

Senator McConnell prepared the following informational papers to provide an overview and background for each issue under consideration by the Fiscally Fit subcommittee. Senate Judiciary Committee staff assisted in providing research and preparation of these papers; however, these informational papers reflect the opinions of Senator McConnell and not necessarily the opinions of all members of the Fiscally Fit subcommittee, the Senate Judiciary Committee, or the South Carolina Senate.

LET'S MAKE SOUTH CAROLINA "FISCALLY FIT"

By Senator Glenn McConnell

Spending Caps

For too many years, our state budgeting process has encouraged spending as much money as possible in good years for a variety of government programs, all while taking money away from taxpayer pockets. Runaway spending inevitably followed and programs were added and expanded because the mantra was if it could be spent it must be spent. In leaner times, that meant that both optional and essential programs had to be cut. While roller coasters are fun to ride at the Fair, they have no place in our State's finances. Our General Fund has increased from \$5.1 billion last year to nearly \$5.5 billion in fiscal year 2011-2012. This additional money should either be returned to the taxpayer, saved for a rainy day, or be used to pay off liabilities instead of spending it simply because it is available.

Senator McConnell saw that if you cannot control an unquenchable appetite through self control then perhaps the only method left is to staple the stomach. He introduced Senate bill 3 to ensure that South Carolina's financial future is not one of ups and downs, but instead one of predictability and orderliness in the growth of South Carolina. Under the bill, in any given year, the amount available for State

spending would be the previous year's appropriation, with increases limited to the ten-year average in revenue growth. Any revenue increase about that amount would be put into a revenue stabilization account to be available to fund the budget in the years when there is a downturn in revenue. The result would be an orderly budget process. In good economic times, we would not hire excessively; therefore, we would avoid the need to fire excessively in bad times. In other words, over a ten-year period, government would not grow any bigger than it needs to be or any faster than the people's ability to pay for it.

If a statutory spending limit is ignored, then it is suspended for a year. As a result, a statutory cap is meaningless if it can simply be ignored in the bill for which the cap is needed. As the House consistently extols the fact that it has passed spending caps each year for a number of years, they fail to tell the public that it is a statutory cap that can be ignored in the budget. All the General Assembly would have to do is exceed the spending limit and suspend the limit for that budget year. In fact, the language is already placed in the budget each year to achieve that result. At the end of the budget the following language is included, "All acts or parts of acts inconsistent with any of the provisions of Parts IA or IB of this act are suspended for Fiscal Year 2011-2012." Therefore, if a spending cap in the law is inconsistent with anything in the budget it is suspended for the fiscal

year for which the budget applies. The Governor signed that provision into law in June.

Knowing that a statutory cap isn't worth the paper it is written on because of the Supreme Court's opinion and the example of Carnell-Felder, S. 3 was drafted in the form of a constitutional amendment that will be binding on the legislature. It will need the support of two-thirds of the members of each house and the support of the public at the ballot box to become part of our Constitution and binding on budget writers. Hopefully, members of the House and Senate will agree to let the people's voice be heard on this important issue at the ballot box and not block it because a legislator thinks they know better than you what is best.

Instead of allowing the legislature to create more problems for the state by spending unwisely, this measure will place limits on the expansion of our government and signal a new age of fiscal responsibility. If we want a limited government in our state that lives within its means, then we cannot continue to spend more than we have, and we cannot trust that budget writers in Columbia will abide by a cap that they can bypass simply by ignoring it.