



Tennessee Voter

League of Women Voters of Tennessee, P.O. Box 158369, Nashville TN 37215-8369
<http://www.lwv-tn.org>

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President's Report

Each year there is a sense of excitement and anticipation in the air when the Legislature assembles—at least among those of us who monitor its work and workings. Sometimes these emotions arise with the excitement of new faces, possible new policies, special needs being met, and the like. Other times, and I would suggest this year is one-- there is almost a feeling of dread.

Many jobs and programs have been or reduced—and more will follow, according to Governor Bredesen. Instead of working to expand preschool programs or trying new approaches to providing better health care, we will struggle to maintain what we have. In many areas of state concern this will be the pattern.

We hope the information in the articles in this issue will help you in your efforts to persuade legislators to provide better services that are financed sustainably. The Action team can use your help. Contact your local president for more information. We need a cadre of people from across the state that will spring into action. Members at large should contact the state office for information. This session will be very difficult for everyone in the state and we need to have our voices heard. ~Nancy Stewart, Co-President

Tennessee's Financial Bind

As the Legislature convenes this year, Tennessee is in dire financial straits. Revenues are not adequate. Tennessee, like most states, must operate with a balanced budget. When revenue is lower than needed or projected for the state's needs, there is a crisis. Although services have been cut in recent years, Governor Bredesen has proposed even more cuts in the budget for the upcoming year. The population continues to grow

and many people are suffering from poor economic conditions.

Tennesseans for Fair Taxation (TFT) has offered alternatives to the budget proposed by Governor Bredesen. Legislators of both parties are sponsoring the various TFT bills that would change the system of taxation in Tennessee. Brief descriptions of the bills follow.

- Internet Parity Bill SB1741/HB1947
 - Would add a sales tax to goods sold over the internet by vendors who use local affiliates.
- Food and Business Tax Fairness Act SB0502/HB1350
 - Would tax business income of interstate businesses that now shift some income out of state before Tennessee taxes are computed.
- Tax modernization (Three modernization bills have been filed. There are similarities among the three bills, but the most comprehensive bill (SB2054/HB2182) would generate the most revenue (\$1.1 billion) for the state.
 - Eliminate state & local food tax
 - Reduce sales tax to 6.75%
 - Eliminate Hall income tax & hold harmless local revenue
 - Create graduated income tax 3.5 – 7.75%, with generous exemptions (couple: \$35,000)
- Tax modernization (Two versions known as Tax Cut and Job Creation) SB 3235/HB3597 and SB3236/HB3596 would generate \$200 billion.

- Eliminate state food tax
- Cut state part of sales tax to 5%
- Eliminate real property tax from business taxes and cut the remainder to 0.125%
- Eliminate Hall income tax & hold harmless local revenue
- Tax income at a flat rate of 5.5% or use two rates (3% on first \$30,000 after exemption, 6% on higher amounts)

These changes in the tax system would provide tax savings for 65 to 75% of Tennesseans.

The League of Women Voters of Tennessee has long-standing positions in support of a tax system that more adequately and fairly finances the state government. LWVTN has been a member of the TFT coalition from its organization in the mid-eighties.

The legislative process usually changes the content of bills as they wend their way through the subcommittees and committees. For more detailed and up to date information, contact TFT at www.fairtaxation.org or YouTube at www.youtube.com/taxfairness.

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A Call to Action: Save the Mountains

Many bills are under consideration in the House and Senate that would improve environmental conditions in Tennessee. Of particular interest is the legislation to end mountaintop removal (MTR) or cross ridge mining, SB 1406/HB 899.

Health and environmental damage from the practice of mountaintop removal is well documented. The current issue of *Science* contains an article by twelve scientists dealing with the implications for people and the environment. They describe the results of the mining to be irreversibly damaging. Numerous groups are at work during this session lobbying the legislature and the governor to enact bans on MTR before any more mountains are permanently destroyed.

Please express your support of SB1406 and HB 899 to your senator and legislator as well as to the Governor Bredesen and to Lt. Governor Ron Ramsey.

Call to Council '10

Your Tennessee League holds a Council meeting in even numbered years to adopt its budget for the following year. That is the official business of the meeting, but informational and training sessions are provided for attendees. Each Local League should plan to send their representatives and any others interested in attending. The program is not finalized, although the date is May 1 – 2 and the place is Nashville.

