



STATE OF MISSISSIPPI  
OFFICE OF THE GOVERNOR

November 16, 2009

To the Members of the Mississippi Legislature:

For the seventh time since becoming Governor, I transmit to you my balanced Executive Budget Recommendation in accordance with Mississippi Code § 27-103-139. My budget recommendation for Fiscal Year 2011 contains tough decisions that must be made to ensure Mississippi provides essential services for its citizens while not breaking the bank now or crippling the state's financial future.

## Structural Shortfall for FY 11 & FY 12 Relative to FY 10

Fiscal Year 2011	
State Support & ARRA Deficiencies	
FY 10 State Support Shortfall Forward	(\$371,771,472)
FY 11 Health Care Funds Carried Forward from FY 10	\$60,000,000
FY 11 Net State Support Available Funds Increase	\$16,565,510
FY 11 Medicaid FMAP Decrease (Div. of Medicaid)	(\$114,317,783)
FY Medicaid FMAP Decrease (All other agencies FMAP)	(\$21,343,063)
<b>Total FY 11 Revenue Deficiency</b>	<b>(\$430,866,808)</b>
MSTC - Additional Auditors	(\$4,000,000)
Medicaid Growth	(\$93,550,420)
Chickasaw Increase	(\$1,510,942)
Debt Service Increase	(\$25,000,000)
MAEP Growth	(\$61,314,991)
SSEHIP	(\$29,300,000)
PERS	(\$70,000,000)
<b>Net FY 11 Additional Needs</b>	<b>(\$284,676,353)</b>

**Total FY 11 Deficiency**  
**(\$715,543,161)**

Fiscal Year 2012	
State Support & ARRA Deficiencies	
FY 11 State Support Deficiency Forward	(\$715,543,161)
FY 12 State Support Decrease	(\$60,000,000)
FY 12 Medicaid FMAP Decrease (Div. of Medicaid)	(\$141,752,364)
FY 12 Medicaid FMAP Decrease (all other agencies FMAP)	(\$32,640,455)
FY 12 ARRA SFSE Education Decrease (All Education agencies)	(\$196,055,609)
<b>Total FY 12 Revenue Deficiency</b>	<b>(\$1,145,991,589)</b>
Medicaid Growth	(78,247,636)
<b>Net FY 12 Additional Needs</b>	<b>(\$78,247,636)</b>

**Total FY 12 Deficiency**  
**(\$1,224,239,225)**

Last year was the first time since becoming Governor I submitted a budget recommendation during a period of declining state revenue; this year will be my second, and FY 2012 will, based on current trends, be my third. Mississippi's long-term budgetary outlook is austere, as declining revenues already have forced me to order \$172 million in spending reductions for the current fiscal year after having made \$200 million in budget reductions in FY 2009. The revised revenue estimate for FY 2010 adopted by the Joint Legislative Budget Committee, including Education Enhancement

Funds, projects a total shortfall of more than \$370 million for FY 2010. Further reductions of approximately \$200 million to departments and agencies are inevitable for FY 2010.

State law requires a balanced budget, and under current law savings in excess of \$715 million will be necessary to balance the shortfall for FY 2011. Unfortunately, FY 2012 is even bleaker: Current projections indicate that Mississippi will be faced with a budget gap of more than \$1.2 billion during that fiscal year.

Revenue is unlikely to significantly rebound, and we will lose \$370 million of federal stimulus money used to prop up the \$5.5 billion FY 2011 budget. We will have significantly less revenue than in years past, as well as a significant reduction in the amount of federal stimulus money we have to spend – creating a structural deficit that leaves us no choice but to further reduce government spending. We estimate that the FY 2012 budget will be around \$430 million below FY 2011, making the total state support budget only \$5.07 billion, compared to \$5.7 billion, peak state funding that occurred in FY 2008.

Toward this end, I am proposing a reduction of 12 percent for most state agencies below FY 2010 appropriations, with some exceptions for those line-items we are not legally allowed to cut as well as specific priority services. Although some agencies are listed as receiving a 12 percent cut below FY 2010 appropriations, keep in mind many of them also were trimmed in FY 2009, such as the Offices of the Treasurer and Auditor.

I am recommending only a 5 percent reduction for the Mississippi Development Authority because it plays a crucial role in creating new jobs by attracting new employers to Mississippi and encouraging existing businesses to continue investing within our borders. The Department of Corrections and the law enforcement budgets of the Department of Public Safety will see cuts of 6 and 8 percent, respectively. On the other hand, some agencies, like the Attorney General's Office, which had much smaller reductions in FY 2009 and 2010, will see budget reductions higher than 12 percent in order to bring them into parity with the rest of state government as compared to FY 2009 appropriations. Others like the Department of Marine Resources will see cuts above 12 percent. My budget does not include the \$27 million state subsidy to counties to offset the cost of license tags. The fund is currently solvent, and there may be no shortfall in FY 2011. In any event, counties have had two years to adjust to this change in circumstances, so my budget does not continue to subsidize local governments in this matter.

Obviously, a reduction this large for most state agencies will require us to enact meaningful reform of what government does, and how it does it. That is why I have asked all state agencies to find innovative solutions to trimming the budget, including reviewing and renegotiating all contracts to save 5 to 10 percent on them. For these purposes, I ask the Legislature to give department and agency heads maximum flexibility to manage and right-size their agencies including lump sum budgeting for all. State agency heads need the ability to streamline their departments free from the encumbrances of the State Personnel Board for two years. We must prioritize state spending on essential government services and cull out the unnecessary ones. We must improve efficiencies while maintaining quality services to our citizens. We must make the difficult but necessary decisions that taxpayers expect from us.

It won't be easy, but above all else, we must understand that the FY 2011 budgeting process cannot be business as usual. Our most recent revenue report showed general fund collections slipping 7.5 percent, or \$111.7 million, below our expectations for the first four months of this fiscal year. Extrapolated out for an entire fiscal year, this four-month shortfall is consistent with the revenue estimating committee's projection for a \$347 million shortfall in the general fund and \$371 million including the EEF shortfall.

These October figures mark 14 consecutive months where we have missed our revenue estimate and the 11th consecutive month in which the state actually collected less money compared to the previous year. In my first four years revenue exceeded the estimate every year, but now revenue is coming in far below the estimate made just a few months ago. So we must be prudent and conservative.

My budget recommendation for Fiscal Year 2011 relies heavily on six main principles and funds state government accordingly:

- The most urgent need in Mississippi is to create more and better jobs. Where an agency plays a significant role in enhancing our job creation efforts, it is reflected in my recommended funding for that agency.
- The same is true of revenue collection. Raising taxes during an economic downturn slows recovery and puts an unfair burden on our taxpayers, but we cannot let tax cheats deprive the state of revenue it is owed already. I propose increasing the budget of the Tax Commission, so it can hire additional auditors to collect money the state is already owed.
- Government's first function is ensuring the public's safety. While nearly all agencies must experience spending reductions, I am recommending that law enforcement programs or budgets take less of a spending reduction so they can continue their vital service of protecting Mississippi families.
- Education is our No. 1 economic development issue and No. 1 quality of life issue, and we must identify significant cost-savings that don't diminish educational opportunities for our children. Now is the time to reduce administrative costs and for local districts to use their "rainy day funds" just as the state is drawing down on its Rainy Day Fund. Restructuring that will save money in 2012 and beyond must be begin now.
- The State of Mississippi must establish budget priorities, invest in state government entities that generate revenue, and streamline government by seeking efficiencies and savings, while allowing maximum flexibility for agency heads. I am recommending several specific actions that can be taken by areas of state government to improve efficiencies, and I believe

there are many others where savings can be achieved if management is allowed to accomplish this. It is necessary to adopt these proposals for FY 2011 to fully realize the savings by FY 2012 when available funds continue to plummet.

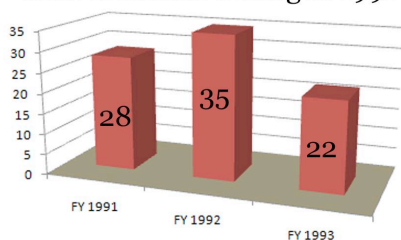
- Although Medicaid is an entitlement program, it is imperative that this agency achieve real cost-savings, along with the rest of state government. However, without certain changes in state law, Medicaid's hands will be tied as to substantially reducing costs in the current program. It's time to allow Medicaid to achieve spending reductions without harming the quality of services provided to our citizens.

While much has been said about the current budget crunch in state government, I hope to provide you with information that clearly demonstrates two things: This budget crisis is real, and we cannot delay making difficult, long-term budget decisions. The FY 2011 budgeting process will require considerable budget discipline but also thoughtfulness and discipline for the future.

