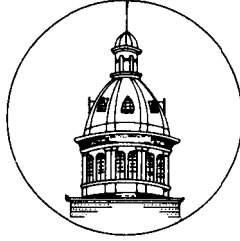


Richard Eckstrom
Comptroller General
of
South Carolina



News Release

WADE HAMPTON STATE OFFICE BUILDING, COLUMBIA SC 29201

August 20, 2010

FOR IMMEDIATE RELEASE

Contact: Jim Holly, 803-734-2588

General Fund Budget Turbulence Plagued FY10

The budget environment was uncertain throughout the fiscal year that ended June 30, 2010. Actual revenues trended down erratically for the year and they were \$310.1 million less than the revenue projections used to generate the FY10 General Fund budget.

In a year of declining revenues, the state also incurred \$40.2 million of unbudgeted spending through “open-ended” appropriations. Even though this spending hadn’t been budgeted, it required funding. Making matters even worse, a \$98.2 million operating deficit from FY09 was carried forward into FY10 with the hope that FY10 revenues would be available to pay it off.

To deal with these developments, the Budget & Control Board made \$438.7 million in across-the-board cuts to agency budgets, avoiding even deeper cuts by drawing down \$127.8 million from the Capital Reserve Fund to shield agency budgets. Through these and other drastic actions, the state avoided overspending and completed the year with a \$71.0 million Budgetary General Fund surplus.

The General Reserve or “Rainy Day” Fund had been fully depleted in FY09 to partially offset FY09’s operating deficit. To begin restoring the fund, the 2009-2010 Appropriations Act provided for a payment of \$63.9 million (calculated at 1% of FY08 actual revenues) that was made July 1, 2009. In closing FY10, we restored an additional \$46.9 million to the fund. The 2010-2011 Appropriations Act provided for a final payment of \$55.4 million that was made July 1, 2010, thereby bringing the General Reserve Fund to FY11’s full funding requirement (3% of FY 09 actual revenues of \$5.5 billion).

The importance of having adequate reserve funds was made clear this year. I commend the General Assembly for submitting a proposed constitutional amendment to the voters this November to increase the Rainy Day Fund from 3% to 5% of General Fund revenues.

The current economic crisis has highlighted weaknesses in the state’s efforts in forecasting and tracking revenue and in budgeting. More attention needs to be devoted to these areas so that the General Assembly will have a constant, comprehensive and reliable flow of data to make more informed decisions on short term, as well as long range, spending. A formal system for prioritizing all operating, as well as capital, expenditures needs to be developed to ensure that taxpayer dollars are spent wisely and effectively and not wasted on non-essentials.

The state can no longer postpone dealing with its obligation to fund retirement benefits for public employees. The severe funding deficit that exists needs to be dealt with immediately rather than passing it along to future generations.

These changes are needed for the state to live within its means, as prudent people and successful businesses would do in good economic times as well as the bad.

COMPTROLLER GENERAL’S OFFICE / (803) 734-2121
FAX / (803) 734-1765

State of South Carolina
BUDGETARY HIGHLIGHTS
 BUDGETARY GENERAL FUND
 Fiscal Year Ended June 30, 2010

Appropriations Act Budgeted Revenues for FY09-10.....	\$ 5,552,002,165	
Actual Revenues.....	<u>5,241,895,775</u>	
Shortfall.....		\$ (310,106,390)

Mid-Year Budget Actions of Budget and Control Board:

Applied Capital Reserve Fund against Projected Revenue Shortfall -- June 2009.....	127,847,888	
Cut Agency Budgets 4.04 percent -- September 2009.....	200,452,112	
Cut Agency Budgets 5 percent -- December 2009.....	<u>238,227,922</u>	
		566,527,922

Closing Entries Directed by Statute or Proviso:

To Cover "Open-Ended" Appropriations.....	40,244,804	
To Liquidate FY09 Operating Deficit Carried Forward to FY10.....	98,216,617	
To Replenish General Reserve Fund.....	<u>46,959,511</u>	
		<u>(185,420,932)</u>

Net Budgetary Surplus.....		<u>\$ 71,000,600</u>
-----------------------------------	--	-----------------------------

