



PUTTING PENSION COST IN CONTEXT: GEORGIA

This brief on Georgia is part of a series of state reports that compare pension obligations to subsidy spending for either FY 2018 or FY 2019, depending on data availability.

The measure chosen for pension obligation is the employer normal cost, which is the portion of the total normal cost (i.e. present value of future benefits allocated to a particular fiscal year) that is attributable to employers. The employer normal cost is obtained from annual financial statements and actuarial valuation reports – either extracted directly or calculated by: 1) multiplying covered payroll by the employer normal rate; or 2) subtracting the employee share from the total normal cost; or 3) subtracting legacy costs (i.e. annual payment needed to amortize the unfunded actuarial accrued liabilities) from actuarially determined employer contribution. Where the necessary information is not provided, the employer normal cost is estimated by multiplying the total normal cost by the actuarially determined employer contribution (rate) as a percentage of total contribution (rate).

The cost of economic development incentive programs was obtained from annual reports from economic development agencies, state tax expenditure reports, and GASB Statement No. 77 Tax Abatement Disclosures in annual financial reports. We also consider corporate tax dodging via offshore tax havens as reported by U.S. PIRG. Where data for a particular program or tax expenditure is not available for the year of study, the most recent data (but no earlier than 2016) is used as an estimate.

2019 Georgia Public Employee Pension Obligations	\$126,707,888
2019 Cost of Georgia Subsidies and Corporate Tax Breaks	\$1,178,564,200

Georgia’s public employee retirement system (ERSGA) consists of plans for state employees, public school employees (PSERS), judges (JRS), legislators (LRS), and the military (MPF). There are also separate pension funds for teachers (TRSGA) and firefighters (GFPP). The total employer normal cost for 2019 is \$126.7 million [1-6]. In recent years, teachers’ pensions have come under attack by lawmakers seeking to reduce cost-of-living adjustments and put new hires in 401(k)s. Given that in 2019 Georgia spent almost \$1.2 billion that is known on corporate incentives (plus additional undisclosed sums for some programs) and that TRSGA pension obligation is about 1/20th that cost, these moves seem drastic and unnecessary.

Indeed, the total normal cost for all of Georgia’s public retirement plans can be easily covered by reducing corporate subsidies and investing the revenue gain in the state’s pension funds. Georgia is notable for its enormous “giveaways” – i.e. large sums of tax credits and cash funds are handed out to corporations via a great number of business incentive programs. The state’s 2019 Tax Expenditure

Report estimates losing \$165 million to job creation and capital investment tax credits, \$36 million to research and development, and \$533 million to film production [7]. This massive tax expenditure for film production makes Georgia second only to New York State in subsidizing Hollywood. Retailers were allowed to keep \$82 million of the sales tax they collected as a “vendor discount” – an archaic vestige of days before cash register software automatically computed how much sales tax had been collected [7]. After taking into account the approximate \$255 million in corporate tax dodging enabled by offshore tax havens [9], Georgia’s known subsidy costs come to nearly ten times the amount needed to fulfill its 2019 public pension obligations.

Those are just the costs that we know. Georgia has an unusually strict interpretation of taxpayer privacy which causes it to hide the costs of some corporate income tax-based incentive programs. The state’s 2019 Comprehensive Annual Financial Report mentions three tax-based incentive programs under GASB Statement No. 77 on tax abatement disclosures: Tourism Development Act, Mega Project Tax Credit, and Competitive Project of Regional Significance [8]. However, the amount of taxes abated under these programs is not disclosed because the state writes, the limited number of recipients would make them potentially identifiable. Since states sometimes create a program for which only one firm can qualify, it is likely that these three programs target specific recipients rather than specific industries.

In addition, there are two non-tax incentives that seek to attract businesses to Georgia: the Economic Development, Growth, and Expansion (EDGE) Fund and the Regional Economic Business Assistance (REBA) Program, which is a kind of “deal-closing fund.” To the best of our knowledge, even the aggregate costs of these awards – much less the recipients’ names – are not made public and must be requested via open records.

