

Mississippi Gulf Coast Regional Brief

Third Quarter 2010

Published November 12, 2010

This report contains statistics and commentary relative to the events and news that shaped the Mississippi Gulf Coast economy in the third quarter of 2010. This report is not comprehensive but provides insight on various issues, including the labor force, the overall economy, housing, tourism, and infrastructure. For more information regarding this report, please contact Jack Norris at the Gulf Coast Business Council Research Foundation at 228-897-2020.

This report is not structured or intended to analyze specific oil spill impacts on the Mississippi Gulf Coast economy. This report is an analysis of the regional economy at the aggregate level and does not reflect the severity of impacts experienced at the individual business or employee level. The Mississippi Gulf Coast Business Council Research Foundation has prepared and published its Regional Brief at regular, quarterly intervals since the third quarter 2008.

Executive Summary

This report contains information and commentary reflective of the Mississippi Gulf Coast and is intended to provide a regional perspective of economic conditions during the third quarter of 2010 and expectations for the coming months. Research conducted for this report is done so on a quarterly basis and has been done so since the third quarter 2008. Below are some of the key findings from this report.

- Sales tax collections at the aggregate level exceeded prior year levels for the second consecutive calendar quarter. Leading up to April 2010, sales tax collections had declined in 13 consecutive quarters. Over the last six months, five cities on the Mississippi Gulf Coast have experienced diminished or reversed momentum in collections while six cities have actually made progress when compared to prior year.
- The employment situation on the Mississippi Gulf Coast continues to exude stability, but any sustainable growth in establishment jobs in the region will likely not begin until the second quarter 2011. The Mississippi Gulf Coast has lost more than 6,000 jobs since 2008 and has not grown its job market for 25 consecutive months. Continued growth in sales tax collections will ultimately open doors for additional investment in human capital.
- While this report is not structured or intended to analyze specific oil spill impacts on the Mississippi Gulf Coast economy, it does, however, appear that the region avoided some of the more severe impacts that were experienced elsewhere. From the tourism standpoint, a marketing campaign that resulted from collaboration between local tourism officials, industry stakeholders, and the Mississippi Development Authority likely mitigated these impacts. Notably, **aggregate measurements taken at the sector level will not accurately reflect the severity of impacts that might have been experienced at the individual business or employee level.** Local leadership should continue to work with BP in 2011 to insure that the Mississippi Gulf Coast's Tourism and Seafood Industries are able to return to normal levels.
- The Gulf Coast Business Council is partnering with the Mississippi Gulf Coast Chamber of Commerce to implement a Travel Vault program in an effort to keep AirTran on the Mississippi Gulf Coast in 2011, and to give the region a reasonable chance to attract Southwest Airlines in 2012. Southwest Airlines has agreed to purchase AirTran. AirTran is the region's only low-fare carrier; should the Mississippi Gulf Coast lose AirTran or Southwest, the cost of flights to and from the Mississippi Gulf Coast will likely increase substantially.

In addition to the above highlights, this report discusses news and milestones that shaped the Mississippi Gulf Coast's Tourism, Real Estate, Military, Education, Transportation, and other sectors during the third quarter 2010.

Employment

While the employment picture on the Mississippi Gulf remains stable, as it has for the last ten months, there has not been any demonstratable job growth for the last 25 months, or since August 2008. There are two primary reasons for the lack of job growth on the Mississippi Gulf Coast over the last two years:

- 1) **Hurricane Katrina related recovery work is phasing out.** Compared to 2008, the Mississippi Gulf Coast has 840 fewer construction workers; notably, when compared to pre-Katrina levels, there are over 2,000 additional construction jobs today.
- 2) **The Recession.** The Mississippi Gulf Coast has lost 6,350 establishment jobs (these do not include self-employed positions) since the recession. When referencing other indicators such as sales taxes, which until the second quarter 2010 had declined for 27 straight months, it can be inferred that in an environment where revenues are falling, job losses will result.

With regards to the impacts that the oil spill had on the Mississippi Gulf Coast job market, the overall level of establishment jobs reported for the Mississippi Gulf Coast has generally remained static. This is not to say the oil spill did not impact specific industries; self-employed individuals, which are not counted in establishment jobs, and the tourism and seafood sectors likely experienced shifts in staffing patterns. Later in this report, additional references to the oil spill will be made. In Table 1, establishment jobs from September 2010 are compared to prior year as well as to March 2010.

