

From: Soura, Christian
To: Patel, Swati <SwatiPatel@gov.sc.gov>
Date: 1/20/2012 1:11:06 PM
Subject: Deficits

Notes on Deficit Language

I spent a little time looking at the deficit language that now appears in the bill. I have a handful of concerns with it, which I wanted to run by you before we pass them along, to see if your interpretation is consistent with mine. There appear to be a number of areas where this new deficit language wouldn't offer much of a constructive way forward.

CLS

1. It's "spend first." Under 2-79-40(B), if the General Assembly recognizes a deficit, it "must be reduced as necessary from surplus revenues or surplus funds available." There's nothing here that makes a meaningful attempt to cut costs before we plug the hole with additional taxpayer dollars. There's some language about reducing conference expenses and travel, and potentially having the Office of State Budget approve pay increases and equipment purchases, but as a practical matter, that's not going to move the needle. Those actions would never be sufficient to close an agency's deficit - especially since we're talking about quarterly monitoring (meaning that we're most likely talking about letters being transmitted in late-April, after an agency has already spent most of its money for the year).
2. The new language doesn't require any form of response, once the Office of State Budget notifies the General Assembly of a deficit. The General Assembly may not be in session - this language doesn't compel them to return. The General Assembly may vote against recognizing the deficit, or may decide not to consider the matter at all. The new deficit language doesn't address any of these scenarios. What would an agency director do in these situations?
3. Unlike the earlier language, which established a process for addressing an unanticipated statewide revenue shortfall, this new process only seems to speak to an agency-specific deficit. What happens if BEA lowers its revenue estimate mid-year, affecting essentially all agencies? Would the General Assembly potentially consider dozens of deficits separately?
4. How is an agency director expected to reconcile this language with other state and federal law? For instance, the HHS Director couldn't shutdown the Medicaid program for lack of appropriated state funds to use as match. This language makes no allowance for that, leaving the heads of agencies running entitlement programs in the horrible position of having to decide whether to break federal or state law (and not through any fault of their own).
5. The new 2-79-40 explicitly references the notification from 2-79-30 as being the trigger for the General Assembly to consider/recognize a deficit. This suggests to me that perhaps the General Assembly could only recognize a deficit as a response to such a notification (?). If the notifications are provided quarterly, then this implies that there would be no opportunity to respond to any problems arising after April 1st (such as a sudden federal disallowance, an unexpected global economic shock, federal entitlement eligibility changes, etc.). What happens then?
6. The 2-79-40(A) language is premised upon the General Assembly finding that the cause of a deficit is unavoidable due to one or more various factors. If the General Assembly believes a deficit is imminent, but believes the cause to be mismanagement, or some other reason not enumerated, then what happens? It looks like under this language, they would just ignore that.

Christian L. Soura
Deputy Chief of Staff

(803) 543-0792
ChristianSoura@gov.sc.gov

