



**March 24, 2009**

## **An Update on the Tax and Budget System**

The clock is ticking in both state and federal legislative bodies on many bills that would affect children and families in Arkansas—and our legislators need to hear from you. Arkansas Advocates for Children and Families' tax and budget team has highlighted a few of these important bills below. Please contact us if you have any questions or want to know more about how you can effectively advocate for fairer tax and budget policies that affect us all.

## **State Tax and Budget Update**

It's hard to believe that 2,408 bills have been filed in the [Arkansas General Assembly](#) this legislative session (see [here](#) for the status of all bills that AACF is tracking, as of March 20). So far, advocates for children and families have helped achieve two major tax and budget victories:

- [Act 436](#) reduces the state sales and use tax rate on groceries by one cent and helps lessen the regressive nature of Arkansas' tax system, in which low-income families pay a greater percentage of their income on taxes for the basics, like food. The tax cut is expected to cost the state \$40.5 million in tax revenue in fiscal year 2010 and \$45.9 million in FY 2011.
- [Act 180](#) increased tobacco tax by 56 cents in order to help discourage teens from smoking and fund a host of health programs that stand to benefit children and families, including expanded ARKids First, substance abuse services for youth and pregnant women, coordinated school health, a trauma system, and community health centers. The tax is expected to generate nearly \$86 million a year in additional state revenue. When combined with matching funds from the federal government, that will mean \$175 million a year to be spread among more than 20 healthcare programs in Arkansas.

The pressure is mounting in the state Capitol to move hundreds of other bills through the legislative process before the session is expected to conclude in early April. AACF's tax and budget team is keeping a close eye on several bills that could have a significant impact on the lives of children and families in Arkansas if enacted:

- The long-awaited lottery bill, [HB1002](#), was passed unanimously in both the House and Senate and is now on its way to the Governor. As you may remember, AACF lobbied against the ballot initiative that allowed the creation of a state-sponsored lottery, due to its negative impact on low-income families. Last year, AACF estimated that the lottery would produce far less revenue for college scholarships than the bill's proponents contended (see AACF's [policy brief](#)). Regardless of how much money the lottery generates, AACF will continue to monitor its implementation to make sure that it minimizes any negative impact on low-income families and fulfills its promise of alleviating poverty in the state by dramatically increasing the number of Arkansans with college degrees.
- [SB470](#), sponsored by Sen. Joyce Elliot, would create a legislative taskforce on reducing poverty and promoting economic opportunity. The bill has passed the Senate and is now awaiting a vote in the House Committee on Aging, Children and Youth, Legislative and Military Affairs. If the bill is enacted, AACF hopes to play a major role in shaping the task force's work and its recommendations to the state legislature next year.
- [HB1624](#), sponsored by Rep. David Dunn, and its companion bill, [SB875](#), sponsored by Senator Horn, would help the state's manufacturers weather the economic crisis by reducing the sales and use tax on energy (though it would not directly provide relief to families). HB 1624 has passed the House and the Senate Committee on Revenue and Taxation and now awaits a vote in the Senate. Conversely, SB875 has passed the Senate and now awaits a hearing in the House Committee on Revenue and Taxation. Of the more than \$1.2 billion in tax cuts that have been proposed this session, these are two of the few bills that are expected to pass. The legislation would cost the state \$3.8 million in tax revenue annually if enacted.
- [HB1378](#), sponsored by Rep. Allen Maxwell, would provide additional income tax relief to head of household taxpayers with two or more children. This bill fixes a technical error from low-income tax relief during the 2007 session. HB1378 is still awaiting a vote in the House Committee on Revenue and Taxation. AACF hopes that the legislature will enact this critical tax relief for low-income families. It would cost the state \$3.6 million in tax revenue annually.
- Rep. Jim Nickels' bill, [HB1464](#), would increase the state minimum wage to match the federal minimum wage and help move low-income workers toward economic self-sufficiency. It passed the House by [67 votes](#), and the Senate Committee on Public Health, Welfare and Labor is scheduled to consider the bill on Wednesday, March 25.
- The legislature will also finalize the state's **Revenue Stabilization Act** in the coming weeks. [HB1736](#), filed by Joint Budget Committee chair Bruce Maloch, is the omnibus budget bill which distributes funding to state agencies and requires Arkansas to have a balanced budget every year.

Click here to [find your legislators](#) and let them know your thoughts on these important pieces of legislation.

Also, remember to visit AACF's [website](#) to access past legislative summaries and other resources. After the session concludes, AACF will issue a full legislative summary of all enacted legislation that will impact children and families in Arkansas.

## Federal Tax and Budget Update

### The Budget Resolution

The U.S. House and Senate Budget Committees plan to mark up their respective versions of a budget resolution this week. The budget resolution establishes various budget totals, divides spending totals into functional categories, and may include special procedural limitations called reconciliation instructions to designated House and Senate committees—making now an important time for child advocates to weigh in on the budget debate.

If the budget committees complete mark-ups this week, House and Senate floor consideration would occur next week (March 30). While drafting the budget resolution, our Congressional delegation will have to consider several of the President's key initiatives and policy goals including: (1) increasing investments in programs that support low-income children and their families, (2) extending 2001 and 2003 middle-class tax cuts, and (3) extending several low-income tax credits like the child tax credit and the earned income tax credit. AACF will continue to follow these issues and keep you informed of their impact on the lives of low-income children and their families in Arkansas.

*If you would like more information on the topics discussed above, please contact **Ginny Blankenship**, our research and fiscal policy director, at [gblankenship@aradvocates.org](mailto:gblankenship@aradvocates.org); **Pat Bodenhamer**, our state tax and budget outreach director, at [pbodenhamer@aradvocates.org](mailto:pbodenhamer@aradvocates.org); or **Candice Smith**, our federal tax and budget policy director, at [csmith@aradvocates.org](mailto:csmith@aradvocates.org).*

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