

Special Edition
The Mobile Landowner
The Newsletter of the Mobile County Landowners Association

After reading Quin Hillyer's column in the Thursday, May 29, 2003, edition of the *Mobile Register*, I felt compelled to issue a special edition of the newsletter. If you have not read Hillyer's column, then you should. (The following contains excerpts from Hillyer's column followed by comments from the MCLA editor.)

Hillyer: Meanwhile, Republican activists who don't support the governor are politically obtuse.

MCLA Editor: According to Webster's New Collegiate Dictionary, obtuse is defined as "lacking sharpness or quickness of sensibility." So, if you are Republican and don't support the tax increase, you are not too bright. Shouldn't Republicans think for themselves and make decisions based on merit and not support bad legislation just because of party affiliation?

Hillyer: How can a billion dollars in new revenue amount to "virtually no cost"? ... The second reason it's effectively "free money" is that for Alabamians rich and poor alike, the federal tax cut that President Bush signed yesterday will provide more savings than state tax reform would cost even the richest of us under the Riley proposal.

MCLA Editor: Would you call a \$1.2 billion tax increase tax reform? Quoting from the Sunday, May 25, 2003, *Mobile Register* article titled *President: Tax cut will provide boost*:

"By leaving American families with more to spend, more to save and more to invest, these reforms will help boost the nation's economy and create jobs," Bush said Saturday in his weekly radio address. "When people have extra take-home pay, there's greater demand for goods and services. And employers will need more workers to meet that demand."

If the President is correct, Riley's tax increase will not come at "no cost" as stated by Hillyer. It will cost the people of Alabama \$1.2 billion, the loss of jobs, and a loss of improvement in the economy. So what is a good Republican to do when a Republican president and a Republican governor tell you exactly the opposite? I believe that all Republicans, including the Governor and congressmen, should be supporting their President, not just because he is President but because he is correct. It is in the best interest of Alabama and the United States for the people of Alabama to keep more of their money.

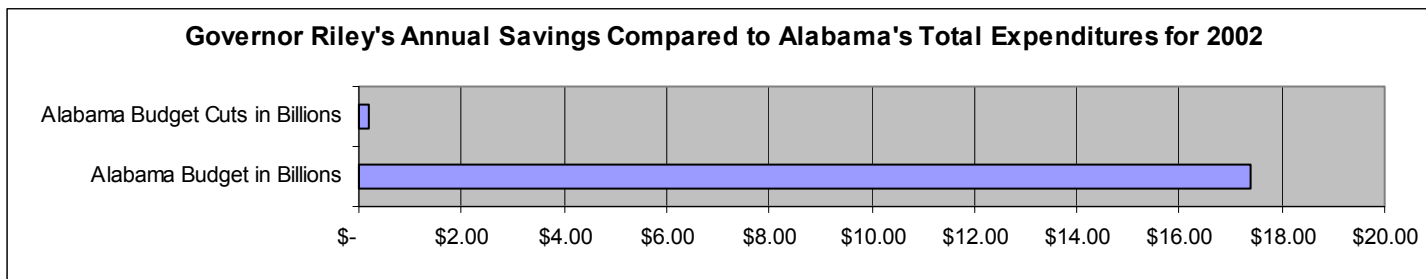
Quoting from the Monday, June 2, 2003, *Mobile Register* editorial titled *Get Serious about deficit*:

"NOW THAT President Bush has pushed a much-needed tax cut through Congress, it's time for lawmakers to get serious about trimming the federal government's annual deficit. ... It's clear that because almost all tax cuts spur at least some economic growth, almost no tax cut costs the government as much as advance estimates would indicate. Government spending, on the other hand, is measurable with exactitude. A dollar spent is a dollar spent, regardless of how fast the economy grows. That's why the only sure way to bring down the deficit is to put reins on spending. ... If federal spending since 1997 had grown no faster than inflation, the 2004 budget would be precisely \$400 billion lower — \$1.87 trillion, instead of \$2.27 trillion."

