



# Alabama's Budget Conditions

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# **General Fund (SGF) Condition**

# State General Fund Growth FY 2019

- 7.81% Growth in Total Net Revenues over FY 2018 (\$155.8 million)
- More growth in regular revenue sources and less reliance on nonrecurring/one-time revenues

## Examples of Growth in Regular Receipts:

- Insurance Premium Taxes grew by 10.3% (\$35.8 million)
- Financial Institution Excise Taxes grew by 28.3% (\$8.8 million)
- Interest on State Deposits grew by 99.4% (\$31.4 million)
- Regular Use Taxes grew by 7.3% (\$16.2 million)
- Simplified Sellers Use Taxes grew by 136.5% (\$40.3 million) – and strong growth expected to continue into FY 2020

# General Fund Receipts – FY 2020 (October – March)

Revenue Source	Receipts (\$)	Growth (\$)
ABC Board	64,179,880	3,179,657
Ad Valorem Taxes	147,363,643	5,851,712
Alabama Trust Fund	57,472,874	5,358,416
Cigarette Tax	73,591,391	-2,144,412
Court Costs	29,489,588	1,415,782
Insurance Company Taxes	138,311,048	7,786,246
Interest on State Deposits	32,252,196	5,454,795
Leasing and Rental Tax	42,247,603	2,689,683
Lodgings Tax	23,469,635	1,056,562
Oil and Gas Taxes	12,024,727	-6,123,433
Sales Tax	55,385,497	3,425,456
Simplified Sellers Use Tax	64,069,478	38,028,175
Use Taxes	126,742,854	4,680,618
Other	218,581,240	32,583,039
<b>TOTAL</b>	<b>1,085,181,651</b>	<b>103,242,294</b>

**Total SGF Growth %**

**10.51%**



# General Fund Receipts – FY 2020 (April - August)

Revenue Source	Receipts (\$)	Growth (\$)
ABC Board	63,657,277	12,335,027
Ad Valorem Taxes	21,671,389	2,904,936
Alabama Trust Fund	57,472,874	5,358,416
Cigarette Tax	62,255,358	123,508
Court Costs	20,286,747	-5,868,579
Insurance Company Taxes	271,719,783	18,341,018
Interest on State Deposits	16,328,334	-14,043,373
Leasing and Rental Tax	34,427,183	-1,432,503
Lodgings Tax	21,619,801	-9,606,716
Oil and Gas Taxes	5,641,628	-6,352,546
Sales Tax	49,585,149	-278,559
Simplified Sellers Use Tax	60,863,786	26,049,606
Use Taxes	105,699,902	4,169,030
Other	213,000,381	5,843,609
<b>TOTAL</b>	<b>1,004,229,591</b>	<b>37,542,878</b>

**Total SGF Growth %**

**3.88%**



## General Fund Receipts – FY 2020 (Total YTD)

Revenue Source	Receipts (\$)	Growth (\$)
ABC Board	127,837,156	15,514,684
Ad Valorem Taxes	169,035,032	8,756,647
Alabama Trust Fund	114,945,748	10,716,833
Cigarette Tax	135,846,749	-2,020,904
Court Costs	49,776,335	-4,452,797
Insurance Company Taxes	410,030,830	26,127,264
Interest on State Deposits	48,580,530	-8,588,578
Leasing and Rental Tax	76,674,786	1,257,181
Lodgings Tax	45,089,435	-8,550,154
Oil and Gas Taxes	17,666,355	-12,475,979
Sales Tax	104,970,656	3,146,897
Simplified Sellers Use Tax	124,933,263	64,077,782
Use Taxes	232,442,755	8,849,648
Other	431,581,612	38,426,648
<b>TOTAL</b>	<b>2,089,411,242</b>	<b>140,785,172</b>

**Total SGF Growth %**

**7.22%**



# FY 2020 General Fund Summary

	Total Receipts (\$)	Growth (\$)	% Growth
October – March	1,085,181,651	103,242,294	10.51%
April – August	1,004,229,591	37,542,878	3.88%
<b>Total TYD</b>	<b>2,089,411,242</b>	<b>140,785,172</b>	<b>7.22%</b>

FY 2020 SGF Budget Condition (As of August 31, 2020)	
Beginning Balance	360,518,315
YTD Receipts	2,089,411,242
<b>Total TYD</b>	<b>2,449,929,557</b>
<b>Total SGF Obligations</b>	<b>2,333,504,436</b>

<b>Revenue Received in September FY 19</b> \$203,328,634
<b>Revenue Needed in September FY 20</b> \$-116,425,121



