



## 'Draconian' cuts could be coming for Alabama budget

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By



(The Birmingham News/Bernard Troncale)

MONTGOMERY, Alabama -- A looming revenue drop of about \$360 million for the state General Fund next year will hang like a cloud over the Legislature when it starts its 2012 regular session at noon Tuesday, top-ranking lawmakers said.

Such a drop of about 21 percent in revenue for the fund -- which is a major source of state money for Medicaid, prisons, courts and other non-education areas of state government -- could trigger mergers of some agencies, end some state programs and lead to significant layoffs.

"I think that will be the cloud, and something we'll have to be dealing with the entire session, to try to figure it out," said Speaker Mike Hubbard, R-Auburn, leader of the state House of Representatives. "Everybody needs to be prepared that this is going to be a very difficult budget to put together."

Gov. Robert Bentley said he won't propose raising taxes or shifting money from the much larger Education Trust Fund to bail out the General Fund in the 2013 fiscal year, which starts Oct. 1.

Lawmakers also expect to trim the state Education Trust Fund next year, but the cut won't be nearly as deep.

Lawmakers likely will debate hundreds of proposals in this year's regular session, which could run through May 21. High-profile bills will deal with changing the state immigration law, allowing charter schools, trimming retirement benefits for new teachers and new state employees, creating more tax breaks for new industries and borrowing money for highway repairs, among other topics, top lawmakers said.

But the Legislature each year is required to do only two things: pass a state budget for education and pass an operating budget, which includes the General Fund.

Sen. Del Marsh, R-Anniston, the top-ranking state senator, predicted lawmakers would debate the education budget first. "Let's face it, it's the least of the problems," he said.

## No windfalls

Part of the problem with the General Fund is that windfalls that propped it up in recent years won't be around next year. Federal stimulus dollars supplemented General Fund spending by a total of \$1.1 billion in the previous three fiscal years, according to the Legislative Fiscal Office, and then-Gov. Bob Riley emptied a state reserve to boost the General Fund by \$161.6 million in fiscal 2010.

"These budgets have been propped up for the last four years with stimulus, one-time money, from the state or from the federal government," Bentley said. "I want the people of Alabama to see what a true budget looks like."

Hubbard and others said that picture could include merging some agencies and maybe stripping others of General Fund money because of the fund's expected revenue drop

"It could be draconian," Hubbard said.

"I know you're going to see some real movement during this legislative session . . . to really shrink the size of state government, make it more efficient," Hubbard said.

Revenues for the General Fund are expected to drop from about \$1.71 billion this year to about \$1.35 billion in the 2013 fiscal year, a cut of 21 percent, according to estimates made a few months ago by the state finance department. The reason for the drop is that the General Fund next year isn't expected to have about \$366 million in windfalls propping it up this year. The property taxes, cigarette taxes and other regular revenue streams flowing to the General Fund are expected to grow by about \$5 million, 0.4 percent, from this year to next year.

Some state programs could be ended because of the looming revenue drop, said Sen. Arthur Orr, R-Decatur, who chairs the state Senate committee that drafts the operating budget. He didn't say which ones. "There probably will be programs discontinued because of the funding shortage," Orr said.

Orr also said layoffs triggered by the fiscal 2013 operating budget could be substantial, but he and others hesitated to estimate numbers. Agencies, boards, courts and other state government offices outside of public schools and colleges employed about 36,000 people on Sept. 30.

Effects from big cuts in General Fund spending next year probably wouldn't be uniform, since reliance on the General Fund varies from agency to agency.

Many agencies get little or no money from the General Fund, and instead get state fees or tax dollars separate from the General Fund, federal grants or other revenues. The Transportation Department, for instance, gets no General Fund money. It depends mainly on state fuel taxes and federal grants.

But courts and prisons, among other areas, get most of their money from the General Fund.

Other agencies, such as Medicaid and the mental health department, use General Fund money to qualify for matching federal grants, so a cut in state money would be doubly painful, or worse.

For every dollar lost in General Fund money, the state Medicaid agency would lose \$2.18 in federal money next year, for instance.

## **Taxes**

Several top lawmakers said they believe the Legislature now is in no mood to raise taxes for the General Fund or anything else. "I'd say it'd be extremely unlikely," Hubbard said.

Orr agreed that most lawmakers now likely would vote against tax increases, but he said that view may change as lawmakers learn more about how deep the cuts in government services could be without them. "I think the gravity of the problem will become more apparent to the legislators," Orr said.

Sen. Roger Bedford, D-Russellville, leader of the 12 Democrats in the 35-member Senate, said it's up to Republicans, who control the Senate and House, to propose a workable operating budget.

"The Republicans are going to have to make a decision on whether or not they're going to run efficient and accountable state services, such as mental health, corrections and especially Medicaid, or are they going to simply turn their back on the people of Alabama and let these draconian cuts take place," Bedford said. "It's a time for real leadership."

Hubbard said writing an operating budget for fiscal 2013 may be so hard that lawmakers won't be able to finish in the regular session. If that were to happen, Bentley would have to call them back in special session, which would cost the General Fund an estimated \$100,000 to \$300,000, depending on how long it lasted.

Budget hearings for agencies and programs that spend General Fund money are scheduled for the next three Wednesday afternoons in the House chamber.

Sen. Jabo Waggoner, R-Vestavia Hills, chairman of the Senate's agenda-setting Rules Committee and a member of the Legislature for 38 years, said the challenge facing legislators with the General Fund is the biggest state budget challenge he's seen.

"I think it's going to be more difficult than I've ever experienced," he said. "The numbers are just not there."

## Education fund

The situation in the state's Education Trust Fund is not as dire.

Spending from the ETF, the main source of state tax dollars for public schools, colleges and universities, in fiscal 2013 will be an estimated \$152 million less than this year's budgeted spending, a cut of 2.7 percent. The trust fund now is budgeted to spend \$5.63 billion in this fiscal year.

Spending isn't expected to fall next year because of a drop in tax collections, but because legislators last year passed a law, the rolling reserve act, that will set a spending cap for the trust fund. The cap based in part on changes in the trust fund's revenues over the previous 15 years. The spending cap for next year is estimated at \$5.48 billion.

The law is designed to reduce chances of mid-year cuts when tax collections fall short.

Bentley said trimmed trust fund spending next year might mean public schools won't be able to replace all the teachers or other employees who retire or otherwise leave. "But overall, the teachers are going to be fine and the education budget is going to be fine," Bentley said.

*Join the conversation by clicking to comment or email David White at [dwhite@bhamnews.com](mailto:dwhite@bhamnews.com).*

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