

2014 LEGISLATIVE ORIENTATION: STATE BUDGETS



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Legislative Fiscal Office

December 11, 2014

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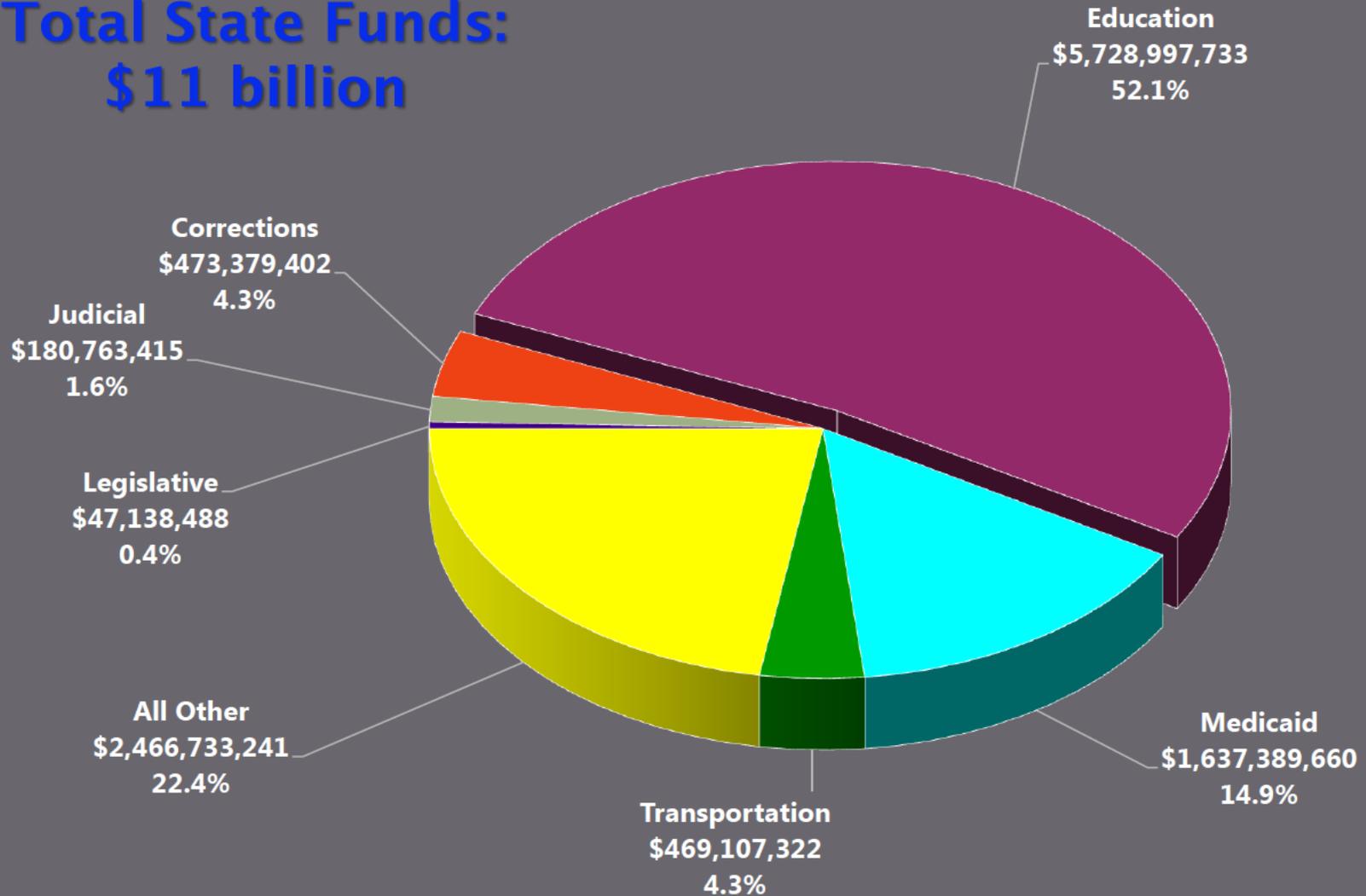
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Presentation Overview

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- ▣ **ETF**
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 - Revenue Sources
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APPROPRIATION OF ALL STATE FUNDS FY 2015

