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Don Yancey Named Deputy Director

Long-time RSA employee, Donald L. Yancey, has been appointed as RSA Deputy Director.

Don has spent 38 years in the TRS, most of which as its Director. Don went into partial retirement when Mr. Chris Townes became the TRS director in 2011. He has agreed to return full time for at least three years to implement the infrastructure and technology changes necessary to carry the RSA into the future.

Don is a native of Montgomery receiving his bachelor's degree from Huntingdon College, his master's degree from Auburn University at Montgomery, and his Juris Doctorate from Jones Law Institute. He served as a Naval Officer during the Vietnam conflict prior to coming to the RSA. ■

Governor Proposes Early Retirement Program

By David G. Bronner

With increased life expectancies, more of a financial burden is being placed on pension systems throughout the United States. Governor Bentley and the Legislature recognized this problem and addressed the issue just last year with a new hire retirement plan, effective January 1, 2013. Now the Governor is suggesting a plan to cut costs by offering incentives to state employees and teachers to retire early.

Early retirement programs have been tried in various states, usually with mixed results. While this retirement incentive plan may result in an initial reduction in personnel costs, it does not address the corresponding increases in both retirement and insurance costs. In addition, it has often resulted in the most talented individuals leaving early.

What may be initial savings to the state will result in an increase in the unfunded liability of the RSA, as well as a significant cost increase to the teachers' and state employees' health insurance plans. This would supposedly justify another attack on benefits paid to public employees.

Sometimes what appears to be a cost savings is just a cost shifting. Therefore, it is extremely important to study any proposal to make sure the objective becomes a reality and not merely a myth. ■

Analysis: At age 20, RTJ Golf Trail has plenty to celebrate

By Greg Markley, *Opelika Observer*

In 1989, Dr. David G. Bronner was intrigued with the concept of "If you build it, they will come" at the heart of the movie *Field of Dreams*. That film showed how an Iowa farmer (Kevin Costner) realized his dream by building a baseball field on his land, against all odds.

A Midwesterner himself, Bronner had attained a law degree and Ph.D. at the University of Alabama. Since 1973 he has presided over the Retirement Systems of Alabama, which oversees the pension funds and system for public employees. Bronner knew it was the state's image, and not her people, that kept it poor and lacking confidence. He decided to build a series of top-quality golf venues, that would showcase Alabama's natural beauty.

The 20th anniversary of the Robert Trent Jones Golf Trail is a cause for celebration. It has been a "game changer" in lifting the profile of cities like Opelika and in brightening the image of the state. Grand National Golf Course was ranked as the number one Public Course in *GolfWorld* (2009); as well as Opelika being the number one City in America for Golf, *Golf Digest* (2006). The RTJ Trail has boosted Opelika's status nationally as a place to golf, to do business, and to live.

Bronner, in a recent interview with the Associated Press, maintained the Trail is about more than the golf. "When we started out the project, Gov. (George C. Wallace) was still alive, and that's all they knew about Alabama," Bronner told the AP. "RTJ has given us the opportunity to talk about something else. It gave us the ability to recruit industry like Mercedes and Hyundai and Honda and Navistar."

The Trail features 468 holes of championship golf on 26 courses at 11 different sites. Robert Trent Jones, Sr., who died in

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The History of a Wink

By Brendan Greeley, *Bloomberg Businessweek*

In early 2001, Paul O'Neill, the new Treasury secretary, began work on a plan for radical tax reform. He wanted simpler forms and fewer deductions, which would make it easy for people to prepare their taxes and cost the government less to process them. He presented a five-inch-thick binder of research to a senior White House official. "Don't ever let that see the light of day," O'Neill says he was told. President George W. Bush didn't want to deliver a tax overhaul. He wanted to deliver the tax cuts he'd promised as a candidate.

