Comments before the JLBC March 23, 2018
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The national economy continues to perform well. Employment gains have been substantial in recent months which is helping fuel optimism. Business confidence and consumer sentiment are both exceptionally strong. The ISM index of Manufacturing Activity continues to point toward expansion in that industry. The risk of recession remains relatively low. The Tax Cut and Jobs Act, passed in the closing days of 2017, is expected to give a modest boost to economic growth that was not anticipated when we met last fall.

The Mississippi economy experienced significant improvement toward the end of 2017. For instance, the state added over 12,000 jobs between September and December. With this increase we surpassed the pre-recession peak employment for the first time. We have seen strong gains in building permits and initial unemployment claims are at historically low levels. According to the BEA, as of the third quarter of 2017, the state experienced five consecutive quarters of growth. We have not done that since 2011-2012. BEA will not release their fourth quarter estimate until May, but we believe growth continued into the fourth quarter. Last fall we were projecting CY 2017 economic growth to be 1.2%. We now think that was 1.6%. That remains a modest growth level by historical standards, but again is better than what we were expecting last fall. If we did in fact expand in 2017, we will have experienced three consecutive years of growth in the state. We have not done that since the 2008 recession. While the state's economy is not booming, we have seen obvious signs of improvement since we met with you last fall and we believe that will impact revenues as we go forward.

The Revenue Estimating Group recently met to discuss the FY 2018 and FY 2019 General Fund estimate. While we noted that revenues are exceeding expectations in some revenue sources for the current fiscal year, these are, by-in-large, offset by shortfalls in other revenue sources. However, we did receive $32.2 million in Attorney General settlements. We therefore recommend the FY 2018 General Fund estimate be raised to $5,633.7 million. Again, this is $32.2 million higher than the estimate adopted last November, and $20.2 million below the FY 2017 General Fund.

We are slightly more optimistic about FY 2019 than we were last fall. We are seeing improved trends in sales and use tax collections which we believe will continue into FY 2019. Additionally, according to DOR, the Tax Cut and Jobs Act eliminates or reduces certain exemptions at the federal level which will result in a similar elimination or reduction at the state level. DOR believes this will result in an increase in personal income tax transfers in FY 2019. The Revenue Estimating group is therefore recommending the FY 2019 General Fund estimate be raised to $5,656.1 million. This reflects an increase over the estimate you adopted last fall of $56.1 million. It is $22.4 million or 0.4 percent increase over the recommended FY 2018 estimate. However, if you exclude the $32.2 million Attorney General settlement from 2018 such that you only consider recurring revenue, it is a 1.0 percent growth over the FY 2018 General Fund estimate.