

# *Presentation to the Legislature on Alabama's Financial Condition*



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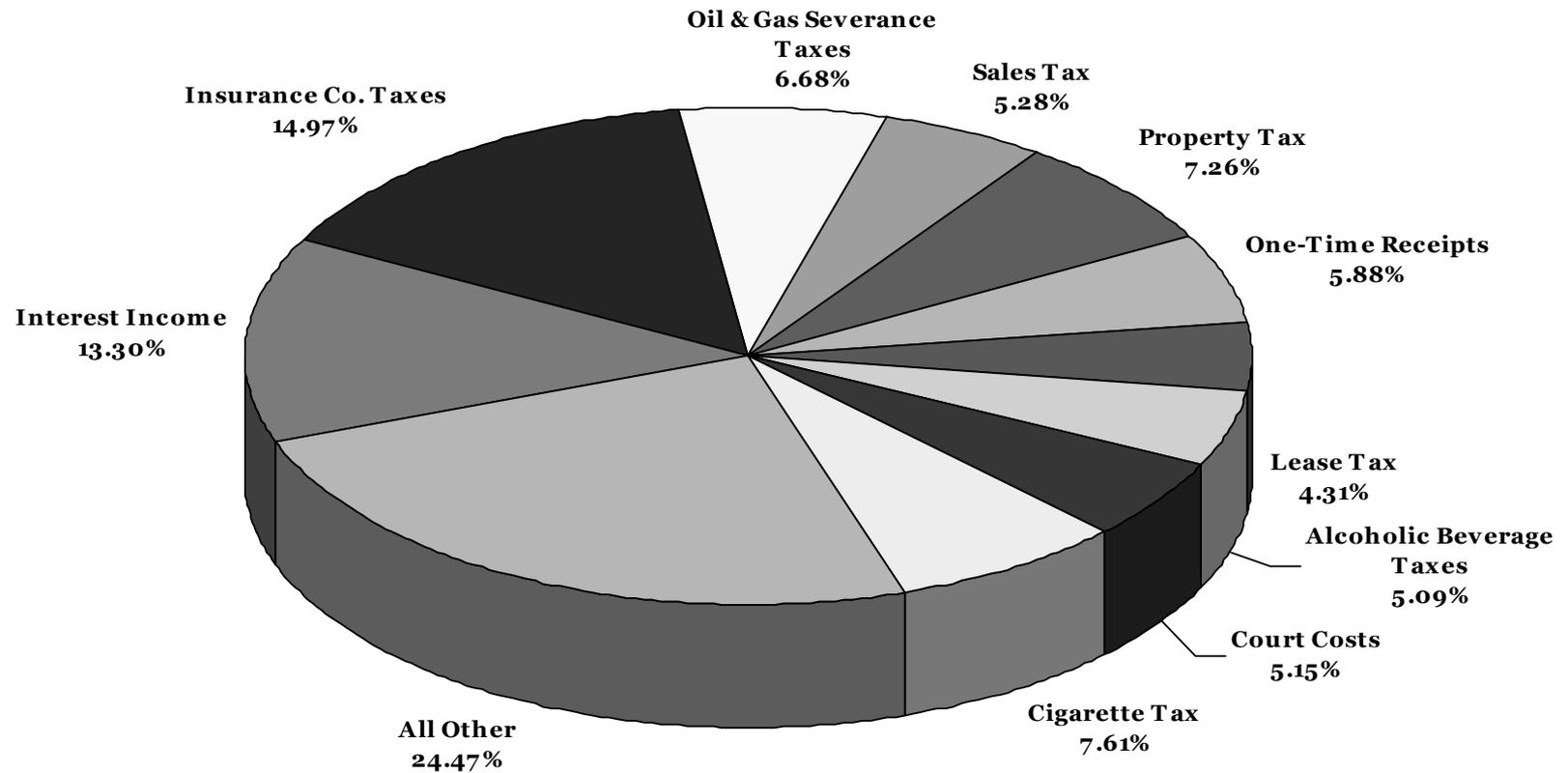
