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# Mississippi Economic Review and Outlook

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## Note to Readers

It is the start of a new year, but it will be more of the same as far as the economy goes: slow growth of output, employment and income. Over 100,000 Mississippians are unemployed, and unemployment benefits have run out for many. The hard times continue.

The national economic outlook, from IHS Global Insight, is for slower growth in 2011 than in 2010, with the unemployment rate remaining essentially unchanged. A second recession is possible, but unlikely.

At this point in the downturn in Mississippi, falling government employment and cuts to state programs are challenging the recovery. The outlook is for very slow growth.

Bob Neal compares Mississippi's recession experience with that of other southeastern states in his article; and Marianne Hill offers an overview of the state budget and the on-going budget squeeze.

The Institutions of Higher Learning welcomed a new State Economist, Darrin Webb, in 2010. We wish him well in his new position.

Comments and feedback are welcomed, and may be published. To subscribe to this *Review*, see the form on the next page. National projections are based on the forecast of IHS Global Insight. As always, the views expressed in the *Review* are those of the authors and do not necessarily represent the official position of the Center for Policy Research and Planning or the Mississippi Institutions of Higher Learning.

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## **NATIONAL ECONOMIC OUTLOOK: MORE SLOW GROWTH AHEAD**

The recovery is proceeding at a snail's pace and has scarcely reached the job market. Only 860,000 payroll jobs were created between January and October, while the number of persons unemployed was about 15 million.

As the economy trends upward, more persons are re-entering the labor force. This puts upward pressure on the unemployment rate, which has been hovering just under 10%. Private sector employment has been growing since the first quarter (Q1) of 2010, but government employment – federal, state and local -- has been falling since Q2.

The housing market has hit another rough patch. The foreclosure rate peaked at 4.6% in the last quarter of 2009 and was still high at 4.39% in Q3, 2010, according to the Mortgage Bankers Association. Residential construction is down, after a brief rise in the spring, and the median price of existing single family homes is again declining.

Private investment grew at a double-digit rate during the first three quarters of 2010, led by spending on equipment and software. Weakness in both residential and nonresidential construction at the year's end, however, brought a drop-off in Q4.

All but \$226 billion of the \$787 billion in federal stimulus funds has been spent and the consequent slowdown in government spending anticipated in 2011 will be a drag on the recovery.

The financial system is still the Achilles' heel of the recovery. Toxic assets remain on bank balance sheets, government debt in countries around the world threatens the value of several currencies, and financial reforms may not have rooted out the weaknesses that led to the unsustainable speculative bubbles causing the crash.

Exports have been growing more rapidly than imports in recent months, bringing a welcome lift to the growth of gross domestic product (GDP). Despite the further decline of the dollar that is forecast, the growth rate of net exports is expected to slow along with the pace of global recovery.

Despite some increase in energy prices, the rate of inflation as measured by consumer price index remains low, at about 1.7%. With inflation under control, the Federal Reserve is expected to keep the federal funds rate near zero throughout 2011 in an effort to stimulate growth.

The major downside risks to the IHS Global Insight projections presented here come from uncertainties remaining in the national and world markets. IHS Global Insight assigns a 20% probability to a second recession. The possibility that the growth rate of GDP is substantially higher than in the baseline forecast is estimated at 15%.

**T**he recovery is proceeding at a snail's pace. The loss of wealth associated with this recession and continuing financial uncertainties mean that the recovery will continue to be slow. The devaluation of homes and the drop in the value of retirement savings is hurting consumer spending, which in turn discourages business investment in the expansion of productive capacity. The slow increase in employment is linked to this slow growth of demand. Despite these negatives, the economy continues to grow. The rate of increase in gross domestic product (GDP) is not expected to reach 2.5% until late in 2011, however, with the growth of payroll employment finally hitting its stride at the same time. A double-dip recession remains unlikely, assigned a 20% probability by IHS Global Insight.

### **Recent Trends In A Nutshell**

Three of the four major components of **gross domestic product** (GDP) – consumer purchases, investment spending, and government expenditures – showed positive growth in the third quarter, while the fourth, net exports, decreased, as shown in Table 1 and Figure 1. Overall, GDP grew 2.0% in the third quarter (Q3), a rate somewhat lower than that estimated for Q4 (line 1). GDP will regain its pre-recession peak by Q1 of 2011, but payroll employment will remain below its 2007 high until 2014. The unemployment rate will stay above pre-recession levels well beyond that.

**Consumers** increased their spending steadily over the course of 2010, despite the slow growth of jobs and personal income (line 2). Purchases of durable goods showed the strongest growth, and that is expected to be the case well into 2011 (line3).

Gross domestic investment dropped 33%, between the summer of 2007 and the summer of 2009. This year, purchases of equipment & software led a growth of **private investment** of over 10% in Q1, Q2 and Q3 (lines 6 and 7). A decline in

non-residential and residential structures brought down investment spending in Q4 (line 8). Investment is not expected to return to 2007 levels until 2013.

**State and local governments** are being hit hard by the recession, with revenues falling sharply while the demand for services increases. The expiration of stimulus support in FY2012 will mean continuing cuts in some program areas as states struggle to meet basic obligations. The modest tax increases implemented in several states were unable to support any increase in state spending in 2010 and state & local government spending will remain flat in 2011 and 2012 (line 13). Total real government spending – federal, state and local (lines 11, 12 and 13) – will gradually decline in coming years due to fiscal pressures and is forecast to be lower in 2015 than it was in 2010.

**Net exports**, which briefly improved at the end of 2010, will remain flat over most of 2011, as the growth of exports is offset by the growth of imports (line 14).

Table 2 provides more detail on the likely course of the recovery. **Payroll employment**, which has been increasing this year, owes its progress entirely to the private sector: government employment has been falling at both the state & local and federal levels since the spring (line 1a to 1c). Government employment is expected to continue falling at least until the end of 2011.

The slow improvement in total employment means that the **unemployment rate** will remain close to 10% for another year, as workers returning to the labor force expand the number of job seekers (line 2).

The **housing market** has hit another rough patch. After the burst of sales inspired by the homebuyers tax credit, activity has again lulled. Prices of existing single family homes remain well below their values in 2007, and are forecast to continue falling until early 2011, when they will be at about 70% of their level in Q2 of 2007 (line 3). The outlook for hous-

**Table 1. TRENDS IN SELECTED NATIONAL EXPENDITURES**

(Billions of dollars unless otherwise indicated)

	2010	2010	2011	2011
	Q3	Q4 <sup>P</sup>	Q1 <sup>P</sup>	Q2 <sup>P</sup>
1. Gross Domestic Product (2005\$)	\$13,261	\$13,342	\$13,413	\$13,480
(% change)	2.0	2.4	2.1	2.0
2. Consumer Expenditures (2005\$)	\$9,335	\$9,393	\$9,449	\$9,495
(% change)	2.5	2.5	2.4	2.0
3. On Durable Goods (2005\$)	\$1,175	\$1,197	\$1,214	\$1,233
(% change)	6.0	7.6	5.7	6.2
4. On Nondurable Goods (2005\$)	\$2,070	\$2,093	\$2,100	\$2,106
(% change)	1.3	4.4	1.4	1.1
5. On Services (2005\$)	\$6,090	\$6,106	\$6,140	\$6,165
(% change)	2.4	1.1	2.2	1.6
6. Gross Private Domestic Investment (2005\$)	\$1,846	\$1,793	\$1,793	\$1,822
(% change)	12.2	-11.5	0.1	6.4
7. In Equipment and Software (2005\$)	\$1,076	\$1,106	\$1,131	\$1,154
(% change)	11.5	11.3	8.9	8.3
8. In Nonresidential Structures (2005\$)	\$322	\$314	\$304	\$298
(% change)	6.4	-6.0	-10.3	-7.2
9. In Residential Structures (2005\$)	\$312	\$301	\$304	\$320
(% change)	-33.9	-14.4	5.2	21.0
10. Change in Inventories (2005\$)	\$26.1	\$75.1	\$54.1	\$50.2
(% change)	2.4	6.9	4.9	4.4
11. Government Purchases (2005\$)	\$2,586	\$2,583	\$2,578	\$2,575
(% change)	3.3	-0.5	-0.8	-0.5
12. Federal Purchases (2005\$)	\$1,094	\$1,088	\$1,081	\$1,077
(% change)	8.5	-2.3	-2.7	-1.5
13. State & Local Purchases (2005\$)	\$1,498	\$1,501	\$1,503	\$1,504
(% change)	-0.2	0.7	0.6	0.2
14. Net Exports of Goods & Services (2005\$)	-\$515	-\$439	-\$419	-\$422
(% change)	-58.7	58.6	18.6	-2.6
15. Exports (2005\$)	\$1,672	\$1,708	\$1,745	\$1,780
(% change)	4.9	8.5	8.8	8.1
16. Imports (2005\$)	\$2,187	\$2,147	\$2,164	\$2,202
(% change)	16.4	-7.3	3.2	7.0

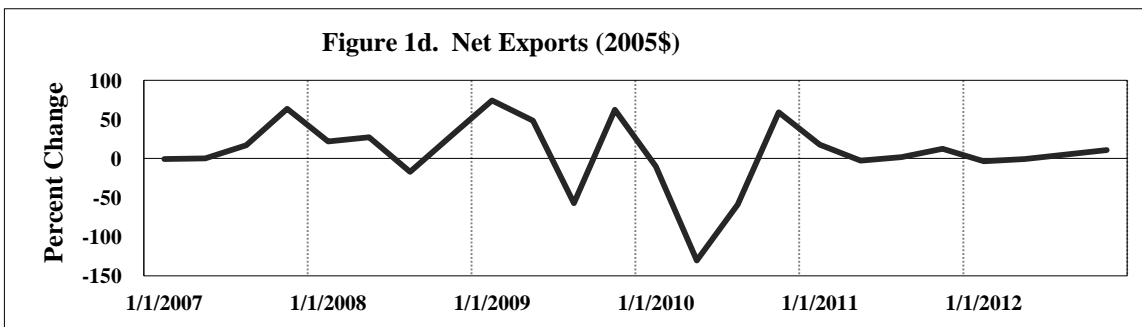
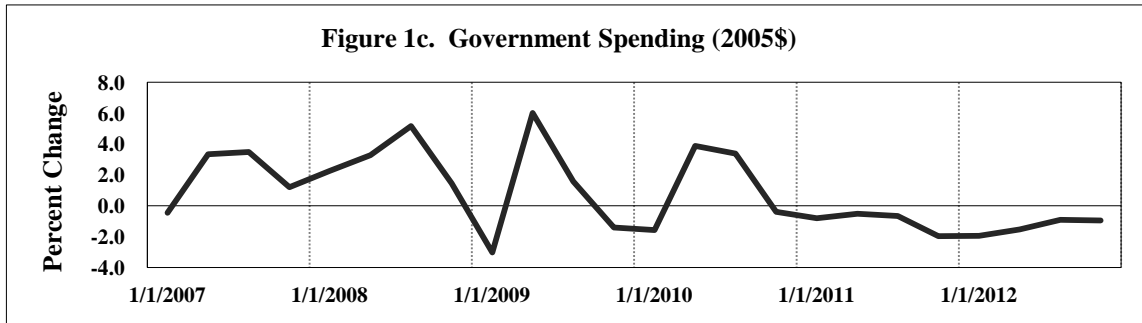
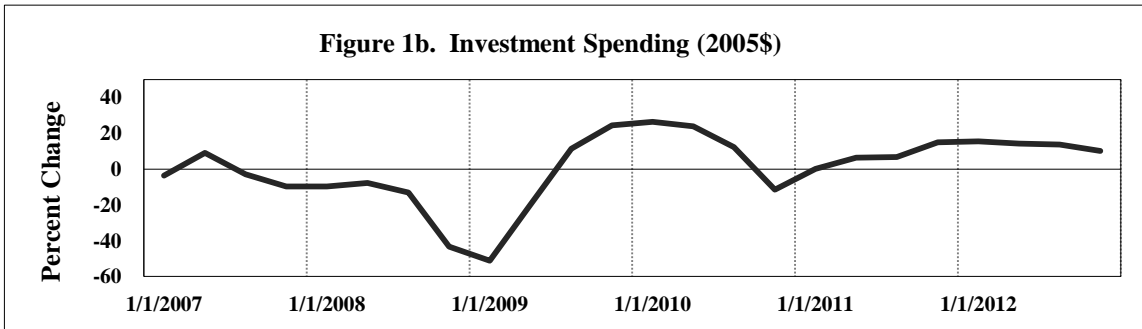
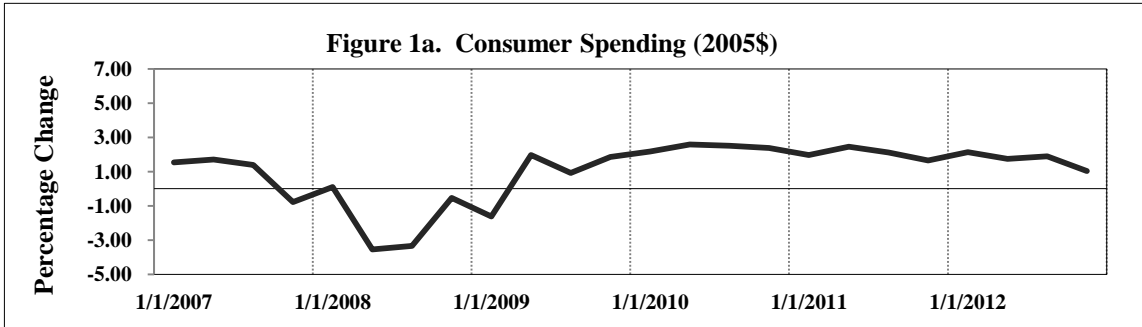
\*P= Preliminary or projected

Note: Percentage change refers to average annual rate, based on quarter-to-quarter rates multiplied by four.

SOURCE: IHS Global Insight, Inc., November 2010.

ing starts is more promising in 2011, as investors take advantage of lower construction costs and banks ease their lending requirements (line 4). Housing

starts are forecast to increase almost 30% in 2011, as the number of homes started rises from the lowest numbers seen since World War II.



As the recovery drags its feet, the **stock market** remains 20% and more below its 2007 high in the coming months (line 5). The return to 2007 levels is not expected until 2015, although progress will continue to be made. The loss of wealth linked to low stock prices will continue to depress demand over most of the forecast period.

The surge in **industrial production** that began in late 2009 ended in 2010 as pent-up demand was met and economic growth lagged (line 6). Increased industrial output in line with the rate of recovery can be expected over the coming year.

**Commercial and industrial loans**, at \$1.2 trillion, remain far below their \$1.6 trillion peak, reached in 2008 (line 7).

