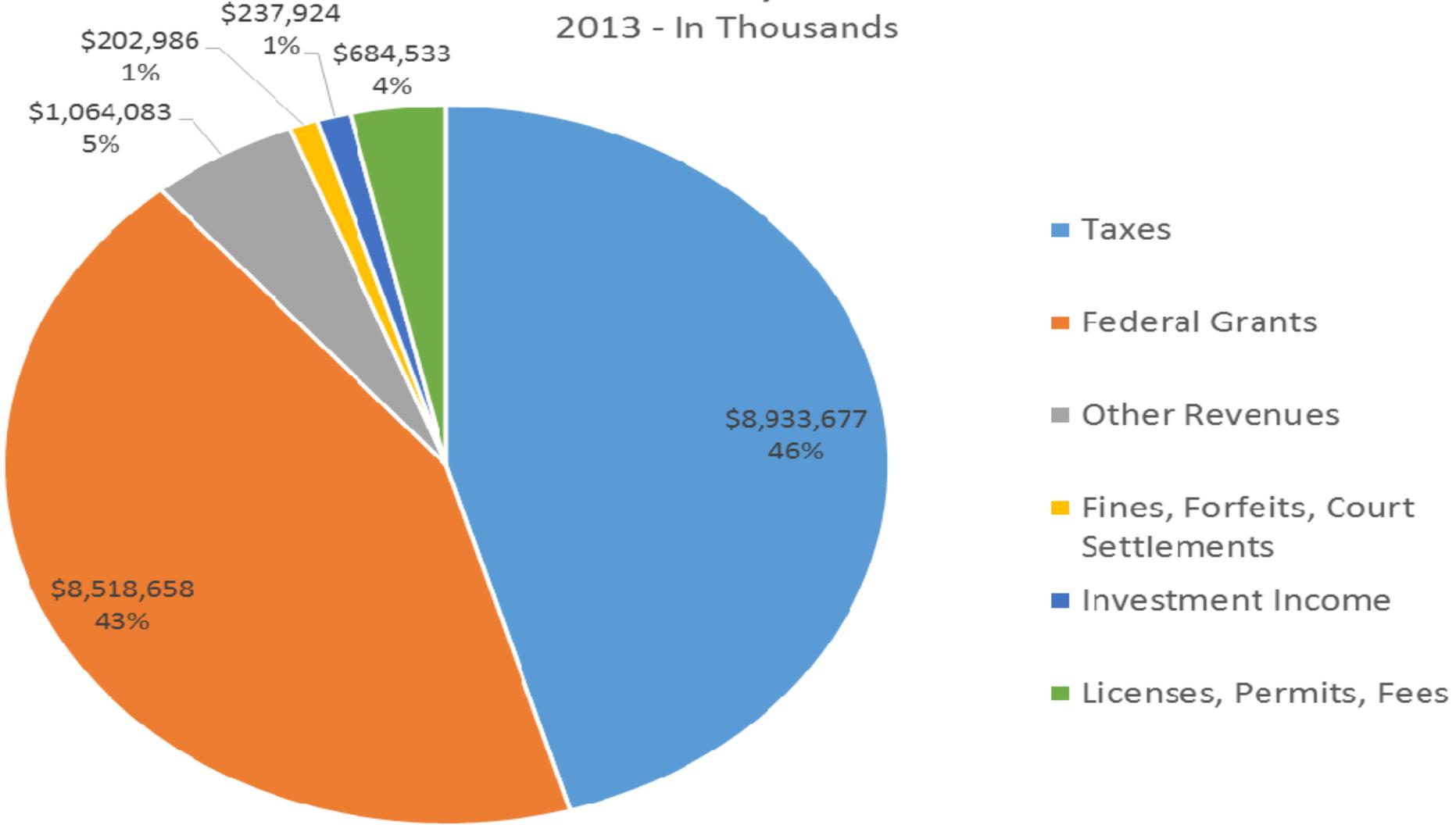
The background features abstract blue geometric shapes on the left and right sides, with a fine grid pattern overlaid on the right side. The main text is centered in a light blue serif font.