Table 1: Mississippi Gulf Coast Establishment Jobs
Comparing June to prior year and to prior quarter
Source: Mississippi Department of Employment Security

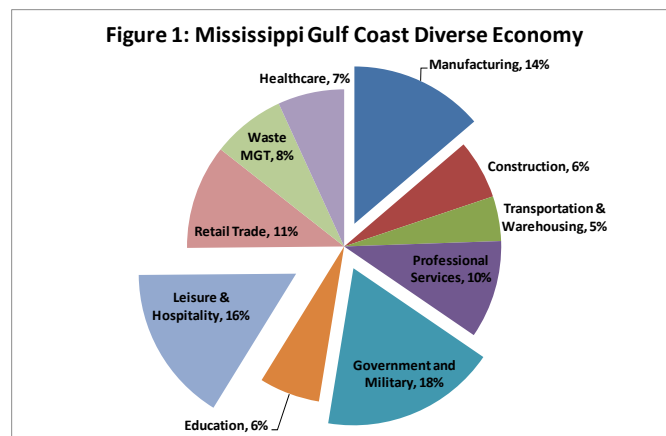
	Sept '10	Sept '09	Change	% Change	March '10	Change	% Change
Manufacturing	21,100	21,810	(710)	-3.3%	21,620	(520)	-2.4%
Agri., Forestry, Mining, Utilities	1,500	1,650	(150)	-9.1%	1,690	(190)	-11.2%
Construction	9,330	9,510	(180)	-1.9%	9,380	(50)	-0.5%
Wholesale Trade	2,190	2,470	(280)	-11.3%	2,390	(200)	-8.4%
Retail Trade	16,480	16,830	(350)	-2.1%	16,620	(140)	-0.8%
Transportation and Warehousing	3,390	3,770	(380)	-10.1%	3,800	(410)	-10.8%
Information	2,290	1,870	420	22.5%	2,150	140	6.5%
Finance & Insurance, Real Estate	6,100	5,870	230	3.9%	5,720	380	6.6%
Professional Services	6,290	6,420	(130)	-2.0%	6,180	110	1.8%
Management of Companies	790	810	(20)	-2.5%	780	10	1.3%
Waste Mgt.	11,600	10,930	670	6.1%	10,250	1,350	13.2%
Educational Services	670	680	(10)	-1.5%	660	10	1.5%
Health Care	10,480	10,270	210	2.0%	10,420	60	0.6%
Arts, Entertainment, and Recreation	130	210	(80)	-38.1%	180	(50)	-27.8%
Leisure & Hospitality	24,490	25,280	(790)	-3.1%	24,520	(30)	-0.1%
Other Services and Government	3,310	3,230	80	2.5%	3,030	280	9.2%
Government and Education	33,220	34,060	(840)	-2.5%	33,990	(770)	-2.3%
Total Establishment jobs	153,360	155,670	(2,310)	-1.5%	153,380	(20)	0.0%

Referencing Table 1 on the previous page, the industries that have seen the biggest job reductions over the last twelve months are Manufacturing (this includes shipbuilding), Construction, Leisure & Hospitality, Retail Trade, and Transportation and Warehousing. Importantly, many of the losses occurred in the latter half of 2009, and sectors such as Leisure & Hospitality and Retail appear to be at a point where growth is on the horizon.

In late August, Northrop Grumman (NGC) announced that 642 employees will be laid off by the end of the year at its Pascagoula shipyard; that facility employs over 11,000 people, 2,400 whom reside in Alabama. This news came on the heels of the NGC announcement that it would be closing its Avondale shipyard in New Orleans by 2013 and another facility in Tallulah, LA, impacting roughly 5,000 people. Leadership at NGC have made it very clear that the mid and long-term outlook for the facility in Pascagoula is positive. Notably, in early October an Ohio-based shipbuilding company, Cleveland Ship, LLC, reportedly made a bid to purchase NGC's shipbuilding operations, but at the time of publication of this report the outcome of the deal remains uncertain. Ultimately, it is important to consider the substantial investments in new infrastructure that have taken place in Pascagoula and other manufacturing locations on the Mississippi Gulf Coast since 2005, when evaluating the long-term prospects for those respective operations.

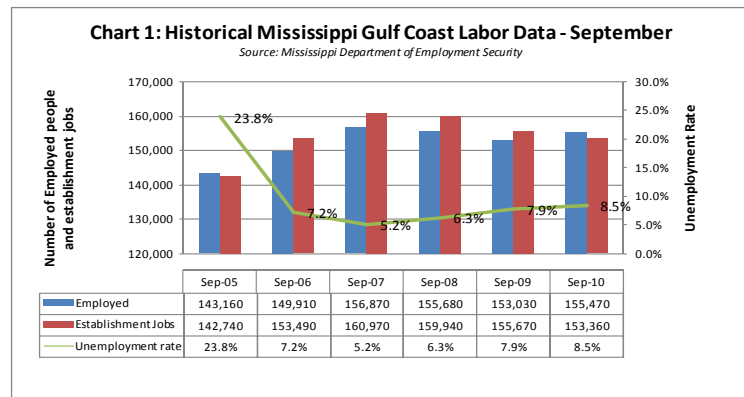
To put the Mississippi Gulf Coast's job market into better perspective, consider that the 6,350 jobs that have been lost since 2008, representing a 4.1% decline. Comparatively, Mississippi has lost over 5% of its workforce, and the United States has lost 4.3%. One of the primary reasons the Mississippi Gulf Coast has fared relatively well during the recession (when compared to other economies) is its diversity. Reference Figure 1 below for an illustration of the many sectors that make up the regional economy.

One of the primary reasons that the Mississippi Gulf Coast has fared relatively well during the recession when compared to other economies is its diversity. Industries such as Leisure & Hospitality follow different cycles than Manufacturing, and the Military has provided decades of stability. Diversity will continue to define the economy on the Mississippi Gulf Coast.



