

# State of Alabama

## 2008 Quadrennial Strategic Plan



Governor Bob Riley  
February 4, 2008

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## STATE OF ALABAMA

February 4, 2008

The Honorable Jim E. Folsom  
Lieutenant Governor  
11 South Union Street, Suite 725  
Montgomery, AL 36130-2102

The Honorable Seth Hammett  
Speaker of the House  
11 South Union Street, Suite 519-A  
Montgomery, AL 36130-2102

Dear Governor Folsom and Speaker Hammett:

This strategic plan for Alabama represents a major milestone in our efforts to make state government more efficient and more accountable to the people. Never in the history of this state had there been a comprehensive planning system in place that allowed the governor to create a truly strategic plan for state government. But over the past four years, we have built a framework for planning and performance management in state government that finally makes it possible to devise a coherent, statewide strategic plan. It's called SMART Governing. This process is revolutionizing the business of state government.

The process of SMART Governing begins with the Governor laying out strategic priorities for the state, as I have done in my Plan 2010 and within this document. State agencies then set specific goals based on these priorities, which are used to track progress toward accomplishment. This gives the Governor, his staff, and cabinet the ability to better manage the state and make more informed decisions in the budgeting process.

In this strategic plan, I outline those priorities, and I highlight some of the agency goals that will continue to drive our success. I encourage you to review our strategic plan to understand how we are changing the state and how we intend to continue these efforts.

Although my priorities are comprehensive, this document certainly does not include all the details of our plan for Alabama. To see every agency's plans and how they connect with my priorities, visit the SMART Governing website at [www.SMART.alabama.gov](http://www.SMART.alabama.gov).

The future of Alabama depends on the hard work of its citizens and its public servants. We offer this plan as a roadmap for change over the next four years in hopes that future governors will plan for change as well. I set the bar high because Alabama deserves the best.

Sincerely,

A handwritten signature in black ink that reads "Bob Riley".

Bob Riley  
Governor

## Introduction and Overview

This document contains the FY08-FY11 quadrennial strategic plan for the State of Alabama. In accordance with the Budget Management Act of 1976 it has been delivered to the Legislature prior to the first day of the second year in Governor Bob Riley's second term. The following is an overview of each section and its purpose:

### Section I: SMART Planning for Alabama

We have set up a system for planning in the state of Alabama, SMART Governing, which has made comprehensive statewide planning possible. The first section explains the SMART Governing initiative and how SMART creates a framework for a statewide plan, agency planning, and accountability.

### Section 2: Mission and Philosophy

The first step in planning is to establish a shared understanding of purpose and values. This section provides our view of the mission of Alabama state government and the philosophy that guides our actions.

### Section 3: Strategic Priorities

The core of the strategic plan, this section lays out the course we have charted for Alabama including the specific program plans and goals that will get us there.

### Section 4: Long Range Revenues and Expenditures

A key foundation for a realistic plan is a sound view of our finances. This section provides an overview of the state's long-range revenue and expenditure projections, including a brief economic outlook, historical and projected funding compared to expenditures, and information about how our plan will impact our budgets.

### Section 5: Capital Assets Planning

To ensure the best service to citizens, we must also carefully plan for both purchasing and managing of capital assets. All too often, consideration of these issues is delayed until needs exceed capacity, causing inconvenience to both citizens and public servants and frequently resulting in increased costs. This is why we have included a section discussing how we are planning for the state's capital asset needs.

### Section 6: Improving Efficiency in State Government

Any organization must constantly seek ways to improve services and efficiencies. This section outlines a few of the ways that we are making state government more efficient and reducing costs while improving services.

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# SMART Planning for Alabama

## Overview of SMART Governing Initiative

The SMART Governing process is a framework for planning and managing state government that allows us to set priorities for the state and facilitates the development of agency plans and budgets consistent with those priorities. Throughout the cycle, agencies report quarterly on their performance. The SMART Governing process began in the summer of 2004 when we committed to fully implement the Budget Management Act of 1976. In summary, the Budget Management Act requires the following:

- ✓ A statewide plan from the Governor's Office
- ✓ Strategic plans and performance reports for all state agencies, and
- ✓ Monitoring to ensure that agencies are executing their plans.

### Statewide Planning:

In Plan 2010, we established priorities to provide direction for the state. These priorities are further explained in this strategic plan. Through the SMART Governing process, agencies have adopted specific goals based on those priorities. The priorities also establish a framework for interagency collaboration and reporting on statewide performance.

### Agency Planning:

In addition to a statewide plan, the Budget Management Act requires “a pilot phase ... for performance-based budgeting with one or more state agencies.” We are proud to be able to report that the “pilot phase” was put behind us three years ago. Today, SMART Governing is a fully implemented, performance-based budgeting system that involves every agency of state government.

This SMART Governing Process is a cycle of planning, budgeting, and reporting on performance. An agency submits summary strategic plans to the Department of Finance that relate the agency's goals to the Governor's priorities. These link to the agency's budget request and assist in formulating the Governor's recommended budget. Once the Legislature passes and the Governor approves the state budgets, the plans are refined to establish a framework for tracking agency performance. Agency performance data is reported to the public, monitored, and considered in future budgetary decisions.

### Accountability:

The SMART Governing process provides accountability in the following ways:

- ✓ The **Public** has access to all SMART planning, budgeting and performance information on the web at [www.SMART.Alabama.gov](http://www.SMART.Alabama.gov);
- ✓ **Examiners of Public Accounts** audit the performance of state agencies;
- ✓ **Legislature** is provided with performance and planning information;
- ✓ **Executive Branch** considers performance information when formulating the Governor's recommended state budget; and
- ✓ **Incentives** are offered to state agencies that demonstrate success in managing performance and meet established criteria for High Performers.

## Alabama Mission and Philosophy

### Our Mission:

Our Mission is to transform Alabama's government fundamentally so that its central focus is to serve the people of Alabama ethically and efficiently in order that all sectors of our state, private and public, achieve their potential.

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### Our Philosophy:

The job of state government and its employees is to serve the hardworking people of Alabama in a manner that is worthy of their investment and representative of their values. Accordingly, we promote the following core principles:

- Our state and its future are more important than politics or individual recognition.
  - Government should be limited in size and mission, but it must be highly effective in performing the tasks it undertakes.
  - Decisions affecting individual Alabamians, in most instances, are best made by those individuals, their families, and the local government closest to their communities.
  - Competition and personal responsibility are the greatest incentives for achievement and excellence. They inspire ingenuity and require individuals to set their sights high.
  - Public administration must be open and honest, pursuing the high road rather than the expedient course. We must be accountable to taxpayers for our actions.
  - State government has a responsibility to safeguard taxpayer dollars by eliminating waste and abuse, and providing efficient and honest government.
  - Finally, state government should be humble, recognizing that all its power and authority are granted to it by the people of Alabama, and those who make decisions, wielding the power of the state, should exercise their authority cautiously and fairly.
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## Governor Riley's Priorities

We are committed to creating lasting change in Alabama. This requires setting priorities and a strategic direction. All over the state, our team of state agencies and private partners is planning and implementing plans to make change happen. Each of these priorities represents an area of critical importance for the future of the state, and no individual priority is necessarily greater than another. These priorities compliment one another to ensure that we enact positive changes across all of state government as Alabama moves boldly forward.

In the subsequent sections, we establish the strategic direction for each priority and explain in detail why the strategic direction is important, and note any related agency goals.

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### Create a World-Class Education System

### Reform State Government

### Expand Economic Growth

### Protect Alabama

### Secure our Quality of Life

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## Priority I: Create a World Class Education System

If Alabama is going to continue to compete in the global economy, we cannot teach our students the same way that we have for the last half century. We need systemic change in our education system that provides students the knowledge and skills they need to compete for the new jobs of the 21<sup>st</sup> Century economy. Students must have rigorous curricula that challenge them to think and apply what they are learning to real-world scenarios, and we must provide our teachers the support and resources they need to teach using these new methods. We must also use the latest technology to bridge the gaps in the availability of courses and help our school systems provide quality facilities that are conducive to learning. Finally, as we are asking more from our educators than ever before, we must reward schools and teachers for exceptional performance. Over the last five years, we began this process by investing in proven programs, like the Alabama Reading Initiative (ARI) and the Alabama Math, Science, and Technology Initiative (AMSTI), that have achieved excellent results and become models for the nation. Now, we must expand on that progress to ensure Alabama continues to move forward. The following is the strategic direction that will create a world class education system for Alabama.

