

MISSISSIPPI

Inflation Costs to Mississippi Taxpayers

December 2022

SHAD WHITE
State Auditor

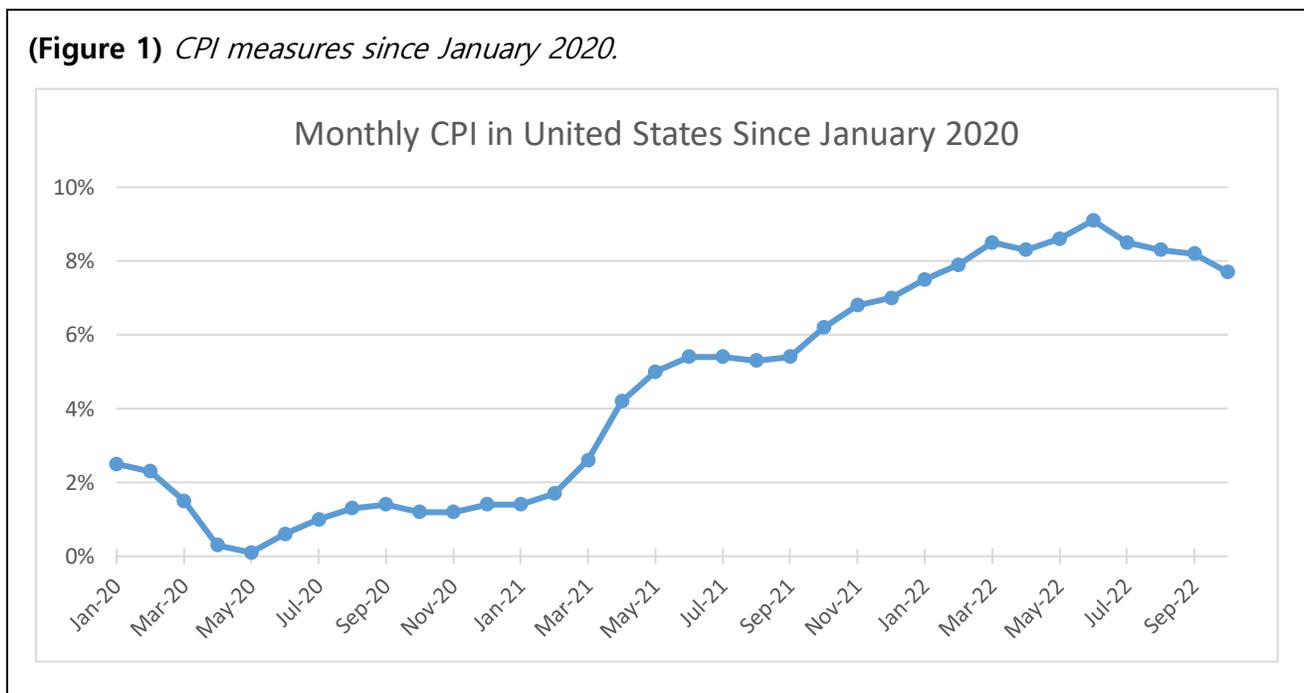
Logan Reeves
Special Projects



Inflation Costs to Mississippi Taxpayers

Executive Summary

The purpose of this report is to alert policymakers to the cost of inflation on government spending and to help public officials more effectively plan future budgets by anticipating these costs. Inflation is the increase in the prices of goods and services over time.¹ One common way to measure it is by using the Consumer Price Index (CPI), which shows the price change of household goods by comparing today's price of a certain item against its price at the same time last year. Figure 1 shows inflation as measured by changes in the CPI since January 2020.²



Mississippians experience the effects of inflation with each grocery store visit or trip to the gas station. Government also spends their hard-earned tax dollars, and it must spend more to do less public good during inflationary times. For example:

- Higher fuel prices force law enforcement officials to face decisions like limiting patrol mileage.
- Higher construction costs mean fewer roads and bridges are built or repaired.
- Higher electricity and utilities prices mean the cost of housing inmates in prison grows.
- Higher food costs mean the price of meals—from school cafeterias to meals for prisoners—goes up.

