



FISCAL RESEARCH CENTER

Options for Funding Trauma Care in Georgia

Peter Bluestone
Robert D. Buschman

**Fiscal Research Center
Andrew Young School of Policy Studies
Georgia State University
Atlanta, GA**

**FRC Report No. 186
October 2008**



ANDREW YOUNG SCHOOL
OF POLICY STUDIES

Acknowledgments

The authors would like to thank David Sjoquist and John Matthews for their valuable comments on this report. All errors or omissions, though, remain the responsibility of the authors.

Table of Contents

Acknowledgments.....	ii
Introduction.....	1
Overview of Dedicated Funding for Trauma Care in Other States.....	2
Tag Fee.....	3
Insurance Premium Tax	6
Income Tax Surcharge	8
State Property Tax.....	10
Moving Violation Tickets Surcharge.....	12
Conclusions.....	16
Appendix.....	19
References.....	20

Introduction

The funding of trauma care in Georgia is at a crossroads. In the 2008 legislative session a \$10 automobile tag fee, estimated to raise approximately \$73 million, was considered to fund trauma care. While the legislation did not pass, the state did allocate approximately \$58 million to fund the Georgia trauma care system for a year. It is unclear how the state plans to fund trauma care in the future. This report examines several options for funding trauma care through dedicated revenue sources, with the objective of raising approximately \$100 million. We choose \$100 million as a target amount because it has been mentioned in the popular press and by the legislature; we make no assertions as to whether \$100 million is an appropriate funding level for trauma services.

A dedicated funding source for services like trauma care has the advantage of insulating critical public expenditure programs from volatility in general revenues and short-term budgetary issues. This insulation from volatility in revenue is also a potential shortcoming: such a dedicated revenue mechanism does not allow for flexibility should legislative priorities or state fiscal conditions change. Because of this lack of flexibility or ability of the legislature to easily modify funding, the reliability of the revenue stream is an important consideration in evaluating dedicated funding alternatives.¹

We examine seven potential options for funding trauma care:

- an increase in the ad valorem portion of the automobile tag fee,
- a flat fee automobile tag surcharge,
- an insurance premium tax increase, a property tax increase,
- a flat fee income tax surcharge, an increase in the income tax rate,
- a moving violations and driving under the influence of alcohol or drugs surcharge.

¹ We offer no analysis or opinion on the benefits of funding trauma care in Georgia through dedicated revenue sources versus using general revenue.

These options were chosen based on the experiences of other states as well as general policy considerations.

The seven recommendations for funding trauma care are discussed in order of preference based loosely on several factors. These factors include: the amount of the surcharge or rate of increase required to raise the desired revenue; how broad the base of potential payers of the dedicated revenue source is likely to be; whether the revenue source can be expected to grow to keep pace with spending needs; whether the increased fee or tax will likely distort consumer behavior; the ease of collecting the revenue; and whether the activity on which the tax or fee is levied is in some way related to the need for trauma care. We find that the flat fee automobile surcharge is the preferred revenue raising method based on the above criteria, followed by the increase to the ad valorem portion of the automobile tag fee. Our least-preferred alternative is the moving violation surcharge.

In what follows, we give a brief overview of how trauma care is funded in other states, followed by a discussion of each funding option. Where possible, we examine the burden of the selected funding mechanisms on the five high population density metropolitan Atlanta counties of Clayton, Cobb, DeKalb, Fulton, and Gwinnett to gauge whether the likely payers of the surcharge are urban or rural residents of the state. We refer to these five counties as the Metro Atlanta Five Core Counties in the remainder of the report. We also try to determine how the surcharge might affect people in different socioeconomic groups.

Overview of Dedicated Funding for Trauma Care in Other States

The funding of trauma care varies from state to state. Some states fund successful trauma care programs using only general funds, such as New York, while other states use some form of dedicated revenue. As our stated goal is to examine dedicated sources of revenue for trauma care, we list different funding sources utilized by states in Table 1 (for a more detailed review see Yamaguchi 2006; Pfohman and Criddle 2004; and Radican-Wald 2007).

Options for Funding Trauma Care in Georgia

TABLE 1. TRAUMA CARE FUNDING OPTIONS
(Dedicated Funding Sources in Other States)

Funding Source	Fees/Taxes Applied	States Using
Motor Vehicle Registration	\$1 to \$11 per vehicle	CO, IN, MD, MS, NM, WA
Motorcycle/ATV Sales	\$50 per vehicle sold	MS
Traffic Infractions	\$1 to \$20 per infraction	CA, FL, IL, MS, PA, RI, TX, WA
DUI	\$25 to \$100 per citation	IL, MS, TX, VA
Property Taxes	\$0.03 per \$100 assessed value	MO
911 Phone Tax	\$0.25 to \$0.50/line per month	OR, TX
Cigarette Tax	\$0.02 to \$0.60 per pack	AZ, TN (part of tax also dedicated in OK)

States often try to link the dedicated source of funding to an activity that relates to trauma care. For instance, six states have a surcharge on motor vehicle registration, while eight states have a surcharge on traffic infractions, and four states have a surcharge on driving under the influence of alcohol or drugs (see Table 1). Other states raise revenue from activities seemingly unrelated to trauma care. For instance, Missouri uses a dedicated property tax, while three states tax cigarettes. We did not find a state that employed any type of income tax surcharge or used an insurance premium tax to fund trauma care; however, three of the seven options we discuss are used in other states. We examine these options next.

Tag Fee

A general way to raise money for trauma care is to add a surcharge to the state automobile tag fee. This could be done in two ways. The state could charge an additional flat fee, like the \$20 tag fee, or the state could increase the current ad valorem tax rate. We examine both methods.

