



Budget Update 5-16-12

Medicaid, prison funding hinges on public vote under Alabama Legislature's General Fund budget

By Chris Sanders, ACPP policy analyst

Medicaid, prisons and other public services would risk massive funding shortfalls next year if Alabama voters reject a proposed constitutional amendment, under a General Fund (GF) budget that the state Legislature passed late Wednesday night. The House voted 77-28 for the spending plan, while the Senate approved it 29-6.

The GF budget will become law if Gov. Robert Bentley signs it. If he vetoes or declines to sign it, the Legislature will have to pass another budget during a special session later this year. Lawmakers returned Thursday for a special session focused on legislative redistricting, immigration and other issues.

GF spending in fiscal year (FY) 2013 would be almost \$1.7 billion under the Legislature's plan. That would be about \$67 million, or 3.8 percent, less than this year's expected spending after mid-year budget cuts known as proration. But \$145.8 million of funding for Alabama's non-education public services next year would hinge on voter approval of a proposed constitutional amendment in a special referendum Sept. 18.

A significant decision looms in September

The constitutional amendment would allow the transfer of \$145.8 million annually for the next three years from the Alabama Trust Fund to the GF. The measure would redirect funds now scheduled to go toward repayment of the Education Trust Fund (ETF) rainy day account, which lawmakers emptied in FY 2009. The House voted 99-5 for the amendment Wednesday night, while the Senate OK'd it 28-0.

If state voters approve the amendment, Medicaid would receive \$603.1 million in GF money next year, just above the \$602 million in state funding that State Health Officer Don Williamson said the program must have to avoid the risk of falling below minimum federal requirements and losing all federal funding. The Department of Corrections would receive \$365.5 million, or 4.2 percent less than this year.

Both agencies – and others, including the Departments of Human Resources (DHR) and Mental Health – would bear the funding risk of Alabama voters' rejection of the proposed amendment. A "no" vote would throw the GF budget into a state of uncertainty and likely would force the Legislature to return for a special session in late September, just two weeks before FY 2013 begins on Oct. 1.

Rep. Jim Barton, R-Mobile, who chairs the House's GF budget committee, told House members that a "no" vote could force lawmakers to consider revenue measures to plug the GF's funding hole. Rep. Joe Hubbard, D-Montgomery, asked Barton if that could include a cigarette tax increase like the one Hubbard pushed during the regular session. "I believe that would be on the table," Barton replied.

GF budget relies on proposed tax revenue shift, new court fees

Lawmakers' GF budget also would depend on the passage of another bill during a special session. The budget assumes the shift of 25 percent of Alabama's use tax revenues from the ETF to the GF. That move would raise about \$67 million for the GF, according to Rep. Jay Love, R-Montgomery, who chairs the House's ETF budget committee. The Legislature will consider the measure during the special session that began Thursday.

Use tax revenues would help the cash-strapped GF absorb about \$37 million of additional obligations and would add a net \$30 million to the budget, Love said. The Legislature voted Wednesday to move funding for the Department of Youth Services (DYS) and ALL Kids from the education budget to the GF budget. ALL Kids, which provides affordable health insurance for children whose low- and moderate-income families do not qualify for Medicaid, historically received funding from the GF until lawmakers moved the program to the ETF in 2011.

Legislators voted late Wednesday night to impose new fees on court filings and bail bonds to reduce the GF's funding obligations for courts, district attorneys and other public services tied to the judicial system. HB 688, sponsored by Rep. Mike Hill, R-Columbiana, would raise more than \$40 million for state courts and DAs. The Senate voted 26-7 for it, and the House voted 75-23 to agree to the Senate's changes. The bill will become law if Bentley signs it.

HB 688's fee schedule mirrors the version that cleared a Senate committee last week. But under the measure that legislators sent to Bentley, the fees would expire after three years, or even sooner if lawmakers approve an alternative revenue source. A bond filing fee also would apply only once in cases where a person was charged with multiple offenses.

The votes came fast and furious late Wednesday night, with little time for lawmakers to debate or even read the bills. The House did not take up the conference committee's version of the GF budget until 10:58 p.m., about an hour before this year's regular session was set to end at midnight. By 11:44 p.m., both the House and Senate had approved the budget. Final votes on the proposed constitutional amendment and court fee increases also came with less than an hour to go in the session.

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