

# FY 2014-15 Executive Budget Overview

**Embargoed Until:** 12:30PM, January 13, 2014

State of South Carolina  
Office of the Governor



# Headline Numbers



- 3.7% General Fund growth (\$238M)
  - FY 2014-15: \$6.614B
  - FY 2013-14: \$6.376B after vetoes
- Within spending cap by about \$1 million
  - Population growth + inflation (3.75%)
- Starting from over \$88 million behind
  - Proviso 118.16(B): \$37,372,707
  - Proviso 118.17(B)(1): \$50,739,599

# General Fund – Recurring



Amount	Item
<b>\$ 265.3M</b>	<b>Natural revenue growth</b>
<b>\$ (88.1M)</b>	<i>Cost of making FY 2013-14's NR transfers good</i>
<b>\$ 26.6M</b>	<i>Use NR to make General Reserve Fund transfer</i>
<b>\$ ( 0.3M)</b>	<i>Amend P 38.1 (DSS Family Supports, Self-Sufficiency)</i>
<b>\$ ( 26.7M)</b>	<i>Eliminate 6% Individual Income Tax bracket</i>
<b>\$ 238.3M</b>	<b>Available for appropriation in FY 2014-15</b>

# General Fund – Non-Recurring



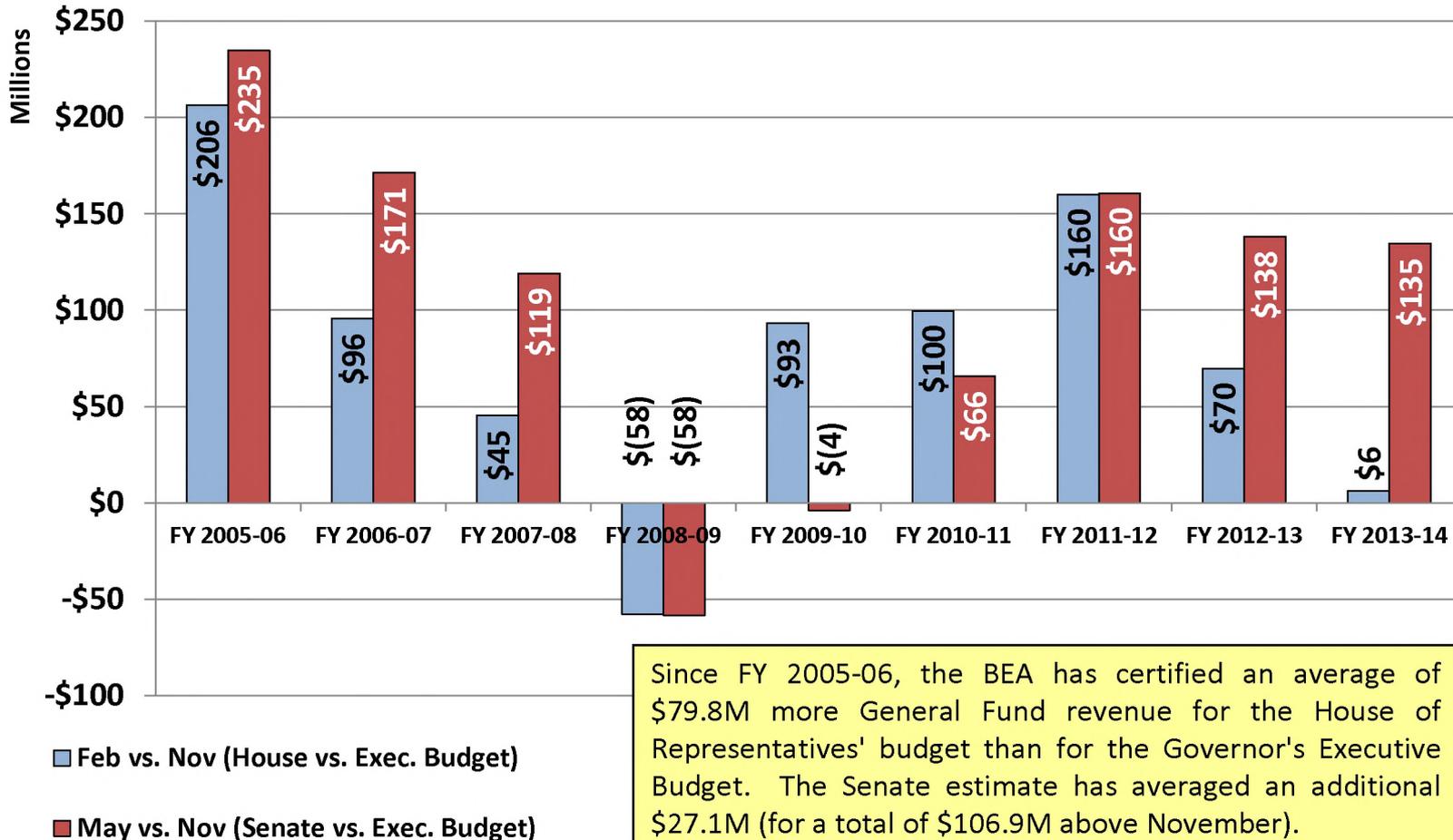
Amount	Item
\$ 61.8M	Surplus transferred to Contingency Reserve Fund
\$ 6.6M	Unappropriated Capital Reserve Fund, lapsed
\$ 95.3M	FY 2013-14 surplus projected by BEA
\$ 28.0M	Proceeds of GSK (Avandia) settlement
\$ (26.6M)	Use NR to make General Reserve Fund transfer
<b>\$ 165.1M</b>	<b>Available for appropriation in FY 2014-15</b>