Because of the diverse workforce on the Mississippi Gulf Coast, the economy has historically been insulated from large swings (gain or loss) in employment, and this stability is a major selling point for firms looking to invest in the region.

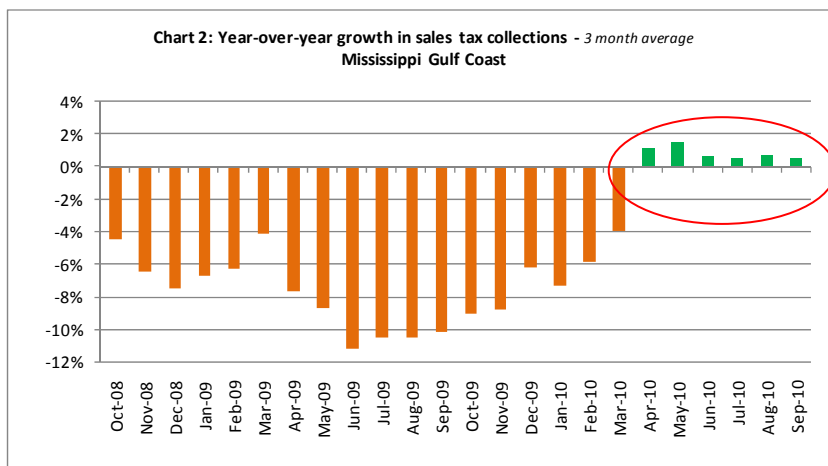
While the last two years have been challenging for employers on the Mississippi Gulf Coast, one needs only to look back five years. In September 2005, unemployment rates approached 25%. As Chart 1 illustrates, the Mississippi Gulf Coast proved resilient after Hurricane Katrina, and is quite capable of recovering from the current recession and the oil spill.



The outlook for the job market on the Mississippi Gulf Coast for the next two quarters is one of continued stability. In order for a cycle of growth to begin, employers in the region will need to be confident that their revenue levels will support new hires. In the next section several issues related to this topic are addressed.

The Economy

From the standpoint of establishment jobs, the recession on the Mississippi Gulf Coast began September 2008, and since that time the Mississippi Gulf Coast has experienced year-over-year declines in establishment jobs for 25 consecutive months. **There are signs, however, that employers on the Mississippi Gulf Coast will soon be considering increasing staffing levels.** As evidenced in Chart 2, sales tax collections for the combined three coastal counties have now been up for two consecutive quarters.



Sales tax collections for the combined three coastal counties have now increased (compared to prior year) for the consecutive calendar quarters. If this trend continues, it is likely more employers will be experiencing revenue growth and make sustainable investments in human capital.

While the growth that has occurred over the last two quarters is certainly welcome news, it is important to consider the gains thus far have only been marginal and have not necessarily been recognized when analyzing data at the sector or the municipality levels. **Nonetheless, the trends are improving.**

Regarding the impacts of the oil spill, it remains difficult to identify any broad impacts that might have resulted and additional research is needed. As illustrated on the previous page, sales tax collections have actually trended upwards over the last several months, but not all cities and sectors have experienced these gains. In Table 3 below, cities highlighted in red have seen momentum (established the first four months of 2010) either reversed or diminished.

Table 2: Comparing January - April Sales to prior year

	2010	2009	Change
BAY ST LOUIS	392,210	420,399	-6.7%
BILOXI	3,391,474	3,332,923	1.8%
D'IBERVILLE	1,787,129	1,453,150	23.0%
GAUTIER	751,958	878,353	-14.4%
GULFPORT	6,171,210	6,524,604	-5.4%
LONG BEACH	447,069	435,144	2.7%
MOSS POINT**	650,424	557,294	16.7%
OCEAN SPRINGS	1,504,109	1,537,993	-2.2%
PASCAGOULA	1,769,038	1,823,942	-3.0%
PASS CHRISTIAN	304,306	118,862	156.0%
WAVELAND	747,470	775,937	-3.7%
Combined Cities	17,918,407	17,860,609	0.3%

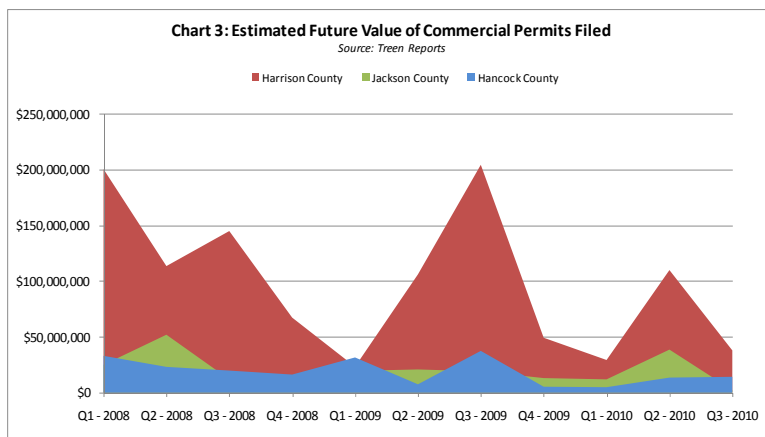
Table 3: Comparing May-August sales to prior year

