

# WINDOM GALLIHER

## MONTGOMERY UPDATE

JUNE 12, 2015

### State General Fund budget: Take two

#### House uses '30th day' as opportunity to lay groundwork for budget

As promised in the waning moments of the last night of the regular session, the House of Representatives showed up for work Thursday for a 30<sup>th</sup> day – even if no bills could be considered.

Give credit to Speaker of the House Mike Hubbard for ingenuity: he scheduled an on-the-floor session to hear General Fund budget briefings from outgoing Legislative Fiscal Officer Norris Green and from Finance Director Bill Newton.

Speaker Hubbard (R-Auburn) also took the opportunity to schedule meetings of task forces as well as the House Ways & Means-General Fund committee.

The real story, though, was what was occurring out of the public view.

Speaker Hubbard told reporters that he had met three times Thursday with Senate Pro Tem Del Marsh (R-Anniston) and that he had met with Governor Robert Bentley the day before.

“By the time we get to the special session, hopefully we’ll have something worked out between the House and the Senate and the Governor,” he said, “and I’m very optimistic we’re going to come up with a solution for the short term and the long term.”

The Speaker’s optimism aside, it won’t be an easy task to come to an agreement on a budget. Even so, all signs point toward an August special session to take another swing at the General Fund. The Legislature passed the budget on the 29<sup>th</sup> – and ultimately final day of the session – but Gov. Bentley fulfilled his promise to veto it. The House voted to override, but it was of no impact because the Senate had already adjourned *sine die*.



**SPEAKER OF THE HOUSE MIKE HUBBARD (R-AUBURN) STRUCK AN OPTIMISTIC TONE ON A BUDGET PLAN AS HOUSE MEMBERS REPORTED IN FOR A ‘WORK DAY.’**

The first challenge will be determining “the number,” which is the amount of money necessary to level fund most agencies and provide a little extra for Corrections and Medicaid.

You won’t find any takers on Gov. Bentley’s original plan to raise \$541 million in taxes, plus nearly \$200 million in other measures to raise \$700-plus million to craft a long-term plan for the General Fund.

Most agree that there’s \$200 million less to spend measured against this year’s budget, and many would agree in a perfect world that finding \$200 million with an additional \$50 million for Corrections and Medicaid would be a reasonable plan.

Simple enough, right? *Wrong!*

The road to \$250 million is not an easy

one. There is a core of conservatives that argue vociferously that \$250 million can be found by unearmarking as many funds as possible – even to the point of combining the budgets.

For many that’s the third rail of Alabama politics. It’s a safe bet that the Alabama Education Association – weakened as it may be – will muster what strength is left to wage what would be akin to Armageddon.

AEA would have friends from higher education ready to fight shoulder to shoulder to prevent unification of the budgets.

One thing that seemed clear from Thursday’s House “session” is that at least some unearmarking is likely to be at least a part of any potential “unified”

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## Budget

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proposal from Speaker Hubbard, Sen. Marsh and Gov. Bentley.

Newton pointed to part of the Governor's original package as having elements of unearmarking, and that the Governor would continue to advocate for it.

Increasing revenue via tax increase will certainly have an uphill battle, but it will be hard to get to \$200-plus million without some measures – a cigarette tax still is regarded as the lowest hanging fruit.

Another short-term possibility is reallocating money in the Rolling Reserve fund, which is a second layer "rainy day fund" for the education budget. That will

churn up the opposition from the education community, but perhaps not to the extent of full-fledged unearmarking.

In the mix are those who don't believe cutting the General Fund by \$200 million will make a significant difference.

Newton took a differing view, saying it would result in the closure of two prisons and drive the system up to 225 percent capacity. He said it was also result in the closure of two-thirds of the state parks system as well as reduce other services.

We'll see if Speaker Hubbard's optimism is warranted. A lot of work must be done to build consensus in the next 60 days. The Republican supermajority has done some bold things in school choice, economic development, and government "right-sizing." Undoubtedly, this is the

supermajority's greatest challenge yet.

After the presentation from Green and Newton, the Ways & Means-General Fund committee met. Committee chair Rep. Steve Clouse (R-Ozark) acted on a suggestion that members divide up critical issue agencies to meet with those department heads and report back to the full committee.

Another meeting that gathered a lot of attention is a task force on earmarking. Speaker Hubbard appointed a mixture of veterans and new members to study if removing earmarks would make a difference in budgeting.

Also meeting were task forces studying the Retirement Systems of Alabama and the state's regulatory structure for alcohol.

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**Note:** The Windom Galliher Montgomery Update publishes weekly during legislative sessions and as events warrant. The next scheduled update will be the week of July 6.