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Comptroller General
of
South Carolina



News Release

WADE HAMPTON STATE OFFICE BUILDING, COLUMBIA SC 29201

August 14, 2008

FOR RELEASE: IMMEDIATELY

Reserve Funds Used to Eliminate \$250 Million Budgetary Deficit

There are few ways to sugarcoat the results of the State's most recent fiscal year that ended on June 30, 2008. Revenue collections were erratic and falling compared to corresponding collections in the prior fiscal year. In fact, for every month in FY 08 in which collections exceeded the corresponding monthly collections in FY 07 (4 months) there were twice as many months (8 months) that came in below. Collections in FY 08 were \$266 million less than they were in FY 07, a decline of 4.0%.

On the other hand, State officials forecast that collections would improve in FY 08, and based on that hope they increased FY 08 budgeted spending by 3.5% over FY 07 amounts. The simple math of this situation presented a problem, requiring the State to draw down \$757 million of its beginning of year fund balance to finance FY 08 spending. Included in this drawdown was the entire Capital Reserve Fund of \$125 million and \$73 million of the General Reserve Fund, which left the State's Rainy Day Fund a remaining balance of \$95 million at June 30, 2008. The rest of the draw down came from FY 07 surpluses that had been carried over for spending in FY 08.

FY 09 revenue collections-to-date have not shown significant improvement with revenue collections for July 2008 being down 2.9% from collections made for July 2007. Once again, State officials approved the FY 09 budget based on growing revenue projections, and accordingly the State Budget & Control Board trimmed agency budgets by 3% at its August 12, 2008 meeting.

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State of South Carolina
BUDGETARY HIGHLIGHTS
 BUDGETARY GENERAL FUND
 Fiscal Year Ended June 30, 2008

FACTORS THAT PRODUCED THE BUDGETARY DEFICIT

Estimates Used in Appropriations Act over Actual Revenue.....	\$ (229,624,536)	
"Open-Ended" Appropriations.....	<u>(20,790,931)</u>	
Budgetary Deficit before Governor's Vetoes and Lapsed Funds.....		\$ (250,415,467)

FACTORS THAT HELPED REDUCE THE BUDGETARY DEFICIT

Governor's Vetoes Sustained by the General Assembly.....	326,750	
Agency Surplus Funds that Lapsed at Year-End to Offset Revenue Shortfalls in the General Fund.....	<u>33,910,005</u>	
		<u>34,236,755</u>

Net Budgetary Deficit..... (216,178,712)

2007 Capital Reserve Fund Applied Against Deficit..... 124,520,532

Remaining Budgetary Deficit..... (91,658,180)

General Reserve Funds (Rainy Day Fund) Applied to Eliminate Deficit..... 91,658,180

Budgetary Deficit after Reserve Funds Applied..... \$ -

BUDGETARY GENERAL FUND
Changes in Budgetary Fund Balance
 Fiscal Year Ended June 30, 2008

	Reserved			Unreserved		Total
	Appropriations			Designated	Undesignated	
	General Reserve	Carried Forward	Capital Reserve			
Revenues.....	\$ —	\$ —	\$ —	\$ —	\$ 6,392,394,378	\$ 6,392,394,378
Expenditures.....	—	—	—	—	(7,037,299,806)	(7,037,299,806)
Transfer to General Reserve per Act.....	19,048,978	—	—	—	(19,048,978)	—
Transfer to Capital Reserve per Act.....	—	—	124,520,532	—	(124,520,532)	—
Appropriations:						
Brought Forward From Last Year ^a	—	(225,645,242)	—	—	225,645,242	—
Carried Forward to Next Year ^b	—	229,131,475	—	—	(229,131,475)	—
Appropriation of FY07 Designated Fund Balance:						
<u>Per Proviso 73.12:</u>						
FY07 Year-end Surplus (Proviso 73.12) Part 1A.....	—	—	—	(147,847,045)	147,847,045	—
FY07 Year-end Surplus (Proviso 73.12).....	—	—	—	(422,039,995)	422,039,995	—
<u>Per Proviso 73.13:</u>						
FY07 Excess Debt Service Appropriations.....	—	—	—	(5,895,419)	5,895,419	—
Capital Reserve Fund Applied Against FY08 Deficit.....	—	—	(124,520,532)	—	124,520,532	—
General Reserve Funds Applied to Eliminate FY08 Deficit.....	(91,658,180)	—	—	—	91,658,180	—
Transfer FY07 Capital Reserve Appropriations to Agencies.....	—	—	(111,821,213)	—	—	(111,821,213)
Net Current Year Changes.....	(72,609,202)	3,486,233	(111,821,213)	(575,782,459)	—	(756,726,641)
Fund Balance—July 1, 2007.....	167,731,819	225,645,242	111,821,213	575,782,459	—	1,080,980,733
Fund Balance—June 30, 2008.....	\$ 95,122,617	\$ 229,131,475	\$ —	\$ —	\$ —	\$ 324,254,092

