

INSIDE THIS ISSUE:

- Accountability Reform
- Education Reform
- Tax Reform
- Where Would the Money Go?
- The False Campaign... What Plan Opponents are Saying to Mislead You.

SPECIAL EDITION

The Plan For Progress

THE OFFICIAL PUBLICATION OF THE ALABAMA RETAIL ASSOCIATION

THE VOICE of Retailing in Alabama

ARA

ALABAMA RETAIL ASSOCIATION

ACCOUNTABILITY REFORM:

Holding State Government Accountable To the People

Governor Riley has proposed and the Legislature has passed a comprehensive accountability, education, and tax reform plan, designed to solve our financial crisis AND move Alabama forward. The accountability reform measures proposed are designed to prevent waste and mismanagement and ensure that our money goes where it is intended and where it is most effective. In short, Governor Riley insists that he would not ask our citizens to pay more for more of the same.

Examples of accountability measures included in the *Plan for Progress* are:

- **Banning Pass-Through Pork**

Governor Riley already prohibited this practice, which allows legislators to move funds without explanation or accountability for pet projects, by Executive Order.

The *Plan for Progress* would permanently impose criminal sanctions on participants in pass-through pork projects.

- **No Earmarking For New Money**

Every new dollar raised would go into the Alabama Excellence Initiative Fund. This fund would be reserved for targeted investments to improve education, protect our senior citizens, and adequately fund essential state services such as corrections, mental health, child welfare, and public safety. This new fund would provide the flexibility to direct funds where they are most needed each year.

The Governor's Fiscal Oversight Task Force, composed of ordinary citizens who serve staggered terms, would meet on a monthly basis to ensure the proper use and efficient management of taxpayer dollars.

No state agency would be entitled to the new revenue. It would ONLY be spent to

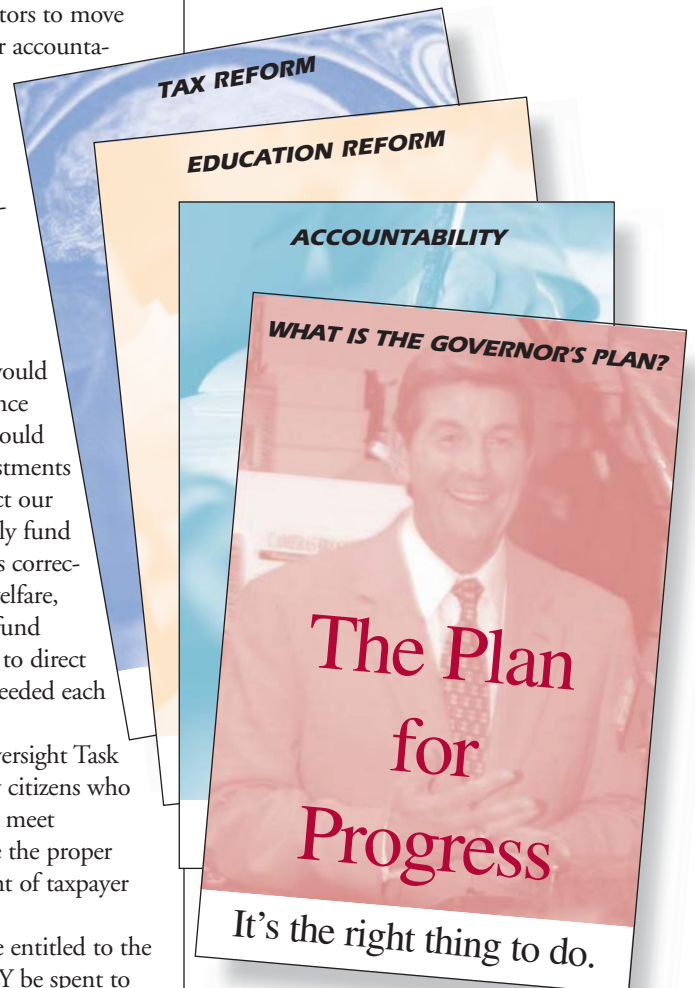
move Alabama forward or address emergency situations.

