

A Mississippi Miracle?

BOLD REFORMS FOR GROWTH



MISSISSIPPI CENTER FOR
PUBLIC POLICY



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Mississippi is on the rise, defying its long-standing reputation as an economic underperformer.

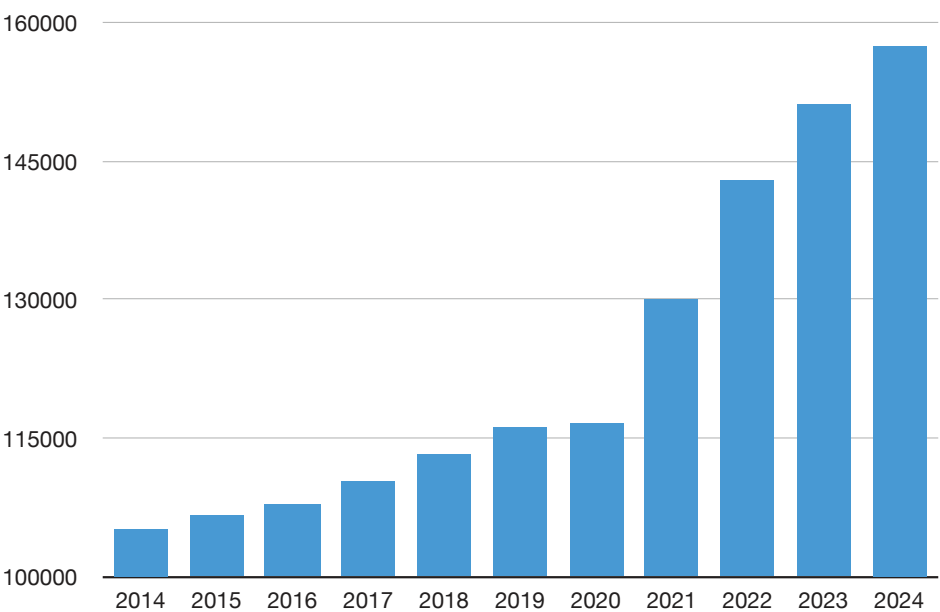
Economic output has increased more over the past five years than it did over the previous fifteen years combined¹. Data from the U.S. Bureau of Economic Analysis shows that in Q4 2024, Mississippi achieved the second-fastest per capita GDP growth and the fifth-fastest personal income growth among all U.S. states.

Since 2020, approximately \$19 billion in capital investment has poured into the state, signaling a historic opportunity for transformative economic expansion.

This growth is not confined to a single part of the state, but is happening along the Gulf Coast, the Pine Belt, De Soto county, Madison and Rankin counties in the Jackson metro area, and around the university towns of Oxford and Starkville.

If we are to maintain this momentum, we need to embrace more pro-growth policies.

Mississippi GDP Growth Since 2014
(US \$ Millions)



1. What Explains Mississippi's Recent Growth?

Mississippi's recent growth is no fluke. It is down to good public policy:

- **Tax Reform:** Since 2022, Mississippi has implemented transformative tax cuts, reducing the state income tax toward a flat 4% by 2026, lowering the grocery sales tax from 7% to 5%, and easing business inventory taxes. According to the Mississippi Department of Revenue, these reforms have increased disposable income and attracted businesses, with corporate tax filings rising 8% from 2022 to 2024, enhancing the state's competitiveness.
- **Labor Market Flexibility:** Mississippi's status as an "at-will" employment state fosters a dynamic labor market. A 2021 law streamlining occupational licensing reduced barriers for workers and entrepreneurs, with the Mississippi Secretary of State reporting a 12% increase in new business registrations in 2023 alone.
- **Affordable Energy:** Mississippi's electricity rates, averaging 13.43 cents per kilowatt-hour (U.S. Energy Information Administration, 2024), are significantly lower than high-cost states like California (34.26 cents). This advantage has drawn energy-intensive industries, including two major data centers in Madison and Rankin counties, bolstering economic activity in the Jackson metro area.
- **Public Universities and Innovation Hubs:** Mississippi's public universities are fueling growth, bucking national trends of declining enrollment. The University of Mississippi

¹ \$41 billion increase 2019 to 2024 compared to \$40 billion increase 2004 to 2019 FRED
<https://fred.stlouisfed.org/series/MSNGSP>



(Ole Miss) reported a 10% surge in freshman applications for fall 2024, while Mississippi State University saw record graduate program growth, per university enrollment data. Around Oxford and Starkville, entrepreneurial ecosystems are thriving, with startup incubators and tech ventures mirroring the innovation hubs of North Carolina's Research Triangle.

