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## Arise Legislative Day

**NEW DATE:**  
**Thursday, March 6**  
**9:30 a.m. to 1:30 p.m.**  
**Capitol Auditorium**  
**Montgomery**

## Sign-up deadline nears

**March 31** is the last day of the **initial open enrollment period** to sign up for coverage in the Alabama Health Insurance Marketplace. (See Page 3 for more details.)

## A note from Brenda



By *Brenda Boman*,  
development director

ACPP members are generous and resourceful. That's why we make every effort to be good stewards of your financial support. Some of you have expressed concern about the cost of our newsletters.

Our goal is to provide reliable information in a cost-effective and accessible way for all our readers. We enclose an envelope in each mailing for your convenience, and many are returned with a message or a contribution. As we consider an e-newsletter option for online donors, the print version – which is produced and mailed at minimal cost – acquires added value when you pass it on to a friend!

# Report

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February 21, 2014

## **Payday, title bills yet to clear House panel**

# Push goes on for lending reform

By *Stephen Stetson*, policy analyst

**Public pressure for payday and auto title lending reform in Alabama is growing**, even though a pair of reform bills were dealt a serious blow in a state House committee in mid-February. Members of the House Financial Services Committee referred the payday loan bill to a subcommittee and deferred action on the title loan bill. Similar bills saw no further action last year after the same committee sent them to a subcommittee.

**The decisions were frustrating to advocates pushing the bills**, both of which would cap annual interest rates on payday and title loans at 36 percent APR. State law now lets payday lenders charge up to 456 percent APR, while title lenders can charge up to 300 percent APR.

**“We can’t allow a temporary setback to slow our momentum for change,”** ACPP executive director Kimble Forrister said. “The more Alabamians learn about high-cost lending, the more they agree that it simply costs too much.”

**HB 145, sponsored by Rep. Patricia Todd, D-Birmingham, would cap the rate on payday loans** and create a uniform statewide database of such loans to help ensure compliance with existing state law that allows borrowers to take out a total of no more than \$500 of payday loans at one time. The state Banking Department last year issued regulations to require the use of a common database, but lenders have sued to block the plan.

**HB 406, sponsored by Rep. Rod Scott, D-Fairfield, would cap the rate on auto title loans** and require lenders who repossess and sell borrowers’ vehicles to return sales proceeds that exceed the amount owed and other reasonable expenses. More than half of the House’s members co-sponsor Scott’s bill. That



*Alabama Applesseed legal director Shay Farley speaks about payday and auto title loans during a Feb. 4 rally at the State House in Montgomery. ACPP members were among the dozens who attended to call for lower interest rate caps on such loans in Alabama.*

strongly suggests the bill would pass if the committee sends it to the full House for consideration, Forrister said.

**A new Senate bill would cap annual interest rates on payday and title loans at 30 percent APR.** SB 381, sponsored by Sen. Scott Beason, R-Gardendale, also would require payday lenders to use a common statewide database.

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## A few words from Kimble

By Kimble Forrister,  
executive director

**Sen. Gerald Dial and I agree: ACP's bill to untax groceries will not pass in this Legislature.** But that means something entirely different when he says it. He appears to mean, "You should give up your stubborn insistence on replacing a regressive tax with a progressive tax." I mean, "The only reason this bill won't pass is because y'all are stubbornly inconsistent."

**Dial deserves credit for keeping the concept alive.** He got his bill discussed in committee. Rep. John Knight's HB 130 hasn't won such consideration. We also praise Dial for seeking "revenue neutrality" to offset the \$370 million education budget hole that would result from untaxing groceries.

**But it's inconsistent to oppose revenue neutrality when it affects rich people.** "Revenue-neutral" means you keep overall tax revenues equal before and after a change, so schools neither lose nor gain money. That's consistent with a "no new taxes" pledge. But some conservatives have started defining "revenue-neutral" as "no one's taxes will go up." They mean they don't want rich people to lose a huge tax break. But they aren't so sensitive to Dial's tax increase for many low- and middle-income Alabamians if sales taxes rise on non-food items.

