

Constitutional and tax reform are election issues

With only a few weeks to go in the primary campaign, Arise members can lift the profile of tax reform and constitution reform in the campaign debate. We can write letters to the editor and ask questions at campaign events, such as:

Do you support tax relief for low and middle-income families?

Will you support the Knight Plan to make the income tax fairer?

Will you vote to let voters decide to have a constitutional convention?

POVERTY QUIZ

Q: In Alabama, how long do workers in the bottom fifth of income work to earn what the top fifth earn in a year?

A: 10 years. In the late 1970s, the answer was 9 years. The lowest-paid fifth got a 25% increase in income over the 22 years since; the richest fifth's income increased 42%.

On page 4: Legislative wrap-up

Winning by advocacy, prayer, luck –

Payday loan bill: dead again

We hope this is the *last* year we have to kill the payday loan bill at the end of the legislative session. Once again the last day was dramatic: Rep. James Buskey and others were using delaying tactics to keep the bill – number 6 on the agenda – from coming up for a vote. At 4:24 p.m. we sent this e-mail to the Arise list serve:

The Alabama House has grown sick of delaying tactics. Normally they let a debate go on for a while before they vote cloture. Now they're handing in cloture petitions as soon as a bill comes up. The abortion bill just passed, and the Ten Commandments bill is next. The bad payday loan bill is on the list two spots later. It will probably pass by 6:00.... Situation grim.

Meanwhile, Sen. Charles Langford was saying farewell to the Senate upstairs. After senators passed a resolution praising Langford, he moved to adjourn. Sen. Gerald Dial objected, saying that

he had two bills on the House floor – the Ten Commandments bill and the payday loan bill – that would die if the Senate adjourned. Then Langford begged senators not to defeat the last motion of his career. The Senate voted to adjourn, and the payday loan bill was dead again.

This year we decided not to follow the lead of AARP as we had in previous years. AARP negotiated a compromise bill that would have lowered the cost of a \$200 payday loan for 60 days from \$160 to \$81. Arise judged the compromise to be unfair to low-income borrowers. Arise agrees with the Attorney General that payday lenders should abide by the Small Loan Act, which allows charges of \$24 for a \$200 loan for 60 days.

What's next? Judge Eugene Reese needs to rule. The case has been in his court for nearly four years. Editorials in Mobile, Huntsville, and Birmingham have called on Reese to rule. Your letter to the editor can help. For ideas, call Karen Brown in the Arise office or visit arisecitizens.org.

Rainy day fund – at what cost?

Arise has long supported creation of rainy day accounts for state budgets. When the economy weakens and tax revenues plummet, a rainy day fund can protect vulnerable services from cuts.

However, a proposal before voters in the June primary raises troubling questions.

Amendment One would create a rainy day account by diverting \$250 million from the Alabama Trust Fund. The Trust Fund, created with oil and gas royalties that will end by 2022, now has over \$2 billion invested. Interest from the fund is the second greatest revenue source for the General Fund Budget.

Arise considers it bad public policy to create a rainy day account with money that should be reserved for future generations. The last time the Legislature had a rainy day fund, it spent the money and never repaid it. We recommend rejection of Amendment One on the June ballot.

A few words from Kimble –

“Kimble, what would you say is your greatest need?” That was the first question the Ford Foundation trustee asked as we started lunch at Dexter Avenue King Memorial Baptist Church. How should I answer such a question? Pres Harris and I had already told the story of our policy work and organizing in a panel on Ford’s work in the South.

I replied that our biggest challenge is rural organizing. We have a handle on organizing in large and small cities, but rural areas don’t have many existing groups we can recruit. We are blessed with the skills of Nathan Morgan, who has worked for years in rural counties, and both Stan Johnson and Pres are comfortable almost anywhere. But when we look at the swing legislators – those last twelve votes short of a majority – most are rural White Democrats.

We want to hire a fourth organizer who can concentrate on rural areas. Arise's board has committed to a hiring strategy: As soon as we can raise \$50,000 to cover the salary and expenses of the position, we can begin the hiring process.

So we are now asking you to give to an important new cause. Instead of giving to match the Ford and Mott grants, you can help us hire the fourth organizer. Since January, we have raised **\$23,293!** We're almost half-way there. Henceforth we plan to ask Alabama foundations for the \$40,000 Ford-Mott match. So far, \$30,000 has come from the Community Foundation of Greater Birmingham, and a \$5,000 gift came through the Central Alabama Community Foundation's Galatians Fund. Just \$5,000 to go!