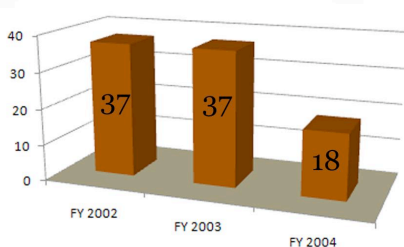
This Executive Budget Recommendation is based on the FY 2011 revenue estimate approved by the Joint Legislative Budget Committee on November 5, 2009. Because of the bleak budget circumstances facing our state for FY 2011 and beyond, I gave all agencies, regardless of whether or not they report to me, an opportunity to

## After Recession, Mid-Year Budget Cuts Continue

No. of states with budget cuts after recession ending in 1991



No. of states with budget cuts after recession ending in 2001



submit their ideas and prioritization of services to my office prior to developing my Executive Budget Recommendation. I appreciate those agencies which responded in great detail, prioritizing their services and breaking down administrative costs.

In my last Executive Budget Recommendation, I wrote to you that “virtually every indicator points to decreasing state revenue.” We knew this recession would not be as brief or shallow as were those of 1990-91 or 2001, but it is important to understand, from a historical perspective, that Mississippi is not likely to experience a full rebound to revenue levels of FY 2008 for many years. We must budget accordingly.

Earlier this year, leaders from the National Governors Association told Congress that even with the federal stimulus impact, “states’ fiscal picture will continue to deteriorate over the next two years” based on historical trends that have proven the worst budget years for a state are the two years after the national recession is declared over. For example, according to the NGA, the recession that ended in

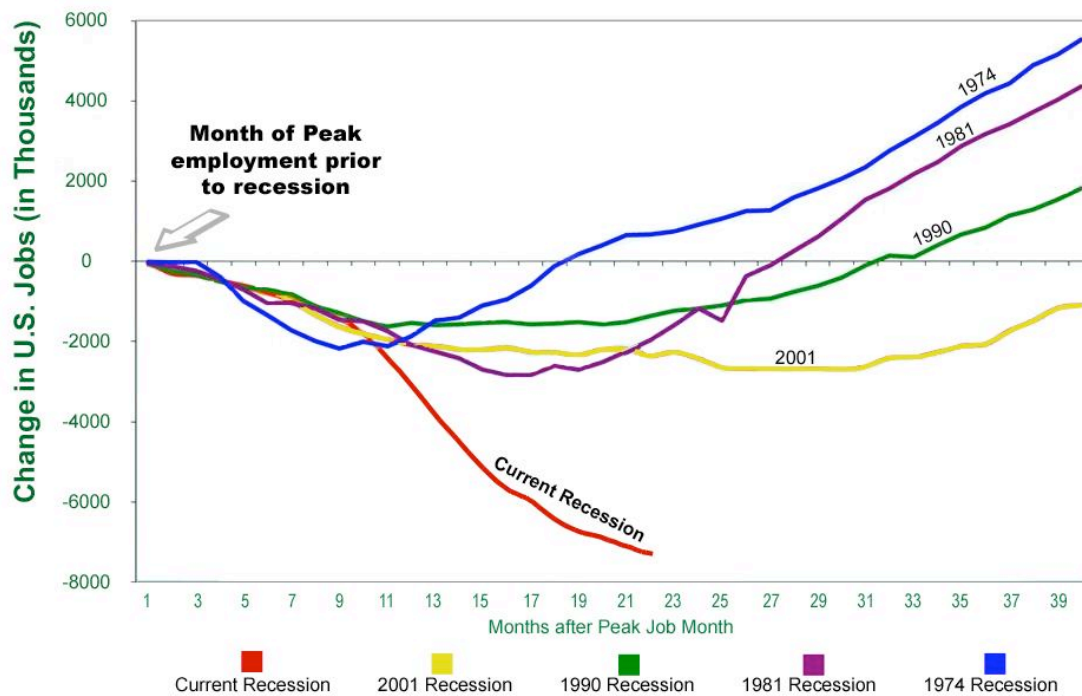
1991 resulted in 35 states cutting budgets the following year, and the recession that ended in 2001 resulted in 37 states cutting budgets in each of the following two years. Using past recessions as a guide, we can expect that most states, including Mississippi, will face budget shortfalls in 2011 and 2012.

In fact, a November 2009 report released jointly by NGA and the National Association of State Budget Officers, representatives from both organizations concluded that states will continue to face economic hardships for many years, observing that numerous studies project that state revenues will likely not recover to FY 2008 levels until 2014 or 2015. NASBO’s executive director, Scott Pattison, calls the current budget situation some of “the worst numbers we’ve ever seen in the decades of putting together this report,” while NGA’s executive director, Raymond Scheppach, says that “the bottom line is that states will not fully recover from this recession until late in the next decade.”

When discussing state budget issues, we also must take into account that Mississippi’s financial health is highly dependent on the financial health of our citizens, who pay the sales and income taxes that account for the bulk of state revenues. Even after a recession has technically ended, unemployment – a key economic indicator – historically continues to rise, sometimes significantly, for an extended period. As an example, we can look back to the recessions of the early 1980s, 1990s, and 2000s.

For the 1980-82 recessions, which most resemble today’s deep economic downturn, Mississippi’s unemployment rate remained in the double digits until September 1987. Furthermore, actual tax collections for Mississippi showed negative growth of 0.26 and 0.7 percent in the years following the recessions ending in 1982 and 1991, respectively. Even the more shallow recessions of 1990-91 and 2001 saw unemployment rates lag behind growth. Despite the 1990-91 recession ending in March, pre-recessionary unemployment levels were not reached until almost two years later in

## Job Losses in Recent U.S. Recessions



U.S. Bureau of Labor Statistics, Total Nonfarm Jobs, Seasonally Adjusted.

December 1992; likewise, the 2001 recession, which lasted only eight months, resulted in elevated unemployment rates that did not return to near pre-recessionary levels until March 2004.

In December 2008, the Urban Institute released a study regarding national unemployment trends and income during a recession, finding that “even if the current recession ends in 2009, we may not see unemployment rates as low as 2007’s 4.6 percent for years to come.” The accompanying chart demonstrates that unemployment has taken longer and longer to return to pre-recession levels in each succeeding recession over the last 35 years. We should expect employment to stay below summer 2008 levels for at least 30 more months. This pattern was noted recently by economist and Nobel prize winner Paul Krugman, who wrote in the *New York Times* that unless the economy “changes drastically, we’re looking at many years of high unemployment.” Thus, even after a recession’s end, financial hardships caused by high unemployment and the associated deterioration of personal income will continue for two, three, or even more years at the state and local level.

### ***Budget Shortfalls Deepen in FY 2011 and FY 2012***

Along with declining revenue streams, Mississippi also will face several rising expenses that will add to our budget problems for the 2011 fiscal year and continue into Fiscal Year 2012. As unemployment remains high and wages for citizens are reduced, more and more people will qualify for the Medicaid program; importantly, more of these increased costs will have to be paid by the state, since under current law federal Medicaid stimulus dollars will end in the middle of FY 2011 (December 31, 2010). To meet this increased demand and replace the lost federal dollars, Medicaid will need more than \$200 million in FY 2011 over the state appropriations for this budget year; another \$220 million will be needed for FY 2012 without a change in current law. This built-in deficit will be a problem experienced nationwide, as observed in an NGA analysis regarding state fiscal situations: “The combination of falling revenues, which accompany high unemployment, and an explosion in Medicaid enrollment, which occurs very late in an economic downturn, explain why a recession’s greatest impact on state budgets occurs one to two years after the downturn is over.”

The Mississippi Adequate Education Program formula calls for a significant increase of some \$60 million for FY 2011, and the Public Employee Retirement System Board has proposed increasing state employer contribution rates by \$70 million a year to fund the system through state dollars. Healthcare costs are rising in the state; the school employees’ health plan has asked for an 11 percent, or \$29.3 million, increase in state funding. Debt service, which the state cannot legally reduce or avoid, also has increased about \$25 million. If action is not taken to mitigate the impact of these structural cost increases, Mississippi will face a \$715 million budget gap for the 2011 fiscal year.

However, we cannot approach FY 2011 with budget blinders on; indeed, we must understand that while Mississippi faces a \$715 million shortfall for FY 2011, the estimated budget hole under current law for the following fiscal year, FY 2012, is \$1.2

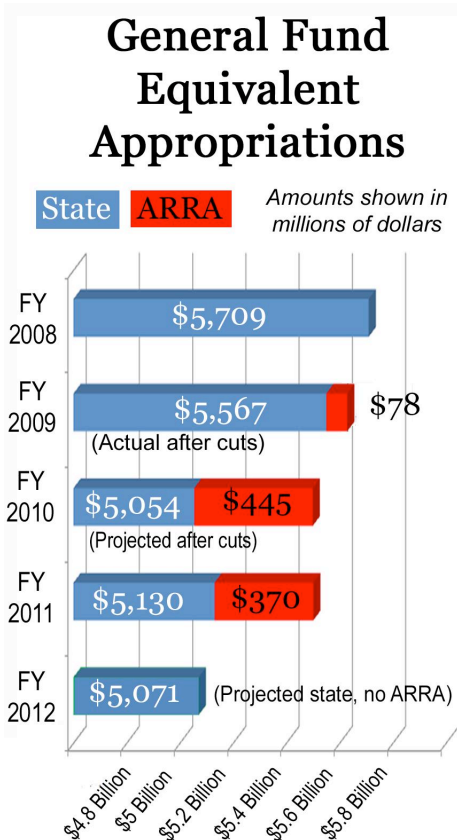
billion. One reason is Mississippi will no longer receive \$370 million in federal stimulus funding in FY 2012.

