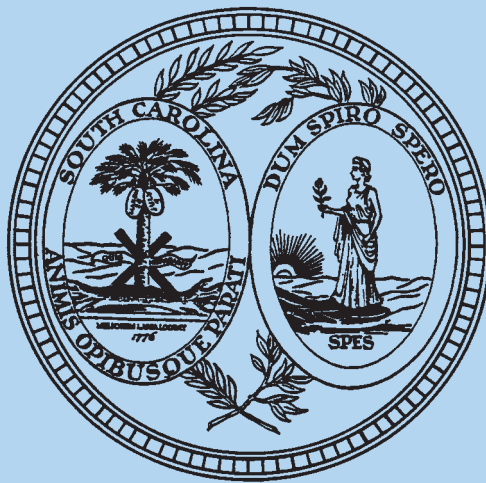


**STATE
OF
SOUTH CAROLINA**



**EXECUTIVE BUDGET
FISCAL YEAR 2004-05**

MARK SANFORD
Governor

Executive Budget

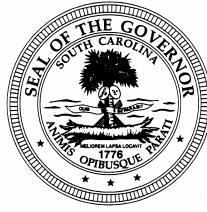
FISCAL YEAR 2004-05



January 8, 2004

Submitted by
MARK SANFORD
Governor
State of South Carolina

to the
115th General Assembly of South Carolina
Second Session



State of South Carolina

Office of the Governor

MARK SANFORD
GOVERNOR

EXECUTIVE OFFICE
OF THE GOVERNOR

January 8, 2004

To the People of South Carolina and the Members of the South Carolina General Assembly:

From day one, this administration has been committed to taking a different approach toward solving the problems this state has historically faced so that we can become a state in which every South Carolinian has the opportunity to build a better life.

Whether that's reforming our tax code so that we're more competitive on the economic development front, focusing on education reforms that provide more choices to parents and put more dollars into the classroom, using non-traditional revenue sources, restructuring state government so that it's more efficient and more accountable to the taxpayer or advancing any number of issues related to improving our unique quality of life – we're going to continue our push for changes that will keep South Carolina home to each one of us, as well as the dreams that come with each one of us.

Doing things differently is something we've certainly championed. Ultimately, however, changing our government means each one of us must be willing to look at things differently, try new ideas and, most importantly, participate in a very meaningful discussion as to whether we take these approaches or continue down the roads we've traditionally traveled.

This budget is based on two realities. First, these are tough budget times which make for correspondingly more difficult budget decisions. Second, as mentioned earlier, this budget is built around changes that would lead to South Carolina becoming more competitive. I believe those changes would elevate each of our chances to enjoy a more prosperous way of life – which is why I'm for taking those new approaches.

Whether it was through our Budget Task Force (formed over a year ago during transition), our unprecedented series of public, formal, agency budget hearings, the MAP Commission (whose recommendations, many of which we adopt in this budget, totaled \$300 million in annual savings) or my own conversations with individual South Carolinians during our 'Open Door After 4' visits or 'Neighborhood Office Hours' – we've taken something from each of those efforts in crafting this document.

I look forward to working with the General Assembly on ways we can make that change work for the taxpayers of South Carolina.

Mark Sanford

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Administration Goals

Keeping South Carolina Home

“A wise and frugal government, which shall leave men free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor and bread it has earned – this is the sum of good government.”

- President Thomas Jefferson

Of the many changes this administration has focused on to help keep South Carolina home to a better economy, better schools, a better government and a better quality of life for its citizens, none is more central to our efforts than the fundamental question of how we spend money as a state. Thomas Jefferson’s quote above sums up the basic principle this administration has always applied to government, namely, that it should not try to be everything to everybody, and that the core functions it does provide should be provided with excellence, efficiency and an eye on the taxpayers’ bottom line. This guiding principle should be used in any budget environment, but it is particularly necessary given the current budget crisis we are facing – a crisis that is nearly unprecedented in our state’s history.

This crisis has had a profound impact on the way we have chosen to approach this budget. The lagging national economy over the past few years has significantly affected South Carolina, as seen by the 3,600 small businesses the state has lost over the past five years, the -1.96 percent net employment drop over that same time period, and the first negative revenue figures our state has seen in over half a century. That drop in state revenues has produced, among other things, six mid-year budget cuts dating back to 2001, a \$155 million carryover deficit from FY 01-02, and a projected \$300-\$500 million shortfall heading into the new fiscal year.

These dark clouds have silver linings. South Carolina has historically faced adversity head-on and emerged stronger as a result. Our current economic predicament and our budget, which arises as a direct result thereof, bears witness to the truth that crisis poses a unique opportunity for change. This budget takes advantage of this opportunity by proposing critical, necessary changes, and by finding savings and efficiencies that enable us to maintain current funding levels (and in a number of cases even increase funding) for vital programs that directly impact our most central responsibilities to the taxpayer, whether it is education, health care or addressing significant shortfalls at the Department of Corrections. We will emerge from this crisis stronger than we were, with a more efficient and responsive government and a blueprint for meeting the challenges ahead.

In addition to our administration’s focus on how we spend money as a state, we must be, and consistently have been, focused on how we tax our citizens. Tax reform is needed,

particularly since we are currently at 130 percent the national average in the cost of state government and income levels in South Carolina are just 80 percent of the national average. We have clearly outlined the direction this administration is headed to address these statistics with our “Jobs and Economic Growth Plan.” This plan, along with a host of other pro-business initiatives designed to create a more competitive economic climate in South Carolina, is centered around an immediate and significant reduction in the income tax that would bring new jobs and new capital investment to South Carolina. The reforms we have proposed in this executive budget represent a big part of the other side of that coin, the spending side.

With the budget crisis and the need to control government taxing and spending as a foundation, we have based this executive budget on five core principles: **I. Fix the Structure; II. Run it Like a Business; III. Emphasize Economic Development; IV. Meet the Health Care Challenge; and V. Innovate Education.** These principles also reflect a comprehensive examination of state government which this administration undertook in a four-fold process: (1) we set examples by making changes in the way we have run our own office; (2) we also set examples by making changes in the cabinet agencies; (3) we conducted an unprecedented series of agency budget hearings; and (4) we initiated the non-partisan, business-minded examination of state government operations by the Governor’s Commission on Management, Accountability and Performance (MAP). Each of these four budget building blocks reflects the different approach this administration has taken to the political process. A willingness to challenge the status quo by asking questions and trying new things is central to achieving success in the marketplace, and it is our hope that these four areas of change have had a profoundly positive impact not only on this executive budget, but more importantly in the direction we are headed as a state.

The Process

Governor’s Office Changes

In our own office, we have made several moves that we hope will serve as an example for the rest of state government to follow. Before taking office, we cut our overall transition expenses by half from the previous incoming administration. Since taking office, we have achieved significant savings by: reducing hotel and mileage expenses by 84 percent; reducing telephone expenses by 19 percent; reducing our office’s use of the state plane by 33 percent; leaving approximately 60 positions unfilled in the Governor’s Office; and reducing the operating budget at the Governor’s Mansion by 50 percent (including raising private money to fund a \$120,000 deficit left from the previous administration). These are just a few of the many examples of changes we have made in our office with the goal of setting a positive example for the rest of state government to follow.

Cabinet-Level Changes

At the cabinet level, we have made our directors take a hard look at their agencies’ spending, an examination which has resulted in the following reforms and savings: prohibiting cabinet agencies from hiring contract lobbyists; the Department of

Corrections producing its own eggs and grits for an annual savings of \$775,000; transferring federal child care grants from the Department of Health and Human Services (DHHS) to the Department of Social Services (DSS) for an annual savings of \$2 million; reorganizing the Department of Commerce from 15 to 4 divisions (and consolidating four floors of office space to two floors at the SouthTrust Building in the process) for an annual savings of \$1.8 million; shifting more dollars at the Department of Parks, Recreation and Tourism (PRT) to its core mission of marketing our state; consolidating aircraft owned by cabinet agencies for savings of \$1 million; bringing information technology consulting in-house at the Department of Motor Vehicles for annual savings of \$1.8 million; and consolidating use of dental clinics at the Departments of Juvenile Justice and Corrections to realize an upfront savings of \$450,000 and ongoing savings of another \$100,000 a year. These are just a few examples of the many changes we have made at the cabinet level, again, with the goal of setting a positive example for the rest of state government to follow.

Budget Hearings

One of the most important efforts this administration undertook in developing so many of the core budget changes in this document was our unprecedented, summer-long series of agency budget hearings. During these meetings, we listened to directors and staff members from numerous state agencies talk about what they considered to be the core functions of the agencies, how they were currently structured, and what changes to them would maximize efficiency and provide better value to the taxpayer. Rather than follow the typical model of submitting budget requests on paper, we engaged in a substantive dialogue with individual agencies that lifted their operational and structural hoods and challenged them to prioritize every dollar they spend from the ground up. In other words, we used a zero-based format. More importantly, we were able to get an up-close look at core agency functions and see how those functions lined up (or did not line up) with the current structure that exists. The next step was to start looking at those areas where we might be able to eliminate waste, end duplication, consolidate for efficiency or consider privatizing.

We found throughout the budget hearing process that too many of the same functions throughout state government are spread across multiple state agencies, and with the inevitable effect of having no communication between the right hand and left hand. For example, we found one client received almost 400 services from four different Medicaid agencies, services that cost the state nearly \$60,000 in one year. This example and many other examples of waste and duplication throughout state government are precisely why we wanted to take such a thorough look at even the smallest details of the budget process.

The MAP Commission

In addition to our own budget hearings, we also wanted to get a decidedly non-political, business-minded perspective on the whole of state government from outside of the system. We established the MAP Commission and asked it to submit a report after diving into virtually every corner of state government and asking not only “How are things done?” but, more importantly, “Why are they done that way?” and “Is there a way

we can do them better?” The MAP Commission responded with hundreds of recommendations totaling \$250 million in first year savings and over \$300 million in sustained savings. Those recommendations, many of which we have already started implementing at the cabinet level, played a significant role in our approach to this budget. Whether it was providing the preliminary blueprint for the creation of a Department of Administration within the governor’s cabinet as part of a comprehensive agency restructuring, closing the John de la Howe School or selling surplus state lands to provide needed revenue to cash-strapped agencies, all of which are included in this budget, the MAP Commission provided these and other useful recommendations that we have built on throughout this process. We believe the greatest asset of the MAP Commission was the involvement of literally thousands of state employees and private citizens who contributed their time, energy, observations and ideas to this report and, as a result, this budget.

I. Fix The Structure

This past legislative session, this administration joined with House and Senate leadership in announcing our government restructuring proposals. Collectively, we agreed that state government must be more effective and efficient for our citizens, and that it must meet the challenges of new expectations. We all understand that the current structure is broken and it must be fixed. Meeting those new expectations and realizing those needed efficiencies is precisely why we have drafted this executive budget in keeping with our shared restructuring goal – not only because it is the best way to stay accountable to the expectations we intend to meet, but just as importantly, because it is the best way to clearly outline the efficiencies we intend to realize.

A decade ago, Governor Carroll Campbell took the first steps toward making our state government more efficient and accountable to the taxpayer by aggressively championing the notion of government restructuring. Governor Campbell best expressed the need for restructuring when he said:

“Failure to restructure government, failure to bring horse-and-buggy government into the space age, will perpetuate a system that answers to nobody, listens to nobody and serves nobody other than its own special interest. There will be those who will measure its merits in terms of power – who gains and who loses. Let me be clear: the only gains we should concern ourselves with are those that make government more accountable. The only power to fret about is the power of the people because it is their government, their taxes, their future.”

Picking up where Governor Campbell left off, this budget proposes a restructured state government with clearly prioritized spending items in each newly-restructured agency. Whether it is streamlining our higher education system, merging the Department of Corrections and the Department of Probation, Parole and Pardon Services, bringing natural resources, environmental protection and forestry functions under one roof, or consolidating the management of the health care delivery system within the cabinet, this

budget dramatically reduces existing overlap by advancing a state governmental structure that, in addition to quantum leaps in accountability, provides for more efficient delivery of goods and services to the taxpayer.

Given the strained resources, dwindling revenue and multiple rounds of budget cuts we have seen over the past few years, we cannot afford to budget any other way. We cannot afford 33 state-supported colleges and universities with 79 separate campus locations chasing increasingly scarce higher education dollars. We cannot afford to have several caseworkers from many different state agencies deliver health care to a single Medicaid recipient. Nor can we afford to continue spreading precious education dollars out among numerous programs with undocumented results when those same dollars are needed on the front line in education – the classroom.

Governor Campbell also advocated reforms to make the governor responsible for the central administration of executive branch functions of state government. Currently, the Budget and Control Board plays a significant role in executive branch operations. For example, it is charged with coordinating inter-agency activities and operations and ensuring the efficient and effective use of the state's personnel, fiscal and capital assets. Following up on the reforms advocated by Governor Campbell, we propose a cabinet-level agency, called the Department of Administration, to manage daily operations of state government. The Department of Administration would be a central location to ensure accountability of support services and hiring policies in state government.

