



FAST FACTS

South Carolina Policy Council

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Fact Facts: Increased Fines/Fees Keeping Spending High

While media coverage of the budget this year has pointed to “[the \\$5 billion budget](#),” “[1,000 job layoffs](#),” and “[unprecedented cuts](#),” the truth is that the budget is still growing and that the \$5 billion General Fund budget actually authorizes \$6.7 billion in agency expenditures, in addition to new highs in Federal and Other Funds spending. Consider the following:

- The total proposed FY10-2011 House budget is \$21.10 billion. This includes: \$8.26 billion in Federal Funds; \$7.77 billion in Other Funds; and \$5.07 billion in General Funds.
- The proposed House budget increases spending by \$400 million, or 2 percent, over the current authorized budget.
- The proposed budget increases Federal Funds by \$450 million (6 percent) and Other Funds by \$600 million (8 percent). These increases are only partially offset by a General Fund cut of \$640 million.
- Other Funds, or fine and fee, revenue is the fastest growing funding source in the FY10-2011 budget. Moreover, such revenue is likely being underreported and, if trends hold constant, will increase by an additional \$500 million to reach \$8.27 billion in expenditures for FY10-2011.
- The total budget has increased by 1 percent since the beginning of the current recession, fueled by a 17 percent increase in Federal Funds and an 11 percent increase in Other Funds.
- The General Fund makes up only 25 percent of the proposed FY10-2011 budget, yet legislative debate focuses almost exclusively on this revenue source.
- Other Funds revenue typically makes up 35 percent of the S.C. budget; the national average is 25 percent.
- Other Funds revenue and expenditures are consistently being underreported and then (via flexibility provisos) used to supplement General Fund spending. For the FY10-2011 budget, such transfers could exceed \$1.6 billion.

The following five reforms will help bring clarity to the state's budget debate and fiscal responsibility to the use of fine and fee revenue:

- 1) Adopt uniform reporting requirements for both General Fund and Other Funds dollars
 - a. Fold Other Funds revenue into the General Fund budget and debate the entire state budget
 - b. Subject all state-sourced revenue – as derived from general taxes and fines/fees – to the same reporting and forecasting requirements
 - c. Require the BEA to conduct Other Funds revenue projections
 - d. Include specific information on fund surpluses in the budget and in Summary Control Documents
- 2) Safeguard the integrity of restricted and earmarked funds
 - a. Eliminate the use of flexibility provisos that discourage targeted cuts and mask agency spending increases
 - b. If the provisos remain, provide additional oversight by requiring agencies to report on how money is being drawn down from Other Funds and why certain funds are being targeted over others
- 3) Impose a moratorium on all fine/fee increases
 - a. Prohibit agencies from increasing fines/fees via administrative regulations or legislative proviso
 - b. Pledge not to raise fines/fees by standalone legislation
 - c. If necessary, pursue constitutional reforms that require a supermajority to raise fines/fees or to redirect fine/fee revenue to other purposes
- 4) Conduct a comprehensive review and audit of fines/fees
 - a. Establish an independent commission to review fine/fee revenue and surpluses
 - b. Hire an independent consultant to conduct a comprehensive audit of fine/fee revenue, with the goal of establishing a baseline for fund surpluses
- 5) Eliminate unnecessary funds and rebate excess fine/fee revenue
 - a. Eliminate unnecessary funds – in particular, those that have outlived their purpose or are primarily being used for political benefit
 - b. Establish a baseline, using historical data on annual revenue collections, to track surplus revenue at 10 percent above the baseline
 - c. Once funds meet the 10 percent threshold, cap fine/fee increases; lower corresponding fines/fees; and, where possible, issue rebates to taxpayers

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