



FACT SHEET

South Carolina Policy Council

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How Much Is That Budget Proviso Going to Cost?

Even as lawmakers are complaining about budget cuts and a barebones spending act, state spending continues to increase – by 2 percent over last year’s appropriated budget. By comparison, [per capita income in South Carolina declined](#) by 2.1 percent, going from \$32,495 to \$31,799 in 2009.

In addition to failing to make significant, targeted cuts, the budget being considered by the Senate includes the usual line up of questionable provisos. We’ve highlighted many of these in our [review of the House budget](#). But the Senate budget contains an important twist of its own – a backdoor \$1 billion spending increase.

Read on to learn more about how budget provisos in the proposed Senate and House spending bills will leave you with less money – and fewer opportunities – in 2010 and 2011.

89.87: General Flexibility Proviso

Last year the General Assembly passed a proviso allowing agencies to use Other Funds revenue to fill budget holes created by General Fund cuts. (For more on why this is a fiscally irresponsible strategy, [click here](#).) The proviso appears again in the House budget, using the prior fiscal year (FY09-2010) as a baseline for maintaining agency expenditures. The Senate budget retained this proviso, but pushed the baseline back to FY08-2009.

Consider the results:

- The soon-to-be prior fiscal year’s (FY09-2010) General Fund budget is \$5.7 billion. The previous year’s budget (FY08-2009) was \$6.7 billion.
- Thus, the Senate proviso authorizes the potential for \$1 billion in additional agency expenditures that do not appear as General Fund appropriations.
- Despite appearances that the General Fund budget is \$5.1 billion, the Senate flexibility proviso could be used to maintain spending at \$6.7 billion.

Individual flexibility provisos also apply to the following agencies:

- DOE: Provisos 1.43, 1A.23
- DHEC: Proviso 22.45
- DJJ: Proviso 53.14
- LLR: Proviso 65.7
- BCB: Proviso 80A.38

Below are estimated costs of questionable provisos in the proposed Senate and House budgets:

- 89.87:** Cost: \$1.6 billion
Flexibility proviso that allows agencies to offset General Fund cuts – potentially increasing spending from \$5.1 billion to \$6.7 billion.
Opportunity Cost: Less budget transparency and a lost chance to cut spending
- 89.112:** Cost: \$15 million
Raids \$15 million from the Insurance Reserve Fund to subsidize a new [airline incentives fund](#).
Opportunity Cost: [Sales tax relief](#) for consumers who could use the savings to purchase airline tickets
- 39.12:** Cost: \$10 million
Another fund raid – but from a fund we don’t need. This proviso takes an unspecified amount from the Motion Picture Rebate Fund to use on the Destination Specific Tourism Program. The Motion Picture Rebate Fund is set to receive \$10 million for FY10-2011 – the same amount allocated to this tourism marketing program last year. An admission tax (on theatres, golf courses, etc.) of 5 percent is used to supply the Rebate Fund.
Opportunity Cost: Higher prices for movies – and popcorn
- 90.16:** Cost: \$5 million
More nonrecurring funding for the Closing Fund – which is supposed to be used to “close” economic development deals. This money is to come from more rigorous income and sales tax collection enforcement efforts. (The revenue, by the way, does not go to the Department of Revenue general fund, but to a “separate and distinct” fund.)
Opportunity Cost: Tax relief for homegrown businesses – not to mention a possible visit from the tax man
- 6.10:** Cost: \$1.6 million
Additional funding to pay for “research capabilities” at universities via the EPSCoR program. This federal-state program funds university research positions, as well as provides small business seed grants. But what are taxpayers really getting for their money? Thus far, efforts at building a government-driven high-tech economy have produced [little fruit](#).
Opportunity Cost: Prosperity ... by letting the free-market unleash wealth instead of letting the government plan the economy
- 39.1:** Cost: \$1.38 million
Tourism promotion funding for local chambers of commerce.
Opportunity Cost: Lowering taxes on businesses and letting them use the savings to conduct their own advertising campaigns
- 40.9:** Cost: \$1 million
A study to determine whether to build I-73/I-74.
Opportunity Cost: Using a [public-private partnership](#) that would allow a private contractor to undertake a similar study using objective metrics

80.A.1: Cost: \$500,000

Funding to support the Southern Maritime Collection (aka, the Hunley submarine).

Opportunity cost: Lowering the above-mentioned admissions tax by 5 percent

89.96: Cost: Undetermined

30 percent tax credit for solar power.

Opportunity Cost: [Leveling the playing field](#) for all consumers and businesses

40.3: Cost: Uncapped

Coordinating Council may now transfer any amount to the Closing Fund it deems appropriate. Previously capped at \$7 million.

Opportunity Cost: [Additional transparency](#) over government-driven economic development

80A.55: Cost: 1 percent to 3 percent increase in health care premiums for South Carolinians Health care obesity mandate. (Note: Forwarded to Senate committee for recommendation).

Opportunity Cost: Letting [consumers make their own choices](#) about the health care coverage they would like to purchase

89.87: Cost: Undetermined

The flexibility proviso also extends protection to the following nonessential programs: the State House Gift Shop; the Santee Welcome Center; and the Palmetto Pride Anti-litter Campaign.

Opportunity Cost: Long-term budget reform. If legislators can't make cuts to nonessential programs during a severe recession, they'll never reduce overall spending

Potential Loss to Taxpayers: Almost \$1.63 billion

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