BUDGETARY GENERAL FUND
Changes in Budgetary Fund Balance
 Fiscal Year Ended June 30, 2010

	Reserved				Unreserved/ Undesignated	Total
	General Reserve	Appropriations Carried Forward	Capital Reserve			
Revenues.....	\$ —	\$ —	\$ —		\$ 5,241,895,775	\$ 5,241,895,775
Expenditures.....	—	—	—		(5,117,133,571)	(5,117,133,571)
Transfer to General Reserve per Act.....	63,923,944	—	—		(63,923,944)	—
Transfer to Capital Reserve per Act.....	—	—	127,847,888		(127,847,888)	—
Appropriations:						
Brought Forward From Last Year ^a	—	(218,728,910)	—		218,728,910	—
Carried Forward to Next Year ^b	—	63,390,442	—		(63,390,442)	—
Capital Reserve Fund Applied Against Projected Revenue Shortfall....	—	—	(127,847,888)		127,847,888	—
General Reserve Fund Restoration.....	46,959,511	—	—		(46,959,511)	—
Net Current Year Changes.....	110,883,455	(155,338,468)	—		169,217,217	124,762,204
Fund Balance—July 1, 2009.....	—	218,728,910	—		(98,216,617)	120,512,293
Fund Balance—June 30, 2010.....	<u>\$ 110,883,455</u>	<u>\$ 63,390,442</u>	<u>\$ —</u>		<u>\$ 71,000,600</u>	<u>\$ 245,274,497</u>

^a These represent current year expenditures that did not require current year budget appropriations.

^b These represent current year budget appropriations that will not be expended until next year.