If the money is not absolutely necessary to move Alabama forward or respond to a crisis, the Commission CAN and SHOULD recommend its return to the people. Alabama would finally have the flexibility and accountability we need for sound financial management.

- **Control Rising Costs of State Employees and Teachers**

Today, some state employees pay NOTHING for their health insurance. It is estimated that if nothing is done to address the problem in the next ten years, health

(Continued on page 5)



THE VOICE

THE VOICE OF
RETAILING IN ALABAMA
VOLUME 3, NUMBER 3
THIRD QUARTER

PUBLISHER:

CHARLES MCDONALD

EDITOR:

ALISON WINGATE

2002-2004 ARA OFFICERS**CHAIRMAN:**

CLAUDE "BUD" KITCHIN IV
SalePoint, Inc., Anniston

VICE CHAIRMAN:

JERRY BEASLEY
Beasley Honda, Ozark

PRESIDENT:

CHARLES MCDONALD
Montgomery

VICE PRESIDENT:

RICHARD E. BROWN, JR.
Montgomery

TREASURER:

BOB QUERY
Montgomery

SECRETARY:

VIRGIE TODD
Montgomery

IMMEDIATE PAST CHAIRMAN:

RODNEY BARSTEIN
Simply Fashion Stores, Ltd., Birmingham

2000-2002 ARC OFFICERS**CHAIRMAN:**

JAMES ROTENSTREICH
JHF Holdings, Inc., Birmingham

TRUSTEES:

JERRY BEASLEY
Beasley Honda, Ozark

DARRELL BOURNE

Ragland Bros. Retail Cos., Inc., Huntsville

DAN EDGAR

Edgar's Foodland, Inc., Eutaw

BUD SKINNER

Jubilee Seafood, Montgomery

JIMMY SMITH

Jimmy Smith Jewelers, Decatur

WILLIAM "BILL" WAGNER

The Athlete's Foot, Tuscaloosa

FUND ADMINISTRATOR:

RICHARD E. BROWN, JR.
Montgomery

THE VOICE is the official publication of the Alabama Retail Association, 7265 Halcyon Summit Drive, Montgomery, Alabama 36117. Telephone (334) 263-5757; FAX (334) 262-3991.

THE VOICE is published four times a year, quarterly. Views and conclusions expressed in articles herein are those of the authors, not necessarily those of the editors or officers of the Alabama Retail Association. Opinions expressed in this magazine do not necessarily reflect the policies of the Alabama Retail Association.

Advertising: Inquiries should be directed to the Alabama Retail Association. Rates will be furnished on request. The Alabama Retail Association reserves the right to omit any advertising or editorial copy deemed to be unsuitable for publication. Publication herein does not necessarily imply endorsement of any product or service offered.

Postmaster: Send address changes to THE VOICE, P. O. Box 240669, Montgomery, Alabama 36124.

EDUCATION REFORM:

Taking Alabama's Students to the Top

For too long, Alabama's education system has ranked too low nationally.

Governor Riley is committed to changing that once and for all. *The Plan for Progress* would reform our education system to provide the improvements necessary to compete with our sister southern states.

If passed, there would finally be:

■ Fundamental Tenure Reform

Today, it costs school systems too much time and money to fire incompetent teachers because the current process is too cumbersome. This plan would make it easier by eliminating the Tenure Commission from the process and requiring binding arbitration for tenured teachers and public school employees.

The process would be streamlined so that a decision about a teacher's job status would be reached within months, instead of years, saving thousands of dollars. In addition, the state government would pay the costs of the arbitrator and hearings. NO school would be forced to take money out of the classroom just to dismiss an incompetent teacher.

■ Stricter Accountability for School Financial Management

Just as CEOs are held responsible for sound financial management, so must all superintendents and custodians of school funds. Local superintendents would be trained and tested in financial management, and each school system would hire a Chief Financial Officer to make sure money is spent honestly, efficiently and wisely.

Under the *Plan for Progress*, the State Department of Education would monitor the financial performance of school systems and require them to standardize reporting practices and share financial information. The state superintendent would have greater take-over powers to intervene in cases of local mismanagement. School systems would also be required to maintain an inventory, show bank statements, and conduct annual internal audits.

