



The Mississippi Association of Supervisors

The 2017 Regular Legislative Session
General Outlook

By: Steve A. Gray



Economic Outlook

Key Points from the Joint Legislative Budget Committee Hearing

- ▶ Mississippi experienced declining employment in April, May and June, but job gains in July and August recouped those losses and we are currently up 1.2% for the year on average.
- ▶ **Job Growth Concern:** Many of the jobs have been low paying and probably part-time. The state has seen large gains in retail grade and eating and drinking places, in addition to local government, health services, manufacturing and construction. The largest contraction of jobs in 2016 has been in temp jobs.
- ▶ While the state has shown growth improvement, it has remained relatively slow, thus impacting retail sales tax collections.



Executive Office of the Governor



Governor's Executive Budget Recommendation

- Saving for the Future
- Spending Prudently
- Prioritizing the Core Functions of Government



Saving for the Future

- ▶ The Governor's budget is committed to only spending 98 percent of available revenues which is in accordance with Mississippi Code Section 27-103-139. The budget also proposes placing \$109.6 million in economic damages from the BP settlement in a new Gulf Coast Restoration Reserve Fund, which would be an additional reserve fund in FY2018 and could be utilized for Gulf Coast-focused public projects in future years.



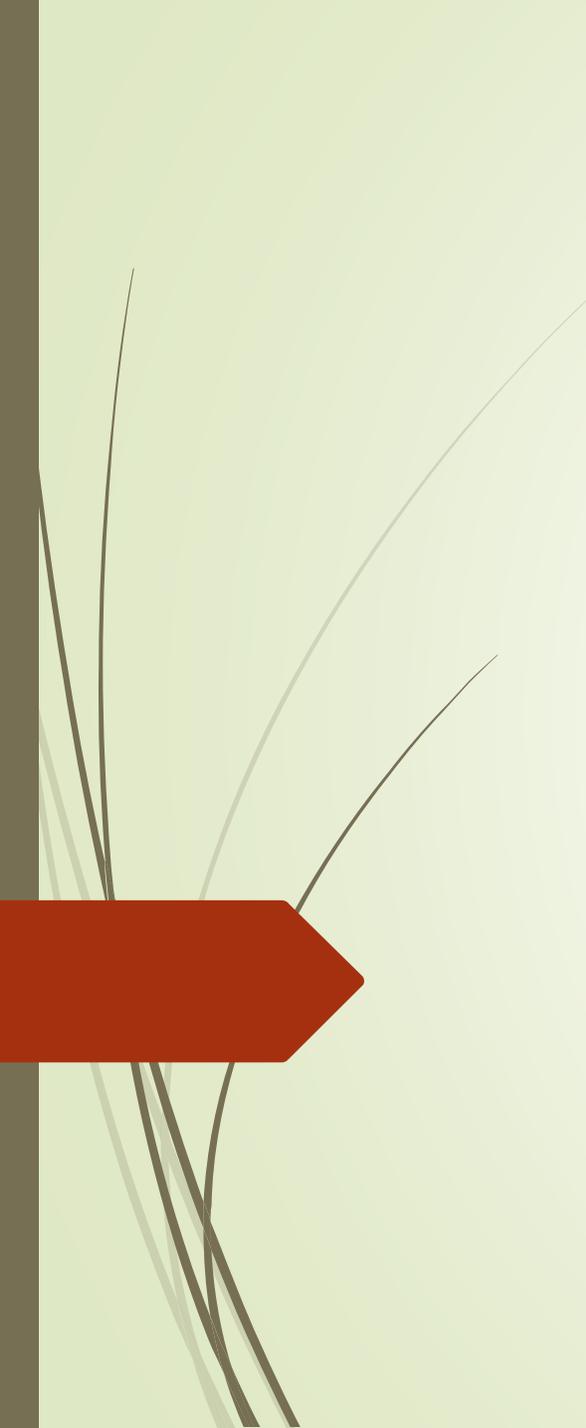
Spending Prudently

- ▶ The Governor's budget recommends \$5.7 billion in general fund appropriations, uses no one-time money for recurring expenses, and recommends 1.8 percent in reductions in state support appropriations for most state agencies.