	2010	2009	Change
BAY ST LOUIS	382,418	462,268	-17.3%
BILOXI	3,490,785	3,428,060	1.8%
D'IBERVILLE	1,841,861	1,500,478	22.8%
GAUTIER	796,568	860,969	-7.5%
GULFPORT	6,325,809	6,782,291	-6.7%
LONG BEACH	471,022	474,059	-0.6%
MOSS POINT**	580,110	578,585	0.3%
OCEAN SPRINGS	1,457,945	1,551,655	-6.0%
PASCAGOULA	1,849,890	1,739,038	6.4%
PASS CHRISTIAN	342,562	124,395	175.4%
WAVELAND	827,296	755,896	9.4%
Combined Cities	18,366,266	18,257,694	0.6%

**Moss Point received an unusually large diversion for April due to a one-time sale.

Cities shaded in red have seen momentum (demonstrated first four months of year) reversed or diminished between May and August.

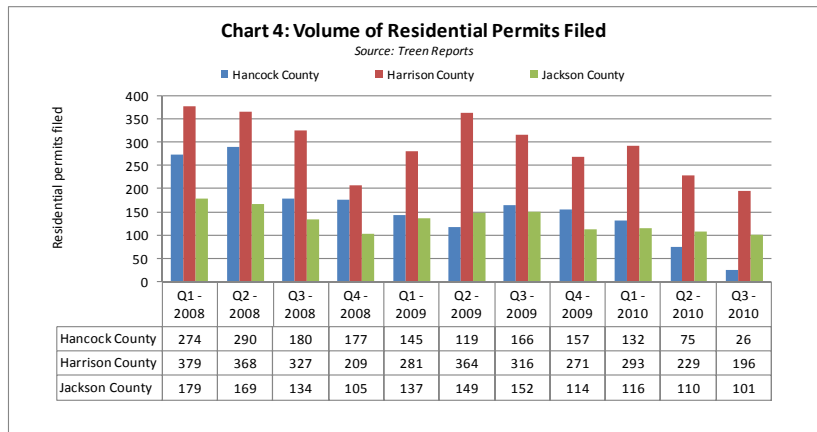
While sales tax collections showed signs of improvement over the last six months, other indicators, such as the value of commercial permits applied for and the volume of residential construction permits pulled, have not made similar progress. Reference Chart 3 below for a brief history of the value of commercial permits applied for in each of the three coastal counties of Mississippi. With Katrina-related projects wrapping up and an overall economy which continues to struggle with the recession, it is evident the pipeline of new development on the Mississippi Gulf Coast has waned in recent months, and judging from recently applied for commercial permits, pace will continue to be slow.



With Katrina-related projects wrapping up and an overall economy continuing to struggle with the recession, it is evident the pipeline of new development on the Mississippi Gulf Coast has waned in recent months. The slow progress in the third quarter of 2010 will likely translate into continued dormancy in the construction sector for the next two quarters.

The volume of residential construction permits applied for in the third quarter was also down, especially in Hancock County. One reason for Hancock County's sharp drop-off might be the large number of "second" and vacation homes located in the region. While the recession has certainly contributed to this decline in residential permitting, many believe the oil spill has played a role in the downturn.

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Whereas the traditional economic indicators the Regional Brief monitors continue to be a mixed bag of sorts, there have been several milestones reached over the last several months which suggest the economy on the Mississippi Gulf Coast will continue to improve. Below and on the following page are examples:

- In July, the Federal Energy Regulatory Commission approved a \$59 million plan to connect the liquefied natural gas terminal under construction in Pascagoula to a main line in Mobile County¹. This is good news for Gulf LNG's \$1.1 billion liquefied natural gas import terminal in Pascagoula's Bayou Casotte. Pipeline construction is slated to begin April 2011.
- In September, the \$118 million expansion and renovations of the Mississippi Coast Coliseum and Convention Center were completed. Efforts are underway to attract a flagship headquarter hotel to operate on the footprint of the complex. Sheraton has reportedly submitted a proposal for a 500 room hotel².
- Dupont Titanium Technologies' Deslisle plant in Pass Christian was recognized as the statewide winners of the 2009 Governor's Cup Awards³, one of the highest honors presented by the Governor. Dupont employs more than 800 people in western Harrison County.
- Eley Guild Hardy Architects, which has offices in Biloxi and Jackson, was awarded the design and construction contract of the Fort Benning Maneuver Battle Lab in Fort Benning, Georgia⁴. Eley Guild Hardy will partner with Anderson Drace Joint Venture; together, the two firms have successfully executed over \$300 million in design/build contracts with the federal government over the last ten years.

