



ANALYSIS: SEPTEMBER 18, 2012 **SPECIAL ELECTION** to **Amend the Alabama Constitution**

SHOULD THE STATE RAID THE ALABAMA TRUST FUND TO BAIL OUT THE GENERAL FUND BUDGET FOR THE NEXT THREE YEARS?

The proposed Constitutional Amendment would Reduce the Alabama Trust Fund by \$437 Million

SYNOPSIS: The State General Fund (GF) budget for FY 2012-2013 of \$1.67 billion is short \$145.8 million. The Legislature voted to balance the budget by taking money from the Alabama Trust Fund (ATF). This requires voters passing a Constitutional Amendment (CA) on Sept. 18.

Reasons the CA has become controversial:

(1) It's irresponsible for legislators to gamble that voters will approve raiding the Trust Fund to bail out the state general fund.

(2) This amendment *balances the GF budget for the next three years, not just one* – by \$145.8 million each year. This kicks the can down the road past the next election to the next legislature.

(3) The CA is about more than balancing the budget. It's a Trojan Horse to make other changes. One change is to redefine "income" so that the state can put less gas/oil revenues in the ATF and more in the general fund. This is like killing the Golden Goose which laid the golden eggs. This could reduce the fund to zero in a decade or so instead of preserving it for our children.

(4) The state is spending over \$2 million for the special election instead of fixing the problems that cause continual budget deficits.

(5) The CA makes it legal for the state to take money from the principal without paying it back.

CONSTITUTIONAL AMENDMENT Q & A:

What if the legislature promised to pay the money back? (1) This would not bind the next legislature. Besides, where would the money come from? The state already owes the ATF for past borrowing to balance the general fund. (2) A promise to repay the money doesn't fix the problem.

How can the problem be fixed? The state needs to tackle how the state's tax revenues are allocated. The education fund gets most of the "growth taxes"; the general fund gets most of the "static taxes". Having two separate budgets is bad policy.

Gov. Bentley deserves applause for attempting to combine these two budgets. The AEA opposed this, however, and lobbied legislative leaders, who decided on a constitutional amendment instead.

What about the scare tactics that grandmoms will be thrown out of nursing homes and prisoners will be released to roam the streets? If the CA fails, cuts will not be made immediately and can wait until the next legislative session. Alabama Policy Institute has identified ways to cut spending, waste, and to reduce the size of government. So did the governor's commission, which finalized its report in January. Solutions are available. For example: (1) \$47.9 million every year can be saved through Medicaid reform. (2) A new law passed by the 2012 legislature will help with budgeting issues for both prisons and the state general fund.

SEND A MESSAGE TO LEGISLATORS:

"DON'T BUST THE TRUST!"

Vote NO on the Constitutional Amendment.