BUDGETARY GENERAL FUND
Revenue Analysis
Fiscal Year Ended June 30, 2010

	Actual Revenue	Budgeted Amounts ^a		Actual Over (Under) Original	Actual Over (Under) Final	Actual 2009	2010 Actual Over (Under)
		Original	Final	Budgeted Revenue	Budgeted Revenue		
Regular sources:							
Individual income tax.....	\$ 2,170,909,624	\$ 2,469,023,143	\$ 2,037,184,407	\$ (298,113,519)	\$ 133,725,217	\$ 2,326,707,698	\$ (155,798,074)
Retail and casual sales tax.....	2,190,976,127	2,192,353,185	2,137,179,935	(1,377,058)	53,796,192	2,247,876,029	(56,899,902)
Corporation income tax.....	109,557,160	128,926,367	114,462,730	(19,369,207)	(4,905,570)	207,174,754	(97,617,594)
Total income and sales taxes.....	4,471,442,911	4,790,302,695	4,288,827,072	(318,859,784)	182,615,839	4,781,758,481	(310,315,570)
Insurance tax.....	158,647,299	173,600,092	173,650,092	(14,952,793)	(15,002,793)	172,882,640	(14,235,341)
Beer and wine tax.....	99,229,717	107,385,376	107,385,376	(8,155,659)	(8,155,659)	101,356,299	(2,126,582)
Corporation license tax.....	73,412,950	92,132,150	90,339,862	(18,719,200)	(16,926,912)	80,987,747	(7,574,797)
Departmental revenue.....	63,752,920	43,108,056	43,108,056	20,644,864	20,644,864	37,485,169	26,267,751
Alcoholic liquors tax.....	57,463,218	57,361,772	57,361,772	101,446	101,446	57,460,842	2,376
Earned on investments.....	41,706,507	67,000,000	51,000,000	(25,293,493)	(9,293,493)	79,559,729	(37,853,222)
Business license (tobacco) tax.....	35,257,195	28,000,000	28,000,000	7,257,195	7,257,195	30,572,978	4,684,217
Documentary (deed stamp) tax.....	31,003,309	37,966,115	37,966,113	(6,962,806)	(6,962,804)	24,406,393	6,596,916
Admissions tax.....	26,164,045	27,466,616	27,466,616	(1,302,571)	(1,302,571)	27,131,738	(967,693)
Public Service Authority (excess earnings).....	18,587,646	16,340,234	16,340,234	2,247,412	2,247,412	20,589,881	(2,002,235)
Bank tax.....	15,672,134	7,425,001	7,425,001	8,247,133	8,247,133	8,493,851	7,178,283
Workers' comp insurance tax.....	12,944,957	14,655,680	14,655,680	(1,710,723)	(1,710,723)	12,779,422	165,535
Motor vehicle licenses.....	12,362,258	15,657,903	15,627,286	(3,295,645)	(3,265,028)	15,213,183	(2,850,925)
Aircraft tax.....	5,356,653	5,115,477	5,115,477	241,176	241,176	6,260,566	(903,913)
Private car lines tax.....	3,957,024	4,034,169	4,034,169	(77,145)	(77,145)	3,733,905	223,119
Savings and Loan Association tax.....	3,421,963	2,002,478	2,002,478	1,419,485	1,419,485	3,815,836	(393,873)
Coin-operated device tax.....	1,723,124	1,517,694	1,517,694	205,430	205,430	2,134,238	(411,114)
Retailers' license tax.....	799,436	883,722	883,722	(84,286)	(84,286)	788,790	10,646
Estate tax.....	72,908	—	—	72,908	72,908	152,850	(79,942)
Motor transport fees.....	875	10,000	10,000	(9,125)	(9,125)	6,899	(6,024)
Total regular sources.....	5,132,979,049	5,491,965,230	4,972,716,700	(358,986,181)	160,262,349	5,467,571,437	(334,592,388)
Miscellaneous sources:							
Indirect cost recoveries.....	16,085,383	16,679,391	16,679,391	(594,008)	(594,008)	16,101,492	(16,109)
Unclaimed property fund transfers.....	12,000,000	12,000,000	12,000,000	—	—	12,000,000	—
Circuit and family court fines.....	9,724,492	10,664,363	10,664,363	(939,871)	(939,871)	10,162,045	(437,553)
Mental health fees.....	3,400,000	3,200,000	3,200,000	200,000	200,000	3,400,000	—
Parole and probation supervision fees.....	3,392,808	3,392,808	3,392,808	—	—	3,392,808	—
Debt service reimbursements.....	535,600	188,108	188,108	347,492	347,492	1,144,988	(609,388)
Nonrecurring revenue ^a	63,778,443	13,912,265	13,912,265	49,866,178	49,866,178	30,400,000	33,378,443
Total miscellaneous sources.....	108,916,726	60,036,935	60,036,935	48,879,791	48,879,791	76,601,333	32,315,393
Total Budgetary General Fund.....	\$ 5,241,895,775	\$ 5,552,002,165	\$ 5,032,753,635	\$ (310,106,390)	\$ 209,142,140	\$ 5,544,172,770	\$ (302,276,995)

^a Budgeted amounts for Nonrecurring revenue have been reduced \$225,945,013 pursuant to Proviso 90.13 and General Fund Reserve transfer per the Act.

BUDGETARY GENERAL FUND
Appropriations and Expenditures
 Fiscal Year Ended June 30, 2010

