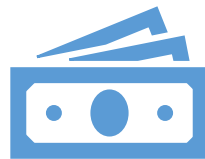


FY 24-25 Budget Briefing

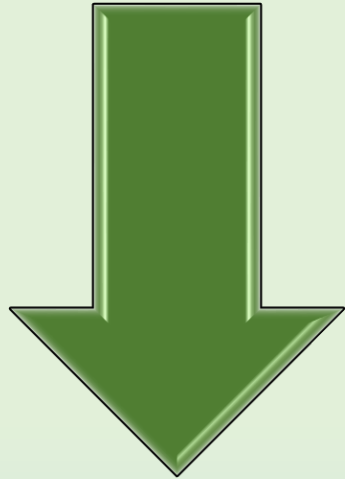
SC House Ways and Means Committee

General Appropriations Bill (H. 5100)

Capital Reserve Fund (H. 5101)

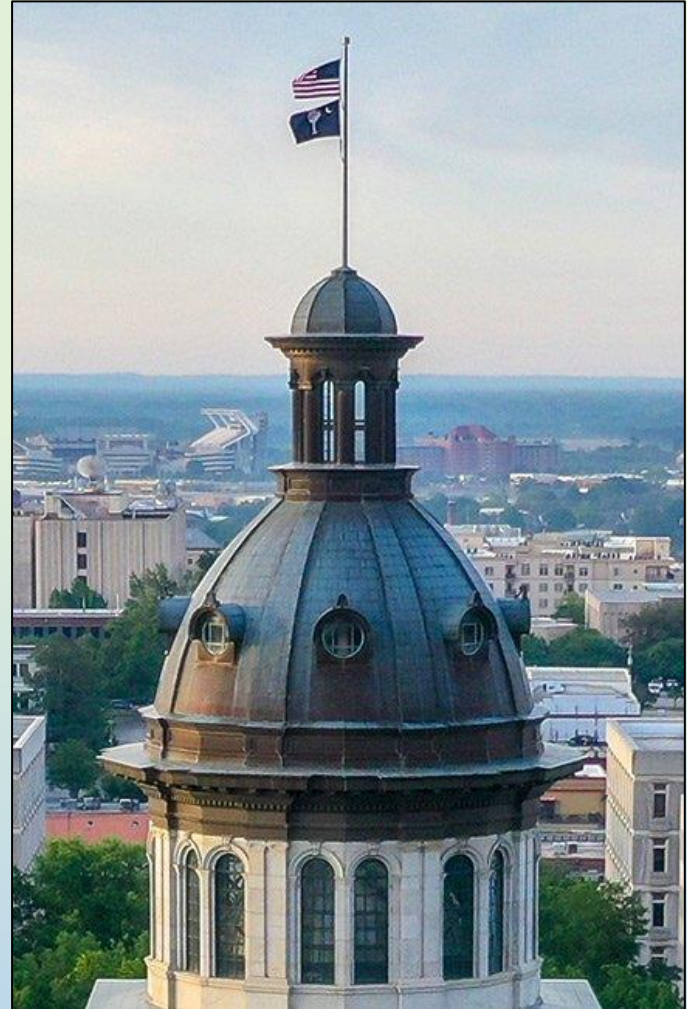
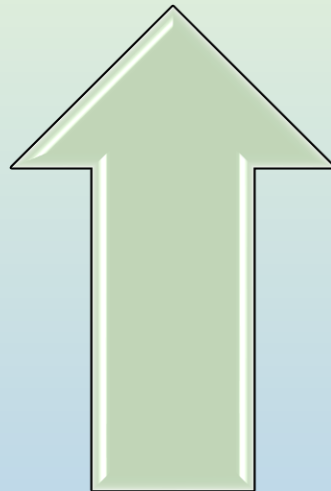


A State with its Fiscal House in Order



Taxes
Debt
Unemployment

Reserves
Economy
Population





South Carolina's population and economy are booming



By [Tami Luhby](#) and [Alicia Wallace](#), CNN

🕒 8 minute read · Published 9:00 AM EST, Sat February 24, 2024

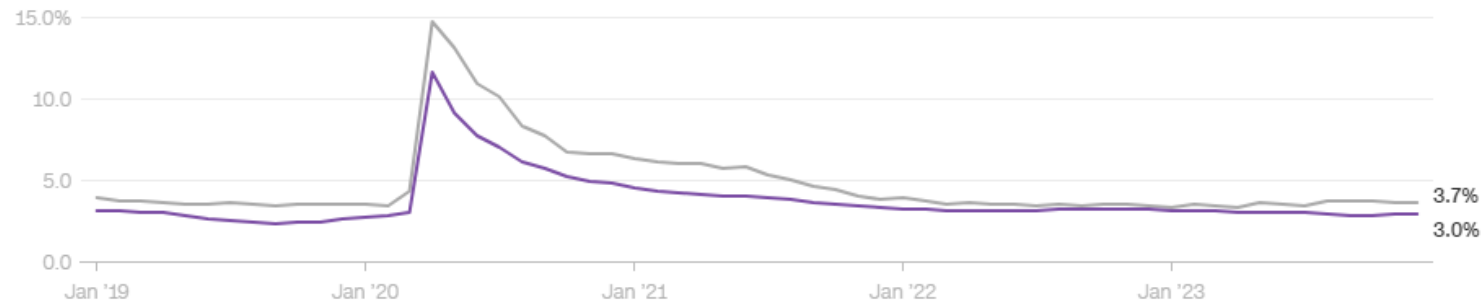
From 2022 to 2023, SC had the 5th largest population increase in the US in total numbers (90,600) and the highest percent growth (1.7%) in the nation.

South Carolina's jobless rate remains below the US

The unemployment rate in South Carolina has remained considerably below other states and the US as a whole.

Unemployment rate, %

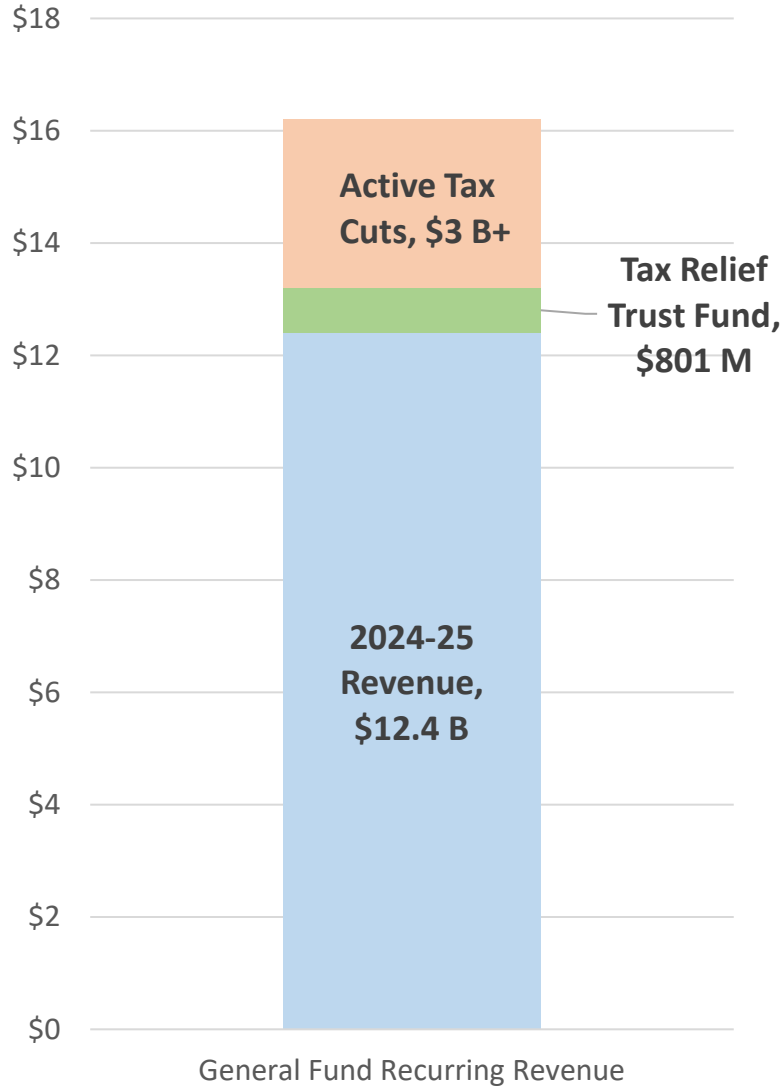
— South Carolina — United States



Note: The monthly jobless rates are seasonally adjusted. December 2023 values are preliminary.

