



# *Understanding the State Budget & Pursuing Revenue Options*

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# Why is the State Budget Important?



- Public Schools
- Community Colleges
- Roads and Bridges
- Health Care

# The Budget Process

- 3 sources of state funding
  - General Funds
  - Special Funds
  - Federal Funds
- Groups informing the process
- Final Budget must be **BALANCED**

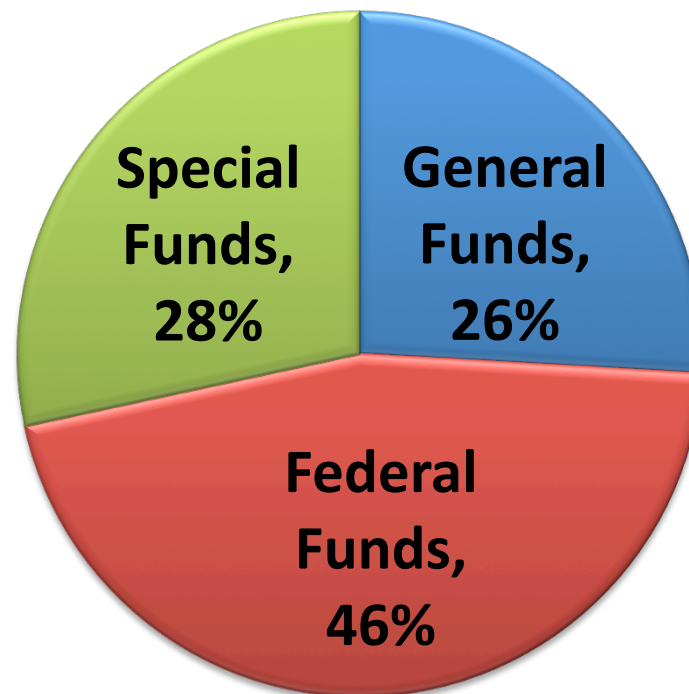


## A Look at State Spending

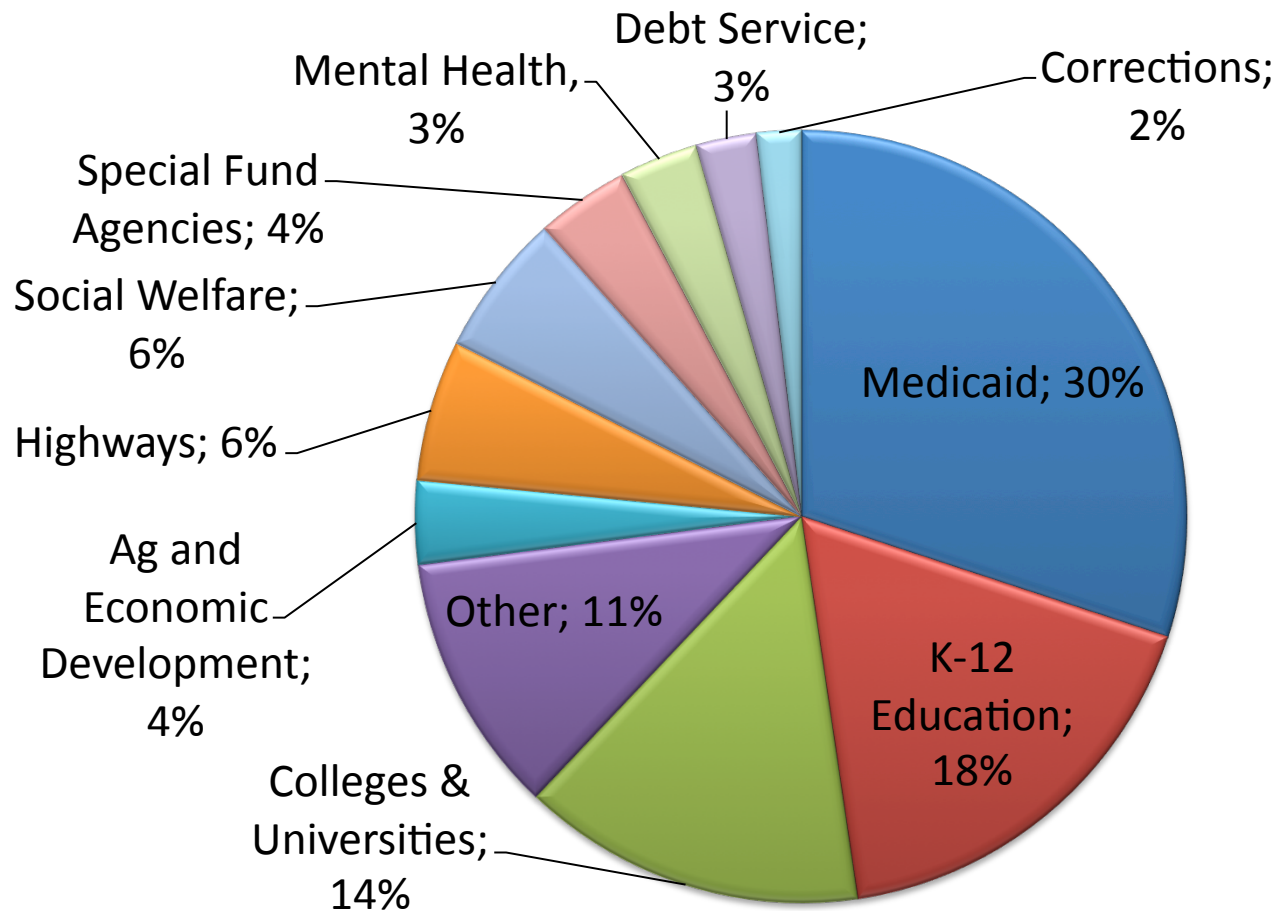
- Our state appropriated **\$18.2 Billion**
- Federal Funds made up **46%**
- Major Categories:
  - Medicaid,
  - K-12 Education,
  - Colleges & Universities,
  - Agriculture & Economic Development, &
  - Highways