Newly-risk-averse financial institutions continue tight credit requirements, with smaller firms and start-up companies particularly affected. This situation changes only gradually. The growth rate predicted by IHS Global Insight (line 7) may prove to be optimistic.

**After-tax profits**, which surged past their pre-recession high in the first part of 2010, have since dropped back (line 8). Nonetheless, the strong return of profits is a clear indicator that corporations as a whole have been able to protect their bottom lines in recent months. Any drop-off in profits is expected to be short-lived.

The **price of oil**, which dropped sharply with the onset of the recession, has

Table 2. **OTHER QUARTERLY NATIONAL ECONOMIC INDICATORS**

(Billions of Dollars Unless Otherwise Indicated)

	2010	2010 <sup>P</sup>	2010 <sup>P</sup>	2011 <sup>P</sup>	2011 <sup>P</sup>	2011 <sup>P</sup>
	QII	QIII	QIV	QI	QII	QIII
1. Payroll Employment	130.4	130.3	130.6	130.8	131.3	131.7
(% change)	2.1	-0.2	0.7	0.9	1.3	1.4
(a) Private Sector Employment (millions)	107.64	107.94	108.32	108.64	109.10	109.60
(b) State and Local Govt. Employment (millions)	19.57	19.46	19.40	19.38	19.36	19.30
(c) Federal Employment (millions)	3.19	2.93	2.84	2.84	2.83	2.82
2. Unemployment Rate (%)	9.7	9.6	9.7	9.7	9.7	9.6
3. Median Sales Price Existing Single Family Homes	79.1	79.6	75.9	71.2	73.0	74.8
4. Housing Starts (millions)	0.60	0.59	0.61	0.64	0.72	0.82
(% change)	-9.7	-8.4	12.1	24.5	45.8	58.8
5. S&P Index (% of Q2:2007 level)	75.9	73.3	79.5	77.9	79.2	80.5
6. Index of Industrial Production	92.2	93.3	93.4	94.0	94.6	95.4
(% change)	6.8	4.7	0.4	2.7	2.6	3.3
7. Commercial & Industrial Loans (billions \$)	\$1,226	\$1,223	\$1,231	\$1,258	\$1,287	\$1,316
(% change)	-4.5	-1.1	2.7	8.8	9.2	9.1
8. After-Tax Profit (2005\$)	\$1,383	\$1,452	\$1,416	\$1,287	\$1,299	\$1,325
(% change)	3.8	20.2	-10.0	-36.5	3.8	8.2
9. West Texas Intermediate Oil (\$ per barrel)	\$77.91	\$76.11	\$81.86	\$80.50	\$81.17	\$84.00
(% change)	-4.5	-9.2	30.2	-6.6	3.3	14.0
10. Exchange Rate (2005=1.00)	0.93	0.90	0.86	0.86	0.86	0.86

\*P = Preliminary or projected.

Note: Percentage change refers to average annual rate, based on quarter-to-quarter growth rates multiplied by four.

SOURCE: Global Insight, November 2010.

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Table 3. **U.S. ECONOMIC FORECAST 2010-2014**

	2010	2011	2012	2013	2014
U.S. Gross Domestic Product (GDP)	3.7	3.6	4.3	4.4	5.1
Real GDP	2.7	2.3	2.9	2.7	3.1
GDP Price Index	1.0	1.3	1.4	1.6	1.9
Real Gross Domestic Investment	17.4	3.3	12.1	10.0	8.2
Establishment Employment	-0.5	1.0	1.8	1.8	1.8
Manufacturing	-2.0	1.6	2.6	2.8	1.7
Contract Construction	-7.0	-1.2	2.9	8.5	8.2
Transportation, Utilities	-1.4	2.7	5.0	3.4	2.8
Wholesale, Retail Trade	-0.6	0.4	1.9	1.6	1.2
Finance, Insurance, Real Estate	-2.1	1.3	1.9	0.0	0.5
Health & Social Assistance	1.9	2.0	2.1	1.3	2.2
Business & Professional Services	0.7	3.6	4.1	3.7	4.4
Leisure & Hospitality	0.1	0.6	0.6	0.5	-0.4
Government	-0.4	-1.3	0.2	1.1	1.1
Unemployment Rate <sup>1</sup>	9.7	9.6	9.1	8.5	7.9
Personal Income	2.7	3.2	3.9	4.4	5.6
Consumer Price Level	1.7	1.5	1.9	2.0	2.2
Prime Rate <sup>1</sup>	3.3	3.3	4.3	6.4	6.6

<sup>1</sup>Not percentage change.

SOURCE: IHS Global Insight, November 2010.

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gradually worked its way back to over \$80 per barrel (line 9). Still, the slow global economy is expected to keep oil prices in the \$80 to \$90 throughout 2011, with a high of \$86 predicted in Q4.

The **value of the dollar**, which fell sharply after the Federal Reserve's decision to purchase \$600 billion in Treasury bonds (referred to as Quantitative Easement II or QEII), will remain at about 86% of its 2005 value in world markets through most of 2011 (line 10). This will boost U.S. exports. QEII will also help to keep interest rates low, reducing the cost of borrowing for corporations, municipalities and other bond issuers.

**Consumer prices** fell in 2009 for the first time since 1955. In 2010, higher energy prices pushed the consumer price index (CPI) up about 1.7%, although the core rate of inflation, which excludes food and energy prices, rose only 1.0%. The CPI is expected to rise 1.5% in 2011. The producer price index for finished goods increased about 3.9% in 2010 but is expected to rise only 1.2% in 2011. The Federal Reserve is now worried about deflation as well as inflation, but views the risk of deflation as very low; it is not expected to raise interest rates before 2012.

## Financial Crisis and the Federal Deficit

The **global financial system** is the Achilles' heel of this recovery, as a recent report from the International Monetary Fund reminds us.<sup>1</sup> The huge public debts incurred to prop up national banking systems leaves governments in a weakened position for countering recessionary pressures. At the same time, banking balance sheets have not yet been restored to health, with bank holdings in real estate and other devalued assets bringing a high level of risk exposure.

Two recent reports provide updates on the Federal Reserve and Treasury initiatives directed at the financial crisis, which are being dramatically scaled back as the level of urgency dissipates.<sup>2</sup>

Much of the current U.S. deficit is due to the financial bailout, particularly the Troubled Asset Relief Program (TARP), and to stimulus spending. Disbursements under TARP were \$388 billion, as of October, but about \$180 billion of this has been repaid. Stimulus spending aimed at heading off the Great Recession has been the major contributor to the **deficit**: a \$787 billion stimulus package was included in the 2009 American Recovery and Reinvestment Act (ARRA). This stimulus, however, proved insufficient to head off a prolonged downturn. (It is estimated by IHS Global Insight that the stimulus added about 0.9 percentage point to 2009 GDP growth and about 1.2 percentage points to 2010 growth, creating or saving just under 2.5 million jobs. At the end of 2010, only about \$226 billion of these stimulus funds remain to be spent.)

The U.S. **federal debt** stood at 70% of GDP in 2009 and rising – its highest level since the 1950s, according to the U.S. Treasury. Historically, the U.S. has been able to pay down its debt rapidly, but this depends on the rate of economic growth.

In 1946, the U.S. debt was 122% of GDP, but was down to 94% of GDP by 1950 and 71% by 1953, as the post-war economy surged. The current economic outlook, however, is for continued slow growth.

## U.S. Economic Forecast -- Baseline

The national forecast has changed from that published in the June *Review*; the road to recovery has proved to be more difficult than anticipated at that time. The slowdown in the housing market is a major factor, along with the continuing unrest in global financial markets and problems associated with high sovereign debt levels around the globe. The real growth of GDP in 2010 was an estimated 2.7%, considerably lower than the 3.5% forecast in the June *Review*. The rate of increase in output and employment predicted for the next two years has also been lowered.

As Table 3 shows, the **growth rate of national output** is forecast to be just 2.3% in 2011, a drop from the 2010 rate. The rate of growth will be a healthier 2.9% in 2012, but will slip slightly to 2.7% in 2013 as consumers regroup after pent-up demand is satisfied.

Slow recovery in the job market will continue to be a factor restraining consumer spending in 2011.<sup>3</sup> The growth rate of **employment** is forecast to be 1.0% in 2011, 1.8% in 2012 and 1.8% in 2013. All sectors except construction and government will add jobs in 2011 and by 2012 these sectors will be doing so as well. The pre-recession civilian employment level of 146 million is not expected to be regained until 2014, however.

The slow growth of domestic and foreign demand has had a negative effect on employment, but in addition producers of goods and services have continued to find ways of increasing output per worker

and so reducing the need to hire more employees. The 1.0% growth of payroll employment expected in 2011, then, represents only a modest pace of recovery. The most rapid increase in **jobs** in 2011 will take place in business & professional services. Most of the 3.6% increase in this sector will be due to the hiring of temporary workers. The 1.6% increase in manufacturing jobs will still leave plants with a workforce well below pre-recession levels and below the level associated with full capacity utilization.

As manufacturing picks up in 2011, so will transportation and utilities. By 2012, construction also returns to life, with construction jobs growing at 2.9% and then in 2013 at over 8%. The government sector will begin to add jobs in 2013 and will continue to do so thereafter. Health care is expected to maintain a growth rate of employment of over 1.0% annually over the forecast period. The growth rate in this sector will be lower than in the past as **health care** is impacted by the squeeze on government budgets in 2011 and 2012. This will change as health reform measures go into effect in 2014.

While the GDP growth rate is not

forecast to be higher in 2013 than in 2012, by then all sectors will be engaged in the upswing, according to the baseline scenario. Progress in reducing the unemployment rate will be evident and, for the first time in five years, **personal income** in 2013 will grow at a rate in excess of 4%. Interest rates will be up by three percentage points, with the prime rate hitting 6.4% in 2013 after lingering at 3.3% in 2010 and 2011.

The **rate of inflation** as measured by the GDP price index will remain below 2% over the forecast period and consumer prices will also rise only slowly. The rate of increase in consumer prices will likely be lower in 2011 than in 2010, and even by 2014 the increase in consumer prices will only be about 2.2%. As economic activity will pick up, there will be some upward pressure on prices but the Federal Reserve is expected to prevent any spike in inflation through appropriate policy action.

#### Alternative Scenarios

The **baseline forecast** above has a 65% probability of occurring, according to IHS Global Insight. Key assumptions are that:

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Table 4. **ALTERNATIVE SCENARIOS AND PROBABILITIES FOR NATIONAL ECONOMIC FORECAST**

	Rate of Growth of Real GDP			Probability
	<u>2010</u>	<u>2011</u>	<u>2012</u>	
Baseline	2.7	2.3	2.9	65%
Pessimistic	2.6	-0.1	1.3	20%
Optimistic	2.8	3.8	3.7	15%

SOURCE: IHS Global Insight, November 2010.

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global financial markets continue to improve; the growth rate of the global economy decreases from 3.8% in 2010 to 3.3% in 2011 but then rebounds; U.S. housing starts begin a sustained upswing in early 2011; and the growth in residential structures leads an upturn in private investment by the spring. Several developments could hasten or slow economic growth.

Under the alternative **optimistic scenario** (15% probability), the recovery in world markets is stronger than under baseline assumptions; bank lending activity picks up more rapidly; and business investment gains steam more quickly. Consumer spending ignites. Other positive developments that could increase the growth rate include rising business and consumer confidence and a more rapid growth of productivity. The faster growth brings somewhat higher oil prices, but inflation remains low.

GDP increases 3.8% in 2011 under this scenario, and continues to grow at a rate exceeding 3.0% in both 2012 and 2013. See Table 4.

The **pessimistic scenario** (20% probability) assumes a gloomier outlook on the national and global economies, that is, “back-to-back” recessions. The second recession is the result of a cascading of negative events that pulls the average growth rate down to -0.1% in 2011. The upswing registered in 2012 is muted, with a growth rate of GDP of just 1.3%. In 2013, growth reaches a modest 2.5% as the economy finally gets back on track.

This more pessimistic outcome is triggered in the IHS Global Insight model by assumptions including the following. The debt shouldered by European governments to shore up their financial systems leads to more budget tightening and weakened currencies. Investors

become more cautious; stock markets fall; and world demand drops. Worries about the financial crisis re-emerge and consumers and investors retrench. Despite efforts of the Federal Reserve, banks continue to hoard reserves to cover potential losses. Low demand leads to layoffs and a drop in fixed business investment. Productivity gains are lower than in the baseline and the weakened economy recovers only slowly.

*Written by Marianne Hill with input from members of the Center for Policy Research and Planning.*

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### Notes

1. International Monetary Fund. 2010. *Global Financial Stability Report*. October. [www.imf.org](http://www.imf.org).
2. A Government Accountability Office report, GAO-10-653CG, April 2010, reports on the Troubled Asset Relief Program under which Treasury has disbursed over \$385 billion. The monthly 105 (a) report of the U.S. Treasury provides updated information on disbursements and repayments: as of October 31, almost \$200 billion remained owed to the program by financial institutions. See Morgenson (4/16/10) for more on the cost of the financial bailout.
3. Factors affecting consumer spending vary by income group. Even consumers whose income is high or rising may cut back spending. According to an 8/2/10 Associated Press story citing data from the Master-Card Advisors' Spending-Pulse for November 2009 through June 2010, “the richest 5% of Americans – those earning at least \$207,000 – are buying less.” These shoppers account for about 14% of total spending. Government reports show consumers as a whole cut back on spending in May and June also.

Besides affecting consumer demand, unemployment impacts the broader economy in other ways. First, output is lower than it otherwise would have been – that is, fewer investment and consumer goods are produced and fewer services provided. This has a negative effect on the long-run growth of the economy, although since technologies are constantly changing, the drop in productive capacity due to reduced investment in both human and non-human capital may be offset by the adoption of new, post-recession technologies. Of equal weight, worker skills may become outdated, if unemployment endures for more than a few weeks. There is a negative impact on government revenues, due both to lower tax collections and to increased transfer payments to the unemployed. Finally, social costs are considerable.

[http://tutor2u.net/economics/content/topics/unemp/costs\\_of\\_unemp.htm](http://tutor2u.net/economics/content/topics/unemp/costs_of_unemp.htm)

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## **MISSISSIPPI ECONOMIC OUTLOOK: WHEN WILL IT GET BETTER?**

The economy has turned the corner, but for many workers what lies ahead will not be much different. The state's unemployment rate averaged 10.9% in the first three quarters of 2010, and will remain above 10% for months to come as small gains in several economic indicators fail to translate into significant job growth.

The housing market remains depressed, although there are positive signs: the value of residential building permits issued is stabilizing and the rate of foreclosures dropped in the second quarter (Q2) for the first time in two years.