Options for Funding Trauma Care in Georgia

One method for assessing a surcharge on motor vehicles would be to raise the current ad valorem tax rate and dedicate the additional revenue to trauma care. To estimate the additional rate necessary to raise approximately \$100 million, we use the county consolidation sheets from 2007. The total value of all motor vehicles in Georgia in 2007 was approximately \$22.5 billion (Fiscal Research Center 2008). Charging an additional 0.45 percent ad valorem fee would yield approximately \$100 million (see Table 2).

TABLE 2. TAG AD VALOREM FEE REVENUE

Tag Fee Percent	Total Motor Vehicles Revenue from Surcharge
0.25%	\$56,323,768
0.35%	\$78,853,275
0.45%	\$101,382,782
0.50%	\$112,647,536
Total Motor Vehicle Value:	\$22,529,507,106
5 Atlanta Core Counties ^a	
Total Motor Vehicle Value:	\$8,341,428,815

^aClayton, Cobb, Dekalb, Fulton, Gwinnett.

The value of the motor vehicles in the Metro Atlanta Five Core Counties was approximately \$8.3 billion in 2007, approximately 37 percent of the statewide total. Thus, we would expect the Metro Atlanta Five Core Counties to contribute approximately 37 percent of the total ad valorem motor vehicle surcharge. As the surcharge is tied to the value of motor vehicles it would likely rise as the cost of motor vehicles increased. This form of surcharge is not overly regressive as wealthier people tend own higher valued vehicles. We would expect the base of potential payers of this surcharge to be fairly large; in 2000 there were 3.03 million occupied housing units in Georgia at which there was at least one vehicle (Cooperative Extension Service, University of Georgia 2008).

It is also possible to charge a flat tag fee surcharge. We again use the 2007 consolidation sheets to estimate the automobile tag fee necessary to generate

Options for Funding Trauma Care in Georgia

approximately \$100 million in state revenue. According to the consolidation sheets there were 7,343,459 motor vehicles in Georgia in 2007 (Fiscal Research Center 2008). To generate \$100 million, Georgia would need a flat tag fee of approximately \$14 levied on all vehicles. (see Table 3).

TABLE 3. TAG FEE REVENUE

Tag Fee	Total Motor Vehicles Revenue from Surcharge
\$5	\$36,717,295
\$10	\$73,434,590
\$14	\$102,808,426
\$15	\$110,151,885
Total Motor Vehicles:	7,343,459
5 Atlanta Core Counties ^a	
Total Motor Vehicles:	2,205,578

^aClayton, Cobb, Dekalb, Fulton, Gwinnett.

County level data exist for vehicle counts, thus we can estimate the burden of the surcharge on each county. The Metro Atlanta Five Core Counties accounted for approximately 30 percent of all vehicles and 37 percent of all passenger cars. Thus, we would expect that the tag surcharge to be borne by these counties in a similar proportion (see Table 3).

The flat fee surcharge is somewhat regressive as it is the same per automobile regardless of income. We expect wealthier households to pay a larger share of the surcharge as these households likely own more automobiles. The revenue collected from the surcharge will rise as the number of automobiles in Georgia increases, but not increase as prices rise.

Both types of automobile tag fees share similar benefits. The ad valorem surcharges as well as the flat tag fee are a relatively small portion of the price of automobile ownership; we do not expect it to distort automobile ownership significantly. As the state currently has a system in place to collect the flat tag fee as well as the ad valorem fee, adding the surcharge should cause a minimal amount of additional administrative expense. Either type of automobile tag fee is highly related

Options for Funding Trauma Care in Georgia

to trauma care; it is estimated in Georgia that approximately 50 percent of all trauma cases are the result of automobile accidents (The Georgia Hospital Association Research and Education Foundation 2004). In order to rank these two alternatives, we examined the growth rate in automobile value as well as the growth rate in the number of automobiles. Trauma care expenses are likely to grow at least at the rate of inflation. In the period 2000 to 2006 consumer prices as measured by the CPI rose by 17 percent. For the same period the value of all motor vehicles in Georgia rose by approximately 9 percent while the number of motor vehicles increased by approximately 19 percent. Because the number of automobiles appears to be growing faster than the value of all automobiles, we rank the flat tag fee option first and the ad valorem tag fee second.

Insurance Premium Tax

Current Georgia law requires insurance companies doing business in Georgia to pay a tax of 2.25 percent of gross premiums collected, excluding premiums on annuities and high deductible health plans, per Georgia Code §33-8-4. As detailed in Table 4 below, state insurance premium tax revenue was approximately \$343 million in FY2006 and the Office of Planning and Budget estimates FY2008 revenue from this tax at almost \$365 million. Projecting premium tax revenues to FY2010 at the estimated 2006-2008 growth rate of 3.13 percent and dividing by the tax rate of 2.25 percent, we estimate the implied taxable premiums for 2010 at \$17.24 billion. At this level of premiums, the rate of taxation required to achieve \$100 million of revenue for trauma care funding is approximately 0.58 percent. For comparison, we also estimate revenues for prior years as if the tax was in effect then.

Options for Funding Trauma Care in Georgia

TABLE 4. STATE INSURANCE PREMIUM TAX REVENUES & HYPOTHETICAL TRAUMA CARE TAX

FY	Insurance Premium Tax Revenue	Yr-to-Yr % Growth	Implied Taxable Premiums (@2.25%)	Hypothetical Trauma Care Tax Rev @ 0.58% *
2006	342,982,442		15,243,664,089	88,413,252
2007 Est	353,176,375	2.97%	15,696,727,778	91,041,021
2008 Est	364,771,665	3.28%	16,212,074,000	94,030,029
2009 Proj	376,179,997	3.13%	16,719,110,999	96,970,844
2010 Proj	387,945,129	3.13%	17,242,005,718	100,003,633

Projections at avg 2006-2008 growth rate.