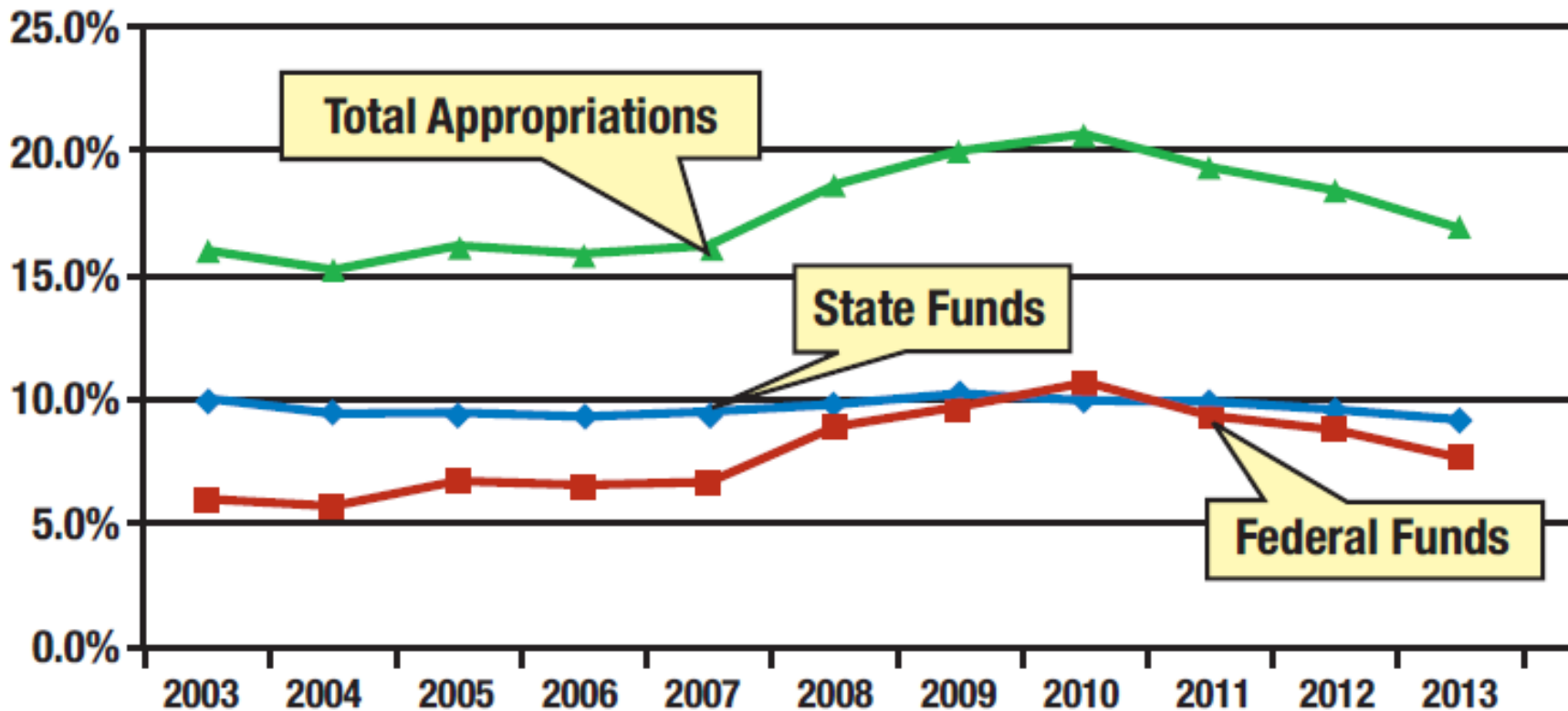
## FY 2013 Total Appropriations (\$18.2 Billion)



