



## EXECUTIVE BUDGET RECOMMENDATION FOR FY 2010

**Key Takeaway:** The Executive Budget Recommendation for FY 2010 was released. It includes a combination of revenue raising measures, budget reductions and the use of Rainy Day Funds. The budget also includes some budget increases for selected programs and some new initiatives.

State law requires the Office of the Governor to submit a recommended budget to the legislature by November 15 of each year. The purpose of the recommendation is to advise legislators as they prepare to adopt appropriation bills for FY 2010 in the upcoming legislative session which will begin in January of 2009. The amount of the Executive Budget Recommendation is developed each year using the revenue estimate adopted jointly by the Governor and the Joint Legislative Budget Committee. The FY 2010 revenue estimate projected that general fund revenue for FY 2010 will be approximately \$5.1 billion, an increase of 1.3% over FY 2009 after adjustments. Even though the revenue estimate is projected to come in with slight growth over this year, economic conditions may worsen causing the revenue estimate to be adjusted downward throughout the year, as it was in FY 2009.

### Executive Budget Recommendations: Revenue

In addition to the additional revenue estimated, the Executive Budget Recommendation includes:

- Twenty-four cents per pack increase in the current cigarette tax;
- Forty-three cents per pack increase for cigarette manufacturers that do not participate in the tobacco settlement;
- Changing smokeless tobacco tax to a volume based tax.

### Estimated General Fund Revenue Impact: \$80 million for FY 2010

The Governor also recommends an increase of \$90 million in hospital taxes to address structural shortfalls in the state Medicaid Budget. The funds would be used to draw down a federal match of \$285 million. The \$90 million would be considered special funds and would not increase general fund revenue.

## Executive Budget Recommendation Summary

### Executive Budget Recommendations: Spending

The Executive Budget recommends reducing spending for many programs by 4% over FY 2009 appropriation levels. For most of these agencies, this would represent a 2% reduction over the cuts agencies have been asked to make to their FY 2009 budget. Some state programs, including the Mississippi Adequate Education Program, Medicaid, Corrections and others are either not recommended for budget decreases or are recommended for an increase. See Figure 1 for a detailed list of spending recommendations.

### Executive Budget Recommendations: Rainy Day Fund

The Executive Budget recommends using \$84 million in reserve funds from the state's Working Cash Stabilization Reserve Fund (Rainy Day Fund). When the recommendation was released, the balance of the rainy day fund was almost \$380 million. The Executive Budget recommends leaving most of the balance for future years in case economic conditions continue to decline.

Figure 1 shows the recommended difference in FY 2009 and FY 2010 spending by budget category. About half of the categories listed are recommended for net cuts and the other half are recommended for net increases.

