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Calendar notes

FEB. 4 DEADLINE!

Register now for the first-ever **Arise Poverty & Policy Conference**, Tues 15 Feb, Birmingham-Southern College. To download agenda and registration form, visit www.arisecitizens.org.

ISSUE PREVIEWS

Birmingham Noon Sun Feb 13, Unitarian-Universalist Church.

Birmingham 5:30 pm Tu Feb 22, issue workshop on health care and Medicaid, St. Paul UM Church.

LOBBY DAY

Montgomery 10 am – 2pm Th Mar 10, State House.

Welcome, new staff!

Brenda Boman has joined ACPPE as development director. She comes to us after a long career in rural education. At Notasulga High School, where she taught English and sponsored the student-produced community newspaper, she showed creativity and initiative in finding resources for a poorly funded school.

Carlos Finkley is our new policy analyst on tax and education issues. Carlos is finishing a Master's in Community Planning & Urban Studies at Alabama A&M University this spring, and he's been accepted into the Ph.D. program in Public Policy at Auburn.

Brenda and Carlos, we're glad you're here!

Report

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January 26, 2005

SMART process at work

Budget hearings reveal dire need

By the ACPPE policy staff

During two weeks of legislative hearings this month, the executive officers of some 40 state agencies presented Fiscal Year 2006 General Fund budget requests totaling more than \$2 billion. The hearings before the Legislature's Joint Budget Committee reflected the state's first systematic attempt to utilize the new SMART Budgeting. A variation of performance-based budgeting, SMART links budget requests to performance measurements. In this initial step, agencies were directed to prepare budget requests that provide the resources necessary to accomplish their assigned tasks.

For a year in which revenue to the General Fund is anticipated to decrease by \$66.4 million, legislators saw agency directors, elected officials and others justify requests for increases that exceeded \$587 million. House Finance and Appropriations Chair John Knight asked a number of agency heads how much they needed to maintain current services and seemed willing to consider those reduced numbers. In total, however, these increases added up to \$350 million the state does not have.

Where does the SMART budgeting process put us? Legislators and citizens, as well as the governor who touted and implemented this more accountable process, now face the predicament of knowing more precisely what the state's needs are and how much they cost. But the cupboard is bare.

State agency highlights

Rehabilitation Services experienced a 25 percent cut in its General Fund appropriations over the past two years, resulting in service reductions. Among those affected are children: An estimated 1,400 infants and toddlers with developmental delays will not be identified for services such as speech and occupational therapy. Services slated for termination this year include diapers for incontinent children, replacement of hearing aid batteries, portable ramps and lifts, and services for heart patients. The hemophilia program could fill only half its prescriptions in '04. The average counselor caseload is 269, twice that of other Southeastern states.

Human Resources has requested \$47 million in new funding, \$25 million of which is required for maintaining current services. Even with a 17 percent increase in state funds for 2005, DHR was forced to decrease the number of adult protective service clients receiving day care and homemaker services. Over the last couple of years, the number of children in subsidized day care has declined drastically because of the lack of state funding to replace surplus TANF funds.

Mental Health/Mental Retardation needs a \$21 million increase from the General Fund to maintain current services; the department is requesting \$23 million more for additional services. The '05 budget provided funds for only

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A few words from Kimble —

Beyond the budget crisis we face in Alabama, there are dark storm clouds on the horizon.

Congress is preparing to make decisions that could be devastating to Alabama.

In Washington, the rising cost of Medicaid is an expense that Congress would prefer to avoid.

There's a growing movement to change Medicaid from an open-ended entitlement (which means eligible applicants must be served) to a block grant. A block grant would be a capped federal appropriation to the states. In some cases Congress has initially set block grants at an unprecedented high level, but that amount has usually not grown thereafter.

This would make Alabama responsible for all health care inflation in our Medicaid budget.

Take this year's \$129 million Medicaid shortfall. Since we have about a 30-70 state-federal match, that means we'll use the \$129 million to match a \$301 million federal increase. It's a matter of simple addition: If the U.S. government no longer offered the match, Alabama would have to fill the entire \$430 million shortfall on its own.

Alabama may have more than its share of influence

in this debate. Sen. Jeff Sessions is one of 23 senators who sit on the Budget Committee, and Reps. Jo Bonner and Artur Davis are two of the 43 representatives on the House Budget Committee. Surely our governor, legislators, and Medicaid staff will explain the math lesson to them!

With peace,

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1.7 percent of the 933 persons waiting for Mental Retardation services. Alabama ranks 49th among the states in funding for substance abuse treatment.

Without \$5 million more for '05, **Public Health** will have to disenroll AIDS patients from a life-saving drug program beginning in April. Nearly 1,200 are now being served; ADPH will reduce that number to 675, and the waiting list will increase to about 1,100 from the current 578. ADPH is seeking a \$13.1 million '06 increase – including \$4.4 million for CHIP – to maintain current services.

Medicaid Commissioner Carol Herrmann requested

\$129.1 million in new dollars to maintain current services for '06. Legislators consistently expressed their support for finding the funds necessary to keep this program in the black. In response to questions regarding well-publicized reductions in Medicaid programs in neighboring states, Herrmann pointed out that those programs were much more extensive than ours – the cuts will merely shrink them to the Alabama level.

Over the past couple of years, **Senior Services** had been forced to cut by 100,000 the annual number of breakfasts served to low-income persons. Funding was restored for FY 2005, and the breakfasts have been reinstated. Agency head Irene Collins praised the Senior Rx program, which has enabled low-income Alabamians to receive \$81 million worth of free or low-cost drugs directly from manufacturers at a state personnel cost of \$2.7 million over two and one-half years. The department's requested \$3.7

million increase for '06 will maintain current services and add 136,000 meals to the Meals-on-Wheels program.

Corrections needs \$44 million in supplemental and conditional appropriations for FY 2005. Commissioner Donal Campbell requested \$266 million more (a 101 percent increase) from the General Fund for '06. More than \$150 million of this amount is for capital funds to build two new prisons. Chairman

Selected GF agencies	FY05 (millions)	Min. request to maintain services (millions)	% Increase	Total FY06 request (millions)	Total % increase over FY05
Medicaid	\$364.4	\$129.1	35.4%	\$493.5	35.4%
Corrections	264.5	11.4	4.3	530.8	100.7
Human Resources	91.9	25.0	27.2	139.0	51.2
Mental Health/ Mental Retardation	112.0	21.0	18.8	156.2	39.5
Public Health	65.0	13.1	20.2	81.5	25.4
Public Safety	57.5	9.6	16.7	76.9	33.7
Rehab. Services	1.8	0.2	10.4	2.0	8.7
Senior Services	14.3	1.2	8.4	18.0	25.9
TOTAL	\$971.5	\$210.6	21.7%	\$1,498.0	54.2%

Knight promised Campbell essentially level funding for FY 2006, but warned that “we have no money for new programs or to solve your space problems.”

Public Safety requested an additional \$19.4 million in General Fund monies. DPS Director Col. Mike Coppage reported that budget cuts in recent years had forced the department to close offices, reduce the trooper workweek from five 8-hour shifts to four 10-hour shifts and diverted funds from critical needs to cover personnel costs. The FY 2006 request would allow the agency to add 100 troopers and support staff, provide 200 in-car video camera systems and meet growing personnel and benefit costs. In a dramatic statement, Coppage advised legislative committee members that if they were unable to approve his General Fund request, he would seek only \$45 –

Correction: We erroneously wrote in our last newsletter that state law requires the subsidized child care program to conduct an annual market survey. State law no longer requires the annual survey.

the cost of 1,000 more push-pins for his map of traffic fatalities.