



Fact Sheet

South Carolina Policy Council

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Proposed House Budget Largest in State History – Again

The budget is expected to [hit the House floor on March 15](#). According to various media outlets, that budget is \$5.2 billion. But as the [Policy Council](#) has written before, this siloed approach to the state budget only tells part of the story. The \$5.2 billion only represents General Fund appropriations – and ignores Other Funds and Federal Funds revenue.

Now that the House Ways and Means Committee has sent an [appropriations bill](#) to the House floor for debate, here’s an early look at the proposal.

The Ways & Means Committee produced a 35-page [spreadsheet](#) that details initial appropriation levels for FY11-2012. The appropriated figures for the three main components of the budget (General Fund, Other Funds, Federal Funds), compared to the FY10-2011 final budget, are as follows:

Revenue Source	FY11-2012 Ways & Means Committee Budget	FY10-2011 Final Ratified Budget (including vetoes)	Difference
General Fund	\$5,466,467,888	\$5,080,373,895	\$386,093,993
Federal Funds	\$9,380,003,330	\$8,267,948,216	\$1,112,055,114
Other Funds	\$7,409,413,654	\$7,765,618,221	(\$356,204,567)
TOTAL BASE BUDGET	\$22,255,884,872	\$21,113,940,332	\$1,141,944,540
Nonrecurring Proviso Spending ¹	\$320,020,751	\$696,980,274	(\$376,959,523)
TOTAL	<u>\$22,575,905,623</u>	<u>\$21,810,920,606²</u>	<u>\$764,985,017</u>

¹Nonrecurring proviso spending includes only provisos that the General Assembly and the Budget & Control Board have reported. Normally, it accounts for spending identified in proviso sections 89 and 90, which are the general provisos and statewide revenue provisos, respectively. The figure reported here does not include all nonrecurring provisos from other sections. For example, proviso 39.12, as found in the FY10-2011 budget, allocated \$5.7 million in funding for the Department of Parks, Recreation and Tourism “Destination Specific” marketing grant programs. This amount, however, is not included here.

²Excludes the SC Education Lottery Commission’s other expenditure accounts for the FY10-2011 ratified budget. The excluded expenditure accounts are: \$602.670 million for prizes; \$69.100 million for retailer commissions; \$19.277 million for other direct game costs; \$8.900 million for advertising; \$1.507 million for security; and \$14.659 million for administration. If the aforementioned expenditure accounts are included, the FY10-2011 final ratified budget would jump from \$21.810 billion to \$22.532 billion. The amounts are not yet available for the FY11-2012 budget, but will likely be similar.

Two long-term trends are again evident in this year's proposed House budget:

- Total spending has reached another all-time high and is up by 3.5 percent.
- Reliance on federal funding has increased, with federal funding rising by 13.5 percent.
- General Fund spending has also increased, with spending up by 7.6 percent.

Proposed Budget is Largest Ever

As indicated above, the total base budget (excluding nonrecurring provisos) is \$22.255 billion. This is \$1.141 billion more than last year's base budget of \$21.113 billion. Spending has increased in two of three major budget categories, with only Other Funds revenue (derived from fines and fees) seeing a slight drop off.

The FY11-2012 proposed House Budget also includes \$320.020 million in nonrecurring spending that brings total spending to \$22.575 billion. Much of this spending is being funded via the following sources:

\$105.016 million from the Medicaid Reserve Fund
\$52.284 million in additional cigarette tax revenue³
\$71.000 million from the FY2010 Contingency Reserve Fund
\$68.804 million in projected year-end surplus for FY2011
\$11.000 million in various cash transfers from the Budget & Control Board and from the Department of Motor Vehicles

By comparison, last year's FY10-2011 total state budget included \$696.980 million in nonrecurring spending.⁴ Thus, the overall FY2011 budget, including nonrecurring appropriations, was \$21.810 billion.

Once nonrecurring spending is included, the proposed FY11-2012 House budget is \$764.985 million larger than [this year's state budget](#). This is an increase of 3.5 percent. **This means the proposed FY11-2012 House budget could end up being the largest in state history.**

Finally, it is worth pointing out that the budget transfers \$110.883 million from the Capital Reserve Fund to pay for other expenditures. Among other things, \$5 million from the fund is being used to create an "Aviation, Innovation and Research Center" (USC-AIR) run by the University of South Carolina. As [reported by The Nerve](#), "'Boeing is the main supporter' of the project."

Similarly, the Capital Reserve Fund is being used to fund \$5.4 million in spending by the Department of Parks, Recreation and Tourism's "Destination Specific" initiative, which is a

³This and above withdrawal are for Medicaid maintenance of effort payments, totaling \$157.300 million and derived from the 50-cent increase in the [cigarette tax passed by the Legislature in 2010](#).

⁴This figure excludes Part IV of the budget, which was vetoed. This section of the budget appropriated \$213.545 million in additional FMAP/Medicaid matching funds that the U.S. Congress had not yet authorized. Subsequently, Congress passed the extension, resulting in more than \$200 million in additional funding for the state Medicaid program. This money is technically counted as General Fund revenue for FY10-2011.

[tourism marketing grant program](#). The Capital Reserve Fund is supposed to cover General Fund budget deficits and deferred maintenance projects at state agencies and is not meant to be a conduit for economic development or tourism marketing.

Increased Dependence on Federal Funding

It is also clear that the state has become [overly reliant on federal funding](#), a position that raises questions about South Carolina's capacity for independent action vis-à-vis federal programs, such as Medicaid, not to mention the [Patient Protection and Affordable Care Act](#) (PPACA).

As readers may recall, [last year's budget debate](#) focused on how the state would balance the budget once the federal stimulus expired. This year's answer? ... increase dependence on federal funding even more. (Only \$501,948 of the FY11-2012 budget is derived from unused American Recovery and Reinvestment Act stimulus funding.)

Revenue derived from federal sources increased by more than \$1 billion in the proposed FY11-2012 budget. This represents an increase of 13.5 percent.

General Fund appropriations are also up: \$386.094 million higher this year than last – a 7.6 percent increase. General Fund revenue is forecast at \$5.913 billion for FY11-2012. In [FY10-2011](#), the General Fund Revenue forecast was \$5.561 billion. For [FY09-2010](#), the latest full year currently available, General Fund revenue was \$5.719 billion. Thus, state officials are taking a leap of faith that revenue will increase, despite uncertainty over whether the economy has fully recovered.

Stay tuned for more budget coverage from the Policy Council and more detailed analysis once the complete proposed House budget is released to the public.

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