

February 13, 2017  
Alabama's Budget and Finances

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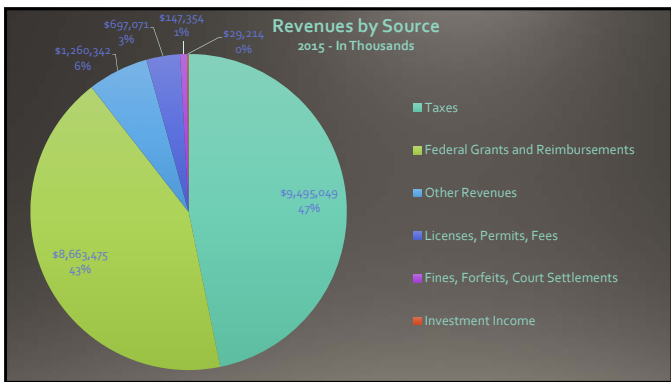
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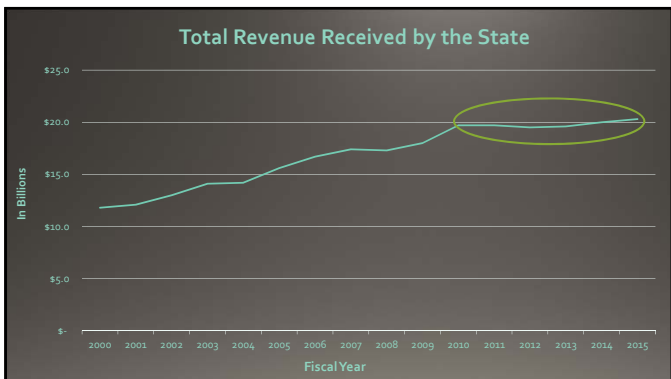
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# Per Capita State Taxes

In 2013, Alabama ranked 43<sup>rd</sup> in state tax revenue per capita.

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# Per Capita State Taxes

In 2013, Alabama ranked 50<sup>th</sup> in state and local tax revenue per capita.

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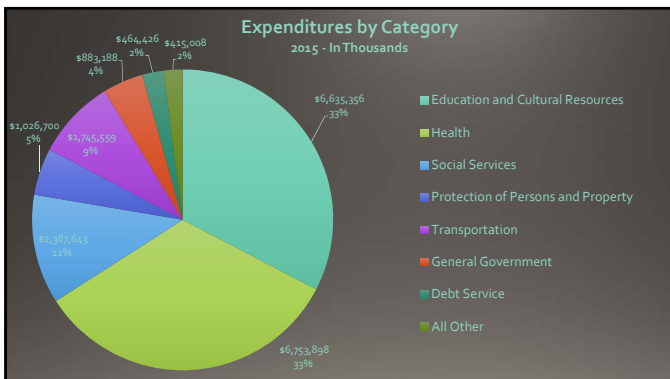
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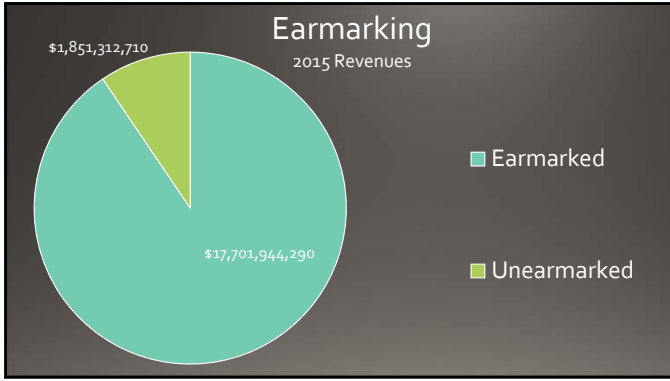
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**FINANCES  
OF  
THE STATE OF  
ALABAMA**