A highlight of the weekend will be a gubernatorial debate on Sunday morning that the LWVTN is cosponsoring with the PTAs of Tennessee. Members will get to ask questions and see the candidates respond. Please watch for information about registration and mark your calendars now.

Cutting Spending to the Bone: Some Alternatives

We know that that Tennessee is in the midst of an unprecedented budget crisis. The current state budget (FY 2010) represents a 10% cut from the prior year. On top of this, for the coming year (FY 2011), the Governor proposes substantial cuts in TennCare and cuts to other programs averaging about 6%, described in the accompanying article. At the end of the current fiscal year, the TennCare reserves and Rainy Day fund will be an estimated \$850 million. The Governor proposes to use \$202 million in reserves to support designated programs on a non-recurring basis.

In this challenging context, the League will work during the 2010 legislative session to maintain as much capacity as possible to meet the basic human needs of vulnerable populations, including children and persons with mental and physical health needs.

Recurrent Budget Crises In solving the budget crisis, raising the sales tax is not an option. Sales taxes were raised in 1971, 1976, 1984, 1992, and 2002 but because of a shrinking tax base (due to exemptions, internet and catalogue sales, and shopping across state borders) revenues have fallen far short of what is needed to provide essential services and have declined as a percent of personal income as well.

Tennessee is too dependent upon sales and other consumption taxes, which make up more than 70%

of state revenue. Lower-income taxpayers pay a greater share of state taxes because a larger portion of their income must be spent on the necessities of life (food, clothing, fuel, transportation) that are taxable. Meanwhile, higher-income taxpayers have more disposable income to spend on luxury services (maids, limousines, marinas, pool cleaning, pet-grooming, etc)—none of which are subject to Tennessee sales taxes.

Of the 50 states, Tennessee is the fourth most biased in favor of higher income people. Tennesseans earning less than \$17,000 per year pay 11.7% of their income in state and local taxes while the middle income group earning between \$29,000 and \$47,000 pay 9.3%. Meanwhile the top-earning 1% with annual incomes of \$414,000 or more pay only 3.3%. (*Who Pays? A Distributional Analysis of the Tax System in All 50 States*. Institute on Taxation & Economic Policy, 2009. www.itepnet.org.)

Alternatives to Cutting Spending to the Bone.

There are options to raise much-needed revenue and to modernize Tennessee's antiquated tax structure to ensure that we don't face this recurring crisis. The League, a founding member of Tennesseans for Fair Taxation, supported several bills last year that would close existing tax loopholes:

- **Food and Business Tax Fairness Act** SB0502, HB1350 would close corporate tax loopholes and reduce sales tax on food. Closing the loopholes will prevent multi-state corporations from shifting their income to states with low or no business taxes, will put our local businesses on an equal footing with their national chain competitors, and will raise an estimated \$120-250 million.
- **Internet Parity Act** SB1741, HB1947 will level the playing field by requiring sites like Amazon to collect Tennessee sales tax if they pay in-state affiliates to solicit business and will raise \$32 million.

Tax Cut and Job Creation Act SB3236/HB3596.

The most significant way to correct the tax system is to reduce consumption taxes and add a broad-based income tax to our state's tax toolbox with a measure like the Tax Cut and Job Creation Act. This proposal would **eliminate** the state part (5.5%) of the food tax, **cut** 2% from the sales tax on other items, and **reduce** the business franchise tax by

more than one-half. The revenue would be replaced by a two-tier tax on personal income with generous exemptions of \$20,000 for individuals, \$30,000 for heads of households, \$40,000 for couples and \$2,500 deductions for dependents. The tax rate will be 3% on the first \$30,000 of taxable income and 6% thereafter. The bill also reduces the revenue shortfall by \$200 million to \$400 million. The League has a long-standing position supporting reduction in sales tax and enactment of a broad based tax on personal income.

Almost 70% of Tennessee Households Will Pay Less under The Tax cut and Job Creation Act, an individual earning \$40,000 would pay about the same; a couple earning \$50,000 would save about \$150 and a family of four earning \$60,000 would save about \$300 per year under the proposed plan. On average, a taxpayer earning \$60,000 will break even. Those who earn more will pay a relatively little more tax than at present; those earning less, will pay less. The median income in Tennessee is \$43,610. (For additional information about the tax proposals, see www.fairtaxation.org.)