These are just a few examples of the fundamental problems of waste and duplication in government that we address in this budget. These problems have been addressed not only by us, but also by Dr. Michael Porter, the senior advisor to the South Carolina Competitiveness Initiative which commissioned a report by the Monitor Group of Cambridge, Massachusetts, to study South Carolina's competitive posture and build a strategic plan for economic progress for the state. In referring to these problems as they relate to higher education, Dr. Porter said, "If every school is trying to be everything to everybody, it's going to end up being nothing to anybody."

That is precisely why before beginning the deliberative process of taking over \$5 billion of our taxpayers' money and pouring it into the system, we wanted to make absolutely certain that the system itself is not configured to keep pouring buckets of that money down the drain.

II. Run it Like a Business

We believe the first step in the process of running state government like a business is to budget state government like one would a business, which in most cases means zero-based budgeting. This budget relies heavily on a zero-based analysis.

Like any other large organization, state government can benefit from applying market principles in ways that increase productivity, streamline work processes, optimize

staffing levels and improve services to its customers – our citizens and taxpayers. Our budget proposes selling a host of surplus, non-essential state assets, including the dormant deep-water port in Port Royal, a third of our state vehicle fleet, the 180 acres the Department of Mental Health (DMH) owns in downtown Columbia, and other non-essential properties. The estimated \$30-\$50 million that we would raise through a competitive bidding process for that DMH land is enough to cover a full tenth of the projected shortfall for our entire state *all by itself*.

We also extend a cabinet directive to all state agencies in our budget by requiring them to cut travel expenses by 15 percent, saving our state \$6.3 million. Our budget would also require all state agencies to cut phone expenses by 15 percent, saving another \$6 million.

Like any business, large or small, we must also be willing to re-examine benefits and programs that have not produced intended results. One such program is the Teacher and Employee Retention Incentive Program (TERI) which allows state employees to officially retire but defer their retirement benefits while continuing to work for up to five more years. We heard a number of concerns about the TERI program from cabinet and non-cabinet agency directors during our budget hearings, and many of those concerns echo those raised by the TERI bill's original sponsor – who has said he believes the program has grown far beyond its original intention. Last September, we received the MAP Commission's recommendation to eliminate the program altogether, and there are currently several bills pending in the General Assembly to do just that. Clearly, the program needs to be thoroughly reviewed, and given the wide range of concerns raised by so many state agencies, the MAP Commission and the bill's original sponsor that is going to be an important part of our efforts this legislative session. As a way of starting that discussion, we will propose legislative reforms to modify the TERI program to eliminate the double-leave payout. This measure could save the state millions of dollars. We look forward to having this discussion in the General Assembly and, ultimately, achieving the necessary reforms.

One of the most troubling (and non-businesslike) budget practices our state engages in is the use of one-time money to fund recurring expenses. The use of so-called annualizations is not sound fiscal policy, and our state's practice of raiding trust funds to pay for recurring needs must end. Our budget reduces reliance on annualizations to approximately \$144 million (from \$235 million in the prior fiscal year) as a down payment toward completely eliminating this irresponsible budgeting practice. Instead of raiding trust funds, this budget begins the process of fulfilling past promises made, such as starting to restore funds previously taken from the Barnwell Cleanup Fund.

III. Emphasize Economic Development

Taking the notion of running government like a business one step further, another budget principle we focused on throughout this process was budgeting for prosperity by keeping our state's underlying economic development interests in mind. Every year we

spend millions of dollars on economic development, yet South Carolina continues to lag behind the rest of the nation in attracting new jobs and capital investment. Basically, we are not getting the return on our economic development investment dollar as a state that we should be getting, which is one of the main reasons personal income levels in South Carolina continue to lag so far behind the national average (as pointed out in the recent Monitor Group Report).

Our budget addresses this fundamental problem with a number of creative solutions. For example, we give our state's lead economic development agency, the Department of Commerce (Commerce), the ability to better coordinate federal dollars that are specifically earmarked for economic development purposes. For this reason, we put the Jobs-Economic Development Authority (JEDA) under Commerce and direct the Employment Security Commission to coordinate the spending of federal Workforce Investment Act (WIA) dollars with Commerce. Additionally, we propose giving them a new tool, the Capital Access Program (CAP), that we are establishing as part of our Jobs and Growth package to stimulate investment in our state's small businesses – something we have been focused on from day one (and that was also emphasized in the recent Monitor Group Report).

This budget also funds Pathways to Prosperity, a pilot program that will help coordinate education with the needs of skilled employers – something that is absolutely essential as we look at the challenge our state faces in terms of attracting more high-tech employers in emerging growth markets. Workforce education was identified in the Monitor Group Report as one of the most critical components in successfully going after those higher-income jobs that will ultimately create wealth and improve quality of life here in South Carolina. We are also committed to better channeling higher education dollars to specific research missions, examples of which include expanding our state's commitment to endowed chairs by \$10 million (\$20 million a year over the next two years) and continuing to work with projects like Clemson's International Center for Automotive Research (ICAR) to ensure that we are maximizing our state's investment.

The Monitor Group Report also emphasized that given its \$14 billion impact on our state economy, tourism has to be one of the primary economic development “clusters” around which we build our state's new economy. Given that every dollar we devote to marketing our state has been shown to bring back as much as \$20 in revenue, it makes sense that we devote as much as we possibly can to our state's advertising and marketing efforts. The outstanding work of PRT has resulted in savings that have gone directly into the advertisements that drive visits and revenue growth, and our budget provides an additional \$4 million in funding for PRT advertising.

The income tax relief component of our “Jobs and Economic Growth” plan will have the largest impact in getting our state's economic engine firing on all eight cylinders. However, as we push on the tax front, we have also got to push just as hard for a renewed commitment to economic development in the way we budget.

IV. Meet the Health Care Challenge

Dealing with the rising cost of health care is one of the biggest challenges we faced in preparing this budget – and meeting that challenge was another of the core objectives throughout this budgeting process. We found South Carolina’s entire approach to health care to be ripe for reforms, with problems ranging from too many emergency room visits for Medicaid beneficiaries, rising cost of health insurance premiums for the private sector, skyrocketing prescription drug costs, an excessive focus on institutional care, and scattering scarce Medicaid dollars over far too many state agencies.

Particular credit goes to DHHS for its efforts to meet this challenge on a number of fronts. DHHS has aggressively pursued federal waivers for programs like South Carolina Choice (a first-in-the-nation pilot program that reduces our reliance on institutional care for seniors and disabled South Carolinians) that will save our state millions of dollars by expanding community-based care options and choices for these residents. Our success in meeting this year’s budget challenge will depend on our ability to continue aggressively going after these kinds of cost-saving waivers. Second, we have started addressing the prescription drug problem by establishing a preferred drug list that enables doctors to prescribe these drug therapies to patients at a far more competitive rate. Although our potential savings were reduced dramatically by a number of legislative carve-outs, we will still be able to realize savings of \$6.3 million in state funds annually thanks to this preferred drug list. DHHS is also considering other initiatives to combat the prescription drug inflation problem, such as mandating generic substitutions and implementing a drug utilization review process for high-use recipients.

Other health care cost-saving measures have also been implemented. For example, DHHS has enhanced eligibility reform by changes in categories covered, waiver requests, and unannounced audits of cases. It has also strengthened the supervisory review of cases and the comprehensive eligibility training program. DHHS has also developed a system of regional transportation brokers for the delivery of non-emergency transportation services, set Medicaid managed care rates on an actuarial basis to attract new providers of Medicaid managed care services (to promote additional choices and competitive bidding), and implemented a series of recommendations to enhance detection and recovery of fraudulent provider billings.

This budget also contributes to the employer side of the State Health Plan for the first time in nearly three years, putting \$25 million from the proposed sale of state vehicles into our state employees’ health benefits system. We expect in the future to be able to fund these benefits on a permanent basis.

Ultimately, however, we are never going to take full advantage of any innovative health care solutions until the structure delivering those solutions works more efficiently and is more accountable to the taxpayers. The structural reforms proposed in our budget deliver on both counts.

Specifically, our budget places the management of Medicaid dollars under one cabinet agency, the new Department of Health Oversight and Finance. The delivery system would then fall under another new cabinet agency, the Department of Health Services. Taking the disjointed current structure and consolidating it into these two core cabinet health agencies will enable us to realize millions in savings – not only in the administration of Medicaid dollars, but also in the streamlined case management process that those dollars are supporting. One example of these savings can be found in our proposal to move Department of Alcohol and Other Drug Abuse Services (DAODAS) into the newly-created Department of Health Oversight and Finance – realizing an administrative savings of over 80 percent without impacting service delivery.

V. Innovate Education

It is a given that every year over half of the state budget goes toward education. It is also a given that every four years each candidate for governor outlines specific proposals designed to promote his or her particular education agenda. Unfortunately, the current structure does not allow for that agenda to be advanced at the executive level. Where there is splintered accountability, there is often no accountability. State Superintendent of Education Inez Tenenbaum should be commended for her openness to allow voters to make the decision about moving her position into the governor's cabinet. This is something that we believe will dramatically enhance accountability over education – the most central of core government responsibilities.

The sad truth in South Carolina is that despite substantial increases in funding over the past 20 years, we still rank next-to-last in the nation in SAT scores and next-to-last in graduation rates. This must change.

Market pressure is central to improving any service. That is true in the business world and it is true in government. It is particularly important in something as critical to our state's economic development efforts as strengthening the education of our children. Presenting viable market alternatives – in short, more choices for parents – not only meets the short-term needs of individual students, but also, and even more importantly, forces the system to change or face the market pressure of losing our parents' business. Beyond the specific education policy initiatives we will soon be unveiling on school choice – whether tax credits for private school choice or expanded charter school authorization – this budget addresses the other side of that coin, funding reform that gets more dollars to the classroom.

Last year the House of Representatives took a significant step forward in addressing one component of that effort by passing our SMART funding bill, a proposal that streamlines education funding from its current 80-plus different categories and consolidates them into six separate block grants to local school districts. We hope that measure passes the Senate this session, just as we hope to work with both houses in finding additional ways to get more dollars to the classroom.

In higher education, the situation is similar. Just as in K-12, we have a pressing need to more strategically and efficiently manage our state's investment in our college and university system. According to the Monitor Group Report, the result has been far too much waste and duplication in the system and not enough focus on core missions, particularly those that could coincide with our economic development efforts. We support Dr. Porter's recommendations in the Monitor Group Report for our state's higher education efforts, which include targeting our research capital in areas of emerging economic growth, building up our state's existing economic "clusters," and looking for opportunities to grow new clusters.

Clusters are about focus; specifically, multiple private businesses focusing resources in a specific industry to gain a competitive advantage. Whether it is automotive, forestry or tourism-related, this means targeting resources. That same principle should apply to the dollars we put into higher education.

Unfortunately, politics, not a coherent statewide strategy, has often been the driving force in decisions relating to higher education. As a result, we currently have 33 state-supported colleges and universities operating 79 different campus locations – an unusually large number of state-supported schools given our state's small population. As for focus – does South Carolina really need seven communications programs? Or two state-supported medical schools? Or six drama programs? Or eleven psychology programs?

These examples are a large part of the total cost of higher education in South Carolina – which is currently at 110 percent the national average compared to 86 percent for Georgia and 82 percent for North Carolina, both states that have governing boards overseeing their schools. Just last year, South Carolina saw tuition jump 25 percent at Winthrop, 19 percent at Clemson and Coastal Carolina, 15 percent at the University of South Carolina and, by varying degrees, at almost every other state-supported school.

More accountability, more choices for parents, and better use of dollars currently in the system, whether it is K-12 or higher education – those are three core principles we have kept in mind in preparing the education component of this budget.

Conclusion

This is a detailed budget – one that is thoughtfully and analytically built from a variety of different perspectives. More importantly, it is an optimistic budget in the sense that, working together, we can succeed in doing things differently. Optimistic in the sense that, working together, we can succeed in eliminating waste and duplication in the system without jeopardizing those core services government should provide the taxpayer. With that objective in mind, this administration is committed to working with the General Assembly this session and starting that fundamental discussion on reforming how we spend money as a state.

Executive Summary

Mission Statement

The mission of this executive budget is to present to the General Assembly a balanced state budget that, without raising taxes, provides essential services to the citizens of South Carolina and increases our state's investments in the priority areas of education, health care, economic development, law enforcement and corrections.

Goals

- Submit a balanced budget without raising taxes, tapping reserves, raiding trust funds, borrowing against the future or using fiscal gimmicks.
- Improve jobs and economic growth.
- Require all state agencies to realize the administrative efficiencies already attained by the Governor's Office and the cabinet agencies during 2003.
- Decrease the size of state government by consolidating agencies, boards and commissions, and strengthen the cabinet form of government.
- Appropriate funds based on a more rational assessment of government programs' relative importance.
- Fund Medicaid with recurring dollars at a level that maintains core health care benefits for the poor, elderly and disabled.
- Protect and improve K-12 education by increasing the amount appropriated for the Base Student Cost.
- Honor obligations made in prior years (e.g., begin repayment to the Barnwell Cleanup Fund, address the FY 01-02 deficit, fund the employer portion of the State Health Plan and commence funding of the Conservation Land Bank).
- Begin the process of privatizing non-core governmental functions.
- Apply all FY 04-05 revenues that exceed the current two percent revenue growth projection by the Board of Economic Advisors (BEA) to reduce the FY 01-02 deficit and further address the problem of annualizations.
- Reduce reliance on one-time funding for recurring costs (annualizations).