Part of the mission of the Mississippi Office of the State Auditor (OSA) is to evaluate public spending and ensure taxpayer money is being used effectively. State Auditor Shad White has commissioned this analysis to identify examples of how Mississippi's public spending has been affected by months of high inflation.

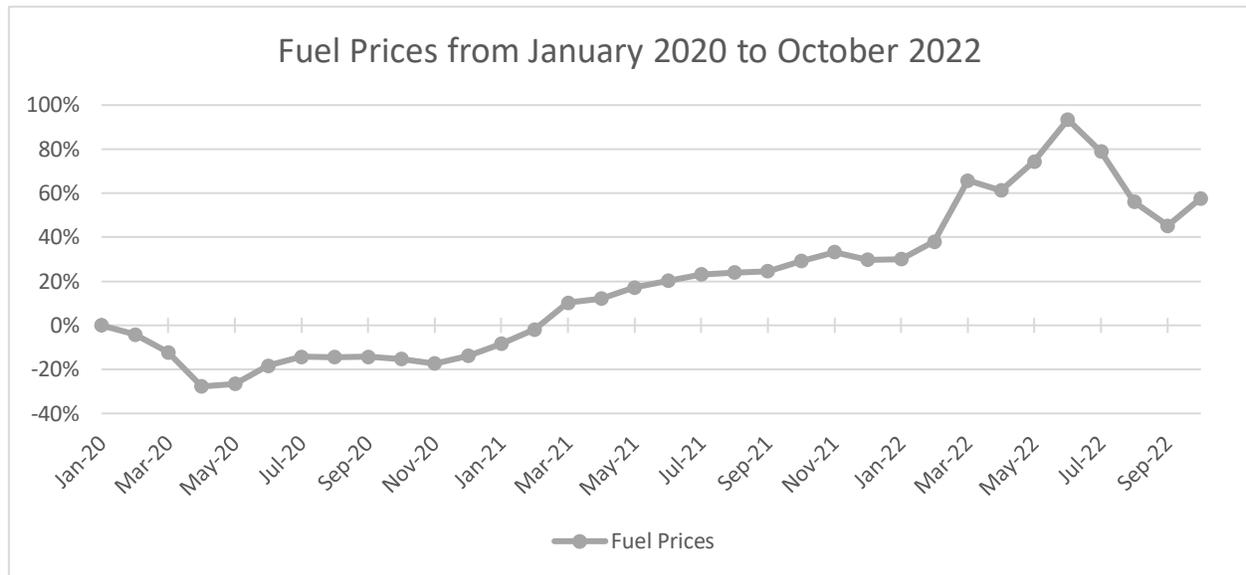
¹ See Federal Reserve response to [Frequently Asked Question](#).

² See Bureau of Labor Statistics (BLS) [data](#).

The Mississippi Department of Public Safety likely spent at least an extra \$750,000 due to high gas prices in 2022 alone.

In 2022, fuel prices soared to all-time highs in the United States.³ Mississippi was no exception to the national trend.⁴ Taxpayers were hit doubly hard by the historic gas prices because each taxpayer-funded agency requiring fuel for operation also faced higher gas prices. For example, the Mississippi Department of Public Safety (DPS)—the state agency housing the Mississippi Highway Patrol and other law enforcement divisions—requires fuel to keep our state’s highways safe. When fuel prices spike, DPS and other law enforcement officials must decide whether to purchase more fuel or cut back on patrols.

(Figure 2) Monthly national average fuel price compared to January 2020 national average fuel price



To analyze how DPS was affected by high fuel prices in 2022, auditors aggregated DPS fuel expenditure data and compared it to national fuel prices during the same time.⁵ Data show DPS operated with relatively stable monthly fuel expenses of approximately \$300,000 from August 2021 until fuel prices began soaring in March 2022. After fuel prices began to spike, monthly DPS fuel expenditures rose up to 82% higher. The department likely spent an extra \$750,000 on fuel due to inflation in 2022.

