

Revenue Collection Background Memo

Tax Collections are down Nationally:

- Due to the national recession state revenues have declined 7.7%, the worst decline in over a decade
- Both Governor Mark Warner of Virginia and Frank O'Bannon of Indiana are using the recent FMAP relief to cover budget shortfalls in their states.

Under Mississippi Law:

- The Legislature determines the state revenue growth percentage
- This percentage is then applied to the budget to determine funds available for allocation.
- ***Inflated growth*** predictions lead to budget shortfalls, budget cuts and deterioration of public services

Mississippi has fared better than the South Eastern average under Governor Musgrove's leadership

- Southeastern Personal Income Tax Collections Dropped 4.2%
 - Mississippi has only declined 3.8%
- Southeastern Corporate Income Tax Collections Dropped 10.6%
 - Mississippi has only declined 6.3%
- Revenue loss has been less in Mississippi than the Southeastern average

The Mississippi Legislature:

- For FY02 the Mississippi Legislature predicted a 3.7% growth estimate...
- For FY02 Governor Musgrove predicted a 1% growth estimate...
 - ... reality turned out to be a 2.1% decrease in revenue collection
- For FY03 the Mississippi Legislature predicted a 3% growth estimate...
- For FY03 Governor Musgrove predicted a 2.65% growth estimate...
 - The Mississippi Legislative Budget Office originally predicted a 3.2% growth rate, but are already acknowledging that we are unlikely to attain this.

Governor Musgrove has been repeatedly praised by Mississippi Press for his understanding of the budget process and precision in growth estimates:

- “This fiscal year, the governor was right on the money.”
 - Jackson Clarion Ledger*
- “It is already becoming crystal clear that lawmakers have no intention whatsoever of heeding Musgrove's advice and counsel regarding the revenue growth estimate for FY2004. And this is a serious mistake.”
 - The Hattiesburg American*
- “... Musgrove appears to have a better handle on the budgeting process than lawmakers...”
 - The Hattiesburg American*