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News flashes

IDA bill passes House committee

A House committee this week approved legislation to establish an Individual Development Account (IDA) program in Alabama. Creation of a state IDA program was one of the 2011 issue priorities Arise members selected last fall.

HB 356, sponsored by Rep. Mike Ball, R-Madison, would allow the state to provide matching funds for up to \$2,000 that low-income participants save to attend college or a job training program, purchase a first home, or start a small business. Federal and state IDA matching funds would triple that \$2,000 in savings to \$6,000. The bill now moves to the full House.

Equal pay bill filed

Also this week, Rep. Laura Hall, D-Huntsville, filed HB 380, a bill to establish an Equal Pay Commission that would study wage disparities between the sexes and between races in Alabama and recommend steps for narrowing those gaps. Last fall, Arise members chose the Equal Pay Commission as a 2011 issue priority.

To check the status of bills we're following, visit arisecitizens.org and click on "Arise Bills of Interest" in the Shortcuts column.

Report

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Knight plan 2011

Untax groceries, save education jobs

By Jim Carnes, communications director

Rep. John Knight, D-Montgomery, unveiled a plan March 31 to remove the 4 percent state sales tax on groceries and bring in \$240 million for education by ending the state income tax deduction for federal income taxes. The announcement came at a news conference capping Alabama Arise Lobby Day. Knight's proposal, filed this week as HB 480, represents a balanced approach to the critical budget shortfall in the Education Trust Fund.

"We can't allow ourselves to be caught up in a side argument over whether to lay off bus drivers or schoolteachers," Knight told an audience of around 100 people on the State House steps. "We can't afford to separate into the 'no more layoffs' camp over here and the 'no new taxes' camp over there."

Arise board president Tom Duley explained how the Knight plan reflects Arise priorities and values. "Alabama Arise members understand that budgets are moral documents that reveal what we hold dear," Duley said. "We know that we cannot cut our way to a better Alabama. We need a balanced approach that combines careful budget cuts with selected revenue increases."

Ending the state deduction for federal income taxes will yield \$565 million, according to the Legislative Fiscal Office. The Knight plan would use \$325 million to remove the state portion of the sales tax on groceries and over-the-counter

drugs. The remainder – about \$240 million – would shore up the Education Trust Fund budget. That would mean roughly \$80 million to hold down college tuition increases, and \$160 million to keep teachers in the classroom, drivers in the buses and workers on the cafeteria line.



Arise members put democracy in action at the State House on March 31. A news conference with Rep. John Knight (below) highlighted his new tax reform proposal. (Photos courtesy of John Earl)



"The balanced approach will cushion our children from the education budget blow," Arise state coordinator Kimble Forrister said. "It will help hard-working families make ends meet. And it will make our tax system fairer. That's three giant steps toward budget morality."

A few words from Kimble —

Our old budget strategy is working – and it’s hurting our new strategy. Remember how we used to speak out to protect funding for Medicaid, ALL Kids and child care? We successfully advocated for programs that benefit the most vulnerable, but there was a down side: A 5 percent cut to the General Fund budget can become a 15 percent cut to programs that aren’t protected.

This year we’re promoting a “balanced approach” of careful budget cuts and selected tax increases. None of Alabama’s major budget categories – education, health care, corrections – is adequately funded. When you ask voters whether the state should cut spending, increase taxes, or pursue a blend of the two, the blend wins the biggest support. So far, though, the “no new taxes” pledge still inhibits thoughtful discussion of all the options. Gradually people will come to realize how painful the cuts will be. This week we had to wonder whether the hasty 45-minute Senate committee deliberation was designed to preclude serious contemplation of the consequences of their cuts – much less the possibility of new revenue.

If we can’t stop the train, we at least can shine a light on the alternative. As Rep. John Knight, D-Montgomery, announced on Arise Lobby Day, ending the lopsided state income tax deduction for federal income taxes would provide enough money both to lower the grocery tax and to save education jobs. It’s a new formulation of the Knight plan, so it’s going to require a lot of education of the public and of policymakers. But the points we make in our cover article are persuasive, don’t you think? Help us spread the word!