**Total State Funds:
\$11 billion**



APPROPRIATION OF ALL STATE FUNDS FY 2015

	STATE GENERAL FUND	% OF SGF TOTAL	EDUCATION TRUST FUND	% OF ETF TOTAL	OTHER STATE FUNDS ⁽¹⁾	% OF OTHER TOTAL	TOTAL STATE FUNDS	% OF TOTAL
LEGISLATIVE BRANCH	34,911,001	1.90%	12,047,487	0.20%	180,000	0.01%	47,138,488	0.43%
JUDICIAL BRANCH	112,982,845	6.14%			67,780,570	2.10%	180,763,415	1.64%
EXECUTIVE BRANCH								
ABC BOARD					73,567,556	2.28%	73,567,556	0.67%
AGRICULTURE AND FORESTRY	24,182,800	1.31%			22,858,485	0.71%	47,041,285	0.43%
CONSERVATION					98,925,716	3.06%	98,925,716	0.90%
CORRECTIONS	394,281,304	21.43%			79,098,098	2.45%	473,379,402	4.30%
HUMAN RESOURCES	58,708,632	3.19%	27,414,792	0.46%	170,374,998	5.27%	256,498,422	2.33%
MEDICAID	685,125,607	37.25%			952,264,053	29.46%	1,637,389,660	14.88%
MENTAL HEALTH	105,496,435	5.74%	44,202,347	0.75%	203,454,392	6.29%	353,153,174	3.21%
PUBLIC HEALTH	81,194,580	4.41%	13,815,785	0.23%	58,092,042	1.80%	153,102,407	1.39%
PUBLIC SAFETY (and LAW ENFORCEMENT AGENCY)	55,358,923	3.01%	430,000	0.01%	81,487,858	2.52%	137,276,781	1.25%
REVENUE	363,000	0.02%			140,048,147	4.33%	140,411,147	1.28%
TRANSPORTATION					469,107,322	14.51%	469,107,322	4.26%
YOUTH SERVICES	7,290,237	0.40%	54,344,619	0.92%	19,782,565	0.61%	81,417,421	0.74%
DEBT SERVICE	28,398,142	1.54%	21,331,287	0.36%	36,424,958	1.13%	86,154,387	0.78%
NON-STATE APPROPRIATIONS	196,978	0.01%					196,978	0.00%
OTHER APPROPRIATIONS	250,991,516	13.64%	215,914,312	3.64%	572,082,139	17.70%	1,038,987,967	9.44%
K - 12 EDUCATION			4,054,520,312	68.35%	180,470,363	5.58%	4,234,990,675	38.49%
POSTSECONDARY EDUCATION			337,427,675	5.69%			337,427,675	3.07%
UNIVERSITY EDUCATION			1,150,334,262	19.39%	6,245,121	0.19%	1,156,579,383	10.51%
TOTALS ⁽²⁾	1,839,482,000	100.00%	5,931,782,878	100.00%	3,232,244,383	100.00%	11,003,509,261	100.00%

