

PLAN 2010

Our Vision for Alabama

Our Priority:

EXPAND ECONOMIC GROWTH

Because Alabama has experienced unprecedented economic growth during our administration, it is easy to forget the economic difficulties we faced just four years ago. When I came into office, Alabama was in its worst economic shape since the Great Depression. The state had a \$675 million budget deficit, and our economy was bleeding jobs. As one of our first acts in office, we found one of the best economic developers in the country who began to focus the world's attention on our greatest strength—Alabama's internationally renowned work ethic. He also placed a new emphasis on helping existing industry in Alabama grow.

Today, our economy is receiving national acclaim for its transformation. **Alabama has been ranked number one in job creation and has won the “State of the Year” award four years in a row by a leading industry publication. We have a historically low unemployment rate, and our economy has created more than 100,000 jobs in the state. In the job market, we have truly turned a net loss into a net gain. In fact, every single county in the state has seen a drop in unemployment due to these jobs. Our administration's new policies have helped Alabama's economy become one of the best in the nation.**

On the economic front, we have accomplished so much, but we will not rest on our successes. Now, it is time for us to let the world know that **if you want to be successful, you better come to Alabama.**

Our Goal:

By 2010, we will cut taxes for Alabama families and create an additional 100,000 new jobs.

Our Plan:

- **Expand tax cuts for middle class families**
- **Give seniors a tax cut on retirement income**
- **Push legislation to abolish annual property reappraisals**
- **Launch a Small Business Initiative to support and increase the number of Alabama entrepreneurs**
- **Establish a state Work Opportunity Tax Credit**
- **Provide employers and individuals with incentives to go back to school for “high growth, high demand, and high paying” skills**
- **Establish a professional Independent Transportation Commission that will govern the Alabama Department of Transportation**
- **Address the needs of rural Alabama by increasing access to healthcare, education, and job opportunities and by protecting the Right to Farm**
- **Invest in research and development by providing incentives to new and existing industries that bring new, stable jobs to Alabama**
- **Establish economic development offices in China and India so Alabamians can take advantage of the export opportunities in these high-growth regions**

EXPAND ECONOMIC GROWTH

EXPANDING TAX CUTS

Tax Cuts for Middle Class

For decades, Alabamians labored under the nation's most unfair and immoral tax system. Worst of all, this unjust system fell most cruelly on the poor. One of our accomplishments that makes me the most proud is the tax cuts we were able to give Alabama's working families during the most recent legislative session.

This year, we enjoyed a \$1 billion surplus in our state budgets because Alabama's hard working men and women created a surge in our economy. After we fully funded every education request and passed budgets for General Fund agencies, money was still left over, so we fought to give some of it back to the people who helped create it. As a result, **we successfully passed the first significant tax cut since the state income tax system began 70 years ago.**

Previously, Alabama began taxing its citizens at \$4,600, and we were the only state in the nation to tax families making less than \$10,000. The bill I signed into law raised the income threshold at which Alabama starts taxing certain families of four from \$4,600 to \$12,500. We increased the tax deduction for children and other dependents from \$300 to \$1,000 for families with incomes under \$20,000 and to \$500 for families with incomes between \$20,000 and \$100,000. The tax cut also raised the standard deduction for a couple from \$4,000 to \$7,500 for taxpayers making under \$20,000 annually.

This tax cut was a huge step in the right direction, but it was too targeted and did not provide the necessary relief to all of Alabama's working class.

To build on the 2006 tax cut, I will propose another income tax cut for all Alabama families with incomes up to \$100,000.

This tax cut will bring the filing threshold for a family of four to \$15,000 and will allow more for personal exemptions, dependent exemptions, and standard deductions.

Like the tax cut I proposed in 2006, this plan will be phased in over a period of five years and will protect our schools from proration by requiring sufficient revenue growth in the Education Trust Fund each year. **This proposal will give a tax cut to more than 90% of Alabama's families.**

At a time when families need it most, the sales tax holiday has allowed them to keep more of their hard-earned dollars. It offered tax relief to Alabama families from the burden of the state's sales tax on items their children need for school. This holiday was a resounding success throughout the state, saving consumers an estimated \$7 million this year. We need to continue this successful tax-free weekend and

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encourage every city and county in Alabama to join us in helping shoppers save money on school supplies.

I will also continue to encourage all cities and counties to sign on to our Sales Tax Holiday.

