

WINDOM GALLIHER

MONTGOMERY UPDATE

APRIL 24, 2015

Legislators prepare to pick their poison

Gambling, taxes, more cuts are on the table as potential GF fixes

"Oh, no one knows what goes on behind closed doors."

Charlie Rich made a dollar or two on that country music hit 40 years ago. And the lyric crossed a mind or two Wednesday afternoon as the House Republican Caucus took an extended lunch break.

Despite the desires of some of the younger budget hawks in the Senate and House Republican caucuses, legislative work on the budgets – especially, the General Fund – tends to come later in the session. There are reasons for this. One reason would be to wait to see if there are any additional funds available from an unconventional source.

The main reason is to take time to build consensus. This year is no different. Leadership wants a framework in place to guide floor debates on budgets. A free-for-all suits no one.

As the midpoint of the session concluded Tuesday, Speaker of the House Mike Hubbard (R-Auburn) gathered his team for a several-hour-long, serious discussion about the General Fund budget.

The post-game quotes were vague, not surprisingly.

"We had a good meeting," Speaker Hubbard told reporters after Thursday's adjournment. "We heard a lot of good ideas. We put them on the board, and discussed them thoroughly."

As the General Fund budget will start in the House due to the presumption that there could be revenue measures as a part of the package, the greater attention is focused on the fifth floor. It's common knowledge that several members



SPEAKER OF THE HOUSE MIKE HUBBARD (R-AUBURN) HELD A LONG, CLOSED-DOOR MEETING WITH THIS CAUCUS TO DISCUSS OPTIONS

are getting antsy that no draft budget has been developed – other than the “doomsday scenario” budget offered by General Fund budget chairs Sen. Arthur Orr (R-Decatur) and Rep. Steve Clouse (R-Ozark).

Upstairs, it appears that President Pro Tem Sen. Del Marsh (R-Anniston) is going to offer the Senate another path to fill the hole. Word began to creep out late Thursday that Sen. Marsh plans to bring a package of bills to create a state lottery and forge a compact with the Poarch Creek tribe. We also expect a bill that would allow existing locations in Macon and Greene counties to re-open and expand. It could allow for another location in North Alabama. We expect the full buffet of bills to be introduced Tuesday.

If that's Sen. Marsh's plan, it will undoubtedly get a lot of attention.

For his part, Gov. Robert Bentley has continued to beat the drum for legislation to raise the \$541 million he describes as necessary to meet next year's anticipated needs and provide a stable foundation for the General Fund for years to come.

As we've shared before, Gov. Bentley has found few allies in his revenue plan – having to turn to Democrat House members to introduce many bills in the package. Only one bill – a bill to remove income tax exemptions – has passed a committee vote. None of the other bills has faced a committee yet.

Earlier in the week, he sent a memo to legislators that outlined what would happen if the “doomsday scenario” occurred. It painted a stark picture.

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A new 'WG Update' feature: The 10 Minute Calendar

We'll start a new feature this week, and we'll call it "The Ten-Minute Calendar," which is legislative-speak for a floor agenda where each member has 10 minutes to explain and pass a bill. If questions go past the 10-minute mark, then the bill loses its chance goes back into the pile of bills. We'll use it to share a little gossip, tidbits, and other items of note.

Craft breweries continue their efforts to expand their scope of operations in Alabama. They introduced bills in the House and Senate to allow them to have restaurants at their breweries and to be able to sell beer for off-premises consumption, both of which are in conflict with the traditional three-tier system.

The three-tier system creates three different types of players in the alcohol economy – manufacturer, wholesaler, and retailer. If craft brewers have restaurants and sell beer for off-premises consumption, then that would make them both manufacturers and retailers – which puts the entire system and 5,200 jobs in jeopardy.

Sen. Bill Hightower (R-Mobile) caught a lot of attention this week. Just as Rep. Will Ainsworth garnered (R-Guntersville) attention for his unearmarking bill, Sen. Hightower took his turn in the spotlight for a couple of reasons.

First, he took the lead on a "flat tax" proposal that would cut the individual and corporate income tax rates, but also

would eliminate deductions, credits and exemptions. Under the Hightower plan, the individual tax rate would drop from 5 percent to 2.75 percent. The corporate rate would drop from 6.0 percent to 4.59 percent.

Sen. Hightower believes the tax rate changes would be a wash for the state, but some say it would net the state some money. The next big move for Sen. Hightower was his introduction of a bill to reform the coastal property insurance pool. Sen. Hightower, who in his first full term after filling former Sen. Ben Brooks' seat in a special election, is taking up the mantle of fighting for his constituents on insurance issues. The pool reform bill is no easy lift, but he's going to force conversations on the issue.

Poison

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According to the Governor's memo:

- The Alabama Department of Environmental Management could be damaged to the point that it could be shut down and taken over by the federal Environmental Protection Agency.

- Twenty-five National Guard armories could close.

- Approximately 130 state law enforcement officers could be laid off and 13 Trooper posts closed.

- The already overcrowded prison system could grow even worse by closing two prisons.