# Total Appropriations By Agency Fund



## Federal & State Appropriations as a Share of the State's Total Economy (FY 2003 - 2013)



Sources: Mississippi Joint Legislative Budget Committee, State of Mississippi Enacted Budgets 2003-2013 Schedule IV; Mississippi Economic Review and Outlook, Gross State Product Data, Economic Forecast Values Table 7A, Historical Values 7A, June 2011

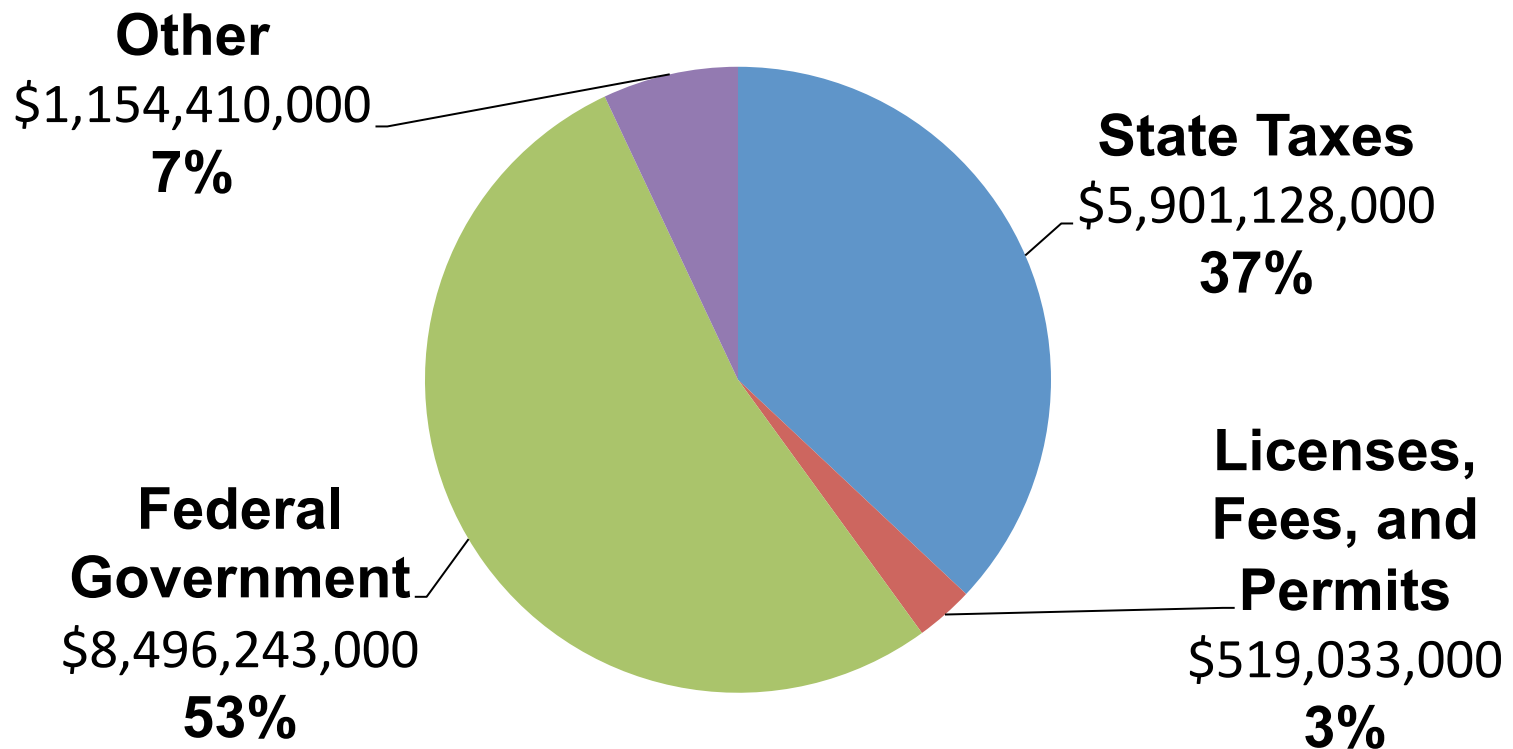
## A Look at State Revenue

- In FY 2011, residents, businesses, and the federal government contributed **\$16.1 billion**;
- Most (**49%**) of our state's state tax revenue came from *sales and use tax collections*

