



FACT SHEET

South Carolina Policy Council

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Even in Recession Local Governments Keep Growing

Since FY02-2003, the Other Funds category of the budget – basically, statewide fees and fines – has [grown by more](#) than \$2 billion.

These fees and fines are a burden on individuals and businesses – draining the economy and stifling entrepreneurship.

But this trend is not limited to state government alone. South Carolina localities took in more than [\\$13 billion in revenue](#) in 2008 – up from \$9.5 billion in 2003. Of that, \$539 million was from licenses and permits – a 52 percent increase since FY02-2003.

One reason fee and fine revenue keeps going up is because most taxpayers think of such hidden taxes as applying to [other people](#). Homebuyers don't see that building permits increase the price of housing. Consumers don't get that business fees drive up the cost of everything they buy. Taxpayers generally don't realize that such fees and fines increase the cost of everything they do, whether it's getting married, having a baby, or drafting a will.

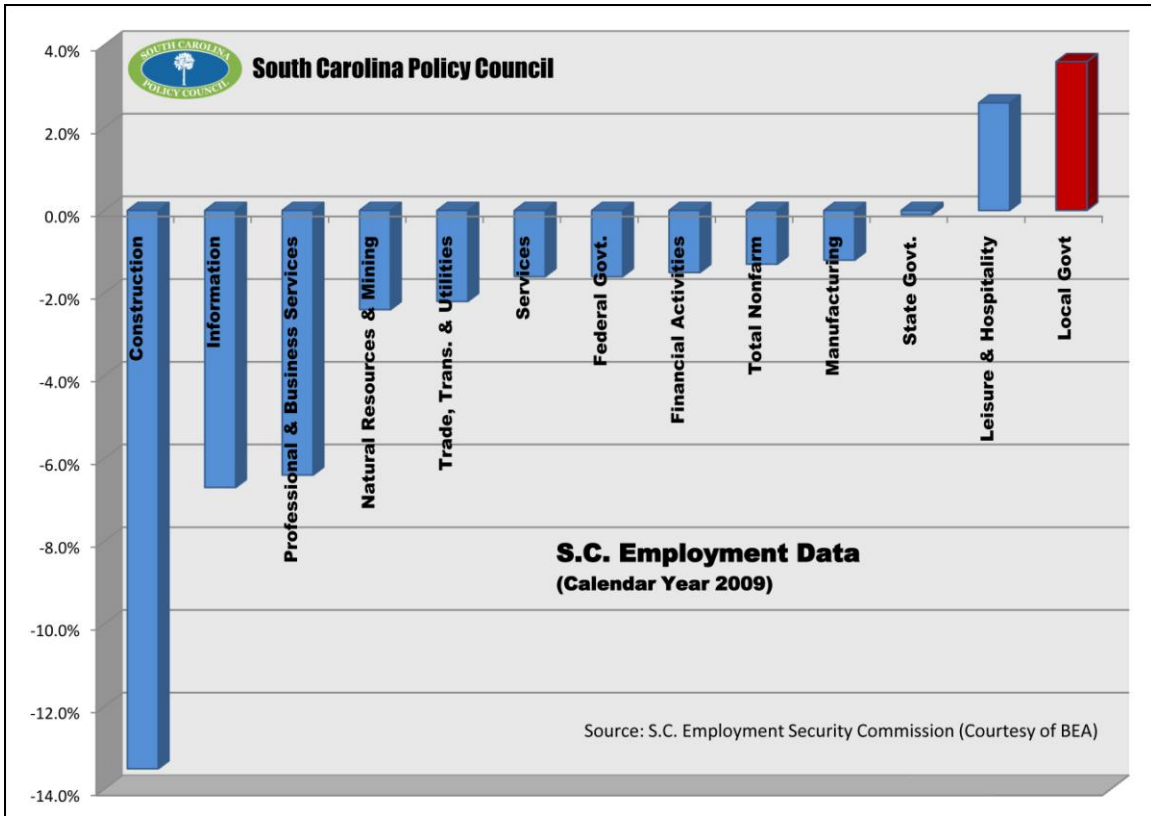
It might seem that most fees and fines serve a public purpose. But with local governments desperate to keep raising revenue, that premise is up for question. Consider [this example from *The Nerve*](#) citizen reporter Erich Chatham highlighting how a simple home improvement project made him an easy target for municipal regulators. A recap of the story:

- A homeowner asks two friends to help repair a leaky roof – small project, just a favor.
- According to the city of Orangeburg building inspector, the following local fees must be paid for friends to repair the roof:
 - City business license (which only applies to the current “project”)
 - City building permit
- Total cost to the homeowner: \$100 check on the spot to inspector for the business license. \$30 for the building permit (plus the 90-minute drive each way for the homeowner).

Wonders Chatham, “Is this any different from a mob boss knocking down the door and requiring that I pay him for ‘protection?’ I think not. Sounds like extortion to me.”

The background to rising fee and fine revenue is a steady increase in the size of South Carolina local governments. According to the Employment Security Commission (and verified by State Economist William Gillespie), local government employment grew from 212,000 to 219,000 between 2008 and 2009. A 3.6 percent increase in the literal size of local governments – during a year when construction and professional/business services jobs fell by 13.5 and 6.4 percent respectively.

The only other industry – out of 22 total categories – that showed growth in 2009 was leisure and hospitality, with an increase of 2.6 percent. In other words, local governments are growing faster than the state’s most important economic driver.



As [economist Arthur Laffer](#) has repeatedly shown, public sector employment growth is a job killer for the private sector. The more local governments grow, the more the private businesses will fail to grow, or even, shrink.

The solution? [Lower taxes](#) and reduce [regulatory burdens](#) for all businesses, large and small – ideas elaborated upon in [Unleashing Capitalism](#).



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