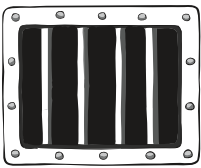




Prison Challenges

BY STATE SENATOR CAM WARD



Our state is at a crossroads when it comes to our prison system. People often ask me why I am so passionate about this issue. I say it is one of the biggest threats to our state's fiscal health. Our prison system is currently at 192% capacity, making it the most overcrowded system in the United States. Not only are they overcrowded, underfunded, and not well respected, they are also under the serious threat of being taken over by the federal government, which will result in wholesale release of violent criminals. Any state that has had a federal takeover will tell you that it costs hundreds of millions of dollars to come out from under such a federal receivership. That is money Alabama simply does not have.

And it gets worse from there. There is not the political want or will to raise taxes, and this is not something we can build our way out of even if we did have the money. Our state is finally learning to live within its means in terms of the General Fund budget, but that budget is getting eaten alive by two line items: Medicaid and prisons.

We can argue until we are blue in the face about the pros and cons of Medicaid expansion, but we cannot just defund our prisons. And we cannot allow the worst of the worst criminals to potentially be released back onto our streets. These guys did some not terribly nice things to get into the system, and as a society we have decreed we don't want them hanging around with the freedom to do it again.

Let me be clear: This is going to be one of the least politically popular issues our state government must take on. We face some hard choices, but we are not one of the first states to go through this. One of the wonderful things about the modern world in 2014 is the availability of information and collaboration between governments on "best practices" for seemingly intractable problems.

Two states in particular represent the best and worst of how to go about prison reform: Texas and California. California ignored the problem for too long and failed to make good decisions. A federal judge eventually came in and said they had to release 10% of their prisoners across the board. Unfortunately that allowed a whole host of terrible people to go free to commit heinous crimes.

Texas, on the other hand, combined sentencing reform with a stronger approach to community corrections, probation and

Why "Unfunded" COLAs Are Bad for RSA Members

BY DAVID G. BRONNER

RSA members have worked very hard to earn their pensions and expect to (or already) depend on them to live. They deserve to know that those pensions are safe and secure—both now and in the future. No one understands that better than the RSA.

Over time, the purchasing power of those pensions is eroded by increases in the cost of living. This makes life very difficult for retirees living on a fixed income. In the past, the Legislature has granted Cost-of-Living Adjustments (COLAs) to RSA retirees to offset those increases. Often, those COLAs were not prefunded.

Any measure that increases RSA's financial obligations without providing additional funding for those new liabilities threatens the financial health of the entire system and, as a result, hurts its members. One of the biggest threats to the financial security and stability of the RSA is **unfunded** retiree COLAs. These COLAs are considered unfunded if the monies necessary to pay for the raises is not deposited up front in RSA's accounts.

COLAs for RSA retirees are very expensive. For example, in 2014, a 1% COLA for all TRS and state ERS retirees would have cost \$269.6 million, which means that the bill for a 5% COLA would have been over \$1.3 billion. If that money is not placed in RSA's accounts before it must begin paying the COLA to retirees, the unfunded liabilities of the system will be increased by that amount. Thus, if a 5% unfunded COLA was given to retirees, the RSA would owe \$1.3 billion more than it has assets to cover.

Furthermore, a COLA increase goes on for a lifetime. The RSA is still paying a few members for a COLA that was granted in 1971. The unfunded COLAs passed for the TRS and ERS in 2005 and 2006 cost the RSA \$11.2 million per month.

When the Legislature passes an unfunded COLA, they are spending money that the RSA does not have. Given the uncertainty of today's economy and markets, this harms RSA's stability and our members' financial security and peace of mind. If a COLA is passed, every effort needs to be made to fund it because unfunded COLAs are very harmful to RSA members. ●

Economic Impact of Magnolia Grove, RSA Hotels, RSA Office Buildings in Mobile

BY DR. MARK FAGAN; DEPARTMENT HEAD EMERITUS, JACKSONVILLE STATE UNIVERSITY

The RSA opened the following assets in Mobile; RTJ Golf Course at Magnolia Grove, a 54-hole golf complex in 1993; the Alabama Cruise Terminal in 2004; Somerby of Mobile, a 40-acre senior living community in 2004; the refurbished Battle House Renaissance Mobile Hotel & Spa; RSA Battle House Tower; and the refurbished Renaissance Mobile Riverview Plaza Hotel in 2007; and the RSA Trustmark Building in 2011. The RSA is currently refurbishing the Van Antwerp Building. These investments compose RSA's strategy to increase tourism and economic development in Mobile.