# More Revenues Are Coming...



## BEA's Revenue Estimates for the General Fund

Additional Revenue Available for Legislative Use, FY 2005-06 through FY 2013-14



# Major Themes



- Providing a Better Education
- Creating Jobs and Improving the Business Climate
- Making South Carolina Safer
- Fixing Roads Without Raising Taxes
- Protecting the Most Vulnerable

# Education



- Last week's K-12 initiatives:
  - Transition to EOC Funding Model
  - Reading Coaches
  - K-12 Technology
  - Public Charters

# Funding Model Changes



- Gross transition cost to EOC model: \$134.7M (GF)
  - Partially offset by shifting CDEPP, SCPCSD to EIA: \$83.6M
- Net transition cost to EOC model, including the cost of maintaining current BSC: \$83.2M (GF)
  - Cost to maintain \$2,097 BSC: \$34.9M (GF)
  - Cost to get to \$2,120 BSC: \$19.5M (GF)
- Cuts to EIA lines more than offset with EFA growth:
  - High Achieving Students: (Cut \$24.1M\*) vs. \$29.5 G&T
  - Students at Risk: (Cut \$57M) vs. \$154M POV
- Other smaller changes:
  - Combine “Modernize Vocational Equipment” in EIA
  - Start annualizing and moving transportation into the GF

