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Calendar notes

ISSUE CAUCUSES

Tax reform – Mon May 9, 1:30 p.m. at the Greater Birmingham Ministries office. The caucus will preview and discuss *The Alabama Tax & Budget Handbook*, to be published later this spring by ACP. For more information, contact carlos@alarise.org or call the Arise office (800) 832-9060.

Transportation – Tue May 17, 2:00 p.m. in Montgomery (location TBA). For more information, contact ron@alarise.org or call Arise.

Health – Fri May 20, 10:00 a.m. (tentative), Montgomery (location TBA). For more information, contact mary@alarise.org or call Arise.

ACPP welcomes four new member groups

At the membership meeting held on Lobby Day, March 10, four groups from around the state joined the ACP/Arise coalition, bringing the total to 136 member groups. The new members are: ADEM Reform Coalition; First United Methodist Church of Birmingham; United Methodist Women, First United Methodist Church of Trussville; and Knights of Columbus Council 2738 of Selma.

Welcome, new members!

Report

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Vol. 8, No. 3

April 21, 2005

Committee approves HB 235

Transit bill gains momentum

For the first time in five years, a legislative committee has approved a public transit amendment. House Bill 235, sponsored by Rep. George Perdue, would amend the state constitution to allow gas taxes and license fees to support public transportation as well as road and bridge construction.

The only point of contention was the “two percent” limit. To address the concerns of

road builders and legislators who don't want their road projects cut, the original bill would have allowed up to two percent of the fund to support public transportation. One-fourth of one percent could support rural transportation, and the remaining 1.75 percent could support urban transit. When rural legislators asked why their areas could get only one-eighth of the fund, Perdue agreed to remove the percentages entirely.

At least two committee members changed their votes over the percentage issue. Rep. Nelson Starkey said that he could now support the bill; Rep. Charles Newton said he would now oppose it because it would allow unlimited raids on the highway fund.

On a vote of 8 to 4, the committee voted to remove the two percent cap. Arise approaches this question with an open mind. Whatever will address lawmakers' concerns and facilitate passage is a step forward, whether that means add-

ing the cap or removing it. Without the cap, the committee approved the bill on a voice vote.

Testimony on the bill covered a broad spectrum. People testified on rural concerns, environmental issues, and the

needs of people with disabilities. Arise executive director Kimble Forrister reviewed the history of the bill and the 50th anni-

versary of the Montgomery Bus Boycott, saying one thing had not changed: “The state provided no funding in 1955 and provides no funding in 2005.”

Rep. Perdue wants to bring the bill to a floor vote in the House. While the chance of final passage is remote this late in the session, a vote would provide crucial information for next year's strategy.

Budgets appear likely to require special session

By Mary Weidler, senior policy analyst

For several weeks, political wrangling prevented passage of a bill key to balancing the \$1.53 billion General Fund, which had passed the House before the spring break. This week, the bill to appropriate \$54 million from tobacco reserve funds passed 101-0.

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**A few words
from Kimble —**

The Alabama-Kentucky rivalry is finally over. For years we've competed to be Number One in unfair taxation, but they gave up.

Kentucky finally passed an income tax break for low-income working people. That will leave Alabama as the only state to charge over \$500 in income tax on a family of four at the poverty line (\$19,311); the only state to charge over \$400 on a family of three at the poverty line (\$15,071); and the only state that charges any income tax at all on families of three or four with incomes under \$10,000.

We're also the only state with an income tax that hasn't enacted any tax cuts for the poor in the last 15 years. We tax people deeper into poverty, and most Alabamians — including most of our leaders — think that's wrong.

Ironically, one reason we haven't changed our tax system is that so many people think "tax reform" means "tax increase." It doesn't have to be that way. The most appealing path to tax fairness is to eliminate millions of dollars in unfair breaks and replace them with fairer deductions that will lower the tax bill for middle- and low-income workers.

What's the most unfair tax break? It's the deduction for federal income tax paid, which cuts \$382 million from the tax bills of people who aren't poor. It gives an average \$132,000 deduction for the top one percent of tax filers, a group whose average income is \$640,000. By contrast, parents only get a \$300 deduction for each child — the same \$300 our great-grandparents got in the 1930s!

The poverty line rose past Alabama's income tax threshold in 1973; now, 32 years later, it's time to undo the damage . . . and meet the new Kentucky challenge!