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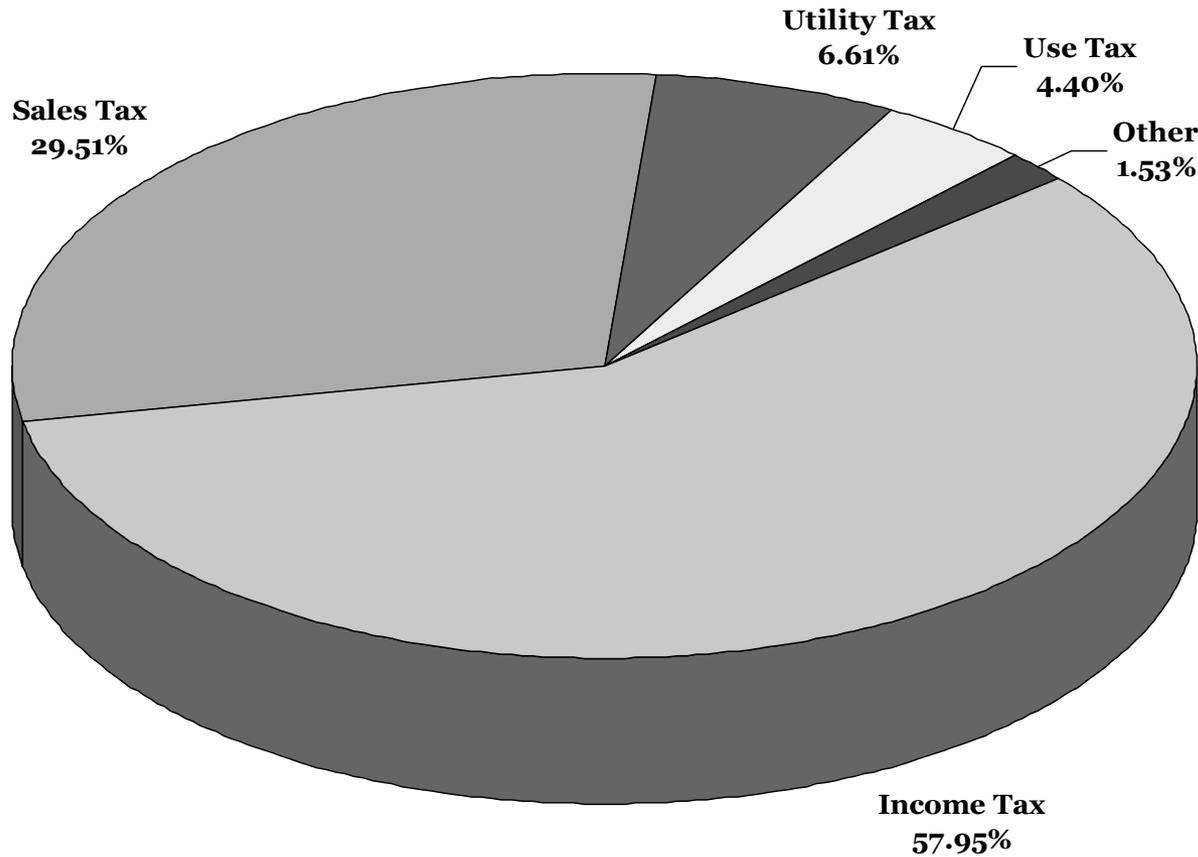
# **Appropriation of State Funds FY 2008**