The trend in retail sales was upward in the first half of 2010, dipped in July and August and then turned upward again in September. Traffic at both coastal and Mississippi River casinos appears to be improving.

Construction suffered the greatest job loss in 2010, but by mid-year trends had improved and the number of persons employed in the third quarter (Q3) was higher than in Q2. Local education has been affected by the fiscal squeeze on state and local governments; the sector employed 4,500 fewer persons in September 2010 than in the same month of 2009, a drop of 5.1%.

State General Fund collections in FY2010 were in 7.2% below estimate, but so far in FY2011, through October, collections are 1.4% ahead of estimate. The small gain in revenues, however, will not make up for the loss of stimulus dollars. Shortfalls are predicted to peak in FY2012.

The Mississippi index of coincident indicators shot up in May but has stalled since then; the index of leading indicators trended downwards from April to August but rose slightly in September.

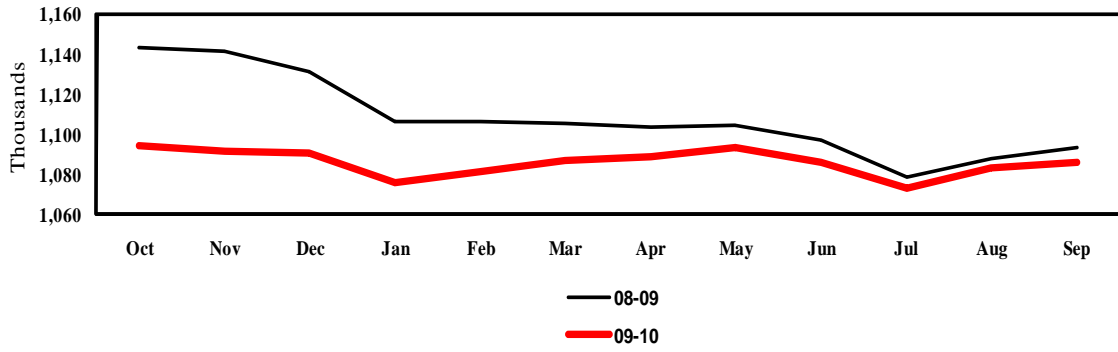
The major risks to the state forecast are the same as those facing the national economy, as described in the National Economic Outlook. The recovery is going through a slow period, and the probability of a second recessionary dip is about 20%, according to IHS Global Insight.

**T**he economy has turned the corner, but for many workers what lies ahead will not seem much different. The state's unemployment rate remains over 10%, as the improvements in several economic indicators fail to translate into significant job growth. Still, payroll employment has been rising slowly, retail sales improving, and General Fund tax

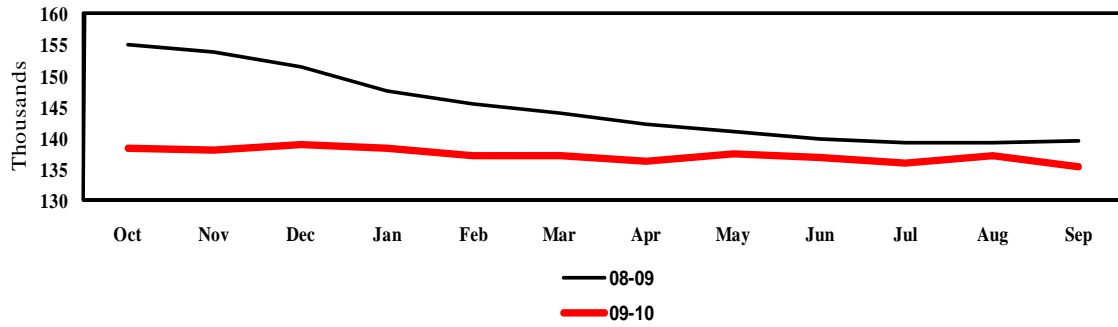
collections in the first months of FY2011 have been above year-ago levels.

Several major **investment projects** and post-Katrina reconstruction are boosting economic activity. Among on-going projects are a \$570 million port upgrade at Gulfport, a \$1 billion natural gas pipeline (Spectra Energy and CenterPoint Energy), expansions at both

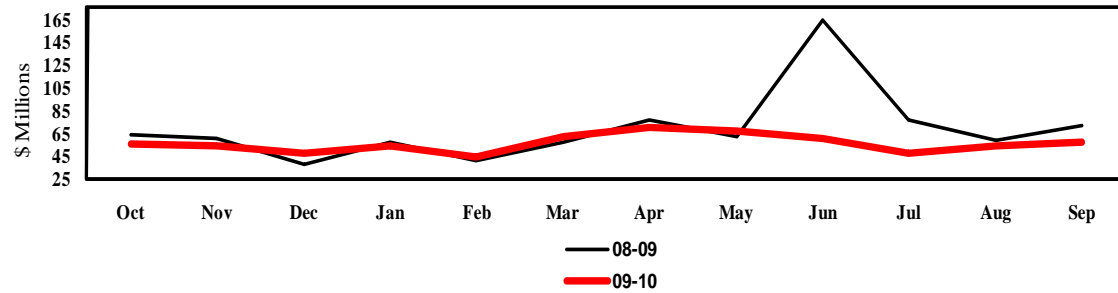
**Figure 1a. Nonagricultural Employment**



**Figure 1b. Manufacturing Employment**



**Figure 1c. Value of Residential Building Permits**



**Figure 1d. General Fund Revenues**

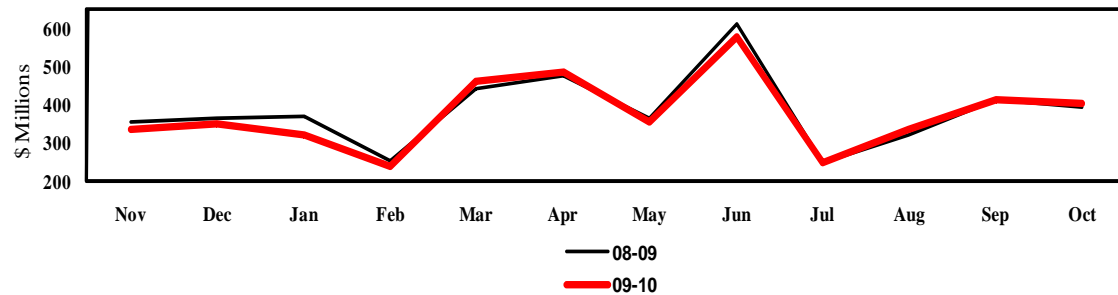


Figure 1e. Personal Income Tax Revenues

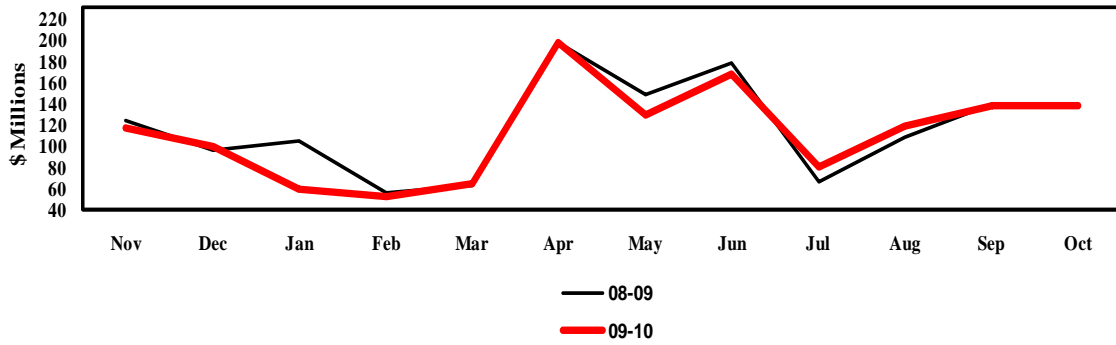


Figure 1f. Retail Sales

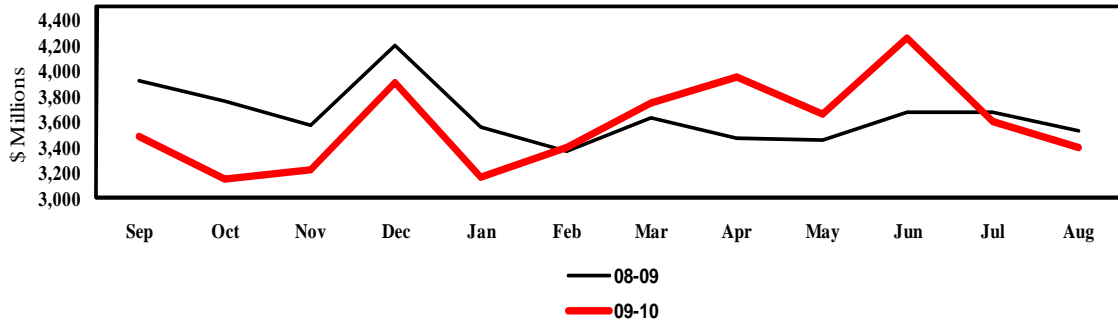


Figure 1g. Gaming Revenue -- Coast

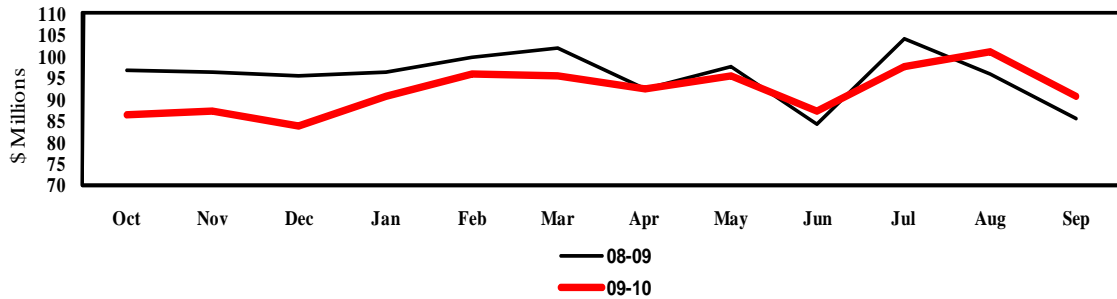
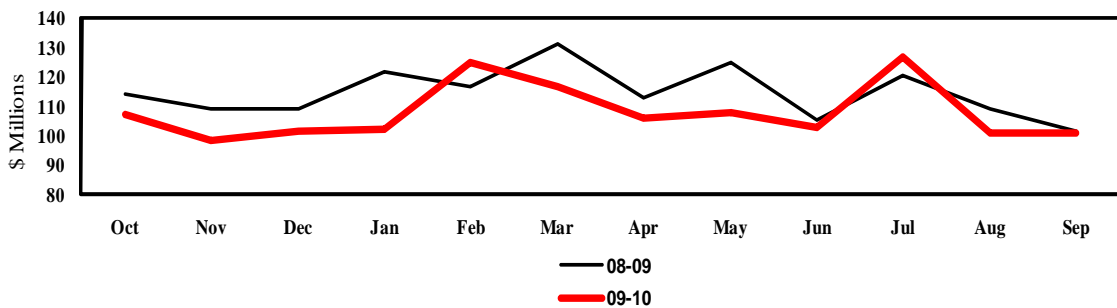


Figure 1h. Gaming Revenue -- River



Severstal and Chevron, and a \$950 million reconstruction and renovation of Keesler Air Force Base. A new \$1.3 billion auto plant (Toyota) is scheduled to begin production in 2011. Recently-announced projects include a \$300 million investment by Schulz Extruded Products for the production of seamless steel pipes and a \$500 million investment by KiOR in the production of fuel oil from biomass.

Cutbacks in the **state budget** continue to dampen the growth rate of the economy. Tax Commission collections transferred to the General Fund in FY2010 were down 5.8% in comparison to FY2009, or 7.1% below estimate, necessitating budget cuts. There were 4,500 fewer persons employed in local education in this September than a year ago, and also 800 fewer state employees. The FY2011 budget is slightly lower than that of FY2010 and incorporates additional funding reductions. So far in FY2011, though, revenues have been on track.

Funds received under the American Reinvestment and Recovery Act have reduced the size of cuts required in the state budget due to revenue shortfalls. As of November 2010, Mississippi reported that it has spent \$1.8 billion of the \$2.7 billion it has been awarded.<sup>1</sup> Slow revenue growth, the coming end of **ARRA funds**, and the increasing demands on the state are expected to mean continued fiscal austerity and the reduced funding of several programs in FY2012. The shortfall in the FY2012 state budget relative to projected needs is over \$600 million, according to estimates made by the Governor's Office.<sup>2</sup> See the article, "State Budget Basics in 2011" in this *Review* for further discussion of the state budget.

## A Graphic Overview

The state of the economy since October of 2008 is summarized graphically

in Figures 1a to 1h. A dramatic decline in nonagricultural employment can be seen in Figure 1a: **payroll employment** in October of 2009 was 9.3% lower than in October 2008 (as shown at left in graph). By September of 2010 (at right), however, payroll employment was only 0.6% below year-ago figures for the same month. Still, 119,500 fewer persons were employed this past September than in October of 2008.

**Manufacturing** has been hit especially hard, with 16,600 fewer persons employed in October of 2009 than in the same month in 2008, a drop of 10.7%. In 2010, employment in this sector stabilized mid-year, but dropped again in September (Figure 1b). There were 19,600 fewer manufacturing workers in September 2010 than in October 2008.

The **housing market** remains depressed, although there are positive signs. For one, the value of residential building permits issued appears to have halted its decline, although it remains well below the value of permits issued before the onset of the recession (Figure 1c). In addition, the rate of foreclosures dropped for the first time in two years in the second quarter of 2010, to 2.97%. In the third quarter, the state ranked 32nd in the nation in foreclosures with a rate of 3.03%, compared to the national average of 4.39%.

Overall, the state's housing market is in better shape than is the case in much of the country. The median price of existing homes in the spring of 2010 was just 6% below the spring 2007 value, compared with an average drop of 21% in the U.S. as a whole. **Sales of existing homes** were up 22% between Q2 of 2009 and Q2 of 2010, although they subsequently fell with the expiration of the homebuyers' tax credit. Housing starts were down by an estimated 20% in 2010, however, in comparison to 2009, while nationally they rose slightly.

