

TAKING STOCK

Southwest Center for **Economic Integrity**

Spring 2004 Newsletter
Volume II, Issue 1

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SPECIAL THANKS TO OUR GENEROUS DONORS DEC 2003-FEB 2004:

> Briggs and Pat Ackert, Kathy Altman and Ivy Schwartz, Jim and Lucille Burkholder, Marc and Terry Cahill Frost, Melissa Harris, Liz Kennedy, Anthony King, Pam Liberty and Lisa Bibbens, Russell Lowes and Leslie Tizer, George and Nancy Mairs, Sharon and Larry Malcolmson (La Paz Foundation), Sharon Megdal, Lois and Richard Shelton, Susan Shobe, Andy Silverman and Starr Sanders, Rabbi Joe Weizenbaum, Charles and Elizabeth Zukoski.

> Thanks also to our ASU student interns – Jocelyn Rechichar, Collette Fordham, Lillian Singleton – for assisting us with data entry and research on the New Mexico day labor industry; and to volunteers Amanda Burke, Rachel Wilson and Dan Kappus for helping with our surveying in S. Tucson regarding the Earned Income Tax Credit program (see pages 2-3).

> Special thanks to **The Wallace Foundation** for underwriting the development of this newsletter.

WE APPRECIATE YOUR HELP

- ◆ SCEI is a 501(c)(3) non-profit, so your gifts are tax deductible. We are sustained by contributions. We also periodically need volunteers and in-kind contributions.
- ◆ For more information please contact **Karin Uhlich** at 520-971-1472

Day Laborers Awarded \$150,000

Arizona day laborers have begun filing claims to receive refunds from **Labor Ready** under a settlement agreement reached in February 2004. The settlement, negotiated by the Arizona Attorney General's Office, requires **Labor Ready** to refund the illegal check-cashing fees the company collected from its workers between July 2000 and December 2002. The settlement also prohibits Labor Ready from collecting such fees from its day labor employees in the future. **The Southwest Center for Economic Integrity** encouraged the Attorney General's Office to file the lawsuit when our surveying of day laborers in the state revealed Labor Ready's violations of state law.

The Southwest Center for Economic Integrity helped persuade the Attorney General's Office to file the lawsuit when our surveying of day laborers revealed Labor Ready's violations of state law.

"They were specifically prohibited by Arizona law from charging for cashing a check for their own employees," **Attorney General Terry Goddard** said*. "This was double-dipping by an employer, taking money off the top of people they just paid."

Any amount up to the \$150,000 settlement cap not claimed by workers will be divided between four non-profit organizations: **The Primavera Foundation** in Tucson (Primavera Works day labor program), **Central Arizona Shelter Services** in Phoenix (CASS day labor program), and the **Habitat for Humanity** Chapters in Tucson and Phoenix.

"I think it's wonderful when people get their money back and charities are included," said **Carole Baumgarten, Habitat for Humanity Executive Director** in Tucson. "The whole community benefits when that happens."

* quotes from Arizona Daily Star article, 2/7/04.

YOU ARE INVITED

To Our
Annual Reception
Friday, May 14
5:00-6:30 p.m.
509 S. Sixth Avenue
Please RSVP by May 3
by calling 770-7405.

Tax Credits, Tax Traps

Tax time can bring good news or bad news to all of us. For working-poor people, the good news can be several thousand dollars in earned income tax credit (EITC) money – well-deserved cash to offset past or future shortfalls. The bad news all too often comes in the form of exorbitant fees charged by tax preparers. This year the Southwest Center for Economic Integrity has been active on both of these issues. With a grant from the **Annie E. Casey Foundation**, Center staff and volunteers conducted surveying and outreach in South Tucson regarding the federal Earned Income Tax Credit program. Survey results make it clear that vast numbers of eligible households do not yet access EITC. **While 80% of people interviewed earned \$35,000 or less per year (the upper threshold for EITC eligibility), only 22% had ever received the EITC.**

“Refund-Anticipation Loans (RAL’s) have fees that correspond to annual interest rates of 200 to 300 percent . . . RAL’s often turn what could have been a significant cash infusion into another credit trap for the working poor . . . We hope City and County officials will hold any business using predatory or deceptive loan practices accountable . . . (and) offer increased monitoring and scrutiny of financial services that offer high-interest loans that target low-income individuals.”

Arizona Daily Star Op-Ed Article, February 22, 2004 by City Councilman Steve Leal, Rosalva Bullock of the TUSD Rose Wellness Center, and SCEI’s Karin Uhlich

Simple education and outreach regarding the EITC program, however, won’t necessarily put money into the hands of lower-income families. Center surveys revealed that **65% of South Tucson respondents who file taxes utilize paid tax preparers.** Other studies by the conducted by the Internal Revenue Service and the Brookings Institute indicate that **more than 45% of EITC tax filers from Tucson’s south- and west-side neighborhoods utilize “refund-anticipation loans”**, basically the tax preparation industry’s version of payday lending. For annualized interest charges of 200-300%, tax filers are encouraged to take their cash home today rather than waiting for their IRS check. The Southwest Center for Economic Integrity will continue its collaboration with local partners to help eligible people access the EITC *and* avoid costly refund ploys. The EITC can and should benefit the entire community through needed infusions of household income; it should not become yet another stream of money extracted from neighborhoods that can least afford the cost of unfair profits.