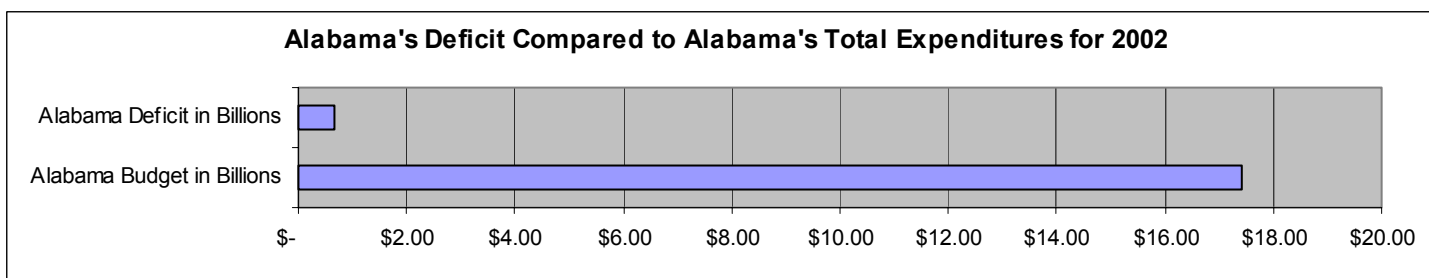
Just as I thought that I would never be in agreement with a *Mobile Register* editorial, I find myself in agreement with this one. Now, if state spending since 1997 had grown no faster than inflation, the 2003 budget would be precisely \$3.74 billion lower — \$13.64 billion, instead of \$17.38 billion. Now, \$3.74 billion is \$3,740 million which makes our \$675 million deficit look small. If state government had followed the recipe that the *Mobile Register* set forth for the federal government, instead of a deficit of \$675 million we would have a surplus of \$3.065 billion, that's \$3,065 million.

Hillyer: Another key is, under the Riley plan and Riley's stewardship, we'll be getting more for our money. Already the governor has achieved annual savings of between \$195 million and \$230 million. That's the kind of fiscal prudence, in just four months, that Republicans usually lust over.

MCLA Editor: If we take the average of \$195 million and \$230 million we have a savings of \$212.5 million. Now \$212.5 million is 1.2% of the state expenditures for 2002, which were \$17,377,636,000. This 1.2% savings is the equivalent of someone who makes \$24,000 a year saving 79 cents a day-- the price of a coke.



The total deficit faced by the state is \$675 million, which is 3.9% of the 2002 expenditures. To cover a 3.9% deficit, someone making \$24,000 a year would have to save \$2.56 a day--the price of a sandwich.



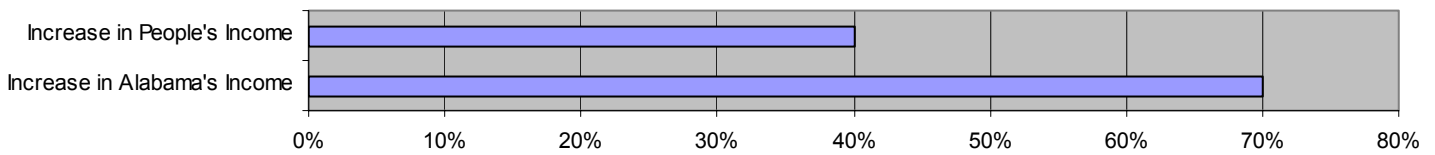
The governor's office says that all they can cut back is the equivalent of a coke per day. They tell us that it would be devastating for the state to have to cut back the equivalent of a sandwich per day. Also, the Governor's \$1.2 billion tax increase includes funding for two new, very expensive programs (pre-kindergarten and college scholarship programs) that will require continuous funding at an ever-increasing level. Is this the kind of fiscal prudence that Republicans are supposed to lust over?