Expenditures by Function	Appropriations Per Act	Adjusted Final Appropriations	Disposition of Adjusted Final Appropriations		
			Expenditures	Appropriations Carried Forward to 2011	Lapsed
Education.....	\$ 2,115,037,477	\$ 1,928,095,451	\$ 1,919,706,182	\$ 8,389,269	\$ —
Health and Human Services.....	824,362,989	832,268,443	606,323,430	—	225,945,013 ^a
Higher Education.....	758,666,476	731,680,881	730,743,740	937,141	—
Corrections.....	330,008,029	327,998,422	327,998,422	—	—
Aid to Local Governments.....	270,637,611	280,659,011	280,606,059	52,952	—
Debt Service.....	190,480,976	197,273,917	194,729,243	2,544,674	—
Mental Health.....	176,001,571	161,432,735	161,432,618	117	—
Disabilities and Special Needs.....	164,605,147	150,839,580	150,807,394	32,186	—
Social Services.....	112,596,445	125,709,931	125,484,794	225,137	—
Health and Environmental Control.....	107,442,179	101,634,554	101,634,570	5,889,984	—
Juvenile Justice.....	91,578,671	88,556,726	88,261,905	294,821	—
Public Safety.....	59,277,788	56,503,551	55,328,082	1,175,469	—
Budget and Control Board.....	38,708,912	47,399,149	37,763,112	9,636,037	—
Revenue.....	35,933,851	35,933,851	35,933,706	145	—
Parks, Recreation and Tourism.....	26,181,564	35,555,330	30,577,724	4,977,606	—
Governor's Office.....	37,497,396	35,461,085	34,715,373	745,712	—
Judicial Department.....	25,013,593	22,791,352	22,782,531	8,821	—
Natural Resources.....	18,860,741	18,021,413	17,772,181	249,232	—
Commerce.....	5,889,854	17,818,921	7,104,646	10,714,275	—
House of Representatives.....	16,135,245	15,798,157	12,988,988	2,809,169	—
Probation, Parole, and Pardon.....	16,610,263	15,659,940	15,030,995	628,945	—
Senate.....	8,438,773	12,979,438	10,698,647	2,280,791	—
Educational Television Commission.....	12,911,437	12,087,252	12,054,771	32,481	—
Forestry Commission.....	13,251,379	12,080,563	12,076,137	4,426	—
School for Deaf and Blind.....	12,471,776	11,374,441	11,374,441	—	—
Vocational Rehabilitation.....	11,138,140	10,154,037	10,153,054	983	—
State Library.....	10,929,220	9,963,576	9,963,465	111	—
Commission on Indigent Defense.....	10,367,161	9,563,824	9,554,902	8,922	—
Prosecution Coordination Commission.....	10,304,400	9,393,962	9,344,505	49,457	—
Adjutant General.....	5,976,506	7,855,965	5,990,713	1,865,252	—
Alcohol and Other Drug Abuse Services.....	8,434,155	7,688,961	7,688,961	—	—
Legislative Support Agencies.....	5,123,495	5,720,065	5,329,946	390,119	—
Transportation.....	121,453	5,082,596	635,735	4,446,861	—
Attorney General.....	5,271,443	4,950,003	4,822,993	127,010	—
Election Commission.....	1,539,648	4,861,364	2,206,647	2,654,717	—
Aeronautics.....	—	3,952,703	2,510,700	1,442,003	—
Agriculture.....	4,296,189	3,916,602	3,916,602	—	—
John de la Howe School.....	3,418,831	3,511,470	3,459,294	52,176	—
Lieutenant Governor.....	3,471,300	3,460,402	3,201,323	259,079	—
Museum Commission.....	3,407,692	3,270,930	3,232,040	38,890	—
Archives and History.....	3,224,699	3,006,449	2,977,343	29,106	—
Wil Lou Gray Opportunity School.....	3,004,723	2,977,103	2,793,957	183,146	—
State Treasurer.....	2,031,130	2,822,099	2,822,099	—	—
Commission for Blind.....	2,861,096	2,733,306	2,634,376	98,930	—
Comptroller General.....	2,618,663	2,465,637	2,465,637	—	—
Arts Commission.....	2,691,819	2,453,987	2,452,387	1,600	—
Insurance.....	2,604,299	2,374,198	2,374,118	80	—
Workers' Compensation Commission.....	2,540,457	2,315,999	2,310,950	5,049	—
Labor, Licensing and Regulation.....	1,946,925	2,218,974	2,212,441	6,533	—
Consumer Affairs.....	1,641,852	1,496,788	1,496,788	—	—
Human Affairs Commission.....	1,590,952	1,459,623	1,449,818	9,805	—
Administrative Law Court.....	1,542,853	1,406,535	1,368,849	37,686	—
Legislative Audit Council.....	929,551	847,421	808,656	38,765	—
Secretary of State.....	753,536	686,958	686,958	—	—
Law Enforcement Training Council.....	572,518	521,934	521,874	60	—
Employment and Workforce.....	562,475	512,778	501,248	11,530	—
Commission for Minority Affairs.....	481,145	438,634	438,634	—	—
Sea Grant Consortium.....	444,756	405,460	404,575	885	—
State Ethics Commission.....	399,521	364,221	364,186	35	—
Procurement Review Panel.....	93,642	110,368	108,106	2,262	—
Capitol Police Force.....	1,238,958	—	—	—	—
Total	\$ 5,586,175,346	\$ 5,406,469,026	\$ 5,117,133,571	\$ 63,390,442	\$ 225,945,013

^a Health and Human Services appropriations lapsed pursuant to proviso 90.13.

