

PUBLICATION

Alabama Legislative Update - Final Day: Burning the Midnight Oil

May 22, 2012

On May 16, the Alabama Legislature convened for the final legislative day of the 2012 Regular Session. With only hours until midnight, when both chambers must adjourn, the House and Senate worked at a feverish pace to pass both budgets, a revised immigration bill and a flurry of other legislative action. The next day, Governor Robert Bentley called legislators back into a special session to address the politically volatile issue of legislative redistricting.

General Fund Passes with Minutes to Spare; Success of Constitutional Amendment is Key

After sending the General Fund budget to a conference committee to work out differing versions between the House and Senate, and with only minutes to spare before midnight, lawmakers gave final approval to an operating budget that would spend \$1.67 billion from the General Fund next year, a cut of \$66.7 million, 3.8 percent from this year's expected General Fund spending. The House voted 77-28 and the Senate voted 29-6 for the budget. Under the approved plan, Medicaid would get \$603.1 million from the General Fund, an increase of \$27.7 million, 4.8 percent, from this year. The Department of Corrections would get \$365.5 million, a cut of \$16.1 million, 4.2 percent, from this year. But, the total of \$1.67 billion in General Fund spending is entirely dependent on taking \$145.8 million from the Alabama Trust Fund, a giant state savings account, for the General Fund. That would only happen, however, if voters agree to rewrite the state constitution in a referendum scheduled for September 18. If voters were to reject the plan, Governor Bentley said every state agency may have to face proportional budget cuts. State Health Officer Donald Williams said failure of the constitutional amendment would wipe out about 10 percent of the revenue for state agencies. He predicts that it will be impossible to craft a Medicaid budget with such a drastic reduction. Moreover, he contends that such a failure would not only cause a problem with Medicaid but the entire health care system. As of this briefing, Governor Bentley has planned to, but not yet signed, the General Fund budget.

Legislature Approves Education Trust Fund

While total education spending for Alabama's public schools and universities is reduced, the approved budget requires no teacher layoffs or larger class sizes. On Wednesday, the Senate voted 35-0 for the budget and the House agreed 96-4, less than two hours before the mandatory midnight end of the legislative session. The \$5.4 billion budget for the 2012-2013 school year will spend \$208 million, or 3.7 percent, less than this year's \$5.6 billion education budget. It will decrease spending by about 3 percent from this year's levels for K-12 schools, community colleges and four-year universities. Governor Bentley has stated that he plans to sign the budget but has not done so.

Changes to Immigration Law Pass House; Signed by Governor

The Legislature gave final approval to changes in the state's controversial immigration law following an emotionally charged day when protesters were taken away in handcuffs. With little time to discuss all the Senate revisions, the House voted 68-37 to concur with their changes to a House-passed revision bill. House sponsor Representative Micky Hammon said he preferred the House version over one proposed by Senator Scott Beason and passed by the Senate. Hammon said he was disappointed that the Senate left intact a section of the 2011 law that hands down mandatory penalties, up to a business license revocation, for

businesses that hire illegal immigrants. The House version would have allowed judges to waive those penalties. Hammon said that was needed so an "accidental" hiring of an illegal immigrant would not be treated the same as an intentional one. He said, however, that the bill as passed would ease the burden on legal citizens and on businesses. The revised legislation keeps the core of the 2011 state law intact, but makes changes such as limiting when people are expected to show proof of identification during transactions at court houses and city halls. After including the immigration issue in the special session call, Governor Bentley could not find any Republican legislators to introduce his proposed changes on Thursday, the first day of the special session. On Friday, he lined up Democratic Senator Marc Keahey to offer the changes as amendments to another bill sponsored by Senator Beason, but Beason blocked the governor by pulling the bill from consideration. A few hours later, Governor Bentley announced his change of position and signed the bill in its entirety. To learn more about the changes made to House Bill 56 and its impact on employers, [click here](#).

Jefferson County Occupational Tax Issue Dead

In a debate that saw unusual political alliances form, the possibility that the Alabama Legislature would intervene in the Jefferson County financial crisis died Wednesday. Proponents accepted the bill was dead when the House, at the request of Representative John Rogers, voted 18-12 to remove the tax plan from the calendar of bills to be debated. The Senate-approved plan would have let the Jefferson County Commission impose an occupational tax that could not exceed 0.5 percent of the wages earned by people working in Jefferson County. Such a tax could raise as much as \$62 million a year. Governor Bentley has said he would ask lawmakers to debate a Jefferson County revenue bill in a special session of the Legislature, but only if the delegations of lawmakers who represent Jefferson County agree on a plan. As of yet, this has not happened and few believe it will before the special session ends this week.

Court Fees Bill Passes Legislature

Senators voted 26-7 for a bill to raise court costs and bail bond fees to generate money for the state's cash-strapped court system, but included an amendment to make the increased fees go away in 2015 unless lawmakers vote to extend them. The House of Representatives voted 75-23 to go along with Senate changes to the bill. The bill would raise an estimated \$44 million. Court costs would increase \$26 for traffic tickets, \$40 for criminal cases, \$45 for civil cases and \$15 for small claims court cases. The bill also would put a \$35 filing fee on bail bonds, an additional fee of up to \$450 for misdemeanors and \$750 for felonies.

Legislature Passes Fifth and Final Insurance Bill

The Senate passed a House bill that would require insurance companies to annually detail to customers what their policies do and do not cover. The bill, called the Homeowners Bill of Rights Act, is the fifth insurance overhaul proposal from South Alabama lawmakers to pass in the 2012 regular session, making this perhaps their most successful session ever on this issue.

Department of Labor and Department of Industrial Relations Merged Into One Agency

The House voted 98-0 to give final passage to the bill combining the two agencies, hoping it will save the state money. Reportedly, no employee of either department will lose his or her job. Instead, department staffs might be trimmed through attrition.

Governor Signs Gourmet Beer Bill

While aides contend he does not drink alcohol, Governor Bentley has cleared the way for bigger bottles of beer in Alabama. The bill passed the Senate in February and, after initially getting caught in a partisan crossfire in

the House, ended up passing there in a vote last week. The new law boosts the legal size of beer containers across the state to up to 25.4 ounces, or 750 milliliters, from the current 16-ounce limit allowed in most of the state.

Alabama Tax Appeals Commission Established

The Alabama Taxpayers' Bill of Rights II creates the Alabama Tax Appeals Commission and will allow businesses to appeal tax issues through one state agency. The bill, approved 33-0 by the Senate and 95-1 by the House, must be signed by Governor Bentley within 10 days of its passage to become law. The legislation abolishes the current Administrative Law Division of the Alabama Department of Revenue, transferring both the personnel and equipment to a newly-formed state agency under the executive branch. One key feature of the tax commission is the ability for taxpayers to appeal assessments of sales, use, rental or lodging taxes from cities and counties to the appeals commission. Cities and counties have the right to opt out and continue handling their current tax appeals. The bill also includes several changes to Alabama's existing procedural provisions, such as extending the appeal periods for preliminary and final assessments from 30 to 60 days for most taxpayers, allowing taxpayers with disputed adjustments the option to appeal to Alabama Tax Appeals Commission.

Throughout this legislative session, the Alabama State Public Policy Team has monitored all proposed and pending legislation and maintained a presence in the State House. As legislators conclude their 2012 work and begin to lay the foundation for the 2013 regular session, we will continue working to protect and promote our clients' interests.