

The Nation

For years, Mississippi was dead last in providing social services and education. New York was a high-tax state that alienated businesses. In the 1990s, during a booming economy, both states began to change their ways. **Cover Story, 1A**

Mississippi

uses prosperity to fix itself up

Benefits of boom go to poor state's schools, roads

By Richard Wolf
USA TODAY

OXFORD, Miss. — The signs on the University of Mississippi campus say "Ole Miss — Building for the 21st Century." It's a message that could apply to the entire state.

Tired of being ranked near the bottom in quality-of-life categories, this cash-poor state has used the economic boom of the 1990s to improve its infrastructure — and its image. There are three area codes where there used to be one. Two-lane roads are being widened to four. College campuses resemble construction sites. Where cotton and catfish once were king, casinos rule.

From 1990 through 1998, annual state spending rose 42% per person, after adjusting for inflation. That was tops in the nation, and state officials are proud of the distinction.

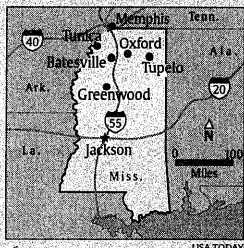
"I think we as a state are finally realizing how good we are," says Don Frugé, who guides development at Ole Miss. Adds Charles Harrison, executive director of the university's fledgling Advanced Education Center, "This state is making major progress, but there's still a long way to go."

Indeed, Despite the spending, Mississippi (population 2.8 million) is one of the nation's poorest states. It was 50th in per capita personal income (\$18,998) in 1998. It's last in eighth-grade reading and math proficiency, last in college test scores, 49th in spending per pupil, 48th in average teacher salary. It's last in the number of home computers and in Internet access.

Although income and education rankings take years to change, the state is making progress. The poverty rate, though still among the nation's highest at 17.6%, dropped 32% in eight years. The number of deficient bridges, a measure of highway maintenance, was reduced 30% 1990-98.

"All through the '80s, it was, 'Oh, we can't do that because we don't have the money,'" says Tom Pittman, publisher of *DeSoto Times Today*, a newspaper in the now-booming suburbs south of Memphis. "There were literally bricks falling off of buildings at some of the universities."

So when the economy started to boost state revenue in the late 1980s, officials poured the money into decaying infrastructure. Roads



were first: Since 1987, the state has undertaken a \$4 billion program to widen 1,772 miles of two-lane roads into four-lane highways. The largest public works project in state history, it's built primarily on a gasoline tax.

"We're the crossroads of the South, but you couldn't get across us," says Henry Coté of the state Department of Economic and Community Development. Now, so many four-lane roads have been built that Batesville (pop. 18,000) needs a bypass to divert traffic.

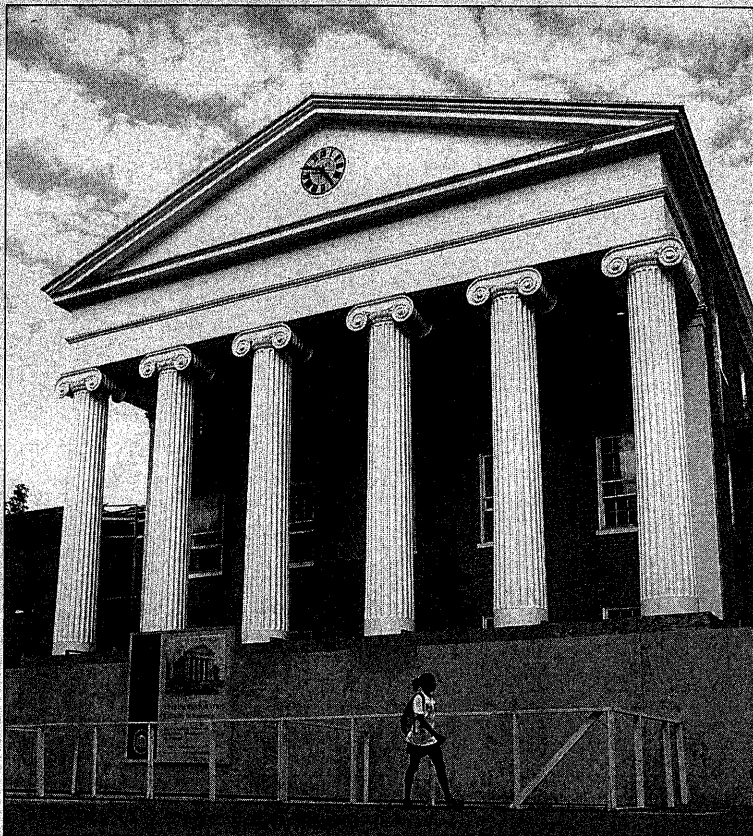
Next, the state legalized casinos. That set off a \$3.5 billion construction boom along the Gulf Coast and in towns such as Tunica, where purple, pink and green gambling halls rise above the cotton fields. Virtually overnight, the state created 40,000 service-sector jobs that pay more than the state average.