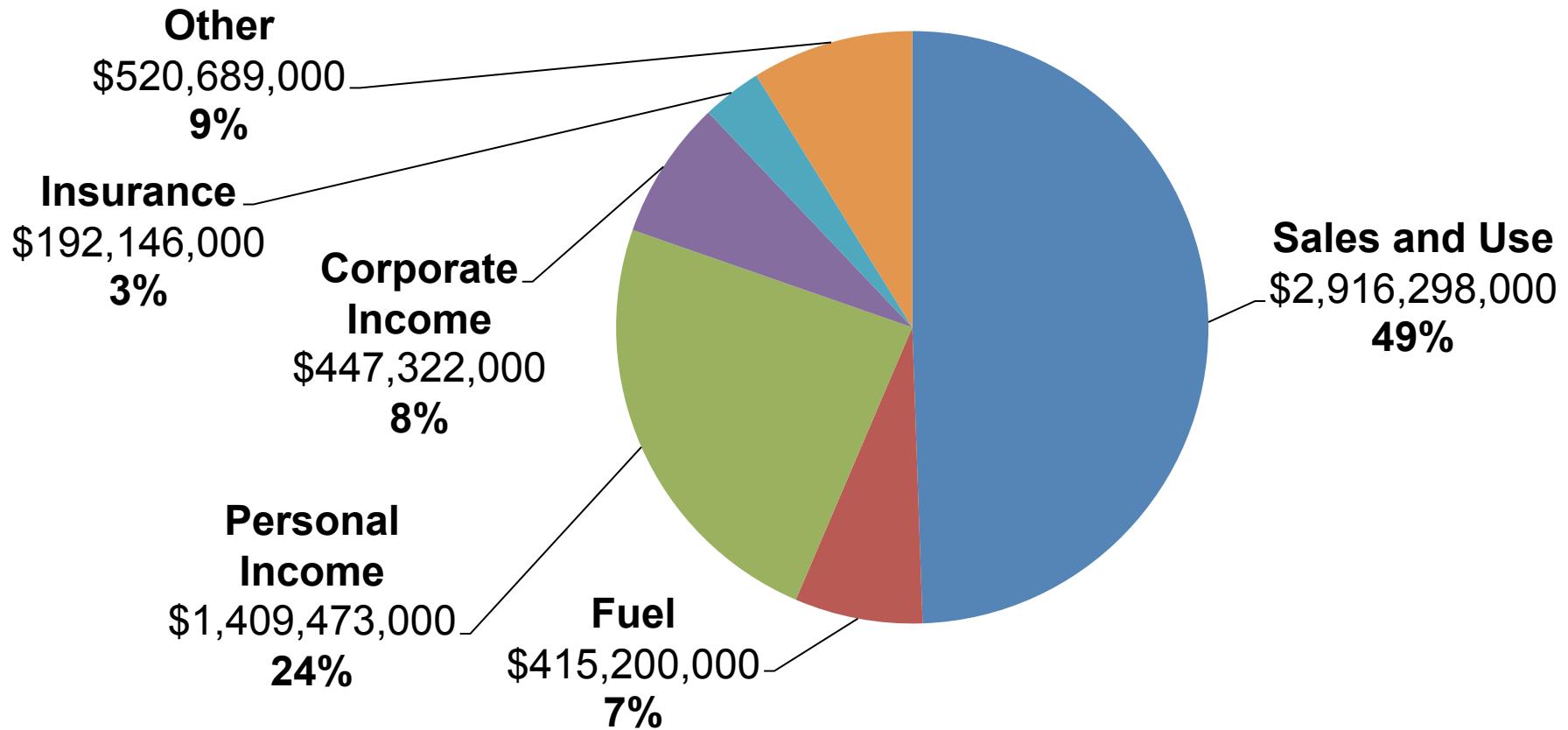




# State of Mississippi Governmental Fund Revenues by Source FY 2011 (\$16.1 Billion)



# Mississippi State Tax Revenue by Source FY 2011 (\$5.9 Billion)



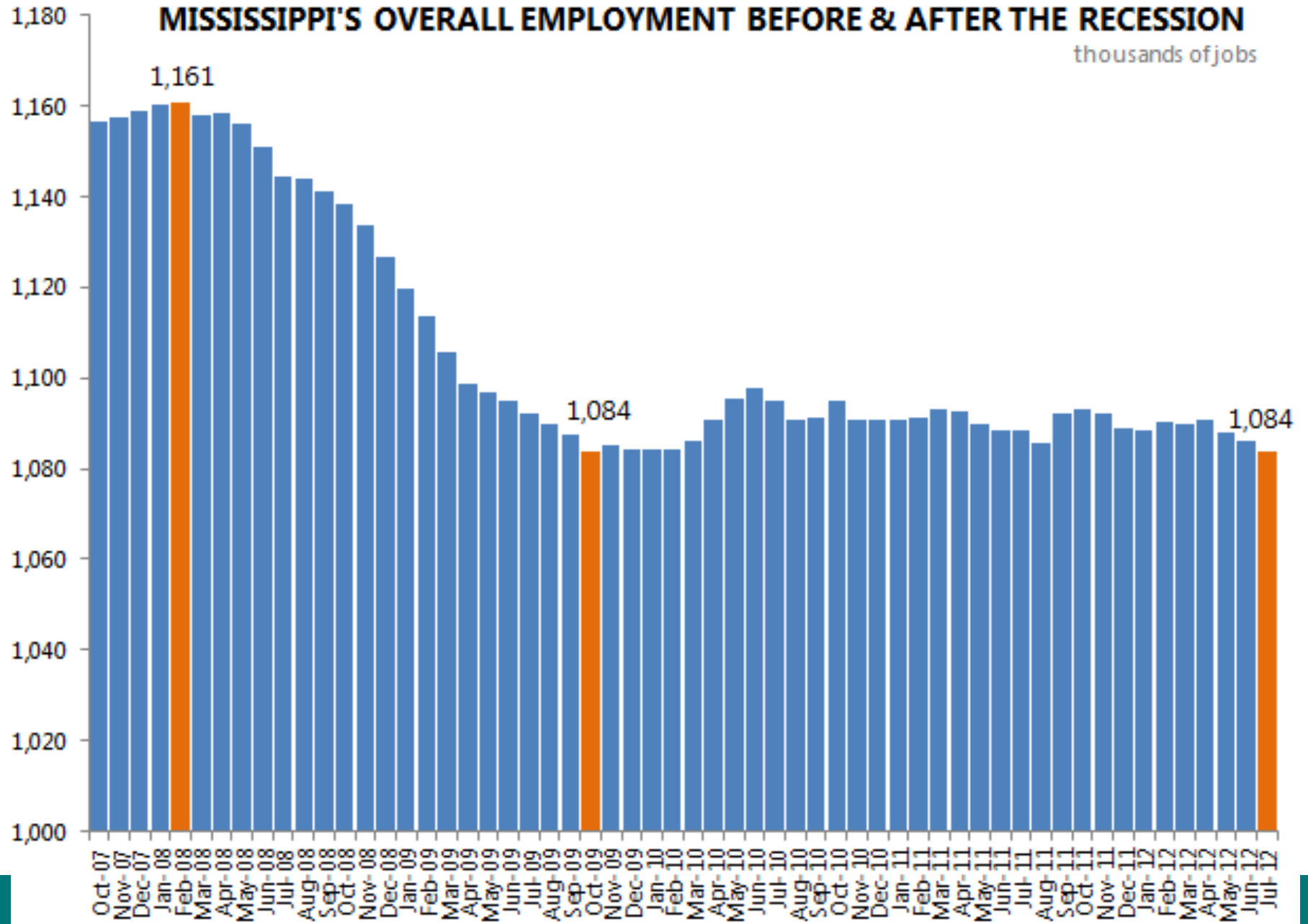
