



MISSISSIPPI BUDGET FACT SHEET

For Fiscal Year 2007 (July 1, 2006 to June 30, 2007), the state of Mississippi will spend \$14.3 billion on services its residents need, including roads, law enforcement, health care, and schools. This money can be broken down in a few different ways.

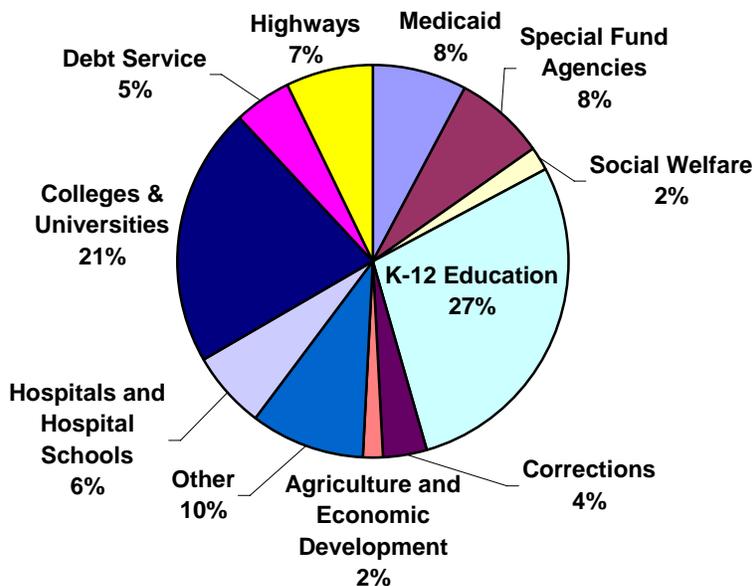
State-Source Funds versus Federal Funds

Mississippi's budget provides services within the state, but a significant portion of it is paid for with money from outside the state. In FY 2007, state-source funds account for about \$8.4 billion of the budget, and federal funds for \$5.9 billion.

The distinction between state-source and federal funds is important for two reasons. First, state-source funds exact a direct cost on the state's residents. Second, the state has greater control over how it spends state-source funds, whereas the use of federal funds is generally dictated by federal law.

Mississippi's budget pays for a variety of services its residents need. Charts 1 and 2 show how the state spends, or *appropriates*, state-source funds, and federal funds, respectively.

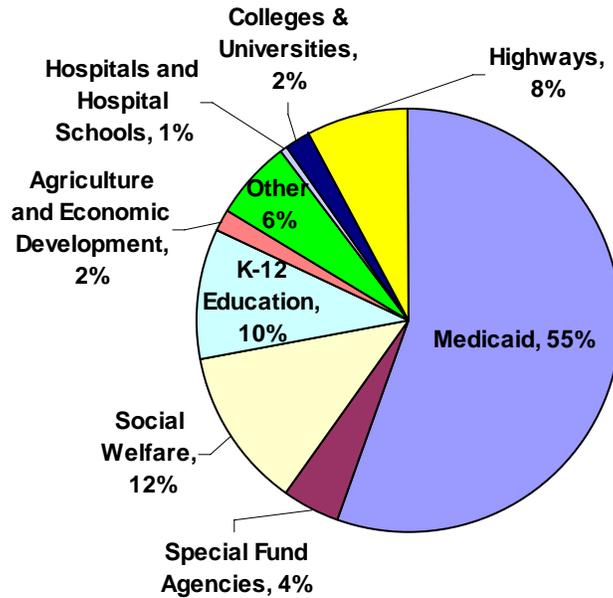
Chart 1
State Appropriations (\$8.4 Billion) in State-Source Funds, FY2007