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### Strategic Direction

- ✓ Boost state investment in high-quality pre-kindergarten (pre-K) programs to narrow the achievement gap *before* children begin school and to impart the foundational knowledge they need to succeed in school and life.
- ✓ Grow Alabama’s investments in ARI, AMSTI, and the Advanced Placement Initiative— proven programs that dramatically improve student achievement in reading, math, and science—to prepare them for college and equip them to compete in the global marketplace.
- ✓ Expand ACCESS distance learning labs across the state to ensure that all students, regardless of where they live, have access to a rigorous and diverse curriculum that helps prepare them for college and successful careers beyond.
- ✓ Increase Alabama’s graduation rate by investing in programs that identify at-risk students early and provide them with the support they need to graduate.
- ✓ Provide more support for educators, and reward schools and teachers that make significant progress to improve the quality of education.
- ✓ Improve the quality of school facilities throughout the state, so that our children can focus on learning.
- ✓ Focus the mission for higher education in Alabama to train students for today’s high-growth, high-demand, high-paying jobs and to develop research institutions that help create the jobs of the new economy.

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- ✓ **Boost investment in high-quality pre-kindergarten (pre-K) programs to narrow the achievement gap before children begin school and to impart the foundational knowledge they need to succeed in school and life.**

**First Class: Alabama's Voluntary Pre-K Initiative**

First Class Pre-K is built on the nationally acclaimed foundation of Alabama's existing pre-kindergarten program, recognized as best in the nation by the National Institute for Early Education Research (NIEER). Unfortunately, the existing program only serves about 2,400 of Alabama's four-year-olds. If we commit to growing First Class incrementally over the next four years, we will be able to leverage partnerships with public schools, Head Start centers, and private childcare programs to make high quality pre-K more affordable and accessible for all Alabama children. First Class provides Excellence Grants to both new and existing program classrooms to help them meet Alabama's high quality pre-K standards. Additional grant moneys are available to help providers make their First Class programs more affordable for lower-income and middle-class families. The program provides strong professional development for First Class teachers, who must have the appropriate college degrees, and ensures that a research-based, age-appropriate curriculum is used. Research shows that children who participate in high quality pre-K score higher on achievement tests and are less likely to repeat a grade or be referred to special education, more likely to graduate and go to college, and more likely to earn higher salaries as adults. They are also more likely to stay out of jail and off welfare and other forms of public assistance. Thus state investment in First Class Pre-K generates short-term and long-term savings for the state, produces significant societal benefits, and provides the foundational skills our children need to succeed in school and life.

*Related Agency Goal:* Department of Children's Affairs

"To provide high quality voluntary Pre-K services to 40% of Alabama's 4-year-olds by 2010."

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- ✓ **Grow Alabama's investments in ARI, AMSTI, and the Advanced Placement Initiative—proven programs that dramatically improve student achievement in reading, math, and science—to prepare them for college and equip them to compete in the global marketplace.**

**Alabama Reading Initiative**

The Alabama Reading Initiative (ARI) has been heralded as the premier reading program in the nation. That is because it uses small group settings and proven teaching techniques to help children learn to love reading. By fully funding the nationally-renowned Alabama Reading Initiative and successfully expanding it into every kindergarten through third-grade classroom in the state, children's reading scores are soaring throughout Alabama. As a result of this work, Alabama ranked #1 in the nation on fourth-grade reading gains on the 2007 National Assessment of Educational Progress (NAEP) exam, the nation's education report card. This is an incredible milestone – moving Alabama out of the bottom ten and propelling us forward. Now we must expand this program into the middle grades to build on our investment, maintain the gains we have achieved, and help all Alabama students improve their reading proficiency.

*Related Agency Goal:* Department of Education

“To achieve 100% proficiency in reading and math for all Alabama students by the end of the 2013-14 school year.”

#### **Alabama Math, Science, and Technology Initiative (AMSTI)**

AMSTI provides a hands-on approach to learning math and science. Teachers receive intensive professional development and all the materials they need to teach each lesson. The students are not only taught the foundational principles of math and science, but now we have added a real world approach. For example, students are not just taught the basics of electric circuits; they are taught how to do it by building a flashlight. This method of teaching is seeing phenomenal results. The 2007 NAEP results showed that Alabama fourth and eighth graders doubled the nation’s gains in math. These are impressive results for a program that is only implemented in half of our schools. In order to continue this progress, we have set the goal to put AMSTI in all our schools by 2011.

*Related Agency Goal:* Department of Education

“To achieve 100% proficiency in reading and math for all Alabama students by the end of the 2013-14 school year.”

#### **Alabama Advanced Placement Initiative**

Of all of the courses high school students can take in Alabama, none prepares them for college better than Advanced Placement courses. These rigorous courses require our high school students to utilize the same higher level learning skills that they will use in college. In fact, studies have shown that students who take an AP course have a 15% better chance of graduating college than those who do not take an AP course. The Alabama Advanced Placement Initiative provides grants to school systems that pay for teacher training, instructional materials, and testing fees for students to take AP exams and earn college credit. These courses and exams provide students more rigorous preparation for college, as well as a way of getting head start.

*Related Agency Goal:* Department of Education

“To increase the number of students taking the Advanced Placement exam so that Alabama is ranked in the top 10 states in percentage of students taking Advanced Placement exams by 2015.”

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- ✓ **Expand ACCESS distance learning labs across the state to ensure that all students, regardless of where they live, have access to a rigorous and diverse curriculum that helps prepare them for college and successful careers beyond.**

#### **ACCESS Distance Learning**

Many students throughout Alabama, just because of where they live, do not have the access to advanced courses that are available in other, more affluent schools districts. In fact, over half of Alabama high schools offer zero Advanced Placement courses. Our distance learning program, **ACCESS** (Alabama Connecting Classrooms, Educators, and Students Statewide), utilizes the Internet and videoconferencing technology to expand students’ opportunities, especially in rural and underserved school districts. ACCESS allows students to take advanced diploma courses, foreign language courses, Advanced Placement (AP) courses, and a variety of electives that are not currently offered by their schools. During the next four years, we will ensure that there is an ACCESS Distance Learning Lab in every

Alabama high school so that all of our students will have the opportunity to take the advanced courses they need to succeed. The expansion of our AP Initiative and the connectivity provided through our ACCESS Distance Learning program, will give every high school the ability to offer at least one AP course in each of the four core subject areas by 2010.

*Related Agency Goal:* Department of Education

“To establish an integrated, efficient distance-learning program to offer advanced course opportunities to all Alabama high school students.”

- ✓ **Increase Alabama’s graduation rate by investing in programs that identify at-risk students early and provide them with the support they need to graduate.**

#### **Graduation Coach Program**

In today’s economy, a high school diploma is no longer an option. Students give a variety of reasons for dropping out – they want to work, they are too far behind, they just don’t like school. The Graduation Coach Program provides local schools a coach whose sole responsibility is to identify students at-risk of dropping out and help them graduate. This involves working with the student, school personnel, parents, and communities to provide that student the support he or she needs. Whether that support comes in the form of tutoring, academic planning, conversations with parents, or through community programs, the Graduation Coach Program is designed to identify and meet the needs of those students who planning to drop out.

#### **High Hopes Program**

The High Hopes program provides remediation to those students who have failed one or more sections of the Alabama High School Graduation Exam. The graduation exam is sometimes the main stumbling block to a student receiving a diploma, and the High Hopes program provides funding for local districts to provide the tutoring and other services that will help that student pass the test.

#### **Preparing Alabama Students for Success (PASS) Grants**

PASS Grants provide funding for local school systems to develop a long-term approach to ensuring that students graduate. The program focuses on children from the sixth grade through graduation, recognizing that the problems that lead to a student dropping out often start prior to high school. Funding focuses on the areas of attendance, academic support, instructional materials, and building a community outreach support program. By developing a comprehensive approach that begins in middle schools, PASS grants provide a support structure that puts students on a path to school success.

*Related Agency Goal:* Department of Education

“To reduce the overall dropout rate of each of the 200 Alabama public high schools with the highest dropout rate by 10% by the end of the 2012-13 school year.”

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- ✓ Provide more support for educators and reward schools and teachers that make significant progress to improve the quality of education.

#### **Governor's Commission on Quality Teaching**

A world class education requires world class educators. This requires aggressive recruitment, preparation, support, and retention of quality teachers in order to raise student achievement in Alabama. As we continue to improve our methods of teaching, we must empower our educators through strong training and continuous support. Educators who are successful, especially in the most difficult situations, must be recognized and rewarded for their efforts. Our policies work because they were developed by teachers. The Governor's Commission on Quality Teaching, a five year effort, has developed recommendations for improving teaching in Alabama. They include the following programs.