* Rate required to generate \$100 million 2010 revenues.

2003-2008 revenue data from Budget In Brief, Office of Planning & Budget.

The geographic distribution of the burden of this hypothetical tax would depend on the value of taxable premiums by county, for which data are not available. Assuming the burden is roughly proportional to population, about 36 percent of the burden would fall on the Metro Atlanta Five Core Counties.

Alternatively, the dedicated tax could be charged on automobile and truck insurance premiums only. According to the Insurance Information Institute (“III” 2008), insurance premiums on private passenger cars and commercial vehicles in Georgia in 2006 totaled approximately \$6.4 billion (III Insurance *Factbook*). Projecting that total at 3 percent annual growth rate yields a 2010 estimated total of \$7.2 billion in private vehicle insurance premiums. To generate \$100 million of dedicated revenue would require an additional 1.39 percent premium tax. According to the III, average insurance premium on passenger cars in Georgia was about \$784 in 2005 (Insurance Information Institute 2008). Applying the 1.39 percent added tax and assuming premium growth of 3 percent p.a., the average passenger car owner would pay an additional \$12.64 on an average \$909 premium without this tax.²

² This estimate projects growth in premiums into the year 2010. The estimate for the automobile tag fee revenue is based on 2007 data only and does not make any projections based on future vehicle ownership.

Options for Funding Trauma Care in Georgia

An added insurance premium tax for trauma funding would also have a broad base of payers and would tend to grow with both the number of policies written and with the general rise in insurance rates, both of which should be correlated with trauma care spending. Revenues from the tax, as a percentage of premiums, would tend to grow with needs without further action to increase the tax rate. In addition, as a significant portion of the tax would be collected on automobile insurance, the base is related to trauma care more directly. Finally, because the tax is an addition to one already being collected, it should require minimal incremental administrative costs.

A shortcoming of the broad-based insurance premium tax is that it would be charged on types of insurance that are not as directly related to trauma care such as homeowners. Perhaps most significantly, Georgia's existing premium tax is already high relative to most other states once local premium taxes are included. As estimated by Grace, Sjoquist and Wheeler (2008), the combined Georgia state and local premium taxes on property and casualty policies result in an effective tax rate of 3.21 percent of premiums compared to an average of 2.33 percent for states imposing such a tax. Nominal tax rates applicable to Georgia property and casualty policies are also higher than those of all neighboring states. For this reason, we rank this option third.

Income Tax Surcharge

Another potential source of trauma revenue is an income tax surcharge. A provision for a voluntary income tax contribution was considered by the Trauma Care Study Committee in 2006. We examine two methods of assessing an income tax surcharge, an increase in the tax rate and a flat fee.

We first examine increasing the income tax rate with the additional revenue dedicated to trauma care. In 2005 Georgia residents had net taxable income of approximately \$129 billion. An additional income tax surcharge of 0.077 percent would yield approximately \$100 million for trauma care (see Table 5).

Options for Funding Trauma Care in Georgia

TABLE 5. INCOME TAX PERCENT SURCHARGE REVENUE

Income Tax Percent Surcharge	Surcharge Revenue
0.050%	\$64,530,000
0.075%	\$96,795,000
0.100%	\$129,060,000
Total State Net Income 2005 approx. \$129 billion	
5 Atlanta Core Counties ^a	
Total Income Tax Liability 2005:	\$2,925,393

^aClayton, Cobb, Dekalb, Fulton, Gwinnett.

For the average taxpayer in Georgia with income of over \$30,000 but less than \$50,000, this surcharge would amount to approximately \$19. The Metro Atlanta Five Core Counties had an income tax liability of approximately \$2.9 billion, which represents approximately 47.5 percent of the state total in 2005. We would expect the Metro Atlanta Five Core Counties to have similar levels of contributions to the trauma surcharge.

Another option to raise funds for trauma care would be to add a flat surcharge to the state income tax. Approximately 3.8 million income tax returns were filed in Georgia in 2005. To generate approximately \$100 million, the income tax surcharge would have to be approximately \$26 per return (see Table 6).

TABLE 6. INCOME TAX SURCHARGE REVENUE

Income Tax Surcharge	Surcharge Revenue
\$10	\$38,356,600
\$15	\$57,534,900
\$20	\$76,713,200
\$25	\$95,891,500
\$26	\$99,727,160
\$30	\$115,069,800
Total Income Tax Returns Filed In 2005:	3,835,660
5 Atlanta Core Counties ^a	
Total Income Tax Returns Filed In 2005:	1,254,242

^aClayton, Cobb, Dekalb, Fulton, Gwinnett.

Options for Funding Trauma Care in Georgia

The Metro Atlanta Five Core Counties would generate approximately 33 percent of the trauma surcharge funds based on the number of income tax returns filed in those counties.

A percentage surcharge has several benefits over a flat fee surcharge. A percentage income tax surcharge would be less regressive than the flat fee income tax surcharge. Those Georgians with incomes less than the \$15,000 would pay approximately 8 percent of the total surcharge, while those with incomes over \$100,000 would pay approximately 49 percent of the surcharge. The percent surcharge would also likely keep pace with expected growth in trauma care costs better than the flat fee would.³

The primary shortcoming of both types of income tax surcharges compared to the automobile tag fee is that the income tax surcharges are not linked to trauma care. Because of this deficiency, we rank the percentage income tax surcharge fourth and the flat fee income tax surcharge fifth.

