

*Remarks for the
5% Hold Back Press Conference
June 13, 2002*

Good afternoon. When I gave my State of the State address in January, I outlined four priorities for Mississippi – jobs, education, public safety and health care. To meet those priorities, we must have a plan – and a major factor in that plan is the state budget.

Part of the foundation for our state budget is the development of the estimate of revenue collections for the fiscal year.

In our development of an estimate from the executive branch, we use several sources of information – state and national economists, the business community, the National Governors Association, the National Association of State Budget Officers, and other state officials.

Last year, the estimate adopted by the Legislature was set at 3.7 percent, a figure I believed was too high and out of line with the condition of the national economy.

A report released last month by the National Governors Association illustrates the impact of the national recession on the states. In addressing budget problems, 26 states – including Mississippi – made cuts across the board, and 22 states dipped into rainy day funds. Eleven states laid off people, 3 offered early retirement packages, and at least 11 called special sessions.

I have called for conservative fiscal management for Mississippi, beginning with the use of real numbers and sound economics in crafting a budget.

I partially vetoed two appropriations bills this year which, when combined, offered more than \$57 million to special interests. Other budget management strategies, including monthly reviews of the overall budget, have been used.

I've said before that our budget should be a blueprint for success, not a battle plan for the politics of personality. The people of Mississippi deserve more than a budget crafted without taking into consideration the condition of the national and state economy.

As a result of the official revenue estimate adopted by the Legislature last year, I asked state agencies to hold back five percent of their appropriations for the first half of the 2002 fiscal year, in anticipation of budget cuts caused by the overly optimistic revenue estimate. This action helped many agencies ride out the wave of cuts made in November 2001 and February of this year.

This slide (#7) demonstrates how our revenue collections have not come close to meeting the estimate, and how in only one month – July of 2001 – we surpassed prior year collections.

In this next slide (#8), you see the cumulative results – as of the end of May – of this current fiscal year. Collections based on the sine die estimate come to \$3.3 billion, while our actual collections came in just under \$3.1 billion – a difference of nearly \$233 million.

As we near the end of the fiscal year, the revenue estimate has been revised to reflect zero percent growth. However, our revenue collections at this time are reflecting growth of negative 1.73 percent. This will impact our budget for the 2003 fiscal year, which begins in just over two weeks.

In fact, as this slide (**#10**) illustrates, to meet the revised revenue estimate of zero percent growth, Mississippi's economy would need to grow at a rate of 16.86 percent in the month of June.

Heading into the new fiscal year, a difference of opinion still exists on the revenue estimate. The Legislature has adopted an estimate of 3.8 percent, while the executive budget recommendations I offered were based on an estimate of 2.65 percent.

You can see on this slide (*#13*) what this means for the 2003 fiscal year. When the current negative growth is combined with the 3.8 percent growth estimate adopted by the Legislature, we will, in fact, have to grow at a rate of 5.6 percent to meet next year's budget.

Mississippi's fiscal house is being built on sand instead of rock.

The National Association of State Budget Officers issued a report this past March indicating that the fiscal recovery of the states would most likely be gradual, and lag behind the national recovery by 12 to 18 months. Why? Because of an erosion in tax bases, the escalating costs of health care, and an increase in temporary workers.

We just can't go into the new fiscal year and start over. The difficulties of this past year will follow us far past July 1.

As illustrated on this slide (**#15**), under the estimate of 3.8 percent and with legislative appropriations of more than \$3.5 billion, we are looking at ending the fiscal year in June 2003 with a cash balance of just over \$9 million.

Under the executive estimate of 2.65 percent, we would end the year with \$29.5 million over-appropriated and a negative cash balance.

That's a \$40 million difference between estimates.

It's a burden the people of Mississippi shouldn't be forced to carry.

We're facing a difficult year beginning July 1. "One-time" dollars have been used for deficit appropriations in the current year and regular appropriations for 2003. We have to take action now to right the ship for smoother sailing.

Like last year, I simply believe a revenue estimate of 3.8 percent is overly optimistic.

Based on the information and reports by leading national economists and agencies, our revenue most likely won't grow at that rate.

So, today – as I did last year – I am recommending state agencies once again transfer 5 percent of their fiscal year 2003 budget authority to the second allotment period to act as a safeguard against potential budget cuts (#17).

There's no doubt Mississippi will face revenue shortfalls in the coming year. We must prepare ourselves for this scenario – to do anything less is a disservice to the people we are called to serve.

I'll be glad to answer any questions you may have.