

How Are Our State Dollars Spent?

This section provides an overview of the funding decisions the Legislature has made recently and over time.

For FY 2013, Mississippi appropriated \$18.2 billion in State and Federal Funds. *Figure 3* illustrates how this money was distributed.

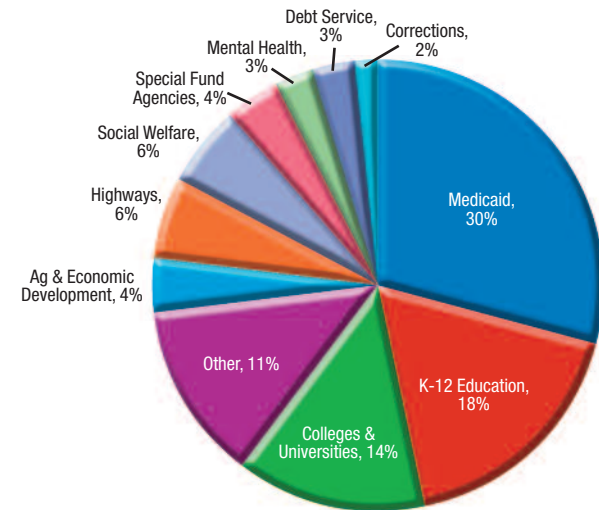
Of the \$18.2 billion appropriated, over 70% was devoted to five major categories: Medicaid, K-12 education, colleges and universities, agriculture and economic development and highways.

The services and programs shown in *Figure 3* are funded with a combination of the three types of funds, with some paid for entirely by General Funds and others funded primarily by Special Funds or Federal Funds.

Figure 4 shows the breakdown of General Fund, Federal Fund and other State Special Fund appropriations for FY 2013.

As *Figure 4* indicates, Public Education and Higher Education, combined, will receive over half (62%) of every General Fund dollar and only 11 cents of every Federal Fund dollar. In contrast, Medicaid will receive 4 cents of every General Fund dollar and 46 cents of every Federal Fund dollar.

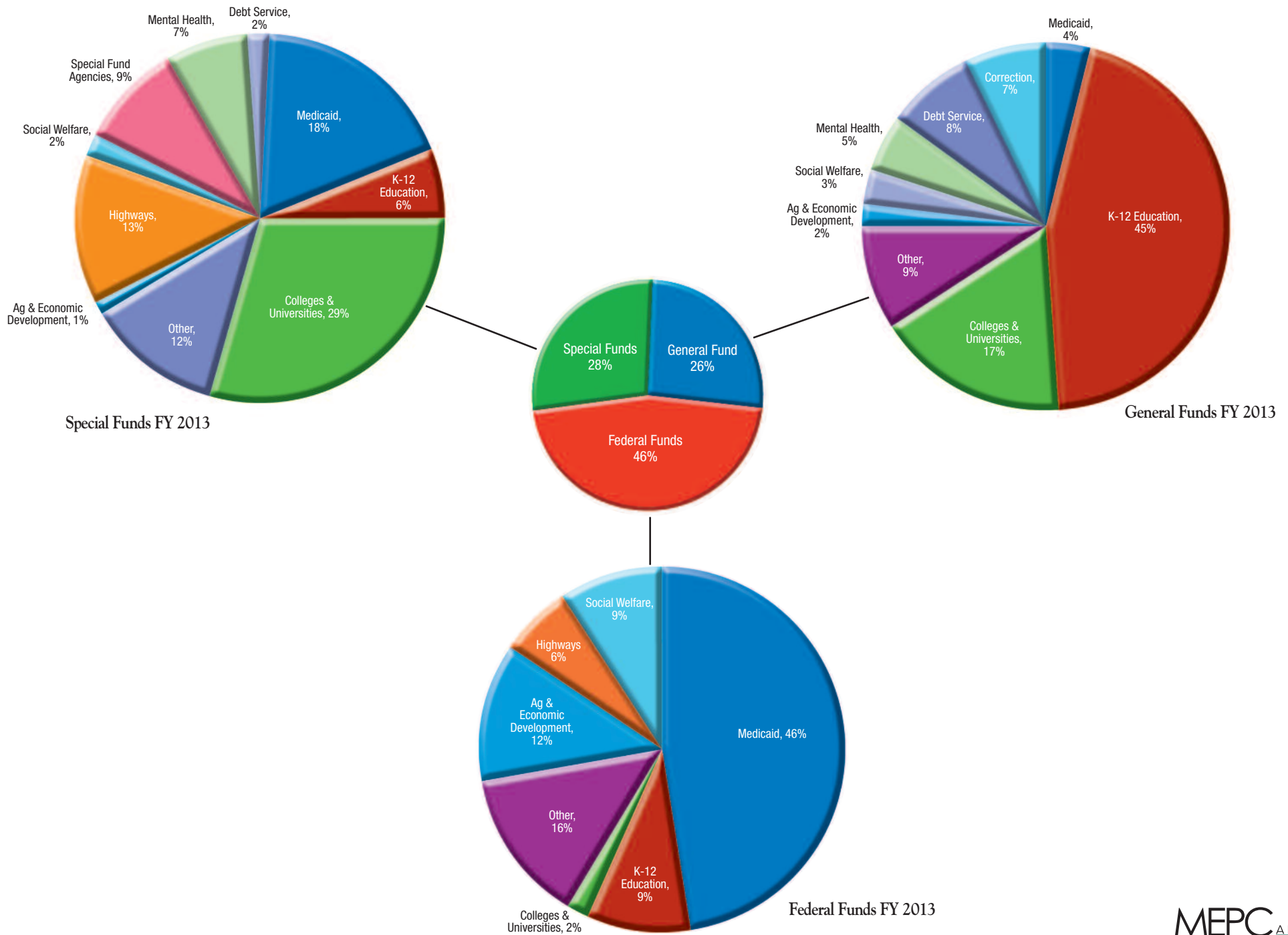
Figure 3: Total Appropriations (\$18.2 Billion) in State and Federal Funds Approved by the Legislature FY 2013