- In Jackson County, a 413,000 square foot development – The Strunk Centre – has been proposed for Pascagoula. The mixed used development would create 140 temporary construction jobs and 400 permanent jobs in retail, restaurant, real estate, and commercial sectors.
- Selex Galileo, a defense electronics company, will more than double its space at Stennis International Airport in Hancock County⁵. The first phase of the expansion, which will span four to five years, is valued at up to \$13 million.
- The U.S. Army Corps of Engineers is proceeding with plans to build a new \$16.25 million seawall in Bay St. Louis. The project should be complete in 18 months and will be a welcome addition to the small businesses that are rebuilding along the Bay of St. Louis. Also in Bay St. Louis, Hancock Medical Center is about to get started on \$24 million in renovations and improvements.
- Northrop Grumman Shipbuilding's (NGC) Pascagoula shipyard was awarded a \$175.5 million contract to purchase materials for a second ship in the Navy's newest class of large-deck amphibious assault vessels. In Gulfport, NGC was given a five-year tax exemption for equipment purchased for a \$16 million improvement project. The Gulfport facility employs over 500 people.
- Hancock County suffered two bad blows when PSL North America announced the layoff of 300 people at its pipe manufacturing operation, and when Solvay Advance Polymers suspended production at its facility in Bay St. Louis, eliminating 14 positions. PSL intends to bring back the positions once new contracts are secured.
- BAE Systems Inc., located in Moss Point, will modernize 11 Alreigh Burke (DDG 51) class guided missile destroyers under a potential \$365 million contract with the U.S. Navy⁶. Also in Moss Point, NGC began assembly of the first fuselage for a \$10 billion Navy contract. The unmanned airplane will be designed to fly at high altitudes with sophisticated communications and surveillance equipment. Over the course of the project 161 jobs will be created, including suppliers in the area⁷.
- The Mississippi Department of Marine Resources has issued a permit for Waveland to build a harbor/marina complex⁸. The 68 boat slips and the associated project costs will be funded by Tidelands funds and potentially \$6 million in Community Development Block Grant funds.
- In early September Governor Haley Barbour signed off on legislation making it possible for D'Iberville to enter into long-term leases on land for four large projects, including a \$75 million aquarium and the \$225 million Oyster Bay Casino.

Tourism

Considering the circumstances, the collective tourism industry on the Mississippi Gulf Coast appears to only have been moderately impacted by the oil spill in the summer season. The primary reasons for this output were likely a combination of an effective marketing campaign (designed and implemented in a collaborative effort between local tourism officials, stakeholders, and the Mississippi Development

Authority), and the presence of several thousand BP contract workers which likely offset any visitor declines that occurred as a result of the oil spill. Collectively, hotels and restaurants on the Mississippi Gulf Coast fared better than they did in 2009 (when analyzing sales tax collections through August). Interestingly, **year-over-year gains dropped off significantly in July, which was the month where BP began to significantly reduce its presence on the Mississippi Gulf Coast, when the well was initially capped.** Tables 4a and 4b (below) support this theory.

Tables 4a-4b: Recent year-over-year change in tax collections
Source: Mississippi Department of Revenue

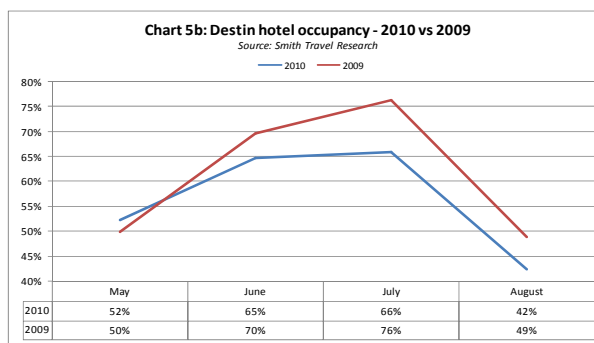
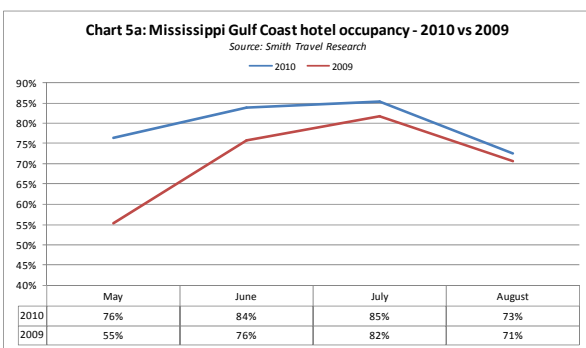
Table 4a: Restaurant Tax Returns

	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Hancock County	13.1%	-14.7%	-14.8%	-1.0%	11.0%	-0.3%	13.5%	5.1%
Harrison County	-1.4%	-10.4%	22.2%	4.7%	2.5%	0.8%	25.4%	10.7%
Jackson County	-13.9%	-13.1%	-11.5%	3.5%	-3.1%	-2.5%	15.7%	10.8%

Table 4b: Hotel Tax Returns

	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10
Hancock County	-15.2%	-21.1%	-24.8%	-14.6%	-10.3%	1.3%	5.1%	7.1%
Harrison County	-22.3%	-11.2%	6.3%	-0.1%	28.2%	39.6%	34.7%	-24.8%
Jackson County	-21.4%	-17.5%	-4.3%	7.9%	15.2%	73.4%	47.1%	38.7%

Notably, the information presented above suggests the restaurant and hotel industries were building momentum leading up to the oil spill. As the situation continues to unravel, it will be important to monitor any impacts of BP reducing its presence, and local tourism leaders should continue to work with BP officials to insure that the upcoming 2011 tourism season is not negatively impacted by negative perceptions related to the oil spill.

