

Fiscal Year 2019-20

BUDGET BRIEFING

General Appropriations Bill (H. 4000) & Capital Reserve Fund (H. 4001)

as passed by the General Assembly



2019-20 Budget Themes

**Attracting and
Retaining
Teachers**

**Funding Higher Ed
and Freezing
Tuition**

**Protecting
Taxpayers &
Keeping Debt Low**

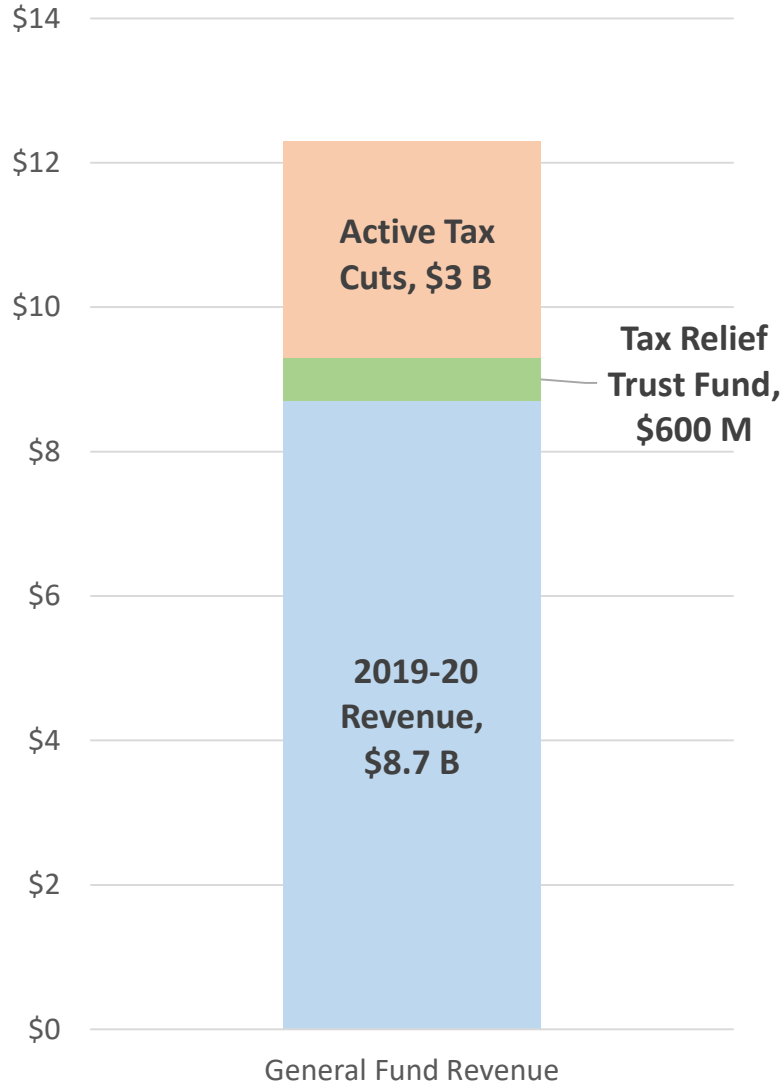
**Funding Core
Functions of
Government**

Attracting and Retaining Teachers

Teacher Salary Increases

- **\$159 million** to increase the minimum starting salary from \$32,000 to \$35,000 and give an across-the-board 4% increase. Teachers with 0-4 years, the most critical for teacher retention, will receive between a 6% and 10% raise.
- The largest teacher pay increase since 1984.
- Will take SC above the Southeastern average teacher salary of \$52,830.
- The teacher salary increase will be distributed using the EIA Teacher Salary Supplement methodology, which does not require a local match. Fully funding the pay raise with state money will free up dollars in the districts to allow them more flexibility in classroom spending.

