



STATE OF MISSISSIPPI

OFFICE OF THE GOVERNOR

March 17, 2010

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

Dear Kevin:

Today the Joint Legislative Budget Committee adopted a revised revenue estimate for Fiscal Year 2010 which will force me reduce state spending for the current fiscal year in order to achieve a balanced budget. As you know, to date I have been forced to trim the Fiscal Year 2010 budget by approximately \$458.5 million through four rounds of cuts as the state continues to experience the impact of this global recession.

Final reports show that February's collections were 12.58 percent, or \$34.3 million, below estimates, marking one of the worst months for tax collections in this fiscal year. February also marks the 18th consecutive month revenue has fallen short of expectations, and the 15th consecutive month where less money was collected than the previous year. Based on these newest revenue numbers, the Revenue Estimating Committee has revised the expected shortfall for the current fiscal year to \$499.1 million, which is approximately \$40.6 million more than previously estimated. Therefore, I am reducing state budgets by a corresponding amount in order to conform with the revised FY 2010 revenue estimate adopted today by members of the Joint Legislative Budget Committee.

Today's budget reduction will bring the total cut for most state agencies to 9.476 percent, which is necessary to balance the budget in accordance with state law and the Constitution. With less than four months remaining in the fiscal year, I felt it imperative to order these cuts as quickly as possible after the new revenue estimate was adopted, so that our state agencies and departments could immediately take action to absorb these additional budget reductions.

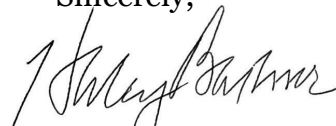
As I have said repeatedly, the most effective way to allow our agencies to absorb these cuts is by allowing agency heads with adequate personnel and budgeting flexibility. Directors should be allowed to manage; they should be granted much-needed flexibility to shift funds from non-essential accounts to accounts that pay directly for essential public services. Directors should be allowed to adjust their personnel needs to match the services demanded by their customers. These

strained finances prove the necessity of lump-sum budgets and removing bureaucratic constraints of Personnel Board rules.

I must reiterate that this FY 2010 deficit, coupled with continued lower revenues, means we must take a serious look at how Mississippi government is structured. Real changes will be necessary if we are to continue providing essential services to our citizens while prudently spending our reserve funds and achieving a balanced budget.

Please notify agency directors and have them submit their plans for implementing these cuts to you by April 9, 2010.

Sincerely,



Haley Barbour