

September 3, 2009 -- From the website of Governor Haley Barbour

GOVERNOR BARBOUR ANNOUNCES SPENDING CUTS
Falling state revenues demand reductions in FY 2010 budget

Governor Haley Barbour today ordered cuts to state agency spending totaling \$171.9 million after 12 consecutive months of revenue collections that were lower than expectations, including the first two months of Fiscal Year 2010.

He said the action was necessary to meet the constitutional requirements of a balanced budget in FY 2010 and to try to avoid deeper and more painful cuts later in the year.

"We simply don't have enough revenue to meet our budgeted expenditures for FY 2010, much less Fiscal Years 2011 or 2012. While future budget years are of grave concern, state leaders must first and foremost take responsible actions to reign in spending for the current fiscal year, FY 2010. That means cuts to all of state government – including education, which accounts for more than 60 percent of total state spending," Governor Barbour said.

"This is not business as usual. Legislators, state agencies, and citizens should understand that Mississippi cannot afford to postpone cuts in government spending. FY 2010 will require cuts, and it will require tough decisions. But these are not ordinary times, and we cannot afford to engage in business-as-usual practices," Governor Barbour said.

Budgeting in state government often relies on "projections" and "estimates," Governor Barbour said, but only the facts are relevant; an analysis of the facts shows:

- July 2009 revenue was \$26 million below state estimates. That's nearly 11.3 percent less than expected, and some 21 percent less, or about \$56 million, than was actually collected in July 2008.
- August 2009, while less severe, was about \$5.5 million below state estimates, or 1.69 percent. Compared to last year's collections, that's a 5.65 percent decrease in revenue, or \$31 million less money in state coffers.
- The combined result? Mississippi has received 13.8 percent, or \$85 million, less than was actually collected in FY 2009. When annualized, that would mean a budget shortfall as high as \$823 million for FY 2010; a shortfall in the range of \$175 million to \$350 million is more likely.

The reductions announced today fall mostly on education, which received significant funding increases in FY 2010 while most other agencies received significant budget cuts. Education spending makes up more than 60 percent of the state budget. Even after the 5 percent cuts announced Thursday, education at all levels – K-12, community colleges, and universities – will receive more money than they received in FY 2009. National Board Certification, the Ayers Settlement, Chickasaw Interest and Student Financial Aid programs will be exempt from these cuts.

"Although we struggled very hard last year to spare education from the budget axe, and were successful to a large extent, Mississippi cannot control spending without addressing the largest line item of our budget: education," Governor Barbour said.

Most state agencies whose budget were trimmed by less than 5 percent during the budgeting process this summer will now see a 5 percent reduction from their FY 2009 appropriation.

Agencies that will not be affected include the departments of Corrections, Medicaid, Rehabilitation Services and Human Services; and the Office of the Auditor, due to extensive auditing requirements under the federal stimulus. Debt service, homestead exemption and certain agreements required by court orders will not be cut.

The Governor must trim spending as mandated by Mississippi Code §27-104-13, which requires the State Fiscal Officer to balance the budget when state revenue falls below estimates for the fiscal year.