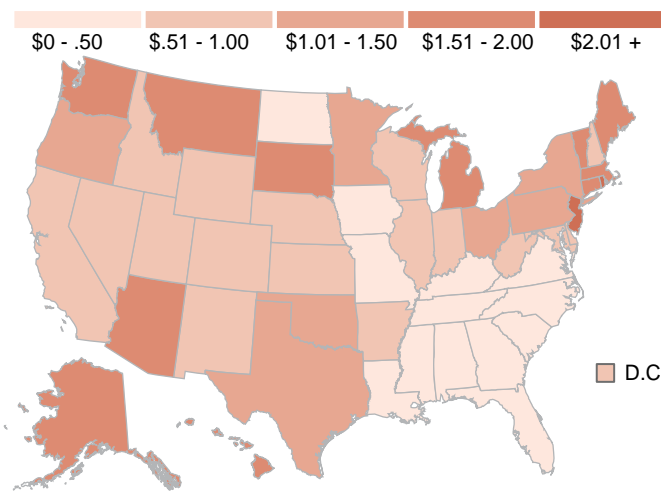


Quitters lowering cigarette tax revenue

The current state of cigarette taxes

Taxes on cigarettes vary greatly from state to state. Smokers in New Jersey pay more than \$2 compared to just 7 cents in South Carolina.

Per-pack tax by state, as of Dec. 31, 2006



SOURCE: The Tax Foundation

By MARTIGA LOHN
THE ASSOCIATED PRESS

BLOOMINGTON, Minn.

Roland Henkel quit smoking in September and has been doing the math ever since: A week added to his life. More than 2,100 Marlboro Lights he hasn't smoked. And more than \$400 he didn't spend on cigarettes.

"It does add up," said Henkel, 53. "You don't think about it when you're smoking so much."

The state of Minnesota has been doing the math, too, and isn't quite as delighted.

Because of quitters like Henkel, Minnesota's tobacco tax revenue is expected to go into a gradual slide later this year — a drop that could grow even steeper with the expected passage of a statewide smoking ban.

Across the country, states are putting their treasuries under pressure by adopting smoking

restrictions as well as higher cigarette taxes, which appear to be discouraging people from lighting up, as many health activists had hoped would happen.

State Sen. David Tomassoni, a Democrat who opposes a statewide smoking ban, said he worries about the lost tax dollars.

"The taxes on smoking are being used to fund education, they're being used to fund health care, they're being used to fund real things. Now, if we eliminate smoking, does it mean that those things go away?" Tomassoni said.

Opponents of smoking don't mind if the take from smokers falls.

"The wonderful thing about tobacco revenues is when they go down, there's less smoking," said Eric Lindblom at the Campaign for Tobacco-Free Kids in Washington.

It is clear that states could see some medical savings from

reduced smoking, but it is difficult to say how much, and whether those savings might offset the lost tax revenue. Minnesota's Department of Human Services estimates it spends \$295 million a year to treat smoking-related illnesses for 647,000 people on public assistance.

The downturn in revenue won't necessarily cause states any immediate major hardship, since the decline is slow and cigarette taxes represent only a small portion of state budgets.

But up to now, they have been a reliable and politically expedient way of raising revenue to solve budget problems. Sin taxes on things like cigarettes are "the most socially acceptable form of taxes you can raise," said Bob Kurtter, a state budget watcher at Moody's Investors Service.

Just more than a fifth of U.S. adults smoked in 2005, down from about one-fourth a decade ago.

Because of the downturn, states levied taxes on 2.8 billion fewer packs in 2005 than they did just five years earlier.

In 2005, tobacco taxes contributed \$13 billion to state budgets. But cigarette tax collections that year were down in 15 states compared with the year or years before, according to a study backed by the tobacco industry. States such as New York, Massachusetts and Illinois are all forecasting a drop in revenue.

Similarly, the federal cigarette tax has been bringing in less money each year since 2002. The amount dropped from \$8.1 billion in 2002 to \$7.7 billion in 2005, according to the same study.

Cigarette taxes are now "a lousy way to fund your government," said David Brunori, who teaches tax policy at George Washington University. "The government is not letting you smoke anywhere."