Protecting Taxpayers



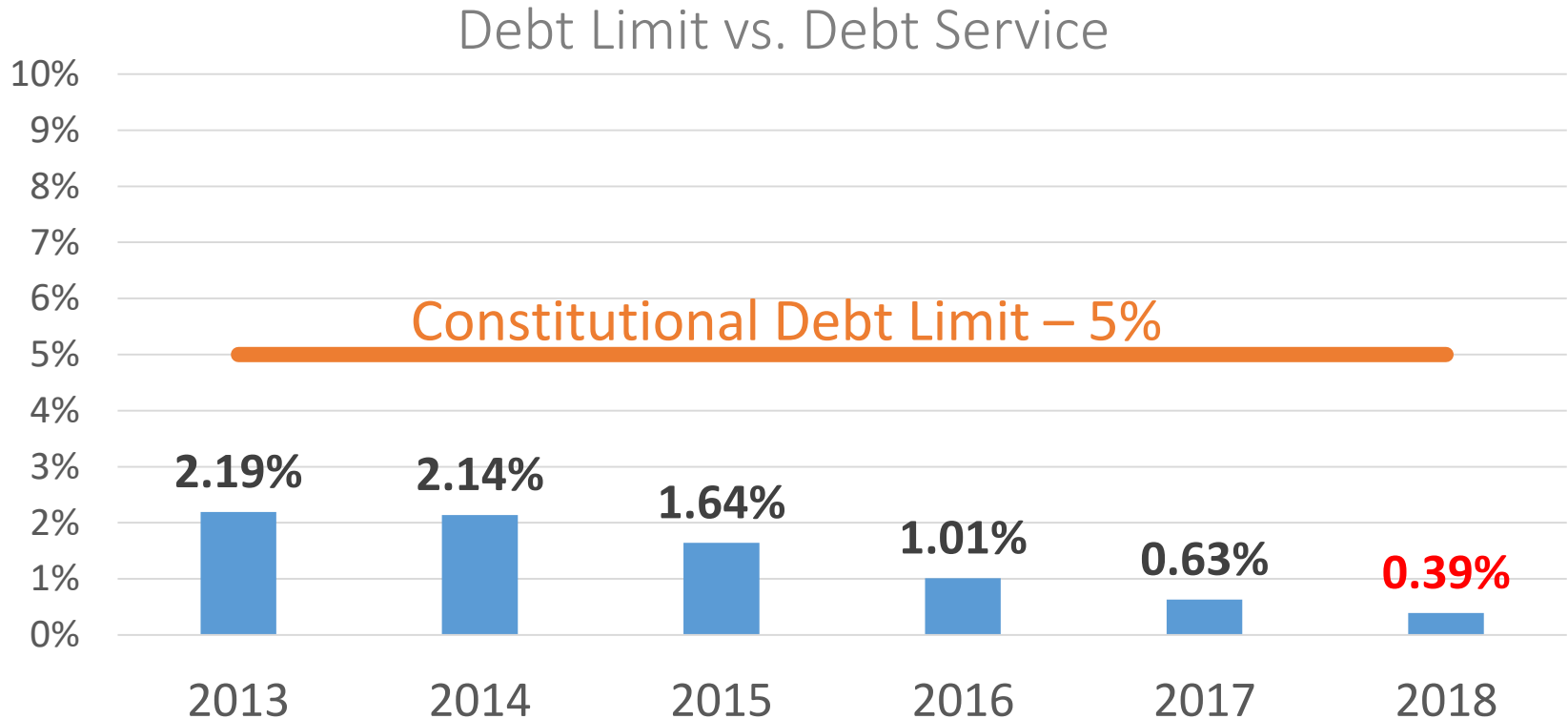
Ongoing Tax Relief

- In the last 25 years, the General Assembly has passed over \$42 billion in tax cuts.
- In this fiscal year alone, in a \$8.7 billion budget, over \$3 billion have been returned to taxpayers.
- That represents a return of 1/3 of general fund revenues to South Carolina citizens.
- This includes individual income tax cuts, small business tax cuts, corporate income tax cuts, food tax elimination, and property tax relief.