For the first time, there would be criminal sanctions for accounting fraud.

■ Local Flexibility

The Plan for Progress allows local school

systems greater flexibility to make decisions that serve the best interests of their students. Schools would have the ability to spend the money where it is most needed – directly in the classroom – not where Montgomery tells them to spend it. No one knows what a local school needs better than the people elected locally to make these decisions.

■ Increased Classroom Instruction Time

No other state provides less classroom instruction time than Alabama. *The Plan for Progress* would increase the number of days in the school year from 175 to 180, which would take us from last in the country to the national average.

■ Ending Tenure for Supervisors

Because of administrative tenure, many local school systems suffer from a bloated bureaucracy at the central office. Under the *Plan for Progress*, assistant principals, financial officers, and instructional supervisors hired after July 1, 2004 would not have tenure. Current tenured principals, assistant principals, financial officers, and instructional supervisors can relinquish it for a onetime payment of \$5,000.

This would give superintendents the flexibility to make staffing decisions for efficient management of the school system and reduce staffs when necessary.

■ Incentives for Teachers in Underserved Areas or Subjects

Qualified teachers who commit to three years of service in underserved geographic areas of the state or hard to staff subjects like math and science, would receive a one-time bonus so that no child, regardless of where he or she lives, would go without a good education. College students and existing teachers would also be given an incentive to gain certification and teach in hard-to-staff subjects or underserved geographic areas of the state through a loan forgiveness program to cover their educational expenses if they commit to and complete three years of service in the designated field.

**INVESTING IN ALABAMA'S FUTURE:
Making Strategic Investments to Move
Alabama Forward**

The Plan for Progress invests in our

(Continued on page 3)

EDUCATION REFORM:

(Continued from page 2)

children's education so that they can compete for better jobs here at home and improve their economic opportunities in Alabama. We would adequately fund our essential state services so they can operate on a sound financial basis, rather than from crisis to crisis.

This plan would lay the foundation for greatness that would finally allow Alabama to achieve her potential by funding:

■ Alabama Reading Initiative

The *Plan for Progress* would put the Alabama Reading Initiative - a home grown reading program touted as the best in the country - in every school. It would offer innovative reading programs for students in kindergarten through 1st grade and intensive training for students in grades 2-12 who have trouble learning to read. Education experts agree that if the measures proposed in the *Plan for Progress* were to take effect, Alabama could have the best reading scores in the country within six years.

Imagine what being FIRST in an educational ranking would mean to the image, economic development and future of Alabama!

■ Math, Science & Technology Initiative

Alabama would invest directly into the classroom by fully funding this program, which has a proven track record of success in improving math and science skills for our students.

■ Alabama Distance Learning Initiative

By utilizing interactive 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 math and science courses. Students in Alabama could take courses that otherwise would never be offered to them!

■ College Scholarships to Deserving Students

Every student in Alabama who graduated from high school with a "B" average, completed the core curriculum requirements and scores a 20 on the ACT test would qualify for a full-tuition scholarship to a state college or university. If a student came within 10% of one requirement, but

met the other two, that student would still be eligible for a scholarship. Students would have to maintain required academic standards to keep the scholarship.

These scholarships would allow students who never could afford college the chance to attend and encourage excellence throughout our education system. This would also increase parental involvement because parents would pay more attention to their child's academic progress if there is

a possibility for their child to receive a scholarship to attend a college or university. The state would also invest in workforce development by providing scholarships for students working toward technical certificates who achieve a minimum 2.5 GPA in high school.

Through the college scholarship program, Alabama would produce a more educated, more determined workforce and move our students ahead.

FROM THE PRESIDENT

CHARLES McDONALD

No More of the Same

Over the years, whenever I see a ranking of states that measures progress like per capita income, or students' reading and math scores, or services provided to senior citizens, I have learned to always start at the bottom to look for Alabama. There is never any need to start at the top.

Why are we willing to settle for 48th or 49th or even 50th?

Why do we have such a defeatist attitude?

Why do we distrust government so?

Why are we often adversaries of progress?

Governor Riley took office in January 2003. A conservative Republican, he had a near perfect record in Congress of opposing new taxes. He was expected to have the same philosophy as governor.