Helping our Seniors

Alabama's senior citizens have worked their entire lives to build the economy that we are currently enjoying. Everyday, they got up and went to work to provide for their families. Their generation has instilled in us a work ethic that has become famous around the globe, and the work of their hands laid the foundation for our economy that is leading the nation.

That is why we have done everything that we can to ensure they don't have to worry as much about how they are going to pay for their medicines. This year, due to the work of our Department of Senior Services along with a number of agencies across the state, we ranked among the top states in the nation in enrollment into the new Medicare Prescription Drug Plan. In addition, **we also lowered the age at which seniors can take advantage of the state prescription drug program from 60 to 55.**

While these programs have lifted a great burden off of many seniors, we must do more.

As a good first step toward the equitable treatment of all retirement income, I will propose that the first \$10,000 of all currently taxable retirement income will be exempt, no matter its source.

With the prices of medication—both prescription and non-prescription—rising like never before, our citizens are suffering an added burden every time they go to the pharmacy. This burden falls the hardest on our seniors, many of whom are on a fixed income.

We have made prescription medicines more accessible for the seniors who need them most through the expansion of our Senior RX Drug program. Now we must ensure that all Alabamians have better access to the non-prescription medicines they need.

We will also eliminate the sales tax on all over the counter medication.

ABOLISHING ALABAMA'S LAW REQUIRING ANNUAL REAPPRAISALS

Perhaps no other issue in recent years has been more misunderstood or demagogued by some politicians than the issue of annual reappraisals of real property. As governor, I must follow the law—even those I disagree with. No one can “pick and choose” which laws to follow. Alabama law requires real property to be “appraised at its fair and reasonable market value” and that the “listing of property for taxation by the tax assessor must commence on October 1 in every year.” In addition, Section 211 of the Alabama

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Constitution states: “All taxes levied on property in this state shall be assessed in exact proportion to the value of such property.”

For years, however, the law was not followed. That led to a federal court decision in 1971 requiring all property to be assessed equally. The court’s decision was based on the language in state law and our Constitution. Ever since then, the state has gradually moved toward annual reappraisals of real property, as it does for other classes of property: public utility, railroads and airlines, business personal property, motor vehicles and current use properties.

The politicians who claim this decision was done by “executive order” are purposefully misleading the people of Alabama, and they should be ashamed. Those who say that all previous administrations reappraised property every four years are either uninformed or trying to hoodwink the public. And those who allege annual reappraisals are a “backdoor tax increase” or created the budget surplus are saying something that just isn’t true.

What’s even more outrageous is that some of these same politicians who claim to be against annual reappraisals stopped efforts I supported in the Legislature to end annual reappraisals! We wouldn’t have annual appraisals if those who control the Legislature had allowed the issue to come up for a vote.

During the first legislative session of my next administration, I will once again support and promote a bill abolishing Alabama’s annual reappraisal law.

SMALL BUSINESS MEANS BIG BUSINESS IN ALABAMA

Helping Small Businesses Succeed

Small businesses are the backbone of our economy. Our own homegrown entrepreneurs who take risks to begin a business from the ground up have contributed greatly to our economic success.

As the previous owner of a number of small businesses, I understand that owning and operating a business requires a great deal of dedication and patience. Many times, owners do not have the time to research state and federal laws, grant and loan opportunities, or economic development incentives. We need to provide these businesses with the assistance they need to be successful.

We will provide funding for the Small Business Advocacy Office to better serve the needs of small business and existing industry across Alabama.

The Alabama Small Business Advocacy Office will be charged with aiding, counseling, assisting, and protecting the interests of small business concerns in order to preserve free competitive enterprise and maintain a healthy state economy. The office will provide information and assistance to citizens interested in entering into commercial activity. This office will also work cooperatively with the Office of Workforce Development and other state agencies that impact small business and will establish appropriate accountability and performance measures to ensure quality customer service.

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While we currently have the resources in place to help assist small business in Alabama, they are spread throughout a maze of state agencies. Four years ago, our workforce development programs were in a similar situation. We established an Office of Workforce Development as a one stop shop for workforce development. Today, our program is rated the **best in the nation** and has helped us bring thousands of new jobs into the state.

We must also streamline our small business efforts to make it easier for businesses to get the help they need, while making state government more cost-effective and efficient.

We will coordinate our small business programs to ensure small businesses have the opportunities and services they deserve.

One of the first actions of the Small Business Advocacy Office will be to spearhead our efforts to coordinate and streamline all of our small business services that are offered by numerous state agencies.

