

GEM OF THE HILLS

Alumni Newsletter of Jacksonville State University ♦ Special Edition 2003



What Will Happen to JSU if the Tax Plan Fails?

Every Alabamian will share the consequences if voters turn down the tax reform and accountability plan during the September 9th referendum. However some of the hardest-hit citizens will be college students and their parents. They will face sharply increased tuition on top of the latest round of tuition increases required to fill the gap following more state cutbacks.



Bill Meehan, JSU President

At JSU, where tuition was raised \$150 per semester in April 2003, bringing the cost of one academic year to an all-time high of \$3,540, the best estimates show that tuition could easily soar another ten percent if the governor's tax plan does not pass.

More than ten percent of JSU's approximately 9,000 students are working adults who go to school part time. Further increases might lead some of these adults — who have families to provide for — to delay their education, make deeper cuts in their family budget to afford rising tuition, or go deeper in debt to fund a college degree.

Possible tuition increases are just the tip of the iceberg. Other problems JSU students and employees would face, should voters reject the governor's tax plan, include:

• **LARGER CLASSES AND FEWER CLASS OFFERINGS.**

Budget cutbacks would force JSU to leave many faculty positions unfilled. Retiring or moving faculty would create job openings that the university could not afford to fill. **Students who need a particular course to graduate might find that sections are filled, leaving them no alternative but to stay another semester or longer before being able to take that course and graduate.** A related problem is the loss of faculty to out-of-state universities that pay higher salaries. JSU and other state universities will not be able to compete on salaries for professors in high-demand fields. The bottom line: students would suffer by having to wait in line for a smaller number of available classes.

• **LOSS OF UNIVERSITY AID FOR STUDENT WORKERS.**

Most of JSU's full-time students depend upon campus jobs to pay a portion of their college expenses. Students who do not qualify for jobs funded by federal assistance are presently hired with University Aid money, which means JSU pays the wages directly. **Cutbacks would eliminate or reduce University Aid jobs, leaving students with no choice but to seek part-time employment in the local market,** which is already glutted with unemployed adults seeking work of any type. In many cases, a part-time University aid position is the deciding factor in whether a student can afford college.

• **SCHOLARSHIPS WOULD BE CURTAILED.**

As is the case with all universities, JSU funds many scholarships. **The curtailment or elimination of Leadership Scholarships and many others will affect hundreds of graduating high school seniors and currently-enrolled upperclassmen.**

• **STUDENT HOUSING WOULD SUFFER.**

Housing approximately a third of JSU's student population is a labor-intensive and expensive service. The costs of maintaining dormitories and paying utilities are enormous.

JSU might have to consider outsourcing student housing.

• **ACCREDITATION WORK WOULD BE JEOPARDIZED.**

If the tax reform package is rejected, JSU might not have the funds to pay for costly additional books, periodicals and other materials needed by the Houston Cole Library to fulfill a Southern Association of Colleges and Schools (SACS) reaccreditation standard. In addition, expensive technology and computer upgrades required by SACS might not be possible.

• **COMMUNITY OUTREACH / ECONOMIC DEVELOPMENT MIGHT BE RESTRICTED.**

JSU would have to cut back on hundreds of free or low-cost community outreach programs — everything from basic skills workshops, seminars and professional development programs to tutoring and refresher classes for public school children. Economic development programs, such as those provided by the Center for Economic Development that provide counseling to small business owners and consultants to community planners, would face cutbacks.

• **ATHLETIC AND MUSIC SCHOLARSHIPS WOULD BE THREATENED.**

Athletic and music programs are a major part of a college experience. Both programs aid in recruiting students and boost community support. JSU would have no choice but to decrease the number of scholarships available for student recruitment and would have to consider possibly eliminating some programs.

No one knows for sure how deep the cuts would go at JSU to make up the difference between what it really takes to run the University and what the state can afford to allocate without tax reform.

• **LAYOFFS? ELIMINATION OF ENTIRE PROGRAMS? IN A DRASTIC SITUATION, EVERYTHING MUST BE CONSIDERED.**

Unless Alabama voters approve the governor's tax reform package on September 9th, there is a chance that Jacksonville State University as you know it today may have a future less than what we have built.

The contents of this publication will provide you with everything you need to know — including additional resources on the Internet — to reach an informed decision. I hope you will join me in voting in favor of the tax reform package on September 9th.

Inside this Issue

- Why You Should Vote Yes on September 9th
 - Accountability
 - Campaign for Alabama
 - Frequently Asked Questions
 - An Overview
 - Facts at a Glance
 - Sample Letter
 - Resources on Web
 - Tax Reform and Accountability Plan
 - Summary of Package
- Elaine Witt

Why You Should Vote **YES** on September 9th

Dr. David Bronner, CEO of the State Retirement System, has some strong words in favor of the proposed tax reform package.

QUESTION: What do you think of the tax reform plan?

BRONNER: Number one, nothing is easy in Alabama, much less taxes. I think the governor has to convince not only the legislature but the citizens of this state that they should invest in themselves.

We have a situation where we really are at the crossroads. We have worn out all the Band-Aids and bandages, so you either have to make a decision to invest in yourself for the future or you can have mediocrity and stay at the bottom.

The governor's job will be difficult, but I don't think it will be impossible. He has got a couple of great things going for him. Number one, he is a Republican who has never voted for a tax in his life. So, if the average person in Alabama can't understand that he's saying we need some extra revenue then those people are beyond help anyway.

“Low State Taxes are Good, but the Lowest in America is Dumb”

— Dr. David Bronner

The second thing is that probably 66 to 70 percent of the people either are not affected [by the tax plan] or come out ahead.

So, if those people cannot understand that for an improved Alabama, then, again, we deserve to be where we are at the bottom.

I think the governor is 100 percent right that you can't live on the cheap forever. You simply cannot have the

lowest taxes in America in order to be competitive with the other 49 states.

QUESTION: Times are bad for state governments everywhere, but are some states handling the poor economy better than others? Which state would you say is a good role model for Alabama?

BRONNER: Most states are a good role model for Alabama. You can't be in the bottom two or three states consistently in everything if you don't have a whole bunch of role models.

Other states have problems right now, but they also have — and have chosen — the opportunity that Gov. Riley is going to give the citizens of Alabama, and that is a chance to correct some of the problems.

QUESTION: In your opinion, why have governors had such a hard time correcting the budget problem in Alabama?

BRONNER: Most people in Alabama have what I call the Chicken Little syndrome. They have heard for so many decades that the sky is falling, and they don't do anything about it, and lo and behold the government somehow still exists and the sun still rises the next day.

The problem is that all the neat little methodologies that have been used for the last two or three decades were Band-Aid approaches that created more problems than they solved.

I think for the first time in the history of the state, at least in the thirty plus years I've known this state, the people will be given an opportunity to do something meaningful that will correct their perception. Sometimes they had a correct perception of government being bad and corrupt, but there are still good people in government who do care and want to provide necessary public services. You want to support those people and you want to support things like public education because that will simply make everybody's life better.

It's not like some people are saying, that the politicians, when they want more money, always say, 'Oh, the poor children.' Well, the



children are poor in this state. I can take you all the way back to 1901 and I can show you that we have traditionally under-funded education in this state compared not only to the whole country but to the southeast.

Education is the key to getting good jobs whether they be with Mercedes, Hyundai, Honda, Boeing, or any other good company in the state. Education is the key to the improvement of quality in the state.

Tell your Friends and Family to "VOTE YES" on September 9th

This reform plan provides a once in a lifetime opportunity. We cannot let this program fall short of the votes that are necessary for passage. Therefore, we are asking every university student, employee, and alum to make sure they can answer the simple question, "Am I doing all I can to help change Alabama and resolve our state's funding crisis?" Make sure you have no regrets on September 10th, **take action today!**

An Overview of the Reasons for Supporting the Tax Reform Package

Campaign for **ALABAMA** Laying the Foundation for **Greatness**

How did we get here?

A \$675 million gap in Alabama's budget this year alone has been generated because of financial mismanagement, bad budget policy, reliance on one-time revenue sources, and accumulation of debt. Combined with the rising costs of state services and the sluggish economy, Alabama is facing its worst fiscal crisis since the Depression.

How bad is it?

Without this package, critical state services must be cut:

- 6,000 seniors forced out of nursing homes, 800,000 meals for the elderly eliminated
- 450,000 of our citizens would lose access to healthcare
- Over 25 school systems would be forced into bankruptcy
- 5,280 prisoners released and State Troopers cut by a 1/3

Have we done everything we can?

Alabama has saved over \$230 million by banning pass through pork, cutting his staff by 30%, revoking and selling 600 state cars, freezing merit raises for state employees, and reforming the Medicaid Drug Program.

What can we do? Three choices:

- Do nothing and let the axe fall.
- Apply another band aid and find ourselves here again next year.
- Support the tax reform package: Reform government, education, and revenue for a better Alabama.

What is the plan?

There are two guiding principles for tax policy: keep taxes low, and make taxes fair. Alabama has a low tax burden and that's a good thing. Low taxes make Alabama a great place to live and they attract business. If the referendum passes, we will still be in the bottom six in the country in tax burden per individual. Our

property taxes will be well below the southeastern average and we will have lower property taxes than any state that borders us. And that's fair and reasonable.

How is revenue generated and fairness maintained?

The referendum is centered around changes in **income** and **property** taxes.

Income Tax:

67% of Alabamians will pay the same or lower state income taxes than they do now because the first \$19,500 of income for a family of four becomes tax exempt. The plan eliminates the federal income tax deduction, while mortgage interest, charitable contributions, and medical expenses will remain tax deductible. All defined benefit pension income (teachers, government employees, etc) will continue to be exempt, and for the first time, the first \$40,000 of defined contribution pension income (IRA, 401k) will become exempt.

For example:

- A married couple with 2 children and \$20,000 of income will receive a tax cut of approximately \$400
- An Alabama family of 4 making \$40,000 annually will save about \$150.
- A family of 4 making \$74,000 will pay approximately \$326 more.
- Business effective taxes will be raised from 4.2% to 6%.

Property Tax:

Property taxes on the average home (\$80,000), currently about \$23 a month, will increase by roughly \$7 a month. A \$100,000 home, currently about \$30 a month, will increase by approximately \$11 a month. On farmland, the state average is approximately \$1.25 an acre; that will increase to \$2.50 an acre on average. You may hear that we are not maintaining "current use". That is not true. Current use is being maintained but it will be capped at 2000 acres. 95%

of Alabama farms have less than 2000 acres, so the family farm is protected under current use.

- Seniors will remain exempt from the state property tax on their home.

What guarantees accountability?