- ▶ **Total All State Funds - \$11.6 billion**
  - **General Fund - \$1.8 billion**
    - ▶ **Medicaid - \$470.8 million**
  - **Education Trust Fund - \$6.7 billion**
  - **Other State Funds - \$ 3.1 billion**

# Sources of Revenue to the General Fund FY 2007



# Sources of Revenue to the Education Trust Fund FY 2007



# Condition of the State General Fund Fiscal Year 2007

<b>BEGINNING BALANCE</b>	<b>263,228,436</b>
Receipts	1,533,149,328
Transfers from State agencies	5,323,000
Transfer from abandoned property reserve fund	25,000,000
Transfer from business privilege tax	15,000,000
Transfer from tobacco revenues	11,205,911
Transfer from Alabama Trust Fund gains	34,979,281
Transfer from FEMA refund	9,923,628
<b>TOTAL RECEIPTS</b>	<b>1,634,581,148</b>
<b>TOTAL AVAILABLE</b> (beginning balance, plus total receipts)	<b>1,897,809,584</b>
<b>EXPENDITURES</b> , net of reversions	<b>1,658,721,549</b>
<b>ENDING BALANCE</b>	<b>239,088,035</b>

# Projected Condition of the State General Fund Fiscal Years 2008 and 2009

	FY 2008	FY 2009	Growth
<b>BEGINNING BALANCE</b>	<b>239,088,035</b>	<b>75,920,121</b>	
Estimated receipts	1,506,400,000	1,515,090,000	0.58%
Transfers from State agencies	5,323,000	5,323,000	
Transfer from abandoned property reserve fund	15,000,000	15,000,000	
Transfer from Exxon escrow	19,500,000		
Transfer from tobacco revenues	12,193,631		
Transfer from Alabama Trust Fund gains	117,267,060		
Transfer from pharmaceutical company settlements	4,743,800		
<b>TOTAL RECEIPTS</b>	<b>1,680,427,491</b>	<b>1,535,413,000</b>	-8.63%
<b>TOTAL AVAILABLE</b> (beginning balance, plus total receipts)	<b>1,919,515,526</b>	<b>1,611,333,121</b>	
<b>APPROPRIATIONS</b> (as of 12/31/2007)	<b>1,843,595,405</b>		
<b>ENDING BALANCE</b>	<b>75,920,121</b>		

# State Employees

- ▶ **Employers' retirement rate increases from 9.84% to 11.37% for FY 2009**
  - total increased cost - \$33.6 million
  - General Fund share - \$12.1 million
- ▶ **Employers' rate for health insurance will increase from \$775 to \$837 per employee/month**
  - total cost - \$56 million
  - General Fund share - \$20 million
- ▶ **3.5% pay increase**
  - total cost - \$67.1 million
  - General Fund share - \$24.2 million

# Medicaid

- ▶ Requested increase of \$150 million from the State General Fund for 2009
- ▶ Katrina relief

# CHIP

- ▶ \$7.3 million requested General Fund increase for FY 2009
- ▶ Uncertain federal funds
- ▶ \$3.46 match rate

# Corrections

- ▶ Property sold/pending
- ▶ Supplemental from the General Fund

# **General Fund Budget Requests**

- ▶ \$481 million in increased appropriations for FY 2009

# Condition of the Education Trust Fund

## Fiscal Year 2007

Beginning balance	686,214,930
Beginning balance reserved for October 1 debt service payment	8,838,858
<b>TOTAL BEGINNING BALANCE</b>	<b>695,053,788</b>
<b>RECEIPTS</b>	5,854,027,193
<b>TOTAL AVAILABLE</b> (total beginning balance, plus receipts)	<b>6,549,080,981</b>
Expenditures, net of reversions	5,941,054,398
Transfer to statutory proration prevention account	149,888,327
Appropriation to Knight v. Alabama (per settlement agreement)	45,600,000
Appropriation to statutory proration prevention account	16,000,000
Appropriation to repay constitutional rainy day fund	71,993,229
Appropriation to DYS for Chalkville settlement	12,500,000
Appropriation to Enterprise City Schools (see note)	32,000,000
Reserve for October 1 debt service payment	4,328,000
<b>TOTAL EXPENDITURES</b>	<b>6,273,363,954</b>
Ending balance	275,717,027
Ending balance reserved for October 1 debt service payment	4,328,000
<b>TOTAL ENDING BALANCE</b>	<b>280,045,027</b>

NOTE: The FY 2007 appropriation to the Enterprise City Schools is anticipated to be repaid during FY 2008 from Public School and College Authority bond proceeds.

# Projected Condition of the Education Trust Fund Fiscal Years 2008 and 2009

	FY 2008	Growth over FY 2007	FY 2009	Growth over FY 2008
Beginning balance	275,717,027			
Beginning balance reserved for October 1 debt service payment	4,328,000			
<b>TOTAL BEGINNING BALANCE</b>	<b>280,045,027</b>			
Estimated receipts	6,012,089,535	2.70%	6,237,792,075	3.75%
Reduction in sales tax for debt service on new PSCA bond issue	-22,889,535		-82,592,075	
Anticipated repayment from bond issue	32,000,000			
<b>TOTAL RECEIPTS</b>	<b>6,021,200,000</b>		<b>6,155,200,000</b>	
<b>TOTAL AVAILABLE</b> (total beginning balance, plus total receipts)	<b>6,301,245,027</b>		<b>6,155,200,000</b>	-2.32%
<b>APPROPRIATIONS</b> (as of 12/31/2007)	<b>6,707,089,656</b>			
<b>ENDING BALANCE</b>	<b>-405,844,629</b>			

# Statutory Proration Prevention Account

- ▶ Current balance - \$434 million
  - ▶ \$366 million from unanticipated ending ETF balances in FY 04, FY 05, and FY 06
  - ▶ \$34 million total appropriated from the ETF to the Account in FY 06 and FY 07
  - ▶ \$34 million in interest income
- ▶ May be withdrawn by the Governor in order to prevent proration or by legislative act with a two-thirds vote