Hillyer: In the year 2000, Alabama was dead last among states in per-capita state and local taxes. When the Riley plan becomes law, it will raise Alabama to 44th ... In short, even after the Riley plan, Alabamians will be better off, tax-wise, than residents of 47 or 48 of the 50 states.

MCLA Editor: Lets look at some statistics that relate to the tax proposal.

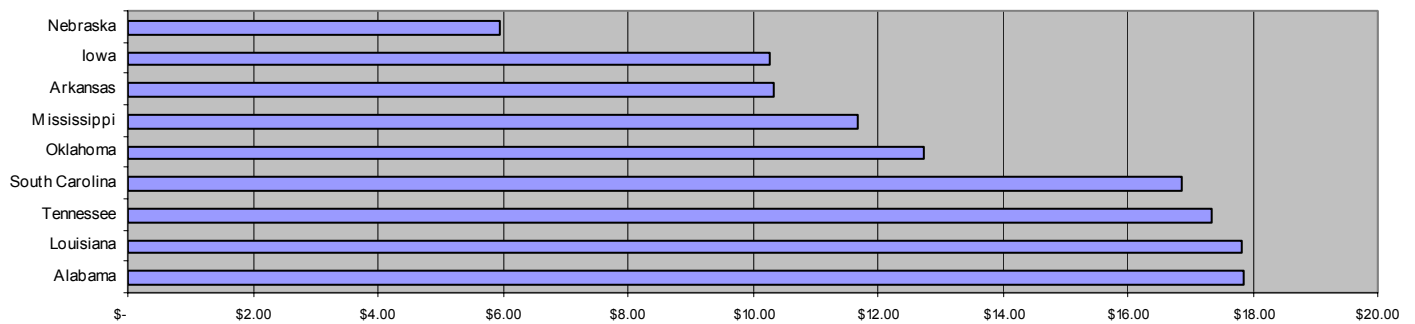
- In the year 2002, Alabama ranked 25th among states in percent of personal income paid in state taxes. If you add Governor Riley's \$1.2 billion tax increase to the 2002 tax total, then the people of Alabama will move up to 12th among states in percent of personal income paid in state taxes. The people in only 11 states will pay a higher percentage of their personal income in state taxes than the people of Alabama. Alabamians will pay a higher percentage of their personal income in state taxes than the people of New York, New Jersey, Massachusetts, and 35 other states.
- During the ten-year period from 1992 to 2001, total revenue for the state of Alabama increased from \$10.5 billion to \$17.9 billion--an increase of 70%. Alabama's per capita income during the same period increased from \$17,400 to \$24,477 an increase of 40%. Thus, state government had a 70% increase in income, while individuals had only a 40% increase in income.

The Increase in the People of Alabama's Income Compared to the Increase in the State of Alabama's Income for the Ten-year Period 1992-2001



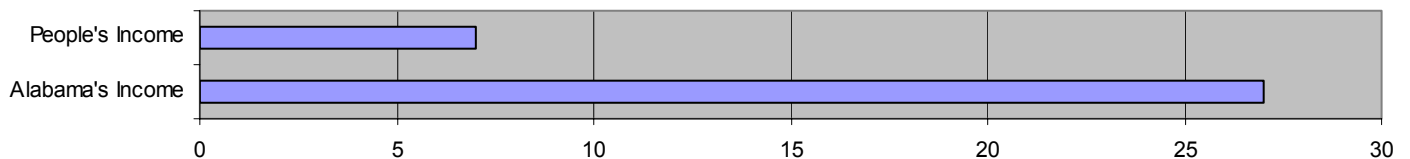
Alabama's \$17.9 billion in revenue ranked 23rd among the states in terms of total revenue. Alabama ranked above Louisiana, Tennessee, South Carolina, Oklahoma, Mississippi, Arkansas, and 21 other states. (For example, Arkansas, ranked at 31st, had total revenue of \$10.3 billion.)