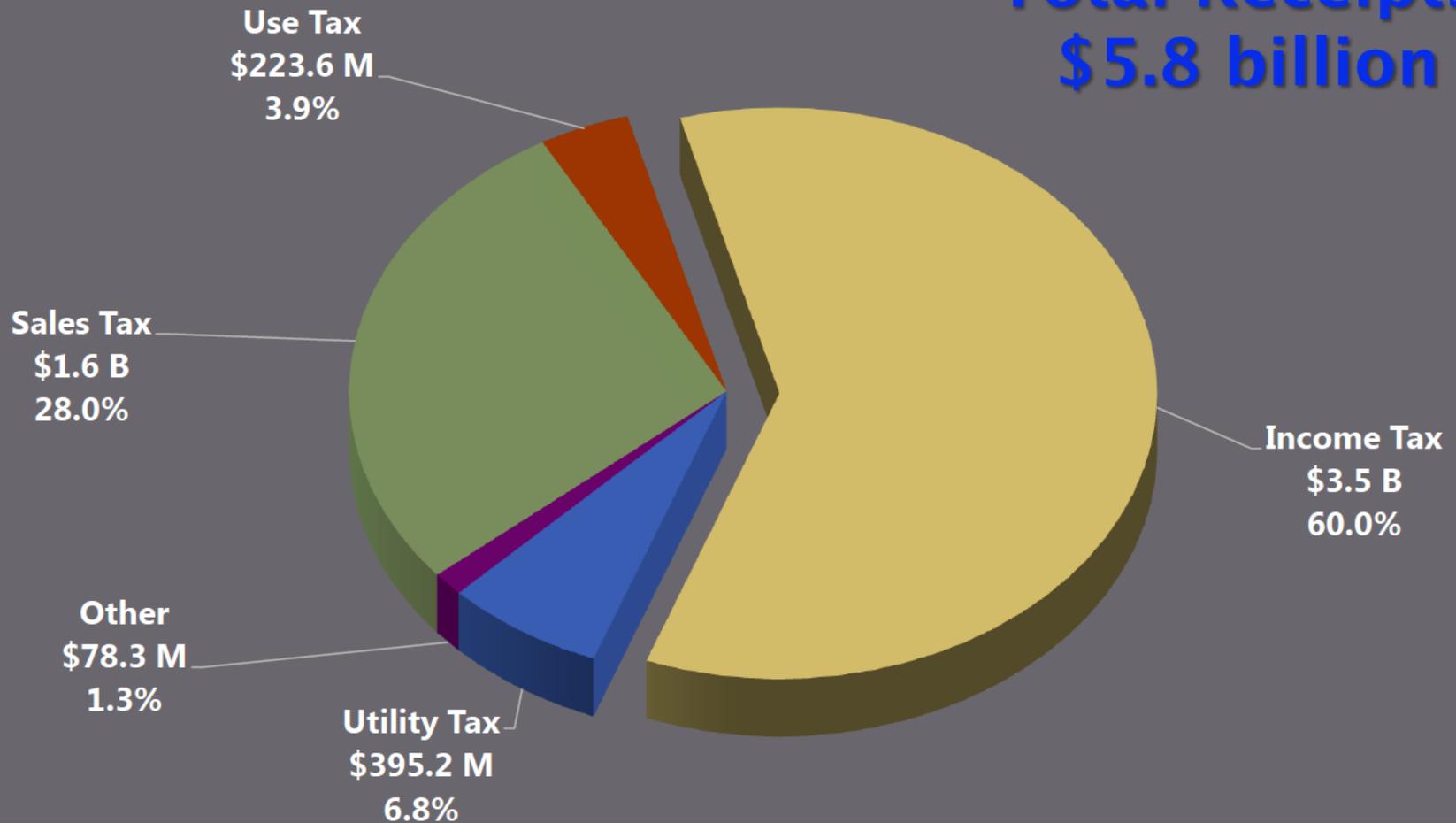
Appropriations as Enacted

⁽¹⁾ Includes taxes, fees and charges collected by state agencies, Children First Trust Fund and tobacco settlement fund appropriations; does not include bond proceeds, interagency transfers or federal funds.

⁽²⁾ Totals may not add due to rounding.

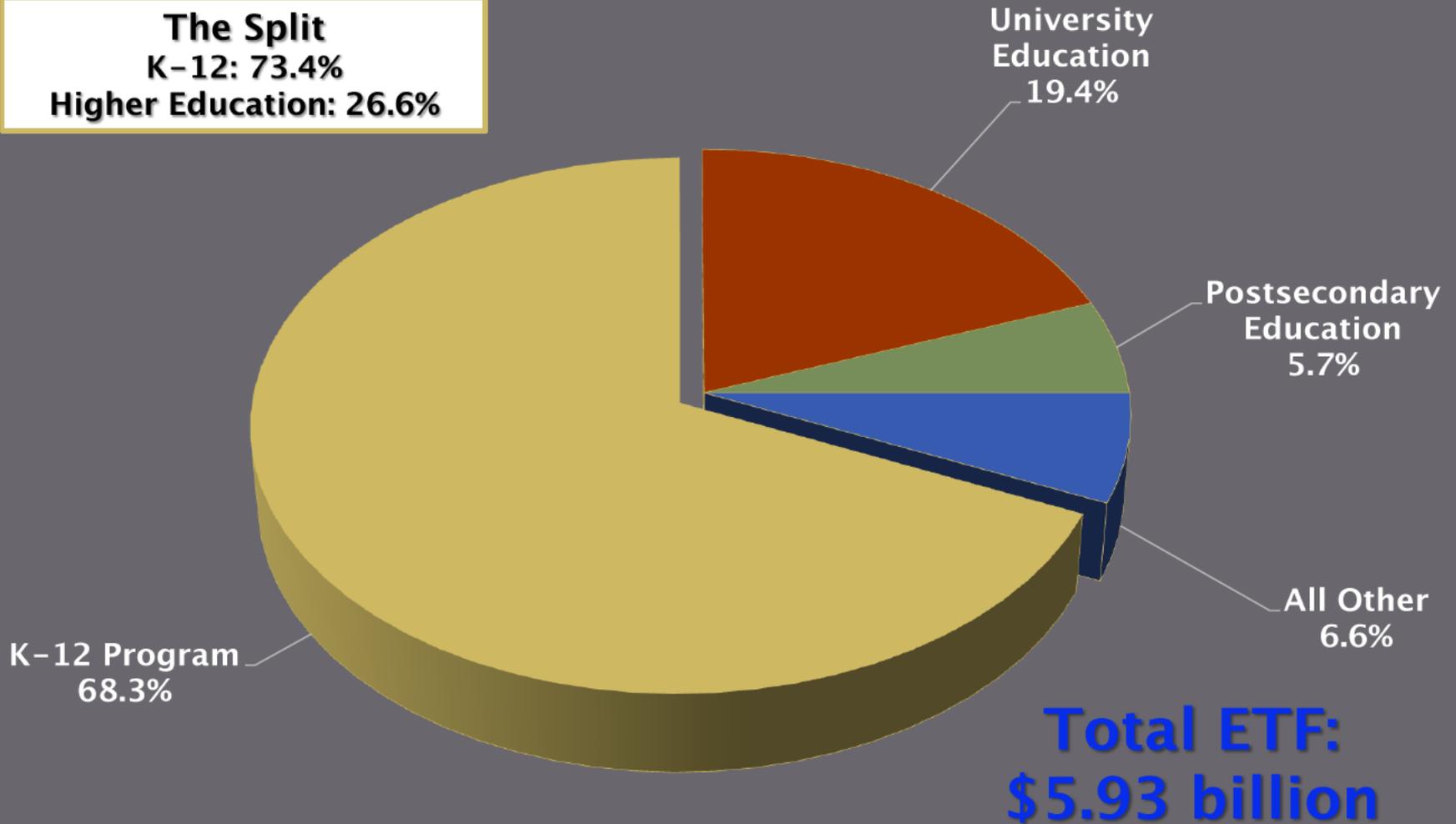
Education Trust Fund Revenue Sources – FY 2014

