



STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

January 22, 2010

Kevin Upchurch, State Fiscal Officer
Department of Finance and Administration
501 North West Street
Suite 1301, Woolfolk Building
Jackson, Mississippi 39201

Dear Kevin:

In my previous letter to you, I wrote that “further review of state tax collections for Fiscal Year 2010 confirms what we have known for months: Mississippi’s state budget will not recover from this recession anytime soon.” It is unfortunate, but not surprising, that this statement remains true as we continue to experience significantly lower tax collections than expected.

For the first six months of FY 2010, state tax collections were 8.1 percent, or \$181.2 million, below the estimate. At this pace, the shortfall for FY 2010 will be about \$437 million, far exceeding our earlier projections of \$371 million.

Earlier this fiscal year, I ordered two rounds of budget cuts totaling more than \$221 million, which falls short of the necessary savings needed to balance the budget based on current revenue collections. Therefore, for the third time this fiscal year, I am ordering across-the-board budget reductions of \$215,617,918 for state agencies, departments, and special funds, in accordance with Section 27-104-13, Mississippi Code of 1972.

Today’s directive to implement additional budget cuts is not a decision made lightly. As Governor, this is both a difficult and necessary process to abide by current state law and the Constitution, which requires budgets to be cut when revenue collections do not meet our estimates – as they have done for 16 consecutive months.

As you know, I am statutorily prohibited from cutting any agency by more than 5 percent until I have cut spending for all agencies by 5 percent, which I have done. Furthermore, current state law requires that any spending reduction above 5 percent must be uniform to all budget items. Accordingly, the budget reduction ordered today will result in every state government account, except those specifically exempt, seeing a reduction in funds of 8.19 percent.

Current law does not provide flexibility to prioritize cuts according to essential services, which ties my hands as we deal with the difficult process of cutting the state budget. After all, as Governor, I need the ability to reduce state spending

with surgical precision, not a shotgun blast, so that we can enact lesser cuts to our top priorities, such as education, public safety, and healthcare. Although I have repeatedly asked lawmakers to provide the Governor with temporary flexibility to help ease the cutting process in this fiscal year and the Senate has agreed, the House majority has rejected this request...leaving me with no choice but to order this third round of uniform cuts.

We cannot expect state revenues to improve anytime soon, and I will continue to abide by state law and the Constitution to do what is necessary to balance our state budget. Historical trends dictate the worst budget years for a state are the two years after the national recession is declared over; therefore, we must take into account the long-term fiscal health of our state to ensure citizens continue to receive essential state services.

Sincerely,

A handwritten signature in black ink, appearing to read 'Haley Barbour', written in a cursive style.

Haley Barbour