



From the Financial Frying Pan into the Fire....

On Wednesday, Finance Commissioner Tom Hanson presented his cash flow analysis for the state to a legislative commission subcommittee on the budget. The bottom line is that the state will run out of cash in late March or early April of this year and not be above zero until late May or June. In their presentation they showed several methods for dealing with this cash flow crisis. One of those which is receiving a majority of the scrutiny is MS 127A.46 which says that if the state runs out of cash, it can delay payments to districts if they have a certain level of fund balance. This law has been on the books for the past 20 years; put in place after the cash crisis in the early 1980's. This statute can be enacted by the administration at any time between September 1st and May 30th of any given fiscal year.

Included in this update are links to the statute and the most recent spreadsheet that was sent out late yesterday afternoon. You should be able to go through the spreadsheet and see the maximum amount of delayed payment by month your district could be seeing. In speaking with Lori Grivna from the Governor's office, she was emphatic that this is the maximum under the statute and that we wouldn't be seeing that high of delayed payments. While this might be the case – certainly questions about the projected revenue to pay back these payments will come up. It is possible that we might not see the money paid back to us until June 20th – which by itself could cause problems because of the year end payouts many districts need to provide to their staff.

The problem is exacerbated in that this is above and beyond the 73/27 split, and next year the cash flow projection for the state is to be out of cash for much of the year! Now before we all go to the balcony to considering jumping, it is hard to look out that far and be accurate with cash projections. However, they are probably in the ball park, and given that the legislature might not want to change this statute during this session, we might see delayed payments again next year.

Next week there will be a meeting with the Governor to talk about this. Many of our concerns will be aired. Believe me; we are raising many questions and problems with the implementation of this statute. You might want to contact your local representatives to share what the impact to your district could be. We will update you after next week's meeting. Hang in there – we have gone through this as a state before and we will get through this again!

Links -- [Potential aid payment delay under MS 127A.46](#) ; [Max Payment Delay ms 127a.46 preliminary data 1.14.10](#)

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