BUDGETARY GENERAL FUND
Open-Ended Appropriations
Fiscal Year Ended June 30, 2010

<u>Agency Name</u>	<u>Description</u>	<u>Amount</u>
Open-Ended Appropriations: ¹		
Department of Corrections.....	Authorized Agency Deficit	\$ 27,148,029
Adjutant General.....	State Active Duty Pay for Emergency Services	397,207
Budget and Control Board–Employee Benefits..	Workers' Compensation Insurance	49,914
Technical and Comprehensive Education Board	Proviso 18.1 - CATT Program	2,545,384
Aid to Subdivisions–State Treasurer.....	Aid to Counties - Mini Bottle Hold-Harmless	1,502,074
Aid to Subdivisions–State Treasurer.....	Aid to Fire Districts - Formula Funding Shortfall	1,844,071
Aid to Subdivisions–Department of Revenue.....	Aid to Counties - Homestead Exemption Shortfal	6,758,125
Total Open-Ended Appropriations		<u><u>\$ 40,244,804</u></u>

¹ "Open-ended" appropriations result from Legislative commitments to fully fund certain budgetary items without providing sufficient appropriations to fully fund them or from any agency operating deficit if approved by the Budget and Control Board. In these instances, the State uses budgetary surplus at year end to fund appropriation shortfalls.

BUDGETARY GENERAL FUND
Appropriations Carried Forward to FY10-11
 Fiscal Year Ended June 30, 2010

Agency	Total Carried Forward	Special Carry- Forwards	General Carry- Forwards	General Carryforward as % of Final Adjusted Appropriation
Election Commission.....	\$ 2,654,717	\$ 2,593,771	\$ 60,946	4.22%
Commission for Blind.....	98,930	—	98,930	3.79%
Administrative Law Court.....	37,686	—	37,686	2.68%
Procurement Review Panel.....	2,262	—	2,262	2.65%
Employment and Workforce.....	11,530	—	11,530	2.25%
Museum Commission.....	38,890	15,383	23,507	.73%
Governor's Office.....	745,712	502,700	243,012	.71%
Human Affairs Commission.....	9,805	—	9,805	.68%
Commerce.....	10,714,275	10,680,850	33,425	.62%
Budget and Control Board.....	9,636,037	9,419,222	216,815	.60%
Natural Resources.....	249,232	152,906	96,326	.56%
Prosecution Coordination Commission.....	49,457	—	49,457	.53%
Debt Service.....	2,544,674	1,794,227	750,447	.39%
Labor, Licensing and Regulation.....	6,533	—	6,533	.37%
Lieutenant Governor.....	259,079	248,857	10,222	.32%
Educational Television Commission.....	32,481	—	32,481	.28%
Juvenile Justice.....	294,821	81,494	213,327	.26%
Education.....	8,389,269	3,862,613	4,526,656	.23%
Social Services.....	225,137	—	225,137	.22%
Sea Grant Consortium.....	885	—	885	.22%
Workers' Compensation Commission.....	5,049	—	5,049	.22%
John de la Howe School.....	52,176	46,598	5,578	.18%
Arts Commission.....	1,600	—	1,600	.07%
Higher Education.....	937,141	488,134	449,007	.06%
Health and Environmental Control.....	5,889,984	5,853,304	36,680	.04%
Forestry Commission.....	4,426	—	4,426	.04%
Disabilities and Special Needs.....	32,186	—	32,186	.02%
Aid to Local Governments.....	52,952	—	52,952	.02%
Parks, Recreation and Tourism.....	4,977,606	4,974,686	2,920	.01%
Public Safety.....	1,175,469	1,168,993	6,476	.01%
Law Enforcement Training Council.....	60	—	60	.01%
Vocational Rehabilitation.....	983	—	983	.01%
State Ethics Commission.....	35	—	35	.01%
Department of Insurance.....	80	—	80	.0%
State Library.....	111	—	111	.0%
Revenue.....	145	—	145	.0%
Mental Health.....	117	—	117	.0%
Senate.....	2,280,791	2,280,791	—	—
House of Representatives.....	2,809,169	2,809,169	—	—
Legislative Support Agencies.....	390,119	390,119	—	—
Legislative Audit Council.....	38,765	38,765	—	—
Judicial Department.....	8,821	8,821	—	—
Secretary of State.....	—	—	—	—
Comptroller General.....	—	—	—	—
State Treasurer.....	—	—	—	—
Attorney General.....	127,010	127,010	—	—
Commission on Indigent Defense.....	8,922	8,922	—	—
Adjutant General.....	1,865,252	1,865,252	—	—
Budget and Control Board-Capital Expenditure Fund.....	—	—	—	—
Wil Lou Gray Opportunity School.....	183,146	183,146	—	—
School for Deaf and Blind.....	—	—	—	—
Archives and History.....	29,106	29,106	—	—
Health and Human Services.....	—	—	—	—
Alcohol and Other Drug Abuse Services.....	—	—	—	—
Capital Police Force.....	—	—	—	—
Commission for Minority Affairs.....	—	—	—	—
Department of Corrections.....	—	—	—	—
Probation, Parole, and Pardon.....	628,945	628,945	—	—
Department of Agriculture.....	—	—	—	—
Consumer Affairs.....	—	—	—	—
Department of Motor Vehicles.....	—	—	—	—
Transportation.....	4,446,861	4,446,861	—	—
Aeronautics.....	1,442,003	1,442,003	—	—
Total.....	<u>\$ 63,390,442</u>	<u>\$ 56,142,648</u>	<u>\$ 7,247,794</u>	<u>.14%</u>