School spending increase proposed

By MIKE SMITH
THE ASSOCIATED PRESS

INDIANAPOLIS

Public schools would receive overall spending increases of about 4 percent in each of the next two years under a budget drafted by Democrats who control the House, and it would provide money to begin a phase-in of statewide, full-day kindergarten, party leaders said.

The phase-in of full-day kindergarten is a top priority of Republican Gov. Mitch Daniels, but the Democratic budget would block one of his other key initiatives by prohibiting the Hoosier Lottery from being outsourced to a private entity.

The budget bill, to be formally presented in the House Ways and Means Committee today, would increase spending for higher education by about 5 percent in each of the next two years, with some of the new money going for operations and some for capital projects.

Democratic Rep. William Crawford of Indianapolis, chairman of Ways and Means, said he did not know precisely how much



DANIELS

"We go back to the traditional way where the state pays a majority of education costs and not property taxes."

House Speaker Patrick Bauer, D-South Bend
On the Democrats' formula for funding schools

the two-year budget spent but said it was less than the \$25.9 billion in the plan proposed by the Daniels administration.

"Overall I think we've got a good budget," Crawford said.

Crawford and House Speaker Patrick Bauer, D-South Bend, said the Democrat plan included no general tax increase and spent less in part because there would be no new money for the state prison system or Medicaid, the state and federal health care program for the poor, disabled and elderly.

Expenses in Medicaid are expected to grow over the next two years, and Daniels had proposed spending about \$220 million more to cover at least a portion of the projected cost increases. Daniels also wants to spend \$72 million more on prisons, with some of the money used to increase pay for guards.

Daniels had asked lawmakers to hold overall spending increases to less than 4 percent in each

of the next two years, and Crawford said the House Democratic budget did that.

The 4 percent increase in spending for schools is above the 3 percent increase Daniels had proposed, and also is greater than increases in the current budget that was enacted in 2005 when Republicans controlled both chambers. Those increases have been funded almost entirely through local property taxes.

Bauer said the Democrats' school formula is a mix of about 60 percent state money and 40 percent property taxes.

"We go back to the traditional way where the state pays a majority of education costs and not property taxes," he said.

All but one of the state's school districts — the Gary Community Schools — would receive a funding increase, but Bauer said Gary schools would get a good portion of money for full-day kindergarten. Under the current GOP budget, many districts did

not get more money than they had previously.

Republicans said that was because enrollment in many districts had declined significantly and they should not need as much money.

Crawford said the Democratic plan spent the same amount as Daniels had requested — \$144 million — for the first phase of full-day kindergarten. The Daniels administration has said that would allow full-day kindergarten to begin this fall for about 33,000 children who receive free or reduced-priced lunches.

The Democratic budget also would pay for the growth in costs for providing services to abused and neglected children, which is now funded through property taxes. Crawford said it also included money Daniels wants to hire more child welfare case-workers.

It also would fully fund free textbooks for children on free or reduced-priced lunches, he said.

Republicans held a news conference before the budget bill came out and listed a number of standards they wanted included in the budget.

House Minority Leader Brian Bosma, R-Indianapolis, said they included an "honestly balanced budget with no tricks, gimmicks and no general tax increases."

AT THE STATEHOUSE

Bill would punish for failure to help driver

INDIANAPOLIS — A bill that would require unhelpful passengers to try to get help for injured drivers in a crash is headed to the full Indiana House for approval.

The House Courts and Criminal Code Committee unanimously approved the legislation Wednesday after it was merged with another bill detailing standards for coroners.

State Rep. Tim Neese, R-Elkhart, authored the bill, which would make failure to aid an injured driver or seek help in such cases a Class C misdemeanor punishable with up to 60 days in jail and a maximum \$500 fine.

The bill would come up for a vote in the full House next week, Neese said.

House endorses bill to lengthen BMV hours

INDIANAPOLIS — Bureau of Motor Vehicles license branches would be open for more hours each week under a bill the House advanced Thursday.

The legislation would require license branches to stay open from 8 a.m. to 8 p.m. Monday through Friday, and from 8 a.m. to 5 p.m. on Saturdays.

Currently, full-service license branches are open from 8:30 a.m. to 7 p.m. on Tuesdays, from 8:30 a.m. to 5 p.m. Wednesday through Friday, and from 8:30 a.m. to 12:30 p.m. on Saturdays. License branches are closed on most Mondays.

