



STATE OF MISSISSIPPI
OFFICE OF THE GOVERNOR

February 5, 2010

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

Dear Kevin:

Revenue collections for the month of January fell significantly below our expectations. Reports for January show tax collections falling short by \$40.5 million, which is 11.2 percent below our estimate. This is the 17th consecutive month where revenue was below estimate, and the 14th consecutive month we collected less money than the previous year.

This increased rate of revenue decline will bring our expected shortfall for the current fiscal year to approximately \$458.5 million, which is roughly \$21 million more than we anticipated only two weeks ago. By law, I am reducing budgets and bringing the total cut to 8.664 percent to keep our budget in balance. Under current law, our outlook for the next fiscal year will be worse.

The decision to make a fourth round of cuts was not made lightly. 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. Reducing state spending with deep and rigid uniform cuts will begin to affect our agencies' ability to offer services. Directors do not have the much-needed flexibility to shift funds from non-essential accounts to accounts that pay directly for essential public services. Directors also cannot 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.

As we continue to see revenue drop, do not forget the implications on Fiscal Year 2011. Revenue for Fiscal Year 2010 will be the baseline on which we will build next year's budget, and additional cuts this year mean a lower starting point for the FY 2011 budget.

This deficit, coupled with lower revenues, means we have to look closely at how Mississippi government is structured and make real changes. This latest revenue report also reiterates the need to utilize the Rainy Day Fund prudently, spending no more in FY 2010, and no more than a third of the balance in the FY 2011 budget, because we know lean financial times lay ahead.

The known revenue shortfall emphasizes the need for agency directors to have lump-sum budgeting authority and freedom from the bureaucratic rules of the Personnel Board.

The Legislature and I have tough decisions to make over the next few months. I am confident we can make government more efficient and affordable for our citizens. And when this global recession is over, Mississippi will lead the recovery.

Please notify agency directors and have them submit their plans for implementing these cuts to you by Friday, Feb. 26.

Sincerely,

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

Haley Barbour