- Create Sound Fiscal Policy in School Systems. There have been some problems with mismanagement of funds in our school systems around the state. Currently, superintendents and custodians of funds in our school systems are not held to the most rigorous standards of fiscal management. Just as CEOs are held responsible for creating sound fiscal policy, all superintendents and custodians of funds will be accountable for sound fiscal management and will be required to pass a finance examination. They will be required to report revenues and expenditures, to maintain an inventory, to show bank statements, in other words, to make sure that money is being spent wisely and not wasted, on a monthly basis. For the first time, there will be criminal sanctions for deliberate accounting fraud.
- Control Rising Costs. We will get a handle on rising costs in state health insurance by increasing state employee and teacher contributions to be in line with southeastern standards. Anytime a state employee gets a raise, he will also have to pay a bigger share of his health insurance.
- Ban Pass Through Pork. We will permanently ban pass through pork, the practice of the legislature moving money around without telling us where the money's going, and make it a punishable crime.
- Alabama Excellence Initiative Fund. All new revenues from the package will be appropriated from the Alabama Excellence Initiative Fund. Money from this fund must be re-appropriated every year so that it can be used for the programs that most

- need it and so that appropriations will be clear and identifiable.
- We will increase the number of years new state employees have to work before they can draw full benefits from the retirement system.
- By changing tenure laws, we will make it easier to fire incompetent teachers.

How does this help education?

The referendum invests in our children's education so that they can compete for better jobs and have the opportunity to stay in Alabama. The referendum pays for an adequate education in the basics so we can compete with our sister southern states.

- **College Scholarships. It gives students incentive to excel and it gives our talented students reason to stay in Alabama by providing college scholarships to the best students at every school.**
- **Incentives for Teachers.** To ensure that Alabama students can get better jobs in today's economy, we will give incentives to teachers who teach underserved subjects such as math and science.
- **Alabama Reading Initiative.** In 6 years, Alabama will have the best test scores in the country in the most important skill—Reading.

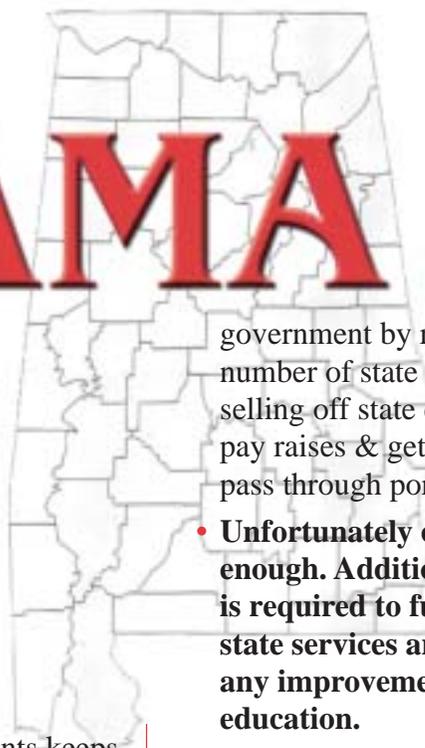
Summary

This reform represents a sound investment in Alabama's future—not a distant future, but a future we can all share. Alabama can be a state where our children get the skills to compete, where they get good jobs, and where they have the opportunity to live and raise a family. Alabama's tax system will be fair and taxes will continue to be among the lowest in the country. We will not throw money away on inefficiency. We will reform Alabama government by demanding sound fiscal management in our schools, controlling rising costs, and firing incompetent staff. We will create a world class education system. We will provide funding for the Alabama Reading Initiative that will give us the best reading scores in the country in 6 years, and for college scholarships for the students who excel in high school and continue to excel in college.

Campaign for ALABAMA

Q & A

Frequently Asked Questions



Q Why does the state need more money?

- Alabama is in the worst fiscal crisis since the Great Depression.
- State indebtedness has doubled in less than 4 years, one time revenue has been used to pay recurring expenditures, federal courts have mandated costly improvements in state prisons & mental health and exploding health care costs for teachers, state employees & Medicaid recipients have substantially outgrown revenues. The current recession has hit Alabama's unstable system and will force across the board drastic budget cuts without increased revenue.

making improvements keeps Alabama permanently at the bottom of the economic ladder.

- Alabama has moved from crisis to crisis for years. We have responded with Band-Aid solutions and every time we have found that our problems were delayed, but not solved. **If we "fill the hole" again, we will find ourselves back in this situation next year.**

Q Can't we get out of this crisis by cutting waste and inefficiency in government?

- No. Over \$230 million has already been cut from state

government by reducing the number of state employees, selling off state cars, freezing pay raises & getting rid of pass through pork spending.

- Unfortunately cuts are not enough. Additional revenue is required to fund basic state services and support any improvements in education.**
- So much of state revenue is currently earmarked for specific purposes that money can't be redirected as needed.

Q Why send more money to Montgomery to be wasted or spent on pork projects?

- Alabamians have rightly been cynical in the past about waste and abuse of taxpayer dollars. For the first time, the proposal includes major accountability reforms that require financial safeguards for local school systems, bans pass through pork projects, reforms tenure plans to make it easier to get rid of bad teachers & administrators,

and requires teachers and state employees to start paying a portion of their health insurance costs.

- New revenue will be set aside in a new fund and used for targeted investments like the Alabama Reading Initiative and college scholarships, not pork barrel projects.

Q Won't this plan hurt our senior citizens?

- No. Seniors (over 65) will pay no state property tax on their homes.
- Under the proposal, Alabama will have the best pension exemptions in the country for senior citizens. Defined benefit plans will be totally exempt from income tax while 401k, IRA and all other pension plans will be exempt up to \$40,000. No other state protects it seniors' pensions as strongly as the proposal.
- Social Security income is tax exempt under the proposal.**
- If we don't pass the proposal, mandated cuts would force over 6,000 seniors out of nursing homes, 450,000 Medicaid recipients would lose access to health care and over 60 senior centers would be closed resulting in 800,000 fewer meals for seniors.

Q The deficit is only \$675 million. Why does this proposal raise more?

- Simply "filling the hole" means raising \$675 million to address only this year's crisis. It won't address any of our long term problems- but will ensure that Alabama stays at the top of the "bad lists" like infant mortality and illiteracy.
- Making Alabama truly competitive for higher paying jobs requires strategically investing in education. "Filling the hole" without

How the tax plan would affect citizens

| Adjusted Gross Income | SINGLE | | | HEAD OF HOUSEHOLD, 1 DEPENDENT CHILD | | | HEAD OF HOUSEHOLD, 2 DEPENDENT CHILDREN | | | HEAD OF HOUSEHOLD, 3 DEPENDENT CHILDREN | | |
|-----------------------|---------|----------|-------|--------------------------------------|----------|--------|---|----------|--------|---|----------|--------|
| | State | Federal | Net | State | Federal | Net | State | Federal | Net | State | Federal | Net |
| \$10,300 | -\$95 | \$0 | -\$95 | -\$263 | \$0 | -\$263 | -\$248 | \$0 | -\$248 | -\$233 | \$0 | -\$233 |
| \$20,000 | \$52 | \$0 | \$52 | -\$248 | \$0 | -\$248 | -\$348 | \$0 | -\$348 | -\$447 | \$0 | -\$447 |
| \$30,000 | \$222 | -\$10 | \$212 | -\$47 | -\$100 | -\$147 | -\$206 | -\$200 | -\$406 | -\$306 | \$0 | -\$306 |
| \$40,000 | \$379 | -\$92 | \$287 | \$126 | -\$113 | \$13 | -\$32 | -\$200 | -\$232 | -\$191 | -\$300 | -\$491 |
| \$50,000 | \$628 | -\$304 | \$324 | \$372 | -\$128 | \$244 | \$213 | -\$216 | -\$3 | \$54 | -\$304 | -\$250 |
| \$75,000 | \$1,098 | -\$859 | \$239 | \$883 | -\$635 | \$248 | \$708 | -\$639 | \$69 | \$533 | -\$644 | -\$111 |
| \$100,000 | \$1,670 | -\$1,500 | \$170 | \$1,344 | -\$1,139 | \$205 | \$1,204 | -\$1,040 | \$164 | \$1,021 | -\$1,782 | -\$761 |
| \$150,000 | \$3,112 | -\$2,824 | \$288 | \$2,449 | -\$2,343 | \$106 | \$2,250 | -\$2,216 | \$34 | \$2,051 | -\$2,089 | -\$38 |
| \$200,000 | \$4,514 | -\$4,387 | \$127 | \$4,078 | -\$3,929 | \$149 | \$3,946 | -\$3,838 | \$108 | \$3,813 | -\$3,747 | \$66 |
| \$300,000 | \$7,792 | -\$7,204 | \$588 | \$7,599 | -\$6,929 | \$670 | \$7,614 | -\$6,934 | \$680 | \$7,629 | -\$6,939 | \$690 |

| Adjusted Gross Income | MARRIED JOINT, NO DEPENDENT CHILDREN | | | MARRIED JOINT, 1 DEPENDENT CHILD | | | MARRIED JOINT, 2 DEPENDENT CHILDREN | | | MARRIED JOINT, 3 DEPENDENT CHILDREN | | |
|-----------------------|--------------------------------------|----------|--------|----------------------------------|----------|--------|-------------------------------------|----------|--------|-------------------------------------|----------|--------|
| | State | Federal | Net | State | Federal | Net | State | Federal | Net | State | Federal | Net |
| \$10,300 | -\$12 | \$0 | -\$12 | -\$80 | \$0 | -\$80 | -\$179 | \$0 | -\$179 | -\$232 | \$0 | -\$232 |
| \$20,000 | \$40 | -\$100 | -\$60 | -\$6 | \$0 | -\$6 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| \$30,000 | \$50 | -\$138 | -\$88 | -\$105 | -\$192 | -\$297 | -\$223 | \$0 | -\$223 | -\$322 | \$0 | -\$322 |
| \$40,000 | \$182 | -\$138 | \$44 | \$23 | -\$222 | -\$199 | -\$136 | -\$319 | -\$455 | -\$266 | \$0 | -\$266 |
| \$50,000 | \$532 | -\$115 | \$417 | \$373 | -\$203 | \$170 | \$215 | -\$291 | -\$76 | \$56 | -\$379 | -\$323 |
| \$75,000 | \$924 | -\$1,084 | -\$160 | \$760 | -\$881 | -\$121 | \$601 | -\$573 | \$28 | \$442 | -\$423 | \$19 |
| \$100,000 | \$1,410 | -\$1,703 | -\$293 | \$1,235 | -\$1,701 | -\$466 | \$1,060 | -\$1,699 | -\$639 | \$885 | -\$1,697 | -\$812 |
| \$150,000 | \$2,163 | -\$2,771 | -\$608 | \$1,946 | -\$2,622 | -\$676 | \$1,735 | -\$2,471 | -\$736 | \$1,526 | -\$2,324 | -\$798 |
| \$200,000 | \$3,506 | -\$4,067 | -\$561 | \$3,329 | -\$3,953 | \$624 | \$3,153 | -\$3,838 | -\$685 | \$2,976 | -\$3,724 | -\$748 |
| \$300,000 | \$6,866 | -\$7,236 | -\$370 | \$6,833 | -\$7,210 | -\$377 | \$6,801 | -\$7,184 | -\$383 | \$6,769 | -\$7,157 | -\$388 |

JSU graphic by Stacy Wood

Source: Public Affairs Research Council of Alabama

Top 10 Reasons To Reform

If the tax reform and accountability plan are accepted by the legislature and then approved in this fall's referendum by the voters, then:

1. Alabama will have the highest reading test scores in the nation within six years.
2. Every Alabamian graduating high school with the necessary academic record will be given a college scholarship.
3. The Alabama Reading Initiative a model of innovation and success — would be fully-funded.
4. The Alabama Math and Science Initiative would be expanded.
5. The tenure system for teachers and administrators would finally be reformed.
6. Local schools would have greater control over their budgets, and strict financial accountability would be enforced.
7. Every school would be outfitted with distance learning capabilities so that students could study any course they desired.
8. Outstanding teachers would be compensated for their extra efforts, while teachers failing to teach would be fairly and expediently dismissed.
9. Alabama would abolish the immoral practice of taxing poor families who only earn less than \$20,000 annually.
10. About 65 percent of Alabamians wouldn't pay any additional taxes, and many would even see a tax cut.