Prioritizing the Core Functions of Government

- ▶ The Governor's budget maintains level funding for public safety, military, veterans, emergency management, prosecutors and community colleges. It invests an additional \$16.4 million in the Mississippi Adequate Education Program, bringing total state support to \$2.2 billion.



Joint House & Senate Budget Recommendations



Philosophy of the Chamber Leaders

- ▶ *Speaker of the House, Representative Phillip Gunn:* “A number of agencies have said they could be more efficient and provide better services at less cost if they had more flexibility.”
- ▶ *Lieutenant Governor, Tate Reeves:* “A more conservative budget that forces agencies to be more mindful of how they spend the taxpayer dollars.”

More Conservative & Efficient



Joint Legislative Budget Committee

(Budget Recommendations from LBO)

- ▶ The total proposed “state support” is **\$6.162 billion**, which is \$195.3 million, or 3% less than the fiscal 2017 budget. Budget analyst & leaders are projecting only small growth of 1.8%.
- ▶ JLBC budget calls for “level funding” of main K-12 public education budget at \$2.24 billion, but calls for increased spending of \$20.4 million for the “School Recognition Program,” which would provide up to \$100 per pupil for schools that achieve high ratings or show great improvement

- ▶ JLBC proposals would cut the budget for most larger state agencies.

Medicaid: \$909.3 Million, 2.5% cut

Universities: \$377 Million, 6.7% cut

Corrections: \$309.9 Million, 3.3% cut

Community Colleges: \$242.5 Million, 6.5% cut

Mental Health: \$233.3 Million, 3.2% cut

University Medical Center: \$173.8 Million, 2.2% cut

Joint Legislative Budget Committee (Cont'd)

(Budget Recommendations from LBO)

Savings Recommendation from JLBC Panel

- ▶ Moratorium on agencies buying vehicles (**savings of \$19 million**)
- ▶ Roughly 20% reduction in agency spending on travel, primarily out-of-state (**savings of \$12 million**)
- ▶ Cuts in programs for students graduating high school needing remediation courses when they start at a college or university (**savings of \$4.5 million**)
- ▶ Removing state employees from civil service protection (**savings of \$13 million**)
- ▶ Reinstate the "2% set aside" rule, and spend only 98% of state revenue, and help refill the state's rainy day fund. The JLBC plan does not spend any "one-time" money on recurring expenses.
- ▶ The proposal leaves \$641 million of state funds "unallocated," including the state's rainy day fund, various special fund balances and \$108.6 million from the state's first settlement payment from the BP oil disaster.

Budget Comparisons

GOVERNOR

Total Budget: \$5.7 Billion

- Education Funding: \$2.2 Billion
- Medicaid Funding: \$915 Million
- Corrections Funding: \$314 Million
- Mental Health Funding: \$233 Million
- Community College: \$250 Million

Joint Legislative Budget Committee

Total Budget: \$6.1 Billion

- Education Funding: \$2.2 Billion
- Medicaid Funding: \$909 Million
- Corrections Funding: \$309 Million
- Mental Health Funding: \$233 Million
- Community College: \$242 Million