Legislative Budget Hearing

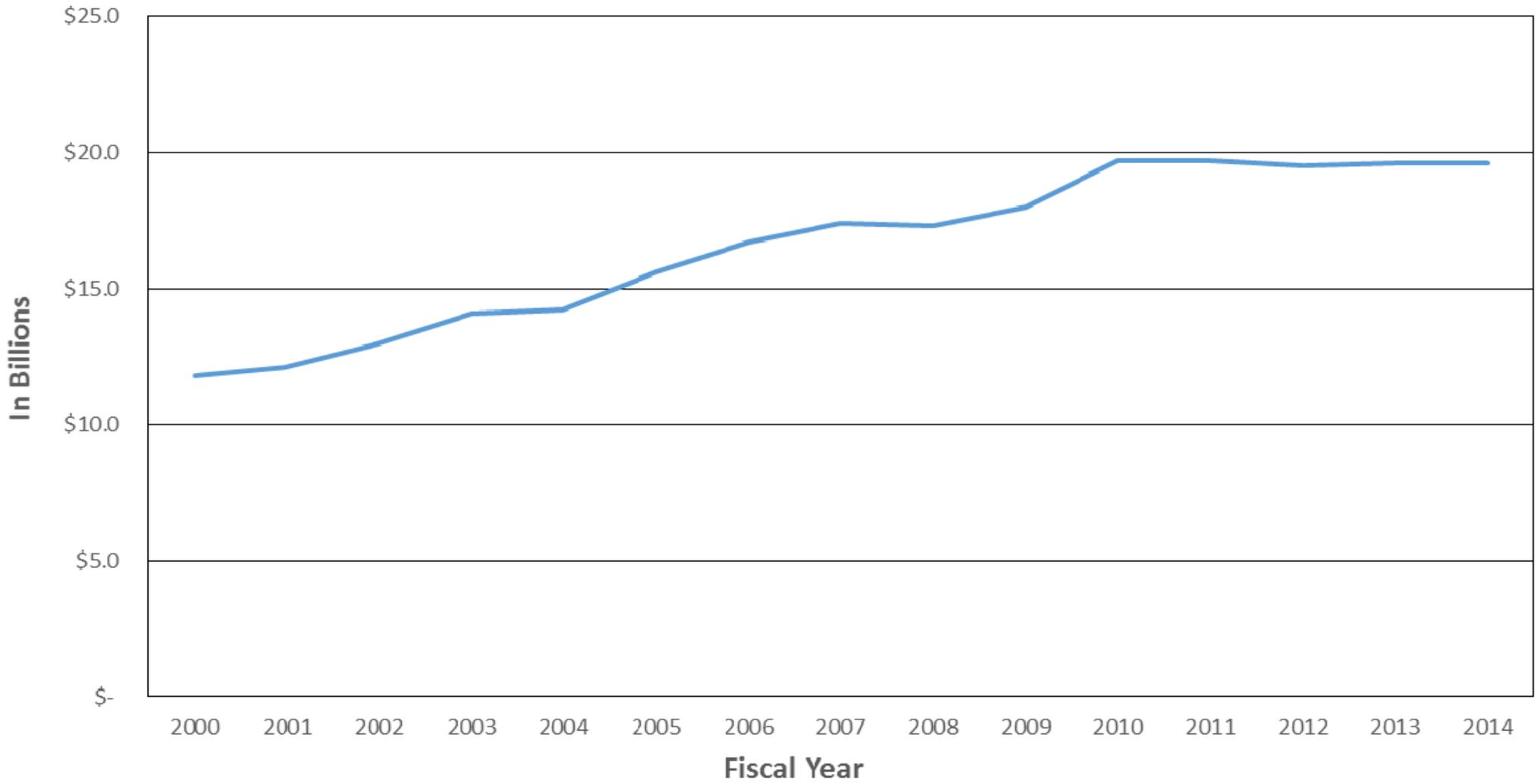
March 3, 2015

Revenues by Source

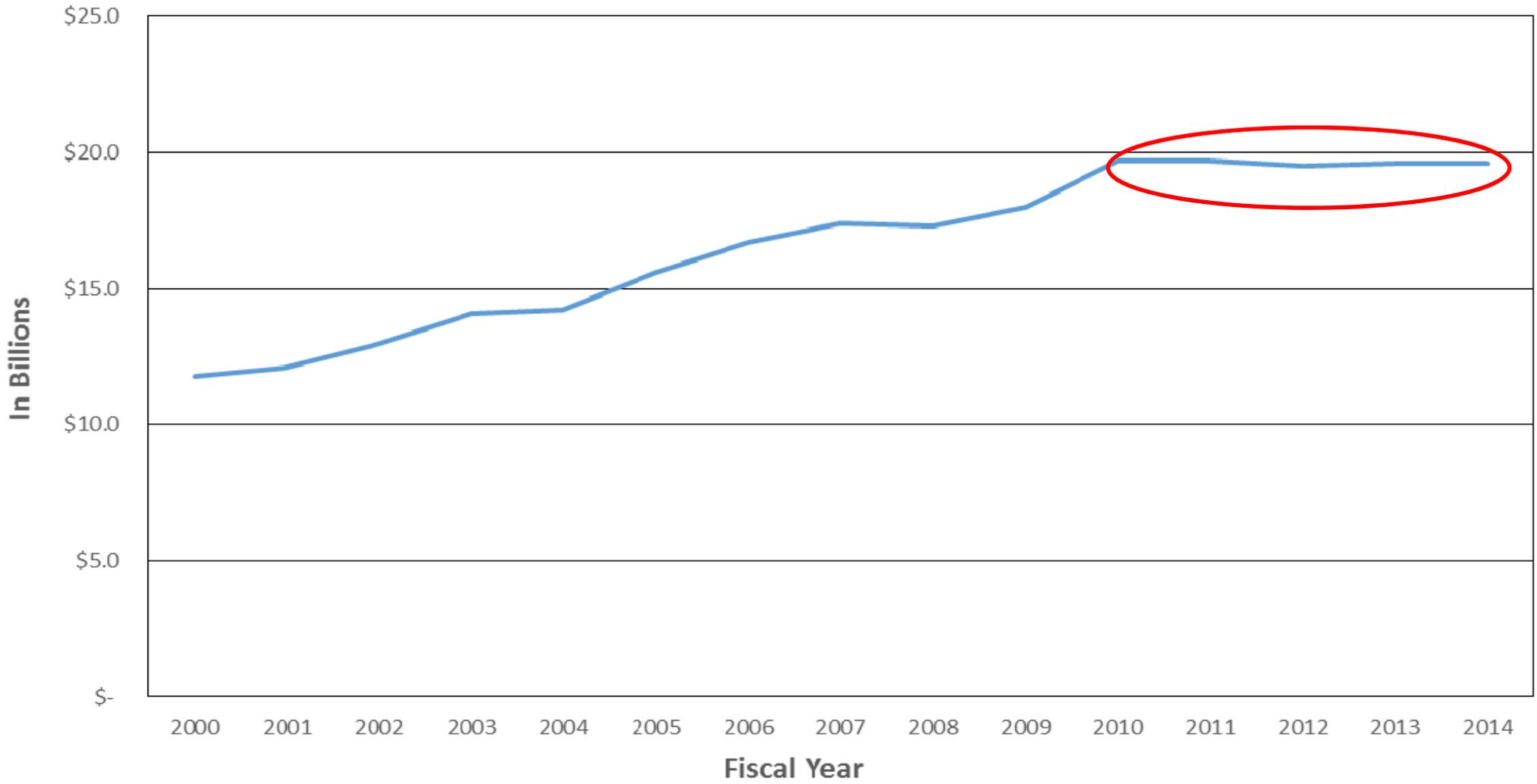
2013 - In Thousands



Total Revenue Received by the State



Total Revenue Received by the State



Per Capita State Taxes

- ▶ In 2013, Alabama ranked 43rd in state tax revenue per capita.

Per Capita State Taxes

- ▶ In 2013, Alabama ranked 43rd in state tax revenue per capita.
