



HALEY BARBOUR
GOVERNOR

STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

December 6, 2011

Governor-elect Phil Bryant
Chairman, Joint Legislative Budget Committee
Post Office Box 1018
Jackson, MS 39215

Lieutenant Governor-elect Tate Reeves
Post Office Box 138
Jackson, MS 39205

Speaker Billy McCoy
House of Representatives
Room: 306
Post Office Box 1018
Jackson, MS 39215

Representative Philip Gunn
Post Office Box 1018
Jackson, MS 39215

Dear Gentlemen:

On November 15, I met with the Joint Legislative Budget Committee (JLBC) to consider revenue estimates for Fiscal Years 2012 and 2013. During this meeting, the JLBC revised its Fiscal Year 2012 revenue estimate upward by \$60 million, to \$4.661 billion, which includes approximately \$20 million in "revenue" from legal settlements of the "average wholesale price" cases against four pharmaceutical manufacturers. You will recall that I opposed this revised revenue estimate, since the funds from these settlements are not available for appropriation or expenditure either now or next year (due to the federal government being entitled to the majority of this money).

At the same meeting, I asked Dr. Darrin Webb, the state economist, whether the Fiscal Year 2013 revenue estimate included the \$20 million attributable to the AWP legal settlements; he said it did not. Thus, I accepted the recommended FY 2013 revenue estimate of \$4.631 billion and announced that I would be developing an executive budget recommendation based on this revenue estimate.

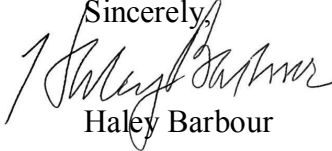
Subsequent to this meeting, my staff met with a Legislative Budget Office staff member and a JLBC member, both of whom are working on the FY 2013 legislative budget recommendation. From their preliminary conversation, it appears the legislative budget recommendation will include in its available revenue a carry-forward from the Budget Contingency Fund of \$23.5 million. However, this \$23.5 million balance includes the \$20 million in legal settlement funds of which some portion must be repaid to the federal government in accordance with 42 U.S.C. § 1396b(d)(2)(C), as Medicaid director Dr. Bob Robinson pointed out in his March 22, 2011 correspondence to Legislative leadership. The balance of the Budget Contingency Fund that is actually available for expenditure in FY 2013 is closer to \$3.5 million, not \$23.5 million.



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I urge you to not be misled to think this \$20 million in legal settlement funds represents a windfall for budgeting purposes; it does not. The state must repay the majority of these funds back to the federal government. I urge you not to include these funds in your legislative budget recommendation for FY 2013.

Sincerely,

Haley Barbour