

Preparing Mississippi for Fiscal Year 2002 and Beyond

States across the nation are experiencing a slowdown in their economy. For the first time in a decade, states around the South and the Midwest are cutting their state budgets. The slowing economy has reduced state tax revenues, causing states to cut their budgets.

North Carolina, with an estimated shortfall of \$500 million in tax revenue, has also been hard-hit. Governor Don Siegelman of Alabama was forced to cut his education budget by more than 6%, after revenues fell \$266 million short. Tennessee, where sales tax accounts for 57% of all revenues, is now facing a deficit of \$130 million after sales tax collections were down \$27.4 million in December.

By Mississippi state law, the Governor is required to reduce state budgets, if the state does not reach 98% of the projected revenue growth estimate. Mississippi has not met this 98% requirement in 2001, so we had to make budget reductions to make up for the lack of taxes collected.

Mississippi is experiencing a slowdown in our economy, but our state is not broke. Even with our slowing economy, we must have strong schools and good jobs for our people. There is no excuse for failing to make education and economic development our top priorities. Mississippi's leaders are reevaluating our state budget recommendations for the upcoming fiscal year. By keeping our people's priorities in check, we must structure a balanced state budget that will meet the needs of our people.

As Governor, it is my responsibility to keep the state budget balanced, whether we are in a good or a bad economy. Mississippi must be fiscally responsible in making budget growth estimates, and we will make changes to our budget proposal that reflect the slowdown in the economy.

Reducing our state budget is a difficult task that we must face head on with the priorities of our people leading our decisions. We must be realistic. We must be fiscally responsible and prioritize our state budget. We must set a conservative rate of growth from which to spend and then stay within our set budget. Last year's estimate of 8.25% was way off the mark.

Making recommendations for future spending must be based on priorities. We must think long-term, considering how this year's state budget will affect future state budgets. We must not over estimate our growth, and we must keep our spending in line with our conservative rate of growth.

Financial experts have projected a 3.9% growth rate for Fiscal Year 2001 and a 3.7% growth rate for Mississippi for Fiscal Year 2002. The actual rate of growth for Fiscal Year 2001 is closer to 1%. We believe the projected rate of growth for Fiscal Year 2002 is optimistic.

We must consider a more conservative estimate, so that we are putting ourselves in a more realistic position to budget for the upcoming year.

By working together to establish a sound fiscal policy, we can provide for a more stable future for Mississippi. We are not just looking for short-term solutions to our budget needs. We are also considering options that provide long-term solutions to our state budget.

We have offered one potential solution for our 2002 state budget. Utilizing funds from the AMS settlement for one-time expenditures will help us stabilize our budget and allow us to meet our needs in education. We are open to other solutions and continue to consider various options.

We are listening to, and working with, the leadership of the House and the Senate, education leaders and others to establish short, intermediate and long-term solutions for our budget. We must continue to work using our priorities to lead our state decisions. Our budget must reflect the needs and the priorities of our people.