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Calendar notes

Tues., Feb. 10 – ARISE HEALTH CARE ACCESS CONFERENCE, Birmingham-Southern College, 900 Arkadelphia Rd. (just off I-20/59).

Thurs., Feb. 26 – ARISE LOBBY DAY, State Capitol, Montgomery
7:30 a.m. – Prayer Breakfast, Old Archives Chamber, 2nd floor (Please RSVP by Feb. 20)
9:00 – Registration, auditorium
9:30 – News conference, auditorium
10:00 – Issue briefing, auditorium
11:00 – Lobbying, State House
Noon-12:45 p.m. – Membership meeting, auditorium

Welcome, Blair!

The new year brought new leadership to ACP's health care access initiative as health policy analyst Anna Blair joined the staff on Jan. 5. Blair, as she's called, is a native Alabamian with a law degree from the University of Alabama School of Law. She has spent the last 16 years working in health care law and non-profit hospital management in Huntsville, Decatur and Sheffield. A trustee of the University of Montevallo from 1996-2008, Blair also has held leadership positions with AAUW, League of Women Voters, American Heart Association and Boys and Girls Club. Her outside interests reflect a lifelong commitment to the performing arts – from ballet to baseball! Welcome to Arise, Blair!

Report

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Vol. 12, No. 1

January 29, 2009

Will state seize opportunity for reform?

Recovery bill may fill budget gaps

By Chris Sanders, policy analyst

Federal legislation may help ease Alabama's budget pain in 2010, but it will do nothing to fix the state's imbalanced tax system for the long haul. It does, though, offer the state a reprieve from a billion-dollar revenue shortfall it would have faced this year and next without federal aid.

"The economy is forcing Alabama to cut spending," ACP's executive director Kimble Forrister said, "and lower state spending just slows the economy more. Thanks to federal funds, we can make smaller cuts and protect vulnerable people. We can also rebalance our tax system to help families make ends meet."

The news lately is full of staggeringly large dollar amounts, Forrister said, but paying attention to the percentage changes in the state budget can give taxpayers a grasp of how serious the adjustments are.

General Fund (GF) spending in the current fiscal year, for example, is expected to fall \$253 million, 12.2 percent short of the budgeted amount of \$2.07 billion. (That gap would shrink to \$64 million if Gov. Bob Riley tapped the General Fund's rainy day fund.) The Legislative Fiscal Office projects that GF revenue will drop to \$1.44 billion in 2010. Next year's GF budget could be \$395 million below 2008 expenditures – a 21.6 percent reduction in just two years. And because the General Fund leans heavily on taxes that do not ebb and flow with the economy, that budget likely would face substantial shortfalls in 2009-10 even without a recession.

The situation is also grim for the **Education Trust Fund (ETF),** the budget that relies on more volatile funding sources. With sales and income tax collections plummeting during the recession, the state's 2010 education budget could be 15 percent, or \$1 billion, smaller than the amount appropriated in 2008, LFO executive director Joyce Bigbee said. The LFO predicts the ETF's available state funds for the current year will fall from a budgeted \$6.4 billion to less than \$6 billion. That figure is projected to drop in 2010 to \$5.7 billion.

The ETF could face a total of \$705 million in cuts in 2009 and 2010, according to LFO projections. Potential cuts to the General Fund in 2009 and 2010 could

[Turn to Page 2]

Impact Alabama **Free tax preparation**

The **Save First** initiative of Impact Alabama has trained more than 350 college, graduate and law students from 16 campuses to provide free tax preparation services for low-income working Alabamians (single individuals earning less than \$20,000 a year and households earning less than \$42,000). The program will operate at community-based sites in 12 Alabama cities until the end of February.

To find the location nearest you and to make an appointment for free tax preparation services, call 1-888-99-TAX-AL (1-888-998-2925).

A few words from Kimble —

This year the script changes. In a typical year, legislators argue over how to *spend* \$500 million in new education funding and how to *cut* \$300 million from health care. Now they must cope with huge revenue shortfalls in both education and the General Fund. Up to now, we've blamed the education-health care imbalance on extreme earmarking. Now we see another hazard of earmarking: The heady growth of income and sales taxes can slam into reverse, creating distress for the Education Trust Fund.

We can help people interpret what's going on. You can help us counter misconceptions on these key points.

- **The crisis is genuine.** It's far worse than the modest downturns of 1990-91 and 2001.
- **It's not just the fault of Alabama politicians.** Yes, even in good years our revenue streams are inadequate and earmarking causes imbalances, but this year *almost every state faces a budget crisis.*
- **Lawmakers shouldn't start cutting funding until Congress finishes its recovery package.** While much of the federal money will be earmarked for programs with great needs, there will also be flexible funds. We will advocate for thoughtful spending priorities.
- **Federal help won't fill all our budget holes.** Legislators will still have to make painful cuts.
- **The federal funds are no excuse to procrastinate on system reforms.** We don't want to wake up three years from now, when the one-time money is gone, and realize we have insurmountable funding problems with Medicaid, child care and other General Fund agencies. Alabama must take advantage of this reprieve to address a tax system that's out of balance and inadequate to our needs.