1819 TO 2017

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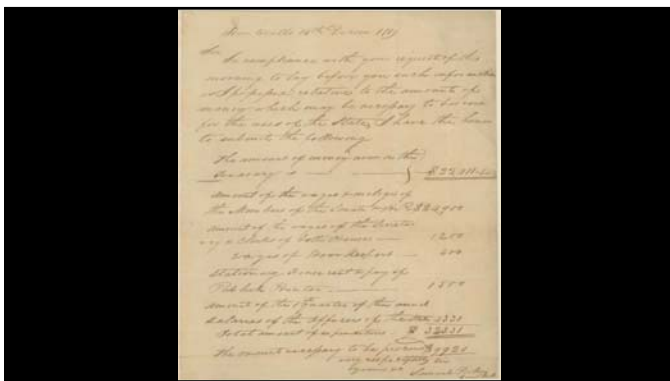
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# Last Quadrennium

Road to a Billion

Reached \$1.2 Billion in annual savings

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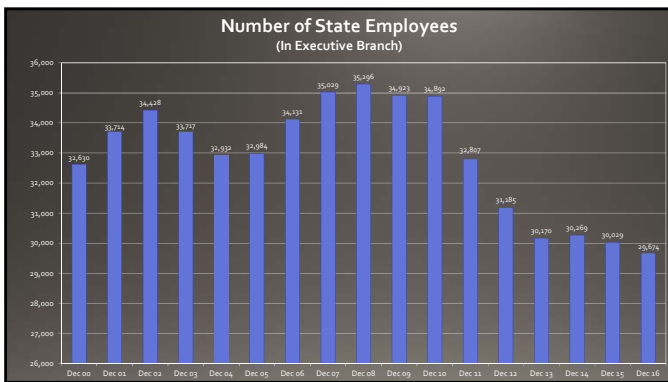
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# More Savings

- Pension Reform
- Repealed the DROP Program
- Health costs for state employees
  - Employees paying more
  - Wellness Program
  - PBM
  - Sliding scale for retirees
- Froze merit raises for 5 years
- Refinanced bonds

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## SECOND QUADRENNIUM

- Paperless
  - Payroll
  - Travel Reimbursements
  - Time Keeping
  - Purchasing
- Software
- Real Property
- More Energy Savings

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## FINANCIAL CONDITION

- FY16 ETF
  - Increased Revenue

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Total ETF Revenue  
(In Billions)



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## FINANCIAL CONDITION

### •FY16 ETF

- Increased Revenue

### FY16 General Fund

- 14% budget shortfall
- Governor's Proposed Solution

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## FINANCIAL CONDITION

### Governor's Proposed Solution

- Regular Session – 10 year solution
- 1<sup>st</sup> Special Session – 4 year solution
- 2<sup>nd</sup> Special Session – 1 year solution

### Legislative Solution

- Tax Increase
- Unearmarking
- Budget Cuts

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## FINANCIAL CONDITION

### •FY17 ETF

- Revenue estimate is lower than the cap under the Rolling Reserve Act
- \$6.3 Billion vs. \$6.4 Billion

### FY17 GF

- 10% budget shortfall
- Governor's Proposed Solution
  - Options
    - Revenue Increases
    - Unearmarking
    - Budget Cuts

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## Education Trust Fund Budget

Governor's Proposal

### 2<sup>nd</sup> Largest ETF Budget in Alabama History

- \$209 Million in revenue growth
- \$180 Million transfer from Budget Stabilization Fund
- Unearmark \$180 Million from ETF to go to GF

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## Education Trust Fund Budget

Governor's Proposal

- 2% COLA - \$74 million
- PEEHIP – Funded at \$800/EPM
- 188 additional teachers
- Increased classroom supplies by \$54 per teacher
- Expanded Pre-K to requested \$20 million increase
- \$40 million for Wi-Fi for K-12 schools
- Funded VA Scholarships at requested amount
- \$3.6 million for scholarships for foster children
- Funded multiple other scholarships programs
- Made required appropriation to PACT

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## Education Trust Fund Budget

Governor's Proposal

- 2% COLA - \$74 million
  - PEEHIP – Funded at \$800/EPM
  - 188 additional teachers
  - Increased classroom supplies by \$54 per teacher
  - Expanded Pre-K to requested \$20 million increase
  - \$40 million for Wi-Fi for K-12 schools
  - Funded VA Scholarships at requested amount
  - \$3.6 million for scholarships for foster children
  - Funded multiple other scholarships programs
  - Made required appropriation to PACT
- Total Appropriation = \$6.315 Billion  
 FY16 Appropriation = \$5.991 Billion  
 INCREASE = \$324 Million