Shortly after being sworn in, he learned that Alabama was nearly bankrupt. The previous governor and legislature had spent one-time revenues for ongoing programs such as Medicaid and Corrections. He discovered this one-time money which the state received from sources such as the tobacco settlement would not be available for FY 03-04 budget. In fact, the estimated short-fall was \$675 million.

At that point the governor and his advisors had to make a decision.

Do we cut essential services such as meals-on-wheels, public safety, children's

health services, senior citizens' programs and Medicaid, for example?

Or do we propose tax increases totaling \$600+ million and simply have more of the same?

Or do we step forward with bold new initiatives to raise enough revenue to jump-start Alabama toward world class excellence?

Governor Riley made the right decision, in my judgment.

We can be at the top of the list instead of the bottom in every progressive measurement.

We can have new visions and achieve them.

We can be what many politicians in the past have promised but didn't have the courage to do: challenge the citizens to accept the pain to reach the goal of excellence.

In this special edition of THE VOICE, we have compiled in-depth explanations of all of the measures included in the *Plan for Progress*. The *Plan* is far-reaching in nature, and cannot be fully explained or understood in a sound bite. Please set aside thirty minutes and read this important information. I think you'll agree when finished that it was a well-spent half hour.

Governor Riley has challenged us and I hope you will join me in voting YES on September 9 to take Alabama to the top.



TAX REFORM:

Keeping Taxes Low and Making Taxes Fair

Under the *Plan for Progress*, Alabamians have the opportunity to make an investment in Alabama that would fundamentally change our state forever and keep Alabama among the lowest taxed states in the country.

If the referendum passes:

- Alabama would have lower taxes per person than 44 other states.
- Alabama would be below the Southeastern average on taxes per person.
- Even when income differences are taken into account, Alabama's per capita tax burden would still be below both the Southeastern and national averages.

Alabama would have a better education system, a more accountable government and remain one of the LOWEST taxed states in America!

INCOME TAXES

- 67% of Alabamians would pay the same or lower state income taxes than they do now.
- Today, a family of four must begin paying income taxes at just \$4,600 in Alabama. This is the lowest threshold in the nation, with even Mississippi exempting the first \$19,000 for the same family. If the *Plan for Progress* is fully implemented, that threshold would be approximately \$20,000.
- The first \$75,000 (single) or \$150,000 (married) of income would be taxed at the same rate of 5% that it is today. Income above these amounts would be taxed at a rate of 6%.
- Would provide significant tax relief to Alabama families by raising the child exemption, which has not been adjusted since the Great Depression, from \$300 to over \$2,100 in the first year alone, and it would be tied to the federal exemption and deduction levels after that.
- Mortgage interest, charitable contributions, and medical expenses would still be tax deductible.
- All pension income that is currently exempt (teacher retirement, government pension plans, military pay, etc.) would continue to be completely exempt.
- Social Security income would also continue to be completely exempt.

- There would be a new exemption phased in for the first \$40,000 of defined contribution pension income (401Ks, IRAs, etc.) per person. Many small business owners and retailers have these types of retirement plans.
- The federal income tax deduction, which only four other states currently allow, would be eliminated for both corporations and individuals.
- The effective tax rate on businesses would be increased from 4.2% to 6%.

Even if the referendum passes, over 85% of Alabamians would pay LESS in income taxes next year when federal and state tax changes are combined.

PROPERTY TAXES

If the referendum passes:

- Alabama would still have one of the LOWEST PROPERTY TAX burdens in the nation.
- If the *Plan for Progress* is fully implemented, Alabama's per capita property taxes would be well BELOW THE SOUTHEASTERN AVERAGE and LOWER than every state that borders us.
- At full implementation, Alabamians would still pay less than HALF the national average in property taxes and less than 70% of the Southeastern average.

RESIDENTIAL PROPERTY

- The homestead exemption would increase to \$50,000, up from \$40,000.
- Alabamians 65 years of age and over would continue to be completely exempt from state property taxes on their home and would pay no increase.
- The tax rate on the state portion would be reduced from 6.5 mills to 3.5 mills.
- All property would be assessed at 100% of market value
- Increases would be phased in over a four-year period. The owner of an average home (\$85,000) would pay just \$2 per month more next year, and just \$8 more per month after four years.