Q Some people's taxes are raised while others get tax cuts. Isn't the proposal unfair?

- Our current tax system is out of balance. Alabama places the highest tax burden on the poor of any state while having the lowest overall taxes in the country.
- The plan equalizes the tax burden so that everyone is paying their fair share.

Q Why not just cut spending instead of raising taxes?

- **To balance the state's budget without more revenue, over 25 school systems would be forced into bankruptcy, 6,000 seniors would be forced from nursing homes, prisons would be closed and over 5,000 convicted criminals would be released. State trooper patrols would be cut by 1/3 and over 450,000 Medicaid recipients would lose access to health care.**

Q Aren't most people going to pay higher property taxes?

- The average homeowner in Alabama who currently pays \$22.58 per month will pay

\$7.00 a month more on an \$80,000 home when the tax is fully implemented.

- A business owner with a \$1,000,000 property who currently pays \$800 per month will pay an average of \$250 more per month at full phase in.
- The average tax per acre for farmers and timber owners will increase from \$1.25 per acre to about \$2.25 an acre using current use valuation. Over 95% of Alabama's farmers and timberland owners will pay an average of \$1.00 more per acre.
- **Alabama's property taxes will still be lower than all of our surrounding states and still less than half of the national average.**

Q What are some of the education investments proposed in the package?

- All new education spending flows directly into the classroom:
- Alabama Reading Initiative-ARI has been a national model for reading programs, yet we haven't implemented it in all Alabama schools

because of our funding crisis.

- Alabama Distance Learning Program - By utilizing technology, this program would allow students anywhere in Alabama to take courses that may not be offered in their schools like foreign languages or advanced chemistry, physics, etc.
- **College Scholarship Program- A merit based scholarship plan that would provide college tuition for students who achieve academic excellence.** Requirements for eligibility include: 3.0 GPA, ACT score of 20 or higher, completion of 18.5 core units.

- Math & Science Initiative – Like the Alabama Reading Initiative, this program has a proven record of success in improving student achievement. The proposal would expand this initiative to benefit more of our students.
- Textbooks, Libraries, and Technology – A new structure would be implemented to provide adequate funds for student instructional resources.

Q The Christian Coalition and other groups have come out against higher taxes and said that we should be better stewards instead of raising taxes. Is there a faith-based argument for reform?

- If we follow the Bible's teaching to help "the least of these" (Matthew 25:45), we must address our regressive tax structure, which places the highest tax burden on the poor of any state while having the lowest overall taxes in the country. The book of Micah also calls the believer to "do justice, and to love kindness, and walk humbly with your God" (Micah 6:8). **The call for justice means that people of faith are obliged to seek proper treatment of the poor and most vulnerable.**

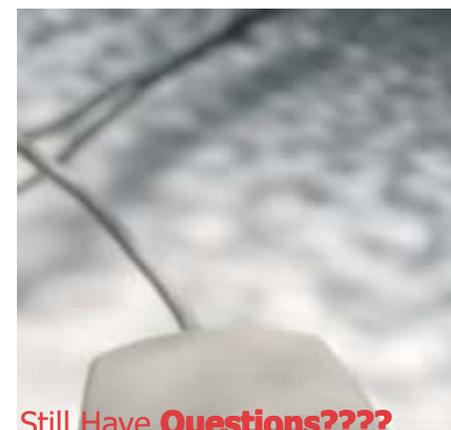
Believers in the words and deeds of Christ and the prophets will insist that Alabama's government not balance its books on the backs of the poor.

Q Does the proposal do anything that will actually help the average Alabamian?

- **The average Alabama family will pay lower taxes, have a better education system for their children and have the opportunity for higher paying jobs so that more of our children can stay in Alabama.**

Q If we're facing such tough economic times, why add new programs like the college scholarship plan?

- Education in Alabama will be transformed if students and families know that with hard work and achievement, children can have an opportunity that might have otherwise been impossible- a college education.
- The college scholarship plan will help produce a better educated work force so Alabama can attract higher paying jobs and better address the challenges of economic uncertainty.



Still Have Questions????

If you still have questions about how the Accountability and Tax Reform Plan will affect you or want to help in spreading the word about this unique opportunity in Alabama history, please contact the Campaign for Alabama at **334-263-6544** or visit us on the web at www.campaignforalabama.com.

OVERVIEW

Foundation for Greatness

Where We Are Now

- The State of Alabama is in the worst fiscal crisis since the Depression
- In the past we have refused to confront the problems of our State in a fundamental and comprehensive manner
- **We are facing a \$675 million shortfall that will result in devastating cuts in essential State services if nothing is done**
- The plan is committed to protecting our seniors, creating higher paying jobs, and making Alabama a leader in education

State of Alabama is Cutting Waste and Abuse

- Cuts have already saved taxpayers over \$230 million, including...
 - Executive Order to ban pass through pork by executive agencies
 - Reduced State personnel costs by 5%
 - Cut his own staff by 30%
 - Reformed State vehicle and travel policies
 - Recalled and sold over 500 state motor pool vehicles
 - Froze merit raises for State employees
 - Legislation proposed to reform the Medicaid drug program
- He will continue to find ways to save money
- Many of these savings cannot be realized immediately
- Because of excessive earmarking, much of this needed money cannot be redirected to the proper funds
- The problems cannot be solved through cuts alone

Consequences of Doing Nothing

- Slash services by \$675 million and compound Alabama's current problems
- 60 Senior Service Centers would be closed, eliminating 800,000 meals for the elderly
- Thousands of teachers would be laid off
- 50,000 child support cases would be affected, causing a loss of \$50,000,000 in annual child support payments

- State Trooper routine patrol and response manpower would be reduced by 1/3
- State of Alabama has the courage to deal with the problem

State of Alabama's Conditions for Reform

- Any tax proposal must also include significant accountability reforms – “no accountability, no new taxes”
- Any tax proposal must be fair to all Alabamians
- Alabama's tax burden must remain equal to or below that of our sister southern states

Alabama's Plan

- Comprehensive accountability and tax reform
 - Mandates significant accountability reform
 - Raises the necessary revenue to fundamentally change Alabama
- Makes Alabama's tax system fair – reduces the unfair burden on Alabama's poorest citizens
- Ensures that tax dollars are spent responsibly and strong accountability measures are in place
- Provides full funding for innovative programs such as college scholarships and the Alabama Reading Initiative

Accountability Reform: Overview

- **Do not earmark any new tax revenues**
- **Increase the contribution of teachers and State employees for health insurance for a purpose not specified in the annual budget act**
- **Makes an agency director who participates in a prohibited pass-through appropriation subject to criminal penalty**
- **Requires reports to the Governor of any directive by a legislator to make a prohibited pass-through appropriation**

Education Reform: Overview

- Provides incentive pay for teachers to serve in difficult geographic and subject matter areas
- Reforms tenure for teachers and school employees

- Eliminates tenure for instructional supervisors
- Establishes strict accountability standards for fiscal management of local school systems
- Reforms the Foundation Program to allow more flexibility at the local level

Education Reform: Incentive Pay

- Provides for one-time payments to teachers who agree to teach in underserved areas of the State or in subject matter areas which are hard to staff
- **Provides scholarships to students who agree to be certified in underserved subject matter, or who agree to teach in underserved areas**

Education Reform: Tenure and Fair Dismissal

- Binding arbitration for teachers and public school employees who have tenure
 - Shortens the hearing process
- Under current law for terminations of teachers, there is a long hearing before the local school board, then an appeal to the tenure commission, then review by circuit and appellate courts
- The process would be streamlined to a short hearing before the local school board, then an appeal to a federal arbitrator, then review by appellate courts only in limited circumstances
 - Shifts the financial burden from local school boards to the State
 - Institutes identical procedures for teachers and other public school employees, unlike current law

Education Reform: Ending Tenure for Supervisors

- Requires that assistant principals, financial officers, and instructional supervisors hired after July 1, 2004 will be hired under contracts, like all principals hired since July 1, 2000

- Allows principals, assistant principals, financial officers, and instructional supervisors who have tenure to relinquish it voluntarily in return for \$5000

Education Reform: Fiscal Management

- **Requires the State Department of Education to monitor the financial performance of school systems**, and requires school systems to share financial information with the State Department of Education
- Requires training of local superintendents in the subject of finance
- Requires each local school system to hire a Chief School Financial Officer to monitor receipts and payments and to make certain reports to the local board and to the State Department of Education
- Provides for the State to purchase new accounting software for local school systems with monitoring by the State Department of Education
- Requires annual financial audits of all local school systems
- Strengthens the financial takeover powers of the State Superintendent of Education

Education Reform: Local Flexibility

- Increases the minimum number of school days to reach the national average of 180 days
- Allows local school systems greater flexibility in the allocation of resources to serve the best interests of the students

Education Reform: Classroom Investment

Education Reform: College Scholarships

- Provides merit-based scholarships to Alabama students
- Applies to attendance at any public college, university, junior college or technical college in the State of Alabama
- Eligibility is based on residency and academic achievement



Tax Reform: Overview

Tax Reform: Personal Income Tax

- Fairness
 - **Raises the filing threshold for a family of 4 from \$4,600 to \$20,000**
 - \$17,000 level next year, phased in to reach \$20,000 in 3 years
 - Indexes exemption and standard deduction levels to the federal levels
- Deductions
 - Eliminates the federal income tax deduction
 - **Allows deductions for mortgage interest, charitable contributions, and medical expenses**
 - **Income tax returns will be simplified by using federal basis for adjusted gross income**
 - All income from defined benefit pension plans will continue to be exempt
 - The first \$40,000 of pension income from defined contribution plans will be exempt for the first time
- Rate Structure
 - **5% rate on all income below \$75,000 for individuals (\$83,000 after exemptions) and \$150,000 for married couples (\$170,000 after exemptions)**
 - 6% rate on income above \$75,000 and \$150,000
- 67% of those filing returns will pay the same or less in income taxes
- Raises approximately \$375 million per year at full phase-in