State Property Tax

Increasing the state property tax is another option to raise dedicated revenue for trauma care. In fiscal year 2007 Georgia collected approximately \$74,716,000 in state property tax. The state would have to increase property tax collections by approximately 134 percent to raise the approximately \$100 million in additional funds for trauma care. This would require increasing the current millage rate of 0.25 mills to approximately 0.60 mills (see Table 7).⁴ Of course the state could dedicate its existing property tax to trauma care, in which case the millage rate would have to increase to 0.35 mills.

³ An inequity in any income tax surcharge plan is that those that are single or file separately incur a greater share of the surcharge than those that file jointly or as a head of a household. In 2005 approximate 40 percent of all returns were single or filed separately.

⁴ The property tax rate is usually expressed in mills, which are dollars per thousand. To express the tax as a percentage rate it must be expressed as dollars per hundred. Thus, a tax rate of 0.25 mills is the same as a tax rate of 0.025 percent.

Options for Funding Trauma Care in Georgia

TABLE 7. REVENUE RAISED THROUGH STATE PROPERTY TAX INCREASE

Millage Rate Increase In Mills	----Net GA General Property----	
	Assessed Value	Revenue
0.15	\$306,320,229	\$45,948,034
0.25	\$306,320,229	\$76,580,057
0.35	\$306,320,229	\$107,212,080
<hr/>		
Property tax collections FY 2007	\$74,716,000	
Current millage rate	0.25	
Future millage rate	0.60	
<hr/>		
5 Atlanta Core Counties	-----Net General Property-----	
	Assessed Value	% GA Total
Clayton	\$7,401,862	2.4%
Cobb	\$28,102,924	9.2%
DeKalb	\$24,383,692	8.0%
Fulton	\$45,751,370	14.9%
<u>Gwinnett</u>	<u>\$28,567,101</u>	<u>9.3%</u>
Total	\$134,206,949	43.8%

This property tax increase is estimated to put the greatest burden on urban areas. The Metro Atlanta Five Core Counties have approximately 44 percent of Georgia net general property assessed value in calendar year 2006 (see Table 7). Thus we would expect these counties to pay approximately 44 percent of the additional property tax needed to fund trauma care.

The proposed new millage rate for the state of 0.60 mills would likely have a minimal impact on property owners as the state's millage rate is a small portion of the overall property tax burden. The weighted average property tax rate in Georgia in 2006 was 30.8 mills (Sjoquist and Winters 2008).⁵ Thus, it is not likely that the increase in property tax would cause many people to change their current housing consumption. The higher property tax would collect more revenue from higher valued homes, usually owned by wealthier families. A greater share of the burden of

⁵ This overall property tax burden was calculated by dividing total property taxes levied by the property tax base, net of exemptions, for the State property tax (Sjoquist and Winters 2008).

Options for Funding Trauma Care in Georgia

the higher property tax on the nonresidential portion of the digest would also likely fall on wealthier individuals that own the commercial property or stock in the company that owns the commercial property. It is possible that the revised state millage rate could put a strain on the budget of a low income homeowner. However, the low income elderly would likely not be affected as they are eligible for the 100 percent state exemption at age 65. As the state already collects property tax, the increased rate for trauma care should add only minimal administrative expense.

Several characteristics of the property tax make it poorly suited as an option to fund trauma care. The 2000 Census estimated that there are approximately 2.03 million owner occupied houses in Georgia. This figure includes property owners over 65 who are exempt from paying state property tax, thus the actual residential base of contributors is less than 2.03 million. This base is likely to be smaller than the automobile tag fee. In addition the ownership of real property has little connection to trauma care. Because of these deficiencies, we rank the property tax option for funding trauma care sixth.

Moving Violation Tickets Surcharge

Several states have added a surcharge to tickets for moving violations such as speeding, reckless driving, DUI, and running red lights to fund trauma care. It is difficult to get good estimates for the number of moving violations tickets issued in Georgia. Part of the problem is that issuing moving violation citations falls to different government entities depending on where the road is located. If the road is located within a municipality, local traffic ordinances as well as state ordinances are enforced by municipal police, and tickets are usually adjudicated through the municipal court. If the road is in an unincorporated area, county and state traffic ordinances are enforced by county police, county sheriff departments, or state troopers. These tickets are likely adjudicated in state courts.

To estimate the number of traffic tickets in Georgia, we use data from the Judicial Council of Georgia Administrative Office of the Courts for 2006, Department of Driver Services data from 2005, as well as revenue generated by the

Options for Funding Trauma Care in Georgia

trauma traffic ticket surcharge program in Illinois. In 2006, Georgia had 863,777 traffic cases filed in municipal and state courts.

The 863,777 traffic cases filed in Georgia courts likely represent only a fraction of total tickets issued in Georgia, as many people mail in their traffic citations without filing a court case. Data on total moving violation tickets issued in Georgia is difficult to attain.⁶ However, using the revenue from Illinois' similar program, we can get a rough estimate of the total moving violation tickets issued in Georgia in 2006 of approximately 2.06 million (for details see Appendix). Using this estimate of total moving violation tickets, we estimate the amount of revenue raised with different ticket surcharges ranging from \$5 to \$50 in Table 8.