- ▶ If revenue had increased by \$541 million in 2013, Alabama would rank 41st.

Source: U.S. Census Bureau

Per Capita State and Local Taxes

- ▶ In 2012, Alabama ranked 50th in state and local tax revenue per capita.

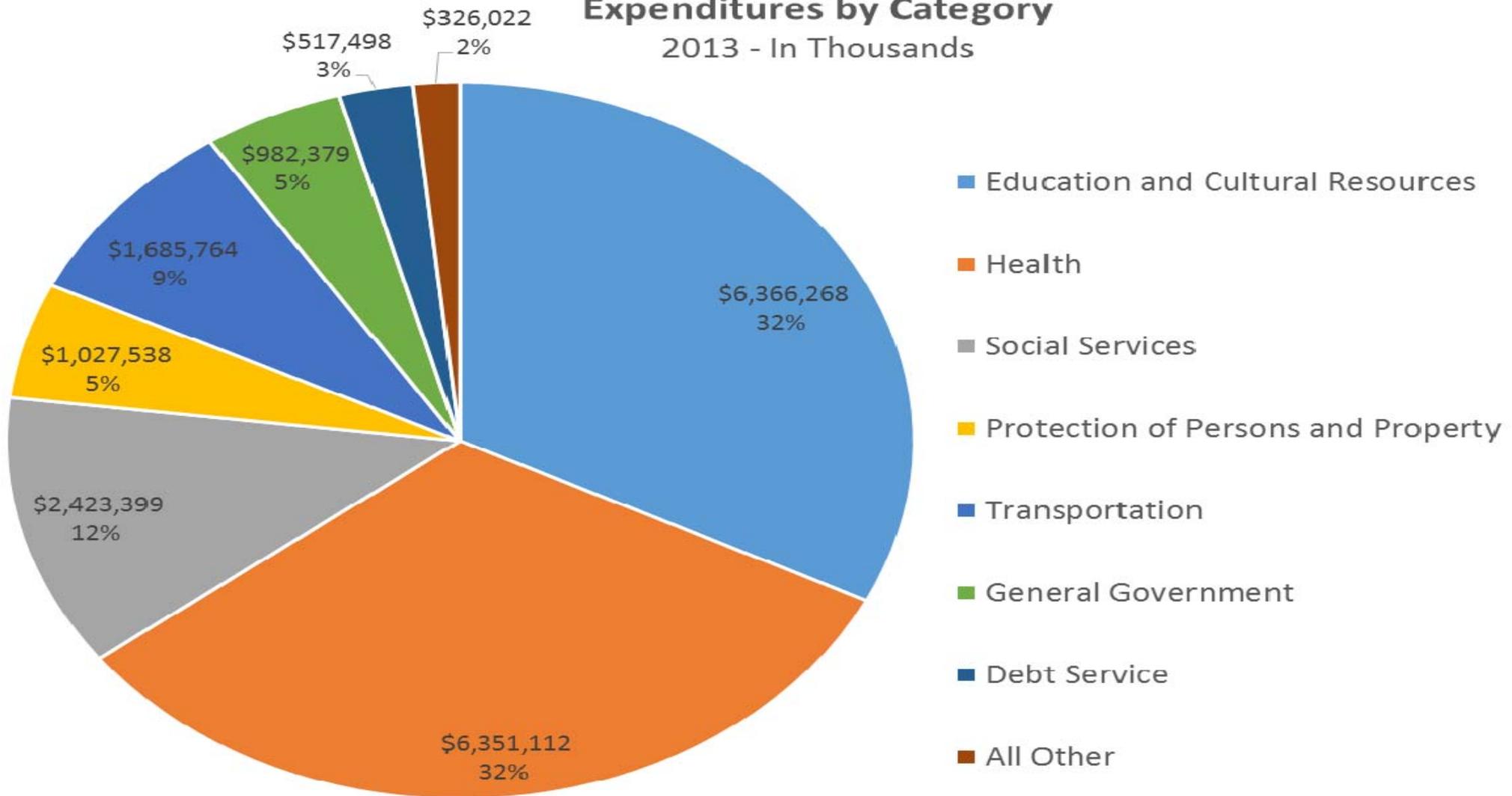
Per Capita State and Local Taxes

- ▶ In 2012, Alabama ranked 50th in state and local tax revenue per capita.
- ▶ If revenue had increased by \$541 million in 2012, Alabama would rank 48th.

