

From: Maybank, Burnet R. III <BMaybank@nexsenpruet.com>

To: Maybank, Burnet R. III BMaybank@nexsenpruet.com

Date: 9/29/2014 12:19:31 PM

Subject: SALT LS: Andy Brack- broaden the tax base

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Word to the wise: Broaden the tax base

By [Andy Brack](#), editor and publisher

SEPT. 26, 2014 -- Every now and then, something clicks in your brain and leads you to thinking about things in unexpected ways.



Brack

Such is the case upon hearing a state trooper was charged with a felony after shooting an unarmed man in Richland County. For some reason, the news led from a consideration of the tragedy to its relation to state budgeting and taxes.

Why? Because of how the state Highway Patrol, like many state agencies, has fluctuated in recent years. When times were good, the patrol's strength was flush, with about 900 troopers patrolling the state. But when times turned bad a few years back, the state had to cut expenses, which meant it encouraged senior troopers to move along and didn't hire as many new troopers.

In other words, the reality of the Great Recession was to reduce the number of employees and their costs to stay within lower budgets. General Fund revenues -- the amount of state tax dollars to spend running government -- dropped for three years straight from a high of just over \$7 billion in 2007 to \$5.7 billion by 2010. That's a drop in revenues of 19 percent! It's taken five budget cycles since 2010 for state revenues to return to 2007 levels.

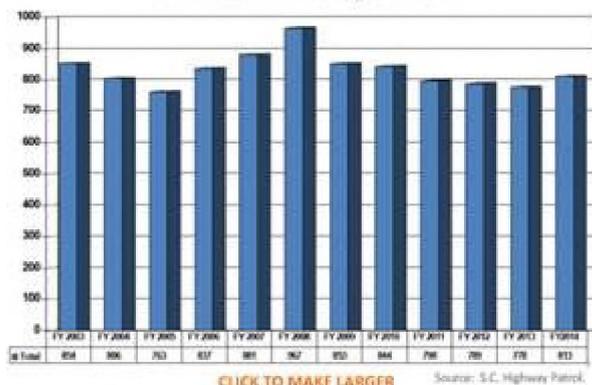
Look at the impact on the Highway Patrol. At the start of the recession, in Fiscal Year 2008, the agency had 967 commissioned troopers. Then it dropped every year for five years to 778 in 2013 -- a loss of almost 200 officers. The patrol saw a similar cycle after the 2002 recession when the force went from 854 in 2003 to 763 two years later.

This see-saw effect also is evident in trooper training numbers. In 2008, the Highway Patrol graduated 103 troopers from the S.C. Law Enforcement Academy. The next year -- the first big year of the recession -- the budget was so tight that it had no graduates -- zero -- from the academy. Numbers started picking back up with about 80 troopers graduating a year now.

In simplest terms, the Highway Patrol, like other agencies, has been on a budget rollercoaster. But think about what that really means. It suggests that the state has been losing experienced troopers and workers to cut money and, when more money is available, hiring new recruits and employees to fill in the gaps. Lost is an enormous amount of institutional knowledge. Lost is an agency's notion of teamwork. Lost, some would say, is agency stability and pride in being a state employee.

Which leads to another jump in thought -- that the state needs to get off this rollercoaster to be able to weather tough times and not spend like mad when times are better to make up for problems during tough times.

Highway Patrol Commissioned Officer Manpower



How to smooth out the cycle? Broaden the tax base, as just about any economist would say. Some considerations:

- **Cut exemptions.** The state loses \$3.1 billion a year because of special-interest sales tax exemptions. Cutting exemptions could allow the state to lower the sales tax rate and have more money for needed projects, such as billions in road needs.
- **Raise the gas tax.** South Carolina's gas tax is among the lowest in the nation at 16.8 cents per gallon. North Carolina's is 21 cents higher per gallon; Georgia's is 12 cents higher. Getting more in fees from people using roads would lessen pressure on the General Fund.
- **Rainy day fund.** The state has two reserve funds, but neither can be tapped in mid-year if there are shortfalls. Lawmakers should add another reserve fund to give agencies a cushion if something goes sour before the end of a year.
- **Property taxes.** State businesses continue to suffer because of an ill-conceived tax swap that has forced businesses to pay more in property taxes. This needs to be overhauled completely.
- **Brackets.** Personal income tax brackets should be modernized to restore progressivity in income taxes to balance the burden on poorer folks from sales taxes.

If South Carolina continues to ignore budget fluctuations because of a broken tax system, things will just get worse down the road.

Burnet R. Maybank, III
Nexsen Pruet, LLC
1230 Main Street, Suite 700 (29201)
P.O. Drawer 2426
Columbia, SC 29202
T: 803.540.2048, F: 803.253.8277
Cell: 803.960.3024
bmaybank@nexsenpruet.com
www.nexsenpruet.com

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