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Column: No time for a spending spree

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First, the good news: South Carolina closed out the 2018 fiscal year, which ended June 30, with a $177 million revenue surplus.

That's encouraging not just because of what it means for the state's finances, but because of what it says about the strength of the state's economy -- which is experiencing broad growth with increases in employment, personal income and take-home pay. (Certainly, our recent governors and state commerce leaders deserve much credit for their job-recruitment efforts, which have created our very healthy economy and employment rate.)

Actually, the state's revenue collections were more impressive than the surplus shows; they increased $542 million over the previous year. However, increased spending authorized in advance by the state legislature gobbled up $365 million of that additional money.

While the prospect of having an extra $177 million to spend is no doubt tantalizing to lawmakers, some restraint would serve the state well.

In closing the books for 2018 -- part of my job as the state's accountant -- I urged the legislature to avoid using these one-time surplus funds on new programs or other recurring expenses, and to instead consider a couple of wiser options.

One prudent move would be to sock away a little extra money in the state's reserve accounts. After all, we know that good times don't last forever. Just a decade ago, state government collected about $1.3 billion in surplus revenue over a two-year period (2007 and 2008.) While the wise among us urged restraint, the temptation to splurge was too strong for the Legislature – which, sure enough, spent it all.

That spending spree came back to haunt us just a year later, when revenue shortfalls resulting from the Great Recession consumed our reserves and even triggered a series of deep budget cuts. It was a painful reminder of the obvious importance of saving for a rainy day -- but which we refused to do when we had such golden opportunities to save during our years of plenty.

But restraint at this time could avert a crisis in the lean times which are sure to come.

Then there's the need to pay down funding deficits in the state retirees' pension plan, which is underfunded by a whopping $24 billion. It's the most serious long-term financial problem facing our state, and there are no painless choices. The piper has to be paid, and every little bit we pay now will help reduce future pain.

Of course, there's another option worth considering: returning the money to its rightful owners, the taxpayers. Each dollar the tax man collects is the fruit of someone's hard work, and one way to improve people's lives is to let them keep more of their own money. But while that would be my personal preference, I know better than to hold my breath.

This much ought to be clear: A one-time windfall should never be used for new programs which require ongoing funding and leave taxpayers on the hook for future years. That's not sound financial management. It's not sound budgeting. It's not fair to our children and grandchildren. And it's a foolish mistake we can't afford to repeat.

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