He did, in 2001 and then again in 2003. Yet the kinds of cuts he'd promised – large ones – would create unsustainable deficits after 10 years, the Congressional Budget Office projected. So they were designed to expire in a decade, at least on paper. It was "baloney," says O'Neill, who publicly supported them at the time. Republicans never intended to let the cuts lapse. "It was put in there so they could make a fiscal claim that it wouldn't damage us. It had nothing to do with reality."

It's now more than 10 years later, and Bush's tax cuts are still with us – adding to the debt as predicted. The temporary tax cuts have become a subsidy, and as with all subsidies, to take them away is to create a period of painful readjustment. Politicians worry about the "fiscal cliff" – the economic turmoil waiting at year's end when deep federal spending cuts go into effect and the tax cuts lapse – as though no one could have seen it coming. There is nothing we know now that we didn't already know a decade ago.

On Dec. 1, 1999, candidate Bush was leading the race for the Republican presidential nomination, looking over his shoulder at Steve Forbes's promise of a 17 percent flat tax, which was popular with conservatives. At a campaign event in Des Moines, Iowa, Bush vowed that, as president, he would cut taxes for all Americans. According to a widely circulated report prepared by Citizens for Tax Justice at the time, his plan would cost $1.7 trillion over 10 years.

It looked like the money would be there to spend. Fiscal restraint and a strong economy had given Washington something novel to play with: The CBO forecast a federal budget surplus of $5.6 trillion by 2011. "The people of America have been overcharged, and, on their behalf, I'm here asking for a refund," Bush told a joint session of Congress after his election. Trent Lott, then-Republican Senate majority leader, had lauded the idea. "It protects the entire Social Security surplus and leaves resources available for other priorities," Lott said.

Those other priorities were more important to voters than lower taxes. In 2001, the Pew Research Center found that 37 percent of Americans preferred to use the surplus to fund Social Security and Medicare, 23 percent for domestic spending, and only 19 percent for a tax cut.

Even after selling the idea as a way to give back part of the surplus, Republicans were concerned that they couldn't bring on enough Democrats to pass it. So they resorted to reconciliation, the same parliamentary maneuver Democrats would use in 2010 to pass a health-care law.

While that allowed Republicans to get around a threatened filibuster, Senate rules don't allow bills passed by reconciliation to create deficits more than 10 years in the future. Thus, the 10-year expiration date.

"Everyone understood that it was 10 years with a wink," says Democrat Tom Daschle, then-Senate minority leader. Bill Hoagland, a Republican who ran the Senate Budget Committee staff, says Republicans assumed they could extend the cuts later. Daschle, who voted against them, remembers it the same way. "It was a sort of sense that this is a political thing we've gotta get behind us," he says. "Let's move on, there will be plenty of opportunities to take this more seriously in the future."

By the next year, things had gotten very serious. The economy was weak and a war was on the way. There were no more surpluses to play with. In 2002, the federal government ran a deficit of $158 billion. The White House began a push for more tax cuts, this time justifying them as a stimulus. Several moderate Republicans warned that further cuts would make the deficits worse. Yet Hoagland, who then went on to work for new Senate Majority Leader Bill Frist, recalls the administration had begun to rely less on budget projections, which, when rosier, had justified the original tax-cut plan in 2001. "When your faith is all built on lower taxes," says Hoagland, "projections don't matter that much."

The 2003 cuts also came with paper expiration dates of 2004 and 2009. Congress extended them in 2005, a year that tax cuts, along with a slack economy, contributed $416 billion to the deficit. It extended them again in 2007, when the cumulative cuts added an additional $248 billion. More arrived as a stimulus in 2008, and in the recession that followed the financial crisis Barack Obama and the Democratic Congress added new cuts and agreed to extend the old ones.

Now, more than a decade's worth of tax cuts are set to come due in about six months, each dreamed up and extended under the fiction that it would be temporary. In 2011, they helped contribute $1.1 trillion to the debt. **In total, since 2001, the CBO calculates that tax cuts have helped add $6.1 trillion to the debt.** This is what Washington now calls a crisis: completely predictable arithmetic, compounded over a decade by a consistent refusal to acknowledge reality.