^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, 2008

	Actual Revenue	Budgeted Amounts		Actual Over (Under)	Actual Over (Under)	Actual 2007 Revenue	2008 Actual Over (Under)
		Original	Final	Original Budgeted Revenue	Final Budgeted Revenue		2007 Actual Revenue
Regular sources:							
Individual income tax.....	\$ 2,863,839,126	\$ 2,927,383,170	\$ 2,924,814,538	\$ (63,544,044)	\$ (60,975,412)	\$ 2,881,930,420	\$ (18,091,294)
Retail and casual sales tax.....	2,463,274,765	2,599,400,000	2,538,324,206	(136,125,235)	(75,049,441)	2,631,222,230	(167,947,465)
Corporation income tax.....	268,643,838	285,004,777	274,864,098	(16,360,939)	(6,220,260)	261,523,893	7,119,945
Total income and sales taxes.....	5,595,757,729	5,811,787,947	5,738,002,842	(216,030,218)	(142,245,113)	5,774,676,543	(178,918,814)
Insurance tax.....	159,613,829	156,194,482	154,294,482	3,419,347	5,319,347	167,497,694	(7,883,865)
Earned on investments.....	123,633,239	100,500,000	107,000,000	23,133,239	16,633,239	128,756,090	(5,122,851)
Beer and wine tax.....	100,610,827	102,568,811	102,568,811	(1,957,984)	(1,957,984)	99,568,754	1,042,073
Corporation license tax.....	74,406,043	79,191,884	72,328,756	(4,785,841)	2,077,287	65,161,042	9,245,001
Alcoholic liquors tax.....	56,652,160	55,079,396	54,865,396	1,572,764	1,786,764	56,065,761	586,399
Departmental revenue.....	43,850,133	45,674,911	45,638,711	(1,824,778)	(1,788,578)	44,086,410	(236,277)
Documentary (deed stamp) tax.....	43,184,911	72,124,198	53,583,765	(28,939,287)	(10,398,854)	56,198,586	(13,013,675)
Business license (tobacco) tax.....	31,072,833	33,337,578	33,337,578	(2,264,745)	(2,264,745)	31,672,210	(599,377)
Admissions tax.....	27,697,941	26,188,809	26,188,809	1,509,132	1,509,132	27,765,123	(67,182)
Motor vehicle licenses.....	24,285,770	6,939,215	6,939,215	17,346,555	17,346,555	32,534,443	(8,248,673)
Bank tax.....	19,313,042	32,848,283	22,848,283	(13,535,241)	(3,535,241)	25,569,805	(6,256,763)
Public Service Authority (excess earnings).....	15,795,101	15,864,305	15,864,305	(69,204)	(69,204)	15,113,989	681,112
Workers' comp insurance tax.....	13,559,040	14,078,463	14,078,463	(519,423)	(519,423)	14,473,981	(914,941)
Aircraft tax.....	6,145,104	4,821,373	4,821,373	1,323,731	1,323,731	5,904,422	240,682
Private car lines tax.....	3,595,122	3,834,761	3,834,761	(239,639)	(239,639)	2,917,749	677,373
Savings and Loan Association tax.....	3,356,902	3,885,901	3,885,901	(528,999)	(528,999)	2,985,050	371,852
Coin-operated device tax.....	1,597,573	1,120,680	1,106,559	476,893	491,014	1,146,711	450,862
Retailers' license tax.....	847,160	866,394	866,394	(19,234)	(19,234)	884,264	(37,104)
Estate tax.....	343,510	—	—	343,510	343,510	1,530,412	(1,186,902)
Motor transport fees.....	3,875	11,000	11,000	(7,125)	(7,125)	4,427	(552)
Electric power tax.....	—	6,485,879	—	(6,485,879)	—	14,145,254	(14,145,254)
Petroleum inspection tax.....	—	—	—	—	—	1,623,877	(1,623,877)
Total regular sources.....	6,345,321,844	6,573,404,270	6,462,065,404	(228,082,426)	(116,743,560)	6,570,282,597	(224,960,753)
Miscellaneous sources:							
Indirect cost recoveries.....	15,837,054	18,052,819	16,679,391	(2,215,765)	(842,337)	15,736,374	100,680
Unclaimed property fund transfers.....	12,000,000	12,000,000	12,000,000	—	—	15,000,000	(3,000,000)
Circuit and family court fines.....	10,640,349	9,966,694	9,966,694	673,655	673,655	9,977,636	662,713
Mental health fees.....	3,400,000	3,400,000	3,400,000	—	—	3,600,000	(200,000)
Parole and probation supervision fees.....	3,392,808	3,392,808	3,392,808	—	—	3,402,305	(9,497)
Debt service reimbursements.....	1,722,838	1,722,838	1,722,838	—	—	2,148,612	(425,774)
Nonrecurring revenue.....	79,485	79,485	79,485	—	—	38,355,384	(38,275,899)
Total miscellaneous sources.....	47,072,534	48,614,644	47,241,216	(1,542,110)	(168,682)	88,220,311	(41,147,777)
Total Budgetary General Fund.....	\$ 6,392,394,378	\$ 6,622,018,914	\$ 6,509,306,620	\$ (229,624,536)	\$ (116,912,242)	\$ 6,658,502,908	\$ (266,108,530)

