

## **Special Council on Tax Reform and Fairness and Proposals to Limit State Expenditures**

The GSRA January Newsletter included an article about the Special Council on Tax Reform and Fairness recommendations to let you know how the Council's recommendations would affect seniors, including GSRA members. Several meetings have been held by the legislative committee (Special Joint Committee on Georgia Revenue Structure) that was created to develop legislation to implement any tax restructuring. The House co-chair, Rep. Mickey Channell, and House Majority Leader Larry O'Neal introduced four identical bills HB 385, 386, 387, and 388 on Feb. 24. GSRA has not had a chance to read or analyze these bills.

In the meantime, the Georgia Budget and Policy Institute (GBPI) has developed [alternative options](#) for meeting the Council's objectives of changing the philosophy of taxation from income to consumption-based, increasing stability of tax revenues, and enhancing the perception of fairness for all. Several of the alternative options provide for retaining the sales tax exemption for groceries or compensating lower income citizens through credits to offset the increased tax on groceries.

Two other bills (SR 20 and HR 342) have been introduced that affect how much state leaders can appropriate for a given fiscal year. The first is Senate Resolution (SR) 20 which calls for an amendment to the State Constitution that sets a cap on the amount of revenue the state can budget each year. The Resolution provides for the state budget to be equal to either of the prior two years' spending levels or increase the previous year's spending level by a formula of population growth plus government inflation growth.

The second is House Resolution (HR) 342, which is referred to as "Taxpayer Dividend Amendment." HR 342 calls for a state constitutional amendment to provide a priority for appropriating excess revenue received in a given year over the amount appropriated for that year. It also limits expenditures from the Revenue Shortfall Reserve to one-time needs.

Both SR 20 and HR 342 limit the flexibility of state leaders to appropriate funds to meet the needs of increasing populations. The GBPI points out in an article ["Senate](#)

[Resolution 20: "What a Tax and Expenditure Limitation Would Mean for Georgia<sup>1</sup>,"](#) that there are flaws with using the "Population plus Inflation" growth factor. Basically, the growth in populations served by State Government often outpaces the overall population growth. For example, Georgia's population grew at 34% from 1996-2009, while the State prison population grew 55%, Medicaid & PeachCare Recipients grew 61% and Post-secondary Student Enrollment grew 64% during this same time period.

Simply stated, if Georgia had approved a provision like SR 20 in the nineties, the budget could have only increased by 34% plus the government inflation growth during the 14-year period. However, populations to be served increased by 55%-64% during the same period. Also, rates of inflation for health, senior, and other state services have grown faster than the index that would have been used in SR 20. In essence, if the state increased funding to serve the above populations, major budget cuts would be required in all other areas, including employee/retiree health care and pensions. Regardless of how funding would be allocated, the state's ability to deliver services would be seriously curtailed, and it would get worse over time. Formula-limited funding would result in cuts in areas including state troopers, the crime lab, parks, wildlife rangers, prisons, foster care, child protective care, teachers and highways

The best explanation<sup>2</sup> of how amendments such as SR 20 could affect a state is demonstrated by the effects on the State of Colorado, which adopted TABOR in 1992. Colorado:

- Dropped from 35<sup>th</sup> in 1992 to 49<sup>th</sup> in 2001 for K-12 funding as a percentage of income,
- Dropped from 35<sup>th</sup> in 1992 to 48<sup>th</sup> in 2001 for higher education funding as a share of income,

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<sup>1</sup> Gehl, Sara Beth. [Thoughtful Analysis-Responsible Policy](#). 2011. Georgia Budget and Policy Institute. 15 February 2011. <<http://www.gbpi.org>>

<sup>2</sup> Ibid.

- Fell from 24<sup>th</sup> to 50<sup>th</sup> in the percentage of children receiving their full vaccinations.

Services were being reduced more and more every year as a result of the TABOR funding limitations, and Colorado residents voted to suspend TABOR for five years to at least halt the continuing decline.

Adoption of either Georgia amendment that limits state leadership flexibility to meet citizens' service needs could eventually bring the same disasters to Georgia that Colorado has experienced.

You are encouraged to read the GBPI reports and to let your legislative members know that SR 20 and HR 342 are not needed and could substantially harm the State of Georgia.