With peace,

Judicial reform bills win a nod

By Carlos Finkley, policy analyst

A Senate bill calling for a three-year moratorium on executions received a 7-4 favorable report from the Senate Judiciary Committee on April 12. The bill's sponsor, Sen. Hank Sanders, acknowledged that the Senate bottleneck was likely to prevent action on SB 371, which proved true the following week. The bill called for a pause in executions while state leaders study the impact of poverty, race and other socioeconomic factors on the imposition of death sentences.

Another bill that had been awaiting action, SB 368, would establish standards and procedures in death penalty cases for the trial court to determine whether a defendant is mentally retarded. Current Alabama law does not exempt mentally retarded defendants from the death penalty.

On the House side, HB 408 (Rep. Demetrius Newton, sponsor) seeks to clarify the state's payment policy for indigent defense. In compliance with federal mandates, Alabama law requires the state to provide legal counsel to persons who

challenge criminal charges but cannot afford a private attorney. The state pays court-appointed attorneys an hourly wage (currently \$60 per hour for time spent in court and \$40 per hour for time spent on out-of-court work on the case), with fee caps that vary according to type of case.

The 1999 law that set current rates also allowed reimbursement for expenses. However, Attorney General Troy King issued an opinion in February that the law's failure to mention reimbursements for office overhead costs amounted to disallowing such payments. HB 408 declares that the 1999 law was intended to allow reimbursement of office overhead expenses. An amendment to the bill would allow for retroactive reimbursement, to February 1, 2005, of these fees and expenses. The reimbursement entitlement would expire on May 1, 2006, if not extended by legislative action. Also, the amendment requires that the Alabama State Bar set guidelines (subject to approval by the Alabama Supreme Court) for reimbursement of fees and office overhead expenses. HB 408 received a favorable report from the House Judiciary Committee on April 12.

Issue caucuses need your ideas!

Arise needs your input. We have caucuses on our issues to provide our members, other interested citizens and those with particular expertise an opportunity to participate in issue strategy. The caucuses meet every few months to discuss and work through ongoing and upcoming issues in transportation, health care, tax reform, housing, and fringe finance.

Among the purposes of caucuses are to research and think over Arise positions; to be sounding boards for action proposals; to inform the staff of what those in a particular discipline are thinking about; to provide a network of like-minded people interested in solving policy problems; to give feedback to the staff on fact sheets; to offer strategy recommendations to the board; and to offer

members a venue for proposing agenda items to the entire membership.

The health caucus, for example, has drafted a statement of purpose that outlines the group's broad health policy outcome goals: "To empower underserved, low-income individuals to advocate for greater quality of publicly financed health programs . . . as well as to increase citizen participation in the formulation of state health policy."

To sign up for a caucus, contact Ron Gilbert (transportation, housing, fringe finance); Carlos Finkley (tax reform); or Mary Weidler (health). Our email addresses are our first names @alarise.org. Telephone: (800) 832-9060. *See Page 1 for upcoming caucus meetings.*

Vulnerable Alabamians face drastic federal cuts under House plan

By Mary Weidler, senior policy analyst

How will Alabamians and Alabama be affected by proposed federal budget cuts? Over the five-year period 2006-10, what the House has proposed will lop \$100 million from SSI payments for elderly and disabled Alabama recipients. The Earned Income Tax Credit (EITC) is slated for a \$108 million cut. In Alabama, more than 465,000 working families count on this tax relief and wage supplement. Food stamps in Alabama are likely to be cut by between \$55 and \$110 million. That's not good news for the half-million people in Alabama who rely on food stamps.

These House cuts are at least 10 times larger than the cuts proposed by the Senate budget plan.

The cuts in these mandatory low-income programs are a key issue as the two bodies try to reconcile their budget plans this month. On tax cuts, however, the two houses are much closer: both plans include more than \$100 billion in tax cuts, presumably for upper income households if they follow the Bush tax cuts of 2004. Last year, millionaires, who comprise two-tenths of one percent of taxpayers, received an average tax cut of \$123,592, for a 15.3 percent share of the total tax cuts. Workers earning less than \$20,000 a year, who make up 32.6 percent of all taxpayers, received an average tax cut of \$105, for a 2.5 percent share of the total tax cuts.

The proposed House budget measure calls for \$23 billion to extend existing tax cuts related to capital gains and dividends for two more years. This cost is equal to about two-thirds of all cuts in low-income mandatory programs in the House plan.