Approach to Attaining Goals

To attain these goals and fulfill the mission, we conducted an in-depth analysis of state government, specifically identified the proposed appropriations and cuts, and set forth our decision-making rationale. We are absolutely committed to restoring integrity to the executive budget. Others will argue that such integrity should be restored by simply raising taxes to cover the escalating gap between anticipated revenues and expenditures. However, raising taxes carries its own set of costs, primarily in terms of slowing our state's economic growth and costing jobs. Simply raising taxes would do nothing to solve the underlying deficiencies in our state budget. We believe our approach to this budget is more responsible, and that it is best summarized within the context of the following five general categories.

I. Fix the structure

Article IV of the South Carolina Constitution designates the governor as the state's "supreme executive authority." In reality, however, the ability of South Carolina governors to fulfill their responsibilities is limited significantly by the large number of constitutionally-elected offices and a high degree of agency autonomy and duplication. This inefficient structure also exists outside the executive branch, and extends throughout state government. State agencies often provide similar or related services without ever communicating with one another. This so-called "silo" structure often results in duplication of services, poor coordination and unnecessary overhead costs. For these reasons, our budget proposes a 17 percent reduction in the number of state agencies (from 87 to 72). The following summarizes the fundamental structural changes that we propose:

- Allow the Governor and Lieutenant Governor to run together on a single ballot.
- Make the following cabinet positions appointed by the Governor: Adjutant General, Commissioner of Agriculture, Comptroller General, Secretary of State, Superintendent of Education and State Treasurer.
- Keep the Attorney General independently elected by the voters.
- Make the Secretary of State the state's Chief Election Officer.
- Transfer the State Board of Education's authority to the Superintendent of Education.
- Provide for State Department of Education (SDE) control of the School for the Deaf and Blind and the Wil Lou Gray Opportunity School and close the John de la Howe School. Consolidations result in recurring savings of \$458,276 to be redirected back to Wil Lou Gray Opportunity School and the School for the Deaf and Blind for student costs.
- Consolidate all state health care and human service agencies into three cabinet agencies: a Department of Health Oversight and Finance (Health Oversight) to provide health care funding and oversight, a Department of Health Services (Health Services) to provide health care services, and a Department of Human Services (Human Services) to provide social services.
- Transfer the public health functions of the Department of Health and Environmental Control (DHEC) to a Public Health division of Health Services (consolidation resulting in recurring savings of \$4.4 million) and the environmental programs of DHEC to an Environmental Protection division of the newly-created Department of Environment and Natural Resources (consolidation resulting in recurring savings of \$1 million).
- Make the Department of Alcohol and Other Drug Abuse Services (DAODAS) an administrative division of Health Oversight. Consolidation results in recurring savings of \$1.2 million.
- Make the Department of Mental Health (DMH) a division of Health Services. Devolve powers of the Mental Health Commission to the director of Health Services and retain the commission as an advisory board. Consolidations result in recurring savings of \$8.2 million.

- Make the Department of Disabilities and Special Needs (DDSN) a division of Health Services. Devolve the powers of the DDSN Commission to the director of Health Services and retain the commission as an advisory board. Consolidations result in recurring savings of \$2.8 million.
- Rename the Department of Social Services the Department of Human Services (Human Services) and consolidate under it the Commission on Vocational Rehabilitation, the Commission for the Blind, the Office on Aging, the Child Development Block Grant program, and the Social Services Block Grant program. Devolve the powers of all associated commissions to the director of Human Services and retain the commissions as advisory boards. Consolidations result in recurring savings of \$4.4 million.
- Merge the Department of Corrections and the Department of Probation, Parole and Pardon Services into a newly-created Department of Corrections and Probation. Consolidation results in recurring savings of \$1.1 million.
- Create a new cabinet agency called the Department of Environment and Natural Resources (DENR) and consolidate under it a newly-created Division of Environmental Protection (to assume DHEC's environmental programs), the Department of Natural Resources and the Forestry Commission. Devolve the powers of certain associated boards/commissions to the director of DENR and retain the commissions as advisory boards. Consolidations result in recurring savings of slightly more than \$2.4 million.
- Move the Office of Local Government and the Jobs-Economic Development Authority (JEDA) into the Department of Commerce. Consolidations result in recurring savings of \$68,926.
- Create a new cabinet agency called the Department of Administration and transfer to it executive branch functions currently performed by the Budget and Control Board and the Governor's Office.
- Create a new cabinet agency called the Department of Literary and Cultural Resources and consolidate under it the Department of Archives and History, the Arts Commission, the Museum Commission and the State Library, and have the current commissions of each serve as advisory boards. Consolidations result in recurring savings of \$393,197.
- Create the State Trust Fund Authority and consolidate under it the State Accident Fund and the Insurance Reserve Fund.
- Propose the elimination of the Board of Registration for Foresters and the Board of Registration for Geologists at the Department of Labor, Licensing, and Regulation.

II. Run it like a business

We are in a budget crisis. One lesson learned from past winners in such crisis environments is the need to build the strongest competitive position possible by focusing only on core services and priority initiatives. To that end, we believe that state government should follow the examples set by successful businesses by selling non-core assets, better utilizing core assets, outsourcing functions that can

be better performed by third parties, and making more rationally-based spending decisions.

The sale of non-core assets also provides benefits beyond the realization of additional dollars to help fund priority initiatives (education, health care, economic development, law enforcement and corrections). Such sales also eliminate holding costs, maintenance and repairs, upgrade costs, management fees and costs, and also improve efficiencies of personnel costs through the reassignment of those personnel to manage responsibilities in areas more specific to the agency's mission.

In regard to spending, this budget directs appropriations and targets cuts based on a rational assessment of the affected programs' relative importance. We recognize, of course, that others may have a different assessment of these programs' relative importance. However, by framing the budget debate in this fashion, we hope to forever end the institutional practice of "automatic" funding of existing programs and begin a more rational approach. Toward the end of running state government more like a business, we propose the following:

Improve Asset Utilization

- The South Carolina Public Service Authority (Santee Cooper) has identified properties that were surplus to its operating needs and, by resolution dated December 15, 2003, has committed to selling them in order to advance \$13 million to the state (in addition to its standing policy and practice of annually paying the state one percent of its gross operating revenues).
- The state needs to provide the essential services only government can provide and the ownership of vehicles does not meet that test. For this reason, we propose selling approximately 6,155 of our non-specialized state vehicles and moving to a combination of daily and long term rentals, thereby making available (using conservative estimates) over \$33 million in net one-time money and recurring savings in subsequent years of \$8.5 million. In addition, we encourage the SDE to follow through on efforts to privatize its school bus fleet and propose that the Budget and Control Board issue an RFP to privatize the State Data Center.
- We have also identified additional state real properties (most significantly, the Mental Health facility on Bull Street in downtown Columbia) that we believe are not necessary to the state's provision of essential services and estimated these properties' aggregate fair market value to be at least \$42.2 million. Our budget proposes a disposition of these properties and assumes (conservatively) an ability to realize \$31.7 million from their sale during the coming fiscal year, with these one-time proceeds going to the general fund. (Note: this budget allows DMH to retain its current surplus funds, which exceed \$5.7 million, to facilitate the relocation from its Bull Street facility.)
- Clemson University has retained \$7.5 million of the \$13.5 million in proceeds from the sale by the Clemson Public Service Activities (Clemson PSA) of

surplus property in Northeast Columbia, and it currently plans to use those funds to build and maintain a new 25,000 square foot conference and research center. We propose, however, that this \$7.5 million be used for Clemson PSA's operating expenses.

- An additional component of eliminating surplus land is the sale of the Port Royal terminal, which received only 18 ships last year (less than the terminal in Charleston receives in a typical week). We propose the Ports Authority sell the entire 25 acres of waterfront property and contribute the first \$12.5 million of the sales proceeds to the general fund.

More Rationally Based Spending Decisions

- Reduce reliance on annualizations from \$235 million to \$144 million.
- Use \$25 million of the proceeds from the proposed sale of state vehicles to fund the employer portion of the State Health Plan (an obligation that has been neglected for years).
- Increase by \$19 million funding for the Department of Corrections.
- Provide \$13 million to meet the state's obligations in regard to the federally-mandated child support collections computer system at Human Services.
- Provide \$575,000 in recurring funds to increase funding for adoption incentive payments.
- Provide \$1.4 million state matching funds for the Help America Vote Act.
- Begin restoring integrity to the Barnwell Cleanup Fund with a \$5 million down payment.
- Cut \$3.2 million in appropriations for the John de la Howe School (and transfer its students to other appropriate facilities) and allow the Department of Juvenile Justice to use the land and facilities for appropriate educational purposes.
- Cut \$2.4 million in appropriations for the Commission on Higher Education's Performance Funding and redirect those dollars to the Experimental Program to Stimulate Competitive Research and South Carolina State University's transportation research center and accreditation of its business school.
- Cut 1.5 percent (\$4.7 million) in appropriations to the three state research universities (Clemson, USC and MUSC) to encourage collaborative efforts similar to the recently proposed merger of the MUSC and USC pharmacy schools.
- Propose \$8.1 million in spending cuts to Clemson PSA to require a renewed focus on their core mission and also propose it funds additional operating expenses with \$7.5 million in one-time money.
- Propose legislative reforms to eliminate double leave payouts in the Teacher and Employee Retention Incentive (TERI) program.
- Require agencies to return to the general fund \$10 million of surplus funds.
- Avoid postponement of funding for the Conservation Land Bank.
- Apply to the FY 01-02 deficit all FY 04-05 revenues that exceed the BEA's two percent revenue growth projection.

This last point merits special emphasis. If the BEA revises its revenue estimate for next year beyond the current two percent growth projection, we believe that these new recurring general fund dollars should be used to supplant the non-recurring dollars that are dedicated to critical needs, such as K-12 education, and that the newly-available non-recurring dollars then be used to reduce the unprecedented \$155 million budget deficit remaining from the FY 01-02 budget year. South Carolina has historically enjoyed the benefits of an AAA credit rating, but that rating and the corresponding lower borrowing rates are gravely threatened by this FY 01-02 deficit. While the deficit reduction plan previously endorsed by the Budget and Control Board and embodied in a bill to be filed next session, entitled "The Fiscal Discipline Plan of 2004," will help us maintain our relationship with the capital markets, we strongly believe that applying excess revenues to the FY 01-02 deficit is both the most responsible course of action and the best way of ensuring our state's excellent credit rating.

III. Focus on Economic Development

While the national economy is slowly improving, South Carolina's economy is still not where it needs to be. Too many South Carolinians have lost their jobs, and not enough employers are in a position to hire workers. Our state is filled with smart, hard-working, dedicated people. What is holding us back is a state tax and regulatory system that punishes work, savings and investment. That must change if South Carolina is going to reach its full potential. We propose changing the current income tax structure and advancing other specific economic growth initiatives in order to create a fertile economic environment for all businesses. Among the proposed changes are the following:

- Immediately cut the state's seven percent top marginal income tax, effectively the highest in the Southeast and fifth highest in the nation, to approximately six percent by increasing the cigarette tax to slightly below the national average and applying the sales tax to lottery ticket sales.
- Fund (through \$1 million of the additional Santee Cooper funds and by identifying available federal Workforce Investment Act funds) a Pathways to Prosperity pilot program to ensure our students learn the skills needed by today's workforce.
- Utilize \$2.5 million of the additional Santee Cooper funds to begin a Capital Access Program to encourage private financial institutions to make small business loans.
- Appropriate \$4 million of the additional funds obtained from Santee Cooper in order to fund Parks, Recreation and Tourism (PRT) advertising.

IV. Meet the health care challenge

Importantly, this budget fully replaces all non-recurring revenue in the Medicaid program with recurring general fund revenues for the first time in memory. Our DHHS director is committed to managing the Medicaid program at the level funded in our budget, and we are committed to supporting that management philosophy.

The challenges in this critical area are considerable. Unfortunately, our health care program costs are not directly connected to anticipated revenue. Even as revenue growth has slowed, spending growth in these programs has accelerated. The best approach to cost management in health care is to improve the health status of South Carolinians, and thereby reduce the demand for health services. Our budget develops programs that reconnect medical need with appropriate treatment, particularly in the area of chronic illnesses, and implements the principles of disease management. In addition, we focus on improving the effectiveness and efficiency of the Medicaid service delivery system, the accuracy and efficiency of the Medicaid eligibility process, and overall administrative accountability and productivity. We believe that we can meet the health care challenge through enacting the following proposals:

- Set Medicaid managed care rates on an actuarial basis to attract new managed care providers, increase choices for patients and promote competitive bidding.
- Implement our first-in-the-nation pilot program to provide long-term care beneficiaries with home-care options that delay admission to more-costly nursing homes.
- Develop a system of regional transportation brokers for the delivery of non-emergency transportation services.
- Fund Medicaid at the level requested by the DHHS director with recurring general fund dollars.
- Focus on management of disease and high-risk conditions to improve health outcomes and achieve cost-savings.
- Implement Medical Home pilot programs to place coordination of care directly in the hands of physicians.
- Enhance the prior authorization program to encourage use of the most medically-appropriate and cost-efficient drug therapies.
- Slow the growth in prescription drug costs by mandating generic substitutions and implementing drug utilization review of high-users.
- Implement third party expert recommendations to enhance detection and recovery of fraudulent provider billings.
- Improve the Medicaid eligibility process through changes in categories covered, waiver requests, unannounced audits and strengthened supervisory case review.
- Save \$1.1 million in recurring costs by outsourcing the DMH pharmacy services program.
- Save \$5.3 million in recurring operating costs by closing the DMH Bull Street facility.