## Legislative Committee Report

The General Assembly passed the 19<sup>th</sup> day of the 2011 Session on February 24, 2011. Monday, February 28<sup>th</sup> is the 20<sup>th</sup> Session day, which is the last day that non-fiscal retirement bills can be introduced in the 2011 session. Although the budget has taken "center stage" during the entire Session, there have been 357 bills and 442 resolutions introduced in the House with another 32 bills ready for reading on the 28<sup>th</sup>. Senators have introduced 151 bills and 243 resolutions through the 19<sup>th</sup> day.

The Legislative Committee has reviewed the bills for general interest and for direct impact. Several of the general interest retirement bills have been favorably reported out of the respective House or Senate Retirement Committees. Two bills (HB 293 and HB 297) that could help mitigate the effects of a bill like the "dead peasants" have been favorably reported by the House Retirement Committee.

Very few bills had been passed by the House and Senate by the 19<sup>th</sup> legislative day. However, HB 107 has already passed both legislative houses. HB 107 provides that dependents of a state employee who dies while acting within the scope of his or her state duties may continue coverage under the State Health Benefit Plan at the employee premium rate. The bill passed the House and with the help of a GSRA member, the Senate amended and

passed the bill to include all state employees rather than only state law enforcement and state highway employees.

The Legislative Committee has met with many legislators concerning the tax and spending limitation bills described in the previous article. The Committee has also discussed with legislators their sponsorship for GSRA-proposed bills for obtaining contact information from the Employees Retirement System, and for adding an advisory council for the State Health Benefit Plan. The Committee has coordinated its activities with representatives of sister organizations such as the Professional Association of Georgia Educators, the Georgia Retired Educators Association, the Georgia Child Welfare Association, 2020 Georgia and others. To date, GSRA's bills have not been introduced, but the Committee is hopeful that sponsors will yet be found for one or both of these bills.

GSRA President Bennett has requested a meeting with the new Commissioner of the Department of Community Health, David Cook, to discuss creating the advisory council. However, the Commissioner has not responded to the requests. These activities are mentioned just to demonstrate the level of activity required to gain access to the decision makers in State Government.

The following table is a version of the Legislative Bills that are of general interest. A more complete [report](#) of the bills can be viewed on the GSRA website.

## Legislative Bills of Interest, February 24, 2011

Bill Nbr.	Author/Description	Committee/Status (H=House; S=Senate)
HB 47	Ramsey, Matt 72nd; Meadows, John 5th; Maxwell, Howard 17th To authorize <b>insurers to offer</b> individual accident and sickness <b>insurance policies in Georgia that have been approved for issuance in other states.</b>	H: Insurance (1/25/10)
HB 76	Kidd, E. Culver "Rusty" 141st; Powell, Alan 29th; Epps, Bubber 140th Authorizes the Dept. of Economic Development to coordinate the development and planning of the program with other state and local groups to <b>encourage retirees and those planning to retire to make their homes in Georgia.</b>	H: Economic Development & Tourism (1/16/11)

