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Hon. Merceria Ludgood, Mobile County, President

Sonny Brasfield, Executive Director

TO: County Commission Chairs and Administrators

FROM: ACCA Staff

DATE: October 1, 2014

RE: ACCA Opposition to Amendment 2

As you may recall, ACCA's Legislative Program approved by the membership at the 2013 Legislative Conference includes a policy statement opposing passage of the proposed constitutional amendment to increase bonding authority paid from principal in the Alabama Trust Fund by \$50 million for capital improvements to Alabama National Guard Armories (Amendment 2 on the statewide ballot for the November 4 general election). The statement reads as follows:

Referendum on Diversion of Alabama Trust Fund Revenue

The Association recommends a "no" vote on the constitutional amendment proposed by Act 2013-266, which would increase bonding authority paid from principal in the Alabama Trust Fund by \$50 million resulting in the diversion of up to \$74 million in Alabama Oil and Gas Capital Payments otherwise required to be deposited into the Alabama Trust Fund. Although the proposed amendment authorizes the expenditure of such revenue for the payment of bonds for capital improvements to Alabama National Guard armories, the Association believes the further withdrawal of any principal or the diversion of any future income violates the intent of the trust and damages the financial stability of county governments that depend on the annual trust income.

At the ACCA Annual Convention in August 2014, the membership voted to adopt a resolution opposing Amendment 2. A copy of the resolution is attached.

In an effort to spread the word about the devastating impact this amendment could have on counties if approved by the voters, the ACCA staff is recommending that, before the November 4 election, counties announce the Association's opposition during a county commission meeting. We have prepared the attached statement that can be used for this purpose. The resolution and statement could also be shared with your local media. And all questions regarding the amendment could be directed to ACCA Executive Director Sonny Brasfield.

While some counties may choose to also adopt their own resolution opposing this amendment, we believe making the public aware that all 67 counties have voted to oppose this dangerous amendment could send a strong message to citizens unsure about the impact of this proposal.

Please contact the ACCA office if you have any questions. And thanks for your help with this important matter.

Attachments

STATEMENT REGARDING ACCA OPPOSITION TO AMENDMENT 2

There are five proposed constitutional amendments on the November general election ballot. At its annual business meeting, the Association of County Commissions of Alabama voted unanimously to encourage a "No" vote on Amendment 2, which would authorize additional revenue to be withdrawn from the Alabama Trust Fund.

The approval of this amendment on the November ballot would authorize a \$50 million bond issue for improvements at the state's National Guard armories. At the end of 20 years, the bond payments will result in \$74 million being removed from the Alabama Trust Fund to repay these bonds.

Today, the money in the Alabama Trust Fund cannot be expended without the approval of the Alabama voters. The moneys in the Trust Fund remain intact and each year only the interest earned on those moneys is withdrawn to help fund state agencies and to finance capital projects for cities and counties.

Amendment 2 contains no provision for how these moneys will be repaid to the Alabama Trust Fund nor even any requirement that the money be repaid at all. Without such a requirement, the approval of this amendment would permanently reduce the amount of money held in the Alabama Trust Fund and, therefore, would permanently reduce the annual interest payments to the state and local governments.

The Association has urged a "No" vote on the amendment because:

--The Association strongly believes that the Alabama Trust Fund should not be invaded except in extreme circumstances. *The improvement of National Guard armories is not one of the state's most pressing problems and does not justify extracting money from the state's Savings Account.*

--Money held in the Alabama Trust Fund should not be spent unless there is a realistic and enforceable requirement that the money be repaid. *This proposed constitutional amendment has no provision for repaying the money extracted from the Trust Fund.*

--The estimated interest and other costs for the bond issue are almost 50 percent. *The amendment authorizes a bond issue of \$50 million but the total money extracted from the Alabama Trust Fund over the next 20 years to repay the bonds is \$74 million.*



Resolution

WHEREAS, Amendment 2, which is on the ballot for the November 4, 2014 general election proposes to increase the bonding authority paid from principal in the Alabama Trust Fund by \$50 million, which funds would be expended for capital improvements at Alabama National Guard armories; and

WHEREAS, the increase in bonding authority proposed in Amendment 2 would actually result in the diversion of up to \$74 million in Alabama Oil and Gas Capital Payments which would otherwise be deposited into the Alabama Trust Fund; and

WHEREAS, there is no provision in Amendment 2 requiring that any monies diverted for these capital improvements be repaid to the Alabama Trust Fund which would result in a permanent reduction of monies held in the Alabama Trust Fund; and

WHEREAS, the loss of monies to the Fund without the requirement for repayment would result in a permanent reduction in the annual interest payments made to state and local governments from the Fund; and

WHEREAS, the further withdrawal of any principal or diversion of future income from the Alabama Trust Fund violates the purposes and intent of the Alabama Trust Fund which was created to serve as a stable and continual source of revenue for Alabama state and local governments through payments from the interest earned on the principal in the Fund; and

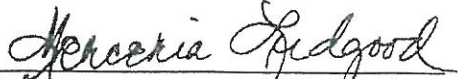
WHEREAS, the Association of County Commissions of Alabama has adopted a policy opposing this proposed amendment, in part, due to the fact that the further withdrawal of principal or diversion of future income from the Alabama Trust Fund damages the financial stability of all 67 counties in Alabama that depend on the annual trust income they receive to fund projects to improve county roads, bridges, and buildings; to create and administer solid waste and utility programs; and to provide for the health and safety of citizens in their counties; and

WHEREAS, the withdrawal of funds proposed by Amendment 2 is a serious departure from the long-standing view of Alabama's state leaders that funds should only be diverted from the Alabama Trust Fund in extreme circumstances and only when any monies diverted are required to be repaid within a specified period of time.

WHEREFORE, BE IT HEREBY RESOLVED BY THE ASSOCIATION OF COUNTY COMMISSIONS OF ALABAMA that it strongly opposes passage of Amendment 2 on the statewide ballot for the November 4, 2104 general election and urges all citizens of Alabama to vote "No" on this amendment to protect and preserve the Alabama Trust Fund against an increase in bonding authority paid from the Fund that could result in the diversion of up to \$74 million in unreimbursed payments to the Fund.

BE IT FURTHER RESOLVED that a copy of this resolution be forwarded to the county commissions in all 67 counties in the state.

IN WITNESS WHEREOF, the Association of County Commissions of Alabama has caused this Resolution to be executed in its name and on its behalf by its President on this the 21st day of August, 2014.


Hon. Merceria Ludgood, ACCA President