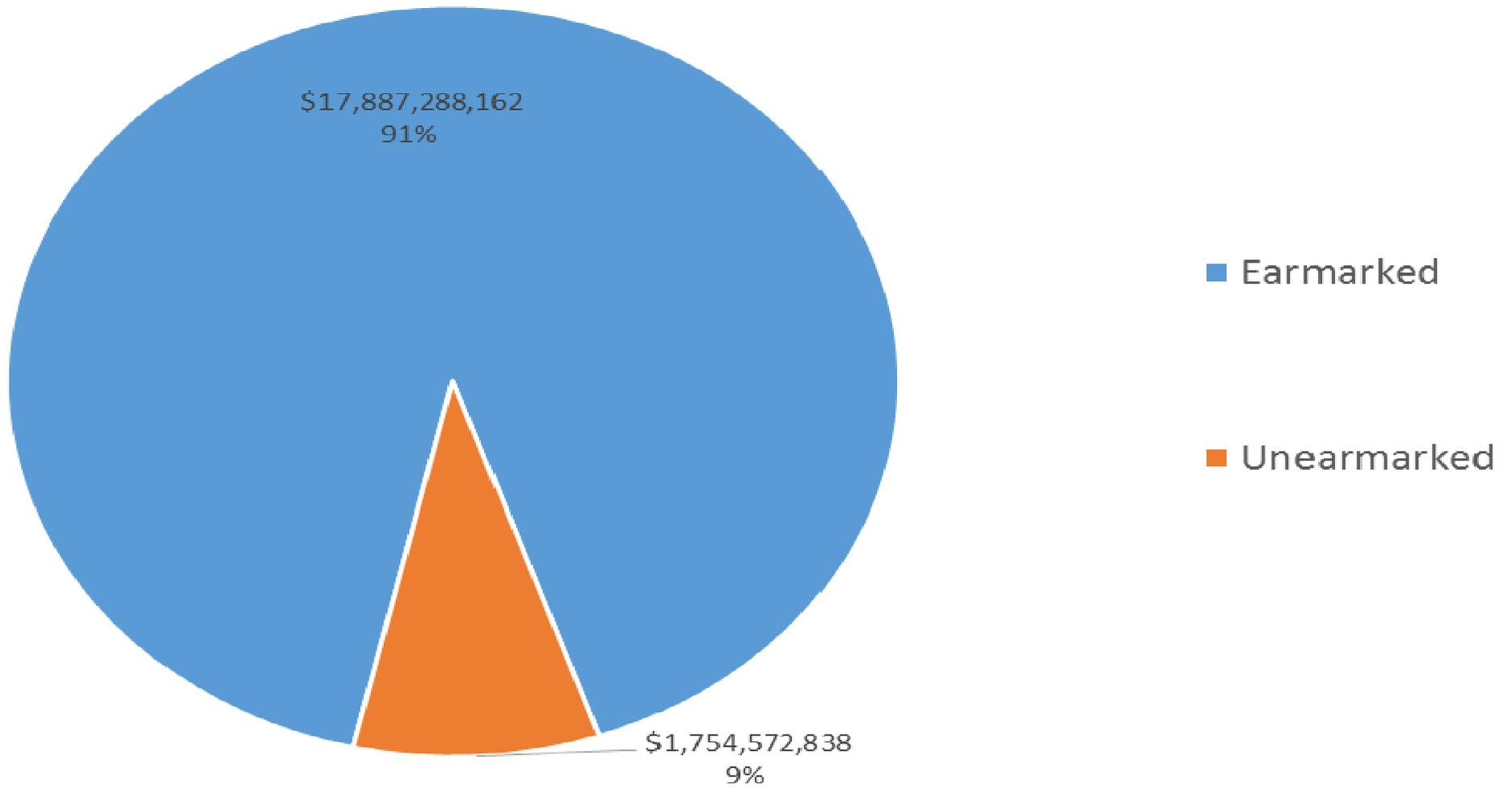
Source: U.S. Census Bureau

Expenditures by Category

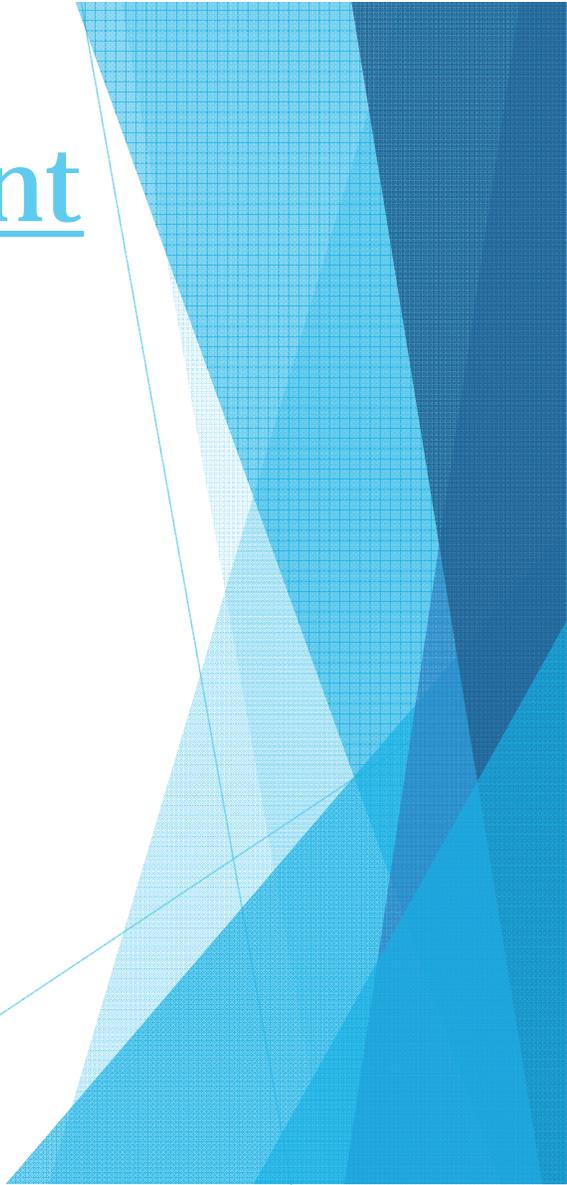
2013 - In Thousands



Earmarking 2014 Revenues



Feedback to State Government

The right side of the slide features a decorative graphic composed of several overlapping, semi-transparent blue geometric shapes, including triangles and polygons. The colors range from a light sky blue to a deep navy blue. Some of the shapes have a fine grid or dot pattern, while others are solid. The overall effect is a modern, abstract design that frames the right edge of the text.

Feedback to State Government

- ▶ Live within your means

Feedback to State Government

- ▶ Live within your means
- ▶ Cut costs

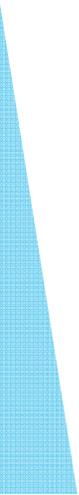
Feedback to State Government

- ▶ Live within your means
- ▶ Cut costs
- ▶ Tighten your belt

Feedback to State Government

- ▶ Live within your means
- ▶ Cut costs
- ▶ Tighten your belt
- ▶ Get more efficient