While we should hope for the best, it is of critical importance to prepare for the worst. Action taken immediately to address the FY 2011 budget shortfall will help Mississippi to be better prepared for the even more difficult FY 2012 budget, which must be adopted in 2011, an election year.

***Prudent Usage of the Rainy Day Fund is Critical***

Prudent, responsible budgeting practices by the state since 2004 have positioned us to better cope with declining revenues. I commend the Legislature for filling the Rainy Day Fund (technically known as the Working Cash Stabilization Fund) to its statutorily authorized amount in recent years, which we now clearly see was the appropriate and responsible thing to do. Last year, I recommended that we use this fund prudently, with anticipation of spreading the fund balance over a four-year period. I appreciate the hard work of Senate Appropriations Chairman Nunnelee and House Appropriations Chairman Stringer to limit the draining from the Rainy Day Fund in FY 2010 to \$95 million. However, additional monies from the fund were required to dig out of the FY 2009 budget. Consistent with our agreement last year, I will once again recommend the state use no more than one-third of our remaining Rainy Day Fund reserves, or \$78 million, to cushion the revenue shortfall for FY 2011. This will leave some \$80 million for each of FY 2012 and FY 2013.

I also appreciate the Legislature agreeing to save \$60 million from the Health Care Trust Fund to use in the upcoming fiscal year. This will provide some relief from the dwindling revenue collections in FY 2011.



***Raising Taxes Is the Enemy of Controlling Spending***

Since I took office in 2004, I have repeatedly said that raising taxes is the enemy of controlling spending. Now, more than ever, we must get our spending under control, but let me be clear: Forcing our citizens to cough up more of their hard-earned money by raising taxes is not the right approach, particularly in these difficult economic times.

***Enhancing Educational Opportunities While Reducing Administrative Costs***

Make no mistake about it: some of the choices we need to make are going to be unpopular. We must keep the end goal in sight: Building a better, sustainable educational system to serve this and future generations of Mississippians.

That starts by reducing administrative costs in our educational system and building on student success. This is no easy task. The fact of the matter is that, even with the cuts required for K-12, community colleges and universities in Fiscal Year 2010, all three educational levels will have more money to spend this year on education than in FY 2009. The biggest reason for this is federal stimulus funding, which earmarked nearly \$200 million for both FY 2010 and FY 2011 education spending. It's important to remember this federal stimulus money goes away at the end of FY 2011. Knowing the current level of education funding is unsustainable when that occurs, we must prepare now to try to have a soft landing for our schools when spending returns to levels sustainable by normal state, local, and federal efforts.

While most of state government will see a cut of 12 percent below FY 2010 appropriated levels, I am recommending a 10.9 percent cut, or a reduction of \$237 million, for the Mississippi Adequate Education Program. Total K-12 education would see a cut of 9.4 percent. While these spending reductions are not optimal, they will provide an impetus for true reform in our state's educational structure. After all, we know that reducing the number of school districts means we can spread more resources to the remaining school districts, thereby enhancing educational achievement. Additionally, just as the state taps into our reserve funds during periods of significant economic decline, I believe it is incumbent upon school districts to use their reserve balances to offset these cuts in state support for public education. There are many ways education can absorb these cuts without negative impact on the quality of instruction our students receive, and I hope the Legislature and education leaders will use this as an opportunity to implement innovative, meaningful reform.

In a recent interview regarding the budget, House Education Chairman Cecil Brown told *The Clarion Ledger* if "we really want to run government like a business, we have to plan the way businesses do." This is truer than ever before. Successful businesses are the ones who efficiently manage administrative costs while focusing on providing quality, affordable services and products to their customers. We should strive to replicate this business model in all of state government, including education.

It's high time to recognize that Mississippi's having 152 school districts across 82 counties is a model of inefficiency. Consolidating school districts will reduce administration costs in the short term, will ultimately match effective teachers with "right-sized" classes, and will push more money into the classroom, improving educational achievement by our K-12 students.

Young people leaving our schools must be provided the skills necessary to succeed at the college/university level or in the workforce. Deliberative thought must be given to establishing criteria for consolidation: student performance, district size, financial stability, assessed valuation, the millage rate assessed for district support,

potential administrative savings, and other factors impacting student opportunities. The plan for reducing the number of districts by a third should be adopted by the State Department of Education based on advice and counsel from a blue ribbon commission I will appoint in December. The commission will be authorized to contract for professional help to set the criteria for consolidating districts. These tough decisions must be made in FY 2011, so the full impact of consolidation – an estimated \$65 million savings – will come to fruition in FY 2012 when we see overall budget shortfalls grow as federal education money disappears. We cannot afford to delay this decision any longer.

Consolidation of school districts is just one piece of our approach to reducing costs while providing a strong education to our schoolchildren. We can save up to \$18 million by suspending for one year the “STEP” salary increase teachers automatically receive based on years of service. With thousands of Mississippians losing their jobs, it is fair that we ask our teachers to temporarily forgo these automatic pay increases. Also by holding STEP pay for a year, we can continue to fund the National Board Certification program to prevent those teachers from taking an additional pay cut.

School district consolidation and temporary suspension of the STEP increase are bold proposals, but cost-savings achieved through these initiatives alone will not be enough for public education to meet targeted savings. Since education accounts for more than 60 percent of the state budget, education at all levels must produce a large portion of the savings. Again, I am convinced this can be done without hurting the quality of the education our students receive.

Additionally, the Mississippi School of the Arts should be merged into the existing Mississippi School for Math and Science and moved to the new campus to enhance quality education while achieving at least \$1 million in cost savings. The Mississippi School for the Blind and Deaf can find cost efficiencies in its programs and services while enhancing educational opportunities. A feasibility study should be conducted to determine the best method to educate Mississippi’s blind and deaf children. This review should include the possibility of moving the campus to the Mississippi School of the Arts in Brookhaven or Oakley Training School, which would allow the state to utilize those properties better. The state could then sell or lease for a long term the prime real estate where the School for the Blind and Deaf currently sits, bringing much needed development to Jackson as well as revenue for our schools.

To achieve the amount of savings needed in FY 2011, we should remember that all school districts have the ability to spend down their fund balances (roughly half of which is state-source funds) and find other cost reductions within their individual districts as they have done in previous cuts. It is necessary for local school districts to rely on their fund balances, just as the state has done with its rainy day fund.

I am recommending a 12 percent reduction in funding of MDE’s vocational and technical dollars, which are used in conjunction with funds from the federal Perkins Career and Technical Education program to support workforce training in Mississippi at the high school and community college level. Because states are required to meet a

certain spending level in order to qualify for Perkins funds, I will work with MDE to develop a federal waiver request on behalf of Mississippi so that we can continue to draw down these important funds while allowing for state budgeting flexibility. In order to achieve the 12 percent reduction, or about \$10 million in savings, MDE should reduce expenditures for areas like administration, equipment purchases, and contractual services with vendors – not teacher salaries or workforce training initiatives. After all, a large portion of these dollars are used to fund part of teacher pay as well as to support workforce training at the community college level, and I believe it is critically important that we maintain adequate funding for these areas.

Additionally, to reduce administrative costs further and eliminate duplication of programs, we should better align our resources for career and technical programs at MDE with the ongoing workforce training initiatives at our community and junior colleges. Already, nearly \$30 million a year flows through MDE’s vocational and technical budget for use by the community and junior colleges. In the future, we should move toward stronger partnerships between our public schools and community and junior colleges not only to eliminate duplicative training, but to improve skills training and provide students with career pathways starting in high school. Community and junior colleges are already the leading workforce training providers in Mississippi. We should adopt an integrated funding approach that supports dual enrollment and dual credit opportunities to allow high school students to learn a trade while earning credits toward both a high school diploma and community college credential or associate degree.

No area of education can be immune to spending reductions. I am asking most state agencies to achieve a targeted savings of nearly 12 percent, and I expect the same from our educational communities. Despite record enrollment at our community and junior colleges, it is imperative that these institutions find ways to save.

There is no reason for each of the 15 community and junior colleges to have its own “back room” operation, such as payroll, insurance and purchasing. A single such administrative operation should be set up, preferably combined with the same functions for all the IHL universities. “Shared services” saves money.

Elimination of campuses, particularly satellite campuses, must be considered, and reducing the number of institutions from 15 to a lesser number can’t be ruled out. To help achieve better financial performance, the SBCJC should become a Governing Board, as is the case with boards for K-12 and the Institutions of Higher Learning. As a state, we must review eliminating or downsizing intercollegiate athletics at our community and junior colleges. Community and junior colleges, which reportedly spent almost \$20 million on all athletic programs in 2007, should prioritize what is necessary to achieve their educational goals.

Our community colleges are critical assets in Mississippi’s educational programs. They are indispensable in academics for our high school graduates because of lower cost and close proximity. But more high school graduates should start in community college to catch up when remedial courses are required.