With peace and hope,

State budgets

[Continued from Page 1]

exceed \$440 million, Bigbee said. Those shortfalls would come even after the state exhausted the \$437 million in the ETF's rainy day account and the \$188 million in the General Fund's rainy day account.

Temporary salvation may come from the \$819 billion economic recovery package being considered in Congress. The U.S. House's version would pump more than \$3 billion into Alabama's social service programs through fiscal year 2013, according to the Center on Budget and Policy Priorities. (*See "Washington Update," Page 3, for a detailed breakdown of Alabama's share.*) CBPP estimates that Alabama would receive \$304 million from a proposed increase in federal Medicaid funding in FY 2009 alone — an amount roughly equal to state Medicaid funding shortfalls in recent years. Alabama Medicaid Commissioner Carol Steckel thus far has declined to estimate the size of this year's shortfall.

Forrister said Alabama should restore balance to its tax system now to prevent future shortfalls. "Federal money may help us avoid catastrophic budget cuts next year, but it's not a cure to all our ills," he said. "If we don't take advantage of this opportunity to reform our state's tax system, we'll be back in the same boat the next time the economy starts to sink."

Alabama's revenue shortfall comes as education officials have declared the need for more than \$550 million in new spending in 2010. Earlier this month, Superintendent Joe Morton asked lawmakers to increase K-12 appropriations by \$362.7 million next year, including \$50 million more for higher transportation and fuel costs; \$19.2 million more for the Alabama Math, Science and Technology Initiative; and \$2 million more for distance learning expansions. Morton also requested an extra \$33 million to expand the Alabama Reading Initiative to grades 4-12.

The state's two-year and four-year institutions also seek more money. The two-year college system has asked

for about \$8.9 million, or 1.9 percent, more than the Legislature appropriated for it in 2009. System Chancellor Bradley Byrne said he would use the funds to shore up community colleges, adult education and workforce development programs. The Alabama Commission on Higher Education has recommended that the state's four-year colleges and universities receive \$184.8 million above 2009 appropriations.

Riley exempted many social service programs from the 10 percent budget cuts he ordered for General Fund agencies last month, but a GF shortfall still could force sizable cuts for those departments. The Department of Human Resources, for example, needs a \$37.8 million increase from the General Fund to maintain current services, DHR Commissioner Nancy Buckner said. (*See "DHR plans further child care cuts," Page 3, for more details.*)

The state's Children's Health Insurance Program, ALL Kids, may have to trim services without more money, State Health Officer Don Williamson said. ALL Kids, which provides health insurance for about 71,000 low-income Alabama children whose families do not qualify for Medicaid, needs an additional \$7.2 million to meet current needs and serve 4,600 new enrollees expected by the end of FY 2010, Williamson said. He said that if the Department of Public Health does not get \$29.4 million more in state funds, ALL Kids could have to freeze or cut enrollment, and AIDS patients who need assistance paying for their prescription drugs could be forced onto a waiting list.

Public safety agencies are not immune from cutback fears, either. Corrections Commissioner Richard Allen said a 10 percent funding cut would force his department to close facilities and let some inmates go. Chief Justice Sue Bell Cobb painted a similarly dark picture of the Alabama court system's financial situation, saying a 10 percent cut to trial courts' budget would cause lengthy trial delays and more than 700 layoffs.

The Legislature will take up the ETF and General Fund budgets in its 2009 regular session, which begins Feb. 3.

Washington update

State spending, low-income relief at heart of recovery bill

By Chris Sanders, policy analyst

State fiscal relief, infrastructure investments and low-income tax cuts are the key parts of the \$819 billion economic recovery package being considered in Congress. The House on Wednesday voted 244-188 to approve the package. Insiders expect the Senate to vote on its own slightly different version in early to mid-February.

The House version includes about \$544 billion of direct spending and about \$275 billion of targeted tax cuts. Nationwide, struggling state governments would receive more than \$200 billion to fund road and bridge construction and to help prevent cuts to education, Medicaid and other social services.

Alabama would receive more than \$3 billion through fiscal year 2013, according to the Center on Budget and Policy Priorities. That money would include \$959.3 million over the next two years from state fiscal stabilization block grants and \$783.3 million over the next three years from a temporary increase in federal Medicaid matching funds. Over the next two years, Alabama also would receive \$723.3 million in education grants, \$38.5 million in child care block grants and \$20.1 million in emergency shelter grants to prevent homelessness.