The two hotels were developed to give golfers an upscale place to stay and to support the downtown convention center by providing a large number of rooms to compete for conferences by larger associations and corporations. The Alabama Cruise Terminal was an effort to develop the cruise ship business and revitalize downtown Mobile through increased spending by the cruise passengers and crewmembers. That loan was paid off by the city in August 2008. The new office space helped to revitalize downtown and increase attractiveness for tourists, increase competitiveness for the service industry, and provide space for corporate headquarters for various industries.

The money spent by the RSA for the tourism, retirement, and service industries in Mobile is estimated at \$460 million. This total is broken down as: Magnolia Grove, \$25 million; RSA Battle House Tower and Battle House Renaissance Mobile Hotel and Spa, \$231 million; Renaissance Mobile Riverview Plaza Hotel, \$72 million; Alabama Cruise Terminal, \$20 million; Somerby of Mobile, \$40 million; RSA Trustmark Building, \$52 million; and Van Antwerp

Building, \$20 million.

RIMS II multipliers from the U.S. Bureau of Economic Analysis were used to determine the economic impact of this construction spending in Mobile. These are final demand multipliers and include direct, indirect, and induced

impacts. These multipliers produced the following: total output, \$989 million; earnings \$334 million; jobs, 8,970; and value added, \$536 million. State and local tax revenue, such as income and sales, are not included in these impacts, nor is the spending by governments of the tax revenue.

Annual Reports for the Alabama Tourism Department showed tourism spending in Mobile County for 1995 was \$384 million and for 2013 was \$917 million, an increase of \$533 million. At the end of 2013, the total amount of increased tourism spending from the 1995 level was \$5.4 billion.

At the end of 2013, the total increased state sales taxes on tourism spending and lodging taxes over the 1995 level were \$235 million. At the end of 2013, the total increased local sales taxes on tourism spending and local lodging taxes over the 1996 level were \$378 million.

The increased tourism spending since 1995 is not totally attributed to the RSA investments and RSA promotion. However, the RSA did add 612 new upscale hotel rooms and suites, 81,000 square feet of meeting space, three golf courses, a 10,000-square-foot spa, six restaurants/lounges, and 808,000 square feet of office space to the inventory.

The RSA has promoted the area through: marketing by SunBelt Golf since 1993; free publicity by RSA-owned television stations, newspapers, and billboards since 1995; marketing by Marriott since 2007; and thousands of newspaper and magazine articles written about The RTJ Golf Trail since 1990. The efforts by the RSA have had a positive impact on the economy of the Mobile area since 1990. ●



THE RENAISSANCE MOBILE PLAZA HOTEL & RSA BATTLE HOUSE TOWER



BATTLE HOUSE RENAISSANCE MOBILE HOTEL & SPA



RTJ AT MAGNOLIA GROVE

Corporate Pension Plans

BY VIPAL MONGA | WALL STREET JOURNAL

Just as companies thought their pension plans might be climbing out of the red, they are about to get hit with a double whammy of higher fees and ballooning obligations....

As employers back away from lifetime commitments to their retirees, some labor negotiations are getting tense.

“It’s a big deal,” said Caitlin Long, head of the corporate strategies group at Morgan Stanley. “It’s definitely causing companies to rethink the benefits of holding a pension.”

Ms. Long estimated that the higher fees could add \$20 billion in costs to companies’ \$2 trillion in pension obligations over the life of the pension plans.

Increasingly, companies are closing their pension plans to new hires, offering lump-sum payments to shrink their outstanding obligations or handing over

management of their pension assets to insurers.

The ramifications are significant. More than 60 million American workers and retirees are covered by defined-benefits plans (**Editor’s note:** like the RSA), according to the American Institute for Economic Research, though their numbers have been shrinking rapidly in recent years.