Small Business Tax Incentives for Health Insurance

The rising cost of health care has put a financial strain on almost every person in America. From the federal government down to the smallest businesses, everyone must deal with the rising costs of health insurance.

Just two years ago, we called a special session of the Legislature to deal with Alabama's public employee health care crisis and made fundamental changes to the system in order to **save an estimated \$300 million**. This was the first major public employee health insurance reform in decades.

It is good for the state and good for families if all Alabamians are covered by quality health insurance. While the state has done an effective job of providing coverage to the less fortunate in Alabama, we must do more to reduce the burden of rising healthcare costs on businesses and individuals.

To encourage Alabama small businesses to provide health insurance coverage for employees, I will propose legislation allowing them to deduct twice the amount they pay for health insurance premiums from their state income taxes.

In order to encourage the employees of these small businesses to participate in their employer's health insurance plans, employees will be allowed to deduct twice the amount they contribute toward their health insurance premiums from their individual income taxes.

Specifically, this legislation will:

- Provide incentives for companies with 25 employees or less, which represents more than 90 percent of businesses in the state.

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- Provide that qualifying employee health insurance premium expenditures incurred by a small business may be deducted at 200% of their actual cost.
- Provide that qualifying employees will be limited to employees with adjusted gross incomes below \$50,000.
- Provide that qualifying employees will be allowed to deduct twice the amount they contribute toward their health insurance premiums.

SUPPORT FOR ALABAMA INDUSTRIES

Expand Incentives to Help Existing Industries Grow

During our administration, hundreds of national and international companies have chosen to make Alabama their home. While these companies are tremendous assets, our existing industries have truly helped bring Alabama to the pinnacle of this economic boom.

Many of these companies are home-grown and have become much more than just a place to work. They are virtually intertwined with the communities in which they are located and serve as a vital part of both the economic and social structure. These companies sponsor local events, give to local charities, and support local sports teams. They are more than just businesses—they are strong and dependable corporate citizens.

When we came into office, the state paid little attention to the needs of these existing businesses. One of our first acts in office was to make sure **existing Alabama businesses have what they need to succeed.**

There are a number of existing industries in Alabama that have used a small amount of incentives to create hundreds of jobs for local workers. We must continue to do everything we can for the same companies that have helped us build the best economy in Alabama's history.

We will expand eligibility for incentives in order to help existing Alabama companies grow their operations.

We will undertake a comprehensive review of our current statutory incentives and propose changes to ensure that all high growth, high demand, and high paying industries are eligible for assistance.

Alabama Work Opportunity Income Tax Credit

Alabama's surging economy has created a world of opportunities for many Alabamians. Workers from almost every section of society are enjoying the fruits of a thriving economy.

Unfortunately, there are still a few segments of our population that have not been able to capitalize on the opportunities that are out there. While we have a number of programs in the state designed to help many of these people get to work, we must have a more focused effort.

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We will establish the Alabama Work Opportunity Income Tax Credit that will provide employers with an incentive to hire people from sectors having a high unemployment rate or special employment needs.

The Alabama credit will be tied to and based upon its federal counterpart. The credit will be a percentage of the qualified wages paid during an employee's first year of employment, based on the number of hours worked.

Targeted groups of employees include qualified recipients under the Temporary Assistance for Needy Families program, food stamp and Supplemental Security Income recipients, veterans, high-risk youth, vocational rehabilitation referrals, and summer youth employees. Employers must obtain certification from a state employment security agency that an employee is a targeted group member.

“Back to School” Tax Credit

Training our workforce is a critical element in sustaining the unparalleled success we have seen in our economic growth over the last several years. That is why I signed an executive order in 2003 that consolidated all state workforce development programs into a single office. Prior to the executive order, seven different state agencies administered more than \$104 million in federal workforce funds for their own programs. We began to see results immediately, and in July of this year, a national publisher of workforce training materials **named the Alabama Office of Workforce Development as the top workforce development agency in the United States.** The award recognized Alabama's leadership in designing an interagency strategic plan and **comprehensive worker credentialing program**, which was launched in August.

The new **Career Readiness Certificate** serves as a common language between employers and job seekers. It is a portable skills credential, assuring employers that a job applicant actually has the basic skills they seek.

It has been reported that by 2010 more than 80% of all jobs will require skill levels beyond those gained in high school. Almost all workers will need training and education at the postsecondary level. What employers need, therefore, are employees who are trainable and who can benefit from the many opportunities afforded them for skill enhancement.