#### **Alabama Teacher Mentoring Program**

In 2007, Alabama established a mentoring program for all first-year teachers that provides one-on-one support that helps these new teachers hone their skills, adopt best practices, and get comfortable in their job. The program will be expanded to include a second year of training. Half of all new teachers in Alabama leave the profession in the first five years of teaching, and the Alabama Teacher Mentoring Program is the first step to ensuring we keep our best educators in the profession.

#### **Alabama Quality Teaching Standards & Teacher Preparation Redesign**

In 2007, the State Board of Education adopted the Alabama Quality Teaching Standards developed by the Commission. These standards provide a foundation for teachers across the state and will require reform in our teacher preparation programs. We must take a more "clinical" approach to preparing teachers that frequently puts teaching candidates in the classroom and better prepares them for a constantly changing profession. The second year of work has also resulted in scholarships for aspiring teachers who agree to teach in hard-to-staff schools or subjects.

#### **Tiered Certification & Teacher Compensation**

The Commission is also studying teacher compensation. **During our administration, teacher pay has been increased by an impressive 21%**, and we will continue to make sure that we have the ability to attract and retain the best and brightest educators to teach our students. In addition, the Commission recommends a pilot for a new teacher certification system that will provide teachers a way of advancing in their profession without having to become a principal.

#### **Rewards for Schools Program**

Excellence in the classroom should be recognized and rewarded. With the Rewards for Schools program, schools are recognized under five categories that recognize different types of gains, from closing the achievement gap to bringing more students to the advanced level. Those schools that have high poverty levels receive monetary rewards as well. Closing the achievement gap in our high-poverty schools is a monumental task, and our high-quality teachers and principals should be rewarded for rising to meet the challenge.

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- ✓ **Improve the quality of school facilities throughout the state, so that our children can focus on learning.**

**The Education Facilities Excellence Act of 2007**

Ensuring that our students have a safe learning environment is critical to our efforts to improve education. Last legislative session, we were able to pass an aggressive school construction program that will provide every school in the state with additional resources for safety improvements, new construction, and expansion of technology. \$1.07 billion will be divided among K-12 schools, two year colleges, and higher education to build and improve schools and other educational facilities across the state over the next few years.

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- ✓ **Focus the mission for higher education in Alabama to train students for today's high-growth, high-demand, high-paying jobs and to develop research institutions that help create the jobs of the new economy.**

**Workforce Development Mission for Two-Year Colleges**

The Two-Year College System has recently been tested by scandal, but new leadership is transforming the system from the inside out. While bringing a new level of integrity, accountability, and transparency to our two-year schools, our new chancellor is also focusing the system's mission on its primary responsibility to develop a ready and able workforce to meet the demands of Alabama's growing economy. Alabama's pride is our industrious workforce. Our community and technical colleges are the most powerful tool we have to attract new businesses and industries to the state and to train Alabamians for the higher-paying jobs that come with them. With our Two-Year College System, we are able to offer job-specific, industry-specific, and geographic-specific training. If we continue to focus our two-year schools on this important mission, nothing will be able to hold Alabama back.

*Related Agency Goal:* Department of Postsecondary Education

"By 2012, standardize 100% of the core courses offered in all career technical programs offered by the Alabama College System."

**Building World Class Research Institutions at State Universities**

If Alabama is going to continue its forward progress, we must always look to the future. No state in the nation has achieved greatness without its institutions of higher learning helping to drive the economy. Not only do our universities give our students the tools they need to take advantage of their potential, they also create new jobs and innovative ideas through research. Research institutions across the state are leading the way in fields like biotechnology, and we must make strategic investments to support that progress.

## Priority II: Reform State Government

Many events of the past year have left little doubt that some parts of state government have been mired in the corrupt politics of Alabama's past. Public distrust in state government hinders our work and leads to ineffective policies. In order to make state government more efficient, we must be more open. Our citizens are demanding change.

To build public trust we must hold ourselves to high standards be open with the public. Public officials must have a structure of laws and rules that encourages ethical behaviors and protects the honest from outside influence. We are leading by example by setting a strict Code of Ethics for all of our cabinet and staff as well as opening up the governor's contingency fund and flight logs for every Alabamian to see.

Reforming state Government isn't just about ethics. We must also focus on results. There is no way to be accountable for results without a plan. Planning and accountability is what SMART Governing provides. We are fundamentally changing the way state government is managed, the way we budget, and the level of accountability that is provided to Alabamians.

In the past four years, we have brought a new level of ethics and accountability to Montgomery, but to create a long term change, we have to clean up all of the relics of our political system's corrupt past.

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### Strategic Direction:

- ✓ Establish and maintain stronger standards of ethical behavior and accountability to restore public trust in State Government.
- ✓ Implement performance-based, goal-oriented budgeting to improve the service and efficiency of State Government.
- ✓ Pass sensible legislation to ensure a healthy balance of power between the Executive and Legislative branches, foster a citizen legislature and limit special interest influence in Montgomery.

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- ✓ **Establish and maintain stronger standards of ethical behavior and accountability to restore public trust in State Government.**

**Banning PAC-to-PAC transfers**

Alabama voters deserve to know who is paying for a candidate's campaign. A more informed electorate leads to more effective and accountable government. Therefore, we must pass legislation that will prohibit candidates from funneling campaign contributions through various political action committees in order to hide the true source of the contribution.

**Banning Pass-Through Pork**

It is common practice today for legislators to appropriate state money to a particular agency with a provision that some portion of that money will go to a certain project in his or her district. In our first term, we issued an executive order to direct state agencies to ignore this "pass-through pork" because it subverts transparency in government spending. A statute banning this practice would institutionalize this reform and ensure greater accountability and transparency in state spending into the future.

**Posting Governor's Flight Logs and Contingency Fund Expenditures**

Under current law, the Governor is required to report to the Legislative Council all expenditures from the Governor's Contingency Fund. During our administration, we have gone one step further, voluntarily disclosing all Contingency Fund spending and flight logs on the Internet. The purpose of this voluntary disclosure is to fulfill our promise to the people of Alabama to rebuild their faith and trust in state government. We must pass legislation to require that the current and future governors post their flight logs and report all Contingency Fund expenditures on the Internet on a quarterly basis.

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- ✓ **Implement performance-based, goal-oriented budgeting to improve the service and efficiency of State Government.**

**SMART Governing**

Transforming government and building trust is not just about doing things ethically. As stewards of public funds we must also be accountable for producing results for citizens in return for their investment in government. The SMART Governing initiative, as mentioned throughout this document, helps us plan for and produce results, hold ourselves accountable, and make sound investments of public funds. It is fundamentally changing the business of Government through simple principles of strategic planning, performance-driven budgeting, and performance management. (For more about the SMART Governing Initiative, see Section I, Introduction to SMART Governing).

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- ✓ **Pass sensible legislation to ensure a healthy balance of power between the Executive and Legislative branches, foster a citizen legislature, and limit special interest influence in Montgomery.**

**Legislator Terms Limits**

Currently there is no limit to how long the Members of the Alabama Legislature can serve. By emphasizing shorter political careers, we can create a more diverse, more representative

legislature, encouraging the participation of citizens who are not career politicians. We should adopt a constitutional amendment that will limit legislators to serving up to three full terms (12 years) in each legislative body.

**Gubernatorial Veto Reform**

In Alabama, the Legislature can override the Governor’s veto with a simple majority vote—the same majority vote it takes to pass the legislation in the first place. We should adopt a constitutional amendment that will replace the simple majority needed to override a gubernatorial veto with a two-thirds majority. This new law will also require a two-thirds majority to override the Governor’s line-item veto. This would enhance the Governor’s ability to cut out pork-barrel spending, stop bad proposals from becoming law, and curb the influence of special interests.

**Lobbying Reform**

Currently, a lobbyist in Montgomery can spend up to \$250 per day, or \$91,000 per year, on a single legislator without reaching the reporting threshold. In addition, lobbyists are not required to register if they lobby only the Executive Branch, including the constitutional officers, members of various boards, and department heads. We must enact a law that would require lobbyists to fully disclose every dime they spend on public officials and employees on a quarterly basis. Reports are to be filed with the Alabama Ethics Commission. This bill would also require those who lobby the Executive Branch to register with the Alabama Ethics Commission in the same manner as they do for lobbying the Legislative Branch.