Homestead Exemption Reimbursement

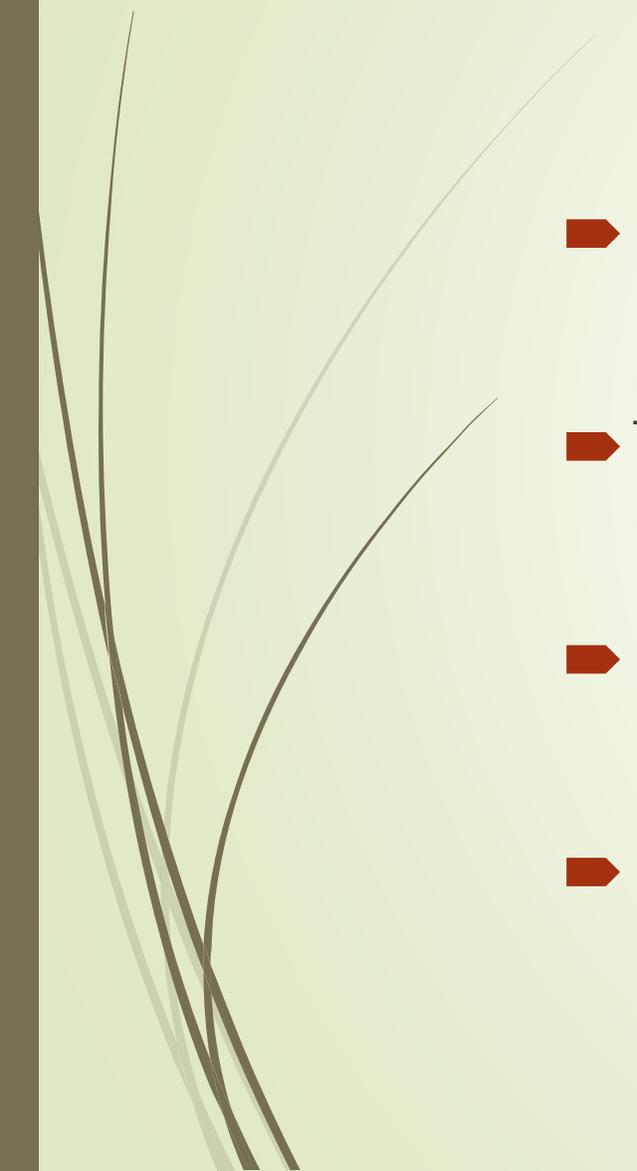
\$83,081,660 (FY 2017)

Governor's Recommendation FY'18
\$81,561,994 (1.8% Cut)

JLBC Recommendation FY'18
\$82,038,206 (1.2% Cut)



Legislative Off-Season Dialogue

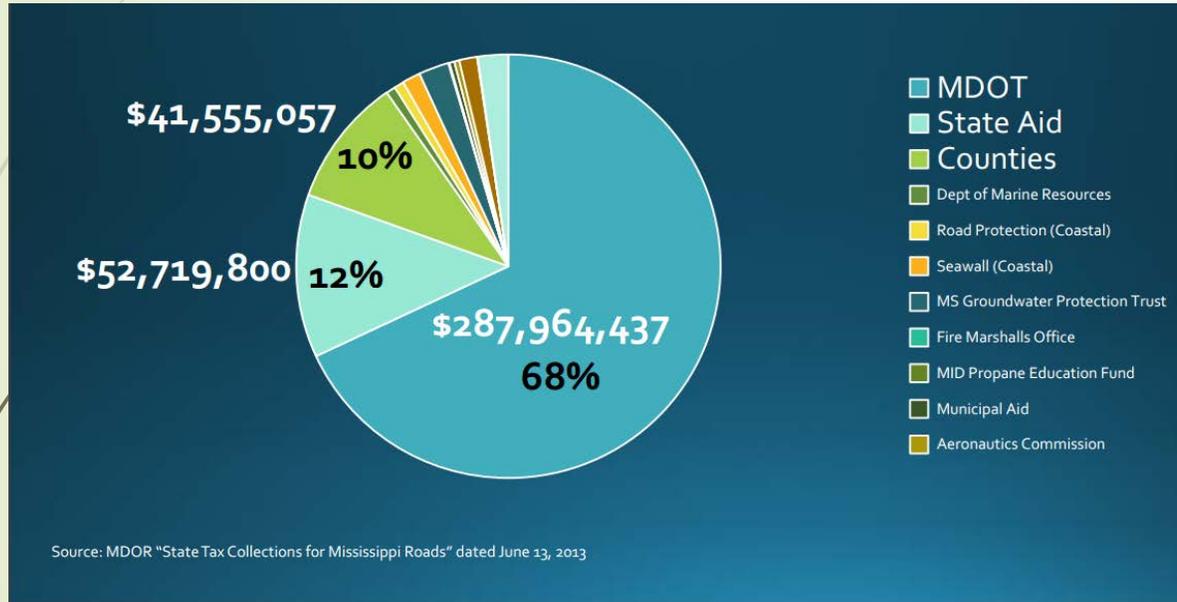
- ▶ Long-term Infrastructure Funding
 - ▶ Tax Reform
 - ▶ Possibility of New Revenue Streams
 - ▶ Education & Medicaid
- 