Table 1. MISSISSIPPI EMPLOYMENT BY SECTOR

	Jan - Sept 2010	Jan - Sept 2009	Number Change	Percent Change
<b>Residence Based Amounts</b>				
Civilian Labor Force	1,300,500	1,292,400	8,100	0.6%
Unemployed	142,400	121,600	20,800	17.1%
Rate	10.9	9.4	1.5	xxx
Employed	1,158,100	1,170,800	(12,700)	(1.1%)
<b>Establishment Based Amounts</b>				
<b>Total Nonfarm</b>	<b>1,084,000</b>	<b>1,098,200</b>	<b>(14,200)</b>	<b>(1.3%)</b>
Total Private	834,300	848,900	(14,600)	(1.7%)
Goods Producing	192,600	202,700	(10,100)	(5.0%)
Service-Providing	891,400	895,500	(4,100)	(0.5%)
Private Service Providing	641,700	646,200	(4,500)	(0.7%)
<b>Mining &amp; Logging</b>	<b>8,600</b>	<b>8,500</b>	<b>100</b>	<b>1.2%</b>
<b>Construction</b>	<b>47,100</b>	<b>52,100</b>	<b>(5,000)</b>	<b>(9.6%)</b>
<b>Manufacturing</b>	<b>136,900</b>	<b>142,100</b>	<b>(5,200)</b>	<b>(3.7%)</b>
Durable Goods	87,400	91,300	(3,900)	(4.3%)
Wood Product Mfg.	8,600	10,000	(1,400)	(14.0%)
Sawmill-Wood Preserve	3,800	4,100	(300)	(7.3%)
Fabricated Metal Products	8,700	9,500	(800)	(8.4%)
Machinery Manufacturing	9,600	10,500	(900)	(8.6%)
Electrical Equipment, Appliance & Component	6,800	7,800	(1,000)	(12.8%)
Electrical Equipment Manufacturing	4,500	5,000	(500)	(10.0%)
Transportation Equipment	23,100	23,500	(400)	(1.7%)
Motor Vehicle Parts	2,400	3,200	(800)	(25.0%)
Ship and Boat Building	15,000	14,900	100	0.7%
Furniture and Related	18,200	17,600	600	3.4%
Non-Durable Goods	49,500	50,700	(1,200)	(2.4%)
Food Manufacturing	23,700	24,100	(400)	(1.7%)
Animal Slaughtering	17,800	17,500	300	1.7%
Paper Manufacturing	4,100	4,400	(300)	(6.8%)
Plastics and Rubber	5,600	5,800	(200)	(3.4%)
<b>Trade, Transportation, and Utilities</b>	<b>212,900</b>	<b>214,300</b>	<b>(1,400)</b>	<b>(0.7%)</b>
Wholesale Trade	35,300	34,900	400	1.1%
Retail Trade	132,100	132,800	(700)	(0.5%)
Food and Beverage Stores	17,600	18,000	(400)	(2.2%)
Grocery Stores	16,000	16,300	(300)	(1.8%)
General Merchandise Stores	36,600	36,400	200	0.5%
Department Stores	7,000	7,200	(200)	(2.8%)
Other General Merchandise	29,700	29,200	500	1.7%
Trans, Warehouse, Utilities	45,500	46,600	(1,100)	(2.4%)
Utilities	7,600	7,700	(100)	(1.3%)
Transport & Warehouse	37,800	38,900	(1,100)	(2.8%)
Warehousing and Storage	8,600	8,900	(300)	(3.4%)
<b>Information</b>	<b>12,400</b>	<b>12,900</b>	<b>(500)</b>	<b>(3.9%)</b>
Telecommunications	6,600	6,700	(100)	(1.5%)
<b>Financial Activities</b>	<b>44,900</b>	<b>46,000</b>	<b>(1,100)</b>	<b>(2.4%)</b>
Finance and Insurance	33,000	34,000	(1,000)	(2.9%)
Credit Intermediation	21,300	21,400	(100)	(0.5%)
Depository Credit	15,700	15,600	100	0.6%
Insurance Carriers	10,700	11,000	(300)	(2.7%)

Table 1. MISSISSIPPI EMPLOYMENT BY SECTOR (continued)

	Jan - Sept 2010	Jan - Sept 2009	Number Change	Percent Change
Real Estate and Rental	11,900	11,900	0	0.0%
<b>Professional and Business Activities</b>	<b>86,200</b>	<b>87,500</b>	<b>(1,300)</b>	<b>(1.5%)</b>
Professional, Scientific and Technical Services	30,000	32,000	(2,000)	(6.3%)
Management of Companies	9,900	9,900	0	0.0%
Administrative and Support	46,200	45,600	600	1.3%
<b>Educational and Health Services</b>	<b>131,600</b>	<b>129,300</b>	<b>2,300</b>	<b>1.8%</b>
Educational Services	13,200	13,900	(700)	(5.0%)
Health Care and Social Assistance	118,400	115,400	3,000	2.6%
Hospitals	31,700	30,800	900	2.9%
Nursing and Residential Care	23,200	22,800	400	1.8%
<b>Leisure and Hospitality</b>	<b>117,900</b>	<b>120,800</b>	<b>(2,900)</b>	<b>(2.4%)</b>
Arts, Entertainment, and Recreation	12,200	12,400	(200)	(1.6%)
Amusement, Gambling	11,000	11,300	(300)	(2.7%)
Accommodation and Food services	105,700	108,500	(2,800)	(2.6%)
Accommodation	29,200	30,200	(1,000)	(3.3%)
Food Services and Drive Ins	76,600	78,300	(1,700)	(2.2%)
<b>Other Services</b>	<b>35,800</b>	<b>35,500</b>	<b>300</b>	<b>0.8%</b>
Repair and Maintenance	8,900	9,000	(100)	(1.1%)
<b>Government</b>	<b>249,700</b>	<b>249,200</b>	<b>500</b>	<b>0.2%</b>
Federal Government	28,000	26,800	1,200	4.5%
State Government	62,100	61,800	300	0.5%
State Govt. Education	21,300	21,200	100	0.5%
Local Government	159,700	160,700	(1,000)	(0.6%)
Local Govt Education	86,000	86,400	(400)	(0.5%)

SOURCE: Mississippi Employment Security Commission, November 2010, Preliminary figures.

Residence employment estimates are based on household surveys, whereas establishment data are based on jobs reported at places of work. A person with two jobs will generally be counted twice by establishment data, but not by the household data. A person residing in Mississippi but employed outside the state will be included in residence-based data, but not in establishment data. The self-employed are also better captured by residence-based data.

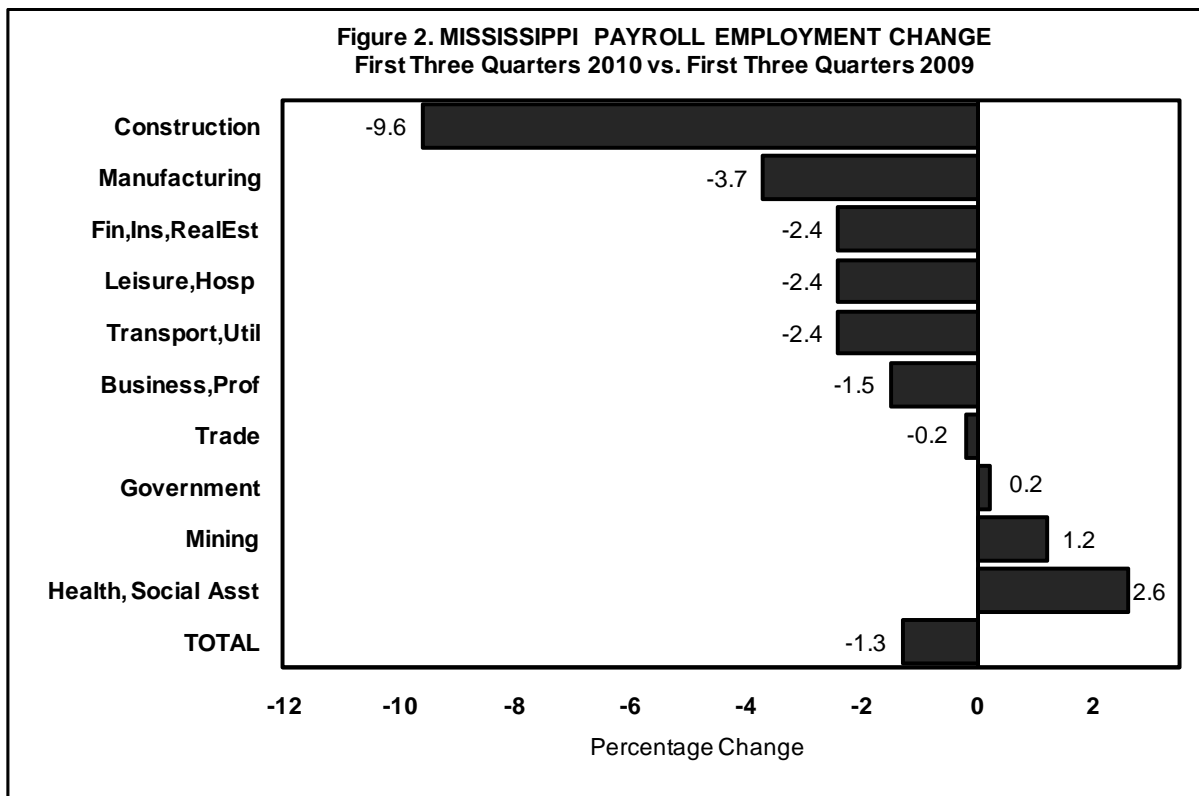
The weakness in the housing market is reflected in employment figures: in the first three quarters of 2010, the number of construction jobs was 9.6% below year-ago figures for the same period.

The economic downturn brought a steep drop in **state revenue collections**. As Figure 1d shows, revenues in 2010 have been close to year-ago levels since January but so far in FY2011, which began in July, collections have been in line with the state revenue estimate: in the first four months of FY2011, transfers to the General Fund

were 1.4% above year-ago levels and also 1.4% above estimate.

**Personal income tax** collections in the first four months of FY2011 were 4.6% above collections during the same period in FY2010 (Figure 1e), while sales tax collections were only 0.3% above year-ago collections. Sales tax collections were low as the result of a fall in **retail sales** since June, as shown in Figure 1f.

**Gaming revenues**, although fluctuating over the course of the year, have largely stabilized in recent months, as



SOURCE: Center for Policy Research and Planning, Mississippi Institutions of Higher Learning, November 2010.

shown in Figure 1g and 1h. In 2009, gross gaming revenues were \$2.5 billion, down 9% from 2008, and as a result, state gaming taxes in FY2010 were 10% below FY2009 levels. Gross revenues January through September 2010 were 3.5% below those for the same period in 2009, but in the third quarter casinos posted revenue gains relative to 2009 figures.

The Mississippi index of **coincident indicators** shot up in May but has stalled since then; the index of leading indicators trended downwards from April to August and rose slightly in September, as reported in the November issue of *Mississippi's Business*. The Mississippi estimates of consumer confidence, published in Mississippi State University's *Economy Watch*, show that consumer sentiment improved in Q3:2010 along with consumer expectations, although the index of current conditions fell slightly.

Many sectors are showing improvement, then, but given the depth of this downturn, progress will be slow and painful in comparison to other post-World War II recessions.

### Employment by Sector

Employment in the state has been increasing gradually. There were 10,500 more persons employed in September than at the start of the year. Despite these gains, **employment** for the year-to-date through September 2010 was 1.3% lower than during the same period in 2009. See Table 1 and Figure 2. Drops in employment were greatest in construction (10%) and manufacturing (4%). Leisure & hospitality employment was down 2%, as was employment in transportation & utilities. The only industries adding 1,000 or more workers were health & social assistance and the federal government.

The increase in federal employment was due to the 2010 Census, and by September the number of federal employees was below the figure for the same month a year ago.

Most sectors showed **improvement** over the course of the year, however, including construction, leisure & hospitality, business and professional services, health and education, and transportation & utilities. Sectors with lower levels of employment in September than in January included manufacturing, wholesale & retail trade and government.

The sector with the greatest percentage increase in employment between September 2009 and September 2010, apart from mining, was **business and professional services**, which added 3,700 employees for an annual growth rate of 4%. Much of this gain was due to an increase of 12% in administrative support jobs, an increase which more than offset the decrease of 6% in the number of professional/ scientific/ technical jobs.

Health care & social services employment was up 2% compared to September of 2009; and mining was up 9%. The furniture industry enjoyed employment growth of 2% and jobs in food services increased by 1%. Government employment was down 2%. Overall, payroll employment in September was 0.6% below year-ago levels.

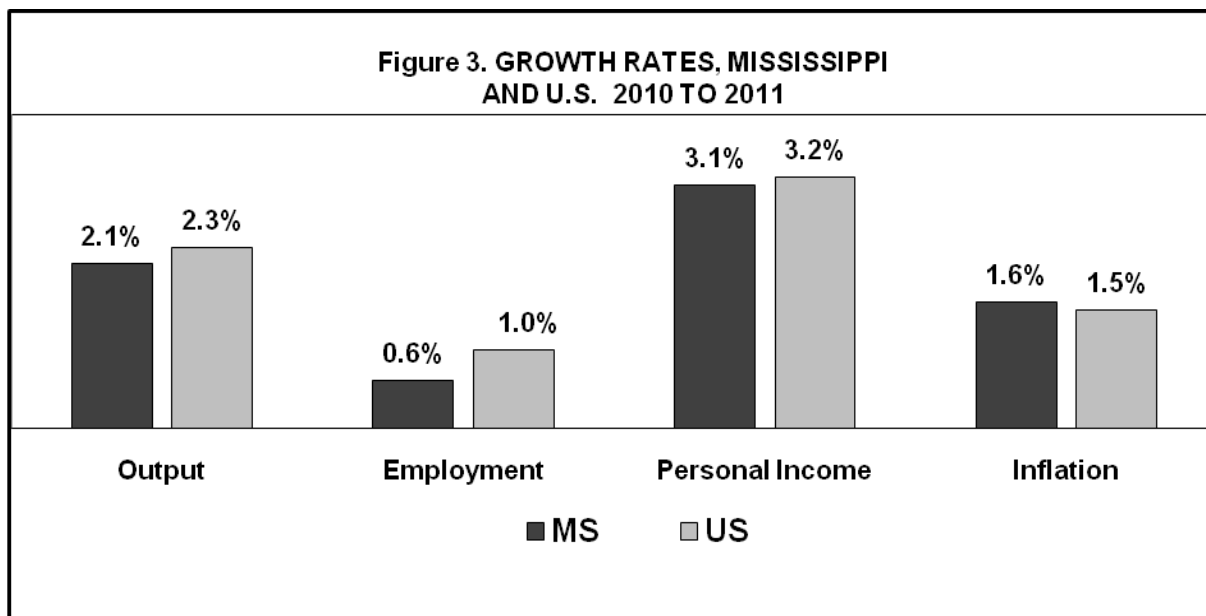
Also shown in Table 1, 20,800 more persons were **unemployed** during the first three quarters of 2010 than during the same period in 2009, and the unemployment rate rose from 9.4% to 10.9%. While the unemployment rate fell in Q3, for the year as a whole the unemployment rate is expected to remain near 10.9%. Rankin County had the lowest unemployment rate in the state in September, at 6.1%, while Noxubee County had the highest, at 19.9%. Fifty-six of the state's 82 counties had an unemployment rate of 10% or more; none of these were part of a metropolitan area.