Balancing the Budget on the Backs of Vulnerable Tennesseans

LVTN Goal for the 2010 Legislative Session: Maintain as much capacity as possible to meet the basic human needs of vulnerable populations, including children and persons with mental and physical health needs.

The Governor's proposed FY 2001 budget cuts would have a disproportionately negative effect on disadvantaged populations, including persons eligible for TennCare, children and adults with mental and behavioral health disorders, and people with disabilities. Although some important programs have been maintained (such as the Pre-K program and the Basic Education Program), and others (such as the Behavioral Health Safety Net, Community Health Centers, and DCS juvenile justice community grants) would be spared as a result of proposed withdrawals from state reserve funds and Federal stimulus money, budget numbers do not capture the magnitude of funding problems for TennCare.

Proposed TennCare service cuts would be especially damaging for public hospitals and

smaller private hospitals in both rural and urban areas, and these cuts would exacerbate chronic underfunding of behavioral health services. Moreover, a number of other programs that support children, families, and adults with mental illness will be in dire shape if additional revenues are not identified to reduce some of these cuts. Following is a summary of proposed cuts and restorations affecting some of the most important programs that serve vulnerable populations. It is important to note that funding from state reserves and the Federal Recovery Act to supplement budget appropriations would be nonrecurring (one-time-only).

FY 2011 budget cuts affecting vulnerable populations— net reductions (proposed):

- **TennCare services:** \$174 million (7.5%) cut in \$2.3 billion program [budget vol.2 p.10]. Cuts in State TennCare funding would mean foregoing three times that amount in Federal matching funds.
Service limits for non-pregnant adults:
 - Hospital inpatient cap @ \$10,000 – \$149.7 million [THA]*
 - Outpatient service limit @ 8 procedures per year - \$28.5 million [THA]*
 - Lab & X-ray procedure limit @ 8 per year – \$20.6 million [budget Vol.2, p.52]*
 - Physician visit limit @ 8 visits per year – \$13.1 million [budget Vol.2, p.53]*Discontinue Medically Needy (Medicaid Spend Down) Program – \$8unfunded since 2005; .8 million required to open the program [TCSW]
Eliminate Hospice services for TennCare enrollees [TMAC, amt. unspecified]
- **TennCare provider reimbursement:**
 - Reimbursement ceiling for hospitals @100% Medicare equivalent - \$52.1 million [THA]
 - Reduction in provider reimbursement (7%) - \$12.8 million [THA]
 - End grant to Meharry Medical College - \$5 million [budget vol.2 p. 52]
- **Mental Health & Developmental Disabilities (DMHDD):**
 - Community-Based Recovery/Supports in Mental Health and Substance Abuse: [TCSW]
 - Peer Support Centers (46 centers statewide) - \$3.7 million*

*Peer Power–Youth Violence
Prevention/Anger Management - \$100,000
Housing for Mentally Ill Homeless People -
\$400,900*

Disability services [TCSW]:

*Wrap Around Services for Intellectual
Disabilities waiver participants - \$7.3
million*

- **Children’s Services (DCS):** Children’s Community Services [TCSW]
Relative caregiver program - \$2.8 million
Custody services contracts - \$ 1 million
Close New Visions female youth development institution (only one in the state) – \$2 million

Nonrecurring restoration of funding from TN reserve funds FY 2011 (proposed):

- **Health:**
Federally Qualified Health Centers: \$4.6 million [vol.2 budget p.177]
- **Mental Health & Developmental Disabilities:** program services & grants including Criminal Justice Mental Health Liaison Project, Behavioral Health Safety Net services, Community Mental Health services, and Community Alcohol & Drug Abuse services: \$5.3 million [vol.2 budget, pp.177, 184-185; *Tennessean* 2/14/10]
- **CoverKids:** \$1.5 to \$2 million (program to re-open 3/1/2010) [*Tennessean*, 2/12/2010]
- **Community Services for Children At-Risk of Custody:** [TCSW]
Juvenile Justice Court Prevention grants: \$5.3 million
Residential & foster care, adoption, child & family mgmt contracts: \$3.7 million
Family Support Services–intensive supervision for at-risk youth: \$1.3 million

