

**QUESTIONS AND ANSWERS IN OPPOSITION OF
4.3% 2003 REVENUE GROWTH**

- 1. *How has consumer confidence been impacted by the slowing economy?***
Consumer confidence plunged in October, it's lowest level since March 1997.
- 2. *What are some key indicators that the economy is in a recession?***
Consumer spending has declined by 1.8%, the largest decline since January 1987; existing home sales have fallen nationally by 11.7%; national unemployment rate increased by 5.4% in October; job losses increased to the highest level in more than two decades; Mississippi has lost a net of 6,800 jobs in the manufacturing sector.
- 3. *Have there been enough structural changes to Mississippi's economy to change the way Mississippi recovers from a recession?***
Mississippi has historically been a state that is the first to enter a recession and the last to exit a recession. There are no factors that would indicate that Mississippi would recover at the same pace as the nation. Structural changes are continuing in the State's economy and until those adjustments are made, we will continue the historical lag that has affected our state.
- 4. *Growth over the past few years has been very minimal - 2000 over 1999 2.8%; 2001 over 2000 2.1% and the estimate for 2002 over 2001 is .7%. Why do we think that during a sluggish economy that Mississippi is going to rebound at 4.3%?***
If we follow the trend, there is no reason to believe such optimistic numbers. Unemployment is up, consumer confidence is down, home sales are down, and business investment has declined.
- 5. *Why do we think that Corporate Income and Franchise tax is going from a negative 3.5% growth to a positive 6.5% growth?***
It does not seem realistic in light of the fact that businesses all over the country are down sizing. Job losses were broad –based in October. Goods-producing companies cut 174,000 people from payrolls, nearly twice the 90,000 who were cut in September. Service-producing companies engaged in everything from transportation to retail trade cut 241,000 jobs doubling the 123,000 in September. Terrorist acts and threats continue to create fear in the United States, which slows production and efficiency. As Mississippi continues to position itself as a business friendly state, corporate taxation gives way to incentives causing corporate tax revenue to continue to perform in a sluggish manner.

6. *What has been the overall affect of jobs as a result of the slowing economy in conjunction with September 11?*

According to a government report from Friday, November 2, 415,000 jobs were lost in October, the most in two decades, as the full impact of the September 11 attacks ripped into an economy that is already in the early stages of a recession.

7. *Is the revenue growth based on inflated historical numbers?*

From 1994- 2000 we experienced significant growth in the tax base due to the gaming industry, including gaming tax and sales tax. We saw development increase as a result of the industry. The affects of the industry have now leveled off. According to the November 7 Wall Street Journal, Mississippi has the largest decline in percentage change from year over year (Sept. 2000 vs. Sept. 2001) in the number of residential building permits issued. The decline was 50.2%.

8. *Nationally what is the budget situation?*

States' financial pictures are shifting from bad to worse. A few days after the National Governor's Association told congressional leaders that the cumulative state budget shortfall currently is at \$10 billion, an affiliated group, the National Association of State Budget Officers, revised that figure to \$15 billion. According to the National Conference of State Legislatures, 44 states now expect revenues below previously anticipated levels.

9. *What impact will a sales tax holiday have on the state's economy?*

We will probably see a slight multiplier affect of the cash in the economy. No real long term spending affect.

10. *What's going to drive a 7% increase in individual income tax?*

Unemployment is up and companies are experiencing lay offs and downsizing. Remember, we will not see a benefit from Nissan in the area of individual income tax because of the personal income incentive given to Nissan.