

WINDOM GALLIHER

MONTGOMERY UPDATE

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Legislature under the gun upon return

**Session in lengthy recess,
but it won't stop budget
work behind the scenes**

It is clear that Gov. Robert Bentley kept his own counsel in issuing the call last Friday for the special legislative session on the General Fund budget.

The day prior to the formal call he announced that he would be ordering the Legislature into session the following Monday. That announcement essentially served as the notice for most members of the Legislature. Leadership got a brief heads up perhaps 30 minutes prior to the announcement.

The governor's strategy appears to be rather simple – he's trying to pit the rank and file membership of the Legislature against the leadership in hopes of gaining support for his \$300 million-plus revenue package. His message of “the membership is ready to work” is a clear sign. He's also pushing the notion that the people see the need for increased revenue, and would agree to pay additional taxes rather than cut services any more. He says the people are on his side.

Will it work? Hard to tell, but both Senate President Pro Tem Del Marsh (R-Anniston) and Speaker of the House Mike Hubbard (R-Auburn) seem undeterred in their efforts to craft a solution of their own.

Of course, the question then becomes: will the Senate and the House come together on a budget to send to the Governor, or, if constitutional in nature, to the voters?

The answer to that question will provide an answer to a logical follow-up question: will it take more than one special session to craft a budget?

Under the state constitution, special sessions can be up to 12 meeting days



EDUCATION BUDGET CHAIR SEN. TRIP PITTMAN (R-MONTROSE) HAS INTRODUCED A BILL TO SHIFT THE USE TAX FROM THE EDUCATION BUDGET TO THE GENERAL FUND

in a 30-day calendar period. By adjourning for three weeks, 21 of the 30 calendar days will have been used. The Legislature will have nine days to finish their work. If the Republican supermajority can unite behind a plan, then it can certainly complete its work in the nine days remaining. To finish the deal, though, would require the buy-in from Gov. Bentley, who must sign any new laws. He would have the ability to pocket veto any bill he doesn't like and that would certainly force a second special session.

Sen. Marsh has split his caucus into various groups to work on ways to solve the \$200 million-plus shortfall in the General Fund. He continues to sound an optimistic tone. While Gov. Bentley laid his plans on the table a week ago, the Senate and House leaders have been quiet about their potential solutions.

Sen. Marsh, who introduced his omnibus gambling bill again on the first day of

the session, doesn't consider it a short-term fix, but rather a long-term source of revenue. One of the tweaks in the bill reserves lottery revenues for education, including a scholarship program for the state's two-year schools. The expanded offerings at the state's dog tracks would generate revenue for the General Fund.

The governor's plan doesn't seem to have many public takers, but one bill that seems to have some momentum behind it is legislation that will shift some of the burden of the state's business privilege tax. Rep. Elaine Beech (D-Chatom) introduced the bill in the regular session, but it didn't travel far. Under the current tax, all businesses pay – most small businesses paying \$100 annually.

With some tweaks on how the taxes are calculated, the bill may receive the signoff from the Business Council of

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of Alabama and various segments of the business community. Essentially, the \$100 minimum tax would be eliminated for small business, and the revenue would be made up and exceeded by an increase in privilege taxes on the state's largest businesses.

Rep. Beech has worked closely with in-

terested parties, and is expected to introduce the compromise bill once the session resumes on Aug. 3.

Sen. Marsh indicated publicly that the business privilege tax bill had the best chance of the governor's bills.

Sen. Trip Pittman (R-Montrose) introduced SB6, and it has a strong chance of passage. The bill will reallocate the use tax from the Education Trust Fund to the General Fund. The use tax is consid-

ered a "growth tax." Currently, the insurance premium tax is the only real "growth tax" feeding the General Fund. If the bill passes, leadership seems committed to making up some of the loss to the ETF.

Over the next two weeks, there will be plenty of discussions, and maybe more than a little posturing. We just went through the hottest week of the year in these parts. It doesn't look like it will be cooling off anytime soon – inside or out.

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