Table 2. **ECONOMIC FORECAST FOR 2010 - 2013**  
(Percent Change)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Mississippi</b>				
Gross State Product	2.4	3.3	4.0	3.9
Real Gross State Product	1.7	2.1	2.8	2.4
Price Level	0.7	1.2	1.3	1.5
Payroll Employment	-1.1	0.6	1.7	1.8
Unemployment Rate <sup>1</sup>	10.9	10.2	9.6	9.0
Personal Income	2.8	3.1	3.8	3.9
Consumer Price Level-South	1.7	1.6	1.9	2.0
<b>United States</b>				
Gross Domestic Product	3.7	3.6	4.3	4.4
Real Gross Domestic Product	2.7	2.3	2.9	2.7
Gross Domestic Product Index	1.0	1.3	1.4	1.6
Payroll Employment	-0.5	1.0	1.8	1.8
Unemployment Rate <sup>1</sup>	9.7	9.6	9.1	8.5
Personal Income	2.7	3.2	3.9	4.4
Consumer Price Level	1.7	1.5	1.9	2.0

<sup>1</sup>Not percentage change.

SOURCE: Center for Policy Research and Planning, Mississippi Institutions of Higher Learning, November 2010, IHS Global Insight, November 2010.



SOURCE: Center for Policy Research and Planning, Mississippi Institutions of Higher Learning, November 2010.

According to the Department of Labor, 26% of the insured unemployed in Mississippi received regular **unemployment benefits** during Q 2:2010 and another 20% qualified for extended benefits. The average weekly benefit was \$190 and the number of initial claims was 40,855.<sup>3,4</sup> For more information on Mississippi's unemployment insurance program, see the June 2009 issue of this *Review*.

### Short-Term Outlook

The state's recovery from the Great Recession will be slow. The growth rate of **gross state product (GSP)**, estimated at a modest 1.7% in 2010, is forecast to rise to 2.1% in 2011 and then to a solid 2.8% in 2012. Employment, down about 1.1% in 2010, will increase in 2011. Job gains of about 0.6% are forecast for 2011 and a strong 1.7% increase in employment is predicted for 2012. There is about a 15% probability that growth rates will exceed these numbers, but also a 20% probability of slower growth. See National Economic Outlook. These trends are in line with the rest of the U.S. (see Table 2).

It won't be until 2015 that **payroll employment** finally surpasses its previous peak of 1,153.6 thousand, reached in 2000. In 2007, the year the recession began, there were 1,152.7 thousand persons employed. The unemployment rate will drop as job creation gains momentum. It averaged an estimated 10.9% this year and is forecast to drop to 10.2% in 2011, after which it gradually decreases, falling to 9.0% by 2014.<sup>4</sup>

**Personal income** will follow a similar path. After dropping 0.6% in 2009, personal income increased an estimated 2.8% in 2010, and is forecast to rise 3.1% in 2011 and 3.8% in 2012. This is in line with trends in employment and output. Wage and salary payments are expected to rise 2.5% in 2011, up from only 0.5% in 2010, while transfer payments will grow less rapidly. Wage and salaries increase a strong 3.6% in 2012 and 3.9% in 2013, supporting personal income increases of 3.8% in 2012, and 3.9% in 2013. Appendix A, Table 5, gives more details.

The more quickly business investment picks up and the more rapid the recovery in the rest of the world, the stronger the upswing in the national economy and in Mississippi will be. If the opposite holds and positive trends peter out, the recovery will be slower, and there is the possibility of a second downturn.

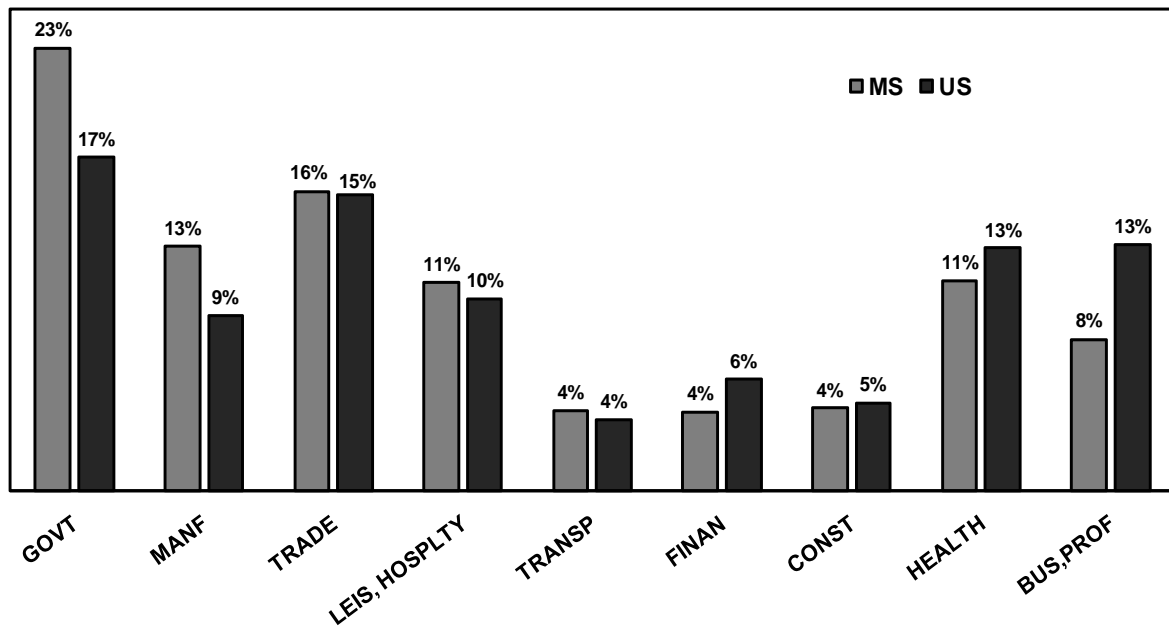
The **forecast for 2011** is summarized in Figure 3. The state's recovery may lag that of the nation as a whole to some extent. The slower population and labor force growth in the state has for some time translated into a slower growth of employment and output. In addition, the government sector is larger here than nationally, and the health care and business & professional services sectors smaller, as shown in Figure 4. Government cutbacks, accordingly, will have a greater negative impact on the state's econ-

omy than elsewhere, while the lift provided by business & professional services and health care in coming months will be less. The impetus expected from the upturn in manufacturing, a sector which is proportionately larger in the state, will only offset these negatives to an extent.

**Consumer prices** have been rising only slowly since the recession hit and the increase in the consumer price index, both for the South and nationally, will remain under 2.4% until 2015 or beyond. Inflation as measured by the price index of the gross state product will remain under 2% until 2014. Appendix A provides tables with detailed forecasts of trends in the state over the 2010-2015 period.

Detailed information on trends in wages and employment by industry in the state from 1999 to 2009 can be found in Appendix B, Tables 12 to 14 at the end of

**Figure 4. EMPLOYMENT BY SECTOR, MISSISSIPPI AND THE U.S.**  
(Percent of Total Employment)



SOURCE: Center for Policy Research and Planning, Mississippi Institutions of Higher Learning, November 2010.

this *Review*. Also in this *Review*, an article by Bob Neal compares Mississippi's experience in this recession with that of other southeastern states.

### Five-Year Forecast, 2010-2015

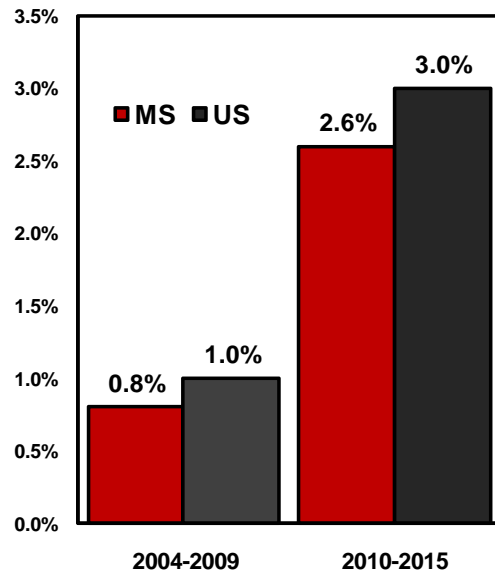
The growth rate of output and employment in the state over the coming five years will accelerate as the recovery takes hold. Not all sectors, however, will be back to pre-recession levels of employment by 2015. Figures 5 and 6 summarize the **five-year forecast**. As the economy plays "catch-up" after the recession, the growth rate of output gathers momentum, averaging an annual growth rate of GSP of 2.6% over the next five years, versus a growth rate of 3.0% in U.S. gross domestic product.

The rate of **employment growth** averages a strong 1.5% from 2010 to 2015. But, after a drop of 5.9% in employment between 2007 and 2010, progress in job creation will seem slow: it will not be until 2015 that Mississippi surpasses the level of payroll employment attained in 2007 and 2000. The growth rate of U.S. employment at 1.7% remains higher than that for the state over the same period, as it was also during the previous five years.

**Productivity** growth in both the U.S. and Mississippi is lower than in the past two years, averaging about 1.2% over the forecast period, as measured by output per worker. Employment and productivity growth combine to explain the forecasts for output growth shown in Figure 5.

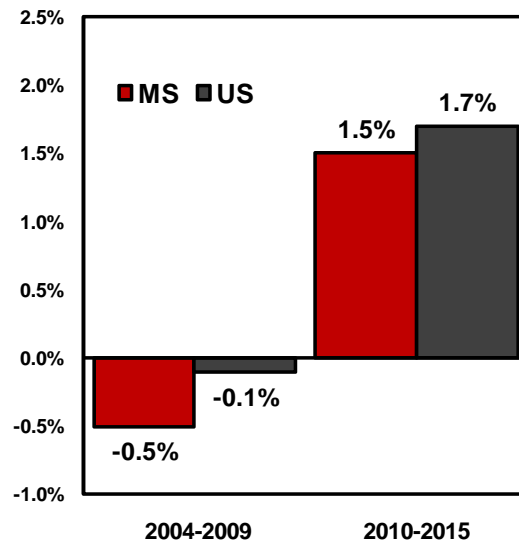
The rate of **employment increase by sector** is shown in Figure 7. Business, professional and other services, which has lost thousands of jobs during the downturn, will have a strong recovery as the economy picks up, averaging a 2.7% annual growth rate of employment, the

Figure 5. ACTUAL AND PROJECTED CHANGES IN REAL GSP & REAL GDP

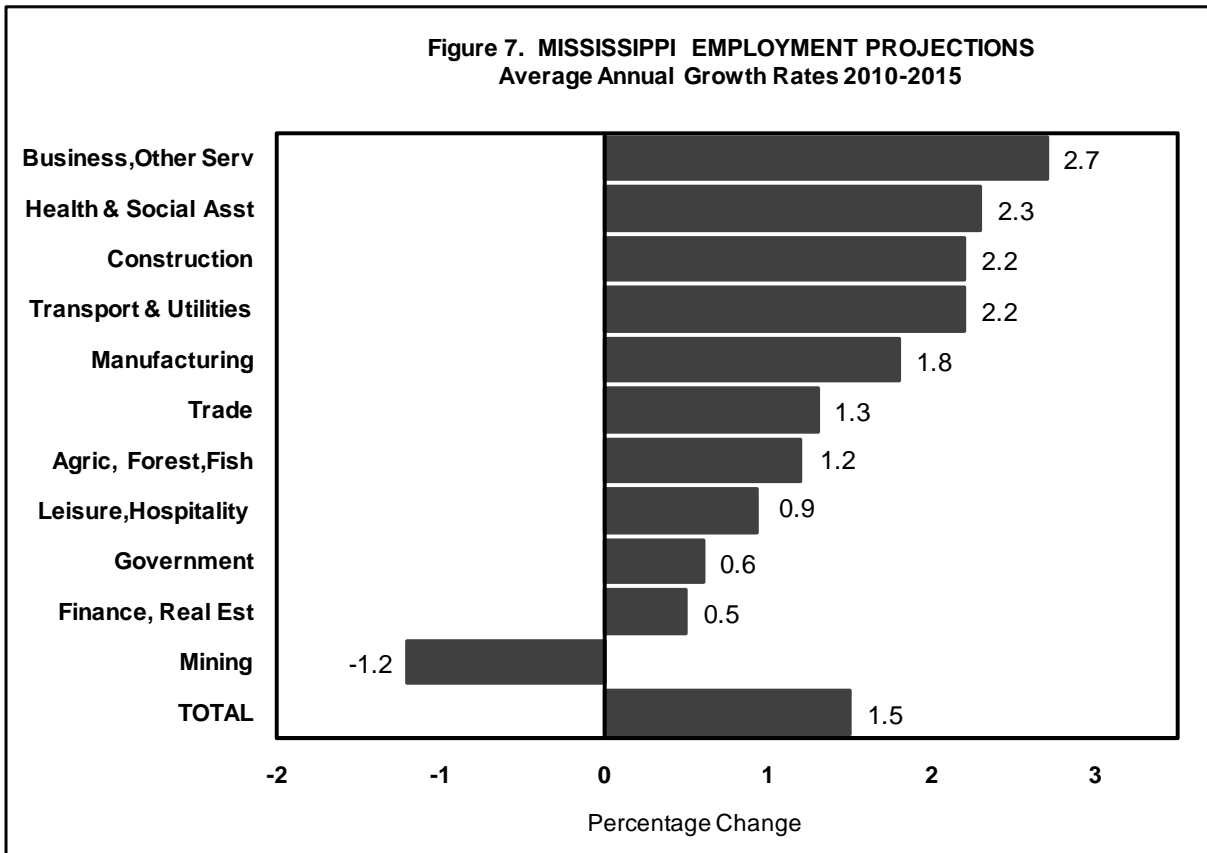


SOURCE: Center for Policy Research and Planning November 2010.

Figure 6. ACTUAL AND PROJECTED ANNUAL CHANGES IN PAYROLL EMPLOYMENT



SOURCE: Center for Policy Research and Planning November 2010.



SOURCE: Center for Policy Research and Planning, Mississippi Institutions of Higher Learning, November 2010.

highest among the 11 sectors shown. Health and social assistance, which maintained a positive rate of increase throughout the recession, will average an annual growth rate of about 2.3% over the next five years. Transportation and utilities, whose fate is closely linked to overall production, will also experience a strong rebound, with an average growth rate of approximately 2.2%.