Two-year associate degrees can prepare tens of thousands of young Mississippians for great careers, but a higher percentage of academic-bound students than now need to complete their degrees. Similarly, career program students need to earn certificates to succeed in the workforce. Non-credit workforce development and job training must continue to grow on every campus, and output must grow at every institution. Workforce training will help pull Mississippi out of this economic downturn; therefore, my budget does not reduce funding for workforce initiatives at our community and junior colleges.

At a time when the focus must be on efficiencies and excellence, we must recognize the unsustainability of dividing our limited IHL funding among eight public universities. This budget proposes merging Mississippi Valley State and Alcorn State with Jackson State. No campus would close, but administration would be unified and significant savings achieved. Our historically black universities would be united into a premier university with the land grant agriculture and technical advantages of Alcorn, MVSU's Delta campus, and JSU as an emerging great urban university.

Similarly, Mississippi University for Women would be merged with Mississippi State. Its campus, like those of Alcorn and Valley, would continue to function. There would be a rationalization of class offerings at the various campuses, including the three not affected by the mergers (Delta State, Ole Miss and USM). Every university would be expected to reduce costs by consolidating or eliminating programs not pulling their financial weight. Merging the MUW with MSU is preferable to closing the school and moving select programs to Starkville.

The mergers would not achieve significant savings in FY 2011 as they take time to plan and implement. In FY 2012, however, the mergers should save about \$35 million by themselves. These savings can't be achieved in FY 2012 if the decisions are not enacted in the FY 2011 budget.

Currently, the agriculture units at Mississippi State and Alcorn State are funded in appropriations separate from the universities' main funding. I recommend separate appropriations for the agriculture units cease, and the funding become part of the two universities' appropriations. This administration consolidation will give the leadership of the two universities greater flexibility in spending authority and should result in better setting of priorities. My budget reduces the FY 2011 agriculture unit appropriation by 15 percent, which the universities can make out of ag unit expenditures or other efficiencies in the greater university budget.

The Mississippi State College of Veterinary Medicine will need to save 15 percent of its budget in the coming year. The college received funds from the federal stimulus package in FY 2010. Stimulus guidelines dictate the state maintain a certain level of funding for the college in FY 2011. However, the college should expect deeper cuts in FY 2012 and consider raising tuition to be comparable to veterinary programs in surrounding states.

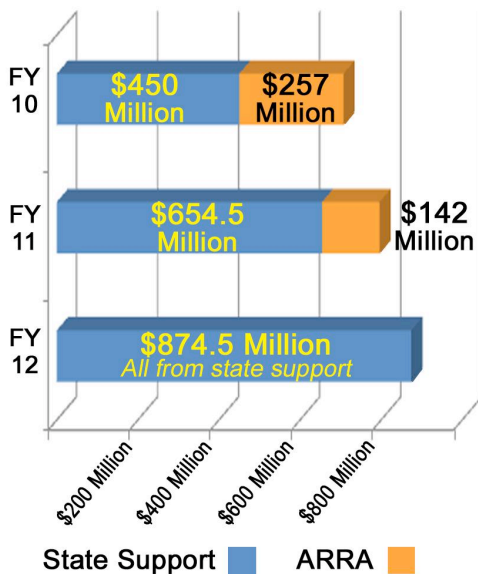
Closely related to our educational institutions is the state’s library system and educational television. Libraries are primarily a function of local governments and should be funded accordingly. My budget recommends a reduction of \$3.6 million in state subsidies for local libraries for the Mississippi Library Commission. When tax dollars are stretched, agencies with access to private foundations should be encouraged to utilize that funding as reflected by my proposal for the Educational Television Authority to trim its budget by 12 percent. Simultaneously, state departments and agencies are encouraged to use Mississippi Public Broadcasting’s facilities and resources whenever practical. Often that would save costs for the other agency and increase revenue for ETV.

***Maintaining Health and Social Services***

It is imperative the Division of Medicaid and the Departments of Health, Human Services, Rehabilitation Services and Mental Health identify overlapping expenses and find ways to share costs. As a matter of good policy, we must increase home- and community-based services for Mississippians with disabilities. Enabling individuals to live in their communities near families and friends fosters independence and costs less than institutionalizing patients.

The Division of Medicaid protects Mississippi’s most vulnerable citizens by providing healthcare for low-income and disabled individuals. The state will continue to provide these vital services, but we must implement cost savings in order to keep the program viable.

**State support  
of Medicaid  
Increases**



Unless legislative changes are made to the program, Medicaid will need more than \$200 million more state dollars in FY 2011 than was appropriated in FY 2010. In FY 2012, Medicaid will need an additional \$220 million in state funding for a total appropriation of \$875 million. Quite simply, the State of Mississippi can’t afford a Medicaid program that costs state taxpayers \$875 million a year.

We must reform Medicaid. We can start by implementing cost containment measures that will allow Medicaid to generate \$25 million in savings. The measures include: rolling back rates of non-long-term care and non-hospital providers to last year’s levels; increasing the long-term care provider assessment to the federally allowed maximum; re-basing all hospital inpatient provider rates; implementing ambulatory payment class rates for all hospital

outpatient reimbursements and implementing federally-allowed lower-of-logic savings for all Medicare Part B crossover claims. We must rely on existing broad-based community support to reduce spending on dialysis transportation by 25 percent. Many of these measures require statutory changes. Similarly, a recent Supreme Court ruling has established that the Legislature can authorize changes to the Medicaid reimbursement program for pharmacies, and I urge legislators to address this issue quickly so Medicaid can implement the necessary changes that will result in an additional \$6 million in savings. Medicaid will cut its administrative budget by 7 percent, producing another \$4 million in savings.

For FY 2011, we must speed up raising the hospital assessment from \$56.75 million to \$75 million to match the FMAP rate immediately. Last year, the Legislature restored part of the tax. The stimulus package has provided relief in funding the program, but the federal funding is scheduled to run out in the middle of FY 2011 and Medicaid will need more than \$200 million. Raising the hospital assessment to \$75 million at this time will generate part of the needed revenue for the state and put the tax on par with the state match requirement.

We should expand coordinated care services through the Mississippi Coordinated Access Network (MississippiCAN), a Coordinated Care Program for Mississippi Medicaid beneficiaries, as a path to cost savings in health care. MississippiCAN will improve access to needed medical services by connecting beneficiaries to providers for preventative and primary care. The program will improve the quality of care by providing support services for managing illnesses and empower beneficiaries. MississippiCAN will save tax dollars through a more efficient healthcare approach.

Over the years, the State has relied heavily on institutional care for mentally ill individuals. Going forward, the state needs to commit fewer fiscal resources to institutional care and more fiscal resources to home- and community-based care. The Department of Mental Health can achieve savings by closing four Department of Mental Health facilities and six crisis centers. These include:

- Central Mississippi Residential Center (includes one crisis center)
- Mississippi Adolescent Center
- North Mississippi State Hospital (includes two crisis centers)
- South Mississippi State Hospital (includes one crisis center)
- Brookhaven Crisis Center
- Cleveland Crisis Center

These are appropriate first steps to save \$18 million in the coming fiscal year and another \$10 million in FY 2012. More savings will occur in the out years. Closing the facilities will put a greater reliance on home- and community-based services like those offered at the community mental health centers. The Department of Mental Health is working on contingency plans for each facility to ensure all patients continue to receive mental health services during the transition period. Not all savings will be net as some

funds must be provided to community mental health centers to support the home- and community-based care.

The Department of Human Services must examine existing contracts and services and reduce its overall budget by 12 percent. Additionally, we will close the Oakley Training Facility, which costs the state roughly \$300 per child per day to care for 120 to 150 children. We will save \$22 million by closing the facility and redistribute a portion of these savings among local juvenile centers so they may absorb current Oakley residents.

### ***Optimizing State Services***

In these stark budget times, significant savings cannot be achieved solely by purchasing fewer office supplies or traveling less. Mississippi has more than 100 agencies, many of whom offer similar services. All have directors and hiring departments that manage a small staff. We have a responsibility to taxpayers to avoid redundancy and wasteful spending. The consolidation of many boards and smaller departments into existing state agencies will reduce administrative costs and prevent unnecessary duplication of certain tasks. Agency consolidations will save money while providing more efficient services to taxpayers.

Even agencies that are wholly special fund agencies can be combined to achieve savings. For example, consideration should be given to what savings could be achieved by merging our three state public defense agencies.

My budget recommends discontinuation of state support for four entities, the Mississippi Technology Alliance, the Commission on the Status of Women, the Enterprise for Innovative Geospatial Solutions and the Mississippi River Parkway Commission. The bulk of work done by MTA (which is not a state agency) can be performed by the Mississippi Development Authority. The Commission on the Status of Women should be rolled into the Attorney General's Office. The functions of EIGS can be rolled into the existing university structure, and the Mississippi River Parkway Commission should be merged into MDA.

To ensure we are spending taxpayer money in the most efficient way possible, Mississippi will develop and implement a comprehensive program to achieve significant cost-savings through administrative initiatives, such as bulk purchasing, joint procurement, and consolidating back-room operations, preferably into a single office for all universities and community and junior colleges. The Department of Finance and Administration, in conjunction with the Institutions of Higher Learning and the Community College system, will carry out these consolidations.