Tax Reform: Personal Income Tax

Tax Reform: Property Tax

State Ad Valorem Taxes

- Assesses all property at 100% of market value or current use value for the State portion of the tax
- Reduces the tax rate on the State portion of the tax from 6.5 mills to 3.5 mills
- **Increases the homestead exemption from \$40,000 to \$50,000 of appraised value**
- **Exempts Alabamians over age 65 from all state taxes on their homestead**

Tax Reform: Property Tax

Current Use

- Current Use is firmly maintained
- Increases current use values by 22%, phased in over four years
- An acre of farm land will have a maximum value of \$650, and an acre of timber land will have a maximum value of \$715
- Maximum current use values per acre for farm land exceed \$1,000

- In all of our neighboring states
- Places a cap of 2,000 acres that can be classified as current use property
- All land in excess of 2,000 acres will be appraised at fair market value
- Over 95% of landowners have less than 2,000 acres and will be protected under current use
- Georgia has a cap of 2,000 acres, Tennessee has a cap of 1,500 acres

Tax Reform: Property Tax

Current Use

- New Exemptions
- Provides for a farmstead of 200 acres or \$150,000 of improvements
 - The average Alabama farm is 189 acres
 - Approximately 70% of farms in Alabama are 200 acres or less and will pay little or no increase under this proposal
- Property taxes on farmers and timber owners will still be lower in Alabama than in every surrounding state

Tax Reform: Property Tax

Local Ad Valorem Taxes

- Increases the business class assessment ratio from 20% to 22%
- Caps utility property at current payments until assessment at 22% would be greater
- **Phases in changes over 4 years**
- Upon implementation, produces \$410 million in State and \$70 million in local revenues
- Current use property bears less than 5% of the increase, or approximately \$25 million
- Overall, property taxes increase by approximately 30%
 - The owner of a \$100,000 house will pay an extra \$11 per month
 - The owner of an average 200-acre farm will pay less than \$5 more per month
- **Property taxes in Alabama will remain significantly lower than every neighboring state, and will be barely half the national average (per capita)**

Tax Reform: Corporate Income Tax

Tax Reform: Sales Taxes

- Increases sales tax rate on cars from 2% to 2.5%
 - Average auto sales taxes will still be below the regional average
 - Raises \$47 million
- Increases the lease tax rate on cars from 1.5% to 3%
 - Raises \$20 million
- Includes repair and installation services in the sales tax base

- Simplifies record keeping on installations, since the service provider is already collecting sales tax on the property which is installed
 - Florida, Mississippi, and Tennessee already tax these types of services
 - Estimated to raise \$45 million
- Adds lubricating oil to the sales tax base
 - Currently subject to a different tax at a lower rate
 - Raises \$6 million
- Sales tax changes will produce approximately \$65 million for local governments

Tax Reform: Sales Taxes

- Increases the sales tax rate on packs of cigarettes from \$0.165 to \$0.31 per pack
 - Does not affect county or local taxes
 - Currently, Alabama has one of the lowest state tax rates on cigarettes in the country
 - In 2002, 21 states increased cigarette taxes, and many others are currently considering increases
 - Georgia recently raised cigarette taxes by \$0.25 to \$0.37 per pack
 - Raises \$50 million

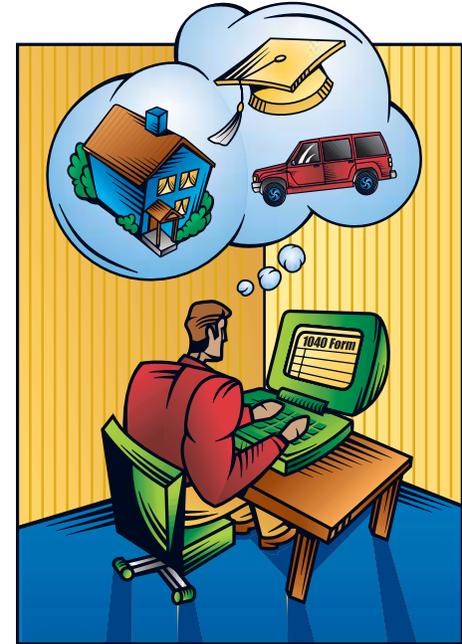
Tax Reform: Insurance Premiums

- **Levels the playing field for insurance companies, particularly in the property and casualty sectors**
- Eliminates the examination expense credit
 - This credit is unique to Alabama among Southeastern states
 - The examination is needed for re-certification by the Department of Insurance, so the cost should be a cost of doing business
- **Reduces two credits unique to Alabama**
 - **Reduces the business privilege tax credit from 60% to 30% of taxes paid**
 - **Limits the home office and real estate investment credits, thereby reducing the competitive disadvantage that most companies face**

- Brings domestic property and casualty carriers to the 2% regional average
- Raises \$5 million

Tax Reform: Other

- Mortgage and Deed Recording Fees
 - Increases deed recording fees from 1 mill to 2 mills
 - Increases mortgage fees from 1.5 mills to 3 mills
 - Raises \$45 million



- Utility Taxes
 - Eliminates the utility license tax, which is only paid by some utilities in the State
 - Raises the gross receipts tax (which is paid by all utilities) from 4% to 5.75% to compensate for eliminating the license tax

Tax Reform: Conclusion

- **State of Alabama's plan achieves fairness while remaining below the regional average in total tax burden**
 - Alabama's total tax burden per capita will be 45th in the nation under this proposal
 - As a percentage of income, Alabama's total tax burden will still be below Southeastern and national averages
- This package allows Alabama to fully fund the programs necessary to provide our children with a world-class education and still have the lowest property taxes of any surrounding state

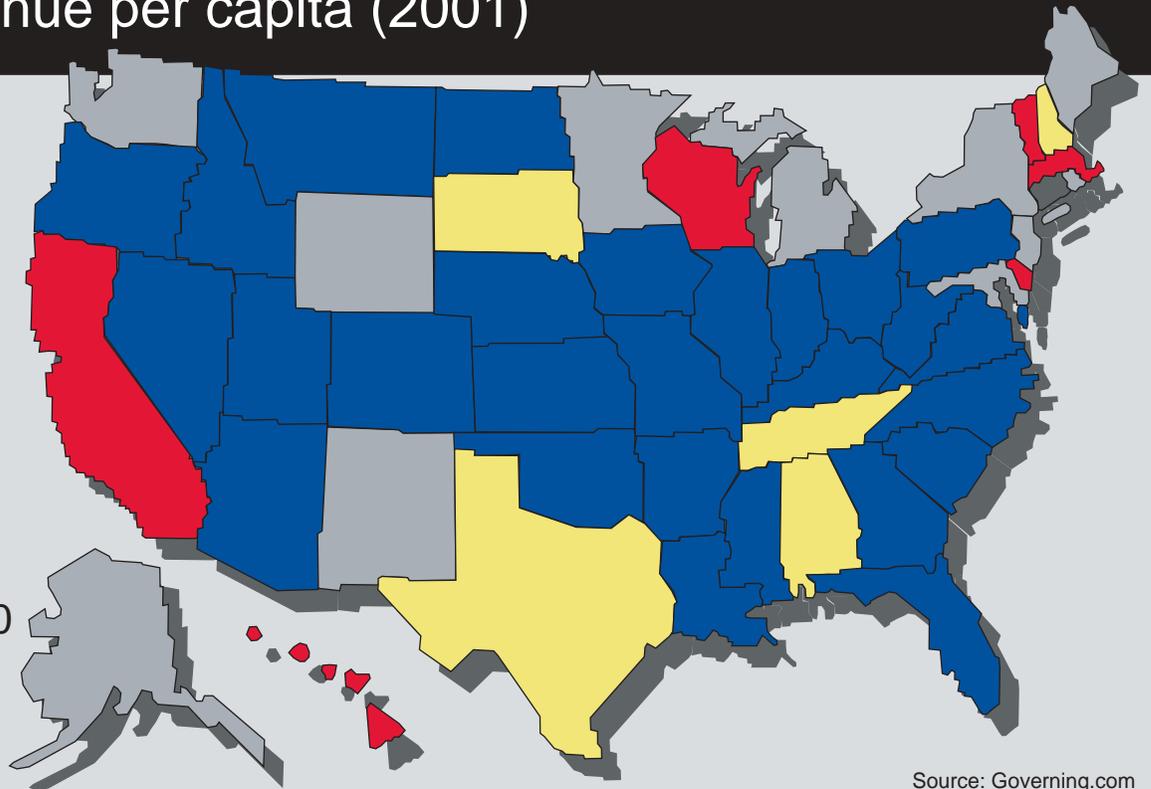
Failure Is Not An Option

- If we take no action:
 - Corrections Department: already severely underfunded, would be forced to release thousands of prisoners and lay off hundreds of employees
 - As many as 25 of our poorest school systems could go bankrupt, affecting 100,000 students
 - Drug coverage for 11,000 mentally ill Alabama citizens will almost certainly be lost
 - Medicaid budget slashed in 2005, jeopardizing 450,000 Alabamians (10% of the State's population)

Facts at a Glance

State Tax Revenue per capita (2001)

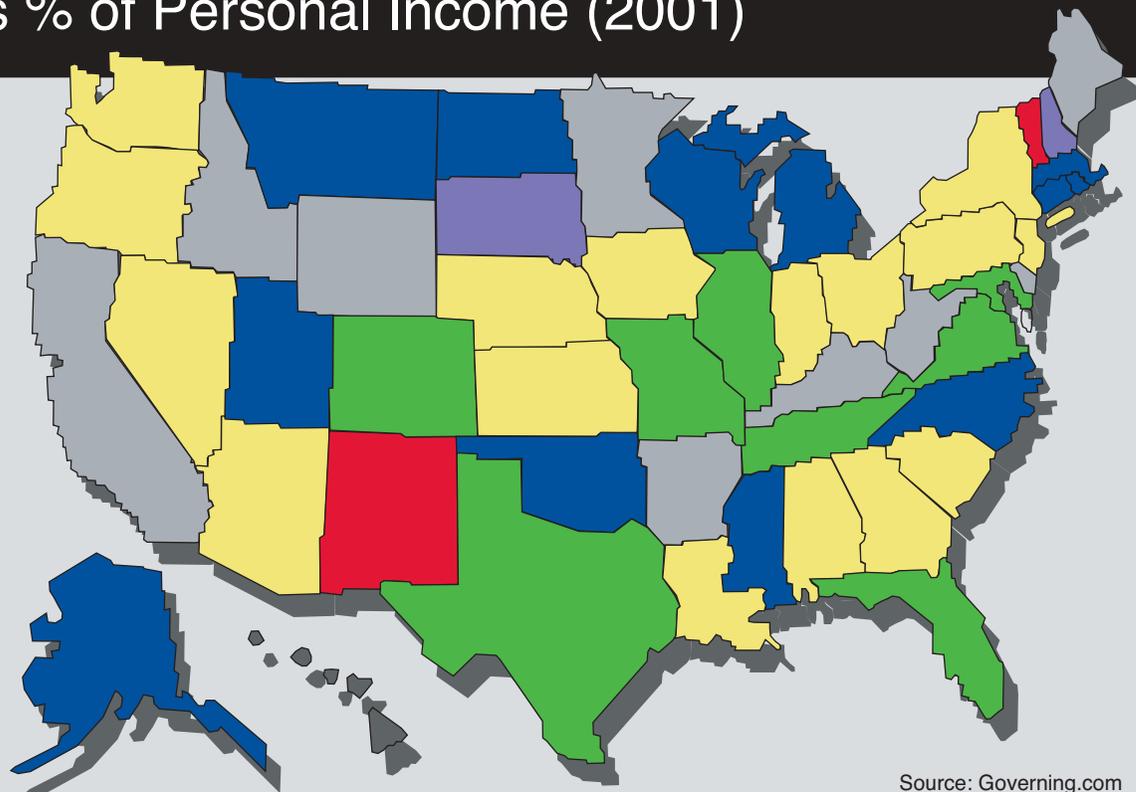
- \$3,000 or more
- \$2,500 - \$2,999
- \$2,000 - \$2,499
- \$1,500 - \$1,999
- Less than \$1,500



