



The ADVISOR

TEACHERS, EMPLOYEES, and JUDICIAL



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SERVING OVER 350,000 MEMBERS

September 2017

Our Elected Leaders Are Doing It Right

OVERALL FISCAL CONDITION RANK



TOP FIVE

1. Florida
2. North Dakota
3. South Dakota
4. Utah
5. Wyoming

27. Hawaii
28. Iowa
29. Wisconsin
30. Colorado
31. Delaware
32. Kansas

ABOVE AVERAGE

6. Nebraska
7. Oklahoma
8. Tennessee
9. Idaho
10. Montana
11. Missouri
- 12. ALABAMA**
13. Ohio
14. Nevada
15. North Carolina
16. Indiana
17. Alaska
18. Virginia

BELOW AVERAGE

33. Arizona
34. Mississippi
35. Maine
36. Michigan
37. Connecticut
38. Rhode Island
39. New York
40. Vermont
41. New Mexico
42. West Virginia
43. California
44. Louisiana
45. Pennsylvania

AVERAGE

19. South Carolina
20. Arkansas
21. Oregon
22. Georgia
23. Texas
24. Minnesota
25. New Hampshire
26. Washington

BOTTOM FIVE

46. Maryland
47. Kentucky
48. Massachusetts
49. Illinois
50. New Jersey

SOURCE: Eileen Norcross and Olivia Gonzalez, "Ranking the States by Fiscal Condition, 2017 Edition" (Mercatus Research at George Mason University, Arlington, VA, July 2017)

Pew Guts Pensions in Pennsylvania: Is Alabama Next?

BY DAVID G. BRONNER

RSA members should be alert to Pew's attempts to "reform" Alabama's pensions. In June, Pew succeeded in pushing pension reform legislation through the Pennsylvania Legislature that changes retirement for newly hired teachers and state employees. New employees would have an option to participate in three retirement plans, two hybrids (a combination of a defined benefit and defined contribution) and a pure defined contribution plan.

According to the National Council on Teacher Retirement (NCTR), the new Pennsylvania law "reduces benefits for future employees by roughly 13 to 35% depending on which of the hybrid options are selected and by 50 to 57% if the defined contribution option is selected." In addition, "in the short term (over the next 10 years), the new law will actually cost \$536 million **MORE** than under the current law[.]"

Not surprisingly, the Pew Charitable Trusts, which has had an active presence in the Pennsylvania Legislature over the last several years, supported the legislation, calling it "one of the most – if not the most – comprehensive and impactful reforms any state has implemented."

Pew has already been in Alabama pushing pension reform during the 2015 and 2016 Legislative Sessions. These initial attempts failed. But with this recent victory in Pennsylvania, there is a good chance that Pew will be back to try again.

Meanwhile, Alabama has already had pension reform. In 2011 and 2012, Alabama reforms required members to pay more towards their pension and decreased benefits for new employees. Alabama certainly does not need reforms that will further reduce benefits and increase costs for employers, such as those in Pennsylvania. These increased costs can jeopardize an employer's ability to make the full employer contribution. Once employers stop paying the bill, a pension plan will quickly find itself in trouble.

RSA members should stay vigilant and let their legislators know that Alabama does not need Pew's reforms! RSA members also need to get serious about the state elections next year. Be diligent regarding candidates' views on the RSA and PEEHIP. Vote for someone who supports you and the RSA, or you will certainly regret what they may do to your pension and healthcare benefits. ●

Alabama Lacks Revenue

GUEST EDITORIAL | *TIMES DAILY*

Arallying cry among Alabama conservatives has for years been that increasing revenue to state government merely encourages waste and inefficiency. It's the argument that has been used to shoot down every tax proposal for decades, with the not-so-incidental result that Alabama's most wealthy and most politically powerful

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Alabama Lacks Revenue

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individuals enjoy taxes far lower than their peers in other states. The argument is not inherently wrong. Certainly the converse is true, that excess revenue promotes inefficiency and waste. But neither is the argument inherently true. The accuracy of the proposition that low revenue breeds efficiency depends on the context. And in today's Alabama, the proposition is clearly inaccurate. The fallacy is demonstrated in numerous areas of state government, but most recently in the areas of Medicaid and prisons.