^a *Provisos contained within Part 1B of the FY09-10 Appropriations Act allow certain agencies to carry forward specific appropriation balances to FY10-11 for expenditure.*

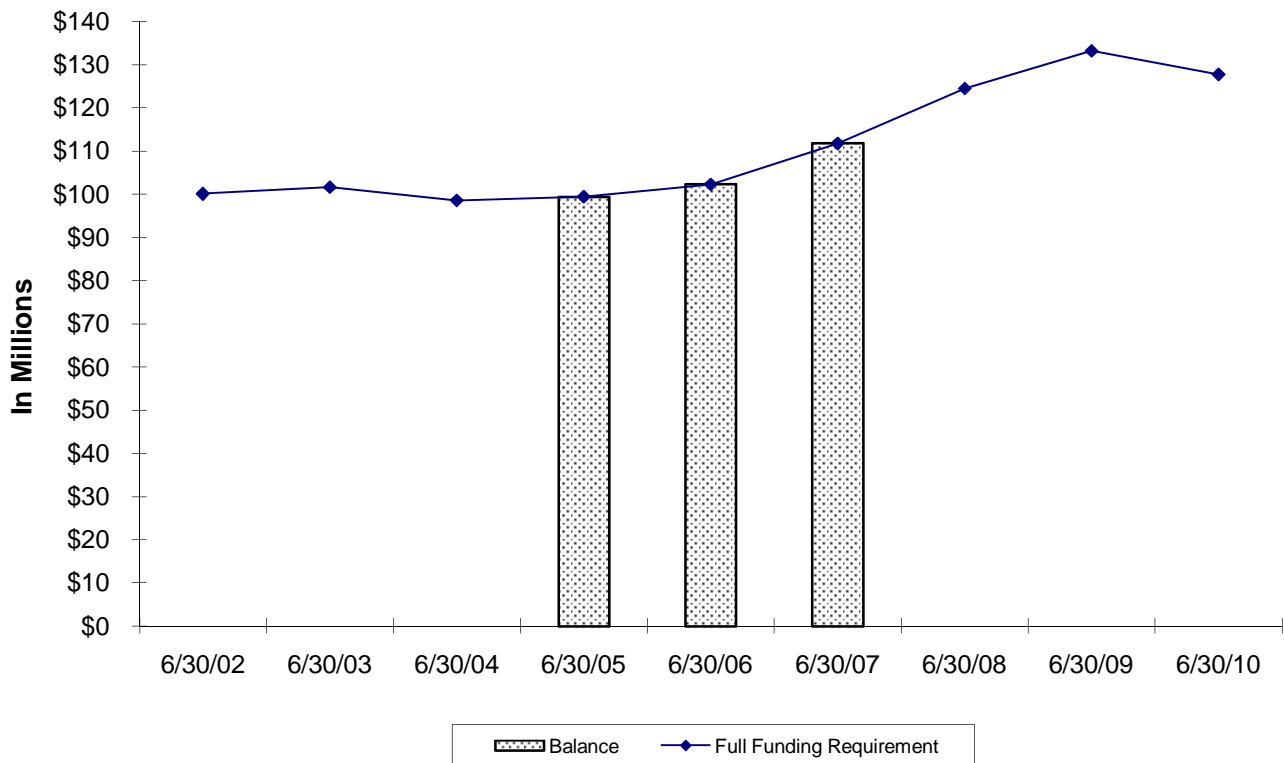
^b *Proviso 89.28 of the FY09-10 Appropriations Act allows agencies to carry forward up to ten percent of their General Fund appropriations to FY10-11 for expenditure.*