TABLE 8. MOVING VIOLATIONS SURCHARGE REVENUE

Estimate of GA Total Moving Violations	1,545,000	2,060,000	2,575,000
Surcharge	Surcharge Total Revenue	Surcharge Total Revenue	Surcharge Total Revenue
\$5	\$7,725,000	\$10,300,000	\$12,875,000
\$10	\$15,450,000	\$20,600,000	\$25,750,000
\$15	\$23,175,000	\$30,900,000	\$38,625,000
\$20	\$30,900,000	\$41,200,000	\$51,500,000
\$25	\$38,625,000	\$51,500,000	\$64,375,000
\$30	\$46,350,000	\$61,800,000	\$77,250,000
\$40	\$61,800,000	\$82,400,000	\$103,000,000
\$50	\$77,250,000	\$103,000,000	\$128,750,000

For instance, if Georgia charged a \$5 surcharge per ticket, revenue would be approximately \$10.3 million annually. Georgia would have to add a surcharge of almost \$50 per moving violation ticket to raise the approximately \$100 million necessary for trauma care. Georgia possibly issues more or fewer moving violation

⁶ We greatly appreciate Jennifer Ammons from the Department of Driver Services sending us a copy of a table summarizing the number of 2005 convictions for several types of moving violations and DUIs. In 2005 there were 300,147 convictions for the moving violations of speeding over 70 mph, driving without insurance, and seatbelt infractions. The table does not include other offenses such as: stop sign violations, running red lights, or citations for violation of local speed limits. Thus, we still must estimate total moving violations.

Options for Funding Trauma Care in Georgia

tickets per capita than Illinois. Thus, we examine the amount of revenue raised if Georgia issued 25 percent more and 25 percent fewer moving violation tickets than 2.06 million. If Georgia issued 25 percent more moving violations, a ticket surcharge of \$40 would still be necessary to generate approximately \$100 million. If Georgia issued 25 percent fewer moving violations, a ticket surcharge of \$50 would yield approximately \$77 million (see Table 8).

Table 9 estimates the revenue generated from a surcharge on DUI convictions. We use the 31,779 DUI convictions in 2005 from the Department of Drivers Services data as a starting point to estimate potential revenue generated by a DUI surcharge. We assume that the amount of future DUIs might fluctuate around this number, thus we estimate revenue if the number of DUIs decreased by 25 percent or increased by 25 percent. We also use a range of surcharges from \$100 to \$200. Assuming 31,779 of DUI convictions in 2005, and a \$100 surcharge, Georgia would generate approximately \$3.2 million in revenue for trauma care. If the assumed number of DUIs was increased by 25 percent and a \$200 surcharge was in place, Georgia would generate approximately \$7.9 million. If the assumed number of DUIs was decreased by 25 percent and a \$200 surcharge was in place, Georgia would generate approximately \$4.8 million.

TABLE 9. DUI SURCHARGE REVENUE

	-----Surcharge Revenue-----		
	25% Decrease DUI Tickets	2005 DUI Tickets	25% Increase DUI Tickets
Estimated DUIs	23,834	31,779	39,724
DUI Surcharge			
\$100	\$2,383,425	\$3,177,900	\$3,972,375
\$150	\$3,575,138	\$4,766,850	\$5,958,563
\$200	\$4,766,850	\$6,355,800	\$7,944,750

Using monthly total traffic ticket filings in all Georgia courts, we can get a rough estimate of the distribution of the burden of the ticket surcharge. The Metro Atlanta Five Core Counties generated approximately 32 percent of all filed cases in

Options for Funding Trauma Care in Georgia

June 2007 (Administrative Office of the Courts 2007). Thus, we expect that the moving violation surcharge would be distributed in a similar manner. It is not possible to ascertain how many Georgians are actually receiving moving violation tickets. It is likely that some citizens receive several citations in a year while others are never cited or go years between citations. Thus, we assume that this method of raising trauma revenue would have a narrower base of contributors than the automobile tag fee. An additional problem would be the administrative effort and cost required to coordinate the collection of the surcharge for trauma care from the many municipalities throughout the state that issue moving violations. For instance, Illinois dedicates 2.5 percent of all moving violation revenue raised for trauma care to local governments to cover the administrative expense of the program. In addition, the increased cost of moving violations would likely increase the number of people that contest their tickets in court, which would further increase costs to local governments.

A problem related to the administrative effort in collecting the moving violation surcharge is the potential for noncompliance in paying the fines. Georgia currently has several surcharges on tickets. Adding another surcharge could increase the amount of fines that are uncollectible or not paid in full as people set up payment plans but fail to complete the plan.⁷ Finally, the surcharge would continue the trend in the public's perception that law-enforcement officers are mere revenue raising agents for the state rather than protectors of the public safety.

There are two benefits to assessing a moving violation surcharge to fund trauma care that may appeal to states. First, the moving violation surcharge is directly linked to trauma care, as those that drive recklessly, speed, or drive under the

⁷ There are no estimates for how much moving violation fine money goes uncollected in Georgia. However, a recent estimate by the Atlanta Journal Constitution found that the city of Atlanta had collected only about 42 percent of the nearly \$5.7 million in parking fines and penalties issued since March 2007. Even cities that are more efficient in collections such as Oklahoma City have trouble collecting on approximately 30 percent of the parking tickets issued in 2007 (Maciag 2008). This suggests that a sizeable portion of moving violation fine money also goes uncollected.

Options for Funding Trauma Care in Georgia

influence are more likely to be in accidents. Second, it is possible to shift some of the burden of paying for trauma care to out-of-state residents.⁸

Conclusions

Table 10 summarizes the seven options for dedicated revenue source for funding trauma care, ranked by order of preference. The table lists the surcharge or tax increase necessary to raise approximately \$100 million. These estimates use current conditions and thus are subject to change. For instance, the tag fee surcharge of \$14 is based on the total number of motor vehicles in 2007 of approximately 7.3 million. It is possible that due to high gas prices and continued traffic congestion, that the number of vehicles might decline. If that occurs, a higher fee would be necessary to reach the \$100 million goal.