V. Innovate Education

K-12 Education

We focus in this budget on ensuring that K-12 education dollars are spent in the most effective place – the classroom. To that end, we propose: targeted cuts in some education programs and the redirection of those funds to the classroom via increases in the Base Student Cost; pushing for more lottery revenues to be moved into K-12 funding; making permanent the proviso that gives our school districts on the front lines the flexibility to make spending decisions (SMART Funding); and enacting Education Truth-in-Funding so that our education dollars are studied and allocated on a holistic basis. In addition, we also believe in injecting real market reforms to our system of K-12 education and therefore, propose expanding charter school options and enacting a universal tax credit program. Our budget moves this process forward by, among other things, proposing the following:

- Accelerate the charter school movement by creating a state-level chartering entity.
- Allocate additional funds to the Education Finance Act to increase the Base Student Cost by \$67 (to \$1,810 from the FY 03-04 figure of \$1,743).
- Harness the power of markets to reform K-12 education by allowing parents earning less than \$75,000 to take limited credits against income or property taxes for tuition paid to private institutions, and also by allowing corporations and individuals to take such credits for contributions to scholarship organizations.
- As currently authorized by proviso, enact legislation (SMART Funding) that consolidates the more than 80 specific funding categories into six block-grant categories in order to provide educators on the front lines with flexibility to address their particular students' needs.
- Look holistically at how the state spends all of its educational dollars, instead of budgeting piecemeal from the different funding sources (EFA, EIA, Lottery, general appropriations, local and federal).
- Direct an additional \$20.4 million of lottery revenues to the Base Student Cost.
- Impose a moratorium on new participants in the National Board Certification program until we can get an accurate view of the impact this program has on education and whether any changes should be made. (Note: bonuses to teachers who are already in the program and who have completed the program by December 2004 will continue to be funded notwithstanding this moratorium on new participants).

Higher Education

Unfortunately, politics, as opposed to a coherent statewide strategy, has too often been the driving force in our system of higher education. As a result, we have 33 public colleges and universities operating 79 different campus locations, and an average cost of higher education that is 110 percent of the national average. We

believe there is too much waste and duplication in the system and not enough focus on core missions that coincide with our economic efforts as a state. We begin efforts to change this system with the following:

- Save \$276,000 by mandating collaboration by USC-Sumter and Central Carolina Technical College in regard to resource and curriculum development.
- Phase out over three years USC–Salkehatchie and USC-Union and redirect dollars saved (\$983,006 in the first year) among the remaining higher education institutions.
- Reduce by 1.5 percent funding to research universities to encourage collaboration and cooperation in an effort to reduce duplicative programs.
- Provide \$500,000 for Clemson University’s Wireless Communication Program.
- Eliminate Coastal Carolina University’s funding for the Pawley’s Island Campus.
- Eliminate Francis Marion University’s funding for the Omega Project.
- Eliminate funds dedicated for projects for the assimilation of women at The Citadel (which it has had over six years to complete) and add a portion of the funding to the school’s operating funds.
- Eliminate funds for the accreditation of Lander University’s School of Business (it is now accredited) and add a portion of the funding to the university’s operating funds .
- Eliminate funds for the contract lobbyists employed by the University of Charleston, Coastal Carolina University, South Carolina State University, Trident Technical College and Florence-Darlington Technical College.
- Reduce by 15 percent funds appropriated for Higher Education’s travel, telephone, meals, fees and registrations.
- End Performance Funding for institutions of higher education.
- Begin the transition to a strengthened Commission on Higher Education.

Revenues

Estimate Revenues Conservatively

The General Fund Revenue Forecast for FY 04-05 prepared by the South Carolina Board of Economic Advisors (BEA), and included at the end of this section, estimates South Carolina's financial condition for the next fiscal year. The BEA forecasts general fund revenue for FY 04-05 at \$5.5 billion, a 2 percent increase over FY 03-04. For purposes of our budget, we assume revenue growth at this 2 percent level.

The BEA will update the revenue forecast in February 2004; at that time, its revenue growth estimate may be greater than the current 2 percent. And we certainly hope that our economy does in fact rebound more quickly than the current BEA estimate. That said, however, after two years of revenue shortfalls and the attendant painful mid-year budget cuts – shortfalls and cuts which occurred despite initial appropriations that conformed with the BEA revenue estimates – we believe it is important be conservative in projecting revenue growth.

Mid-year budget cuts are extremely disruptive since most of the money has been spent or committed by the time the reductions are announced, and they place agency directors in the position of having to abandon partially-implemented programs. One of our budget goals is to minimize the likelihood of yet another round of mid-year cuts.

Accordingly, even if the BEA's forecast of revenue growth in February 2004 exceeds the 2 percent we have assumed in our budget, we urge the General Assembly to make its appropriations based on the more conservative 2 percent estimate. Aside from limiting the specter of mid-year budget cuts, this approach has the additional fiscally-conservative virtue of allowing any recurring general fund revenues collected in excess of the 2 percent growth estimate to be used to supplant the non-recurring dollars that are dedicated to critical programs (such as K-12 education and Medicaid). The newly-available non-recurring dollars could then be used to reduce the unprecedented \$155 million budget deficit remaining from the FY 01-02 budget year.

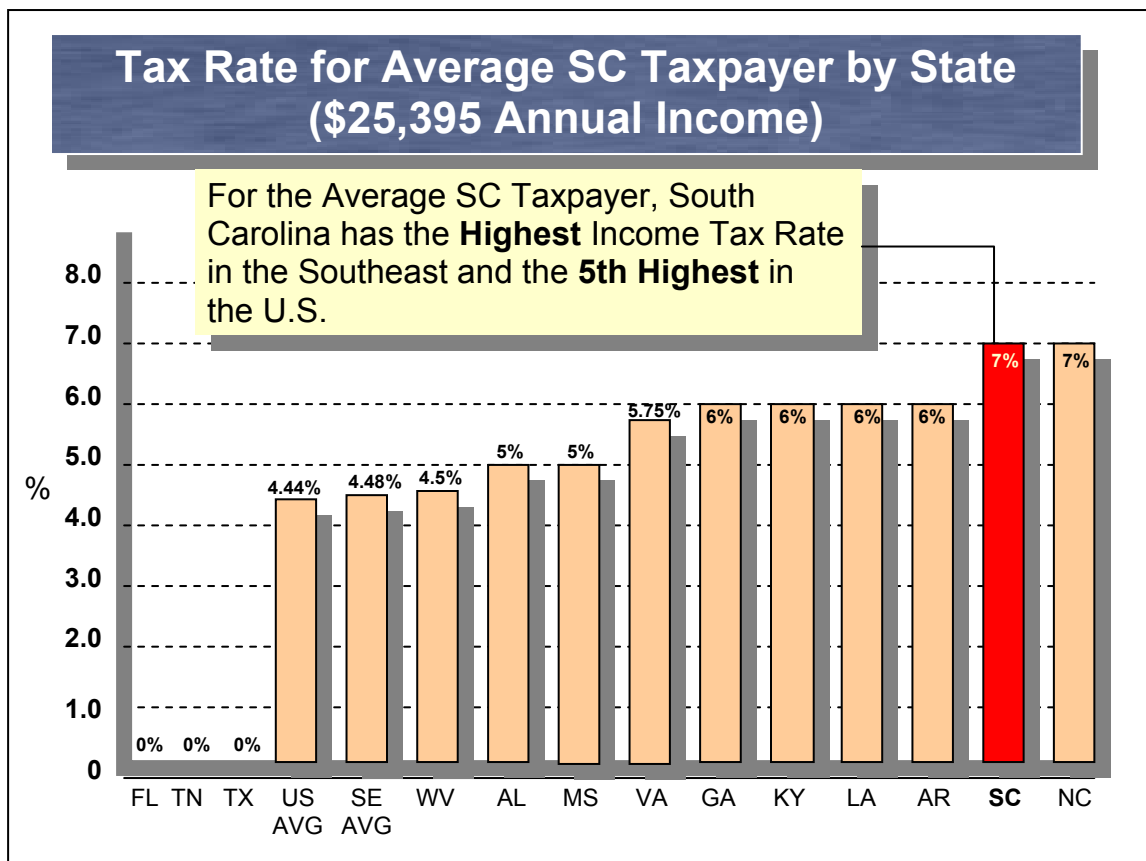
South Carolina has historically enjoyed the benefits of an AAA credit rating, but that rating and the corresponding lower borrowing rates are gravely threatened by this FY 01-02 deficit. While the deficit reduction plan previously endorsed by the Budget and Control Board and embodied in a bill to be filed next session entitled "The Fiscal Discipline Plan of 2004," will help us maintain our relationship with the capital markets, we strongly believe that applying excess revenues to the FY 01-02 deficit is both the most responsible course of action and the best way of ensuring that this relationship is maintained.

Types of Revenues

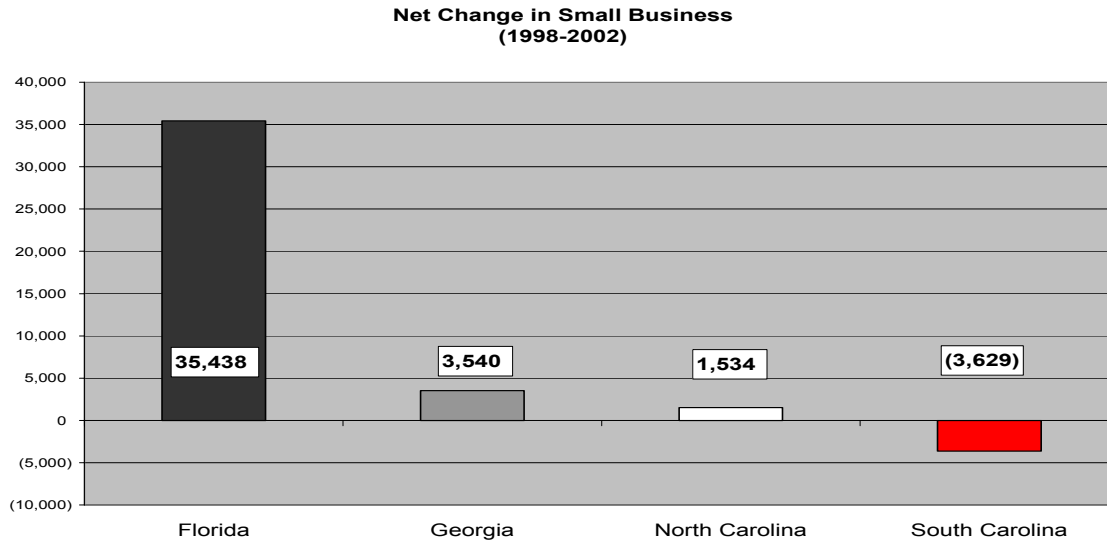
In considering state government revenues, we must bear in mind that all revenue sources are not equal in terms of impact on jobs and economic growth. Dr. Richard K. Vedder, the nation's foremost researcher on the relationship between state taxes and economic growth, has shown that a high state income tax is "far more destructive of economic growth than other taxes, such as consumption levies, or even property taxes." And a sophisticated econometric model known as the "State Tax Analysis Modeling

Program” (STAMP) developed by The Beacon Hill Institute shows that a cut in the income tax will create more jobs than a cut in either the sales tax or the property tax.

A responsible executive budget, therefore, must address not only government expenditures, but also revenue sources. Unfortunately, our analysis of South Carolina revenues shows that it has the type of “high, progressive state income tax” condemned by Dr. Vedder as the prime inhibitor of economic growth. In a May 2003 report entitled “State Business Tax Climate Index,” The Tax Foundation ranked South Carolina’s individual income tax desirability, in terms of promoting economic growth, as only 42nd in the nation – and dead last in the Southeast. In fact, South Carolina’s top marginal rate of seven percent is the highest in the Southeast for the average taxpayer and the 5th highest in the nation.

