

Education budget up \$382M; General Fund down again

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Brian Lyman (<http://www.montgomeryadvertiser.com/staff/12375/brian-lyman/>), Montgomery Advertiser 11:59 a.m. CST February 2, 2016

The two certainties in Alabama politics: A good year for the education budget means more school money. And there are never good years for the General Fund.



The legislature begins the special session at the Alabama Statehouse in Montgomery, Ala. on Tuesday September 8, 2015. (Photo: Mickey Welsh / Advertiser)

The Legislative Fiscal Office Tuesday estimated that revenues in the state's Education Trust Fund will grow \$382 million in 2017, bringing the budget to about \$6.3 billion. The figure is below a projected cap of \$6.4 billion for the year.

That could mean [a good year for schools](http://www.montgomeryadvertiser.com/story/news/politics/southunionstreet/2016/01/31/alabama-legislature-2016-groundhog-day/79525662/) (<http://www.montgomeryadvertiser.com/story/news/politics/southunionstreet/2016/01/31/alabama-legislature-2016-groundhog-day/79525662/>), though funding will remain below its all-time peak of \$6.7 billion in 2008. Legislators in both chambers expect to consider a raise for teachers, and there may be more money for transportation and daily costs for schools.

Changes to the Rolling Reserve Act also affected the deposit of excess money in the education budget last year. Of about \$140 million left over at the end of the 2015 fiscal year on Sept. 30, \$118 million went to a budget stabilization fund. \$21.8 million went to an account design to make investments in school technology.

The education budget, which gets most of its income from growth revenues like income and sales taxes, is more stable than the General Fund, trapped in a whirlpool of flat revenue growth and rising costs. Rachel Riddle, an analyst with the LFO, said the office expects receipts to the \$1.8 billion General Fund to shrink by \$42 million, and a total shortfall of \$95 million due to the loss of one-time money used to plug budget holes this year.

Riddle also noted the state has seen drops in oil and gas revenue, due to lower prices, and less income from interest on deposits. Oil and gas revenues have dropped over \$92 million since 2008, while interest has fallen \$66.5 million in that time.

Legislators appear to have no interest in raising taxes or adding revenues to the General Fund, and budget chairs expect more cuts.

That could be difficult for state agencies. Most saw cuts of at least five percent in this year's budget, and some saw far steeper cuts. The Alabama Medicaid Agency, which consumes 38 percent of the General Fund, will seek an increase of \$157 million to maintain current services and continue changing delivery of Medicaid from a fee-for-service system to one that rewards outcomes.

Riddle said the total amount of requests for money to maintain services from seven state agencies amounts to \$235.1 million. She also noted the state has long-term payments coming due. Those include a payment of at least \$161.6 million to the General Fund's Rainy Day Account, due by 2020. The Legislature will also have to appropriate \$20 million next year to continue repayment of \$437 million borrowed from the Alabama Trust Fund in 2012 to keep the General Fund afloat.

Acting Finance Director Bill Newton, who crafts Gov. Robert Bentley's budget proposal, expressed broad agreement with the LFO's numbers. The governor will give his State of the State address tonight at 6:30 p.m. Newton is expected to give details of the governor's budget proposal Wednesday.

Newton's presentation include a copy of Alabama's first state budget in 1819, which estimated spending at around \$32,000 and revenues at \$22,000.

"Alabama has a long history of budget challenges," he said.

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