Source: Governing.com

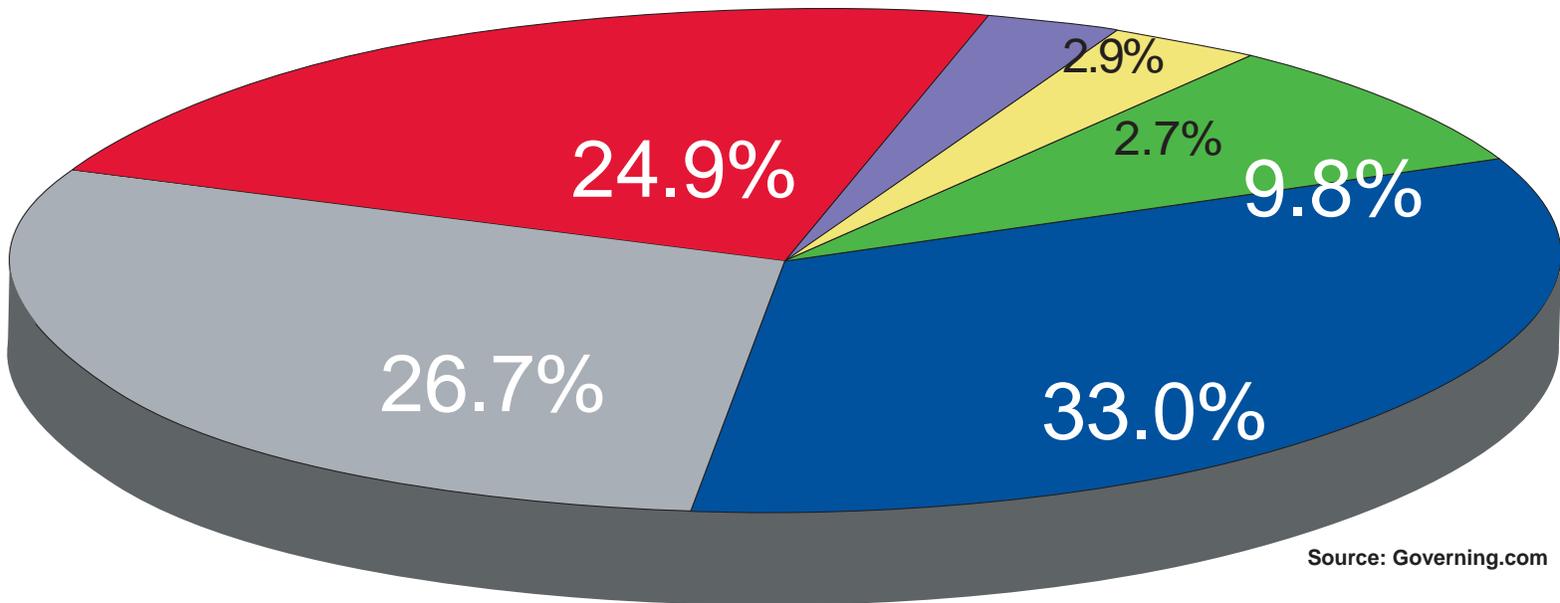
Tax Revenue as % of Personal Income (2001)

- 10% or more
- 9.0% - 9.9%
- 8.0% - 8.9%
- 7.0% - 7.9%
- 6.0% - 6.9%
- 5.0% - 5.9%
- 4.0% - 4.9%



Source: Governing.com

Alabama tax collection by source (2001)

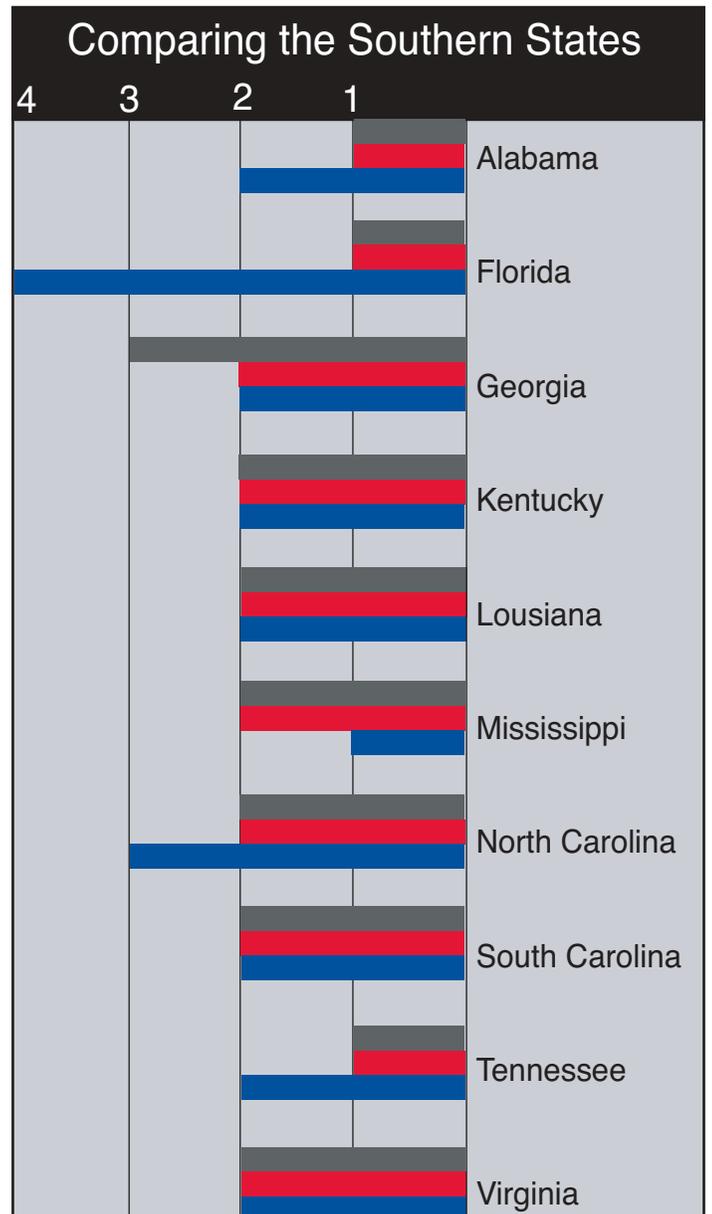


Source: Governing.com

- Individual income tax
- Sales tax
- Selective sales tax
- Corporate income tax
- Property tax
- Other

Portion of total state and local revenues collected by state (2000): 58.6%

4 = Excellent 1 = Poor



- Adequacy of Revenue
- Fairness to Taxpayers
- Management of System

Source: Governing.com

Please send a letter to the editor in support of the tax reform plan.

Sample Letter to Editor

If you believe in the plan to reform and fully-fund Alabama's public services and institutions, then become an advocate by writing a letter to your local newspaper or calling a talk radio program. **Together, the citizens of our beloved state can lay the foundation for greatness.** Following is a sample letter to the editor along with a list of major newspapers in the state.

To: Editor
From:
Subject: "Vote Yes" for the Tax Reform and Accountability Plan
Date: (Insert Date)

I am asking Alabama voters to "Vote Yes" on September 9. The university experience has taught me _____ (insert a personal statement about what you study) I have learned through my experiences to _____ (insert a phrase showing that you appreciate your opportunities and that good results usually follow an investment of resources.)

It is with the hope that we will all focus on responsibility that I am writing to ask every Alabama voter to "Vote Yes."

_____ (Insert an example of how the money will be used to help improve Alabama.)

By "Voting Yes" the people of Alabama can make the right choice for the future.

Points to Consider Making in a Letter to Editor – Select Only One per Letter

- Reform and fund our education system to provide the quality necessary to compete with our sister southern states.
- Enhanced Reading, Writing and Math Skills will help change the state.
- Fewer young people suffering from poor medical care systems.
- Better highways, more technology support for schools, and increased economic development investments.
- Create a merit-based scholarship for tuition for college students.
- Increase funding in math, science, technology, and reading initiatives.
- Increase funding in education to create the opportunity for lower tuition, more specialized programs, and a more extensive learning field for students.



Listed below are major Alabama newspapers:

Alexander City Outlook

Attention: Letters to the Editor
Box 999
Alexander City, AL 35011
Fax: 256-234-6550
Laura.Whittington@alexcityoutlook.com

Andalusia Star-News

Attention: Letters to the Editor
Drawer 430
Andalusia, AL 36420
Fax: 334-222-6597
Jeffery.Biggs@andalusiastarnews.com

Anniston Star

Attention: Letters to the Editor
Box 189
Anniston, AL 36202
Fax: 256-241-1991
TTurner@annistonstar.com

Athens News-Courier

Attention: Letters to the Editor
Box 670
Athens, AL 35612
Fax: 256-233-7753
sgturner@cnhi.com

Birmingham News

Attention: Letters to the Editor
Box 2553
Birmingham, AL 35202
Fax: 205-325-2283
rdemonia@bhamnews.com

Birmingham Post-Herald

Attention: Letters to the Editor
Box 2553
Birmingham, AL 35202
Fax: 205-325-2410
kseitz@postherald.com

GO VOTE "YES" ON SEPTEMBER 9th

NOTE: Voter registration must be complete prior to August 30th.

