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ETF budget notes

Buoyed by increasing sales tax and income tax revenues, the Education Trust Fund budget sailed through the Senate Thursday afternoon. The budget, crafted by the Senate Finance and Taxation Committee for Education, contains few surprises, but a couple of items bear noting as the bill moves to the House.

The budget restores — at \$11.7 million — the Community Service Grants that were eliminated in '04. These are discretionary funds that legislators distribute to programs and schools in their districts. Each of the 35 senators receives a minimum of 1.2% of the appropriation, and each of the 105 representatives receives a minimum of 0.4%. The appropriation may spark controversy as the Governor's push for legislative accountability continues. Despite the flat distribution of the funds across districts — without regard to need — we hear from legislators in poor districts that the grants are sometimes the only money available to them for supporting worthy programs.

Although the budget doubles last year's funding for the Alabama Reading Initiative, it falls \$15 million short of the \$40 million full funding that the Governor recommended. In schools where the initiative has been piloted, results have been profound. One Autauga County school reported last year that 96% of first-graders were reading on grade level. Conditional appropriations may provide full funding if ETF revenues continue to grow.

Report

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General Fund on the brink

Revenue hopes rest in Senate's hands

After a two-month standstill, the Legislature has moved into high gear. At committee meetings shoehorned into floor days — and floor sessions tacked onto committee days — lawmakers appear to be waking up to the budget alarm bell. Remnants of the Governor's revenue proposals, along with a few new measures, are making their way through the House. Now it's the senators' turn to weigh the political cost of raising taxes against the moral cost of slashing the General Fund.

Action:

Call your senator before 9 am Tues April 20 and say that you support raising taxes to save Medicaid.

The first breakthrough came on Tuesday, when the House passed an increase in the nursing home bed tax that will bring in over \$13 million for Medicaid. The agency faces a \$182 million deficit next year, plus any carryover from this year's \$60 million shortfall. The \$700-per-bed increase is half the amount Gov. Riley had sought. For Medicaid patients, nursing homes receive reimbursement of the tax from Medicaid as a business expense. Government Finance and Appropriations chairman John Knight met the nursing home industry halfway in order to salvage the bill in the face of stiff opposition. He has challenged hospitals and drug companies to pay a share as well.

Medicaid got another boost in the House on Wednesday with the passage of a bill to double the state tax on tobacco products. At current rates of

use, the measure would raise \$60 million, most of it earmarked for Medicaid.

Chairman Knight has cited protecting Medicaid as his primary goal for this session. He made the point forcefully on Tuesday at an evening meeting that failed to draw a quorum of his committee.

"This state has serious problems, and it's not just the Legislature's responsibility,"

he told those present. "The business community is going to have to step up."

Knight was responding to Realtor lobbyist Danny Cooper's objection to an increase in the mortgage and deed tax.

"The only thing we're trying to do is protect Medicaid," Knight said. "And if you don't step up, my God, you're going to feel the pressure. And I'm not talking Medicaid. I'm talking about agencies you care about."

On Wednesday, Knight's committee heard from state departments about their budget needs. The committee will meet again Tuesday morning to begin writing the General Fund budget.

Job opening June 1

Policy analyst on tax and poverty issues in Alabama. Requires economic expertise and strong writing skills. Master's degree preferred. Salary based on experience. Health and retirement plan. Send resume, writing sample by May 1 to ACPP, Box 1188, Montgomery, AL 36101.

**A few words
from Kimble —**

The debate on “saving Medicaid” has turned a corner. It’s about to be a debate over the General Fund as a whole.

Medicaid was “in the cross-hairs” because more than three-fourths of the General Fund’s \$330 million shortfall could be attributed to Medicaid inflation. It’s also a way to get voters and leaders to assess whether they really fear tax increases so much that they would risk the health of our children and elderly — and even the entire health system — just to avoid, say, a cigarette tax.

For the time being, the House has reached its limit. They’ve passed a handful of new taxes. Next they will craft a General Fund budget that cuts over \$200 million. Legislators seem to agree that they can cut only \$30 million from Medicaid. Corrections, child welfare and Mental Health can’t be cut, so other departments face cuts larger than the 18 percent reductions they got this year. Let’s do our best to spare ALLKids and child care. Be sure to read your newspaper and your Arise e-mail!

With peace,

Arise Citizens’ Policy Project
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We appreciate our donors!

The following gave to ACPP between Feb. 14 and April 15:

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Action: Call to support death penalty bills before April 27th!

With bipartisan support, Sen. Hank Sanders has shepherded four death penalty bills out of the Judiciary Committee: **SB17**, exempting minors from the death penalty; **SB18**, calling for a three-year moratorium on executions; **SB25**, defining “mentally retarded” defendants exempt from the death

penalty; and **SB92**, restricting judicial override of jury verdicts.

We expect the Senate to deal with budget issues before addressing Sanders’ bills, but there’s a chance they will come up on short notice. **Contact your senator by April 27th!**