



*Exploring a Constitutional
Expenditure Limit for Alabama*

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Exploring a Constitutional Expenditure Limit for Alabama

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EXECUTIVE SUMMARY

Tax and expenditures limits (TELEs) have been used since 1875 when Missouri enacted the first property tax limitation. Recently, TELEs have faced increased pressure due to the economic recession, and some TELEs, such as Colorado's Tax Payer Bill of Rights, have been repealed. Research shows TELEs to be effective only if carefully constructed to accommodate a wide range of economic conditions.

The State of Alabama has recently faced a number of difficult financial and budgetary situations. As a result of budgetary miscalculations and in accordance with the Constitution of Alabama, proration of the Education Trust Fund occurred in fiscal year (FY) 2001 (6%); FY 2003 (4%); FY 2008 (7%); FY 2009 (18%); FY 2010 (10%); and FY 2011 (3%). Likewise, proration of the State General Fund recently occurred in FY 2010 (20%), FY 2011 (15%), and FY 2012 (11%). In short, current budgetary practices provide unreliable controls for State spending.

In order to prevent similar budgetary scenarios in the future, the State of Alabama should install a carefully constructed expenditure limitation. The proposed Alabama Dynamic Expenditure Limit (ADEL) utilizes changes in Alabama's inflation, output, and population to create an expenditure limit which moves with the economy to accommodate the needs of Alabama's citizens. ADEL works in conjunction with a reserve fund where revenue above ADEL provides a buffer in times of revenue contraction. When funds received exceed the maximum amount allowed in the reserve fund, excess revenues will be transferred into a Citizen's Referendum Account where the citizens have a voice in spending the excess revenues.

BACKGROUND

In the early 1990s and 2000s with the economy on the rise and many Americans concerned with the risk of rapidly growing governments, states across the country began to consider imposing limits on revenues and expenditures. This debate stalled along with the economy during the recent economic recession that began in late 2007. As the economy slowly begins to recover, states such as Alabama are once again considering ways to prevent the government from growing simply because revenue increases.

Budgetary limitations, often referred to as tax and expenditure limits (TELEs), vary from state to state, from the first property tax limitation in Missouri in 1875¹ to refund requirements for all revenues over the state's revenue threshold in states like Indiana.² In 2008, 23 states had spending limits, four had revenue limits, and three had both.³ Other limitations include balanced budget requirements (49 states in 2008)⁴ and prohibitions on carrying over budget deficits from year to year (38 states in 2008).⁵

Unfortunately, many of the various spending and revenue limitations enacted in the United States suffer from unintended and largely unforeseen defects. Limitations designed to restrict government growth also carry the potential to restrict government support services such

1 STEVEN DELLER & JUDITH I. STALLMAN, *Tax and Expenditure Limitations and Economic Growth*, 90 MARQ. L. REV. 497, 497 (2006), http://scholarship.law.marquette.edu/cgi/viewcontent.cgi?article=1035&context=mulr_conferences.

2 MARY BETH SCHNEIDER, *Indiana Lawmakers Anxious About Tapping Surplus for Taxpayer Refunds*, THE INDIANAPOLIS STAR, (Jan. 12, 2012), <http://www.indystar.com/article/20120112/NEWS05/201120392/Indiana-lawmakers-anxious-about-tapping-surplus-taxpayer-refunds>.

3 BERT WAISANEN, *State Tax and Expenditure Limit – 2008*, NATIONAL CONFERENCE OF STATE LEGISLATURES, <http://www.ncsl.org/IssuesResearch/BudgetTax/StateTaxandExpenditureLimits2008/tabid/12633/Default.aspx> (last visited Feb. 28, 2012).

4 NCSL *Fiscal Brief: State Balanced Budget Provisions*, NATIONAL CONFERENCE OF STATE LEGISLATURES, 11-12, (October 2012), <http://www.ncsl.org/documents/fiscal/StateBalancedBudgetProvisions2010.pdf>.

5 *Id.* at 3.

as unemployment benefits and Medicaid when most expected by citizens. For example, the Taxpayer Bill of Rights (TABOR) was passed in Colorado in 1992, only to be amended by popular vote in 2005 to allow the State to remove revenue limits for five years as a result of the difficulties realized from the economic recession.⁶ Limits preventing states from spending during economic contractions occur most notably when TELs are based predominantly on parameters, such as state average income and gross domestic product, which have the potential to quickly contract with an economic downturn.

In order to prevent budgetary limitations from unraveling during economic recessions, limits must be established that restrict spending when funds are abundant and flexibly respond when budget support may be necessary. Michael J. New from the CATO Institute has examined the various components of TELs and found two particular provisions that give TELs a higher probability of success. First, “limit[ing] increases in spending and revenue to the inflation rate plus population growth... will reduce per capita state and local direct general expenditures...”⁷ Second, revenue in excess of the budget needs to be refunded back to citizens. Where these provisions are absent, “analysis suggests that... TELs appear ineffective at reducing state expenditures.”⁸

Furthermore, “[s]tates with expenditure limits typically borrow at lower rates than other states, but those that restrict tax increases or require supermajorities to increase taxes face higher borrowing costs. States with binding revenue limitation laws are likely to face [higher] borrowing rates.”⁹ Also, “bond yields rise less during periods of financial stress for states with tight anti-deficit rules or restrictive spending rules.”¹⁰ Structuring the limitation to

restrict expenditures, not revenues, is key to the limitation’s overall success.

New also finds that “TELs passed by citizen initiatives are far more likely to contain the sorts of provisions that are going to place effective limits on state spending.”¹¹ TELs have significant potential for limiting the growth of state expenditures, but such limitations must be designed carefully.

ALABAMA’S BUDGETARY PROCESS AND BACKGROUND

Alabama’s budgetary process begins with each State department sending budget requests to the Executive Budget Office. These budgets outline needs for the coming fiscal year. Each budget is calculated independently by each department, board, bureau, etc. and then compiled and reviewed by the Executive Budget Office.¹² This “Executive Budget Document” is then given to the Legislature¹³ where further revisions are made.¹⁴ After these revisions are made, a vote is taken in the House and Senate and then, if passed, the bill is signed by the Governor.¹⁵ This process occurs for both of Alabama’s budgets, the State General Fund (GF) and the Education Trust Fund (ETF), because the State does not have a unified budget system.¹⁶

Since FY 2000, this budgeting process has resulted in severe miscalculations in the ETF budget, which accounted for 51% of appropriations from all State funds in FY

6 BERT WAISANEN, *supra* note 3.

7 MICHAEL J. NEW, *Limiting Government through Direct Democracy*, 420 Policy Analysis, CATO INSTITUTE, 10, (December 13, 2011), *available at* <http://www.scribd.com/fullscreen/13672743>.

8 *Id.*

9 JAMES M. POTERBA & KIM S. RUEBEN, *Fiscal Rules and State Borrowing Costs: Evidence from California and Other States*, PUBLIC POLICY INSTITUTE OF CALIFORNIA, vi (1999), http://www.ppic.org/content/pubs/report/R_1299JPR.pdf.

