

# ***Presentation to the Legislature on Alabama's Financial Condition***



**Joyce Bigbee, Director  
Legislative Fiscal Office**

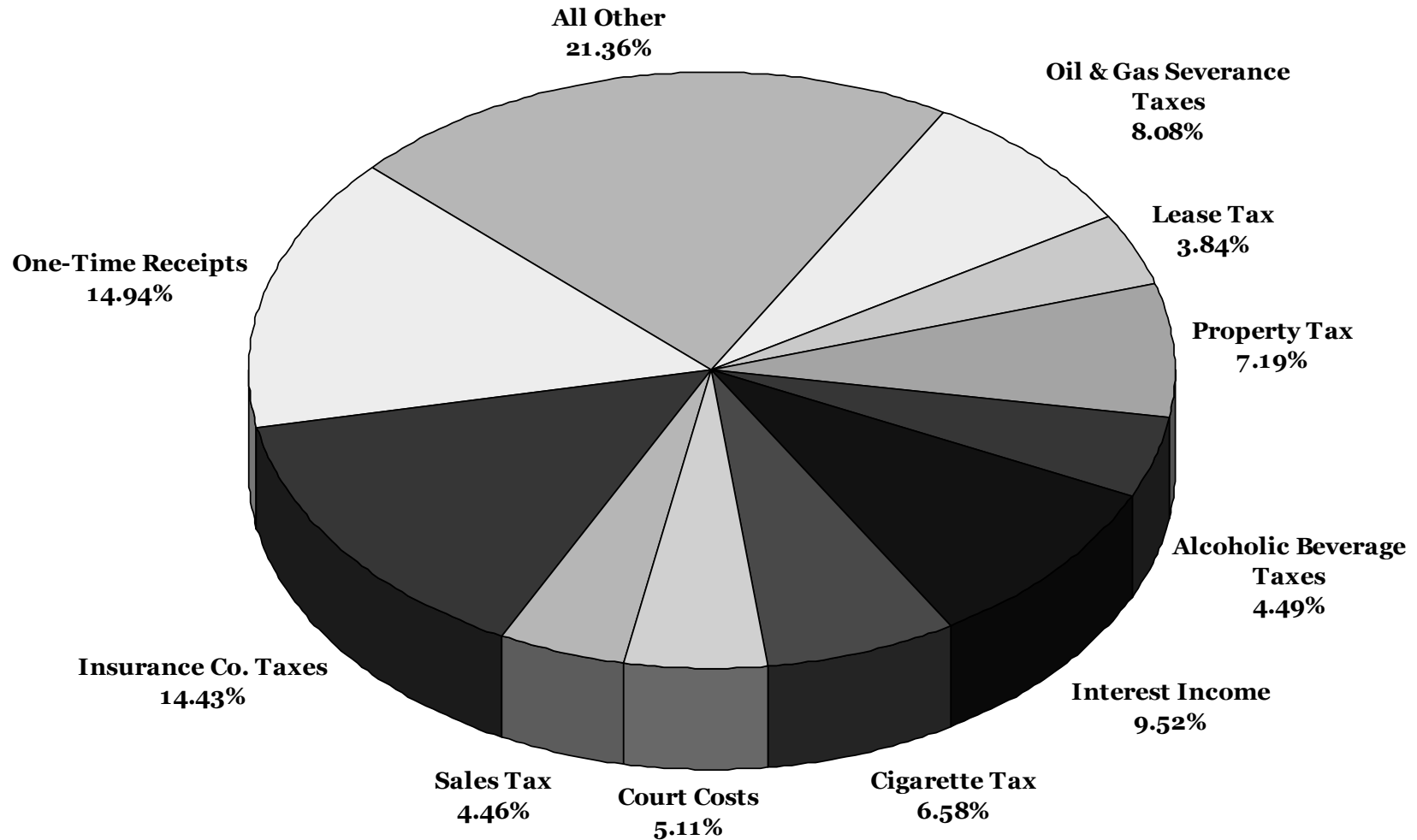
**January 12, 2009**

**[www.lfo.state.al.us](http://www.lfo.state.al.us)**

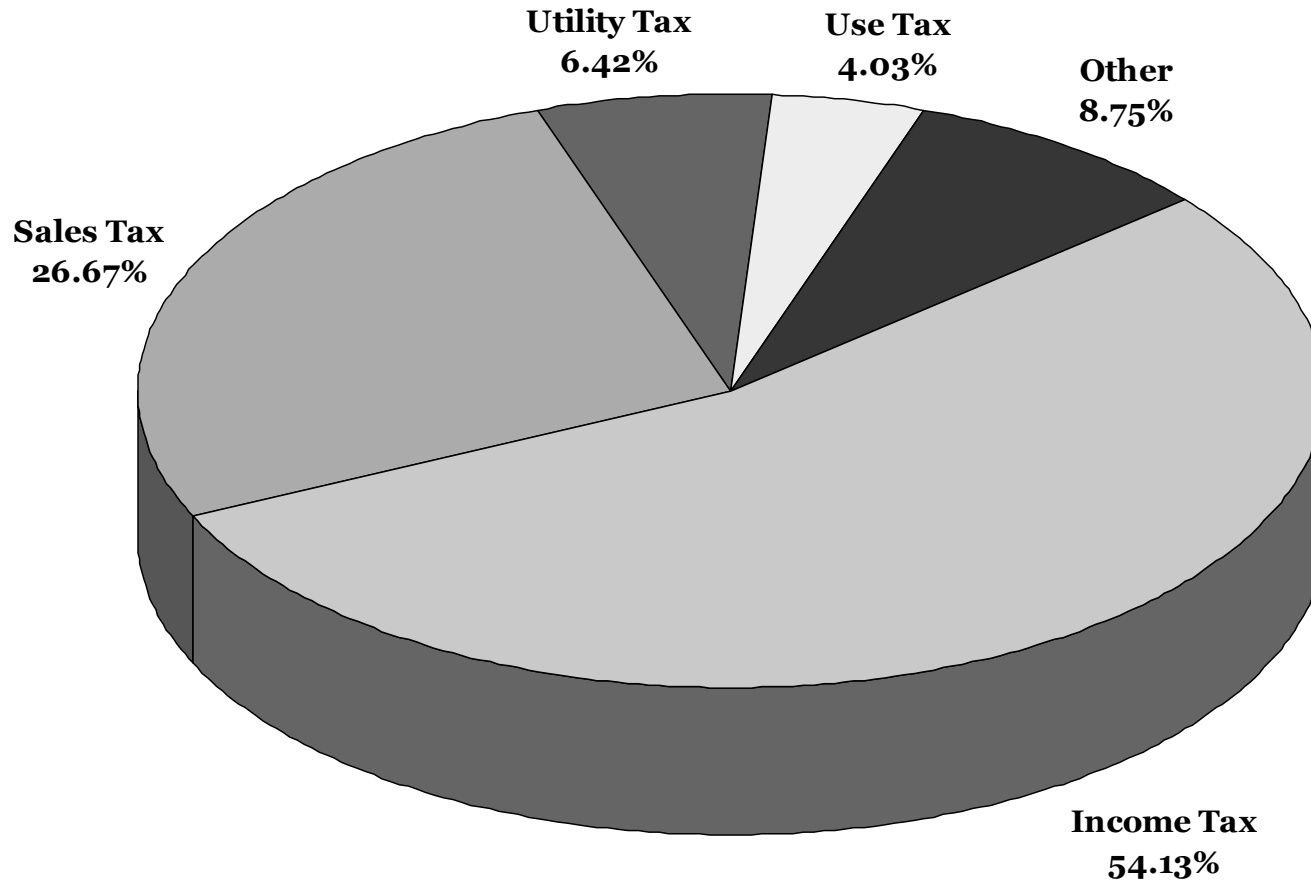
# **Appropriation of State Funds FY 2009**

- ▶ Total All State Funds - \$11.5 billion
  - General Fund - \$2.1 billion
    - ▶ Medicaid - \$623.8 million
  - Education Trust Fund - \$6.4 billion
  - Other State Funds - \$3.0 billion

# Sources of Revenue to the State General Fund FY 2008



# Sources of Revenue to the Education Trust Fund FY 2008



# Economy

- ▶ National Economy
  - Recession
  - Loss of jobs
  - Collapse of credit markets
- ▶ Alabama's Economy
  - Employment decline
  - Sales tax receipts