## Evaluating Our Tax System

- Adequacy
- Fairness
- Transparency

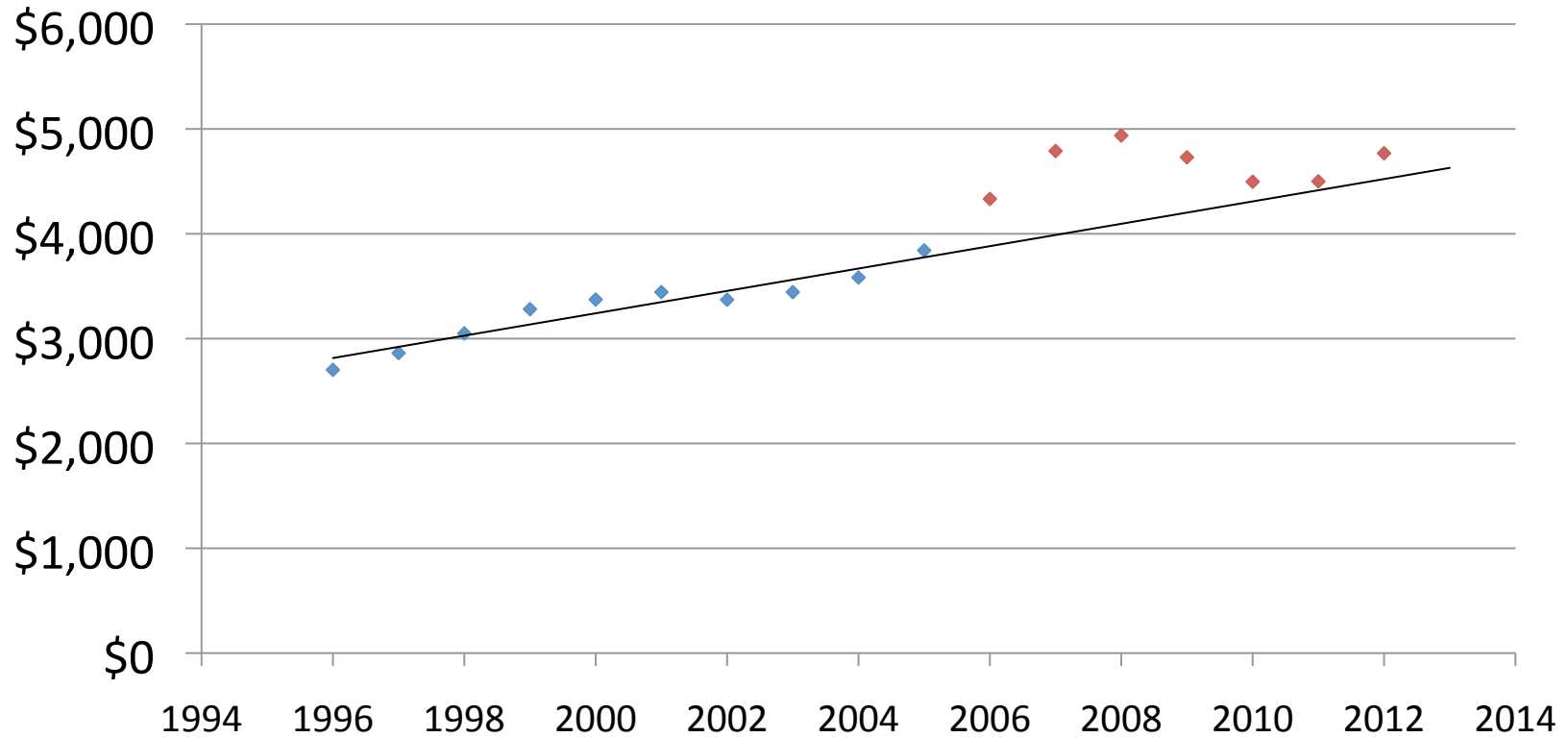


# MISSISSIPPI'S OVERALL EMPLOYMENT BEFORE & AFTER THE RECESSION

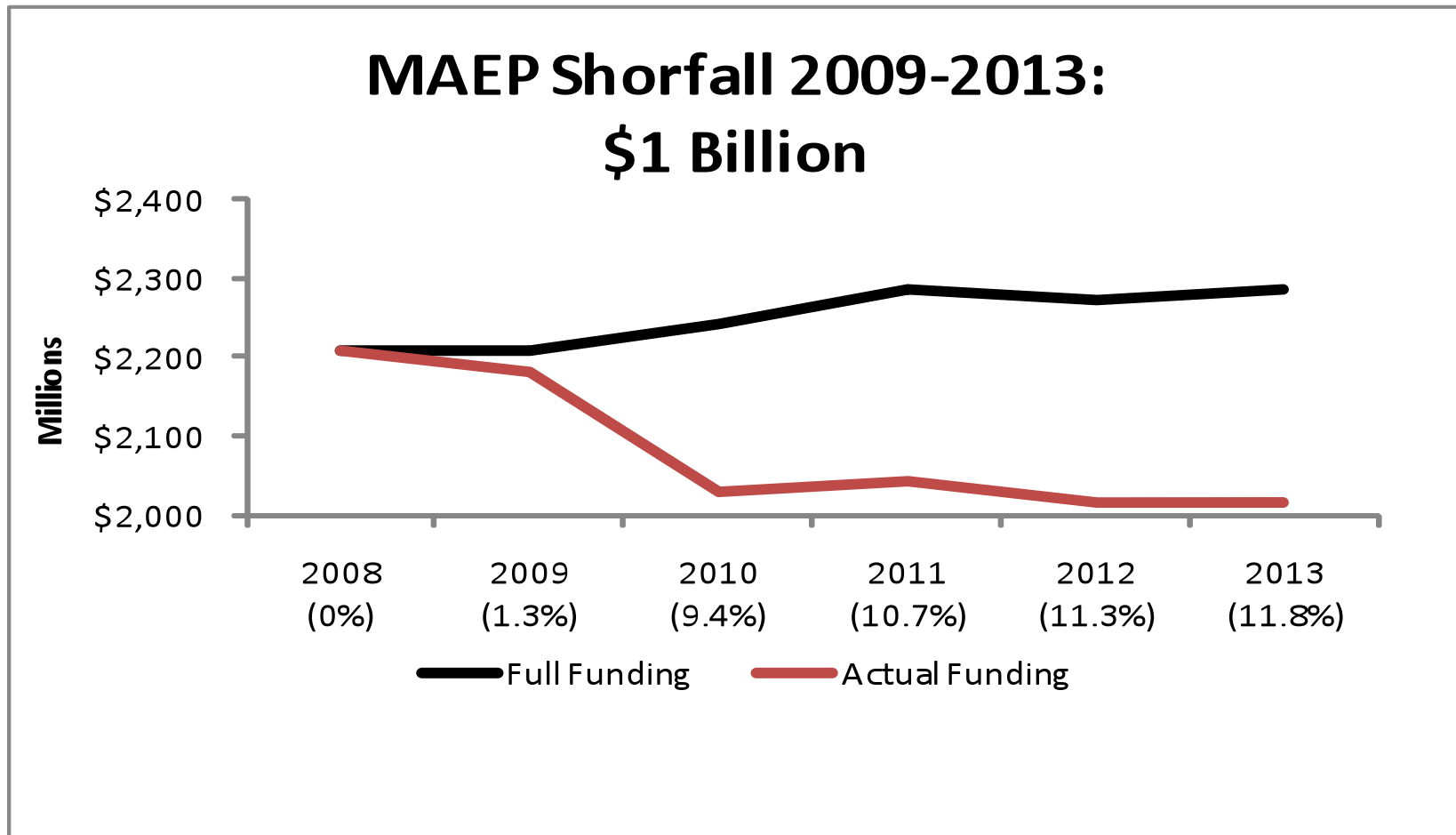
