

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 and Fiscal Reform

When a family is faced with shortfalls in the family budget, parents do not cut movie expenses the same as they do their utility budget. Families are forced to prioritize their spending so as to ensure that necessities are paid for before extras. However, government has undertaken an approach in difficult times to primarily deal with cuts in an across-the-board fashion. It does not make sense for a family to treat grocery and cable television expenses alike, and it does not make sense for a government to treat needs and wants the same.

The fact is all government programs are not alike. Some are more important than others in the way that they impact the daily lives of South Carolinians. Some are core functions of government that the constitution mandates that the state provide. These services should not be treated the same when decisions must be made in how to cut funding based on if resources are limited. However, this is exactly what our current budgeting practices do. There is no direction in our budgeting to fund completely our core functions of government before funding extra programs and services.

Senator McConnell introduced senate bill 10 to address streamlining and oversight. It creates a Streamlining Commission and Council of Efficient Government charged with the task of looking at every aspect of our state budget in order to prioritize spending. When cuts have to be made, the work of this group will help ensure that this is done in a more logical and effective manner than across the board. It will also look at budgetary programs across state government to determine where there is waste, where efficiencies can be found, and where government can turn over some of its duties to the private sector. It will also be tasked with identifying the core functions of our government as required by the South Carolina Constitution and ensuring that they are funded adequately before funding any other discretionary programs. The Commission must also determine if there is a more cost-efficient private sector alternative to the government providing the service. The Commission will hopefully put us on the path of creating a zero-based budgeting practice in the future. This will require each agency to start from scratch when seeking state funding instead of only justifying its new requests for spending on new and existing programs.

In 2009, the Louisiana legislature passed a nearly identical act. The Commission broke their agencies into groups by subject matter and created advisory committees to do an in-depth investigation of the agencies. The advisory committees made detailed reports [to](#) the Commission of its findings. The

Commission also held public hearings to find out what concerns the public had about the way government was working. The result of this effort was that the Commission was able to successfully examine each agency's constitutional and statutory activities, function, programs, services, powers, duties and responsibilities to determine which of these can be eliminated, streamlined, consolidated, privatized or outsourced to reduce the size and costs of state government. The Commission was able to make 238 recommendations that would generate approximately \$600 million in savings. As of January 2011, 167 of these recommendations have been completed or implemented. Many of the remaining recommendations were under consideration by the Louisiana legislature.

The budget situation in South Carolina is dire, but Louisiana's example shows us that within the severe economic crisis there lies a silver lining: we have the opportunity to take a holistic approach to state funding priorities and how the appropriated dollars are spent. Hopefully, the economic situation we have endured is a once in a generation one. However, it also gives us a once in a generation opportunity to move to a zero-based budgeting practice in South Carolina where dollars are budgeted based on what is needed and what results were obtained and not only on what an agency received last year. Like the families in our State, the government in this state must start using wise budgetary practices on a daily basis. If we want to limit the size and scope of government, then reducing spending to

only what is needed and can be afforded is the most important step to take. This is our opportunity to take that step.