FARM LAND AND TIMBER LAND

There are many large corporations that own hundreds of thousands of acres of farm and timber land. These corporations, many that are not even based in our state, pay

very little in property taxes – simply because the land is in Alabama. Other states charge these same corporations significantly more in property taxes to help pay for schools and other essential services.

The *Plan for Progress* would make our property taxes more fair. Included in the *Plan*:

- The first \$150,000 of improvements on any farm or the first 200 acres of a farm that the owner lives on would be completely exempt from state property taxes.
- 70% of family farms are less than 200 acres and would pay little or no increase in property taxes.
- Current use would be maintained on land up to 2000 acres—that covers 99% of Alabama landowners.
- Currently, landowners pay an average of approximately \$1.25 per acre in property taxes on farm land and timber land. Under this plan, property taxes on current use land would still be as low or lower in Alabama (\$2.50 per acre) than in any of our surrounding states (FL - \$18.00, GA - \$5.50, TN -\$5.00, MS - \$2.50).
- Maximum current use values would increase to \$650 for an acre of farm land and \$715 per acre for timber land. The maximum value per farm acre is currently \$532 and has not been changed since 1982. The maximum value per timber acre is currently \$585. The maximum value per farm acre in most surrounding states is over \$1,000.

COMMERCIAL PROPERTY

- There would be an increase in the business class assessment ratio from 20% to 22% on local taxes.
 - Commercial property taxes would remain below the Southeastern average.
- Utility property is currently assessed at 30% - a much higher rate than commercial property. Because it is already taxed at a higher rate, utility property taxes would remain at the current level, but would be equalized with other commercial property taxes over time.

TRANSACTIONAL TAXES

Sales Taxes

- Sales tax on cars would increase from 2% to 2.5%, still below the regional average.
- Lease tax rate on cars would increase from 1.5% to 3%, still below the regional average.

(Continued on page 5)

TAX REFORM:

- The state cigarette tax would increase from 16.5 cents to 31 cents per pack, still one of the lowest rates in the country. The tax on all other tobacco products would double.
- Local governments would be prohibited from raising tobacco taxes in the future.
- Repair and installation services for items of tangible personal property would be added to the sales tax base. This actually eases the administrative burden on businesses by simplifying record keeping. Several of our sister southeastern states already tax these services.

MORTGAGE AND DEED TAXES

- Would increase the mortgage recording fees from 1.5 mills to 3 mills.
- Would increase deed recording fees from 1 mill to 2 mills.

Both of these rates would remain below the regional average.

INDUSTRY SPECIFIC TAXES

Banks

- Just as individuals and businesses cannot reduce their income taxes through sales tax credits, banks would no longer have that benefit.
- Would eliminate the federal income tax deduction for banks, just like individuals and other businesses.
- Would set a tax rate of 6% that is comparable to the regional average.
- Would set a maximum Business Privilege Tax of \$15,000, like all other corporations.

Utility Taxes

- Would eliminate the utility license tax, which is only paid by some utilities in the state.
- Would raise the gross receipts tax (which is paid by all utilities) from 4% to 5.75% to compensate for eliminating the license tax.

Insurance

- The *Plan for Progress* would level the playing field for insurance companies, particularly in the property and casualty sector.
- Certain credits would be eliminated and reduced and would bring domestic property and casualty carriers to the regional average for premium taxes paid.

ACCOUNTABILITY REFORM:

(Continued from page 1)

insurance costs for state employees would exceed the size of the entire General Fund budget, which pays for most major non-education services in the state, including prisons, health care, public safety, senior services, and more.

Under the *Plan for Progress*, state employees and teachers would share in the cost of their rising health insurance premiums and increase their contributions to the Southeastern average.

In addition, state employees and teachers would not be eligible for full retirement benefits until they have twenty-five years of service. Under the current system, some employees begin drawing full benefits after just ten years of service.

WHAT HAS GOVERNOR RILEY DONE TO ADDRESS THE SPENDING PROBLEM?

