

program has been unfair to South Carolina taxpayers because it asks them to contribute more tax dollars to high-salaried managers who were able to take advantage of the system. In fact, TERI employees are paid \$17,000 more than the average non-TERI state employee.

We recommend that agencies rehire TERI employees only in extreme circumstances. Agencies should disburse job duties among remaining employees and look to hire and train new employees so that the agency can better cope with our current budget constraints. According to the Human Resource Office in the Budget and Control Board, if each agency's budget were reduced by taking the difference between the average TERI employee salary and the average salary for that agency, we would realize an annual cost savings of **\$5,695,777**. We want to make it clear that this proposal is not about terminating any current employees but instead represents the natural process of replacing most positions with less tenured individuals at lower pay.

Eliminating vendor preferences in the procurement code. South Carolina's state procurement code provides SC-resident vendors a seven percent preference when they bid for certain state government contracts. While these preferences give resident vendors a competitive advantage over out-of-state vendors, they add a significant expense to the state agencies' cost of doing business. Audit reports from the Materials Management Office in the Budget and Control Board show that these preferences have cost South Carolina state agencies more than **\$1.3 million** over the past 10 years, in addition to discouraging out-of-state vendors from doing business in out state. Eliminating the vendor preference will save the state approximately **\$150,000** annually.

Implementing efficient cell phone, pager, and satellite phone policies. In June 2008, the LAC issued its audit report of state agency wireless communication usage. The report found that South Carolina state agencies spent more than \$7 million on cell phones, \$790,000 on pagers, and \$68,000 on satellite phones in FY 2005-06. Unfortunately, many agencies waste thousands of dollars a year on cell phones and other devices because the agencies have inadequate usage and employee-monitoring policies. To remedy these wasteful practices, the LAC made several recommendations that will reduce the state's total expenditures on cell phones and other devices. These recommendations include for all agencies to review their cell phone plans and choose the most cost-effective plan suitable to their needs, improve procedures for preventing overcharges, comply with IRS regulations regarding personal use of state-issued cell phones, and prohibit state employees from making directory assistance calls. We believe that the LAC recommendations will help eliminate government waste, and we therefore include the recommendations in our executive budget. Our proposal will result in cost savings of over **\$751,410** according to the LAC.

Making Tough Choices:

Given the state's current financial restraints, we had to make some difficult choices regarding which activities to fund this year. Although the activities listed below may have merit, we did not think they will further our goal of making state government as efficient as possible. The following reflects some of those difficult choices:

IMPROVE THE EFFICIENCIES AND EFFECTIVENESS OF CENTRAL STATE GOVERNMENT SUPPORT AND OTHER GOVERNMENTAL SERVICES

Five percent pay reduction for all state employees with salaries above \$35,000 per year. We propose a 5% salary reduction for all state employees with annual salaries over \$35,000 – which is well above the average personal per capita income in South Carolina of \$28,000. This salary reduction will save \$98,215,345 in FY 2011-12. Additionally, this change will reduce the long-term unfunded liability associated with the South Carolina Retirement System by \$155 million.

Please see the Appendices for a complete listing of the Governor's Purchase Plan for this goal area and for a detailed listing of what our plan saves and what our plan does not buy.