Total = \$8.4 billion

Source: State of Mississippi Enacted Budget FY2007

Chart 2
State Appropriations (\$5.9Billion) in Federal Funds, FY2007



Total = \$5.9 billion

Source: State of Mississippi Enacted Budget FY2007

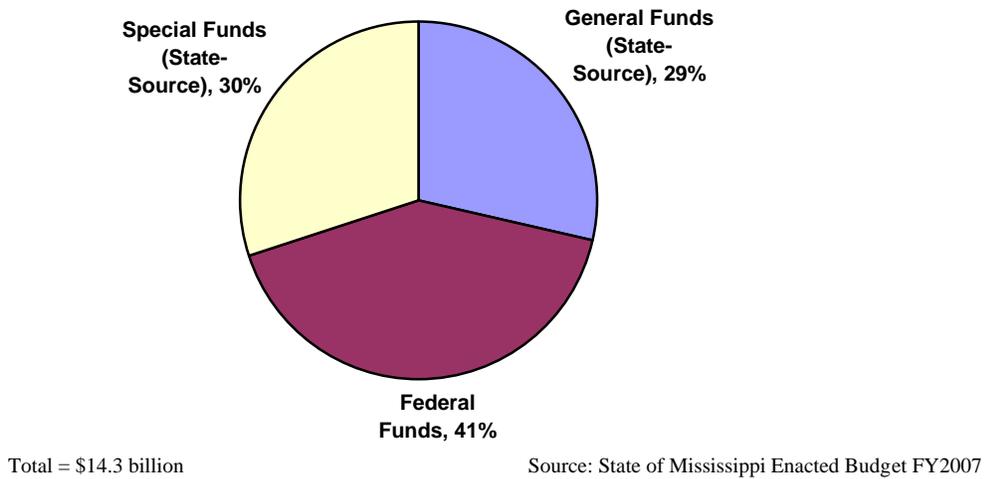
General Fund, Special Funds and Federal Funds – What’s Difference?

State services are not a single account or pot of money. Rather, they are funded through a number of funding streams, each with different uses and revenue sources. State-source funds are divided into two categories: the general fund and a number of dedicated special funds. Federal money is provided through a number of avenues, such as the Medicaid program.

1. **General funds** come from general state tax collections and are distributed at the legislature’s discretion through annual appropriation bills.
2. **Special funds** are established through state statute or constitutional provisions that earmark the funds for a specific purpose. Special funds are generated by fees, assessments or dedicated taxes. For example, the Department of Transportation is funded, in part, by fuel tax collections.
3. **Federal funds** are earmarked by the U.S. government for specific state programs, such as the Medicaid program. Depending on the federal rules associated with each program, the legislature may have more or less flexibility in how the funds are spent. Many federal programs require the state to spend money to match federal dollars. In some cases, the federal funding increases as more state funding is spent.

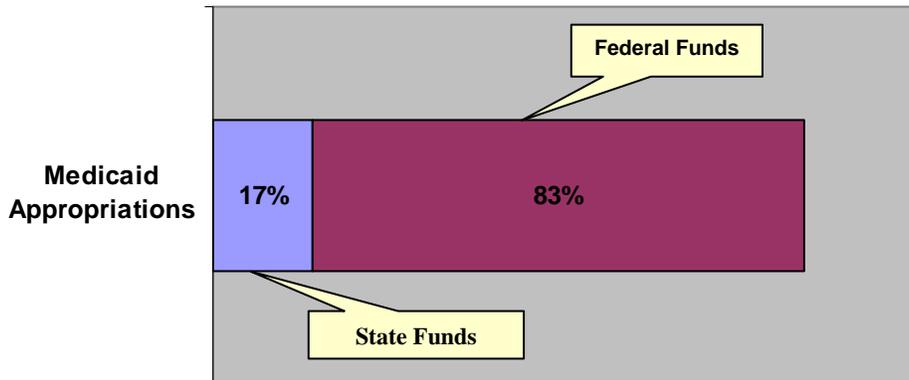
Chart 3 shows the breakdown of the types of funds appropriated in FY 2007

Chart 3
Total Appropriations (\$14.3 Billion) in state and federal funds FY2007



Because of federal funding, some state programs cost the state much less than the value of the services provided. For example, for every dollar the state spends on **Medicaid**, the federal government provides a significant match. As a result, state tax-payers pay for only about one-fifth of the amount appropriated for the Division of Medicaid. (Chart 4).