Mississippi's success is part of a broader Southern economic boom. Over the past two decades, the South has emerged as a manufacturing powerhouse, with the number of manufacturing jobs in the region rising 15% since 2000, according to the U.S. Bureau of Labor Statistics. While Rust Belt states lost jobs, the South—led by states like Alabama, now the largest auto-exporting state, and Texas, home to Tesla's relocated production—captured these opportunities.

Mississippi, long overshadowed by neighbors like Georgia and Tennessee, is now joining this Southern success story. With \$19 billion in recent investments and accelerating growth, the state has immense potential to catch up rapidly.

With the right policies, Mississippi can grow the way other Southern states have in recent decades.

2. The Formula for Future Success

Pro-growth policies mean more than business-as-usual. Here are the key policy goals we should aim for to give our state more momentum:

I. School Choice

Mississippi has made strides in education, particularly with the 2013 Literacy-Based Promotion Act, which shifted to phonics-based reading instruction. This reform boosted National Assessment of Educational Progress (NAEP) scores, with 4th-grade reading proficiency rising from 32% in 2019 to 35% in 2022 and 8th-grade math proficiency increasing from 26% to 29%.

However, it is important not to exaggerate the improvements made.

Mississippi Department of Education (MDE) data for 2022–2023 shows 47% of 5th graders not proficient in reading and 51% not proficient in math. Chronic absenteeism affects 24% of students, with some districts reporting rates as high as 40%. Public school enrollment has also declined by 6.2%, from 468,135 students in 2019–2020 to 438,893 in 2023–2024.

To improve education, Mississippi needs universal school choice. This means giving families control of their child's share of state education funds (Thanks to previous reforms each Mississippi child in the public education system already has a personalized state education budget that determines "their" share of tax dollars).

Giving families control over their child's share of tax dollars can best be achieved in one of two ways: the Education Savings Account (Arkansas) model, or the Tax Credit (Oklahoma / Idaho) model.

- **Option A: Education Savings Accounts (ESAs), Modeled on Arkansas:**

- Arkansas's LEARNS Act (2023) provides ESAs, allowing families to use per-student funding (approximately \$7,200 in Arkansas for 2024–2025) for tuition, tutoring, curriculum, or other approved educational expenses. The program started with targeted groups (e.g., low-income families, students with disabilities) and expanded to universal eligibility by 2025–2026.
- In Mississippi, ESAs could allocate per-student funding (approximately \$7,000 in FY 2025) to families, enabling them to choose schools or customize education plans. This flexibility supports diverse needs, from special education to homeschooling, and encourages providers to compete on quality.

- **Option B: Tax Credit Scholarships, Modeled on Oklahoma and Idaho:**

- Oklahoma's Parental Choice Tax Credit (2023) offers refundable tax credits of \$5,000–\$7,500 per child for private school tuition or homeschooling expenses, prioritizing low-income families. Idaho's Choice for Idaho Families Act (2025) provides up to \$5,000 per student via tax credits for similar expenses, with broad eligibility.
- Mississippi could offer tax credits of \$6,000–\$7,500 per student, funded through donations to scholarship organizations or direct credits, to cover private school tuition or other educational costs. This approach minimizes direct state spending while expanding options, especially for families unable to afford private education.

Proposed School Choice Plan

Legislation is needed that would:

- Allow public-to-public school choice, allowing students to transfer their per-student funding to any public school with capacity.
- Establish either an ESA or tax credit program for an initial 30,000 low-income students, allocating \$6,600 per student using existing K-12 funds, before expanding the program to 60,000 students and eventually all students. (The estimated costs for students outside public schools (e.g., private or homeschool) could reach \$320 million).