10 *Id.* at viii.

11 NEW, *supra* note 7.

12 ALA. CODE. §41-19-6 *available at* <http://alisondb.legislature.state.al.us/acas/CodeOfAlabama/1975/41-19-6.htm>.

13 ROBERT BENTLEY, *State of Ala. Executive Budget: Fiscal Year 2013*, OFFICE OF THE GOVERNOR (2013), <http://budget.alabama.gov/pdf/buddoc/BudDoc2013.pdf>.

14 ALA. CODE. §41-19-8 *available at* <http://alisondb.legislature.state.al.us/acas/CodeOfAlabama/1975/41-19-8.htm>.

15 PATRICK HARRIS AND MCDOWELL LEE, *Alabama’s Legislative Process: Senate Document No. 3 Revised 2011*, http://www.legislature.state.al.us/misc/legislativeprocess/legislativeprocess_ml.html (last visited Jan. 7, 2013).

16 E-mail from Shonda Stallworth, Legislative Fiscal Analyst: Education, Alabama Legislative Fiscal Office, to author (Dec. 14, 2012, 10:46 CST) (on file with author).

2013.¹⁷ Similarly, the State General Fund, the second largest State fund at 39% of the State's budget in FY 2013,¹⁸ had budgeting miscalculations in the five of the last twenty-one years. These mistakes resulted in proration, in accordance with the Constitution of Alabama.¹⁹ As a result of these budgeting errors, proration of the ETF occurred six times since FY 2000: FY 2001 (6%); FY 2003 (4%); FY 2008 (7%); FY 2009 (18%); FY 2010 (10%); and FY 2011 (3%). Proration of the GF recently occurred in FY 2010 (20%), FY 2011 (15%), and FY 2012 (11%).²⁰

In an attempt to prevent proration, the Legislature created the Education Trust Fund Rainy Day Account and the General Fund Rainy Day Account. When the Governor certifies proration, funds from the Alabama Trust Fund (a State investment revenue fund) are transferred to the Education Trust Fund Rainy Day Account and the General Fund Rainy Day Account as needed to prevent proration. "The Legislature must replenish the accounts within six (6) years after withdrawal of any funds from the Education Trust Fund Rainy Day Account and within ten (10) years after withdrawal of any funds from the General Fund Rainy Day Account...."²¹ In accordance with this amendment, funds from the Education Trust Fund Proration Prevention Account (repealed in 2011) and the Alabama Trust Fund via the Education Trust Fund Rainy Day Account were transferred to the Education Trust Fund in FY 2003 (\$180 million); FY 2008 (\$439 million) (also appropriated was a non-budgeted year-end balance in the Education Trust Fund from FY 2007 of \$276 million);²²

and FY 2009 (\$438 million). As a result of these transfers, proration was avoided in FY 2003 and FY 2008 but not in FY 2009 when 11% proration still took place. The State General Fund received \$162 million in FY 2010 but still required 10% proration.²³

In an attempt to make provisions for budgetary short falls in the Education Trust Fund, the Alabama Legislature enacted House Bill 57 (HB 57), known as The Education Rolling Reserve Act, during the 2011 legislative session.²⁴ This act provides for an appropriations cap for the Education Trust Fund based on a fifteen-year average growth rate in revenues.²⁵ If the appropriation cap results in an amount lower than the previous year's cap, funds from the Education Trust Fund Budget Stabilization Fund may be used to raise the cap equal to the previous year's appropriations. Any excess funds appropriated to the Education Trust Fund above this cap (e.g. revenue from income taxes results in funds appropriated for the Education Trust Fund above the calculated cap) will be "transferred to the Education Trust Fund Rainy Day Account until the Account has been repaid in full."²⁶ At which point, funds will be transferred into the Education Trust Fund Budget Stabilization Fund until the fund reaches 20% of the current year's appropriations. Remaining funds will be transferred to the Education Trust Fund Capital Fund. "The Education Trust Fund Capital Fund

17 NORRIS W. GREEN, *A Legislator's Guide to Alabama's Taxes*, ALABAMA LEGISLATIVE FISCAL OFFICE, 391 (2013), <http://www.lfo.alabama.gov/pdfs/Tax%20Guide/Tax%20Guide%202013/2013%20Tax%20Guide%20FINAL.pdf>.

18 Author's Calculations: 100% - ETF Appropriations Acts (51.16%) - Other Appropriations (10.05%) = 38.79%. *Id.*

19 ALA. CONST. amend. 26, available at <http://alisondb.legislature.state.al.us/acas/CodeOfAlabama/Constitution/1901/CA-887808.htm>.

20 NORRIS W. GREEN, *Budget Fact Book FY 2012*, ALABAMA LEGISLATIVE FISCAL OFFICE, 3 (Jan. 22, 2013), <http://www.lfo.alabama.gov/pdfs/Budget%20Fact%20Book/2013%20BUDGET%20FACT%20BOOK%20FINAL%20Website.pdf>.

21 *Id.*

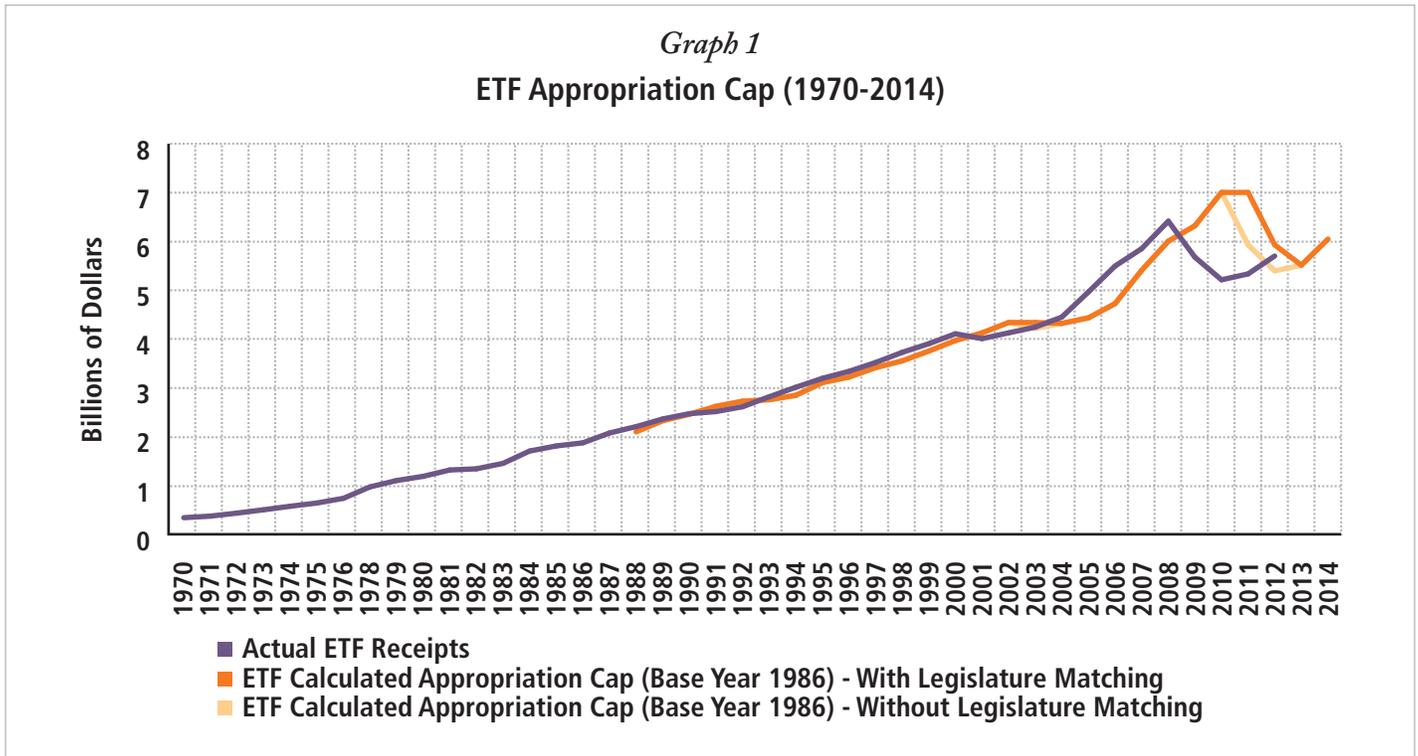
22 BOB RILEY, *State of Alabama Executive Budget 2009-2010*, OFFICE OF THE GOVERNOR, xii, (2009), <http://budget.alabama.gov/pdf/buddoc/BudDoc2010.pdf>.