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## Priority III: Expand Economic Growth

Alabama has experienced unprecedented economic growth during our administration, so it is easy to forget the economic difficulties we faced in the previous decade. At the beginning of my first term, Alabama was in its worst economic shape since the Great Depression. The state had a \$675 million budget deficit, and our economy was bleeding jobs. As one of my first acts in office, we found one of the best economic developers in the country, who began to focus the world’s attention on Alabama’s greatest strength—our internationally renowned work ethic. In addition to recruiting companies from all over the world, we have placed a new emphasis on helping *existing* industries in Alabama grow and expand.

Today, our economy is receiving national acclaim for its transformation. Alabama has been ranked #1 in job creation and has won the “State of the Year” award four years in a row by a leading industry publication. We have a historically low unemployment rate, and our economy has created more than 100,000 jobs. In the job market, we have truly turned a net loss into a net gain. In fact, every single county in the state has seen a drop in unemployment due to these new jobs. Our administration’s new policies have helped Alabama’s economy become one of the best in the nation.

On the economic front, we have accomplished so much, but we will not rest on our successes. Now, it is time for us to let the world know that Alabama is the place to do business.

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### Strategic Direction:

- ✓ Cut taxes to fuel economic growth and provide a higher standard of living for the working people of Alabama.
- ✓ Create targeted tax incentives to spur job creation, increase R&D investment, and enhance workers’ skills.
- ✓ Expand Alabama’s economic opportunities abroad to bring more jobs and economic development to the state.
- ✓ Pass “Right to Farm” legislation to protect and promote the farm economy.
- ✓ Establish a professional Independent Transportation Commission to improve the quality of infrastructure development across the state.
- ✓ Expand the state’s broadband infrastructure, especially in rural and underserved communities, to facilitate economic growth and equitable access to the global economy.

- ✓ **Cut taxes to fuel economic growth and provide a higher standard of living for the working people of Alabama.**

#### **Middle Class Tax Cut**

Alabama's tax system is one of the most regressive in the country. In 2006, we enjoyed a \$1 billion surplus because Alabama's hardworking men and women created a surge in our economy. After fully funding every education request and taking care of General Fund agencies, we enacted the first significant tax cut in Alabama's history. Previously, Alabama began taxing a family of four after their first \$4,600 in income, and we were the only state in the nation to tax families making less than \$10,000. The historic tax cut we enacted raised the income threshold at which Alabama starts taxing families of four from \$4,600 to \$12,500. We increased the tax deduction for children and other dependents from \$300 to \$1,000 for families with incomes under \$20,000 and to \$500 for families with incomes between \$20,000 and \$100,000. The tax cut also raised the standard deduction for a couple from \$4,000 to \$7,500 for taxpayers making under \$20,000 annually.

This tax cut was a huge step in the right direction, but it was targeted and did not provide the necessary relief to all of Alabama's working class. To build on the 2006 tax cut, we propose another income tax cut for all Alabama families with incomes up to \$100,000. This tax cut will raise the filing threshold for a family of four to \$15,500 and will allow for increased personal exemptions, dependent exemptions, and standard deductions. Like the tax cut in 2006, this plan will be phased in over a period of five years and will protect our schools from proration by requiring sufficient revenue growth in the Education Trust Fund each year before the next phase kicks in. This will ensure that hardworking Alabama families will be able to improve their quality of life, while at the same time guaranteeing that our educational system continues the progress we are making.

#### **Small Business Tax Incentives for Health Insurance**

The rising cost of health care is putting ever-increasing financial strains on government, businesses, and families. As a result, too many Alabamians still lack the health insurance coverage they need. The best way to extend access to health insurance to the most people, while simultaneously growing the economy, is to offer targeted tax deductions to encourage small businesses to provide health insurance for their employees.

Ninety percent of all businesses in the state are small businesses that employ fewer than 25 employees. In Alabama, 28% of these employees lack employer-sponsored health coverage, compared to just 1% without such coverage in larger companies. Despite this, research shows that small business employers are willing to provide coverage if they can afford it. A 2002 survey conducted nationally by Employee Benefit Research Institute found that 71% of employers would be much more likely or somewhat more likely to seriously consider offering health benefits if tax incentives were offered.

To encourage Alabama small employers to provide health insurance coverage and to encourage job growth, we must pass legislation that allows businesses with 25 or fewer employees to deduct twice the amount they pay for health insurance premiums from their state income taxes. In order to encourage the employees of these small businesses to participate in their employers' health insurance plans, employees making less than \$50,000 should be allowed to deduct twice the amount they contribute toward their health insurance premiums from their individual income taxes. This proposal would greatly reduce the

number of uninsured in Alabama. And small businesses could use the savings to create more jobs.

### **Sales Tax Holiday**

At a time when families need it most, the sales tax holiday allows them to keep more of their hard-earned dollars. It offers Alabama families relief from the burden of the state's sales tax on items their children need for school. The first sales tax holiday was a resounding success throughout the state, saving consumers an estimated \$7 million. We need to continue this successful tax-free weekend and encourage every city and county in Alabama to join us in helping shoppers save money on school supplies.

- 
- ✓ **Create targeted tax incentives to spur job creation, increase R&D investment, and enhance workers' skills.**

### **Rural Job Creation Tax Credit**

Sometimes it is difficult for companies to see the real advantage to setting up shop in rural Alabama. That is because they simply aren't aware of the quality of life, work ethic, sense of community and other intangibles that make many of our rural communities the crown jewels of our state.

To encourage job creation in Alabama counties where jobs are needed most, we need a Rural Job Creation Tax Credit. Under this legislation, businesses that create new jobs in a county identified by the Department of Industrial Relations (DIR) as being within the 25 Alabama counties with the highest annual unemployment rate for the year the job was created will receive an income tax credit equal to \$500 per new job created for three years.

### **Alabama Work Opportunity Tax Credit**

In my 2007 State of the State Address, I said, "The best anti-poverty program will never be created by government. It will be created by employers, and it's called a job." We must establish an Alabama Work Opportunity Income Tax Credit that will provide employers with an incentive to hire people from sectors having a high unemployment rate or special employment needs. The Alabama credit will be tied to and based upon its federal counterpart. The credit will be a percentage of the qualified wages paid during an employee's first year of employment, based on the number of hours worked. The WOTC creates an incentive for employers to hire low-income and special needs workers, moving more people from welfare to work. Allowing a tax credit also helps these employers provide on-the-job training, meaning these workers will gain new lifetime skills to help them stay off the roles of government assistance forever.

### **Research & Development Tax Credit**

We must do everything we can to help companies who bring knowledge-based jobs to Alabama. To encourage businesses to increase their investment in research activities and to locate those research activities in Alabama, we should establish a research and development tax credit. Under this proposal, corporate taxpayers will be allowed a research credit equal to 20% of the taxpayer's federal research credit attributable to an Alabama location. The technological breakthroughs that will occur here in Alabama as a result of expanded R&D activities will enhance Alabama's reputation internationally, resulting in a domino effect of economic development. This tax credit is an economic growth stimulus that, ultimately, will increase revenues to the Education Trust Fund.

**Back to School Tax Credit**

Even with all of our success in creating a nationally-renowned workforce development system, there is still concern in the private sector about the gap that exists between the skills required in today's workplace and those exhibited by potential and incumbent employees. Many businesses continue to have trouble finding and hiring people who have basic employable skills and who are therefore trainable for specific jobs. That is why we must continue to provide opportunities for Alabamians to get the technical training they need to be successful in today's global economy.

Alabama needs a "Back to School" Tax Credit that will provide an incentive for adult workers to go back to school to receive skills training in high growth, high demand, and high paying jobs. The tax credit will be available to both employees and employers and will be based on the amount invested in the training program by each.

- ✓ **Expand Alabama's economic opportunities abroad to bring more jobs and economic development to the state.**

**International Recruitment Missions**

In order to keep Alabama's economic momentum, we must keep doing everything we can to help open new opportunities to Alabama's businesses. We will continue to aggressively seek new business opportunities for Alabama companies in every corner of the world.

**Economic Development Offices**

We have developed a working relationship with Troy University to aid in our efforts to recruit international companies. Two years ago, we opened an economic development office in Heidelberg, Germany at Troy University's Heidelberg campus. This office has helped us build stronger relationships with European business leaders, which is a key first step in winning major industrial projects, and it has helped existing Alabama companies that want to open new markets for their products in Europe. And because Troy already had a campus there, we were able to do it with no additional cost to the state.