**Construction** employment will be affected for some time by the nationwide slowdown in nonresidential construction, even after residential construction begins to improve in 2011. Despite the sector's expected average annual growth rate of employment of 2.2%, it will not have regained pre-recession levels at the end of the forecast period, 2015. This is also the

case in manufacturing, which has an expected average growth rate of employment of 1.8%. Even with new and expanded manufacturing facilities opening in the state, the percentage of total employment in this sector is expected to continue its long-run decline. **Wholesale and retail trade**, which has not suffered as severe a drop as goods-producing industries, will have an average growth rate of 1.3%, and will regain its 2007 employment levels by 2015. The growth rate of 1.2% in agriculture, forestry and fisheries, which includes agricultural services, will bring the employment level in this sector above its 2007 level of 17,400. The remaining sectors will grow more slowly, at rates below 1%; this slow growth will keep employment levels in the

leisure & hospitality, finance and mining sectors below 2007 levels even at the end of the forecast period.

*Written by Marianne Hill with input from members of the Center for Research and Planning.*

### Notes

1. As of November 2010, Mississippi reported that it has received \$1.2 billion of the \$2.7 billion it has been awarded, according to the federal website [www.recovery.gov](http://www.recovery.gov). At the state website, [www.stimulus.ms.gov](http://www.stimulus.ms.gov), Mississippi reports that state agencies have spent \$1.78 billion of ARRA funds as of the end of November 2010. Some of the grants awarded have undoubtedly been included as part of the funding of some state agencies in the FY2011 state budget, even if the funds have not yet been received and/or there is some lag in reporting. (Pell grants and some other programs funded by ARRA are not included in the state budget but go directly to individuals or programs.)

In addition to funds going to the state and local governments here, tax relief will likely total more than a billion dollars – more if Mississippians take advantage of tax credits for green energy, college and other new tax breaks. And government agencies and private firms have access to billions set aside for grants to encourage investment in broadband, smart electricity grids, Superfund clean-ups, health information systems, renewable energy, greener transportation, and more. Federal agencies are also receiving funds for projects in the state. See the June 2009 *Review* for more detailed information.

2. From Governor Haley Barbour's letter to the State Legislature, November 15, 2010. [www.governorbarbur.com](http://www.governorbarbur.com).

3. The state's unemployment insurance tax, levied on the first \$7,000 of wages, averaged 1.25% in FY2010. The rate varies between firms: it is somewhat higher for firms that have frequent layoffs. The maximum rate is 5.4% and the statutory minimum is 0.7%, according to 2009 data.

The tax base of \$7,000 was set in 1983, when the tax rate ranged from 3.1% to 4.0%. This is the lowest tax base in the U.S., shared with six other states. If the tax base were adjusted for the inflation that has occurred since 1983, the base would be \$15,267. (Prices of consumer goods and services have more than doubled between 1983 and 2010, according to the consumer price index.)

Detailed data by state is available from Quarterly Program and Financial Data, published by the Department of Labor at:

<http://www.oui.doleta.gov/unemploy/finance.asp>.

It also includes information on state tax measures. A compilation of state laws on unemployment insurance is at:

[www.ows.doleta.gov/unemploy/statelaws.asp](http://www.ows.doleta.gov/unemploy/statelaws.asp)

4. To improve the economic well-being of their citizens, particularly the unemployed, communities around the country are starting time banks. "Scores of time banks are being started in hard-hit communities around the nation," according to a 6/6/10 Associated Press story. A time bank (a kind of local 'currency' net-work) works as follows: members get credit for services they provide to other members. For each hour of work, one time dollar is deposited into a member's account, good for services (and goods in some networks) offered by other members. Services include car rides, home repair, housekeeping and more, while goods can include used furniture or home-made baked items.

Main Street Cash

([www.mainstreetcash.org](http://www.mainstreetcash.org)), Time Banks USA

([www.timebanks.org](http://www.timebanks.org)) and Ithaca Hours

[www.ithacahours.org](http://www.ithacahours.org) all provide information on how local currencies work, including tax liabilities that may arise.

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## NEW FACILITIES AND INVESTMENTS

*For more information on recent business news, visit the Mississippi Development Authority at [www.mississippi.org](http://www.mississippi.org) or the Mississippi Economic Development Council at [www.medic.ms/News.html](http://www.medic.ms/News.html).*

**A**lmost \$1.3 billion of planned investments were announced during the six months of May through October by the Mississippi Development Authority. This total includes \$1.1 billion in non-manufacturing facilities, expected to create 1,725 jobs, and \$225 million in manufacturing facilities, expected to generate 1,421 new jobs. The total new investment, however, is lower than that announced during the same period in 2009.

The largest single investment, \$500 million, is that planned by **KiOR**, which plans to build five plants that will produce crude oil from wood and other biomass under its proprietary process. Soladigm will build its first full-scale manufacturing facility in Olive Branch, DeSoto County, at a cost of \$130 million. The plant will produce highly energy-efficient dynamic insulated glass units that reduce energy and maintenance costs.

Other major investments include a \$137 million investment by Methodist LeBonheur Healthcare in a hospital to be located

in Olive Branch, and a \$119 million investment by McKesson Corporation which is moving its **National Redistribution Center** to Olive Branch (products include pharmaceuticals and medical and surgical equipment).

The expansion and construction of several **medical centers and hospitals** were also announced, the investors including North Mississippi Medical Center (\$55 million), Oktibbeha County Hospital (\$32 million), Hancock Medical Center (\$25 million) and the University of Mississippi Medical Center (\$22 million). Also, Williams Partners LP is making a \$59 million investment in natural gas transmission in the Pascagoula area which will enable the firm to connect to the Gulf LNG gas pipeline.

Other projects announced were in automotive parts, in steel processing and electroplating, in defense electronics, furniture, education, housing and prepared chicken feed. Table 1 provides information on some on-going projects in addition to the new investments announced.

**Table 1. MAJOR NEW AND ON-GOING PROJECTS, 2010 - 2011**

<u>Project</u>	<u>Size of Investment</u>
Toyota Auto Plant	\$1,300 million
LNG Gas Project	\$1,100 million
Keesler Air Force Project	\$950 million
Port at Gulfport	\$570 million
Severstal Expansion	\$500 million
KiOR - 5 plants	\$500 million
Schulz Extruded Products	\$300 million
Enterprise for Innovative Geospatial Solutions	\$279 million
Twin Creeks Technologies	\$175 million
Soladigm	\$130 million

Note: Schulz Extruded will produce extruded seamless metallurgical bonded pipes; Twin Creeks, solar panels; see text on other projects.

SOURCE: Mississippi Development Authority.

## MISSISSIPPI STATE BUDGET BASICS IN 2011

*Marianne Hill, Ph.D.*

Thousands of jobs in local education have been lost as a result of the fiscal crisis facing state and local government in Mississippi. The squeeze on the state budget, unfortunately, is expected to continue for a while. This article provides an overview of the state budget and cites sources where further information can be found that would be useful in examining both the expenditure and revenue sides of the state budget.

Table 1 shows the fall in **state expenditures** by category in FY2009 for the total budget, general and special funds combined. Public education funding was reduced 1.9% in FY2009, higher education 4.0%, and local assistance 12.4%. Funding reductions were also suffered by hospitals, agriculture/commerce/economic develop-

ment and public works. Part of the funding loss, for example, in economic development, was due to a fall in federal funds after Katrina disaster assistance ended.

Still, because of the recession, the level of state spending in FY2010 was even lower than in FY2009. At the same time, **financial demands** on the state continue to rise: debt service, Medicaid, and state employee retirement benefits are among the obligations that have been increasing. (Medicaid rolls are rising as more people qualify for the program; the state provides the funds required to draw down the federal match, which currently is more than four federal dollars for every state dollar.) To meet rising obligations in some areas, cuts must be made in others.

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**Table 1. STATE GOVERNMENTAL EXPENDITURES, COMBINED GENERAL AND SPECIAL FUNDS**  
Fiscal Year 2009

	Millions of Current \$	Percent of Total	% Change FY2008-FY2009
Public Education	\$3,063.5	19%	-1.9%
Higher Education	\$955.3	6%	-4.0%
Health and Social Welfare	\$5,697.1	35%	16.3%
Hospitals/Hospital Schools	\$585.2	4%	-5.0%
Corrections and Justice	\$461.7	3%	0.3%
Agric/Commerce/EconDev <sup>1</sup>	\$975.8	6%	-12.4%
Local Assistance	\$914.5	6%	-12.4%
Public Works	\$1,330.7	8%	-6.5%
Other	\$2,227.5	14%	6.9%
Total Expenditures <sup>2</sup>	\$16,211.0	100%	2.9%

<sup>1</sup>There was a large increase in federal funds in this category post-Katrina, and the 12.4% drop-off shown here is due to reduction in federal funds.

<sup>2</sup>Sum may not total 100% due to rounding errors.

SOURCE: Mississippi Center for Policy Research and Planning. *Mississippi Fiscal Summary*, January 2010 at [www.mississippi.edu/urc](http://www.mississippi.edu/urc).

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**Table 2. REVENUE SOURCES, MISSISSIPPI STATE BUDGET FY2009**

	<u>2009</u>	<u>Percent of Total</u>
Taxes		
Sales and use <sup>1</sup>	\$3,008,042	20%
Gasoline and other motor fuel	\$412,206	3%
Individual Income	\$1,441,141	10%
Corporate income and franchise	\$420,482	3%
Insurance	\$187,050	1%
Gaming	\$172,429	1%
Other	\$288,635	2%
Licenses, permits, charges for services	\$878,717	6%
Federal government	\$7,402,207	50%
Other	\$634,840	4%
Total Revenues	<u>\$14,845,749</u>	<u>100%</u>

Note: Modified Accrual Basis of Accounting (Expressed in Thousands)

<sup>1</sup>General and special funds.

SOURCE: Mississippi Department of Finance and Administration. *Comprehensive Annual Fiscal Reports 2010* at [www.dfa.state.ms.us](http://www.dfa.state.ms.us).

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**Stimulus funding** under the American Recovery and Reinvestment Act (ARRA) has provided Mississippi (state and local government) with \$2.7 billion for specified programs; as of November 2010, Mississippi reported that it has received \$1.2 billion of these funds.<sup>1</sup> But the stimulus funds supporting the state budget end in 2012, and this is a major reason why Mississippi's proposed FY2012 General Fund budget is little changed from that of FY2011.

The story will not end in FY2012. A **severe budget squeeze** is expected to continue into FY2013 and, even after that, Mississippi will suffer a declining fiscal position, in line with predictions made by the Government Accountability Office (GAO) and other experts for most state budgets. The GAO (2010) sees health-related costs as the primary driver of the predicted recurrent shortfalls. (See the June 2010 issue of the *Review* for an overview of the complexities involved in controlling health care costs.)

### **Performance-Based Budgeting**

Balancing the state budget, then, will be an on-going challenge facing the state. As a result, the renewed interest in performance-based budgeting is of particular importance. Performance reviews enable the streamlining of programs, elimination of waste and duplication, and a more careful targeting of budget cuts. The use of across-the-board cuts of a given percentage, impacting all categories equally, is inefficient; such cuts can have devastating effects in some areas, while other programs may be well-positioned to weather such cuts. (The June issue of the *Review* (pages 25-27) provides information on several studies addressing the specifics of performance reviews. Appendix B, Tables 10 and 11, at the back of this *Review* provide more details on revenue and expenditure trends in the state since 1999.)

### **Tax Reform**

Of course, tax reform will be on the agenda as well, as another means of

reducing budget shortfalls. Table 2 gives the major sources of funds financing the annual state budget in FY2009. Note that federal funds accounted for 50% of the total. These funds are critical to the state and have been increasing in importance, even after taking into account the temporary spike in federal funds received post-Katrina, FY2006 to FY2008. So, for example, most of the \$5.7 billion spent on health and social welfare in FY2009 was financed by the federal government: about \$2.9 billion in federal funds went to Medicaid; \$750 million to Human and Rehabilitation Services and \$200 million to public and mental health. Not shown is the break-down between special fund and general fund revenues. Suffice it to say that state-source special funds, \$3.1 billion in FY2009, are approaching general fund revenues, \$4.6 billion that year, in value.

As Table 2 shows, the most important generators of tax revenue for the state are the sales and income taxes. Mississippi's 7% general sales tax rate was the second highest in the country, after California; many states allow cities to charge a local sales tax as well, which can bring up the overall tax rate.<sup>2</sup>

**Per capita general sales tax revenues** were \$1,080 in 2007, ranking Mississippi 7<sup>th</sup> highest in the nation. Mississippi also has taxes on beer, wine, tobacco, liquor, motor fuel and use taxes, which are all forms of sales tax. **Per capita revenue from the individual income tax** was \$480 in 2007, ranking Mississippi 41<sup>st</sup> in the country. Per capita revenue from the state tax on net corporate income was \$126 in 2007, ranking the state 34<sup>th</sup> in the nation.<sup>3</sup>

Although Mississippi's general sales tax rate is 7%, there are different rates on such items as manufacturing machinery (1.5%) and contracting sales (3.5%). The *Summary Comparison of State Taxes in Selected Southeastern States* describes the state sales

tax rates and exemptions in detail. The individual income tax is the second largest generator of general fund revenues. There is a 3% tax rate on the first \$5,000 of an individual's taxable income, 4% on the next \$5,000 and 5% on all taxable income over \$10,000. There is a \$6,000 exemption for single individuals, \$12,000 for married couples, and \$1,500 for each dependent. Further description is in the *Summary Comparison*.

The corporate tax is a combination of the income tax and franchise tax paid by corporations. "The corporate income tax is levied at the same rates that apply to the individual income tax. The franchise tax is levied at \$2.50 per \$1,000 capital employed in the state, or the assessed valuation of property in Mississippi, whichever is greater," states the *Mississippi Fiscal Summary 2010*. Many exemptions and incentives are offered to corporations. For example, the **Advantage Job Incentives Program** typically provides the firm with a rebate of a certain percentage of state personal income taxes withheld – the percentage may be as high as 90% or as low as 70%, depending on the average wage paid.<sup>4</sup>

Although it makes sense to start with examining the three major taxes, there are other taxes and **alternative means of revenue-raising** – for example, fees can be increased on government-supported services, such as those of the Department of Environmental Quality or of regulatory agencies; similarly, fees and fines imposed to discourage or penalize certain kinds of behavior can be raised, or introduced; and user fees on such state-owned assets as roads and parks can be increased.