**Figure 1: Executive Budget Recommendation by Budget Category**

Budget Category/Agency	FY 2009 Total State Funds Appropriated	FY 2010 Combined Funds Recommendation	Difference	%
Agriculture and Economic Development	\$ 117,918,938	\$ 114,044,528	\$ (3,874,410)	<b>-3.3%</b>
Conservation	\$ 56,427,105	\$ 53,890,021	\$ (2,537,084)	<b>-4.5%</b>
Corrections	\$ 328,180,918	\$ 338,811,675	\$ 10,630,757	<b>3.2%</b>
Debt Service	\$ 314,547,871	\$ 356,638,713	\$ 42,090,842	<b>13.4%</b>
Department of Environmental Quality-Superfund Sites	\$ -	\$ 7,000,000	\$ 7,000,000	<b>100.0%</b>
Executive and Administrative	\$ 3,683,145	\$ 3,535,819	\$ (147,326)	<b>-4.0%</b>
Fiscal Affairs	\$ 72,724,225	\$ 85,125,055	\$ 12,400,830	<b>17.1%</b>
Higher Education	\$ 961,063,754	\$ 924,588,828	\$ (36,474,926)	<b>-3.8%</b>
Hospitals and Hospital Schools	\$ 278,480,866	\$ 267,341,631	\$ (11,139,235)	<b>-4.0%</b>
Insurance	\$ -	\$ 1,500,000	\$ 1,500,000	<b>100.0%</b>
Judiciary / Justice	\$ 63,799,714	\$ 61,247,725	\$ (2,551,989)	<b>-4.0%</b>
Legislative	\$ 26,075,417	\$ 24,604,400	\$ (1,471,017)	<b>-5.6%</b>
Local Assistance	\$ 84,600,000	\$ 85,000,000	\$ 400,000	<b>0.5%</b>
Military Police and Veterans Affairs	\$ 95,957,215	\$ 94,295,112	\$ (1,662,103)	<b>-1.7%</b>
Mississippi Arts Commission	\$ 1,906,859	\$ 1,805,585	\$ (101,274)	<b>-5.3%</b>
Public Education	\$ 2,517,323,677	\$ 2,573,277,594	\$ 55,953,917	<b>2.2%</b>
Public Health	\$ 61,264,961	\$ 62,687,477	\$ 1,422,516	<b>2.3%</b>
Social Services	\$ 692,477,684	\$ 739,665,645	\$ 47,187,961	<b>6.8%</b>
<b>Total</b>	<b>\$ 5,676,432,349</b>	<b>\$ 5,795,059,808</b>	<b>\$ 118,627,459</b>	<b>2.1%</b>

Source: MEPC analysis of the FY 2010 Executive Budget and Combined Funds Recommendation

Note: Includes recommended spending from state general funds and some state special funds including, budget contingency funds, healthcare expendable fund, education enhancement funds, and tobacco control funds.

Within many of the categories listed in Figure 1, some programs are recommended for cuts and others not. These are categories and their corresponding programs are described below.

#### **Agriculture and Economic Development**

- Includes Department of Agriculture and Commerce, Board of Animal Health, Fair Commission, IHL Agricultural Units, Mississippi Development Authority, MDA Tourism and Welcome Centers, Mississippi Technology Alliance, and the Enterprise for Innovative Geospatial Solutions
  - All programs are recommended for 4% reductions except for the Department of Agriculture and Commerce which is reduced by 5.2% and the Mississippi Development Authority and the MDA Tourism and Welcome centers which are held constant

#### **Conservation**

- Includes the Department of Archives and History, Department of Environmental Quality, Forestry Commission, Institute for Forestry Inventory, Grand Gulf Military Monument, Department of Marine Resources, MS River Parkway Commission, Soil and Water Conservation, Tennessee-Tombigbee Waterway, Department of Wildlife, Fisheries and Parks
  - All programs recommended for 4% reductions except for the Department of Archives and History which is reduced by 6.7%

### **Corrections**

- Includes Department of Corrections, Medical Services, Parole Board, Local Confinement, Private Prisons, and Regional Facilities
  - All but one area are recommended for an increase, including the Department of Corrections at 0.5%, Medical Services at 7.8%, Parole Board at 11.4%, Private Prisons at 2.8%, and Regional Facilities at 11.6%. Local Confinement is recommended to be reduced by 2.8%

### **Debt Service**

- Includes repayment of bond debt according to contracts
  - Recommends an increase of 13.4%

### **Department of Environmental Quality--Superfund Sites**

- Recommends new funding in amount of \$7,000,000

### **Executive and Administrative**

- Includes the Ethics Commission, Governor's Mansion, and Governor's Office
  - All programs recommended for 4% reductions

### **Fiscal Affairs**

- Includes the Departments of Audit, Finance and Administration, Gaming Commission, Tax Commission, and Treasurer's office
  - All programs recommended for 4% reduction except for the Tax Commission and License Tag Commission and two programs under the Department of Finance and Administration
  - The tax commission is provided a recommended increase of \$13,111,096, or 27.8% to upgrade systems that will allow for increased revenue collections. The license tag commission is provided a recommended increase of 12.7%
  - Under the Department of Finance and Administration, the state building insurance and the cost allocation amount due to federal government are recommended to be held at the FY 2009 levels