# Education

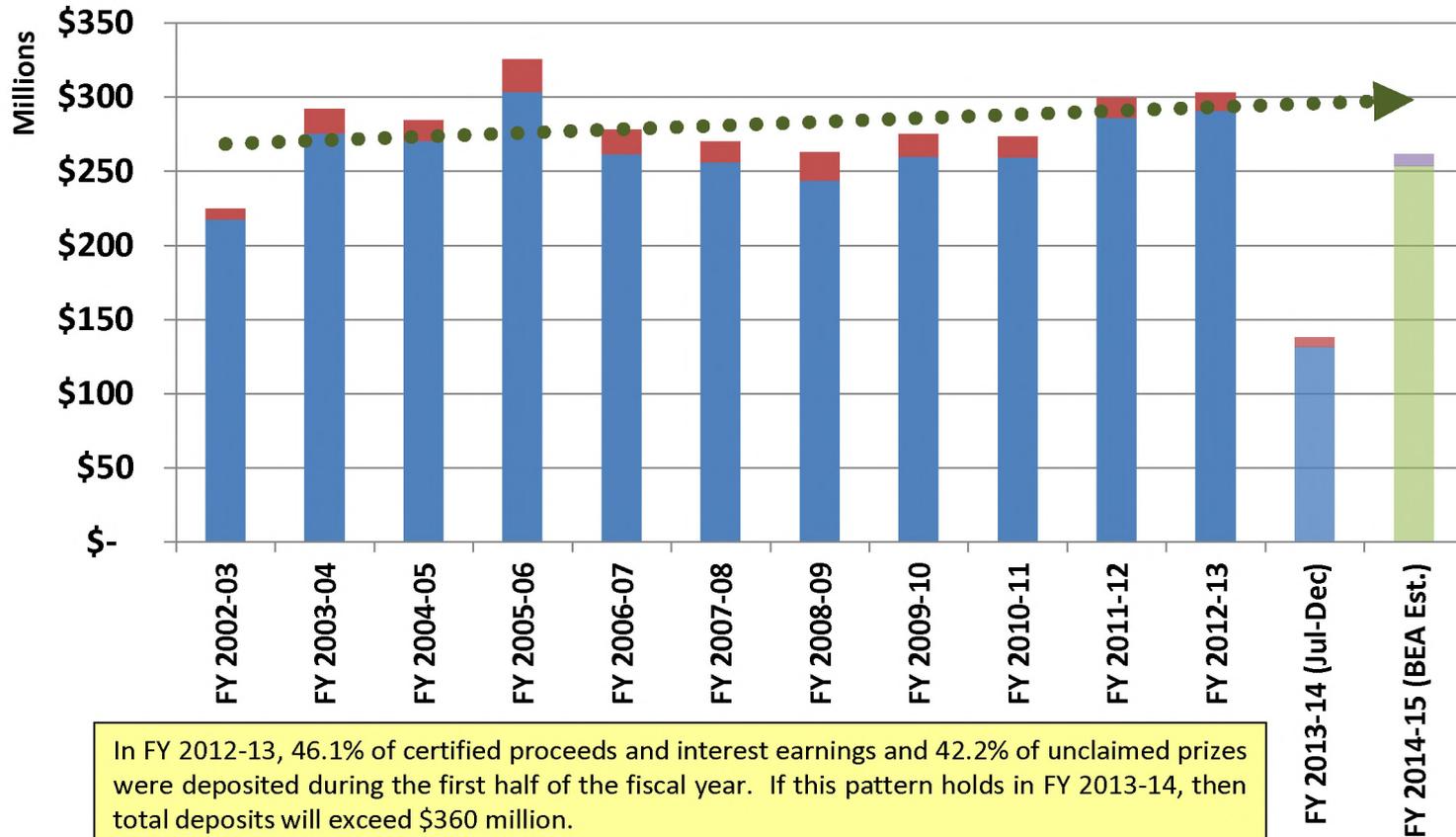


- **Reading Coaches (\$29.5M GF)**
  - Tied to % of students “Not Met” on reading assessments
  - State share of salary and benefits capped at \$62,370
  - Overfunded: Up to \$5M for training is included, but only if opt-in
- **K-12 Technology (\$29.3M CRF, \$4M NR, & maintain EIA line)**
  - Tied to 135-day ADM and district poverty index (breaks are 75/85)
  - Training distributed the same way
  - Allowable uses: Broadband to/within school, 1:1 equipment
  - Also \$12M (NR) for Digital Instructional Materials
- **Public Charters (\$13.8M EIA + \$3M C/F, \$4M NR)**
  - Operating money for 26.7% enrollment growth
  - Brick & mortar: \$3,250 → \$3,600 | Virtuals: \$1,700 → \$1,900 (12%)
  - \$4M for Charter School Facility Revolving Loan Program

# Speaking of Education...



**Certified FY 2014-15 Lottery Estimate Ignores Actual Collections, Predicts Worst Year Since Lottery Began in 2002**



In FY 2012-13, 46.1% of certified proceeds and interest earnings and 42.2% of unclaimed prizes were deposited during the first half of the fiscal year. If this pattern holds in FY 2013-14, then total deposits will exceed \$360 million.

This is nearly \$100 million above the combined certified estimate for FY 2014-15.

■ Certified Proceeds & Interest    
 ■ Unclaimed Prizes    
 ●➤ Trendline, FY 2002-03 to FY 2012-13

# Capital Reserve Fund for Education



10%

Technical College System  
\$11.7M + \$11.7M match (1:1):

**\$23.4M**



25%

Research & Comprehensive Universities  
\$29.3M + \$29.3M match (1:1):

**\$59.6M**



25%

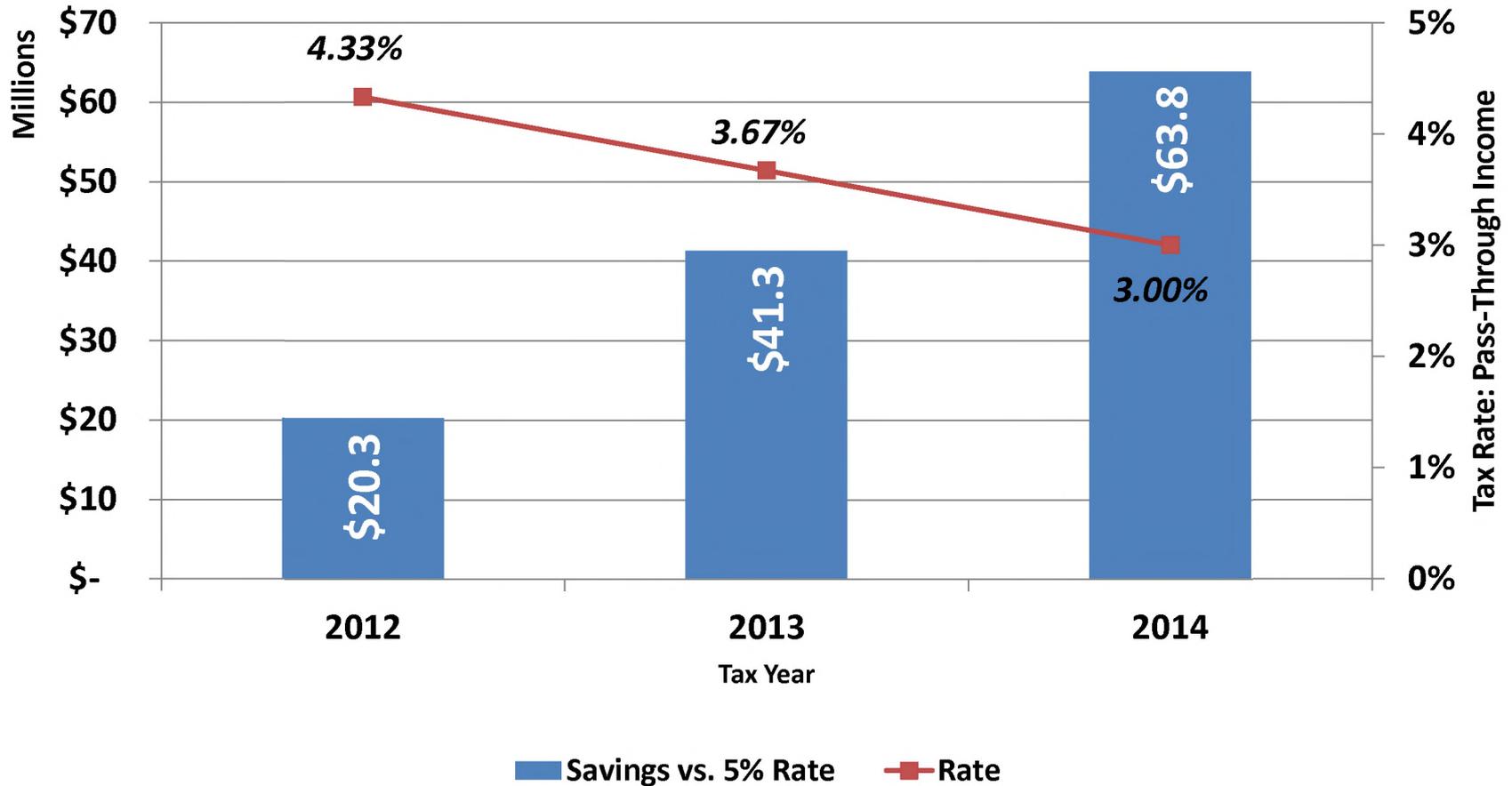
K-12 Technology  
\$29.3M, no match:

**\$29.3M**

# Improving the Business Climate



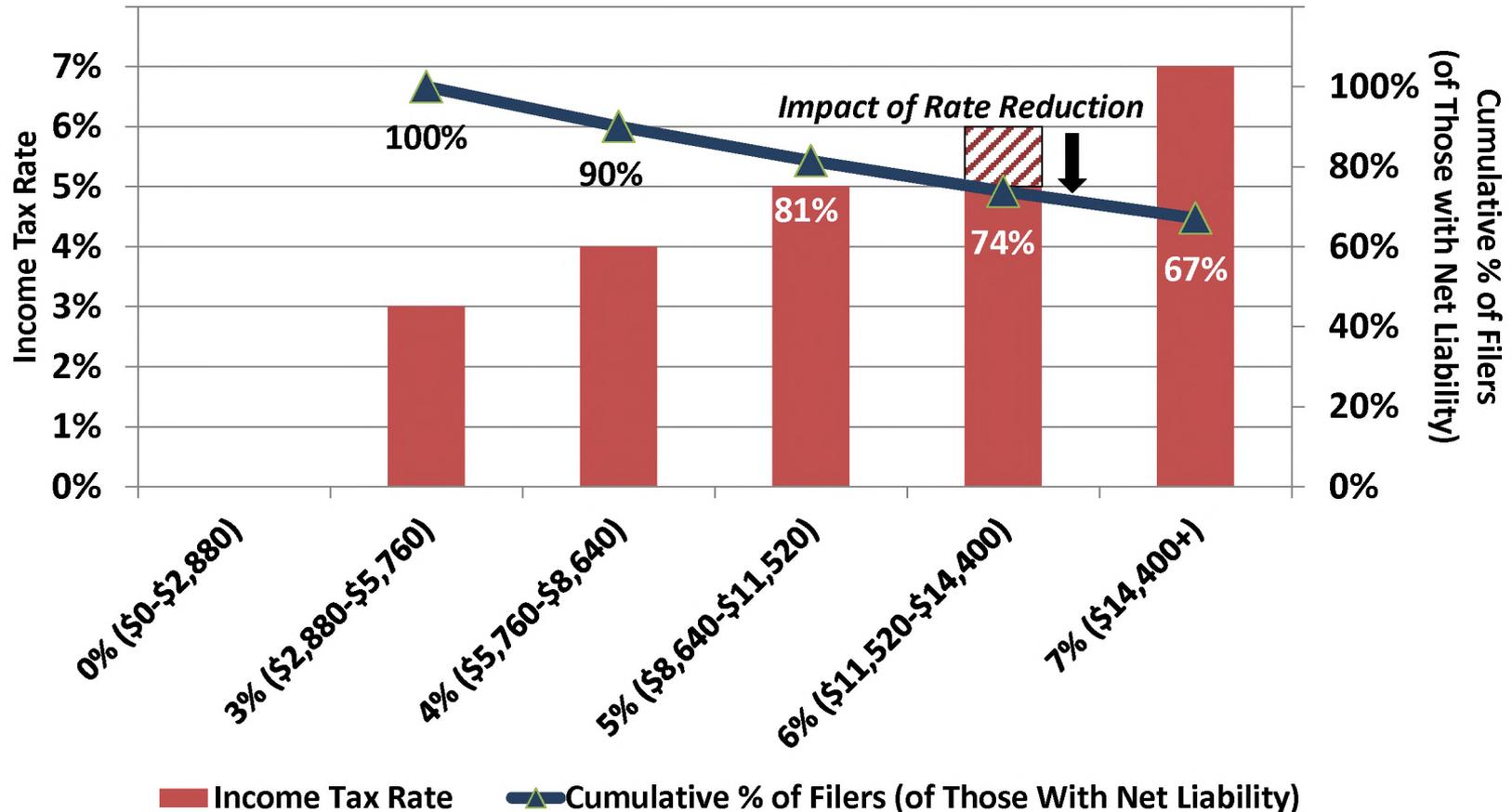
## Rising Annual Savings from Enacted Tax Cuts: 2012 - 2014