Long-Term Infrastructure Funding

- ▶ MAS hosted stakeholders advocacy meetings at the MAS Office (MS Farm Bureau, MS Economic Council, MML, MS Truckers Association, MS Forestry Association, etc)
- ▶ Both Transportation Committee Chairman (House & Senate) support long-term infrastructure funding.
- ▶ MAS & MEC launch 2 separate regional public awareness campaigns simultaneously. One campaign addressing the infrastructure need from the business community perspective and one from the county government perspective.
- ▶ Speaker/Lt.Governor/
Governor

Mississippi Economic Plan Distribution Formula



Current revenue (22%)	\$92 Million
New Increase	\$37 Million

The New Total **\$129 Million**

MEC Total
\$375 Million

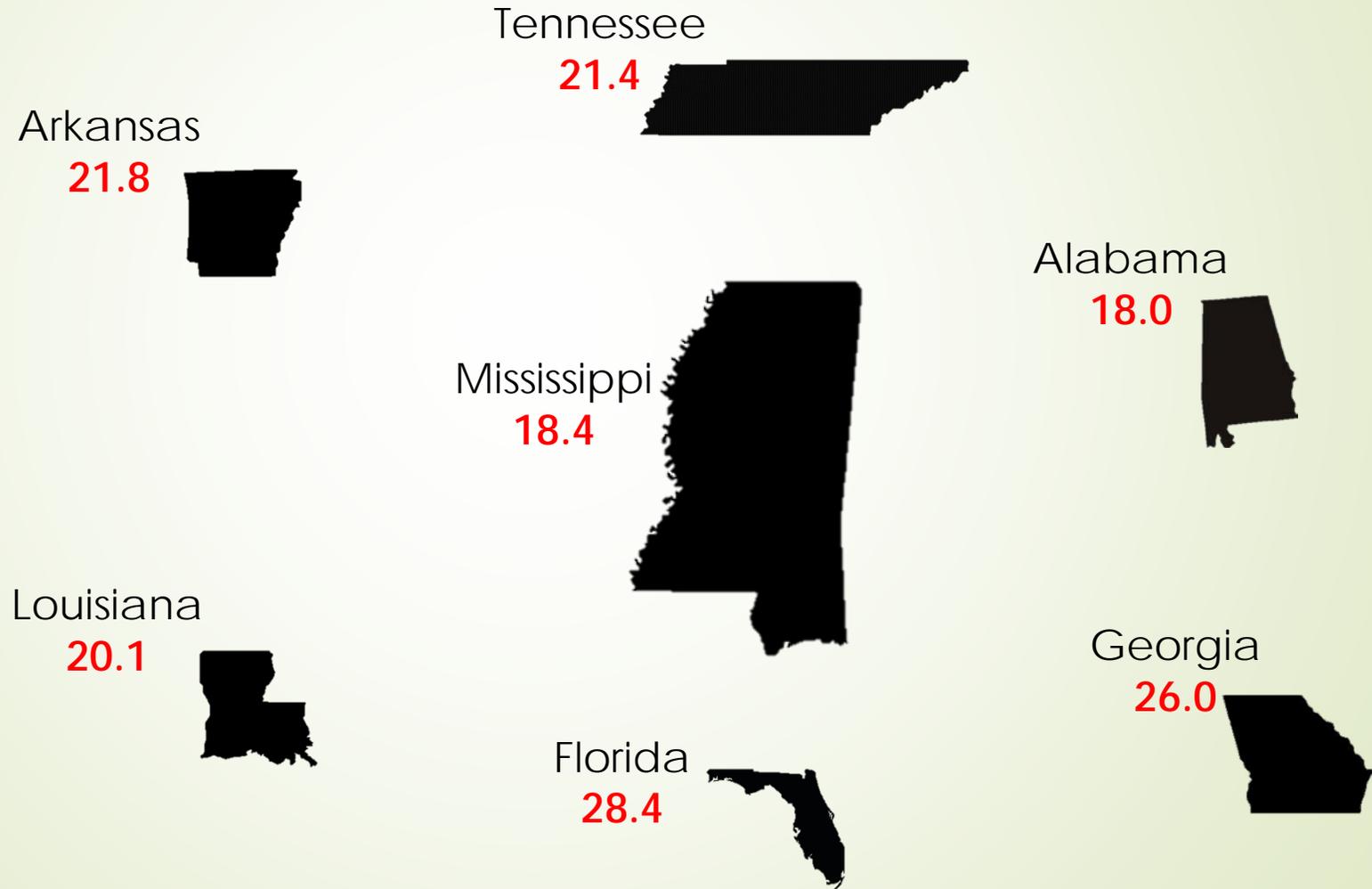
Fuel Tax	\$295 Million
Vehicle Fee	\$55 Million
MDOT Efficiencies	\$25 Million