23 NORRIS *supra* note 20 at, 4.

24 H.B. 57, 2011 Leg., Reg. Sess., 9 (Ala. 2011), <http://alisondb.legislature.state.al.us/acas/ACTIONViewFrameMac.asp?TYPE=Instrument&INST=HB57&DOCPATH=searchableinstruments/2011RS/Printfiles/&PHYDOCPATH=//alisondb/acas/searchableinstruments/2011RS/PrintFiles/&DOCNAMES=HB57-int.pdf,HB57-eng.pdf,HB57-enr.pdf>.

25 *Id.* at 3. The cap is calculated in the following manner: "recurring revenues deposited into the Education Trust Fund in the last completed fiscal year" + ("recurring revenues deposited into the Education Trust Fund in the last completed fiscal year" x average annual percentage change in the recurring revenues deposited into the Education Trust Fund for the past 15 completed fiscal years) + [(40% x (the previous year's recurring revenue - the year preceding the last completed fiscal year's recurring revenue) * only if the percentage of the last completed fiscal year's recurring revenues deposited was higher than the fifteen year average growth rate*] + [95% of expected revenue from newly enacted recurring revenue sources] + nonrecurring revenue.

26 *Id.* at 5-6.



shall be used only for construction... and improvement of buildings... for public education purposes....”²⁷

The Education Trust Fund Budget Stabilization Fund operates similarly to the Education Trust Fund Rainy Day Account. The governor must first certify proration and withdrawals from the fund are limited to the amount which avoids proration. Any funds withdrawn exceeding the amount necessary to avoid proration must be transferred back to the Education Trust Fund Budget Stabilization Fund.²⁸

When analyzed over time, the Education Rolling Reserve Act (ERRA) allows for two potential appropriation limits with similar patterns. The language of the Act allows for one minor change by the Legislature each year.²⁹ The Legislature may decide to let the cap fall below the previous year’s appropriation cap each year or ensure the appropriations cap at least equals the previous

year’s appropriation cap.³⁰ Graph 1 depicts the ERRA appropriation cap alongside the Actual Education Trust Fund Receipts. The graph represents a scenario that models what could have happened if the ERRA legislation had been enacted in 1988. The yellow shows values if the Legislature chose not to use their power to ensure matching. The orange shows values for the cap if the Legislature used this power whenever possible.

The ERRA appropriation cap closely follows actual revenue growth, resulting in no substantial deviations except exceeding revenues from 2007-2010. The ERRA cap, though designed to limit appropriations, requires no real change in the State’s spending habits as the State already has balanced budget requirements.³¹ Furthermore, the

27 *Id.* at 7.

28 *Id.* at 6-7.

29 *Id.* at 5.

30 This analysis makes the assumption either every year the Legislature will ensure annual appropriation caps equal or they will never use this power. Although this decision may vary from year to year in order to fully understand the cap without guessing when the Legislature will make these decisions, we have simplified the model.

31 ALA. CODE. §41-19-(4/9) available at (4) <http://alisondb.legislature.state.al.us/acas/CodeOfAlabama/1975/41-19-4.htm> and (9) <http://alisondb.legislature.state.al.us/acas/CodeOfAlabama/1975/41-19-9.htm>.

ERRA cap may be manipulated by increasing taxes. For example, if the State Legislature increased taxes in 2009 which lead to an increase in revenue of \$100 million for 2010, in 2012 the ERRA would likewise increase by \$100 million to reflect the increased revenue two years prior. The ERRA creates a cap only limited by the amount of revenue the State receives. Even if the ERRA did create an effective cap, the ERRA only limits the ETF, therefore the GF is left unrestrained.

THE ALABAMA DYNAMIC EXPENDITURE LIMIT MODEL

While expenditure limits restrain the size of state government, they may prove unduly burdensome during periods of economic distress and may increase the cost of borrowing. Any expenditure limit must accommodate years in which abundant resources are available and years when revenue is limited and expenditures are high.

In order for any expenditure limit to respond to the economy, it must contain information about the condition of the economy served by the state government. Three factors commonly employed in economic modeling are the Consumer Price Index (CPI), Gross Domestic Product (GDP), and population. As the economy expands and contracts, these factors move in different ways.

Changes in the CPI, a common measure of inflation, indicate increases and more often, decreases in the buying power of the dollar. For instance, \$1.00 of goods in 1986 is valued at \$2.00 in 2012. In the context of an expenditure limit, for the state to provide the same goods and services, the budget must increase by at least this amount.

GDP measures the amount of goods and services created in a certain period. GDP provides a general direction of the economy and may generally be associated with the amount of revenue potentially generated by the state.

Population increase directly affects a state's expenditures from higher road use to more people needing state-offered services.

