

Alabama Trust Fund 101

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In an attempt to help Alabamians understand the current distributions of the oil and gas royalties and the income in the Alabama Trust Fund, I have prepared this one-page primer. Additional information about the Alabama Trust Fund can be found in a special section on the Treasury website by visiting www.treasury.alabama.gov and clicking on 'Alabama Trust Fund'.

Oil and Gas Royalties

FY '09: \$177.8 million received

Royalty payments are received each month from oil and gas companies.

1% goes to the Department of Conservation Lands Division

99% goes to the Alabama Trust Fund

As a result of Amendment 666 passed in 2000, of the 99%, 7% is annually transferred into the County and Municipal Government Capital Improvement Trust Fund* and 28% is directed to the Alabama Capital Improvement Trust Fund.** Therefore, approximately 65% of the royalties remain in the assets of the Alabama Trust Fund each year.

Invested Assets of the Alabama Trust Fund

As of September 30, 2009: \$2.58 Billion (market value)

Target asset allocation - 68% invested in fixed income investments; 32% in equities.

Of the income earned:

10% is transferred to the Forever Wild Land Trust to purchase public recreational lands (FY '09 - \$12.9 million; FY '08 - \$15 million). Total transfers to Forever Wild from the ATF are capped at \$15 million per year. 90% is transferred to the State General Fund, which funds the essential services of state (FY '09 - \$116.5 million; FY '08 - \$119 million).

Each April, 10% of the General Fund income is distributed to the cities and 10% is distributed to the counties (FY'09 - \$11.1 million to the cities and \$11.1 million to the counties; FY'08 - \$11.3 million to the cities and \$11.3 million to the counties).

Of the realized and unrealized capital gains on the equity investments, the Board may take up to 75% from either or both each October. Of the amount taken, 70% goes to the General Fund, 10% goes to the cities, 10% to the counties, and 10% to the Forever Wild Land Trust.

Rainy Day Accounts

If the Governor calls proration, up to 6.5% of the amount appropriated in the Education Trust Fund budget can be taken from the Alabama Trust Fund ETF Rainy Day Account and must be repaid to the Alabama Trust Fund within six years. An amount up to 10% of the General Fund budget can be taken from the Alabama Trust Fund General Fund Rainy Day Account and must be repaid within ten years. Each time a withdrawal is made from either rainy day account, an additional 25% of the amount withdrawn is deposited into the County and Municipal Government Capital Improvement Trust Fund. This money is not required to be repaid to the Alabama Trust Fund.

***County and Municipal Government Capital Improvement Trust Fund**

Balance as of September 30, 2009: \$319 million

At present, there is no provision for the distribution of the principal from this trust fund. The interest income from this trust fund is distributed to the cities and counties in April of each year (FY '09 - \$4.7 million to the cities and \$4.7 million to the counties; FY '08 - \$3.6 million to the cities and \$3.6 million to the counties)

****Alabama Capital Improvement Trust Fund**

Balance as of September 30, 2009: \$19.6 million

Funds are appropriated for capital projects as defined in Amendment 666 of the Alabama Constitution. "Capital improvements" means capital outlay projects that include planning, designing, inspection, purchasing, construction, improvement, repair or renovation of permanent buildings, docks, structures and sites for the executive, legislative, or judicial branches of government. It also includes the construction or improvement of roads and bridges in the highway system; payment of debt service on the bonded indebtedness of the State; funding economic development activities; and the procurement of technical equipment.