Tax Relief in the FY 2019-20 Budget

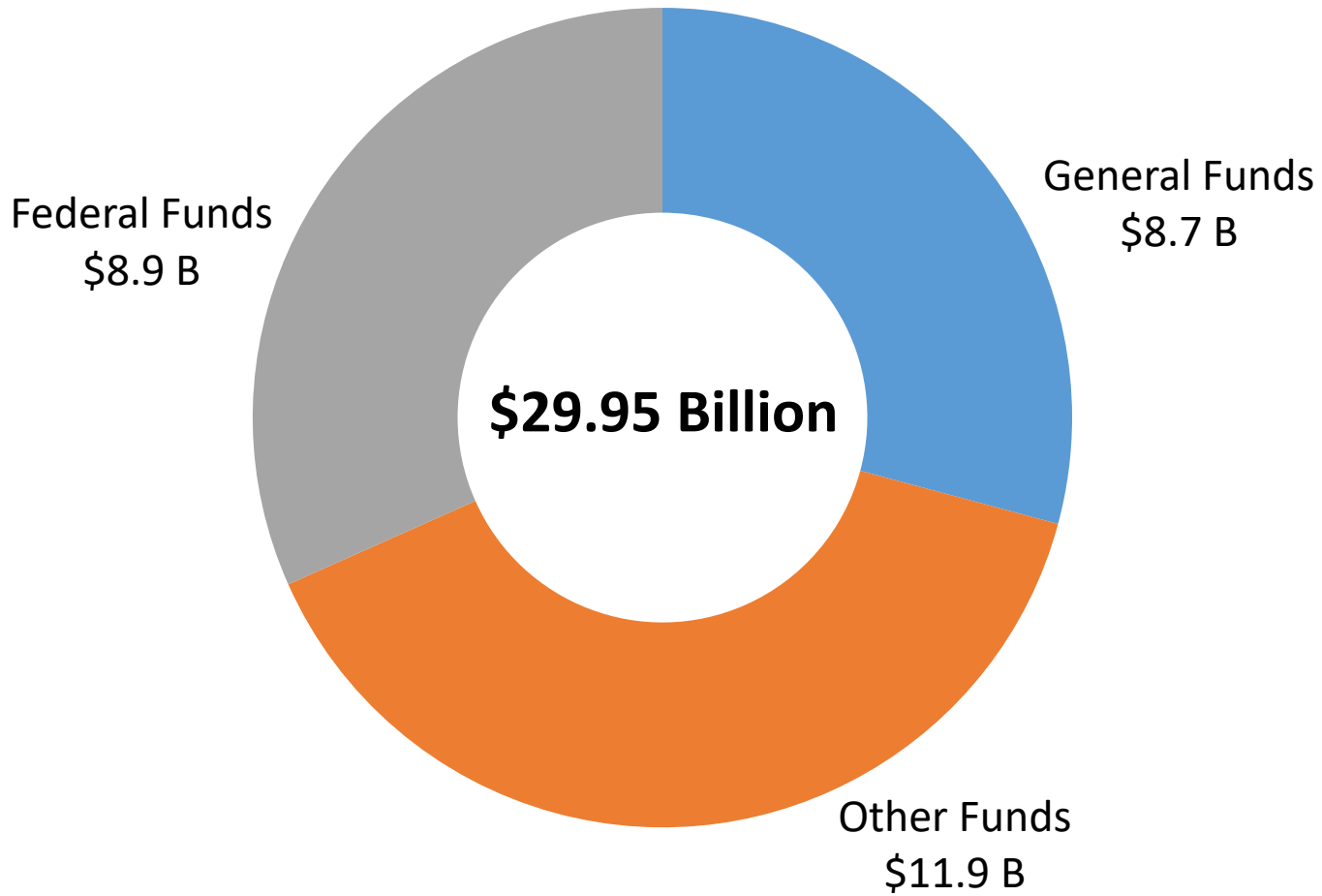
- **\$614 million** in direct property tax relief for South Carolinians.
- **\$66.7 million** for a one-time, \$50 taxpayer rebate for every return filed with an income tax liability.

