

PUBLICATION

Alabama Legislative Update - Week 9: As Legislative Days Count Down, Significant Action Increases on Incentives, Budget

April 16, 2012

As the legislative days count down, action in the Alabama statehouse increases. Days 18 and 19 ended with significant progress on some of the most controversial and important bills of the session, including the General Fund Budget.

House News

General Fund Budget Passes House

In a marathon legislative day that saw heated debate well into the night, the House approved an operating budget for FY2013, beginning on October 1, 2012, that would reduce General Fund spending for non-education agencies by 19.9 percent, approximately \$345 million. Under this budget, Medicaid would get \$400 million from the General Fund, as opposed to this year's prorated amount of \$575.4 million. Overall, General Fund spending would total roughly \$1.39 billion for FY2013. The House-approved budget now goes to the Senate, where few expect it to pass without significant change.

Alabama Film Incentives Package

A conference committee report on incentives for the film industry has re-passed both the House and Senate and is now awaiting the Governor's signature. The bill expands the incentives that are offered for film productions shot in Alabama, by increasing the cap on the size of film projects that may be recouped by rebates from \$10 million to \$20 million and by increasing the aggregate annual cap on incentives from \$10 million to \$20 million in FY2015. According to proponents of the bill, Alabama is receiving only a small portion of its potential share of film projects because of the limitations currently in effect.

Insurance Bills May Have to Wait for a Special Session

Despite three separate panels in Montgomery and four hours of discussion, there is still very little movement on storm-influenced insurance reform during this Regular Session. Only one of the three panels, the Senate Banking and Insurance Committee, approved a proposal that was limited to one bill. That bill would require insurers to detail premium discounts available for bulking up properties to better handle storms. At this rate, insurance legislation may have to wait for a special session.

Coal and Severance Tax Legislation Clears House

After a bill to extend the collection of coal and severance tax died in the 2011 Regular Session, causing the tax to expire October 1, 2011, new legislation passed the House this week. The bill provides for the retroactive collection of the tax for the months preceding the passage of the bill and extends the collection of the tax until October 1, 2016.

Bill Limiting Liability on Road Projects Goes to Governor

The Alabama House gave final approval to a bill that limits the liability of a contractor for physical injury, property damage, or death for work performed on a highway, road, bridge, or street on behalf of the Department of Transportation (DOT), a county governing body, or a governing body of any other local government unless certain factors are present. This legislation also provides that a contractor must notify DOT if he discovers before or during construction that the plans and specifications could result in a potentially dangerous condition. The bill is now in line for the Governor's signature.

Senate News

ONE SPOT Filing Requirement Passes Senate

The Senate passed a bill that would allow business to file tax returns once through a free, electronic system called ONE SPOT, rather than filing in every municipality and county in which it does business. This system would be operated by the Alabama Department of Revenue and operational for tax periods after September 30, 2013. Using ONE SPOT would be optional for businesses but mandatory for municipalities and counties. The bill next goes to the House for consideration.

Senate Acts to Change State Pension Plan

The Senate also approved a measure that will save the state government \$5.05 billion over 31 years by reducing pension benefits for teachers and other public employees hired in or after 2013. The bill would require state employees to be 62 years old before they could collect a pension. The age is reduced to 56 for correctional officers, law enforcement officers, and firefighters who have served in their field for at least 10 years. Currently, a state employee can receive a pension after 25 years of employment, regardless of their age, and a state employee over 60 years old can collect a pension after working at least 10 years. The bill would not affect those state employees hired before January 1, 2013. The House will now take up the bill for consideration.

Senate Committee Urged to Repeal, or Change, HB 56

Opponents of HB 56 - considered one of the nation's toughest immigration laws - made their case against the controversial law in two hearings on Wednesday. One hearing was for repealing HB 56 and the other was for changing the law through legislation known as HB 658, which proponents say would make HB 56 more enforceable. Under the current law, law enforcement officers may, upon "reasonable suspicion" of people being in the country illegally, check the immigration status of people during arrests or stops. The proposed changes would limit the law to arrests or traffic citations, as opposed to stops generally.

Tax Increment Finance Bill to Help Huntsville and Others

An effort by the Huntsville area to lure a major employer to a Tennessee Valley Authority "megasite" may benefit the whole state. A Senate budget panel on Wednesday approved a bill that would expand current tax increment finance (TIF) laws to cover scenarios like Huntsville's by opening up TIF financing to large industrial sites that could bring in more than \$100 million of private investment. The bill would allow Huntsville and any other Alabama city to borrow money to buy and improve land, create infrastructure and even construct facilities, and then use the anticipated increase in property tax collections to service the loan.

Road Bill Clears Senate

The Senate passed a plan allowing the state to borrow as much as \$650 million to repair bridges and roads by a vote of 27-0. Governor Robert Bentley proposed a similar plan to repair bridges and roads using the federal

Grant Anticipation Revenue Vehicles Bond Program (GARVEE) to fund the project. Senators view this bill as a backup or companion bill to the Governors', although Governor Bentley has called this legislation unnecessary. Each Alabama county may receive no more than five percent of the bond proceeds. In counties with bridges needing repair, only up to 25 percent of those funds may be used for roads while the remaining 75 percent must be used for bridges. If all of the bridges in a county are considered in good condition, the total amount received may be used for roads. The bill also creates a five-person council to decide which projects are funded. This council would be outside the Governor's control. The Governor would appoint only one of the five members. The Lieutenant Governor, Agriculture Commissioner, President Pro Tem and Speaker of the House would also each appoint one member. The bill now goes to the House for assignment to committee.

Legislation Into Law

Governor Signs PACT Settlement Bill

Governor Bentley signed a bill designed to salvage a settlement with participants in the state's ailing Prepaid Affordable College Tuition (PACT) program. The bill strikes language from a 2010 law that the Alabama Supreme Court used as a basis for tossing out the settlement. Justices said the language prohibited the PACT contracts from being altered. The lawsuit settlement called for PACT to cover tuition at 2010 levels instead of the full tuition that families thought they would be getting, and it called for students or families to make up the difference. Alabama Treasurer Young Boozer is asking the Supreme Court to reconsider its decision to toss out the settlement. Legislators were rushing the bill so the change would be made by the time briefs are filed with the court.

The Alabama State Public Policy Team will continue to monitor all proposed and pending legislation and maintain a presence in the State House throughout the legislative session.