Bill Nbr.	Author/Description	Committee/Status (H=House; S=Senate)
HB 87	Ramsey, Matt 72nd; Golick, Rich 34th; Dempsey, Katie 13th <b>"Illegal Immigration Reform and Enforcement Act of 2011"</b> ; Requires private employers to use an employment eligibility verification system and provide for civil penalties, etc.	H: Judicial Non-Civil (1/30/11)
HB 107	Ralston, David 7th; Bearden, Timothy 68th; Parsons, Don 42nd (Johnny Grant in Senate) Provides for dependents of <b>state employees who are killed</b> acting within the scope of his or her employment shall be eligible to continue health insurance at the same rate as state employees.	H: Passed House and Passed Senate as a committee substitute on 2/15/11.
HB 156	Cheokas, Mike 134 <sup>th</sup> ; Meadows, John 5 <sup>th</sup> ; Roberts, Jay 154 <sup>th</sup> ; England, Terry 108 <sup>th</sup> : Add <b>State Highway employees</b> to indemnification for partial permanent disability in the line of duty.	H: Insurance (2/7/11)
HB 182	Marin, Pedro "Pete" 96th; Requires <b>health benefit policies</b> to cover the diagnosis and treatment of <b>infertility</b> .	H: Insurance (2/9/11)
HB 183	Maxwell, Howard 17th; Meadows, John 5th; Benton, Tommy 31st Requires mandatory membership in the <b>Legislative Retirement System</b> beginning 7/1/12, and allows an irrevocable election for those who previously declined membership.	H: Retirement
HB 206	Knight, David 126th: <b>Prohibits</b> adverse action <b>against an employee reporting fraud or</b> abuse in state services.	H: Judiciary (2/10/11)
HB 214	Channell, Mickey 116th; Parrish, Butch 156th; England, Terry 108th. Establishes a <b>Department of Public Health</b> and transfers functions from the Department of Community Health	H: Health & Human Services (2/15/11)
HB 236	Maxwell, Howard 17th; Benton, Tommy 31st; Pruett, Jimmy 144th: Allows the governing authority of each county to elect either a local pension or ERS, but not both for <b>local tax commissioners</b> and other tax employees taking office after July 1, 2012. The local employer will pay the employer contribution to ERS.	H: Retirement (2/10/11)
HB 246	Johnson, Terry 37 <sup>th</sup> ; Yates, John 73 <sup>rd</sup> ; Black, Ellis 174 <sup>th</sup> : Prohibits <b>employees of ERS &amp; TRS increase in compensation</b> (including incentives and bonuses) in any year in excess of 50% of prior year's salary.	H: Retirement (2/16/11)
HB 293	Benton, Tommy 31st; Maxwell, Howard 17th; Meadows, John 5th: Amends the <b>definition of retirement fiscal bills</b> to include any bill that grants an insurable interest on lives of pension members for which the pension plan must obligate funds.	H: Retirement (2/22/11) Favorably Reported 2/23/11
HB 295	Maxwell, Howard 17th; Benton, Tommy 31st; Meadows, John 5th: Provide a method of <b>calculating accrued benefits</b> for persons subject to the Georgia State Employees' Pension and Savings Plan ( <b>GSEPS</b> ) who transfer between the Georgia ERS or TRS.	H: Retirement (2/22/11)
HB 297	Maxwell, Howard 17th; Meadows, John 5th; Benton, Tommy 31st: <b>No public retirement system shall have an insurable interest in members of such retirement system nor have authority</b> to expend or obligate funds to purchase life insurance except where all benefits are paid to the beneficiary designated by the member.	H: Retirement (2/22/11) Favorably Reported 2/23/11
HB 308	Maxwell, Howard 17th: The duties of the <b>boards of trustees of public retirement systems</b> or pension plans contained in this title are in addition	H: Retirement (2/22/11)

Bill Nbr.	Author/Description	Committee/Status (H=House; S=Senate)
	to, and not in limitation of, the common law duties of the trustee except to the extent inconsistent therewith.	
HBs 385, 386, 387, 388	Channell, Mickey 116th, O'Neal, Larry, 146th: <b>Revenue and taxation; revenue structure; comprehensive revision</b>	Not yet assigned
HR 342	Clark, Josh 98th; Cooke, Kevin 18th; Braddock, Paulette 19th: A Resolution titled a <b>Taxpayer Dividend Amendment</b> . The resolution provides for a State Constitution amendment to provide a priority for appropriating excess revenue received over that appropriated. It also limits expenditures from the Revenue Shortfall Reserve to one-time needs.	H: Budget & Fiscal Affairs Oversight (2/22/11)
SB 17	Golden, Tim 8th; Goggans, Greg 7th; Shafer, David 48th establish the <b>Special Advisory Commission on Mandated Health Insurance Benefits</b> ; to provide for review of proposed legislation containing a mandated health insurance benefit or provider;	S: Insurance & Labor (Favorably Reported a substitute– 2/15/11)
SB 35	Seabaugh, Mitch 28th; Heath, Bill 31st; Cowsert, Bill 46th: Prohibits <b>State Treasury from withdrawing funds</b> from bank accounts without the account holder's permission	S: Banking & Finance (2/3/11)
SR 20	Rogers, Chip 21st; Williams, Tommie 19th; Heath, Bill 31st: A Resolution to <b>amend the State Constitution</b> by setting a <b>cap</b> on the amount of <b>revenue the state can budget each year</b> . The Resolution provides for the state budget to be equal to either of the prior two years' spending levels or can increase over the previous year's spending level by a formula of population growth plus government inflation growth.	S: Finance (Favorably Reported – 1/27/11)
SR 29	Mullis, Jeff 53rd; Rogers, Chip 21st; Williams, Tommie 19th. A Resolution to encourage a <b>25% reduction in DOT employees</b> by 6/30/15	S: Passed Senate (2/22/11)
SR 55	Hill, Judson 32nd; Butterworth, Jim 50th; Shafer, David 48th: A resolution to amend the Constitution so as to provide that no law or rule or regulation shall compel any person, employer, or health care provider to participate in any health care system and to authorize persons and employers to pay directly for lawful health care services without penalties or fines.	S: Gov. Oversight Favorably Reported (2/10/11)

