

A Review of Pass-through Funding in Mississippi State Agency Appropriation Bills for Fiscal Years 2021 and 2022

Summary: PEER reviewed Mississippi state agency appropriation bills for FY 2021 and FY 2022 to identify pass-through funding, i.e., line-item funding appropriated to a state agency that is intended to be passed through the state agency to one or more recipient entities. During its 2021 Regular Session, the Mississippi Legislature enacted S.B. 2824 to monitor the expenditure of pass-through funds. PEER used the parameters of S.B. 2824 to determine how much of the pass-through funding would be subject to the monitoring requirements in compliance with the new legislation.

Report Conclusions

- 1 For FY 2021 and FY 2022, the Legislature enacted a total state budget of \$22.3 billion and \$23.3 billion, respectively.
- 2 For FY 2021 and FY 2022, the Legislature appropriated \$6.5 billion in pass-through funding: \$3.4 billion in FY 2021 and \$3.1 billion in FY 2022.
- 3 PEER determined that over 99% of pass-through funding in FY 2021 and FY 2022 would not be subject to S.B. 2824's monitoring requirements due to:
 - exemptions specified in S.B. 2824;
 - not meeting the definition of state money or pass-through funding as defined in S.B. 2824; or,
 - state agencies have existing controls in place to monitor the expenditure of pass-through funding.
- 4 In both fiscal years, \$20.6 million, less than one percent of total pass-through funding, would be subject to S.B. 2824 monitoring.
- 5 The lack of a single entity responsible for providing guidance to funding recipients and responsible for collecting and reporting expenditure information hinders oversight and transparency.

Recommendations

1. In order to improve the scope of S.B. 2824, the Legislature should consider amending Section 1 in Chapter 417 *Laws of 2021* to define state money as funds in the State General Fund and all state support special funds.
2. In order to improve the oversight process and consistency of information provided through S.B. 2824, the Legislature should consider amending Section 1 in Chapter 417 *Laws of 2021* by requiring:
 - a. recipient entities to submit quarterly reports to state agencies detailing the actual expenditure or intended expenditure of funding;
 - b. state agencies to establish a disbursement schedule in which only a portion of pass-through funds will be disbursed within the first six months of the fiscal year, after the agreement has been signed, with the remaining funds being disbursed within the second six months of the fiscal year, contingent on recipient entities complying with quarterly reporting requirements; and,
 - c. state agencies appropriated pass-through funding to submit itemized expenditure reports on or before the end of the fiscal year (June 30) to the Department of Finance and Administration's Office of Budget and Fund Management (OBFM) to consolidate and present pass-through funding expenditures to the Joint Legislative Budget Committee by October 1 of each year.