Bill supporters say the longer hours would be more convenient for working people who need to visit a license branch. The bill cleared the House on a 86-5 vote and now moves to the Senate for consideration.

Change in seat belt laws, road funding proposed

INDIANAPOLIS — A House bill that would require almost everyone to wear seat belts was changed Thursday to add two new provisions: one that would ban people from riding in the back of pickup trucks and another that would change the state's local road funding formula.

The original bill would require almost everyone to wear seat belts in both the front and back seats of most vehicles, including pickup trucks. Currently only front-seat passengers and children under age 16 are required to wear seat belts, while those in riding trucks do not have to buckle up.

Lawmakers voted 55-40 to include in the bill a provision that would change the state's local road funding formula by phasing pickup trucks into the equation over three years. Supporters said it made sense to make the change, which would generally take money away from urban areas and give it to rural counties with more pickups.

"If we're going to treat pickups like other automobiles (in terms of seat belts), we need to be consistent and treat them the same in the distribution formula," said Rep. Marlin Stutzman, R-Howe.

Lease

(CONTINUED FROM PAGE ONE)

takes care of a local pension problem."

But House Democrats, who hold a majority in that chamber, on Thursday released their draft of the state budget, which would block the outsourcing of the lottery to a private company.

Under the Senate plan, Gov. Mitch Daniels could lease the lottery for 30 years to a private company, which would run it and collect the profits. In exchange, the company would pay the state at least \$1 billion upfront and make annual payments of \$200 million, which would be used to fund public pensions and pay for a cut in auto excise taxes.

The \$1 billion or more upfront payment would be split among two or three initiatives.

About \$400 million would fund \$5,000 annual college scholarships for high-achieving students. However, students would have to repay the money unless they lived and worked in Indiana for three years after graduation.

Every high school with a certain number of students would get at least one scholarship, with the local school boards selecting the recipients, Kenley said.

Lottery lease: Gov. Mitch Daniels and some lawmakers want to lease the state's lottery for an upfront payment of at least \$1 billion, plus yearly payments of \$200 million.

Different details: Daniels' plan would have put 60 percent of the upfront payment toward merit scholarships that have to be paid back unless the student works

Under the governor's original plan, about \$600 million would have gone toward merit scholarships.

Another \$600 million from the upfront payment would go toward the Indiana Life Sciences Fund under the new proposal. Public and private universities could apply for research grants under the fund, which senators said would attract top faculty to Indiana.

The governor's plan called for \$400 million to create a World-Class Scholars Fund for public colleges.

Under the Senate plan, any leftover money from an upfront payment would go toward a pension relief fund to help cities and towns.

"Local governments are struggling right now with their police and fire pensions," Long said. "This is getting worse, not better." Although the Senate plan is different from the governor's pro-

AT A GLANCE

in Indiana for three years after graduation. A new Senate plan announced Thursday would put 40 percent of the payment toward such scholarships.

Critics' concerns: House Speaker Patrick Bauer, D-South Bend, says neither plan is appealing to him. He is concerned about the security of lottery proceeds being handled by a for-profit company.

posals, Daniels supports the new version, said Neil Pickett, a senior adviser for Daniels.

"He wanted input from the legislature and they provided it in a very positive and constructive way," Pickett said.

"It's completely consistent with the fundamental goals and objectives that the governor originally articulated."

But House Speaker Patrick Bauer, D-South Bend, who has generally opposed major privatization projects, said the Senate changes in the proposal didn't make it any more appealing to him.

"The problem is they are giving away money that should stay in Indiana," he said.

Bauer was concerned about the security of lottery proceeds being handled by a for-profit company, and that a private vendor might take a "get-away-with-everything-you-can" approach to operations.

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The first African-American woman to receive a bachelor of arts degree was Mary Jane Patterson in 1862 from Oberlin College in Oberlin, Ohio.

In 1865, Patterson began working as an assistant at Philadelphia's Institute for Colored Youth.

In 1869, Patterson went to Washington, D.C. to accept a teaching position at Preparatory High School for Colored Youth, later known as Dunbar High School.



From 1871 to 1884, she served as the school's first African-American principal. Under her direction, commencement ceremonies were adopted and a teacher-training department was added.

Upon leaving her position as principal, she continued serving as a teacher at the school until her death in 1894.

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