# Constitutional Rainy Day Account

- ▶ Created as a part of the Alabama Trust Fund
- ▶ Current balance - \$248 million (maximum balance allowed)
- ▶ May be withdrawn only to mitigate proration of appropriations to public schools, colleges and universities, public schools for the deaf and blind, public schools for the mentally ill and retarded, and other entities established by general statute for public school students
- ▶ Not all ETF appropriations protected



# Outlook for the Education Trust Fund for FY 2009

- ▶ **Teacher and education employee benefits**
  - TRS employer rate for FY 2009 will increase from 11.06% to 12.07%
    - ▶ total cost - \$78 million
    - ▶ ETF share - \$55 million
  - PEEHIP employer rate for FY 2009 will increase from \$775 to \$795 per employee per month
    - ▶ estimated cost to ETF for K-12 entities - \$18 million
    - ▶ estimated cost to ETF for 2-year college system - \$1.18 million
- ▶ **Mandatory divisors**
- ▶ **16<sup>th</sup> Section Lands repayment**
- ▶ **Requested increases from the ETF for FY 2009 total \$644 million**

# Alabama Trust Fund History

- ▶ Heritage Trust Fund - \$467 million in 1982
- ▶ Amendment 450 to the Constitution in 1985 established the Alabama Trust Fund
  - \$333.6 million from off-shore oil & gas leases
- ▶ Heritage Trust Fund merged with Alabama Trust Fund in 2001
- ▶ Alabama Trust Fund assets - \$3.1 billion
- ▶ Assets held in perpetual trust

# Alabama Capital Improvement Trust Fund (ACITF)

- ▶ **Amendment 666 – ratified in 2000**
- ▶ **28% of prior year ATF royalties**
  - \$521.9 million deposited into the ACITF
- ▶ **Bond Commission**
  - \$350 million in original bonding authority for economic development
  - Constitutional amendment ratified in June, 2007 increased bond authority to \$750 million
  - \$710 million issued
  - \$40 million remaining

# Alabama Capital Improvement Trust Fund

## (Amounts in Millions)

	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009 (Est.)
<b>Beginning Balance</b>	0	9.4	33.4	89.9	95.3	63.7	39.4	10.0
<b>Royalty Revenues</b>	74	41.7	82.7	72.8	75.6	103.4	71.7	74
<b>Total Expenditures*</b>	64.6	17.7	26.2	67.4	107.2	127.7	101.1	75.2
<b>General Fund Relief</b>	0	0	8.2	46.6	62.8	60.7	44.5	28.5
<b>Ending Balance</b>	9.4	33.4	89.9	95.3	63.7	39.4	10.0	8.8
<b>*Includes General Fund Relief</b>								

# Alabama Public School and College Authority Bond Issue

► **Amount - \$1,070,585,022**

K-12	\$658,640,517
Two-Year College System	\$48,207,500
Senior Institutions	\$178,237,005
Other*	\$185,500,000

\*Includes Forensic Sciences; Enterprise School System Tornado Repayment; State Trooper/Correctional Training Facility; Workforce Development Funds; Incentive Funds and others

# **Tobacco Revenues**

- ▶ **\$873 million received since 2000**
- ▶ **Current Litigation**

# Governmental Accounting Standards Board (GASB) Rule 45

- ▶ Acknowledge retiree healthcare costs on financial statements
- ▶ Legislature authorized the Public Education Employees' Health Insurance Board (PEEHIB) and the State Employees' Insurance Board (SEIB) to create health care trust funds
  - PEEHIB has transferred a total of \$419 million into the trust from reserves
    - ▶ current unfunded accrued liability for PEEHIP is valued at \$12.5 billion
  - SEIB has transferred a total of \$50 million from its reserves
    - ▶ unfunded liability at end of September, 2005 valued at \$5.3 billion

# **Gulf of Mexico Energy Security Act**

- ▶ Opens 8.3 million acres of deepwater areas in the Gulf of Mexico for energy production and sends 37.5% of federal royalties to Alabama, Louisiana, Mississippi and Texas
- ▶ States receive funds 3 ways
- ▶ Provides for funding

# **Selected Litigation**

- ▶ **ExxonMobil**
- ▶ **VFJ Ventures**
- ▶ **Oil & Gas Severance Tax**

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