

PRESENTATION TO THE LEGISLATURE ON ALABAMA'S FINANCIAL CONDITION



Norris Green, Director

Legislative Fiscal Office

January 13, 2014

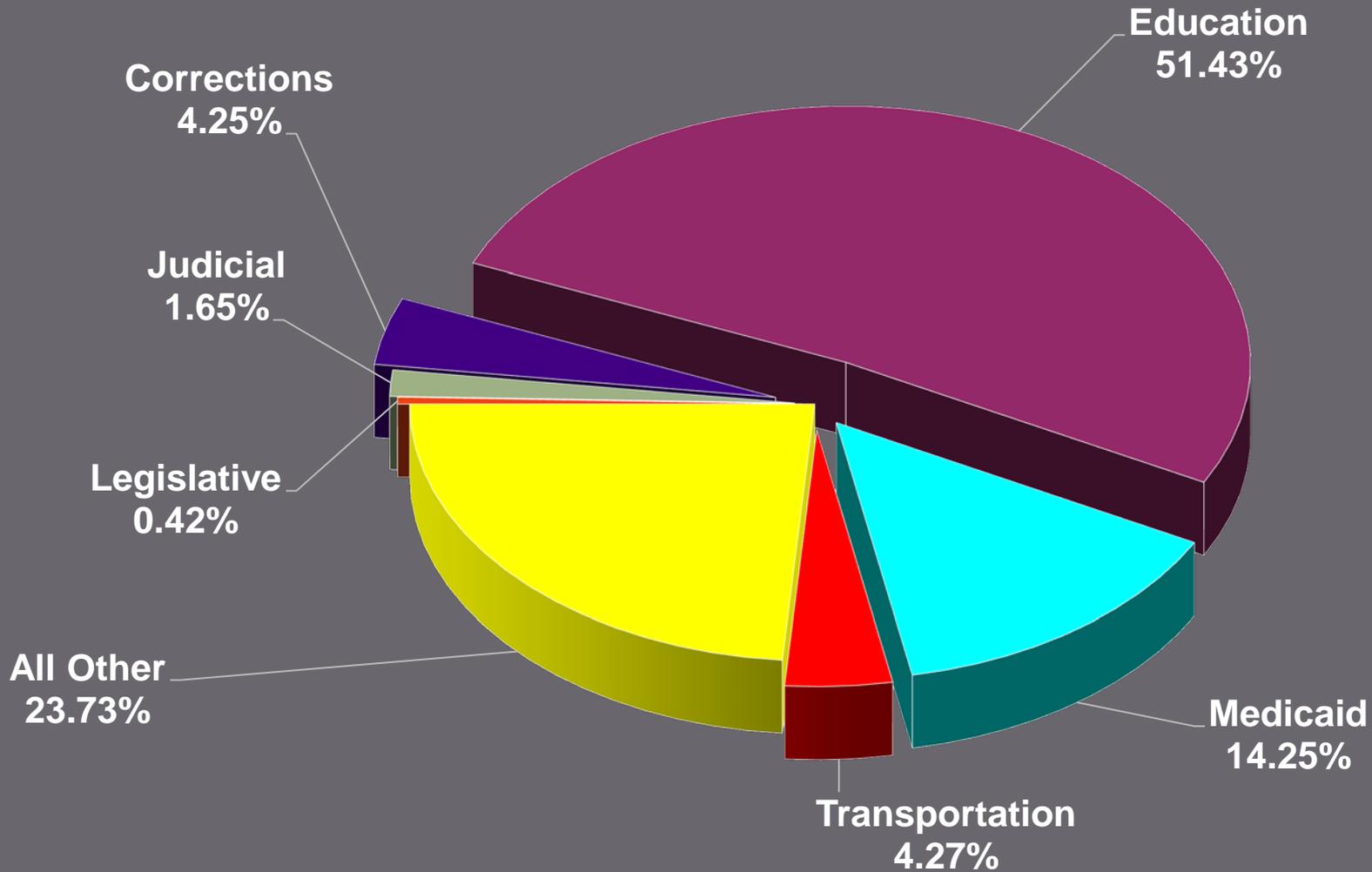
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(334) 242-7950

Presentation Overview

- ▣ **Appropriation of State Funds**
- ▣ **ETF**
 - Receipts
 - Appropriations
 - Condition
 - Rolling Reserve
 - Rainy Day Account
- ▣ **SGF**
 - Receipts
 - Appropriations
 - Condition
 - Rainy Day Account and The People's Trust Act
- ▣ **FY 2015 Budget Requests**
- ▣ **Other Fiscal Information**

APPROPRIATION OF STATE FUNDS FY 2014



Appropriations by State Fund FY 2014

- ▣ Total State Funds: \$11 billion
 - ETF: \$5.77 billion (52%)
 - SGF: \$1.75 billion (16%)
 - Other State Funds: \$3.5 billion (32%)

- ▣ Act 2013-173 establishes the authority to transfer annually certain state funds to the SGF

Appropriation of State Funds FY 2014

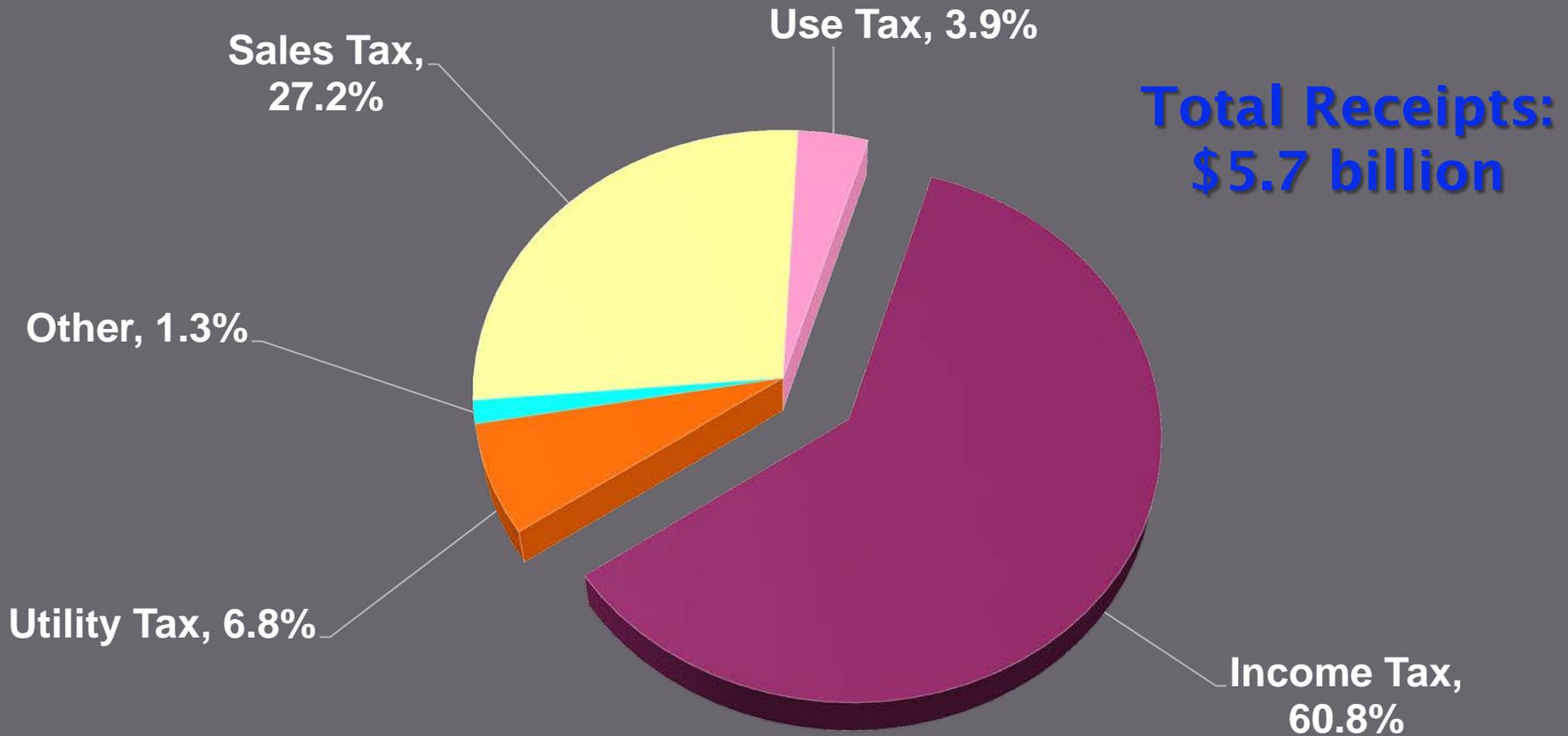
| | STATE GENERAL FUND | % OF SGF TOTAL | EDUCATION TRUST FUND | % OF ETF TOTAL | OTHER STATE FUNDS ⁽¹⁾ | % OF OTHER TOTAL | TOTAL STATE FUNDS | % OF TOTAL |
|------------------------------------|----------------------|----------------|----------------------|----------------|----------------------------------|------------------|-----------------------|----------------|
| GENERAL APPROPRIATION ACTS: | | | | | | | | |
| LEGISLATIVE BRANCH | 34,464,901 | 1.97% | 11,098,624 | 0.19% | 1,170,000 | 0.03% | 46,733,525 | 0.42% |
| JUDICIAL BRANCH | 108,361,707 | 6.19% | | | 72,696,739 | 2.08% | 181,058,446 | 1.65% |
| EXECUTIVE BRANCH: | | | | | | | | |
| ABC BOARD | | | | | 81,558,373 | 2.34% | 81,558,373 | 0.74% |
| AGRICULTURE & FORESTRY | 23,378,524 | 1.34% | | | 23,935,578 | 0.69% | 47,314,102 | 0.43% |
| CONSERVATION | | | | | 106,950,200 | 3.07% | 106,950,200 | 0.97% |
| CORRECTIONS | 389,481,304 | 22.26% | | | 78,450,124 | 2.25% | 467,931,428 | 4.25% |
| HUMAN RESOURCES | 70,533,042 | 4.03% | 13,915,275 | 0.24% | 179,151,750 | 5.13% | 263,600,067 | 2.40% |
| MEDICAID | 615,125,607 | 35.16% | | | 952,498,905 | 27.30% | 1,567,624,512 | 14.25% |
| MENTAL HEALTH | 104,473,003 | 5.97% | 625,588 | 0.01% | 207,490,284 | 5.95% | 312,588,875 | 2.84% |
| PUBLIC HEALTH | 71,437,854 | 4.08% | 12,155,003 | 0.21% | 261,040,081 | 7.48% | 344,632,938 | 3.13% |
| PUBLIC SAFETY | 53,797,175 | 3.07% | | | 57,375,000 | 1.64% | 111,172,175 | 1.01% |
| REVENUE | 363,000 | 0.02% | | | 136,780,000 | 3.92% | 137,143,000 | 1.25% |
| TRANSPORTATION | | | | | 469,777,465 | 13.46% | 469,777,465 | 4.27% |
| YOUTH SERVICES | 7,240,237 | 0.41% | 44,573,799 | 0.77% | 27,337,138 | 0.78% | 79,151,174 | 0.72% |
| DEBT SERVICE | 33,289,993 | 1.90% | | | 37,395,690 | 1.07% | 70,685,683 | 0.64% |
| NON-STATE APPROPRIATIONS | 196,978 | 0.01% | | | | | 196,978 | 0.00% |
| OTHER APPROPRIATIONS | 237,570,644 | 13.58% | 206,769,885 | 3.59% | 612,920,497 | 17.57% | 1,057,261,026 | 9.61% |
| ETF APPROPRIATION ACTS: | | | | | | | | |
| K - 12 FOUNDATION PROGRAM | | | 4,015,204,302 | 69.64% | 182,453,853 | 5.23% | 4,197,658,155 | 38.15% |
| POSTSECONDARY EDUCATION | | | 327,700,747 | 5.68% | | | 327,700,747 | 2.98% |
| UNIVERSITIES (INCLUDING ACHE) | | | 1,113,161,557 | 19.31% | | | 1,113,161,557 | 10.12% |
| DEBT SERVICE | | | 20,191,453 | 0.35% | | | 20,191,453 | 0.18% |
| TOTALS⁽²⁾ | 1,749,713,969 | 100.00% | 5,765,396,233 | 100.00% | 3,488,981,677 | 100.00% | 11,004,091,879 | 100.00% |