Last Quadrennium



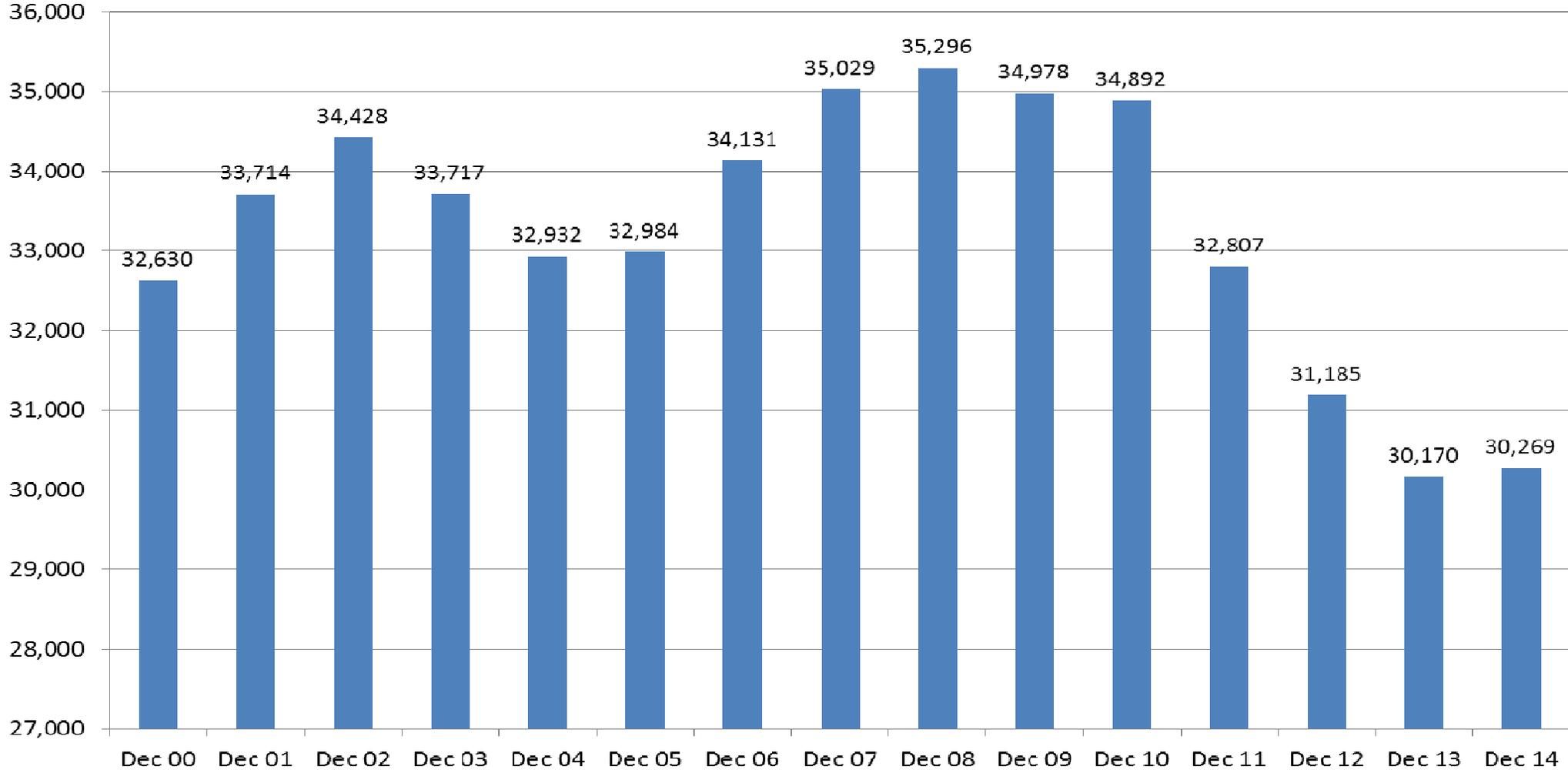
Last Quadrennium

▶ Road to a Billion

Last Quadrennium

- ▶ Road to a Billion
- ▶ Reached \$1.2 Billion in annual savings

Number of State Employees (In Executive Branch)



More Savings



More Savings

▶ Pension Reform



More Savings

- ▶ Pension Reform
- ▶ Repealed the DROP Program

More Savings

- ▶ Pension Reform
- ▶ Repealed the DROP Program
- ▶ Health costs for state employees
 - ▶ Employees paying more
 - ▶ Wellness Program
 - ▶ PBM
 - ▶ Sliding scale for retirees

More Savings

- ▶ Pension Reform
- ▶ Repealed the DROP Program
- ▶ Health costs for state employees
 - ▶ Employees paying more
 - ▶ Wellness Program
 - ▶ PBM
 - ▶ Sliding scale for retirees
- ▶ Froze merit raises for 5 years

More Savings

- ▶ Pension Reform
- ▶ Repealed the DROP Program
- ▶ Health costs for state employees
 - ▶ Employees paying more
 - ▶ Wellness Program
 - ▶ PBM
 - ▶ Sliding scale for retirees
- ▶ Froze merit raises for 5 years
- ▶ Refinanced bonds

Streamlining/Reorganizing



Streamlining/Reorganizing

- ▶ Law enforcement

Streamlining/Reorganizing

- ▶ Law enforcement
- ▶ Medicaid

Streamlining/Reorganizing

- ▶ Law enforcement
- ▶ Medicaid
- ▶ Mental Health

Streamlining/Reorganizing

- ▶ Law enforcement
- ▶ Medicaid
- ▶ Mental Health