# Continue Progress on Tax Cuts



**Eliminating the 6% Individual Income Tax Bracket  
Would Save Taxpayers an Additional \$26.7 Million in 2014**



# Making South Carolina Safer



## SLED

- **New meth lab clean-up program in 2011:**
  - Closed 1,281 labs and rescued 171 children
- **Substantial progress in cutting backlogs:**
  - Forensics, latent print/crime scene, CWP's
  - Eliminated 8-month backlog for expungements

## DPS

- **Major reductions in highway fatalities:**
  - Lowest levels since 1982; 2<sup>nd</sup> lowest in 50 years
  - Down 30% since 2007

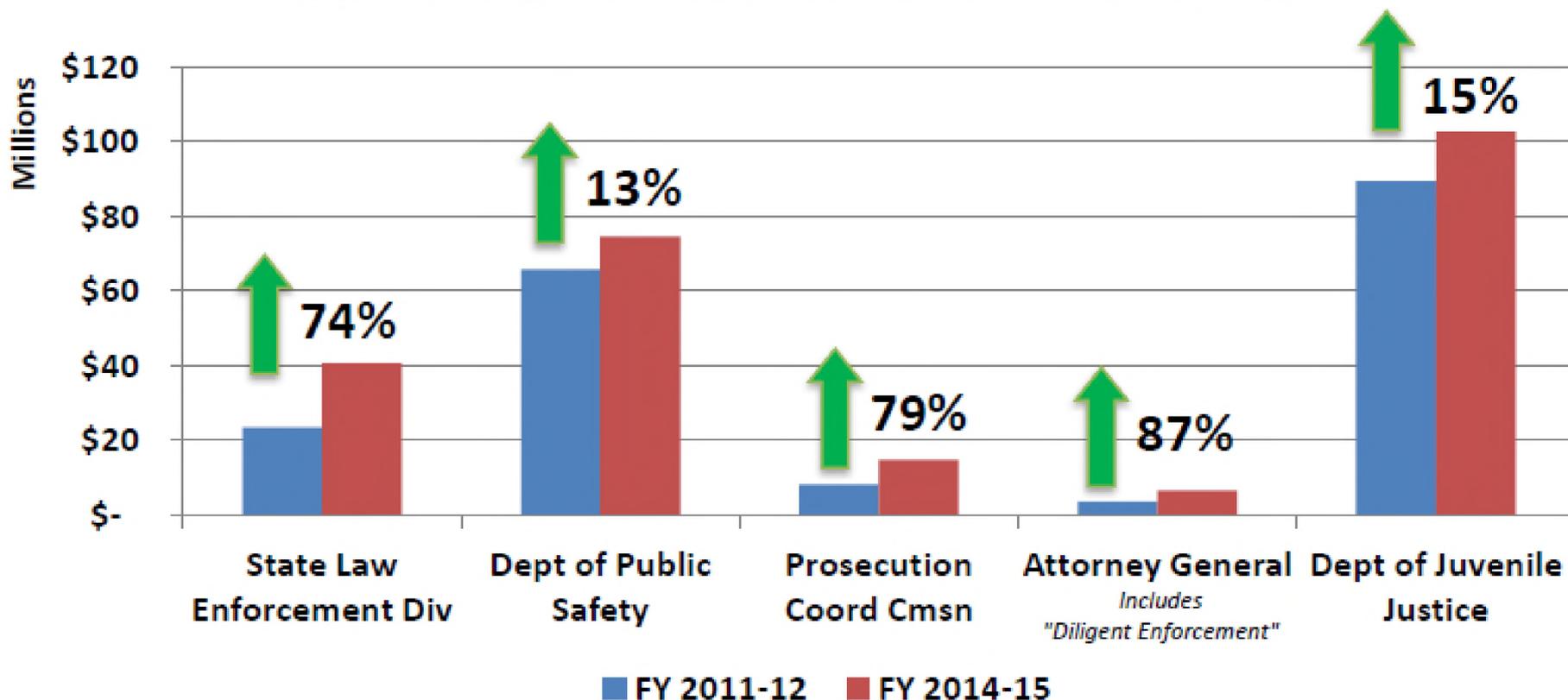
## DJJ

- **Lowest violent juvenile crime rates in 20 years**
- **"Behind the fence" count down 56% in 10 years**

