

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



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[www.lfo.state.al.us](http://www.lfo.state.al.us)**

# Condition of the State General Fund Fiscal Years 2007 & 2008

|  | FY 2007              | FY 2008              | % Change |
|--|----------------------|----------------------|----------|
| <b>BEGINNING BALANCE</b>                                       | <b>263,228,436</b>   | <b>197,684,267</b>   |          |
| LFO estimated receipts   | 1,529,800,000        | 1,552,150,000        | 1.46%    |
| Transfers from state agencies                                  | 5,323,000            |                      |          |
| Transfer from abandoned property reserve fund                  | 25,000,000           | 15,000,000           | -40.00%  |
| Transfer from tobacco revenues                                 | 10,634,088           |                      |          |
| Transfer from Alabama Trust Fund gains                         | 34,979,281           |                      |          |
| <b>TOTAL RECEIPTS</b>  | <b>1,605,736,369</b> | <b>1,567,150,000</b> | -2.40%   |
| <b>TOTAL AVAILABLE</b> (Beginning Balance plus Total Receipts) | <b>1,868,964,805</b> | <b>1,764,834,267</b> |          |
| <b>ESTIMATED APPROPRIATIONS (as of 01/31/07)</b>               | <b>1,671,280,538</b> |                      |          |
| <b>ENDING BALANCE</b>  | <b>197,684,267</b>   |                      |          |

Note: An additional \$13.5 million in conditional appropriations for FY 2007 have been authorized for release, but have not been released as of 2/26/07.

# GF Conditionals Released

- ◆ Total - \$4.5 million
  - Industrial Relations - \$1,140,000
  - Military Department - \$1,200,000
  - Attorney General - \$140,000
  - ADECA - \$500,000
  - Pardons and Paroles - \$1,500,000

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# Debt Relief

- ◆ G. O. Bonds (GF) - \$24.7 million
- ◆ G. O. Bonds (DOT) - \$18.1 million
- ◆ Public Health Care Authority - \$3.6 million
- ◆ Mental Health Finance Authority - \$5.5 million
- ◆ Judicial Building Authority - \$4 million
- ◆ Building Renovation Finance Authority - \$2.8 million
- ◆ Corrections Institution Finance Authority - \$2.2 million

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# State Employees

- ◆ Employers' retirement rate increase from 7.78% to 9.84%
  - General Fund cost - \$11 million
- ◆ Employers' rate for health insurance increase from \$717 to \$775
  - General Fund cost - \$8.3 million
- ◆ 1% pay increase
  - General Fund cost - \$6 million

# Medicaid

- ◆ Requested increase of \$71.5 million
- ◆ Katrina Relief
- ◆ FMAP changes
  - Medicaid - \$50.7 million
  - Mental Health - \$5.4 million
  - Human Resources - \$3.1 million
  - Public Health - \$900,000
  - Senior Services - \$500,000
  - Rehabilitation Services - \$300,000



# Human Resources

- ◆ Requested increase of \$29.7 million
- ◆ R. C. Consent Decree
- ◆ Foster care

# **Mental Health & Mental Retardation**

- ◆ Requested increase of \$3.8 million from the Education Trust Fund
- ◆ Requested increase of \$44.7 million from the General Fund

# Public Health

- ◆ Requested increase of \$8.3 million from the Education Trust Fund
- ◆ Requested increase of \$17.7 million from the General Fund
- ◆ CHIP

# Corrections

- ◆ Requested increase of \$92.2 million from the General Fund
- ◆ New women's correctional facility
- ◆ Community Correction programs
- ◆ Correctional officers' pay increase
- ◆ State Employees' Insurance Board

# Public Safety

- ◆ Requested increase of \$28.3 million from the General Fund
- ◆ Troopers
- ◆ Federal Real ID Act

# Fair Trial Tax Fund

## ◆ Overhead expenses

- \$14.7 million for retroactive payments
- Additional estimated \$13.2 annually

# Condition of the Education Trust Fund Fiscal Years 2007 & 2008

|   | FY 2007              | FY 2008              | % Change |
|---|----------------------|----------------------|----------|
| Beginning balance   | 686,214,930          | 427,978,180          |          |
| Beginning balance reserved for October 1 debt service payment         | 8,838,858            | 4,328,000            |          |
| <b>TOTAL BEGINNING BALANCE</b>  | <b>695,053,788</b>   | <b>432,306,180</b>   |          |
| <br>  |                      |                      |          |
| <b>TOTAL RECEIPTS</b>   | <b>5,945,000,000</b> | <b>6,292,000,000</b> | 5.84%    |
| <br>  |                      |                      |          |
| <b>TOTAL AVAILABLE</b> (Total Beginning Balance plus Total Receipts)  | <b>6,640,053,788</b> | <b>6,724,306,180</b> |          |
| <br>  |                      |                      |          |
| Estimated appropriations (as of 01/31/07)                             | 5,924,266,052        |                      |          |
| Transfer to statutory proration prevention account                    | 149,888,327          |                      |          |
| Appropriation to <u>Knigh t v. Alabama</u> (per settlement agreement) | 45,600,000           |                      |          |
| Appropriation to statutory proration prevention account               | 16,000,000           |                      |          |
| Appropriation to repay constitutional rainy day account               | 71,993,229           |                      |          |
| Reserve for October 1 debt service payment                            | 4,328,000            |                      |          |
| <b>TOTAL EXPENDITURES</b>   | <b>6,212,075,608</b> |                      |          |
| <br>  |                      |                      |          |
| Ending balance  | 427,978,180          |                      |          |
| Ending balance reserved for October 1 debt service payment            | 4,328,000            |                      |          |
| <b>TOTAL ENDING BALANCE</b>   | <b>432,306,180</b>   |                      |          |

