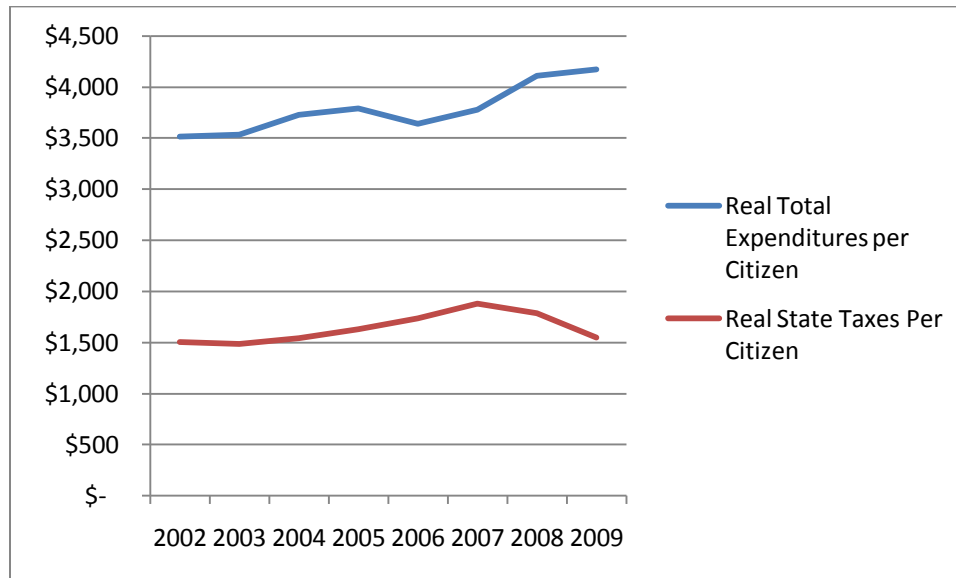
After controlling for inflation, the increase in expenditures per citizen since 2002 is approximately \$679 annually. State taxes per citizen – a proxy for the burden on Georgia citizens from taxes – were roughly the same in 2009 as they were in 2002. The tax level per citizen returned to is 2002 level only after rising during the period 2004 to 2008.

¹ Reports from 2005 to 2009 are available online at https://www.audits.state.ga.us/sgd/cafr_main.html. Report of the State Auditor, State of Georgia, 2000 – 2004. Russell W. Hinton, State Auditor.

² Inflation calculations based on GDP deflator. See GDP calculator at <http://cost.jsc.nasa.gov/inflateGDP.html>.

³ Population figures obtained from the US Bureau of the Census. See estimates at <http://www.census.gov/popest/states/>.

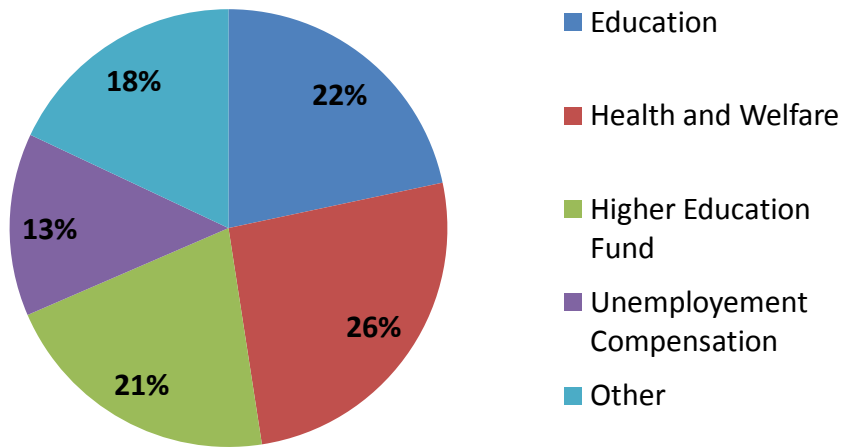
The increase in expenditures per citizen is largely composed of federal funds and user fees. Government has gotten bigger in Georgia, but not because state taxes per citizen have gone up, but because federal funds and expenditures financed through user fees have increased. The chart below shows that as expenditures continued to rise after 2007, tax collections per citizen actually declined.



Where was the money spent? The pie chart below illustrates which functions of government experienced the largest increases over the period 2002 - 2009. The largest increases are in:

- Health and welfare (mostly Medicaid)
- Education (grants to local school districts)
- Higher education (majority of revenue from tuition, fees, and grants)
- Unemployment insurance (funded through employer contributions)

What Accounts for Increase?



The bottom line: the citizens of Georgia are receiving more government in 2009 than they did in 2002, but are paying (in State taxes) the same amount they did in 2002. These extra government services are in Medicaid, k-12 education, unemployment compensation, and higher education. If lawmakers intend to keep revenues in line with expenditures, they will have to address these areas of government spending.