Total **\$375 Million**

Split 80/20
80% State 20% Locals
 $\$375 - 20\% = \75 Million

Split 50/50
50% City 50% Counties
 $\$75 / 2 = \37 Million

Fuel Taxes in Our Neighboring States



Tax Reform

Numerous legislative policy hearings took place at the MS Capitol. The tax policy study panel had a series of hearings to evaluate the Mississippi tax business climate. This series was facilitated by economist Nicole Kaeding with the **Center for State Tax Policy at the Tax Foundation** (a Washington D.C. tax policy think tank). The largest tax reform recommendation from Ms. Kaeding consisted of the following:

- ▶ Elimination of the franchise tax and 3% corporate and individual tax brackets (*speed up the process*)
- ▶ Eliminate the throwback rule for corporate income tax
- ▶ Expand sales tax to include fitness, barber, and vet services (*D.O.R. recommendation*)
- ▶ Eliminate inputs from sales tax base, such as business, fuel, leases, machinery, equipment

BEWARE OF REVISITING THE INVENTORY TAX



Possibility of New Revenue Streams

Highlights from the Department of Revenue (D.O.R.) Presentation

- ▶ **Levy a tourism tax:** An additional 1% state tax on hotels, rental cars, prepared foods and other tourism or disposable income items would bring in an estimated \$45 a year. A 3% levy on just hotels would bring in about \$23 million.
- ▶ **Raise the fuel tax:** raising the per-gallon tax on fuel by 2 cents would provide \$45 million a year and bring our rate in line with our neighboring states. Mississippi charges 18.4 cents a gallon with surrounding states charging from 20 cents to 21.4 cents.
- ▶ **Levy a use tax for internet sales:** Mississippi could follow Alabama's and North Dakota's lead and require out-of-state sellers to collect and remit a use tax, and prepare the state to tax remote sales if Congress passes legislation or the U.S. Supreme Court overturns a ruling hampering internet sales taxes.
- ▶ **Create a lottery:** In comparison to Arkansas (population/demographics), a Mississippi lottery would bring in \$88 million to \$100 million a year.
- ▶ **Sports betting:** Sports betting is a \$95 billion a year industry. It's legal only in Nevada and New Jersey, but it is going on illegally across the country and in Mississippi, where it could be legalized and taxed.

Possibility of New Revenue Streams (Cont'd)

Highlights from the Department of Revenue (D.O.R.) Presentation

- ▶ **Charge a flat rate of 5% on corporate income:** Currently, corporate and individual income tax has graduated brackets of 3%, 4%, and 5%. Charging corporation 5% across the board would increase collections by \$2.2 million a year.
- ▶ **Raise the contractor's tax:** Raise the contractor's tax rate from 3.5% to 4.5%. In exchange, contractors could be exempted from paying 7% sales tax on other purchases or services. Currently, they pay a 3.5% tax on gross receipts of the contract including component materials exempt from regular sales tax. If this worked out to be revenue neutral, it make the process more streamlined and less confusing.
- ▶ **Charge more for beer permits:** Increasing the annual permit to sell beer from \$30 to \$150 would put the fee in line with neighboring states and bring in \$750,000 a year. D.O.R. stated that Mississippi ABC markup of 27% is relatively low, and the state could charge a warehousing fee for alcohol.