The fiscal cliff has been clearly visible in the distance for years. The reason we're talking about it now is that, right on schedule, it's finally become too big to ignore. ■

Analysis: At age 20, RTJ Golf Trail has plenty to celebrate

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2000, was in the top ranks of architects specializing in golf courses. Into his 80s, he consulted on the initial phase of the project, including at Grand National.

Bronner said the courses themselves are only "marginally" successful. But the hotels, resorts and residential developments are money-makers. Dr. M. Keivan Deravi of AUM estimates that from 1990-2011, RSA's investment in the state had an economic impact of $28 billion of additional Gross Domestic Product. RSA's investments in the state generated $14.3 billion in payroll earnings for Alabamians and 282,564 jobs.

In an interview with *Golf Digest*, Bronner reflected on how Grand National was built. "If Trent (Jones) were alive, he'd tell you he never had an opportunity to do anything like he did at Opelika. Nobody gives you a 1,700-acre finger lake and says, 'You can put as many holes as you want on the water.'"

In *Field of Dreams*, the Iowa farmer Ray Kinsella said, "Until I heard the voice, I'd never done a crazy thing in my whole life."

The voice told Kinsella to "Go the distance" and complete the ballfield. To the benefit of Opelikans and many others, Dr. Bronner and his team envisioned fields of dreams in Alabama.

Twenty years later, 11 sites are going strong. When outsiders refer to Alabama in 2012, their talk is more often about walking the Trail's picturesque courses. That sure beats our state being known for someone blocking a schoolhouse door in a by-gone era. ■

Pension Shortfalls

By Christopher Wills, Associated Press

Here's a look at the 10 states with the lowest funding percentages in 2010, according a new report from the Pew Center on the states:

1. **Illinois**: Had 45 percent of the $138.8 billion it owes long-term. Consistently failed to make its full pension contribution from 2005 to 2010. Lowered pension benefits for future employees in 2010. Now officials are negotiating a proposal to reduce cost-of-living increases for both current and future employees.
2. **Rhode Island**: Had 49 percent of the $13.4 billion it owes long-term. Consistently made full pension contributions from 2005 to 2010. Overhauled its pension system last year, creating a new hybrid retirement plan, cutting cost-of-living increases, increasing the retirement age and more.
3. **Connecticut**: Had 53 percent of the $44.8 billion it owes long-term. Made full pension contribution three times from 2005 to 2010. Cut pension and retiree health benefits in 2011. The governor has proposed a plan to reach 80 percent funding by 2025.
4. **Kentucky**: Had 54 percent of the $37 billion it owes long-term. Failed to make full pension contribution from 2005 to 2010. Lawmakers raised the retirement age and changed benefit calculations in 2008 and have suspended cost-of-living increases the next two years.
5. **Louisiana**: Had 56 percent of the $41.4 billion it owes long-term. Failed to make full pension contribution three times from 2005 to 2010. Lawmakers approved benefit cuts for new employees in 2009 and 2010. In 2012, a hybrid pension plan was created for new employees.
6. **Oklahoma**: Had 56 percent of the $36.4 billion it owes long-term. Failed to consistently make full pension contribution from 2005 to 2010. Increased the retirement age for new employees in 2011 and limited cost-of-living increases for retirees.
7. **West Virginia**: Had 58 percent of the $15 billion it owes long-term. Failed to make full pension contribution twice from 2005 to 2010. Cut pension benefits in 2011.
8. **New Hampshire**: Had 59 percent of the $9 billion it owes long-term. Failed to make full pension contribution twice from 2005 to 2010. Cut benefits in 2009 and 2011, including raising the retirement age and increasing contributions from current and new employees. Increased contributions struck down by court.
9. **Alaska**: Had 60 percent of the $16.6 billion it owes long-term. Made its full pension contribution twice from 2005 to 2010. Created a 401(k)-style pension plan in 2006, but most employees remain in old defined-benefit plan.
10. **Hawaii**: Had 61 percent of the $18.5 billion it owes long-term. Paid its full pension contribution every year but one from 2005 to 2010. Increased contributions from taxpayers and employees in 2011 and also trimmed retiree cost-of-living increases.

