

Alabama's 2015 State Budget

How large is the State Budget?

Alabama expended \$19.7 billion in Fiscal Year (FY) 2014 through seven separate funds: General, Education Trust, Alabama Trust, Medicaid, Public Road and Bridge, Public Welfare Trust, and Nonmajor Governmental.¹ Of this \$19.7 billion, the Alabama Legislature budgeted \$7.1 billion from the State General Fund (GF) and the Education Trust Fund (ETF).²

On April 11, 2014, the Governor signed the budget of \$7.8 billion for FY 2015,³ an increase of \$256 million (3.4%) from the FY2014 budget. This equates to a bill of \$1,608 for every person in the State.⁴

The General Fund

For FY 2015, the GF budget was set at \$1.8 billion,⁵ an increase of approximately \$90 million (5.1%) over FY 2014. Since FY 2002, the annual increase averaged \$46 million (3.8%).

- **Legislative Spending** At \$34 million for FY 2015 (\$446 thousand increase over FY 2014), the budget for the State Legislature is the smallest of the three major budget areas. Legislative spending primarily consists of the salaries and benefits for the Legislature (\$21 million). The Office of the Speaker of the House and Senate Pro Tempore comprise \$1.4 and \$1.1 million of the budget, respectively.
- **Judicial Spending** Spending for Alabama's judicial system is expected to be approximately \$113 million in FY 2015. Nearly the entire amount is dedicated to the salaries and support for all State judges (\$102 million). Since FY2002, the Judicial budget averaged an annual

ISSUE SNAPSHOT

In April 2014, the State enacted a budget for FY 2015 of \$7.8 billion, of which \$1.8 billion was proposed for the General Fund (GF) and \$5.9 billion for the Education Trust Fund (ETF). This equates to a bill of \$1,608 for every man, woman and child in the State.

Within the GF, the Executive branch accounts for \$1.6 billion. This goes to fund a wide range of State activities from Agriculture and Industries to the Lieutenant Governor's Office.

The majority of ETF spending for FY 2015 (\$4.1 billion; 69%) is earmarked for the State's K-12 education, which includes salaries and benefits for teachers, administrators, and support staff, as well as transportation and school construction and maintenance.

1.17% decrease. From FY2010-FY2013, the budget decreased annually from \$186 million to \$98 million.

- **Executive Spending** More money is spent by the Executive branch than any other component of State government, except education. The Executive branch also funds the widest variety of State entities, from Agriculture and Industries to the Alabama Scenic River Trail to the Lieutenant Governor's Office. For FY 2015, approximately \$1.6 billion has been budgeted, compared to an average of \$1.3 billion since FY 2002.

GUIDE TO THE ISSUES

The six largest entities under the Executive branch include Medicaid Agency (\$685 million), the Department of Corrections (\$394 million), Mental Health (\$105 million), Human Resources (\$58.7 million), Public Health (\$81 million), and Public Safety and State Law Enforcement Agency (\$55.4 million).

The Alabama Medicaid Agency's budget increased by \$70 million (an 11% increase over FY2014). In order to offset this increase, many other agencies' budgets were cut, including the Department of Human Resources' budget by \$11.8 million (17% decrease from FY2014) and all of the Office of the Attorney General's budget (since FY 2002 the average budget for the Office of the Attorney General equals \$10.3 million).

The Education Trust Fund

For FY 2015, the proposed budget for the ETF is \$5.9 billion,⁶ approximately \$166 million (2.9%) more than FY 2014.

- **K-12 Education** The State's K-12 expenses comprise the vast majority of ETF spending for FY 2015 (\$4.1 billion; 69%). This amount includes salaries and benefits for teachers, administrators, and support staff, as well as transportation and school construction and maintenance.
- **Colleges and Universities** The second-largest expenditure for the ETF is Higher Ed at \$1.5 billion. Higher Ed includes Alabama's four-year university system, two-year college system, and the "Commission on Higher Ed." Of this total, the largest amounts are dedicated to the State's two largest university systems: \$455 million is earmarked for the University of Alabama system (which includes campuses in Tuscaloosa, Birmingham, and Huntsville) and \$245 million

for the Auburn University system (which includes campuses in Auburn and Montgomery). The State's two-year college system is budgeted \$334 million.

- **The Rolling Reserve Cap** The Alabama Legislature enacted The Education Rolling Reserve Act (ERRA) during the 2011 legislative session. This act provides for an appropriations cap for the ETF based on a fifteen-year average growth rate in revenues. For the FY2015 budget, this cap was set at \$5.9 billion. The budget exceeds the cap by \$23.6 million.

APRIL 2014

¹ Thomas L. White, Jr., STATE COMPTROLLER, *State of Alabama Comprehensive Annual Financial Report*, 41 (2013)

<http://comptroller.alabama.gov/pdfs/CAFR/cafr.2013.ala.pdf#page=47>.

² Author's Calculations: as with all the other calculations in this report, the numbers and calculations are on file with the author. *Id.*

³ LEGISLATIVE FISCAL OFFICE, *State General Fund Appropriations Comparison Sheet for FY2015 – HB235*,

<http://www.lfo.state.al.us/pdfs/FY%202015%20Spreadsheets/SGF/SGF%20FY%202015%20SENATE%20PASSED.pdf>. **and** LEGISLATIVE FISCAL OFFICE, *Education Trust Fund Appropriations Comparison Sheet for FY2015 – SB184*,

<http://www.lfo.state.al.us/pdfs/FY%202015%20Spreadsheets/ETF/ETF%20-%20FY%202015%20Conference%20Committee%20Substitute.pdf>.

⁴ Author's calculations: \$7,771,264,878.00 for total State budget divided by 4,833,722 for Alabama population in 2013. Source: UNITED STATES CENSUS BUREAU, *State & County QuickFacts: Alabama*, <http://quickfacts.census.gov/qfd/states/01000.html>. Last visited April 14, 2014.

⁵ LEGISLATIVE FISCAL OFFICE, *State General Fund Appropriations Comparison Sheet for FY2015 – HB235*,

<http://www.lfo.state.al.us/pdfs/FY%202015%20Spreadsheets/SGF/SGF%20FY%202015%20SENATE%20PASSED.pdf>.

⁶ LEGISLATIVE FISCAL OFFICE, *Education Trust Fund Appropriations Comparison Sheet for FY2015 – SB184*,

<http://www.lfo.state.al.us/pdfs/FY%202015%20Spreadsheets/ETF/ETF%20-%20FY%202015%20Conference%20Committee%20Substitute.pdf>.