

# Support the New Department of Administration Amendment

January 8, 2012

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## Why a New Amendment is Necessary

- Floor amendments added to the Department of Administration bill at the end of last session made important new changes, but instead of truly eliminating the Budget and Control Board, they essentially renamed it (as the State Financial Affairs Authority). We need a new amendment that truly wipes out the Board, and assigns its existing duties to other entities.
- The existing bill (including June 2011's amendments) establishes a transitional committee to make governance recommendations regarding the state's employee insurance and pension programs; this interim committee would consist mostly of active and retired state employees who would have a vested interest in recommending that they play a major role in the new insurance and pension board(s). This would put active and retired employees in a position to try to award themselves more benefits, costing more taxpayer dollars. We need a new amendment that eliminates the transition committee, and proceeds immediately to create a new board of trustees to oversee the employee insurance and pension programs.

## Changes Contained in the New Amendment

- Changes would take effect January 1, 2013, meaning that the Budget and Control Board would be abolished sooner than under the Massey Amendment from June 2011.
- Procurement Services would be transferred to the Department of Administration, as in earlier drafts of the bill. This is critical to the Department of Administration bill, and would put us in line with at least 45 other states.
  - The new amendment also transfers the Procurement Review Panel to the Administrative Law Court, to provide independent oversight over the procurement process, including appeals.
- The amendment would reinsert "Legislative Oversight" provisions that were passed by the House, but were stripped by the Senate Judiciary Committee. This process would serve as an additional check on the executive.
- The Infrastructure Facilities Authority, Office of Local Government, State Revolving Fund, and State Energy Office would be transferred to the Department of Commerce in the new amendment; the bill as it currently stands is unclear as to where these would go, as several

incompatible amendments were all adopted on the Senate floor in June 2011 (to the Rural Infrastructure Authority, DHEC, Office of Regulatory Staff, etc.).

- The new amendment establishes a new Board of Trustees to make key policy decisions about the employee insurance and retirement programs – the administration would not get to make these decisions (hiring actuaries, setting employee insurance benefits and contribution levels).
  - The General Assembly would now set employer contribution rates for the pension program, instead of the Budget and Control Board.
- The new amendment establishes a process to freeze spending and impose spending cuts in the event of a revenue shortfall, giving both the executive and legislative branches more responsibility that was previously usurped by the Budget and Control Board, and ensuring that in the event of a shortfall, we cut spending first, before considering supplemental appropriations.