



2018 Legislative Report- Week 1

Budget Overview

Governor Ivey's 2019 General Fund and Education Trust Fund budget proposals were released for consideration this week. Below are the main provisions of the budgets.

General Fund (GF)

- Overview
 - \$1.93 billion in estimated revenues (up \$23 million or 1.2% over prior year)
 - \$93.4 million beginning balance
 - **\$2.025 billion** total available budget
- Breakdown
 - Prior year General Fund budget (2018): \$1.879 billion
 - 3 % COLA for state employees (SEIB fully-funded): \$14.4 million increase
 - Medicaid (after removal of \$105 million one-time BP funds): \$53.9 million increase
 - Corrections: \$30 million FY18 Supplemental and a \$50 million increase in FY19
 - Mental health: \$9 million increase
 - Prepayment of Alabama Trust Fund Loan: \$18.4 million
 - Other increases: \$30.2 million

Education Trust Fund (ETF)

- Overview
 - \$6.708 billion total available revenue
 - **\$6.633 billion** ETF Appropriations Cap (up \$214 million or 3.4% over prior year)
 - \$76 million in reserves (\$66 million to the Budget Stabilization Fund (1%), \$10 million to Advancement & Technology Fund)
- Breakdown
 - K-12: \$4.575.7 billion (69%)
 - 2.5 % COLA (PEEHIP fully-funded): \$92.8 million
 - Foundation Program (3,194 fewer students): \$17.6 million increase
 - Other SDE and K-12 priorities: \$11.1 million increase
 - Pre-K: \$23 million increase
 - Higher Education: \$1.687.1 billion (25.4%)
 - 3.3% O&M increase: \$49 million
 - Other Education: \$370.7 million (5.6%)

Corrections

Increased funding for prisons (largely the result of ongoing litigation) is included in the proposed General Fund budget in an effort to address staffing ratios and healthcare services offered to inmates. The changes would be phased in over three years. To improve the currently inadequate staffing levels, the Governor proposes to increase Department funding in order to hire an additional 100 corrections officers. The Department has also engaged in a new health and mental health contract that will include an

additional \$21 million for these services during the current fiscal year and an additional \$36 million for FY19.

Rural Broadband

An incentives program to spur rural broadband development was introduced this week that would exempt equipment and materials used by those facilities from state sales and use taxes and would make available an income tax credit equal to 10% of the investment in such facilities. Tax credits would be capped at \$20 million per year.

Toyota/Mazda

Toyota and Mazda announced this week that they will be building a joint auto manufacturing plant in Huntsville at the Limestone County TVA mega-site. The \$1.6 billion investment by the auto makers is expected to create 4,000 new jobs. The anticipated total incentives package looks to be between \$800 and \$900 million, with a minimum of six local governments and the state government pitching in to provide incentives. SB98 was also introduced this week, which would provide the authority to counties to abate rollback ad valorem taxes for certain projects that qualify for the incentives under the Alabama Jobs Act. Site work is expected to begin this spring.

Senate GOP Agenda

Senate Republicans announced their 2018 “Fighting for Alabama” agenda at a press conference on Thursday. There are four major aspects to the plan:

- Cut income taxes by allowing more taxpayers to take the maximum standard deduction
 - SB76 would include an expansion of the adjusted gross income range for the maximum standard deduction
- Provide incentives to companies to develop broadband access in rural Alabama
- Make child sex trafficking a capital offense
- Save money in Medicaid by encouraging the state to seek federal waivers, such as a work requirement for able-bodied recipients

Legislative Tracking Report

AL - HB173 Ad valorem taxes, co. commission authorized to reduce for projects under Ala. Jobs Act, Sec. 40-7-25.4 added

Primary Sponsor: [Representative Danny Crawford \(R\)](#)

Actions:

January 11, 2018

- Read for the first time and referred to the House of Representatives committee on Economic Development and Tourism

AL - SB98 Ad valorem taxes, co. commission authorized to reduce for projects under Ala. Jobs Act, Sec. 40-7-25.4 added

Primary Sponsor: [Senator Arthur Orr \(R\)](#)

Actions:

January 11, 2018

- Read for the second time and placed on the calendar

January 9, 2018

- Read for the first time and referred to the Senate committee on Finance and Taxation Education