Agencies such as the Tax Commission and Medicaid already have worked successfully to renegotiate state contracts. Their good example should be followed by every state agency that has contracts with an outside vendor.

### ***Modernizing the state's technology capabilities***

When I was first elected Governor, my top priority was to clean up the then-existing \$720 million budget shortfall. The Legislature enacted large parts of “Operation Streamline” to reduce costs. With your help, we were able to get Mississippi back into the black in only two and a half years, without raising anybody’s taxes.

This time part of our strategy is to achieve increased collections of the revenue owed the state. To do so, we will provide additional funding to the Mississippi State Tax Commission, which becomes the Department of Revenue at the start of FY 2011.

Toward that end, I am proposing an increase of \$4 million for the MSTC to hire new auditors to reclaim a large portion of the estimated more than \$260 million in known liabilities owed to the state. Collecting taxes already owed the state is critical in today’s budget environment. We must also realize that in addition to manpower, it is critical that our tax collection agency utilize modern technology in order to operate more efficiently and effectively.

Mississippi should employ the improved new technologies being utilized both in the private and public sectors to achieve cost-savings while also improving service. For example, as the Department of Information Technology Services rightly points out, significant cost-savings as well as improved performance could be achieved by consolidating duplicative IT hardware, software and personnel across all state agencies. Streamlined technology purchasing would improve state government operations. Additionally, we should arm the ITS Board with the authority to approve technology expenditures and only when the request is consistent with the state’s IT plan.

To accomplish these innovative ideas, there will be initial one-time capital costs, particularly in the area of IT. We should spend any one-time revenue received by the state for the following one-time purposes:

- The Tax Commission reports a state investment of \$33 million for purchasing a new computer system will enable the MSTC to significantly enhance revenue collections. Since this is a top priority, if one-time money does not become available I am willing to issue short-term debt to pay for this system and pay back any debt with the increased revenues realized from the new system.
- Another needed technology upgrade is DFA’s enterprise resource planning system, known as MAGIC. Providing dollars to these critically needed upgrades will not only save money, but will improve accountability and increase efficiency among all areas of state government.

***Privatizing wine sales to increase revenue, improve service***

During my January 2009 State of the State address, I committed to improving performance and saving money by contracting out parts of services performed by the

Bureau of Alcohol Beverage Control. After analysis, I believe Mississippi can generate \$2.5 million in new revenue by privatizing the wine functions of ABC. The Tax Commission will arrange competitive bidding to ascertain that privatization will in fact increase net revenue to the state as well as improve service.

### ***Effective Management of Natural Resources and Agriculture***

Five years ago, I suggested combining the Mississippi Forestry Commission and the Department of Agriculture and Commerce as a way to streamline services and share expertise. I renew and expand that proposal for FY 2011 as we look off a budgetary cliff. Mississippi is one of only seven states managing its forestry program as a stand-alone state agency. Other states oversee forest management through agricultural, university, environmental or natural resources departments. Folding several other smaller, independently budgeted agencies – the Soil and Water Conservation Commission, the Board of Animal Health, the Fair Commission, the Board of Registered Foresters, the Egg Marketing Board, and the Board of Veterinary Medicine – into one department should result in administrative savings for all aggregate functions. Creating a new Mississippi Department of Agriculture and Forestry will save the state more than \$4 million in FY 2011 with greater savings in FY 2012. The newly formed department must be free from the restrictions of the State Personnel Board, as should all other departments and agencies during the next two years.

### ***Streamlining Business Services***

The Department of Banking and Consumer Finance should be consolidated into the Secretary of State's Office. The Secretary of State's Office currently regulates and monitors businesses in Mississippi through registration, licensing, and periodic and for-cause examinations and enforcement proceedings, particularly in the securities, charities and nonprofits areas.

The Department of Banking and Consumer Finance fits well into the Secretary of State's Office because the Secretary of State already audits broker dealers and other financial advisors. Savings would be achieved by consolidating common functions within the Secretary of State's Office. Auditors and examiners would be cross-trained when possible to enhance enforcement of financial regulatory laws and allow possible reorganization of personnel. Education, publications and outreach programs would be consolidated into the existing division at the Secretary of State's Office. Administrative functions would be combined within the Secretary of State's Office resulting in the reduction or re-assignment of personnel.

Further, placing an emphasis on online or electronic filings would result in significant longer-term savings, as would combining the filing and finance divisions of the agencies. The executive director would become an Assistant Secretary of State.

I propose moving the Grand Gulf Military Monument operations to the Department of Archives and History. The agencies' missions are aligned and should be operated under the same administrative structure.

### ***Keeping the Public Safe***

The first function of government is to ensure the public's safety, and we can do this while achieving lesser savings at public safety agencies than by others.

- The inmate population at the Department of Corrections has fallen by 1,300 people this fiscal year, which means there are empty beds and partially utilized prison units. MDOC will review its capacity and find savings;
- Additional savings must be made in the cost of inmate healthcare;
- The 30/30 Trusty Time program which allows a trusty who meets eligibility requirements to earn a 30 day reduction of sentence for each 30 days of trusty work, should be expanded to allow additional inmates to participate in the program which will save additional monies; and
- The reimbursement rate for local confinement should be reduced by 33 percent. State inmates provide a valuable source of labor for Mississippi counties and benefit the local communities, and that should be reflected in reimbursements rates.

The Department of Public Safety will reduce its non-law enforcement workforce and contract employees. I propose shifting the Department of Transportation Enforcement Division to DPS. Officers in both agencies perform similar functions, and there is no reason for such duplication. This will improve the public's safety on the state's highways and roads. We have as many troopers at the highway patrol as when I took office in 2004. As much as I would like to increase the number of new troopers, I do not believe the state can afford a trooper school in the coming year.

Ensuring the continued safety and justice for our citizens means the state has a responsibility to maintain adequate funding for the judiciary. My budget exempts district attorneys and trial judges from any cuts, and I have recommended lesser cuts of 6 percent for Supreme Court Services and the Court of Appeals. While all areas must find efficiencies, we cannot shortchange the state judicial system and its mission to help law enforcement entities put criminals behind bars.

### ***Maximum Flexibility for Department Heads to Right-Size Agencies***

State government must deliver services in the most efficient and effective manner, especially in these unprecedented tight budget times. Our managers in state government must be afforded more flexibility to manage alignment of their services to the needs of the people – and the money available.

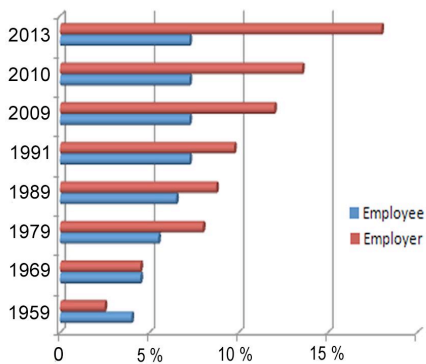
From a historical perspective, we know this type of flexibility works. In recent years, the Legislature granted maximum flexibility and exemption from Personnel Board rules to the Departments of Corrections and Agriculture, which has saved taxpayers \$60 million and \$49 million, respectively, since the reorganization. This restructuring was done without a decline in the quality of services provided. To weather these budget constraints, every agency should be allowed out from under the restrictions of the State Personnel Board for at least two years, which will allow directors to right-size their organizations.

In addition to freeing our agencies from State Personnel Board restrictions, I also recommend a 12 percent reduction in the \$140 fee per PIN charged to state agencies to fund State Personnel Board operations. By reducing this fee to \$123, we are aligning the fee structure to reflect the 12 percent reduction that most of state government will see in FY 2011, as well as providing our agencies with some budgetary relief.

Budget flexibility by awarding “lump sum” appropriations should be the standard to allow needed flexibility to move funds as circumstances dictate. It is time to give maximum budgetary and right-sizing flexibility, but I will support limitations on pay raises as a condition for this flexibility.

***Ensuring the Integrity of the State Retirement and Health Insurance Systems***

**Dramatic Shift  
in Retirement  
Contributions**



Year	Employee's Percentage	Employer's Percentage
1959	4	2.5
1969	4.5	4.5
1979	5.5	8
1989	6.5	8.75
1991	7.25	9.75
2009	7.25	12
2010 *	7.25	13.56
2013 *	7.25	18

\* Proposed contribution percentages

Due to unsustainable benefit enhancements passed during the late 1990s and early 2000s, increased costs associated with the state retirement system are inevitable. What we must be wary of, however, is continuing to turn a blind-eye to wrongheaded policies that saddle only the state’s taxpayers with an impossible financial burden.

Beginning in the late 1990s through 2002, the Legislature approved benefit enhancements for the state employee retirement system. These enhancements included a guaranteed three percent cost-of-living-adjustment each year until age 55, and compounded thereafter, as well as several benefit accrual increases – with a collective price tag of more than \$3 billion in system liability costs. That means Mississippi taxpayers pay more than \$700 million annually to fund the retirement system. To ensure pension sustainability, consideration should be given to modifying the current benefit structure, including accrual rates and automatic cost-of-living adjustments, for current and prospective state employees.

