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Eight things to know about vote to transfer state funds

By **Mary Sell**[Follow @dd_marysell](#)

MONTGOMERY — Alabama voters will be asked next week to approve the transfer of \$437 million from the Alabama Trust Fund to the General Fund during the next three years, a move proponents say is needed to keep non-education agencies operating.

Opponents counter by saying hard decisions involving appropriation cuts must be made to those agencies instead of taking money from the state's savings account.

The statewide constitutional amendment that would allow money to be transferred will be Sept. 18.

Here are eight things to know about the proposed amendment:

What the amendment does

The amendment would provide about \$145.8 million toward the proposed \$1.67 billion General Fund budget for fiscal year 2013, which that starts Oct. 1.

Proponents have compared it to a family dipping into their savings account during tough times.

Alabamians approved the creation of the permanent Alabama Trust Fund in 1985 to capture revenues from sales of offshore drilling rights and from royalties on oil and gas production. Since then, the fund has received 99 percent of all oil and gas capital payments paid to the state each year. Income earned by the Alabama Trust Fund is transferred to the General Fund. Currently, the fund is at about \$2.3 billion.

Meanwhile, the Alabama Education Trust Fund, which provides money for public education, owes the Alabama Trust Fund about \$437 million in rainy day money it must repay, without interest, by 2015. Legislators approved the use of money from the rainy day fund to overcome shortfalls in the education budget.

If voters say yes?

If approved, the amendment will allow most non-education state agencies to receive the amount of state appropriation outlined in the General Fund budget that was approved by legislators in May.

Several agencies have seen their budgets cut, some by up to 40 percent, in the past two years, including a mid-year cut of about 10 percent this year.

But most of the discussion has been about what will happen if voters say "no."

What no could mean

Not having the additional \$146 million starting Oct. 1 will represent nearly a 10 percent shortfall in the budget. Meanwhile, Gov. Robert Bentley is sticking to his election-year Americans for Tax Reform pledge not to raise taxes to generate new revenue. He's told state agency leaders to brace for additional budget cuts of up to 15 percent.

The amendment's failure would likely result in a special session of the Legislature in late September to address the shortfall.

Conversations about potential cuts have centered primarily around two agencies -- state Medicaid and the department of corrections. Together, they receive about 60 percent of the General Fund. It is those agencies that would have to take the largest cut to shore up the budget.

"Where else are you going to find \$150 million (to cut)? Tourism? Libraries?" said economist Keivan Deravi. "Either you go after the big agencies or you can't do it."

Cuts to Medicaid would have an impact larger than just what the state cuts. The agency that provides health care to about 900,000 low-income and disabled Alabamians uses its state money -- about \$603 million in 2013 -- to levy a one-to-two federal match. That means federal dollars will also be stripped from Medicaid.

"The key really is the match, which makes it more painful," Deravi said.

Those losses will impact Alabama health care providers, nursing homes and hospice, proponents say.

Other agencies worry

Morgan County District Attorney Scott Anderson said district attorneys across the state have seen their state funding decrease by 36 percent since 2008. His office, which he says operates on a total budget of about \$1 million, received about \$271,000 from the state this year.

More cuts will mean a delay in criminal prosecutions, Anderson said.

"If (criminals) can make bond, they will be able to be out on bond for longer periods of time," he said. "That puts them back on the street, which is not where I want them to be."

Last week, Alabama Department of Corrections Commissioner Kim Thomas told the TimesDaily the amendment would mean the closure of the work release centers around the state, including those in Morgan and Marion counties.

Will Fund be repaid?

The amendment that Alabamians will decide on Sept. 18, written by lawmakers in May, does not require the money to be repaid to the trust fund. However, last month, Republicans said they plan to repay it. One lawmaker already has a bill written for the 2013 legislative session that would require the money to be repaid within 10 years. It is not clear yet where the funds would come from.

Impact on education?

The General Fund does not support education in Alabama, That money comes from the Education Trust Fund. Those two funds have completely separate revenue streams and the amendment does not directly impact education funding.

The Alabama Education Association is encouraging its about 104,000 members to vote "yes."

"If the referendum fails, there is certainly a concern that the Education Trust Fund could possibly be raided to bail out the General Fund, and we don't want that to happen," AEA Executive Secretary Henry Mabry told the newspaper in July.

Who else supports it?

At a legislative Medicaid oversight committee meeting last week, representatives from about a dozen organizations and businesses spoke out about what would happen to health care in the state if the amendment fails.

Dr. Grant Allen, a Florence doctor and president of the Alabama chapter of the American Academy of Pediatrics, said passing the amendment is essential.

"Without this emergency rescue from the trust fund, critical state services will be cut to catastrophic levels," Allen said in an email. "Medicaid's projections for the necessary cuts are so dire that we will lose major portions of state health care services, not just for the poor, but for everyone.

"How long can dialysis centers stay open if half their patients can't pay? How long can doctors' offices stay open without income to pay the mortgage and their employees? How long will our rural hospitals last without income from the services provided to the 50 percent of their patients who are on Medicaid?"

Meanwhile, the Keep Alabama Working, a political action committee promoting the amendment, lists other supporters on its web site, including the Alabama Association of Volunteer Fire Fighters, the Alabama District Attorneys Association, the Business Council of Alabama and the state employee and retired employee associations.

Many groups and private companies are financially supporting the PAC. Records show a \$250,000 contribution from the Alabama Nursing Home Association last month.

Who is against it?

There's no PAC organizing to persuade people to vote "no." But there are individuals who think lawmakers should have passed a balanced budget in May.

"I'm uncomfortable with them going in and robbing the piggy bank," said John Offutt of Florence. "I do not like the precedent To me, it's like eating your seed corn."

Meanwhile, a small number of lawmakers have said they will vote against the amendment because the state should be forced to address its budget shortfalls.

Then there's former lawmaker John Rice of Auburn who filed a lawsuit last month against Bentley, arguing that the proposed budget

violates a state law requiring a balanced budget.

Rice said the trust fund, derived from the selling of Alabama's natural resources, should be left alone to become a resource of its own.

"Trust funds that grow can pay all your bills; trust funds that are depleted do not," he said.

Rice said voters are being bullied by reports that the amendment's failure will lead to the collapse of health care and corrections.

He said even the wording of the amendment is a scare tactic that should offend voters. It reads, in part:

"... to provide adequate funding for the State General Fund budget, to prevent the mass release of prisoners from Alabama prisons, and to protect critical health services to Alabama children, elderly, and mothers by transferring funds ..."

How did we get here?

Earlier this year, lawmakers were warned that revenue for next year's General Fund budget was expected to fall by about 29 percent. Part of that drop can be traced to the state not being able to replace \$280 million in capital gains from state investments that were used in the current budget. Also contributing to the decline are smaller interest earnings on state deposits.

General Fund revenue comes from more than 40 sources. The largest sources are the insurance company premium tax, interest from the Alabama Trust Fund and state deposits, oil and gas lease and production tax, cigarette tax, ad valorem tax and Alabama Alcoholic Beverage Control Board profits.

By comparison, the state's larger Education Trust Fund has 10 tax sources, the largest being individual and corporate income tax, sales tax, utility tax and use tax.

Deravi has said Alabama would be better off if it combined all its revenue into one budget, like most states, or created more revenue, perhaps through an increased cigarette tax.

Until major changes to the budget system are made, not much will change, even if the amendment passes, Deravi has previously said.

"I'm still amazed by the Legislature's commitment to no tax increase," he said.

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