Appropriations as of October 1, 2013

(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.**

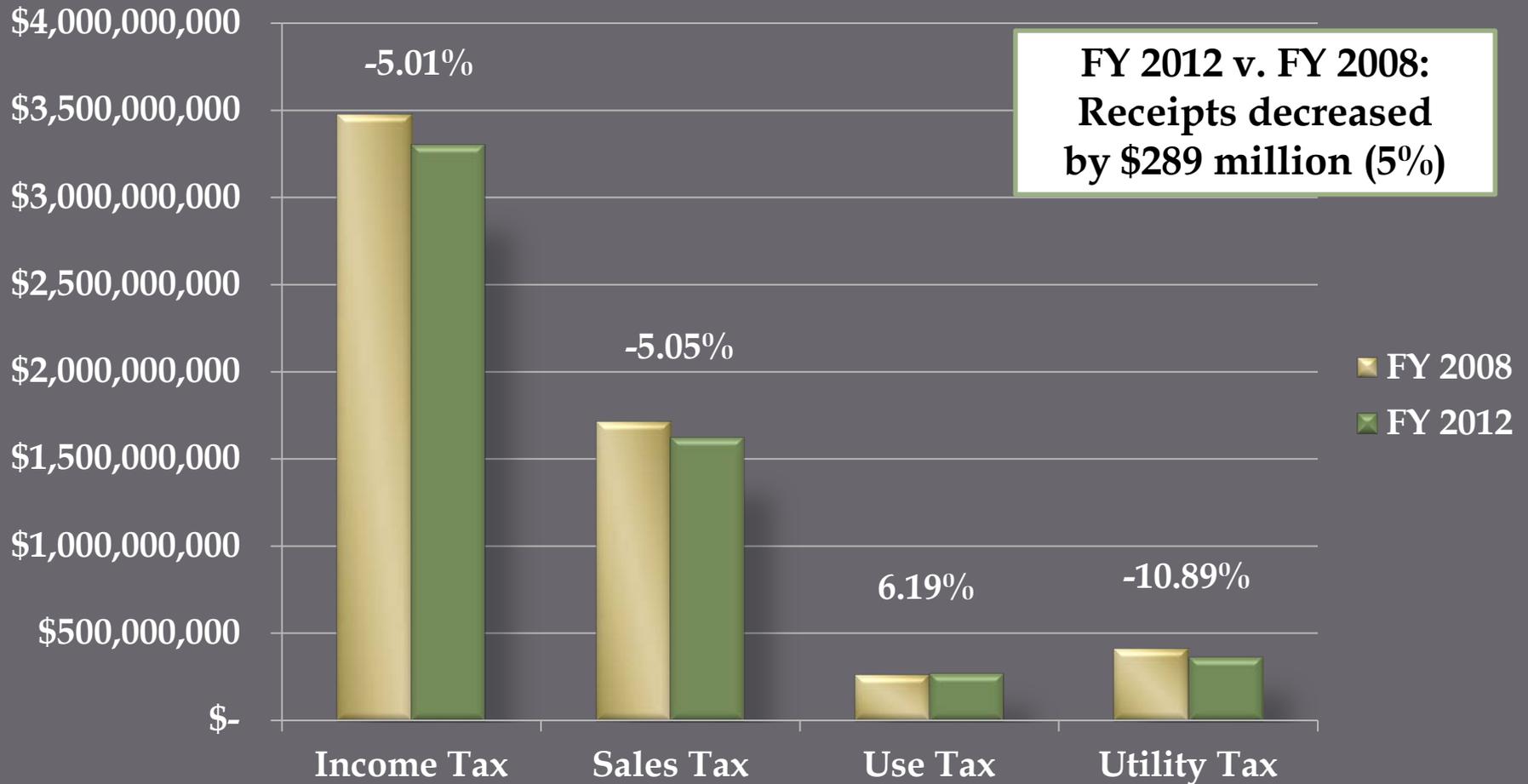
(2) Totals may not add due to rounding.