**Total Receipts:
\$5.8 billion**



Appropriation of Education Trust Fund FY 2015

The Split
K-12: 73.4%
Higher Education: 26.6%



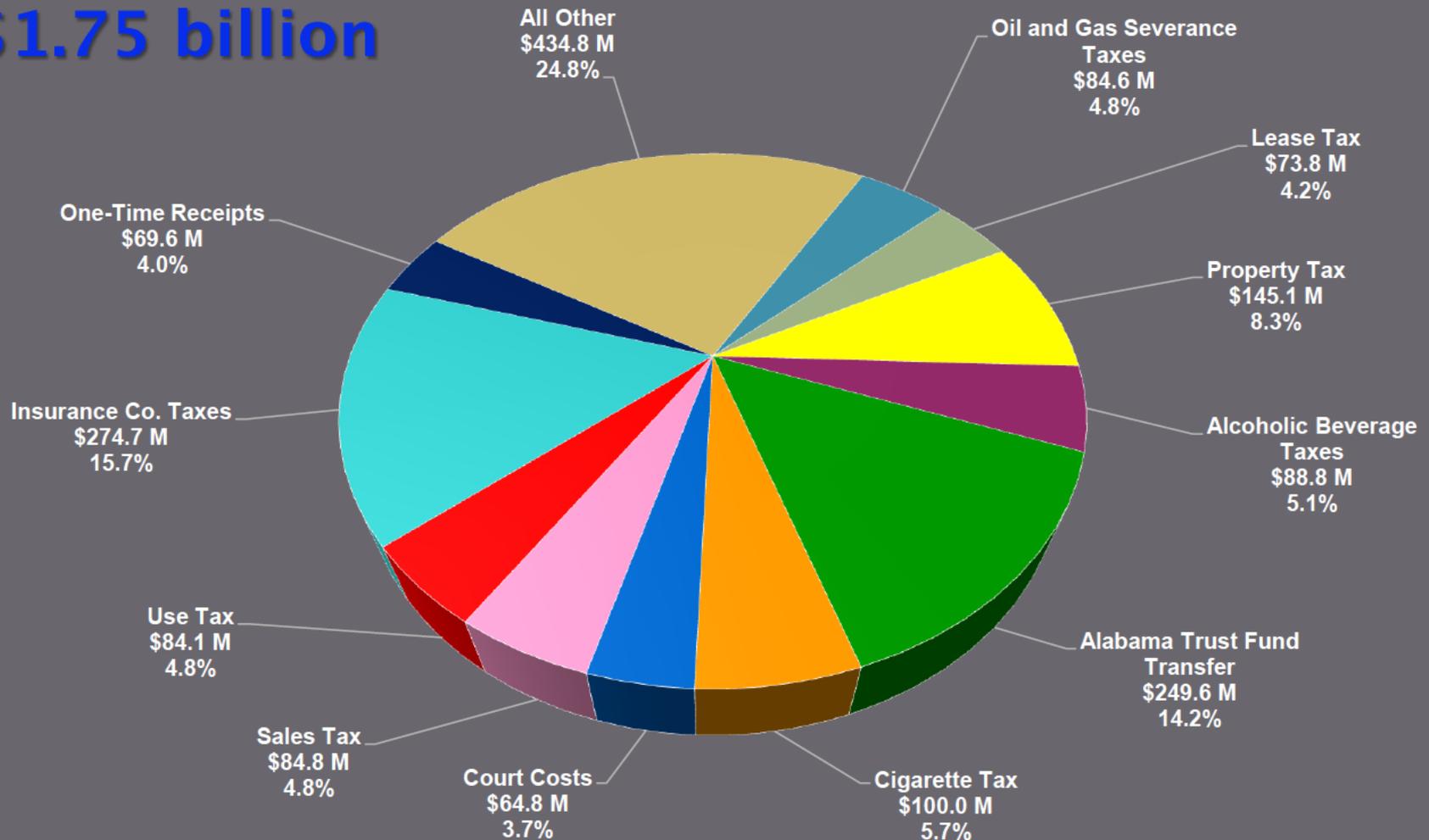
Condition of the ETF

FY 2008 and FYs 2012 through 2014

	Actual FY 2008	Actual FY 2012	Actual FY 2013	Actual FY 2014
BEGINNING BALANCE	280,045,027	8,603,889	19,944,991	5,785,900
Receipts	5,943,258,156	5,646,893,519	5,683,296,432	5,802,736,486
PSCA Repayment	32,000,000			
Transfer from Proration Prevention Account	439,372,515			
DHR Food Stamp Sales Tax Reversion		27,314,100		
Dual Relay Fund Transfer		30,000,000		
TOTAL RECEIPTS	6,414,630,671	5,704,207,619	5,683,296,432	5,802,736,485
TOTAL AVAILABLE (beginning balance plus total receipts)	6,694,675,698	5,712,811,508	5,703,241,423	5,808,522,385
Appropriations	6,729,089,656	5,683,985,540	5,442,852,452	\$5,736,727,180
ETF Rainy Day Account Repayment (absolute appropriation)				35,000,000
ETF Rainy Day Account Repayment (conditional appropriation)				35,000,000
TOTAL EXPENDITURES	6,729,089,656	5,683,985,540	5,442,852,452	5,806,727,180
ENDING BALANCE		28,825,968	260,388,971	1,795,205
<i>ENDING BALANCE USED FOR ETF RAINY DAY ACCOUNT REPAYMENT</i>		14,412,984	260,388,971	
REVERSIONS AND ADJUSTMENTS	-34,413,958	-5,532,007	-5,785,900	-5,279,121
NET ENDING BALANCE		19,944,991	5,785,900	7,074,326
CUMULATIVE AMOUNT REPAID TO THE ETF RAINY DAY ACCOUNT		14,412,984	274,801,955	344,801,955