**Has Your GSRA Membership Expired? Renew Today-\$15!**

*Just go to [www.mygsra.com](http://www.mygsra.com) and point to the "Join Us" button, then click on "GSRA – Membership Renewal". Update your personal information on the next page if you need to, and then click "Submit" at the bottom. On the next page, click on "Credit Card" and follow the instructions. As a reminder, spouses are welcome and encouraged to register.*

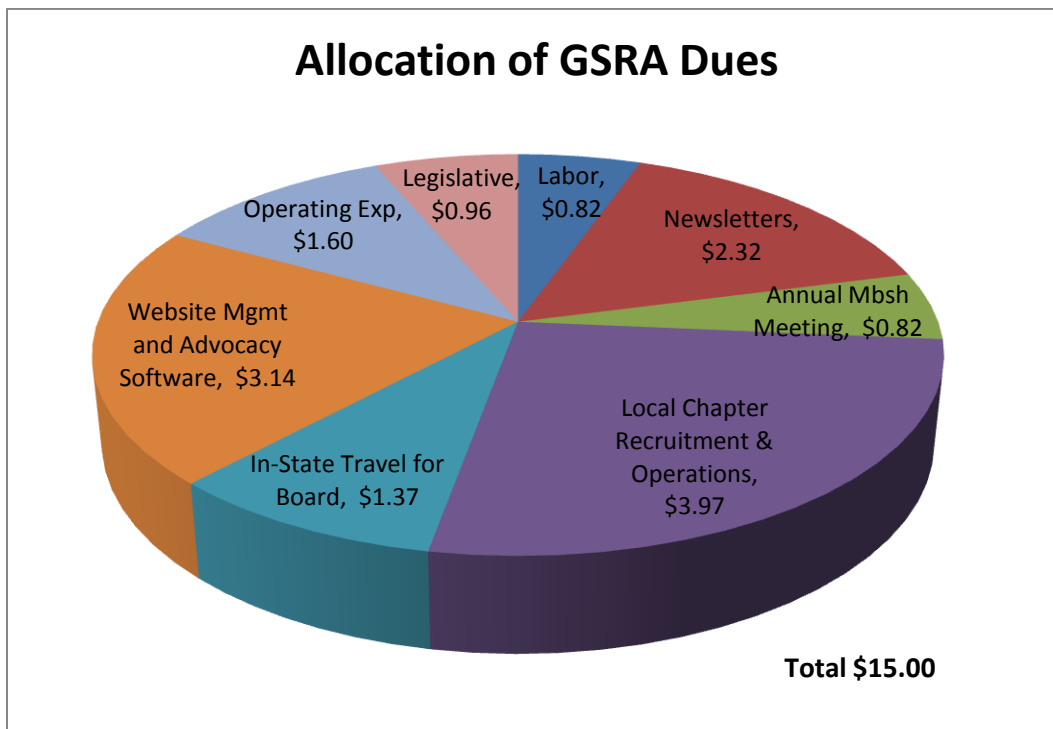
**Don't use credit cards online?**

*Just click on the "Send Check" option and follow the instructions carefully. Don't forget: Make sure your full name and mailing address, plus the words "MEMBERSHIP RENEWAL are on the check, payable to "Georgia State Retirees Association" and send the check to: **GSRA, PO Box 2391, Newnan, GA 30264.***