- ▶ National Guard

Streamlining/Reorganizing

- ▶ Law enforcement
- ▶ Medicaid
- ▶ Mental Health
- ▶ National Guard
- ▶ Labor/Industrial Relations

Streamlining/Reorganizing

- ▶ Law enforcement
- ▶ Medicaid
- ▶ Mental Health
- ▶ National Guard
- ▶ Labor/Industrial Relations
- ▶ Office of Indigent Defense

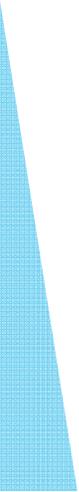
Streamlining/Reorganizing

- ▶ Law enforcement
- ▶ Medicaid
- ▶ Mental Health
- ▶ National Guard
- ▶ Labor/Industrial Relations
- ▶ Office of Indigent Defense
- ▶ Office of Information Technology

Streamlining/Reorganizing

- ▶ Law enforcement
- ▶ Medicaid
- ▶ Mental Health
- ▶ National Guard
- ▶ Labor/Industrial Relations
- ▶ Office of Indigent Defense
- ▶ Office of Information Technology
- ▶ Fleet Management transferred

Second Quadrennium



Second Quadrennium

- ▶ Paperless
 - ▶ Payroll
 - ▶ Travel Reimbursements
 - ▶ Time Keeping
 - ▶ Purchasing

Second Quadrennium

- ▶ Paperless
 - ▶ Payroll
 - ▶ Travel Reimbursements
 - ▶ Time Keeping
 - ▶ Purchasing
- ▶ Software

Second Quadrennium

- ▶ Paperless
 - ▶ Payroll
 - ▶ Travel Reimbursements
 - ▶ Time Keeping
 - ▶ Purchasing
- ▶ Software
- ▶ Real Property

Second Quadrennium

- ▶ Paperless
 - ▶ Payroll
 - ▶ Travel Reimbursements
 - ▶ Time Keeping
 - ▶ Purchasing
- ▶ Software
- ▶ Real Property
- ▶ Mail