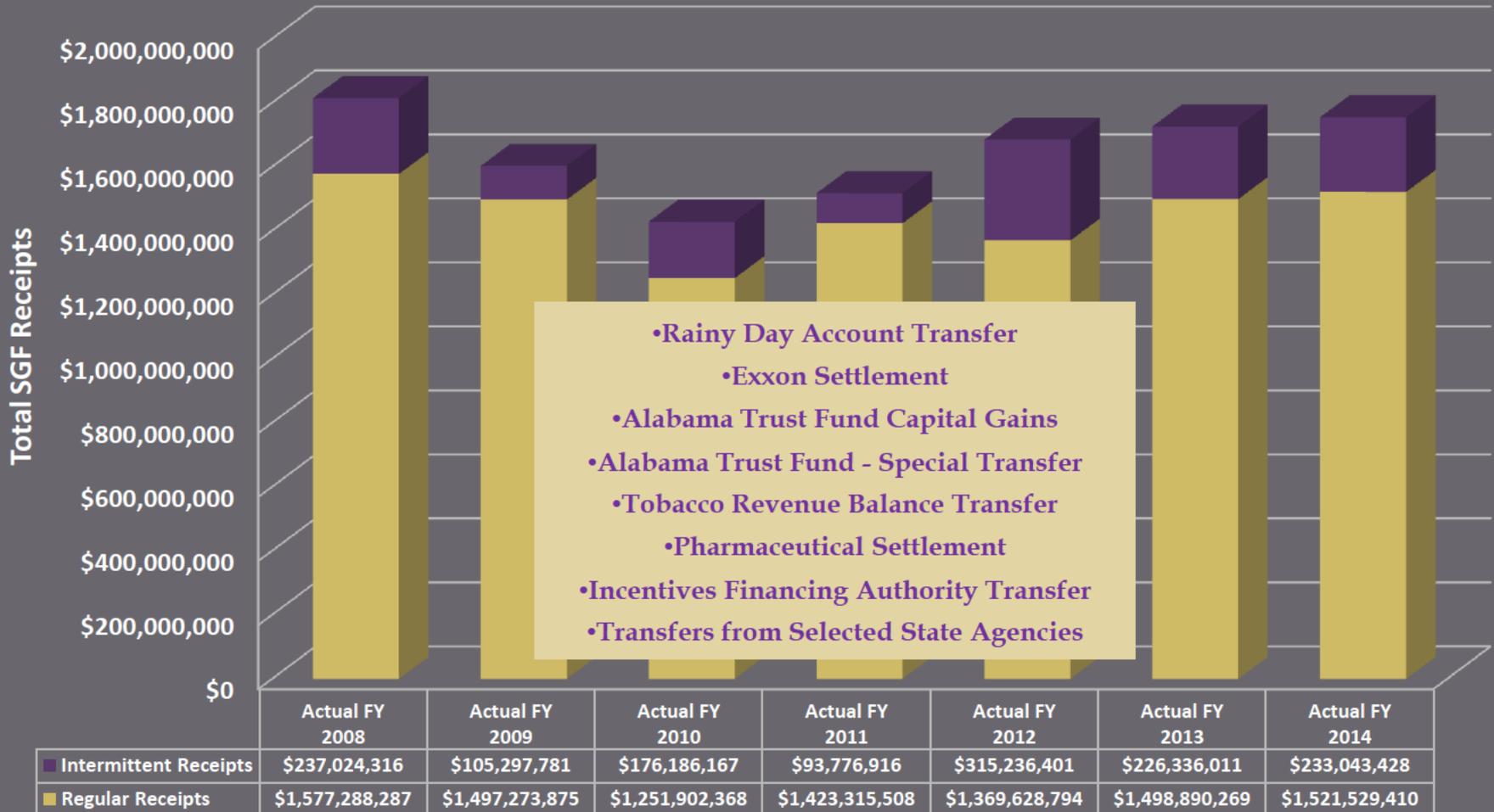
State General Fund Revenue Sources – FY 2014