Source: Bureau of Labor Statistics

Lowering Taxes



The Ways & Means Budget

\$624 million in new tax relief

- **\$500m** in new property tax credit for owner-occupied homes.
 - *Average credit: \$359*
- **\$100m** more for Year 3 of the individual income tax, taking the total relief to \$800m.

\$1.4 Billion+
in total direct tax relief

Ongoing Tax Relief

- In the last 30 years, the General Assembly has passed over \$50 billion in tax cuts.
- This includes individual income tax cuts, small business tax cuts, corporate income tax cuts, food tax elimination, and property tax relief.

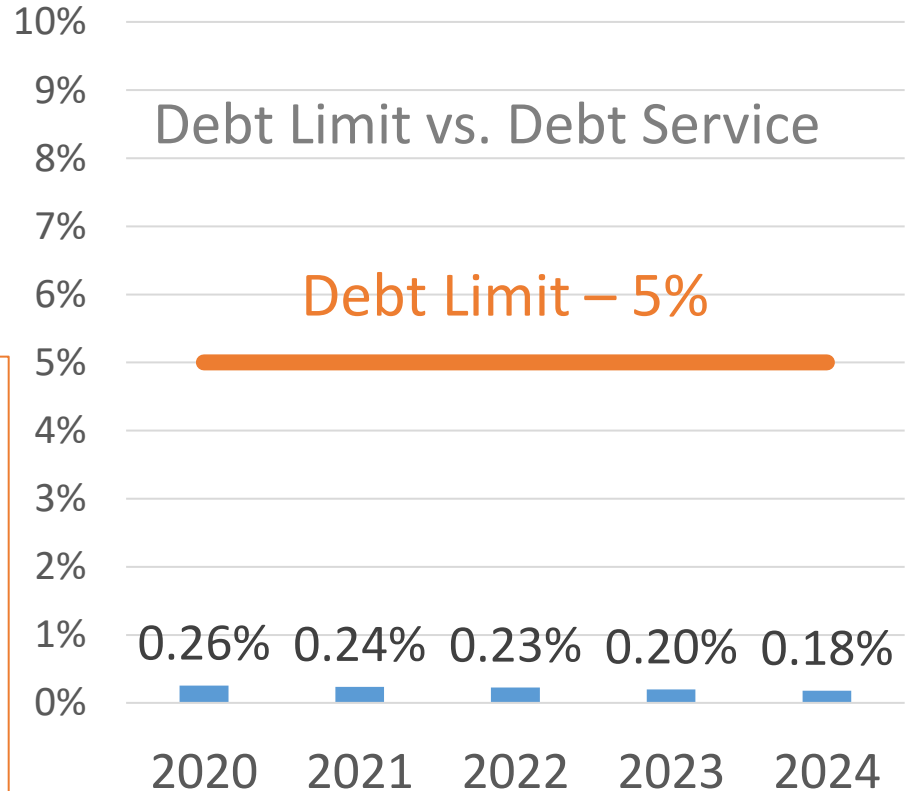
Lowering Debt

Rating Agency	Rating	Outlook
Fitch Ratings	AAA	Stable
Moody's Investors Service	Aaa	Stable
S&P Global Ratings	AA+	Stable

Common themes from the rating agency reports include the following:

- Conservative financial management practices
- Low tax-supported debt burden
- Substantial reserves
- Revenue growth
- Balanced operations
- Diligent financial monitoring
- Notable unfunded pension liabilities (expected to improve with newly required annual contributions under 2017 legislation)
- Growing unfunded post-employment benefit ("OPEB") obligations

Source: 2023 Treasurer's Office Annual State Debt Report

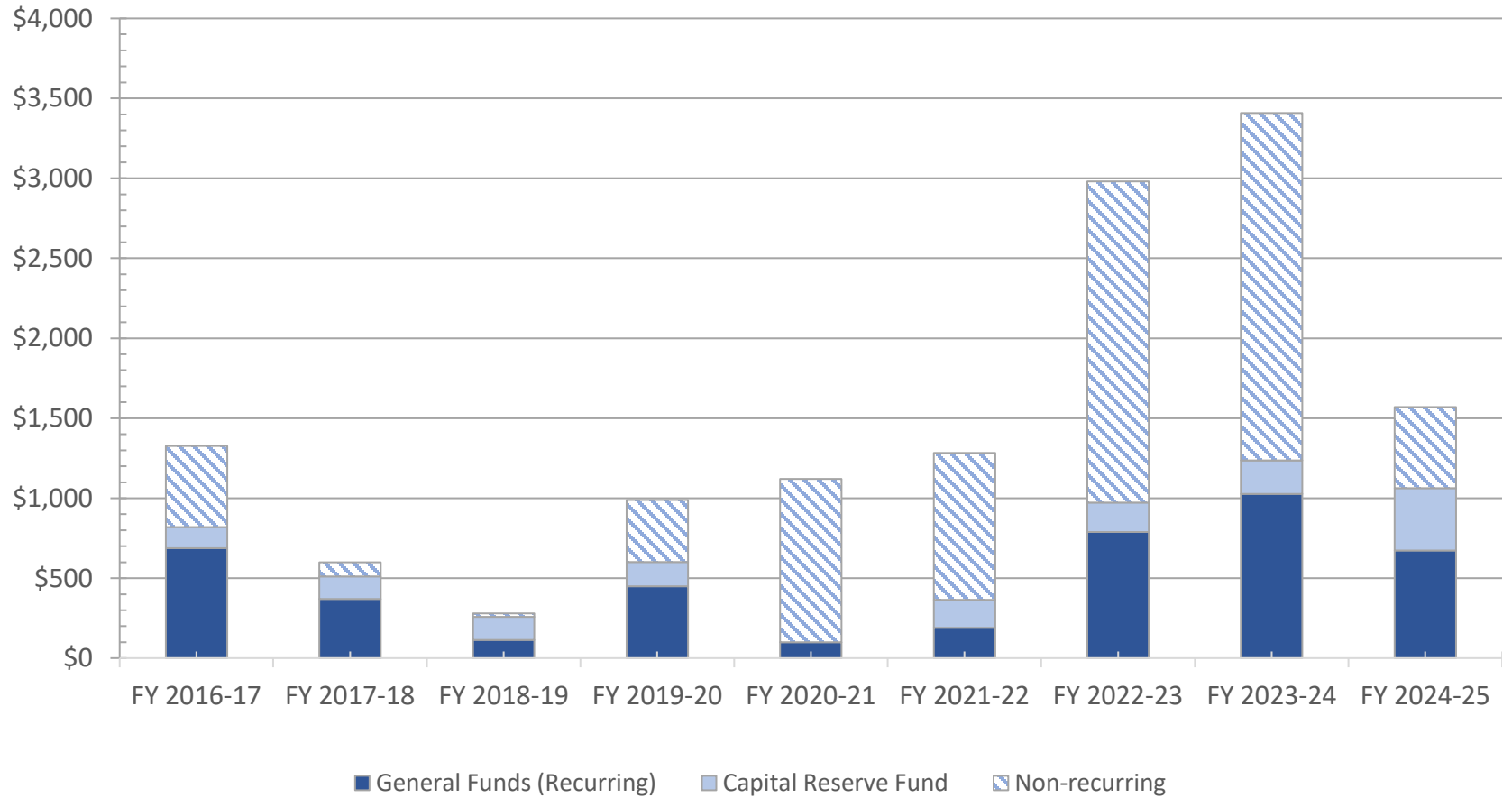


*"The State of South Carolina's **conservative governance and financial management** have earned the State strong credit ratings which translates to low interest rates on the state's general obligation borrowings."*