Clanton Advertiser

Attention: Letters to the Editor
 Drawer 1379
 Clanton, AL 35046
 Fax: 205-755-5857
 Jason.Green@clantonadvertiser.com

Cullman Times

Attention: Letters to the Editor
 300 4th Ave. SE
 Cullman, AL 35055
 Fax: 256-737-1006
 Meditor@cullmantimes.com

Decatur Daily

Attention: Letters to the Editor
 Box 2213
 Decatur, AL 35609
 Fax: 340-2392
 news@decatourdaily.com

Dothan Eagle

Attention: Letters to the Editor
 Box 1968
 Dothan, AL 36302
 Fax: 334-712-7979
 Letters@dothaneagle.com

Enterprise Ledger

Attention: Letters to the Editor
 Box 311130
 Enterprise, AL 36331
 Fax: 334-347-0825
 NStinnett@eprisenow.com

Florence Times Daily

Attention: Letters to the Editor
 Box 797
 Florence, AL 35631
 Fax: 256-740-4717
 robert.palmer@timesdaily.com

Fort Payne Times-Journal

Attention: Letters to the Editor
 Box 680349
 Fort Payne, AL 35968-0349
 Fax: 256-845-7459
 jdavidson@times-journal.com

Gadsden Times

Attention: Letters to the Editor
 Box 188
 Gadsden, AL 35999
 Fax: 256-549-2105
 ron.reaves@gadsdentimestoday.com

Huntsville Times

Attention: Letters to the Editor
 Box 1487, West Station
 Huntsville, AL 35807
 Fax: 256-532-4420
 johne@htimes.com

Jasper Daily Mountain Eagle

Attention: Letters to the Editor
 Box 1469
 Jasper, AL 35502-1469
 Fax: 205-221-6203
 jasper@mountaineagle.com

Lanett Valley Times-News

Attention: Letters to the Editor
 Box 850
 Lanett, AL 36863
 Fax: 334-644-1101
 vt-n@mindspring.com

Mobile Register

Attention: Letters to the Editor
 Box 2488
 Mobile, AL 36652
 Fax: 251-219-5400
 letters@mobileregister.com

Montgomery Advertiser

Attention: Letters to the Editor
 Box 1000
 Montgomery, AL 36101-1000
 Fax: 334-262-1611
 jernhardt@montgomeryadvertiser.com

Opelika-Auburn News

Attention: Letters to the Editor
 3505 Pepperell Pkwy.
 Opelika, AL 36801
 Fax: 334-749-1228
 msneed@oanow.com

Scottsboro Daily Sentinel

Attention: Letters to the Editor
 Box 220
 Scottsboro, AL 35768
 Fax: 256-259-2709
 news@dailysentinel.com

Selma Times-Journal

Attention: Letters to the Editor
 Box 611
 Selma, AL 36701
 Fax: 334-875-4588
 Paul.dunn@selmatimesjournal.com

Talladega Daily Home

Attention: Letters to the Editor
 Box 977
 Talladega, AL 35161
 Fax: 256-362-1903
 cpappas@dailyhome.com

Troy Messenger

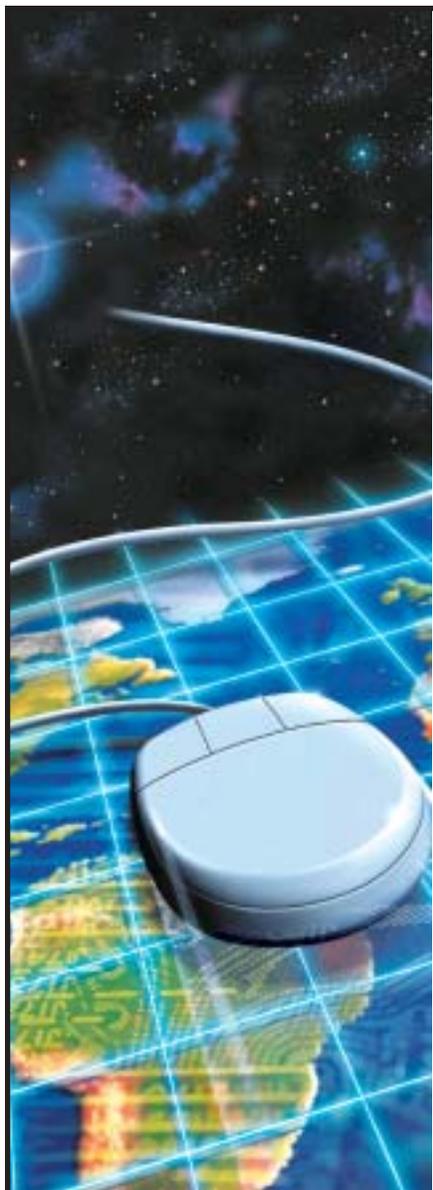
Attention: Letters to the Editor
 Box 727
 Troy, AL 36081
 Fax: 334-566-4281
 cliffusk@troymessenger.com

Tuscaloosa News

Attention: Letters to the Editor
 Box 20587
 Tuscaloosa, AL 35402
 Fax: 205-722-0187
 ben.windham@tuscaloosaneews.com

**GOVERNOR'S PRESS OFFICE**

State Capitol - Suite NB-06
 Montgomery, Alabama 36130
 (334) 242-7150
 For more contact information,
 visit Governor Bob Riley's Web
 Site: [http://](http://www.governor.state.al.us/)
www.governor.state.al.us/

**RESOURCES ON THE WEB**

You can find further information about Alabama's proposed tax reform package on the Internet:

Governor Bob Riley's Home Page. The section "Laying The Foundation for Greatness" explains Gov. Riley's tax plan in detail.
<http://www.governor.state.al.us/>

The Campaign for Alabama web site explains and supports Gov. Riley's plan. The site talks about turning dreams and hopes for the future into reality. The vision is focused on fundamentally changing Alabama, including state government and the state's education system, while keeping the best parts of our communities safe and secure.
<http://campaignforalabama.com>

The Alabama Partnership for Progress is a non-partisan, broadly diverse, grassroots coalition of organizations and individuals from across Alabama who have come together with a common commitment to help build a better Alabama by working for passage of the Education Excellence and Government Accountability plan that will go before Alabama voters in a public referendum on September 9th.
<http://www.abetteralabama.org>

Additional Facts About Alabama's Financial Problems
<http://www.governing.com/gpp/2003/gp3glanc.htm>
<http://www.governing.com/gpp/2003/gp3al.htm>

Tax Reform and Accountability Plan



Individual income tax:

The plan: End state individual income tax deductions for payment of federal income taxes and Social Security and Medicare taxes; raise the top income tax rate from 5 percent to 6 percent for individuals with a taxable income of \$75,000 or more a year and joint filers with taxable incomes of \$150,000 a year or more; raise the annual income level at which people start paying taxes from \$4,600 for a family of four to \$20,000.

Revenue: About \$400 million a year.

Property tax:

The plan: For purposes of state portion, tax all property at 100 percent of its value; lower state property tax rate from 6.5 mills to 3.5 mills; increase homestead exemption on the full value of property from \$40,000 to \$50,000; adjust current-use law to give less of a tax break. Changes phased in over four years.

Revenue: About \$400 million a year.

Corporate income tax:

The plan: Erase the deduction for federal income taxes paid.

Revenue: About \$60 million a year.



Banks:

The plan: End the sales-tax deduction banks get, but lower the maximum state privilege tax a bank could pay from \$3 million to \$15,000 a year, the same as most companies.

Cigarettes:

The plan: Raise the state cigarette tax from 16.5 cents to 31 cents per pack.

Revenue: About \$50 million a year.

Labor and services:

The plan: Impose the state 4 percent sales tax on labor charges for repair and installation services.

Revenue: \$30 to \$40 million a year.

Vehicle sales:

The plan: Raise the state sales tax on cars and other motor vehicles from 2 percent to 2.5 percent.

Revenue: About \$48 million a year.

Vehicle leases:

The plan: Raise the state tax on vehicle leases from 1.5 percent to 3 percent.

Revenue: About \$20 million a year.

Deeds and mortgages:

The plan: Double state filing fees on deeds and mortgages. The deed tax is roughly 0.1 percent of a property's value, or 1 mill; the tax on a mortgage is roughly 1.5 mills.

Revenue: About \$50 million a year.

Stocks and bonds:

The plan: Impose a 1-mill tax on stocks, bonds and other wealth on paper; retirement and college accounts exempt; first \$200,000 in such wealth in a joint account exempt. Maximum tax of \$5,000 a year.

Revenue: \$50 to \$60 million a year.

Insurance companies:

The plan: Raise taxes on insurance companies by reducing credits for business privilege taxes paid and credits for owning lots of Alabama property.

Utilities:

The plan: Adjust utility taxes.

Revenue: Won't raise more money.

Employee, teacher health insurance:

The plan: Make employees of public schools and state agencies pay more for health insurance; premiums gradually rise to average paid by public employees in Southeastern states.

Retiree health insurance:

The plan: Reduce state health insurance contributions for public employees who retire with less than 25 years' service.

Teacher incentives:

The plan: Pay more to teachers of math and science or those willing to move to schools that have a hard time attracting teachers. College scholarships provided to students able and willing to fill those needs upon graduation.

Teacher tenure:

The plan: Streamline the job protection of tenure for teachers and support workers to require people appealing their firings to use arbitration as a final step rather than the courts.

Performance-based contracts:

The plan: Switch from tenure to performance-based contracts for new school administrators, supervisors and financial personnel.

Testing superintendents:

The plan: Require the state school superintendent to educate and test local school superintendents on fiscal management.

Custodians of funds:

The plan: Change the way local school

systems appoint and remove custodians of funds, to "ensure competency."

More school days:

The plan: Gradually increase the number of days students attend public schools, from 175 to 180 days per school year.

Superintendents' flexibility:

The plan: Give local superintendents more flexibility in deciding how to spend state education dollars.

Teaching teachers:

The plan: Fully fund programs designed to teach teachers how to instruct their students better in reading, math and science.

College scholarships:

The plan: Start a college scholarship program for Alabama high school graduates based on academic standing, perhaps class rank. Family income not a factor.

Alabama Excellence Initiative Fund:

The plan: Put all money raised by Riley's package in a separate Alabama Excellence Initiative Fund that he and lawmakers could spend wherever they thought needs were greatest.

Pass-through pork:

The plan: Ban pass-through pork, a way that lawmakers reserve state money for their favored projects without the spending showing up in state budgets.

Rainy day, general fund:

The plan: Create a rainy day fund of \$72 million for the General Fund, which could be tapped to prevent across-the-board spending cuts caused by lower-than-expected tax collections. The money would be taken from the \$2.2 billion Alabama Trust Fund created from royalties paid by companies that pump natural gas from the Gulf of Mexico. Any money withdrawn, plus interest, would automatically be repaid to the rainy day fund from the General Fund over five years.

Rainy day, education fund:

The plan: Change rules for the \$248 million rainy day fund for education to require that any money withdrawn, plus interest, would be repaid to the rainy day fund from the Education Trust Fund over five years.

Statewide referendum:

The plan: Link all the above proposals in one package that voters in early September could accept or reject in a statewide referendum.

Same per-pupil spending:

The plan: Guarantee Alabama will spend as much per student next year for teachers and support workers as it did this year, whether or not taxes are raised. This bill will travel separately from the linked package and could be passed into law as soon as the end of the month.