In October, the Public Employee Retirement System (PERS) Board voted to increase the state's (i.e., taxpayers') contribution for retirement benefits by a full 1.56 percent, from 12 percent to 13.56 percent, resulting in additional cost of more than \$70 million to the state budget and taxpayers. This number does not include the \$20.3 million cost increases on other entities covered by PERS, such as county and municipal governments (again, taxpayers). This 1.56 percentage increase in the employer contribution rate means that Mississippi taxpayers would have to pay an additional \$90 million for retirement benefits for government workers.

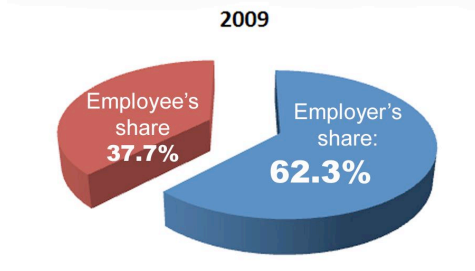
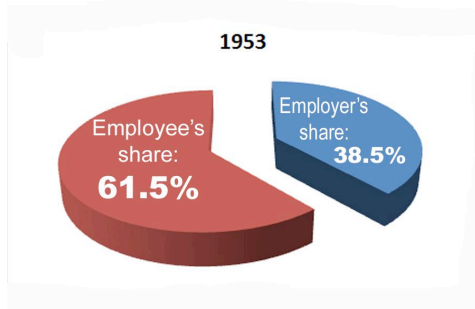
What's more, the PERS Board has proposed a long-term plan that would increase the employer contribution rate to 18 percent, or a whopping \$350 million in new annual costs to fund the retirement system.

While citizens are being asked to pay huge increased costs to the retirement system, employees (who are the beneficiaries of the PERS program) have paid the same rate (7.25 percent) into the system since 1991. This is obviously unfair to taxpayers, so we must recalibrate the ratio of contributions paid by employers and employees to ensure the system has integrity, fairness, and is sustainable in the long-term.

Therefore, in order to offset increased costs associated with the retirement system, I am recommending no increase in the state contribution to PERS for FY 2011, and that any necessary increases, including the 1.56 percent proposed increase, be funded through higher employee contributions until we have reached a fair balance between the amount

of contributions paid by both employees and the employer. State law authorizes the PERS Board to set the employee contribution rate in order to maintain the benefits that have been promised to state employees, and I am calling on this board to step up to the plate to adopt a responsible and appropriate employee contribution rate that keeps these benefits intact. As a long-term funding goal, I am recommending that the PERS Board and the Legislature return equity to the funding system by avoiding unsustainable benefit enhancements as well as ensuring the ratio of employer and employee contributions is not only fair, but fiscally responsible.

## Make up of Total Retirement Contribution



As a general retirement policy, Mississippi also should have a better way to manage benefits paid to retirees who continue service with the state. I commend the Legislature for its proactive work on this issue during the last legislative session, which required documentation to be filed regarding all retirees who continue working for

the state. To protect the pension plan and as a matter of fairness, retirees who continue working for the state in any capacity should also continue contributing to the funding of the state retirement system.

Another related, critically needed area of reform is the state health insurance plan. As a preliminary measure, the State Health Insurance Board voted to increase premiums by 11 percent, resulting in a cost to the state of approximately \$29.3 million. This figure is unacceptable; however, I am pleased that the Board will meet again to address this very important issue. Between now and then the Board needs to consider costs of benefits for all beneficiaries of the plan.

Currently, taxpayers significantly subsidize health insurance for non-Medicare eligible retirees. Benefits for these retirees cost the state some 60 percent more than the premium they pay. I propose their (i.e. non-Medicare eligible, non-disabled retirees) premium be increased by 15 percent in each of the next four years so that premiums are more in line with the actual cost of providing insurance, as they are with the costs for other beneficiaries.

The Board is trying to keep costs low by developing several proposals that would help mitigate rising costs to the state. Instinctively, we know there are some areas where true costs savings can be achieved, such as implementing programs to encourage usage of generic drugs and implementing a surcharge for tobacco users. I look forward to receiving the Board's final proposals and will work with them to enact legislative changes, where appropriate.

### *Affordable health insurance*

While the healthcare debate has reached a fever pitch on Capitol Hill, Mississippi has a plan to provide quality medical care to uninsured individuals. My proposed Mississippi Health Insurance Exchange is designed to give many Mississippians a way to buy, own and keep health insurance. A voluntary, portable and affordable option would help Mississippi families and small businesses. While the Senate has supported this plan repeatedly, the House has not.

The plan creates a state-authorized health insurance exchange for health insurance options, and participation would be voluntary. For small businesses the exchange would assume many of the administrative functions of a human resources department at a large corporation.

Under the program, small businesses would contribute a pre-designated amount of money toward the cost of an employee's health insurance. By noting the "exchange" as the employer's health plan, the contribution would become tax-free for the business, and the health benefit would be tax-free for the employee.

For small businesses, the Mississippi Health Insurance Exchange would reduce premium rates through expanded purchasing power as well as saving administrative

costs. For individuals and families, the program provides more options for affordable healthcare, including tax deductibility of employees' contribution to paying health insurance premiums. While this is not a cure-all for the rising cost of healthcare or the availability of insurance, a health insurance exchange would be a worthwhile way our state can increase the number of citizens with health insurance.

### ***Strategic planning key component of effective budgeting***

In 2008, I asked Lieutenant Governor Phil Bryant to lead a task force to root out waste and inefficiency in state government. Over the course of the past year, the Commission for a New Mississippi has been working to develop a plan to achieve this mission, with final recommendations centering around three points: having a strategic, statewide plan that is well-communicated across governmental entities; reforming performance-based budgeting, and creating a state agency from existing entities to provide continuous review and improvements of state government operations.

I urge the Legislature to consider adopting these meritorious proposals, which I believe can have long-term implications for improving the current budgeting process. Now, more than ever, we must think differently about the way state government is operated, including how the budgeting process relates to efficiency and effectiveness in all of state government. I sincerely appreciate the Lieutenant Governor and commission members for their thoughtful plan that addresses these very issues.

### ***Conclusion***

This Executive Budget Recommendation is dramatic but not draconian. The delivery of services such as education would change in several instances, but quality itself would improve. Savings would be achieved, both immediate and long term.

Some actions would be temporary to get us through the trough. Using a portion of local school districts' fund balances, for instance, is a short-term fix. Consolidations of districts and mergers of universities will pay off for years and decades to come.

The Legislature may not accept all these recommendations. Indeed, I welcome its alterations or additional proposals in FY 2011, FY 2012 and beyond. We must all accept that for a few years, it cannot be business as usual with any budget.

As I close, however, I must express my strong optimism for Mississippi's economy and our future. Our state was late feeling any effect from the recession because the state had so much momentum in economic growth and job creation that should allow us to hit the ground running as the recession ends.

We can be first out of the chute because we not only had momentum (per capita income increased 27 percent in five years and low-skilled, low-paying jobs were being replaced with higher-skilled, higher-tech, higher-paying jobs), but we also have delayed economic development projects in the pipeline.

Toyota's continued commitment means in a couple of years or so, our Toyota plant and six of our Toyota suppliers will open with more than 4,000 jobs. PACCAR's engine plant in Columbus will be open within a year or two. Redevelopment at the Port of Gulfport will be in high gear soon, and several energy projects are going forward.

The biggest issue is our attitude. If we still have the can-do attitude about job creation and Mississippi's future that prevailed during 2004-2008, we will be a national leader in economic growth and job creation, emerging from the recession sooner and stronger.