EDUCATION TRUST FUND SOURCES OF REVENUE – FY 2013



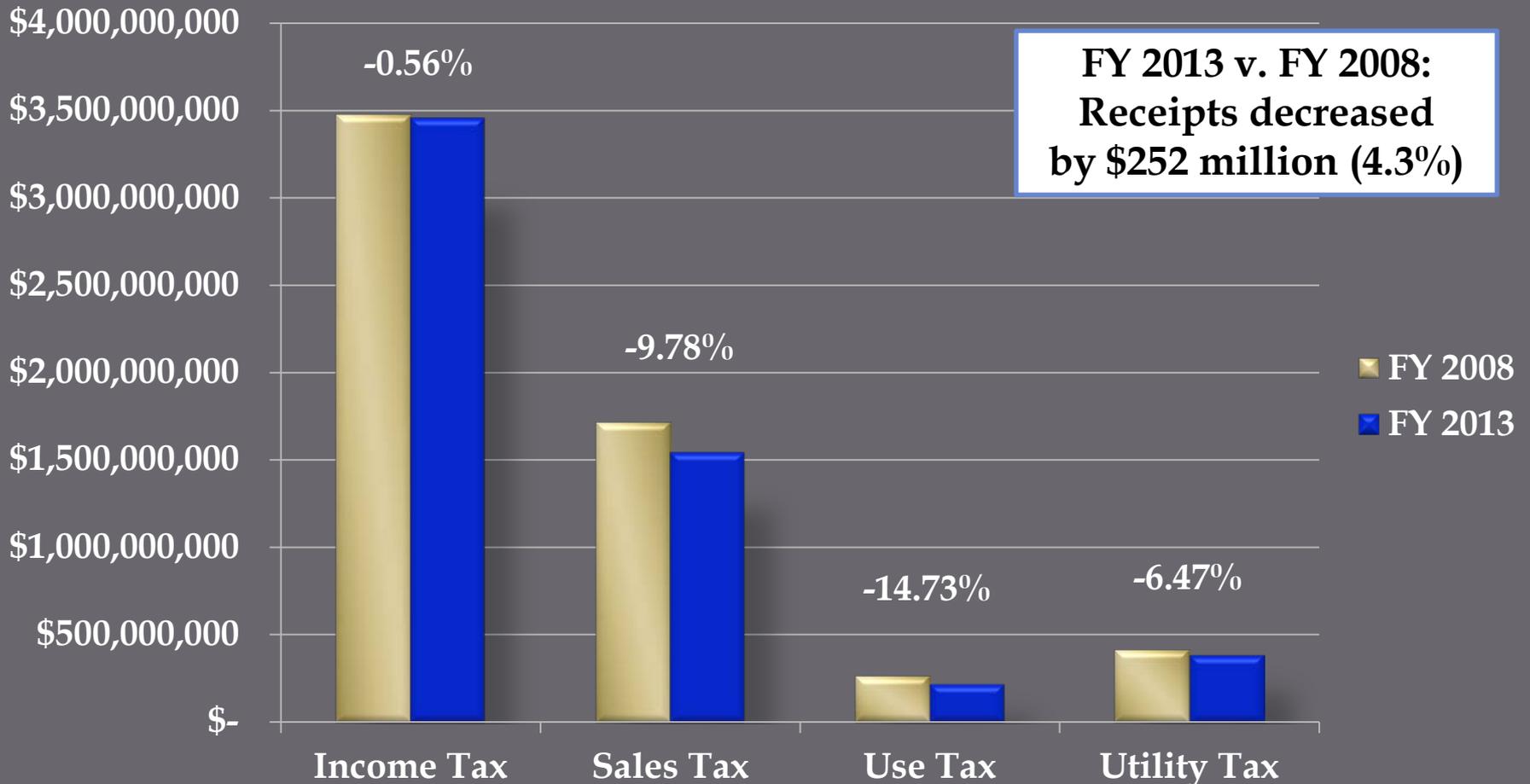
Major ETF Revenue Sources

FY 2008 and FY 2012



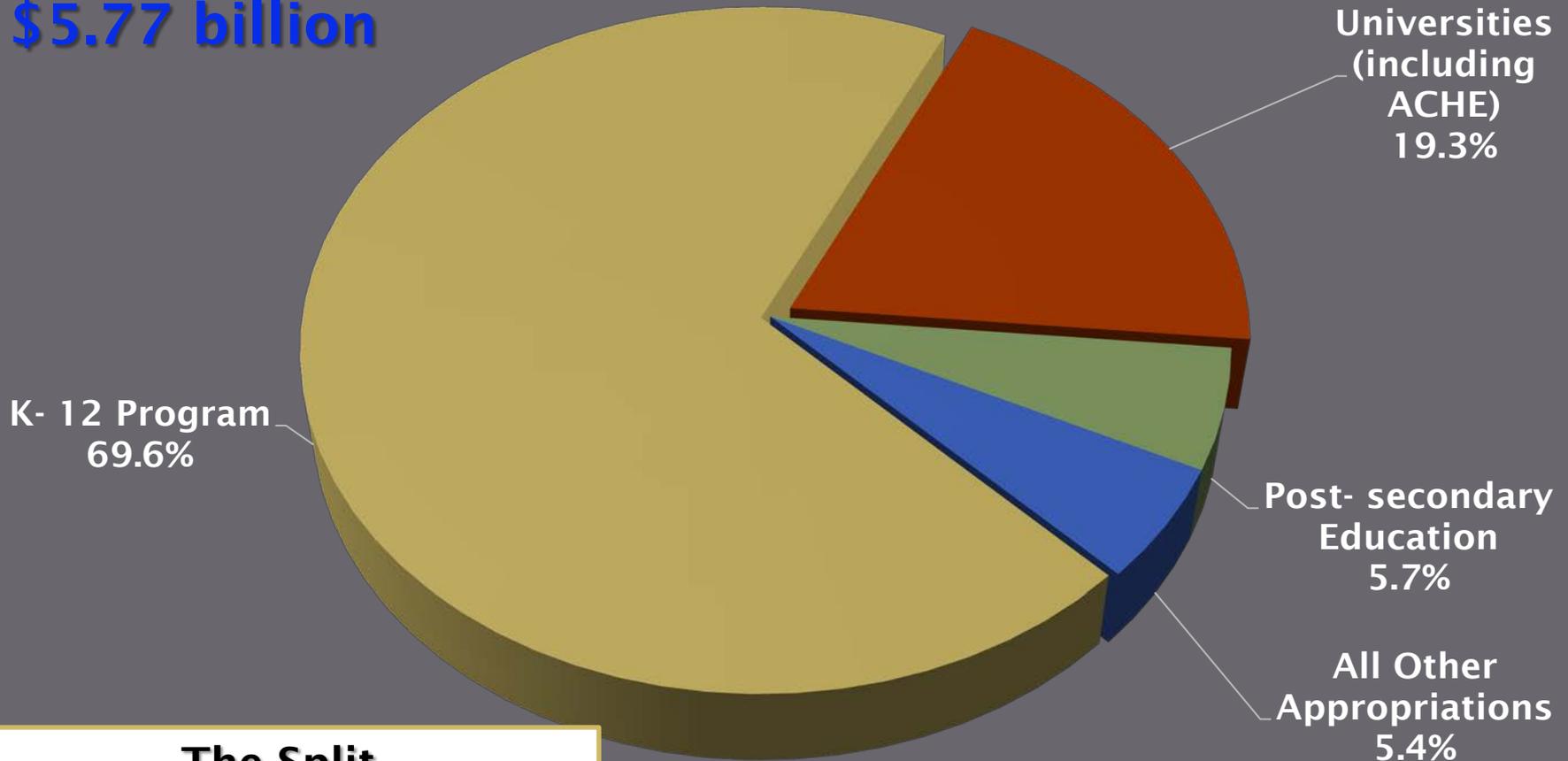
Major ETF Revenue Sources

FY 2008 and FY 2013



Share of ETF Appropriations FY 2014

**Total ETF:
\$5.77 billion**



The Split
K-12: 73.59%
Higher Education: 26.41%

Condition of the ETF

FY 2008 through FY 2012

| | Actual FY 2008 | Actual FY 2009 | Actual FY 2010 | Actual FY 2011 | Actual FY 2012 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| BEGINNING BALANCE | 280,045,027 | | | 11,773,101 | 8,603,889 |
| Receipts | 5,943,258,156 | 5,241,600,057 | 5,206,441,481 | 5,286,761,155 | 5,646,893,519 |
| PSCA Repayment | 32,000,000 | | | 32,302,687 | |
| Transfer from Rainy Day/Proration Prevention Accounts | 439,372,515 | 437,520,418 | | | |
| DHR Food Stamp Sales Tax Reversion | | | 11,028,645 | 18,600,000 | 27,314,100 |
| Dual Relay Fund Transfer | | | | | 30,000,000 |
| TOTAL RECEIPTS | 6,414,630,671 | 5,679,120,475 | 5,217,470,126 | 5,337,663,842 | 5,704,207,619 |
| TOTAL AVAILABLE (beginning balance plus total receipts) | 6,694,675,698 | 5,679,120,475 | 5,217,470,126 | 5,349,436,943 | 5,712,811,508 |
| Appropriations, Net of Proration | 6,729,089,656 | 5,707,308,868 | 5,227,445,033 | 5,368,293,793 | 5,683,985,540 |
| Reversions and Adjustments | -34,413,958 | -28,188,393 | -21,748,008 | -27,460,739 | -5,532,007 |
| ETF Rainy Day Account Repayment | | | | | 14,412,984 |
| TOTAL EXPENDITURES | 6,694,675,698 | 5,679,120,475 | 5,205,697,025 | 5,340,833,054 | 5,692,866,517 |
| ENDING BALANCE | | | 11,773,101 | 8,603,889 | 19,944,991 |

The Education Trust Fund Rolling Reserve Act (Act 2011-3)

- ▣ **“Fiscal Year Appropriation Cap”**
- ▣ **Calculation of the Cap**
- ▣ **Distribution of Funds in Excess of the Cap**

ETF – Rolling Reserve FY 2015 Cap

| | |
|--|------------------------|
| FY 2013 Total ETF Receipts | \$5,683,296,432 |
| FY 2013 NONRECURRING AND NEW RECURRING REVENUES: | |
| (1) Transfer from gross sales tax to K-12 Foundation Program | \$52,000,000 |
| Net Recurring Revenues (Base) | \$5,735,296,432 |
| PLUS: | |
| (1) 15-year average growth (3.06%) | \$175,500,071 |
| (2) 40% of increase in recurring revenue in FY 2013 over FY 2012 exceeding 15-year growth average | \$0 |
| (3) New recurring revenue measure for FY 2015 ¹ | -\$11,140,625 |
| (4) Nonrecurring revenue measure for FY 2015 | \$0 |
| (5) Appropriation from Budget Stabilization Fund equal to difference in FY 2014 appropriations and FY 2015 cap | \$0 |

| | |
|--------------------|------------------------|
| FY 2015 Cap | \$5,899,655,878 |
|--------------------|------------------------|

| | |
|--|------------------------|
| FY 2014 Budgeted Appropriations | \$5,765,396,233 |
|--|------------------------|

| | |
|------------|---------------|
| Difference | \$134,259,645 |
|------------|---------------|

¹Revenue reduction in FY 2015 from Act 2013-443 sales tax exemption on certain medical goods effective October 1, 2014 – an estimated average decrease of \$11.14 million annually to the ETF.