In 1979, 38% of U.S. private-sector workers were covered by such plans; by 2011, the most recent data available, the number had fallen to 14%, says the Employment Benefit Research Institute. By contrast, the percentage enrolled in defined-contribution plans, such as a 401(k), more than doubled to 42%. That means more employees are responsible for saving for their future.

“There’s a great deal of concern,” said

Shaun O’Brien, assistant policy director for health and retirement at the AFL-CIO, who expects more employers to bargain for lower pension costs in contract talks.

Congress intensified in the financial pressures in December by raising the fees companies must pay the Pension Benefit Guaranty Corp. Fees to the federal pension insurer for each employee covered will rise to \$64 by 2016, up from \$42 last year.

The Society of Actuaries recently updated its mortality tables for the first time since 2000 to reflect the longer life spans of today’s retirees. Based on the update, the average man who turns 65 this year is expected to live to 86.6, up from 82.6 in 2000. Women are expected to live to 88.8, up from 85.2. That means companies will have to sock away more money to pay benefits years longer... ●

Prison Challenges

CONTINUED FROM PAGE 1

drug rehabilitation. They avoided a federal takeover, but more importantly they avoided mass-releasing criminals across offender categories, and provided cheaper programs for those convicted of non-violent and drug-related crimes.

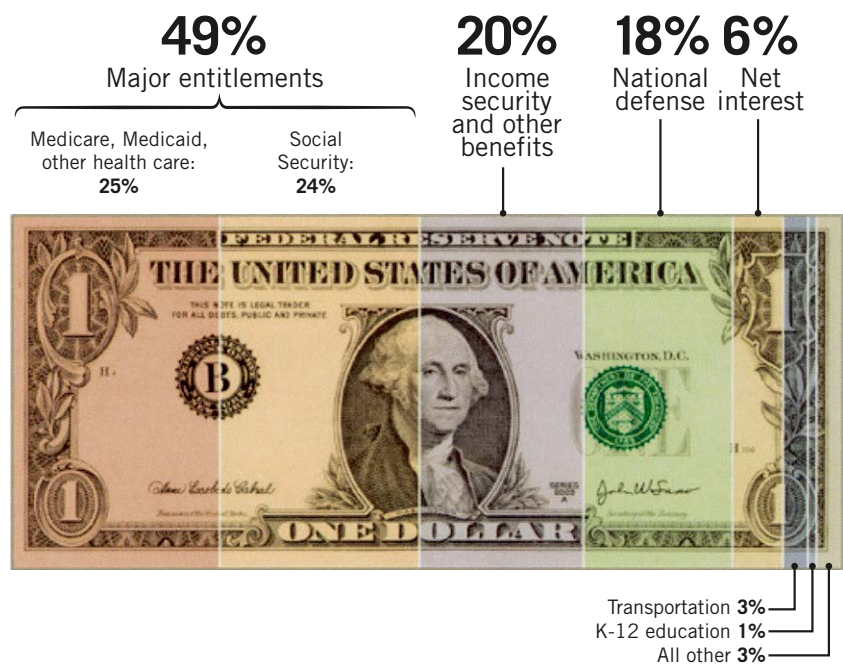
I have worked with both parties in the Legislature to bring in The Council of State Governments, a non-partisan group that helps states achieve best outcomes on long-term projects such as sentencing and prison reforms. The Legislature has also impaneled a “Blue Ribbon Committee” of law enforcement officials, judges, and victim’s rights advocates to come up with recommendations on ways Alabama can attack this problem, save money, and not release violent criminals back into our neighborhoods.

In the end, the Governor and the Legislature will have to summon the political will to pass legislation to solve this crisis. We can no longer ignore it. I believe that this is a problem that we can solve if we work together, because I believe in our state, I believe in our leaders, and more importantly, I believe in our people. ●

Where Does All the Money Go?

In 2013, the major entitlement programs – Social Security, Medicare, Medicaid, and other health consumed 49 percent of all federal spending. These programs, and interest on the debt, are on track to consume an even greater share of spending in future years, while the portion of federal spending dedicated to other national priorities will decline.