The resulting income taxes, along with an 8% gambling tax, boosted the state treasury, and the casinos attracted tourists and gamblers from neighboring states.

"Before these casinos opened up, you hardly ever saw a car from out of state," says Dorothy Tye, a parking garage valet at the Grand Casino outside Tunica.

The state also has been helped by some of its native sons. Former Netscape chairman James Barksdale and his wife, Sally, gave \$100 million this year for a literacy institute at the University of Mississippi. America Online President Robert Pittman has given money to help put computers in schools.

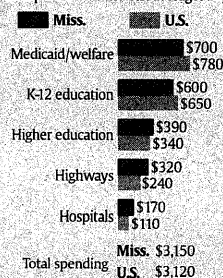
However, education remains a problem. The state is trying to link all its classes to the Internet, and new Democratic Gov. Ronnie Musgrove has made raising teacher salaries to the Southern average his top priority. On the other hand, dropout rates are down, test scores



Ole Miss face lift: The Lyceum, a symbol of the university, is undergoing an \$11 million restoration.

How Mississippi spends

Mississippi spent \$3,150 per person in 1998 on state services. Areas that received the largest sums in 1998, compared with the U.S. average:



Source: U.S. Census Bureau; Nelson A. Rockefeller Institute of Government, State University of New York-Albany; USA TODAY analysis by Paul Overberg.

By Alejandro Gonzalez, USA TODAY

are up, and there's air conditioning in every classroom.

Higher education has thrived from the bristling economy: It won \$618 million for capital improvements during the '90s. Three University of Mississippi campuses received more than \$300 million. An advanced education center is being established in Tupelo. A new administration building towers over the campus at Mississippi Valley

State University in Greenwood, the heart of the Delta. Financial aid has soared more than 1,000%.

The spending spree has extended to other areas. The mental-health system added dozens of community group homes with 10 beds each. That's partly because the state's low per-capita income entitles it to the nation's most generous federal share of Medicaid spending.

More than 9,000 beds have been added to the prison system, which is under federal court order to ease overcrowding. State parks have been fixed up for the first time in decades.

Their picnic areas have become recreational facilities.

"We had a very good decade in this state," says Treasurer Marshall Bennett says.

"It has changed the face of the state. The quality of life here is dramatically improving."

That was evident during a two-day tour of Mississippi — as were the downsides of development:

► In the dirt-poor Delta, big business is thriving. Viking Range, maker of cooking equipment, has expanded in Greenwood, along the banks of the Yazoo River, thanks in part to state grants, loans and tax credits. Dollar General, a chain of neighborhood stores, has invested more than \$100 million in its dis-

tribution center in Indianola. "We're spending all the money we can get our hands on," says Clanton Beamon, president of the Sunflower County Board of Supervisors.

Some see that as risky business. The increased state spending "is going to come back to haunt us," Greenwood Mayor Harry Smith says.

"We've mortgaged the future to pay for the present."

► In Tupelo, the northeastern area that is home to the nation's second-largest furniture industry, local firms and governments have banded together to improve everything from cardiac health to high school graduation rates. However, Tupelo Mayor Larry Otis, who presides over a city with 35,000 people and 55,000 jobs, sees a downside to the casinos that are driving much of the state's revival. "People are losing their homes" because of compulsive gambling, he says. "There's no product produced in that industry."