Source: Legislative Budget Office, Budget Summary 2012 Legislative Session: State of Mississippi Enacted Budget FY 2013

Figure 4: Appropriations by Fund Type FY 2013

Source: MEPC Analysis of Enacted Budget



How Has Our State Spending Changed Over Time?

When you look at the dollar amounts of state appropriations today in comparison with years past, it looks as if these amounts have increased dramatically. However, when the increase in prices and size of the economy are considered, the picture is a little different.

On average, prices increase every year on all goods (such as schoolbooks) and services (for example, health care) that our state buys. A dollar buys less today than it did in 2000. Additionally, population changes and the size of the economy affect state spending.

The **State Gross Domestic Product (GDP)** is a measure of our state's total economy, and is an important indicator of how much our state can afford to spend on public priorities. *Figure 5* shows the trends in total Federal Fund and State Fund appropriations as a percentage of State GDP.

Key Terms

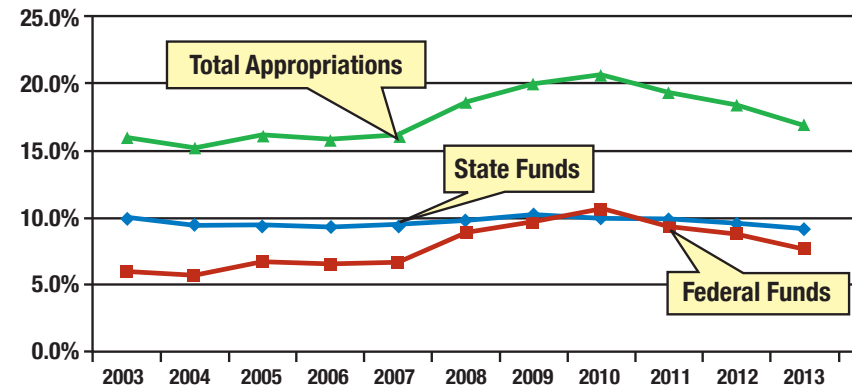
State Gross Domestic Product (GDP) – As a measure of Mississippi's income, State GDP is useful for determining how much our state can afford to spend on public priorities. State Gross Domestic Product is a measure of the total income produced in our state in a given year, including salaries, dividends and interest.