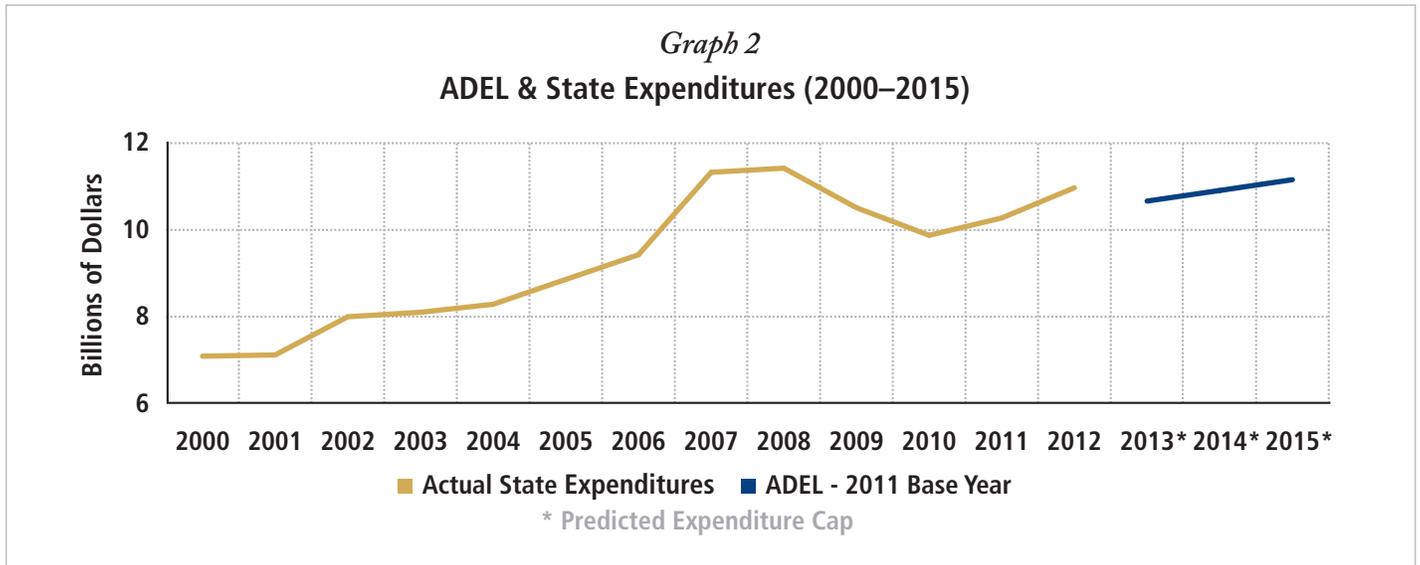
The Alabama Dynamic Expenditure Limit (ADEL) combines all three of these dynamic factors to create a formula for limiting state expenditures that responds to the economy as well as the needs of Alabama's citizens.

Changes in inflation and population are used in whole because of their straightforward effect on expenditure requirements, i.e. as inflation and population increase so will the nominal dollars of expenditures necessary to provide state services. ADEL uses a negative percentage as the coefficient for GDP. This correlates with the relationship between growth in the economy and decreased need for government assistance and, conversely, a reduction in the economy leading to increased need for government assistance. ADEL only uses 10% of GDP so as not to cause significant, abrupt swings in the limit as short-term changes in GDP can be unpredictable.

Alabama should carefully select the base year for the limit. The base year should be a recently completed fiscal year designed to result in a minimal immediate impact to state expenditures. The base year's expenditures are added to the sum of the changes in inflation (regional CPI-U)³² and state population plus -10% of state GDP multiplied by the previous year's expenditures.³³ For the subsequent year's calculations, ADEL employs the prior fiscal year's ADEL as the new base for the calculation. The models below assume state expenditures would equal the limit. In instances where the state spends less than the allotted ADEL from the last completed fiscal year, the ADEL model would recalibrate using actual state expenditures rather than the prior fiscal year's expenditure limit to develop an ADEL for the coming fiscal year. Because the infusion of federal support payments may vary wildly, the ADEL model considers only state expenditures and revenue.

32 Regional CPI-U is "Consumer Price Index – Urban" for the Southeast United States. This is the most often used version of Consumer Price Index and represents the change in the price of a common group of goods for urban areas.

33 $Expenditure\ Limit = Base\ Year's\ Expenditures + [Base\ Year's\ Expenditures \times (Change\ in\ CPI + Percent\ Change\ in\ Population + (-0.10 \times Percent\ Change\ in\ GDP))]$. This formula does not include federal receipts.

