



**ALABAMA HOUSE REPUBLICAN CAUCUS**  
**ALABAMA STATE HOUSE**  
**MONTGOMERY, ALABAMA 36130**

**FOR IMMEDIATE RELEASE**  
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**HOUSE GOP PLAN OFFERS MIX OF COST-CUTTING, CONSOLIDATION,  
AND REVENUE TO RESOLVE GENERAL FUND BUDGET CRISIS**

**Montgomery** – Speaker of the House Mike Hubbard (R - Auburn) and Ways and Means General Fund Committee Chairman Steve Clouse (R - Ozark) on Tuesday announced a cost-cutting, consolidation, and revenue package that is designed to resolve the on-going budget shortfall for state agencies without implementing broad-based taxes on Alabama families.

“Even before the session began, House Republicans strongly believed it was important to offer a reasonable solution to the budget shortfall that embraced conservative, cost-cutting principles while avoiding widespread taxes on the citizens we represent,” Hubbard said. “Our budget problems did not appear overnight, and they will not magically disappear with the snap of a finger, but this plan begins to provide a fair-and-balanced, long-term solution.”

Clouse noted that the proposal, which was approved by a majority of House Republicans at a meeting held earlier today, uses a mix of agency consolidations, spending reductions, and revenue generators in order to balance the General Fund budget as required by the state constitution.

“This plan works to revolve our budget shortfall by continuing to right-size state government and implementing the same kind of cost-cutting measures that any public sector business in the same financial situation would utilize,” Clouse said. “And because the few taxes that it contains are pinpointed rather than broad-based, the average Alabamian will not feel any adverse effects once this plan is implemented.”

Clouse said the Caucus also endorsed entering into an agreement with the Poarch Band of Creek Indians that would require them to pay taxes on revenue from federally protected gaming on tribal land. He said such an agreement would limit the widespread expansion of gaming and bring an immediate \$250 million to the General Fund with additional revenues following each year.

Among the proposals included in the package, which would reap roughly \$200 million in savings and revenue, include:

- **Consolidation of Alabama Historical Commission into Departments of Archives and Conservation - \$1.1M in savings** This bill will consolidate properties owned by the Alabama Historical Commission into the Department of Conservation and Natural Resources and AHC's administrative duties would fall to the Department of Archives and History.
- **Transfer 100% of Use Tax receipts from Education Trust Fund to General Fund - \$50M transfer to GF** - The biggest problem with the General Fund year after year is that it lacks growth revenue. By moving all of the use tax into the General Fund, the General Fund will finally have a source of revenue that will grow with the economy. In return, the General Fund will assume responsibility for funding state programs that were moved into the Education Trust Fund in previous years. A bill adjusting the taxes on motor oil and another that eliminates the zero withholding option are expected to help replenish funds transferred from the ETF.
- **Suspension of state employee longevity bonus - \$5.2M in savings** Traditionally Alabama's state government has provide its employees with an annual bonus based solely upon years of service. This bill would suspend those payments for one year.
- **Cigarette tax increase of .25 per pack - \$60M in new revenue** This bill would raise the state's cigarette tax by .25 per pack which will keep Alabama's prices competitive with those of sister southeastern states. While not specifically earmarked, it would help Alabama to recoup costs associated with treating Medicaid recipients suffering from tobacco-related illnesses.
- **Business Privilege Tax Reform - \$39M in new revenue** This bill would provide a \$100 yearly tax cut to Alabama's small businesses while requiring Alabama's largest corporations to pay an additional \$7,000 annually.
- **Holiday Furlough Requirement - \$3.2M in savings** Alabama state employees currently enjoy 13 paid state holidays per year, plus additional days at the discretion of the Governor. This bill would cap paid state holidays at 13 and require two of them to be treated as mandatory furlough days for non-essential employees.
- **Automobile title fee increase from \$15 to \$25 - \$14M in new revenue** Alabama's fee for titling automobiles has not been increased since 1986 despite the fact that average new car price has risen by nearly \$22,000 in that time. This bill would adjust the fee from \$15 to just \$25.
- **State Property Management Consolidation - \$1.3M in savings** Currently, Alabama state agencies independently manage the real property assigned to them. This bill would consolidate that management into the Department of Finance and realize savings by eliminating duplicative responsibilities.
- **Expanding Sales Tax to Certain Out-of-State Residents purchasing cars in Alabama - \$1M in new revenue** Currently, Alabama does not charge sales tax on automobiles purchased within the state by out-of-state residents and then driven out-of-state. This bill would remove that exemption for out-of-state residents unless their home state allows an Alabama resident to purchase an automobile without paying tax to that state.
- **Department of Insurance fee adjustment for brokers, adjustors, and others - \$4.5M in new revenue** This bill would increase the fee paid by brokers, adjustors, and other industry workers to the Alabama Department of Insurance. It would be the first adjustment to occur in 20 years.

- **Transferring coin-operated amusement machines from sales tax to business license - \$1M in new revenue** Alabama currently charges owners of coin-operated amusement machines using a sales tax model. This bill would require them to purchase a business license for each machine in lieu of paying sales tax.
- **Auto-rental tax adjustment from 1.5% to 2% - \$6M in new revenue** Currently, the leasing or renting of automobiles in the state is taxed at 1.5%, compared to 2% for the purchase of automobiles. When the automobile sales tax was increased to 2% in 1988 the rental tax was inadvertently left off. This bill established parity between the leasing/rental rate to the tax rate for automobile sales.
- **Federally-Qualified Health Care Center Assessment Fees - \$3.5M in new revenue** This assessment has been agreed upon by these health care providers within the state as an effective and low-cost way of drawing down additional Medicaid dollars. This assessment is similar to existing assessments on hospitals and nursing homes in Alabama.

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