

## **Discussion at Joint Budget Meeting, September 21, 2008**

QUESTION: Free Cash and NESWC, but Free Cash, is a non-recurring revenue source...

STEVE NOONE (Chair, Finance Committee) Uh, that depends on whether you subscribe to the Chinitz theory of regeneration....

QUESTION: I definitely don't subscribe to that theory. In fact, I checked the DOR website yesterday, and it clearly states that Free Cash is a non-recurring revenue source. That's what it says in the definition. So I'll say that as a statement. You can answer the question based on that. The second question is the Department of Revenue does not recommend using non-recurring revenue sources for operations. My question to you is you said during your briefing – 'Free cash and E & D will be used for operations' going into the future, and my question is: Why?

NOONE: Um, well, first I dispute the 'Free Cash doesn't regenerate' because, um, Free Cash occurs because we underspend budgets or we get more revenue than we had budgeted. We clearly underspent some budget items this year. So it does—and E & D also—uh, will tend to—it depends on the year, Allen. But there is—our budgets are never 100%--99.9% accurate. So there is a possibility of having something like 1% of—and it could swing either way, I grant you. But it will tend to reoccur.

Now in terms of using the money, I see it mostly as a timing situation. You underspend one year, uh, I don't see a problem with using it the next. In terms of things like NESWC reserves, yeah, there's never going to be another NESWC. It should not be used for operating expenses, it should be used for one-time items.

QUESTION: OK, so what I hear you saying is that as the Chairman of the Finance Committee, you believe Free Cash is a recurring revenue source. Is that correct?

NOONE: I believe it can regenerate. You know, you are talking semantics in terms of whether it is recurring or not. Free Cash is essentially a balance sheet—

QUESTION: Let me rephrase that—

NOONE: And balance sheet items only exist in a point in time.

QUESTION: OK, let me rephrase that then. You think it is OK to use Free Cash to fund ongoing operations?

NOONE: Yes I do.