Chart 4
FY 2007 Medicaid Appropriations by Fund Type



Total= \$3,915,799,963

Source: State of Mississippi Enacted Budget FY 2007

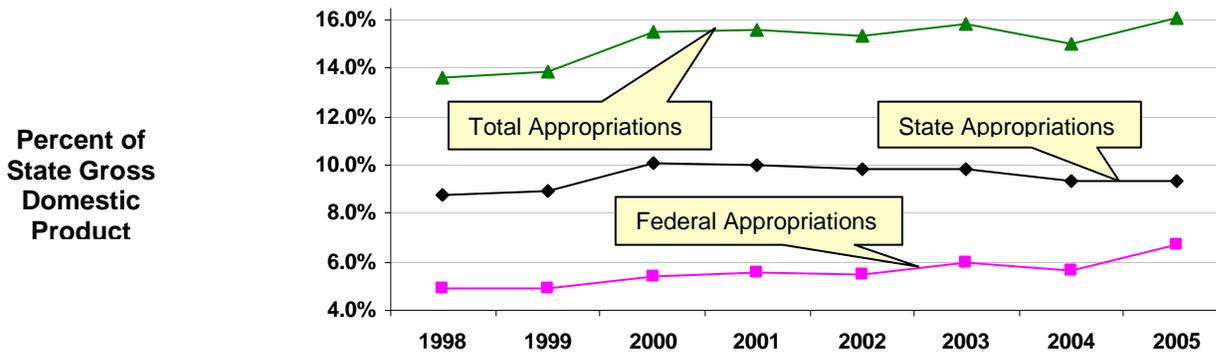
Mississippi Spending Trends:

State Spending is Holding Steady as Share of Economy; Federal Funding Up

One reason to examine state spending as a share of the state's economy is to account for the state's growth. Mississippi's population and economy both exhibited growth over the last several years. Since 2000, the state has added over 65,000 people to its population and the

state's economy has grown 11.5%. Chart 5 shows the trends in state appropriation as percentage of the state's economy.

Chart 5
Total Appropriations, Federal and State Appropriations as a Share of the State's Economy (1998-2005)



Source: MS Enacted Budgets 1998-2005 and the Bureau of Economic Analysis

Between 1998 and 2005, state-source spending as a share of the state's economy held relatively steady, peaking in 2000 and declining slightly through 2005. In 2000, state-source spending represented 10.1 percent of the State Gross Domestic Product (GDP), a common measure of economic activity. By 2005, these appropriations had fallen to 9.4% of the state GDP.

While state-source spending decreased as a share of the Mississippi economy over the last several years, over the same period the state benefited from increases in federal funds. Federal appropriations as a share of the state economy rose from 4.9% in 1998 to 6.7% in 2005. The increase was primarily the result of increased federal spending on health care, transportation and social services. Because of the increase in federal funds, total state spending increased as a share of the state economy – from 13.6 percent in 1998 to 16.1 percent in 2005 – even as spending from state sources held relatively steady.

How the Budget Impacts Our Lives

Budget decisions directly influence the quality of education that our children receive, the condition of the roads that we travel, the safety of our communities and the level of trust we can place in professionals such as doctors, dentists, pharmacists and nurses. Of course, each of these services – education, road maintenance and public safety – has a price tag and must be paid for through taxes, fees or borrowed funds. Strong fiscal systems are needed to ensure that the funds are available – in a good economy and in a slow economy – to cover the costs of the services that Mississippi residents depend on everyday.

Be on the lookout for the upcoming report "Putting the Pieces Together: A Guide to the Mississippi Budget" for more detailed and up to date information on the state budget.