“New” Revenue by Fiscal Year by Type

FY 23 & FY 24 were exceptions

AVAILABLE "NEW" FUNDS BY BUDGET YEAR



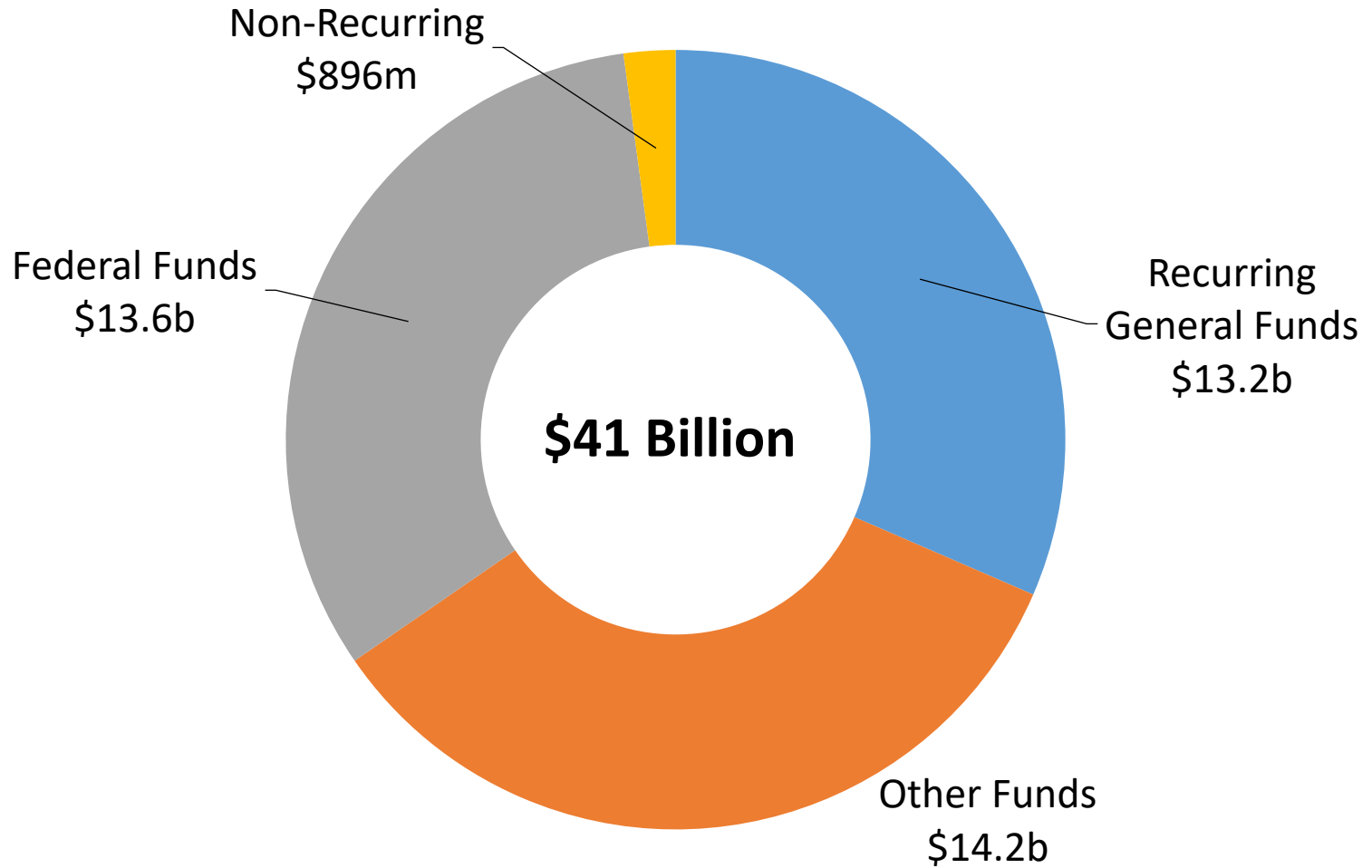
BEA General Fund Revenue Forecast

RECURRING	
GF Revenue Estimate	\$13.2 billion
FY 2023-24 Appropriations	(\$11.6 billion)
Tax Relief Trust Fund	(\$800.8 million)
Projected Recurring Revenue	\$776.9 million

NON-RECURRING	(in millions)
Projected FY 2022-23 Surplus	\$453.1
FY 23-24 Capital Reserve Fund	\$390.1
Contingency Reserve Fund	\$57.9
Projected Non-Recurring Revenue	\$896.1 million

- The total general fund budget is \$700 million lower than last year.
- The lottery is down \$48 million from than last year.
- Total Requests: Recurring, \$1.7 billion; Non-Recurring, \$3 billion
- A third of the new money was already committed to obligations such as reserves, tax relief, school choice, and veterans nursing homes.

FY 2024-25 Budget – Total Funds



“New” Revenue (Obligations) (Priorities)

= A lean budget
year

Recurring	
Revenue Forecast	\$776.9 million
Income Tax Rate Cut	(99,800,000)
S. 298 Corporate Income Tax	(15,000,000)
	662,100,000
<u>Obligations</u>	
State Health Plan	(107,500,000)
Local Government Fund	(13,900,000)
Veterans' Nursing Homes	(26,300,000)
DHEC Split Fiscal Impact	(14,000,000)
Healthcare Campus Relocation	(15,500,000)
Education Scholarship Trust Fund	(30,000,000)
Medicaid Maintenance of Effort	(103,000,000)
Remainder for Agency Operations	351,900,000

Non-Recurring	
Revenue Forecast	\$896.1 million
Income Tax Rate Cut	(5,000,000)
General Reserve Fund	(24,000,000)
	867,100,000
<u>Obligations</u>	
Veterans' Nursing Homes	(49,100,000)
DHEC Split Fiscal Impact	(22,000,000)
Healthcare Campus Relocation	(14,500,000)
Remainder for Agency Operations	781,500,000

Major Budget Priorities



Reducing Taxes



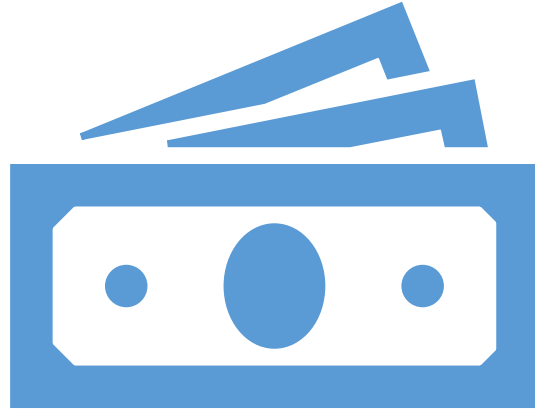
Taking Care of our Veterans



Repairing our Aging Bridges



Teacher Recruitment and Retention



Budget Subcommittee Recommendations

Public Education Subcommittee

Taking Care of Teachers
School Safety





Teacher Pay

Taking Care of Teachers

- **Raised Starting Salary to \$47,000**, an increase of **\$4,500**. Ten years ago, starting pay was \$27,911.
- **5-year extension of steps to 28 years**
- **Keeps the 5 existing "lanes"**
- **Salary increase for all cells.** Every step in the Ways and Means proposal is increased. However, pay increases for each step vary, with higher raises going to those with fewer years of experience.

Why this Approach?

The W&M-proposed Salary Schedule targets raises towards the critical recruitment and retention areas while also rewarding our more experienced teachers by extending the schedule to current retirement eligibility.

- **Vacancies Increasing:** The number of reported vacant teaching positions has increased from 556 in 2019/20 to 1,613 in 2023/24.
- **Fewer In-State Education Majors:** From 2013 to 2023 the total number of education majors at our in-state institutions has decreased by about 20%.
- **Increased Demand for Teachers:** Due to population growth, the number of public school teaching positions has increased by 12.7% from 49,912 to 56,272 (2013-2023).
- **Turnover Worst in Early Years:** Nearly 70% of teacher departures last school year were from teachers within their first 10 years.

**data provided from the [2023-2024 CERRA South Carolina Annual Education Supply & Demand Report](#).*



2024-25 Total K-12 Per-Pupil Funding Totals (Projection)

Funding Source	FY 24/25 Per-Pupil Spending	Increase over FY 23/24
State	\$8,636	+\$422
Federal	\$1,245	-\$65
Local	\$8,145	+\$114
Total Average Funding	\$18,026	+\$471

Making Our Schools **Safe** for Learning

School Facilities Upgrades

- **\$20 million** from the Capital Funding for Schools appropriation earmarked towards school safety upgrades in schools of need. Funds can be used to update classroom door locks, secure school entry points, and for bulletproof glass or bulletproof film for windows.