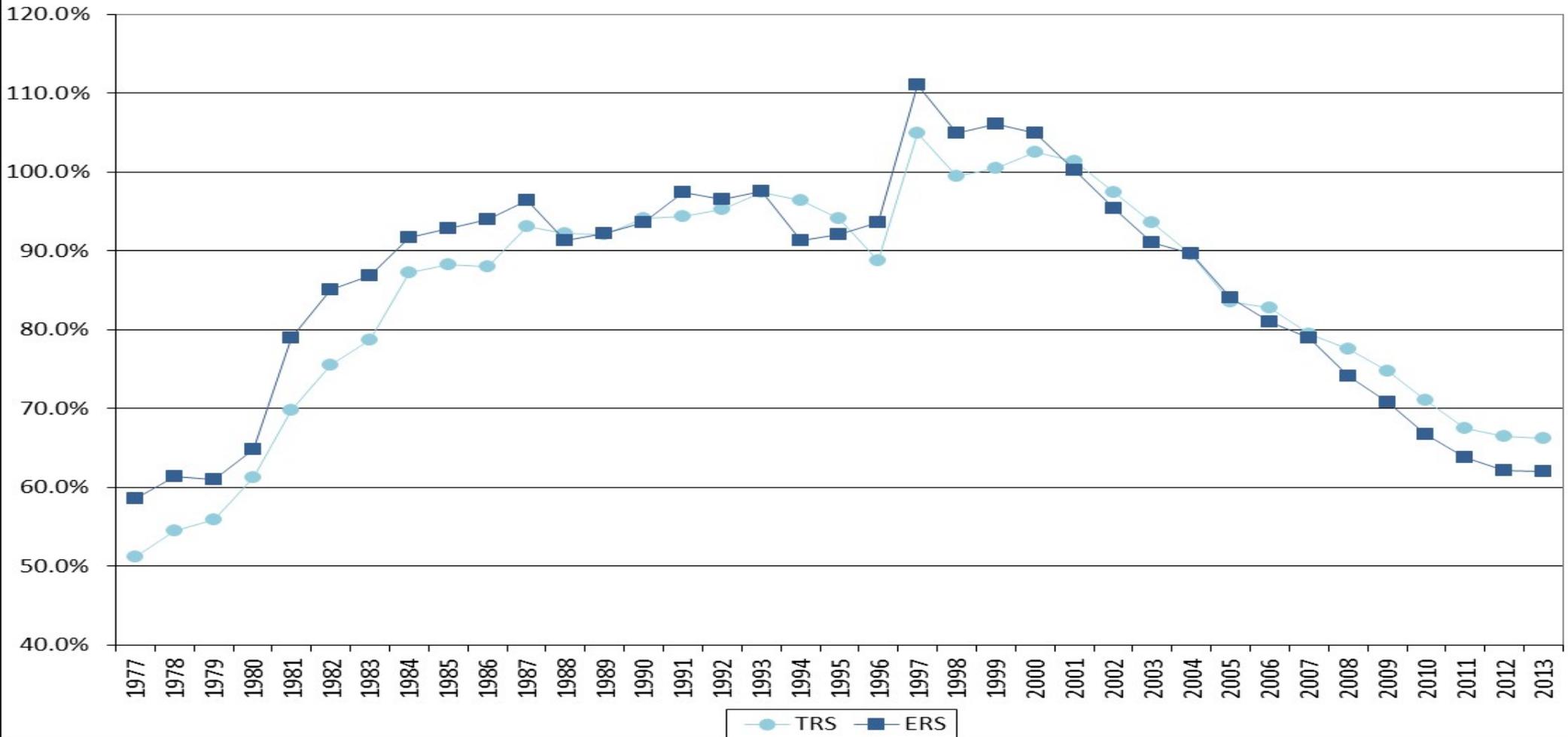
Second Quadrennium

- ▶ Paperless
 - ▶ Payroll
 - ▶ Travel Reimbursements
 - ▶ Time Keeping
 - ▶ Purchasing
- ▶ Software
- ▶ Real Property
- ▶ Mail
- ▶ Phone

Second Quadrennium

- ▶ Paperless
 - ▶ Payroll
 - ▶ Travel Reimbursements
 - ▶ Time Keeping
 - ▶ Purchasing
- ▶ Software
- ▶ Real Property
- ▶ Mail
- ▶ Phone
- ▶ More Energy Savings

Retirement Systems of Alabama Funded Ratios



State General Fund Deficit

▶ One-time revenues in FY 2015	\$264,000,000
▶ Alabama Trust Fund Transfer	\$146,000,000
▶ Additional Business Privilege Tax	40,000,000
▶ Additional Abandoned Property	20,000,000
▶ 21 st Century Authority Transfer	20,000,000
▶ Insurance Guaranty Fund Transfer	12,000,000
▶ AL Health Insurance Plan dissolution	10,000,000
▶ Banking Department Transfer	7,500,000
▶ Transfers from Department of Revenue	4,000,000
▶ Transfer from Recovery Audit	<u>4,500,000</u>
▶ Subtotal	<u>\$264,000,000</u>

State General Fund Deficit

▶ One-time revenues in FY 2015	\$264,000,000	
▶ Alabama Trust Fund repayment	<u>32,500,000</u>	
▶ Subtotal		\$296,500,000

State General Fund Deficit

▶ One-time revenues in FY 2015	\$264,000,000	
▶ Alabama Trust Fund repayment	<u>32,500,000</u>	
▶ Subtotal		\$296,500,000
FY 2016 budget needs		
▶ Medicaid	\$115,000,000	
▶ Corrections	<u>40,000,000</u>	
▶ Subtotal		\$451,500,000

