

Big item in Alabama General Fund budget Uncertainty

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One can rank spending in the General Fund budget thusly: Medicaid, Corrections, Courts, Mental Health and Uncertainty.



Alabama House of Representatives gather during the legislative special session on Tuesday, August 23, 2016, at the State House in Montgomery, Ala. (Photo: Albert Cesare / Advertiser, Albert Cesare / Advertiser)

The Alabama House of Representatives on Tuesday should vote on a \$1.8 billion General Fund budget that will provide flat funding for most state agencies. But the budget will also keep an estimated \$97 million – about 5 percent of the total budget – in reserve.

The 2018 budget, which goes into effect Oct. 1, is floating [on \\$105 million \(/story/news/politics/southunionstreet/2016/09/07/ala-legislature-approves-bp-bill-ends-special-session/89943524/\)](#) from the state's share of BP's settlement over the 2010 Gulf oil spill. That one-time money, going to the Alabama Medicaid Agency, will be gone in 2019. State officials said saving \$97 million this year will make up for the loss of Medicaid funding next year.

But the state might have to tap into that money sooner. Alabama depends on federal dollars for most health programs. Congress could change Medicaid funding, or stop paying for the state's Children's Health Insurance Program (CHIP). Alabama's budget includes conditional appropriations for CHIP totaling \$91 million.

House Speaker Mac McCutcheon, R-Monrovia, said last week the state had not received any guidance from Washington on the cost of the CHIP program, which could soak up reserves.

"There's the possibility there we could be short and we have to come up with some money," he said. "It's just wise for us to put that money aside."

It's not clear what might happen to Medicaid in 2019 should the state need to spend money on the CHIP program. Rep. Reed Ingram, R-Pike Road, suggested Monday that growth in internet sales taxes, expected to bring between \$40 and \$45 million into General Fund coffers, could help address those issues in 2019.

"I think that as long as something doesn't drastically happen to the economy, we're going to be OK," he said.

Should the House approve the General Fund budget, it will move up to the Senate where it could face more tinkering. Senate President Pro Tem Del Marsh, R-Anniston, said last week legislators were communicating with the state's congressional delegation.

"We're making our position as a state known as what our needs are," he said. The need, he said, was "more money."

Ingram said putting the money in reserve was “smart” on the House’s part. “I think it shows us being conservatively responsible with the people’s money,” he said.

Rep. Patricia Todd, D-Birmingham, disagreed. Todd said the move was another in a long series of efforts by legislators to address funding issues with one-time money, and not look at reforms that could put the perpetually troubled General Fund budget – plagued by rising costs and mostly flat revenues – on a secure foundation.



(Photo: Mickey Welsh / Advertiser)

“This is not acceptable,” she said. “They keep kicking the can down the road.”

Todd acknowledged that budget changes would be difficult. The state’s income and property tax rates need constitutional amendments to go up or down. The Republican-controlled Legislature has been unwilling or unable to raise taxes or other revenues that they have control over, such as the sales tax.

The House’s proposed budget keeps most agencies funded at their current levels. It would provide \$3.3 million to the Alabama Law Enforcement Agency to hire 30 new state troopers and funds state employee insurance. But the budget also drops Gov. Robert Bentley’s proposal to give state employees, who have not received a cost of living adjustment since 2008, a 4 percent pay raise.

Budget framers say that the tight General Fund budget can’t afford the recurring expense of a pay raise. A House committee last week defeated a move by Rep. John Knight, D-Montgomery, to give employees [a one-time bonus \(/story/news/politics/southunionstreet/2017/03/08/house-general-fund-budget-level-funds-most-state-agencies/98921322/\)](/story/news/politics/southunionstreet/2017/03/08/house-general-fund-budget-level-funds-most-state-agencies/98921322/) of \$1,600, equal to the pay raise. Knight said Monday evening he plans to bring the amendment to the House floor Tuesday.

But both Republicans and Democrats plan to bring the issue up in the debate Tuesday. Ingram said he would support Knight’s amendment if it came to the floor, but also said he wanted to bring one that would make the 4 percent pay raise effective in the 2019 fiscal year.

“The only thing I’ve got heartburn with is I’d sure like to see state employees get a raise,” he said. “They haven’t gotten a raise in years.”

Todd said Democrats “will talk a lot about that,” though she was not optimistic about seeing

the pay raise, which would cost about \$19 million.

"We're facing an uphill battle," she said. "We realize that."

SPENDING IN THE GENERAL FUND BUDGET

The top five spending targets in the proposed \$1.8 billion General Fund budget, which the Alabama House of Representatives should vote on Tuesday. Note: The funding totals reflect state money out of the General Fund, and do not take in other sources of revenue for the agencies, such as federal spending or outside grants.

1. **Medicaid** -- \$701.4 million
2. **Corrections** -- \$413.1 million
3. **Judiciary** -- \$118.9 million
4. **Mental Health** -- \$108.6 million
5. **Reserves** -- approximately \$97 million

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