Source: *Revenue estimates by state Finance Director Drayton Nabers and lobbyists.*



Farm Land*

If you pay High Local Taxes (local millage rate = 35 mills)

| Acres | Total current tax | Tax increase next year | Total increase by 2007 |
|-------|-------------------|------------------------|------------------------|
| 50 | \$74 | \$4 | \$17 |
| 100 | \$154 | \$8 | \$31 |
| 200 | \$338 | \$9 | \$37 |
| 300 | \$522 | \$58 | \$231 |
| 500 | \$890 | \$155 | \$620 |
| 1000 | \$1,809 | \$398 | \$1,593 |

If you pay Average Local Taxes (local millage rate = 25 mills)

| Acres | Total current tax | Tax increase next year | Total increase by 2007 |
|-------|-------------------|------------------------|------------------------|
| 50 | \$53 | \$3 | \$12 |
| 100 | \$111 | \$5 | \$22 |
| 200 | \$251 | \$4 | \$17 |
| 300 | \$390 | \$51 | \$202 |
| 500 | \$669 | \$143 | \$572 |
| 1000 | \$1,367 | \$374 | \$1,495 |

If you pay Low Local Taxes (local millage rate = 15 mills)

| Acres | Total current tax | Tax increase next year | Total increase by 2007 |
|-------|-------------------|------------------------|------------------------|
| 50 | \$32 | \$2 | \$7 |
| 100 | \$68 | \$3 | \$12 |
| 200 | \$163 | -\$1 | -\$2 |
| 300 | \$258 | \$43 | \$173 |
| 500 | \$449 | \$131 | \$523 |
| 1000 | \$925 | \$349 | \$1,398 |

*These calculations assume the owner lives on the land



Commercial Property

If you pay High Local Taxes (local millage rate = 50 mills)

| Value | Total current tax | Tax increase next year | Total increase by 2007 |
|-------------|-------------------|------------------------|------------------------|
| \$50,000 | \$565 | \$40 | \$160 |
| \$100,000 | \$1,130 | \$80 | \$320 |
| \$200,000 | \$2,260 | \$160 | \$640 |
| \$500,000 | \$5,650 | \$400 | \$1,600 |
| \$1,000,000 | \$11,300 | \$800 | \$3,200 |
| \$2,000,000 | \$22,600 | \$1,600 | \$6,400 |
| \$5,000,000 | \$56,500 | \$4,000 | \$16,000 |

If you pay Average Local Taxes (local millage rate = 35 mills)

| Value | Total current tax | Tax increase next year | Total increase by 2007 |
|-------------|-------------------|------------------------|------------------------|
| \$50,000 | \$415 | \$36 | \$145 |
| \$100,000 | \$830 | \$73 | \$290 |
| \$200,000 | \$1,660 | \$145 | \$580 |
| \$500,000 | \$4,150 | \$363 | \$1,450 |
| \$1,000,000 | \$8,300 | \$725 | \$2,900 |
| \$2,000,000 | \$16,600 | \$1,450 | \$5,800 |
| \$5,000,000 | \$41,500 | \$3,625 | \$14,500 |

If you pay Low Local Taxes (local millage rate = 20 mills)

| Value | Total current tax | Tax increase next year | Total increase by 2007 |
|-------------|-------------------|------------------------|------------------------|
| \$50,000 | \$265 | \$33 | \$130 |
| \$100,000 | \$530 | \$65 | \$260 |
| \$200,000 | \$1,060 | \$130 | \$520 |
| \$500,000 | \$2,650 | \$325 | \$1,300 |
| \$1,000,000 | \$5,300 | \$650 | \$2,600 |
| \$2,000,000 | \$10,600 | \$1,300 | \$5,200 |
| \$5,000,000 | \$26,500 | \$3,250 | \$13,000 |



Residential Property

If you pay High Local Taxes (local millage rate = 50 mills)

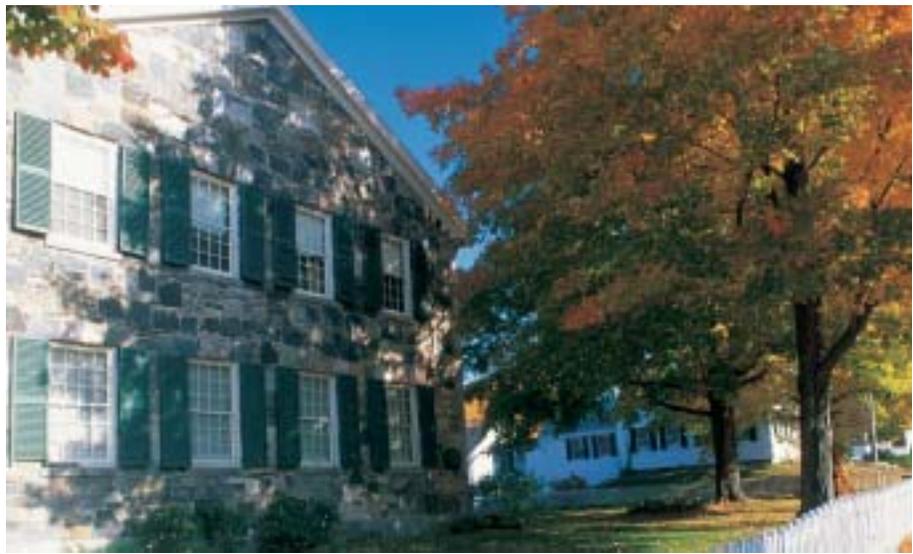
| Value | Total current tax | Tax increase next year | Total increase by 2007 |
|-------------|-------------------|------------------------|------------------------|
| \$50,000 | \$207 | -\$1.63 | -\$6.50 |
| \$80,000 | \$376 | \$19.75 | \$79 |
| \$100,000 | \$489 | \$34 | \$136 |
| \$125,000 | \$630 | \$51.81 | \$207.25 |
| \$150,000 | \$772 | \$69.63 | \$278.50 |
| \$250,000 | \$1,337 | \$140.88 | \$563.50 |
| \$500,000 | \$2,749 | \$319 | \$1,276 |
| \$1,000,000 | \$5,574 | \$675.25 | \$2,701 |

If you pay Average Local Taxes (local millage rate = 35 mills)

| Value | Total current tax | Tax increase next year | Total increase by 2007 |
|-------------|-------------------|------------------------|------------------------|
| \$50,000 | \$147 | -\$1.63 | -\$6.50 |
| \$80,000 | \$271 | \$19.75 | \$79 |
| \$100,000 | \$354 | \$34 | \$136 |
| \$125,000 | \$458 | \$51.81 | \$207.25 |
| \$150,000 | \$562 | \$69.63 | \$278.50 |
| \$250,000 | \$977 | \$140.88 | \$563.50 |
| \$500,000 | \$2,014 | \$319 | \$1,276 |
| \$1,000,000 | \$4,089 | \$675.25 | \$2,701 |

If you pay Low Local Taxes (local millage rate = 20 mills)

| Value | Total current tax | Tax increase next year | Total increase by 2007 |
|-------------|-------------------|------------------------|------------------------|
| \$50,000 | \$87 | -\$1.63 | -\$6.50 |
| \$80,000 | \$166 | \$19.75 | \$79 |
| \$100,000 | \$219 | \$34 | \$136 |
| \$125,000 | \$285 | \$51.81 | \$207.25 |
| \$150,000 | \$352 | \$69.63 | \$278.50 |
| \$250,000 | \$617 | \$140.88 | \$563.50 |
| \$500,000 | \$1,279 | \$319 | \$1,276 |
| \$1,000,000 | \$2,604 | \$675.25 | \$2,701 |



Summary of Tax Reform Package

Below is a detailed summary of the fundamental reformation of state government. The proposals will be assembled into one package that voters could accept or reject in a September 9 statewide referendum.

Accountability Reform Expansion of the Alabama Reading Initiative

The nationally recognized Alabama Reading Initiative will be fully funded in grades K - 6. This includes funding for a reading specialist at every ARI school.

Expansion of the Alabama Math, Science and Technology Initiative

Currently, in North Alabama, the SDE is piloting the AMSTI, which provides teachers and students with intensive training in these key subject areas. Funding will be provided to take this initiative to scale.

College Scholarship Plan

The plan will provide scholarships to Alabama colleges and universities to all students meeting criteria related to class rank, ACT score, and grade point average. Such an incentive should improve student performance at the K - 12 level and increase opportunities for students who might not have the funds to pursue higher education.

Incentive Pay for Educators

Math, science and special education teachers would be given a \$5000 bonus for agreeing to teach in hard-to-staff schools, including rural and high-poverty urban schools. Further, the state would launch a scholarship program to "grow its own" pool of qualified educators. Scholarships would be awarded in return for commitments to teach in hard-to-recruit areas. These scholarships would be available to promising high school students, college sophomores who are entering a teacher preparation program at an Alabama college of education, and current educators pursuing advanced degrees in those subject areas.

Empowering Principals

In an effort to elevate the position of principal to the professional position it deserves, current tenured principals will receive a bonus to give up tenure for a performance-based contract. Changes in the salary funding formula will begin increasing principal pay to the Southeastern average by Fiscal Year 2005. To encourage principals and teachers to work together as a team to boost student achievement, incentives will be offered to schools that meet or exceed academic performance standards.

Tenure Issues

New administrators, supervisors, principals, assistant principals, and financial managers will be hired on performance-based contracts and will not be eligible for tenure. Currently, the process for dismissal of tenured employees is lengthy and costly. The proposed system will be streamlined, fair, affordable and effective by abolishing the Alabama Tenure Commission and using arbitration in teacher dismissals.

Changes in PEEHIP

(the health insurance program for teachers and state employees) - In order to control rising costs of health insurance, active employees will see an increase in their contribution level from a fixed payment to a percentage of cost. Contribution levels will increase incrementally in years when teachers and state employees receive a pay raise until levels reach the regional average. Co-pays will increase to save \$25 million annually.

Fiscal Management

New laws will require all local school boards to hire a financial manager with

and will require continuing education for these financial managers. An improved financial data system in the SDE will have the ability to "red flag" any problems long before they reach crisis levels, and financial audits will be required of all public school systems.

Flexibility

- More spending decisions will be made at the local level to address needs of individual schools. There will be a substantial increase in money allocated to professional development for the Alabama Reading Initiative and to expand the Math, Science, and Technology Initiative.
- New revenue generated by the tax plan will not be earmarked. Instead, it will be divided between the General Fund and the Education Trust Fund based on budget projections and need.
- Removal of non-education-related items from the Education Trust Fund will be addressed in a September session devoted to budget issues.
- Automatic repayment of withdrawals from the rainy-day fund.
- Line-item budgeting to bring "sunshine" to every item appropriated in the budgets.
- "Pass through" pork, where legislators hide their special projects in the budgets of state departments, will be prohibited.

