

Thursday, March 08, 2001,
Press Corp.

- Much of what Jack Gordon said this a.m. was what I've already said
- Wants to show you simply what I want to do with budget and explain the reasons and difference why the numbers matter
- At the end of the day, we need to have a realistic budget that matters to the people
- Important that you know what I know
- Budget estimate of 5.8% last year that we started with
- Year before 2% short for growth
- This year growing at 1%, actually .76%
- Difference what actually happening vs. estimate over 7%
- Not a budget crisis; a budget problem
- Cannot have a honest, straight-forward, fiscally sound budget unless you start out with an honest figure
- Cuts that have been made or have been used of the 15 million are the result of original estimate being way off the mark.
- Tells your agencies they have to plan on 1 thing then adjust later on.
- What is the projection of next year, according to Jgordon – 3.7%
- 3.9% adjustment last Oct. because we were not meeting the 8% estimate
- If 2002 budget has built in a 3.7% rate of growth and the Legislators budget exactly at what LBO recommends and we grow at that rate, at the end of next year we will be 87 million in the hole, at the end of 02.
- If we meet the expectation!
- Using LBO figures if we grow at 2.5%, the adjustment will have to be 102 million in 02 budgets.
- In order to make budget zero out/ balance at 3.7%, you have to reduce LBO recommendation by \$87 million
- Remember the law – 98% rule
- We can be honest with the revenue estimate or the Legislators can be irresponsible.
- I do not want to be irresponsible with the budget.
- Last year at this time the budget and economy were down which created this additional math.
- Legislators knew this when they left.
- Alan Greenspan says US economy growing at 0% growth; about half of the states that are budgeting are using that 0% growth rate.
- No one I talked to believes optimistically that our budget will grow more than 1-2%
- If you take where we are now at Feb., where we have grown for 7 months, then average it for remaining 5 months, the you fall about \$119 million below estimates.
- If you use inflated figures to start with, imagine additional amount you will have to cut this time next year.

- What I understood Jgordon to say on the floor today: based on our recommendation at 3.7% the Governor will only have to cut \$23 million
- That is irresponsible and a violation of the law.
- \$76 million we will go ahead and appropriate, 50 million out of working cash now, but that only suppose to be used in revenue shortfall
- adds up to \$149 million
- Not making any adjustments and using LBO figures, what will the rate of growth have to be to break even = 6.2%
- Not going to happen! Everyone agrees.
- The height of irresponsibility to make a budget proposal based on those estimates
- Misleading to our agencies, schools, colleges & universities and to our people
- What should we do?
- Be honest to begin with.
- Make the adjustment for 01 shortfall
- Use correct starting figure.
- Then make rate of growth based on reality, not one that is “cooked” up
- Adjust and move down the LBO figure between 80-120 million, based on estimate for months yet to occur.
- I’m looking at what projections have been and I’m being realistic.
- Based the rate of growth on a real month and a real number is not 6.2%
- More accurate between 0-1%
- Be honest with the people.
- Fiscally prudent and responsible.
- Then able to appropriate on 98% of the revenue, according to law, ½ to working cash stabilization fund and ½ to beginning cash balance for next year by law
- Allows legislators with the entire budget to prioritize where to spend the money
- 1st priority is education
- Have an entire budget to consider
- Education K-Grad must be priority
- If you make accurate adjustments based on budget of 3.7 growth and rate of growth is not 6.2% but 1%, then we are short between 170-200 million next year with no beginning cash balance for next year, and eating up more money from working cash stabilization fund
- Not being responsible
- If you do not make the adjustment at start of year, then you not only have to grow at 3.2% but also the amount of the adjustment
- Not to say I do not believe in the economic success of our state
- We are just in a sluggish economy
- All the projectors say it will take 12-18 for economy to pick up
- We must be honest during this time
- I’m not for raising taxes
- We need to live with in our means
- Honest to the people.
- Start with corrections if you have to cut, not our schools

- The LBO doesn't include the \$8.3 million additional debt service/ Nissan from – no bonds were included which could be 100-200 million issued by legislature which will add to the debt serve. Also not included 4-5 million for disasters to tornado counties in MS
- Given normal set of circumstances, you will add to your expenses.
- Last the legislature over extended and gambled
- I am not willing to gamble with our people's money and schools
- Be realistic
- All of us have the responsibility to be prudent, honest and straightforward with our budget and tax payers dollar
- Then debate on what to spend the budget on
- The available money in budget should not be a debate; it should be realistic
- Our economy is growing, we just did not hit our mark
- He will veto the entire bill if they do not meet with him to work budget out.
- If budget is based on false figures, what are we going to do?
- Give our schools this money, then cut it again next year, causing chaos, instability, uncertainty and inability to concentrate time on educating our children
- They deserve better than that!
- Whatever the figure is that you use, you have to be honest about making the adjustment for this year
- If you use others that will cause your other figures to have to be adjusted.
- AMS money used to bridge 1 time expenses from 01-02
- Or AMS money to pay back dollar for dollar from secure funds to bridge.
- If not honest with budget and get it back in line then priorities could go by the waist side under the legislatures suggestions.
- Bring budget back in line.
- Then looking at a safer budget not one \$177 million in the hole.
- Legislators not taking into consideration the shortfalls of this year.
- He many not agree with everyone or everything, but he always tries to look at things realistically
- All have responsibility to get budget right
- Look at states that have used wrong numbers for budget – TN and NH
- We can afford a teacher pay raise
- I'm not going to deal with an unrealistic budget
- We need to sit down and talk to arrive at a realistic budget
- The % of growth should be based on tax collections not on 1 time infusions like AMS