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Calendar notes

Fri., Oct. 26 – deadline to register to vote in the **Nov. 6 general election**. Visit alabamavotes.gov.

Let's get busy!

Fall in Alabama means football, camp stew and the ACPD Member Work Plan! Now that we have our 2013 policy goals in hand (*see enclosed brochure*), it's time to gear up for a season of preparation before the Legislature convenes in February. Below are some ways you can promote ACPD priorities in your community and get them on your lawmakers' radar screens. Please take a moment to choose the actions that are right for you – or identify others we haven't listed! – and make a commitment to follow through. Then email Pres Harris (pres@alarise.org) to let us know what you'll be doing so we can support you effectively.

This fall I will:

- Help organize a health care outreach meeting.
- Invite an ACPD organizer to do a 2013 issue preview.
- Arrange a local meeting with my legislator.
- Invite my legislator to a local event.
- Write a letter to the editor.
- Invite others to join ACPD.
- Help an organization or congregation join ACPD.

Thanks for all you do!

Report

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September 26, 2012

Voters approve ATF transfer to General Fund **Long-term GF challenges remain**

By Chris Sanders, policy analyst

The constitutional amendment that Alabama voters approved last week will prevent a budgetary disaster next year, but it won't cure the state's long-term General Fund (GF) shortfalls. By about a 2-to-1 margin, Alabamians on Sept. 18 accepted a plan to move \$145.8 million annually for the next three years from the Alabama Trust Fund (ATF) to the GF. Through fiscal year (FY) 2015, the GF will receive a \$437.4 million infusion from the ATF, which receives most of Alabama's revenues from offshore oil and gas drilling.

Voter approval of the amendment will prevent a massive hole in the GF budget for FY 2013, which will begin Oct. 1. But it won't stave off yet another year of funding cuts for Alabama's non-education public services. Even with the cash infusion from the ATF, GF spending next year will be about 15 percent below its inflation-adjusted FY 2008 level. Next year's \$1.7 billion GF budget will fall about 2.9 percent below this year's level after proration.

The amendment is the latest in a series of temporary patches to cover the GF's ongoing funding woes. The GF receives money from a hodgepodge of revenue sources that are slow to grow even in good economic times. The result is a structural deficit, as revenues simply don't grow quickly enough to keep pace with the rising costs of Medicaid, prisons and other public services. Alabama has filled the gap in recent years with

temporary federal Recovery Act money and other one-time funds, but those sources will be unavailable next year.

Lawmakers proposed the amendment to allow the GF to limp through another year without tax increases or

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Organizing team leader Pres Harris (left) issues the official "noting dots" to Carmen Austin of Birmingham at the annual meeting on Sept. 15.

Members vote to tackle payday loans

By Jim Carnes, policy team leader

Ten years after Alabama passed minimal payday loan regulations, ACPD will make more stringent predatory lending reforms a high policy priority for 2013. Members convened Sept. 15 in Montgomery to adopt the new agenda, which also includes a death penalty moratorium, constitutional reform, public transportation and the repeal of Alabama's 2011 anti-immigrant law. Two other

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A few words from Kimble —

Call me old-fashioned, but I'm still a subscriber. Every morning I find my *Montgomery Advertiser* in the driveway, but a growing number of you get a paper only three days a week. As papers across the state shift to online news, we invite you to sign up for the Arise Daily News Digest. Over your morning coffee, you can read a list of Alabama news articles, then click through to any news and opinion that grabs your interest. Join the ranks of the well-informed!

Don't worry. Alabama would never leave 47 percent untaxed. Our \$12,600 state income tax threshold for a family of four doesn't let many escape the April 15 deadline. But we're generous to retirees, exempting defined-benefit pensions and Social Security benefits from the state income tax.

Alabama didn't always tax the middle class. When our leaders designed the state income tax in 1935, they only taxed the income that exceeded \$3,000 per couple, plus \$300 per child. Maybe they should have called it the "Excess Income Tax," since only 7,000 earners statewide made enough to owe any state income tax. So, decades before Ronald Reagan proposed that the income tax "should not tax people deeper into poverty," Alabama taxed neither low- nor middle-income earners.

Now we've flipped that concept upside-down. Alabama has the highest income tax in the nation (\$548) on a family of four at the poverty line. Yet we offer a huge, lopsided deduction that lowers revenue by \$485 million, and more than half of that tax break goes to the richest 3 percent. Wouldn't our rich neighbors gain more civic virtue if we ended that tax break?