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### Education Trust Fund Budget

Final Passage

- Does not include unearmarking of \$180 Million to the General Fund
- Allocates \$21.8 Million from Advancement & Technology Fund

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### Education Trust Fund Budget

Final Passage

- 4% COLA for employees making <\$75,000
- 2% COLA for employees making >\$75,000
- 4% COLA for Postsecondary personnel
- PEEHIP – Funded at \$800/EPM
- Adds 328 teacher positions
- Increases classroom supplies by \$32 per teacher
- Funds \$16 million increase for Pre-K

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### Education Trust Fund Budget

Final Passage

- 4% COLA for employees making <\$75,000
  - 2% COLA for employees making >\$75,000
  - 4% COLA for Postsecondary personnel
  - PEEHIP – Funded at \$800/EPM
  - Adds 328 teacher positions
  - Increases classroom supplies by \$32 per teacher
  - Funds \$16 million increase for Pre-K
- Total Appropriation = \$6.327 Billion  
 FY16 Appropriation = \$5.991 Billion  
 INCREASE = \$336 Million

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### General Fund Budget

Governor's Proposal

- \$180 Million in revenue historically to ETF unearmarked to General Fund
- \$28 Million growth in revenues
- \$20 Million in Remote Use Tax

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### General Fund Budget

Governor's Proposal

- \$100 Million to Medicaid
- \$20 Million to Corrections
- \$20 Million for Debt Service
- \$10 Million to Public Health
- \$10 Million for 2% COLA
- \$7.5 Million to Pardons and Paroles – Prison Reform
- \$5 Million to DHR
- \$3.7 Million to Judicial Branch
- Tiered Reductions of Agencies: 2.5% - 5%
- SEIB – Funded at \$825/EPM

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### General Fund Budget

Final Passage

- Does not include unearmarking of \$180 Million
- \$50 Million from BP
- \$27 Million in agency transfers
- \$30 Million revenue estimate increase

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### General Fund Budget

Final Passage

- \$85 Million to Medicaid
- \$13 Million to Corrections
- \$5 Million to Judicial Branch
- \$2.5 Million to DHR
- \$2.5 Million to Mental Health
- \$2.5 Million to fund SEIB at \$850/EPM
- No COLA

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### What Is On The Horizon?

Fiscal Year 2018

- More growth in the ETF
- More growth in the General Fund

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### Education Trust Fund Budget

Governor's Proposal

\$6.524 Billion – Total Available Revenue (up 3.1% over prior year)  
 \$6.417 Billion – ETF Appropriation Cap  
 \$107.0 Million – Reserves (\$64M to BSF, \$43M to A&T Fund)

• K-12	\$4.421 Billion	(69%)
• PEEHIP Fully Funded	\$31.9 million	
• Foundation Program (fewer students; higher local match)	(\$26.4 million)	
• Pre-K	\$20.0 million	
• Mental Health	\$11.0 million	
• Higher Education	\$1.623 Billion	(25.3%)
• 1.0% O&M Increase	\$10.1 million	
• Veterans' Scholarship for Dependents	\$26.5 million	
• Other Education	\$366.8 million	(5.7%)
TOTAL	\$6.417 Billion	100.0%

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# General Fund Budget

## Governor's Proposal

\$1.88 Billion – Estimated Revenues (up \$56M or 3.2% over prior year)

\$41.4 Million – Beginning Balance

\$1.924 Billion – Total Available Budget

• Most agencies are level-funded • No decreases to FY17 Budgets	\$1.845 Billion
• 4.0% COLA for State Employees	\$19.0 Million
• SEIB Fully-Funded	\$8.5 Million
• Medicaid	\$23.0 Million
• Other Increases	\$5.8 Million
• Reserves for FY19	\$20.0 Million
TOTAL	\$1.924 Billion

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# Questions?

[www.budget.alabama.gov](http://www.budget.alabama.gov)

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