Ballooning fuel costs affect every government office with gasoline and diesel needs. Local law enforcement, school districts, and first responders all faced fuel prices peaking at 93% above January 2020 prices. Inflated fuel prices caused extra expenses for these offices and may have actually caused law enforcement agencies to limit patrol mileage during a time Mississippi was already experiencing the high cost of violent crime.⁶

³ See USA Today [reporting](#).

⁴ See [reporting](#) from WLBT.

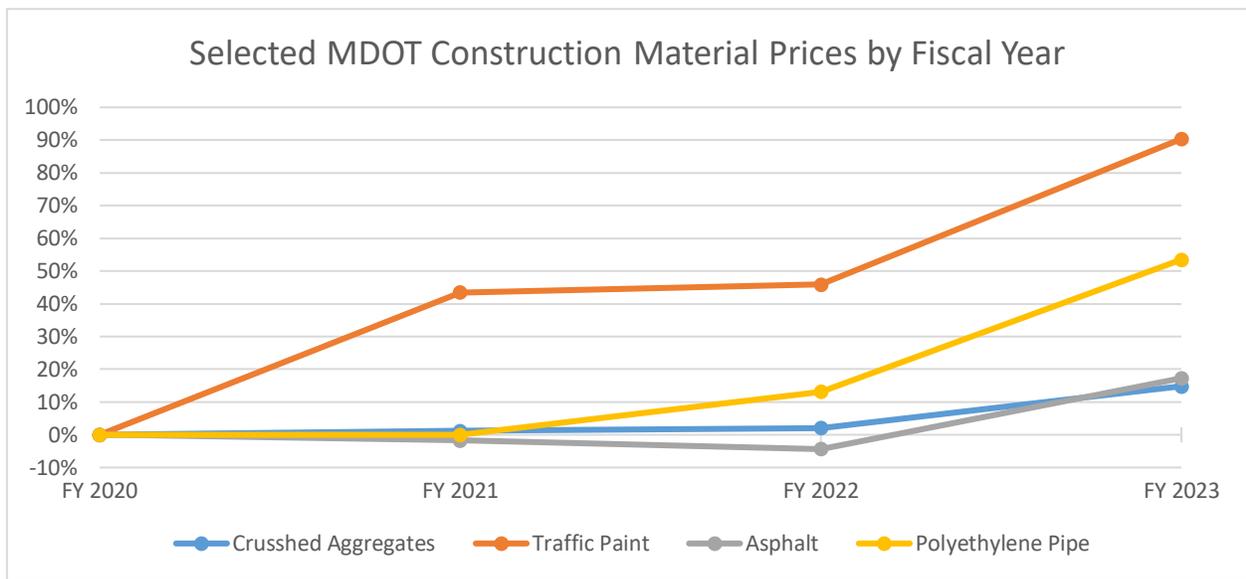
⁵ “Fuel Prices” are generated from [monthly pricing data](#) published by the US Energy Information Administration.

⁶ See previous [report](#) by Mississippi Office of the State Auditor.

More expensive roadbuilding material means fewer miles of roads and bridges are built or repaired

Roads and bridges are critical to Mississippi's future. In fact, the Legislature committed hundreds of millions of dollars and implemented a lottery system to fund spending on roads and bridges in 2017.⁷ However, due to inflated construction costs, the Mississippi Department of Transportation (MDOT) may not be able to complete future projects within today's forecasted budgets. Higher prices could also cause MDOT to undertake fewer or smaller projects.

(Figure 3) *Percentage increase in pricing for selected roadbuilding material for FY 2020 to FY 2023*



To evaluate inflationary effects on road construction, auditors obtained pricing data for specific items MDOT uses to build roads (see Fig. 3). By combining MDOT construction estimates and contract pricing data, auditors project inflation will cost taxpayers more to build each road mile in FY 2023 than FY 2020 due to the items shown in Figure 3 alone. Put differently, inflated construction costs could prevent MDOT from being able to complete all of its scheduled work. Notably, this estimate does not include required costs for equipment, fuel, or other construction material which are also affected by inflation.