Yours in peace and hope,

General Fund

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deep funding cuts. ATF transfers will help the GF stay afloat temporarily, but a smaller ATF corpus could lead to less ongoing ATF earnings for the GF in the coming years. The amendment does not require the state to reimburse the ATF, though several lawmakers have promised to push legislation next year to require the state to repay the money within 10 years.

In addition to the one-time transfers, the amendment will improve the state's formula for distributing ATF earnings to the GF and other entities annually.

Instead of linking payments to earnings and capital gains, the ATF now will provide payments based on a fixed share of royalties and assets. Starting in FY 2013, the GF annually will receive an amount equal to 33 percent of the previous fiscal year's royalties, plus 5 percent of the average market value of ATF assets over the previous three fiscal years. The GF on average will receive about the same amount of revenue from the ATF over

a five-year time frame, analysts say, but payments will be more stable and less subject to market fluctuations.

ACPP members voted in August to endorse a "yes" vote on Sept. 18 to avoid the risk of massive GF cuts next year. But they also cautioned that continuing to drain the ATF is not a long-term answer to the GF's chronic shortfalls. "Raiding a savings account every year to pay ongoing expenses is not a sustainable way to fund the health care infrastructure that makes life better for all of us," ACPP executive director Kimble Forrister said last week.

Alabama's leaders should use the amendment as a bridge to more sustainable funding for GF services, Forrister said. "We urge them to find new revenues to stabilize Medicaid, mental health, public safety and other public services for the long term," Forrister said. "And they should design a revenue plan that doesn't make our state's upside-down tax system even worse. It's time to make hard decisions and establish an adequate, reliable funding stream to protect the most vulnerable Alabamians."

2013 ACPP goals

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issues – tax reform and adequate state budgets for health and human services – are permanent ACPP priorities.

In addition to setting 2013 goals, the membership approved AARP Alabama as a new member group.

ACPP and AARP have been frequent partners on a range of issues, including last year's successful Housing Trust Fund proposal. AARP is also a member of the leadership team guiding ACPP's work on health reform.

The annual meeting marked the end of Tom Duley's four-year term as ACPP board president. Members saluted Tom's service with a special donation to Alabama Arise. Other board members rotating off this year are William Boyd of Birmingham Coalition

of the Homeless; Callie Greer of Jubilee Community Center, Montgomery; Sarah Price of Bethel Ensley Action Task; Donald Stone of Partners in Progress; and Miriam Villanueva of Hispanic Interest Coalition of Alabama (HICA). Serving in their place will be John Alexander of East Lake United Methodist Church, Birmingham; Brandon Fountain of Micah's House, Birmingham; Eileen Knott of Jubilee Community Center; Isabel Rubio of HICA; Jim Trumpower of Church of the Reconciler, Birmingham; and Cindy Lowry of the Alabama Rivers Alliance. The board will elect new officers at its fall retreat on Oct. 12-13.

Jumpstart your day!

Hundreds of Alabamians use the *Arise Daily News Digest* to stay informed on vital issues. Do you? [Sign up at arisecitizens.org today!](http://arisecitizens.org)

Governor waits until after Nov. election

ACA decisions on hold in Alabama

By M. J. Ellington, health policy analyst

Now that the 2013 Medicaid budget is safer, thanks to voter approval of a referendum to fund the General Fund budget, a central question about the future of Alabama Medicaid comes into focus. Will our state move forward with Medicaid expansion in time to take full advantage of a three-year, 100-percent federal match to provide health coverage for people with earnings up to 133 percent of the federal poverty level?

In its June 28 decision upholding the Affordable Care Act (ACA), the U.S. Supreme Court gave states leeway on whether to expand Medicaid eligibility. A few governors rapidly said they would not expand their state programs, but Gov. Robert Bentley was not one of them.

Tuscaloosa welcomes Dr. Katherine Newman

Attendance topped 150 at two Arise events in Tuscaloosa on Fri., Sept. 21, where poverty expert Dr. Katherine Newman presented findings from her book *Taxing the Poor*. In a campus lecture co-sponsored by the University of Alabama School of Arts and Sciences and the UA Arise Student Chapter, Newman gave a detailed analysis of tax regressivity in Southern states, showing how it contributes to a range of social problems. She described how struggling families' high tax bills limit their access to health care, education and other steps to self-sufficiency.

Later in the day Dr. Newman was honored at a reception hosted by First Presbyterian Church, Tuscaloosa. She spoke briefly and signed copies of her book, which is dedicated to Arise.