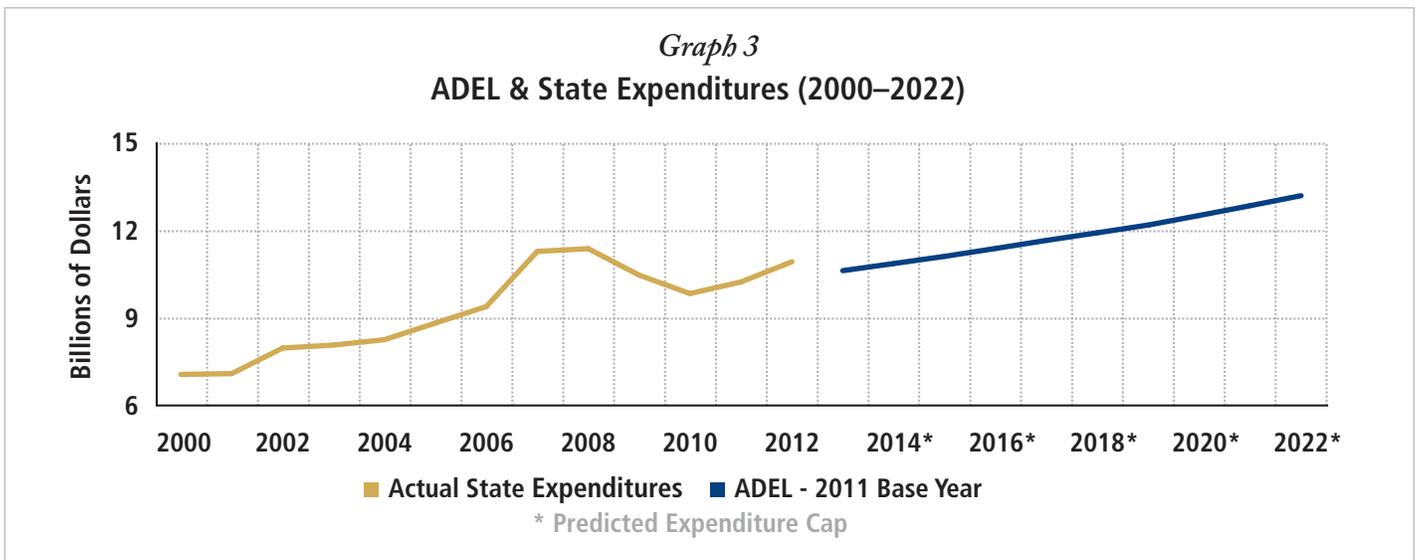


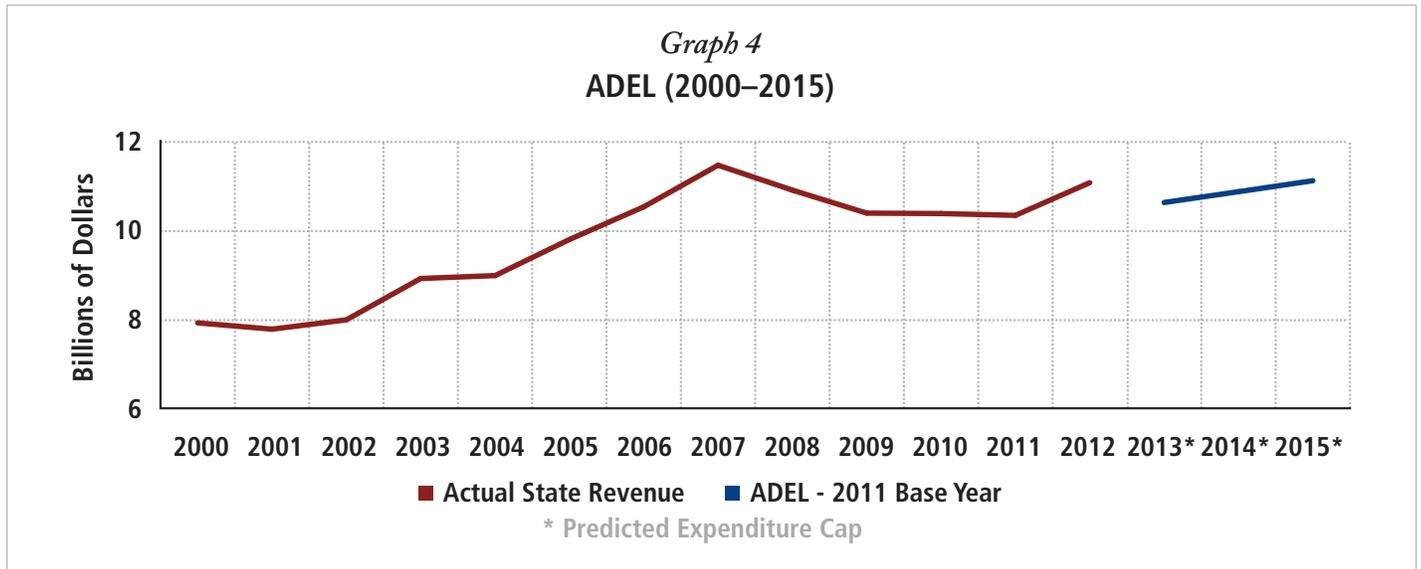
Graph 2 shows the resulting limit for years 2013–2015 from the ADEL model following the past twelve years of actual State expenditures. An ADEL with base year 2011 allows for a smooth transition and does not disrupt the current distribution of government services expected by many Alabamians.

Graph 3 shows the estimated future ADEL extended until 2022. This is contrasted with actual expenditures since 2000. This graph shows the stabilized growth ADEL provides.

Graph 4 compares actual State revenues and ADEL. Similar to Graph 3, the variance between ADEL and actual revenues in Graph 4 causes no drastic deviation in the distribution of State services.

As demonstrated in prior graphs, ADEL is an expenditure limit that grows over time. This occurs because the figures used to predict ADEL (CPI-U, GDP, and population) have increased historically. Although the ADEL projections show growth until 2022, this growth may not necessarily take place. As stated earlier, ADEL will be recalculated if actual expenditures in the last completed fiscal year are lower than the respective year’s ADEL.





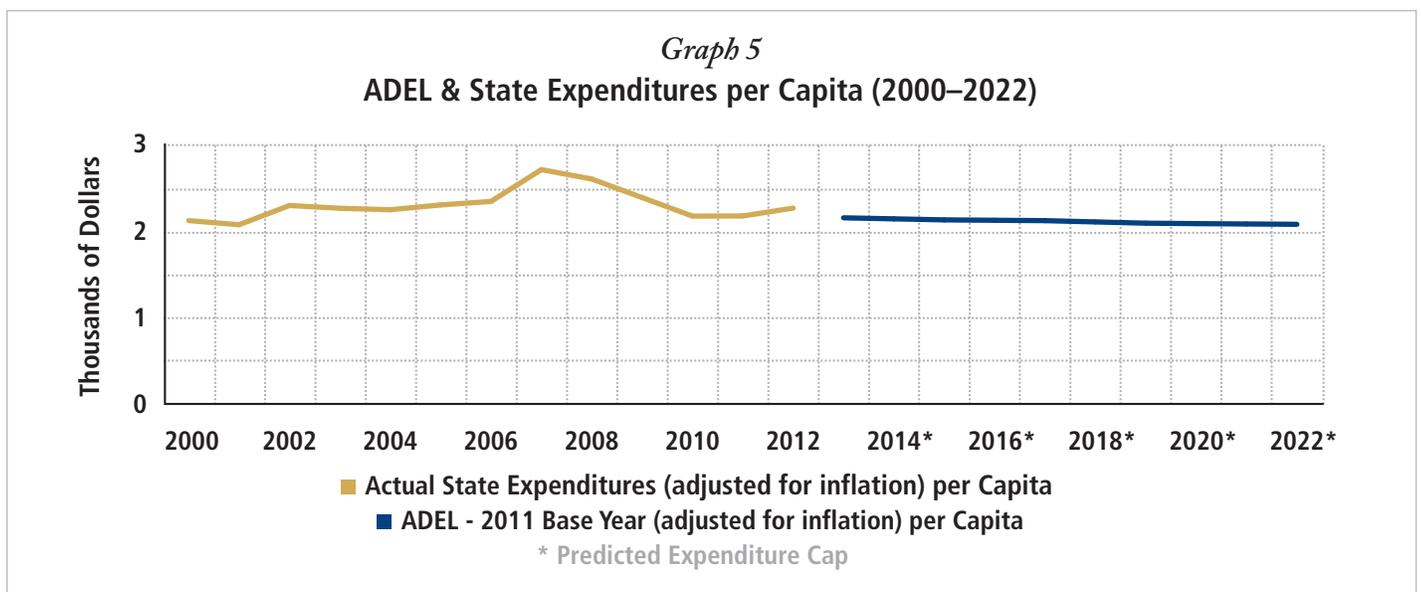
ADEL creates a limit which legislative action may only shift downward, but moves independently upward or downward according to needs of State citizens based on population, inflation, and economic health.

