

Alabama Trust Fund

CONSTITUTIONAL PROVISIONS:

Amendment No. 450 to the Constitution of Alabama of 1901, now appearing as Section 219.02 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (proposed by Act 85-79, 1st Ex. Sess., proclaimed ratified June 4, 1985).

Established the Alabama Trust Fund and provided for distribution of Trust Fund earned income.

Amendment No. 488 to the Constitution of Alabama of 1901, now appearing as Section 219.03 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (proposed by Act 88-550, proclaimed ratified November 23, 1988).

Redefined the investment authority of the Alabama Trust Fund to equate to that of the Teachers' and State Employees' Retirement Systems.

Amendment No. 543 to the Constitution of Alabama of 1901, now appearing as Section 219.07 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (proposed by Act 91-219, proclaimed ratified February 2, 1993).

Provided for the acquisition, maintenance and protection of unique lands and water areas in the state (The Forever Wild Land Trust Act). Funding for this purpose was provided from a percentage of the trust income earned from the Alabama Trust Fund that would have been reinvested in the fund. This funding would have expired beginning with the state's 2013 fiscal year but the program was extended by Amendment 860. (See REVENUE SOURCE and LEGISLATIVE HISTORY).

Amendment No. 666 to the Constitution of Alabama of 1901, now appearing as Section 219.04 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (proposed by Act 00-491, proclaimed ratified December 13, 2000).

Provided for the current distribution of trust income and capital gains earned by the Alabama Trust Fund; provided for the current distribution of offshore oil and gas lease payments beginning October 1, 2001 (see REVENUE SOURCE and DISTRIBUTION; see also LEASE OF OIL AND GAS RIGHTS) and authorized the board to transfer up to 75% of capital gains each fiscal year.

Amendment No. 668 to the Constitution of Alabama of 1901, now appearing as Section 219.05 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (proposed by Act 99-393, proclaimed ratified December 13, 2000).

Placed the distributions to the County Government Capital Improvement Fund and the Municipal Government Capital Improvement Fund that were previously provided by general law into the constitution. Similar provisions are also provided in Amendment No. 666.

Amendment No. 709 to the Constitution of Alabama of 1901, now appearing as Section 260.01 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (proposed by Act 01-1066, proclaimed ratified June 19, 2002).

Provided for the creation of the Education Trust Fund Rainy Day Account within the Alabama Trust Fund. Up to 6% of Education Trust Fund appropriations for FY 2002 (approximately \$248 million) were credited to the Account to be drawn upon in the event of proration in the Education Trust Fund. In FY 2003, \$179,993,229 was transferred from the Rainy Day Account in the Alabama Trust Fund to the Education Trust Fund. The Legislature must provide for the payback to the Rainy Day Account within five years. (See LEGISLATIVE HISTORY for payback legislation).

Amendment No. 803 to the Constitution of Alabama of 1901, now appearing as Section 260.02 of the Official Recompilation of the Constitution of Alabama of 1901, as amended (proposed by Act 08-508, proclaimed ratified December 1, 2008).

Repealed Amendment 709, reestablished the Education Trust Fund Rainy Day Account (ETFRDA) within the Alabama Trust Fund, and created a General Fund Rainy Day Account (GFRDA) within the Alabama Trust Fund. The ETFRDA is limited to an amount equal to 6.5% of the immediately preceding fiscal year's appropriations from the Education Trust Fund. Following the ratification of this amendment, the initial balance in the ETFRDA was \$437,390,828. The entire amount was withdrawn in fiscal year 2009 in order to reduce proration in the Education Trust Fund. The Legislature must provide for the payback to the ETFRDA within six years. The GFRDA is limited to an amount equal to 10% of the immediately preceding fiscal year's appropriations from the General Fund. Following the ratification of this amendment, the initial balance of the GFRDA was \$188,329,374. In fiscal year 2010, \$161,565,874 was withdrawn in order to reduce proration in the State General Fund. The Legislature must provide for the payback to the GFRDA within ten years.

Amendment No. 856 to the Constitution of Alabama of 1901, as amended (proposed by Act 12-490, proclaimed ratified October 9, 2012).

Provides for the transfer of \$145.8 million from the Alabama Trust Fund (ATF) to the State General Fund for the fiscal years 2013, 2014, and 2015 and revises the existing method for distributions from the Alabama Trust Fund beginning with the 2012-2013 fiscal year. Repealed the previous process of distributing annual interest earnings and capital gains in the ATF and replaced it with a process which bases annual distributions on the amount of royalties received in the previous fiscal year and the average market value of invested assets in the ATF as of the end of the three fiscal years prior to the beginning of the fiscal year for which distributions are being made.

Amendment No. 860 to the Constitution of Alabama of 1901, as amended (proposed by Act 11-315,
 proclaimed ratified

Reauthorized the Forever Wild Land Trust for a 20-year period ending in the fiscal year ending 2032.