**The other approach originally came from business leaders in their 1992 and 2003 tax reform plans,** and it's in Knight's bill: to end the FIT deduction. It's a lopsided tax break worth about \$600 million, more than half of which goes to the top 3 percent of taxpayers. Knight's approach would make our tax system more balanced, end an unfair tax break and lower the grocery tax for all. For many in the middle, losing the deduction would cost about \$70, but they would save about \$100 per family member on food. That shouldn't offend anyone's "no new taxes" pledge.

Yours in peace and hope,

## Sales tax would increase on other items **Senators weigh Dial grocery tax bill**

By Chris Sanders, communications director

**A plan to swap Alabama's state grocery tax for a higher sales tax on other items saw no action this week** in a state Senate committee. The panel could vote later on SB 287, sponsored by Sen. Gerald Dial, R-Lineville.

**Dial's bill would end the state's 4 percent sales tax on groceries and increase the sales tax on other items by 1 percentage point** to replace the lost education revenue. The bill would phase in the changes gradually and would not require a public vote.

**By September 2017, the state sales tax on most consumer items would be 5 percent under the bill.** Local taxes would not change, but the total sales tax rate would climb to 11 percent in Birmingham and Montgomery. "It's getting to be too big of a bite out of people's wallets," ACP's executive director Kimble Forrister said.

**SB 287 would negate the grocery tax savings for many low-income Alabamians** by increasing the cost of everything else they buy, Forrister said. Items like clothes, toiletries and school supplies would be subject to a higher sales tax under the plan.

**"We're basically replacing one regressive tax with another regressive tax,"** Forrister said. "The best way to approach a regressive tax is to balance it out with a progressive tax."

**A better way to replace the grocery tax revenue, Forrister said, is found in HB 130,** sponsored by Rep. John Knight, D-Montgomery. HB 130 would end the state grocery tax all at once and repeal the state's income tax deduction for federal income taxes (FIT). Only two other states offer a full FIT deduction, and the top 3 percent of Alabama taxpayers received more than half of its savings in 2011. Because the

deduction is in the state constitution, HB 130 would require voter approval.

**Dial said HB 130 faces legislative opposition, including his own, and will not pass this year.** SB 287 stands a better chance of becoming law, he said. "This is the only option out there to remove sales tax for food," Dial said. "I know you can argue that shoes and clothes and toothpaste are a necessity, but not as much as food."

**SB 287 would pump a combined \$28 million a year into the Education Trust Fund (ETF) and General Fund,** according to the Legislative Fiscal Office. But the bill would require the Legislature to re-examine changes in 2018 to ensure they are revenue-neutral.

**Sen. Hank Sanders, D-Selma, said Dial's bill was "selective" in raising taxes on many everyday consumer items** but not on more expensive purchases like cars. "It's not going to help folks at the lower end," Sanders said. "If they miss 'em in the washer, they're gonna get 'em in the ringer."

**Alabama is one of only four states with no tax break on groceries.** The state's tax system requires low- and middle-income families, on average, to pay twice the share of their incomes in state and local taxes that the richest Alabamians pay. Sales taxes are the biggest driver of that gap.

### **There's more online!**

Check out [arisecitizens.org](http://arisecitizens.org) for the latest on other issues, including:

- Action on a proposed FY 2015 General Fund budget,
- Legislation that purports to nullify parts of the Affordable Care Act in Alabama, and
- New changes to a bill to revise Alabama's landlord-tenant law.

## Second chance for people convicted of drug felony **Panel OKs end to lifetime SNAP ban**

By Carol Gundlach, policy analyst

People convicted of a drug-related felony could regain eligibility for food assistance or cash welfare benefits under a bill that an Alabama Senate committee approved this month. The Senate Fiscal Responsibility and Accountability Committee voted 5-2 to send the bill to the Senate.

Alabama is one of just 10 states where people convicted of a drug felony face a lifetime eligibility ban under the Supplemental Nutrition Assistance Program (SNAP). Alabama is also one of only 12 states to apply a similar ban to benefits under the Temporary Assistance for Needy Families (TANF) program. The bans apply even to people with a decades-old offense.