A Look Ahead...

ETF – Rolling Reserve

FY 2016 Estimated Cap

| | |
|--|------------------------|
| FY 2014 Estimated Total ETF Receipts | \$5,831,500,000 |
| Net Recurring Revenues (Base) | \$5,831,500,000 |
| PLUS: | |
| 15-year average growth (2.84%) | \$166,780,900 |
| Estimated FY 2016 Cap | \$5,998,280,900 |
| FY 2015 Cap | \$5,899,655,878 |
| Difference Cap for FY 2016 vs. FY 2015 | \$98,625,022 |

Condition of the ETF

FY 2013 and FY 2014

| | Actual FY 2013 | LFO Estimated FY 2014 | Difference |
|---|----------------------|--------------------------|---------------------|
| Beginning Balance | 19,944,991 | 266,174,871 | |
| Regular Receipts | 5,645,635,287 | 5,831,500,000 | |
| One-time settlement from corporate income tax | 37,661,145 | | |
| TOTAL RECEIPTS | 5,683,296,432 | 5,831,500,000 | 148,203,568 |
| TOTAL AVAILABLE (beginning balance, plus total receipts) | 5,703,241,423 | 6,097,674,871 | 394,433,488 |
| Appropriations (as of December 31, 2013 for FY 2014) | 5,442,852,452 | 5,730,396,233 | 287,543,781 |
| Reversions and Adjustments | -5,785,900 | | |
| Reversions Reappropriated | | 1,701,897 | |
| Debt Service – GO 2013-A | | 727,002 | |
| Insurance and Information Research Center Conditional | | 1,000,000 | |
| FY 2013 Rainy Day Account Repayment | | 260,388,971 | |
| FY 2014 Rainy Day Account Absolute Appropriation | | 35,000,000 | |
| TOTAL EXPENDITURES | 5,437,066,552 | 6,029,214,103 | 592,147,551 |
| ENDING BALANCE¹ | 266,174,871 | 68,460,768 | -197,714,103 |

¹ FY 2013 ending balance includes Rainy Day Account repayment of \$260,388,971 that was made in FY 2014.

Condition of the ETF

FY 2014 and FY 2015

| | LFO Estimated FY 2014 | LFO Estimated FY 2015 | Difference |
|---|--------------------------|--------------------------|---------------------|
| Beginning balance ¹ | 266,174,871 | | |
| Regular Receipts | 5,831,500,000 | 6,057,000,000 | |
| TOTAL RECEIPTS | 5,831,500,000 | 6,057,000,000 | 225,500,000 |
| TOTAL AVAILABLE (beginning balance plus total receipts) | 6,097,674,871 | 6,057,000,000 | -40,674,871 |
| Appropriations (as of December 31, 2013 for FY 2014) ² | 5,730,396,233 | 5,899,655,878 | 169,259,645 |
| Reversions Reappropriated | 1,701,897 | | |
| Debt Service – GO 2013-A | 727,002 | | |
| Insurance and Information Research Center Conditional | 1,000,000 | | |
| FY 2013 Rainy Day Account Repayment | 260,388,971 | | |
| FY 2014 Rainy Day Account Absolute Appropriation | 35,000,000 | | |
| TOTAL EXPENDITURES | 6,029,214,103 | 5,899,655,878 | -129,558,225 |
| ENDING BALANCE | 68,460,768 | 157,344,122 | |

¹ FY 2015 beginning balance assumes that any ending balance in FY 2014 will be used to release the conditional appropriations.

² FY 2015 appropriations equal ETF Rolling Reserve Appropriations Cap.

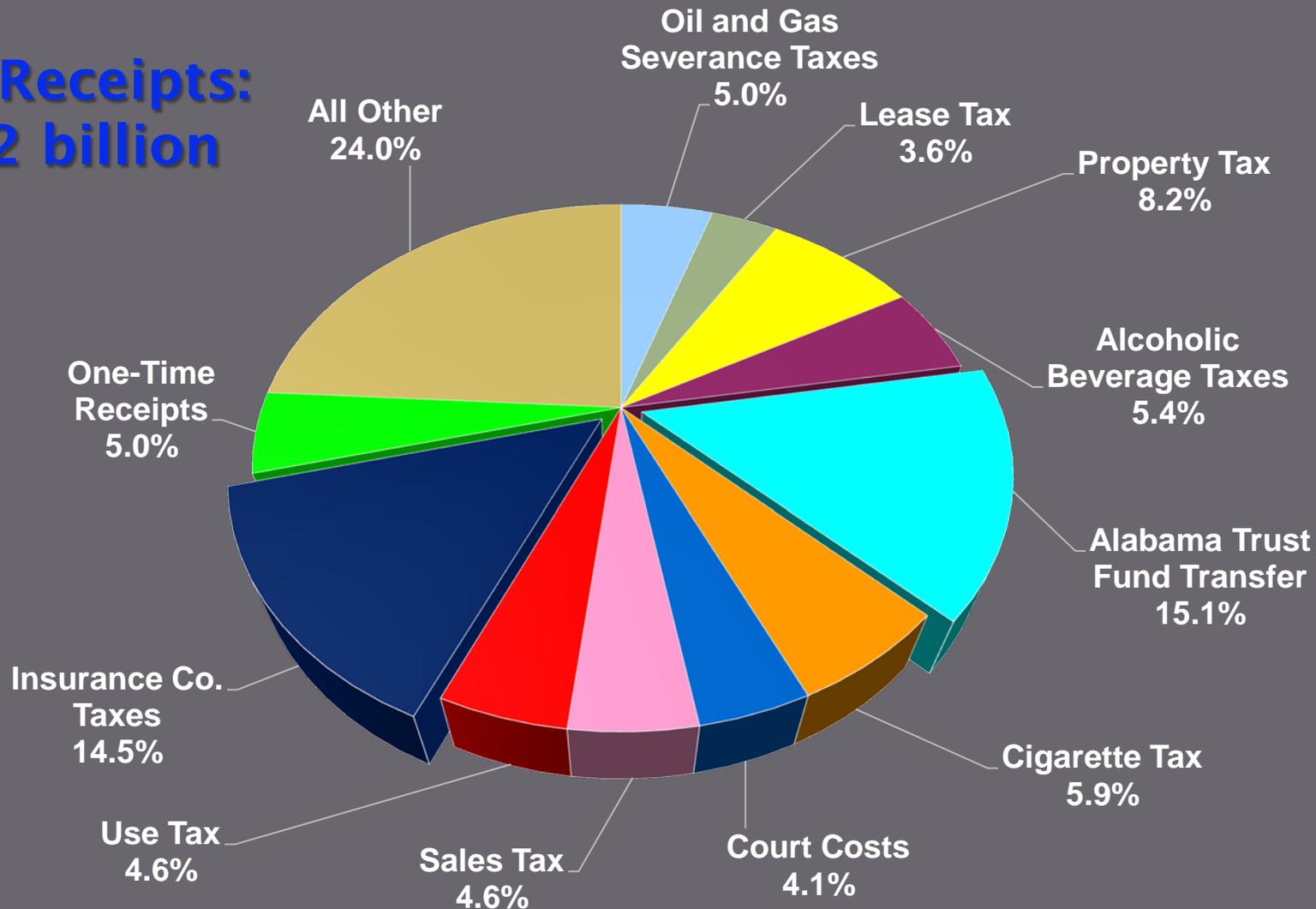
ETF Rainy Day Account

- ▣ Reestablished within the Alabama Trust Fund and limited to 6.5% of the immediately preceding fiscal year's appropriations from the ETF
 - ▣ Initial Balance: \$437.4 million
 - ▣ Withdrawals: Entire amount withdrawn in FY 2009
 - ▣ Repayment term: Six years (2015)
 - ▣ Repayments to date: \$274.8 million
 - ▣ Outstanding Balance: \$162.6 million
 - ▣ In the FY 2014 ETF Appropriations Act, there is an absolute appropriation of \$35 million, as well as a 1st tier conditional appropriation of \$65 million and a 3rd tier conditional appropriation of up to \$150 million.
 - ▣ With the revised LFO estimates, it is possible that all of the FY 2014 conditional appropriation of \$65 million could be released.