# General Fund Proration Since 1992

- FY 1992: 5.5%
- FY 1993: 3.2%
- **FY 2010: 20.0%**  
(Reduced to 10% after transfer of approximately \$161.6 million from Rainy Day Account)
- FY 2011: 15.0%
- FY 2012: 10.62%
- Traditionally reliant on non-recurring revenue sources to avoid proration – Average of **12.5% of General Fund revenues from FY 2004 through FY 2012 from non-recurring sources**





# General Fund Changes

- **Revised Alabama Trust Fund Spending Plan (Amendment 856, ratified in 2012):**
  - Provided a more stable spending formula based on actual assets rather than estimates of earned interest and capital gains.
  - Provided for temporary additional transfer of assets to the General Fund to mitigate revenue losses until other changes took affect (also provided for payback of these funds).
- **Distribution of Use Taxes:**
  - In 2012 and again in 2015, changed the distribution of use taxes to provide more growth revenues for the General Fund.
  - Receipts from this revenue source to the General Fund were less than \$1 million in FY 2012 but generated over \$240 million in receipts in FY 2019.
- **Simplified Sellers Use Tax:**
  - Initially enacted in 2015 to provide a mechanism for remote sellers to voluntarily collect and remit taxes on products sold in the state – state share of the revenues split 75% to the General Fund and 25% to ETF.
  - Collections enhanced by ruling in Wayfair v. South Dakota case and inclusion of marketplace facilitators (both in 2018).
  - Almost \$70 million deposited into General Fund in FY 2019, with estimates of over \$135 million for FY 2020.



# Condition of the SGF

FY 2020 and FY 2021

(LSA revenue Estimates from February 2020)

	Estimated FY 2020	Estimated FY 2021	Difference
<b>BEGINNING BALANCE</b>	360,518,315	287,013,879	-73,504,436
<b>TOTAL RECEIPTS</b> (Fiscal Division estimates)	2,260,000,000	2,306,000,000	46,000,000
<b>TOTAL AVAILABLE</b> (beginning balance plus total receipts)	2,620,518,315	2,593,013,879	-27,504,436
<b>TOTAL APPROPRIATIONS AND OBLIGATIONS</b> (FY 2020 as of August 31, 2020)	2,333,504,436	2,393,272,863	59,768,427
<b>ESTIMATED ENDING BALANCE</b>	287,013,879	199,744,016	-87,272,863

# General Fund Summary FY 2021

- General Fund appropriations for FY 2020 were \$2.2 Billion (excluding reversions, conditionals, and supplementals) – highest ever at that time
- Enacted General Fund appropriations for FY 2021 were \$2.39 billion
- Enacted General Fund appropriations were roughly \$170 million less than recommended by the Governor, but still \$170 million more than FY 2020 – **establishing the new highest level of General Fund appropriations**
- Enacted General Fund appropriations for FY 2021 can be supported with **zero** revenue growth over FY 2020