School Mapping

- **\$5 million** school mapping will be used as a safety tool in mapping out every school to better assist First Responders responding to incidents.



Investing in Buses and our Future



\$35 million in Lottery funds for leasing and purchasing of school buses.



\$24 million to cover increased expenses for SCDE and First Steps Full Day 4K.

Addressing Learning Needs

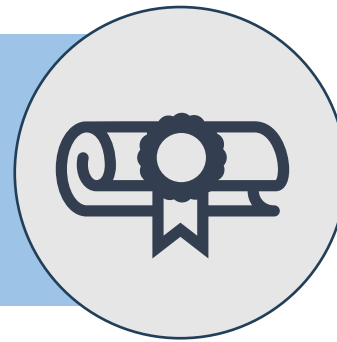
- **\$40 million** in lottery funding for high quality instructional materials.
- **\$10 million** recurring in EIA funds for Palmetto Math Project to improve teaching and learning of mathematics.



HIGHER EDUCATION SUBCOMMITTEE



Helping with Tuition



- \$60.7m to **freeze** in-state tuition at public colleges and universities for the 6th year in a row.
- \$336m for LIFE, HOPE, Palmetto Fellows, and Tuition Assistance.
- \$80m in Need-Based Grants
- \$20m in Tuition Grants
- \$6.2m for the National Guard Repayment Program



South Carolina Technical College System



\$95 million for SC WINS (Workforce Industry Needs Scholarships)



\$41.5 million in nonrecurring dollars for Individual Technical College Initiatives



\$30 million for High Demand Job Skill Training Equipment



\$5 million to readySC (Economic Development Training)

CHE Scholarship Surplus



\$75 million to the Department of Education for Instructional Materials and School Buses



\$30 million to the Tech Schools for High Demand Job Skill Training equipment.



\$30 million to DHHS for graduate medical education programs to help address shortages in the healthcare workforce.



\$9 million to CHE for the Higher Education Excellence Enhancement Program (HEEEP).



\$8 million to Clemson for Experiential Learning and to the USC System for Internships.

Study of Higher Education

- The W&M Budget also includes a **\$3 million** appropriation directing a systemic review of our state's 33 public institutions of higher education.
- This study will address the sustainability, accessibility, and affordability, as well as provide an assessment of the need for consolidation of existing physical space, programs, certificates, and degrees offered at our public colleges and universities, as compared to the projected workforce needs of our state in the future.





Healthcare Subcommittee



**\$105
Million**

Maintenance of Effort

- Increases in Medicare premiums
- Costs to maintain current service and reimbursement levels
- Nursing homes
- Single Preferred Drug List –
Nationally-recognized best practice

Provider Rate Increases – Behavioral Health

- Psychiatric in-patient
- Treatment of autism spectrum disorder
- Crisis stabilization services

Provider Rate Increases – Medical Care

- Home and community-based services
- Speech, occupational, and physical therapy
- Anti-obesity drug coverage & nutritional counseling
- Dental rates
- Screening and preventative services
- Cochlear implants



\$23 Million

- Restructuring and IT



\$23 Million

- Restructuring, IT & retaining critical technical staff



\$29 Million

ONE Healthcare Campus

**Accountability, Efficiency, &
Outcomes**



South Carolina 3440
Department of
Disabilities and
Special Needs



Criminal Justice Subcommittee



Law Enforcement Pay Success

Salary increases for law enforcement and correctional officers in the budget have proven successful for recruitment and retention efforts.

The committee proposes \$2.6 million towards LEO career path step increases.

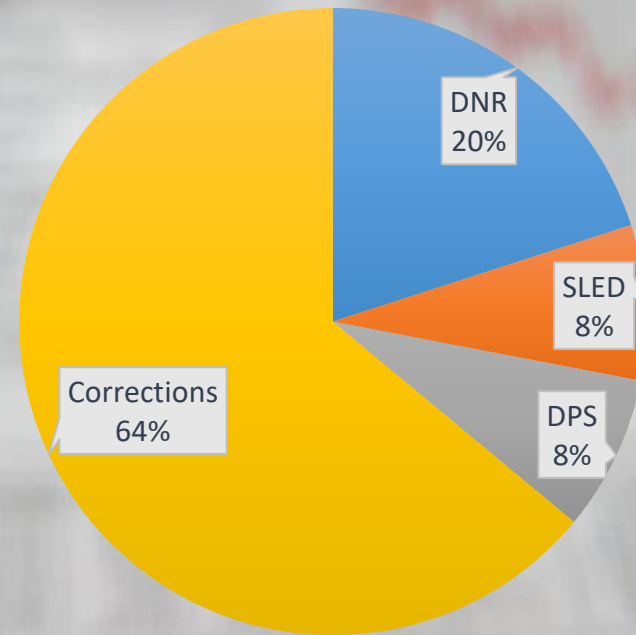
“I just want to tell y’all thank you for what you’ve done for all of state law enforcement, not just SLED, but all of state law enforcement over the past couple of years. What you have done with regards to pay for state law enforcement has been transformative without any question.”

- Chief Keel, SLED

Funded

Targeting Inflation:

Due to increases in goods and services, the committee is allocating \$12.4 million to agencies to cover increases in expenditures.



INFLATION



SOLICITORS

**“We’re going to fix this backlog,
and we’re never going to let it
bad again once we get there.”
- Attorney General Wilson**

**Statewide Violent Crimes
Prosecution Support Task Force**

**\$1.575 million for two
trial teams to tackle the
violent backlog with the
Solicitor’s Officers.**

Department of Juvenile Justice

\$6.8 million

- Lease and privately operate a new detention center.

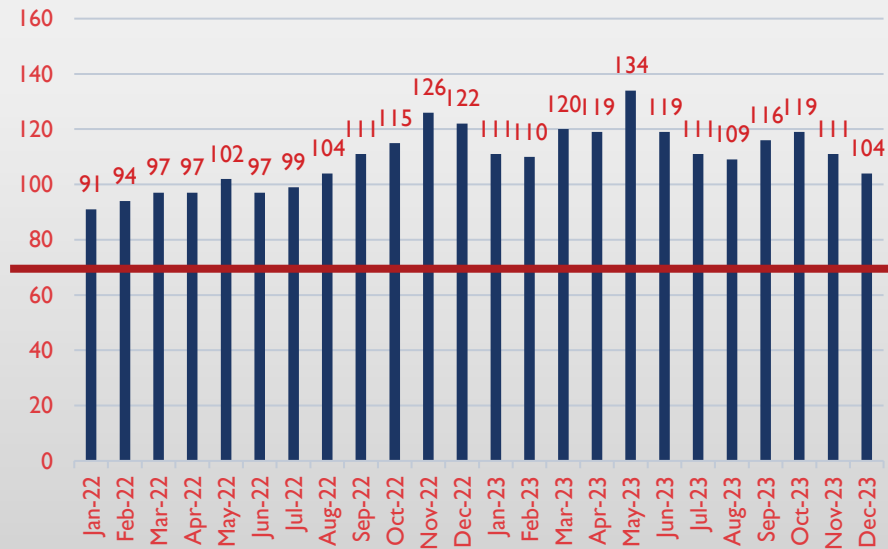
47 beds

- A new facility will alleviate overcrowding at the Columbia Juvenile Detention Center.

\$2.5 million

- For consulting and to develop a comprehensive operational master plan for the department.

Juvenile Detention Center Average Monthly Population



Capacity - 72



\$13 Million for Conservation Grants at the Conservation Bank.

Award competitive grants to qualified governmental and non-profit entities to purchase interests in land for conservation purposes. These funds will support large conservation transactions anticipated to materialize while also attracting federal dollars to South Carolina.

Economic Development Subcommittee



Spearheading Energy Initiatives
Recruiting & Retaining Businesses
Promoting Tourism & Cultural Assets
Preparing for and Protecting Against Disasters

Spearheading Energy Initiatives



Headed by the Department of Commerce, ***“SC Nexus for Advanced Resilient Energy”*** has been awarded the highly competitive designation as a Regional Technology and Innovation Hub by the U.S. Economic Development Administration.