With peace,

Kimble Forrister
Executive Director

Calendar

Alabamians for a Moratorium on Executions monthly meeting 12:00 Fri., May 24, Montgomery Unitarian Universalist Fellowship. For info, call Nathan Morgan, (205) 394-3923.

Auburn Arise Cluster 6:00-7:30 p.m. Wed., May 29, Auburn First Baptist Church. For info, call Pres Harris, (800) 832-9060.

Tuscaloosa Tax Reform Workshop 7:00 p.m. Tues., June 11, Tuscaloosa Unitarian Universalist Fellowship. For info, call Nathan Morgan, (205) 394-3923.

Another Tuscaloosa Tax Reform Workshop 3:00 p.m. Fri., June 14, Institute for Social and Educational Research, 3710 Resource Drive

Arise Tax Caucus meeting 10:00-12:00 Sat., May 25, Church of the Reconciler, 312 18th St N, Birmingham, (205) 324-6402. For info, call Kwamena Blankson, (800) 832-9060.

Arise Annual Meeting Sept 7.

Did you miss the news of Arise action at the Legislature? You can sign up for e-mail alerts by writing Kimble Forrister at kimble@alarise.org. You can also sign up for the Arise list serve and be a part of ongoing conversations and announcements from Arise members and staff. To join the list serve, send a blank e-mail to alarise-subscribe@topica.com. Topica will send a confirmation message, and when you reply, you will be on the list.

Medicaid funding crisis: Time to pay the piper?

Alabama's long-running dispute with federal authorities over Medicaid funding has reached a new level. The federal Center for Medicaid and Medicare (CMS) has denied Alabama's waiver renewal to continue its funding mechanism for hospital care for Medicaid patients. One expert told the Associated Press that no other state has gone as far as Alabama in finding ways to use Medicaid laws to its advantage.

Medicaid clients will continue to receive hospital care under Alabama's approved state plan, according to Medicaid Commissioner Mike Lewis. Governor Siegelman has said that if CMS objects, the state will file a lawsuit to enable it to keep operating under the current state plan.

If CMS has its way, the state will begin losing up to \$99 million a year in federal funding beginning July 1. The state's budget pain will be offset by extra money Congress has appropriated for charity care. These funds will become available the first of October and will reduce the state's loss to about \$50 million per year.

There's more. In a separate dispute, CMS charges that Alabama has been using federal funds given to hospitals for uncompensated care as part of the state match for drawing down Medicaid dollars from Washington. It further accuses the state of making duplicate payments to hospitals for uncompensated care. However, the Alabama Medicaid Agency recently completed a survey which reveals that hospitals provided more uncompensated care than had previously been reported to CMS.

What the Bush Administration wants is to move Medicaid in the direction of a block grant. Late last year CMS offered to pay Alabama \$380 per month per Medicaid patient for the next five years, assuming an inflation increase of 4% per year. Alabama Medicaid countered with a \$546 per month figure to reflect more accurately the 8-11% annual rate of inflation anticipated for medical care.

Notification that the waiver will not be renewed brings to a head one of the five issues CMS has with the state. A potentially more expensive issue has yet to be addressed: the duplicate payments charge. Solving that issue could cost Alabama hundreds of millions of dollars.

Alabama's Medicaid Agency serves about 700,000 people. In the last two years it has seen 38,000 added to its rolls, of whom 31,000 were children.

Unemployment insurance system earns "F" in study

Two months ago, a national study released by the Economic Policy Institute (EPI) found only two states – Alabama and Missouri – where the unemployment insurance system failed to meet minimum standards in all five key categories studied. EPI projected that about 19,250 unemployed Alabamians would run out of unemployment benefits in the first half of this year – an increase of 11% over the same period last year.

Worse yet was the fact that Alabama's unemployment insurance system was ill-prepared to meet the needs of the 740 laid-off workers who would completely run out of benefits each week. Rather than address the needs of those at risk of losing benefits, the Legislature took a baby-step toward reform by helping those who currently receive benefits. In mid-April, House Bill 341 passed, increasing the maximum weekly unemployment compensation benefits from \$190 to \$210 for the benefit year beginning July 1, 2002.