Capital Reserve

BUDGETARY GENERAL FUND

Fiscal Years Ended June 30

Year	Beginning Balance	Appropriation	Amount Applied Against Revenue Shortfall	Used for Supplemental Appropriations	Ending Balance	Full Funding Requirement
2002	\$ —	\$ 100,134,739	\$ (100,134,739)	\$ —	\$ —	\$ 100,134,739
2003	—	101,606,475	(101,606,475)	—	—	101,606,475
2004	—	98,599,197	(98,599,197)	—	—	98,599,197
2005	—	99,356,026	—	—	99,356,026	99,356,026
2006	99,356,026	102,325,596	—	(99,356,026)	102,325,596	102,325,596
2007	102,325,596	111,821,213	—	(102,325,596)	111,821,213	111,821,213
2008	111,821,213	124,520,532	(124,520,532)	(111,821,213)	—	124,520,532
2009	—	133,170,058	(133,170,058)	—	—	133,170,058
2010	—	127,847,888	(127,847,888)	—	—	127,847,888



General Reserve

BUDGETARY GENERAL FUND
Fiscal Years Ended June 30

Year	Beginning Balance	Net Additions (Reductions)	Ending Balance ^b	Full Funding Requirement	Over(Under) Funded ^b	July 1st Appropriation ^b
2002	\$ 60,523,390	\$ (60,523,390)	\$ —	\$ 150,202,108	\$ (150,202,108)	\$ 38,797,374
2003	—	—	—	152,409,712	(152,409,712)	49,299,599
2004	—	25,154,528	25,154,528	147,707,970	(122,553,442)	50,000,000
2005	25,154,528	50,000,000	75,154,528	149,034,038	(73,879,510)	78,333,866
2006	75,154,528	78,333,866	153,488,394	153,488,394	—	14,243,425
2007	153,488,394	14,243,425	167,731,819	167,731,819	—	19,048,978
2008	167,731,819	(72,609,202)	95,122,617	186,780,797	(91,658,180)	12,974,290
2009	95,122,617	(95,122,617)	—	199,755,087	(199,755,087)	63,923,944
2010	—	110,883,455 ^a	110,883,455	191,771,831	(80,888,376)	55,441,728

^a Includes July 1, 2009 contribution of \$63,923,944 plus closing entries of \$19,273,440 (per Proviso 90.15) and \$27,686,071 to replenish General Reserve Fund to meet its reduced full funding requirement in FY11 (\$166,325,183) after receipt of the July 1, 2010 contribution of \$55,441,728.

^b Ending balances in the table above do not reflect payments made on July 1 of any succeeding year as a result of appropriations to the General Reserve Fund. The graph below reflects the balances in the General Reserve Fund including these July 1 appropriations (cross check portion of the bars).

