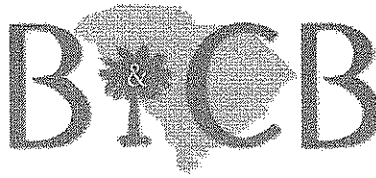


NIKKI HALEY, CHAIRMAN  
GOVERNOR

CURTIS M. LOFTIS, JR.  
STATE TREASURER

RICHARD ECKSTROM, CPA  
COMPTROLLER GENERAL



SC BUDGET AND CONTROL BOARD

State Budget Division  
Les Boles  
DIRECTOR

(803) 734-2280  
Fax: (803) 734-0645

HUGH K. LEATHERMAN, SR.  
CHAIRMAN, SENATE FINANCE COMMITTEE


W. BRIAN WHITE  
CHAIRMAN, HOUSE WAYS AND MEANS  
COMMITTEE

MARCIA S. ADAMS  
EXECUTIVE DIRECTOR

September 12, 2013

## MEMORANDUM

TO: Agency Directors  
Agency Chief Financial Officers

FROM: Les Boles 

RE: FY 13-14 First Quarter Deficit Monitoring Review

At the end of September our office will begin conducting our deficit monitoring review for the first quarter of FY 13-14. In addition to reviewing expenditure patterns year-to-date, your State Budget Analyst will be contacting your agency during the first week in October regarding your general fund budget status and the agency's internal budget projections. We request that your agency respond by e-mail on the status of your agency's general fund budget at that time. Please include a brief explanation as to any measures your agency is taking to avoid a general fund operating deficit. If you are projecting the likelihood of a potential general fund deficit then the agency must take immediate action to prepare a management plan to eliminate or minimize the deficit.

I want to again remind you of the applicable statutes and provisos regarding the responsibility of the agency to manage its general fund appropriations to avoid an operating deficit. See Section 1-11-495 (B) and (C), and Proviso 117.89 attached. In addition, Proviso 118.12 requires the Comptroller General or this office to provide written notice to each member of the General Assembly if a report is made to the Budget and Control Board concerning an agency's potential deficit. If your agency's internal estimates indicate the likelihood of a general fund operating deficit then our office should be notified in writing. Proviso 117.89 states that if it is determined that the likelihood of a deficit exists the agency shall submit to the State Budget Division within fourteen days a plan to minimize or eliminate the projected deficit.

Thank you for your cooperation.

Attachment

**SECTION 1-11-495.** Monitoring revenues and expenditures to determine year-end deficits; quarterly appropriations allocation; supplemental appropriations.

(B) As far as practicable, all agencies, departments, and institutions of the State are directed to budget and allocate appropriations as a quarterly allocation, so as to provide for operation on uniform standards throughout the fiscal year and in order to avoid an operating deficit for the fiscal year. It is recognized that academic year calendars of state institutions affect the uniformity of the receipt and distribution of funds during the year. The Comptroller General or the Office of State Budget shall make reports to the board as they consider advisable on an agency, department, or institution that is expending authorized appropriations at a rate which predicts or projects a general fund deficit for the agency, department, or institution. The board is directed to require the agency, department, or institution to file a quarterly allocations plan and is further authorized to restrict the rate of expenditures of the agency, department, or institution if the board determines that a deficit may occur. It is the responsibility of the agency, department, or institution to develop a plan, in consultation with the board, which eliminates or reduces a deficit. If the board makes a finding that the cause of, or likelihood of, a deficit is unavoidable due to factors which are outside the control of the agency, department, or institution, then the board may determine that the recognition of the agency, department, or institution is appropriate and shall notify the General Assembly of this action or the presiding officer of the House and Senate if the General Assembly is not in session. The board only may recognize a deficit by a vote of at least four members of the board.

(C) Upon receipt of the notification from the board, the General Assembly may authorize supplemental appropriations from any surplus revenues that existed at the close of the previous fiscal year. If the General Assembly fails to take action, then the finding of the board shall stand, and the actual deficit at the close of the fiscal year must be reduced as necessary from surplus revenues or surplus funds available at the close of the fiscal year in which the deficit occurs and from funds available in the Capital Reserve Fund and General Reserve Fund, as required by the Constitution of this State. If the board finds that the cause of or likelihood of a deficit is the result of the agency, department, or institution management, then the state officials responsible for management of the agency, department, or institution involved must be held liable for it and the board shall notify the Agency Head Salary Commission of this finding. In the case of a finding that a projected deficit is the result of the management of the agency, department, or institution, the board shall take steps immediately to curtail agency, department, or institution expenditures so as to bring expenditures in line with authorized appropriations and avoid a year-end operating deficit.

**117.89.** (GP: Deficit Monitoring) If at the end of each quarterly deficit monitoring review by the Office of State Budget, it is determined by either the Office of State Budget or an agency that the likelihood of a deficit for the current fiscal year exists, the agency shall submit to the Office of State Budget within fourteen days, a plan to minimize or eliminate the projected deficit. After submission of the plan, if it is determined that the deficit cannot be eliminated by the agency on its own, the agency is required to officially notify the Budget and Control Board within thirty days of such determination that the agency is requesting that a deficit be recognized. Once a deficit has been recognized by the Budget and Control Board, the agency shall limit travel and conference attendance to the minimum required to perform the core mission of the agency. In addition, the board when recognizing a deficit may direct that any pay increases and purchases of equipment and vehicles shall be approved by the Office of State Budget.

**118.12.** (SR: Agency Deficit Notice) The Comptroller General or the Office of State Budget shall (1) provide written notice to each member of the General Assembly when it makes a report to the Budget and Control Board concerning an agency, department, or institution that is expending authorized appropriations at a rate which predicts or projects a general fund deficit for the agency, department, or institution, and (2) make monthly progress reports concerning an agency's, department's, or institution's plan to reduce or eliminate the deficit.