Policy Analysis

South Carolina Policy Council

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Creating a Department of Administration – An Update

A new amendment to the Department of Administration bill has hit the Senate floor. Although it's a moving target, here's an overview of what the bill would do with state government's most basic functions.

Eliminated: Budget & Control Board, State Financial Affairs Authority

The Senate's first shot at eliminating the Budget & Control Board (BCB) simply replaced it with another hybrid agency – the State Financial Affairs Authority (SFAA). The current proposed amendment strikes all references to the new SFAA.

Unnecessary and Duplicative State Agencies Still Exist

As we've reported in the past, there is no good reason the State Energy Office should exist. In a truly free market, consumers and businesses should be trusted to make efficient energy-use decisions. While no version of reform has eliminated the agency, others have at least placed it under the Department of Administration. The current legislation puts the State Energy Office under the Office of Regulatory Staff, and the amendment does nothing to change this.

Moreover, if there's one thing this state doesn't need more of, it's bureaucracy – which is precisely what this amendment seeks to do by creating the Legislative Fiscal Office to assist the legislature on budget matters. There's no reason why the General Assembly shouldn't simply empower an existing agency – the Legislative Audit Council – to perform the necessary functions of an agency tasked with providing budget analysis.

The Board of Economic Advisors still exists

The BEA exists as an independent agency of state government. Under the current plan, however, the chairman of the BEA would report to the Governor, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee.

Final decisions on state debt vested in quasi-legislative executive board

The amendment creates a new five-member board – the Bond Review Authority – which would receive recommendations for proposed bonded indebtedness from the legislative Joint Bond Review Committee. The new Bond Review Authority would be comprised of the following elected officials: the governor, state treasurer, comptroller general, one member of the Senate (elected by a majority the body), and one member of the House of Representatives (elected by a majority the body).

Indebting taxpayers is a function of the legislature, which should take full responsibility for appropriating dollars and raising revenue. Lawmakers should be fully accountable to the public while the executive branch should be fully charged with managing bond projects.

Legislature Must Recognize Agency Deficits

The amendment would require that any agency intending to run a deficit must notify the General Assembly within fifteen days of the deficit taking effect. If the legislature chooses to recognize that deficit, it must do so in a separate joint resolution, and that resolution must be approved by a majority of the members of each body. This is a step toward greater accountability: the legislature should be solely responsible for all debt and appropriations.

Legislature Responsible Mid-Year Cuts

If the state's revenue collections are 2 percent below the BEA's projections in any of the first three quarters, the General Assembly is tasked with making necessary cuts to avoid a deficit at the end of the year. If this were to occur when the General Assembly was not in session, the Senate President Pro Tem and the Speaker of the House have the authority to call the legislature into session to avoid a year-end deficit.

The amendment, however, provides somewhat of an "out" for lawmakers by allowing the director of the Office of State Budget to make across-the-board cuts if the General Assembly doesn't take action within fifteen days. But the legislature shouldn't be allowed to avoid responsibility for making targeted cuts.

State Retirement System Transferred to Public Employee Benefit Agency

The Budget and Control Board remains the oversight body for the Retirement System for two years. After that, the BCB must appoint an eight-member transition committee responsible for facilitating the transfer of the Retirement System from the BCB to the Public Employee Benefit Agency.

Procurement Placed under Department of Administration

The amendment would place responsibility for procurement (purchasing goods and services for the state) under the Department of Administration. However, the amendment provides for significant legislative oversight of the process through the Joint Bond Review Committee.

Overall Analysis

While the amendment makes significant strides by eliminating both the Budget and Control Board and State Financial Affairs Authority, and by requiring the legislature to take responsibility for agency deficits, it also lacks the intent of true separation and diffusion of powers. In too many areas, it places decision-making authority within two branches of government – instead of placing those powers within *either* the legislature *or* the executive.

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