Yours in hope,

FY 2012 budget overview

Another year of service cuts in Alabama

By Chris Sanders, policy analyst

State budgets moving through the Alabama Legislature would protect funding for Medicaid and prisons next year, but many other public services would feel the brunt of a fourth straight year of budget cuts in fiscal year (FY) 2012. Larger K-12 class sizes, older textbooks and fewer mental health services would be among the effects as revenues continue a slow recovery from a record downturn during the Great Recession.

Lawmakers expect revenues for both the Education Trust Fund (ETF) and General Fund to increase slightly next year, but the growth would not offset the loss of temporary aid from the American Recovery and Reinvestment Act (ARRA). State revenues are down about 20 percent since FY 2008, and next year’s budgets would not come close to restoring those cumulative funding losses.

Cost increases and the end of federal relief funds could force deep cuts in many General Fund agencies and the elimination of others next year.

Medicaid and prisons, which account for almost three-fifths of the General Fund, would receive substantial increases in state money to offset lost ARRA money and maintain current service levels. But the budget, which the Senate approved 27-4 this week, would bring bleaker news for other functions of government. Thousands of Alabamians could lose community mental health and substance abuse treatment services. Restaurants could be inspected less often. Hundreds of court layoffs could slow the administration of justice to a crawl. Dozens of museums and historical sites would be defunded entirely.

More than 1,100 vacant teacher jobs would go unfilled under next year’s proposed ETF budget, increasing class sizes by a statewide average of about one child per every two classrooms. Teacher layoffs are unlikely, state school Superintendent Joe Morton said, because more than 1,100 teachers are likely to resign or retire. The budget would provide some

classroom supply money and protect funding for distance learning, pre-kindergarten, and reading and math initiatives. But schools for the third straight year would have only enough textbook money to replace workbooks for younger students. Two-year colleges would see a slight uptick in their operating funds, and most universities would receive increases of about 5 percent. Still, the modest higher education funding increases likely will not prevent another year of tuition increases.

Higher benefit contributions from teachers and state employees would play a large role in balancing the proposed FY 2012 budgets. Public workers would pick up a larger share of health insurance costs and pay 50 percent more in retirement contributions by October 2012. Legislative leaders say the increases would free up tens of millions of dollars for vital needs, but critics say the changes would hurt employee morale and cut middle-income workers’ take-home pay by hundreds of dollars a year.

Transfers and one-time money would help the General Fund stay afloat for another year. The budgets would shift ALL Kids, the state’s health insurance program for low-income children whose families do not qualify for Medicaid, from the General Fund to the ETF. A \$60 million transfer from road and bridge money would help fund courts and state troopers. And a one-time \$263 million Alabama Trust Fund payment, stemming from an attorney general’s opinion, will stave off even deeper service reductions next year.

As cuts continue to pile up, some leaders have begun to call for new revenues to pay for public services. Gov. Robert Bentley has asked lawmakers to close corporate tax loopholes as part of what Finance Director David Perry this week called “a balanced approach” to funding education. Proposals to increase the state cigarette tax and to end the income tax deduction for federal income taxes while repealing the state’s grocery tax also are pending in the Legislature.

Legislative round-up

Big changes at issue in speedy session

By Stephen Stetson, policy analyst

Legislation is moving quickly at the State House, with some observers predicting adjournment by early May, a month short of the time allowed. In addition to the bills covered on Page 1, here are some of the other issues Arise is following:

Criminal justice reforms. Chief Justice Sue Bell Cobb has received statewide attention for her package of bills to modernize Alabama's criminal justice system. The proposals, which include sentencing reforms and supervised release of nonviolent inmates, would make the state safer and save more than \$100 million in five years, Cobb estimates. The average Alabama prison operates at nearly 200 percent of its designed capacity, and the system's annual cost to the General Fund has doubled to \$573 million in the last decade. The package has received bipartisan backing from across the three branches of government but may yet hit some snags before becoming law.