This innovative model has helped us to build a stronger economic base by allowing us to better recruit new industries while supporting our existing industry back home. We are now expanding this program to economic development offices in China and India to take advantage of the growing economies of East Asia. These offices, like the Heidelberg office, will be a partnership with Troy University, which will greatly reduce the cost to the state and Troy University.

*Related Agency Goals: Alabama Development Office*

"To achieve \$12 billion in export sales of Alabama products and services annually by 2011, with the goal of a 6% increase each year."

"Coordinate with strategic partners the recruitment of new/expanding businesses and consultant contacts resulting in 160 new projects worked annually by 2011."

- ✓ **Pass "Right to Farm" legislation to protect and promote the farm economy.**  
**Right to Farm**

We support "Right to Farm" legislation that protects the right of law-abiding family farms to co-exist with suburban growth. This law will define family farms and protect farmers

from planning ordinances that might result from new annexations, respecting the rights of farmers to continue their lives' work. Right to farm legislation would discourage frivolous 'public nuisance' lawsuits against law-abiding farmers by requiring losers, including unsuccessful plaintiffs, to pay all legal bills.

- 
- ✓ **Establish a professional Independent Transportation Commission to improve the quality of infrastructure development across the state.**

#### **Independent Transportation Commission**

We have changed the way ALDOT builds roads in Alabama. What used to be a political exercise is now a process governed by serious, professional consideration of the following factors: safety, need, and economic development. Going forward, however, we must ensure that investments in infrastructure are never based on political considerations again.

Therefore, we must establish a professional Independent Transportation Commission to govern ALDOT. Terms of the commission will be staggered to ensure one administration will not have too much influence over the commission. Members of the commission will not be able to serve consecutive terms, will be forbidden from having any personal ties to ALDOT, and will not be lobbyists. This Independent Transportation Commission will make ALDOT more efficient and effective by taking political dealing out of ALDOT and allowing the department to develop long-range, comprehensive strategies that serve the best interests of the state as a whole.

*Related Agency Goal:* Department of Transportation

"Provide safe and efficient mobility for the citizens of Alabama"

- 
- ✓ **Expand the state's broadband infrastructure, especially in rural and underserved communities, to facilitate economic growth and equitable access to the global economy.**

#### **Expanding Broadband Access**

Broadband internet is critical for participating in the 21<sup>st</sup> century economy, but some communities in our state do not have access to this vital tool. Adequate access to this technology is an enabler for economic development, government services, enhanced education and healthcare delivery, and entrepreneurship. We must take action to identify the barriers to deployment for underserved areas, identifying potential solutions and best practices for making broadband access available across the state. We will establish an office to assess our broadband infrastructure and coordinate efforts to expand broadband access to all areas of the state.

## Priority IV: Protect Alabama

One of the state's most fundamental duties is to protect its people, and we have always made this responsibility a top priority. In the first term of our administration, we passed some of the toughest laws in the country for sexual predators, drastically decreased meth labs in Alabama, and gave our state troopers a 21% pay raise in the last four years. We have also trained 60 state troopers to question, arrest, and detain illegal immigrants. In addition to our efforts in protecting our citizens from criminals, we have built an emergency preparedness model that FEMA Director Dave Paulison called "one of the best in the nation." In times of crisis, Alabamians can rest assured that the state will be as prepared as any in the country. Our administration has made great strides in making Alabama a safer place to live, and we will never stop working to protect our citizens.

### Strategic Direction:

- ✓ Strengthen highway safety laws and enforcement to reduce the number of traffic fatalities and make Alabama's highways safer.
- ✓ Increase investment in community corrections and other alternative rehabilitation programs to reduce prison overcrowding and recidivism rates.
- ✓ Provide incentives for professional emergency managers in order to strengthen our response capabilities and prepare communities for crisis.

- 
- ✓ **Strengthen highway safety laws and enforcement to reduce the number of traffic fatalities and make Alabama's highways safer.**

#### **A stronger State Trooper force**

Since 2003, we have increased funding for the Department of Public Safety by approximately \$30 million and increased Trooper pay up to 21% in an effort to reward our hard-working troopers and attract new quality personnel. By 2010, we will increase our trooper force by 50%, putting a total of 600 troopers on our roadways. More than 32% of deaths on Alabama's roadways are caused by excessive speed. With increased enforcement, our drivers will slow down and make it to their destination alive.

#### *Related Agency Goal:* Department of Public Safety

"To effectively regulate the flow of traffic and thereby decrease traffic fatalities from 1155 people killed in 2004 to 850 or fewer by the year 2010."

#### **Local law enforcement patrols on the interstates**

Under current law, local law enforcement in towns with populations under 19,000 is not allowed to enforce speed limits on interstate highways. These local law enforcement officers are also not allowed to enforce speed limits within their entire police jurisdiction—they may only enforce within their town's corporate limits. We must repeal provisions that

prevent small-town law enforcement from patrolling interstate highways within their police jurisdiction. In addition, we will also repeal provisions that limit speed limit enforcement to corporate limits only. Local law enforcement will be able to enforce speed limits in their police jurisdictions as well.

**“Safety Zones”**

We propose legislation to allow the Alabama Department of Transportation to designate “Safety Zones” along interstate and state highways. County Commissions would be allowed to do the same for county roads. A Safety Zone will be a designated section of road where there have occurred a number of serious motor vehicle accidents in which excessive speeding was a contributing factor. Serious accidents are defined as those resulting in fatality or serious bodily injury.

Those who are ticketed for excessive speed in these Safe Zones will have to pay an extra \$100 in addition to their fine. Warning signs will also be placed 1500 feet outside each zone and will include notice of increased fines.

**Tougher penalties for extreme DUI and repeat DUI offenders:**

Current law contains a loophole that allows habitual offenders to escape the increased penalties for repeat convictions. The Alabama Court of Criminal Appeals has ruled that under the current DUI law, a judge can only consider prior DUI convictions from within the past 5 years for purposes of imposing the enhanced penalties for repeat DUI offenses. As a result, the court said that a habitual drunk driver, whose 8th conviction for DUI was only his 3rd conviction within the five-year window, could only be charged with a misdemeanor, when it should have been a felony. The Court said we must pass a new law if we want a different result.

In addition, we propose legislation to create the offense of “Aggravated DUI” for drivers with blood-alcohol content of .15 percent or higher. The law will double the usual penalties for DUI to discourage driving under this extremely intoxicated condition.

✓ **Increase investments in community corrections and other alternative rehabilitation programs to reduce prison overcrowding and recidivism rates.**

We must do everything we can to keep the people who need to be behind bars safely locked in prison so they will never again be a threat to our society – and we know how to make it happen. Over the next four years, we will reform our prison system and improve the safety of the public. We must reduce prison overcrowding in a way that assures the safety of the public first and foremost. To do this we will reclassify a number of facilities across the state to allow them to house medium security prisoners. We will also continue expanding our community corrections programs into every county in the state.

In addition to reducing overcrowding, we will also make efforts to recruit and retain quality prison guards. In addition to the strong recruitment efforts that we have already put in place, we will ask the Legislature to approve a 10% raise for our Department of Corrections officers to ensure they will be competitive with other state law enforcement agencies.

We will also continue our work to make sure that prisoners are ready to become productive citizens when they leave. Our retraining programs and transition centers have been

extremely successful at reducing the amount of people who make their way back into the prison system.

In order to defray the costs of incarceration, we will also put more prisoners to work. We will expand our Correctional Industries program as well as our work-release program for low-risk offenders to ensure that the inmates – and not the taxpayers – pay more of their own way.

*Related Agency Goals:*

Department of Corrections

“To implement fully new programs by FY 2012 that increase the chances for offenders to succeed in the community after being released and reduce the recidivism rate by 2%.”

“To facilitate statewide expansion of the Community Corrections Program (CCP) into all 67 counties by 2010.”

Pardons and Paroles

“Divert prison population and alleviate prison overcrowding to more cost-effective options.”

Administrative Office of the Courts

“To expand community punishment and treatment programs statewide to all 67 counties”

- 
- ✓ **Provide incentives for professional emergency managers in order to strengthen our response capabilities and prepare communities for crisis.**

**Professional Standards for EMA Directors**

During the 2007 Regular Session, we proposed and the Legislature passed a bill that helps ensure every county has a qualified EMA director who meets professional standards set by the Alabama Emergency Management Agency. Under this new program, the state will offer a salary supplement for qualified local EMA directors to encourage counties to hire professionals who meet AEMA requirements. Over the next four years, the focus will be on bringing these qualified professionals on board in every county. In a time of crisis, citizens from every part of the state will be able to rest easy knowing that they are in capable and competent hands.