SCEI Facilitates BBC Coverage

BBC Radio (British Public Broadcasting) recently visited Tucson as part of a series covering the U.S. economy and the upcoming national election. The Southwest Center for Economic Integrity facilitated reporter Jonty Bloom’s contact and interviews with homeless and immigrant day laborers. Laborers’ comments served to highlight concerns about the “jobless” and often seemingly “gainless” economic recovery touted in recent months. Pictured are the BBC’s **Jonty Bloom** (right) with **Karin Uhlich** (left) and **Cecilia Campillo** (center) of the SCEI staff.



Photograph by Amanda Sapir

Board Member Profile: Pam Liberty

Pam Liberty served as a founding Board member for the Southwest Center for Economic Integrity, which incorporated as a non-profit research, education, and advocacy organization in 2001. She practices family law and mediation with the Liberty, O'Neill & Bibbens Law Firm and previously worked for many years as a legal aid and public interest attorney. Pam is a member of the Academy of Family Mediators and the Arizona Women Lawyer's Association. Currently her practice emphasizes alternatives to litigation in family matters. She serves as Judge Pro Tempore for the Pima County Superior Court and has been honored in the *Best Lawyers in America Consumers Guide*. In 2003 Pam was given the **William E. Morris Pro Bono Services Award** by the Arizona State Bar Association in recognition of her outstanding commitment to social and economic justice.

When asked about her investment in the work of the Southwest Center for Economic Integrity, Pam offered these thoughts: **"I'm really outraged by what seems to be the unmitigated growth of unfair commerce, particularly of industries that target poor neighborhoods. It makes no sense to me that people with the fewest resources so often have to pay the most for basic goods and services. It's unconscionable, and detrimental to the entire community. The Southwest Center for Economic Integrity plays a vital role in mending the economic divide, and in imagining new models for more sound and just enterprise systems."**

AZ Payday Lending Bill Fails in Committee

The Southwest Center for Economic Integrity offered testimony based upon our study on the **payday loan industry** to the **Arizona House of Representatives Committee on Financial Institutions and Insurance** in February. The bill under consideration included several provisions specifically recommended by SCEI. HB2404 would have required that payday lending companies disclose rate and fee information over the telephone to prospective borrowers. That would create greater transparency in the market for customers, who have limited options, thereby potentially heightening competition and driving down loan

prices. HB2404 reduced the number of loan extensions allowed from three (10 week limit) to two (8 week cap), which would reduce fees/charges paid by borrowers. The Bill also imposed a 24-hour waiting period between loans to prevent lenders from extending loans indefinitely simply by opening a "new" loan the same day that an initial loan closes. Unfortunately HB2404 failed in Committee on a 4-6 vote (2 members absent). SCEI will continue working with legislators and partner groups in preparation for the 2005 session.

HB2404 Sponsors: Representatives Clark, Downing, Gallardo, Lored, Bradley, Carruthers, Hershberger, Hubbs, O'Halleran, Thompson; Senator Arzberger.

HB2404 Committee Vote: YES: Bradley, Gallardo, McClure, McCune Davis NO: Quelland, Reagan, Robson, Stump, Arnold, Carpenter ABSENT: Meza, Tully.

Other Highlights

> **Kelly Griffith** has joined our staff as Administrator & Communications Coordinator. Kelly most recently served as Interim Co-Executive Director for the Primavera Foundation. Her exceptional organizational and leadership skills will be focused on coordinating volunteer involvement and planning/realizing the development goals of the Center.

> SCEI partnered with the **New Mexico Coalition to End Homelessness** in January to survey over 150 day laborers in Las Cruces, Albuquerque, and Santa Fe. Survey results will help to shape day labor industry reform initiatives in New Mexico slated for 2004-2005.

> SCEI participated in the national **Center for Community Change (CCC)** southwest regional "listening" session held in Los Angeles in February. The convening brought together groups such as ACORN, the **Southwest Organizing Project**, and the **Southwest Center for Economic Integrity** to help shape CCC's anti-poverty agenda for the coming three to five years.

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Address Service Requested

The **Southwest Center for Economic Integrity** engages in research, education and advocacy to mobilize and protect marginalized people and to hold corporations and industries accountable to their communities.

We promote ethical profits and responsible commerce.

Please offer your support to the Southwest Center for Economic Integrity!

I'd like to contribute the following:

----- One-time Contribution of \$ _____

----- Monthly Pledge of \$ _____ per month (billed the 15th of each month)

----- Quarterly Pledge of \$ _____ per quarter (billed the 15th of the first mo./qrtr.)

----- I want to Volunteer. Get in touch to tell me more about opportunities to be involved.

----- Come speak to my congregation, civic organization or group of family and friends.

Name _____

Address _____

Phone _____ E-mail _____

Monthly/Quarterly Amount: \$ _____ Annual Total \$ _____

Payment via: Check Credit Card... Circle One: Visa Mastercard

No. _____ Exp. Date _____/_____/_____

Signature: _____

Date: _____

NOTE: SCEI is a 501(c)(3) non-profit organization. Contributions are tax deductible to the extent allowed by law.