

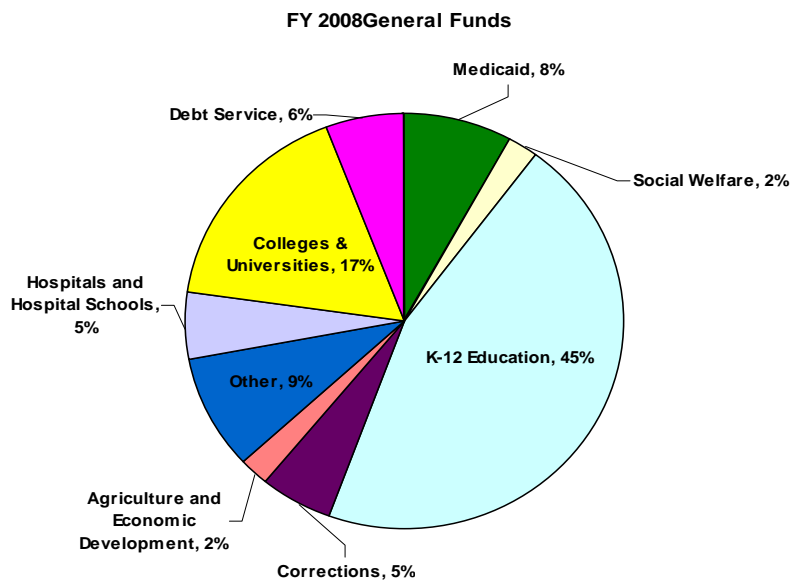


Budget Update: Mississippi General Fund for Fiscal Year 2008

During the spring 2007 legislative session the Legislature passed the state budget for fiscal year 2008. The Legislature appropriated \$4.9 Billion, or \$788 Million (19%) more in general funds for FY 2008 than it did for FY 2007. This increase was made possible by the tremendous growth in state revenues due to Hurricane Katrina recovery. The General Fund revenue collections for FY 2007 were up 10% over collections for FY 2006. Similarly, collections for FY 2006 were 12.9% above collections for FY 2005. According to the state economist, hurricane rebuilding has been the principal force behind the state's revenue growth.

Figure 1, below, shows the breakdown of General Fund appropriations for FY 2008.

Figure 1: FY 2008 General Fund Appropriations by Budget Category



Total = \$4.9 billion

Source: State of Mississippi Enacted Budget FY2008

Annual appropriations are dependent on yearly revenue projections. For FY 2008, revenue projections increased over the previous year which contributed to budget increases in many areas of state government. For example, increased revenue projections allowed lawmakers to increase funding for K-12 education without changing the way the state generates revenue – through the tax code. Figure 2 illustrates the major differences in General Fund appropriations from FY 2007 to FY 2008 and compares the changes to the total General Fund Budget increase in FY 2008.

Figure 2: Percent Change in Appropriations from FY 2007-2008 for Selected Budget Categories and Total Budget

Selected Budget Category	FY 2007	FY 2008	Increase	% Change
Colleges & Universities	\$703,697,404	\$836,281,263	\$132,583,859	19%
Corrections	\$227,154,536	\$266,006,868	\$38,852,332	17%
Debt Service	\$212,707,963	\$289,547,871	\$76,839,908	36%
K-12 Education	\$2,004,919,911	\$2,232,927,600	\$228,007,689	11%
Social Welfare	\$120,066,725	\$108,876,257	\$-11,190,468	-9%
Medicaid	\$106,375,793	\$395,282,948	\$288,907,155	272%

Total General Fund Budget	\$4,147,080,987	\$4,935,096,549	\$788,015,562	19%
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Source: State of Mississippi Enacted Budget FY2008

In the absence of a public policy change, funding for each budget category may experience small increases to address the rising costs of running state government – similar to an annual cost of living adjustment. When a policy change does occur, an increase or decrease in funding for state services may be much larger than a typical increase that adjusts for inflation. For example, a state agency may receive a small increase to cover the rising costs of fuel, energy and personnel. Conversely, a policy change that increases or decreases enrollment in a state program may require a significantly larger or smaller appropriation.

Here is a brief description of the changes in the above budget categories. This information only includes details of General Fund budget increases. It does not address any Special Fund appropriations or increases.