Tenants' rights. The passage of Alabama's first landlord-tenant law in 2006 was a major accomplishment, defining obligations and protections for both sides of the rental relationship. A series of bills pushed by Realtors and

homebuilders this session seek to roll back the rights of tenants and enhance the power of landlords. The proposed changes, coming as economic problems are driving more and more people into the rental market, would create an "express lane" for evictions and make it easier for landlords to intimidate tenants by including unenforceable provisions in leases.

Public transportation. Several bills would, by differing degrees, open the long-closed door to public transit funding in Alabama. SB 79 by Sen. Del Marsh, R-Anniston, would allow counties to raise gasoline taxes by up to 5 cents per gallon to support roads, bridges or public transportation. HB 207 by Rep. Patricia Todd, D-Birmingham, would amend the Alabama Constitution to allow state gasoline tax revenue to be used for public transportation. Gas tax revenue now can go only toward building and maintaining roads and bridges and enforcing traffic laws. Finally, HB 342 by Rep. Joe Faust, R-Fairhope, would introduce so-called "complete streets" standards, requiring incorporation of pedestrian and bicycle lanes into future transportation infrastructure projects.

Washington note

House budget plan would dismantle health coverage

By Jim Carnes, health policy analyst

U.S. House Republicans on April 5 released a 2012 budget "blueprint" that would dramatically reduce the federal government's role in health coverage and other supports for low-income, elderly and disabled Americans. The proposal, titled "Path to Prosperity," also would reduce the top rate for individual income tax from 35 percent to 25 percent, with no provision for additional revenue. Though not expected to pass the Democratic-controlled Senate, the plan could set the tone for future debate on funding public services.

In a major reversal of federal health care policy, the plan would roll back funding for the Affordable Care Act of 2010, cut Medicaid by more than \$770 billion over the next decade, and replace Medicare coverage for people now under age 55 with vouchers for buying private health insurance. While these provisions together would increase individual health care costs, swell the ranks of the uninsured and undercut future efforts to reduce that number, the proposed changes to Medicaid would deal a double blow to vulnerable populations and cash-strapped state governments.

Including the repeal of planned Medicaid expansion, total federal cuts to the program would amount to \$1.4 trillion over 10 years. Such a drop would require a structural change in Medicaid funding, from federal-state sharing of actual costs to a block grant system that would force states to slash benefits, cap or reduce enrollment, or raise taxes to cover the shortfall. The federal government now matches Alabama's Medicaid funding at a nearly 7-to-3 ratio.

Gov. Robert Bentley and many of his peers around the country have said they favor Medicaid block grants for their flexibility, but with cuts this deep, fiscal constraints would leave few choices in program design. The House budget proposal would put health insurance – and health care itself – out of reach for thousands of Alabama families, leave thousands of Alabama seniors without nursing home care, and deprive thousands of Alabamians

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Conference-goers "Share the Vision"



ACPP's first-ever Montgomery policy conference drew more than 80 community leaders, social workers, health care providers, students and other participants to Auburn Montgomery on March 4. Keynote addresses by Chief Justice Sue Bell Cobb (above left) of the Alabama Supreme Court and regional director Anton Gunn (above right) of the U.S. Department of Health and Human Services highlighted a day of informative workshops and lively discussion.

Your support means so much!

A note from Brenda

Arise members are the best! Every time I go to the post office and find checks for \$25, \$50, \$100 or more, I marvel at the generosity of our donors. After all, most are people of modest means that allow them to live comfortably but not extravagantly. So what prompts these individuals to sit down and write out a check to Arise? I believe I know the answer: Arise members are people whose innate sense of fairness and belief in democratic principles compel them to seek a more just society. Arise members care deeply about fellow Alabamians who are suffering because of unfair policies. And Arise members believe that by supporting research and education on these issues, they can make a difference.

Brenda Boman
Development Director

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Washington note

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with disabilities of the resources they need for independent living.

Despite its likelihood to fail, some critics fear the Ryan plan could erode opposition to a global spending cap or other draconian approaches to deficit reduction. The proposal is expected to reach the House floor next week.

Host an Arise house party!

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