



State of South Carolina Office of the Governor

NIKKI R. HALEY
GOVERNOR

1205 PENDLETON STREET
COLUMBIA 29201

August 19, 2013

Dear Agency Directors,

In the past three years, we have made great strides in stabilizing our state's finances by closing the deficits we inherited and shepherding new resources towards our most critical needs. The improvements we've seen in job creation, health outcomes, and public safety are all signs that we're on the right track. Despite this progress, we face serious challenges as we begin work on the budget for the 2014-15 fiscal year.

Most provisions of President Obama's Affordable Care Act will be in effect; even though we have opted-out of Medicaid expansion, other aspects of this bill will still drive up the cost of our entitlement programs by tens of millions of dollars. Similarly, the costs of providing our employees and their dependents with health coverage also continue to climb. The Public Employee Benefit Authority currently anticipates that the state's share of those costs will grow by roughly \$70 million in the upcoming fiscal year. Sadly, we must also find a way to cover the recurring bill – at least \$191 million in annualizations – that the General Assembly papered-over with one-time money this June.

Together, the cost of addressing these three items alone will significantly exceed the amount of new revenue that the Board of Economic Advisors can be reasonably expected to certify in November. This is before we take into account the impact of other state and federal mandates, let alone requests for new discretionary spending. I ask that you consider this context as you prepare your requests for the upcoming fiscal year.

I appreciate the efforts that you and your staff make each day in service to our state. Please contact your state budget analyst with any questions regarding the FY 2014-15 budget process. Josh Baker in my office is also available at 803.734.5153 or joshbaker@gov.sc.gov.

My very best,

A handwritten signature in dark ink, appearing to read "Nikki Haley".

Nikki R. Haley

A handwritten signature in dark ink, appearing to read "Josh Baker".

Josh Baker