There is no official deadline for states to make the decision, but there is a financial deadline if they want the full 100 percent federal funding for three years. The clock starts ticking on the full match offer Jan. 1, 2014, and ends Dec. 31, 2016. After that, states will begin to assume a fraction of the cost, up to a maximum of 10 percent by 2020.

Early enrollment for the first year begins Oct. 1, 2013. To be ready, states must have a structure in place to inform newly qualifying adults, determine the eligibility of new applicants and help them enroll. The federal government will pay for states to boost doctor payments for Medicaid care up to Medicare rates for two years in an effort to bring more doctors into the system. Alabama also could expand the role of nurse practitioners and others in the health field to help serve the 350,000 to 450,000 new enrollees Medicaid expects.

Alabama's next big deadline is Nov. 16 – ten days after the presidential election – for choosing to create a state-run health insurance exchange by 2014. Governors of many states, including Alabama, say they're waiting on the election before taking any ACA-related actions. With time running out on a state-run exchange, Alabama likely will get either a state-federal partnership exchange or a federally facilitated exchange, with the option to create a state exchange later.

Exchanges will provide a way for individuals and businesses with up to 50 employees to buy quality health insurance plans at affordable rates. The new "marketplace" will provide tax credits on a sliding scale to help offset premium costs for enrollees who earn between 100 percent and 400 percent of the federal poverty level.

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A closer look

Don't believe the hype: We all pay taxes

By Chris Sanders, policy analyst

Taxes are a hot political topic this year, and much recent attention has focused on a Tax Policy Center estimate that 46 percent of all Americans owe no federal income tax. That fact is an interesting bit of tax trivia, but it hardly reflects the broader reality of how federal, state and local taxes affect people's household budgets. The simple truth is everyone – rich or poor, young or old – pays taxes.

Most Americans who do not pay federal income tax pay other federal taxes. More than six in 10 of those households pay payroll taxes to support Medicare and Social Security, according to estimates by the Center on Budget and Policy Priorities. Another 22 percent are retired seniors, most of whom paid federal income tax for decades. Of the remaining 17 percent of people who do not pay federal income tax, most are either college students who will join the workforce upon graduation or people who are not working due to illness or disability.

State and local taxes take a bite out of every household budget, and the effects are much more significant for low-income people. All 50 states have regressive state and local tax systems, leaving the bottom fifth of income earners to pay a higher share of their incomes in state and local taxes than people in the top 1 percent do, according to the Institute on Taxation and Economic Policy (ITEP). Overall, Americans at each income level pay a share of combined federal, state and local taxes that is very similar to their share of income, ITEP estimates.

Alabama's state and local taxes are some of the nation's most regressive, according to ITEP. Far from freeloading, low- and middle-income Alabamians pay more than twice the share of their incomes in state and local taxes that the highest earners pay. The state's bottom fifth of earners pay 10.2 percent of what they make in state and local taxes, while the top 1 percent pay just 4.8 percent. High sales taxes, which apply even to groceries in Alabama, are the main cause of that difference. Rock-bottom property taxes and an effectively flat state income tax do little to counterbalance that effect.

Forcing all households to pay federal income tax would make it even harder for millions of seniors, college students and low-income working families to make ends meet. To subject all

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ACA decisions

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If Alabama doesn't expand Medicaid, then the state would exclude some of its poorest people from coverage while giving exchange subsidies to people with higher incomes. Alabama's current Medicaid income limit is \$2,328 per year for a family of four, or 10 percent of the federal poverty level of \$23,050 for a family of four.

Medicaid expansion will pump more than \$10 billion in federal funding into Alabama's economy over the first six years, Medicaid estimates, at a state cost of \$470 million to \$700 million over the same period. The human benefits, advocates say, make the deal a win-win.

"Bringing health security to nearly half a million Alabamians at no cost to the state for three years is a bargain we can't pass up, as well as a bonus for our economy," ACPP executive director Kimble Forrister said.

We all pay taxes

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Americans to the federal income tax, lawmakers would have to lower the standard deduction and personal exemption, or start taxing retirees living on fixed incomes. Lawmakers also would have to cut or eliminate measures like the Earned Income Tax Credit and the Child Tax Credit, both of which incentivize work and reduce child poverty.

The federal income tax is not the only tax, and it should not be viewed in a vacuum. Complaints that nearly half of Americans do not have any "skin in the game" are misguided. They may not owe federal income tax on April 15, but they pay plenty of other taxes all year long.

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