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OUR MISSION
is to educate members and all South Carolinians about state and local public policy based on the traditional South Carolina values of individual liberty and responsibility, free enterprise and limited government.

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PROPOSED STATE BUDGET LARGEST IN SC HISTORY DESPITE CUTS TO GENERAL FUND

The South Carolina House Ways and Means Committee unveiled the General Assembly's 2009-2010 proposed state budget this week, which totals \$21.2 billion and would be the largest budget in state history if passed into law. This figure includes revenue from all three categories of state spending. Recently publicized cuts have considered only general fund reductions while ignoring spending growth in federal funds as well as state fine and fee revenue.

<u>Current State Budget</u>	<u>Proposed House Budget</u>	<u>Percentage Change</u>
General Fund: \$6.1 Billion	General Fund: \$5.7 Billion	6.1 percent decrease
Federal Funds: \$7.1 Billion	Federal Funds: \$8.25 Billion	16.3 percent increase
Fines and Fees: \$7.11 Billion	Fines and Fees: \$7.18 Billion	0.9 percent increase
State Budget: \$20.32 Billion	State Budget: \$21.16 Billion	4.2 percent increase

Projected general fund appropriations decline six percent from \$6.1 billion to \$5.7 billion in the proposed budget, but federal aid more than makes up for these cuts by jumping 16 percent from \$7.1 billion to \$8.25 billion. State fine and revenue also is projected to increase slightly by \$7 million.

State officials have little control over federal programs, and this proposed budgetary shift would transfer an increasingly larger portion of state spending decisions to Washington. It would also do nothing to reform the 8 percent annual growth rate of Medicaid and other entitlement programs. The budget simply spends more money on existing programs while ignoring that federal stimulus dollars are temporary and will be exhausted within two years.

By 2011, when these dollars evaporate but the programs remain, the state will be forced to choose between deep cuts to programs, a significant tax increase, or hope for continued federal aid. The vast majority of federal economic stimulus money for South Carolina is slated for education and social welfare programs at the expense of other spending.

- The Department of Education budget alone is slated to grow by nearly \$100 million under the budget proposal, even while the department continues to threaten to furlough or fire teachers due to what it calls a severe budget crisis.
- The appropriations proposal eliminates 51.5 full-time positions from "education services." The budget simultaneously creates 44.5 new full-time positions under "innovation and support" and 7 full-time positions in administration under the Superintendent of Education. The net result is no change in Education SC Department staffing and a net increase in spending.

Another agency transferring staff without cutting positions is the Department of Health and Environmental Control.



- Its programs and operations lose 24.5 full-time positions, but the same number of new positions are created under health support, vital records and administration. The sum total of employees remains unchanged.

The single-largest portion of the state budget ~ Department of Health and Human Services – is also completely exempted from employee cuts.

- The agency retains its entire allotment of 1,196 full-time employees. Despite a 3.5 percent cut in state allocations, DHHS total spending increases by nearly \$200 million due to an additional \$250 million in federal aid.

In reality, only six state agencies reduce employees under the proposed budget and less than 60 full-time state jobs are eliminated out of more than 64,000 current positions. The state agencies cutting staff positions are as follows:

- Department of Parks, Recreation and Tourism: 493.67 to 485.67.
- Department of Agriculture: 151.6 to 123.8.
- State Museum Commission: 44 to 40
- Forestry Commission: 410.3 to 404.3
- Department of Labor, Licensing and Regulation: 413.91 to 407.91
- Employment Security Commission: 967 to 963

The bottom line for South Carolina taxpayers is the proposed 2009-2010 budget continues to expand the size and cost of government to record levels. Total state spending is set to increase by 4.15 percent and will eclipse the \$21 billion mark for the first time in state history. At the same time, the nation's private sector economic output dropped by 6 percent in the fourth quarter of 2008.

Federal dollars now account for 39 percent of state spending. If state matching funds for federal programs continue to expand at current levels, federal control over state spending will exceed 45 percent by the 2010-2011 fiscal year.

