

## The State Budget: *Your priorities – or theirs?*

*This year, the General Assembly had more than \$1 billion in new revenue to appropriate. The final version of the \$23.5 billion spending plan, therefore, is an excellent gauge of lawmakers' priorities. Here's what we know: Lawmakers created 250+ new full-time government employees; gave state agencies more than they asked for; and returned hardly any of the new money to taxpayers.*

*Looking over the ratified 2012-2013 budget, we see essentially four priorities: (1) favors for special interests, (2) gratuitous government expansion, (3) favors for the rich, and (4) negligible tax relief for people who don't have lobbyists.*

### (1) FAVORS FOR SPECIAL INTERESTS

#### **SC Manufacturer's Extension Partnership**

**Conference:** \$682,049

The group lobbies state government on behalf of various manufacturing groups – putting taxpayers in the unfortunate position of paying people to extract more money from taxpayers (a problem that [predates](#) this year's budget).

#### **Subsidies for the Tourism Industry**

**Conference:** At least \$250,000 per grant, \$8 Million in Recurring Funds

“Destination-specific tourism marketing”: this is money placed in out-of-state markets for the purpose of attracting people to visit South Carolina – as if the state's coastline and other natural attractions really need the help of government advertising campaigns. Not only is it unclear why a single industry should receive millions of dollars in taxpayer help; it's also extremely doubtful that any positive results of these grants (assuming there are any) can be measured or verified in reliable ways.

#### **Regional Economic Development Organizations**

The conference version of the budget funnels \$5 million from the Department of Commerce to six regional economic development organizations. Some of these organizations *just happen* to have [state representatives and members of state agencies](#) on their Boards of Directors.

## (2) GRATUITOUS GOVERNMENT EXPANSION

### **The Department of Agriculture Farmers Market Phase II**

**Capital Reserve Fund: \$50,000**

As if phase I wasn't cause enough for concern, the capital reserve fund appropriates \$50,000 for phase II of the farmers market through the Capital Reserve Fund bill. As the *Nerve* [highlighted](#) during phase I, construction costs have long since spiraled out of control.

### **Security Detail for a Low-Profile Politician**

The conference budget appropriated \$441,958 for SLED to hire four additional officers to provide security detail for the lieutenant governor. These officers were moved from a line item in the house budget to simply being included in the total positions in the conference budget. Neither SLED nor the lieutenant governor's budget requests included such an appropriation.

### **New Staffer(s?) for that same Politician**

The general assembly appropriated an additional \$281,895 to the lieutenant governor's office for what appears to be [new staffers](#) – or perhaps for one new staffer – despite the fact that the office has very few actual responsibilities.

### **Higher Education Spending Gone Wild**

An in-depth look at the Capital Reserve Fund bill – supposedly for improvements on government buildings that need of repair – looks more like a spending free-for-all.

- Clemson – The capital reserve fund appropriates \$3 million for a grid simulator and \$2 million for the Greenwood Genetics Lab
- USC – \$10 million for a new law school and \$2,115,000 for USC Palmetto College.
- Coastal Carolina University – The capital reserve fund appropriates almost \$1 million for a “research vessel”
- The State Board for Technical and Comprehensive Education – The general assembly appropriated \$19.4 million for ReadySC, the economic development division of the State Technical College System
- Ready SC – \$19.4 million
- SC School Improvement Council – \$35,000
- College of Charleston - \$2 million for a “science center” from the Capital Reserve Fund and \$2 million for an interactive digital technology pilot program from the conference budget.
- South Carolina State – The General Assembly appropriated \$1,255,979 for deferred maintenance
- Trident Technical College - \$500,000 for aeronautical training equipment (more favors for a certain aerospace company in North Charleston)
- Orangeburg-Calhoun Technical College – \$500,000 for programmable logic controller equipment
- Central Carolina Technical College – \$3.5 million for a training facility

## **Sales Tax Revenue to Teach for America**

**Conference:** \$2 million

This money would be used to fund recruitment and training of “top college graduates and professionals” to teach at poor rural and urban school districts in the state. Typically, over half of the teachers participating in the program leave the school after their two-year contract is up. Why are South Carolina taxpayers paying millions of dollars to an [already wealthy](#) national nonprofit to bring temporary teachers from out of state?