Proposals for a federal tax-credit for credit scholarships could significantly increase School Choice in our state. Once implemented, a federal tax credit has the potential to foster competition, and complement what the state decides to do. If so, Mississippi needs to ensure that we do everything we can to maximize take up of any federal tax credit program.

II. Higher Education Reform

Mississippi's public university system, serving approximately 77,000 students across eight institutions, is a vital asset but faces challenges in governance, accountability, and student outcomes. Drawing from the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER) report and further analysis, this proposal outlines three key reforms:

University Reform Plan

- **Useful skills, less woke:** Implement a performance funding model where state appropriations are tied to measurable outcomes, such as degree completion rates, community college transfers, and post-graduation employment metrics (e.g., median salaries by degree). This incentivizes universities to prioritize marketable skills and student success, with funding partially or fully contingent on performance.
- **Elimination of Tenure:** End indefinite tenure for faculty and introduce recurring performance evaluations based on objective academic and professional standards. Aligning faculty accountability with K-12 education practices ensures taxpayer dollars support high-value educators who contribute to university goals.
- **Transparency on Graduation Financial Outcomes:** Require universities to publish data on average salaries and career outcomes by degree program. With an average 4-year degree costing \$84,000, transparent financial return metrics will empower students to make informed choices and ensure taxpayer funds support degrees with strong economic value.

III. Cap Public Spending

In May 2025, the Mississippi Legislature passed a relatively restrained \$7.135 billion general fund budget for Fiscal Year (FY) 2026 (July 1, 2025–June 30, 2026).² This \$7.135 billion general fund is roughly 30–35% of total government spending.

It is vital that Mississippi lawmakers continue to keep increases in public spending under control. Allowing general fund spending to grow faster than inflation plus population poses risks.

² This is the state-funded portion of Mississippi's budget, while **total government spending** in Mississippi, including federal funds, special funds (e.g., transportation, lottery), and other sources, is significantly larger. For FY 2024, total estimated state and local spending was approximately \$11.67 trillion for the U.S., with Mississippi's state and local share guesstimated at a much smaller fraction.

First, it could hinder Mississippi's goal of eliminating the state income tax. The 2022 tax reforms, reducing the income tax rate from 5% to 4% by 2026, have already cut revenue by \$525 million annually. House Bill 1 (2025) proposes further reductions to 3% by 2030, contingent on revenue triggers, but eliminating the income tax entirely could reduce revenue by \$2.1 billion, nearly equaling K-12 education funding. Without surpluses—\$699.6 million in FY 2023, buoyed by federal funds—further cuts risk deficits.

Second, excessive public spending may crowd out private sector growth. Mississippi's reliance on federal transfers is significant, with 41% of general revenues from federal aid in 2014, the highest nationally, compared to a 31% national average. A large public sector consumes resources—labor, capital, and infrastructure—that could fuel private enterprise, critical in a state with 19% poverty.

To ensure fiscal discipline, Mississippi could adopt an annual spending cap limiting general fund increases to inflation plus population growth.

IV. Less Red Tape

Excessive regulation acts as a drag on economic growth.

Sadly, Mississippi's regulatory environment is among the most restrictive in the nation. The Mercatus Center's 2023 State Regulatory Index ranks Mississippi 38th for regulatory freedom, with over 143,000 regulatory restrictions in its administrative code—higher than Tennessee (120,000) and Florida (130,000). These rules, enforced by 97 state agencies, govern everything from business startups to professional licensing. The Mississippi Secretary of State's 2024 Business Services Report notes that 1,200 unique permits and licenses are required across industries, with compliance costs estimated at \$1.2 billion annually, equivalent to 2% of the state's \$60 billion GDP in 2023, per Bureau of Economic Analysis data.

Restrictive regulation is a particular problem in the local healthcare economy. Mississippi's Certificate of Need or CON system, administered by the Department of Health, requires state approval for 19 healthcare services, including hospital beds, MRI machines, and ambulatory surgical centers.