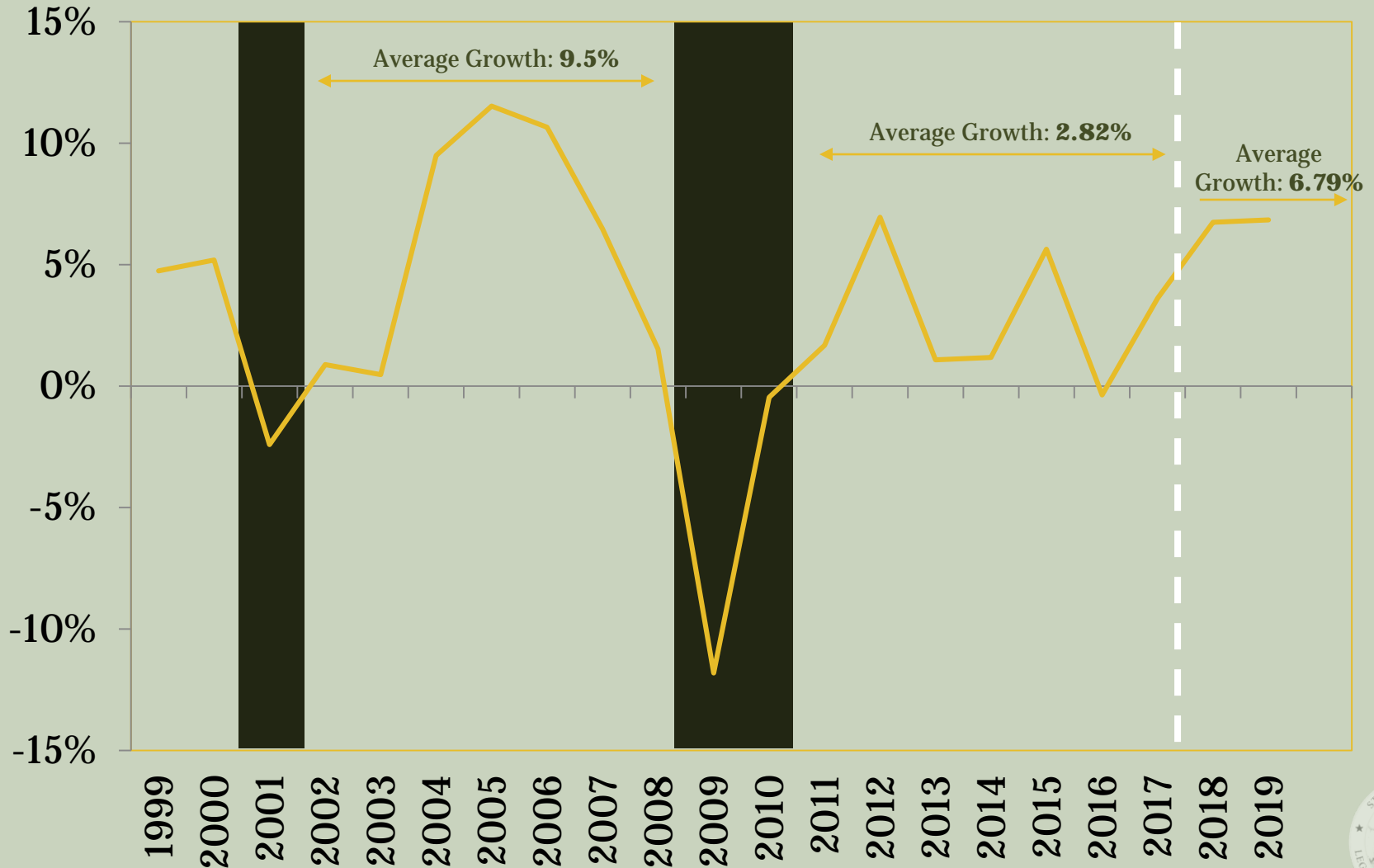


# **Education Trust Fund (ETF) Condition**

# Education Trust Fund Growth FY 2019

- **6.84 % growth in net revenues over FY 2018 (\$461.7 million)**
  - Highest annual growth rate since FY 2012
- Average annual growth rate in ETF revenues from FY 2011 until FY 2017 was 2.82% - 6.74% in FY 2018 and 6.84% in FY 2019
- Gross individual income taxes grew by 6% (\$275.4 million)
  - Withholding payments for FY 2019 were up by 5.36% (\$190.9 million)
- Gross Corporate Income taxes grew by 15.5% (\$78 million)
- Gross Sales taxes grew by 4.1% (\$97.7 million)

# Growth in ETF Recurring Revenues Since FY 1999



# Condition of the ETF

## FY 2020 and FY 2021

### (LSA Revenue Estimates from February 2020)

	Estimated FY 2020	Estimated FY 2021	Difference
<b>Beginning Balance</b>	34,438,145		-34,438,145
<b>Regular Receipts</b> (Fiscal Division estimates)	7,582,260,000	7,806,730,000	224,470,000
<b>TOTAL AVAILABLE</b> (beginning balance plus regular receipts)	<b>7,616,698,145</b>	<b>7,806,730,000</b>	<b>190,031,855</b>
<b>TOTAL ETF EXPENDITURES, ESTIMATED</b> (including supplemental appropriations for FY 2020)	7,160,333,397	7,537,151,936	376,818,539
<b>ENDING BALANCE</b> (Before Reversions and Adjustments)	<b>456,364,748</b>	<b>269,578,064</b>	<b>-186,786,684</b>

#### DISTRIBUTION OF ESTIMATED ENDING BALANCE

Budget Stabilization Fund	71,603,334	75,371,519	3,768,185
Advancement and Technology Fund	384,761,414	194,206,545	-190,554,869

# ETF Receipts – FY 2020 (Oct. – Mar.)

Revenue Source	Receipts (\$)	Growth (\$)
Beer Tax	10,653,311	-650,784
Hydroelectric Tax	506,091	107,021
Income Tax	2,240,008,166	216,158,851
Insurance Premium Tax	26,425,843	1,773,695
Sales Tax	983,118,869	18,935,231
Simplified Sellers Use	21,356,493	12,676,058
Use Taxes	87,881,565	4,348,964
Utility Taxes	195,148,261	-1,239,444
Other	11,327,121	-1,291,530
<b>TOTAL</b>	<b>3,576,425,720</b>	<b>250,818,062</b>

<b>Total ETF Growth %</b>	<b>7.54%</b>
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# ETF Receipts – FY 2020 (Apr. – Aug.)