TABLE 10. SUMMARY

Rank	Surcharge Amount	Surcharge Description	Estimated Revenue
1	0.45%	Tag Ad Valorem Fee on all vehicles	\$101,382,782
2	\$14	Tag Fee levied on all vehicles	\$102,808,426
3	0.58%	Increase in Insurance Premium Tax	\$100,003,633
4	0.35 mills	Increase in State Property Tax	\$107,212,080
5	0.075%	Income Tax Percent Surcharge	\$96,795,000
6	\$26	Income Tax Surcharge	\$99,727,160
7	\$50	Moving Violations Surcharge	\$103,000,000
8	\$100	DUI Surcharge	\$3,177,900

It is also possible to combine different funding sources. For instance, a \$10 tag fee combined with a \$5 income tax surcharge would yield approximately \$98.6 million. The advantage of this approach would be to broaden the base of potential

⁸ Department of public safety data indicate that out-of-state arrests accounted for 18-percent of total arrests in 2003. It is not clear how many of these arrests are for moving violations (Georgia Department of Public Safety 2003).

Options for Funding Trauma Care in Georgia

contributors as well as make the revenue source less susceptible to downturns in vehicle registration or tax filings.

In summary, the preferred option for funding trauma care is to institute a \$14 tag fee on all motor vehicles. The surcharge has a broad base of payers and is related to trauma care. It is a small component of the cost of vehicle ownership so it is not likely to alter behavior. It is more likely to keep pace with rising trauma care costs in the future. It also should not be an expensive surcharge for the state to administer and collect. Our second ranked option for funding trauma care is to institute a 0.45 percent ad valorem tag fee on all motor vehicles.

Our third choice is an increase in the insurance premium tax, which shares many characteristics with the tag fee. The impact of the surcharge on individuals is beyond the scope of this analysis, however, as the 0.58 percent increase is a small portion of the total insurance cost, we assume it would not alter insurance purchasing decisions. A deficiency in the insurance premium tax increase option is that some types of insurance, such as homeowners, are not related to trauma care. It is possible to separate out motor vehicle insurance for the tax increase, but this would require a significantly higher tax rate at an estimated 1.39 percent and might increase the administrative cost of the program.

Our fourth and fifth choices are an income tax rate increase of approximately 0.077 percent and a flat fee income tax surcharge of \$26, both are reasonable proposals but both suffer from the same deficiency. The underlying activity that is taxed or charged is not related to trauma care. The sixth ranked alternative, raising the state property tax to 0.60 mills, suffers from the same deficiency as the income tax surcharges. In addition, the base of potential payers is smaller than the tag fee alternatives.

Our least-preferred alternative is the moving violations surcharge. While several states employ a surcharge to fund trauma care, we believe that this method is ill-suited for Georgia. In order to raise the approximately \$100 million, the ticket surcharge would have to be \$50 per ticket, based on an estimate of approximately 2.06 million moving violation issued statewide. A DUI surcharge of \$100 adds approximately \$3.2 million to the trauma fund. These large surcharges may prove

Options for Funding Trauma Care in Georgia

difficult to collect. These surcharges are likely to fall on a subset of Georgia drivers, making the base of payers considerably smaller than the tag fee. Because the surcharges are large, it may further exacerbate the collection of fines. The administration of the surcharge is further complicated by having to collect from the many state and municipal courts in Georgia.

Appendix

In Illinois, a \$5 surcharge is imposed on moving violation fines of \$55 or more, and \$105 surcharge for every conviction or suspension for driving under the influence of alcohol or drugs (DUI). In 2005, \$14 million was collected in Illinois from moving violation fines and DUI convictions. Using Illinois 2006 population of approximately 12.8 million and a \$5 per ticket surcharge, we estimate a per capita annual ticket rate of 0.22. Part of the \$14 million is from DUI fines; however, we do not have data on how many DUIs were issued in Illinois in this period. Thus our estimate of moving violations is going to be somewhat overstated. As DUIs are a small fraction of total moving violations, this will not materially affect our estimation of trauma care revenue for Georgia.

If we assume that Georgia issues moving violations and DUI's at a similar per capita rate as Illinois, we can estimate the total moving violation and DUI tickets issued in Georgia for 2006 given Georgia's population of approximately 9.4 million. This yields a rough estimate of approximately 2.06 million moving violation tickets issued in Georgia in 2006.

References

- Administrative Office of the Courts (2007). "Annual Report: Georgia Courts Supplemental Caseload Report July 1, 2006 — June 30, 2007 Judicial Council of Georgia." Accessed 8/18/2008. Available from <http://www.georgiacourts.org/aoc/publications.php>
- Cooperative Extension Service, University of Georgia (2008). *The Georgia Statistics System*. University of Georgia. Accessed 8/25/2008. Available from <http://www.georgiastats.uga.edu/crossection07.html>.
- Fiscal Research Center (2008). *Georgia Department of Revenue County Consolidations Sheets 2007*. Available from Author upon request.
- Georgia Department of Public Safety (2003). "Annual Report." Accessed 8/13/2008. Available from http://dps.georgia.gov/00/channel_title/0,2094,5635600_7401576,00.html
- Grace, Martin F., David L. Sjoquist and Laura A. Wheeler (2008). "Interstate Variation in Effective Rates for Insurance Premium Taxes." *State Tax Notes* 47(12): March 24.
- III Insurance *Factbook* (various years). New York, NY: Insurance Information Institute.
- Insurance Information Institute (2008). Accessed 8/20/2008. Available from <http://www.iii.org/>.
- Maciag, Mike (2008). "Drivers Owe City Millions in Fines Parking Violations: Many Individuals Avoid Paying Hundreds of Dollars at A Time When Atlanta's Financial Picture is a Wreck." *The Atlanta Journal-Constitution*, Monday, August 18, 2008. Accessed 8/18/ 2008. Available from <http://www.ajc.com/metro/content/printedition/2008/08/18/parking.html>.
- Pfohman, Maret and Laura M. Criddle (2004). "A Comparison Of Five State Trauma Systems Meeting All Eight Essential ACS Criteria: A Descriptive Survey." *J Emerg Nurs* 30: 534-41. Accessed 8/12/2008. Available from <http://www.sciencedirect.com/science/>.
- Radican-Wald, Amy (2007). "Mississippi Trauma Care System: Life Saving Care Is No Accident." *The Center for Mississippi Health Policy*. Accessed 9/17/2008. Available from <http://www.mshealthpolicy.com/documents/MSTraumaCareSystemReportJan07.pdf>.