I am proud of what we have accomplished in just four short years. For the first time ever, we have a workforce system in the true meaning of the word, with all of our partner agencies working together. But there is still concern in the private sector about the gap that exists between the skills required in today's workplace and those exhibited by potential and incumbent employees. Many businesses continue to have trouble finding and hiring people who have basic employable skills and who are therefore trainable for specific jobs. That is why we must continue to provide opportunities for Alabamians to get the technical training they need to be successful in today's global economy.

I will propose a “Back to School” Tax Credit that will provide an incentive for adult workers to go back to school to receive skills training in “high growth,

high demand, and high paying” jobs as identified by the Alabama Office of Workforce Development.

The tax credit will be available to both employees and employers and will be based on the amount invested in the training program by each.

IMPROVING ROADS AND TRANSPORTATION

In the past, the Alabama Department of Transportation (ALDOT) was a political tool used by previous governors to curry favors with legislators. When a governor needed a vote on an issue, legislators were promised asphalt in their districts in return. This type of wheeling and dealing has **stopped in its tracks during my administration.**

The ALDOT is much too important to be playing politics. Our infrastructure is the foundation of our economic development model. If we can move people and goods efficiently, that means fewer headaches for commuters and more jobs for our workers.

That is why we have developed a data-driven model **that places good policy over politics.**

We have proven that it works. We have increased the amount of contracts let from \$584.8 million in 2003 to an estimated \$804 million in 2006 — a 37% increase in road and bridge funding. We must ensure that politics continues to stay out of ALDOT long after we are gone.

We will once again ask the Legislature to establish a professional Independent Transportation Commission that will govern Alabama’s Department of Transportation (ALDOT).

This commission will consist of one member from each of the nine regional districts that make up the ALDOT. Terms of the commission will be staggered to ensure one administration will not have too much influence over the commission. Members of the commission will not be able to serve consecutive terms, will be forbidden from having any personal ties to ALDOT, and will not be lobbyists.

This Independent Transportation Commission will make ALDOT more efficient and effective by taking the backdoor political deals out of ALDOT for good and allowing them to develop long-range, comprehensive strategies that won’t change with each new administration.

FOCUS ON RURAL ALABAMA

Rural Alabama Initiative

Alabama’s booming economy has truly been remarkable. In fact, **every single county** in the state has seen a drop in unemployment.

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The progress has been especially impressive in Alabama’s traditionally impoverished Black Belt region, where every county now has single digit unemployment for the first time since we began keeping records. Much of this success can be attributed to the special focus we have given the region through our Black Belt Action Commission.

I began the Black Belt Action Commission two years ago to address the special needs in the area. The work of this all-volunteer, bi-partisan force has begun to transform the entire region. In just a year’s time, the results were amazing—**1300 new jobs, higher test scores, lower dropout rates, free vision screenings, and more accessible health care**, among many others.

Much of rural Alabama is not entirely different from the Black Belt. The rural regions of the state offer unique challenges and could greatly benefit from access to grants and loans, better jobs, more educational opportunities, and better access to healthcare.

The “action commission” model has worked in the Black Belt, and many regions of the state want to replicate what our Black Belt Commission has done. It is time for all of **rural Alabama to reap the benefits of this proven model.**

We will form a “Rural Alabama Action Commission” that will address the specific needs of the rural areas across our state.

This all-volunteer commission will be made up of seven committees that will address the needs of seven specific rural regions of the state: Northwest Alabama, the Mountain Region (Northeast Alabama), East Alabama, the Wiregrass, Southwest Alabama, the Black Belt, and Central Alabama.

Tax Incentives for Industry in Rural Alabama

Many areas of the state are naturally going to be magnets for economic development. Major interstates, railroads, waterways, and other basic infrastructure are all reasons some metropolitan areas are constantly breaking ground on new economic development projects.

Sometimes it is difficult for companies to see the real advantage to setting up shop in rural Alabama. That is because they simply aren’t aware of the quality of life, work ethic, sense of community and other intangibles that make many of our rural communities the crown jewels of our state.

To encourage job creation in Alabama counties where jobs are needed most, I will propose a Targeted Job Creation Tax Credit.

Under this legislation, businesses that create new jobs in a county identified by the Department of Industrial Relations (DIR) as being within the 25 Alabama counties with the highest annual unemployment rate for the year the job was created will receive an income tax credit equal to \$500 per new job created for three years.