**SB 303, sponsored by Sen. Linda Coleman, D-Birmingham, would allow otherwise eligible people to receive SNAP and TANF benefits even if they have a prior felony drug conviction, as long as they have completed their sentence or are**

complying with their probation terms, including court-ordered drug treatment.

Some lawmakers say they see unfairness in a state policy that denies eligibility only to those convicted of a felony drug crime. “A person that rapes, robs or kills can come out [of prison] and receive SNAP,” Coleman said. “This bill just levels the playing field.”

**TANF applicants who had drug convictions within the last five years would have to pass a drug test** under another Senate bill. SB 63, sponsored

**“[SB 303] just levels the playing field.”**

— Sen. Linda Coleman  
D-Birmingham

**Those drug testing requirements would apply to TANF applicants made newly eligible under SB 303,** Coleman said. But she said federal law forbids drug tests as a condition of SNAP eligibility.

*For full details on several proposals to impose new requirements on TANF recipients in Alabama, visit [arisecitizens.org](http://arisecitizens.org).*

by Sen. Trip Pittman, R-Montrose, won a Senate committee’s approval last month.

## **ACPP staffers meet Gloria Steinem**

ACPP development director Brenda Boman (left) and organizer Robyn Hyden (right) talked with activist Gloria Steinem on Feb. 18 after her speech at Auburn University. Brenda and Robyn told her about Arise’s work to make life better for low-income people in Alabama. Steinem’s response: “That just warms my organizer’s heart.”



## **Health care update**

### **Alabama enrollment up as March 31 deadline nears**

By Jim Carnes, policy director

Enrollment in health plans through the Alabama Health Insurance Marketplace rose by more than 15,000 in January, for a four-month total of nearly 44,000, the U.S. Department of Health and Human Services reported. The initial open enrollment period ends March 31.

Alabama’s increase followed the trend of nationwide enrollments, which jumped by 62 percent last month to a total of 3.3 million. The Marketplace, created in the Affordable Care Act and accessible at [healthcare.gov](http://healthcare.gov), enables people to compare health insurance plans, learn about financial assistance for which they may qualify, and sign up for coverage.

### **Enrollment resources**

**Healthcare.gov.** The one-stop shop for health reform and coverage information, including a financial assistance estimator and an online application. Call **800-318-2596** to speak to an enrollment specialist.

**Bamacovered.org.** Alabama’s homegrown service-learning initiative trains student volunteers to help Alabamians enroll. Check out the site’s “Bama Guide” to find enrollment help near you!

“January’s enrollment numbers are great news,” ACPP executive director Kimble Forrister said. “Many thousands of Alabamians are getting affordable health coverage for the first time, and we expect those numbers to continue to grow.”

Despite many obstacles – including early website problems, Gov. Robert Bentley’s rejection of Medicaid expansion, and a ban on Marketplace outreach by state agencies – Alabama is outperforming similar states on enrollment, Forrister said. ACPP is working to coordinate enrollment assistance across the state.

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# Thank you for your support!

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*In memory of Stanley Weissman:  
Dorothy Shippen, Prattville*

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## **Lending reform**

*[Continued from Page 1]*

**Much of the talking during the hearing on HB 145 came from Rep. Thad McClammy, D-Montgomery,** who wondered aloud about borrowers' motivations to take out payday loans. McClammy referred numerous times to the high cost of parking tickets and unexpected expenses related to having a vehicle towed. He also said removing payday and title loans from Alabama would not eliminate all poverty.

**The House panel sent HB 145 to a subcommittee** after a motion made by Rep. Oliver Robinson, D-Birmingham, and seconded by Rep. DuWayne Bridges, R-Valley. Scott's bill could return for committee consideration at any time, but that is not guaranteed.

**A broad range of Alabamians support payday and title lending reform.** ACPP is part of the Alliance for Responsible Lending in Alabama (ARLA), a coalition of 15 organizations that also includes Alabama Appleseed, the YWCA of Central Alabama, Greater Birmingham Ministries, the Alabama Asset Building Coalition and the state chapters of AARP and the NAACP, among other groups. The Alabama Federation of Republican Women and the Alabama Citizens Action Program (ALCAP) also have expressed their support for reform.