*Related Agency Goals:* Emergency Management

“Coordinate local EMA directors meeting minimum standards as established by the Alabama Association of Emergency Managers, AEMA, and the Governor's Office, such that 54 of 67 counties have been certified by September 30, 2010.”

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## Priority V: Secure our Quality of Life

In Alabama, we are blessed with a quality of life that is as rich as it is unique. Our faith and our strong family values set us apart from most places in the world. Our personal commitment to helping our friends and neighbors, especially the most vulnerable, makes Alabama one of the most distinctive cultures in America. And our belief that decisions affecting individual Alabamians are best made by those individuals and their families without government interference gives us a strong sense of community. The job of state government and its employees is to serve the hardworking people of Alabama in a manner that is worthy of their investment and representative of their values. We have made great strides in promoting and protecting the values and quality of life that Alabamians cherish, but we can do more.

### Strategic Direction:

- ✓ Realign the health and human services delivery system, where appropriate, to serve more people in community settings, in order to improve outcomes and quality of life.
- ✓ Utilize advanced technology to improve interagency collaboration in the delivery of health and human services and make the system more consumer friendly.
- ✓ Implement a plan to provide more benefits to seniors and veterans to protect the quality of life for these Alabamians.
- ✓ Provide incentives for the production, deployment, and use of alternative energy sources in order to decrease dependency on foreign sources of energy, and manage our existing natural resources in a way that enhances the environment.

- 
- ✓ **Realign the health and human services delivery system, where appropriate, to serve more people in community settings, in order to improve outcomes and quality of life.**

#### **Improve Access to Services for Mental Illness and Mental Retardation**

Redirecting resources to community-based services available for individuals with mental illness and mental retardation is a priority for the Department of Mental Health and Mental Retardation. Community-based services are locally based treatment options that are utilized instead of residential treatment facilities. Investing resources in these local programs will allow more individuals to remain in the community and help decrease the waiting list for state mental retardation services. This will create a better quality of life and avoid more restrictive and costly institutional services.

#### *Related Agency Goals:* Department Mental Health and Mental Retardation

“Increase the community capacity by 8% to serve individuals with mental illness in the community at the same rate of state hospital census reduction.”

“By the end of FY08, the community capacity for mental retardation services will increase to a level consistent with services for 1249 more individuals than were served during FY06.”

**Increase Foster Care Board Payments**

Although foster parents are an invaluable resource, the primary goal of the foster care program is to reunite children with their families. Currently too many children end up in group homes or in a county away from their natural parents, making visits difficult. Our goal of a 25% increase in foster care board payments by 2010 will help increase the number of foster parents, keeping more children in their home county.

*Related Agency Goal:* Department of Human Resources

“To achieve permanency by increasing the number of foster care children reunified with family members by 12% by the end of FY2010.”

**Expanding Faith-Based and Community Volunteer Services**

Alabama’s goal is to make sure that faith-based and community non-profit organizations are a partner in providing strong community services. By encouraging these groups to be competitive in the grant process, we can increase the capacity for these organizations to provide services in the community. These organizations will strengthen the local efforts by helping to build the capacity of individuals and organizations to serve and transform the communities in which they live.

*Related Agency Goal:* Office of Faith Based and Community Initiatives

“Partner with government agencies, private and non-profit organizations to provide capacity building, low and no cost training and education to assist 1600 faith and community-based organizations.”

**Family Resource Centers**

Family Resource Centers work with families to create a plan for financial security and stability, serving as a clearinghouse for public and private health and human services. In order to make services more accessible and seamless, the state, the community, and the private sector will assist the Network of Family Resource Centers to extend its reach in order to serve more Alabamians.

**Community-Based Alternatives to Secure Custody for Children in Need of Supervision**

With the help of The Casey Foundation’s Strategic Consulting Group, we have learned that far too many youth adjudicated as children in need of supervision (CHINS) are being committed to the Department of Youth Services for placement in secure custody, even though they have only committed a status offense – that is, an offense like truancy or runaway which is not criminal if committed by an adult. Statistics show that taking these children out of the community and locking them up only increases the likelihood of recidivism and more serious criminal behavior. We owe it to these youth to intervene and rehabilitate before they have a chance to become real criminals. Therefore, we will increase the number of programs that provide early intervention through community-based treatment. These programs will reduce the number of low-risk juveniles committed to state custody each year, improving outcomes for the children and reducing costs to the state.

- 
- ✓ Utilize advanced technology to improve interagency collaboration in the delivery of health and human services and make the system more consumer friendly.

**Camellia II**

The Connected HHS Framework, or Camellia II, is a coordinated effort that uses technology to efficiently connect different agencies and the families they serve. Implementing the new framework does not require a large scale re-organization. Advances

in middle-ware technology will enable the different agencies' computer systems to connect, placing children and families at the center of the HHS system and process. Camellia II will breakdown needless barriers to make services more accessible to families that need them the most.

### **Together for Quality**

Alabama has taken the first steps towards interagency collaboration through the Medicaid Transformation Grant, Together for Quality. This \$7.6 million federal grant promotes interoperability between health providers and payers and will fund a pilot linking Medicaid with the Department of Senior Services. With the rising cost of health care, the Medicaid Agency is using Together for Quality to further improve the cost effectiveness of providing high-quality, preventative care by “transforming” the way the agency operates.

- 
- ✓ **Provide tax relief and needed services to seniors and veterans to protect and improve the quality of life for these special Alabamians.**

### **Over-the-Counter Medicine Sales Tax Exemption**

We propose legislation to provide a sales tax exemption for over-the-counter medication. This exemption will help all Alabamians afford the non-prescription medicines they need by making these medications more affordable for those who need them the most---seniors and low-income families.

### **\$10,000 Retirement Income Exemption**

Alabama law allows for a tax exemption on retirement income derived from defined benefit pension plans, but it does not give the same treatment to defined contribution plans. We must pass legislation that would allow seniors to exempt the first \$10,000 of all taxable retirement income, regardless of source. This measure is important to ensure equitable treatment of all retirement income.

### **Veterans' Nursing Home**

Alabama is focused on improving benefits and services for our veterans. The newly planned 280-bed veterans' nursing home in St. Clair County will provide care for the 200 veterans waiting for entry into one of the state's three existing facilities.

*Related Agency Goal:* Department of Veteran's Affairs

To provide long-term quality nursing home care at an affordable price to the maximum number of qualified veterans.

- 
- ✓ **Provide incentives for the production, deployment, and use of alternative energy sources in order to decrease dependency on foreign sources of energy, and manage our existing natural resources in a way that enhances the environment.**

### **Alternative Energy Tax Credits**

With gasoline at record prices, we must make strategic investments that will provide more alternative energy sources and stimulate our economy. A Biofuels Production Tax Credit will encourage the production of biofuels in Alabama, while a Renewable Fuel Infrastructure Tax Credit will encourage the conversion of conventional pumps or the installation of new pumps that dispense biofuels. Finally, a Qualifying Fuel Efficient Vehicle Credit will encourage our citizens to take advantage of fuel-efficient

and biofuels-capable vehicles by providing a state sales tax credit on the purchase of hybrid vehicles, flexible fuel vehicles (FFV), and compressed natural gas (CNG) vehicles.

**Coastal Enhancement Fund**

As non-renewable sources of energy, such as coal, oil, and natural gas, will continue to be – at least in the short-term – our primary source of energy, the development of liquefied natural gas (LNG) terminals as well as new oil and gas exploration and production off of our coast will continue, but with consideration for our natural resources. For far too long, Alabama has been doing its part to provide our nation with a stable and affordable supply of energy without adequate compensation. Thanks to legislation recently passed by Congress, the revenues associated with new lease sales and subsequent oil and gas development and production in the Gulf of Mexico will be shared in a more fair and equitable way with the coastal states that support leasing and development. We must also ensure that the businesses utilizing our natural gas resources help us to improve our coast’s natural resources by establishing the Coastal Enhancement Fund. This fund will use revenue that is generated through our share of LNG terminal permitting and royalties from new oil and gas production in the Gulf of Mexico. It will be managed by the Alabama Department of Conservation and Natural Resources for the purpose of enhancing our marine environment through programs such as habitat restoration and inshore and offshore artificial reef production.

