

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

Trust Fund Protection Act

State budget writers in Columbia are faced with the task of creating and balancing a budget that will fund the needs of our State. Unfortunately, this sometimes means using bad budget practices so that certain programs that otherwise could not be afforded in difficult times can continue, one of the most egregious of which is the too often used method of raiding Trust Funds in attempt to balance the budget.

Trust Funds are held in trust for a specific public purpose. Since these funds were created and funded for a particular purpose, it seems obvious that they should only be used for the specific purpose for which they created. Unfortunately, in the rush to spend sometimes the first money spent is common sense. Trust funds should not be raided to balance the budget or supplement a government budget either in Washington or in South Carolina. Those funds should be protected so that when the time comes the money is there to fund the programs or provide the insurance for the contingency for which the trust funds were created. Instead

sometimes all that is left in these trust funds after a budget is passed is numerous IOU's promising to refill the trust fund later.

In 2010, \$13.2 million was taken from the Rural Infrastructure Bank account by the Budget and Control Board (B&CB) after the Governor's veto of \$24 million of their operating fund was sustained by the House of Representatives. A lawsuit was brought, and the court ended this one raid. Three years ago, the State budget was balanced by raiding a trust account managed by the B&CB. Similar stories abound in other states throughout the country in states like Florida, Washington and Minnesota. Even though this budgetary practice is not confined to South Carolina, it is nonetheless unacceptable. South Carolina needs to be the exception to the rule instead of a part of the status quo.

Senator McConnell introduced Senate bill 12 to protect trust funds. This joint resolution would add a section to the State Constitution that would allow the General Assembly to designate funds in the State Treasury as trust funds. Trust fund monies could not be used by the General Assembly for a different purpose except by separate legislation, which would require a two-thirds majority vote in each house. This constitutional amendment would require both the approval of the two-thirds of the legislature and by the people of South Carolina at the polls for this to become the law of our state.

Trust funds need to be protected from the sticky fingers of the executive and legislative branches of government. They should not be used as the State's piggy bank or slush fund when they need money. If we want a limited government in scope and size, we need a government that spends only what it has and does not grow beyond what it can afford by raiding trust funds to fill budget gaps.