

Alabama's 2012 State Budget

How large is the state budget?

Alabama's state budget has two components: the General Fund (GF) and the Education Trust Fund (ETF). In June 2011, the state enacted a budget for fiscal year (FY) 2012 of \$7.357 billion, of which \$1.769 billion was proposed for the GF and \$5.588 billion for the ETF. This equates to a bill of \$1,539 for every man, woman and child in the state.ⁱ

What do these state budgets provide?

Alabama's GF is responsible for all expenditures made by the Legislative, Judicial, and Executive branches of the state, while the ETF covers all education expenditures from pre-kindergarten through college.

The General Fund

For FY 2012, the GF budget was set at \$1.767 billion, an increase of approximately \$181.6 million (11.4 percent) over the FY 2011 budget. While this increase in spending for the GF during a recession may appear contrary to efforts by all branches of the state government to prorate their budgets, most of the boost in spending can be attributed to other causes. For example, most of the increase in the FY 2012 comes from the rising cost of Medicare, the largest line item in the state's GF budget. In FY 2011, the cost of Medicare to the state was \$400.2 million; in FY 2012, it is expected to increase 60 percent to almost \$643.8 million, and consume 36 percent of the state's GF budget. Another \$94 million in spending for FY 2012 came from "free" federal bonus funds for the Department of Corrections.ⁱⁱ

- **Legislative Spending.** At \$36.3 million for FY 2012 (down \$11.2 million from FY 2011), the budget for the State Legislature is the smallest of the four major budgets. It is primarily spent on salaries and benefits for the Legislature (\$19.7 million), followed by several smaller offices, such as Examiners of Public Accounts

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(\$9.7 million), the Legislative Reference Service (\$2.2 million), the Legislative Fiscal Office (\$1.7 million), and the Offices of the Speaker of the House and Senate President Pro Tem (\$1.3 million and \$1.08 million, respectively).ⁱⁱⁱ

- **Judicial Spending.** Spending for Alabama's judicial system is expected to cost approximately \$123 million in FY 2012, down 18 percent from FY 2011. The judicial system is responsible for the salaries and support for all state judges, including the state's Supreme Court. Other expenditures include the Alabama Sentencing Commission, Drug Court, and Probation Officer Services.^{iv}
- **Executive Spending.** More money is spent by the Executive branch than any other component of the state government, excepting the Education Trust

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Fund. For FY 2012, approximately \$1.564 billion has been budgeted, compared to \$1.283 billion for FY 2011.^v

The six largest components of the expenditures for the Executive branch include Medicare (\$643.7 million), the Departments of Corrections (\$377.9 million), Mental Health (\$116.3 million), Human Resources (\$87.2 million), Public Health (\$56.3 million), and Public Safety (\$53.8 million).

Education Trust Fund

For FY 2012, the proposed budget for the ETF is \$5.588 billion, approximately \$240.7 million (4.5 percent) more than for FY 2011.^{vi} Most of this increase (\$174.6 million) comes directly from additional spending in the K-12 Foundation Program. Of this amount, \$117.3 million goes directly to all pre-college public schools in the state, with another \$57.3 million to help pay for higher transportation costs.

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- The second-largest expenditure for the ETF is Alabama's four-year university system, which is projected to be \$1.042 billion for FY 2012, slightly higher than the \$991 million budgeted in FY 2011. Of this amount, \$457.7 million is earmarked for the University of Alabama system, \$247.5 million for the Auburn University system, \$104 million for the University of South Alabama, and \$46.2 million for the Troy University system.^{vii}
- The third-largest expenditure is Alabama's two-year college system, which is projected at \$320 million for FY 2012, down less than one percent from the FY 2011 level of \$321.9 million.

Where does the revenue for the state budget come from?

The State Department of Revenue collected approximately \$8.197 billion in revenue during FY 2009-10 through a variety of taxes, fees, and licenses. This amount is 2.45 percent lower than the \$8.403 billion collected during FY 2008-09.^{viii}

- In FY 2009-10, \$3.214 billion was collected by the state from individual income taxes. This represents 39 percent of all revenue collected. This amount is down \$108 million (-3.2 percent) from FY 2008-09.^{ix}
- The second largest source of income for the state in FY 2009-10 came from sales tax, which was \$1.845 billion, or 22 percent of all state revenue. Compared to 2008-09, sales tax revenue was up slightly by \$16.8 million, or about 0.9 percent.^x

Corporate income tax was the third largest source of income for the state, with \$463 million in earnings (5.6 percent of all revenue) for FY 2009-10. This is 13.7 percent lower than the \$537.7 million collected in FY 2008-09.^{xi}

ⁱ In 2010, Alabama's population was 4,779,736. Source: U.S. CENSUS BUREAU, *2010 Demographic Profile: Alabama*. Sept. 1, 2011. www.census.gov/popfinder/. Last viewed Feb. 2, 2012.

ⁱⁱ ALABAMA LEGISLATIVE FISCAL OFFICE, STATE OF ALABAMA, *State General Fund Comparison Sheet*, 13. June 16, 2011.

www.lfo.state.al.us/pdfs/SGF%20FY%202012%20Enacted.pdf. Last viewed Feb. 2, 2012.

ⁱⁱⁱ *Id.* at 1.

^{iv} *Id.*

^v *Id.* at 10.

^{vi} ALABAMA LEGISLATIVE FISCAL OFFICE, STATE OF ALABAMA, *Education Trust Fund Comparison Sheet*, 9. June 30, 2011.

www.lfo.state.al.us/pdfs/ETF%20FY%202012%20ENACTED.pdf. Last viewed Feb. 2, 2012.

^{vii} *Id.* at 7.

^{viii} DEPARTMENT OF REVENUE, STATE OF ALABAMA, *2010 Annual Report*, 43. Mar. 30, 2011. www.revenue.alabama.gov/anlrpt_10.pdf. Last viewed Feb. 3, 2012.

^{ix} *Id.* at 42.

^x *Id.* at 43.

^{xi} *Id.* at 42.