► In Tunica and nearby DeSoto County, where distribution centers have cropped up to support the Federal Express headquarters in Memphis, development is booming. Some of the nation's largest-grossing retail outlets are here, thanks to the widening of east-west Route 302.

Progress has come too late to

State spending

Per-person spending by states in 1990 and 1998, adjusted for inflation, and percent change.

State (Rank, by pct. chng.)	Total expenditures 1990	1998	Chg.
Ala. (16)	\$2,380	\$2,910	22%
Alaska (50)	\$10,140	\$8,640	-15%
Ariz. (47)	\$2,690	\$2,720	1%
Ark. (2)	\$2,170	\$3,020	39%
Calif. (42)	\$3,110	\$3,360	8%
Colo. (26)	\$2,220	\$2,650	19%
Conn. (40)	\$3,500	\$3,890	11%
Del. (39)	\$3,920	\$4,410	12%
Fla. (19)	\$2,110	\$2,540	21%
Ga. (20)	\$2,300	\$2,770	20%
Hawaii (45)	\$4,190	\$4,430	6%
Idaho (23)	\$2,380	\$2,850	19%
Ill. (27)	\$2,280	\$2,680	18%
Ind. (24)	\$2,340	\$2,790	19%
Iowa (34)	\$2,770	\$3,170	14%
Kan. (21)	\$2,270	\$2,720	20%
Ky. (11)	\$2,500	\$3,160	27%
La. (25)	\$2,590	\$3,090	19%
Maine (30)	\$2,910	\$3,370	16%
Mass. (38)	\$3,670	\$4,140	13%
Md. (44)	\$2,690	\$2,860	6%
Mich. (9)	\$2,740	\$3,500	28%
Minn. (31)	\$3,110	\$3,580	15%
Miss. (1)	\$2,210	\$3,150	42%
Mo. (3)	\$1,960	\$2,640	35%
Mont. (15)	\$2,670	\$3,300	23%
N.C. (12)	\$2,480	\$3,100	25%
N.D. (35)	\$3,180	\$3,620	14%
N.H. (6)	\$1,960	\$2,620	33%
N.J. (46)	\$3,090	\$3,240	5%
N.M. (17)	\$3,350	\$4,070	21%
N.Y. (37)	\$3,580	\$4,070	14%
Neb. (22)	\$2,310	\$2,770	20%
Nev. (41)	\$2,690	\$2,930	9%
Ohio (29)	\$2,450	\$2,860	17%
Okl. (33)	\$2,310	\$2,640	14%
Ore. (7)	\$2,580	\$3,430	33%
Pa. (10)	\$2,320	\$2,960	28%
R.I. (48)	\$3,440	\$3,450	0%
S.C. (13)	\$2,540	\$3,170	25%
S.D. (18)	\$2,380	\$2,880	21%
Tenn. (14)	\$2,100	\$2,610	24%
Texas (5)	\$1,820	\$2,440	34%
Utah (8)	\$2,630	\$3,430	30%
Va. (36)	\$2,510	\$2,860	14%
Vt. (43)	\$3,400	\$3,670	8%
W.Va. (4)	\$2,530	\$3,410	35%
Wash. (32)	\$3,110	\$3,560	15%
Wis. (28)	\$2,800	\$3,280	17%
Wyo. (49)	\$4,190	\$4,000	-5%
U.S.	\$2,670	\$3,120	17%

1 - Percentages are rounded.
Source: Census Bureau; Nelson A. Rockefeller Institute of Government, USA TODAY analysis by Paul Overberg.

help Mississippi's elderly poor. "It's done the young people good," says Eugene Taylor, 70, resting on a tractor on a farm overlooking Tunica's casinos.

Had it happened earlier, he says, "I wouldn't have killed myself picking cotton."

Despite an unexpected drop in revenue this year that has left the state a budget shortfall, officials say their future is bright.

In the past, "we've been perceived to be 50th," Musgrove says. But with a new economic-development strategy in the offing, "we believe that we will be positioned well in the new economy."

N.Y.'s tax-cutting campaign boosts its image

Economic climate heats up business

By Richard Wolf



N.Y. taxes drop

New York state's tax collections per \$1,000 of personal income dropped from 1990 through 1998:

