



OUR MISSION

is to educate members and all South Carolinians about state and local public policy based on the traditional South Carolina values of individual liberty and responsibility, free enterprise and limited government.

Budget Watch: The Executive Budget for FY 2012-13

Lawmakers received the Governor’s budget on January 13th. Here’s a taste of what’s in it . . .

As required by state law, the Governor submitted her executive budget to the public and the General Assembly. But as we previously [reported](#) – and as state law says clearly – the executive budget doesn’t end once it is submitted. The law doesn’t allow legislators to simply ignore it and write their own budget. Instead, the appropriations committees of both the House and Senate were to hold “joint open hearings” on the executive budget within five days, or in this case, by January 23rd.

At this point, there is no plan to hold those meetings. Regardless, the governor rightly urged the legislature to use her executive budget as the primary draft of the budget.

Here is a quick analysis of the [Governor’s Executive budget](#), with a comparison to the [budget](#) the General Assembly passed last June¹.

The budget is comprised of three funds: general, federal, and “other.” The general fund includes revenue generated through taxes and other regular sources and the federal fund is federal dollars. The third “other” fund is comprised of fees and fines, the entire 16.75-cents-per-gallon state gasoline tax, proceeds from the South Carolina Education Lottery, and tuition at public colleges and universities. The Governor’s executive budget proposes to increase each of these funds.

The South Carolina State Budget: General, Federal, and Other funds				
Fund	FY 12	Gov. Proposed	Increase in Dollars	Increase in %
General	5,454,041,109	5,700,202,236	246,161,127	4.5%
Federal	8,435,790,809	8,808,322,448	372,531,639	4.4%
Other	8,011,997,736	8,330,344,450	318,346,714	4.0%
Total	\$21,901,829,654	\$22,838,869,134	\$937,039,480	4.3%

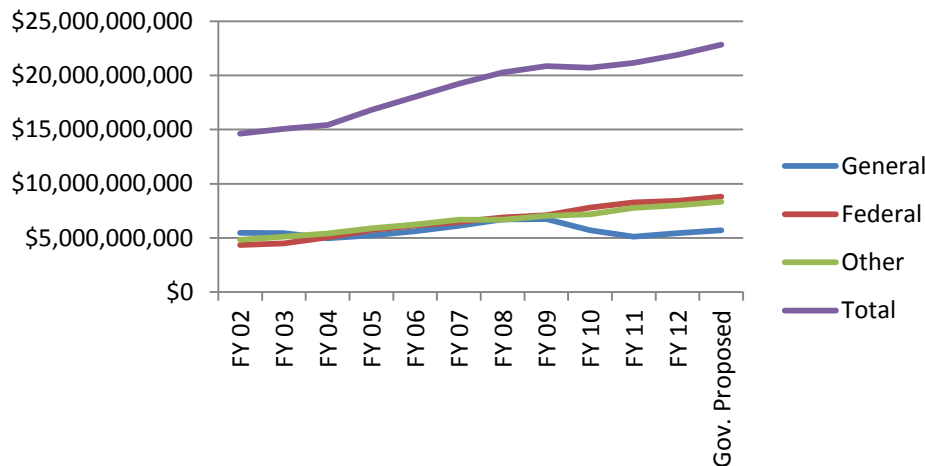
The South Carolina state budget grew almost 56% since FY 2002, with just about all the growth seen in the federal and “other” funds. From FY 2002 – 2008, all three funds enjoyed steady growth, with general funds growing over 23%. During the last three years, FY’s 2009 – 2012, the overall budget grew just over 5%. However, while federal funding increased 19%, state funding decreased 2% (the general fund decreased 19% while “other” funds increased 14%). FY 2012 saw almost a

¹ This analysis is based on Part 1A of FY 11 – 12 passed budget (H.3700) and Part 1A of FY 12 – 13 Executive Budget.

6.6% growth in the general fund from last year's budget. That same year saw an overall growth of 3.6%, with small increases in federal (2%) and "other" (3.2%) funds.

Since 2002, the total budget decreased during only one year, FY 10, by 0.8%. And that wasn't due to targeted budget cuts but rather to across-the-board cuts imposed by the Budget and Control Board as a result of declining revenue projections.

Growth of State Budget, by fund



Governor Haley's budget proposes at minimum a 4% increase in each of the three funds from last year's budget. The General Assembly used fines and fees and accepted additional federal dollars to deal with the decreasing general fund during FY 2009 – 2011. The Governor's budget proposes to continue the habit of dependency on federal dollars and fines and fees. If passed, the budget would increase the federal revenue streaming into the state **over 100%** since 2002. And, while the general fund increases slightly (4.5%), the Governor's budget continues to allow exorbitant state funding via "other" funds, which increases **over 70%**.