# Making South Carolina Safer



## Increases in State Support for Law Enforcement



# Making South Carolina Safer



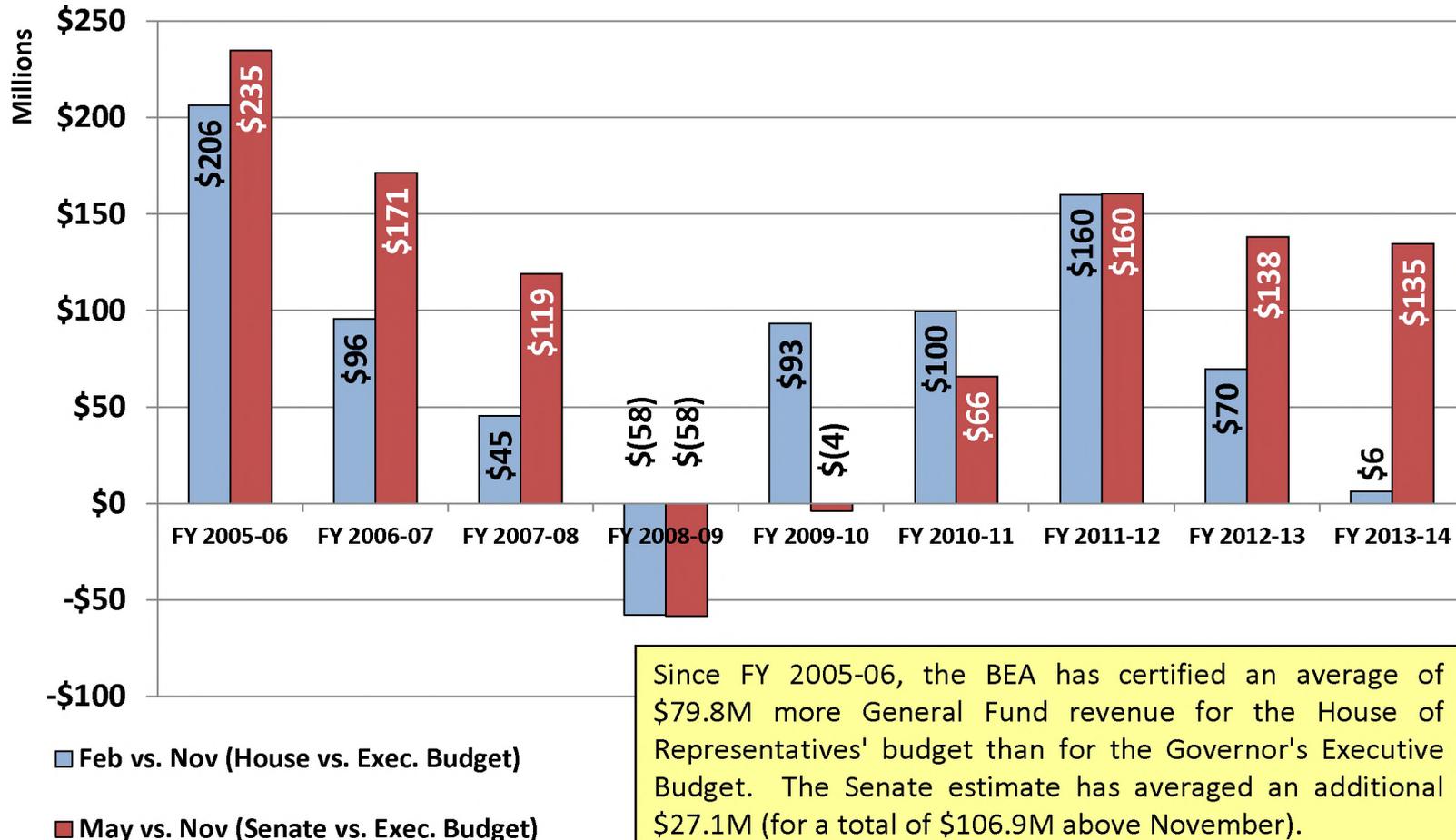
- **Attorney General (10% GF)**
  - 5 more prosecutors: Violent Crime, Sex Crimes, CDV
  - IT specialist, CDV victim advocate
- **Prosecution Coordination Commission (5.2% GF)**
  - New Violent Crime Prosecution line: \$720k
- **SLED (9.6% GF)**
  - Agents, equipment, technology, training, vehicles...
- **DPS (3.0% GF)**
  - 10 new officers, plus mobile data project and vehicles
- Several other law enforcement / public safety agencies are giving up Medicaid match

