



Balanced Approach Needed to Foster Economic Opportunity As State Revenues Fall

Key Takeaway: Revenue for the first two months of the state budget year that began July 1 came in \$31.5 million below estimates, creating a gap between the needs of Mississippi's working families and funding to pay for state services. In response, and in anticipation of future shortfalls, Governor Barbour announced \$171.9 million in cuts. More than 90 percent of those cuts were to the education budget at all levels. While further deficits are likely, a balanced approach that includes raising revenues is needed. A balanced approach will minimize further harm to the state's economy and position Mississippi's workforce to compete when the economy turns around.

Revenue Outlook - Shortfalls Emerging

In the first two months of Fiscal Year 2010, which began July 1, revenue came in at \$31.5 million dollars less than estimated. As Mississippians face high unemployment and wage reductions, Mississippians are earning less and spending less, contributing to lower tax collections.

Unlike the federal budget, state budgets must be balanced every year, meaning that spending must match the amount of revenue brought in through sources such as taxes, fees, and grants. If revenue does not come in at projected levels to match the budget, spending must be cut, reserves must be used, or revenue must be raised.

Policy Response - Budget Cuts

In response to lagging revenue in the first two months of the fiscal year, Governor Barbour announced \$171.9 million in cuts to the state budget. Additionally, future shortfalls are anticipated and the early cuts give state agencies more time to navigate budget reductions. Table 1 shows the amount of cuts by budget category.

Table 1: FY 2010 Budget Cuts by Budget Category (September 2009)

Budget Category	Total FY 2010 State Support Appropriation plus ARRA	Cut (Dollar Value)	% cut to FY10 appropriation	% difference between new FY10 budget and FY09
Public Education	\$ 2,554,279,562	\$ 115,245,759	4.5%	0.1%
<i>MAEP</i>	\$ 2,241,137,884	\$ 103,529,838	4.6%	0.4%
Higher Education-IHL	\$ 792,520,597	\$ 30,492,953	3.8%	1.5%
Higher Education-Community and Junior Colleges	\$ 260,599,986	\$ 12,517,831	4.8%	3.0%
Fiscal Affairs	\$ 98,240,049	\$ 3,892,784	4.0%	18.6%
Military Police and Veterans' Affairs	\$ 96,857,212	\$ 3,674,163	3.8%	2.2%
Conservation	\$ 55,652,628	\$ 2,077,900	3.7%	-0.1%
Public Health	\$ 61,110,120	\$ 1,277,998	2.1%	0.5%
Economic Development	\$ 25,198,524	\$ 1,117,732	4.4%	-1.6%
Hospitals and Hospital Schools	\$ 272,072,096	\$ 668,074	0.2%	-0.3%
Agriculture	\$ 11,169,605	\$ 488,050	4.4%	2.6%
Judiciary and Justice	\$ 62,185,725	\$ 344,040	0.6%	-1.9%
Arts Commission	\$ 1,907,411	\$ 95,923	5.0%	-0.1%
Executive and Administrative	\$ 3,566,637	\$ 32,547	0.9%	1.0%
Legislative	\$ 26,004,726	No cut	No cut	0.0%
Corrections	\$ 324,556,678	No Cut	No cut	4.1%
Social Welfare Total	\$ 918,116,806	No cut	No cut	27.3%
<i>Medicaid</i>	\$ 767,337,710	No cut	No cut	31.0%
Local Assistance	\$ 84,150,000	No cut	No cut	0.0%
Debt Service	\$ 347,187,030	No cut	No cut	8.0%
Total	\$ 5,995,375,392	\$ 171,925,754	2.9%	

Source: Office of the Governor press release, September 3, 2009
 Note: ARRA refers to American Recovery and Reinvestment Act funds from the federal government.

Moving Forward – A Balanced Approach

Mississippi is not alone in facing significant budget shortfalls. More than 30 states increased taxes and cut spending last year¹ and states are collectively seeing the largest decline in revenue collections in at least 50 years.² The budget challenges are the creation of the recession, not overspending.

While budget cuts are inevitable, a balanced approach that includes raising revenue to address the state's budget problems is necessary. To rely solely on cuts would further hurt the economy. Research has shown that reductions in government spending can be more detrimental as state workers lose jobs and vendors and contractors who do business with the state lose funding and cut employees.³ Furthermore, cuts – especially to the state's educational systems - jeopardize the state's ability to prepare its workforce to compete in today's economy.

¹ Center on Budget and Policy Priorities, "Tax Measures Help Balance State Budgets," July 2009 available at <http://www.cbpp.org/cms/index.cfm?fa=view&id=2815>

² Rockefeller Institute on Government, "State Tax Decline in Early 2009 Was the Sharpest on Record," July 2009 available at http://www.rockinst.org/pdf/government_finance/state_revenue_report/2009-07-17-SRR_76.pdf

³ Center on Budget and Policy Priorities, "Budget Cuts or Tax Increases at the State Level Which is Preferable During a Recession?" January 12, 2009 available at <http://www.cbpp.org/cms/?fa=view&id=1032>