State General Fund Deficit

▶ One-time revenues in FY 2015	\$264,000,000	
▶ Alabama Trust Fund repayment	<u>32,500,000</u>	
▶ Subtotal		\$296,500,000
FY 2016 budget needs		
▶ Medicaid	\$115,000,000	
▶ Corrections	<u>40,000,000</u>	
▶ Subtotal		\$451,500,000
▶ Funding in Public Road & Bridge Fund	\$63,500,000	

State General Fund Deficit

▶ One-time revenues in FY 2015	\$264,000,000	
▶ Alabama Trust Fund repayment	<u>32,500,000</u>	
▶ Subtotal		\$296,500,000
FY 2016 budget needs		
▶ Medicaid	\$115,000,000	
▶ Corrections	<u>40,000,000</u>	
▶ Subtotal		\$451,500,000
▶ Funding in Public Road & Bridge Fund	\$63,500,000	
▶ Funding in Education Trust Fund	<u>187,000,000</u>	

State General Fund Deficit

▶ One-time revenues in FY 2015	\$264,000,000	
▶ Alabama Trust Fund repayment	<u>32,500,000</u>	
▶ Subtotal		\$296,500,000
FY 2016 budget needs		
▶ Medicaid	\$115,000,000	
▶ Corrections	<u>40,000,000</u>	
▶ Subtotal		\$451,500,000
▶ Funding in Public Road & Bridge Fund	\$63,500,000	
▶ Funding in Education Trust Fund	<u>187,000,000</u>	
▶ TOTAL		<u>\$702,000,000</u>

\$702,000,000

Prison Reform Task Force

▶ Probation Officer workforce expansion	\$10,000,000
▶ Community-based programs and treatment to reduce recidivism	8,000,000
▶ Increased Community Corrections population	6,000,000
▶ Victim Notification System	500,000
▶ Oversight and Quality Assurance	<u>1,500,000</u>
▶ TOTAL	<u>\$26,000,000</u>

Governor Bentley's Revenue Solution



Governor Bentley's Revenue Solution

- ▶ Corporate Income Tax
 - ▶ Require combined reporting

Estimated increase in revenue - \$20 million

Governor Bentley's Revenue Solution

- ▶ Corporate Income Tax

- ▶ Require combined reporting

Estimated increase in revenue - \$20 million

- ▶ Financial Institution Excise Tax

- ▶ Remove the credit for sales taxes paid

Estimated increase in revenue - \$1 million

Governor Bentley's Revenue Solution

- ▶ Corporate Income Tax
 - ▶ Require combined reportingEstimated increase in revenue - \$20 million
- ▶ Financial Institution Excise Tax
 - ▶ Remove the credit for sales taxes paidEstimated increase in revenue - \$1 million
- ▶ Insurance Premium Tax
 - ▶ Remove the credit for state privilege tax paid
 - ▶ Remove the credit for ad valorem tax paid
 - ▶ Remove the office facilities and real property investment creditsEstimated increase in revenue - \$25 million

Governor Bentley's Revenue Solution

- ▶ Public Utilities License Tax
 - ▶ Remove exemption that applies to municipal utilities
- Estimated increase in revenue - \$47 million

Governor Bentley's Revenue Solution

▶ Public Utilities License Tax

- ▶ Remove exemption that applies to municipal utilities

Estimated increase in revenue - \$47 million

▶ Individual Income Tax

- ▶ Eliminate income tax withholding exemption certificates

Estimated increase in revenue - \$12 million

Governor Bentley's Revenue Solution

- ▶ Public Utilities License Tax
 - ▶ Remove exemption that applies to municipal utilitiesEstimated increase in revenue - \$47 million
- ▶ Individual Income Tax
 - ▶ Eliminate income tax withholding exemption certificatesEstimated increase in revenue - \$12 million
- ▶ Sales Tax for Automobiles
 - ▶ Increase the rate for automobile sales to 4%Estimated increase in revenue - \$200 million

Governor Bentley's Revenue Solution

▶ Rental Tax for Automobiles

- ▶ Increase the automobile rental tax to 4%

Estimated increase in revenue - \$31 million

Governor Bentley's Revenue Solution

▶ Rental Tax for Automobiles

- ▶ Increase the automobile rental tax to 4%

Estimated increase in revenue - \$31 million

▶ Cigarette and Tobacco Tax

- ▶ Increase the tax to \$1.25 per pack (increase of \$0.825 per pack)
- ▶ Increase tax on other tobacco products proportionately
- ▶ Keep wholesalers' discount the same as current

Estimated increase in revenue - \$205 million

Governor Bentley's Revenue Solution

▶ Rental Tax for Automobiles

- ▶ Increase the automobile rental tax to 4%

Estimated increase in revenue - \$31 million

▶ Cigarette and Tobacco Tax

- ▶ Increase the tax to \$1.25 per pack (increase of \$0.825 per pack)
- ▶ Increase tax on other tobacco products proportionately
- ▶ Keep wholesalers' discount the same as current

Estimated increase in revenue - \$205 million

**Estimated total increase in revenue:
\$541 million**



Questions?

www.finance.alabama.gov