Editor's Note: As of 9/30/2011, the TRS has 67.5% of funding, ERS has 64.2% of funding, JRF has 59.9% of funding, and Alabama has always made its full payment each year. In 2012 the Legislature increased contributions and cut benefits to make the future bright. ■

Editorial: *Montgomery Advertiser*

As a physician, Robert Bentley made thousands of decisions about the care of his patients. As governor, Bentley had a huge decision to make about what he will propose for the health care of thousands – in fact hundreds of thousands – of Alabamians.

The issue awaiting Bentley's diagnosis is whether Alabama should expand its bare-bones Medicaid program under the federal Affordable Care Act. There is a great opportunity for Alabama to improve the health of its people, largely with federal funds, but it would require a deferred, although still significant, investment by the state.

"There are a lot of unanswered questions," Bentley said in an interview with the *Birmingham News*. "We'll have to look at how it affects our people, how it affects our budgets."

The impact on our people is enormous. About three-quarter of a million Alabamians, roughly one in six of us, have no health insurance. These Alabamians typically have incomes near the poverty line. A Medicaid eligibility expansion to 133 percent of the official poverty level – still just $14,404 for an individual and $29,326 for a family of four – would bring many of these currently uninsured persons into the program.

Alabama's minimal – to put it mildly – Medicaid program covers children and pregnant women in households with poverty-level incomes. Other adults, however, qualify only if their incomes are less than 11 – no typo there; it's 11 – percent of the poverty level. As Dr. Don Williamson, the state health officer, observed, "In essence you have almost no adults who are not disabled on Medicaid."

The impact on the state budgets is substantial as well, but when viewed as an investment in people a strong case can be made for it. Under the Affordable Care Act, the first three years of the expansion would be paid for entirely with federal funds. The federal share of the cost would gradually decline to 90 percent by 2020.

Estimates of the state's cost during the 2014-2020 period vary, but start at about $500 million over that time. For that money, the state would receive about $10 billion in federal Medicaid funding. That's quite a return on investment if measured only in dollars, but the return in better health and improved productivity among our people would be great also.

As Bentley noted, the state has some time to consider this decision. There's time to weigh the human and fiscal consequences of passing up this opportunity, time to consider a funding mechanism – a cigarette tax continues to make a lot of sense – and time to envision the overall economic impact of a well-crafted expansion of services.

If Alabama were your patient, Dr. Bentley, as in a sense it is, what treatment would you advise for its long-term good health? ■

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The Wrong Direction

By Dana Beyerle, *Tuscaloosa News*

Alabama's per-pupil spending decline of $1,318 since the 2008 recession was the highest in the nation, a new study shows.

The Center on Budget and Policy Priorities said that Alabama led 35 states that spent fewer dollars on students since 2008.

Alabama was second only to Arizona in the percentage cut in state spending per student since 2008. Alabama has spent 21.7 percent less per pupil since four years ago, right behind Arizona's 21.8 percent.

Both dollar and percentage spending figures were adjusted for inflation. The report calculates only state funding and does not include other funding and local support.

The education funding picture in Alabama doesn't appear to be improving any time soon. State lawmakers by law cannot appropriate more than anticipated revenues, so they had to appropriate less for the fiscal year that begins Oct. 1.

The foundation program appropriation is $3.509 billion for next year, $180 million less than the current fiscal year's appropriation of $3.618 billion. The foundation program appropriation is the core of K-12 state funding, but is not the entire budget.

City and county school superintendents said Tuesday that the last four or five years have been harsh to education as the economy limited sales and income taxes, which fund education.

"We still think we are in a holding pattern," said Paul McKendrick, superintendent of Tuscaloosa city schools.

"In the last three years, we have lost $21 million in state funding," said Dan Butler, the interim superintendent of Tuscaloosa County schools.

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