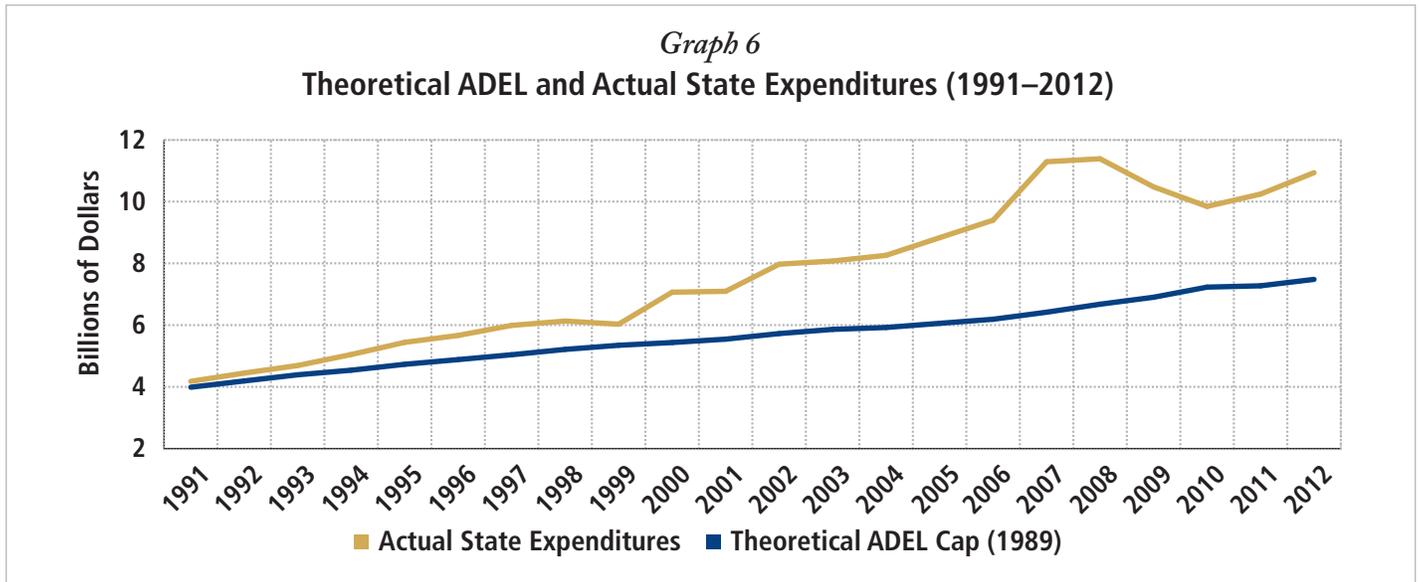
The previous graphs depict scenarios where the transition to using ADEL does not mark a significant deviation from either current revenues or expenditures. This prevents the abrupt elimination of State services after rounds of significant budget cuts in prior years.

Furthermore, when controlled for inflation and population changes, ADEL results in a decrease in expenditures. The values in Graph 5 represent real State expenses per capita. As the graph shows, utilizing ADEL gradually reduces the real State expenses per capita.

The following graphs demonstrate the impact of ADEL over time, using historical information. The result: surpluses rather than proration.

In order to examine the effects of the model over 20 years, Graph 6 contrasts actual State expenditures with

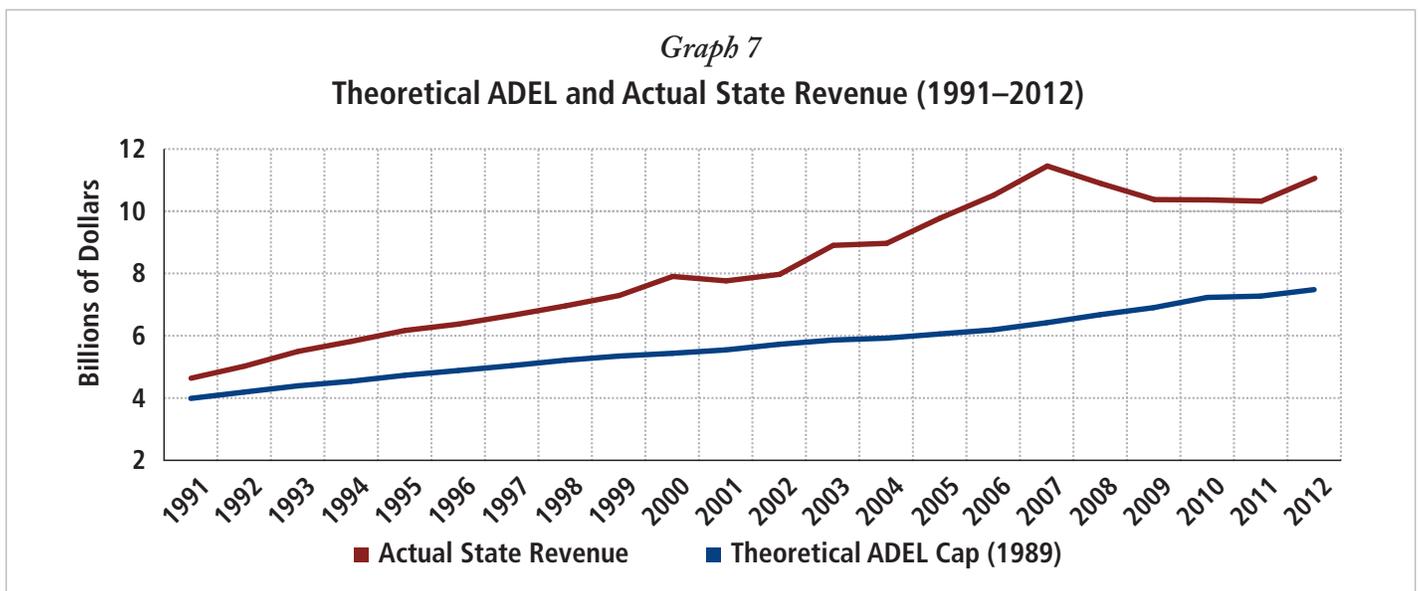




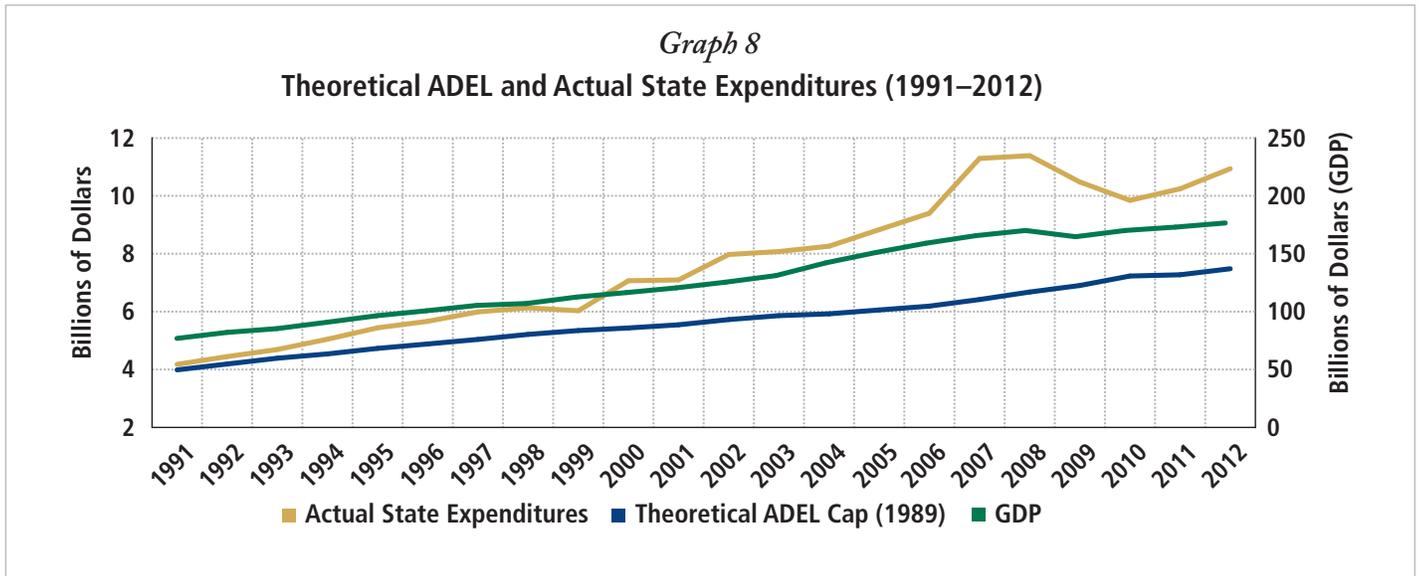
a theoretical ADEL model enacted in 1991 using expenditures from 1989 as the “base year.”

