

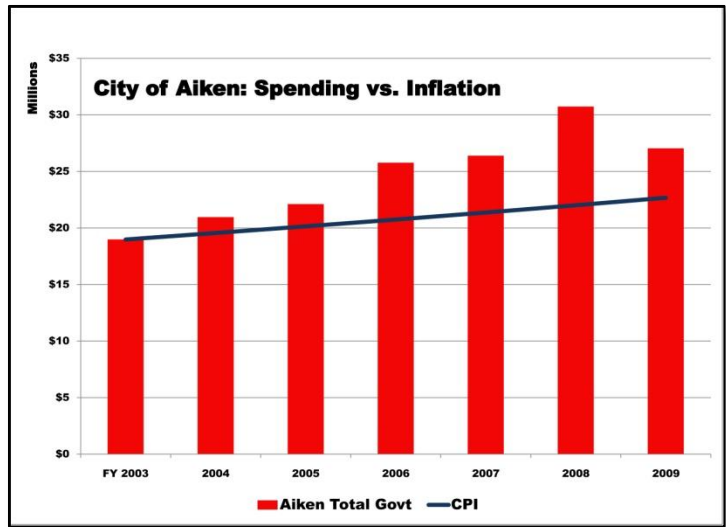


UNLEASHING CAPITALISM: City of Aiken

Local Businesses Paying the Price for High Government Spending

Is government spending too high in Aiken? [Local politicians](#) say no. But some [business owners](#) think otherwise. The truth is that local spending continues to increase at a rapid pace. Fueling this spending are increases in licensing taxes that are hurting small businesses and costing jobs.

The city of Aiken’s total primary government spending (see chart at right) has gone from \$19.0 million to \$27.1 million since FY2003 – a 43 percent increase. If spending had been capped at inflation (assuming a 3 percent rate), current expenditures would be \$22.7 million. Meanwhile, Aiken’s population has grown annually by about 2 percent since 2003. Capping spending at inflation plus population would have limited FY2009 spending to \$25.5 million.



What is driving government spending?

Two factors: an increase in local government employment; and increased spending in select areas – in particular, economic development and general government activities.

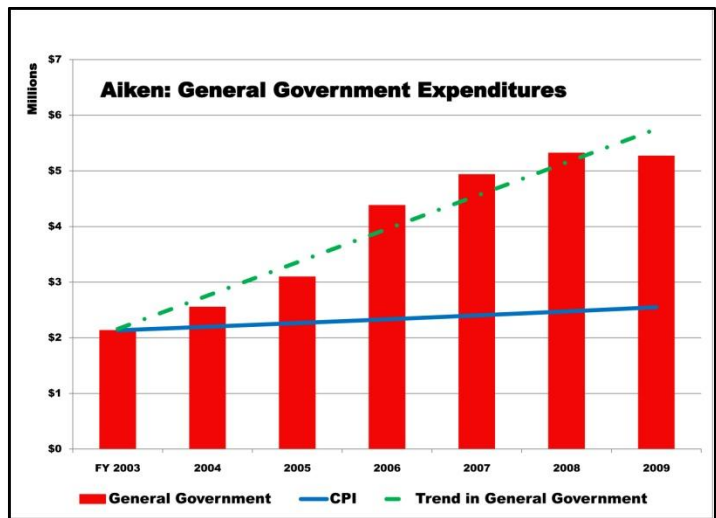
Local Government Employment

From FY2003 to FY2009, the total number of Aiken (city) employees increased by 17 percent, going from 319 to 372.5 positions. Yet, during the same general period, private nonfarm employment in the Aiken area declined by 2.2 percent.¹ Even from 2008 to 2009, when many local businesses were scaling back, the city hired 6 new employees.

Economic Development:

170 Percent Increase

In 2003, the City of Aiken spent \$332,904 on economic development activities. By FY2008, this number had skyrocketed to \$1,346,510. Although economic development spending in 2009 declined somewhat to \$899,421, even this lower figure represents a 170 percent increase.



¹U.S. Census employment data is only available for county level: 2000 to 2007. See: <http://quickfacts.census.gov/qfd/states/45/45003.html>.



Meanwhile, economic development staffing jumped from 2.5 in 2000 to 10 in 2009. As indicated, such activities have done little to increase private employment in Aiken.

General Government: 146 Percent Increase

General government expenditures, as reported in the FY2009 Aiken [Comprehensive Annual Financial Report](#), have also risen dramatically. General spending more than doubled between 2003 and 2009 – increasing by \$3.1 million. During the same period, however, general staffing increased by 25 percent: from 31.5 to 39 positions. Thus, program spending went up five times faster than staffing. This discrepancy raises questions about what return taxpayers are receiving for their money. Are programs being run more efficiently? Or is more money being spent with fewer results on the ground?

Local businesses are paying the price

As Aiken city spending has increased by 43 percent, business license tax revenue has also escalated – up by 46 percent since 2003. During the same period the actual number of business licenses only increased by 26 percent. Translation: the cost of doing business in Aiken is steadily rising for existing firms.

- 2003: \$5.5 million (3,237 total licenses) Revenue per license: \$1,699.10
- 2009: \$8.1 million (4,088 total licenses) Revenue per license: \$1,981.41

This is not to say licensing taxes are going up in every industry, or even that Aiken has the highest licensing taxes in the state. As the table below indicates, Aiken’s business license taxes are higher for some business owners and lower for others. The point is that these taxes are being used to sustain unnecessary government spending. Capping spending would enable the city to lower business licensing costs – and thus improve Aiken’s overall business climate.

Business License Taxes in Select S.C. Municipalities

Business Type (revenue)	City of West Columbia	City of Cayce	Town of Lexington	Town of Irmo	City of Forest Acres	City of Aiken
Tax Preparers \$95,837	\$123.84	\$181.37	\$162.30	\$158.22	\$297.68	\$199.00
Dentists \$792,823.25	\$1,438.94	\$1,112.61	\$1,078.07	\$1,575.50	\$1,775.73	\$1,403.00
Restaurants \$750,729.29	\$778.73	\$843.60	\$768.73	\$680.88	\$1,287.97	\$628.40

Source: Institute for Public Service and Policy Research, University of South Carolina (2009)

Aiken city leaders claim they are committed to continuing to “improve our quality of life, while keeping our taxes low.” These goals can be met by limiting spending to core services. Rather than assuming that all current spending is valid, the city should undertake a comprehensive review of programs using a zero-based budgeting approach. Instituting a spending cap, gauged to inflation, would also provide an objective benchmark for sustainable government growth. Finally, cutting business license taxes, as well as property taxes (which are also on the rise), would make Aiken a more attractive place to live and work.

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