**Total Receipts:
\$1.75 billion**



State General Fund

Intermittent and Regular Receipts: FY 2008 through FY 2014



State General Fund

Intermittent and Regular Receipts: FY 2015

Regular Receipts: \$1.54 Billion

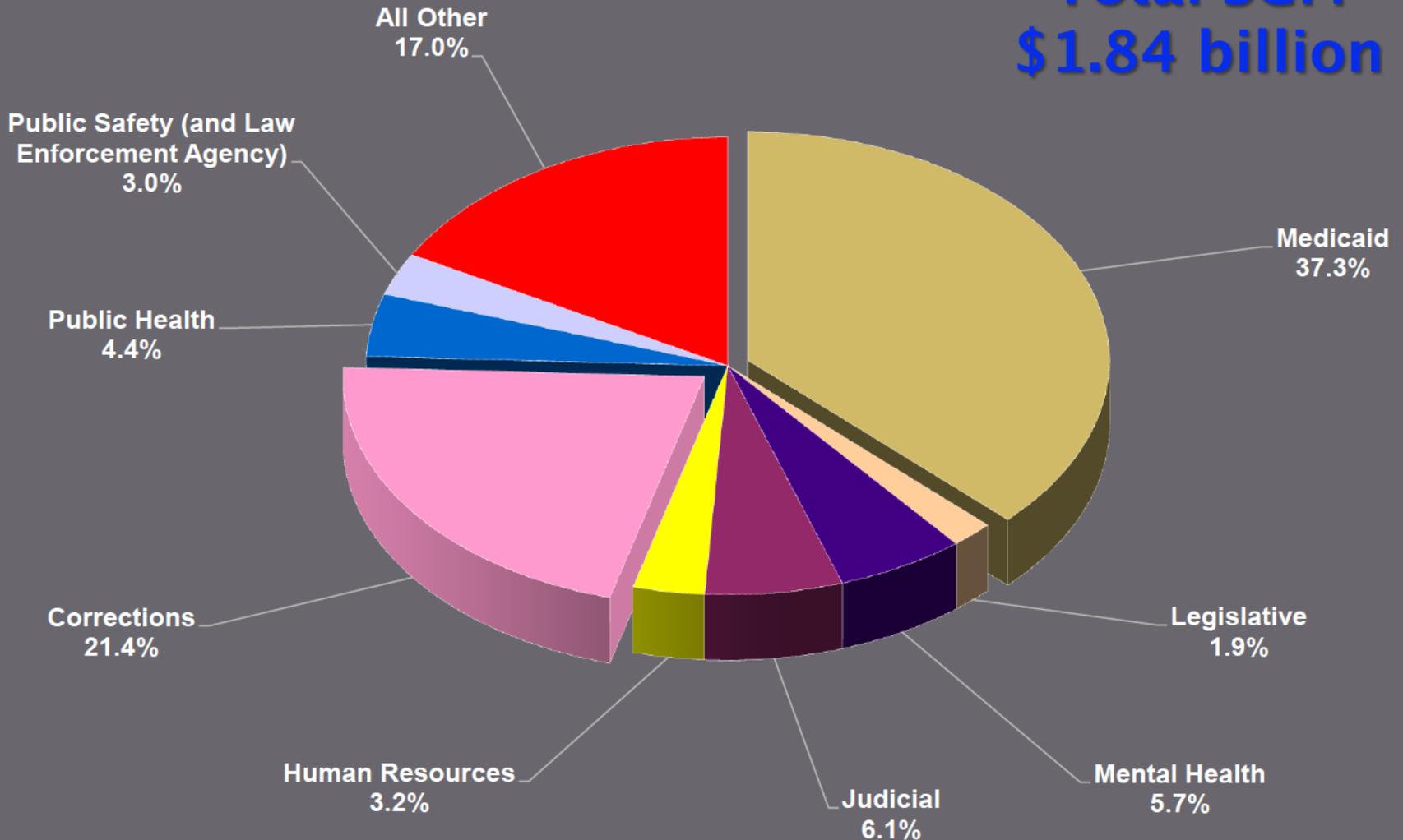
Total Receipts: \$1.82 Billion

Source	FY 2015 Budgeted Amount
Examiners of Public Accounts - Transfer to SGF	\$4,500,000
Public Service Commission - Additional transfer to SGF	1,177,000
Revenue, Department of (Administrative Funds) - Transfer to SGF	4,000,000
21st Century Fund, Alabama - Transfer to SGF	20,000,000
Tobacco Settlement - Transfer to SGF (estimated)	10,600,000
Banking Department - Extraordinary transfer to SGF	7,500,000
Business Privilege Escrow - Additional transfer to SGF	60,000,000
Abandoned Property - Additional transfer to SGF	20,000,000
Insurance Premium from AHIP ⁽¹⁾ repeal - Expected additional receipts to SGF	10,000,000
Alabama Trust Fund - Additional transfer to SGF pursuant to Amendment 856	<u>145,796,943</u>
TOTAL	\$283,573,943