# Back to the Additional Revenue...



## BEA's Revenue Estimates for the General Fund

Additional Revenue Available for Legislative Use, FY 2005-06 through FY 2013-14

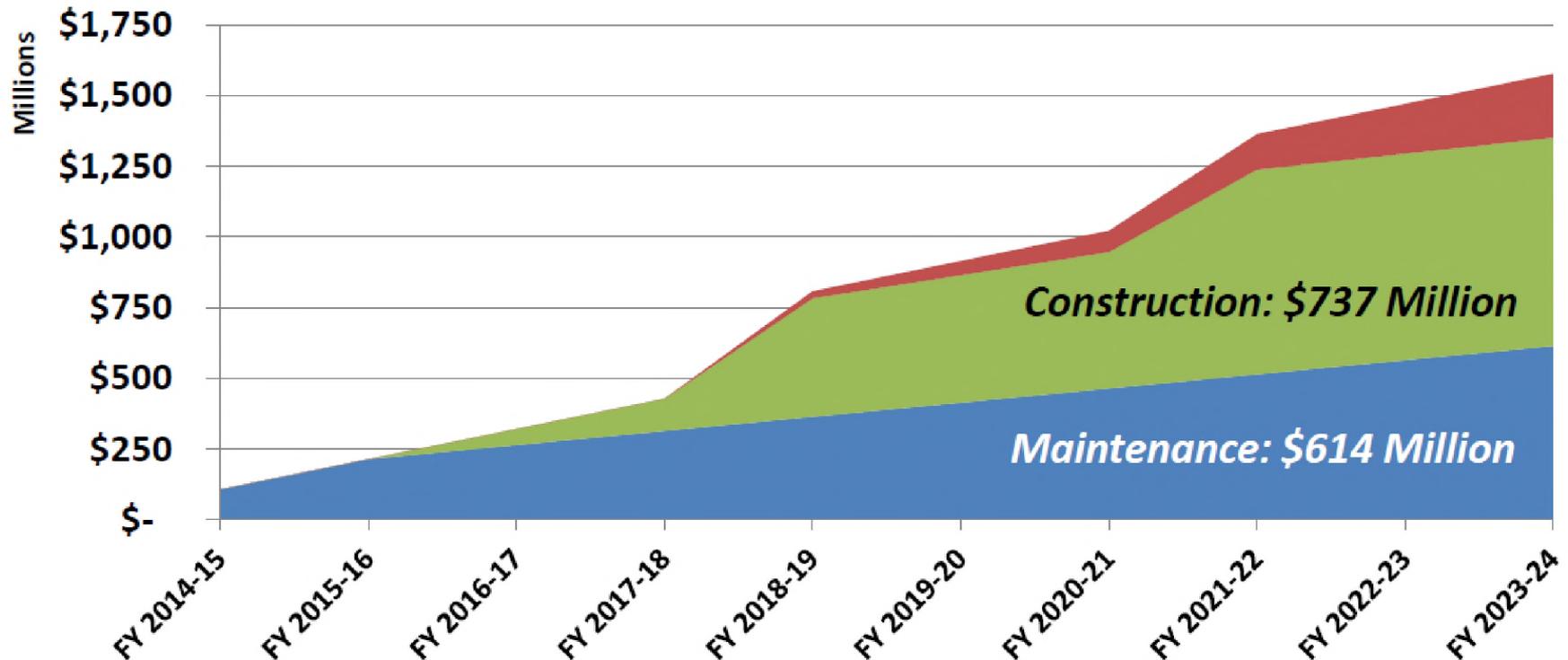


Since FY 2005-06, the BEA has certified an average of \$79.8M more General Fund revenue for the House of Representatives' budget than for the Governor's Executive Budget. The Senate estimate has averaged an additional \$27.1M (for a total of \$106.9M above November).

# Fixing Roads Without Raising Taxes



## Over \$1.35 Billion More for Roads in the Next Decade



- Maintenance and Repair
- Construction (Bonds & Pay-Go)
- Debt Service

Bonds issued in FY 2018-19 (\$273.2M, 15-year term) and FY 2021-22 (\$234.9M, 12-year term) at 4.25%.

All funds not required for debt service or construction are used for maintenance and repair.

\$1.35B total does not include debt service.

# Healthcare – Key Points



- General Fund impact for PEBA again exceeds HHS
  - \$56M GF for HHS (5.1%) vs. \$57.2M for PEBA
- Ongoing effort to centralize Medicaid match at HHS
  - Several more agencies willing to join-in this year
- Some health agencies show minimal GF impact
  - DAODAS & DHEC: No change (exc. DHEC match)
  - DDSN: \$800k for IT (\$4M Debt Service Account)
- DMH has largest GF growth rate again (5.2%): \$9.1M
- Major effort to attack DDSN's waiting lists

