



BUDGET WATCH

South Carolina Policy Council

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Part III: 10 of the Worst New Budget Provisos

The total budget for FY10-2011 is \$21.149 billion, comprised of \$8.268 billion in Federal Funds; \$7.766 in Other Funds; and \$5.115 billion in General Funds. The budget is almost half a billion dollars more than [last year's authorized budget](#) of \$20.695 billion and \$290 million larger than the \$20.859 billion [budget of FY08-2009](#). Thus, in spite of handwringing and complaints about budget cuts, the FY10-2011 budget is the [largest in state history](#).

As reported by [The Nerve](#), the new budget contains [spending increases](#) for a number of agencies. The provisos section (Part IB) of the budget also contains its usual share of pork, waste and [off-the-books](#) Other Funds revenue increases. These are 10 of the worst:

\$1.6 billion in Other Funds raids (89.87). This proviso authorizes agencies to use earmarked/restricted accounts (i.e., [Other Funds](#)) funded with fine and fee revenue to absorb General Fund cuts. This practice, in itself, is objectionable, but this proviso also allows agencies to increase spending to FY08-2009 levels (i.e., \$6.736 billion). Thus, in theory, the proviso permits agencies to increase spending by \$1.621 billion. The proviso does not clarify whether federal funding must be considered when using Other Funds to supplement agency budgets. See also proviso 90.17.

An expensive and ineffective new day care program (1A.49). The Child Development Education Pilot Program is being created in response to a 2005 circuit court opinion ([Abberville v. South Carolina](#)) that the state must provide additional funding for early childhood intervention programs. The result is the Child Development Education Pilot Program. This new initiative poses two problems: 1) Since when is a panel of judges qualified to make far-reaching education policy?; and 2) The benefits of such early intervention programs are minimal, except in extreme cases, as concluded by a recent U.S. Department of Health & Human Services review of [Head Start](#). The legislature should go back to the drawing board on this one.

\$23 million in nonessential education spending (2.6). This proviso allocates millions in unclaimed "S.C. Education Lottery" prize money to various agencies. Given that this money is virtually a windfall for the state, the proceeds would be better used on K-12 instructional needs. In particular, lawmakers should eliminate the following transfers: \$5.470 million for technology at public universities and colleges; \$4 million for the State Board for Technical and Comprehensive Education for the Allied Health Initiative (which aims to train health care workers); \$1.5 million for the Commission on Higher Education PASCAL Program; \$1 million for the Commission on Higher Education Excellence Enhancement Program; \$1 million for Commission on Higher Education Excellence for Critical Needs Nursing; \$100,000 for Department of Alcohol and Other Drug Abuse Services for the prevention/treatment of gambling disorders.

Funding for the I-95 Corridor (89.143). While legislation that would create the [I-95 Corridor Authority](#) seems to have died, funding for the project is alive and well. This

proviso allocates \$3 million from the Healthcare Tobacco Settlement Trust Fund to be administered by the [S.C. Research Authority](#) to promote vaguely defined “health related issues” along I-95.

Unlimited funding for the Closing Fund (40.3). This proviso permits the Coordinating Council for Economic Development to transfer an unlimited amount into the Closing Fund administered by the Commerce Department to “close” economic development deals. In the past, funding has been capped at \$7 million. The fund is paid for via gasoline taxes, with the first \$18 million going to the Coordinating Council for “economic development” (cf. § [12-28-2910](#)). See also proviso 90.16, which transfers \$5 million in nonrecurring “Maybank Money” to the Closing Fund.

\$3 million hidden tax increase (72.17 and 89.142). Combined, [these two provisos](#) reduce interest payments on refunds to taxpayers by 3 percent (the current rate is 4 percent). The money is to be used for the Guardian ad Litem Program; the Joint Citizens and Legislative Committee on Children; and various programs by the Department of Juvenile Justice. The proviso will likely generate at least \$3 million in revenue.

Obesity coverage mandate (80A.55). It’s [not clear](#) why this new mandate for the State Health Plan remained a priority for lawmakers. The pilot program is slated to operate for one year only and participation is capped at 100 patients. Currently, only six states require morbid obesity treatment coverage. See also, proviso 21.11, which reauthorizes the Medicaid chiropractic mandate.

Solar power income tax credit (89.96). This proviso provides for a 30 percent tax credit for solar power energy systems. Targeted tax credits are a bad idea to start with – it’s even worse when the [credit is for an inefficient industry](#) such as solar power. Moreover, [H4478](#) already contains significant tax breaks for alternative energy manufacturers.

Agency “rent” to the BCB (31.11). This proviso requires the State Museum to pay \$1.8 million in rent to the Budget & Control Board (BCB) – in effect, a transfer of taxpayer funds from one agency to another. The GEAR report found that the museum could save \$700,000 if it managed its own property. Along the same lines, [23 agencies pay rent](#) to the BCB. If they managed their own properties, costs could be reduced by 20 percent – or \$3.6 million.

Millions more in pork. The new budget still contains its fair share of pork. Here is a sampling: \$500,000 for the Southern Maritime Collection/Hunley (80.A.1); \$350,000 for the Francis Marion University Center of Excellence (1A.38); \$75,000 for the Clemson Dairy Exhibition (35.4); \$50,000 for the Southeastern Wildlife Expo. (37.18).

Finally, several dubious provisos did not make it into the final budget. These include: \$10 million for the [Heritage Golf Tournament](#) in Hilton Head (89.112); \$15 million in [airline subsidies](#) (89.112); additional [subsidies for Hollywood](#) producers (39.8); and a [legislative power grab](#) regarding the Office of Small and Minority Business Assistance (89.108).