Keeping Debt Low



- *South Carolina's has a AAA credit rating from Moody's (1 of 14 states) and Fitch (1 of 16 states) and we have eliminated over 92% of our available debt load.*

2019-20 Total Budget



New Dollars Available

FY 19-20 General Fund Estimate	\$497 million
TOTAL "NEW" RECURRING REVENUE	\$497 million

Capital Reserve Fund	\$152 million
FY 18-19 General Fund Estimate Surplus	\$159 million
FY 17-18 Contingency Reserve Fund	\$177 million
Ready SC - Open-Ended Account	(\$8 million)
TOTAL NON-RECURRING REVENUE	\$480 million

Funded Priorities

Recurring Priorities	\$497 M
Teacher Salaries	\$159 M
State Health Insurance Plan Increase	\$50 M
Medicaid Maintenance of Effort	\$50 M
Higher Education Tuition Freeze	\$44 M
2% State Employee Pay Raise	\$41 M
Pension Reform Contribution Increase	\$32 M
Capital Reserve Fund Contribution	\$11 M
Local Government Fund Increase	\$11 M
Judicial Salary Increase	\$11 M
Corrections Hepatitis C Treatment	\$10 M
DDSN Direct Care Worker Increase	\$10 M
<i>Total</i>	<i>\$429 M</i>
<i>Available for State Operations</i>	<i>\$68 M</i>

Non-Recurring Priorities	\$480 M
Higher Education Capital Needs	\$112 M
State-owned Building Maintenance	\$25 M
New Statewide Voting System	\$40 M
VA Nursing Home State Match	\$37 M
DSS Child Support Enforcement System	\$29 M
General Reserve Fund	\$27 M
FEMA Hurricane Florence State Match	\$22 M
Judicial Case Management System	\$11 M
Corrections Prison Safety Upgrades	\$10 M
<i>Total</i>	<i>\$313 M</i>
<i>Available for State Operations</i>	<i>\$167 M</i>

Statewide Items

Fully Funded Reserves

- **\$37 million** to fully fund Constitutional Reserve Funds. The state now has \$569 million total in reserves; \$406 million in the General Reserve Fund and \$163 million in the Capital Reserve Fund.

State Employees & Employee Benefits

- **\$41.4 million** for a 2% state employee pay raise. State employees have not received a statewide pay increase since 2016-17.
- **\$20 million** for a state employee bonus of \$600 for employees earning \$70,000/year or less.
- **\$49.7 million** to cover 100% of the state employee health and dental insurance increases so employees will have no additional monthly premium cost.
 - If this were not funded through the General Fund, state employees would absorb the additional costs.
- **\$32 million** in the General Fund and **\$4 million** in the EIA to fund employer cost of year 3 of the multi-year plan to bring down the multi-billion pension liability.

Statewide Items, Continued

New Statewide Voting Machines

- **\$40 million** for a brand new voting system.
- The current statewide voting system was implemented in 2004-05 with a life expectancy of 12-15 years. The more than 12,000 paperless, touch screen voting machines are at end of life and need to be replaced in the imminent future.
- The new voting machine system is expected to have a paper trail aspect as well as enhanced security features.
- *The goal is to implement a new statewide voting system in time for the 2020 election cycle.*

Statewide Items, Continued

Local Government Fund

- **\$11 million** increase to the Local Government Fund.
 - This is a 5% increase for local revenue to be distributed to counties and municipalities.
 - Follows the new LGF guidelines set forth in H. 3137 (Aid to Subdivisions Formula Revision).

Disaster Recovery

- **\$22 million** for the FEMA state match for Hurricane Florence.

Farm Aid

- **\$25 million** for disaster relief for farmers from crop loss and damage related to Hurricanes Michael and Florence.