# **ETF Budget Stabilization Funds**

- ◆ **Two Funds – one created by statute and one created by constitutional amendment**
- ◆ **Statutory Fund – ETF Proration Prevention Account (§40-1-32.1)**
  - Estimated balance at end of FY 2007 - \$425 million
- ◆ **Constitutional Fund – ETF Rainy Day Account (Amendment 709)**
  - Estimated balance at end of FY 2007 - \$248 million



# Outlook for the Education Trust Fund for FY 2008

- ◆ Teacher and education employee benefits
- ◆ K-12 Foundation and Local Board increases
- ◆ Other K-12 programs
- ◆ Reading Initiative
- ◆ Math/Science/Technology Initiative
- ◆ ACCESS
- ◆ Bond issue
- ◆ Higher education requests

# **Teacher and Education** **Employee Benefits**

- ◆ **TRS employer rate increase from 9.36% to 11.06% - \$52 million**
- ◆ **PEEHIP employer rate increase from \$717 to \$775 - \$55 million**
- ◆ **Cost of 1% pay increase - \$38 million**

# Reading Initiative

- ◆ **Started in FY 1999 - 16 schools - \$1.5 million in private funds**
- ◆ **FY 2007 – \$56 million state appropriation**
  - 899 schools, which includes all K-3 schools
- ◆ **Request additional \$5 million in FY 2008**

# Math/Science/Technology Initiative

- ◆ **FY 2001 - \$200,000**
- ◆ **FY 2007 - \$22 million**
  - allow program to expand to 10 of the planned 11 regional sites and serve 350 schools
- ◆ **Requesting \$11 million increase for FY 2008**

# ACCESS

- ◆ **\$10.3 million appropriated for FY 2006**
- ◆ **\$10.3 million appropriated for FY 2007**
- ◆ **44 sites with 43 different courses**
- ◆ **\$14.7 million requested increase for FY 2008**

# Proposed Bond Issue

| <b>Total Amount Issued</b> | <b>Estimated Annual Debt Service</b> |
|----------------------------|--------------------------------------|
| \$500 Million              | \$39.8 Million                       |
| \$750 Million              | \$59.7 Million                       |
| \$850 Million              | \$67.7 Million                       |
| \$1 Billion                | \$79.6 Million                       |

# Higher Education Requests

- ◆ **Unified Budget Recommendations – increase of \$252 million in FY 2008**
  - 4-year institutions - \$170 million
  - 2-year institutions - \$30 million
  - New programs
    - ◆ \$50 million for Alabama Consolidated Research Initiative and Technology Effort
    - ◆ Pre K-20 initiative - \$1.5 million

# **Alabama Capital Improvement Trust Fund (ACITF)**

- ◆ Amendment 666
- ◆ Provided that 28% of all royalties would be paid to the ACITF
- ◆ Established a Bond Commission
  - \$350 million in original bonding authority
  - Governor requesting an additional \$400 million in bonding authority



# Alabama Capital Improvement Trust Fund

(Amounts in Millions)

|                               | <b>Fiscal<br/>Year<br/>2002</b> | <b>Fiscal<br/>Year<br/>2003</b> | <b>Fiscal<br/>Year<br/>2004</b> | <b>Fiscal<br/>Year<br/>2005</b> | <b>Fiscal<br/>Year<br/>2006</b> | <b>Fiscal<br/>Year<br/>2007</b> |
|-------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Beginning Balance             | 0                               | 9.4                             | 33.4                            | 89.9                            | 95.3                            | 63.7                            |
| Royalty Revenues              | 74                              | 41.7                            | 82.7                            | 72.8                            | 75.6                            | 103.4                           |
| Total Expenditures*           | 64.6                            | 17.7                            | 26.2                            | 67.4                            | 107.2                           | 135.6                           |
| General Fund Relief           | 0                               | 0                               | 8.2                             | 46.6                            | 62.8                            | 60.7                            |
| Ending Balance                | 9.4                             | 33.4                            | 89.9                            | 95.3                            | 63.7                            | 31.5                            |
| *Includes General Fund Relief |                                 |                                 |                                 |                                 |                                 |                                 |

# Tobacco Revenues

- ◆ \$774 million received since 2000
- ◆ Current Litigation

# **Tobacco Revenues**

## **FY 2007 - \$103.5 Million**

- ◆ \$42.4 million - Children First Trust Fund
- ◆ \$48.8 million - Other Tobacco Revenue  
Appropriations
- ◆ \$12.3 million - Transfer to the State General Fund

# **Governmental Accounting Standards Board (GASB) Rule 45**

- ◆ Acknowledge retiree healthcare costs on financial statements
- ◆ Actuarial Liabilities
  - State Employees' Insurance Board (SEIB) - \$5.29 billion
  - Public Education Employees' Health Insurance Plan (PEEHIP) - \$14.61 billion

# **Amendment 778**

- ◆ Requires and levies a minimum of 10 mills of ad valorem tax

# Selected Pending Litigation

◆ *Exxon*

◆ *Reynolds*

# **Gulf of Mexico Energy Security Act**

- ◆ Opens over 8 million acres of deepwater areas in the Gulf of Mexico for energy production and sends 37.5% of royalties to Alabama, Louisiana, Mississippi and Texas
- ◆ States receive funds 3 ways
- ◆ Provides 4 purposes for which funds may be expended

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