Governor Riley has already implemented cuts that would save taxpayers over \$230 million over the next fiscal year by....

- Banning pass-through pork by executive agencies, \$39 million
- Freezing merit raises for state employees, \$30 million
- Revising budgets in state agencies and reducing state personnel costs by 5%, \$82 million
- Reducing the cost of state vehicles; recalling and selling almost 600 state motor pool vehicles, \$7 million
- Reforming the Medicaid drug program, \$30 million
- Cutting his own staff by 30%, his own salary by 5%, \$1 million
- Trimming costs through joint purchasing agreements, \$12 million

- Reducing travel benefits for state employees, \$6 million
- And millions more in other cuts.

This is only the beginning....Governor Riley would continue to cut wasteful spending in Montgomery. But, even with these cuts, we are still hundreds of millions of dollars short. Governor Riley cannot reduce spending enough to balance the budget by October 1 without severe and harmful cuts.

Alabama must either raise additional revenue or live with drastic cuts.

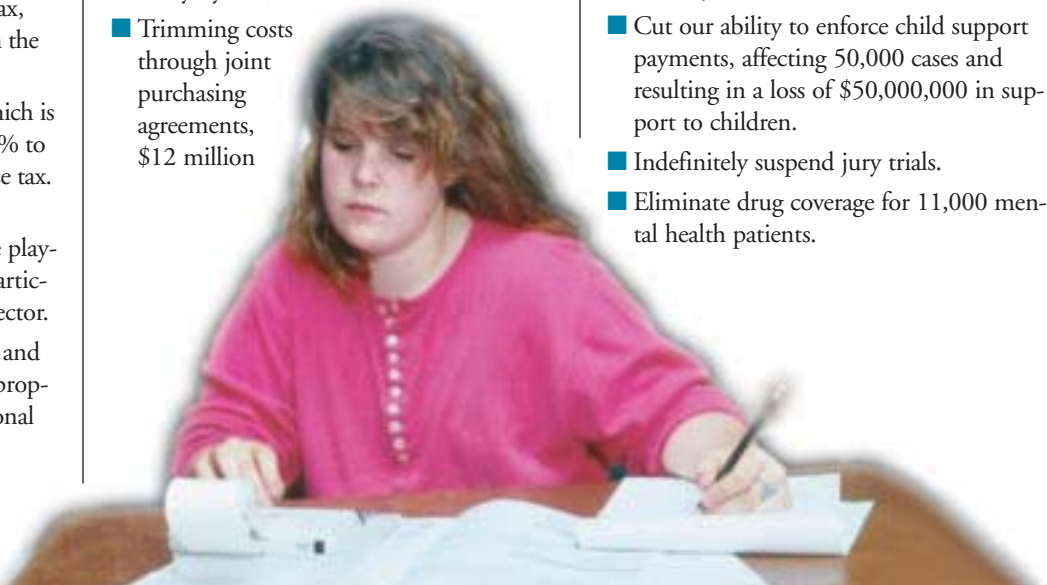
It's that simple.

WHAT DOES THIS MEAN FOR ALABAMA?

Unlike the federal government, the state CANNOT operate in deficit spending. We are required by our state constitution to have a balanced budget, and we are almost \$700 million short.

Unless we take action, critical state services must be cut by October 1. These cuts could:

- Eliminate nursing home eligibility for 6,900 seniors on Medicaid.
- Close 60 senior centers, eliminating 800,000 meals for the elderly.
- Allow 25 of our poorest school systems to go bankrupt, affecting 100,000 children.
- Make drastic cuts in the classroom.
- Threaten healthcare access for 450,000 citizens (1 in 10 Alabamians).
- Release over 5,000 prisoners into our neighborhoods.
- Cut our already depleted State Trooper force by 1/3.
- Cut our ability to enforce child support payments, affecting 50,000 cases and resulting in a loss of \$50,000,000 in support to children.
- Indefinitely suspend jury trials.
- Eliminate drug coverage for 11,000 mental health patients.



WHERE WOULD THE MONEY GO?