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## Revenue and Expenditure Plans

Our plan will allow us to invest in all of our priorities, provide tax relief to Alabama's working families, and put a significant amount of money into a savings account to protect against a downturn in the economy. To succeed, we will focus on priorities and performance when making budgeting decisions.

While our revenues have grown on average at an unprecedented rate of nearly 10% a year in recent years, the market is already beginning to reflect a return to more typical growth rates. This is why our plan assumes revenue growth well below the average growth of the last several years and below the average growth of the last fifteen years. This conservative strategy allows us to propose a balanced budget year after year while protecting us from economic downturns.

Although our plan assumes reasonable growth, we plan to increase revenues by continuing to improve the state's business climate and growing the economy. Priority III describes our strategy for aggressive recruitment, job growth, and economic stimulus. A plan to maintain revenue growth without raising taxes must focus on the economy. By making sound investments in economic growth we can ensure strong growth for the future of our children and the critical needs of the state.

Along with conservative projections of growth, we budget for investments in our priorities, and we expect these investments to produce results. Through SMART Governing, state agencies plan around our priorities and request funds in terms of how each investment will impact their performance. This forces our team to constantly evaluate the effectiveness of programs and even more so when we evaluate budgets. In cases where programs are not working, we reinvest our resources into more effective areas. By focusing on performance and priorities, we are investing in results for citizens, not just making across-the-board increases and decreases in response to the amount of funds available.

Conservative budgeting, growing the economy, and making performance-driven budget decisions allows us to plan confidently. To support these efforts, we must also evaluate the long-term infrastructure needs of the state as discussed in the following section on Capital Planning, and we must actively seek ways to make government more efficient which is discussed in the last section of this plan, Efficient Government.

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## Alabama Capital Asset Planning

### Introduction to Alabama Capital Assets Planning

With over \$17.8 billion in capital assets,<sup>1</sup> the state must plan for maintaining current and acquiring additional capital resources. Long-term planning for everything from IT infrastructure to heavy equipment and buildings can significantly impact the financial health of the state, and a failure to plan may prevent state agencies from fulfilling their missions and accomplishing their goals.

In 2005, we began developing a system for communicating and capturing information about capital projects to facilitate the state's capital planning process. In order to formulate such a plan, each agency's capital projects must be evaluated considering the following:

- ✓ The relationship between the capital project outcomes and overall state goals,
- ✓ The total project costs over a multi-year period and impact on operational budgets, and
- ✓ The projects' overall priority relative to other capital projects.

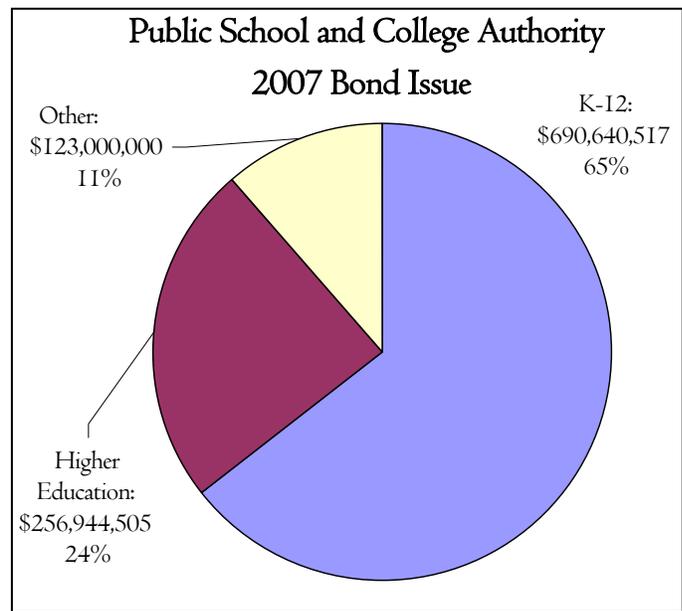
This new process is still growing and refining. Currently, agencies report their capital plans to the Finance Department, where their requests are considered along with their budget requests, and the projects are tracked. Common examples of these projects are acquisition and improvement of land, easements, buildings, vehicles, machinery, equipment, infrastructure, works of art, and historic treasures.

Although all capital requests are included in the capital planning process, to date, we have focused on the General Fund or the Education Trust Fund projects. As the process grows, analysis may expand to cover other areas. The following sections provide an overview of the current projects and requests for the Education Trust Fund and the General Fund.

### Current and Requested Capital Projects

#### *Education Projects and PSCA Bond Issue*

On June 13, 2007 the largest education bond issue was signed into law. The \$1.07 billion bond issue is Alabama's first for school construction since 1998. This will provide funds for construction and repairs to every city and county K-12 system as well as the public four-year and two-year college systems. In addition, we anticipate that this will also infuse over \$1 billion into the state's construction industry within the next three years. The chart to the right shows a break down of this investment. The majority of this funding will go to K-12 education (65%), including investments in each school system,

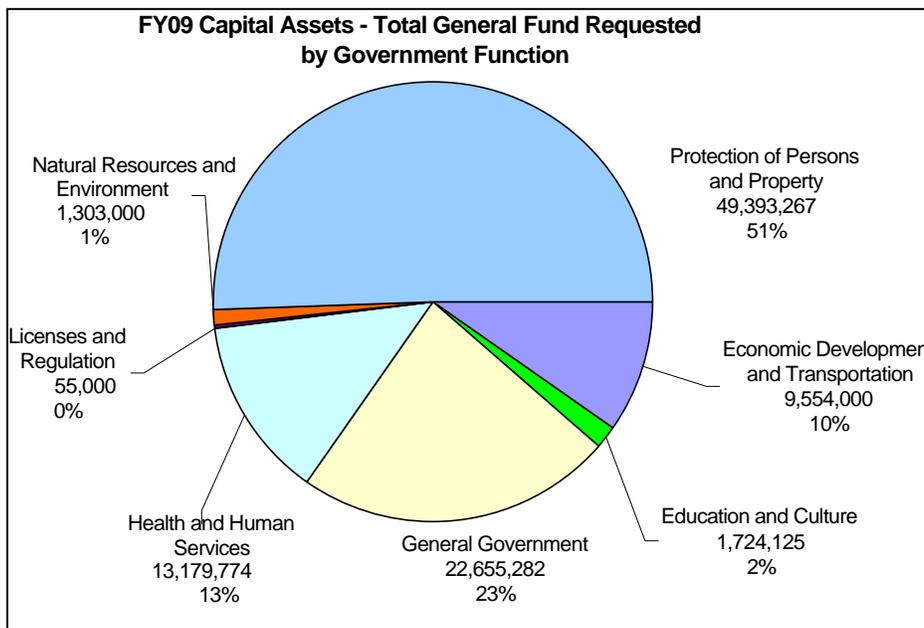


<sup>1</sup> As of September 30, 2006. Source: State of Alabama Comprehensive Annual Financial Report produced by the Alabama Department of Finance.

substantial investments in technology and a supplemental allocation for the Black Belt. All four-year and two-year institutions will receive support (24%), and other funding has been provided for select education related activities in state government such as capital support for Department of Youth Services and new training facilities for state troopers and correctional officers.

**General Fund Capital Projects:**

The capital planning process for General Fund agencies can be much more difficult primarily due to more limited resources. However, there are several major capital improvement projects that have been requested and may be critical to the state’s future. While we certainly cannot fully fund all of the nearly \$100 million in requests just for FY 09, the impact of funding or not funding these large projects must be considered. The following chart gives an overview of the types of capital projects requested from the General Fund.