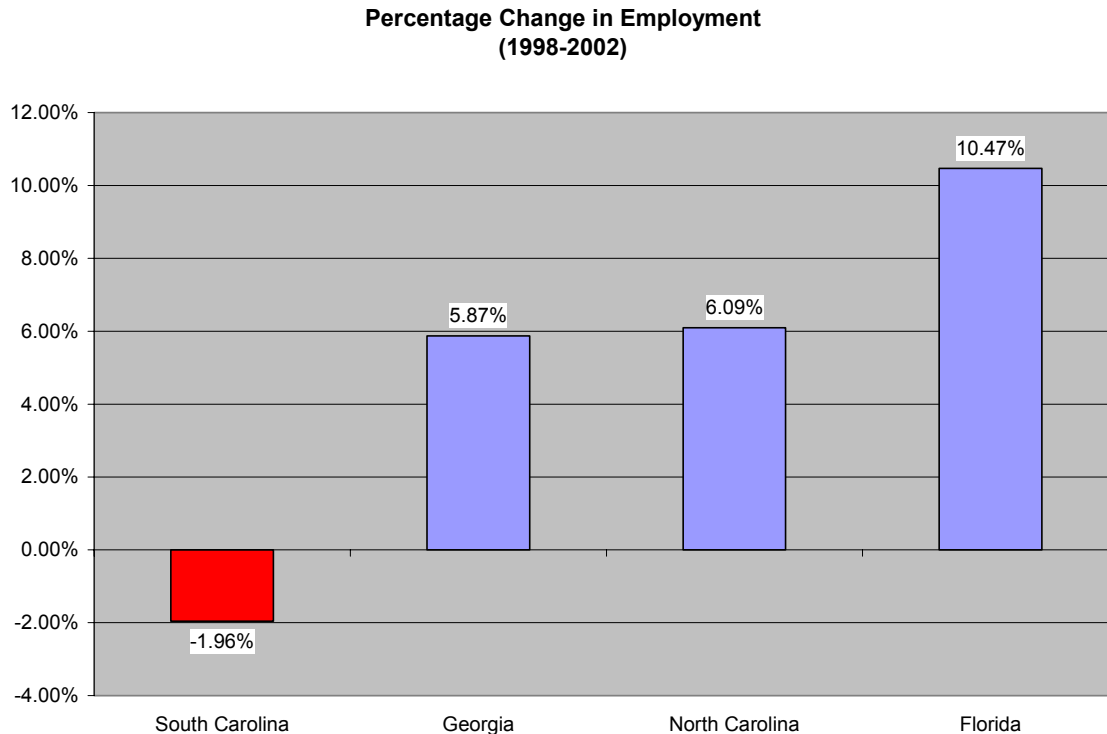


The negative effects of South Carolina’s relatively high income tax exist on several levels. Consider that, over the last five years, we have **lost** more than 3,600 small businesses; by contrast each of our neighboring states has seen net gains.



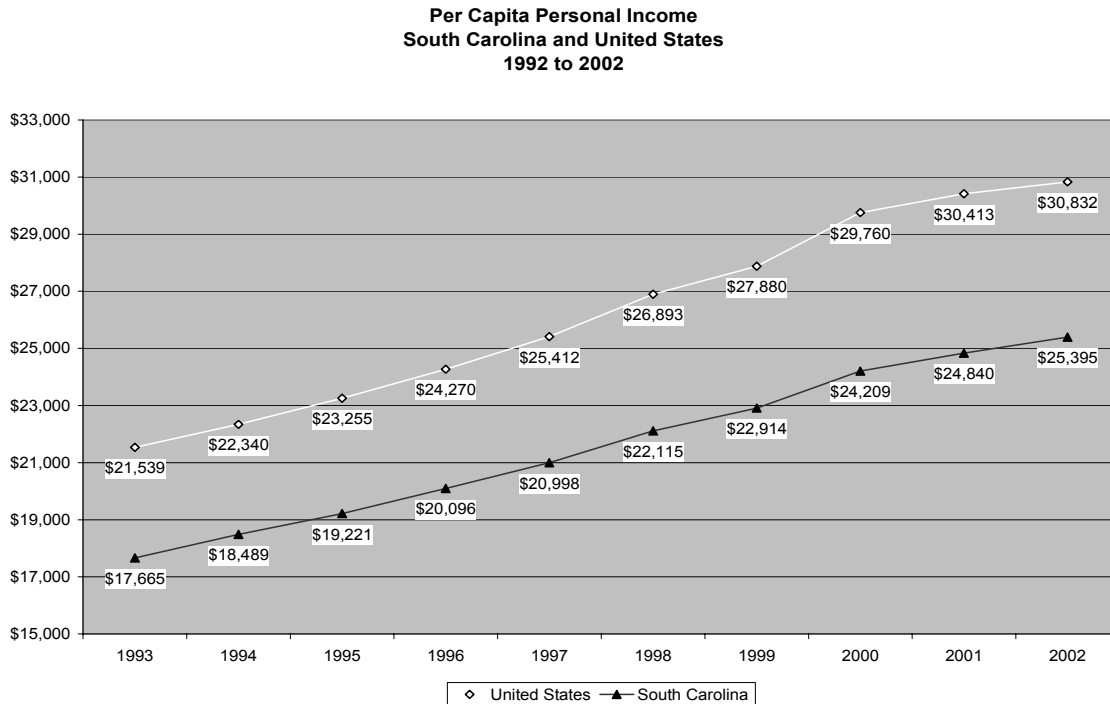
Source: U.S. Small Business Administration

Not surprisingly, the employment trends over the same five-year period mirror that of small business creation. South Carolina, with the most punitive individual income tax in the Southeast, saw a negative growth rate in employment from 1998 to 2002 at -1.96 percent. By contrast, Florida, with no income tax rate, had the greatest gain.



The ultimate evidence of the punitive affect of South Carolina's relatively high individual income tax is the low level of our state's performance in one of the best measures of economic well-being, the per capita personal income (PCPI), which is an indicator of the

amount of goods and services the average citizen can purchase in a year. Today, the average worker in South Carolina earns only 82 percent of the national average, which means a family of four earning \$30,000 a year earns \$5,400 less than the average family, solely because they choose to live in South Carolina. The PCPI in South Carolina ranks only 41st in the nation – and again, well behind its three immediate neighbors. And unfortunately, this earnings gap is not a new phenomenon. Over the last ten years, the gap between PCPI in South Carolina and the national average has grown by 40 percent.



Source: Bureau of Economic Analysis

The recognition that a high state income tax rate is particularly bad for jobs and economic growth is shared by elected officials on both sides of the political aisle. For example, Governor Bill Richardson of New Mexico, a Democrat and former member of President Clinton's Cabinet, proposed in 2003 cutting New Mexico's top tax marginal rate from 8.2 percent to 4.9 percent. In his 2003 State of the State address, Governor Richardson said of his tax cuts, "I am convinced that by making New Mexico a more tax-friendly place for growth-oriented businesses and entrepreneurs, the cut in rate will be more than compensated for by the increase in taxpayers – and income – in that bracket." In 2002, seven states (Hawaii, Maryland, Massachusetts, Michigan, North Carolina, Oklahoma and Rhode Island) and the District of Columbia also chose to reduce their taxpayers' individual income tax burden.

The Beacon Hill's STAMP econometric model provides the statistical proof that a cut in the state's individual income tax will result in the creation of new jobs. For example,

STAMP showed that when New Jersey reduced the tax rates on earnings by New Jersey residents from a range of 2-7 percent to 1.9-6.65 percent, and then to a range of 1.7-5.68 percent, a total of 25,017 new jobs were created. The model also showed that if Massachusetts had increased its state income tax from 5 percent to 6.2 percent, a total of 117,029 jobs would have been lost. In fact, the Massachusetts legislature rejected a tax increase plan after Beacon Hill had performed their analysis.

For this reason, we propose to immediately cut South Carolina's top marginal individual income tax rate from 7 percent to approximately 6 percent and, in order to maintain budget neutrality in this extraordinarily tight fiscal year, to increase the tax on cigarettes to just below the national average and apply the sales tax to lottery ticket sales. We consider this immediate reduction in the top marginal rate to be a first step toward eliminating the state income tax. The complete elimination of the income tax over the long term is, we believe, one of the best ways to truly make South Carolina home to economic opportunity.

We believe the statistical proof of a high individual income tax's particularly negative affect on jobs and economic growth is the best reason for cutting it. However, even those who advocate the "three-legged stool" tax structure, that is, one with revenues that are equally dependent on the sales, real property and income tax, should also support our proposal to immediately cut South Carolina's top marginal individual income tax rate from seven percent to approximately six percent.

South Carolina's combined state-local sales tax is 23rd highest in the nation. And according to two different studies (one by the Minnesota Taxpayers Association and another by the District of Columbia government) that attempt to rank the states' respective property tax burdens, our residential property tax is below the national average. In South Carolina, therefore, two legs of the stool – the sales tax and real property tax legs stool – are close to the national average. In stark contrast, however, in our state the third leg of the stool – the income tax – is far above the national average. In fact, South Carolina, the top marginal rate of 7 percent is 13th highest in the nation, and effectively 5th highest in the nation since we start collecting at that top rate at a level (\$12,000 of adjusted income) far lower than all but one of the states with higher rates.

FY 2004-05 Executive Budget

PERSONAL INCOME GROWTH	GENERAL FUND REVENUE FORECAST			
FY04 - 2.2%; FY05 - 2.0%	FISCAL YEARS FY2003-04 TO FY2004-05			
	(DOLLARS)			
	8/15/03 ESTIMATE FY 2003-04	WORKING ESTIMATE FY 2004-05	PERCENT CHANGE FY03/FY04	PERCENT CHANGE FY04/FY05
REVENUE CATEGORIES				
RETAIL SALES TAX 1/	2,100,704,791	2,142,298,746	2.2	2.0
EXCISE, CASUAL SALES TAX	19,368,383	19,751,877	2.2	2.0
LESS: SALES TAX HOLIDAY	(3,933,817)	(4,051,832)		
LESS: TAX ON FOOD BY ONE- CENT				
INDIVIDUAL INCOME TAX	2,390,550,811	2,443,142,929	2.4	2.2
INDIVIDUAL WITHHOLDINGS (GROSS)	2,926,094,234		4.2	
LESS: JOB DEVELOPMENT FEES	(80,170,934)		60.0	
INDIVIDUAL WITHHOLDINGS (NET)	2,845,923,300		3.2	
INDIVIDUAL DECLARATIONS	267,366,211		0.0	
INDIVIDUAL PAID WITH RETURNS	301,409,630		8.5	
INDIVIDUAL REFUNDS	(1,024,148,330)		5.8	
CORPORATION INCOME TAX	149,139,556	149,139,556	0.0	0.0
SALES AND INCOME TAXES	4,655,829,724	4,750,281,276	2.2	2.0
ADMISSIONS/BINGO TAX	32,000,000	32,320,000	0.6	1.0
AIRCRAFT TAX	3,214,649	3,246,796	1.0	1.0
ALCOHOLIC LIQUOR TAX	58,038,806	59,489,776	2.5	2.5
LESS: COUNTY DISTRIBUTION	(3,836,795)	(3,836,795)	39.0	0.0
LESS: ANNUAL SUNDAY SALES LICENSE	(2,800,000)	(2,800,000)		
BANK TAX	19,000,000	19,000,000	-10.9	0.0
BEER AND WINE TAX	92,451,944	93,838,723	1.5	1.5
BUSINESS LICENSE TAX	28,900,437	28,611,433	-1.0	-1.0
COIN-OPERATED DEVICES	2,300,000	2,400,000	-3.3	4.3
CORPORATION LICENSE TAX	64,000,000	64,000,000	-0.6	0.0
DEPARTMENTAL REVENUE 3/	56,000,000	56,000,000	0.4	0.0
DOCUMENTARY TAX	38,411,224	40,254,962	1.5	4.8
LESS: CONSERVATION BANK TRUST FUND		(10,063,741)		
EARNED ON INVESTMENTS	15,000,000	16,000,000	-30.7	6.7
ELECTRIC POWER TAX	24,626,860	25,365,666	2.6	3.0
ESTATE AND GIFT TAXES	59,000,000	59,590,000	-0.4	1.0
LESS: FEDERAL CHANGE TO ESTATE TAX	(27,000,000)	(40,300,000)		
FERTILIZER INSPECTION TAX	0	0	N/A	N/A
1/: Excludes (1%) Education Improvement Act and (2%) Accommodations Taxes.				
3/: Includes former Dept. of Agriculture agency revenue other than the Petroleum Inspection Tax now shown separately.				