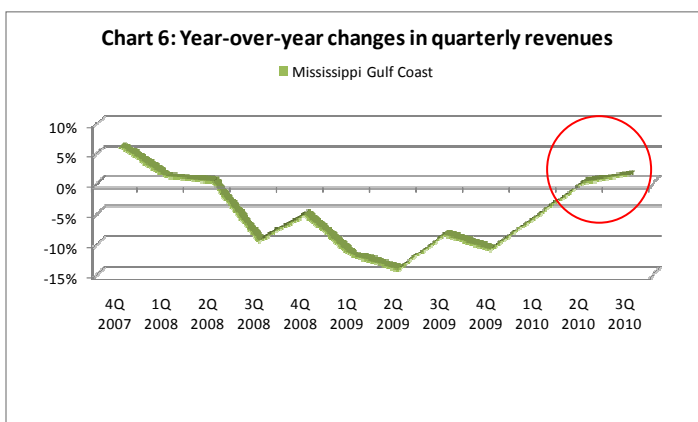


There were other milestones that characterized the local tourism industry's third quarter. In late September, Southwest Airlines agreed to buy AirTran for \$1.4 billion. AirTran is the Mississippi Gulf

Coast's only low-fare air carrier, and it is crucial that the Gulfport-Biloxi International Airport keeps AirTran in the market in 2011 in order for the Mississippi Gulf Coast to have a chance to secure continuing service, not to mention introducing new routes with Southwest when the merger is complete in 2012. Currently, **the Gulf Coast Business Council is partnering with the Mississippi Gulf Coast Chamber of Commerce to implement a Travel Vault program that is being designed to increase AirTran's existing service from the days per week to daily flights to Atlanta.** The Travel Vault plan is a pledge based program where businesses agree to purchase a pre-determined amount of air fare during 2011. This is not a revenue guarantee or a subsidy; rather, the program is geared towards businesses and individuals who already fly to Atlanta and only asks that they commit to purchasing a level of airfare they would typically use. Should AirTran or Southwest decide to leave the Mississippi Gulf Coast market, it is forecasted air fare to and from the Gulfport-Biloxi International Airport could go up by at least 40%, which would have a negative impact on the area's tourism industry and the overall economy. To read more about the Travel Vault program, visit www.msgcbc.org.

To provide another perspective that underscores the importance of keeping AirTran on the Mississippi Gulf Coast, reference the results of an economic impact study that was conducted by Boyd Group International on behalf of the Gulfport-Biloxi International Airport. The study, which was published in July, projects the local economy benefited by over \$290 million in 2009 as a result of airport operations. In addition to over 750 jobs being supported, \$130 million in visitor spending and travel time savings were recognized in 2009. Through September of this year, total passenger traffic was up 13% over prior year. Should AirTran leave, it is not likely the Mississippi Gulf Coast will continue to enjoy these benefits.

On the gaming front, the Mississippi Gulf Coast's eleven casinos combined to beat prior year revenue levels for the second consecutive quarter, after experiencing declines in seven consecutive quarters leading up to March 31, 2010. Chart 6 illustrates recent year-over-year changes in calendar revenue generation.



In the third quarter, the Mississippi Gulf Coast's eleven casinos combined to beat prior year revenue levels for the second consecutive quarter, after experiencing declines in seven consecutive quarters leading up to March 31, 2010. Should these trends continue into 2011, casino operators should be in a position to bring back jobs lost in the recession.

Another important part of the Mississippi Gulf Coast’s tourism industry is golf. The Coast Golf Tourism Partnership announced in September plans to invite 4.4 million golfers from across the nation to play golf on the Mississippi Gulf Coast this fall⁹. Funded by a \$250,000 grant from BP to promote golf tourism, the Golf for the Gulf promotion promises a \$100 Visa rewards card for seafood at Coast restaurants when golfers book a three day golf and hotel package this fall.

Looking ahead, leadership from all three counties should continue to work together to promote the Mississippi Gulf Coast as a singular tourism destination, while working to extend visits by promoting all of the many unique offerings that are home to the Mississippi Gulf Coast. An example of a recent success includes *Cruisin the Coast*, which spanned all three counties and attracted 4,854 registered cars from across the nation, while attracting its best draw since Hurricane Katrina.



