



# Fact Sheet

## South Carolina Policy Council

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### Proposed House Budget: Is Total Spending Really Down?

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The House budget, as passed by the full Ways & Means Committee, was finally posted yesterday. The budget ([H 3700](#)) is expected to go to the floor for a vote on March 14 and will likely be passed by the House before members take a week-long furlough that begins on March 22.

Two observations – and one question – are emerging from our initial analysis of the proposed budget:

- We are still on track for the largest budget in state history. In particular, General Fund spending is up by more than 5 percent.
- The budget is being balanced using nonrecurring revenue taken especially from earmarked and restricted funds.

And, we are left with a question. Initial appropriation levels, [as reported by the House subcommittees](#) to the full Ways & Means Committee, anticipated federal funding at \$9.380 billion – an increase of \$1.112 billion over last year. Yet, the budget released yesterday only shows [\\$8.433 billion in federal funding](#). Our question, then, is this: Was this proposed funding increase entirely cut from the budget or will it show up again elsewhere – as either nonrecurring proviso spending or as an entirely separate section of the budget?

#### *Spending is Up ... No and Yes*

As based on adjusted final appropriations for the FY10-2011 budget, the total state budget is seeing a modest cut of \$148.5 million. This represents less than 1 percent of the total current budget. It is also notable that General Fund appropriations have increased by almost \$300 million – a 5 percent increase.

Revenue Source	FY11-2012 Proposed House W&M Budget	FY10-2011 Adjusted Appropriations	Difference
General Fund	\$5,355,584,433	\$5,080,373,895	\$275,210,538
Federal Funds	\$8,433,130,809	\$8,613,551,896	(\$180,421,087)
Other Funds	\$7,882,264,950	\$8,125,570,974	(\$243,306,024)
<b>TOTAL BASE BUDGET<sup>1</sup></b>	<b>\$21,670,980,192</b>	<b>\$21,819,496,765</b>	<b>(\$148,516,573)</b>

<sup>1</sup>This and subsequent tables excludes nonrecurring proviso spending.

Placing these proposed cuts in context, however, tells a different story. To begin with, as based on [initial, as opposed to adjusted appropriations](#), the budget is larger in every category and more than half-a-billion larger overall. Such appropriations reflect the rectified budget as actually passed by the General Assembly last year (and before the governor's vetoes).

Revenue Source	FY11-2012 Proposed House W&M Budget	FY10-2011 Initial Appropriations	Difference
General Fund	\$5,355,584,433	\$5,115,072,163	\$240,512,270
Federal Funds	\$8,433,130,809	\$8,267,948,216	\$165,182,593
Other Funds	\$7,882,264,950	\$7,765,618,221	\$116,646,729
<b>TOTAL BASE BUDGET</b>	<b>\$21,670,980,192</b>	<b>\$21,148,638,600</b>	<b>\$522,341,592</b>

The trend identified above becomes even more pronounced when we compare this year's proposed House Ways & Means budget to the budget proposed by the House Ways & Means Committee last year. That is, if we compare the status of the budget to where it was last year at this time.

Revenue Source	FY11-2012 Proposed House W&M Budget	FY10-2011 Proposed House W&M Budget	Difference
General Fund	\$5,355,584,433	\$5,068,031,567	\$287,552,866
Federal Funds	\$8,433,130,809	\$8,268,032,964	\$165,097,845
Other Funds	\$7,882,264,950	\$7,765,104,861	\$117,160,089
<b>TOTAL BASE BUDGET</b>	<b>\$21,670,980,192</b>	<b>\$21,101,169,392</b>	<b>\$569,810,800</b>

In other words, if things move along this year as they did last year, legislators are on track to pass the largest budget in state history. What remains to be seen is whether fiscal reformers will be successful in arguing for cuts once the budget comes up for debate on the House floor.

### ***Nonrecurring Revenue Used to Balance Budget***

A second trend evident from our review of the proposed House budget is the use of nonrecurring revenue to balance the budget. In particular, we are continuing to see earmarked and restricted accounts being used to sustain general agency operations and core programs.

Most important, legislators are again giving agencies broad power to use earmarked and restricted funds to offset General Fund budget cuts. This is being done via proviso 89.140. [As it did last year](#), the proviso allows agencies to use restricted/earmarked funds to maintain spending at FY08-2009 levels.

In addition, proviso 90.18 allocates more than \$150 million in nonrecurring funding from five different funds. The majority of the funding is going to two agencies: the Department of Education

(\$100.17 million for Education Finance Act base student cost and transportation expenditures) and the Department of Health & Human Services (\$45.55 million for Medicaid Maintenance of Effort). In other words, nonrecurring funding is being used to cover what are usually classified as core functions of government.

In addition to using earmarked/restricted funds to balance the budget, it's also worth keeping an eye on provisos that merge the functions of one agency into another. For instance, proviso 89.124 merges the Arts Commission into the Department of Parks, Recreation and Tourism (PRT) while proviso 89.125 merges the State Museum Commission into PRT. But it's worth asking whether these mergers are geared toward creating efficiencies or whether they are being used to bring these programs under the wing of PRT so as to prevent the elimination of the commissions altogether?

Finally, questions remain about that \$1 billion increase in federal funding that appeared in the [spreadsheet](#) detailing initial subcommittee appropriations. As previously reported, the total increase in federal funding was \$1,112,055,114 billion. This increase came almost entirely from a federal Medicaid match of \$1,031,353,808 billion (see line 21 of spreadsheet and p. 13). So, has this money disappeared? Or will it reappear, either in the provisos section or as an entirely separate section of the budget – for instance, a new Part IV that uses federal dollars not technically counted in the budgetary recapitulation of federal spending?

Stay tuned for more budget coverage from the Policy Council.

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