SHARE OF FEDERAL SPENDING IN 2013



Source: Office of Management and Budget

Start Planning Your Summer Break Getaway at RSA's Outstanding Hotels, Spas, and RTJ Golf

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**The Battle House,
A Renaissance Hotel – Mobile – \$109**
• June 1-7, 9, 12-15, 20-21, 29-30
• July 1-12, 18, 24-26, 30 • August 3-28

The Renaissance Riverview Plaza – Mobile – \$99
• June 1-7, 9, 12-15, 20-21, 29-30
• July 1-11, 18, 25-26, 30-31 • August 1-28

Marriott Grand – \$109 plus a 15% resort fee
• June 1-3, 11-12, 24-26, 29-30
• July 1-2, 6-7, 16-17, 30 • August 6-7, 24

Marriott Grand – RSA Golf Package – \$179
plus a 15% resort fee – Promotional code–R2A
Includes: Deluxe Room, One Round of Golf for Two People.
Call for Tee Times after booking package
• June 1-3, 11-12, 24-26, 29-30
• July 1-2, 6-7, 16-17, 30 • August 6-7, 24

Marriott Shoals – Florence – \$99;
Breakfast Package \$124
• June 8, 19, 29-30 • July 1-3, 6, 13, 20, 27
• August 3, 10, 16-17, 21, 28

Renaissance Ross Bridge – Hoover – \$109
• June 1-5, 8-12, 15-18, 22-25, 29-30
• July 1-3, 6-10, 14-17, 20-24, 28-31

* Independence Day weekend, July 4-5, requires a 2 night stay, early departures will result in a rate change to \$259 plus tax per night.*
• August 3-7, 10-14, 17-20, 24-28

* Labor Day Weekend, August 29-31, requires a 2 night stay; early departures will result in a rate change to \$259 plus tax per night*

Opelika Marriott – \$99
• June 1-5, 8-11, 15-17, 22, 24-26, 29-30
• July 1-3, 7-8, 13-15, 20-24, 27-31
• August 3, 5-7, 10-14, 17-21, 24-28, 31

Prattville Marriott – \$89
• June 1, 8, 10, 13-16, 22, 29-30
• July 1-10, 13, 19-22, 24-27, 29, 31
• August 1-6, 10-11, 20-26, 28, 30-31

Renaissance Montgomery – \$109
• June 13-16, 20, 25-36, 28-30
• July 1-5, 9-19 • August 1-4, 9-15, 17-25, 31

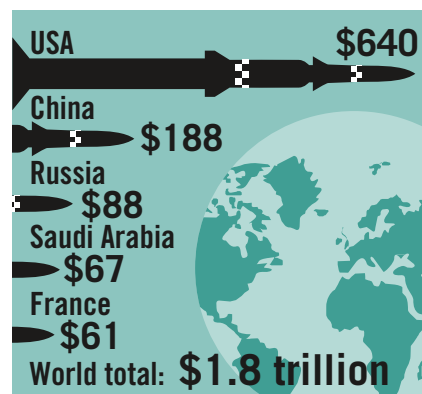
RSA Spa Package – \$189 – Promotional code–R2A
• June 13-14, 20, 25-26 • July 1-3, 9-12, 15-19
• August 1-2, 12-14, 18-23

Specific room requests may require additional charge.
Rates available the 1st of the month and
are not applicable to groups.

800-228-9290 Ask for RSA rate. **Promotional
Code: R2A** on www.rsa-al.gov
Book Online and Save RSA \$4.

Major Military Spenders

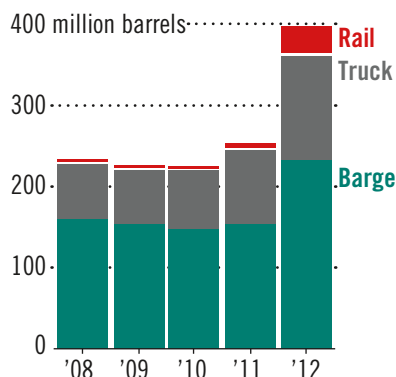
Spending on arms in 2013, in billions:



Source: Stockholm International Peace Research Institute

On the Move

The amount of crude oil transported by rail, road and water skyrocketed in 2012.



Source: Energy Information Administration



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