REVENUE SOURCE:

The Alabama Trust Fund is a perpetual trust which was established in June 1985 with an initial trust capital of \$333,583,680 from cash bonus payments and royalties paid to the state from offshore oil and gas leases. The trust capital was augmented from time to time by the deposit of proceeds of any offshore oil and gas payment (including royalty payments) received after August 14, 1984. The lands division of the Department of Conservation and Natural Resources received 4% of the original lease payment of \$347,483,000 and receives 1% of any payments made subsequent to August 14, 1984. Prior to fiscal year 2013, the Alabama Trust Fund received 65% of the balance of the oil and gas lease payments received by the state. The remaining 35% of the balance is transferred to: (1) the County and Municipal Government Capital Improvement Trust Fund (7%); and (2) the Alabama Capital Improvement Trust Fund (28%). Beginning in fiscal year 2013, the Alabama Trust Fund will receive 32% of the balance of the oil and gas payments received by the state and 33% will be distributed pursuant to the annual spending plan. The remaining 35% will continue to be distributed as provided above. (See Amendment No. 856). As of September 30, 2012, the trust capital of the Alabama Trust Fund totaled \$2.9 billion.

COLLECTIONS:

Earned income is transferred to the Treasurer as it is received by the Alabama Trust Fund Board.

Fiscal Year	Collections (\$) Trust Income	Percent Change
2011-12	89,371,806	(4.64)
2010-11	93,723,013	(3.51)
2009-10	97,134,530	(24.96)
2008-09	129,450,730	(1.43)
2007-08	131,326,156	5.25
2006-07	124,773,908	9.76

Source: State Treasurer's Office.

Fiscal Year	Capital Gains Distributed (\$)	Percent Change
2011-12	364,444,645*	354.81
2010-11	80,130,411	N/A

2009-10	0	N/A
2008-09	0	(100.00)
2007-08	165,382,509	230.96
2006-07	49,970,492	9.78

*Fiscal year 2012 collections include \$346,121,293 to correct an error in the calculation of gains for fiscal years 2003 through 2007 as a result of Attorney General's opinion 2010-098 and 2011-025.

Source: "Comparative Summary of Revenues by Revenue Source" Report - Comptroller's Office.

DISTRIBUTION:

Prior to fiscal year 2013, in any fiscal year in which the trust income exceeds \$60 million (which has occurred in every fiscal year since fiscal year 1996-97):

10% - County Government Capital Improvement Fund.

10% - Municipal Government Capital Improvement Fund.

10% (up to a maximum of \$15 million) – Forever Wild Land Trust.

In the fiscal year following the first fiscal year Forever Wild received \$15 million, .25% (and increasing by .25% per year thereafter to a maximum of \$5 million) – Senior Services Trust Fund (distributions began in fiscal year 2008).

Remainder - State General Fund.

Also, within 30 days following the end of any fiscal year, the Board of Trustees could transfer up to 75% of realized or unrealized capital gains on equity investments for the just completed fiscal year. Any amount transferred by the Board was distributed the same as trust income.

Pursuant to Amendment 856 to the Constitution of Alabama of 1901, beginning fiscal year 2013, 33% of the royalties received in the previous fiscal year plus 5% of the average market value of invested assets in the ATF as of the end of the three fiscal years prior to the beginning of the fiscal year for which distributions are being made:

1% - Senior Services Trust Fund

10% - County Government Capital Improvement Fund.

10% - Municipal Government Capital Improvement Fund.

10% (up to a maximum of \$15 million) – Forever Wild Land Trust.

Remainder – State General Fund.

LEGISLATIVE HISTORY:

Acts 1986, No. 206, p. 269

Created the County Government Capital Improvement Fund and provided that 10% of the Alabama Trust Fund income shall be appropriated to this fund when such income exceeds \$60 million. (The income exceeded \$60 million for the first time in FY 1997).

Acts 1986, No. 234, p. 345

Created the Municipal Government Capital Improvement Fund and provided that 10% of the Alabama Trust Fund income shall be appropriated to this fund when such income exceeds \$60 million. (The income exceeded \$60 million for the first time in FY 1997).

Acts 1998, No. 499, p. 1075

Effective October 1998, changed the distribution date for the appropriation of trust income to the County Government Capital Improvement Fund and the Municipal Government Capital Improvement Fund from January 2 to April 15.

Acts 2003, No. 438, p. 1516

The Education Trust Fund appropriations act for FY 2004 provided for a conditional appropriation of \$36 million to make the first installment on the repayment to the Rainy Day Account. The conditional appropriation was released.

Acts 2004, No. 456, p. 810

The Education Trust Fund appropriations act for FY 2005 provided for a conditional appropriation of \$36 million to make the second installment on the repayment to the Rainy Day Account. The conditional appropriation was released.

Acts 2005, No. 173, p. 295

The Education Trust Fund appropriations act for FY 2006 provided for an appropriation of \$36 million to make the third installment on the repayment to the Rainy Day Account.

Acts 2006, No. 282, p. 519

The Education Trust Fund appropriations act for FY 2007 provided for an appropriation of \$71,993,229 to make repayment in full to the Rainy Day Account.

Acts 2010, No. 555, p. 1124

Proposed an amendment to the Constitution of Alabama of 1901 to appropriate \$100 million from the Alabama Trust Fund for each of the fiscal years 2011 through 2020 for state and local transportation purposes. (The proposed amendment was defeated at the 2010 General Election).

COMPARISON WITH NEIGHBORING STATES:

Florida, Georgia, Mississippi and Tennessee

No comparable revenue source.