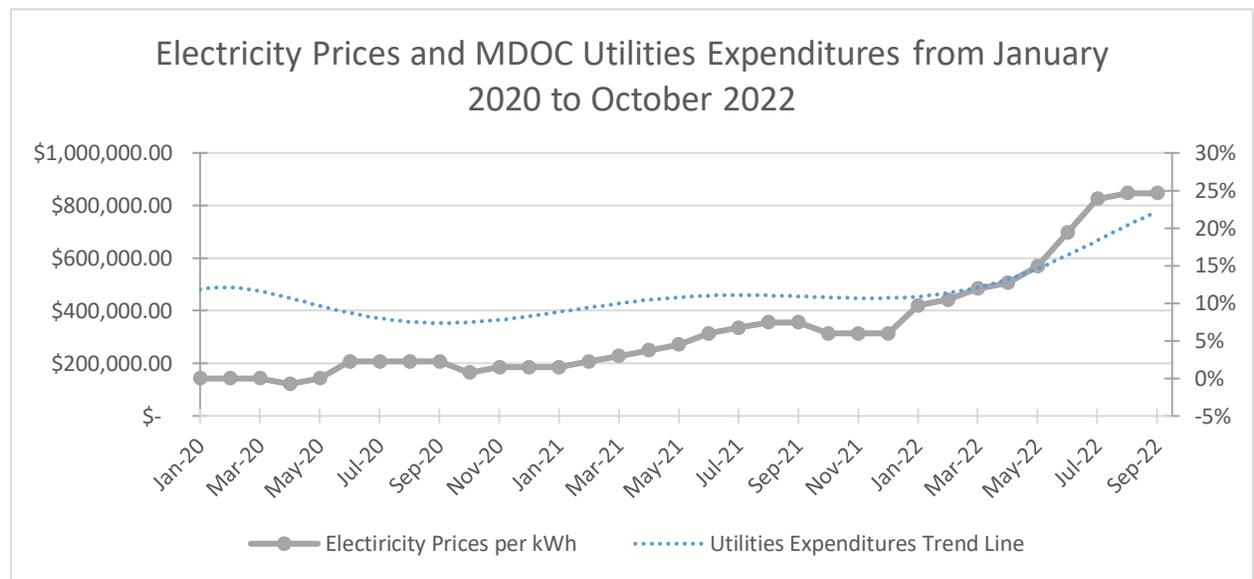
⁷ See Clarion Ledger [reporting](#).

Rising utility rates have increased monthly inmate housing costs substantially.

When energy and utility rates rise due to inflation, the taxpayer burden of keeping government buildings open and operating increases.

For example, the cost of operating utilities for Mississippi’s prison system rose 25% from January 2020 to September 2022. To demonstrate the increasing cost of inflation, auditors compared utilities expenditure data from the Mississippi Department of Corrections (MDOC) to electricity pricing data from the United States Bureau of Labor and Statistics.⁸ Figure 4 shows this data and includes a trend line showing how MDOC expenditures on utilities increased over time.

(Figure 4) Monthly MDOC utilities expenditure trend line and monthly national average price of electricity per kWh compared to national average price of electricity per kWh in January 2020