*If you receive GSRA newsletters by US Mail and not by computer, your membership expiration date is shown above your name on the mailing label. Please renew on time by following the check-mailing instructions above. If the expiration date shown on your mailing label is incorrect, drop a note to: **GSRA, PO Box 108, Bethlehem, GA 30620.** Keep your membership current! Don't miss out on important news and events!!*

## GSRA Dues – What Your Money Funds

GSRA members currently pay \$15.00 in annual dues to obtain and maintain their membership in GSRA. During the 4 years since incorporation, the \$15.00 and a lot of voluntary service has enabled GSRA to perform its primary functions of providing education to its members and advocacy on their behalf. From time to time, GSRA members have asked how the GSRA dues are expended and if other services could be accommodated. The chart below addresses that question.



A description of each category is as follows:

- **Labor** covers the services of a part-time contract employee to update the database and record dues paid by check. All other services are provided by volunteers.
- **Newsletters** include printing and postage costs for publishing and mailing a copy of the newsletter to members who don't have or haven't provided an email address. Although a large percentage of the budget, the newsletter is the primary vehicle for educating members and keeping them informed of significant developments and issues.
- **Annual Membership Meeting** includes all costs, e.g. conference room rental, printed materials, and bottled water, that are associated with the annual GSRA membership meeting.
- **Local Chapter Recruitment and Operations** reflects a primary strategic focus for GSRA. Expenses include items related to growing GSRA membership, as well as development of new local GSRA chapters and support for existing chapters.
- **In-state Travel** covers costs related to GSRA Board travel expenses to conduct GSRA business and participate in speaking engagements.
- **Website Management and Advocacy Software** includes expenses to maintain the GSRA website, database, and on-line receipt of dues. The category also includes expenses in connection with the new advocacy software that will make it much easier and faster for GSRA to keep members informed of issues and for members to contact their elected officials.

- **Other Operating Expenses** includes expenses for supplies, telephone, credit card transactions fees, liability insurance, and the like.
- **Legislative Expenses** includes costs associated with lobbyists' registration, hosting legislative orientation to GSRA, and various marketing activities for the legislature.
- Over the past four years, GSRA has built up a reserve of \$35,000 for future legislative or legal activities. However, the GSRA budget for 2011 was increased to \$54,850 to step-up our activities relating to legislative activities. This expenditure level will require new and

renewed memberships of around 3,900 to 4,000 during 2011.

As GSRA grows and expands the services, retirees who volunteer their services will not be able to fulfill the full range of Association business. GSRA is reaching the size and diversity that one or two part-time or full-time paid employees will be required to adequately manage the Association's activities. There are two ways that increased funding for GSRA activities can be accomplished—increased number of members and/or increased membership dues. We ask that you give thought to how you would like to see GSRA expand services and membership. You are encouraged to send suggestions to the officers, local chapter presidents, or GSRA committee members.

## Local Chapter News

### Northwest Metro Chapter:

The Northwest Metro Chapter of GSRA kicked off 2011 with a chapter meeting on February 16, at which we welcomed four new members! Increasing membership to 100 members is a strategic goal for the chapter this year and we are well on our way to meeting, if not exceeding, that goal. Chapter membership is diverse, both geographically and professionally. Many members hail from Cobb and North Fulton counties, but some travel from as far as East Point, East Atlanta, and Fayetteville to attend the quarterly meetings. Many of the founding members retired from Rehab Services, but other agencies, including the GBI, DFACS, DHR, Environmental Protection, DJJ, and DOE also are represented.

At the February 16<sup>th</sup> meeting, Bill Tomlinson of the state GSRA leadership, and chair of Legislative Advocacy, briefed members on activity at this point during the legislative session. He commended and thanked those members who made the first GSRA Day at the Capitol in January such a success.

Northwest Metro's next meeting is planned for May 18, at which time Alan Essig, Executive Director of the Georgia Policy and Budget Institute, will address the group. The Chapter holds its regular meetings at the Central Cobb County Public Library, 266 Roswell Street Southeast, Marietta. Meetings begin at 10:30 A.M. and all, regardless of county of residence, are welcome to attend.