- **We are 1 of 31 consortia** with the award out of 400+ applications
- SC Nexus will focus on improving our energy generation, distribution, and gridscale storage by working with our booming research and manufacturing industries **to power our communities and businesses**
- There are more than 35 private and public partners in SC Nexus
 - 7 core members: Savannah River National Laboratory, SC Council on Competitiveness, Clemson, SC State University, SC Technical College System, and the University of South Carolina
- Funds will be used to operate the division and largely as matching dollars for competitive implementation funding to be given as grants
- With initial efforts focused in the Midlands and Upstate regions, 60% of the state’s distressed counties will be served
- Goal: 40% of jobs created to come from rural or distressed communities

SC is already receiving **national and international attention** as an emerging leader for energy investment and development.

Recruiting & Retaining Businesses

Department of Commerce

- **\$10 million** to the Closing Fund to provide flexible funding for economic development projects
- In 2023:
 - **\$9.22 billion** capital investment
 - Domestic-based companies dominated capital investments
 - **14,000+ jobs** announced
 - Over **1/3** of investments in **rural counties**
 - **18% increase in export sales** over 2022 despite a national trend in export decreases
 - **8th consecutive year** as the **national leader in tire exports**, representing 34.3% of the total U.S. market share

State Ports Authority

Our world-class port attracts companies to come, stay, and invest

- **\$55 million** for port expansion
 - 5,000+ feet of berth
 - 600 acres
 - 5 million TEUs of capacity
- **\$86.7 billion** annual economic impact
- **\$1.5 billion** annual SC tax revenue
- Supports **1 in 9 jobs** across SC
- The Navy Base Intermodal Facility is set to be operational in 2025, allowing for swift movement of imports and exports between inland markets and the Port of Charleston

Preparing For and Protecting Against Disasters

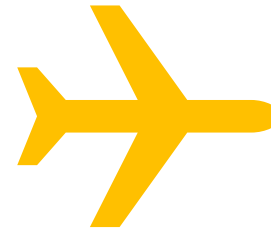
Weather events can cost lives and tens to hundreds of millions of dollars to the state.

- **\$38.1 million** to the Office of Resilience to prepare for and lessen the impacts of disasters on South Carolina communities and citizens
 - Watershed coordination to address local needs
 - Analytics advancements
 - Resilience equipment
 - Infrastructure program mitigation projects

These dollars further last year's \$200 million commitment to protect and prepare the Palmetto State for disasters.



Promoting Tourism & Cultural Assets



Department of Parks, Recreation and Tourism

\$18.8 million to advertise and promote South Carolina's diverse variety of locations and sporting events through Destination Specific grants, Statewide Marketing, Sports Marketing, Regional Promotions, and Undiscovered SC grants

- Small and large communities alike receive grants
- With sports marketing, golf generates more income for South Carolina than any other entertainment or recreation activity

\$12 million to develop agency properties for use within the state park system

- Record-breaking cabin and campground revenues for the past five consecutive years indicate continued demand for state park access and amenities
- New properties increase access to state parks in communities across the state

Airport System

- **\$29 million** to improve service quality and capacity in Charleston, Myrtle Beach, and Greenville-Spartanburg International Airports
 - Investment in critical infrastructure for both tourism and commerce
 - Bolstering last year's \$21.5 million investment in the airport system

Arts Commission

- **\$2.6 million** to increase reach of arts programming to all communities via the establishment of six hubs across the state

Archives and History

- **\$2 million** to support the celebration of the 250th anniversary of the American Revolution and related heritage tourism



Transportation & Regulatory Subcommittee

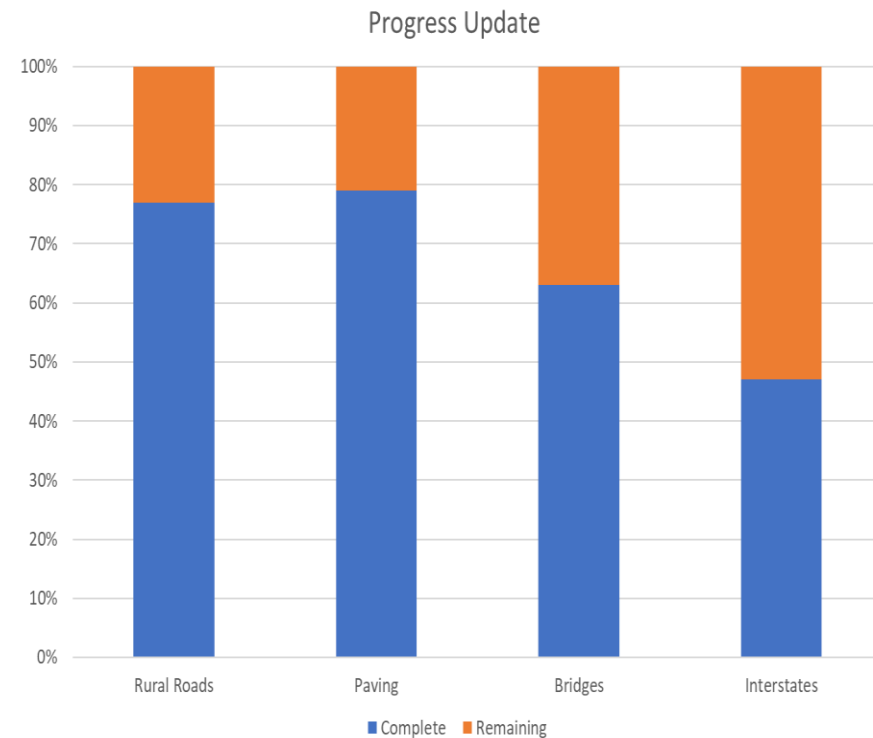
Investment in Bridges

Continued funding for a new SCDMV IT System

6 Years of Unprecedented Investment in our Roads

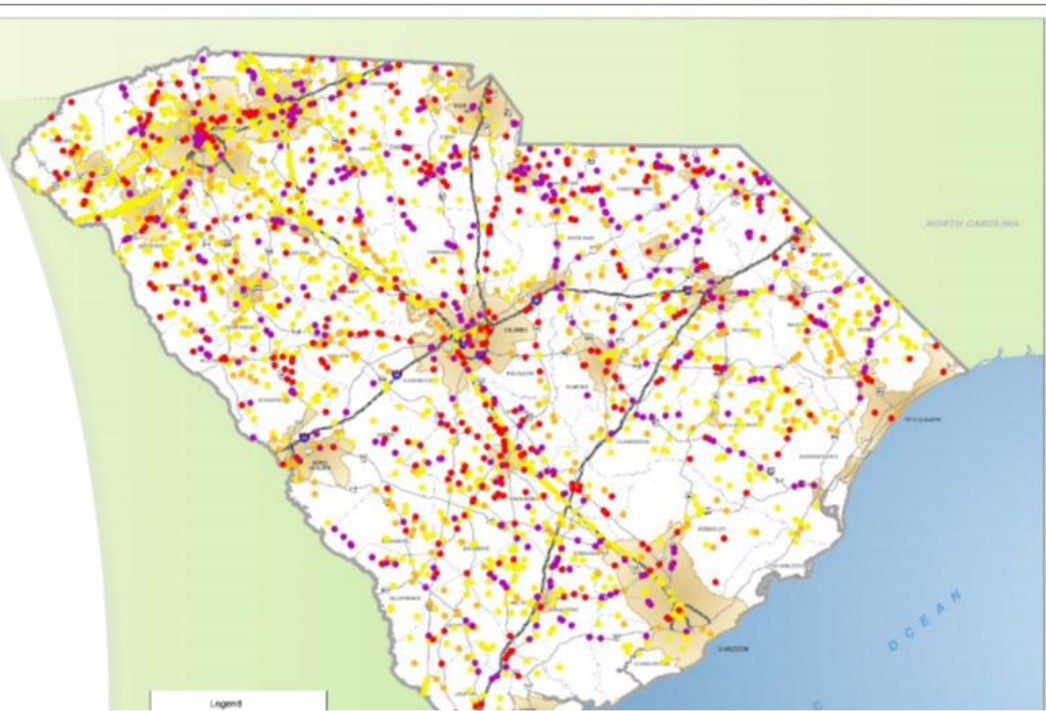
After the 2017 Roads Bill, DOT implemented a 10-Year Plan to target funding into four main areas:

- 1. Rural Road Safety** – Goal of 1,250 miles
 - The 965 miles of completed projects have seen a 24% reduction in Fatal and Serious Injury crashes
- 2. Paving** – Goal of doubling the number of pavements ratings as "good"
 - DOT has paved over 7,700 miles and paving projects are being completed in every county of the state.
- 3. Bridges** – Goal of replacing 500 structurally deficient bridges
 - The Department has 314 bridges completed or under contract.
- 4. Interstates** – Goal of addressing 215 miles
 - On target with 101 miles completed or advanced to construction. Work is underway on almost every interstate in South Carolina.