Alabama's Total Revenue Compared to the Total Revenue of Some Other States for 2001 in Billions



Alabama ranked 28th in per capita revenue; however, in per capita personal income, the people of Alabama ranked 43rd, above only seven states. Thus, while the income of the people of Alabama ranked 43rd, the income of the state of Alabama ranked 23rd in total revenue and 28th in per capita revenue.

How the Income of the People of Alabama and the Income of the State of Alabama Ranked when Compared to Other States



- Alabama's general fund budget was \$6,060,498,091 in 1997 and \$9,034,628,854 in 2002 an increase of \$2.97 billion or 49%. During this same time period, inflation increased by 10.5%. Thus, the budget increased at approximately five times the rate of inflation. During the same time period per capita personal income increased by 20%. The Alabama state budget increased by approximately two and one-half times the rate of per capita personal income.

(The figures used above came from the U.S. Census Bureau, the U.S. Department of Commerce, the U.S. Department of Labor, the Executive Budget Office of the State of Alabama, and the Federation of Tax Administrators.)

Hillyer: Bob Riley is trying to do the same for Alabama.

MCLA Editor: In this statement, Hillyer is referring to what Governor and, later, President Reagan did for California. Let's look at California today. California collects the largest amount of tax revenue of any state in the nation. (New York is second with about half of what California collects.) Yet, California is on the brink of bankruptcy and there is a grassroots movement to recall the governor. If additional tax revenue were the solution, then California would be the ideal model. Instead, California is on the verge of bankruptcy. Governor Riley compares himself to Governor Reagan when Reagan was governor of California. Yet, obviously Reagan was not able to solve California's problems over the long term. At best, Governor Riley can give us three to seven good years of state government just as Reagan gave California. However, Riley's tax increase will be a burden that our children will continue to bear.

Hillyer: What a shame it would be if some of his fellow Republicans, too myopic to see beyond their own selfish noses, are the ones who cause him to fail.

MCLA Editor: Hillyer says that if you oppose this huge tax increase that you are short-sighted and selfish.

- Is it short-sighted or selfish to look at what happened to California, a state that many seem to want to pattern Alabama after, and say this is not the path that Alabama needs to follow?
- Is it short-sighted or selfish to want to hold our government accountable so that Alabama will not end up like California?
- Is it short-sighted or selfish to ask why a state whose revenue increased by 70%, approximately three times the rate of inflation and almost twice the rate of personal income in a ten-year period, is asking its citizens to bail it out of financial difficulty?
- Is it short-sighted or selfish to say no to the easy fix of a quick tax increase and demand that state government manage on a 70% increase in income while its citizens are managing on a 40% increase in income?
- Is it short-sighted or selfish to believe that a nearly 20% increase in taxes which will result in approximately a 7% increase in total revenue will only be a short term fix when a 70% increase in total revenue failed to solve the state's problems?
- Is it short-sighted or selfish to say that we do not want our children to have to bear the burden of a \$1.2 billion tax increase that places them 12th among states in percent of personal income paid in state taxes?
- Is it short-sighted or selfish to believe that our tax system should be fair and not single out one group for excessive taxation?
- Is it short-sighted or selfish to believe that the best way for government to increase its revenue is for the people's income to increase and not for the government to place a hardship on its people by taking an ever increasing percentage of their income?
- Is it short-sighted or selfish to support the President in his efforts to improve the economy?
- Is it short-sighted or selfish to believe that the government works for the people and not the people for the government?
- Is it short-sighted or selfish to raise questions when you are told that 1.2% is all that can be cut from a \$17.4 billion budget, that it is now time to raise taxes on the people of Alabama, and that later the governor will cut the budget and demand accountability?
- Is it short-sighted or selfish to question that a \$1.2 billion tax increase will come at "virtually no cost"?
- Is it short-sighted or selfish to question the wisdom of starting two new, very expensive programs (pre-kindergarten and college scholarship programs) that will require continuous funding at an ever-increasing level?

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