STATE GENERAL FUND

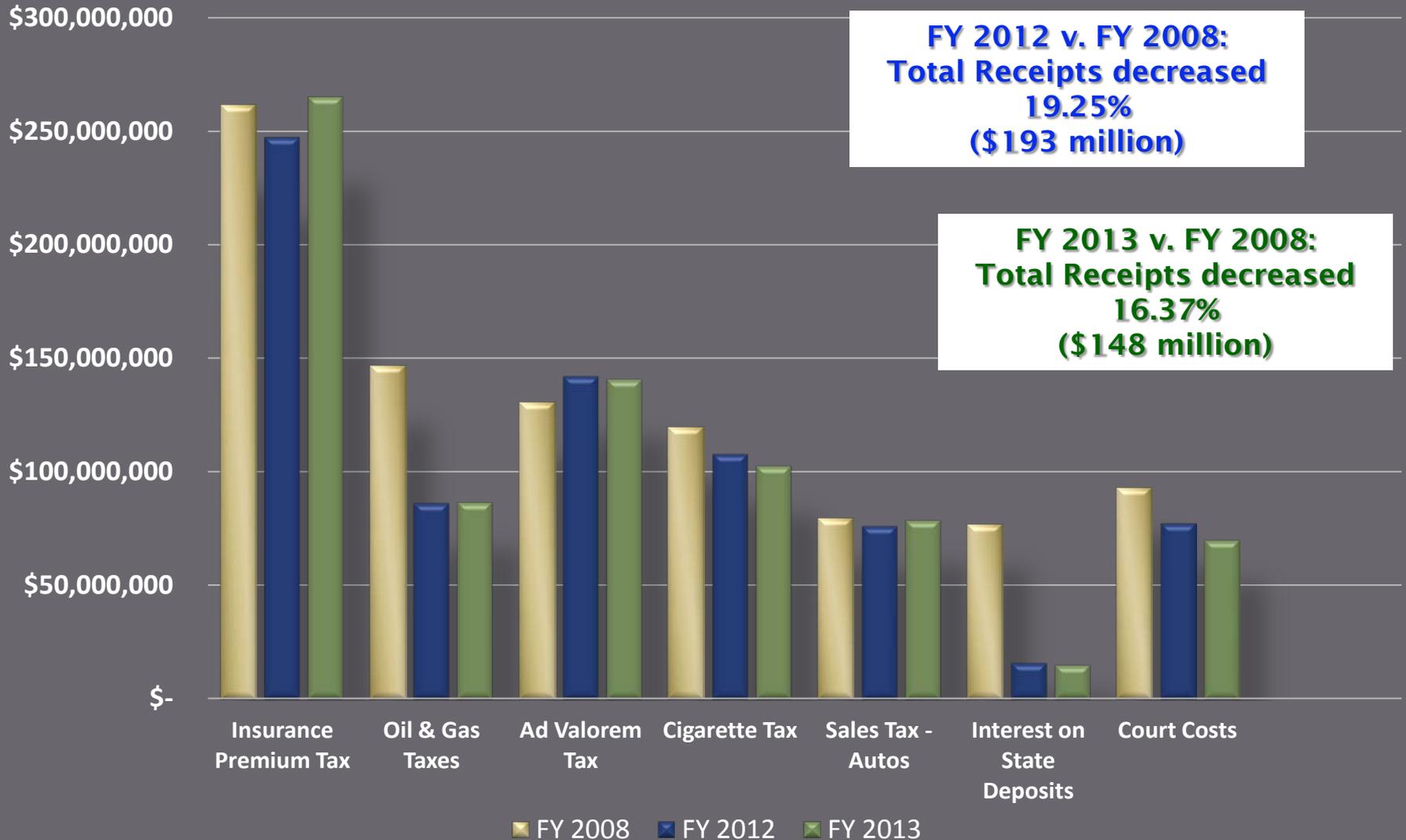
SOURCES OF REVENUE – FY 2013

**Total Receipts:
\$1.72 billion**



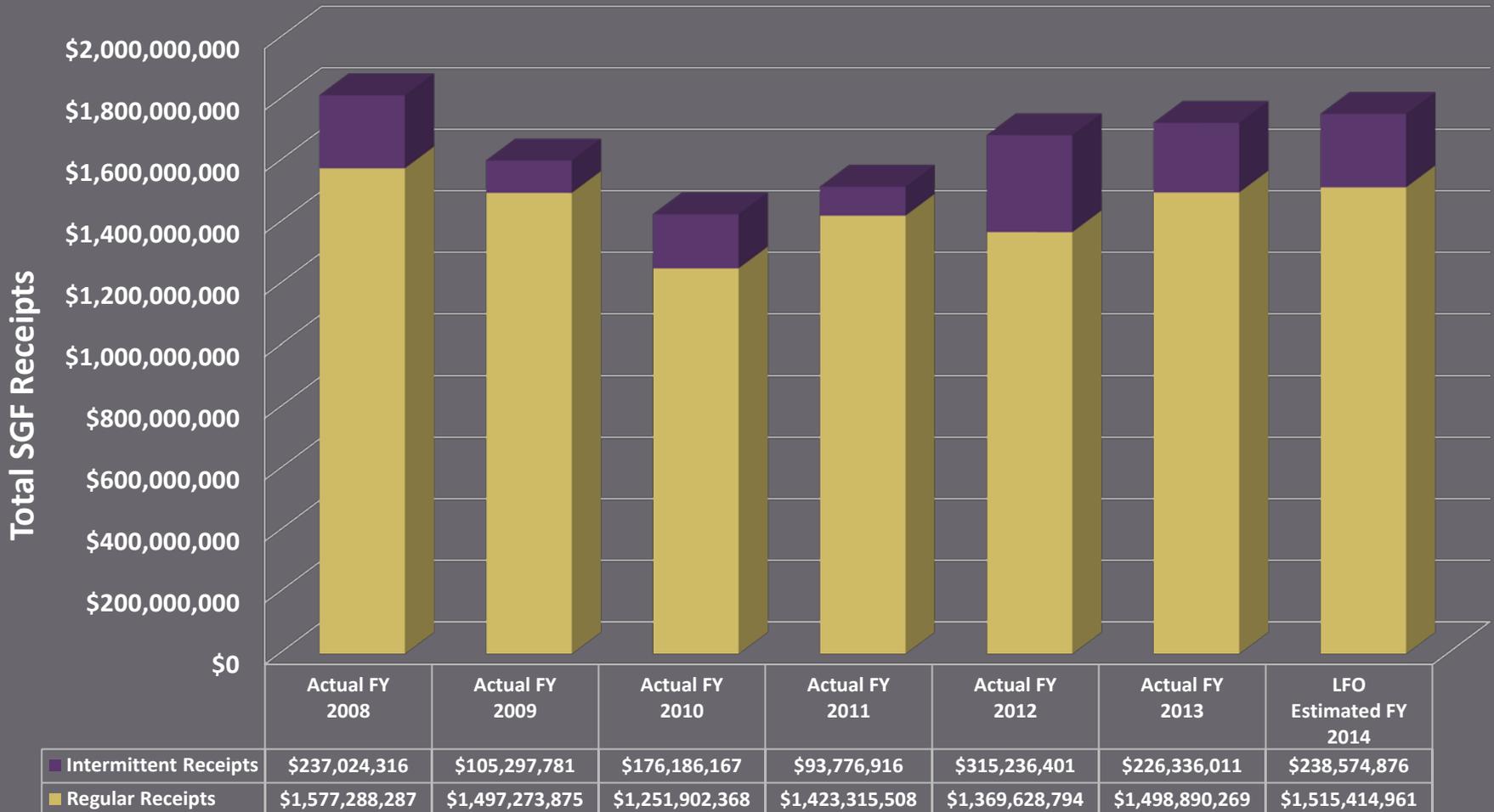
Major SGF Revenue Sources

FYs 2012 and 2013 to FY 2008 Comparison



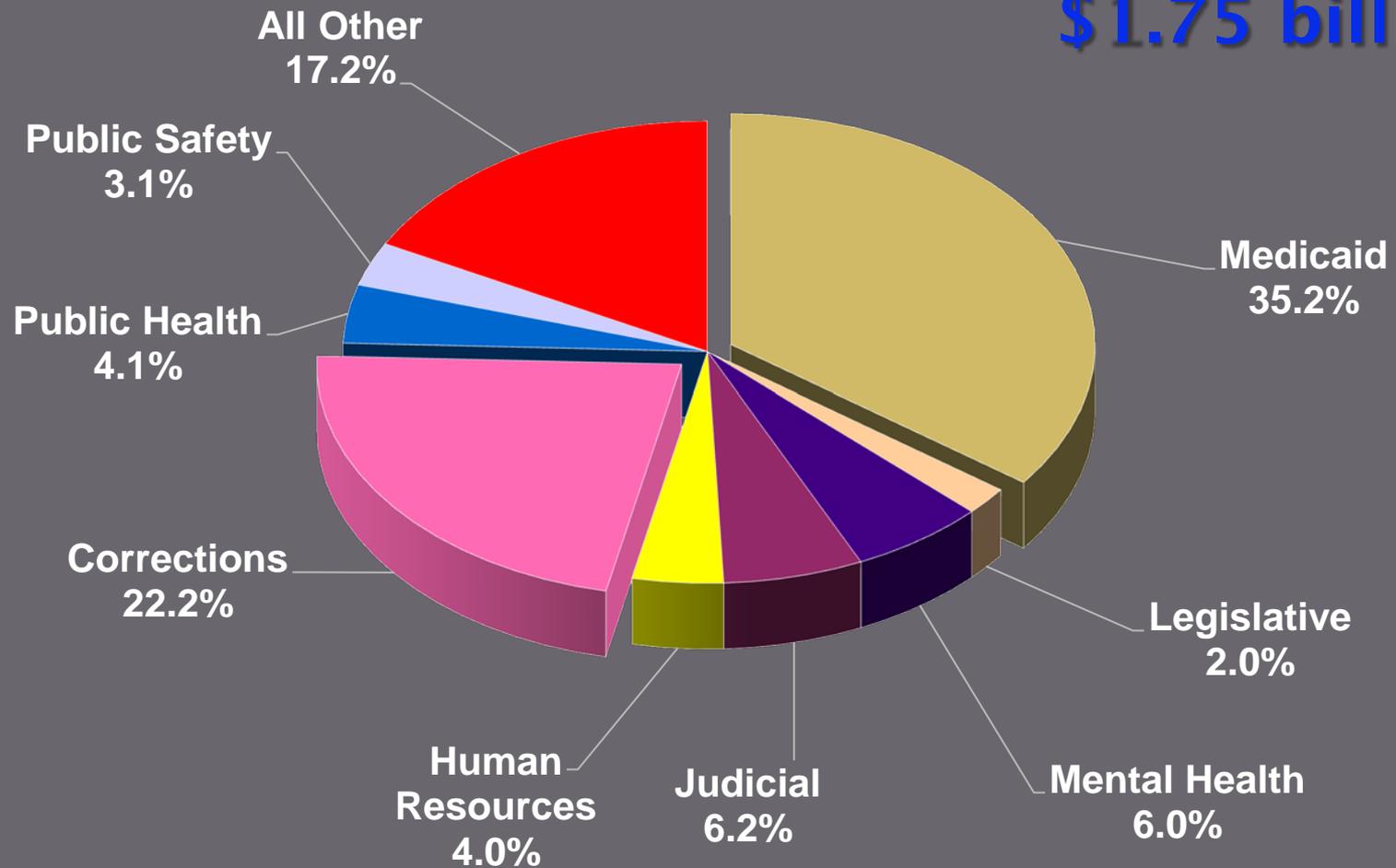
State General Fund

Intermittent and Regular Receipts: FY 2008 through FY 2014

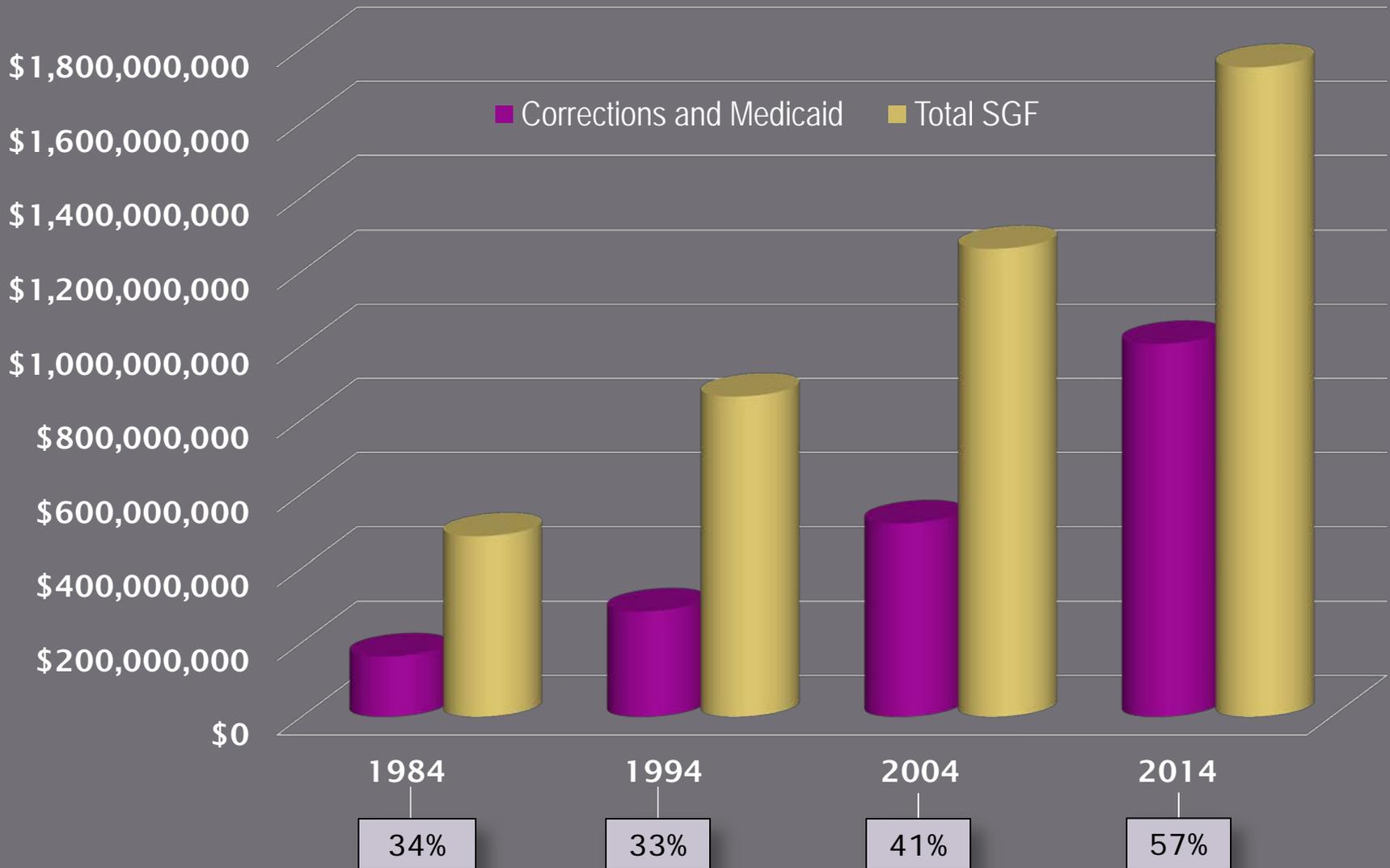


Share of SGF Appropriation FY 2014

**Total SGF:
\$1.75 billion**



State General Fund Growth: Corrections and Medicaid Share



Comparison of Selected Data FY 2008 to FY 2013

▣ **State General Fund Expenditures**

- Net change: \$125.8 million less (7.15% decrease) expended in FY 2013 than in FY 2008
 - ▣ 29 entities no longer funded by the SGF (total savings: \$9.17 million)
 - ▣ 54 entities expended less (total decrease: \$312.2 million)
 - ▣ 17 entities expended more (total increase: \$195.5 million)

▣ **Total Expenditures**

- Net change: \$2.413 billion more (21.40% increase) expended in FY 2013 than in FY 2008
 - ▣ 63 entities expended less (total decrease: \$248.6 million)