**Executive Budget Recommendation  
Fiscal Year 2011**

	FY 09 TOTAL APPROPRIATED WITH DEFICITS STATE SUPPORT GF,BCF,HCF,EEF,TCF & ARRA	FY 10 TOTAL STATE SUPPORT APPROPRIATED & ARRA	FY 11 EXECUTIVE BUDGET RECOMMENDATION STATE SUPPORT EXCLUDING ARRA FUNDS	FY 11 EXECUTIVE BUDGET RECOMMENDATION ARRA FUNDS	FY 11 SUPPLEMENTAL FUNDS RECOMMENDATION	FY 11 COMBINED FUNDS RECOMMENDATION	FY 11/FY 10 \$ Variance	FY 11/FY 10 % Variance	FY 11/FY 09 % Variance
Legislative	26,075,417	26,004,726	22,884,159	0	0	22,884,159	(3,120,567)	-12.0%	-12.2%
Judiciary & Justice									
Attorney General's Office	9,700,789	9,563,929	8,082,697	0	0	8,082,697	(1,481,232)	-15.5%	-16.7%
Attorney General - Commission on Status of Women	50,000	48,300	0	0	0	0	(48,300)	-100.0%	-100.0%
Attorney General - Judgments & Settlements	1,465,846	0	0	0	0	0	0	0.0%	-100.0%
District Attorneys & Staff	18,116,195	16,671,353	16,671,353	0	0	16,671,353	0	0.0%	-8.0%
Judicial Performance Commission	380,241	360,564	317,296	0	0	317,296	(43,268)	-12.0%	-16.6%
Supreme Court Services	6,301,068	5,991,709	5,632,206	0	0	5,632,206	(359,503)	-6.0%	-10.6%
Administrative Office of Courts	3,943,681	3,747,533	3,297,829	0	0	3,297,829	(449,704)	-12.0%	-16.4%
Court of Appeals	5,130,570	4,878,956	4,586,219	0	0	4,586,219	(292,737)	-6.0%	-10.6%
Trial Judges	21,165,170	20,223,381	20,223,381	0	0	20,223,381	0	0.0%	-4.4%
Total Judiciary & Justice	66,253,560	61,485,725	58,810,981	0	0	58,810,981	(2,674,744)	-4.4%	-11.2%
Executive & Administrative									
Ethics Commission	604,640	650,932	572,820	0	0	572,820	(78,112)	-12.0%	-5.3%
Governor's Mansion	723,031	679,875	598,290	0	0	598,290	(81,585)	-12.0%	-17.3%
Governor's Office	2,355,474	2,235,830	1,967,530	0	0	1,967,530	(268,300)	-12.0%	-16.5%
Total Executive & Administrative	3,683,145	3,566,637	3,138,640	0	0	3,138,640	(427,997)	-12.0%	-14.8%
Fiscal Affairs									
Audit, Department of	6,999,867	6,532,021	6,532,021	0	0	6,532,021	0	0.0%	-6.7%
Finance & Administration	12,115,276	15,277,920	13,444,570	0	0	13,444,570	(1,833,350)	-12.0%	11.0%
DFA - State Building Insurance	8,500,000	0	0	0	0	0	0	0.0%	-100.0%
DFA - Cost Allocation - Amount due Federal Government	1,480,843	0	0	0	0	0	0	0.0%	-100.0%
Gaming Commission	3,785,319	0	0	0	0	0	0	0.0%	-100.0%
Tax Commission	72,222,589	73,855,688	50,855,688	0	0	50,855,688	(23,000,000)	-31.1%	-29.6%
License Tag Commission	2,310,000	1,969,310	1,732,993	0	0	1,732,993	(236,317)	-12.0%	-25.0%
Treasurer's Office, State	638,807	511,637	511,637	0	0	511,637	0	0.0%	-19.9%
Treasurer's Office - Health Care Trust Fund	102,367	93,473	93,473	0	0	93,473	0	0.0%	-8.7%
Total Fiscal Affairs	108,155,068	98,240,049	73,170,382	0	0	73,170,382	(25,069,667)	-25.5%	-32.3%

**Executive Budget Recommendation  
Fiscal Year 2011**

	FY 09 TOTAL APPROPRIATED WITH DEFICITS STATE SUPPORT GF,BCF,HCF,EEF,TCF & ARRA	FY 10 TOTAL STATE SUPPORT APPROPRIATED & ARRA	FY 11 EXECUTIVE BUDGET RECOMMENDATION STATE SUPPORT EXCLUDING ARRA FUNDS	FY 11 EXECUTIVE BUDGET RECOMMENDATION ARRA FUNDS	FY 11 SUPPLEMENTAL FUNDS RECOMMENDATION	FY 11 COMBINED FUNDS RECOMMENDATION	FY 11/FY 10 \$ Variance	FY 11/FY 10 % Variance	FY 11/FY 09 % Variance
Public Education									
Education, State Department of	74,764,020	76,278,826	67,125,367	0	0	67,125,367	(9,153,459)	-12.0%	-10.2%
Education Liquidity Fund (ELF)	0	0	35,840,000	0	0	35,840,000	35,840,000	100.0%	100.0%
National Board Certification	20,546,184	23,500,000	23,500,000	0	0	23,500,000	0	0.0%	14.4%
Educable Child	13,200,000	11,865,000	10,441,200	0	0	10,441,200	(1,423,800)	-12.0%	-20.9%
SDE - General Education	720,432	720,432	633,980	0	0	633,980	(86,452)	-12.0%	-12.0%
SDE - Buildings & Buses, Utilities, Debt Service	16,000,000	16,000,000	14,080,000	0	0	14,080,000	(1,920,000)	-12.0%	-12.0%
SDE - Supplies & Instr Materials	7,000,000	7,292,600	6,417,488	0	0	6,417,488	(875,112)	-12.0%	-8.3%
SDE - Textbooks	0	0	0	0	0	0	0	0.0%	0.0%
SDE - School Millage Reductor	46,000,000	46,000,000	40,480,000	0	0	40,480,000	(5,520,000)	-12.0%	-12.0%
SDE - Tech Prep Bond Debt Service	0	0	0	0	0	0	0	0.0%	0.0%
MAEP Base Student Cost (Excludes \$10M PSBF OSF)	1,813,955,243	1,707,703,955	1,566,602,734	153,350,403	25,000,000	1,744,953,137	37,249,182	2.2%	-3.8%
MAEP BSC Growth	0	37,249,182	61,314,991	0	0	61,314,991	24,065,809	64.6%	0.0%
MAEP Other Costs	432,278,491	437,184,375	138,253,131	0	0	138,253,131	(298,931,244)	-68.4%	-68.0%
Total MAEP	2,246,233,734	2,182,137,512	1,766,170,856	153,350,403	25,000,000	1,944,521,259	(237,616,253)	-10.9%	-13.4%
Vocational and Technical (PSVT moved to CJC Board)	85,787,783	84,241,581	74,132,591	0	0	74,132,591	(10,108,990)	-12.0%	-13.6%
High School Redesign - 21st Century Workforce	13,000,000	0	0	0	0	0	0	0.0%	-100.0%
Chickasaw Interest	12,088,983	13,004,818	14,515,760	0	0	14,515,760	1,510,942	11.6%	20.1%
Schools for the Blind & Deaf	12,066,206	12,163,010	10,703,449	0	0	10,703,449	(1,459,561)	-12.0%	-11.3%
Subtotal K-12 Public Education	2,547,407,342	2,473,203,779	2,064,040,691	153,350,403	25,000,000	2,242,391,094	(230,812,685)	-9.3%	-12.0%
Educational Television Authority	8,300,463	8,457,243	7,442,374	0	0	7,442,374	(1,014,869)	-12.0%	-10.3%
Library Commission	13,616,244	13,618,168	9,982,595	0	0	9,982,595	(3,635,573)	-26.7%	-26.7%
Total Public Education	2,569,324,049	2,495,279,190	2,081,465,660	153,350,403	25,000,000	2,259,816,063	(235,463,127)	-9.4%	-12.0%
Higher Education									
IHL General Support	411,245,134	378,753,333	284,091,250	34,211,683	15,000,000	333,302,933	(45,450,400)	-12.0%	-19.0%
Ayers Settlement (excludes \$1 Mil OSF)	25,700,000	25,950,000	25,950,000	0	0	25,950,000	0	0.0%	1.0%
Subsidiary Programs - Consolidated excl. Exec. Office	18,677,322	19,920,289	17,529,837	0	0	17,529,837	(2,390,432)	-12.0%	-6.1%
Student Financial Aid	30,377,373	30,200,449	27,784,413	0	0	27,784,413	(2,416,036)	-8.0%	-8.5%
Executive Office	7,299,523	8,082,703	7,112,779	0	0	7,112,779	(969,924)	-12.0%	-2.6%
University Medical Center - Consolidatec	233,580,057	232,496,051	196,743,604	14,677,157	4,774,503	216,195,264	(16,300,787)	-7.0%	-7.4%
Subtotal IHL	726,879,409	695,402,805	559,211,883	48,888,840	19,774,503	627,875,226	(67,527,579)	-9.7%	-13.6%
Community & Junior Colleges - Board	2,503,909	2,771,142	2,438,605	0	0	2,438,605	(332,537)	-12.0%	-2.6%
Community & Junior Colleges - Support	241,284,045	238,497,397	199,877,709	0	10,000,000	209,877,709	(28,619,688)	-12.0%	-13.0%
Community & Junior Colleges - Workforce	9,765,153	10,000,085	10,000,085	0	0	10,000,085	0	0.0%	2.4%
Community & Junior Colleges - ARRA Discretionary	9,831,362	0	0	0	0	0	0	-100.0%	-100.0%
Subtotal Community & Junior Colleges	263,384,469	251,268,624	212,316,399	0	10,000,000	222,316,399	(28,952,225)	-11.5%	-15.6%
Total Higher Education (Excludes \$1 Mil Ayers OSF)	990,263,878	946,671,429	771,528,282	48,888,840	29,774,503	850,191,625	(96,479,804)	-10.2%	-14.1%