Increase in State Budget since FY 2002				
Fund	FY 02	Gov. Proposed	Dollars	%
General	5,458,443,965	5,700,202,236	\$241,758,271	4%
Federal	4,359,977,215	8,808,322,448	\$4,448,345,233	102%
Other	4,818,596,009	8,330,344,450	\$3,511,748,441	73%
Total	\$14,637,017,189	\$22,838,869,134	\$8,201,851,945	56%

Using Governor Haley's suggested 5.23% growth cap, and accounting for population and inflation, the expected budget increase since 2002 would be about 47%, not the proposed 56%.

Cutting the budget by 5.57% would be a serious attempt to keep the growth of government at population and inflation, which would mean reducing the budget by about \$1.27 billion dollars.

The state is also more dependent on both the federal government and "other" funds than in 2002.

% of Total Budget by Fund		
	FY 02	Proposed
General	37%	25%
Federal	30%	39%
Other	33%	36%

During the years state funding (general and “other” funds) decreased, FY 09 – 12, almost every state agency received cuts to their general funds. Interestingly, the House of Representatives is on the short list of nine agencies whose general fund *increased* during this time period, rising 39%. However, while the general fund appropriations were cut, many agencies still saw an increase in their total budget.

Top Ten Agencies: Total Budget Increase <i>and</i> General Fund Decrease during FY 09 - 12		
Agency	Total Fund Increase	General Fund Decrease
Department of Employment and Workforce	118.4%	-57.2%
Department of Social Services	70.0%	-11.2%
Governor's Office - Executive Policy and Procedure	66.1%	-41.7%
Clemson University	37.0%	-46.4%
Adjutant General's Office	29.7%	-44.5%
SC State University	26.4%	-51.5%
USC - Union	25.2%	-46.3%
Coastal Carolina University	19.3%	-47.5%
Department of Labor, Licensing and Regulation	18.3%	-54.6%
USC - Lancaster	16.4%	-46.1%

The executive budget proposes to further increase seven of those agencies listed above that made it through the recession with total budget increases. For example, Coastal Carolina is getting a 14% (22.5 million) total budget increase, 43% in federal dollars and 11% in “other” funds (tuition and lottery money to mention a few types of “other” funds). The budget for Clemson includes 12.2 million (1.37 in general funds) additional funding and grows 1.5%, with about 1% in “other” funds. Both universities weathered the storm of the recession with “other” funds and additional federal dollars. Their dependency on those funds further increases with the executive budget.

WHERE THE ADDITIONAL 4.3% IS GOING AND WHERE IT’S NOT GOING

Where does all of the money in South Carolina’s budget go?

Ten agencies comprise 75% of the total South Carolina Budget. Eight of these agencies see budget increases from last FY in the executive budget. Three, in fact, increase over the Governor’s recommended growth cap of 5.23%. See the table below for more details. The % amounts are rounded to the closest number and represent the change in funding from FY 12.

Ten Largest Agency Budgets in the Executive Budget

Agency	Total in \$'s of Each Type of Fund with % Change from FY 12							
	Total Funds		General Funds		Federal Funds		Other Funds	
	Dollars	%	Dollars	%	Dollars	%	Dollars	%
Department of Health and Human Services	5,938,305,336	2%	1,093,753,004	19%	4,063,640,600	3%	780,911,732	-19%
Department of Education	3,522,094,459	7%	2,004,061,475	3%	874,838,744	24%	\$ 643,194,240	2%
Department of Social Services	2,207,848,674	-1%	119,895,834	1%	1,940,691,746	0%	147,261,094	-18%
Department of Transportation	1,401,764,666	23%	57,270	0%	1,401,707,396	23%	-	0%
USC	986,841,558	10%	97,141,308	2%	174,343,604	8%	715,356,646	10%
Clemson	811,476,837	2%	60,274,437	2%	96,131,881	7%	655,070,519	1%
MUSC	662,542,583	4%	51,978,223	2%	183,578,040	4%	426,986,320	4%
Technical and Comprehensive Education	653,586,757	6%	108,762,520	2%	58,012,673	4%	486,811,564	6%
Department of Health and Environmental Control	578,279,786	5%	90,561,880	1%	286,970,774	5%	200,747,132	5%
Department of Disabilities and Special Needs	571,178,556	-1%	174,302,648	5%	340,000	0%	396,535,908	-3%

Significant Cuts

The executive budget proposes 4.3% of total additional funding from last year. In addition, the Governor's budget only cuts state general fund appropriations for four agencies:

1. Arts Commission 100%
2. Sea Grant Consortium 19%
3. Commission on Higher Education 2.2%
4. School for the Deaf and Blind 0.5%

The Executive budget cuts general appropriation funding for Aid to Subdivisions – Department of Revenue, now funded with non-recurring funds. Also, according to the budget, debt service costs for FY 2012 – 2013 are projected by the State Treasurer to be 6% less than FY 2011 – 2012.