 - ▣ 35 entities expended more (total increase: \$2.662 billion)

▣ **Personnel Changes**

- Net change: 4,683 FTEs less (13.03% decrease) in FY 2013 than in FY 2008
 - ▣ 25 entities reported no change in FTEs
 - ▣ 54 entities reported a decrease in FTEs (-5,845)
 - ▣ 21 entities reported an increase in FTEs (1,162)

Condition of the SGF FY 2008 through FY 2013

| | Actual FY 2008 | Actual FY 2009 | Actual FY 2010 | Actual FY 2011 | Actual FY 2012 | Actual FY 2013 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| BEGINNING BALANCE | 239,088,035 | 218,986,877 | 105,430,816 | 60,101,706 | 42,008,050 | 39,720,232 |
| TOTAL RECEIPTS | 1,814,312,603 | 1,602,571,656 | 1,428,088,535 | 1,517,092,424 | 1,683,865,194 | 1,725,226,280 |
| TOTAL AVAILABLE (beginning balance plus total receipts) | 2,053,400,638 | 1,821,558,533 | 1,533,519,351 | 1,577,194,130 | 1,725,873,244 | 1,764,946,512 |
| TOTAL APPROPRIATIONS AND OBLIGATIONS, NET OF PRORATION | 1,834,413,761 | 1,716,127,717 | 1,473,417,645 | 1,535,186,080 | 1,686,153,012 | 1,726,810,010 |
| TOTAL ENDING BALANCE | 218,986,877 | 105,430,816 | 60,101,706 | 42,008,050 | 39,720,232 | 38,136,502 |