Among the other provisions, increased unemployment benefits would help more than 247,000 Alabamians, according to the National Employment Law Project, and CBPP estimates that more than 610,000 state residents would benefit from a proposed food stamp increase. The package would also provide an additional monthly SSI payment to an estimated 165,000 Alabama recipients.

The plan's tax cuts include the Making Work Pay Credit, worth up to \$500 per worker. CBPP estimates 1.53 million Alabamians would benefit from the credit this year. The recovery bill would also temporarily reduce the earnings threshold for the Child Tax Credit from \$8,500 to \$0. That would allow low-income families to begin qualifying for a credit with their first dollar earned and would help about 258,000 Alabama children in 2009, CBPP estimates.

Other tax measures designed to help low-income people include an expansion of the Earned Income Tax Credit and the creation of the American Opportunity Tax Credit to help low-income families defray college costs.

To receive e-mail alerts on these and other upcoming actions in Congress and the Legislature, go to ariscitizens.org and click "Join the e-mail list."

DHR plans further child care cuts

By Ron Gilbert, senior policy analyst

Alabama's low-income working families, already hit by a series of cuts to the state's subsidized child care program last year, heard bleak prospects from Department of Human Resources Commissioner Nancy Buckner during her presentation to the Legislative Budget Committee. Buckner announced that DHR would eliminate child care services for an estimated 3,000 children by April as a result of the proration of the Education Trust Fund.

The ETF provides a significant portion of the state funding used to draw down available federal dollars in the child care program. If implemented, the cuts would reduce the number of children served by the subsidized program to 24,000 from the 32,500 served in April 2008. Declining state revenues make additional reductions in the program a possibility as the Legislature begins work on the fiscal year 2010 budget.

The only hope to avoid these reductions likely will be enactment of the economic recovery plan expected to move through Congress in the next few weeks. The initial version of the American Recovery

and Reinvestment Act of 2009 includes \$2 billion in additional funds for the Child Care and Community Development Block Grant, the primary federal funding vehicle for subsidized child care. If enacted as introduced, the ARRA will provide more than \$19 million in additional child care funding to Alabama in both 2009 and 2010.

In an effort to address budget shortfalls last summer and fall, DHR implemented a series of child care cuts that affected more than 15,000 families. Co-payments were increased \$3 per month per child, discounts for families with multiple children were eliminated, and services were terminated for families earning between 150 percent and 200 percent of the federal poverty level.

Before implementing further reductions, DHR must announce proposed rule changes through the State Administrative Procedures process. To ensure that families, providers and advocates have as much advance notice as possible of program reductions, Arise has requested that DHR post proposed rules on its website. The Department has indicated that it will consider that request.

Transit advocates see hopeful signs

By Stephen Stetson, policy analyst

Early 2009 has seen a groundswell of activism on public transit in Alabama. On Jan. 9, advocates from across the state gathered in Montgomery to formulate bylaws and a strategic plan for the newly organized Alabama Transit Coalition. The group's steering committee comprises 16 representatives from a variety of groups, including the Wiregrass Transit Authority, Montgomery Area Transit Systems, Baldwin County Transit Coalition, Conservation Alabama and Alabama Arise.

A week later, the Birmingham-Jefferson County Transit Authority and Birmingham City Councilwoman Carol Duncan hosted a meeting that featured Mayor Larry Langford and several state legislators. Numerous participants cited the event as the first time so many powerful figures had come to the table to discuss serious action on public transportation.

These two gatherings are hopeful signs. This may be the year that the diverse arguments for public

[Turn to Page 4]

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Democracy in action

When the mock constitutional convention sponsored by Alabama Citizens for Constitutional Reform convenes next month, ACPP development director Brenda Boman and organizer Shakita Jones will serve as delegates. Brenda and Shakita share their thoughts on the eve of the first session:

We're excited and honored to join other Alabamians from the 105 state House districts who have been charged to "gather, engage with each other and the issues, and formulate an improved governing document for our state." While our work will have no legal status, convention supporters hope this exercise will demonstrate the process for drafting a new state constitution to replace the outdated, unwieldy 1901 version with its more than 800 amendments.

The convention will consist of two sessions, the first in Prattville on Feb. 14-16 and the second in Birmingham on April 26-27. We'll try our best to write a model document reflecting the more modern, more efficient and more prosperous state government that we envision for Alabama's future. Wish us luck as we embark on this journey of discovery and promise. We'll keep you posted on our progress!

Transit update

[Continued from Page 3]

transportation – from the economic development, environmental, human dignity and other perspectives – converge in an action plan for Alabama. Make your voice heard by letting political and business leaders know that you want affordable, accessible public transit options.