Legislative Update

By: Sally Corley

The Alabama Legislature is one-third of the way through the 2016 Legislative Session. With less than a month behind us, they are moving at a fast pace so far this year. Last night, the Senate passed the General Fund budget which included a $100 million cut to Medicaid. The budget chairman was clear that this is intended to be a starting point to negotiate a fix for the General Fund Budget, and he felt it was not fair to start the process by plugging the $100 million shortfall by across the board cuts. This budget does not include a pay raise for state employees and funded SEIB at a rate of only $825, which is technically a cut considering that the number of active state employees continues to decrease. Read below for more on the FY17 General Fund Budget.

This week the House passed some sunset bills, and they technically sunset the Board of Cosmetology. Through some procedural maneuvering, an amended version of the bill eventually passed the House and will go to conference committee for final consideration. Next week the House will complete the Sunset bills, and may consider one of the budgets.

Below is a brief description of some of the bills we are tracking this session. Please know these weekly legislative updates are meant to keep you informed of legislation that may affect you, and are provided in an effort to demonstrate the SEIB’s commitment to our goal of providing the best health care coverage available at an affordable rate for our members.

**SB125 - FY17 GENERAL FUND BUDGET:**

The biggest item on our legislative agenda is the general fund budget. As a refresher, the SEIB is funded through two main sources: the employer share (the State of Alabama) and the employee share (premiums, savings from copays and deductibles). The SEIB’s funding from the State (the employer share) can be demonstrated by a simple equation:

\[
\text{STATE RATE} \times \text{NUMBER OF FULL TIME EMPLOYEES} = \text{TOTAL STATE FUNDING.}
\]

The state rate for FY15 is $825 per full-time employee per month. These funds are used to cover the health care costs of all employees, retirees, COBRA, beneficiaries and dependents. However, as the number of full-time state employees continues to decrease, so does our overall funding. If the general fund agencies experience a cut in funding, the SEIB will experience a similar cut. But the SEIB will retain much of the same expenses because a large number of employees retire and continue coverage under our plan.
FY17: The Governor announced a 2% raise for state employees with “no strings attached” and his budget reflects a state rate of $825 per full-time employee per month for FY17. The Senate passed a budget with no pay raise for state employees and the same $825 state rate. Allocating the same state rate several years in a row does not “level fund” SEIB. Our funding continues to drop as the state workforce continues to decrease, and our costs continue to increase with the rising cost of health care. The total state funding for SEIB today is exactly the same it was ten years ago, and is on track to decrease this year as we continue to lose state employees.

What this means for you: A state rate of $825 for SEIB means that the Board will have to seek additional revenue from other sources. These “other sources” include a transfer from the Retiree Trust Fund (which isn’t enough to fully fund the deficit) and increased premiums and co-pays for employees. With this budget, state employees are facing an increase in health insurance with no pay raise to help cushion the increased cost. However, there is some relief available to you today if you qualify for “other employer health insurance coverage” through a spouse or another job, please contact your SEIB Advisor to find out about savings opportunities that are immediately available to you.

STATUS: Passed the Senate, awaits action by the House.

HOUSE:

HJR17 Greer – Pension Committee Resolution:

Extends the duration of the Pension Committee to April 1, 2016. The Committee is reviewing pensions and retiree health insurance benefits.

STATUS: Act number 2016-7. The Pension Committee is scheduled to meet at least one more time before April 1.

HB17 Hill – Deferred Compensation Automatic Enrollment:

This bill gives the State Personnel Board the ability to automatically enroll all state employees in a deferred compensation plan at a rate of $10 per pay period with a 90 day opt out provision.

STATUS: Introduced in the House.

HB68 Garrett – Lobbyist Ban:

Prohibits agencies who receive appropriations from the ETF or GF from hiring lobbyists.

STATUS: Passed the House this week, and was referred to the Senate committee on Governmental Affairs.

HB155 Polizos/SB191 Chambliss – State Employees Pay Raise:

Gives state employees a 2% pay raise.

STATUS: Introduced.

SENATE:

SB69 Brewbaker – Legislative Subpoena Power:

Gives all standing committees of the Legislature subpoena power.

STATUS: Awaits third reading in the Senate.
**SB81 Orr/HB239 Gaston— Public Contracts:**
Requires that governmental contracts contain a “representation that the business entity is not currently engaged in, and an agreement that the business entity will not engage in, the boycott of a person or an entity based in or doing business with a jurisdiction with which this state can enjoy open trade.”
**STATUS:** SB81 Awaits third reading in the Senate. HB239 Introduced in the House.

**SB141 Reed/HB53 Ainsworth – Revolving Door:**
This bill extends the application of the revolving door provision. The two year ban will now apply to those who work under consulting agreement, loan, agency transfer, etc. for an agency – not just employees. It also allows for outgoing directors/agency heads to contract with their previous agency under very specific terms for a maximum of three months to provide continuity during the transition.
**STATUS:** SB141 passed the Senate and sent to the House. HB53 was introduced in the House.

**SB210 Holtzclaw – Contract Review:**
Establishes that the 45 day review period begins when a complete contract is submitted, and an additional 45 day review period begins if there is a request for more information.
**STATUS:** Passed the Senate, and sent to the House committee on State Government.

**SB279 Dial – AL Code of Ethics:**
This bill further clarifies what is not a thing of value, redefines widely attended event as no more than the number of people in the smallest legislative caucus, extends the revolving door provision for all elected officials, and requires the Ethics Commission must first find a violation of the ethics code before AG or DA can prosecute.
**STATUS:** Introduced in the Senate.