Alabama Medicaid Commissioner Stephanie Azar announced that a plan to overhaul the delivery of healthcare to the poor would be abandoned. The innovative managed-care program would have used regional care organizations (RCO) to replace the conventional Medicaid fee-for-service model. It was created by the Legislature in 2013, and its main selling point then was that it would save money. But it also had the potential of helping people.

Huntsville Hospital System was developing an RCO that focused on aggressively providing preventive care to the poor in its region, which included

much of north Alabama. This strategy would have created financial benefits for the hospital's regional care organization by reducing expensive emergency room treatment and other advanced treatment that is required when people fail to get preventive care. It also would have improved the quality of life for the RCO's patients because they would have been healthier.

Huntsville Hospital was so committed to the program that it invested more than \$2 million developing it, relying on the state to keep its word. And in the effort to implement the RCO program, taxpayers also paid plenty. Medicaid had spent \$34.5 million on the RCO plan, \$14 million of that being state money. But more upfront costs were necessary if the plan was to move forward, and the state does not have the money. Alabama is so broke that it couldn't spend the money necessary to protect its investment and to secure future savings.

Earlier this month, the Alabama Department of Corrections was forced to cut by more than half its spending on an inmate training program that officials know is effective. The program, which

provides vocational skills to inmates, has resulted in a recidivism rate of 15%, compared to 31% for those inmates who have not been able to participate. Even ignoring the benefits to the inmates and society, the program saved money by cutting down on the number of repeat offenders the state is forced to house in its crowded prisons. Once again, the state lacked the revenue necessary to operate efficiently.

It may be there was a time when Alabama conservatives were correct in their assertion that more tax revenue would result in reduced governmental efficiency. It may be a sound argument in other states. BUT IN TODAY'S ALABAMA, the argument is demonstrably incorrect. Our state Legislature is driving with the engine-oil light shining red, knowing the engine block will need to be replaced tomorrow, but unable to pay for a quart of oil. Alabama has reached a crisis point in which it needs more revenue to avoid waste. Whatever may be the case elsewhere, tax reform is now a prerequisite to efficient government in Alabama. ●

A Third of People Have Nothing Saved for Retirement

NANCI HELLMICH | USA TODAY

A third of people (36%) in the U.S. have nothing saved for retirement, a new survey shows.

In fact, 14% of people ages 65 and older have no retirement savings; 26% of those 50 to 64; 33%, 30 to 49; and 69%, 18 to 29, according to the survey of 1,003 adults, conducted for Bankrate.com, a personal finance website.

"These numbers are very troubling because the burden for retirement savings is increasingly on us as individuals with each passing day," says Greg McBride, chief financial analyst for Bankrate.com. "Regardless of your age, there is no better time than the present to start saving for your retirement. The key to a successful retirement is to save early and aggressively."

Other recent research confirms that

many people aren't saving enough for their golden years. About 36% of workers have less than \$1,000 in savings and investments that could be used for retirement, not counting their primary residence or defined benefits plans such as traditional pensions, and 60% of workers have less than \$25,000, according to a survey of 1,000 workers from the non-profit Employee Benefit Research Institute and Greenwald & Associates.

Many people realize that they are not on track in saving for retirement, and the two most important reasons they give are cost of living and day-to-day expenses, says Jack VanDerhei, the

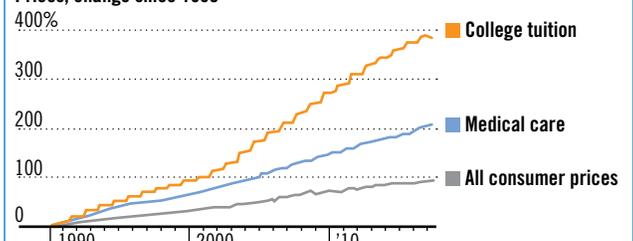
institute's research director.

He advises people to join the 401(k) plan if their employer offers one and to make sure to contribute at least enough to receive the maximum employer match. "Contributing anything less than that is leaving free money on the table," he says. ●

Higher Education Inflation

College tuition has been among the fastest growing expenses for households in recent decades, rising even faster than healthcare costs.