BUDGETARY GENERAL FUND
Appropriations and Expenditures
 Fiscal Year Ended June 30, 2008

<u>Expenditures by Entity</u>	<u>Final Appropriations</u>	<u>Disposition of Adjusted Appropriations:</u>		
		<u>Expenditures</u>	<u>Appropriations Carried Forward to 2009</u>	<u>Lapsed</u>
Adjutant General.....	\$ 22,583,583	\$ 13,998,446	\$ 7,967,560	\$ 617,577
Administrative Law Judges.....	2,601,029	2,456,895	94,528	49,606
Agriculture.....	11,890,828	11,797,093	75,805	17,930
Aid to Local Government.....	311,959,466	311,870,409	—	89,057
Alcohol and Other Drug Abuse Services.....	13,845,373	13,188,961	32,510	623,902
Archives and History.....	5,393,970	5,192,261	54,665	147,044
Arts Commission.....	5,445,287	5,434,325	—	10,962
Attorney General.....	8,774,113	8,569,684	199,297	5,132
Budget and Control Board.....	137,699,523	110,832,620	25,957,800	909,103
Commerce.....	47,888,599	23,146,390	22,276,886	2,465,323
Commission for Minority Affairs.....	708,165	639,772	—	68,393
Commission for the Blind.....	4,423,292	4,111,237	125,000	187,055
Commission on Indigent Defense.....	14,173,206	11,846,490	2,324,219	2,497
Comptroller General.....	4,757,658	4,734,845	—	22,813
Conservation Bank.....	5,000,000	5,000,000	—	—
Consumer Affairs.....	2,349,916	2,349,209	—	707
Corrections.....	343,585,807	343,585,807	—	—
Debt Service.....	237,772,272	224,765,810	10,701,097	2,305,365
Disabilities and Special Needs.....	200,419,350	200,416,498	—	2,852
Education.....	2,459,598,402	2,443,169,360	10,022,411	6,406,631
Educational Television Commission.....	19,292,003	18,103,321	880,051	308,631
Election Commission.....	9,170,102	4,274,182	4,731,475	164,445
Employment Security Commission.....	823,157	820,930	—	2,227
Forestry Commission.....	18,526,225	18,507,572	—	18,653
Governor's Office.....	55,771,437	53,264,258	1,593,604	913,575
Health and Environmental Control.....	195,310,960	169,437,060	25,537,829	336,071
Health and Human Services.....	1,016,621,521	995,444,887	21,141,757	34,877
Higher Education.....	1,074,261,246	1,042,720,644	24,281,034	7,259,568
House of Representatives.....	16,822,349	13,474,709	3,347,640	—
Human Affairs Commission.....	2,410,952	2,240,433	13,342	157,177
Insurance.....	5,368,486	5,329,893	—	38,593
Jobs-Economic Development Authority.....	72,144	72,144	—	—
John De La Howe School.....	5,697,437	5,302,524	—	394,913
Judicial Department.....	40,899,550	38,758,746	2,140,804	—
Juvenile Justice.....	113,942,612	113,646,454	295,980	178
Labor, Licensing and Regulation.....	7,688,422	6,167,633	1,109,478	411,311
Law Enforcement Training Council.....	6,860,452	6,160,544	—	699,908
Legislative Audit Council.....	1,557,162	1,518,069	39,093	—
Legislative Support Agencies.....	8,868,107	7,003,116	1,864,991	—
Lieutenant Governor.....	8,628,201	7,706,724	516,823	404,654
Mental Health.....	225,816,578	223,227,978	16,500	2,572,100
Museum Commission.....	12,955,613	8,354,830	4,092,671	508,112
Natural Resources.....	46,819,723	43,146,775	3,667,343	5,605
Parks, Recreation and Tourism.....	81,831,490	62,946,985	18,813,572	70,933
Ports Authority.....	2,400,000	2,400,000	—	—
Probation, Parole, and Pardon.....	26,360,032	23,669,315	2,690,717	—
Procurement Review Panel.....	127,305	116,296	—	11,009
Prosecution Coordination Commission.....	15,576,671	15,333,713	—	242,958
Public Safety.....	111,882,946	100,857,802	7,114,056	3,911,088
Revenue.....	44,752,489	44,501,985	—	250,504
School for the Deaf and Blind.....	18,043,079	15,874,985	2,129,269	38,825
Sea Grant Consortium.....	686,874	565,037	—	121,837
Secretary of State.....	1,140,114	1,140,061	—	53
Social Services.....	167,884,136	158,942,260	8,936,326	5,550
State Ethics Commission.....	600,268	599,050	—	1,218
State Library.....	15,035,541	14,872,335	—	163,206
State Treasurer.....	24,962,515	24,598,293	147,611	216,611
The Senate.....	18,359,182	11,063,284	7,295,898	—
Transportation.....	11,465,484	4,851,394	6,614,090	—
Vocational Rehabilitation.....	15,394,365	15,285,189	—	109,176
Wil Lou Gray Opportunity School.....	4,883,427	4,462,586	287,743	133,098
Workers' Compensation Commission.....	3,901,090	3,429,698	—	471,392
Total	\$ 7,300,341,286	\$ 7,037,299,806	\$ 229,131,475	\$ 33,910,005