# Condition of the State General Fund Fiscal Year 2008

<b>BEGINNING BALANCE</b>	<b>239,088,035</b>
Receipts	1,537,965,287
Transfers from State agencies	5,323,000
Transfer from abandoned property reserve fund	15,000,000
Transfer from business privilege tax escrow fund	19,000,000
Transfer from Corrections asset sale proceeds	17,023,881
Transfer from tobacco revenues	12,237,060
Transfer from Exxon lawsuit	85,750,235
Transfer from pharmaceutical settlement	4,746,080
Transfer from Alabama Trust Fund gains	117,267,060
<b>TOTAL RECEIPTS</b>	<b>1,814,312,603</b>
<b>TOTAL AVAILABLE</b> (beginning balance plus total receipts)	<b>2,053,400,638</b>
<b>EXPENDITURES</b>	<b>1,834,413,761</b>
<b>ENDING BALANCE</b>	<b>218,986,877</b>

# Projected Condition of the State General Fund Fiscal Years 2009 and 2010

	FY 2009	FY 2010	Growth
<b>BEGINNING BALANCE</b>	<b>218,986,877</b>		
Estimated receipts	1,423,050,000	1,438,950,000	1.12%
Transfers from State agencies	5,323,000		
Transfer from business privilege tax escrow fund	126,000,000		
Transfer from pharmaceutical settlement	13,809,450		
Transfer from tobacco revenues	12,864,187		
Transfer from Incentives Financing Authority	15,500,000		
<b>TOTAL RECEIPTS</b>	<b>1,596,546,637</b>	<b>1,438,950,000</b>	-9.87%
<b>TOTAL AVAILABLE</b> (beginning balance plus total receipts)	<b>1,815,533,514</b>	<b>1,438,950,000</b>	-20.74%
<b>APPROPRIATIONS</b> (as of 11/30/2008)	<b>2,068,746,207</b>		
<b>ENDING BALANCE</b>	<b>-253,212,693</b>		
NOTE: The State General Fund Rainy Day Account contains \$188,329,374 which can be used to offset the FY 2009 shortfall			

# Federal Economic Stimulus Efforts

- ▶ Prior federal stimulus recovery efforts
- ▶ Proposed economic recovery plan
  - Size ???
  - Programs ???
  - Timing ???



# State Employees

- ▶ **Employers' retirement rate increases from 11.88% to 11.94% for FY 2010**
  - total increased cost - \$5.5 million
  - General Fund share - \$2 million
- ▶ **Employers' rate for health insurance estimated to increase from \$775 to \$805 per employee/month**
  - total cost - \$43 million
  - General Fund share - \$15.5 million

# Condition of the Education Trust Fund

## Fiscal Year 2008

Beginning balance	275,717,027
Beginning balance reserved for October 1 debt service payment	4,328,000
<b>TOTAL BEGINNING BALANCE</b>	<b>280,045,027</b>
Receipts	5,966,147,691
Reduction in sales tax for debt service on new PSCA bond issue	-22,889,535
Repayment from PSCA bond proceeds	32,000,000
Transfer from proration prevention account	439,372,515
<b>TOTAL RECEIPTS</b>	<b>6,414,630,671</b>
<b>TOTAL AVAILABLE</b> (total beginning balance, plus total receipts)	<b>6,694,675,698</b>
<b>EXPENDITURES</b>	<b>6,694,675,698</b>
<b>ENDING BALANCE</b>	

# Projected Condition of the Education Trust Fund Fiscal Years 2009 and 2010

	FY 2009	FY 2010	Change from FY 2009
<b>BEGINNING BALANCE</b>			
Estimated receipts	5,672,592,075	5,768,187,325	1.69%
Reduction in sales tax for debt service on new PSCA bond issue	-82,592,075	-82,187,325	
<b>TOTAL RECEIPTS</b>	<b>5,590,000,000</b>	<b>5,686,000,000</b>	1.72%
<b>TOTAL AVAILABLE</b> (beginning balance plus total receipts)	<b>5,590,000,000</b>	<b>5,686,000,000</b>	1.72%
<b>APPROPRIATIONS</b> (as of 11/30/2008, prior to proration)	<b>6,390,964,052</b>		
<b>ENDING BALANCE</b>	<b>-800,964,052</b>		
NOTE: The Education Trust Fund Rainy Day Account contains \$437,390,828 which can be used to partially offset the FY 2009 shortfall			

# **Constitutional Rainy Day Account**

- ▶ Approved Amendment 1 in November
- ▶ Repealed Amendment 709
- ▶ Created new Rainy Day Account

# Projected Condition of the Education Trust Fund Fiscal Years 2009 and 2010

	FY 2009	FY 2010	Change from FY 2009
<b>BEGINNING BALANCE</b>			
Estimated receipts	5,672,592,075	5,768,187,325	1.69%
Reduction in sales tax for debt service on new PSCA bond issue	-82,592,075	-82,187,325	
<b>TOTAL RECEIPTS</b>	<b>5,590,000,000</b>	<b>5,686,000,000</b>	1.72%
<b>TOTAL AVAILABLE</b> (beginning balance plus total receipts)	<b>5,590,000,000</b>	<b>5,686,000,000</b>	1.72%
<b>APPROPRIATIONS</b> (as of 11/30/2008, prior to proration)	<b>6,390,964,052</b>		
<b>ENDING BALANCE</b>	<b>-800,964,052</b>		
NOTE: The Education Trust Fund Rainy Day Account contains \$437,390,828 which can be used to partially offset the FY 2009 shortfall			

# **Outlook for the Education Trust Fund for FY 2010**

- ▶ **Teacher and education employee benefits**
  - TRS employer rate for FY 2010 will increase from 12.07% to 12.51%
    - ▶ total cost - \$28 million
    - ▶ ETF share - \$20 million
  - PEEHIP employer rate for FY 2010 will increase from \$752 to \$805 per employee per month
    - ▶ estimated cost to ETF for K-12 entities - \$48 million
    - ▶ estimated cost to ETF for 2-year college system - \$2.8 million

# **Alabama Trust Fund Status**

- ▶ Alabama Trust Fund assets - \$3.2 billion
- ▶ Assets held in perpetual trust

# **Alabama Capital Improvement Trust Fund (ACITF)**

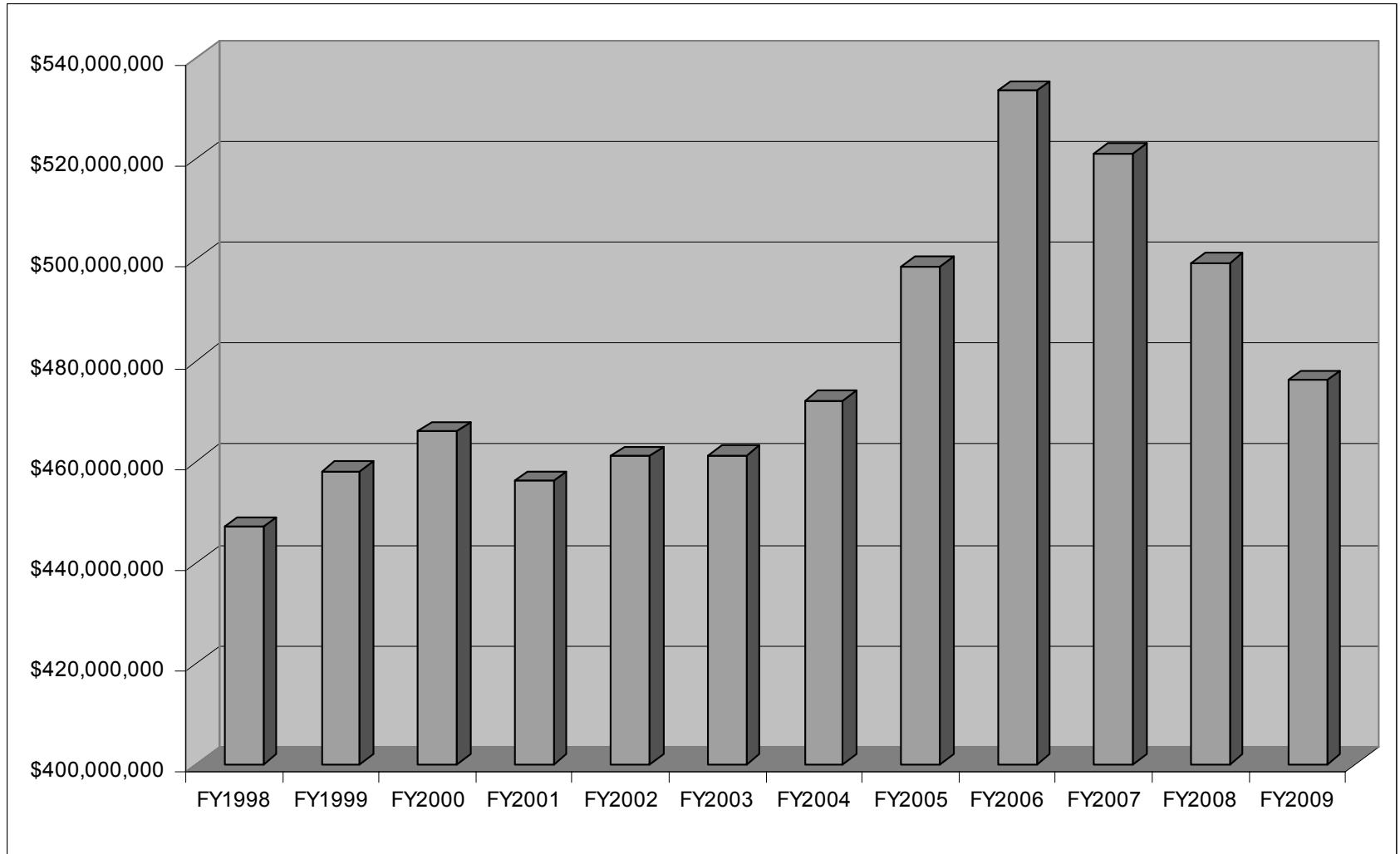
- ▶ **Amendment 666 – ratified in 2000**
- ▶ **28% of prior year ATF royalties**
  - \$618.5 million deposited into the ACITF
- ▶ **Bond Commission**
  - \$350 million in original bonding authority for economic development
  - Constitutional amendment ratified in June, 2007 increased bond authority to \$750 million
  - \$710 million issued
  - \$40 million remaining



# Alabama Capital Improvement Trust Fund (Amounts in Millions)

	<b>Fiscal Year 2002</b>	<b>Fiscal Year 2003</b>	<b>Fiscal Year 2004</b>	<b>Fiscal Year 2005</b>	<b>Fiscal Year 2006</b>	<b>Fiscal Year 2007</b>	<b>Fiscal Year 2008</b>	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010 (Est.)</b>
<b>Beginning Balance</b>	<b>0</b>	<b>9.4</b>	<b>33.4</b>	<b>89.9</b>	<b>95.3</b>	<b>63.7</b>	<b>39.3</b>	<b>18.1</b>	<b>31.6</b>
<b>Royalty Revenues</b>	<b>74</b>	<b>41.7</b>	<b>82.7</b>	<b>72.8</b>	<b>75.6</b>	<b>103.4</b>	<b>71.7</b>	<b>96.7</b>	<b>70.0</b>
<b>Total Expenditures*</b>	<b>64.6</b>	<b>17.7</b>	<b>26.2</b>	<b>67.4</b>	<b>107.2</b>	<b>127.8</b>	<b>92.9</b>	<b>83.2</b>	<b>81.7</b>
<b>General Fund Relief</b>	<b>0</b>	<b>0</b>	<b>8.2</b>	<b>46.6</b>	<b>62.8</b>	<b>60.7</b>	<b>40.4</b>	<b>24.6</b>	<b>24.8</b>
<b>Ending Balance</b>	<b>9.4</b>	<b>33.4</b>	<b>89.9</b>	<b>95.3</b>	<b>63.7</b>	<b>39.3</b>	<b>18.1</b>	<b>31.6</b>	<b>19.9</b>
<b>*Includes General Fund Relief</b>									

# Public Road and Bridge Fund Status



# **Tobacco Revenues**

- ▶ **\$979 million received since 2000**
- ▶ **Current Litigation**
- ▶ **Estimates for FY 2009 and FY 2010**

# **Governmental Accounting Standards Board (GASB) Rule 45**

- ▶ **PEEHIB has transferred a total of \$651 million into the trust from reserves**
  - unfunded liability for PEEHIP was valued at \$12.6 billion at the end of September, 2007
- ▶ **SEIB has transferred a total of \$77 million from its reserves**
  - unfunded liability at end of September, 2007 valued at \$3 billion

# **Gulf of Mexico Energy Security Act**

- ▶ **Opens 8 million acres of deepwater areas in the Gulf of Mexico for energy production and sends 37.5% of federal royalties to Alabama, Louisiana, Mississippi and Texas**
- ▶ **States receive funds 3 ways**
- ▶ **Provides for distribution of funding**

# **Selected Litigation**

- ▶ **Line-Item Veto**
- ▶ **Medicaid Pharmaceutical**
- ▶ **VFJ Ventures**
- ▶ **ExxonMobil**

# ***Presentation to the Legislature on Alabama's Financial Condition***



**Joyce Bigbee, Director  
Legislative Fiscal Office**

**January 12, 2009**

**[www.lfo.state.al.us](http://www.lfo.state.al.us)**