Prices, change since 1990



Source: Labor Department

A Study in Taxation. Again

BY JOEY KENNEDY | ALABAMA POLITICAL REPORTER

It's encouraging to see a State Task Force looking into the state's tax system. It's not the first time. And it likely won't be the last. Actually, we have these "task forces" quite regularly. What will be the "first time" is if the Joint Task Force on Budget Reform actually makes substantial recommendations that are adopted. *Alabama Political Reporter* editor in chief Bill Britt wrote about an interim report prepared by the Joint Task Force on Budget Reform (JTF). The report was released on May 11.

After reviewing Britt's story and the report, it was déjà vu all over again, for me, at least. Two colleagues – Harold Jackson and the late Ron Casey – and I wrote a series about Alabama's flawed tax system nearly 17 years ago for *The Birmingham News*. That series, "What They Won't Tell You about Your Taxes," was awarded the Pulitzer Prize for editorial writing in 1991. The series resulted from a decision by then Gov. Guy Hunt to hold off releasing a previous state study on the tax system until after the 1990 election. Much of that series, with an update of a few numbers, would still hold true today. Generally, Alabama's tax rates aren't high. But the segments of our population we do

tax puts the greatest burden on those least able to pay.

As the JTF's interim report shows, we depend far too much on sales taxes in Alabama. And the sales tax is probably the most volatile tax we have. When the economy is going full steam, sales taxes generate strong revenues. But during economic slumps, the sales tax revenues suffer. So as the economy goes, so goes the sales tax. Plus, our sales taxes are highly regressive, meaning they impact the poorest citizens the most. We pay sales taxes on baby formula, but not for calf formula. That's an example we've used for years in writing about Alabama's tax system.

Many states have limited sales taxes on food and some other necessities. Alabama does not, but there are special exemptions for the most powerful interest groups who over the years have been able to lobby to protect themselves. There have been half-hearted efforts in the past to remove the sales tax on food, but they get nowhere. Our budget depends too much on taxing milk and bread.

Meanwhile, our state property taxes are among the lowest in the nation. Indeed, when we wrote our tax series

in 1990, property taxes could have been doubled, and they'd still be the lowest in the nation. Except in some local areas, those taxes are still among the lowest. But unlike sales taxes, property taxes don't fluctuate. They are a stable source of income.

Alabama earmarks more of its tax dollars than any other state. Our tax revenue is often spent before it's even collected. Removing some of that earmarking would allow lawmakers to send tax dollars to where they're needed most, not simply to this or that program because tax dollars were earmarked for it years and decades before. It's great that, as Britt writes, the JTF believes it is necessary to "have a detailed understanding of state finances based on historical data, and not random assumptions or anecdotes developed over the years by lobbyists, special interests, and the media." Indeed, get that information. But such information has been gotten before. Having the information doesn't mean a whole lot if it's not acted upon. That's what we need to see happen. ●

Alabama Has Second Most Sites In U.S. With Contaminated Drinking Water

SOURCE: BEASLEYALLEN.COM

A study conducted by the Environmental Working Group (EWG) and Northeastern University revealed startling results for Alabamians. It was reported that Alabama is tied with New Hampshire for having the second-highest number of sites where drinking water is contaminated with PFCs, behind only New Jersey.

PFC levels exceeding the EPA's health advisory were measured at five sites in northern Alabama: Decatur, Centre, and three in Etowah County near Gadsden. Lawsuits have already been filed by the impacted water systems against the alleged sources of the contamination. The West Morgan-East Lawrence Water and Sewer Authority claims facilities operated by 3M Company, Daikan America, Inc., and Dyneon, LLC in Decatur polluted the Tennessee River, which serves as its drinking water source. That case has settled, in part, with Daikan for \$5 million. ●

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- November 5, 8-9, 12-16, 19-22, 26-30

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- October 1-3, 8-9, 15-17, 22-23, 29-31
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- September 3-4, 9-10, 13-17, 23-24
- October 3, 14-15, 24-31
- November 5, 8, 14, 21-23, 25-28

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Putin's Oil/GDP Problem

Crude Coincidence

Russia, GDP, % change
on year earlier Brent crude oil price
\$ per barrel



Sources: Thomson Reuters; Economist Intelligence Unit



SOURCE: NerdWallet survey of 2,072 U.S. adults



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