House Budget Subcommittee Areas

Public Education

Education

- **\$159 million** for the teacher salary increase and **\$15 million** to Base Student Cost.
- This budget creates a new per pupil calculation (State Aid to Classrooms) by rolling up the following lines:
 - Education Finance Act- \$1,837,608,440 (65.59%)
 - EFA-Employer Contributions- \$804,641,652 (28.72%)
 - Teacher Salary Increase- \$159,248,000 (5.68%)
 - Total = \$2,801,498,092/720,316 (# of pupils)
 - State Aid to Classroom is \$3,889 per pupil
- **\$50 million** to the Department of Education for capital improvements in a school district with a poverty index of 70% or higher or an index of tax paying ability less than .009.
- **\$10 million** for School Resource Officers. Districts with the lowest index of taxpaying ability will receive priority consideration.
- **\$20 million** for Instructional Materials, **\$12.7 million** for SC Public Charter Schools student growth, and **\$19 million** for School Buses.

State Library

- **\$1.5 million** for Aid to County Libraries to increase the per capita distribution from \$1.75 to \$2.00.

State Museum

- **\$3 million** for the State Museum to begin the 1st phase of exhibit renovations. This appropriation will cover the 4th floor exhibit.

Higher Education

Colleges and Universities

- **\$44 million** in recurring funds to cap the cost of tuition for in-state students (exception for mandated pension and healthcare increases).
- **\$100 million** non-recurring for maintenance, renovations, and capital needs at colleges around the state.

Scholarships and Tuition Aid

- **\$17 million** for the SC WINS scholarship program to help provide full tuition to students at technical colleges seeking degrees in industry sectors with critical workforce needs.
- **\$11 million** for Workforce Scholarships to provide grants for tuition, fees, and textbook expenses to SC residents enrolled in a career education program at a technical school or professional certification program.
- For the fourth year in a row, fully funded LIFE, HOPE and Palmetto Fellows Scholarships through the Lottery.

Technical Colleges

- **\$26.8 million** for the successful ReadySC job training program, which provides customized training for new and expanding business and industry.
- **\$12 million** for High Demand Skill Training Equipment to be distributed to all technical colleges.
- **\$6 million** in recurring funds to be divided among the technical colleges in the state.

Healthcare

Health and Human Services - Medicaid Budget

- **\$49.5 million** for the state Medicaid Maintenance of Effort and annualization to continue current level of services without expending agency reserves.
- Includes increased revenue assumptions and lower targets for managed care rates.
- Continued funding for the Healthy Outcomes Proviso, serving over 14,000 high-utilizers of emergency rooms and/or inpatient services through coordination with all Medicaid-designated hospitals, 70 primary care safety net providers, and three behavioral health clinics state-wide.

Health and Human Services – CHIP Funding

- **\$5.5 million** to cover a decrease in federal funds for the Children’s Health Insurance Program.
- The program provides health insurance to children whose parents’ income is too high to qualify for Medicaid but too low to afford private insurance.
- The eligibility limit for the program will also be increased by 25 points to make South Carolina level with the Southeastern average.
- An increase in the eligibility limit means more children will have access to health insurance coverage.

Healthcare, Continued

Department of Disabilities and Special Needs

- **\$10.4 million** to increase the department's direct care staff starting salaries from \$12/hour to \$13/hour.
 - This is the final year of a 3-year phase-in of increased starting salaries.
- **\$2 million** to the Greenwood Genetic Center for Autism Research.

Department of Mental Health

- **\$37 million** to show a state match for three veterans nursing homes in various locations across the state.
- **\$2.2 million** for school mental health services.
 - Joint initiative between DMH and SDE to have School Mental Health professionals in every South Carolina school by 2020.

Department of Health and Environmental Control

- **\$1 million** for the Prescription Monitoring Program to cover decreased Federal Funds.
 - The program is used by physicians and pharmacists to track the prescription and use of opioids.