A 2024 our Mississippi Center for Public Policy (MCPPE) report found that CON reviews delay projects by 12–18 months, with application costs averaging \$50,000–\$100,000. In 2023, only 60% of CON applications were approved, stifling innovation.

Deregulation would unlock growth—Mercatus projects a 10% regulatory cut could boost GDP by \$1.2 billion over five years.

Mississippi should pursue wholesale deregulation, starting with CON repeal and expanding to permits and licensing, targeting a 25% regulatory cut by 2030.

Red tape reduction Plan

To sustain growth, we must eliminate bureaucratic barriers that stifle innovation and inflate costs. Here is a proposal to do that:

- **Eliminate Certificate of Need (CON) Laws:** Repeal CON requirements for all 19 regulated healthcare services, from MRI facilities to home health agencies. Our own research shows that this move will save the Mississippi Department of Health \$2 million annually while fostering competition, lowering healthcare costs, and expanding access for residents³.
- **Empower Healthcare Professionals:** Allow Advanced Practice Registered Nurses (APRNs) which includes certified registered nurse anesthetists (CRNAs), nurse practitioners, and other advanced providers to practice within the full scope of their authority by abolishing required written collaboration agreements between APRN's and a licensed physician or dentist. These Agreements can be quite costly and offer no proven clinical benefit. A 2023 study by the Mercatus Center found that such reforms could reduce healthcare costs by up to 15% while improving patient access, particularly in rural Mississippi.
- **Expand Occupational Licensing Freedom:** Build on Mississippi's 2021 licensing reforms by extending automatic reciprocity to all certified out-of-state professionals, from barbers to engineers. This policy, inspired by Arizona's universal licensing model, could increase in-state certifications by 20%, per estimates from the Reason Foundation, attracting talent and boosting entrepreneurship.

V. Public Procurement Reform

Mississippi must improve its public procurement practices to deliver better value for taxpayers.

The state's procurement laws, primarily outlined in Mississippi Code § 31-7-13, govern how state agencies and local governments purchase goods, services, and construction. While competitive bidding, often through reverse auctions, is required for commodities and equipment over \$50,000, numerous exceptions undermine transparency and cost-effectiveness.

Small purchases and emergency procurements can bypass competitive bidding, which is reasonable in some cases. Professional services and certain other contracts are also exempt from reverse auctions, allowing alternative methods like Requests for Proposals (RFPs) or sole-source awards. These discretionary processes can favor minority-owned businesses, particularly through federal programs like the 8(a) set-aside or cooperative purchasing agreements, even though Mississippi lacks a state-level equivalent.

³ <https://mspolicy.org/wp-content/uploads/2024/01/CON-paper-FINAL.pdf>

In practice, however, these exceptions can lead to questionable outcomes, especially in cities like Jackson. RFPs and Requests for Qualifications (RFQs) sometimes prioritize minority-owned businesses based on diversity criteria, but this has occasionally resulted in contracts being awarded to firms that subcontract work to non-minority contractors excluded from the original bidding process. Such practices can erode taxpayer value and raise concerns about fairness.

To ensure better outcomes, Mississippi's procurement rules need a comprehensive overhaul to strengthen transparency, limit discretionary exemptions, and prioritize competitive processes that deliver measurable value for public spending.

To address inefficiencies and favoritism in Mississippi's public procurement system, particularly concerning professional services exemptions and minority contracting practices, a targeted legislative solution is needed to amend Mississippi Code § 31-7-13.

The Mississippi Professional Services Procurement Reform Act

- **Mandatory Competitive Processes:** Require all professional services contracts over \$50,000 to use competitive bidding or RFPs/RFQs, unless PPRB specifically approves a sole-source award, in which instance they must publicly explain the basis on which they approved a sole-source award.
- **Sole-Source Restrictions:** Require sole-source contracts to be justified with evidence of no viable competitors, posted publicly for 30 days (up from 14 days) to allow challenges, and approved by the Public Procurement Review Board (PPRB).
- **Prohibit Race-Based Contract Awards:** Explicitly prohibit state and municipal agencies from awarding contracts based on the profile of the bidder such as race, ethnicity, religious views, national origin or gender identity. Contract awards must be based solely on cost, quality, and expertise, as evaluated through competitive bidding or Request for Proposals (RFPs)/Request for Qualifications (RFQs).