*Governor Riley
has said he would
veto any bill that
tries to put the new
revenue anywhere
else other than
meeting Alabama's
critical needs.*

\$675 million for current deficit including:

- Rising health care costs
- Previous administration's use of one time money for continuing obligations
- Court ordered spending in mental health, prisons and DHR (foster care program)
- Stabilize funding for Public Safety & Criminal Justice

\$344 million for direct investments in education including:

- Alabama Reading Initiative
- Math, Science & Technology Initiative
- College scholarship program
- Additional classroom supplies & textbooks
- Increased funding for local school systems

\$104 million for county and city governments including:

- County jails and law enforcement
- Local school systems
- Senior citizen programs & centers



THE FALSE CAMPAIGN...

What Plan Opponents are Saying to Mislead You.

WHAT OPPONENTS ARE SAYING:

“State property taxes will go up 300% or more.”

THE TRUTH IS: State taxes represent a very small percentage of your property tax bill. Property taxes will increase 6% to 7% per year during the first year. At full phase-in, beginning the fifth year, the overall property tax increase will be approximately 25-30% depending on where you live.

Homes: For example, property taxes on a \$100,000 home will increase by less than \$12 per month – and that won't be until the fifth year after the governor's plan passes. In addition, Governor Riley's plan increases Alabama's Homestead Exemption from \$40,000 to \$50,000, so many Alabama families will actually receive a property tax cut.

Farms: For the first time ever, family farmers will be able to take a farmstead exemption of 200 acres or \$150,000 in improvements. Seventy percent of Alabama's family farms are small enough to qualify for a full exemption under this plan, and many farmers will actually receive a property tax cut. Even if the plan passes in September, Alabama's property taxes will remain lower than the Southeastern average and half the national average.

WHAT OPPONENTS ARE SAYING:

“The plan places an unfair increase on working families.”

THE TRUTH IS: Working families are the greatest beneficiaries of the *Plan for Progress* because the first \$20,000 of income for a family of four will now be exempt from taxes, up from the current level of \$4,600. Child exemptions will increase from \$300 to more than \$2,000. Sixty-seven percent of wage earners in Alabama will pay the same or less in state income taxes, and when federal tax changes are taken into account, 85% of Alabamians will pay less in combined property and income taxes than they pay now.

WHAT OPPONENTS ARE SAYING:

“The plan eliminates ‘current use.’”

THE TRUTH IS: More than 98 percent of Alabama farms are smaller than 2,000 acres and will be protected under a current use cap. Large landowners owning more than 2,000 acres of farmland or timber will see their taxes increase, but only to an amount that is in line with Southeastern average.

WHAT OPPONENTS ARE SAYING:

“Utilities are getting property tax cuts, while homeowners and farmers are paying more.”

THE TRUTH IS: There is not one single case where any utility will pay lower property taxes than it does now. To the contrary, every utility will pay more in taxes, while many homeowners and family farmers will get a property tax cut.

OPPONENTS ARE SAYING:

“The plan raises more than double what we need to balance the budget, and many estimate it will raise up to \$2 billion.”

THE TRUTH IS: There is a documented shortfall of \$675 million in next year's budget in the Education Trust Fund and General Fund alone. The governor's plan will raise \$650 million for the state in the first year, which will still require increased efficiencies in the budget just to keep services at current levels. Revenues will increase incrementally each year to reach \$1.2 billion in the fifth year. No credible estimates have refuted these projections, which are supported by both the Legislative Fiscal Office and the Alabama Department of Revenue.

OPPONENTS ARE SAYING:

“The plan doesn't take into account the \$230 million the governor says he has saved since taking office.”

THE TRUTH IS: The \$675 million deficit does take into account the cost savings the governor has realized. The shortfall

would be significantly higher had the governor not already cut spending so dramatically. It's important to note, as a result of earmarking, only a portion of the savings will go to the Education Trust Fund and General Fund. Also, many of the savings, such as those realized by identifying and selling almost 600 state vehicles, are one-time cuts and will not be realized each year. Furthermore, some of the savings will not be realized the first year, but will phase in over a period of several years.

OPPONENTS ARE SAYING:

“The plan doesn't take into account the \$270 million the federal government is sending back to Alabama.”