The chart shows that the majority of these requests come from the Protections of Persons and Property agencies, including the Department of Public Safety, Pardons and Paroles and the Department of Corrections. These and other major requests from General Fund agencies are briefly described below:

**Major, new construction/acquisition projects**

1. **Department of Veterans Affairs:** Construct a fourth state veteran’s home to be completed by September 2012.
  - Total project cost: \$40,447,360 (General Fund: \$14,156,575; Federal Revenue: \$26,290,785)
2. **Board of Pardons and Paroles:** Purchase the Wetumpka L.I.F.E Tech Campus currently owned by Department of Mental Health; Pardons and Paroles currently uses most of the facility.
  - Total project cost: \$2,000,000 (General Fund: \$2,000,000)
3. **Department of Corrections:** Expand medical facilities at Limestone Correctional Facility and Ventress C.F. and replace Childersburg C.B.F. temporary housing.
  - Total project cost: \$9,303,000 (General Fund: \$9,303,000)

4. **Board of Pardons and Paroles:** Build a multi-purpose building at L.I.F.E. Tech in Thomasville.
  - Total project cost: \$3,000,000 (General Fund: \$3,000,000)

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**Major IT Capital Projects**

1. **Medicaid:** Re-engineer the Alabama Medicaid Application and Eligibility System (AMAES).
  - Total project cost: \$12,000,000 (No General Fund; Federal Funds: \$10,800,000; Other sources:\$1,200,000)
2. **Department of Human Resources:** Develop the State Automated Child Welfare System (SACWIS). Provides staff with an automated tool to assist in all aspects of Child Welfare.
  - Total project cost: \$50,392,073 (General Fund: \$25,196,036; Federal Revenue: \$25,196,037)
3. **Department of Finance:** Replace the state's Financial Resource Management Systems (FRMS); replacing outdated financial system.
  - Total project cost: unknown, pending RFP process

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**Major Improvement Projects**

1. **Department of Corrections:** Purchase security items including high technology locks and hardware.
  - Total project cost: \$16,909,000 (General Fund: \$16,372,625; other sources: \$536,375.)
2. **Department of Forensic Sciences:** Request to complete Phase II of the Hoover Laboratory (Morgue and Implied Consent Unit.) Project to be completed by September 2010.
  - Total project cost: \$10,000,000 (General Fund: \$10,000,000)

## Efficient Government: Good Stewardship of Taxpayer Dollars

Alabamians rightly expect their public officials to be good stewards of their money. Accordingly, Alabama has one of the most efficient governments in the nation; our per capita state and local taxes have been lower than any other state since 1992.<sup>2</sup> In order to continue to provide the best services to our citizens without raising taxes, we must continue to focus on efficiency in every area of government. That is why we constantly seek more efficient and effective ways to provide and improve services. The following is our strategic approach to staying focused on efficiency: 1) identifying the highest cost growth areas and finding more efficient ways to deliver services, 2) planning for the utilization of enterprise-level resources such as IT, capital, and work space, and 3) leveraging public-private partnerships to improve services at little or no additional cost to the state. Below, we have outlined these three areas and given examples of how these tactics allow us to increase efficiencies.

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### High Growth Areas: Health Care Costs

Two of the largest areas of increased expenditures in the state are in the Medicaid budget and growth in employee benefits. Both of these areas are deeply rooted in the ever-growing cost of health care, and while there is no silver bullet to stop growth in health care costs, we have implemented plans in both areas that focus on improving services in ways that ensure the most efficient use of resources.

#### Medicaid

At a cost to the state of over \$470 million dollars in FY 08, Medicaid provides medical services to almost one-million people or roughly 21% of the state. Decreases in federal funds and unfunded mandates are forcing us to find ways to control the rising cost of medical care. In response to these changes, we have plans for improving services by using federal and private partners—bringing Medicaid services to the digital age. This allows us to provide better services, increase efficiencies in payment process and focus on preventative care. Better services and preventative care will decrease the need for more expensive critical and chronic care in the future. Millions of dollars in federal money and private support are being used to make these transformations to the Alabama Medicaid services and administration. This, combined with strategies to decrease prescription cost, will help to mitigate the impact of the dramatic funding losses and unfunded mandates from the federal government.

#### Employee Health Insurance

State government is only as strong as its 35,000+ employees, and providing health care for this team is a great responsibility. To improve these services we have focused on preventative care and wellness; like with Medicaid, this will help to cut down on the high costs of chronic and critical care. Also, we have increased the corporate authority of the board of the Public Education Employees' Health Insurance Plan (PEEHIP) and the State Employees' Insurance Board (SEIB). This allowed these two governing bodies to take a more pro-active role in

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<sup>2</sup> U.S. Census Bureau

managing our employee health plans, resulting in more efficiency and better decision-making for the state's insurance programs. Changes to date resulted in a \$250M savings to PEEHIP and \$75M to SEIB.

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## **Enterprise Planning: Capital, Space and IT**

With over 200 agencies and institutions, centralized planning for state government has the potential to save significant sums of money and effort. Before our administration, however, very little of this enterprise level planning had been done. Over the past five years, we have been developing systems to plan for Capital (as discussed in the Section V), Space, and IT. The space initiative allows us to leverage the size and power of state government for negotiating leases, and planning for IT allows us to stay up-to-date with technology while building effective, integrated systems that make government more efficient and services more convenient.

### **Space Initiative**

Leased space is a major cost for state government. Methods of leasing space for State agencies have traditionally been decentralized and, without expertise, many agencies were not getting the best price for leased space. Working with the Staubach Company, a large, nationally recognized real estate company, we have begun to manage the State's real estate portfolio and to assist agencies with space issues. This no-cost contract to the State resulted in a \$9,000,000 cost avoidance in its first year due to Staubach's ability to negotiate better rates and purchase prices. This has also increased the transparency of the process as all state leases are now available for the public to view on the Finance Department web site.

### **IT Planning**

As state government moves into the digital age, we have a unique opportunity to both improve services dramatically and save money through automating work. However, there is just as much potential to waste resources through non-integrated efforts, failed projects and redundancies. That is why the Finance Department's Information Services Division (ISD) conducts statewide IT planning. Agencies provide ISD with critical information about their IT assets and plans, and ISD staff evaluates these evolving IT strategies, identifies areas where enterprise approaches can be used to increase IT effectiveness, improves quality of IT services, reduce IT costs, and to ensure that the State's infrastructure has the capability to support existing, expanding and new information technology.

A direct result of this planning has been the unification of the statewide computer networks, which saves over \$500,000 per year, and the centralization of email processing which saves over \$3 million per year while improving service to agencies. Before network and email consolidation, individual agencies had their own separate networks and email systems which were not as secure, reliable, or cost-effective as sharing a state-wide, enterprise solution. A unified network allows for a single "firewall" to keep hackers out of the state's system and to save the costs associates with multiple connections to the Internet. A unified email system allows the Governor to send a single email to all state employees and employees can look up other employees email addresses and phone numbers easily. The system is also better at screening out spam and viruses and the costs are spread out over 20,000+ employees achieving economies of scale that were unrealized before consolidation.

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## Public-Private Partnerships

More and more businesses are partnering with government to improve services to citizens for fewer resources than government could provide otherwise. These partnerships are helping government evolve into the digital age and act more efficiently. Just a few examples of these partnerships include the eGovernment initiative which has revolutionized our web-presence and the use of electronic transactions, and the use a private firm to provide utility analysis.

### e- Government

Alabama's consolidated eGovernment effort is based on a "self funding model". By partnering with a publicly traded business, we provide eGovernment services at no upfront costs to the state and significant savings because of automated processes. Our business partner recovers their investment through convenience fees, subscription fees, or a transaction fees. This cuts the cost of development and hosting of the online applications, and agencies also realize savings through reengineering of internal business processes and avoided costs. Examples of avoided cost include: user data entry cuts down on staffing needs and error rates; automated processes can print and mail renewed licenses; electronic transactions allow little or no chance of losing checks or cash; digital applications and renewals mean there is no mail to opened, sorted, distributed and processed.

Some agencies even choose to absorb the costs of pushing a service online because the savings they realize more than justifies the agency paying a transaction fee. One agency did a study and discovered that it costs them over \$5.00 to manually process particular paper applications. The process was automated, through an online service, and the agency pays \$1.35 per transaction thus netting a savings of \$3.65 per transaction. Savings such as this are being realized with several online services. With over 130 online applications and a year-to-date average of over 7,500 eGovernment transactions per day, the State is netting significant savings.

### Utility Analysis and Performance Contracts

One of the constantly rising cost factors for the state is energy use. Through Executive Order 33, we required that all state agencies reduce energy costs by 10% by 2008 and another 10% by 2010. This effort has been supported by a partnership between the Finance Department, ADECA, and a consulting company, Ingenuity, Inc. who was hired to audit all utility bills throughout the State. Ingenuity is working through a contingency contract, for which the contractor will receive 33% of documented savings for the three year term of the contract.

Similar work in Georgia resulted in savings of nearly \$2 million. These improvement projects are financed by awarding performance contracts. A performance contract allows the agency to take out a mortgage to pay for a project, secured against future energy consumption savings such reduced energy cost, by installing new lights, windows or HVAC systems. Financing with little or no upfront cost makes project more affordable and makes larger projects possible by using excess savings to finance other critical upgrades that will not save money directly such replacing outdated plumbing or electrical work.