thousands of jobs



## MS General Fund Revenue Trends Before and After Katrina



# Mississippi Adequate Education Program



Source: MS Department of Education; MEPC Analysis  
Assumes Level Funding in FY 2013

## Current Tax Structure

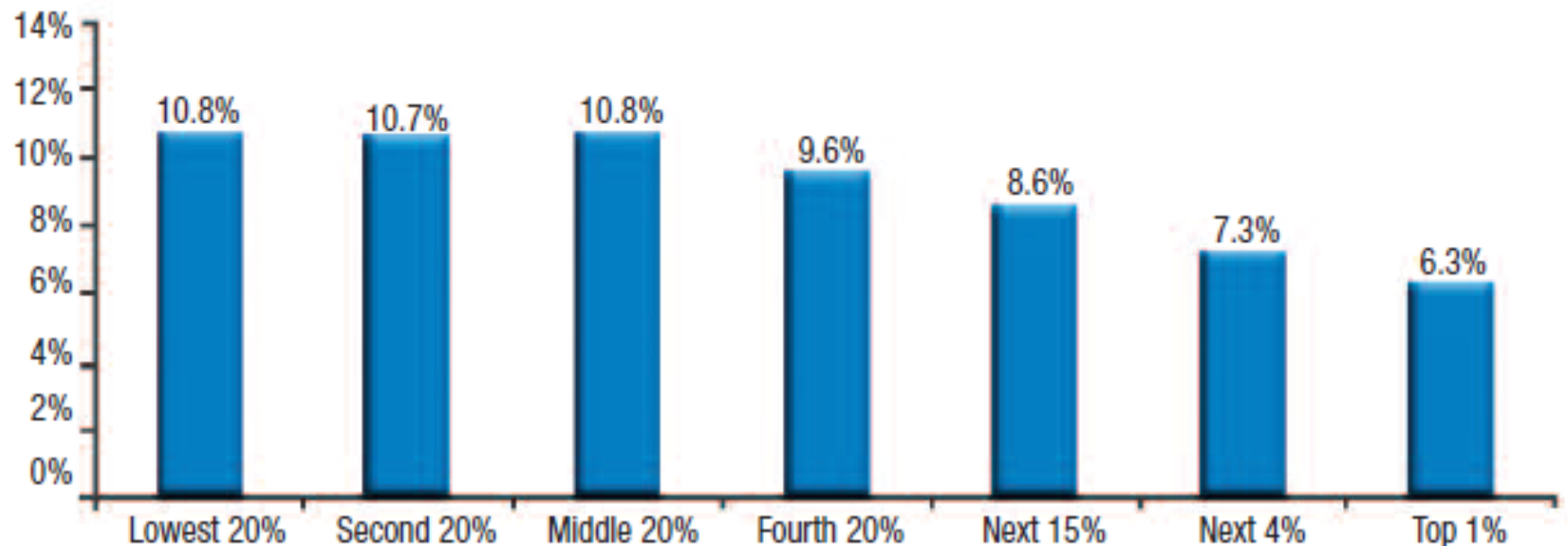
- Income Tax

Taxable Income	Income Tax Rate	Income Threshold for Family of Four with Standard Exemptions and Deductions
\$0-5,000	3%	\$19,600
\$5001-10,000	4%	\$24,600
Over \$10,000	5%	\$29,600