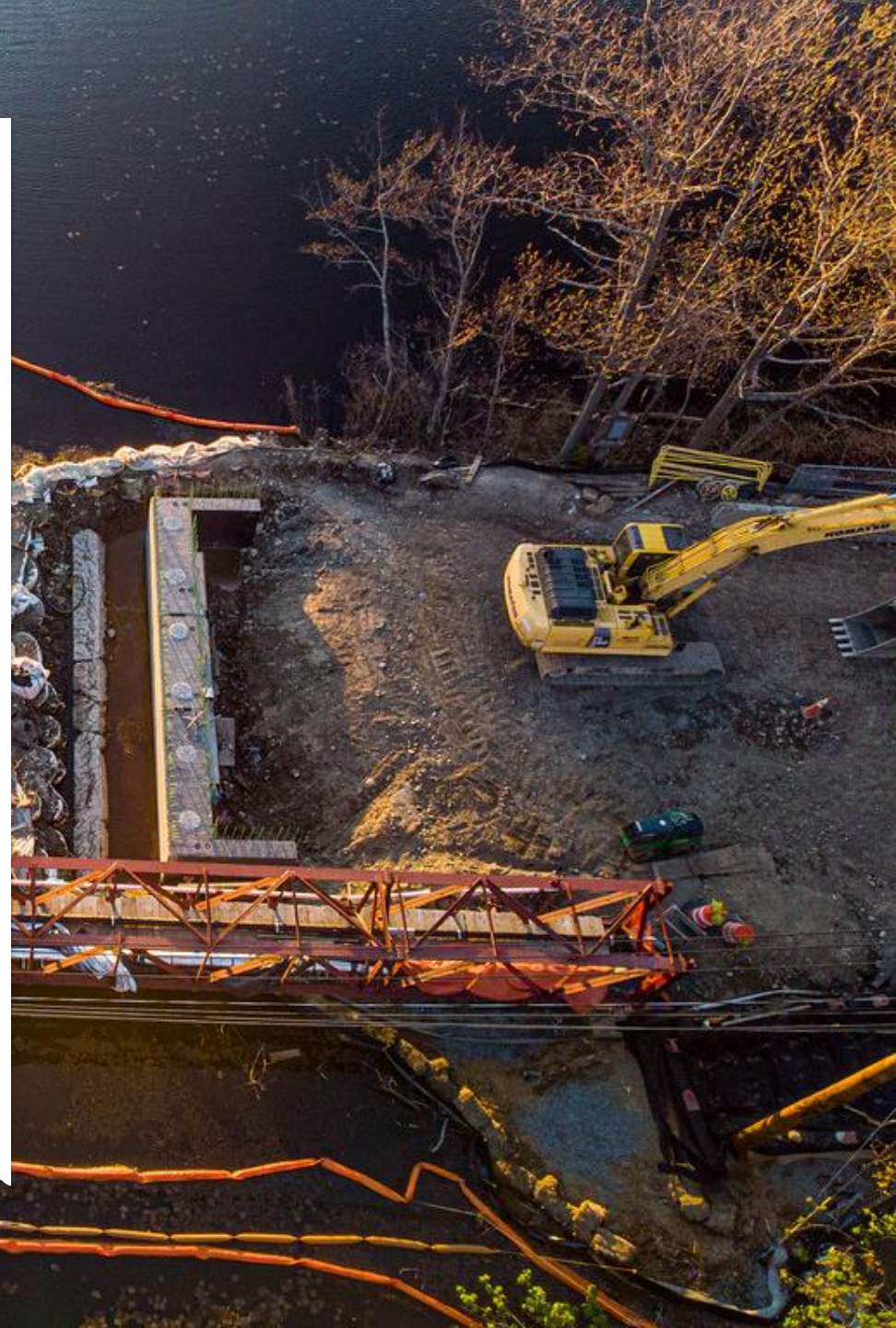
Aging Bridges Across the State

- Each dot on the map represents a bridge at least 60 years old.
 - Yellow: 60-70 years
 - Orange: 70-80 years
 - Red: 80-90 years
 - Purple: 90+ years
- Bridges in the state are built with a 60 to 75-year life.
- **\$100 million** will go towards Interstate/Primary Network and **\$100 million** towards Secondary Network.



Bridge Modernization Efforts

- **\$200 million** to improve bridges on the Interstate/Primary Network and Secondary Network.
 - 528 million tons of freight move across the state annually.
 - South Carolina's highway system interconnects ports with major cities and commercial hubs.
 - Our bridges are the lifeline of the state's ports, business, and tourism industry, as well as citizens' daily activity.
- These funds will take a corridor specific approach to target the bridge needs in each high priority corridor to ensure long-term mobility and free movement of freight.



SCDMV IT System Modernization

- The current system, Phoenix, went live in 2002 and has endured over 11,000 modifications.
 - The DMV estimates Phoenix will be untenable within the next four to five years.
- **\$5 million** of continued funding for a new, modernized system which will allow the Department to streamline services and create a better customer experience.

Benefits of the new system:

Mobile DMV
App

Mobile Driver's
License

Electronic
Vehicle Titling
and Registration

DMV Kiosks at
Retail Locations

Automation of
DMV Processes

Easy to Use
System

Paperless
Processing

Constitutional
Subcommittee &
Statewide Items

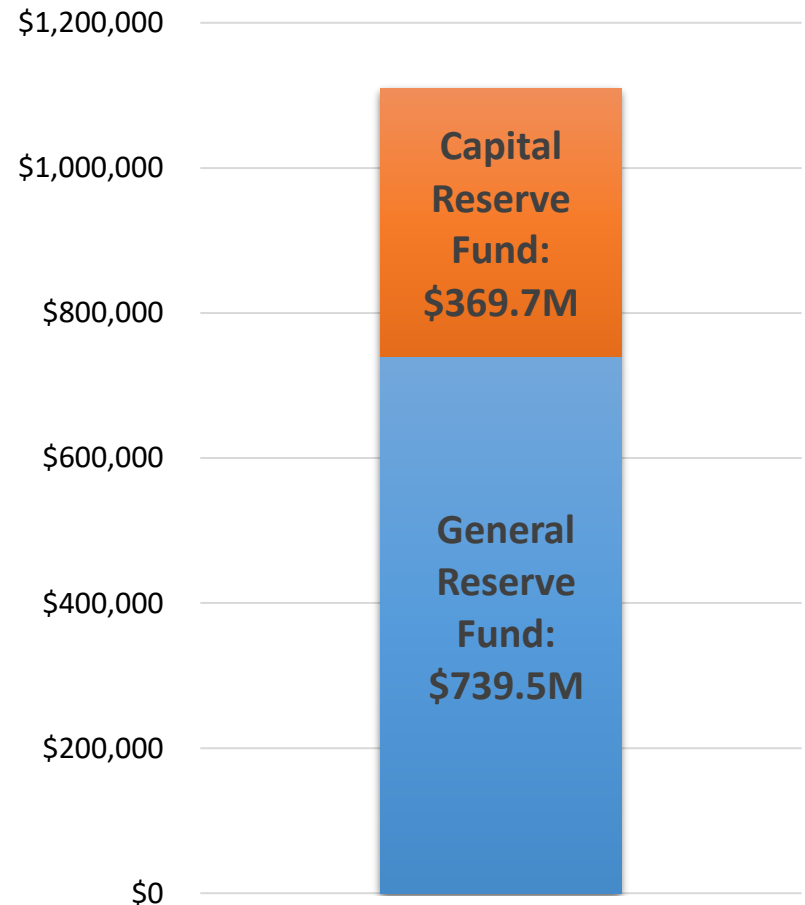


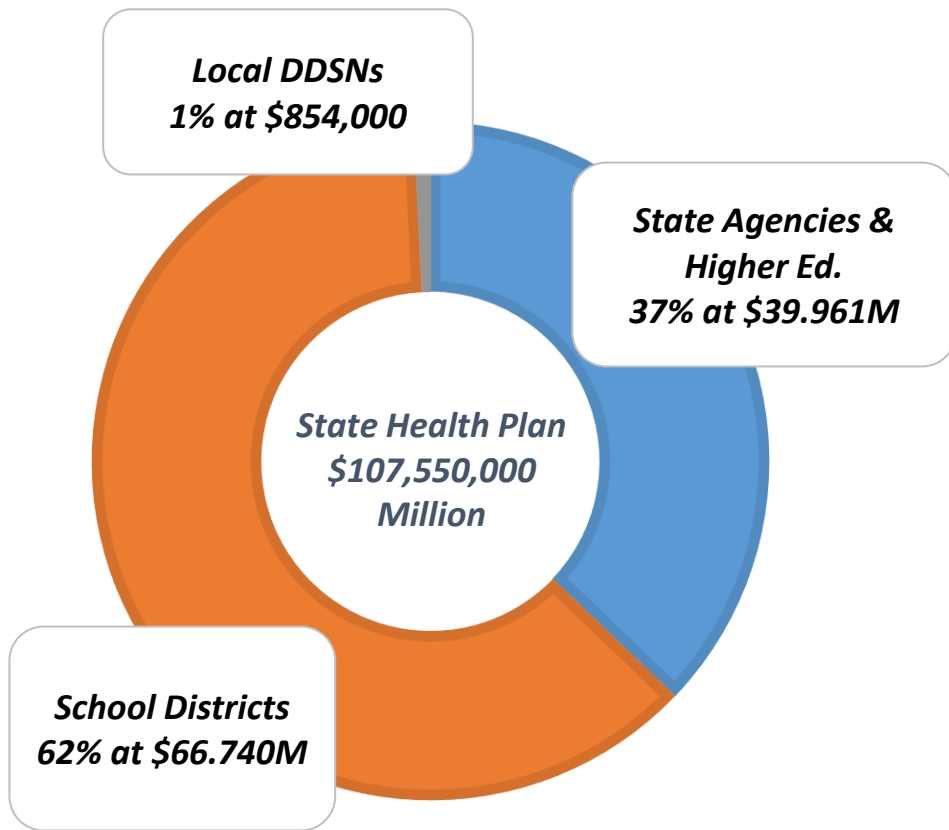
Constitutional Reserves

Over **\$24 million** was added to the **General Reserve Fund**, which is 6.0% of the previous fiscal year's General Fund revenues - an increase from 5.5%.

The **Capital Reserve Fund** was funded at **3%** of the previous year's General Fund revenue for the 2nd year in a row.

These additions bring South Carolina's total reserves to over \$1.1 Billion.





Years since the State Employee portion of Health Premiums has increased:

2012	2016	2020
2013	2017	2021
2014	2018	2022
2015	2019	2023

State Health Plan - Premiums

\$107.5 million to fully cover the state employee health and dental insurance increases.

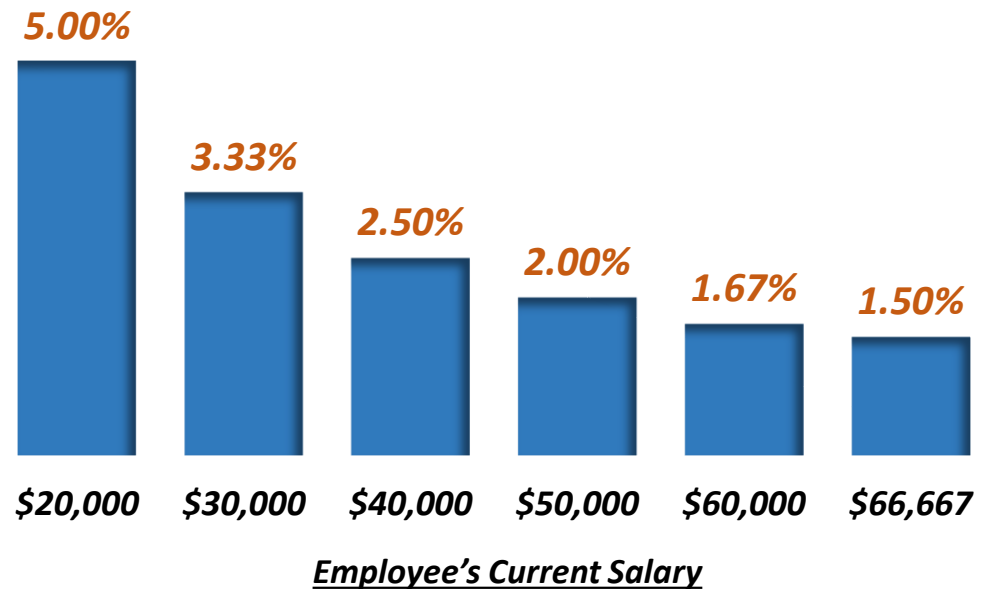
Employees will have **no** additional monthly premium cost, which will make it over a decade since they have had one.

State Employee - Base Pay Increase

Similar to last year, the Base Pay Increase will utilize a combination of a set-amount and percent increase that is determined by salary level.

- Employees making less than or equal to \$66,667 will receive a salary increase of \$1,000.
- Employees making over \$66,667 will receive a 1.5% salary increase.

\$1,000 is an Effective Base Pay Increase of:



Pension Funding Schedule

Both the SCRS and PORS are 9 years ahead of their required maximum amortization schedule per law.

Contingent upon market performance and no functional changes, both are on track to be **fully funded in 16 years**.

Supporting Our Veterans



SC Dept. of Veterans' Affairs

- **Veteran Homes**
Per the DHEC Restructuring Act, administration of Veterans Homes is switching from the Dept. of Mental Health to the Dept. of Veterans' Affairs. This budget supports this change by addressing critical maintenance issues, expanding capacity, and funding staff to manage the Veterans Homes.
- **Military Funds** – Over \$10M dollars combined is appropriated to the Military Enhancement Fund and Veteran Trust Fund to enable the awarding of grants to support the military community.

Committal Shelter at the MJ “Dolly” Cooper State Veterans’ Cemetery.

Continuation of the **SC Veteran Coalition** after the MUSC grant expires this year.

Support for the **Military Child Education Coalition**, which helps children of military families.

