



# BUDGET WATCH

South Carolina Policy Council

1323 Pendleton St., Columbia, SC 29201 • 803-779-5022 • scpolicycouncil.com

## Part IV: Making Sense of the Governor's Budget Vetoes

The House voted yesterday to sustain 51 of 107 of [Governor Sanford's vetoes](#). The result is regarded as a victory for the governor, whose past veto record was lackluster at best. (See [this Nerve story](#) for a comparison with past administrations.) As the governor's office noted, the number of sustained vetoes are the most "by any governor since Carroll Campbell ... and the highest dollar amount" in state history. The most significant sustained veto regards the use of [federal FMAP dollars](#) to balance the budget. The Senate is in session today and may sustain additional vetoes.

The governor acknowledged that he approached the veto process differently this year, working on a list of "practical and sustainable vetoes." For instance, he avoided vetoing provisos that have been overridden repeatedly. He also chose not to veto the entire budget, as he did in 2006 and [partially did last year](#). Finally, the sheer number of vetoes (107) is misleading, as several vetoes are paired in terms of cutting both the program and offsetting expenditures (cf. veto 60 to vetoes 38-39, for instance).

Broadly speaking, the governor used the following criteria in issuing his vetoes:

*Eliminating duplication.* The governor vetoed several programs at public universities that duplicate work being done by other state agencies. In many cases, this duplication entails using higher-educational institutions to perform economic development functions that more properly belong within the Department of Commerce. Consolidating these efforts would lead to better oversight, as well as encourage public universities to focus on their core educational mission. See vetoes: 1, 4, 8, 14, 16, 19, 23, 35, 36, 37, 41, 42-43, 44-45.

*Setting budget priorities.* In many cases, the governor vetoed money for programs that might be worthwhile in some manner, but do not constitute a core function of government. Given the Legislature's reluctance to make targeted cuts, the governor was forced to use his veto powers to single out various programs. These include vetoes: 2, 5, 20-22, 27, 28, 29, 30, 31, 32, 34, 40, 48, 57, 68, 86-87.

*Balancing the budget.* The S.C. constitution requires lawmakers to balance the budget ([article X, § 7](#)). But suppose they do so by engaging in questionable strategies that overestimate tax revenue and federal funding sources? In the first case (vetoes 69-85), the General Assembly is hoping that stepping up tax collection efforts will produce a doubling of such revenue from last year: \$48 million to \$96 million. This is unrealistic unless the Department of Revenue possesses credible evidence that the number of tax cheaters has doubled since last year. In the latter case, the governor vetoed federal FMAP dollars that have yet to be approved by the U.S. Congress (veto 107). As indicated above, this veto was sustained by the House.

*Encouraging privatization and private investment.* As the governor argued, several worthwhile programs were or are currently sustained by significant private support. The governor encouraged these programs to expand their reliance on private donors. In other cases, such as regards nanotechnology and hydrogen, the governor suggested it was time that private investment replaced public funding. See vetoes: 9, 11, 12, 13, 15, 18, 28, 29, 31, 38-39, 40, 60.

*Encouraging more efficient use of existing resources.* In some cases, the governor urged existing programs to continue functioning as is, but to do so under current funding levels. Vetoes: 3, 10, 33, 50, 86-87, 88-90.

*Saving money for Medicaid.* Last year the governor encouraged lawmakers to use a share of federal stimulus dollars to pay down the state's debt. This year, he is urging lawmakers to reduce spending and set aside the savings for Medicaid. The state's Medicaid burden is expected to increase by [at least \\$1 billion](#) over the next decade owing to recently passed federal health care legislation. Vetoes: 24, 52-56, 91-106.

*Reducing administrative expenses.* Administrative expenses within state government, especially at the Department of Education, are high – as we highlighted in last year's [Best/Worst legislative guide](#). Vetoes aimed at reducing such expenses are: 6, 23, 41, 46-47, 48, 50, 51, 66.

*Eliminating waste and inefficiency.* In some cases, the governor simply concluded that a program is not working as intended or that the program in question is bad policy – for instance, as regards expanding [solar energy tax credits](#) or funding economic development along the [I-95 Corridor](#). Vetoes: 17, 18, 49, 50, 61, 64, 65, 67, 68.

*Upholding the state constitution/state law.* In one instance (vetoes 58-59), the governor vetoed provisos that are arguably unconstitutional. In another (veto 62), he observed that legislative rules prohibit the use of provisos to amend permanent law. See also veto 64.

*Available federal funding.* In numerous instances, federal funding has supplemented General Fund cuts to agency budgets. Thus, General Fund appropriations only account for 24 percent of this year's total budget while federal funds account for 39 percent. In several cases, the governor vetoed spending on programs that could or should rely on federal funds. Vetoes: 7, 20-22, 25, 26, 29, 31.

*Safeguarding earmarked/reserve funds.* At several points, the governor seems to suggest that agencies may make up for General Fund reductions by taking advantage of “financial flexibility” to reallocate money to operating budgets (cf. vetoes 32 and 40). Presumably he means proviso 89.87, which authorizes state agencies to supplement General Fund cuts with [Other Funds revenue](#). In one case, though, Governor Sanford opposes using earmarked funds on a completely unrelated purpose – i.e., professional and occupational licensing fees to support the S.C. Emergency Response Task Force/State Urban Search and Rescue Program (veto 63).

If there is any one theme that emerges from the governor's vetoes it is that there is no mechanism in place to force legislators to prioritize, or cut, spending. Even the state constitution's mandate to balance the budget was ignored in this year's spending bill. Likewise, the [current cap on spending](#) has proven completely ineffective, such that in the midst of the worst recession in decades, legislators have passed the [largest budget in state history](#).

It is to be expected that budget priorities will change, or more to the point, that political wrangling and compromise will determine what items get funded over others. The real problem is refusing to set priorities in the first place. In today's climate of big government and deficit spending, lawmakers seem unable to draw the line between essential and nonessential governmental activities. In the end, as the current budget illustrates, virtually everything ends up being funded.

The road back to prosperity for South Carolina requires implementing an [effective spending cap](#), instituting zero-based budgeting, and privatizing nonessential governmental functions. Until then, expect many more gubernatorial vetoes to come.

*Nothing in the foregoing should be construed as an attempt to aid or hinder passage of any legislation.  
Copyright © 2010 South Carolina Policy Council.*