Protect the Right to Farm

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Farming continues to be an important part of Alabama's traditional quality of life and economy. It has played an important role in my life, and I believe that we should work to preserve the family farms that have meant so much to Alabama. Too often, new residential and commercial development results in conflict between longtime farmers and their new neighbors. Growth is important, especially in rural areas, but we must also protect the rights of farmers to lawfully produce their products without constant harassment from those who oppose their way of life.

I will propose “Right to Farm” legislation that protects the right of law-abiding family farms to co-exist with suburban growth.

An established farm owner or operator who obeys current laws and regulations should be able to continue to maintain his or her property without undue interference from other individuals. This law will define family farms and protect farmers from planning ordinances that might result from new annexations, respecting the rights of farmers to continue their lives' work.

Right to farm legislation would discourage frivolous 'public nuisance' lawsuits against law-abiding farmers by requiring losers, including unsuccessful plaintiffs, to pay all legal bills.

NEW PRODUCTS AND NEW CUSTOMERS

Research and Development Tax Credit

One of the most rewarding parts of being governor is having the opportunity to travel across the state to see the incredible research and development that is taking place in many parts of Alabama. In Mobile and Birmingham, we are researching the causes of and possible treatments for cancer. Some of the best agricultural research in the world takes place in Auburn. Researchers at UAB are internationally renowned for their state of the art biomedical research. These research centers can take a small amount of capital, leverage it with public and private funds, and create thousands of high-paying, non-exportable jobs.

Last year, we invested \$50 million into a biotech research institute in Huntsville. The non-profit company was offered a major incentive package to locate in Georgia, but our investment allowed them to stay in their hometown of Huntsville to build a world-class research facility. With our \$50 million investment, they were able to secure \$80 million in private funds to **create 900 direct jobs with an average pay of \$60,000 a year.**

These are exactly the types of jobs that we should be going after in Alabama. The pay is great, the businesses are environmentally friendly, and the jobs won't be exported to another country.

We must do everything we can to help companies who bring knowledge-based jobs to Alabama.

To encourage businesses to increase their investment in research activities and to locate those research activities in Alabama, we will propose legislation to establish a research and development tax credit.

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Under this proposal, corporate taxpayers will be allowed a research credit equal to 20% of the taxpayer's federal research credit attributable to an Alabama location. Qualifying research activities include research and development activities in the experimental or laboratory phase that are undertaken for the purpose of discovering information that is technological in nature and intended to be useful in the development of a new or improved business component.

Expand our Economic Opportunities

One of the reasons our economy has experienced such unprecedented growth is our recent increase in exports.

In 2004, we launched a new initiative called "**Export Alabama**," which focuses on expanding Alabama businesses' exporting opportunities throughout the world. As a part of this initiative, I have sponsored three different trade missions to countries like China, England, Japan, Chile, Brazil, France, Korea and Israel.

And it's working. Alabama's exports grew from \$8.3 billion in 2003 to \$10.8 billion in 2005. **That is more than 19% in just two years**, a rate that beats the national growth rate. Through their entrepreneurial spirit, Alabama companies have become extremely successful at going after business overseas.

We have also made major improvements in our infrastructure to make it easier for Alabama businesses to export their goods. Last year, we invested \$80 million to build a new container port at the Alabama State Docks in Mobile. In addition to the 1,000 jobs the port will create, this expansion will **open Alabama to both exports and imports from virtually anywhere in the world.**

In order to keep Alabama's economic momentum, we must keep doing everything we can to help open new opportunities to Alabama's businesses.

We will continue to aggressively seek new business opportunities for Alabama companies in every corner of the world.

We have also developed a working relationship with **Troy University** to aid in our efforts to recruit international companies. Two years ago, we opened an economic development office in Heidelberg, Germany at Troy University's Heidelberg campus. This office has helped us build stronger relationships with European business leaders, which is a key first step in winning major industrial projects, and it has helped existing Alabama companies that want to open new markets for their products in Europe. And because Troy already had a campus there, we were able to do it with no additional cost to the state.

This innovative model has helped us to build a stronger economic base by allowing us to better recruit new industries while supporting our existing industry back home. We must expand this program.

We will establish an economic development office in China and India to take advantage of the growing economies of East Asia.

These offices, like the Heidelberg office, will be a partnership with Troy University, **which will greatly reduce the cost to the state and Troy University.**