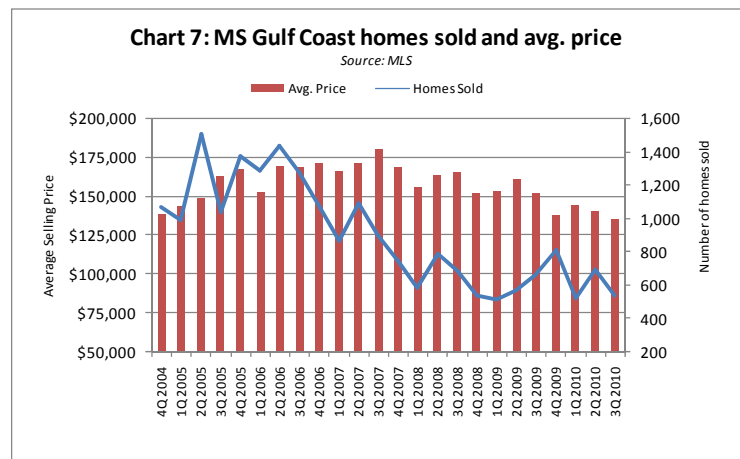
2010 Cruisin the Coast in Ocean Springs

Other examples of regional cooperation include the prospects of attracting a marathon to the region or securing another United States Tennis Association tournament; the state tennis tournament hosted in June and was awarded the Mississippi Tennis Association’s “Event of the Year” designation.

Real Estate

As alluded to earlier in this report, the volume of residential construction permits (applied for) declined significantly in the third quarter. The volume of home sales also declined in the third quarter, and the average selling price of homes decreased for the eleventh consecutive quarter (compared to same quarter prior year).

The volume of home sales declined in the third quarter, and the average year-over-year selling price decreased for the eleventh consecutive quarter on the Mississippi Gulf Coast. Until solutions to the region’s residential insurance problems are implemented, volumes will remain low and home prices will continue to be impacted negatively.



The culprit behind the Mississippi Gulf Coast’s housing woes continues to be insurance. Until solutions to the region’s insurance challenges are found, home sales will be impacted negatively.

Table 4: Snapshots of Available Home Inventories

Price Range	Oct-10	Jul-10	Apr-10	Feb-10	Oct-09	Jun-09
Less than \$130K	1,970	1,744	1,663	1,540	1,405	1,100
Between \$130K and \$200K	1,188	1,296	1,313	1,227	1,296	1,241
Greater than \$200K	1,091	1,213	1,116	1,103	1,177	1,252
Total Homes on Market	4,249	4,253	4,092	3,870	3,878	3,593

Source*: Multiple Listing Services

*Information in this database changes frequently

Unaffordable or unattainable insurance is not a problem unique to the Mississippi Gulf Coast. Based on the latest data available at the national level, homeowners insurance at the national level increased by 7.6% for the average American¹⁰, while those same rates increased by 41% in Florida and by 22% in Louisiana. While specific data wasn't available for Mississippi, average rates on the Mississippi Gulf Coast have likely increased by 20% or more, and participation in Mississippi's wind pool has tripled. Substantially higher insurance premiums have myriad impacts on an economy, inhibiting real estate and ultimately decreasing consumer spending. The fact that all coastal areas, specifically in the Gulf of Mexico region, have been negatively impacted by unaffordable insurance, suggests the best solution will be a regional approach and will require regional cooperation.

In October, the Gulf Coast Business Council partnered with the University of Southern Mississippi to host RAND Corporation and to facilitate the **Gulf Coast Insurance Forum: *What's Wrong with the Insurance Market along the Gulf Coast and How do We Fix It?*** The event included a panel comprised of representatives from Mississippi, Alabama, and Louisiana. As part of the event, RAND Corporation discussed its recently published **Residential Insurance on the U.S. Gulf Coast in the Aftermath of Hurricane Katrina: A Framework for Evaluating Potential Reform** study. One of the recommendations the study suggests is for the creation of a national commission to assess reforms; clearly, Mississippi should continue to work with Louisiana and Alabama to seek out long-term, sustainable solutions.

It's also important to note many of Mississippi's elected officials have made insurance a top priority. At the state level, representation from both the House and Senate were instrumental in funding the wind pool between 2007 and 2010, which effectively lowered wind pool premiums. Senator Roger Wicker and former Congressman Gene Taylor have worked tirelessly to extend the National Flood Insurance Program through 2011 and push multi-peril legislation at the national level, respectively. Regarding the Mississippi wind pool, it is very important to note that funding to subsidize re-insurance premiums will soon be phased out. **Upward pressures in wind pool premiums are likely in the foreseeable future**, underscoring the need to seek out insurance reform.

In early October, the Internal Revenue Service announced instructions (IRS Revenue Procedure 2010-36) to help offset costs of repairing corrosive drywall. Many homes rebuilt or repaired after Hurricane Katrina used drywall and other materials, many from China, that now need to be replaced.

Legislative

In the upcoming state 2011 state Regular Session, legislation will likely be introduced aiming to shore up education related deficits. As a result, certain tax increases might be recommended, including a potential increase in gaming taxes. While funding for education should be considered a top priority in 2011, taxing the state's gaming industry, which contributes around \$500 million annually to state and local coffers, not to mention millions more that fund local charities and other community efforts, is something that the Gulf Coast Business Council will oppose. Mississippi lawmakers should continue to put long-term economic development first and short term government revenues second. Mississippi casinos have been excellent tenants since the first properties opened in 1992, and raising gaming taxes in 2011 or beyond will have negative long-term implications to the state's entire economy. On the GO Zone front, existing provisions are set to expire at the end of the year but there are efforts underway to extend certain aspects of that program or to recommend similar incentives.