BUDGETARY GENERAL FUND
Open-Ended Appropriations
Fiscal Year Ended June 30, 2008

<u>Agency Name</u>	<u>Description</u>	<u>Amount</u>
Open-Ended Appropriations: ¹		
Agency Deficit Approved by Budget and Control Board:		
Department of Corrections.....	Agency Deficit	\$ 3,958,387
Adjutant General.....	State Active Duty	3,235
Budget and Control Board–Employee Benefits.....	Workers' Compensation Insurance	44,361
Aid to Subdivisions–State Treasurer.....	Aid to Counties - Mini Bottle Hold	1,067,456
Aid to Subdivisions–State Treasurer.....	Aid to Fire Districts - Formula Funded	1,171,784
Aid to Subdivisions–Department of Revenue.....	Aid to Counties - Homestead Exemption	14,545,708
Total Open-Ended Appropriations		<u><u>\$20,790,931</u></u>

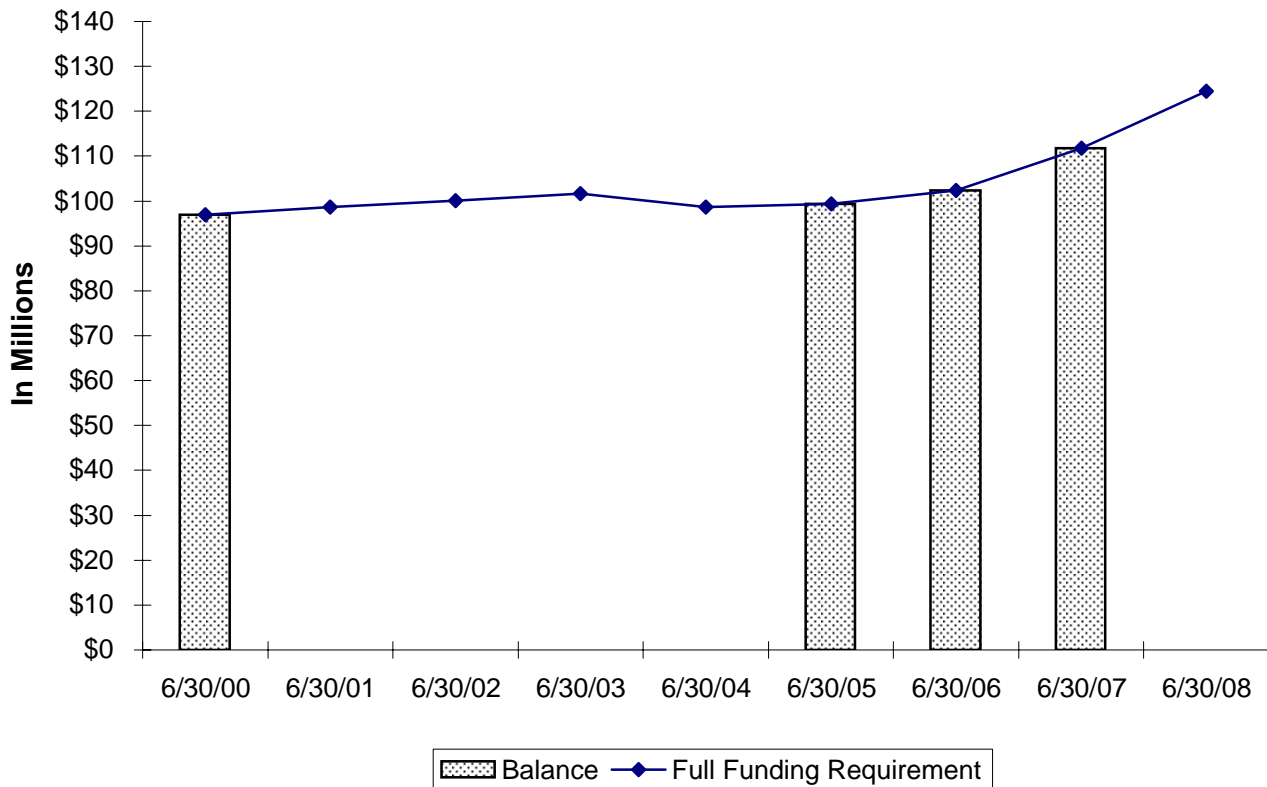
¹ Open-ended appropriations result from situations in which the General Assembly mandates that an item be fully funded but does not budget a sufficient amount. In these instances, appropriations are increased during the close-out of the State's fiscal year to allow for the additional expenditures.

Capital Reserve

BUDGETARY GENERAL FUND
For Fiscal Years Ended June 30

Year	Beginning Balance	Original Appropriations	Appropriation Reductions	Transfer to Agencies	Ending Balance	Full Funding Requirement