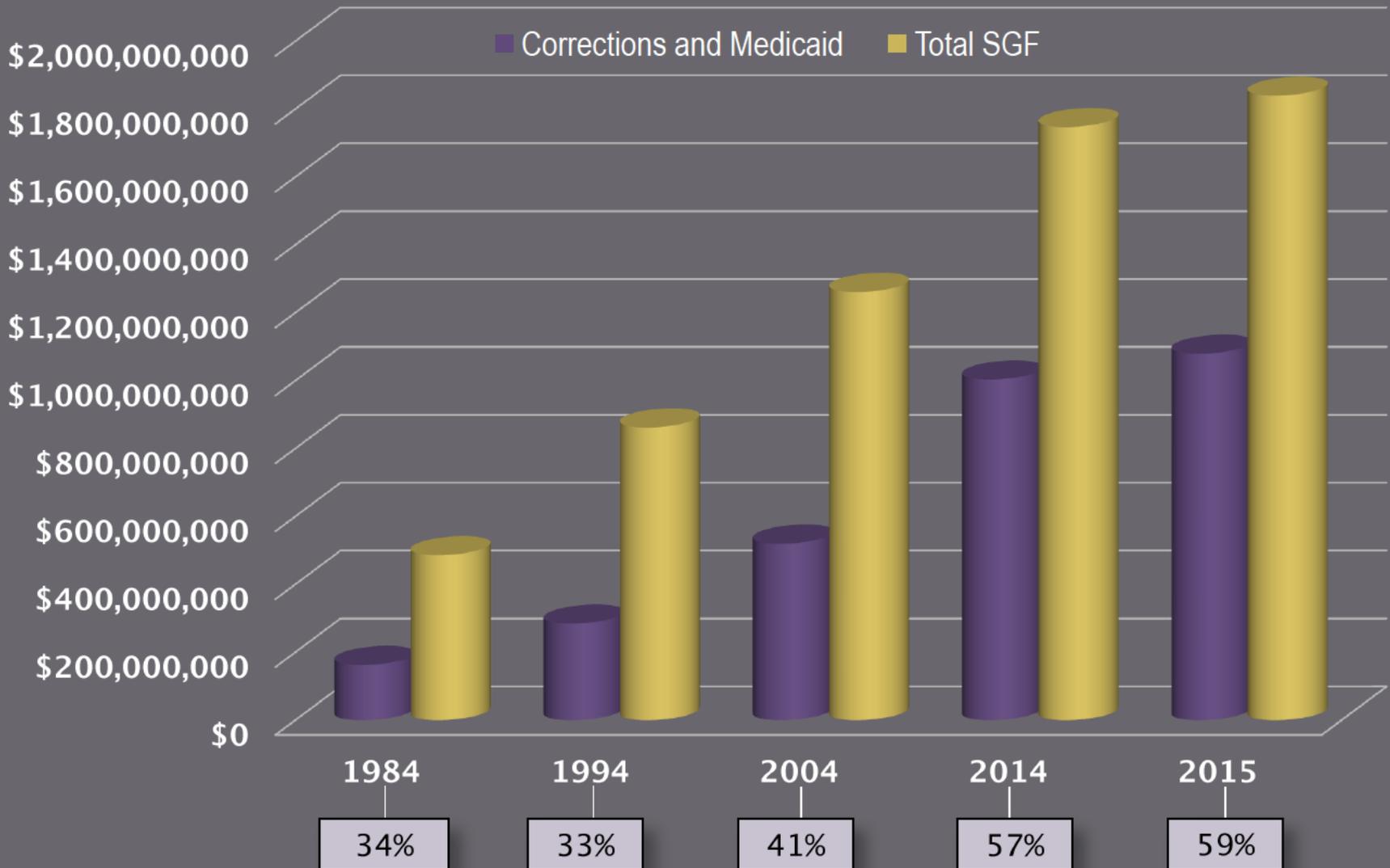
⁽¹⁾AHIP – Alabama Health Insurance Plan

Appropriation of State General Fund FY 2015

**Total SGF:
\$1.84 billion**



State General Fund Growth: Corrections and Medicaid Share



Condition of the SGF

FY 2008 and FYs 2012 through 2014

	Actual FY 2008	Actual FY 2012	Actual FY 2013	Actual FY 2014
BEGINNING BALANCE	239,088,035	42,008,050	39,720,232	38,136,502
TOTAL RECEIPTS	1,814,312,603	1,683,865,194	1,725,226,280	1,754,572,838
TOTAL AVAILABLE (beginning balance, plus total receipts)	2,053,400,638	1,725,873,244	1,764,946,512	1,792,709,340
TOTAL EXPENDITURES (Net of Proration for FY 2012 only)	1,834,413,761	1,686,153,012	1,726,810,010	1,747,370,095
TOTAL ENDING BALANCE	218,986,877	39,720,232	38,136,502	45,339,245

- ▣ **ETF Rainy Day Account**
- ▣ **Rolling Reserve Act**

ETF Rainy Day Account Repayment Provisions

- Reestablished by Amendment 803 to the *Constitution of Alabama of 1901* within the Alabama Trust Fund and limited to an amount equal to 6.5% of the immediately preceding fiscal year's appropriations from the Education Trust Fund (ETF).
- Initial Balance: **\$437,390,828**
- Withdrawals: The entire amount was withdrawn in FY 2009.
- Required repayment term: **Within six years (July 2015)**
- Repayments to date: **\$344,801,955**
 - \$14,412,984 repaid in FY 2012;
 - \$260,388,971 repaid in FY 2013; and
 - a \$35,000,000 absolute appropriation, plus a \$35,000,000 conditional appropriation paid in FY 2014.
- Outstanding Balance: **\$92,588,873**
 - In the FY 2015 ETF Appropriations Act, there is an absolute appropriation of \$35,088,873 to repay the Account. The remaining \$57,500,000 will be paid from the Gross Sales Tax Account.