Alabama programs that will face cuts range from Medicaid, estimated to be cut by between \$215 and \$288 million in Alabama, to foster care and adoption assistance, cut up to \$4.4 million over the five-year period. Right now, 2,900 children rely on this program each month. Other programs slated for cuts are cash assistance welfare (TANF), child care, welfare-to-work programs, child support enforcement, and the Social Services Block Grant.

Estimates of the total losses to Alabamians and Alabama programs range from a low of \$507 million to a high of \$636 million, according to a report from the Center on Budget and Policy Priorities. Arise has serious concerns about how our General Fund budget will be able to fill the Medicaid gap or alleviate these cuts to child care, child support enforcement and foster care in the coming years.

New CBPP report

Alabama leads nation in taxing working poor deeper into poverty

By Jim Carnes, publications director

Low-income families in Alabama are hit harder by the income tax than those in most other states, according to a study released this week by the Washington-based Center on Budget and Policy Priorities (CBPP). Two-parent families of four and single-parent families of three whose income was as low as \$4,600 – or 24 percent of the poverty line – owe Alabama income tax for 2004.

The state's tax threshold – the income level at which families begin paying income tax – is the lowest in the nation and has not changed over the last 41 years. Since 1994, the Alabama income tax on a family of four with poverty-level income has risen by \$165, an increase of 16 percent after adjustment for inflation.

“Governor Riley called Alabama's income tax threshold ‘immoral’ in 2002 and made raising it a centerpiece of his 2003 tax reform plan,” says Kimble Forrister, executive director of Arise Citizens' Policy Project. “The Legislature agreed with him, but after the plan failed in referendum, debate about the threshold faded. In the meantime, the immorality has only gotten worse.”

What makes Alabama's low threshold doubly harmful, Forrister says, is the high tax rate we impose on low-income families. “A low threshold with a low tax rate – say, one or two percent – for incomes below the poverty line would be manageable. But we apply our high-

est rate of five percent to incomes of less than half the poverty line.” According to the CBPP report, Alabama ranked second only to Kentucky in 2004 for the highest tax (\$513) levied on a family of four at the poverty level (\$19,311). “Beginning next year,” Forrister notes, “a new low-income tax credit for Kentuckians will put Alabama at number one. That's not a distinction we can brag about.”

Taxing the incomes of working-poor families runs counter to the efforts by policymakers across the political spectrum to provide more assistance to families seeking to work their way out of poverty, the CBPP report explains. Every state with an income tax except Alabama reduced taxes on the poor in the 1990s, and most states now exempt low-income families from the income tax. The federal government has exempted such families since the mid-1980s. Reducing income taxes on working families gives a boost in take-home pay that can offset child care and transportation costs that families incur as they strive to become self-sufficient.

“There was support in the Legislature two years ago to raise our threshold above the poverty line,” says Forrister. “Representative John Knight has continued to introduce a plan to address the income tax alone. Arise believes that courageous leadership could bring about this crucial first step of tax reform.”

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Budgets

[Continued from Page 1]

The Senate, tied up in a filibuster, has accepted few House messages in weeks. The General Fund bill still awaits assignment to a Senate committee. Despite being poised for passage if the filibuster ends soon, the bill faces the Governor's veto.

The Governor will also veto the Education Trust Fund (ETF) budget if it awards a 6 percent raise for teachers and education personnel instead of his recommended 4 percent. The ETF budget has come out of a Senate committee but faces opposition from the head of the powerful rules committee, Sen. Jim Preuitt. He favors

a separate bill that restores state funding for university retiree health benefits – at \$46 million.

Earlier this month, a House committee passed a \$5.16 billion ETF substitute budget – \$16 million less than Riley requested. It fully funds the Governor's programs but includes the 6 percent education pay raise, along with a 4 percent cost-of-living increase for retirees. The substitute is balanced with one-time revenue of about \$300 million in carryover funds from 2005 and relies on projected revenue growth of 5.8 percent, well below the 6.3 percent growth rate the Governor's budget projected.

Even optimists among legislative observers think the budgets are unlikely to pass in the regular session.

Time runs out on landlord-tenant bill

The landlord-tenant bill was officially dead, along with hundreds of other bills, at the close of business in the Senate on Thurs., April 14, the 23rd legislative day. Under Senate rules, no bill originating in the Senate can be sent to the House without unanimous approval after the Senate adjourns on the 24th day – Tues., April 19. Since the Judiciary Committee report on SB 247 had not yet been received by the Senate on Thursday, there were not enough days left for the bill to pass both houses. Between now and next year, Arise members can build support among their senators.