

**CONCLUSION:** Additional appropriations are added to regular appropriation funding when subsequent funding needs are identified. Historically, no rules, regulations, or policies have been implemented regarding additional appropriations. The Deficit Prevention Act, enacted in 2023, created some requirements for entities requesting additional appropriations as the result of a deficit. The one-size-fits-all approach mandated in the Act could be counterproductive to the purposes of the Act.



## BACKGROUND

### Background

The PEER Committee, under its authority found in MISS. CODE ANN. Section 5-3-51 (1972) et seq., conducted a review of the Legislature's use of additional appropriations and causes attributed to the need for additional appropriations.

As entities progress through the fiscal year, the need for appropriation authority in excess of original appropriation may be identified. Additional appropriations can be used to provide additional appropriation authority in response to deficits, new opportunities or information, or unexpected emergencies.

When granted, the authority must designate both the amount of additional authority extended and the source of funds the entity will use. For this review, these sources of funds include general funds, special funds, and state support special funds.

The Mississippi Legislature enacted, through Chapter 463, Laws of 2023, the **Deficit Prevention Act** during the 2023 Legislative Session. This Act was passed with the intent of increasing transparency and oversight over the additional appropriations process.

The Act only pertains to entities seeking additional appropriations as the result of a determined likelihood of a deficit.



## KEY FINDINGS

- **From FYs 2021 through 2023, the Legislature granted approximately \$2.6 billion in additional appropriation authority.**  
Of these funds, approximately \$1.4 billion were related to COVID-19 pandemic funds. Of the remaining granted additional authority, only \$170.5 million was utilized for expenditures.
- **The Legislature's use of additional appropriations has increased over the last three legislative sessions and is above the historical average for the past 10 years.**  
The increased use of additional appropriations raises questions about the current incentive and controls surrounding their use.
- **Funding predictable expenses through the additional appropriations process may be an indicator of a potential inefficiency in the budgeting process.**  
Some requests may be for predictable expenses. Funding predictable expenses through the additional appropriations process may be an indicator of a potential inefficiency in the budgeting process.
- **By including predictable expenses in the regular budget process, the Legislature could reduce additional appropriations.**  
Utilizing historical estimates, and shifting additional appropriations to the regular budget process, could lead to an increase in transparency, allow decisionmakers more time to assess requests, and allow funding decisions to be made more holistically.
- **Historically, the Legislature, Legislative Budget Office (LBO), and Department of Finance and Administration (DFA) have not issued rules, regulations, or policies concerning additional appropriations.**  
Additional appropriation requests could be made at any time before the conference deadline for each legislative session.
- **The Deficit Prevention Act requires entities who have identified the likelihood of a deficit to notify the Governor, Lieutenant Governor, Speaker of the House, and chairs of the House and Senate Appropriations Committees within 15 days of determining the likelihood of a deficit.**  
LBO requires that these notifications be in writing and include the amount requested, the source of funds requested, and a detailed description of the need for the deficit.

## Entities Receiving Highest Totals of Additional Appropriations for the 2021 to 2023 Legislative Session

The following entities received the highest total additional appropriation authority from 2021 to 2023:

1. Division of Medicaid;
2. Department of Finance and Administration;
3. Department of Corrections;
4. Department of Education;
5. Mississippi Emergency Management Agency;
6. Veterans' Home Purchase Board;
7. Department of Mental Health;
8. Department of Health;
9. Department of Child Protection Services; and,
10. Department of Wildlife, Fisheries, and Parks.

Division of Medicaid, which received approximately \$912 million, received substantially more additional appropriation authority than any other entity. When Medicaid's total additional appropriation is removed from the analysis, the average total additional appropriation per entity is reduced to approximately \$11 million. Nine entities (not including Medicaid) received additional appropriations totaling more than this average during the review period.

Not including the top ten entities, the average additional appropriation authority is approximately \$2.5 million. This information demonstrates that only a few entities are receiving larger amounts, and most entities are receiving significantly smaller amounts.

## Benefits of the Deficit Prevention Act

The Act's greatest benefit is most likely to be seen when addressing deficits caused by inefficiencies in an entity's budget process.

Properly established and implemented mitigation plans, as outlined by the Deficit Prevention Act, could be implemented to potentially reduce the impact of the additionally needed funds. Mitigation plans could help amend the operations of the entity to account for the shortfall and provide incentive to amend the budgeting process to account for needed expenditures more accurately.

## Potential Improvement of the Deficit Prevention Act

A singular, one-size-fits-all approach could be detrimental to state operations and counterproductive to the purposes of the Act.

While the use of mitigation plans as required by the Deficit Prevention Act to be useful in helping to reduce or eliminate the need for additional appropriations related the operational deficits, in some cases, the mandatory application of cost-cutting measures specified in the Act may be problematic, especially in situations where the agency's deficit was due to a situation outside of the agency's control (i.e., is not due to an operational deficit).

Entities' requests for additional appropriations should be evaluated on a case-by-case basis. DFA's policy states that deficit mitigation plans will be developed on a case-by-case basis.



## RECOMMENDATIONS

The Legislature should consider:

1. amending Section (1) (3) of the Deficit Prevention Act to mandate all additional appropriations requests (not only those requested as a result of a determined likelihood of a deficit) comply with current notification requirements;
2. amending Section (1) (3) of the Act to require all entities requesting an additional appropriation complete a standardized request form;
3. amending Section (1) (4) of the Act to require all entities requesting an additional appropriation work with LBO and DFA to develop a plan to avoid or limit any deficit; and,
4. amending Section (1) (4) of the Act to:
  - a. remove lines 29 through 32 which mandate a one-size-fits-all response to all additional appropriations requests related to the determined likelihood of a deficit; and,
  - b. require LBO and DFA to create an individualized plan for each requesting agency based on the information provided by the entity in its standardized request form.