Options for Funding Trauma Care in Georgia

Sjoquist, David L. and John V. Winters (2008). "Property Tax in Georgia." Accessed 8/15/ 2008. Available from <http://aysps.gsu.edu/frc/1725.html>.

The Georgia Hospital Association Research and Education Foundation (2004). "Partnership for Health and Accountability." Accessed 8/14/2008. Available from <http://www.gha.org/pha/publications/StateOfTheHealth/2004/index.asp>.

Yamaguchi, Joan (2006). "On-Call Crisis in Trauma Care: Government Responses." State Capitol, Hawaii. Accessed 8/12/2008. Available from <http://hawaii.gov/lrb/rpts06/traumacare.pdf>.

About the Authors

Peter Bluestone is a Research Associate with the Fiscal Research Center. He is a Georgia State University Urban Fellows Recipient. His research interests include urban economics, environmental economics and state and local fiscal policy. He received his Ph.D. in Economics from Georgia State University.

Robert D. Buschman is a Research Associate in the Fiscal Research Center and is currently finishing his Ph.D. in Economics. His research interests include corporate and personal taxation, public expenditures, economic growth, and the role of government in the economy. Bob holds a B.A. in Economics from Duke University, a M.B.A. in Finance from the Goizueta Business School at Emory University, and a M.A. in Economics from Georgia State University.

About The Fiscal Research Center

The Fiscal Research Center provides nonpartisan research, technical assistance, and education in the evaluation and design of state and local fiscal and economic policy, including both tax and expenditure issues. The Center's mission is to promote development of sound public policy and public understanding of issues of concern to state and local governments.

The Fiscal Research Center (FRC) was established in 1995 in order to provide a stronger research foundation for setting fiscal policy for state and local governments and for better-informed decision making. The FRC, one of several prominent policy research centers and academic departments housed in the School of Policy Studies, has a full-time staff and affiliated faculty from throughout Georgia State University and elsewhere who lead the research efforts in many organized projects.

The FRC maintains a position of neutrality on public policy issues in order to safeguard the academic freedom of authors. Thus, interpretations or conclusions in FRC publications should be understood to be solely those of the author.

Options for Funding Trauma Care in Georgia

FISCAL RESEARCH CENTER STAFF

David L. Sjoquist, Director and Professor of Economics
Peter Bluestone, Research Associate
Robert D. Buschman, Research Associate
Margo Doers, Administrative Coordinator
Nevbahar Ertas, Research Associate
Jaiwan M. Harris, Business Manager
Kenneth J. Heaghney, State Fiscal Economist
Stacie Kershner, Program Coordinator
John W. Matthews, Senior Research Associate
Nara Monkam, Research Associate
Lakshmi Pandey, Senior Research Associate
Dana K. Rickman, Senior Research Associate
Dorie Taylor, Assistant Director
Arthur D. Turner, Microcomputer Software Technical Specialist
Sean Turner, Research Associate
Sally Wallace, Associate Director and Professor of Economics
Laura A. Wheeler, Senior Research Associate
Tumika Williams, Staff Assistant
John Winters, Research Associate

ASSOCIATED GSU FACULTY

James Alm, Dean and Professor of Economics
Roy W. Bahl, Regents' Professor of Economics
Spencer Banzhaf, Associate Professor of Economics
Carolyn Bourdeaux, Assistant Professor of Public Administration and Urban Studies
Martin F. Grace, Professor of Risk Management and Insurance
Shiferaw Gurmu, Associate Professor of Economics
Gregory B. Lewis, Professor of Public Administration and Urban Studies
Jorge L. Martinez-Vazquez, Professor of Economics
Theodore H. Poister, Professor of Public Administration and Urban Studies
David P. Richardson, Professor of Risk Management and Insurance
Jonathan C. Rork, Assistant Professor of Economics
Bruce A. Seaman, Associate Professor of Economics
Erdal Tekin, Assistant Professor of Economics
Geoffrey K. Turnbull, Professor of Economics
Mary Beth Walker, Associate Professor of Economics
Katherine G. Willoughby, Professor of Public Administration and Urban Studies

PRINCIPAL ASSOCIATES

Richard M. Bird, University of Toronto
David Boldt, State University of West Georgia
Gary Cornia, Brigham Young University
Kelly D. Edmiston, Federal Reserve Bank of Kansas City
Robert Eger, Florida State University
Alan Essig, Georgia Budget and Policy Institute
Dagney G. Faulk, Indiana University Southeast
Catherine Freeman, U.S. Department of Education
Joshua L. Hart, Carnegie Mellon University
Richard R. Hawkins, University of West Florida
Gary Henry, University of North Carolina/Chapel Hill
Julie Hotchkiss, Atlanta Federal Reserve Bank
Mary Mathewes Kassiss, State University of West Georgia

Douglas Krupka, IZA, Bonn Germany
Jack Morton, Morton Consulting Group
Glenwood Ross, Morehouse College
Ross H. Rubenstein, Syracuse University
Michael J. Rushton, Indiana University
Rob Salvino, Coastal Carolina University
Edward Sennoga, Makerere University, Uganda
William J. Smith, West Georgia College
Robert P. Strauss, Carnegie Mellon University
Jeanie J. Thomas, Consultant
Kathleen Thomas, Mississippi State University
Thomas L. Weyandt, Atlanta Regional Commission
Matthew Wooten, University of Georgia

RECENT PUBLICATIONS

(All publications listed are available at <http://frc.aysps.gsu.edu> or call the Fiscal Research Center at 404/413-0249, or fax us at 404/413-0248.)