Condition of the SGF

FY 2013 and FY 2014

| | ACTUAL FY 2013 | ESTIMATED FY 2014 | DIFFERENCE |
|---|----------------------|----------------------|-------------------|
| BEGINNING BALANCE | 39,720,232 | 38,136,502 | -1,583,730 |
| Revised Regular Receipts | 1,488,597,310 | 1,505,591,961 | |
| Additional Transfer from Alabama Trust Fund (Amendment 856) | 145,796,943 | 145,796,943 | |
| Tobacco Settlement Arbitration | | 47,435,619 | |
| Transfers and Reversions | 59,228,080 | 32,595,000 | |
| One-Time Receipts | 31,603,947 | 22,570,314 | |
| TOTAL RECEIPTS | 1,725,226,280 | 1,753,989,837 | 28,763,557 |
| TOTAL AVAILABLE (beginning balance plus total receipts) | 1,764,946,512 | 1,792,126,339 | 27,179,827 |
| APPROPRIATIONS AND OBLIGATIONS (as enacted) | 1,684,779,549 | 1,749,713,969 | 64,934,420 |
| Additional Appropriations (as of December 31, 2013): | | | |
| Reversions Reappropriated | 35,975,611 | 31,119,771 | |
| Fair Trial Tax Transfer | 16,000,000 | 2,564,000 | |
| Unified Judicial System Conditional Released | | 2,000,000 | |
| Governor's Office Conditional Released | | 350,000 | |
| Emergency Management Agency - Corps of Engineers (April 2011 Tornadoes) | 21,761,689 | | |
| Reversions and Adjustments | -35,017,370 | | |
| Other Adjustments | 3,310,531 | 107,402 | |
| TOTAL APPROPRIATIONS AND OBLIGATIONS (as of December 31, 2013 for FY 2014) | 1,726,810,010 | 1,785,855,142 | 59,045,132 |
| TOTAL ENDING BALANCE | 38,136,502 | 6,271,197 | |

Condition of the SGF

FY 2014 and FY 2015

| | ESTIMATED FY 2014 | ESTIMATED FY 2015 | DIFFERENCE |
|---|----------------------|----------------------|--------------------|
| BEGINNING BALANCE | 38,136,502 | 6,271,197 | -31,865,305 |
| Regular Receipts | 1,505,591,961 | 1,526,883,482 | |
| Additional Transfer from Alabama Trust Fund (Amendment 856) | 145,796,943 | 145,796,943 | |
| Tobacco Settlement Arbitration | 47,435,619 | | |
| Transfers and Reversions | 32,595,000 | 13,000,000 | |
| One-Time Receipts | 22,570,314 | 10,600,000 | |
| TOTAL RECEIPTS | 1,753,989,837 | 1,696,280,425 | -57,709,412 |
| TOTAL AVAILABLE (beginning balance plus total receipts) | 1,792,126,339 | 1,702,551,622 | -89,574,717 |
| APPROPRIATIONS AND OBLIGATIONS (as enacted)¹ | 1,749,713,969 | 1,702,551,622 | -47,162,347 |
| Additional Appropriations (as of December 31, 2013): | | | |
| Reversions Reappropriated | 31,119,771 | | |
| Fair Trial Tax Transfer | 2,564,000 | | |
| Unified Judicial System Conditional Released | 2,000,000 | | |
| Governor's Office Conditional Released | 350,000 | | |
| Other Adjustments | 107,402 | | |
| TOTAL APPROPRIATIONS AND OBLIGATIONS (as of December 31, 2013) | 1,785,855,142 | 1,702,551,622 | -83,303,520 |
| TOTAL ENDING BALANCE | 6,271,197 | | |

¹FY 2014 appropriations and obligations as of December 31, 2013. FY 2015 estimated appropriations are equal to estimated available revenues. FY 2015 estimates include just regular transfer amounts and not additional amounts from business privilege escrow or abandoned property because those transfers are controlled by the administration.

Non-General Fund Transfers for SGF Purposes FY 2014

| | <u>Source</u> | <u>FY 2014 Budgeted Amount</u> |
|--|---------------|------------------------------------|
| Tobacco Arbitration Settlement | | \$47,435,619 |
| Public Service Commission - Transfer to SGF | | 6,500,000 |
| Securities Commission - Transfer to SGF | | 4,500,000 |
| Revenue, Department of - Administrative Funds Transfer to SGF | | 3,175,000 |
| Alcoholic Control Board - Transfer to SGF | | 370,000 |
| Manufactured Housing Commission - Transfer to SGF | | 250,000 |
| Insurance Department - Transfer to SGF | | 1,000,000 |
| Conservation, Department of - Transfer to SGF | | 7,800,000 |
| Audit Recovery Fund - Transfer to SGF | | 4,500,000 |
| Tobacco Settlement - Transfer to SGF | | 10,400,000 |
| Public Road and Bridge Fund - Transfer to Unified Judicial System - supplanted SGF | | 35,000,000 |
| Public Road and Bridge Fund - Transfer to Department of Public Safety - supplanted SGF | | 25,000,000 |
| Public Road and Bridge Fund - Transfer to Department of Public Safety - statute | | <u>3,500,000</u> |
| TOTAL | | \$149,430,619 |

Repayments

▣ SGF Rainy Day Account

- Established within the Alabama Trust Fund 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. Cumulative total amount begins at \$5 million in FY 2014 and increases each fiscal year thereafter. The largest annual increase is \$60 million in FY 2025.

FY 2015 Budget Requests (as of January 2, 2014)

- ▣ ETF Requested Amount: \$6.24 billion
 - \$474 million (8.32%) more than budgeted to be expended in FY 2014
 - The Rolling Reserve Cap for FY 2015 allows increased ETF spending of \$134.2 million above FY 2014 appropriations

- ▣ SGF Requested Amount: \$2.05 billion
 - \$268 million (15%) more than budgeted to be expended in FY 2014
 - The LFO FY 2015 estimated receipts for the SGF are \$83.3 million less than appropriations for FY 2014

Other Fiscal Issues

Alabama Accountability Act

PACT Appropriations

Retirement

Health Insurance

Salary and Retirement Increase Costs

Alabama Accountability Act

▣ Parent Tax Credit

- Under the AAA, 789 students transferred from “failing schools” for the 2013 -14 school
 - 719 transferred to non-failing schools within their current school district
 - 18 transferred to public non-failing schools in other school districts
 - 52 transferred to private schools

▣ Individual / Corporations’ Tax Credit for Contributions Made to Scholarship Granting Organizations (SGOs)

- Nine SGOs have been approved by the Department of Revenue for the Educational Scholarship Program
- There are 73 participating Non-Public Schools
- 1,002 donors have made contributions (for the 2013 tax year) totaling \$24.9 million

PACT Appropriations

| <u>FISCAL YEAR</u> | <u>AMOUNT</u> |
|--------------------|----------------------|
| 2015 | \$23,558,000 |
| 2016 | \$33,952,000 |
| 2017 | \$42,622,000 |
| 2018 | \$61,783,000 |
| 2019 | \$55,539,000 |
| 2020 | \$88,738,300 |
| 2021 | \$31,881,600 |
| 2022 | \$32,181,600 |
| 2023 | \$33,494,400 |
| 2024 | \$33,728,700 |
| 2025 | \$38,449,500 |
| 2026 | \$39,201,000 |
| 2027 | <u>\$32,500,000</u> |
| TOTAL | \$547,629,100 |

Employer Retirement Contribution Rates

| <u>Fiscal Year</u> | <u>Teachers</u> | <u>State Employees</u> | <u>State Police</u> | <u>Judges</u> |
|--------------------|-----------------|------------------------|---------------------|---------------|
| 1995 | 6.31% | 6.99% | 15.22% | 27.01% |
| 1996 | 9.23% | 6.99% | 15.22% | 23.05% |
| 1997 | 9.23% | 6.99% | 15.17% | 19.71% |
| 1998 | 9.66% | 7.56% | 15.74% | 19.71% |
| 1999 | 4.03% | 3.11% | 6.85% | 9.16% |
| 2000 | 6.38% | 4.08% | 9.45% | 21.19% |
| 2001 | 6.38% | 4.08% | 9.45% | 21.19% |
| 2002 | 5.96% | 3.95% | 9.24% | 21.19% |
| 2003 | 5.02% | 3.95% | 9.24% | 21.19% |
| 2004 | 6.56% | 4.19% | 13.87% | 21.93% |
| 2005 | 7.03% | 5.57% | 18.03% | 21.93% |
| 2006 | 8.17% | 6.77% | 21.36% | 21.93% |
| 2007 | 9.36% | 7.78% | 24.12% | 22.50% |
| 2008 | 11.75% | 10.26% | 30.42% | 23.23% |
| 2009 | 12.07% | 11.88% | 30.99% | 23.23% |
| 2010 | 12.51% | 11.94% | 30.57% | 24.20% |
| 2011 | 12.51% | 11.94% | 30.57% | 24.20% |
| 2012 | 10.00% | 9.42% | 29.92% | 24.35% |
| 2013 | 10.08% | 10.12% | 31.61% | 32.06% |
| 2014 (Tier I) | 11.71% | 12.02% | 35.81% | 35.24% |
| 2014 (Tier II) | 11.08% | 11.96% | 29.52% | 35.24% |
| 2015 (Tier I) | 11.71% | 13.45% | 38.37% | 35.24% |
| 2015 (Tier II) | 11.05% | 13.31% | 32.45% | 35.24% |