FY 2004-05 Executive Budget

PERSONAL INCOME GROWTH	GENERAL FUND REVENUE FORECAST			
FY04 - 2.2%; FY05 - 2.0%	FISCAL YEARS FY2003-04 TO FY2004-05			
	(DOLLARS)			
INSURANCE PREMIUM TAX	115,000,000	124,000,000	1.1	7.8
INSURANCE LICENSE TAX	8,500,000	21,000,000	-54.3	147.1
INSURANCE RETALIATORY & OTHER TAX	6,500,000	6,500,000	-18.2	0.0
LESS: INSURANCE CREDITS	(5,380,918)	(4,500,000)	-12.7	-16.4
MOTOR TRANSPORT FEES	15,000	7,500	211.2	-50.0
MOTOR VEHICLE LICENSES	111,000,000	111,555,000	0.5	0.5
LESS: INFRASTR. BANK TRANSFER- TRUCK	(55,475,693)	(50,892,581)		
LESS: HIGHWAY FUND TRANSFER- CAR	(7,400,000)	(7,250,000)		
PLUS: TEN-YEAR DRIVER'S LICENSES	5,400,000	7,200,000		
PETROLEUM INSPECTION TAX	8,177,865	8,300,533	2.1	1.5
PRIVATE CAR LINES TAX	3,200,000	3,302,400	22.4	3.2
PUBLIC SERVICE AUTHORITY	10,651,668	10,864,701	1.6	2.0
RETAILERS LICENSE TAX	922,179	936,012	1.5	1.5
SAVINGS & LOAN TAX	3,400,000	3,400,000	-0.8	0.0
SOFT DRINKS TAX	0	0	N/A	N/A
WORKERS COMP. INSURANCE	12,418,889	12,729,362	1.0	2.5
CIRCUIT/FAMILY COURT FINES	9,917,948	10,195,651	2.4	2.8
DEBT SERVICE TRANSFERS	3,300,000	3,300,000	0.4	0.0
INDIRECT COST RECOVERIES	22,893,411	22,893,411	3.5	0.0
MENTAL HEALTH FEES	3,800,000	3,800,000	0.0	0.0
PAROLE / PROBATION FEES	3,222,802	3,392,423	-5.0	5.3
UNCLAIMED PROPERTY FUND	6,600,000	6,600,000	0.0	0.0
WASTE TREATMENT REPAYMENT	0	0	N/A	N/A
OTHER BASE SOURCES	725,970,276	740,451,231	-3.3	2.0
TOTAL GENERAL FUND REVENUE	5,381,800,000	5,490,732,508	1.4	2.0
APPROPRIATION ACT REVENUE	5,494,776,250	5,490,732,508	-6.1	-0.1
LESS: TAX RELIEF TRUST FUND	(490,801,000)	(505,158,783)	3.7	2.9
EXCLUDING TRUST FUND	5,003,975,250	4,985,573,725	-6.9	-0.4
ACT REVENUE AFTER TRUST FUND	5,003,975,250			
CAPITAL RESERVE FUND (2%)	98,599,197	99,356,026	-3.0	0.8
GENERAL RESERVE FUND (3%)	49,299,599	49,678,013	27.1	0.8
TOTAL RESERVES	147,898,796	149,034,039	5.3	0.8
REVENUE EXCESS / SHORTAGE	(112,976,250)			
EDUCATION IMPROVEMENT ACT 2/	529,384,839	540,099,698	3.0	2.0
EIA FUND	529,034,839	539,499,698	3.0	2.0
EIA INTEREST	350,000	600,000	-17.2	71.4
3/: Includes former Dept. of Agriculture agency revenue other than the Petroleum Inspection Tax now shown separately.				
4/: Restated to include audit adjustment of -\$6,360,991				

Source: Board of Economic Advisers – 10/15/2003

Restructuring

A More Accountable and Focused South Carolina Government

“Failure to restructure government, failure to bring horse-and-buggy government into the space age, will perpetuate a system that answers to nobody, listens to nobody and serves nobody other than its own special interest.”

**- Governor Carroll Campbell, Second Inaugural Address,
January 9, 1991.**

Nearly 13 years after Governor Campbell uttered those words, our state is still burdened with a government that is not accountable to the people it serves and the taxpayers who fund it. While Article IV of the South Carolina Constitution recognizes the governor as “the supreme executive authority,” the power of the executive position is severely limited in three ways:

1. A large number of constitutional officers;
2. Too much legislative involvement in the management in the Executive Branch agencies; and
3. Too much administrative autonomy and duplication.

South Carolina moved toward more accountable government when, thanks to Governor Campbell’s leadership, the General Assembly reduced the number of state agencies and approved a limited form of cabinet-style government. Unfortunately, a substantial number of state agencies were left intact and beyond the governor’s power to coordinate, leaving us with an unacceptable amount of agency overlap and insufficient accountability to the taxpayers. This continued duplication and overlap costs us money which, especially in these tight economic times, we cannot afford.

In the battlefield, our military has imposed a “chain of command” to ensure the orders of the general are implemented by the soldiers in the field. Our state government must have a governor who is able to exert the same form of hierarchical control.

South Carolina loses with state agencies and constitutional officers that often compete against each other with conflicting aims. Our health care services are fractured into six different agencies. Agencies with jobs and economic development responsibilities are scattered among four different agencies. Natural resource and environmental programs are shared by five separate agencies.

We have proposed a series of changes to finish the work started by Governor Campbell that provides a more accountable government and an improved delivery of services that saves taxpayer dollars.

Goal Number One – Reduce the Number of Constitutional Officers from Nine to Three.

At first blush, it may seem that having multiple executive branch officers empowers the people; however, multiple executive officers serves to erode any real accountability. As Alexander Hamilton noted, “one of the weightiest objections to a plurality in the executive...is that it tends to conceal faults, and destroy responsibility.” For that reason, we propose reducing the number of constitutional officers as follows:

Put the Governor and Lieutenant Governor on a single ballot.

In the long-standing tradition of the federal executive branch, where the President and Vice President run on the same ballot, we propose having the Governor and Lieutenant Governor run together as a team (as they do in 24 other states).

Make the following cabinet positions appointed by the governor, with advice and consent of the Senate: Adjutant General, Commissioner of Agriculture, Comptroller General, Secretary of State, State Superintendent of Education and State Treasurer.

The idea of inter-branch checks and balances requires three separate, but equal, branches of government; however, intra-branch checks and balances cripple the branch’s ability to perform its constitutional duties.

Keep the separately-elected Attorney General.

In 43 out of 50 states, the Attorney General is elected directly by the people as the chief legal officer for the state, and we propose retaining the separate election of the Attorney General.

Our current form of government, with its fractured executive office, may have served South Carolina well in 1895, but it does not meet the needs of the 21st century. South Carolina state government is a \$15 billion a year enterprise with responsibilities never imagined in 1895. While we believe that all of the constitutional reforms cited above are important, we would further emphasize that the clearest and most damaging divide in executive branch accountability rests in the management of our public schools.

Approximately 40 percent of the state’s budget is dedicated to construction, maintenance and operation of the K-12 public school system. Clearly, this is one of the single largest responsibilities of the state government. South Carolina is one of only 15 states where the State Superintendent of Education is elected rather than appointed, which exposes us to the danger, too often realized, of the governor and the State Superintendent of Education trying to move the state in two different directions in terms of education policy. The most important of the executive office reform proposals is making the Superintendent a cabinet-level position appointed by the governor with advice and consent of the Senate.

Goal Number Two – Restructure the Secretary of State’s Office.

In addition to making the Secretary of State a cabinet-level appointment, we have proposed adding responsibility to the Secretary’s office.

Make the Secretary of State the Chief Election Officer of the State.

South Carolina is one of only 13 states that do not empower the Secretary of State to serve as the Chief Election Officer of the state, and one of only nine states that provides that officer with no election duties. Instead, our state’s elections are overseen by the State Election Commission, comprised of five members appointed by the governor to four year terms. We propose moving the State Election Commission to the Secretary of State’s office and empowering the Secretary with election oversight responsibility, effective once the office is made appointive and the first confirmation takes place.

Goal Number Three – Restructure the Department of Education

Within our state education system, there are currently too many state government agencies duplicating services or administrative structures and competing for scarce resources. We propose that these state agencies be consolidated, simplified and made more accountable to South Carolinians – a task which becomes much more feasible if a strong cabinet form of government is brought to the executive branch.

Department of Education (SDE)

1. Devolve the powers of the State Board of Education to the Superintendent of Education.
2. Move the Wil Lou Gray Opportunity School under the administrative direction of the SDE.
3. Close down the John de la Howe School.
 - The Wil Lou Gray Opportunity School will oversee the transfer of the remaining students to other public or private institutions that best meet each student's needs.
 - The land and facilities of the John de la Howe School will be used by the Department of Juvenile Justice for appropriate educational uses in accordance with the will of Dr. de la Howe.
4. Move the School for the Deaf and Blind under the administrative direction of the State Department of Education.

Goal Number Four – Create an Efficient Health and Human Service Delivery System.

The Challenge of Efficient Service Delivery

The 2003 Legislative Audit Council (LAC) report on Health and Human Service Agencies is an in-depth study of the current organizational structure of eight agencies. It finds that similar services are provided by multiple agencies, causing agencies to spend extra resources on service coordination. The report adds that the overlap causes increased administrative costs in areas such as finance, personnel, and information technology.

The LAC report finds that since most of the agencies are outside the cabinet, the result is “no central point of accountability for their performance.” It further points out that “a cabinet system could increase accountability and responsiveness to client concerns by directly linking the performance of agencies with a single statewide elected official who is authorized to implement changes.”

The report concludes that “if programs with similar services were consolidated into fewer agencies, under the authority of a single cabinet secretary, obtaining help from state government could be made less complex. The need for different agencies to make referrals to each other could be reduced while planning and budgeting could be done more comprehensively. In most cases, administrative costs could be lower.”

We agree with much of the LAC report and have based much of the structure around their findings. Our main concern is the need for services to efficiently and effectively meet the needs and choices of consumers. Our current system clearly does not. A recent survey conducted by the USC School of Public Health of clients of our health and human service agencies demonstrates this reality. By over a 2 to 1 margin, clients answered “no” when asked if they knew what services are available and how to apply. The response was even worse – nearly a four to one negative response – when asked whether or not applying for service was simple. In a letter to the MAP Commission, Gloria Prevost, Executive Director of the statewide non-profit organization, Protection and Advocacy for People with Disabilities, Inc., wrote that she believes that “the health care system in South Carolina should be restructured at the state and local levels to respond to consumer needs and choices. South Carolinians who seek services for physical, mental or developmental disabilities face a confusing maze of bureaucracies, eligibility criteria and barriers to effective and cost efficient services.”

Consolidation of Agencies

Our proposal to consolidate our eight different health care agencies into three cabinet agencies is a crucial step in solving these problems. Our new system will be structured so that one agency will provide health care services, one agency will provide human services, and one agency will provide the Medicaid funding and oversight. Perhaps most importantly, rather than the agencies working for a governor and five different boards, the consolidation into the cabinet would allow clients and the taxpayers the benefit of single point accountability through the governor.

We were careful to keep former individual agencies as distinct divisions housed within their new agency. One exception was DHEC, which we strongly feel should be restructured in a manner that focuses on one single mission rather than its current dual mission of public health and environmental stewardship and oversight. While they are not always mutually exclusive, we felt that the Public Health aspects of the agency belong in the Health Care delivery agency and the Environmental aspects of the agency shared a more similar mission and focus with the Department of Natural Resources (DNR) and Forestry Commission.

Private Sector Example

Our reorganized agencies will be able to identify duplication in support and case management functions so that we realize savings from the new organization. In the private sector, companies restructure and merge on a regular basis in order to achieve significant savings from the elimination of duplicative services. For example, a report from the U.S. Department of Energy, which studied mergers amongst power companies, found that significant cost savings were achieved as a result of the mergers that they studied. The report went on to say that “the majority of cost savings are expected to be in labor costs reductions. Usually, over 50 percent of the savings will come from a reduction in corporate and operations labor.” The study reported savings of 11-13 percent from the mergers of power companies in their study. This is in contrast to the 1.8 percent in savings we assume for these agencies.

Administration Duplication

The private sector consistently achieves significant savings from the merger of companies that perform similar functions. While this transition can be difficult, the results are often necessary for a business to remain competitive. We must make these same difficult choices in South Carolina in order to adequately fund our necessary services and reduce our cost of government, which stands near 130 percent of the national average. Our budget proposes a first year reduction of 18 percent of the administrative functions from consolidation of these agencies. We would expect these numbers to increase in the coming years as more efficiencies would be realized from further elimination of duplicative functions, real estate consolidation, and other savings.

The State Budget Office tabulated the total number of support positions in the administrative, management, and clerical/secretarial fields for agencies that are recommended for consolidation. Looking at the average salaries, they assumed a 29 percent fringe factor and a very conservative \$750 per employee per year for phone and office supplies. It is important to note that all of the savings from restructuring should have minimal impact on service delivery, which should, in fact, be enhanced.

Streamlined Case Management

Additionally, advocates have long argued that our health care system, where clients can and often do have multiple case workers, needs to be better organized around clients' needs. Our budget hearings this summer repeatedly echoed that theme as we heard examples of clients who had up to four, five, or six case workers who were not adequately addressing their needs because there was no overall approach to their needs.

Because of our fractured health care system, too many of our state's citizens must undergo multiple interviews, redundant services, and an overall disjointed system of providing them with their needs.

Therefore, along with the consolidation of health care agencies, we also believe that this more efficient system would deliver better client services with more efficient case management. Specifically, our budget requests a 5 percent reduction in the amount of case management expenses under our new organization. This assumption, while probably on the low end in terms of realizable savings, is certainly achievable for the upcoming year. An estimate in the LAC report on Health and Human Service Agencies outlines how a more sensible structure can lead to efficiencies and savings in case management. In looking at merging the Continuum of Care for Emotionally Disturbed Children into a Mental Health division, as proposed in this budget, the LAC finds that case managers could spend less time traveling and more time handling cases. The report estimates that case managers who now handle 10-12 cases could handle 15-20 cases under the new structure.

The Budget and Control Board's Office of Research and Statistical Services has also done extensive research on the overlap in case management between our agencies. Their findings show significant overlap amongst case management services for Medicaid clients. For example, they found that 12 percent of DHEC's clients and 38 percent of the Department of Mental Health's clients are receiving case management services from at least one other agency. Their statistics also show that 88 percent of clients for the Commission for the Blind are receiving case management from at least one other agency, 44 percent from at least two other agencies, 12 percent from three other agencies, and about three percent of their clients receive case management services from at least four other agencies. While many clients need services from multiple agencies, effective management of their cases should allow for a simple streamlined structure.