Top ten cuts to overall budgets (includes state, federal, and other funds):

1. Arts Commission 100%
2. Law Enforcement Training Council 10%
3. Education Oversight Committee 5.5%
4. Higher Education Tuition Grants 5.1%

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| 5. ETV | 4.3% |
| 6. Sea Grant Consortium | 4.1% |
| 7. Area Health Education Consortium | 3.6% |
| 8. Public Service Commission | 3.3% |
| 9. Department of Archives and History | 3.1% |
| 10. Governor's Office – Executive Policy and Procedure Office | 2.9% |

Budget Increases from FY 12

NOTE: Both DOT and DOE² received additional federal funding during FY 2011 – 2012, which is not represented in the % or dollar increase in the tables below. These dollars were not appropriated to the agencies; rather, they were authorized to use additional federal funds to the amount already appropriated to them in H.3700.

Top Ten Budget Increases by % by Type of Fund							
Total Funds		General Funds		Federal Funds		Other Funds	
S.C. Conservation Bank	2902%	Department of Commerce	216%	John De La Howe School	188%	S.C. Conservation Bank	97%
Election Commission ³	85%	Division of Aeronautics	147%	Department of Agriculture	153%	John De La Howe School	49%
Department of Insurance	73%	Election Commission	104%	USC - Beaufort	78%	Lieutenant Governor's Office	44%
SLED	38%	Department of Employment and Workforce	103%	USC - Upstate	56%	Department of Insurance	42%
USC - Union	32%	Department of Insurance	84%	SLED	53%	Commission for the Blind	34%
Department of Transportation	23%	Adjutant General's Office	47%	USC - Union	53%	Prosecution Coordination Council	25%
Department of Agriculture	21%	Department of Agriculture	46%	USC - Sumter	47%	SLED	24%
Jobs - Economic Development Authority	20%	Vocational Rehabilitation	31%	USC - Lancaster	45%	USC - Union	22%
USC - Salkehatchie	19%	Forestry Commission	26%	Prosecution Coordination Council	44%	Adjutant General's Office	22%
John De La Howe School	16%	SLED	25%	Coastal Carolina University	43%	Human Affairs Commission	20%

Top Ten Budget Increases by Dollar by Type of Fund

² DOE amounts include all funding for the First Steps to School Readiness.

³ The Election Commission funding reflects this increase due to the fact that it received capital, non-recurring, funding in FY 12 that is now regarded as general fund appropriations.

Total Funds		General Funds		Federal Funds		Other Funds	
Department of Transportation	264,353,644	Department of Health and Human Services	176,257,872	Department of Transportation	264,353,644	USC	73,541,941
Department of Education	231,825,969	Department of Education	50,530,929	Department of Education	169,663,565	Technical and Comprehensive Education	30,072,234
Department of Health and Human Services	141,762,019	Department of Mental Health	18,572,641	Department of Health and Human Services	115,581,403	MUSC	16,589,518
USC	88,733,712	Department of Commerce	8,381,348	Department of Health and Environmental Control	14,397,128	Coastal Carolina University	16,462,030
Technical and Comprehensive Education	34,552,769	Capital Reserve Fund	7,826,697	SLED	13,850,837	Department of Education	11,631,475
Department of Health and Environmental Control	25,142,744	Department of Disabilities and Special Needs	7,507,038	USC	13,007,753	Department of Health and Environmental Control	9,542,422
SLED	24,411,563	B&CB - Employee Benefits	6,506,739	MUSC	6,604,540	S.C. Conservation Bank	7,273,289
MUSC	24,362,679	SLED	5,787,698	Clemson	6,461,636	Department of Insurance	6,787,300
Coastal Carolina University	22,517,040	B&CB	5,447,101	Coastal Carolina University	5,860,000	Vocational Rehabilitation	5,221,606
Department of Mental Health	16,480,020	Department of Public Safety	4,325,012	USC - Upstate	5,489,017	The Citadel	5,121,768

Interesting increases in agency budgets

The S.C. Conservation Bank is a perfect example of how lawmakers use “other” funds to fill holes during tough economic times. The executive budget proposes to increase “other” funds of the S.C. Conservation Bank by about \$7.2 million dollars, or 97%. The bank is funded by documentary stamp proceeds, which, according to the S.C. Code of Laws, may be transferred during tough economic times. Last year, the bank survived on roughly \$240,000 in proviso funding. The executive budget proposes to reinstate the transfer of the proceeds to the bank, increasing the bank’s budget almost 3000% from last FY.

The executive budget is also generous to the Department of Insurance, whose budget grew 73%, or \$8.4 million dollars, *all in state (general and other) funding*. The Governor states the reason for

the increase in state funding relates to the \$3.1 million loss in funding since FY 09. While this is true, the Governor more than made up for that loss (about 5.2 million more).

Coastal Carolina withstood the recession (FY 09 – 12) almost better than any other agency, with their budget **increasing 20%** during that time period. The Governor's budget further increases the universities budget by 14%, calling for a 10.7% increase in "other" funds spending. This is one university that can't pass off the cause of tuition hikes due to lack of funding.

The Adjutant General's Office also did well during bad times, with about a 30% overall increase in funding. Their budget continues to increase, over the recommended 5.23% cap to 5.6%. All of the growth is seen in state funding, either general or "other" funds.

Stay tuned for more executive budget coverage, as we provide more detailed analysis and take a look at some specific agency budgets.

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