### **Higher Education**

- Includes Institutions of Higher Learning and Communities and Junior Colleges
  - All IHL programs are reduced by 4% except for Ayers Settlement Funds (court ordered) which is held constant, State Financial Aid which is reduced by 0.9%, and University Medical Center Organ Recovery Agency which is held constant
  - Communities and Junior college programs are recommended to be reduced by 4%

### **Hospitals and Hospital Schools**

- Includes the Department of Mental Health. All programs are recommended for a 4% reduction

#### **Insurance**

- Recommends new funding in amount of \$1,500,000 for a small business health insurance program

#### **Judiciary and Justice**

- Includes Attorney General's office, District Attorneys and Staff, Judicial Performance Commission, Supreme Court Services, Administrative Office of the Courts, Court of Appeals and Trial Judges
  - All programs recommended for 4% reductions

#### **Legislative**

- Includes support for the legislature, legislative committees, and staff
  - Reductions recommended at \$1,471,017, or 5.6%

#### **Local Assistance**

- Includes funds for local governments to offset the homestead exemption
  - Recommends an increase of \$400,000 or 0.5%

#### **Military, Police and Veterans Affairs**

- Includes the Emergency Management Agency, Disaster Relief, Military Department, Bureau of Narcotics, Department of Public Safety, Highway Safety Patrol, Crime Lab, Law Enforcement Officers Training Academy, State Medical Examiner, Public Safety Planning, Homeland Security, DPS Juvenile Facility Monitoring Unit and the Veterans Affairs Board
  - All programs are recommended for reductions except for the Crime Lab which is provided an increase of \$1,832,653 or 26.8% and the State Medical Examiner which is provided an increase of \$65,179 or 50.3%

#### **Mississippi Arts Commission**

- Recommends a reduction of 5.3%

#### **Public Education**

- Includes the State Department of Education, National Board Certification programs, Educable Child programs, the Mississippi Adequate Education Program, Vocational and Technical programs, the High School Redesign program, Chickasaw Interest, Schools for the Deaf and Blind, Educational Television Authority, and Library Commission
  - The Mississippi Adequate Education Program is recommended for a 2.8% increase of \$60,819,721. This would allow full funding of the program. Increases are also recommended for Vocational and Technical Programs at 0.8% and Chickasaw Interest at 7.6% (court-ordered) and Schools for the Deaf and Blind at 1.1%.
  - National Board Certification, selected State Department of Education programs including Buildings and Buses, Utilities, and Debt Service, Supplies and Instructional Materials, Textbooks, School Millage Reduction, and Tech Prep Bond Debt Service, and the High School Redesign program are all kept at the same level as FY 2009
  - Reductions include the State Department of Education (excluding programs listed above) at 7.2% and all other programs including Educable Child programs,

General Education, Educational Television Authority and Library Commission at 4%

**Public Health**

- Includes the Department of Health which is provided an increase of \$1,422,516 or 2.8%
  - Many programs under the Department of Health administered in conjunction with other agencies are recommended to be held constant including State Department of Education School Nurses, University Medical Center Cancer Institute and Comprehensive Tobacco Center, Attorney General’s Alcohol and Tobacco Enforcement Center, and the Regional Medical Center Trauma Care

**Social Services**

- Includes the Division of Medicaid, Department of Human Services, and the Department of Rehabilitation Services
  - Medicaid is recommended for an increase of \$41,317,056 or 7.5%
  - The Department of Human Services is recommended for an increase of \$6,533,709 or 5.5%
  - The Department of Rehabilitation Services is recommended for a 4% reduction, except for Vocational Rehabilitation which is cut by 2.9% and Spinal Cord and Head Injury programs which are held constant

To see more details about the Governor’s Budget Recommendation visit the Governor’s website at <http://www.governorbarbour.com/documents/FY2010%20EBR.pdf>.

To learn more about state budget and tax issues, visit the Mississippi Economic Policy Center’s website at [www.mepconline.org](http://www.mepconline.org).