### Northeast Metro Chapter:

The Activities Committee met and planned two upcoming events. One was a social luncheon. It is scheduled for April 27<sup>th</sup> to be held at the Golden Corral in Lawrenceville. It was agreed the members that bring in new members will receive a free GSRA coffee mug. The second event will be another GSRA Day at the Gwinnett Braves stadium to be organized around the last part of May. Last year, about 70 people attended the G-Braves game and had a great time.

The results of the member survey were discussed and the results will be shared in future meetings.

### GRE Chapter

The Georgia Retired Educators (GRE) will be having its next breakfast on April 11th at 10:00 a.m. at the Holiday Inn located at I-285 and Buford Highway in DeKalb County. All retired educators are welcome to attend. Individuals can make reservations by calling Ed Word at 678-513-4426 before noon on Wednesday, April 6th or email Ed at: [eword33@bellsouth.net](mailto:eword33@bellsouth.net). Cost of breakfast is \$10.00. Please let other DOE retirees know about GRE and invite them to come.

There will not be a formal GRE Local Chapter of GSRA meeting in April, but anyone who would like to join us for breakfast and socialization is welcome.

## ERS Bi-Monthly Board Meeting Update

The Employees Retirement System (ERS) held its bi-monthly Board of Trustees meeting on February 17, 2011. Of interest to GSRA members was the report to the Trustees by Executive Director & Secretary, Pamela Pharris. The full report can be viewed on the ERS website; however, highlights are:

- The ERS Fund asset market value continued to recover from the market downturn in 2008-2009. The asset market value increased almost 12% from \$10.9 billion as of June 30, 2010 to \$12.2 billion as of January 31, 2011<sup>3</sup>.
- Revenue being contributed to the trust fund by employees and the State shows a decline of 2-3% in contributions over FY 2010 because of a reduced number of active employees, failure to award employee salary increases, and a reduced contribution percentage for an increasing number of employees enrolled in the Georgia State Employee's Pension and Savings Plan (GSEPS).
- ERS currently distributes monthly benefits to 54,094 retirees and beneficiaries for all retirement plans administered by ERS.
- Group Term Life Insurance (GTLI) benefits in the amount of \$28,555,620 were paid to 1,180 beneficiaries of deceased members during FY 2010 and paid to 575 eligible beneficiaries totaling \$13,982,101 in the six months of FY 2011.
- On January 1, 2009, the GSEPS plan was implemented for new state employees. The Secretary's report states that **9,463 current** employees are subject to the GSEPS plan, that **86%** are actively contributing to the 401(k) Plan, and that **87%** of those contributing are participating only at **1%--the automatically enrolled percentage**.

Additionally, Director Pharris reviewed the status of current and proposed retirement legislation (see the Legislative Bills of Interest). Pharris pointed out that there are two bills, HB 293 and HB 297, that would severely limit or prohibit the so-called Dead Peasants' Bill—using pension funds to pay insurance premiums on employees/retirees lives with the State being a major beneficiary.

The annual meeting for all pension funds administered by the Employees Retirement System is scheduled for April 21, 2011, which is also the next time COLAs will be under consideration.

### Other Items of Interest

ERS recently announced that the plan administration for Peach State Reserves 401(k)/457 will be moved from ING to Hewitt on July 1, 2011. The change is for servicing Peach State Reserves, but the change will not affect the investment options.

The Northwest Georgia Regional Hospital at Rome is scheduled for closing on July 1, 2011. Patients are being moved into a community setting and the 700 employees will be terminated. Many of the employees are eligible for retirement and the ERS has provided retirement estimates for approximately 100 vested members and will be processing refunds for about 530

### Does GSRA Have Your Correct Contact Information?

Please be sure to update your email address with GSRA when it changes. Simply log in to [www.mygsra.com](http://www.mygsra.com) using your old email address and password; select "Our Members" and "My Profile", and then change your information using the "edit" feature.

If your mailing address changes, and you do not use a computer, please notify us of your new address by sending a card or letter to the address at the bottom of this page.

<sup>3</sup> Source: Secretary's Reports of August 19, 2010 and February 17, 2011.