Employer Cost for Retirement Systems

| <u>Fiscal Year</u> | <u>TRS</u> | <u>ERS</u> | <u>JRF</u> |
|--------------------|-------------|-------------|------------|
| 1995 | 289,703,296 | 69,619,376 | 6,854,217 |
| 1996 | 284,615,456 | 68,802,114 | 6,494,717 |
| 1997 | 328,195,083 | 68,911,987 | 5,866,165 |
| 1998 | 355,953,472 | 74,055,482 | 5,397,838 |
| 1999 | 182,895,065 | 33,428,569 | 2,969,304 |
| 2000 | 267,906,340 | 43,442,959 | 5,582,715 |
| 2001 | 280,051,290 | 49,144,145 | 7,531,949 |
| 2002 | 266,510,671 | 46,053,625 | 8,200,383 |
| 2003 | 238,725,494 | 48,522,435 | 8,627,322 |
| 2004 | 305,887,402 | 52,218,449 | 8,982,290 |
| 2005 | 343,724,774 | 68,739,801 | 8,946,381 |
| 2006 | 425,544,602 | 90,951,802 | 8,915,570 |
| 2007 | 532,004,599 | 115,156,793 | 9,293,711 |
| 2008 | 716,912,822 | 160,623,070 | 9,861,941 |
| 2009 | 752,874,357 | 192,528,482 | 10,309,412 |
| 2010 | 773,177,416 | 191,361,347 | 10,797,333 |
| 2011 | 780,224,248 | 187,294,046 | 10,915,820 |
| 2012 | 631,837,073 | 136,138,632 | 10,738,380 |
| 2013 | 627,352,871 | 141,133,488 | 13,790,453 |
| 2014 | 748,488,499 | 169,559,123 | 16,058,000 |
| 2015 | 748,476,589 | 192,266,282 | 16,058,000 |

Retirement Systems of Alabama Unfunded Liability - FY 2012

| Plan | Unfunded Liability Amount | Percent Funded |
|------------------------------|----------------------------------|-----------------------|
| Employees' Retirement System | \$2.5 billion | 62.6% |
| Teachers' Retirement System | \$9.5 billion | 66.5% |
| Judicial Retirement Fund | \$146 million | 61.6% |

PEEHIP Funding: 17-Year History

| Fiscal Year | Employer Cost per Month per Active Employee | Total Employer Cost |
|----------------------------------|---|--------------------------|
| 1999 | 225.00 | 317,273,000 |
| 2000 | 317.00 | 373,727,784 |
| 2001 | 345.00 | 404,200,620 |
| 2002 | 414.00 | 481,170,672 |
| 2003 | 433.00 | 509,244,372 |
| 2004 | 479.00 | 566,126,268 |
| 2005 | 583.00 | 698,704,512 |
| 2006 | 668.00 | 805,407,600 |
| 2007 | 717.00 | 881,918,604 |
| 2008 | 775.00 | 961,452,126 |
| 2009 | 752.00 | 925,317,517 |
| 2010 | 752.00 | 911,424,000 |
| 2011 | 752.00 | 900,050,546 |
| 2012 | 714.00 | 825,157,866 |
| 2013 | 714.00 | 828,585.518 |
| 2014 | 714.00 | 825,242,616 ^a |
| 2015 ^b | 795.00 | 919,270,980 |
| ^a Budgeted Amount | | |
| ^b Requested by PEEHIB | | |

SEHIP Funding: 17-Year History

| Fiscal Year | Employer Cost per Month per Active Employee | Total Employer Cost |
|--------------------------------|--|----------------------------|
| 1999 | 320.00 | 131,585,762 |
| 2000 | 357.00 | 148,115,489 |
| 2001 | 400.00 | 169,112,747 |
| 2002 | 445.00 | 193,682,768 |
| 2003 | 490.00 | 217,474,419 |
| 2004 | 550.00 | 227,042,877 |
| 2005 | 650.00 | 276,662,054 |
| 2006 | 668.00 | 281,492,460 |
| 2007 | 717.00 | 319,123,823 |
| 2008 | 775.00 | 322,591,716 |
| 2009 | 775.00 | 322,232,685 |
| 2010 | 805.00 | 361,793,265 |
| 2011 | 805.00 | 356,520,996 |
| 2012 | 765.00 | 318,095,221 |
| 2013 | 765.00 | 304,451,908 |
| 2014 | 825.00 | 314,242,691 ^a |
| 2015 ^b | 825.00 | 314,242,691 |
| ^a Budgeted Amount | | |
| ^b Requested by SEIB | | |

Cost of 1% Pay Increase for Education Employees

| <u>Entity</u> | <u>Amount</u> |
|----------------------------------|---------------------|
| K-12 Local Boards (certificated) | \$27,166,640 |
| K-12 Local Boards (support) | <u>\$7,123,990</u> |
| Total | \$34,290,630 |
| Other K-12 Agencies | \$574,506 |
| Postsecondary Institutions | <u>\$3,299,981</u> |
| Grand Total | \$38,165,117 |

Cost of 1% Pay Increase for State Employees

| | <u>Estimated Total Cost</u> | <u>Estimated SGF Share</u> |
|-----------------|---------------------------------|--------------------------------|
| Salaries | \$14,418,928 | \$3,718,577 |
| Fringe Benefits | <u>\$3,085,848</u> | <u>\$832,581</u> |
| Total | \$17,504,776 | \$4,551,158 |

Note: Excludes cost of increase for judges and other elected officials

1% Cost of Living Increase for Retirees¹ Effective October 1, 2014

| | <u>TRS</u> | <u>ERS</u> |
|---|-----------------|----------------|
| For members retired prior to 10/01/2013: | | |
| Employers' First-year Cost: | \$11.5 million | \$2.7 million |
| Increase in Unfunded Liability | \$173.7 million | \$39.4 million |
| or | | |
| For members retired prior to 10/01/2014: | | |
| Employers' First-year Cost | \$12.2 million | \$2.8 million |
| Increase in Unfunded Liability | \$182.7 million | \$41.8 million |

¹Minimum Increase of \$15 Per Month

Source: Cavanaugh Macdonald Consulting, LLC for Retirement Systems of Alabama

\$2 per Month of Service Bonus for Retirees Effective October 1, 2014

Employers' Lump- sum Cost¹ (increase in Unfunded Accrued Liability)

| | <u>TRS</u> | <u>ERS</u> |
|--|----------------|----------------|
| For members retired prior to 10/01/2014: | \$51.1 million | \$13.9 million |

¹Includes all beneficiaries currently receiving benefits, except for Option I beneficiaries

Source: Cavanaugh Macdonald Consulting, LLC for Retirement Systems of Alabama

Recap – ETF

- ▣ FY 2014 Appropriation: \$5.77 billion
- ▣ ETF Cap for FY 2015: \$5.9 billion
- ▣ New funding over the absolute appropriations for FY 2014: \$134.3 million
- ▣ PEEHIP: \$72 million (K-12 foundation program)
- ▣ PACT Appropriation: \$23.56 million
- ▣ Rainy Day: \$128 million (after absolute FY 2014 appropriation of \$35 million)
 - Reduced by conditional released in FY 2014
 - If the \$65 million conditional is released, the **additional** appropriation required above the FY 2014 absolute appropriation is \$28 million
 - If the conditional is not released: \$93 million
- ▣ Teacher Unit increase: \$9.35 million

Recap – SGF

- ▣ FY 2014 Appropriation: \$1.78 billion
- ▣ FY 2015 Estimated Receipts: \$1.7 billion
- ▣ ERS requested increase of \$22.7 million (total) of which an estimated \$8.2 million would be paid from SGF appropriations to state agencies
- ▣ The People's Trust Act – FY 2015 repayment increases by \$5 million
- ▣ \$47.5 million from the tobacco arbitration settlement will not be available in FY 2015
- ▣ Other transfer amounts from agencies/funds may also not be available in FY 2015

LFO Website

- ▣ Website: <http://www.lfo.state.al.us>
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