

Sustainable Spending

We think it's important to limit the annual growth of recurring general fund spending to population growth plus the rate of inflation because spending should not grow faster than the incomes of the people who are asked to pay for it.

Consider these disturbing statistics: South Carolina spending led the Southeast over the last two years with 25% growth versus the Southeastern average of 13.7% - about half that number. If we spend all the money that comes in over this year, South Carolina government will have grown 38% since 2004.

State general fund spending will have risen from \$5 billion to essentially \$7 billion over the last four years, and total spending in South Carolina has grown by 25% over the last three years - as it's risen from \$15.5 billion to \$19.4 billion.

One of the most unsustainable components of our present budget is tied to retiree benefits that were promised but not paid for. In our case, retiree health care benefits are completely unfunded and amount to a \$9.3 billion liability. These unfunded promises have an eerie similarity to the unfunded promises of Medicare, Medicaid and Social Security in Washington.

We've haven't always been fiscally restrained in our spending when it came to state budgets, and we paid a dear price. When revenue growth slumped in the last 1990s, we were forced to make painful mid-year budget cuts and pull back funding in several important state government services.

Put plainly, we do not think government spending should grow faster than the growth of people's pocketbooks and wallets. These times of plenty will not roll on indefinitely.

Yet, during the 2006 legislative session, when the state's economy continued to improve and hundreds of millions of unanticipated new taxpayer dollars poured into state coffers and were certified by the BEA, the commitment of many House Republicans to a spending limit pledge went out the window. Faced with the choice of either spending the record-breaking flood of new revenue or remaining true to their pledge to limit state government spending to a reasonable level and return the excess to the taxpayers, many House Republicans decided to ignore their pledge.

In the days before the House first considered the budget, a House GOP leader (and one of the House budget conferees) actually said that the House had to spend all of the unexpected new revenues in order to beat the Senate to the punch - in other words, to put House members' special projects in the best position of prevailing over Senate members' special projects. This "race to spend" approach not only puts South Carolina at a greater financial risk in the present, but also mortgages our future by tossing fiscal discipline to the wind.