THE TRUTH IS: The impact of the \$270 million coming back to Alabama from Washington is reduced by half because the federal government has allowed for faster depreciation rates for corporate income taxes. Also, this is one-time money, and, as Alabama has learned from past mistakes, it would be short-sighted to fund essential services with one-time money when long-term solutions are needed.

OPPONENTS ARE SAYING:

“There is not enough accountability built into the plan and only a token effort at earmarking.”

THE TRUTH IS: The *Plan for Progress* represents the strongest accountability measures undertaken in Alabama history. For the first time, there will be criminal sanctions for pass-through pork. The Tenure Commission will be eliminated and replaced with a process and that makes it easier to fire bad teachers and incompetent school employees. Tenure for school administrators will also be eliminated. In addition, we will contain rising health care costs and save millions of taxpayer dollars by requiring state employees and teachers to pay more for their health care coverage.

(Continued on page 8)

THE FALSE CAMPAIGN...

What Plan Opponents are Saying to Mislead You.

(Continued from page 7)

OPPONENTS ARE SAYING:

"The governor campaigned on prior-year budgeting. Why isn't that part of the plan?"

THE TRUTH IS: Governor Riley remains committed to prior-year budgeting; but it can not be implemented while new revenues are being phased in. Once these tax reforms take effect, the governor will be in a position to address this issue.

OPPONENTS ARE SAYING:

"Our tax dollars won't be protected from wasteful spending."

THE TRUTH IS: All tax dollars generated by the *Plan for Progress* will go into the new Alabama Excellence Initiative Fund (AEIF). By law, none of this money can be earmarked and funds must be re-appropriated each year to ensure the money is used where it is most needed and that its distribution is clear and identifiable. Most notably, Governor Riley has, through Executive Order, named a Citizens Oversight Task Force, made up of business leaders and financial experts from across the state, who will monitor the AEIF and report expenditures every month. As a result, the governor and lawmakers will be required to explain the use of your tax dollars on a regular basis.

OPPONENTS ARE SAYING:

"This plan will cost thousands of Alabama jobs and millions in disposable income."

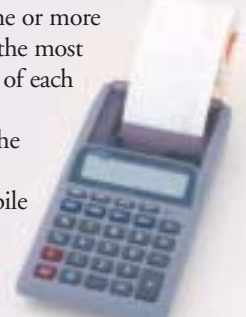
THE TRUTH IS: The *Plan for Progress* will create tens of thousands of jobs by strategically investing in human capital. There is a direct relationship between the quality of a state's education system and the strength of its economy. It is no surprise that Alabama lags behind the rest of the country in economic growth. The key to economic success is developing a highly skilled workforce to attract higher paying jobs and industries. Other states that have invested in education, even those with low per capita incomes at the time, such as North Carolina and Texas, have seen dramatic increases in personal income, industrial recruitment, and educational achievement. That's why business and economic development groups like ARA, the Business Council of Alabama, chambers of commerce across Alabama and many other groups who are committed to improving Alabama's economic competitiveness support this initiative. The *Plan for Progress* will lay the foundation for economic vitality and prosperity for generations to come.

TAX CHANGE CALCULATOR

Go to the News section of our web site, www.alabamaretail.org, and click on the tax change calculator icon to estimate how the *Plan for Progress* will effect you. This calculator is intended to give you a personal estimate of the impact of proposed state tax changes recently passed by the Legislature. They have assumed that all of the tax changes became fully effective in 2002, so that you can compare them with all your actual 2002 taxes. The tax change actually will be phased-in over a number of years, which means that you won't see the impact all at once as they have assumed.

You will need the following to make your estimate as accurate as possible:

- A copy of your 2002 Alabama Income Tax Form
- A copy of your 2002 Federal Income Tax Form
- If you are a homeowner, the October 2002 assessed value of your homestead
- If you own one or more automobiles, the most assessed value of each one (which is included on the receipt for your automobile registration)



ALABAMA RETAIL
ASSOCIATION

7265 Halcyon Summit Drive
Post Office Box 240669
Montgomery, Alabama 36124

PRESORTED STD
US POSTAGE
PAID
PERMIT #456
MONTGOMERY, AL