Education & Medicaid

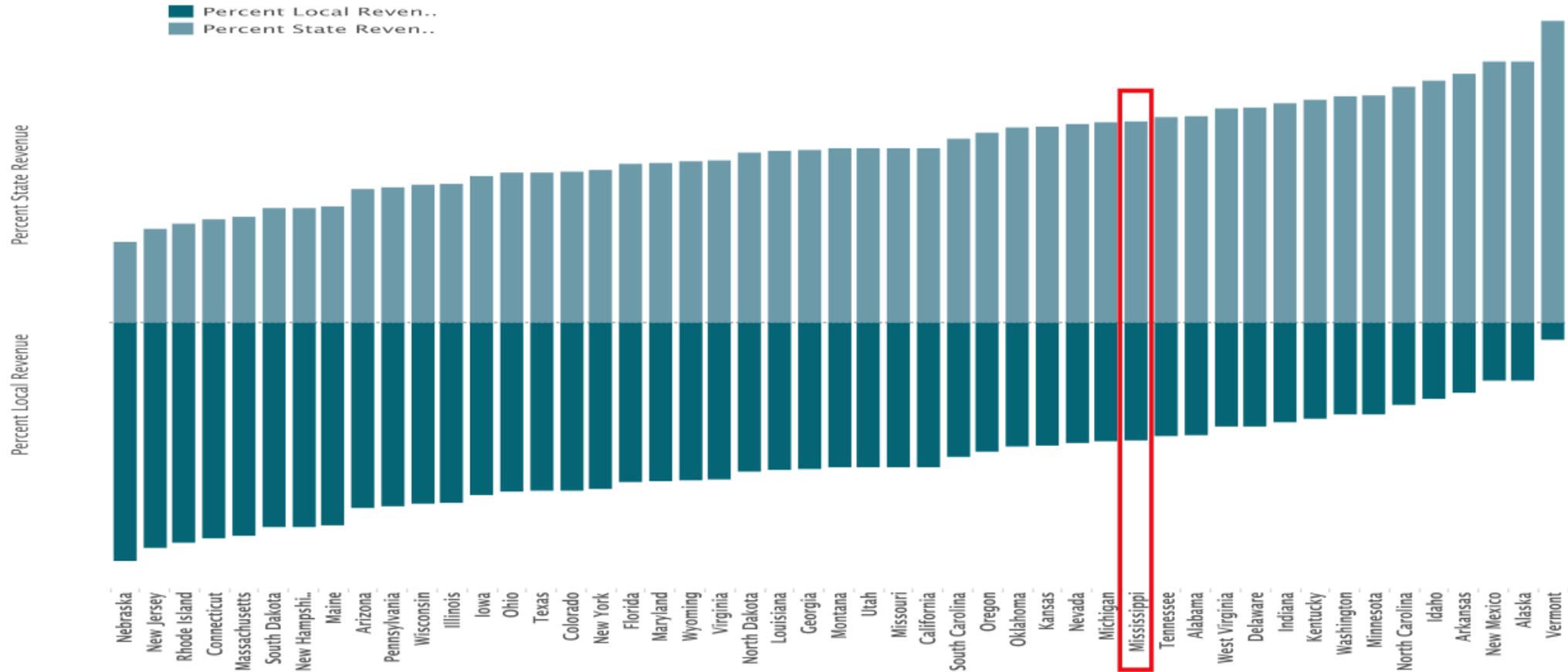
Education

- ▶ The state has contracted with a New Jersey based firm (EdBuild) to study and evaluate the MAEP funding formula. The CEO of the firm EdBuild said that Mississippi had the 15th highest state share for education spending, with 37 percent of the total amount coming from local taxes.
 - ▶ Goal will be to implement a student based formula. (Possibly weigh heavier towards individual student diagnosis, rather than basing it on resources, or lack thereof.)

Medicaid

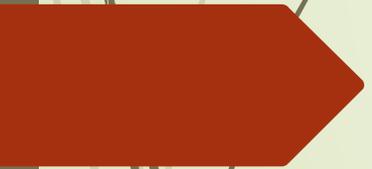
- ▶ In 2016, the Legislature allocated nearly \$1 billion to Medicaid, and the Mississippi Division of Medicaid has requested over \$1 billion for the coming year.