The Education Trust Fund

Rolling Reserve Act

FY 2016 Cap

FY 2014 Recurring Revenues	\$5,802,736,486
PLUS:	
15-year average growth rate (2.83%)	\$164,217,443
FY 2016 Base Cap	\$5,966,953,929
Tax Credit: Act 2014-147^a	-\$5,000,000
FY 2016 Adjusted Cap	\$5,961,953,929
ETF Appropriations for FY 2015 ^b	\$5,908,224,878
Cap Difference: FY 2016 vs. FY 2015	\$53,729,051

^aAlabama Community College System's Career-Technical Dual Enrollment Program.

^bExcludes the \$23,558,000 appropriated from the Gross Sales Tax Account for the Prepaid Affordable College Tuition (PACT) Program.

The Education Trust Fund Rolling Reserve Act

- ▣ **Establishes the maximum amount (the “Fiscal Year Appropriation Cap”) that may be appropriated from the ETF in any fiscal year**

- ▣ **Calculation of the Cap**
 - Begin with the total recurring revenues deposited into the ETF in the most recently completed fiscal year (sum of regular receipts, plus or minus any one-time nonrecurring or new recurring items). For FY 2016, the baseline is FY 2014. FY 2014 recurring revenues were \$5,802,736,486.
 - The baseline is adjusted, upward or downward, by the average growth rate in the ETF for the 15 most recently completed fiscal years. For the FY 2016 budget, the 15 years are FYs 2000 through 2014. The average growth rate for those years was 2.83%.
 - Multiply the baseline (\$5,802,736,486) by the average growth percentage (2.83%) to determine the amount to add to the baseline – the result is \$164,217,443.
 - Add \$5,802,736,486 and \$164,217,443 to get the base cap, which is \$5,966,953,929.

The Education Trust Fund Rolling Reserve Act

▣ Calculation of the Cap (continued)

▪ Other Adjustments:

- ▣ If the growth rate in recurring revenues for FY 2014 exceeds the 15-year average growth rate, then an adjustment is made to increase the cap. The adjustment is equal to 40% of the dollar growth in revenues for FY 2014 over FY 2013. The growth rate for FY 2014 was 1.18%, which is less than the 15-year average growth rate of 2.83%. Therefore, no adjustment is made for FY 2016.
- ▣ If legislation is enacted that will increase recurring revenues deposited into the ETF, then an amount equal to 95% of the estimate reflected on the fiscal note attached to the legislative act is added to the cap. (No such adjustment is applicable for FY 2016.) If legislation is enacted that will decrease recurring revenues deposited into the ETF, the negative impact, based on the enacted fiscal note, is subtracted from the cap.
 - Act 2014-147 provides a tax credit to individuals and businesses that make contributions for qualifying educational expenses for the Alabama Community College System's Career-Technical Dual Enrollment Program. The tax credits may be first claimed for the 2015 tax year. The cumulative amount of credits claimed may not exceed \$5,000,000 annually.
- ▣ Any nonrecurring revenue deposited into the ETF during FY 2014 is added to the cap. No adjustment has been made for this provision.

The Education Trust Fund Rolling Reserve Act

- ▣ **Total cap is the sum of the baseline and all adjustments**
 - The total **cap for FY 2016 is \$5,961,953,929.**
 - This is an increase of **\$53,729,051** over budgeted ETF appropriations for FY 2015. (The FY 2015 appropriation total excludes the \$23,558,000 appropriated from the Gross Sales Tax Account for the Prepaid Affordable College Tuition (PACT) Program.)

- ▣ **What happens to excess funds when growth exceeds the cap?**
 - Pay back the ETF Rainy Day Account until the account has been repaid in full – borrowed \$437M in FY 2009 to be paid back in six years (July 2015):
 - \$344.8 million repaid thus far (\$14.4 million at the end of FY 2012; \$260.4 million at the end of FY 2013; and a \$35 million absolute appropriation, plus a \$35 million conditional appropriation paid in FY 2014). Remaining outstanding balance owed is **\$92,588,873.**
 - In the FY 2015 ETF Appropriations Act, there is an absolute appropriation of \$35,088,873 to repay the ETF Rainy Day Account. The remaining \$57,500,000 will be paid from the Gross Sales Tax Account.
 - Any remaining balance is then deposited into the Budget Stabilization Fund until the Fund reaches an amount equal to 20% of current appropriations from the ETF. Can be used if the cap:
 - does not equal previous year budget; or
 - is needed to prevent proration.
 - Thereafter, deposited into the Education Trust Fund Capital Fund.

- ▣ **SGF Rainy Day Account**
- ▣ **The People's Trust Act**

SGF Repayments

▣ **SGF Rainy Day Account**

- Established within the Alabama Trust Fund (ATF) and limited to an amount equal to 10% of the immediately preceding fiscal year's appropriations from the State General Fund.
 - Initial Balance: **\$188.3 million**
 - Withdrawals: **\$161.6 million was withdrawn in FY 2010**
 - Required Repayment Term: **Ten years (2020)**
 - Repayments to Date: **\$0**
 - Outstanding Balance: **\$161.6 million**

▣ **The People's Trust Act**

- Required to repay \$437.4 million transferred from the ATF to the SGF (\$145.8 million in each of FYs 2013, 2014 and 2015) by September 30, 2026. The cumulative total amount begins with \$5 million in FY 2014 and increases each fiscal year thereafter. The largest annual increase is \$60 million in FY 2025.