In further analyzing case management services, the Office of Research and Statistical Services looked at the impact of the agency that provided the most case management for a client becoming the sole agency providing case management for a client – in effect, providing a case management home. Their numbers show that establishing these “case management homes” would have allowed our state to reduce the total number of case management services by 6.3 percent and the total amount of case management dollars by 7.5 percent.

Additionally, in conjunction with compiling and analyzing this data, the Office of Research and Statistical Services worked with officials from the Department of Health and Human Services to develop a computer program that allows agencies and case managers to work from a shared client database. This common case management system should be available for deployment in the next fiscal year and will be an enormous help in providing more efficient, client-centric care – especially in conjunction with a more accountable, more efficient, organizational structure.

Overall Savings

Our highest priority is maintaining front line services, rather than an unmanageable structure. We believe our restructuring proposal frees up necessary resources to provide more effective health and human services. We have over 17,000 employees within our health and human service agencies and are proposing a budget of nearly \$1.2 billion in state funds alone. Our proposal to merge these eight agencies into a more aligned system of three agencies allows for savings of \$21.2 million, which is only 1.8 percent of our total annual general fund spending for health and human services. When compared with a 11-13 percent overall savings realized from a private sector power company merger, it is clear that these reductions are certainly a modest but necessary first step in improving our health care delivery system. Our plan will free \$21 million in savings to help fully fund our Medicaid match with recurring dollars for the first time since at least 1994. Our budget proposal and restructuring plan are a call for true Medicaid reform. The result will be a health and human service delivery system that will be more accountable, more affordable, and most importantly, will provide for improved care for our citizens.

Proposed Consolidated Agency Structure:

We propose a cabinet-level director for the following agencies, appointed by the governor with the advice and consent of the Senate.

Department of HealthCare Oversight and Finance (Health Oversight)	
1.	Rename the Department of Health and Human Services (DHHS) the Department of Healthcare Oversight and Finance. – This new agency will be the lead agency for Medicaid finance and oversight of Medicaid expenditures.
2.	Retain all of the functions of the current DHHS with the exception to the Child Development Block Grant and Social Services Block Grant.
3.	Division of Addiction Services (currently Department of Alcohol and Other Drug Abuse Services).

Department of Health Services (Health Services)

1. Division of Public Health (currently the health programs at the Department of Health and Environmental Control).
2. Division of Mental Health (currently Department of Mental Health).
 - The powers of the current Mental Health Commission would be given to the director of Health Services and the members of the Commission would serve as an advisory board.
 - Continuum of Care for Emotionally Disturbed Children would be moved from the Governor's Office to the new Division of Mental Health.
3. Division of Disabilities and Special Needs (currently Department of Disabilities and Special Needs)
 - The powers of the current Disabilities and Special Needs Commission would be given to the director of Health Services and the Commission would serve as an advisory board.

Department of Human Services (Human Services)

1. Renames the Department of Social Services the Department of Human Services.
2. Division of Vocational Rehabilitation (currently the Commission on Vocational Rehabilitation).
 - The powers of the current Commission on Vocational Rehabilitation would be given to the director of Human Services and the members of the Commission would serve as an advisory board.
3. Division for the Blind (currently the Commission for the Blind).
 - The powers of the current Commission for the Blind would be given to the director of Human Services and the members of the commission would serve as an advisory board.
4. Office on Aging (currently the Office on Aging at DHHS).
5. Child Development Block Grant (recently transferred from DHHS).
6. Social Services Block Grant (recently transferred from DHHS).

Goal Number Five – Establish a Department of Environment and Natural Resources.

Currently, our environmental and natural resource programs are spread among separate state agencies. In terms of management, we believe there should be a closer connection between the agency that manages our natural resources and the agency that provides environmental regulation.

In order to avoid mission-creep and duplication, we have proposed consolidating these agencies into a single agency accountable to the governor. In both of our neighboring states, North Carolina's Department of Environment and Natural Resources and Georgia's Department of Natural Resources, one combined agency provides both regulation and enforcement of environmental and wildlife laws. These consolidations will save dollars which, combined with other cost-savings and targeted cuts proposed in this budget, allows us to avoid postponement of approximately \$10 million in funding for the Conservation Land Bank in our budget (which is set to commence on July 1, 2004, assuming there is no legislative postponement).

Both the Department of Natural Resources and the Environmental Division of Department of Health and Environmental Control keep offices in various locations around the state. The proposed consolidation would also give the agencies a prime opportunity to consolidate locations as well. For instance, the Greenville Field Office of the DNR's Land, Water, and Conservation Division and DHEC's Appalachia II District Office has two separate offices in the same building.

We propose a cabinet-level director for the Department of Environment and Natural Resources (DENR), appointed by the governor with the advice and consent of the Senate.

Department of Environment and Natural Resources (DENR)

1. Division of Environmental Protection (currently the environmental programs at the Department of Health and Environmental Control).
 - Maintain an environmental regulatory board.
2. Division of Natural Resources (currently the Department of Natural Resources).
 - The powers of the current Department of Natural Resources Board would be given to the DENR Director, and the members of the Board would serve as an advisory board.
3. Division of Forestry (currently the South Carolina Forestry Commission).
 - The powers of the current Forestry Commission would be given to the DENR Director, and the members of the Commission would serve as an advisory board.

Goal Number Six – Merge the Department of Corrections and the Department of Probation, Parole and Pardon Services.

South Carolina is one of only ten states where the Department of Corrections has separate responsibilities from the probation, pardon and parole functions. In fact, more than half of all states house their probation, pardon, and parole functions within a unified Corrections Department.

We believe a unified Department of Corrections and Probation will ensure that offenders are managed and measured by one agency from admission to final release, whether that release is directly from prison or from a lesser level of state supervision. A unified corrections system will also ensure that within that continuum, decisions about behavior and risk assessment are made consistently.

We believe a unified system will have several benefits:

1. A unified system would immediately allow the two distinct and separate entities to better coordinate the exchange of information, resources, and personnel.
2. Savings in eliminating administrative duplication should allow for better use of our scarce programming resources in areas such as drug and alcohol treatment and re-entry programs.
3. Victims of crime will now have a single point of contact to learn about the status of their offender, from entry to completion of sentence.

This administration will be working with the leadership of the General Assembly to develop a new alternative sentencing option for non-violent offenders. Options such as restitution centers and electronic monitoring fall squarely between the missions of the two agencies charged with the oversight of criminals. By joining these related functions into a single entity, as most other states have done, we will be able to improve coordination, better manage limited resources, realize significant financial savings, and improve protection for our law-abiding citizens.

The agency would be run by a cabinet-level appointment of the governor with the advice and consent of the Senate.

Department of Corrections and Probation

1. Division of Corrections.
2. Division of Probation, Pardon and Parole Services (PPP).
 - The PPP Board would remain intact and continue to provide the same functions.

Goal Number Seven – Consolidate Job Creation and Economic Development Programs.

Our administration's primary goal is job creation and economic development. Federal, state and local resources to help create jobs and promote economic development are poured into programs toward achieving that goal, but we fall far short of getting the most out of those dollars because the programs are inefficiently scattered among various state agencies. To maximize the effect of these dollars and to ensure that the mission focus is consistent, cohesive and strong, we propose that the economic development programs, and in many instances the agencies that currently administer them, be housed in a single agency. In addition, the savings in administrative dollars would allow more of these dollars to be dedicated to the core mission of job creation and economic development. This proposed consolidation, outlined below, offers us a great tool in strengthening the focus on economic development that Governor Campbell brought to the state.

Department of Commerce	
1.	Retain the current functions of the Department of Commerce.
2.	Office of Local Government (currently at the Budget and Control Board).
3.	Jobs-Economic Development Authority (JEDA).
4.	Direct Employment Security Commission to better coordinate the expenditure of Workforce Investment Act (WIA) moneys with the Department of Commerce and with the State Board for Technical and Comprehensive Education.

Goal Number Eight – Create a Department of Administration.

As the state's Chief Executive Officer, the governor should be responsible for the central administration of Executive Branch functions of state government. Currently, however, the Budget and Control Board assumes several functions that we have proposed putting into a single, cabinet-level agency to manage daily operations of state government. For instance, two of the Budget and Control Board's stated policy objectives, which we believe fall under the Governor's Office are:

1. Provide a structure for coordinating inter-agency activities and operations; and
2. Bring about the efficient and effective use of the state's personnel, fiscal and capital assets.

The Department of Administration would be a central location to ensure accountability of support services and hiring policies in state government. We propose that the director of the Department of Administration be appointed by the governor with the advice and consent of the Senate.

Department of Administration

From the Budget and Control Board and the Governor's Office:

1. Office of General Services.
2. Office of Human Resources.
3. Employee Insurance Program.
4. State Energy Office.
5. Division of Procurement Services.
6. Division of Internal Audit and Performance Review.
7. Office of Research and Statistical Services (excluding Digital Cartography and Precinct Demographics).
– Digital Cartography and Precinct Demographics are related to redistricting after the Decennial Census, which is largely a Legislative Branch function. We propose leaving those functions within the Budget and Control Board.
8. One-half of the Executive Director's office.
9. One-half of the Internal Operations office.
10. Governor's Office of Executive Policy and Programs (excluding Guardian ad Litem Office to move to the Children's Law Office and Continuum of Care to move to the Division of Mental Health).
11. Division of the State Chief Information Officer.

By making the governor responsible for the central administration of Executive Branch functions of state government, the Department of Administration would allow the Budget and Control Board to focus on state fiscal policy, specifically by:

1. Approving state revenue and expenditure projections;
2. Authorizing the issuance of bonds;
3. Addressing budgetary shortfalls;
4. Administering the State Retirement System; and
5. Exercising such other specific fiscal responsibilities as may be enumerated by law.

We also propose that the Chief Information Officer be placed within the Department of Administration and a State Inspector General be established.

Chief Information Officer (CIO)
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The CIO Office would be responsible for establishing information technology standards and strategic plans across state government. Currently, there is a division of the State Chief Information Officer within the Budget and Control Board. This division would be transferred to the Department of Administration and the CIO would be appointed by the Director of the Department of Administration.
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State Inspector General (IG)

We propose creating a central office responsible for identifying waste, fraud, and abuse within the Executive Branch. The Inspector General's office would be established and appointed in the same manner as the State Law Enforcement Division. The Inspector General would be appointed by the governor and confirmed by the Senate, serving a six-year term.
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Goal Number Nine – Create a Department of Literary and Cultural Resources.

The 1991 Commission on Government Restructuring recommended putting all four of our cultural and literary agencies under the administration of one agency. However, no such change was made as a part of the 1994 Restructuring Act. We propose again to house all of these agencies together in an effort to streamline management and administrative costs.

Department of Literary and Cultural Resources (DLCR)

1. Create a Department of Literary and Cultural Resources (DLCR) and DLCR Board.
 - The DLCR Board would be responsible for appointing the director of the agency.
 - The DLCR Board should have equal representation from each of the four areas to ensure fair and balanced weight.
2. Division of Archives and History (currently the Department of Archives and History)
3. Division of the Arts (currently the Arts Commission)
4. State Library
5. State Museum (and begin the process of becoming a privately self-funded museum).

Goal Number Ten – Create a State Trust Fund Authority.

Currently, the state has various funds operated independently of each other. We propose unifying these funds under the authority of one agency with one administrator. The creation of a trust fund authority will eliminate duplicative overhead costs and will allow the coordinated management of these funds. This approach would make it more likely that the funds would only be used for the prescribed use of the funds. The administrator would be appointed by the governor with the advice and consent of the Senate. The administrator would serve a six-year term.

State Trust Fund Authority

1. State Accident Fund
2. Insurance Reserve Fund

Education Policy

Back to the Front Line in Education

“Only the educated are free.”

- Epictetus, Greek Philosopher

South Carolina has made strides in education – from 1999 to 2003 we increased SAT scores by 35 points versus a national increase of only 10 points over the same period. This has been due in large part to the tremendous efforts of teachers, students and parents on the front lines. Also, the accountability standards passed by the General Assembly in 1998 have helped start us down the right path. However, we still have a long way to go to make up the gap that exists between South Carolina and the rest of the nation, and it will take bold changes to give those parents, students and teachers the ability to realize even greater progress in achievement levels.

Everyone recognizes that education is a top priority in any budget year for many reasons, not the least of which is the benefit to economic development that we gain by having a more educated work force. What we have focused on in this budget proposal is making sure that the limited dollars we are able to allocate are spent in the most effective place – the classroom. Thus this budget makes targeted cuts in some programs in education that we feel are not essential in these tight budget times, and *all* of those funds are redirected to the front lines via the Base Student Cost.