Colleges and Universities

- Colleges and Universities appropriations can be found in the following bills: S 3129, S 3131, S 3128.
- The state’s colleges and universities received an additional \$132.5 million in general fund support for FY2008.
- Community and Junior Colleges received \$42.4 million increase.
- Institutions of Higher Learning (IHL), which encompasses all of Mississippi’s public four year institutions, received an increase of \$47 million.
- University Medical Center received an additional 43.2 million
- These funds assist these institutions in providing student services, instruction, and operation and maintenance. Additionally, these funds support library facilities, research, and student scholarship and fellowship awards.

Corrections

- The Corrections appropriations bill is S 3143.
- The Department of Corrections received an additional \$38.9 million in general fund appropriations for FY2008.
- Administration Support received an increase of \$11.5 million
- Medical Services received an increase of \$8.1 million
- Parole Board received an increase of \$63,017
- Private Prisons received an increase of \$10.7 million
- Regional Facilities received an increase of \$6.5 million
- Local Confinement received an increase of \$2.0 million
- This department protects and promotes public safety through custody and supervision of individuals convicted and sentenced for felony crimes.

Debt Service

- Debt service appropriations can be found in bill S 3119.
- The State Treasurer's office received an increase of \$76.8 million for FY2008
- This category is composed of the state's bank service charge and its bonds and interest payment.
- This entire increase went to bonds and interest payments that will come due during FY 2008.

K-12 Education

- K-12 education appropriations can be found in the following bills: H 0238, H 1687, H 1688
- It is interesting to note that the percent increase in appropriations for K-12 education (11%) was less than the percent increase in the total budget (19%).
- K-12 education received a \$228 million increase for FY2008. Items included in the increase included:
 - Full funding of the Mississippi Adequate Education Program educational formula;
 - A 3% teacher pay raise for all teachers;
 - A \$500 raise for assistant teachers;
 - Hold harmless funding for any district that would receive less funding in FY 08 than FY 07;
 - Increased state insurance contribution,
 - Increased employer retirement contributions
 - Full funding for high growth districts and hold harmless Average Daily Attendance (ADA) to pre-Hurricane Katrina levels for the coastal districts.

Social Welfare

- Social Welfare appropriations can be found in bills H 1689 and H 1690
- Social Welfare actually experienced a decrease of \$11.1 million or 9% in its general fund appropriations for FY 2008.
- This decrease is in contrast to an increase in FY 2007 of \$26 million or 28%.
- Social Welfare consists of funding for the Department of Human Services, the Department of Rehabilitation Services and Medicaid
- The general fund appropriations for the Department of Human Services totaling \$95,994,907 included:
 - Division of Youth Services: \$20,873,098
 - Division of Family and Children's Services: \$18,543,449
 - Division of Aging and Adult Services: \$1,305,712
 - Division of Economic Assistance/TANF: \$39,996,269
 - Division of Child Support Enforcement: \$5,709,046
 - Division of Support Services: \$3,726,835
 - Social Services and Social Services Block Grant Program: supported by special funds
 - Office of Children and Youth: \$5,840,498
 - These offices and divisions are responsible for programs such as low income home energy assistance, child care assistance, food stamps and foster care.
- Medicaid appropriations can be found in bill H 1695.
- Medicaid received an additional \$295.8 million in general fund appropriations for FY2008.
- Funds were used to cover the state costs for administration and medical services. Medical services include services such as prescription drugs, nursing facility costs, inpatient hospital care, physician care, outpatient care, and hospice services.
- It is important to note that the increase was significantly larger than in previous years because in FY 2007, the state received \$268 million in federal funds to cover state costs for Hurricane Katrina Medicaid expenses. This resulted in unusually low state funded Medicaid appropriations in FY 2007.
- While there was a 272% increase in Medicaid appropriations from FY 2007 to FY 2008, the nominal increase in Medicaid appropriations from FY 2006 (the fiscal year that began before the hurricane) to FY 2008 was only 11.1%.

These categories represent only a small fraction of the bills that make up the FY2008 budget. For more information about FY 2008 appropriations visit

Mississippi Department of Finance and Administration
www.dfa.state.ms.us/Content/FY2008ApprInfo.htm

Mississippi Economic Policy Center www.mepconline.org