## **Agribusiness Initiative**

**Conference:** \$250,000

The fact that this agribusiness “initiative” is nowhere explained – it’s simply named in the Executive, House, and Senate budgets – strongly suggests that this is simply a new position created for a particular person.

### **(3) FAVORS FOR THE RICH**

#### **National Mortgage Settlement Fund**

**Conference:** \$4,636,000 must be transferred to the General Fund for credit in Fiscal Year 2011-12, \$10 million to the Deal Closing Fund with the remaining funds to be transferred to 2012-2013 General Fund.

While the intention of this **\$30 million** settlement is to assist those whose homes were improperly foreclosed upon, the legislature is using it for incentive deals for large companies. The legislature put a \$4.6 million toward the general fund for credit in the fiscal year 2011-2012, and \$10 million into the [Deal Closing Fund](#), (used to attract companies to do business in South Carolina), with the remaining amount to go to the 2012-2013 General Fund. South Carolina is one of only five states to not spend any of its fund money directly on housing.

#### **Deal Closing Fund**

**Conference:** \$7 million in provisos and \$8 million in recurring funds

The Commerce Department’s Closing Fund is used to “lure” large companies to South Carolina with taxpayer dollars. These aren’t tax incentives; these are grants – that is, cash. The fund allows state lawmakers to “manage” our economic growth (or at least take credit for doing so) by picking and choosing which companies come to the state.

#### **Subsidies for Hollywood Film Companies**

**Conference:** \$11,171,639

This year’s budget allocates over \$11 million to the state’s Film Office to hand out to motion picture companies. As we’ve pointed out before – in [Unleashing Capitalism](#) and elsewhere – economic incentives for the film industry generate a *net loss* in revenue equal to \$0.81 on every dollar invested.

#### (4) NEGLIGIBLE TAX RELIEF FOR THOSE WHO DON'T HAVE LOBBYISTS

##### **“Tax Relief” as Debt Repayment**

**Conference:** \$46.2 million

You may remember that, owing to gross mismanagement, the state unemployment agency (then called the Employment Security Commission) had to borrow nearly \$1 billion from the federal government just to keep making unemployment payments. When the legislature reworked the unemployment insurance formula, many businesses began paying higher unemployment taxes, and this year’s “tax relief” is a response to the political pressure created by higher taxes. The state is simply using the money to subsidize lower unemployment tax rates for businesses – rates that rose through the legislature’s own failure to realize the state’s unemployment system was broke. That’s not “tax relief”: that’s the legislature telling business owners they don’t have to clean up the legislature’s mess quite so quickly.

##### **“Small Business” Tax Relief in Perspective**

*(Note: This provision was in the budget, and later went into the continuing resolution when budget debate ran long, but the final version was put into its own [legislation](#) and was signed by the governor.)*

It’s remarkable that lawmakers can hold up the entire budget in order to argue over a mere \$60 million in tax relief for small businesses – hardly a drop in the bucket in a \$23.5 *billion* budget – and yet find it easy to pass a [much larger tax break](#) when the recipient is a single multibillion-dollar corporation that’s already located in South Carolina.

##### **Tax Relief “Reserve Fund”**

Proviso 45.5 in the Attorney General’s agency budget states that any “unexpended water litigation funds must be transferred to the Tax Relief Reserve Fund.” These “unexpended water litigation funds” almost certainly prove to be tiny. Moreover, long experience suggests that putting tax relief into a “reserve fund” is a certain way for that money to get spent before it ever reaches the taxpayer.