Options for Funding Trauma Care in Georgia (Peter Bluestone and Robert D. Buschman). This report examines several options for funding trauma care in Georgia through dedicated revenue sources, with the objective of raising approximately \$100 million. FRC Report 186 (October 2008)

Distribution of the Georgia Corporate and Net Worth Tax Liabilities, 1998 and 2005 (Jonathan C. Rork). This brief illustrates the distribution of corporate and net worth income tax liabilities among Georgia corporations. FRC Brief 185 (September 2008)

The Effect of Insurance Premium Taxes on Employment (Martin Grace, David L. Sjoquist, and Laura Wheeler) This report provides estimates of the effect of the insurance premium taxes on state-level employment in the insurance industry. FRC Report 184 (September 2008)

Variation in Teacher Salaries in Georgia (John V. Winters) This report documents the variation in K-12 public school teacher salaries in Georgia and discusses the causes of variation in teacher salaries within and across districts. FRC Report/Brief 183 (August 2008)

A Brief History of the Property Tax in Georgia (David L. Sjoquist) This report is a chronology of the development of the property tax system that currently exists in Georgia from the 1852 legislation pointing out significant changes made over the past 156 years. FRC Report/Brief 182 (August 2008)

Estimates of the Effects on Property Tax Expansion Under Assessment Caps Proposed in HR 1246 (John Matthews) This report estimates the effect of assessment caps proposed in HB 1246 on county, school district, and city tax base growth. FRC Report/Brief 181 (July 2008)

By the Numbers: Property Taxes in Georgia (David L. Sjoquist) This report presents data on the property tax in Georgia, considering the growth in property tax base and property tax revenue, how the tax base varies by county, changes over time, and property taxes by type of government. FRC Report 180 (June 2008)

Property Tax Limitations (John V. Winters) This report discusses property tax limitations in the U.S. and highlights limitations imposed in Georgia. FRC Report 179 (June 2008)

Options for Funding Trauma Care in Georgia

An Analysis of a Need-Based Student Aid Program for Georgia (Nara Monkam, Lakshmi Pandey, Dana K. Rickman and David L. Sjoquist) This report explores issues associated with establishing a need-based student aid program in Georgia. FRC Report/Brief 178 (May 2008)

A Closer Look at Georgia's Veteran Population (Jonathan C. Rork) This brief compares demographic information on Georgia's veteran population with that of the rest of the country. FRC Brief 177 (May 2008)

Tracking the Economy of the City of Atlanta: Past Trends and Future Prospects (Glenwood Ross, David L. Sjoquist, and Matthew Wooten) This report explores the changes in the level and composition of employment in the City of Atlanta over the last 25 years. FRC Report 176 (May 2008)

Georgia's Immigrants: Past, Present, and Future (Douglas J. Krupka and John V. Winters) This report examines the economic success of immigrants relative to the state's residents as a whole and speculates on how we might expect immigrant populations to fare in the future. FRC Report/Brief 175 (April 2008)

Property Tax in Georgia (David L. Sjoquist and John V. Winters) This report discusses the structure of the property tax in Georgia and various provisions that make up the structure of the property tax. FRC Report 174 (March 2008)

A Targeted Property Tax Relief Program for Georgia (John V. Winters) This report describes how a targeted property tax relief program could be designed and provides estimates of the cost and distribution of program benefits. FRC Report 173 (February 2008)

A Historical Comparison of Neighboring States with Different Income Tax Regimes (Peter Bluestone) This report focuses on simple historical differences between states without an income tax and neighbor states with an income tax. FRC Report 172 (November 2007)

Replacing All Property Taxes: An Analysis of Revenue Issues (John Matthews and David L. Sjoquist) This brief discusses the amount of revenue needed to replace all property taxes in Georgia. FRC Brief 171 (October 2007)

Revenue Estimates for Eliminating Sales Tax Exemptions and Adding Services to the Sales Tax Base (John Matthews, David L. Sjoquist and John Winters) This report provides revenue estimates for alternative combination of eliminating sales tax exemptions and adding services to the sales tax base. FRC Report 170 (October 2007)

(All publications listed are available at <http://frc.gsu.edu> or call the Fiscal Research Center at 404/413-0249, or fax us at 404/413-0248.)

Document Metadata

This document was retrieved from IssueLab - a service of the Foundation Center, <http://www.issuelab.org>

Date information used to create this page was last modified: 2014-02-15

Date document archived: 2010-05-20

Date this page generated to accompany file download: 2014-04-15

IssueLab Permalink: http://www.issuelab.org/resource/options_for_funding_trauma_care_in_georgia

Options for Funding Trauma Care in Georgia

Publisher(s): Fiscal Research Center of the Andrew Young School of Policy Studies

Author(s): Peter Bluestone; Robert D. Buschman

Date Published: 2008-10-01

Rights: Copyright 2008 Fiscal Research Center of the Andrew Young School of Policy Studies

Subject(s): Health