Subsidy Program Costs

Economic Development Subsidies and Corporate Tax Breaks	Subsidy Amount
Quality Jobs Tax Credit [7]	\$109,000,000
Job Tax Credit + New Facilities Jobs Credit [7]	\$129,000,000
Film Tax Credit [7]	\$533,000,000
Research Tax Credit [7]	\$36,000,000
Port Activity Tax Credit [7]	\$8,000,000
Manufacturing/telecommunications Investment Tax Credit [7]	\$27,000,000
Vendor’s Discount/Compensation [7]	\$82,000,000
Economic Development, Growth, and Expansion (EDGE) Fund*	<i>Not disclosed</i>
Regional Economic Business Assistance Program*	<i>Not disclosed</i>
Georgia Tourism Development Act [8]	<i>Not disclosed</i>
Mega Project Tax Credit [8]	<i>Not disclosed</i>
Competitive Project of Regional Significance [8]	<i>Not disclosed</i>
Corporate tax dodging via offshore havens [9]	\$254,564,200
TOTAL	\$1,178,564,200

* Information obtained from Georgia Department of Community Affairs website:

<https://www.dca.ga.gov/community-economic-development/funding/onegeorgia-authority/edge-fund>

<https://www.dca.ga.gov/community-economic-development/funding-programs/regional-economic-business-assistance-reba>

Source Documents

(Accessed February 8, 2020)

- [1] Teachers Retirement System of Georgia. 2019. "Comprehensive Annual Financial Report: Fiscal Year Ended June 30, 2019." https://www.trsga.com/uploads/CAFR_2019.pdf.
- [2] Employees' Retirement System of Georgia. 2019. "Comprehensive Annual Financial Report: Fiscal Year Ended June 30, 2019." <https://www.ers.ga.gov/sites/main/files/file-attachments/cafr2019.pdf?1575307198>.
- [3] Employees' Retirement System of Georgia. 2016. "Georgia Public School Employees Retirement System: Report of the Actuary on the Valuation Prepared as of June 30, 2016." https://www.ers.ga.gov/sites/main/files/file-attachments/04-20-17_ga_psers_6-30-2016_valuation_report_final.pdf?1510871702.
- [4] Employees' Retirement System of Georgia. 2016. "Georgia Judicial Retirement System: Report of the Actuary on the Valuation Prepared as of June 30, 2016." https://www.ers.ga.gov/sites/main/files/file-attachments/04-20-17_ga_lrs_6-30-16_valuation_report_final.pdf?1510890912. https://www.ers.ga.gov/sites/main/files/file-attachments/04-20-17_ga_jrs_6-30-2016_valuation_final_pdf.pdf?1510958378.
- [5] Employees' Retirement System of Georgia. 2016. "Georgia Legislative Retirement System: Report of the Actuary on the Valuation Prepared as of June 30, 2016." https://www.ers.ga.gov/sites/main/files/file-attachments/04-20-17_ga_lrs_6-30-16_valuation_report_final.pdf?1510890912.
- [6] Employees' Retirement System of Georgia. 2016. "Georgia Military Pension Fund: Report of the Actuary on the Valuation Prepared as of June 30, 2016." https://www.ers.ga.gov/sites/main/files/file-attachments/04-20-17_gmpf_valuation_report_06302016_finalpdf.pdf?1511293343.
- [7] Fiscal Research Center, Georgia State University. 2017. "Georgia Tax Expenditure Report for FY 2019." <https://opb.georgia.gov/document/tax-expenditure-reports/tax-expenditure-report-fy-2019/download>.
- [8] Georgia State Accounting Office. 2019. "Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019." <https://sao.georgia.gov/document/document/2019comprehensiveannualfinancialreportpdf/download>.
- [9] U.S. PIRG Education Fund. 2016. "Picking up the Tab 2016: Small Businesses Bear the Burden for Offshore Tax Havens." <https://uspirg.org/sites/pirg/files/reports/USP%20PickTab%20Nov16%201.0.pdf>