Mississippi state taxes are described in detail and compared to taxes in other states in *A Summary Comparison of State Taxes in Selected Southeastern States*, published by this office and available on-line. *The*

## State Tax Base

The state's tax base consists largely of the income generated within the state and wealth held by residents of the state; nonresidents passing through the state do contribute to that base to some extent. The income generated in the state is simply the state's gross domestic product from the income side. The **gross state product** is broken into: wages & salaries, 44%; labor benefits, 11%; gross operating surplus, 38%; and certain taxes on production (not income taxes), 7% (2008 data).<sup>6</sup> On the other hand, if we look at general fund revenues, the sales tax accounted for 40% of total Tax Commission transfers; the personal income tax, 32%; the corporate income tax, 10%; and the use tax, 4%.

Even though some of the sales tax is paid by businesses, maybe as much as 20% of the total, and some of the personal income tax by small businesses (proprietorships), it remains true that individuals provide considerably more of general fund revenues than do corporations and businesses directly, more than their share in state income. **Detailed information** on who in Mississippi pays how much in federal income taxes is available from the Internal Revenue Service and is provided in the appendix table at the end of this article. Similar information is not available from the Mississippi Department of Revenue.

**Wealth** (that is, property and other assets) is subject to taxation primarily through local property taxes in Mississippi, although the corporate franchise tax discussed above is also a form of property tax. Property taxes per capita here were \$717 in 2006, which ranked Mississippi 41<sup>st</sup> in the nation. Franchise and/or estate taxes could augment state revenues, as could taxes on the use or extraction of state resources.

*Annual Tax Expenditure Report*, also published by this office and also available on-line, gives a comprehensive list of exemptions and tax reductions provided by the state tax code for the different state taxes. More can be found out about the state unemployment insurance tax, which funds the Unemployment Insurance Trust Fund, in the June 2009 issue of this *Review*.<sup>5</sup>

## Concluding Remarks

Improvement of the state's fiscal position will require examination of both expenditures and revenue sources. The information above provides an overview of the state budget and gives sources where further information can be found.

Should Mississippians decide that more revenues are needed to finance state programs, the principles of equity, stability

and efficiency can provide useful guidance for their decisions. Discussion of these principles and of tax alternatives is provided in “The State Budget: The Road Ahead” (December 2008 issue of this *Review*). In general, states can find stable, equitable revenue sources when they levy taxes in line with their distributions of income and wealth.

The more information taxpayers and officials have on individual government programs – their costs and achievements – and on actual and potential individual revenue sources – their costs to individuals and businesses and their impacts on efficiency and competitiveness – the better the decisions that can be made and so the better the functioning of the state government will be.

**Notes**

1. See [www.recovery.gov](http://www.recovery.gov) and [www.stimulus.ms.gov](http://www.stimulus.ms.gov). Under the American Recovery and Reinvestment Act, Mississippi’s state and local governments will receive over \$2.7 billion. In addition, tax relief will likely total more than a billion dollars – substantially more if Mississippians take advantage of tax credits for green energy, college and other new tax breaks. And government agencies and private firms will have access to billions set aside for grants to encourage investment in broadband, smart electricity grids, Superfund clean-ups, health information systems, renewable energy, greener transportation, and more. Federal agencies, such as the Department of Homeland Security, the Department of Defense and the Army Corps of Engineers, are also receiving funds for projects in the state. See p. 17 of the June 2009 *Review* for more detailed information.

In 2009, Mississippi was awarded \$479 million for fiscal stabilization under the American Recovery and Reinvestment Act (ARRA) stimulus plan (this has largely been spent) and \$779 million for Medicaid funding in FY2010 and FY2011. An additional \$127 million, provided in 2011 for Medicaid, will be used by the state in FY2012, according to an August 31, 2010 press release from the Governor’s office.

Data from the official U.S. government website tracking stimulus spending provides the following breakdown of funds coming to Mississippi. Some of

the grants awarded have undoubtedly been included as part of the funding of some state agencies in the FY2011 state budget, even though the funds have not yet been received and/or there is some lag in reporting.

Mississippi	Contracts	\$577,669,119
	Grants	\$2,128,085,384
	Loans	\$35,075,557
	Total	\$2,740,830,060

2. State Tax Administrators.

3. Morgan and Morgan (2009).

4. To lure the Toyota plant, for example, the state offered \$326 million in incentives with local government chipping in another \$30 million. Most of the incentives, as detailed in Senate Bill 3215 (2007), will go to infrastructure (\$162 million) and site preparation (\$50 million). Another \$84 million is for job training and an on-site training facility, plus \$30 million to training for suppliers at two community colleges and the University of Mississippi. In addition, Toyota is eligible for income tax exemptions, reduced taxes in other areas, and may receive rebates on payroll taxes, sales and use taxes on equipment used to build vehicles, and contractor taxes on the plant’s construction. These will add millions to the package.

For a complete list of incentives provided to Toyota, see Senate Bill 3215, regular session 2007, at [www.ls.state.ms.us](http://www.ls.state.ms.us). A description of incentive packages is at [www.mississippi.org](http://www.mississippi.org). Under loan programs for business, see especially Mississippi Major Economic Impact Authority. The incentives under the Advantage Job Incentives Program apply if the annual average wage is at least 125% but less than 175% of the lesser of the average county or state wage; then the rebate is 80% of those withheld taxes (but no more than state personal income taxes actually paid by employees).

Several states conduct on-going evaluation of business incentives, and charge a surtax or modify agreements as conditions warrant.

5. The funds from the state Unemployment Insurance (UI) tax go into a trust fund used to finance unemployment benefits and so has not been a part of the discussion about balancing the state

budget. Any increase in unemployment benefits would be funded through changes in this tax. The average UI payroll tax rate in Mississippi is about 1.84% and it is levied on the first \$7,000 of pay only; it amounts to about \$129 per worker per year ( $\$129 = .0184 \times \$7,000$ ). The rate varies between firms and also from year to year as a result: it is somewhat higher for firms that have more frequent layoffs. The maximum rate is 5.4% and the statutory minimum is 0.7%, according to 2009 data.

The tax base of \$7,000 was set in 1983, when the tax rate ranged from 3.1% to 4.0%. If the tax base were adjusted for the inflation that has occurred since 1983, the base would be \$15,267. (Prices of consumer goods and services more than doubled between 1983 and 2010, based on the consumer price index.)

6. Data on operating surplus of the government sector versus private industry was not readily available for 2008. However, in 2006, of the 35% going to GOS, the percentage to private industry was 33% and to government 2%. The gross operating surplus includes pre-tax profits, capital consumption (depreciation), net interest payments and some taxes (but not on income), and does not include the cost of inputs used in production. (The use tax, paid largely by businesses, accounted for 5% of GF transfers in FY2006 and 4% pre-Katrina.) Businesses deduct their costs of production in calculating their net incomes, while individuals are allowed some deductions and an exemption of \$6,000 (for single filers) or \$12,000 (married couples) in determining taxable income.

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Appendix Table. **FEDERAL INDIVIDUAL INCOME TAX DATA FOR MISSISSIPPI 2008**

	All Returns	<u>Percentage of Total By Size of Adjusted Gross Income</u>				
		Under \$50,000	\$50,000- \$74,999	\$75,000 - \$99,999	\$100,000 - \$199,999	\$200,000 or more
Number of Returns	1,254,942	74.4%	11.5%	6.4%	6.1%	1.5%
Adjusted Gross Income (millions)	\$52,322	32.8%	16.9%	13.3%	19.0%	18.0%
Taxable Income <sup>1</sup> (millions)	\$32,722	21.0%	17.1%	14.8%	22.7%	24.4%
Income Tax (millions)	\$5,250	12.2%	12.9%	12.1%	24.1%	38.7%
		<u>Effective Tax Rate</u>				
Tax/Taxable Income	16.0%	9.3%	12.1%	13.1%	17.1%	25.4%

<sup>1</sup>Taxable income equals adjusted gross income minus deductions but before tax credits.  
SOURCE: Internal Revenue Service, *Statistics of Income, 2010*.

# THE GREAT RECESSION: MISSISSIPPI COMPARED TO THE SOUTHEASTERN REGION

*Bob Neal, Ph.D.*

According to the National Bureau of Economic Research, the Great Recession began in December 2007 when the U. S. economy (employment and income) peaked and ended in June 2009 when real GDP and GDI reached its low point.<sup>1</sup> The 2007-09 recession, which lasted 18 months, was the longest of any recession since World War II.

Although the nation entered the recession December 2007 and exited July 2009, the states entered and exited at different times. Mississippi's economy didn't experience a significant down-turn until the 2nd quarter of 2008 when employment and income began to trend downward. Mississippi employment fell 6.3% over the next nine. Mississippi employment now stands at about the same level as in 1995.

During the recession (4<sup>th</sup> quarter 2007 through 2<sup>nd</sup> quarter 2009), how did Mississippi's performance compare relative to other states in the southeast and the nation?

## Employment

From the fourth quarter of 2007 through the third quarter of 2010, the Mississippi economy lost approximately 73,000 jobs or about 6.3% of employment.<sup>2</sup> Throughout most of the recession, Mississippi's job loss was slightly lower than the average for all southeastern

states (6.4%) but greater than the national average (5.5%) (Figure 2).

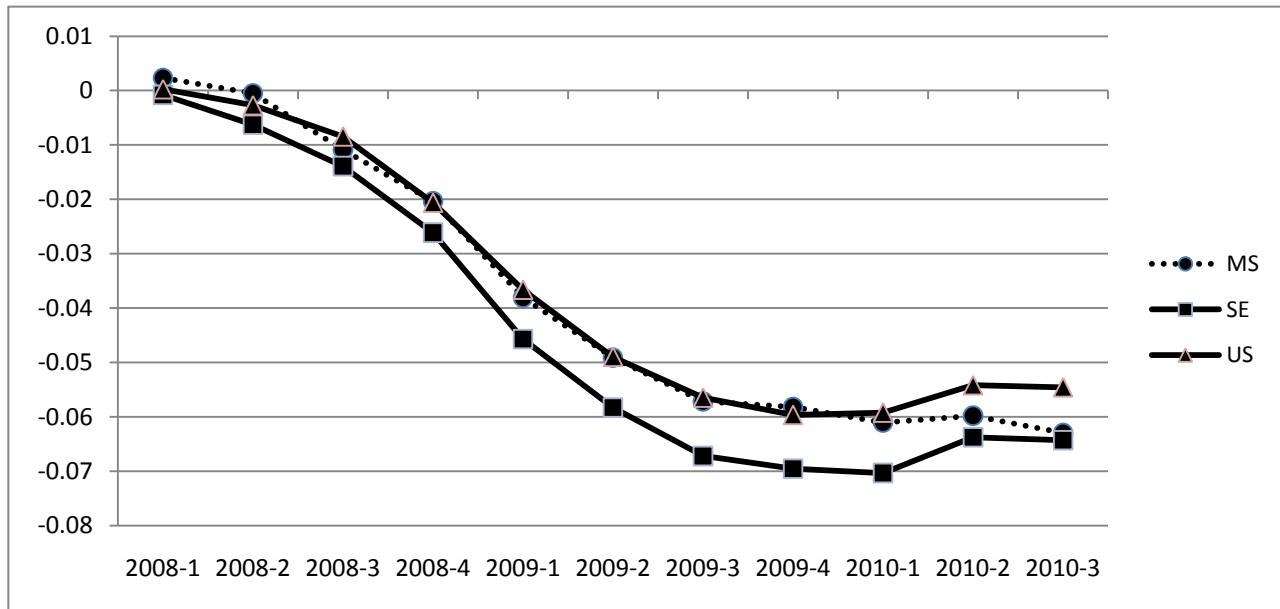
Several southeastern states (Arkansas, Kentucky, Louisiana, Virginia, and West Virginia) experienced a smaller percentage loss in employment than Mississippi, while

Figure 1. MISSISSIPPI EMPLOYMENT 1990-2010



SOURCE: Bureau of Labor Statistics. Seasonally adjusted payroll employment.

Figure 2. **PERCENTAGE DECLINE IN PAYROLL EMPLOYMENT (MS, SE REGION, AND US),  
1ST QUARTER 2008-3rd QUARTER 2010**



SOURCE: Bureau of Labor Statistics.

others (Alabama, Florida, Georgia, North Carolina, and Tennessee) saw greater percentage decreases (Figure 3). Southeastern region employment losses were heavily influenced by Florida which had the greatest number of employees (8 million or 23.6% of the southeastern total at the beginning of the recession) and the greatest percentage loss (9.3%) of all southeastern states. Unlike most other Southeast Region states, Florida was significantly impacted by the housing bubble. Mississippi's percentage decline in employment was 0.1 percentage points lower than the Southeast Region average but 0.8 percentage points greater than the National average.

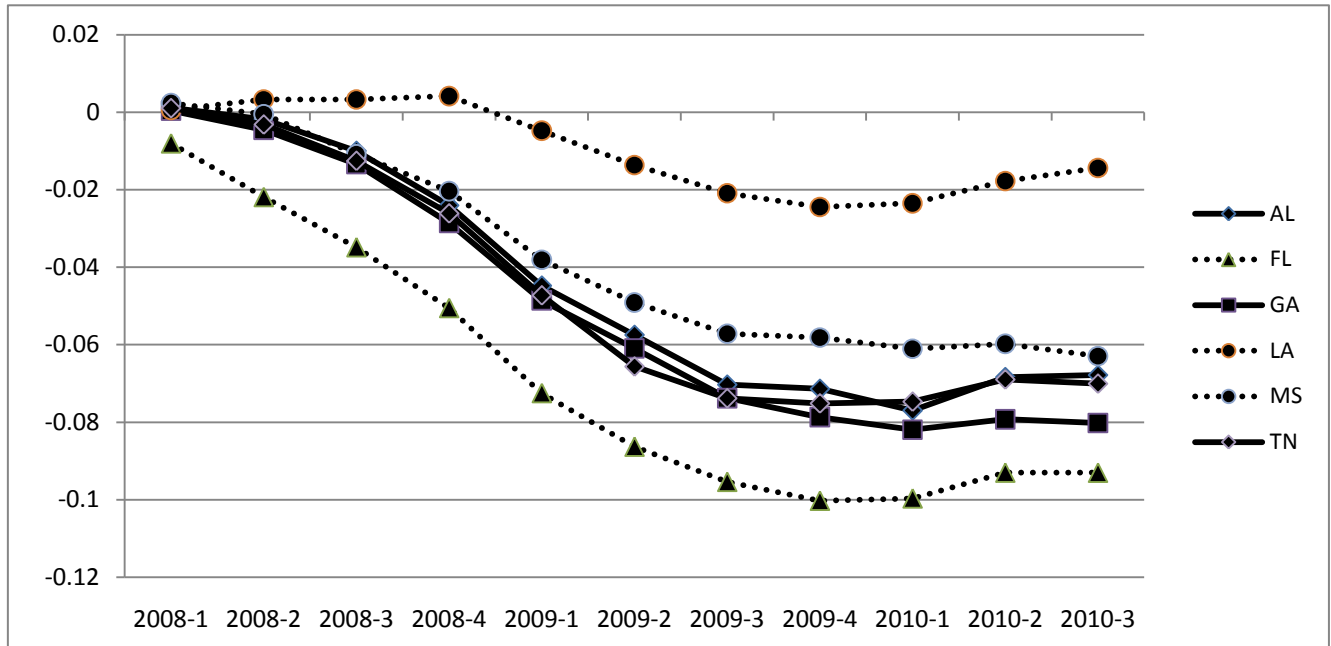
Two non-Southeast Region states experienced greater percentage declines in employment than any state in the Southeast Region. Rhode Island lost 10.5% of its employment, Michigan lost 9.4% of its employment, and Nevada lost 13.7%.