- Medicaid would lose \$320 million, including federal matching funds.

- Approximately 17,000 children would lose day-care benefits, while 30,000 would lose Temporary Assistance for Needy Families (formerly Aid to Families with Dependent Children). About 25,000 would lose mental health benefits.

- Fifteen of 22 state parks would close.

"Legislators need to know the impossible impact if we had just a budget based on cuts," Orr told reporters, "and the Governor is in a better position to see



SEN. HARRI ANNE SMITH (I-SLOCOMB) TOOK GOV. ROBERT BENTLEY TO TASK FOR "SCARING" SENIORS AND OTHERS WITH THREATS OF CUTS

what the cuts might mean as far as agencies being able to perform their missions."

Others didn't greet the memo with the same calm as Sen. Orr.

Sen. Harri Anne Smith (I-Slocomb) took to Facebook to remind her constituents that the current fiscal year is secure through September 30, and that no cuts are imminent.

"We are currently working on the budgets for 2016 and some have a disagreement with the Governor on how to fund these programs," Sen. Smith said, "but I have heard no one say that they are not going to make sure that the programs

that people depend on to live are not going to be funded."

Sen. Smith says she has been deluged with telephone calls from citizens that have been asked to do so by government agencies.

"They are being called and scared into calling me in tears and begging me not to stop their services," she said. "This is wrong, and the Governor needs to stop this. The Governor needs to give the elected officials time to finish the budget hearings, and then let us make good decisions for our people and the state. I am sorry these tactics are being used to try to create panic."

Even so, the two Republican caucuses made no specific statements, but the sense is the neither the Senate nor the House is of a mind to try to raise \$541 million. There was some hallway talk that the Republicans may believe that \$300 million is a more workable number, but the path to that amount remains unclear.

It could come from unearmarking funds through a scaled back version of freshman Rep. Will Ainsworth's plan, or perhaps Sen. Bill Hightower's (R-Mobile) "flat tax" proposal to replace the state's individual and corporate income taxes, or even through a cigarette tax. The next 14 legislative days are sure to be entertaining as the cards are flipped over.

Senate simmers; House passes 2-year school overhaul

Since the emergence of the Republican supermajority, there has been one immutable point. Of the two chambers, the Senate has been the most volatile.

Two items during the week prove the point as well as anything.

On Tuesday, late in the afternoon, the Senate took up a resolution that would urge Gov. Robert Bentley not to expand Medicaid and that it was the Legislature's position to oppose expansion. Although the resolution was essentially meaningless – such resolutions are generally just an expression of opinion – the Senate's Democrats went apoplectic.

To be fair, the Senate Democrats have made Medicaid expansion the No. 1 item on their wish list. But with only eight members of a 35-person body, a wish list should be called an "In Your Wildest Dreams" list.

The resolution passed on a party line vote – 22-8.

Minority Leader Quinton Ross (D-Montgomery) told the body in an impassioned floor speech that the resolution would threaten the remainder of the session.

"Perception is everything," Sen. Ross said. "To give the perception that the entire Legislature opposes expanding Medicaid is not true."

Resolution sponsor Sen. Trip Pittman (R-Montrose) said expansion is a non-starter for financial reasons.

"I think it's important to have sustainability in terms of costs," he said.

After the vote and immediate rise in temperature on the floor, Senate President Pro Tem Del Marsh (R-Anniston) adjourned the body and brought them back to work Thursday.

Sen. Marsh, knowing that nerves were still frayed, allowed Democrats to filibuster sunset bills for most of the day before



VETERAN REP. STEVE McMILLAN (R-GULF SHORES) SHEPHERDED A BILL TO TAKE THE OVERSIGHT OVER THE TWO-YEAR COLLEGE SYSTEM FROM THE STATE BOARD OF EDUCATION TO A NEW, SEPARATE BOARD.

fore negotiating an agreement to confirm Gaines Lanier of Lanett to Auburn University Board of Trustees and then adjourn for the week.

In the House, what presumed to be a difficult day was incredibly easy for a bill with huge implications.

Rep. Steve McMillan (R-Gulf Shores) handled Sen. Pittman's bill to separate the two-year colleges from the State Board of Education place them under a new board that it appointed by the Governor.

The new board will focus on workforce development and leave the state Board to its primary role as the steward of K-12 education.

The reality is that this is a major political transformation as well. The state's two-

year colleges have enjoyed great political power for decades, and many presidents – particularly those in years past – have built large kingdoms. A new board that is less worried about political power and dialed in on finding workers for the state's jobs could be transformative.

The big money was on a protracted debate on the bill, but less than 30 minutes after the bill was brought up, and after a handful of questions, the bill sailed through the House by an easy, 82-11 margin. Because the House made changes to the bill, Sen. Pittman will have to seek Senate concurrence, which is expected.

Clearly, the Speaker, Rep. McMillan and others worked the bill thoroughly before it ever got to the floor. Members weren't caught off guard by anything in the bill.

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Note: The Windom Galliher Montgomery Update will publish weekly during the Legislative Session.