Graph 6 shows the close alignment between ADEL and actual expenditures during the 1990’s. Then, beginning in 2000, the Legislature engaged in significant spending expansion.³⁴ Rather than have sensible budgets grow over time under ADEL, the State of Alabama has seen significant expansion in spending, resulting in painful budgetary cuts as revenues decline.

ADEL results in expenditures lower than actual State expenditures. The difference between actual State expenditures and ADEL is \$3.5 billion in 2012. Similarly, in Graph 7, the difference between actual State revenues and ADEL in 2012 is \$3.6 billion. These differences, however, would have been hard pressed to realize. As the difference between expenditures and ADEL increases, so does the pressure from individuals and businesses in Alabama to lower tax rates and create less of an economic drag on the State’s economy.



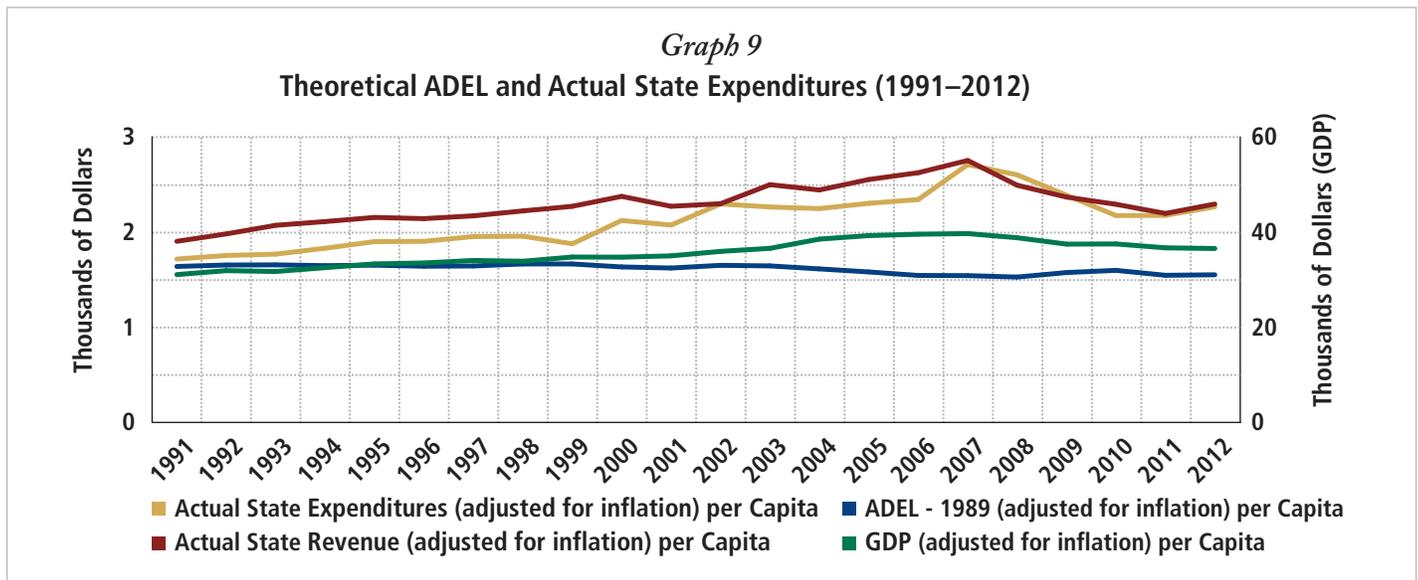
34 See *supra* p. 2-5.



Graph 8 shows ADEL, actual State expenditures, and GDP. Although visually, as GDP increases so does ADEL, in reality, ADEL's upward trend relies more heavily on population and CPI-U changes. The -10% factor creates a situation where, as GDP increases, ADEL shifts slightly downward, as seen from 2001 to 2009, but not so abruptly that the distribution of services to citizens is disrupted. The -10% factor puts a long-term damper on the size of government expenditures as the overall economy strengthens and grows.

Graph 9 shows actual State revenue, actual State expenditures, ADEL, and GDP and all are adjusted for inflation and population. Over the last 22 years, real State expenses and per capita revenues have increased 23% and 17%, respectively. During the same time period, Alabama's State GDP has increased only 15%. To the contrary, ADEL would have resulted in a 6% decrease in real government expenditures.

Based on this analysis, the ADEL model offers a state expenditure limit capable of responding to a wide variety



of economic circumstances. By accounting for inflation and population increases as well as changes in the needs of the citizenry based on GDP, ADEL allows for smooth changes in state government expenditures at a sustainable, predictable, and realistic rate while maintaining the government services state citizens deem necessary.

The ADEL model uses statewide information for simplicity and modeling purposes. As Alabama has many different budgets, each with earmarked revenue streams, this formula would likely need to be applied individually to each fund's last completed fiscal year's expenditures.

As revenues exceed ADEL, they should be placed in reserve funds. These funds provide budgetary resources in cases where the calculated expenditure limit rises above revenue and an economic justification exists requiring the limit to be met. The cap on the reserve fund can be calculated in a variety of ways. One option would be to base the reserve fund's size on a ten-year average of past proration percentages. The average would most likely move towards 0%, provided proration does not take place under ADEL. To safeguard against insufficient reserve funds, the State should establish a minimum amount for the reserve fund. A ten-year average of past proration percentages creates a FY 2013 reserve fund cap of 15% of the expenditure limit or \$1.6 billion. Another option is to choose a percentage of ADEL which is more attainable, but would still allow for a cushion if the need for supplemental funds arises. The percentage could range from 0.5% to 4% of ADEL. This would offer a FY 2013 reserve fund of \$50 million to \$400 million. As a point of reference, the highest amount ever transferred from State Rainy Day accounts was \$439 million (approximately 4% of the total State budget excluding federal funds) from the Education Proration Prevention Account to the Education Trust Fund in FY 2008.³⁵ Although all reserve funds go into a single account, maximum withdrawals from the reserve fund will be based on past deposits by each State fund to avoid any concerns associated with constitutionally-earmarked revenue streams.

