

1. The revenue figure for fiscal year 2000 was \$3.373 billion using a 5.3% projected rate of growth. The actual rate of growth was 2.8%, \$61 million less than projected and appropriated.
2. The rate of growth for fiscal year 2001 is less than 1% year to date, producing a \$3.423 billion budget rather than the \$3.505 billion budget projected by the Legislature.
3. Using the lawmakers' estimate, the fiscal year 2002 budget begins \$85 million in the hole.
4. Because of a slowed growth in revenue, the Legislative Budget Office has reduced their original growth rate estimate of 8.25% to a 3.9% growth rate in fiscal year 2001, producing a \$3.505 billion budget in fiscal year 2001.
5. If the fiscal year 2002 budget is adjusted to reflect the fiscal year 2001 shortfall of \$85 million, the total budget using a 1% rate of growth would be \$3.457 billion, and using a 2% projected rate of growth would be \$3.491 billion.
6. Based on national trends and Mississippi's actual growth rate, Governor Musgrove believes our economy will grow at a rate of 1% rather than the 3.7% rate the Legislature is projecting for fiscal year 2002.

When you use the legislators' \$3.505 billion from 2001, which starts \$85 million too high, and you add a 3.7% rate of growth for the 2002 fiscal year budget, then the budget is \$3.634 billion.

The legislative approach violates state statute by appropriating what should be the 2% set aside (or \$72 million), or 100% of the revenue estimate. The Legislature also appropriates \$50 million from the Working Cash Stabilization Fund.

The Governor must make cuts in any month where the collections drop below 98% of the revenue projections as of October 31. The Governor will have to use \$50 million from the Working Cash Stabilization Fund and make cuts totaling \$50-80 million beyond that.