

April 24, 2025

TO THE MISSISSIPPI HOUSE OF REPRESENTATIVES:

GOVERNOR'S VETO MESSAGE FOR HOUSE BILL 1126

I am returning House Bill 1126: "AN ACT TO AMEND SECTION 57-119-13, MISSISSIPPI CODE OF 1972, TO PROVIDE FOR THE MAXIMUM MATCH REQUIREMENT FOR ASSISTANCE PROVIDED TO MUNICIPALITIES AND COUNTIES FROM THE GULF COAST RESTORATION FUND; AND FOR RELATED PURPOSES."

House Bill 1126 seeks to strip the Mississippi Development Authority's ("MDA") discretion in administering the Gulf Coast Restoration Fund ("GCRF") to determine the appropriate amount of the local match to program funds to cover the cost of an awarded project. Under existing law, MDA has the discretion to set "terms and conditions" for the administration of GCRF funds (see Miss. Code § 57-119-11(1)), and the only constraint on MDA's discretion in determining the appropriate amount of the local match is that program funds "may not be used to finance 100% of the cost of any project" (excluding projects for public schools). See Miss. Code § 57-119-13. In exercising its discretion, MDA has adopted program regulations that establish a default rule that the local match must be "at least twenty percent (20%) of the total project costs. . . ." See Miss. Admin Code Title 6, Part 11, Chapter 1, Rule 1.5. Further, MDA's program regulations allow for a waiver of this minimum 20% match "at its discretion, to the extent that the result of such waiver is to promote the public purposes of the Act and is not prohibited by State Law." *Id.* at Rule 1.23. Thus, the effect of such regulations, and consistent with existing law, MDA has the wide discretion to set the local match anywhere between 1% and 99% of the project costs.

House Bill 1126's proposed amendment to Miss. Code § 57-119-13 would mandate that MDA "shall not" set the local match in an amount that "exceeds the lesser of twenty percent (20%) of the amount of the assistance or the value of one (1) mill on all taxable properties in the county or municipality assessed after exemptions or fee in lieu agreements." The effect of HB 1126 is to mandate that MDA require a local match in the amount of either (1) 20% of the project cost or (2) the value of 1 mill on all taxable property in the county or municipality, whichever is less. Thus, if HB 1126 was signed into law it would strip MDA of its wide discretion to set the amount of the local match in an amount under 20% of the project costs or in an amount over 20% of the project costs, or in any case, in an amount greater than the value of 1 mill on all taxable property in a county or municipality. Such constraints would be detrimental to the effective administration of the GCRF.

For starters, in order to maximize the number of projects that are funded each year, counties and municipalities frequently offer a local match in excess of 20% of the project costs. By enabling counties and municipalities to increase the amount of the local match, MDA can fund more projects. Thus, one of the unintended consequences of HB 1126 would be to decrease the number of projects that are annually funded by GCRF.

Second, the current value of one mill varies wildly among the six eligible counties, ranging from approximately just under \$140,000 for one county and exceeding \$2.3 million in another county. Thus, in certain counties, the amount of the local match for consequential projects necessarily would always be capped at 1 mill, while in other counties, the local match would always be set at 20% of the project costs, resulting in obvious financial inequality in the administration of the program. Sound public policy mandates that consistent program rules apply to all grant applicants regardless of the applicant's individual characteristics.

Third, in some instances, the public need for an awarded project may be so great, and the financial constraints on the county or municipality so significant that MDA may exercise its current discretion to lower the local match to just 1% of the total project costs. If House Bill 1126 becomes law, MDA would be placed in a straitjacket and required to demand a local match in the lesser of 20% of the project costs or the value of 1 mill. This too, is almost certainly an unintended consequence of HB 1126.

Finally, as authorized by statute, it should be noted that MDA offers a Loan and Loan Guaranty Program to counties and municipalities that enables the financing of any required local match for the useful life of the asset or twenty years, whichever is less. The ability to amortize the local match over such an extended period of time ameliorates most if not all of the financial constraints placed on smaller counties or municipalities.

In short, because House Bill 1126 appears to be a solution in search of a problem having the potential to create multiple negative unintended consequences, and existing statutes and regulations afford to MDA broad discretion to set the local match requirement anywhere between 1% and 99% of the project costs, prudence dictates that I veto the bill.

Respectfully submitted,

TATE REEVES
GOVERNOR