2000	91,766,322	96,914,031	—	(91,766,322)	96,914,031	96,914,031
2001	96,914,031	98,610,931	(98,610,931)	(96,914,031)	—	98,610,931
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) ^a	(111,821,213)	—	124,520,532

^a Amount applied to cover budgetary deficit.



General Reserve

BUDGETARY GENERAL FUND

Fiscal Years Ended June 30

Year	Beginning Balance	Net Additions (Reductions)	Ending Balance	Full Funding Requirement	Over(Under) Funded
2000	137,649,483	7,721,564	145,371,047	145,371,047	—
2001	145,371,047	(84,847,657)	60,523,390	147,916,397	(87,393,007)
2002	60,523,390	(60,523,390)	—	150,202,108	(150,202,108)
2003	—	—	—	152,409,712	(152,409,712)
2004	—	25,154,528	25,154,528	147,707,970	(122,553,442)
2005	25,154,528	50,000,000	75,154,528	149,034,038	(73,879,510)
2006	75,154,528	78,333,866	153,488,394	153,488,394	—
2007	153,488,394	14,243,425	167,731,819	167,731,819	—
2008	167,731,819	(72,609,202) ^a	95,122,617 ^b	186,780,797	(91,658,180)

^a July 1, 2007 contribution of \$19,048,978 less \$91,658,180 applied later in year to eliminate FY08 budgetary deficit.

^b Total increased by \$12,974,290 on July 1, 2008 due to contribution mandated by FY09 Appropriations Act.