Nonrecurring restoration of funding from Federal Recovery Act FY 2011

- **Mental Health & Developmental Disabilities:** Nonrecurring Federal stimulus money reduced expected budget cut of \$37 to \$15 million [*Tennessean* 2/8/10].
- **Education:**
Coordinated School Health Program (less \$142,400 for 2 filled positions): \$15.3 million [budget vol.2 p. 164];

Family Resource Centers (104): \$3.5 million [TCSW]

Sources:

1. State of Tennessee: The Budget, Fiscal Year 2010-2011. Vol. 1& 2: Base Budget Reductions
<http://tennessee.gov/finance/bud/bud1011/11Publications.html>
2. Tennessee Hospital Association (THA) 2010 Legislative Priorities [attached]
3. Tennessee Conference on Social Welfare (TCSW) priorities for non-recurring funding 20099-2010; 2010-2011 Budget Proposals for priority items [attached]
4. “Mental Health Dept. will lose \$9.4 million” - *Tennessean*, Feb 8, 2010, 1A, 8A
5. “Cover Kids Reopens to New Enrollees” – *Tennessean*, Feb 12, 2010, 1A, 15A
6. “State safety net will be preserved” – *Tennessean*, Feb 15, 2010, 20A
7. Notes from TennCare Medical Advisory Group (TMAC), 1/20/10

ACTIONS:

- **Write to your State Senator and Representative.** (Contact information is available at: www.legislature.state.tn.us/.)
- **Write to members of the House and Senate Finance Committees** whom you know or who are from your region (www.capitol.tn.gov/house/committees/finance.html; www.capitol.tn.gov/senate/committees/finance.html).

General message (feel free to paraphrase):

Over the past two decades, Tennessee has established public-private and state-local partnerships to implement essential "infrastructure" services for children, families and vulnerable Tennesseans — basic public supports developed in our child welfare, education, health, human services, juvenile justice, mental health and disability services systems. These services and supports are interrelated, so weakening public structure resources in one system erodes the strength of the foundation in all systems.

Proposed budget reductions would seriously erode the foundation of these partnerships and reduce the opportunity for Tennessee children to receive the services and supports necessary for success in school and in life and reduce the ability of vulnerable people to remain in their homes and contribute to the well-being of their communities.

Individualize your message by mentioning specific programs or budget areas that are of particular concern to you. Written messages in your own words are the most effective.

Watch for more action alerts on this issue.

Health Care—Personal Impact, Public Policy Challenges

Based on a two-year study, the LWVUS announced final positions on health care in 1993. Over the past seventeen years, some say that no other social issue has so dramatically waxed and waned as a social public policy challenge. Regardless of the outcomes and results of past and current efforts, none can doubt the impact of health care on the lives of all U.S. citizens as well as the economy both nationally and in Tennessee.

Following is a brief look at the current climate and situation as it relates to three separate issues: federal health care reform efforts, mental health insurance parity and health care budget challenges for Tennessee.

Note: By press time, it is possible that the status of federal health care reform may have changed yet again; the following is based on information available as of February 15, 2010.

The Current Status of Federal Health Care Reform

As he took office a year ago, U.S. President Obama made health care reform one of his top domestic issues. A quick glance at recent progress and setbacks towards this end reminds League members of the realities of how difficult it can be to create public policy, particularly when the target of the policy represent approximately 16 percent of our U.S. economy.

- The U.S. House passed HR 3962 on November 7, by a vote of 220-215
- The U.S. Senate passed HR 3590 on December 24, by a vote 60-39

- National health spending will exceed \$2.5 trillion (17.3% of GDP) in 2010, projected to climb to \$4.5 trillion in 2019
- Public share of total health spending will exceed 50% in 2012
- Uninsured projected to reach 50 million by next year
- The Massachusetts Senate election had a major impact; as a result, many policy makers are questioning their decisions and aggressiveness at this issue.

Washington insiders suggest that major health care reform is unlikely, especially as the mid-term election season approaches. However, there are some likely scenarios that may emerge and result in incremental reform.

- The U.S. House could pass the Senate bill with a separate budget “reconciliation” package of improvements
- The House and Senate could separate a “reconciliation” package limited to coverage expansion only
- The House and Senate could break up the package into separate consensus reforms to include some elements such as:
 - Medicare SGR physician payment fix,
 - Repeal of health insurance antitrust exemption,
 - Insurance market reforms (pre-existing condition exclusions, guaranteed issue, etc.),
 - Health insurance exchanges,
 - Medicare Part D coverage gap and other Part D reforms.