**Executive Budget Recommendation  
Fiscal Year 2011**

	FY 09 TOTAL APPROPRIATED WITH DEFICITS STATE SUPPORT GF,BCF,HCF,EEF,TCF & ARRA	FY 10 TOTAL STATE SUPPORT APPROPRIATED & ARRA	FY 11 EXECUTIVE BUDGET RECOMMENDATION STATE SUPPORT EXCLUDING ARRA FUNDS	FY 11 EXECUTIVE BUDGET RECOMMENDATION ARRA FUNDS	FY 11 SUPPLEMENTAL FUNDS RECOMMENDATION	FY 11 COMBINED FUNDS RECOMMENDATION	FY 11/FY 10 \$ Variance	FY 11/FY 10 % Variance	FY 11/FY 09 % Variance
Public Health									
Health Department	51,514,961	51,010,120	30,324,594	1,226,854	14,357,660	45,909,108	(5,101,012)	-10.0%	-10.9%
Health Department - SDE School Nurses	3,300,000	3,550,000	3,124,000	0	0	3,124,000	(426,000)	-12.0%	-5.3%
Health Dept - UMC Cancer Institute	5,000,000	5,000,000	4,400,000	0	0	4,400,000	(600,000)	-12.0%	-12.0%
Health Dept - AG Alcohol & Tobacco Enforcement Unit	800,000	800,000	704,000	0	0	704,000	(96,000)	-12.0%	-12.0%
Health Dept - UMC Comprehensive Tobacco Center	650,000	700,000	616,000	0	0	616,000	(84,000)	-12.0%	-5.2%
Health Dept - Medicaid Safe Heart Health Initiative	0	50,000	0	0	0	0	(50,000)	-100.0%	0.0%
Total Public Health	61,264,961	61,110,120	39,168,594	1,226,854	14,357,660	54,753,108	(6,357,012)	-10.4%	-10.6%
Hospitals & Hospital Schools									
Mental Health Department - Consolidated	285,480,866	272,072,096	179,682,908	21,405,462	52,983,726	254,072,096	(18,000,000)	-6.6%	-11.0%
DMH Crisis Centers	0	0	0	0	0	0	0	0.0%	0.0%
Total Hospital & Hospital Schools	285,480,866	272,072,096	179,682,908	21,405,462	52,983,726	254,072,096	(18,000,000)	-6.6%	-11.0%
Agriculture & Commerce									
Agriculture & Commerce, Dept. of	9,036,629	9,536,243	27,235,226	0	0	27,235,226	17,698,983	185.6%	201.4%
Board of Animal Health (move to Agriculture)	1,699,319	1,408,605	0	0	0	0	(1,408,605)	-100.0%	-100.0%
Fair Commission - Livestock Shows (move to Agriculture)	224,757	224,757	(0)	0	0	(0)	(224,757)	-100.0%	-100.0%
Total Agriculture	10,960,705	11,169,605	27,235,226	0	0	27,235,226	16,065,621	143.8%	148.5%
IHL Agricultural Units									
Alcorn Agricultural Programs	4,779,607	5,607,118	4,766,050	0	0	4,766,050	(841,068)	-15.0%	-0.3%
MSU- Agriculture & Forestry (combine MSU Ags)	23,716,974	23,740,111	20,179,094	0	0	20,179,094	(3,561,017)	-15.0%	-14.9%
MSU - Cooperative Extension (combine MSU Ags)	29,410,885	29,454,127	25,036,008	0	0	25,036,008	(4,418,119)	-15.0%	-14.9%
MSU- Forest & Wildlife (combine MSU Ags)	6,128,754	6,135,116	5,214,849	0	0	5,214,849	(920,267)	-15.0%	-14.9%
MSU - College of Veterinary Med (combine MSU Ags)	18,013,414	16,359,396	12,002,273	1,903,214	0	13,905,487	(2,453,909)	-15.0%	-22.8%
Total IHL Agriculture	82,049,634	81,295,868	67,198,274	1,903,214	0	69,101,488	(12,194,380)	-15.0%	-15.8%
Economic Development									
Mississippi Development Authority	23,858,823	23,786,989	22,597,640	0	0	22,597,640	(1,189,349)	-5.0%	-5.3%
Mississippi Development Authority - Tourism/Welcome Ctrs	0	0	0	0	0	0	0	0.0%	0.0%
MS Technology Alliance	1,054,094	751,110	0	0	0	0	(751,110)	-100.0%	-100.0%
Enterprise for Innovative Geospatial Solutions	835,834	660,425	0	0	0	0	(660,425)	-100.0%	-100.0%
Total Economic Development	25,748,751	25,198,524	22,597,640	0	0	22,597,640	(2,600,884)	-10.3%	-12.2%

**Executive Budget Recommendation  
Fiscal Year 2011**

	FY 09 TOTAL APPROPRIATED WITH DEFICITS STATE SUPPORT GF,BCF, HCF, EEF, TCF & ARRA	FY 10 TOTAL STATE SUPPORT APPROPRIATED & ARRA	FY 11 EXECUTIVE BUDGET RECOMMENDATION STATE SUPPORT EXCLUDING ARRA FUNDS	FY 11 EXECUTIVE BUDGET RECOMMENDATION ARRA FUNDS	FY 11 SUPPLEMENTAL FUNDS RECOMMENDATION	FY 11 COMBINED FUNDS RECOMMENDATION	FY 11/FY 10 \$ Variance	FY 11/FY 10 % Variance	FY 11/FY 09 % Variance
Conservation									
Archives & History, Department of	10,096,944	9,847,734	8,880,246	0	0	8,880,246	(967,488)	-9.8%	-12.1%
Environmental Quality, Dept. of	14,257,792	14,305,836	12,589,136	0	0	12,589,136	(1,716,700)	-12.0%	-11.7%
MS Institute for Forestry Inventory	150,000	0	0	0	0	0	0	0.0%	-100.0%
Forestry Commission (move to Agriculture)	19,630,157	19,652,231	0	0	0	0	(19,652,231)	-100.0%	-100.0%
Grand Gulf Military Monument (move to Archives)	267,413	285,654	0	0	0	0	(285,654)	-100.0%	-100.0%
Marine Resources, Dept. of	1,979,639	1,850,783	1,480,626	0	0	1,480,626	(370,157)	-20.0%	-25.2%
MS River Parkway Commission (move to MDA)	25,800	24,252	0	0	0	0	(24,252)	-100.0%	-100.0%
Soil & Water Conservation (move to Agriculture)	832,096	883,034	0	0	0	0	(883,034)	-100.0%	-100.0%
Tennessee-Tombigbee Waterway	149,366	149,464	131,528	0	0	131,528	(17,936)	-12.0%	-11.9%
Wildlife, Fisheries & Parks	9,037,898	8,653,640	8,134,422	0	0	8,134,422	(519,218)	-6.0%	-10.0%
Total Conservation	56,427,105	55,652,628	31,215,958	0	0	31,215,958	(24,436,670)	-43.3%	-44.7%
Corrections - Consolidated	328,180,918	324,556,678	305,083,277	0	0	305,083,277	(19,473,401)	-6.0%	-7.0%
Total Corrections	328,180,918	324,556,678	305,083,277	0	0	305,083,277	(19,473,401)	-6.0%	-7.0%
Social Welfare									
Governor's Office - Div. Of Medicaid	587,277,674	707,337,710	563,997,512	141,752,364	90,499,408	796,249,284	88,911,574	12.6%	35.6%
Human Services, Department of	118,990,233	128,568,248	113,140,058	0	0	113,140,058	(15,428,190)	-12.0%	-4.9%
Rehabilitation Services - Consolidated	21,570,108	22,210,848	10,683,769	1,921,291	7,384,703	19,989,763	(2,221,085)	-10.0%	-7.3%
Total Social Welfare	727,838,015	858,116,806	687,821,339	143,673,655	97,884,111	929,379,105	71,262,299	8.3%	27.7%
Military, Police & Veterans' Affairs									
Emergency Management Agency	6,144,178	5,780,499	5,086,839	0	0	5,086,839	(693,660)	-12.0%	-17.2%
Disaster Relief	1,622,953	1,525,576	1,525,576	0	0	1,525,576	0	0.0%	-6.0%
Military Department	8,555,762	8,503,578	7,483,149	0	0	7,483,149	(1,020,429)	-12.0%	-12.5%
Narcotics, Bureau of	12,342,038	11,848,315	10,900,450	0	0	10,900,450	(947,865)	-8.0%	-11.7%
Public Safety, Department of	4,304,323	4,007,301	3,526,425	0	0	3,526,425	(480,876)	-12.0%	-18.1%
Highway Safety Patrol	48,440,661	49,385,867	45,434,998	0	0	45,434,998	(3,950,869)	-8.0%	-6.2%
MHP Weight Enforcement	0	0	1,791,955	0	0	1,791,955	1,791,955	100.0%	100.0%
Crime Lab	6,829,214	7,836,401	7,209,489	0	0	7,209,489	(626,912)	-8.0%	5.6%
Law Enforcement Officers Training Academy	593,829	552,724	486,397	0	0	486,397	(66,327)	-12.0%	-18.1%
State Medical Examiner	129,636	502,093	461,926	0	0	461,926	(40,167)	-8.0%	256.3%
Public Safety Planning	459,006	427,012	375,771	0	0	375,771	(51,241)	-12.0%	-18.1%
Homeland Security	206,919	192,826	169,687	0	0	169,687	(23,139)	-12.0%	-18.0%
DPS Juvenile Facility Monitoring Unit	113,378	105,534	105,534	0	0	105,534	0	0.0%	-6.9%
Veterans Affairs Board	6,215,318	6,189,486	5,446,748	0	0	5,446,748	(742,738)	-12.0%	-12.4%
Total Military, Police & Vets' Affairs	95,957,215	96,857,212	90,004,944	0	0	90,004,944	(6,852,268)	-7.1%	-6.2%