# Mental Health



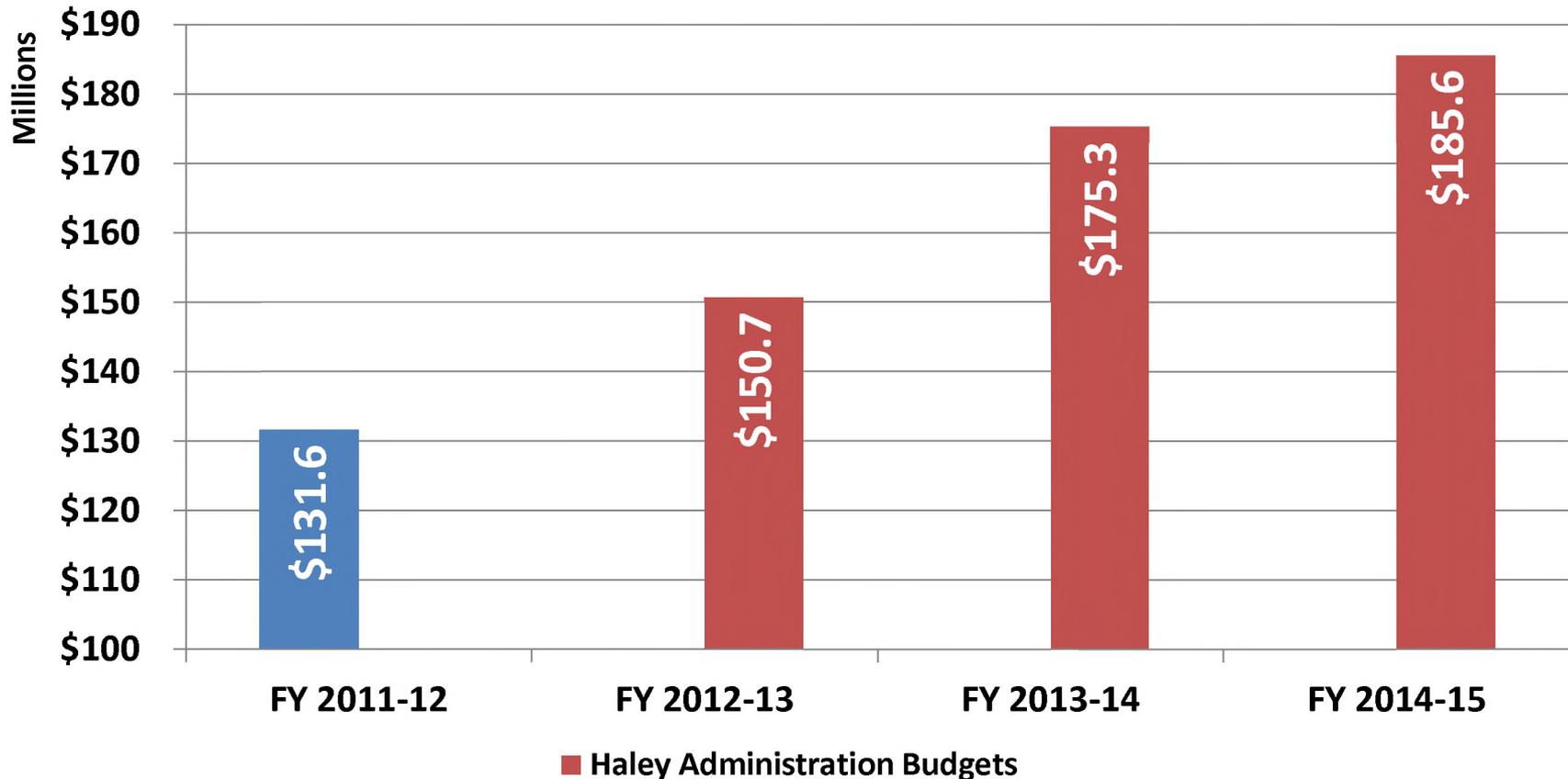
- **Fully-funded requests:**
  - \$500k: Telepsychiatry
  - \$300k: Crisis Services
  - \$250k: Center-to-Center Telepsychiatry
  - \$200k: Assessment and Resource Center
- **Partially-funded requests:**
  - \$5M: Sustainability
  - \$1.45M: Forensic Inpatient Services
  - \$800k: Community Supportive Housing Placements
  - \$600k: Sexually Violent Predator Treatment Program

# Mental Health



## Haley Administration: 41% Increase for Mental Health

General Fund, FY 2011-12 (Actual) vs. FY 2014-15 (Proposed)

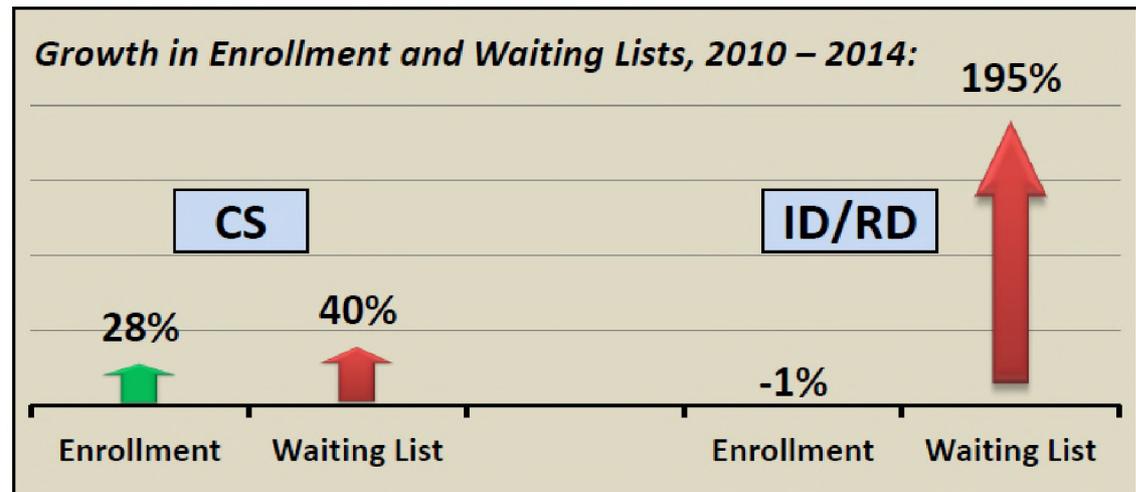


# Protecting the Most Vulnerable



## All “Waiver Programs” at DDSN, Since 2010

- Enrollment up 8%
  - To 9,267
- Waiting lists up 98%
  - To 10,355



## FY 2014-15 Executive Budget

- Targeted effort to reduce two waiting lists by a total of 1,400+:
  - Community Supports (CS)
  - Intellectual Disabilities & Related Disabilities (ID/RD)
- **Funding: \$44.8 M (\$13.3M GF at HHS, OF at DDSN)**



# Questions?