League members and others will watch in the coming weeks and months as this continues to evolve. The questions will include “Can small separate reform proposals pass the Senate?” and “Would smaller reform efforts work to bring down cost and expand coverage?”

Mental Health Insurance Parity

There have in fact been some significant health care reforms over the recent years, including a victory for a decades-old advocacy effort for parity in insurance for mental health care. Public Law 110-343 was signed into law by U.S. President Bush on October 3, 2008, what some suggest was a stealth effort by Pete Domenici (R-NM) and Ted Kennedy (D-Mass.) as it was

attached to the financial market rescue and tax extenders legislation, commonly known as the “bail out bill”. This law will become effective incrementally as group health plans are renewed or created starting after October 3, 2009.

The new law:

- expands the 1996 federal parity law and requires equity in coverage with respect to:
 - Durational treatment limits (caps on inpatient days and outpatient visits)
 - Financial limitations (higher cost sharing, deductibles, out-of-pocket limits)
- impacts
 - group health plans and health insurers that provide coverage to group health plans (that is employers with over 50 employees)
 - Medicaid Managed Care Plans
 - State Children’s Health Insurance Program (Tennessee’s CoverKids)
 - Non-Federal Governmental Plans
 - Federal Employees Health Benefits Plans

Full parity will now reach more than 85 million covered lives in ERISA self-insured plans sponsored by firms with more than 50 employees (vs. less than 35 million in fully insured state regulated group health plans sponsored by firms with more than 50 employees who were previously impacted by state parity laws.) Tennesseans will need to watch carefully as their health insurance plans are renewed and monitor to ensure that the law is, in fact, implemented as it is intended.

Tennessee’s Budget Crisis and the Impact on Health Care

Children, Tennesseans who rely on TennCare for their health care and people with mental illness have suffered greatly over the past year as a result of Tennessee’s budget crisis. Although Governor Bredesen recently reported that he will reopen enrollment for children of the “working poor” through the state’s CoverKids program, this comes after closing enrollment several months ago, a move no other state in the country has made.

As the budget is likely to be the number one policy issue in the General Assembly this year, it is predicted that no other social service will be impacted as much as mental health. It is estimated that one-third of Tennessee’s over 373,000

citizens with a mental illness, and over 92,000 children, rely on the state’s mental health care system for life saving care. And the governor’s proposed budget would result in devastating a system weakened by years of cuts and deterioration.

The LWVUS’s position on health care includes provisions for the prevention of disease, health promotion and education, primary care, acute care, long-term care and mental health care. The combined impact of the halt of federal reform efforts and the dangerous budget cut proposals here at home portend for a crisis of huge personal and economic impact in the short and long run in Tennessee. No community will be left unaffected if the budget cuts to mental health are not addressed. The LWV Tennessee Action Committee will be engaging with others on this and other priorities this year. League members are encouraged to watch for information and prepare to take action in their local districts and communities.

~ Katrina Gay
LWVTN Board Member, Health Care

LWV-TN Officers and Directors for 2009 – 2010

Co-Presidents

Margie Parsley mparsley99@comcast.net
6200 Vosswood, Nashville 37205 615/352-7551

Nancy Stewart nancys@knology.net
6611 Ridge Rock Lane, Knoxville 37909 865/584-3834

Vice President

Kathy Edwards kedwards@cbior.com
12 Asbury Lane, Oak Ridge 37830 865/482-6299

Secretary

Laurel Karp zlgk1@hotmail.com
3401 Sugartree Court
Johnson City 37604 423/282-4311

Treasurer

Judy Poulson jpoulson319@comcast.com
10038 Dayflower Way, Knoxville 37932 865/694-9117

Directors

Alan Karp alan@lww-tn.org
3401 Sugartree Court
Johnson City 423/282-4311

Faith Tapp gtapp99@comcast.net
3558 Pebblebrook Way, Knoxville 865/859-9236

Barbara Devaney bdevaney@comcast.net
2813 Tyne Blvd., Nashville 615/665-9057

Katrina Gay kgay@name.org
1420 Drakes Creek, Hendersonville 37075