Figure 5 shows that between 2003 and 2013, State Fund spending as a share of our state's economy held relatively steady, declining slightly through 2006, marginally increasing from 2007 through 2009, and decreasing from 2009 on. In 2003, State Fund spending represented 9.9% of the State Gross Domestic Product. By 2006, these appropriations had fallen to 9.2% of the state GDP. Between 2006 and 2009 State Fund spending rose from 9.2% to 10.2% of State GDP; however, since that time, State Fund spending has fallen to 9.2% in 2013.

While State Fund spending held relatively steady as a share of our state's economy over the last several years, the state benefited from increases in Federal Funds. Federal appropriations as a share of Mississippi's economy rose from 6.0% in 2003 to 6.6% in 2007. Hurricane Katrina Recovery played a part in the increase in federal appropriations following 2007.

From 2008 to 2010, our state experienced significant declines in revenue collections as unemployment rose and workers experienced cuts in wages in hours. Federal recovery dollars played an important role in the development and stabilization of budgets for the provision of state services. After 2007, federal appropriations as a share of Mississippi's economy rose from 6.6% to 8.9% in 2008, 9.7% in 2009 and 10.6% in 2010. Since that time, federal appropriations as a share of Mississippi's economy has fallen to 7.7%. In the budgets developed for Fiscal Years 2009-2011, over \$900 million in federal American Recovery and Reinvestment Act (ARRA) dollars were allocated to address shortfalls.

Figure 5: Total Appropriations, Federal and State Appropriations as a Share of the State's Total Economy (FY 2003-2013)

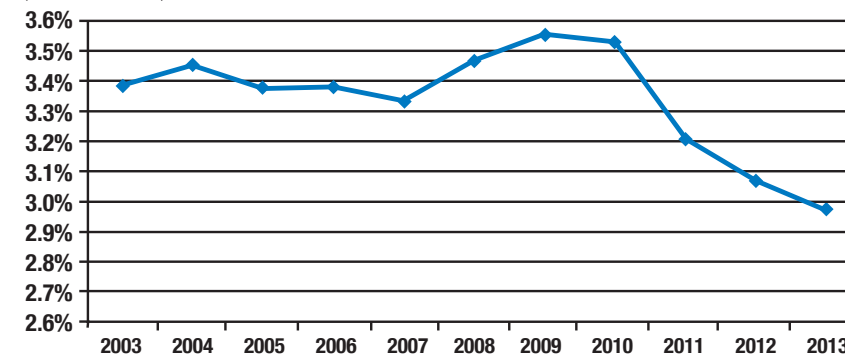


Sources: Mississippi Joint Legislative Budget Committee, State of Mississippi Enacted Budgets 2003-2013 Schedule IV; Mississippi Economic Review and Outlook, Gross State Product Data, Economic Forecast Values Table 7A, Historical Values 7A, June 2011

What About Large Budget Items?

As discussed above, a meaningful way to look at changes in spending over time is as a percentage of State GDP. An analysis of large budget items, including public education, higher education and corrections, shows that spending in these areas has remained relatively steady over the past decade. As the largest General Fund item, public education expenditures serve as a good example of this trend. Public education spending as a share of the state's economy stayed fairly constant through 2009 (*Figure 6*); however, since 2010, public education has experienced a 0.5% decline and is at its lowest level since 1999.

Figure 6: Public Education Expenditures as a Share of the State's Economy (1996 - 2012)



Sources: State of Mississippi Enacted Budgets 2003-2013 Schedule IV; Mississippi Economic Review and Outlook, June 2011

The Nuts and Bolts of State Spending

- For FY 2013, the Mississippi State Legislature appropriated over \$18 billion. The appropriations included State and Federal Funds.
- The biggest overall expenditure was Medicaid, which was primarily funded with earmarked federal dollars. The largest General Fund appropriations were made for education, both K-12 and colleges and universities.
- General Fund spending, as a percentage of State GDP, has been relatively stable, suggesting that increases or decreases in spending are in line with the growth and decline of the state's economy.