Local State Share



Mississippi is the 15th highest state in terms of state share. On average, 37% of funding is derived from local shares, compared to 50% in Florida where local funds comprise a more significant portion of funding.

2017 Regular Session Guideline





State Legislature Committees Vital to County Government

- ▶ Senate & House County Affairs Committee
- ▶ Senate & House Appropriation Committee
- ▶ Senate Finance Committee and House Ways & Means Committee
- ▶ Senate & House Transportation Committee
- ▶ Senate Energy Committee and House Public Utilities Committee

“Contact your local legislative delegation to see if they serve on any of these committees. If they do serve, request that they support all legislation that’s favorable toward county government, and oppose all legislation that poses a negative impact to county government.”

2017 Legislative Proposals





2017 Legislative Proposals

Proposal 1

The Mississippi Association of Supervisors request legislation that establishes a state certified county supervisor's education certification program, with a merit pay incentive that will initially be unspecified in the amount, and subject to what can be accomplished through the legislative process.

Proposal 2

The Mississippi Association of Supervisors request legislation that increases infrastructure funding to county government beyond its existing funding stream.

Proposal 3

The Mississippi Association of Supervisors request legislation funding the Local System Bridge Program (LSBP) at \$40 million.

Proposal 4

The Mississippi Association of Supervisors request legislation that fully funds the Homestead Exemption Reimbursement at \$87.5 million.



2017 Legislative Proposals (Cont'd)

Proposal 5

The Mississippi Association of Supervisors request legislation that provides for increased revenue for 911 funding.

Proposal 6

The Mississippi Association of Supervisors request legislation that provides for the 2017 round Rural Fire Truck funding.

Proposal 7

The Mississippi Association of Supervisors request legislation that provides funding for the Beaver Control Assistance Program (BCAP).

Proposal 8

The Mississippi Association of Supervisors request legislation that increases from \$5,000 to \$15,000 for purchases made that require two competitive bids.



2017 Legislative Proposals (Cont'd)

Proposal 9

The Mississippi Association of Supervisors request legislation that raises from \$1,000 to \$2,500 any purchases made that does not require a purchase requisition.



Regional Capital Visit Dates

- ▶ Central PDD (January 25th)
- ▶ East Central PDD (January 31st)
- ▶ South Delta PDD (February 1st)
- ▶ North Delta PDD (February 7th)
- ▶ Three Rivers PDD (February 15th)
- ▶ Southwest PDD (February 22nd)
- ▶ Northeast PDD (February 28th)
- ▶ Golden Triangle PDD (March 1st)
- ▶ North Central PDD (March 7th)
- ▶ Southern PDD (March 8th)

Visits at the Capitol are designed to give MAS members an opportunity to spend time with your legislators, attend important committee meetings, get briefed on key issues by MAS, and become more involved in the legislative process.



Regional Capital Visit Dates (Cont'd)

DAY OF THE VISIT

9:00 am – Meet MAS staff on the first floor of the Capitol once you pass the security check.

- ▶ The MAS staff will provide a brief verbal briefing in addition to handouts highlighting the grassroots assignments for that day. (will contain important committee meetings to attend, and key legislators to target)
- ▶ Be sure to visit either the Senate or House chamber if they are session, and ask that your legislator recognize you from the House or Senate gallery.
- ▶ Once you have visited the committees marked on the handouts, please invite your legislators back to the MAS office for lunch.
- ▶ During lunch, MAS staff will provide a more detail legislative update.
- ▶ **VERY IMPORTANT: ALSO DURING THE VISIT BACK TO THE OFFICE, MAS WILL CONDUCT ITS ANNUAL COMMITTEE SPRING ELECTIONS.**

Important Checklist

- ▶ Lock in your local legislators cell phone number. 
- ▶ Email, text, or call your local legislators at least once a week for feedback on your legislative concerns. 
- ▶ Make sure your local legislators always know how certain proposed policies will impact your local area. 



Questions?