

- There is almost \$1 billion in various state funds, not counting the \$625 million in the Tobacco Trust Fund
- Some of these monies may be encumbered or are federal funds but the large portion is cash on hand. But, it is taxpayers' money.
- The Appropriations Committees and both the House and Senate considered and passed a cash management approach to draw down up to \$14 million a month from these funds. (HB 1036)
- This approach would not have required draining the Rainy Day Fund which will be needed to offset shortfalls in FY2004. Currently there is \$100 million in Working Cash Stabilization Fund; \$15 million reserved for Ayers Endowment and \$4 million for payments to be reimbursed by feds; thus spending \$80 million takes it down to almost \$0.
- State Treasurer Marshall Bennett had worked with and advised the Committee along the way. This cash management approach is very much like what he does all the time, draw from this \$1 billion pool to pay the state's bills.
- Changing the law to divert the 2% holdback means the loss of a responsible budgeting tool that protected taxpayers from the effects of overly optimistic revenue estimates.
- A portion of the 2% goes into the Rainy Day Fund. If no 2% money goes in, then the Rainy Day Fund does not replenish, and is not available when needed, to offset agency cuts or for cash management purposes
- The cash management approach was intact and agreed upon until last week. It appears that a change came about last week when MDOT put pressure on the Lt. Governor. The result now is that we will spend all of the 2% money, \$71 million, and virtually all of the Rainy day fund \$80 million; bad policy.
- And we are still underfunding major agencies (Medicaid-\$90 million, DHS-\$15 million and Corrections-\$60 million) with no commitment that the legislature will address the shortfall next year.