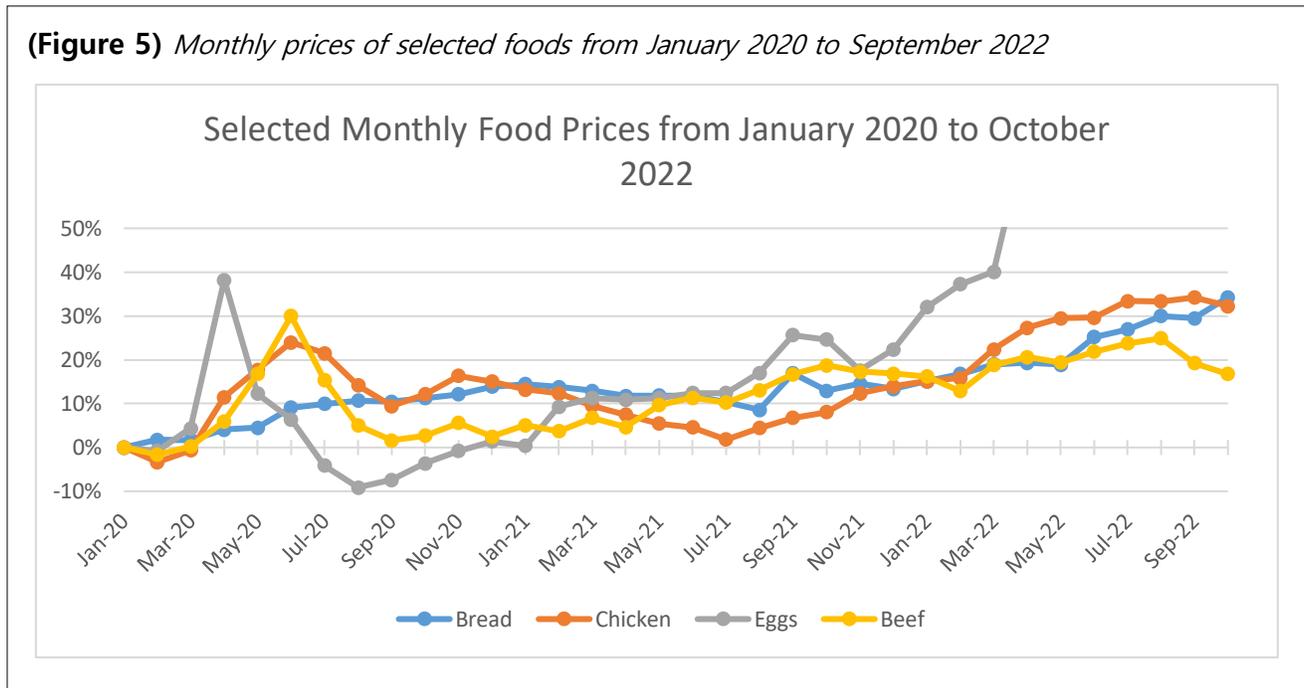


While the figure only shows MDOC utilities expenditure data, each taxpayer-funded government office—from the Capitol building to the local fire department—faces increasing utilities prices. Local hospitals, schools, and all other government offices will be faced with the prospect of limiting or cutting services as the cost of keeping lights on and air conditioning running continues to increase.

⁸ See BLS [pricing data](#).

Schoolchildren and the needy are impacted as food prices skyrocket.

Since January, food prices have risen significantly. Figure 5 shows the price increases of various food staples over time.^{9, 10, 11}



Schools purchase large quantities of food to feed children. Other government programs and grants run by the Department of Education provide supplemental meals for children and adults. Prisons pay for meals for inmates every day. And when food prices increase, taxpayers foot the bill for the cost increase in these programs and others.

Conclusion

Taxpayers faced record inflation in 2022. Paychecks and tax dollars are stretched thin. The buying power of the dollar has dropped 13% since January 2020. Taxpayers will continue to pay more for less—at home and in government offices. As Mississippi spends billions of federal dollars on infrastructure and technology investments into communities and schools, inflated prices will likely limit the scope of what these projects can accomplish.¹² Policymakers should consider this report and the expected price of future inflation when writing budgets and planning projects for the foreseeable future.

⁹ See previous note.²

¹⁰ May 2020 chicken prices did not appear in BLS data, so auditors used linear progression from April June 2020.

¹¹ October 2022 BLS data shows egg price have risen over 130% since January 2020.

¹² See White House [fact sheet](#).