The new law appropriates funds available to the state from recent federal changes that were intended to extend unemployment compensation in the wake of the September 11 attacks. By increasing benefits, legislators addressed one of Alabama's five areas of failure in the EPI study. The other four unmet needs were: limited eligibility for benefits; inadequacy of state funds to maintain the benefit system in a recession; inadequacy of state mechanisms to provide additional assistance in an extended recession; and regressivity of the tax that funds the system.

Knight Plan praised in committee hearing

Ways and Means / Education Fund Committee members know the Knight Plan better after sponsor John Knight arranged for a public hearing, even though the plan's chance of passage in an election year was small. The committee sent the plan to a study committee – a polite way to postpone action to next year.

The plan would increase the income tax threshold for a family of three from the current \$4,600 to \$22,800. Alabama's highest-in-the-U.S. tax burden on a family at the poverty line would drop to zero. It would give a tax cut to 60% of tax filers, while 19% would pay more.

Several committee members praised the plan, although Republican members say it should be re-drafted to conform to their no-new-taxes pledge. We say the plan is actually revenue-neutral overall, because this year we calibrated the plan to raise the same amount of new revenue – \$145 million – as the reduction in federal taxes caused by the bill. How can this be? The state income tax now lands heavily on low-income people, and they tend not to itemize deductions on their federal returns. The Knight Plan would shift that tax burden to wealthy people, who do itemize deductions. When they itemize the Alabama tax increase on their federal returns, they will get a \$145 million reduction in federal taxes. As a result, the Alabama public as a whole will not pay more in income taxes, but the burden will be more fairly distributed.

Rep. Knight co-sponsored an Arise tax reform workshop in March. If you haven't seen our cookie skit, you need to plan a workshop for your group!

Legislative wrap-up on Arise issues

Issue	Legislation	Status	Next step
Knight Plan: income tax reforms	Rep. John Knight's bills would give tax break of \$132.50 / child, end deduction for federal tax paid. 60% of tax filers would pay less; 19% would pay more.	Knight amended plan to direct half of new revenue to Gen'l Fund. Ways & Means / Ed Committee held hearing, will "study" plan.	Need to push tax reform in general and Knight Plan in particular with candidates. Need extra effort in rural districts.
Landlord-tenant law	Alabama is one of two states with no law defining rights and responsibilities of landlords, tenants.	Alabama Law Institute has a committee writing new, independent legislation.	Law Institute's bill expected to be acceptable to us, legislators; will still need push in '03.
Public transportation	Sen. Rodger Smitherman's constitutional amendment would let gas taxes be spent on public transportation.	Smitherman amended bill to let only Jefferson and Shelby Counties spend part of gas taxes on public transportation. Lost for lack of quorum; even Jefferson senators didn't show.	Need to join efforts of public transportation systems, advocates. Uphill battle against road builders and most county commissions.
Moratorium on executions	Bill halts executions for three years as state studies fairness of death penalty system.	No committee hearing this year; unpopular issue in an election year.	Educate public on issue: when an innocent accused can't pay a lawyer.

Constitutional reform	Arise supports proposal by Alabama Citizens for Constitutional Reform for convention with delegates elected in 105 legislative districts + 12 lawmakers.	Bill was pulled from House floor debate after delaying tactics. House Black Caucus opposed it in apparent feud with governor.	Need to push issue of a convention with legislative candidates. Strong momentum, but the opposing forces are powerful.
Child care	Arise and coalition partners agreed to seek \$10 million in new funding. Last increase in state funding: 1988.	General Fund too strapped for money this year, but crafting our position will help in future.	Build support of legislators for idea that it's time to increase investment in child care.
Payday loan bill <i>(Arise opposes)</i>	AARP negotiated a bill with payday lenders. Limits fees to \$16.50 per \$100 borrowed, and allows only one rollover at that rate. Arise opposed it: Lenders should comply with Small Loan Act.	Thanks to delaying tactics, bill died at end of session; was next bill on agenda when House adjourned.	Arise urges Judge Eugene Reese to rule. Case has been in his court since 1998. Four years is long enough to wait for Legislature to decide. It hasn't.

Arise Citizens' Policy Project www.arisecitizens.org (800) 832-9060

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