
OFFICE OF GOVERNOR RONNIE MUSGROVE
INTEROFFICE MEMORANDUM

TO: BOYD
FROM: RILEY
SUBJECT: TAX COMMISSION: 9/7 BUDGET HEARING AND DISCUSSION OF SETTLEMENT
DATE: 9/7/2000
CC: FILE

According to Ed Buelow at today's budget hearing, the \$185 million settlement with American Management Systems (AMS) will be distributed as follows:

The **State General Fund will receive \$145 million:** \$15 million on September 15th, \$10 million on June 25, 2001, and \$120 million over the next twelve years (\$10 million annual payment on September 25th). According to Buelow, all payments after the September 15th payment are guaranteed with an annuity, so the State will get its money even if AMS goes broke.

The **State Tax Commission will receive \$30 million** (\$750,000/month for 40 months) to be placed in its Special Fund. The Tax Commission requested in its budget request that these funds be spent for electronic projects. The Tax Commission wants to expend settlement funds on one-time and contractual expenses. When asked by Speaker Ford how much money it will take to correct the system at the Tax Commission, Buelow reported \$20 million and \$8 million to bring the ABC distribution system up to par. He is requesting the additional \$2 million from the settlement be spent on bringing the salaries back up to their 1997 level and to implement the Phoenix project (the replacement for AMS) earlier.

ITS will receive \$5 million (approximately \$208,000/month for 24 months). ITS will request authorization to expend these funds on equipment purchases for the Tax Commission and other agencies.

The **attorneys** in the case (Rueben Anderson was present to answer any questions) will receive **\$5 million**. According to Buelow, the Tax Commission was paying the attorneys an hourly rate. The attorneys requested the Attorney General's permission for the flat payment of \$5 million as a condition of the settlement. Buelow stated that this \$5 million is more than they would have received under the hourly agreement, but less than typical compensation in a settlement of this size.