

*Remarks for the
National Association of State Treasurers Conference
May 20, 2002*

Good morning; it's good to be here with you this morning and to welcome you to the great State of Mississippi. I know you've been very busy over the weekend, but I do hope you've had some opportunities to explore and enjoy the beautiful Mississippi Gulf Coast.

We're happy you're here and hope you will return often...

Your work is extremely challenging at this time. The national recession has impacted every state and the problems of controlling spending at a time when revenues are down have confronted us all.

The reality of the recession has forced us all to take a new look at how we craft our budgets.

The importance of building our budgets on a foundation of real numbers cannot be overestimated. We simply have to be realistic.

Let me say, I believe realism and pessimism are not the same. Unfortunately, we have to face the facts that we are in a national recession and consumer confidence is down.

We have been dealing with this here in Mississippi, just as so many of you have.

A report released by the National Governors Association last Thursday spelled out the facts in a clear and concise fashion. According to their report, the combination of the recession, the events of September 11 and the rapid growth in Medicaid spending caused a budget shortfall of nearly \$50 billion in 40 states for FY2002.

Thirty-nine states reduced their budgets, tapped their Rainy Day Funds and made transfers from other reserves. Eleven states have called special sessions to deal with the budget issues.

Here at home, our revenue estimates simply haven't kept pace with revenue collections, and the resulting cuts have hurt our ability to provide necessary services. Last year, I asked state agencies to budget only 45 percent of their appropriations for the first half of FY2002. As a result, the first round of cuts were made without too much pain.

However, as revenue collections continued to stagnate, the additional cuts had a tangible impact on how our state government was able to operate.

These challenges are not going to go away anytime soon. The NGA report states that even though we are seeing indications of a national recovery, state budgets are expected to continue their current path through FY2003.

Again, poor revenue collections and rising health care costs are the main reasons, along with an unexpected increase in income tax refunds.

There's a lot of work ahead of us, here in Mississippi and in your home states. But, I know we will rise to the challenges. We have to keep things in perspective.

Our country and our states have faced far greater problems than those before us today. That does not make today's dilemmas less important; it does show that we have overcome greater obstacles, and we will do it again.

Thank you for the way you rise to the challenges.