



HALEY BARBOUR
GOVERNOR

STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

November 16, 2009

Dear Legislators:

Attached is my Executive Budget Recommendation for Fiscal Year 2011 as well as my detailed budget message.

Because of significant revenue shortfalls in FY 2009 and 2010, which may very well continue in FY 2011 and thereafter; and reductions in federal stimulus funds, which have added hundreds of millions of dollars to state spending this year; appropriations must be greatly reduced in FY 2011 and FY 2012. Indeed, another \$200 million must be cut from FY 2010 appropriated spending in order to balance our budget for this fiscal year.

The combination of state revenue shortfalls, disappearing federal stimulus funds, and additional state funding for certain programs that has been requested as critical, would require this FY 2011 budget to be some \$715 million more than FY 2010 estimated actual revenue! Such additional funds will not be available. (Remember, FY 2010 budgets also will be cut a total of \$371 million.) Funding for FY 2012 will be short another \$500-plus million which, when coupled with the \$715 million shortfall for FY 2011, results in a revenue deficiency of over \$1.2 billion for the 2012 fiscal year.

This EBR recommends some dramatic ways of reducing spending in both the short and long term. Many of these bold changes would save large amounts of money either immediately or within two years. Many of the same changes will actually improve service to our citizens, including education. Some changes may reduce some services mildly, but none jeopardizes citizens' ability to get necessary services nor will they diminish access to or the quality of education.

Enactment of these proposals would change the way many services are delivered and financed. During FY 2011, it will be necessary for local governments and school districts to cover a small part of the costs recently paid for with state funds. For several years school districts have built up large reserve balances at the recommendation of the State Department of Education, and most have sufficient funds or reserves to cover in FY 2011 this small percentage of the costs normally borne by the State.



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Consolidation of many local school districts is long overdue. My goal of having no more than one hundred is not precise but is clearly in the range of propriety. Similarly, mergers of universities are preferable to closures, but continuing to fund eight self-standing universities is not a responsible use of taxpayers' money. Combining administrative functions will save funds and improve efficiency at both community colleges and universities.

These are bold changes, but when the state faces a budget reality that requires savings of some \$715 million compared to current year appropriations, half-way measures won't suffice.

Experience tells us our state's revenue problems will last several more years. That is why I have insisted the "Rainy Day Fund" last four years, and this budget achieves that.

FY 2012 will be another very difficult budget, as additional hundreds of millions of dollars of federal stimulus funds will have expired. Even if revenue doesn't decline but rises, savings will be required because some \$370 million of federal stimulus funds spent in FY 2011 will no longer be available; and this huge amount cannot be replaced with non-existent state funds.

Much of the federal stimulus money available in FY 2011 but lost in FY 2012 will have been spent on education (\$196 million in FY 2011) and Medicaid (\$174 million.) These holes make cost-saving reforms in education especially critical, and they make further reform of Medicaid financing and payments absolutely necessary. As shown above, even if state revenue recovers faster than I expect, we will still need major additional savings.

I do believe our state's economy will rebound faster and stronger than that of the nation as a whole. While we entered the recession later, we have the opportunity and potential to come out of it sooner for a variety of reasons.

My first five years in office saw Mississippians' per capita income increase by 27%, one of the higher rates in the country. We were replacing low skill, lower paying jobs with higher skill, higher paying jobs; and we still have a lot of that in the pipeline.



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This pipeline includes delayed major projects like Toyota plus six suppliers and PACCAR that will go forward as the national economy recovers. The 5,000 jobs associated with just these projects will help get us back on track earlier. We can recover the momentum we had through the middle of 2008 and see robust economic growth and job creation return to our State earlier.

I'm very optimistic about Mississippi's future, and I think our state can be first out of the chute in economic development. We cannot, however, avoid or ignore the fiscal woes resulting from this international recession. We're not immune to it; state revenues have and will be knocked back by it; and we have to deal with it by reducing spending until revenue recovers, which will happen only after the recovery has gone on for a while.

This budget gives you my best thinking on how to achieve the necessary savings in the most effective ways, not only doing the least harm but in many cases actually improving performance.

If you believe you have better ways to save or to right-size state government, please share them with me. This is not about authorship; it is about providing the best service to our constituents, including our students, while living within our means.

Sincerely,

A handwritten signature in black ink, appearing to read "Haley Barbour".

Haley Barbour