Once the reserve funds are filled, all revenues received by the State in excess of the expenditure limit could be transferred to a Citizen's Referendum Account. Excess revenue must be returned to taxpayers in a cost effective manner. One possible option for disbursement is to build a referendum provision into the constitutional amendment implementing ADEL. The State Legislature could provide proposals for expending the Citizen's Referendum Account. This concept would give citizens the opportunity to vote on expenditure proposals set forth by the Legislature or to receive the funds as a reimbursement. To ensure sufficient funds in case voters select reimbursement, rebate of excess revenue to State citizens should occur when the amount in the Citizen's Referendum Account will provide a significant refund (e.g. \$100) to State citizens as well as sufficiently cover the cost of disbursement. The Citizen's Referendum Account disbursement could coincide with regular tax refund checks. Those citizens who file their taxes or, if not filing an Individual Income Tax return, complete a form to receive their portion of the Citizen's Referendum Account would be eligible for a disbursement.

CONCLUSION

As the State of Alabama begins to recover from the economic recession, measures must be enacted to restrict State expenditures in order to avoid future budgetary shortfalls and proration similar to what has taken place in the past. State leaders would also be wise to consider enacting those changes in a constitutional amendment that would be more difficult to circumvent than simple legislation. However, the State must employ a limit that responds directly to real-time events in the economy and the inverse relationship between economic growth and the needs of Alabamians. Doing so will help ensure that the State government maintains an unobtrusive size while still being able to provide services citizens expect.

³⁵ Norris, *supra* note 20, at 4.

APPENDIX — CHART DATA SOURCES

Education Trust Fund

Revenues:

1970-2011 — KELLY BUTLER, *ETF – LFO tax guide – Page 389*, ALABAMA LEGISLATIVE FISCAL OFFICE (Microsoft Office Excel file received via electronic mail, Feb. 20, 2012).

Formula:

KELLY BUTLER, *ETF – RRB calculations for FY 2013 (from Kelly Butler)*, ALABAMA LEGISLATIVE FISCAL OFFICE (Microsoft Office Excel file received via electronic mail, Feb. 20, 2012).

H.B. 57, 2011 Leg., Reg. Sess., 3-5 (Ala. 2011), <http://arc-sos.state.al.us/pac/sosacpdf.001/a0008294.pdf>.

Alabama Dynamic Expenditure Limit

Actual Revenues and Actual Expenditures:

1989 — *Annual Financial Report*, DEPARTMENT OF FINANCE, 20-21 (1989).

1990 — *Annual Financial Report*, DEPARTMENT OF FINANCE, 22-23 (1990).

1991-2000 — ROBERT L. CHILDREE, *State Of Alabama Comprehensive Annual Financial Report*, OFFICE OF THE STATE COMPTROLLER, DEPARTMENT OF FINANCE, 252-255 (Mar. 31, 2001) <http://comptroller.alabama.gov/pdfs/CAFR/2000CAFR.pdf>.

2001 — ROBERT L. CHILDREE, *State Of Alabama Comprehensive Annual Financial Report*, OFFICE OF THE STATE COMPTROLLER, DEPARTMENT OF FINANCE, 250-253 (Mar. 31, 2002) <http://comptroller.alabama.gov/pdfs/CAFR/2001CAFR.pdf>.

2002-2010 — THOMAS L. WHITE, JR., *State Of Alabama Comprehensive Annual Financial Report*, OFFICE OF THE STATE COMPTROLLER, DEPARTMENT OF FINANCE, 282-283 (Mar. 31, 2011) <http://comptroller.alabama.gov/pdfs/CAFR/cafr.2010.pdf>.

2011 — THOMAS L. WHITE, JR., *State Of Alabama Comprehensive Annual Financial Report*, OFFICE

OF THE STATE COMPTROLLER, DEPARTMENT OF FINANCE, (Author's Calculations: Revenue = Total Revenues – Federal Grants and Reimbursements. Expenditures = Total Expenditures – Federal Grants and Reimbursements.) 278 (Mar. 30, 2012) <http://comptroller.alabama.gov/pdfs/CAFR/CAFR.Ala.2011.pdf>.

2012 — THOMAS L. WHITE, JR., *State Of Alabama Comprehensive Annual Financial Report*, OFFICE OF THE STATE COMPTROLLER, DEPARTMENT OF FINANCE, (Author's Calculations: Revenue = Total Revenues – Federal Grants and Reimbursements. Expenditures = Total Expenditures – Federal Grants and Reimbursements.) 276 (Mar. 29, 2013) <http://comptroller.alabama.gov/pdfs/CAFR/cafr.ala.2012.pdf>.

Gross Domestic Product:

1985-1997 — *Gross Domestic Product by State (millions of current dollars)*, BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE, <http://bea.gov/iTable/iTable.cfm?ReqID=70&step=1&isuri=1&crdn=1#reqid=70&step=1&isuri=1> (follow “Gross Domestic Product” hyperlink, follow “SIC (1963 – 1997)” hyperlink, follow “Next Step >>” hyperlink, select “Alabama” under the “Area” section, follow “Next Step >>” hyperlink, select “All Years” under the “Year” section, follow “Next Step >>” hyperlink, follow “DOWNLOAD” hyperlink).

1997-2011 — *Gross Domestic Product by State (millions of current dollars)*, BUREAU OF ECONOMIC ANALYSIS, U.S. DEPARTMENT OF COMMERCE, <http://bea.gov/iTable/iTable.cfm?ReqID=70&step=1&isuri=1&crdn=1#reqid=70&step=1&isuri=1> (follow “Gross Domestic Product” hyperlink, follow “NAICS (1997 forward)” hyperlink, follow “Next Step >>” hyperlink, select “Alabama” under the “Area” section, follow “Next Step >>” hyperlink, select “All Years” under the “Year” section, follow “Next Step >>” hyperlink, follow “DOWNLOAD” hyperlink).

2012-2022 — Author's Calculations: Beginning with 2012, previous year's GDP plus the previous year's GDP multiplied by the forecasted growth in GDP.

Wendy Edelberg et al., *An Update to the Budget and Economic Outlook: Fiscal Years 2012 to 2022*, Congress of the United States Congressional Budget Office, 33 (Aug. 22, 2012), www.cbo.gov/sites/default/files/cbofiles/attachments/08-22-2012-Update_to_Outlook.pdf.

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Alabama County Population 2000-2010 and Projections 2015-2040, THE UNIVERSITY OF ALABAMA: CULVERHOUSE COLLEGE OF COMMERCE AND BUSINESS ADMINISTRATION: CENTER FOR BUSINESS AND ECONOMIC RESEARCH, http://cber.cba.ua.edu/edata/est_prj.html (see “Projections”, follow “Alabama County Population 2000-2010 and Projections 2015-2040” hyperlink).



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