Emergency Preparedness

Emergency Operations Center

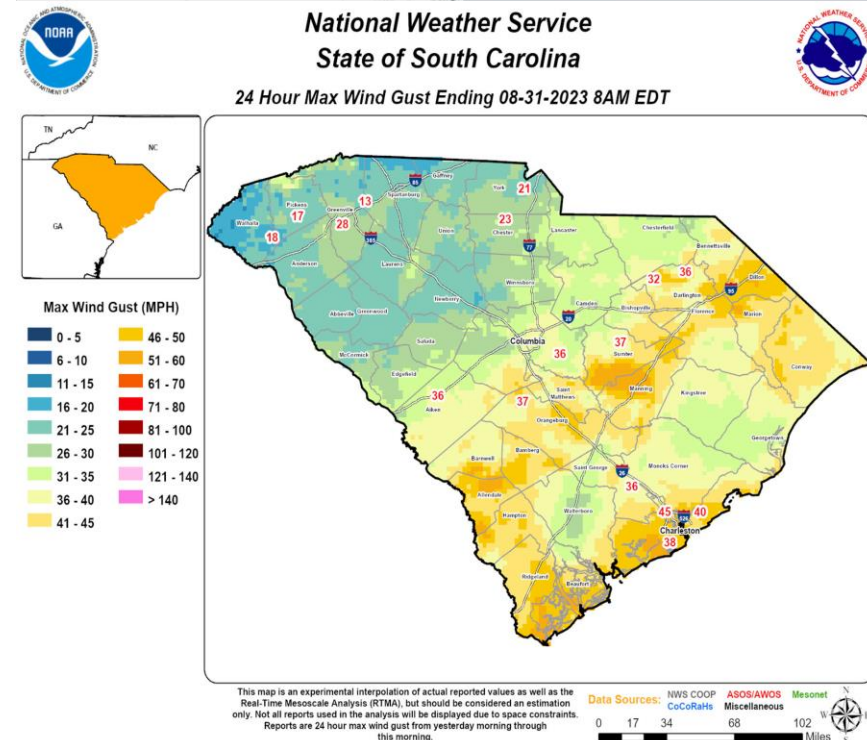
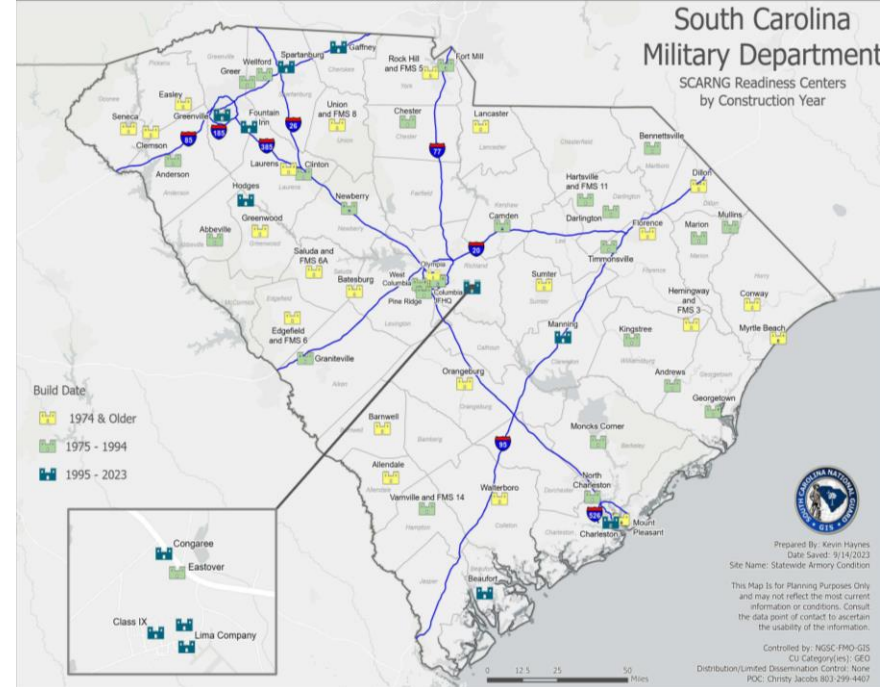
- \$6.25M was allocated for a state-match of \$14.5M in Federal grants to expand the State Emergency Operations Center, which will add over a hundred new workspaces, sleeping quarters, and expand other capacities.

Emergency Equipment Modernization

- Funding was provided to update the 800 MHz communication equipment and monitor the bandwidth, which is utilized by agencies responding to state emergencies.

Armory Revitalization Funding

- This budget includes funding for the 7th year in a row to continue the State Armory Revitalization process. The State funds will be used as a match for Federal funds.



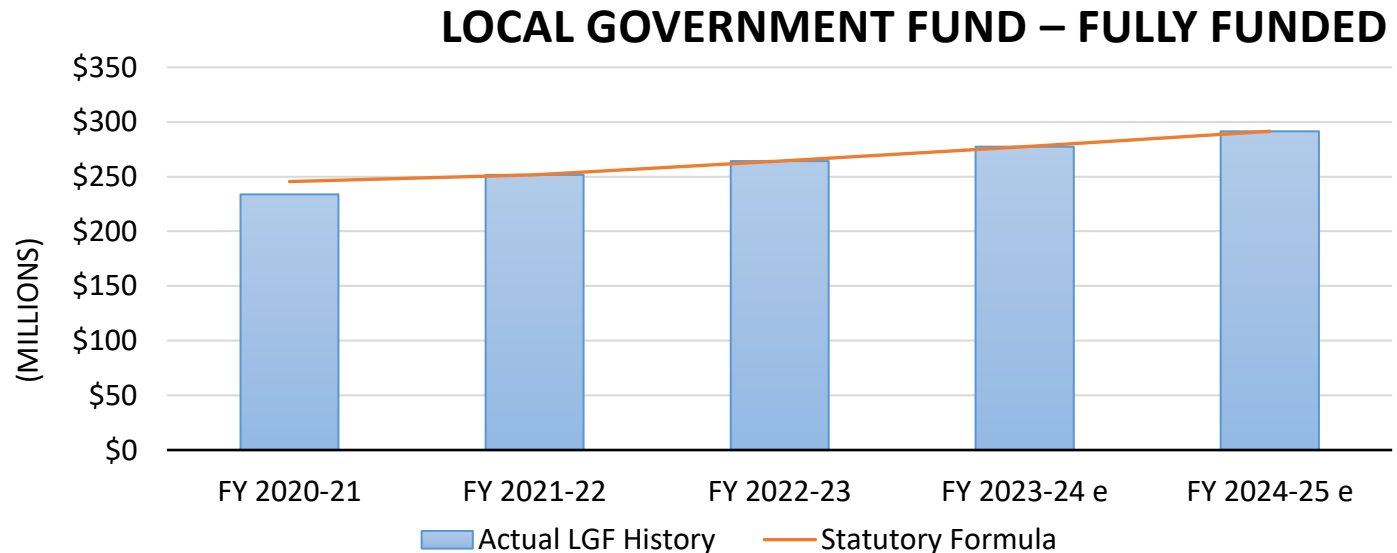
- General Government -

Comptroller General

Funds were provided to meet both the Mauldin & Jenkins study and State HR study recommendations, which were for new personnel, compensation adjustments, and office modernizations.

Election Commission

Over \$8M was allocated to the Election Commission to stabilize turnover, assist in the operational costs of multiple state-wide elections this year, and support early voting.



Note: FY 2020-21 was funded at the FY 2019-20 level due to the continuing resolution adopted by the General Assembly. Actual funding

\$1.8 Billion

*Summary of information as of 3/4/24

Background:

- \$1.8 billion resides in Fund 30350993, a fund assigned to the State Treasurer's Office.
- The fund was created by the Treasurer's Office around 2014, but the money was deposited around 2016-2017 when the state was converting from its legacy financial system ("STARS") to SCEIS.
- It is actual money and has been invested.
- Was listed in SCEIS but was coded as "non-reportable", thus it wasn't captured in the ACFR until the restatement.
- The fund is a "clearing account" where money moves in and out during transactions with banking entities.
- The \$1.8B was used to off-set what the 2022 ACFR restatement was going to be.

Undetermined:

- What the original amounts in STARS were from and for, including if they had appropriated.
- If the money was classified correctly in the General Fund by the 2022 ACFR Restatement.

This Budget:

- Includes a proviso and \$3M for the Dept. of Administration to contract an audit that includes reconciling the fund(s) between the STARS and SCEIS systems.



Budget Proviso Codification

H. 5203 – Passed Ways and Means on
March 6, 2024

Codification

- All provisos included in H. 5203 have been in the budget for 15 years or more
- Culled out any that seemed controversial, included a specific monetary amount, or an agency requested its removal
- Approximately 200 provisos remain to codify – approximately 25% deal with agencies carry forward funds and others are operating procedures or policies under which agencies have been operating for over a decade.
- As we continue to hear from agencies and others requesting removal of any provisos, we are prepared to amend the bill to do so.

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Legislation > The Budget > FY 2024-25

2024-2025 General Appropriations Bill South Carolina State Budget

GENERAL APPROPRIATIONS BILL, FISCAL YEAR 2024-2025

Links will be added when the House Ways and Means Committee introduces the General Appropriations Bill for Fiscal Year 2024-2025.

Related Documents

Governor McMaster's Proposed Budget

- Governor McMaster's Executive Budget Fiscal Year 2024-2025 (PDF)
- Part IA, Appropriations (PDF)
- Statement of Revenues (PDF)
- Part IB (PDF)
- Capital Reserve Fund (PDF)

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You can find an entire copy of the budget and the CRF on the web under Legislation → The Budget Bills → Fiscal Year 2024-25

On the W&M website, you can find all Proviso Changes and the Summary Control Document

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