- Sales Tax

- 7% on goods (including groceries) and some services

Figure 10: Total Taxes Paid as a Percentage of Income by Income Groups in 2007

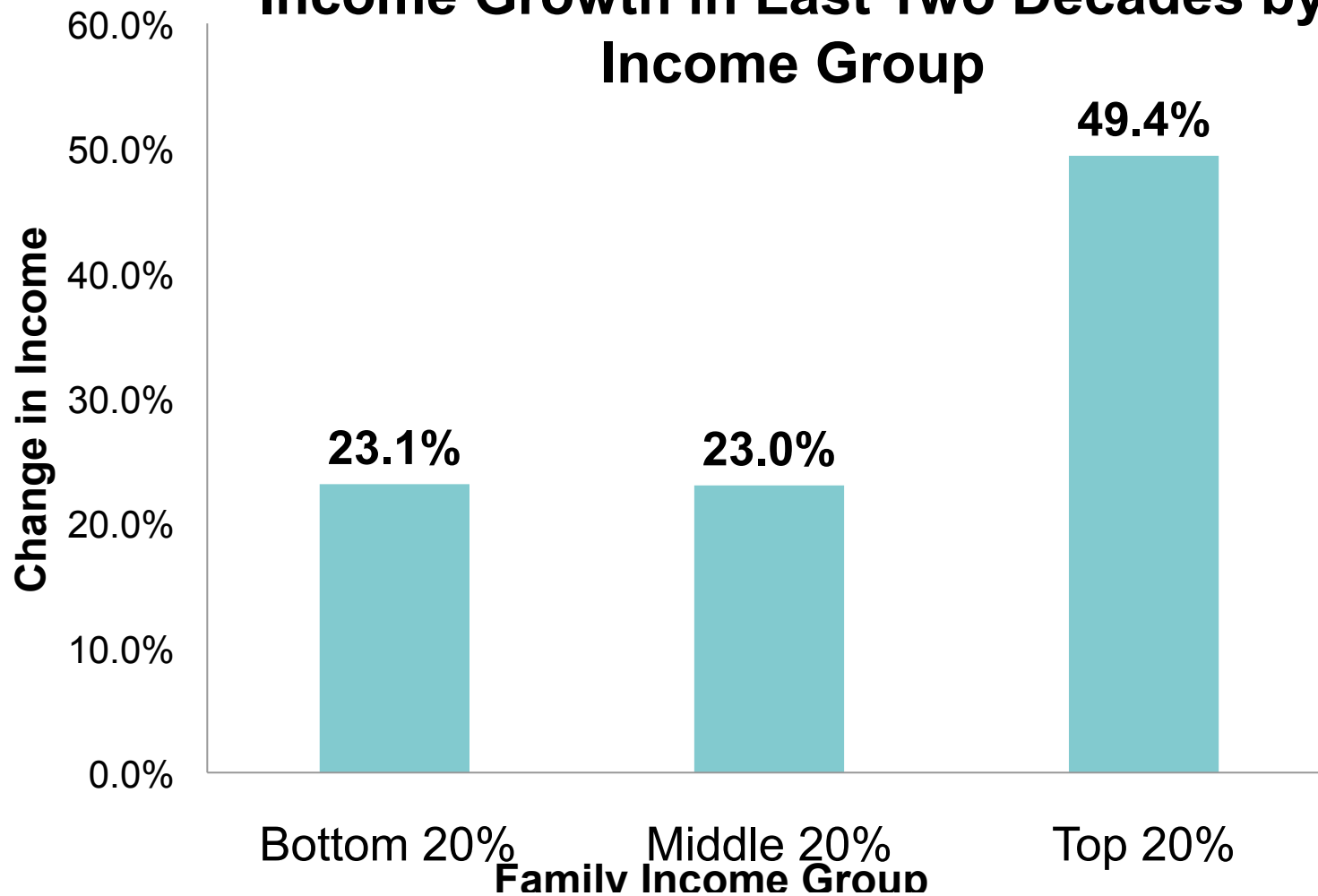


Income Range	Less than \$15,000	\$15,000 - \$24,000	\$24,001 - \$39,000	\$39,001 - \$70,000	\$70,001 - \$135,000	\$135,001 - \$319,000	\$319,001 or more
Average Income	\$9,100	\$19,000	\$31,600	\$53,600	\$94,500	\$184,200	\$806,700

Source: MEPC Analysis of data from the Institute of Taxation and Economic Policy



## Income Growth in Last Two Decades by Income Group



## Recommendations

- Expand the sales tax base by adding more services
- Add new brackets to the income tax at higher income levels
- Exempt groceries from the sales tax
- Enact a State Earned Income Tax Credit

## How YOU Can Get Involved:

There are 3 key ways that you become an active part of the budget process:

1. Keep Current
2. Enhance Your Knowledge
3. Engage Others



## Resources:

**The Nuts and Bolts of the Mississippi Budget: A Taxpayer's Guide to the State Budget**

**MEPC's website:**

<http://mepconline.org>



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