VI. Welfare Reform

More people are in work in Mississippi than ever before, yet the state's workforce participation rate remains stubbornly low. Well-meaning workforce development programs do not work. Nor is hiring more career counselors in high schools a serious solution.

If we want to ensure that more of the adult population in the state is economically active, we need to change the welfare incentives that currently encourage a large number of adults to remain economically inactive.

According to the U.S. Bureau of Labor Statistics, the state's labor force participation rate was 53.9% in October 2023, the lowest in the country, compared to a national average of 62.2%. This means nearly half of Mississippi's working-age population (16 and older) is neither employed nor seeking work, despite favorable economic conditions.

Job availability is not the issue. In 2023, Mississippi reported 56,000 unfilled jobs, with projections of 137,000 annual openings through 2030, per the Mississippi Department of

Employment Security. Sectors like advanced manufacturing (2,400 new jobs by 2030), healthcare (15% growth), and transportation are driving demand, particularly for middle-skill roles requiring vocational training or associate degrees. Unemployment is historically low, dropping from 5.5% in 2019 to 3.2% in mid-2024, per BLS data, signaling a tight labor market where employers struggle to find workers.

Welfare dependency is a major part of the problem. In 2023, Mississippi's Temporary Assistance for Needy Families (TANF) program served 10,234 households monthly, down from 14,000 in 2019, per the Mississippi Department of Human Services (MDHS). The Supplemental Nutrition Assistance Program (SNAP) enrolled 412,000 individuals, and Medicaid covered 650,000. While caseloads have declined, participation in work programs is uneven. TANF's Work Program (TWP) requires job training or employment for able-bodied recipients, but only 2,500 participants were engaged in work activities in 2023, per MDHS.

TANF requires 30–40 hours weekly of work-related activities for non-exempt adults, but only 2,500 of 10,234 recipients participated in 2023, per MDHS. SNAP's work rules apply narrowly to able-bodied adults without dependents (ABAWDs), impacting less than 10% of recipients. A 2019 Foundation for Government Accountability (FGA) report commended Mississippi's TANF caseload reductions but criticized lax enforcement, with exemptions undermining mandates. In contrast, Arkansas's 2017 SNAP work pilot increased employment by 20% among participants, per FGA, and Georgia's 2023 Medicaid work requirement lifted job placements by 15%.

Tough welfare-to-work programs are effective. Mississippi's 1994 New Directions pilot cut TANF rolls by 30%. Without sanctions—benefit reductions for non-compliance—recipients face little pressure to work, especially when welfare benefits rival low-wage earnings.

Welfare to Work Plan

Mississippi should introduce mandatory work requirements:

- Require all able-bodied TANF and SNAP recipients (ages 18–59) to engage in 30 hours weekly of work, job search, or training, with exemptions only for disability or those caring for infants under 6 months.

3. Conclusion: Sustaining Mississippi's Rise Through Principled Advocacy

The pro-growth policies that are fueling Mississippi's recent success did not come about from any passive consensus. For years, attempts to build broad agreement in the Capitol yielded little progress.

The landmark reforms that have propelled Mississippi forward were hard-won victories, achieved through relentless determination in the face of fierce opposition.

The path ahead demands the same resolve. Only by championing these reforms with unwavering commitment can Mississippi defeat inertia. Principled advocacy is not just the catalyst for past successes—it is the cornerstone of Mississippi's bold, pro-growth future.

About the Mississippi Center for Public Policy

The Mississippi Center for Public Policy is an award-winning 501(c)3 non-profit advocacy organization. Strictly non-partisan, we make the case for low taxes, light regulation, free markets, and individual liberty in Mississippi and across America.

We have an exceptional track record of getting our policy proposals turned into law.



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