Revenue Source	Receipts (\$)	Growth (\$)
Beer Tax	9,711,123	593,507
Hydroelectric Tax	0	0
Income Tax	1,927,092,845	-79,949,404
Insurance Premium Tax	4,567,453	-1,773,695
Sales Tax	916,064,514	53,008,839
Simplified Sellers Use	20,287,929	8,683,202
Use Taxes	76,653,081	18,437,556
Utility Taxes	156,533,174	-12,243,455
Other	19,190,279	14,553,470
<b>TOTAL</b>	<b>3,130,100,399</b>	<b>1,310,467</b>

<b>Total ETF Growth %</b>	<b>.04%</b>
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# Gross Individual and Corporate Income Tax Receipts FY 2020 (April - August)

Individual Component	Gross Receipts (\$)	Growth (\$)
Withholding	1,593,659,902	4,487,722
Individual Estimates	118,904,370	-15,857,606
Individual Returns	403,947,217	-28,776,034
S-Corp	40,486,237	-3,790,561
<b>TOTAL</b>	<b>2,156,997,726</b>	<b>-43,936,479</b>

Corporate Component	Gross Receipts (\$)	Growth (\$)
Corporate Estimates	138,097,017	-17,004,303
Corporate Returns	122,855,780	-217,456
<b>TOTAL</b>	<b>260,952,797</b>	<b>-17,221,759</b>

# ETF Receipts – FY 2020 (Total YTD)

Revenue Source	Receipts (\$)	Growth (\$)
Beer Tax	20,364,434	-57,277
Hydroelectric Tax	506,091	107,021
Income Tax	4,167,101,011	136,209,447
Insurance Premium Tax	30,993,296	0
Sales Tax	1,899,183,383	71,944,516
Simplified Sellers Use	41,644,421	21,359,261
Use Taxes	170,249,671	23,076,081
Utility Taxes	351,681,435	-13,482,899
Other	24,802,376	12,972,378
<b>TOTAL REVENUES</b>	<b>6,706,526,119</b>	<b>252,128,529</b>
<b>Plus: Budget Stabilization Fund Transfer</b>	<b>301,665,743</b>	<b>301,665,743</b>
<b>NET ETF</b>	<b>7,008,191,862</b>	<b>553,794,272</b>

<b>Total ETF Growth %</b>	<b>8.58%</b>
<b>Real ETF Growth % (excluding BSF Transfer)</b>	<b>3.91%</b>



# FY 2020 ETF Summary

	Total Receipts (\$)	Growth (\$)	% Growth
October – March	3,576,425,720	250,818,062	7.54%
April – August	3,130,100,399	1,310,467	.04%
<b>Total TYD</b>	<b>6,706,526,119</b>	<b>252,128,529</b>	<b>3.91%</b>

FY 2020 ETF Budget Condition (As of August 31, 2020)	
Beginning Balance	34,438,144
YTD Receipts	6,706,526,119
<b>Total TYD</b>	<b>6,740,964,263</b>
<b>Total ETF Obligations</b>	<b>7,160,333,697</b>

<b>Revenue Received in September FY 19</b> <b>\$760,878,611</b>
<b>Revenue Needed in September FY 20</b> <b>\$419,369,434</b>

# FY 2020 ETF Condition explained

- Large annual growth before COVID-19 impact (**\$250.8 million**)
- Reduction in Public School and College Authority (PSCA) debt service (**\$61.9 million**)
- **Provisions of the ETF Rolling Reserve Act:**
  - Appropriations for FY 2020 (including supplemental appropriations) less than FY 2019 receipts by \$55 million
  - Finance Director allowed to transfer \$301.6 million from the Budget Stabilization Fund to alleviate cash flow problems in the ETF (funds transferred in March)
    - Transferred funds will be repaid in September (within 180 days of transfer as allowed by Act 2020-204)

# ETF Proration Since 1992

- FY 1992: 3.0%
- FY 2001: 6.2%
- FY 2003: 4.4%  
(Reduced to 0% after transfer of approximately \$180 million from Rainy Day Account/Proration Prevention Account)
- FY 2008: 6.5%  
(Reduced to 0% after transfer of approximately \$439 million from Proration Prevention Account)
- **FY 2009: 18.0%**  
(Reduced to 11% after transfer of approximately \$437 million from Rainy Day Account)
- FY 2010: 9.5%
- FY 2011: 3.0%

# Education Trust Fund Summary

## FY 2021

- ETF enacted appropriations for FY 2020 were \$7.13 Billion (excluding supplementals) – highest ever at that time
- ETF fiscal year appropriation cap or the maximum amount that could be appropriated for FY 2021 was \$7.54 Billion
- Enacted ETF appropriations for FY 2021 were \$7.22 Billion
- Enacted ETF appropriations were roughly \$320 million less than the fiscal year appropriation cap, but still \$91.5 million more than enacted FY 2020 – **establishing the new highest level of ETF appropriations**
- Enacted ETF appropriations for FY 2021 can be supported with **zero** revenue growth over FY 2020