Education

In August, Governor Barbour announced Mississippi will apply for \$98 million in federal funding for school districts available from the recent education stimulus bill passed by Congress. With the loss of stimulus funds and projected increases in education and debt service, Mississippi faces a potential \$1 billion shortfall in fiscal year 2012¹¹. Though not a silver bullet, moving school start dates back, which the Gulf Coast Business Council researched in late 2009 and early 2010, should be re-evaluated in 2011. To read the full report, visit www.msgcbc.org/research. It does not appear consolidating Mississippi's 152 school districts (Florida has six times the population as Mississippi but only public 75 districts) will be considered. In the next Regional Brief, 2010-2011 enrollments on the Mississippi Gulf Coast will be analyzed and compared to historical levels.

Stennis, Military, and Technology

The passage of the NASA Reauthorization Act will allow Stennis to continue construction of Mississippi's newest engine test stand. Senator Wicker, who supported the legislation, also successfully included an amendment recognizing the importance of the John C. Stennis Space Center by encouraging the government to fully utilize the resources available at the testing facility for future commercial aerospace developments¹². NVision Solutions Inc., which is housed at the Mississippi Enterprise for Technology complex at Stennis, recently announced the Department of Homeland Security has designated the company's REACT (Real-Time Emergency Action Coordination Tool) as a "qualified anti-terrorism technology; REACT is a crisis management information system combining geographic information systems mapping and analysis. Current REACT users include NASA, the Mississippi National Guard, and several other agencies. Also at Stennis, the U.S. Government Printing Office (GPO) has achieved ISO 9001 certification (International Organization for Standardization) and has now produced 7 million of the 23 million e-passports that have been produced in the last two years.

In early October, the new Armed Forces Retirement Home in Gulfport was officially re-opened. At Keesler Air Force Base in Biloxi, a private company has been awarded the management contract for more than 1,100 housing units affiliated with the installment.

Ports and Airports

The Port of Gulfport and the Panama Canal Authority have signed an agreement allowing for joint marketing ventures, information sharing, and technological exchange¹³. The University of Southern Mississippi and the Technological University of Panama also entered into agreement to collaborate on new academic and economic development opportunities. In Jackson County, the Port of Pascagoula should have a 20 year strategic plan in place by December, and Port Bienville in Hancock County continues to work with its tenants and its partners at Stennis Space Center to improve its facilities.

Other Oil Spill Information

Governor Haley Barbour created a 34 member group to examine the impact of the BP oil spill and to help devise a recovery and development plan for the state's coastal region¹⁴. One of the sub-committees of the Mississippi Gulf of Mexico Commission, the Seafood Safety Group, is working diligently to assess the impacts on demand of Gulf of Mexico Seafood and will recommend steps to insure the industry is able to rebound in 2011. The Gulf Coast Business Council continues to work with the Seafood Safety Group and the University of Southern Mississippi to study the impacts of the oil spill on the region.

CEO & Business Owner Confidence

Business confidence rebounded in the third quarter after dropping in the second quarter. The capping of the oil spill in mid-July likely eliminated much of the uncertainty that inhibited confidence during the latter two months of the second quarter. The majority (79%) of business owners and CEO's on the Mississippi Gulf Coast believe future revenue levels will remain the same or grow in the next six months when compared to those of the second quarter. From the hiring standpoint, 62% of respondents indicated they had no plans to change their staffing levels while 20% anticipated increases; this represents an improvement from the prior survey conducted in early July (56% and 19%, respectively). To read the report in its entirety, visit the Gulf Coast Business Council website.

Closing Remarks

Progress towards a recovery from the recession on the Mississippi Gulf Coast continues despite the oil spill and lingering Hurricane Katrina challenges facing the region. It is important local leadership continues to collaborate and to seek out regional solutions in order to usher the Mississippi Gulf Coast into sustainable prosperity and to complete the transformation that began in 2005.

If you have any questions about this report or about any future reports please contact the Gulf Coast Business Council Research Foundation.

The Gulf Coast Business Council Research Foundation will continue to partner with area chambers of commerce to administer and report its quarterly **CEO and Business Owner Confidence** surveys with the goal of assessing current economic conditions and expectations each quarter and contrasting those positions to the prior quarter. The next survey will be conducted in January 2011.

¹ Gulflive.com, July 22, 2010

² Sunherald.com, August 30, 2010

³ Msbusiness.com, July 28, 2010

⁴ Msbusiness.com, September 16, 2010

⁵ Msbusiness.com, August 24, 2010

⁶ Msbusiness.com, July 29, 2010

⁷ Msbusiness.com, September 17, 2010

⁸ Msbusiness.com, August 2, 2010

⁹ Sunherald.com, September 21, 2010

¹⁰ Usatoday.com, August 26, 2010

¹¹ Msbusiness.com, August 20, 2010

¹² Msbusiness.com, October 1, 2010

¹³ Msbusiness.com, August 3, 2010

¹⁴ Msbusiness.com, August 16, 2010