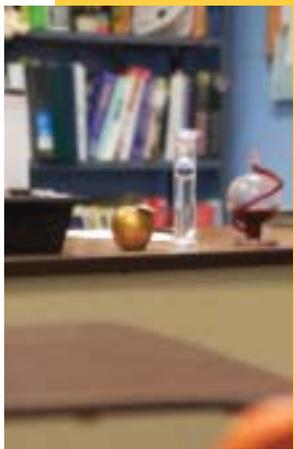
Tax Reform

- Raising the annual income at which people start paying state income taxes from \$4,600 for a family of four to \$17,000 this year and to \$20,000 over the next three years;
- Increasing the homestead exemption from \$40,000 to \$50,000. A homeowner living in a \$100,000 home would pay approximately \$132 more per year in property taxes.
- Ending the state income tax deduction for federal taxes paid;
- Raising the state income tax rate from 5 percent to 6 percent for individual incomes over \$75,000 and family incomes over \$150,000. Under this new plan, a family of four earning \$75,000 will pay almost \$200 less in state income taxes.
- Reducing the state property tax rate from 6.5 mills to 3.5 mills, but assessing property at 100 percent of its market value or current use value;

Adjustments in the following taxes:

Personal income tax, corporate income tax, sales tax on autos, cigarette taxes, taxes on services, taxes on banks, taxes on insurance companies, taxes on utilities, and taxes on deeds and mortgages.

A Fall Without Football: or Much of Anything Else



Cynics say that Alabamians won't fund education the way it should be funded as long as the yellow buses pick up the kids and the stadiums are full on Friday and Saturday.

We don't agree. We believe the

people of this state, whether they have children or not, feel strongly about education and, when given the opportunity, they will reject policies of the past and vote to give Alabama youngsters the education they deserve.

In September we will find out who is right.

Recently State Superintendent Ed Richardson told the state's 128 school superintendents that if voters reject tax plan and the legislators can't pass a budget, he will close the schools. The buses won't run and the stadiums will be empty.

Some called it a scare tactic, but maybe Alabamians need to be a little frightened. If, on September 9th, voters reject the package, legislators will immediately be called into special session and they will have 3 weeks to find a way to cover a \$675 million shortfall. That won't be easy, but the superintendent added, "if we don't have a budget . . . the only thing at that point I can do is order the schools to close."

And what if a budget is passed, but it is insufficient to meet the shortfall? Then the cuts will come. And the governor has already said that extracurricular activities will be among the first things to disappear. So the buses will run, but sports, band, cheerleading, and all those other aspects of school life that keep kids involved and the community entertained will have to go.

The impact on academic and extracurricular programs at JSU will be profound. Without high school band programs, the Marching Southerners will lose that flow of talent that has made ours one of the premier music programs in the region. Without high school athletics, sports at JSU will decline and maybe even wither away.

And because these cuts will also fall on colleges, we will not be able to offer opportunities to outstanding student athletes and musicians whose abilities shine despite the handicaps placed on them by underfunded programs.

It is not a pleasant scenario but it is a realistic one.

In September Alabamians will be voting on a tax reform package that will provide money to address our growing deficit and will put us on sound footing for the future. If that plan does not pass, the whole thing will be dumped onto the legislature, which will either have to find the money to meet the shortfall or accept the cuts that will have to make. We would hope the legislature would move quickly to meet the crisis, but under the circumstances that will be difficult.

And if there is no budget by October 1, the beginning of the new fiscal year, school and the season will be over and everyone will be the poorer for it.

Superintendent Richardson was right to tell us this. Alabamians need to know what is at stake.

Source: *Anniston Star* editorial, June 20, 2003. Reprinted with permission.

Choose Yes!

Proposed Statewide Amendment

Proposing an amendment to the Constitution of Alabama of 1901, establishing the **Alabama Excellence Initiative Fund** which may be used to fund programs including, but not limited to, the furtherance of excellence in public education, college scholarships, health care benefits for senior citizens and job training programs to attract new high paying jobs and otherwise provide for distributing state tax revenues; to adjust income and property taxes; to establish the General Fund Rainy Day Account; to provide for the replenishment of the General Rainy Day Account and the Education Trust Fund Rainy Day Account.

| | | | |
|---------------------|---|---|---|
| Statewide Amendment | <input checked="" type="checkbox"/> YES | ← | → |
| Statewide Amendment | <input type="checkbox"/> No | ← | → |

This is the actual wording of the amendment as it will appear on the September 9th ballot.

Tax Plan Approval a Vote for the Future

I was born in Alabama and I've lived here for 40 years off and on — almost all my life. In that time, Gov. **Bob Riley's tax and accountability plan is the closest I've ever seen to a comprehensive solution to the problems that have held our state back** — factors, as Riley recently put it, that have made us “first in things that are bad and last in things that are good.”

I know that many Alabamians — by some accounts a majority — are at this moment inclined to vote against Riley's \$1.2 billion plan, which will be decided in a September 9th referendum. After a lifetime of witnessing corruption and inefficiency in Montgomery, I understand your skepticism if you are in that category.

But I believe the failure of this plan would be a lost opportunity of tragic

proportion. If you're against it, I respectfully ask that you learn more about it and reconsider. Here are some of the reasons:

First, despite what you may have heard, the Riley plan is not a giveaway to teacher lobbyist Paul Hubbert. Yes, the Alabama Education Association won some concessions — mainly a guarantee that teachers won't be laid off except in cases of declining enrollment. As concessions go, one that keeps teacher-pupil ratios at their current level is not such a nasty one. In return, the AEA agreed to tenure-law changes that could save school districts millions of dollars. If the plan is approved, school systems will be allowed to dismiss unneeded administrators, also known as dead wood. And it will be easier for school principals to

fire incompetent or lazy teachers, even if they have tenure.

I don't care what the nay-sayers call it, this is real education reform, at the level where it's needed most.

A lot of Alabamians, myself included, would pay higher property taxes under the Riley plan, but the pain will be shared. Small farms — those under 200 acres — may see a small increase in their county or local property taxes, but they will be exempted completely from state property taxes. Alabama residents older than age 64 will see no increase in taxes on their primary residences, period.

Under Alabama's “current use” provision, owners of large tracts of timberland will have a tax increase, but they'll still pay lower ad valorem taxes than if they owned similar property in Tennessee or Georgia. Many of these large tracts are owned by out-of-state corporations whose principals don't want their taxes to increase at all. They like owning land in Alabama, the state that asks virtually nothing of them for the privilege of doing business here. And they have little reason to care about our schools, our governmental infrastructure or our general quality of life.

Alabama schools need the stable funding the Riley plan offers, and they also need the extra accountability measures. Money is as important as the ability to fire lousy personnel, and the Riley plan offers both. Riley's pledge to fully fund the highly successful Alabama Reading Initiative and expand the Alabama Math and Science Initiative has the potential to dramatically improve graduation rates of Alabama youngsters.

Some Alabamians who have abandoned public schools think they aren't affected by what happens in them, but they're wrong. **Poor schools lead to a poor work force and a poor economy, leading to a poor tax base which leads to poor schools. This vicious cycle can and should be stopped.**

Alabama's current tax law is among the most regressive in the nation, meaning that low-income Alabamians pay taxes on a higher percentage of what they earn than poor residents of other states. The Riley plan, by raising the threshold at which Alabamians begin paying income tax, begins to correct this unfairness. But it is in no way a giveaway to poor Alabamians, who will be subject to increased sales taxes on automobiles and services, and who, like all Alabamians, remain subject to very high sales taxes on everything they buy, including food and prescriptions.

Some critics say that any new taxes raised under the Riley plan will be wasted or stolen by legislators, lobbyists and various state officials and hangers-on. It's true that much of official Montgomery lives on perks, corruption and political back-scratching. It's been going on, to the detriment of us all, for a long time. But in six months in office, Riley has actually cut state spending by \$230 million.

His proposal will cut state spending in some revolutionary ways, such as requiring teachers and state employees to pay a fixed percentage of their health insurance costs. **The plan would ban pass-through pork, requiring that the Legislature state clearly where it's spending state tax dollars.**

To say that we can't raise taxes to cover our basic needs because some of it might be lost or stolen is the self-defeating logic of a people who never had enough of anything and don't think they deserve it.

“The message of Gov. Bob Riley's plan is that Alabamians deserve to be fed and that if we put our hearts and minds to it, we can dramatically reduce waste and corruption. That ought to be enough.”

It is like a homemaker cooking four portions of dinner for a family of six because some of it might be wasted. Or a starving man refraining from eating, out of fear that a crumb might fall to the ground and be lost.

Waste and corruption are a fact of life in government in Alabama and elsewhere. We must root them out where we can, but if we aren't completely successful that doesn't mean government is not worth having.

The message of Gov. Bob Riley's plan is that Alabamians deserve to be fed and that if we put our hearts and minds to it, we can dramatically reduce waste and corruption. That ought to be enough.

To vote for this plan is to say, as a people, that we don't think we belong at the bottom of every list. It is, in touchy-feely terms, an affirmation of our own worth, and it's long overdue.

by Elaine Witt
Birmingham Post-Herald
Used with permission from the
Birmingham Post-Herald

Elaine Witt's column runs Tuesday, Thursday and Saturday in the
Birmingham Post-Herald.

NON-PROFIT ORG.
 U.S. POSTAGE
PAID
 Permit No. 2
 Jacksonville, AL 36265



NOTE: Voter registration must be complete prior to August 30.

GO VOTE "YES" ON SEPTEMBER 9th

Words Will Fly Over the Coming Days



For more decades than anyone would dare to imagine, Alabamians nibbled at, ignored, and hid from our state's financial problems.

Alabama has serious accountability and financial problems that must be addressed. I remember a senior citizen telling me in the 1970's that he would support more funding for education if the students were all "A" students. Give me a break! That is like the individual who will only support government funding if there is no corruption. There will always be corruption. That is why we elect new people. Until we are all little angels, we must have police, courts, and prisons!

On September 9th, Alabamians will choose to forever change Alabama for the better by voting for Governor Riley's tax package. Or, they will vote against it and continue to forget about real accountability in government and improving Alabama.

Governor Riley's tax proposal will improve life for 65% of Alabamians (individuals earning less than \$75,000, or a couple making less than \$150,000) because they will pay the same or lower taxes and benefit from a better educational and economic environment! Yes, 35% of us will pay more, as well we should.

Lots of words will fly over the coming days. Unfortunately, those who have taken advantage of Alabama's tax laws in the past will be the loudest.

— Dr. David Bronner

We Must Invest for Success

| State | Taxes per Capita | 2000-2001 Per Pupil Expenditure |
|-------------|------------------|---------------------------------|
| Kentucky | \$2,464 | \$7,516 |
| Texas | \$2,456 | \$6,979 |
| Idaho | \$2,428 | \$6,029 |
| Louisiana | \$2,409 | \$6,461 |
| Arkansas | \$2,382 | \$5,966 |
| W. Virginia | \$2,368 | \$8,440 |
| S. Carolina | \$2,333 | \$6,644 |
| Oklahoma | \$2,313 | \$6,787 |
| Montana | \$2,312 | \$7,058 |
| S. Dakota | \$2,255 | \$6,102 |
| Mississippi | \$2,198 | \$5,624 |
| Tennessee | \$2,142 | \$6,029 |
| ALABAMA | \$2,007 | \$5,512 |
| Average | \$2,313 | \$6,550 |

If Alabama were to come just to the average, this would mean an additional \$1,038 per student and \$738,778,000 more for the ETF.

Source: Retirement Systems of Alabama