

April 1, 2003

TO THE MISSISSIPPI HOUSE OF REPRESENTATIVES:

GOVERNOR'S VETO MESSAGE FOR HOUSE BILL 1036

I am returning House Bill No. 1036: AN ACT TO DIRECT THE STATE TREASURER TO TRANSFER TO THE BUDGET CONTINGENCY FUND CERTAIN SPECIAL FUNDS; TO DIRECT THE TREASURER TO CHARGE AND COLLECT A CASH MANAGEMENT FEE ANNUALLY FROM EACH STATE AGENCY THAT HAS SPECIAL FUNDS IN THE TREASURY THAT RETAIN THEIR INTEREST AND INVESTMENT EARNINGS, FOR MANAGING THE CASH BALANCES OF THOSE FUNDS FOR THE BENEFIT OF THE STATE AGENCY; TO PROVIDE THAT THE CASH MANAGEMENT FEES COLLECTED FOR THE FIRST YEAR SHALL BE DEPOSITED INTO THE BUDGET CONTINGENCY FUND; TO PROVIDE THAT THE CASH MANAGEMENT FEES COLLECTED FOR EACH ANNUAL PERIOD AFTER JUNE 30, 2004, SHALL BE DEPOSITED INTO A SPECIAL FUND CREATED IN THE STATE TREASURY, WHICH SHALL BE EXPENDED TO PAY THE DEBT SERVICE ON FULL FAITH AND CREDIT BONDS OF THE STATE; TO DIRECT THE TREASURER TO TRANSFER CERTAIN FUNDS TO THE BUDGET CONTINGENCY FUND; TO CREATE A SPECIAL FUND IN THE STATE TREASURY TO BE KNOWN AS THE SPECIAL FUNDS TRANSFER FUND, WHICH SHALL BE COMPRISED OF THE MONIES REQUIRED TO BE DEPOSITED INTO THE FUND UNDER SECTION 27-65-75(18), MISSISSIPPI CODE OF 1972; AND FOR RELATED PURPOSES without my approval and assign the following reasons.

As a State, we budget and spend only 98% of projected revenues, with the remaining 2% going into reserves, including the rainy day fund. This is fiscally prudent. House Bill No.1036 spends the 2% holdback, over \$71 million, along with over \$80 million of the less than \$102 million remaining in the Working Cash Stabilization Fund, ("the rainy day fund"). The use of these sources of funds means that our current savings account, the rainy day fund, will be practically depleted and the means of replenishing the fund, the 2% holdback, will be spent. We simply cannot spend all current savings, as well as all savings for the next year. For these reasons I must veto the bill.

The effect of these two actions together is that the State Fiscal Officer will have no funds for cash flow management and agencies will have no savings cushion. We need a savings account. The rainy day fund, has served its purpose well over the past couple of years during the National Recession. This rainy day fund has meant the continuation during stormy economic times of essential State services, including education, job creation, public safety and healthcare. It has also ensured the efficient, professional management of State cash flow needs.

Of the approximately \$101.7 million in the rainy day fund, \$15 million is dedicated to the Ayers Endowment Trust and \$4 million is reserved under State law for payments to be reimbursed by the federal government. Thus, spending \$80.8 million from the rainy day fund drains the fund to essentially \$0, leaving almost zero flexibility or cushion for the State Fiscal Officer in times of need. Additionally, the Division of Medicaid has been authorized to borrow \$10 million from the fund, money that is unavailable.

The purpose of the rainy day fund is to have funds available in rainy economic times. For that reason, I think it imprudent to divert the source of monies, the 2% holdback, by which the fund is replenished. I urge your consideration of alternatives to the expenditure of the 2% holdback. This conservative, responsible budget principle is important to the future fiscal stability of the State.

Bear in mind that we have worked together in tough budgetary times to fund necessary services important to the people of Mississippi without raising taxes. I believe that by continuing this cooperative approach we can find solutions for the next fiscal year without the imposition of taxes. I pledge to work with you to accomplish this goal.

I urge the members to sustain the veto and reject House Bill No. 1036.

Respectfully submitted,

RONNIE MUSGROVE  
GOVERNOR