### Wages and Salaries

From the second quarter of 2008, when wages and salaries peaked in Mississippi, through the first quarter of 2010 when they bottomed out, Mississippi wages and salaries declined from \$42.475 billion to \$40.685 billion or approximately 4.2%.<sup>3</sup> The percentage loss in wages and salaries in the Southeast Region was 4.4% and across the nation was 5.1%. Mississippi's percentage decline in wages and salaries was 0.2 percentage points lower than the Southeast Region average and 0.9 percentage points lower than the national average (Figure 4).

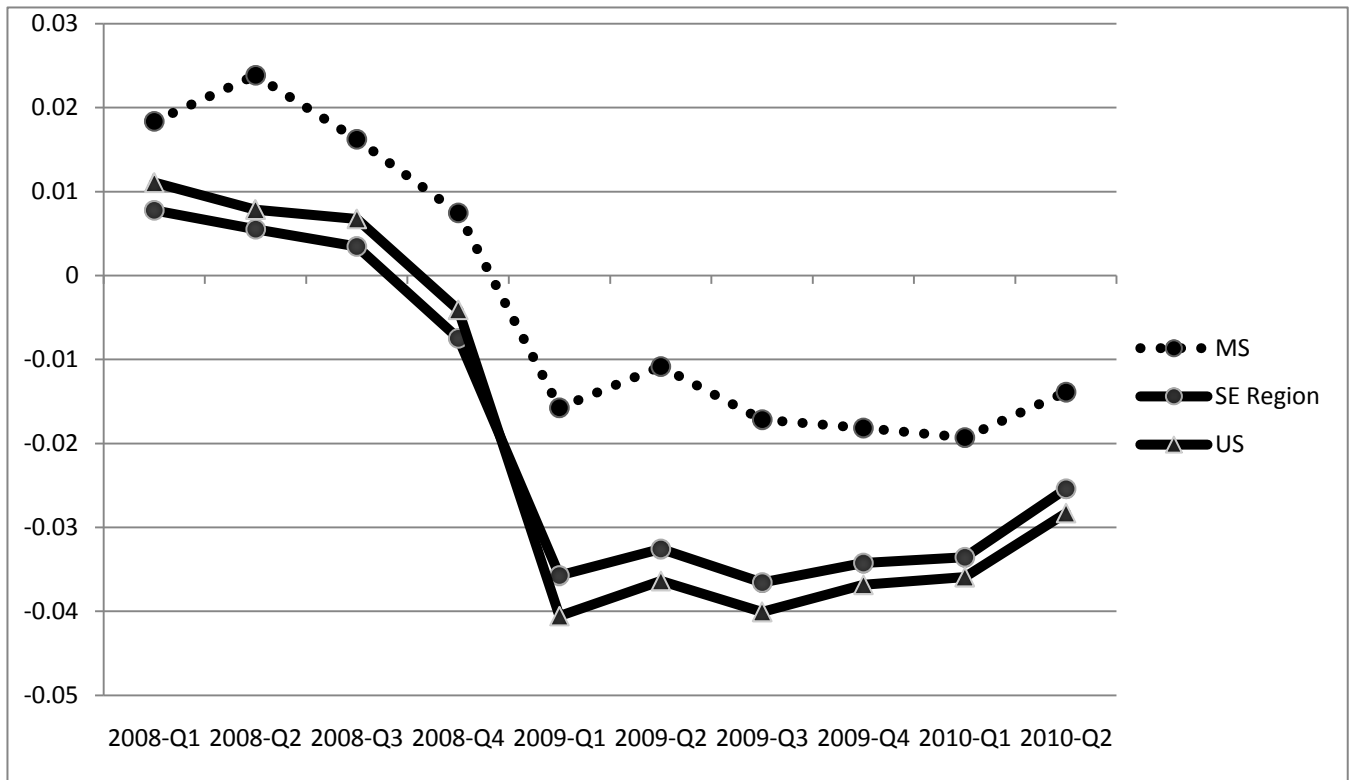
Kentucky, Louisiana, Virginia, and West Virginia experienced a smaller percentage loss in wages and salaries than Mississippi, while Alabama, Arkansas, Florida, Georgia, North Carolina, South Carolina and Tennessee saw greater percentage decreases (Figure 5). Louisiana and West

Figure 3. **PERCENTAGE LOSS IN PAYROLL EMPLOYMENT (SELECTED SE REGION STATES),  
1<sup>st</sup> QUARTER 2008-3<sup>rd</sup> QUARTER 2010**



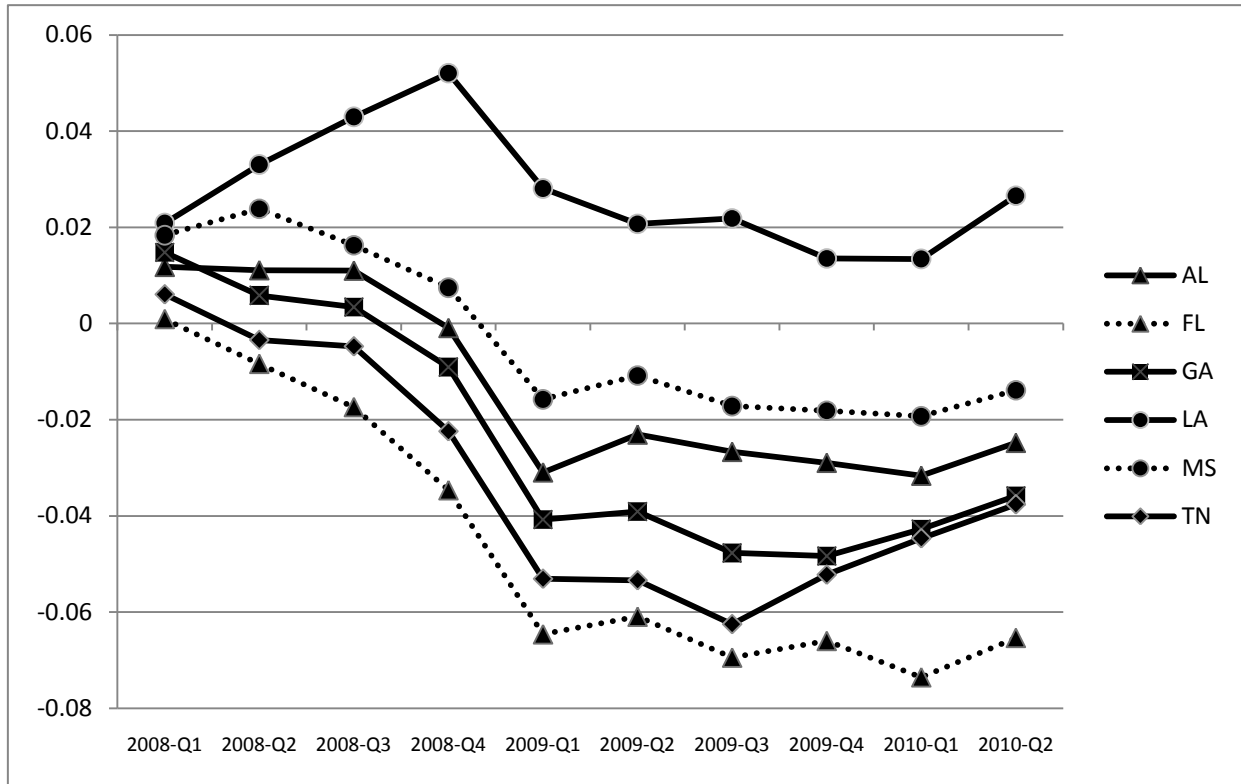
SOURCE: Bureau of Labor Statistics.

Figure 4. **PERCENTAGE DECLINE IN WAGES AND SALARIES (MS, SE REGION, AND US),  
1<sup>st</sup> QUARTER 2008-3<sup>rd</sup> QUARTER 2010**



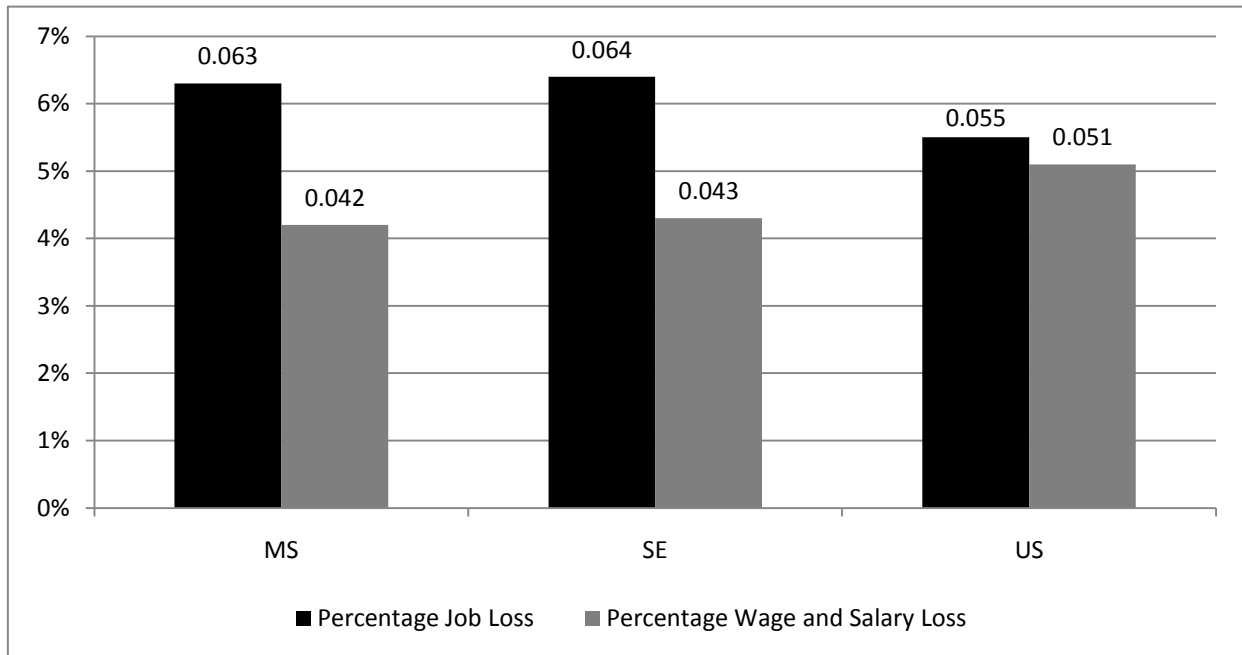
SOURCE: Bureau of Economic Analysis.

Figure 5. **PERCENTAGE LOSS IN WAGES AND SALARIES (SELECTED SE REGION STATES),  
1st QUARTER 2008 - 3rd QUARTER 2010**



SOURCE: Bureau of Economic Analysis.

Figure 6. **THE GAP BETWEEN EMPLOYMENT LOSSES AND WAGE AND SALARY LOSSES  
(MS, SE REGION AND U.S.)**



SOURCE: Bureau of Economic Analysis and Bureau of Labor Statistics.

wages and salaries rose all four quarters of 2008 before declining and never dipped below their pre-recession peaks. Florida wages and salaries peaked in the 1<sup>st</sup> quarter of 2008 and declined steadily thru 1<sup>st</sup> quarter of 2010 ultimately declining 7.35%. Tennessee saw a similar pattern and experienced a 5.3% decline.

Two non-Southeast Region states experienced greater percentage declines in wages and salaries than any state in the Southeast Region. Michigan lost 10.6%, and Nevada lost 17.2%.

### **The Gap Between Wage and Salary losses and Employment Losses**

Many, but not all, states experienced a greater percentage loss in employment than in wages and salaries. Greater employment losses than wage and salary losses suggest that the jobs that were lost were, principally, lower paying jobs. In Mississippi, the gap between wage and salary losses and employment losses was 2.1 percentage points (Figure 6). Put another way, Mississippi experienced a 50% greater loss in jobs than in wages and salaries. The picture was almost identical in the Southeast Region where the gap was 2.1 percentage points or 49% more jobs lost than wages and salaries. However, the

gap between wage and salary losses and employment losses across the U.S. was only 0.4 percentage points. Nationally, only 8% more jobs were lost than wages and salaries. In Mississippi, and the rest of the Southeast Region, it would appear that the pain associated with the recession was felt predominantly by those on the lower rungs of the economic ladder.

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### **Notes**

1. There is a misconception that a recession, by definition, must consist of two consecutive quarters of declining real gross domestic product (GDP). NBER does not identify a significant decline in economic activity solely based on real GDP or real gross state product (GSP), but uses a range of indicators (GSP, employment, wages and salaries, etc.).
2. Bureau of Labor Statistics, State and Metro Area Employment.
3. Bureau of Economic Analysis, State Quarterly Personal Income, Wage and Salary Disbursements. Wage and Salary figures are nominal, measured in current dollars. However, average annual inflation over this period was only 0.4%.

**Appendix A**  
**MISSISSIPPI ECONOMETRIC MODEL**  
**TABLE OF FORECAST VALUES**  
**2010 THROUGH 2015**

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The forecast numbers in these tables represent the mathematical solution of the state econometric model in which future values of variables are predicted on the basis of past and current trends in the U.S. and Mississippi economies. The U.S. forecasts (Tables 8 and 9) are from IHS Global Insight, Inc., which changes its forecasts monthly. The state model is re-solved as new data becomes available.



















**Appendix B**  
**MISSISSIPPI ECONOMETRIC MODEL**  
**TABLE OF HISTORICAL VALUES**  
**1999 THROUGH 2009**

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The historical data in these tables, which are subject to revision, are from the U.S. Bureau of Economic Analysis, the U.S. Bureau of the Census, and the U.S. Bureau of Labor Statistics or are constructed from these sources by the Center for Policy Research and Planning. IHS Global Insight, Inc. also uses official sources for its U.S. data, and updates this data as new data become available. These tables use chained price indexes, unlike the forecast tables, and so will not link up exactly with the numbers presented in Appendix A in many cases.









