Criminal Justice

Department of Corrections

- **\$10 million** to address critical security upgrades at the prisons.
- **\$10 million** for Hepatitis C testing and treatment, will allow the state to be proactive in addressing the treatment of Hep C for the inmate population.
- **\$2.3 million** for electronic health record system and support.
- **\$1.2 million** for Mental Health and Medical Position Retention.

Department of Juvenile Justice

- **\$1 million** for correctional officers and community specialist salary increase; Correctional Officer \$28,697 to \$29,756 and Community Specialist \$28,598 to \$30,246.
- **\$2.6 million** to pay officers for accrued overtime and comp time to address critical staffing issues.

Probation, Pardon and Parole Services

- **\$1.9 million** for declining revenue collection from Omnibus Crime Bill.
- **\$1.5 million** for Information Technology Data Connectivity Services.

Criminal Justice Academy

- **\$2 million** to change the Basic Training Program by moving 4 weeks of training to regional areas and increase the number of officers trained annually.
- **\$1.2 million** for mobile training team who will travel to regional areas for continued training/recertification classes after the third year of completion of Basic Law Enforcement Training.

State Law Enforcement Division

- **\$800,000** for SC Critical Infrastructure Cybersecurity Program.

Criminal Justice, Continued

Department of Natural Resources

- **\$713,564** for statewide water monitoring and evaluation.
- **\$383,190** for law enforcement step increases for eligible officers from 5% - 10% of base salary.
- **\$2 million** for Ft. Johnson Boat Slip Renovations.
- **\$1.8 million** for Watercraft Registration Conversion – Act 233.
- **\$1.3 million** for State Water Planning

Department of Public Safety

- **\$1.8 million** for agency vehicles. This additional funding will bring the agency within 10% of fully funding a 6-year rotation cycle.
- **\$1 million** for radio rotation.
- **\$711,200** for Master Trooper / Officer Rank. This funding will create a new Master Trooper rank for officers who have reached 10 years of service with DPS.

Attorney General

- **\$1.5 million** for stability funding.
- **\$522,000** for Internet Crimes Against Children Task Force.
- **\$115,000** for Crime Victim Services

Conservation Bank

- **\$1.5 million** recurring and **\$3.4 million** non-recurring for Conservation Bank Trust.

Economic Development

Department of Commerce

- **\$65 million** - Rural School District and Economic Development Closing Fund
 - Funds will be used on, but not limited to, economic development projects, water and sewer infrastructure improvements, and school building infrastructure in counties with high rates of poverty, unemployment, and population decline.
- **\$3.7 million** - Deal Closing Fund - to build on recent successes in recruiting new jobs and industry.
- **\$4 million** - Locate SC - to continue to develop depleted suitable inventory for potential business relocation prospects.
- **\$1.5 million** - Innovation grants - to accelerate growth in emerging industries and high tech/applied research.
- **\$400,000** - Small Business/Existing Industry Services - services to assist small businesses with a portion of funds supporting five of the state's most rural and distressed counties (Bamberg, Allendale, Williamsburg, Lee, Marlboro).

Department of Agriculture

- **\$1 million** for Agribusiness Infrastructure. These funds are for site preparation for agribusiness relocation prospects that are too specialized to qualify for Locate SC funding.
- **\$500,000** for Food Inspection and Consumer Safety.

Economic Development, Continued

Department of Parks, Recreation, and Tourism

- **\$12.5 million** - State Parks Deferred Maintenance.
- **\$1 million** - Tourism Advertising to keep out-of-state dollars flowing into South Carolina.

Forestry Commission

- **\$2 million** – Firefighting Equipment - Provides closed-cab dozers to keep firefighters safe when battling wildfires.

Clemson PSA

- **\$2 million** - Statewide Extension Services, Livestock and Poultry Health/Regulation - frontline services and resources for farmers and the public in every county, and vital health and safety services (pest control, invasive species monitoring, etc.).

