

WINDOM GALLIHER

MONTGOMERY UPDATE

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House prepares to take up lean GF budget

Committee gives Medicaid a few dollars more, but Azar says it's not nearly enough

The desire by many Alabama legislators to finish up work on the two state budgets as quickly as possible appears to be coming to fruition.

Two weeks ago, the bare-bones General Fund budget passed the Senate. The House appears ready to pass its version of the spending plan for FY2017 as it has scheduled a floor debate for Tuesday. House General Fund Budget chair Rep. Steve Clouse (R-Ozark) added \$26 million to the budget based on information supplied to him by the Department of Revenue. Of that new \$26 million, Rep. Clouse allocated \$15 million to Medicaid and spread the remaining dollars out among other agencies.

As we head into the midway point of the session, the budget will certainly gain a lot of debate Tuesday. House Democrats tipped their hands that they will filibuster, but assuredly the budget will pass. When the budget returns to the Senate, it is expected the upper chamber will concur in the changes and send the bill to Gov. Robert Bentley.

The lack of appetite to raise revenue still remains, which means the final General Fund budget total will be approximately \$1.82 billion. Gov. Bentley is threatening to veto, but the Legislature will certainly override his effort.

If it plays out this way, Medicaid will stand as the unwanted orphan. The budget appropriates Medicaid with \$700 million, which is far short of what Commissioner Stephanie Azar says the agency needs. In the Senate version, Medicaid would have received \$685 million – the same amount it received last year. While legislators called it “level-funding,” Commissioner Azar had a much different



GENERAL FUND CHAIR REP. STEVE CLOUSE (R-OZARK) WILL BE FRONT AND CENTER TUESDAY WHEN THE HOUSE TACKLES THE BUDGET

view. Her point is that costs associated with the October 1 launch of the Regional Care Organizations (RCOs) and other increased costs require additional appropriations. She says it will take an additional \$100 million to maintain current level of services and get the RCOs started. She has also argued that up to \$750 million in new federal dollars over the next few years would disappear if the RCOs are unable to launch. The RCOs should help Medicaid begin to save significant dollars in the future, and legislators are holding Commissioner Azar's feet to the fire to outline plans to shrink the agency before they consider any more new revenue. Of course, if the RCOs failed to perform – or even get started – then we're back to where we started.

Sen. Vivian Figures (D-Mobile) moved her bill (SB136) out of committee that would call for a referendum to increase *ad valorem* taxes with the money earmarked for Medicaid. It passed on a 7-6 vote, and it appears it was more of an accommodation to Sen. Figures. The reality is that the bill stands little to no chance of making it out of the Senate.

So far, legislators remain firm in their desire to contain costs – which is like holding water in your hands as the Medicaid-eligible population continues to grow, even without Medicaid expansion.

Gov. Bentley's public comments of potentially calling a special session on Medicaid funding has given hope to those who want to see the state enact a lottery. Still, many others are keeping quiet. A year ago, Gov. Bentley strongly advocated for a \$541 million revenue program that got nearly zero traction in the Legislature – save for a small cigarette tax increase. This year he offered no tax proposals. If no one in leadership is advocating for increased taxes, the only other path forward is a lottery or gaming – or a combination of the two.

It seems that many are willing to let the people have the right to vote on a lottery, but they want clarity on how the money would be divided. Yet there is hesitance by many on jumping in front of the issue. The reality is that many legislators prefer the grease to get hot before having a fish fry.

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Budget

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Until that happens, legislators seem more committed than ever to seeing if the bare-bones budget causes any public outcry before trying to prop it up with new revenue.

As for the Education budget, House Ways & Means chairman Rep. Bill Poole (R-Tuscaloosa) shepherded the first iteration of the spending plan through the lower chamber Tuesday.

Rep. Poole's task was clearly a happier one. He authored a \$6.8 billion budget that increases funding for pre-kindergarten, transportation, textbooks and operational increases. The state's education personnel will appreciate this version of the budget. Employees that make less than \$75,000 will gain a 4 percent raise under this plan, while employees that make more than \$75,000 will gain a 2 percent raise. House members couldn't wait to hit the green button to vote "Yes" on that budget. It passed

unanimously with every member voting — 105-0.

New Senate education budget chair Sen. Arthur Orr (R-Decatur), who moves over after five years as General Fund chair, will certainly have a few different ideas about how to handle some of the money. It is unknown yet whether Sen. Orr and Rep. Poole will reach agreement on a final version of the budget to avoid a conference committee. Either way, the issue is not likely to be decided before the legislative spring break, which is the final week of the month.

Senate Pro Tem Del Marsh (R-Anniston) has been at the forefront of education reform issues, and he finally presented his bill related to teacher tenure. After several drafts, Sen. Marsh introduced the PREP (Preparing and Rewarding Education Professionals) Act. After a lengthy debate, the Senate Education Committee passed the bill on a 5-4 vote. The bill has two major components: 1) Extends the requirement to reach tenure from three years to five, and 2) Changes the teacher evaluation system to include ratings from students and parents.

Proponents and opponents offered comments at a public hearing Tuesday. Opponents objected more to the proposed evaluation system more than anything. With the session nearing the halfway point, and plenty of questions remaining to be answered, Sen. Marsh will have an uphill battle to the finish line. But as the Senate leader, he'll be in prime position to make it happen if it is at all possible.

The State Board of Education bid farewell at its Thursday meeting to Superintendent Tommy Bice, who is retiring at the end of the month.

Juliana Dean, the State Department of Education's General Counsel, has been named temporary superintendent. She'll serve for a few weeks as the Board takes steps to name a longer-term interim superintendent. That decision is expected in April.

The interim superintendent is likely to serve for five to six months as the search begins for a permanent replacement for Dr. Bice. The Board will meet Monday to start discussing the criteria in the search.

Note: The Windom Galliher Montgomery Update publishes weekly during the legislative session, monthly in the off-season, and as events warrant otherwise.