

SPECIAL

WINDOM GALLIHER

MONTGOMERY UPDATE

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Budgetnado 2: The Second Special Session

"I knew I shoulda took a left at Albuquerque." — Bugs Bunny

We've been here before, and we're back here again – and a fair question is whether we should stop and ask for directions.

Of course, none of this is any surprise. When the special session specifically called to craft a General Fund budget cratered three and a half weeks ago without a budget, another special session was required. The question was a matter of when.

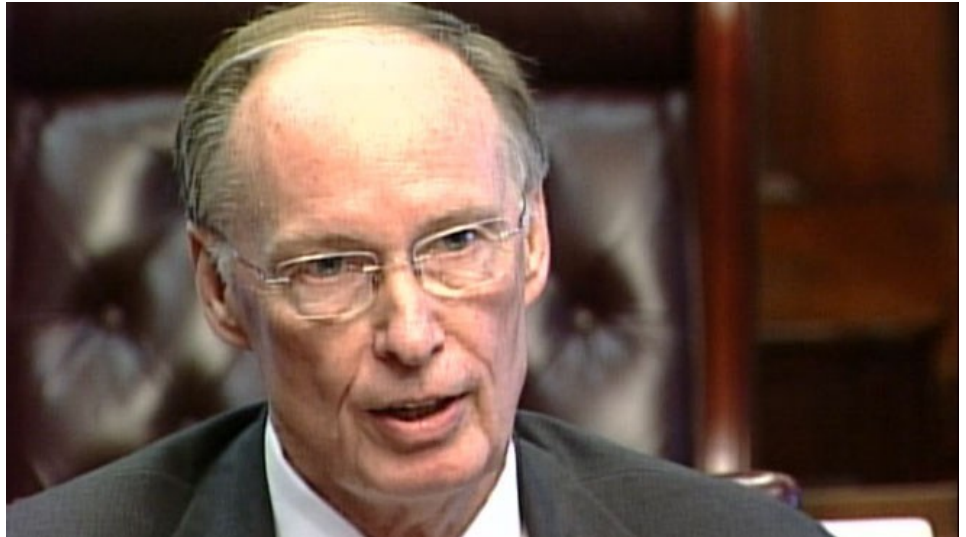
Gov. Robert Bentley, whose political and personal lives have been jarred of late, made the decision to call the Legislature back into session on Tuesday, Sept. 8 – conveniently the day after Labor Day.

It's a safe guess that Gov. Bentley will gladly discuss budgetary matters, but it's also a safe guess that reporters will be looking to quiz him on something else. His wife of 50 years, First Lady Dianne Bentley, filed for divorce last week in a terse filing that cited the marriage was "irretrievably broken."

Gov. Bentley has kept a somewhat low profile since the filing was made public. But his goal remains unchanged. He wants the Legislature to pass tax increases to fill the hole in the General Fund budget. Gov. Bentley started in the regular session with a \$700 million plan that would have raised \$541 million in new revenue which would have plugged the hole, added new money to selected areas and help pay for some debt.

While he's lessened "the ask" – he wants \$300 million now – there's no one that believes he'll get the Legislature to agree to that level of funding.

As before, there are talks behind the scenes among legislators and staff members on how to get out of the hole. Urgency is driving the train this time. A



GOV. ROBERT BENTLEY STILL CALLS FOR INCREASED REVENUE, BUT LEGISLATORS ARE UNLIKELY TO GIVE HIM CLOSE TO WHAT HE WANTS

budget must be crafted by Oct. 1 otherwise state government will shut down. There are no legal provisions to continue state operations without a budget.

In the background, affected parties – led by the healthcare sectors – are calling for a fix in order to avoid cuts to Medicaid.

Undoubtedly there will be a budget. The question is how much of the hole the Legislature will fill. It is believed that Speaker of the House Mike Hubbard (R-Auburn) has a fighting chance to cobble together a plan to provide roughly \$230 million additional dollars to the General Fund. If so, he'll need to smooth over relations with the 33 House Democrats, whose leader – Rep. Craig Ford (D-Gadsden) – fired off a news release Tuesday complaining they had been left out of budget talks again.

We understand that the House plan includes a transfer of the use tax and some one-time dollars from the Education Trust Fund. After that, it would appear adjustments to the Business Privi-

lege Tax and the cigarette tax would be a part of that plan. A sizeable chunk of the "backfill" to replace education dollars lost has already been put in place through legislation passed in the first special session. The remaining piece for the General Fund hole would come in the form of an increased "provider taxes" on pharmaceuticals, hospitals and long-term care facilities. The issue with the provider tax plan is that: a) hospitals believe they are "owed" \$50 million from a previous deal and b) there is no appetite to help unless Medicaid is funded at \$60 million above the current year.

Another major question is whether Senate President Pro Tem Del Marsh (R-Anniston) can put together a bi-partisan group of Senators to vote for a plan – other than cutting the budget by \$160-175 million. To this point, his caucus has been divided into two groups. If social media is any indication, there is still little appetite from the budget hawks to find any new money. Even so, Sen. Marsh is

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trying to guide the body into agreeing to a plan similar to that of the House – or a \$160 million plan, at a minimum. The major difference in the plans of the two chambers is that the Senate has not embraced raising the cigarette tax.

The other elements of the House plan can be couched as tax “realignment and reform” when explained to voters. The

cigarette tax is a straight-up increase.

The decisions will be made in the Statehouse, though, and not the Capitol. Even without the specter of the divorce filing, the dynamics of the calendar this time work against Gov. Bentley.

When he called the first special session, he gained the upper hand once the Legislature opted to take a three-week recess to study and negotiate. This time, there will be no extended recess.

Gov. Bentley has promised to veto any

budget that provides less than the \$300 million he’s asked. This time, the calendar will allow the Legislature the ability to override the veto. You can expect it to play out exactly that way.

There will be a budget. Some agencies will endure cuts. The question is where Medicaid fits in this. Until that question is answered, the fate of 2016 General Fund budget is unknown. We’ll be working, and we’ll be watching.

And as Yoga Berra also offered: “You can observe a lot just by watching.”

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Note: The Windom Galliher Montgomery Update publishes weekly during legislative sessions and otherwise as events warrant.