SC State PSA

- **\$300,000** - 1890 Program Match - Supports programs essential to community health and wellbeing such as 4H and Youth Outreach.

Arts Commission

- **\$615,000** - Community Arts Development and Education Grants - Arts grants going directly back into counties and local communities.

Rural Infrastructure Authority

- **\$1.5 million** - Loan Fund Match - continue the work of updating rural water and sewer infrastructure.

Transportation and Regulatory

- **Department of Motor Vehicles**

- **\$400,000** for End-to-End Encryption. The Security Compliance Audit (SSA) required DMV to provide end-to-end encryption from field offices to their data center. DMV does not currently have this capability.
- **\$221,000** to process hybrid and alternative surcharges and motor carrier collections responsibilities assigned to the department.
 - Formerly handled by SCDOR with responsibilities transferred to SCDMV in the roads bill.

- **Department of Transportation**

- **\$4 million** for rest area renovations.

- **Workers' Compensation Commission**

- **\$1.8 million** for implementation of the IT Legacy System Modernization which will allow businesses to reduce cost and fees.

- **Department of Consumer Affairs**

- **\$118,000** for an Assistant Consumer Advocate to intervene in insurance rates filing matters and represent consumer interest in state and federal rulemaking processes.

Constitutional

Judicial Department

- **Judicial Salary Increase, \$11.2 million**
 - Increase judicial salaries, making the S.C. Chief Justice's salary equivalent to that of a trial judge in U.S. District Court.
 - Base judicial salaries have not increased since the current tiered system was established in 1996.
 - The salaries of South Carolina justices and judges are significantly lower than those of comparable jurisdictions.
 - SC's Chief Justice serves as both CEO and COO of the Unified Judicial System, with daily, hands-on administrative duties and responsibility for all South Carolina courts.
 - SC's Chief Justice is directly responsible for over 3,500 employees.
- **Case Management System Modernization, \$11 million**
 - Modernize online case management system.
 - Benefits include data security and secured public access to court data, increased exchange of court data to other state/law enforcement agencies and financial relief for counties.
 - This request is for funds needed to complete this \$20 million project. \$7 million previously funded in FY 18/19.

Department of Administration

- **State Owned Building Deferred Maintenance, \$30 million**
 - The Department of Administration owns and maintains 53 state buildings. As indicated in Admin's current Capital Permanent Improvement Plan (CPIP), those buildings have more than \$103 million in deferred maintenance needs.

Constitutional, Continued

Adjutant General

- McEntire Joint National Guard Base - Land Management, **\$2 million**
 - Funding to manage the land adjacent to McEntire Joint National Guard Base which includes an abandoned steel mill which negatively impacts the clear zone at McEntire.
 - The obstructed clear zone was noted as a negative factor in the evaluation of McEntire JNGB for potential future basing of the F-35 Fighter jet as well as for future mission sustainability and viability.
- Armory Revitalizations and Construction, **\$4 million**
 - State matching dollars to construct a new Summerville Readiness Center and to address the continual issues of deferred maintenance at various armories across the state.
 - The deferred maintenance for the armories continues to grow and more than \$60 million is needed in state matching dollars to address the issue.
 - New construction for armories is a 75% Federal/ 25% State match and revitalizations is a 50/50 match.
- SC Post/ Youth Challenge, **\$875,000**
 - Required state share of funding (25% State/75% Federal cost share).
 - The SC Youth Challenge Academy is a community-based, structured program that leads, trains, and mentors at-risk youth (ages 16-18). The SC POST Challenge program is a program that focuses on job training for cadets that graduate the Youth Challenge Academy.

Election Commission

- **\$2 million** to conduct the presidential primaries and counties for expenses including paying poll managers, legal notices, training, security, and other items.

Revenue and Fiscal Affairs Office

- **\$2 million** to update the Statewide Aerial Imagery Project in order to aid with disaster response and recovery, elimination of redundant GIS mapping efforts of government agencies, and ultimately, cost savings.