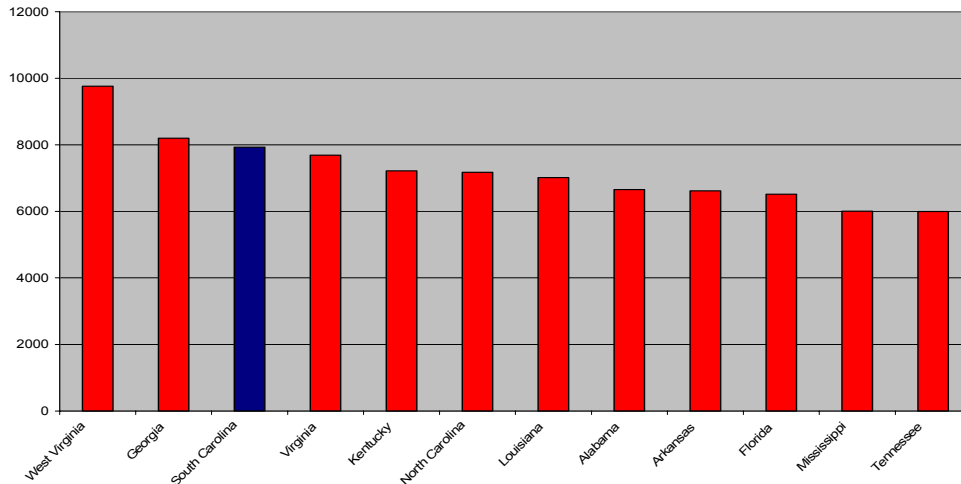
By reallocating these dollars, we are able to raise the Base Student Cost to **\$1,810** – an increase of **\$67** over the current FY 03-04 amount of **\$1,743**. However, as many people know, the Base Student Cost is only one component of actual spending per student.

Although we are committed to adequately funding education, we also recognize that it will take more than simply spending more money on the problem to solve it. That is why we are advocating a variety of structural reforms, from making the Superintendent of Education an appointed member of the governor’s cabinet to the measures discussed in this section.

Goal Number One – Increase Educational Choices for Parents.

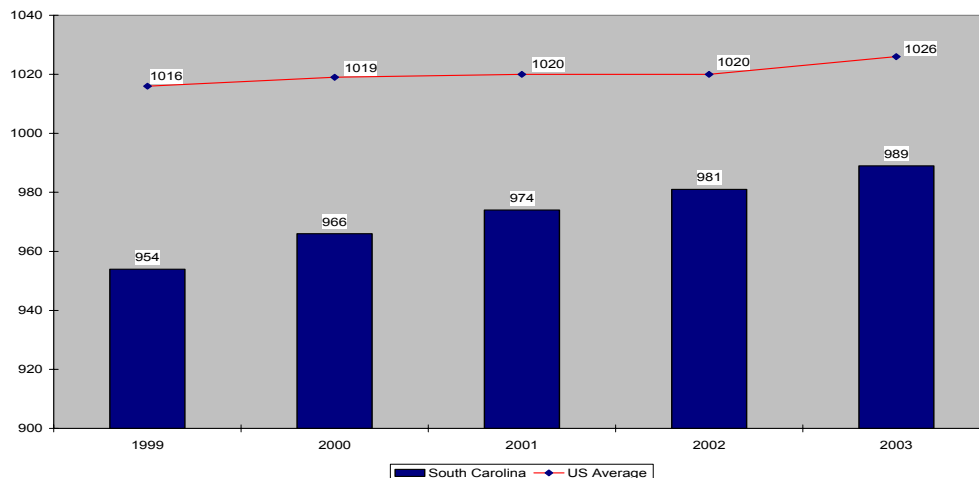
Adjusted for regional cost differences, South Carolina spent 105.4 percent of the national average per pupil in 2002, up 9.5 percent from 2001. In the Southeast, only West Virginia and Georgia outspend us.¹ From 1997 to 2002, state education expenditures rose 30 percent after inflation.²

Education Spending Per Student, 2002 (adjusted for regional cost differences)



Yet despite these increases in funding, we rank 49th in SAT scores (higher only than Georgia, which spends more money per student) and have a high school graduation rate of only 57 percent.³

SC vs. US Average, SAT Scores



¹ <http://www.edweek.org/sreports/qc03/reports/resources-t1.cfm>

² <http://www.edweek.org/sreports/qc99/states/grades/sc-t.htm#resources>

³ http://www.manhattan-institute.org/html/ewp_03.htm

These two diverging trends reflected in the charts above indicate that it is time to look for innovative ways to reform our education system. We believe that a system of increased choices for parents is the most efficient and effective way of doing this.

Jay Greene of the Manhattan Institute created the Education Freedom Index (EFI) to measure how states rank in allowing parental choice in education. In 2001, South Carolina ranked 39th, clearly reflecting the limited number of options for our parents and families.⁴

Recent studies have shown that schools in Florida that had one year to improve test scores or face losing students through choice programs showed test score gains more than twice as large as those achieved by other schools.⁵ In Charlotte, North Carolina, receiving a scholarship to attend a private school improves math scores by about six national percentile ranking points and reading scores by between 5.4 and 7.7 national percentile ranking points on standardized tests.⁶ We have reached the point in South Carolina where it is time to take the kinds of bold steps that will be necessary to ensure real improvement in results.

As states have realized that traditional education efforts are not producing the types of results they would like, and evidence has begun to mount that school choice is an effective alternative, there has been an increasing trend toward school choice initiatives. Colorado recently passed a sweeping school choice initiative and in Washington, D.C. an unlikely coalition of school choice supporters has emerged for the DC school district – including Mayor Anthony Williams and U.S. Senator Dianne Feinstein, a lifelong school choice opponent.

Likewise, charter schools have been an increasingly important phenomenon in other states, while South Carolina has continued to lag behind in the number of established schools. In Arizona (which ranks 1st in the EFI), 464 charter schools have been established and in North Carolina (which ranks 27th in the EFI), 93 charter schools have been started. South Carolina by contrast has established only 19 charter schools.⁷ Not surprisingly, North Carolina's average SAT score is 12 points higher than ours, and Arizona's is **60 points** higher. In Houston, Texas, the Knowledge is Power Program (KIPP) Academy, an intensive-curriculum charter school, had the highest passing rate of all middle schools in the city.⁸

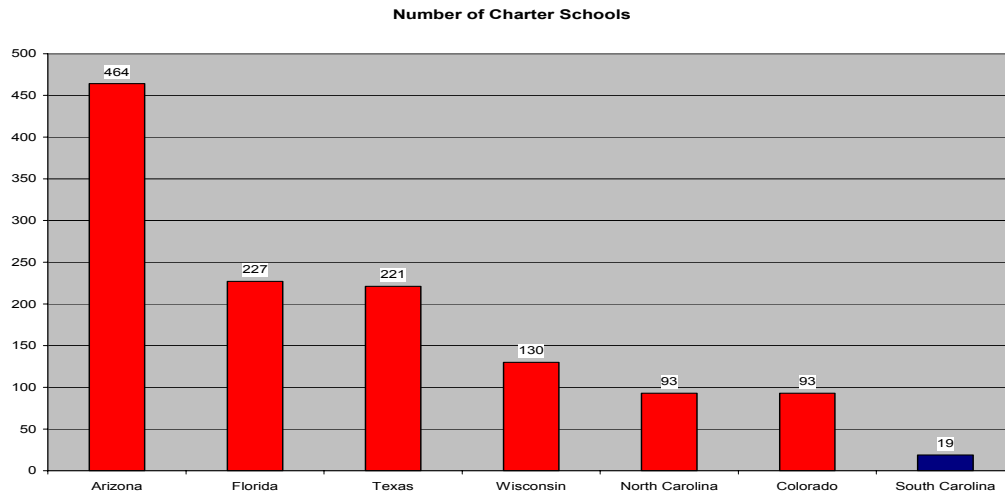
⁴ http://www.manhattan-institute.org/html/cr_24_table_1.htm

⁵ http://www.manhattan-institute.org/html/cr_aplus.htm

⁶ http://www.manhattan-institute.org/html/cr_12a.htm

⁷ http://www.uscharterschools.org/pub/uscs_docs/gi/state_map.htm

⁸ <http://new.heritage.org/Research/Education/Schools/texas.cfm>



Our current system is one in which parents have increasingly less control over their children's education, particularly in lower-income families. At the same time, the State Department of Education's regulation guide for schools is now **924 pages** long (only 100 pages shorter than a copy of *Gone with the Wind*⁹). We believe that the most important factor that can influence the education of a child is the involvement of the parent – the state will never be able to know the child's needs as well as the parent, regardless of how many pages of regulations they publish. Fixing the disconnect between parents and their children's education, particularly for parents who are economically constrained from school choices for their children, will be a top priority of our education policy in this year and throughout our administration.

We believe that if we are serious about becoming the economic and academic powerhouse that we should be as a state, it is imperative that we inject real market reforms to our system of K-12 education. While we are finally moving in the right direction with our recent charter school legislation, we have much further to go. In addition to expanded charter school options, we propose enacting a universal tax credit program as a means of accomplishing the goals of school choice, without increasing the burden on taxpayers of the K-12 educational system. By enacting a wide scale universal credit, we will provide more options for all students to receive an adequate education and will take a step toward advancing equity funding for education in our state.

The universal tax credit plan will allow for a credit against income or property taxes to help offset a portion of tuition at private schools, home-schooling expenses or costs associated with attending an out-of-district public school. This credit will be available to students of families whose income does not exceed \$75,000 per year, and would fully cover tuition up to approximately half of per pupil expenditures of students whose

⁹ http://www.amazon.com/exec/obidos/tg/detail/-/0446365386/qid=1070591430/sr=1-1/ref=sr_1_1/103-1666936-6973462?v=glance&s=books

family is at or below the federal poverty level. Average per pupil spending in South Carolina is currently around \$8,200.¹⁰

The tax credit could be claimed by any family member that pays the tuition, including the parents of a student, their grandparents, or public-spirited businesses or community groups that contribute to scholarship-granting organizations. The credit would be phased in over time and would provide savings to the K-12 public education system as school districts and the state combined will save roughly half of their per pupil expenditure for each student that chooses another school. These savings will be retained by the school district or state and used to increase per pupil spending in the public schools.

¹⁰ This figure (\$8,168) is derived from the Department of Education's InSite financial data; It is inclusive of capital expenditures but excludes expenditures for debt service.

Goal Number Two – Increase the Amount of Funding from the Lottery Toward More K-12 Education Funding.

When the lottery was promoted to the people of South Carolina, it was sold as a mechanism to enhance education. Now, just a few years later, as our schools continue to face budget crunches, people are beginning to wonder how so little of the lottery proceeds have been used to improve K-12 education. The college scholarships are an important and worthy use of lottery funds, but college scholarships are not going to mean much if our elementary and secondary students cannot perform well enough academically to take advantage of them. There is no stronger evidence of this than the fact that almost half of all the students that receive a LIFE Scholarship lose it after their first year of college because they cannot maintain the required minimum grade point average.

We have always believed that as many dollars as possible from the lottery should go toward K-12 programs. For this reason we propose using additional lottery revenues for that purpose. This budget will commit \$20 million in lottery revenues directly to where it can make the biggest difference – the classroom, by way of the Base Student Cost. This money has been realized primarily through administrative savings, and by reducing the retailer commission to a level more in line with similar states' rates.

We will continue to push for more lottery revenues to be moved into K-12 funding. As we move toward more ambitious achievement goals for our students under the national No Child Left Behind standards, it is essential that we commit education dollars to the place they can have the most effect. In our FY 04-05 Education Lottery budget, we propose a total of \$82,863,000 for K-12 education – with \$20,359,317 going directly to the Base Student Cost.

Goal Number Three – Full Passage of SMART Funding Legislation.

Although the amount of dollars going to education has increased, we still believe that the percentage of those dollars that actually make it down to the classroom should be increased.

Our current system of allocating dollars for education is far too complicated, and it unnecessarily ties the hands of educators on the front lines. They then must make decisions about how to spend those dollars as best they can without the type of flexibility they need.

There are more than 80 different funding categories through which money is sent down to the district, with not nearly enough flexibility to transfer money between them. If a school needs additional money for teaching supplies for example, they should be able to use extra money from another category to buy them.

Our SMART Funding plan would combine those 80 plus funding streams into six block-grant categories that would go directly to the districts: Quality Teaching, Instruction, Technical Assistance, Operations and Infrastructure, Workforce Education and Special Needs. Districts would have the flexibility to transfer 100 percent of money within a category and would be able to transfer up to 20 percent of one category to another.

For the past two budget years, a temporary proviso has been added to give school districts this type of flexibility with their funding. While it has been tremendously helpful to districts in meeting their needs during tough budget times, we believe it is important to give districts this flexibility permanently.

Our SMART Funding proposal has passed the House of Representatives in this two-year legislative session with 63 sponsors, including Speaker David Wilkins. We will continue to push for its complete passage in the Senate this year.

Goal Number Four – Require Full and Accurate Accounting of Education Funding.

Along with a process of sending education dollars to the district in a way that hamstringing their ability to appropriately spend the money they get, the state also fails to look at the education dollars we spend holistically.

The amount of money we spend on education – whether as a total amount or on a per-pupil basis – is not well-understood or well-publicized, and thus, decision-makers are not properly armed with complete information.

For example, for FY 00-01 the Base Student Cost figure was calculated to be \$2,002 and is often cited as what we spend on each student in South Carolina; in reality, however, that only represents a portion of education funding.

For that year, the total amount of state, local and federal money spent on K-12 education was \$4,542,975,432 – a number which is still not inclusive of capital expenditures or debt service. This amounts to \$7,010 per student or \$8,168 per student if capital expenditures are included.

We will propose legislation that will require the State Department of Education to provide to the Governor and General Assembly a yearly report on education funding that is inclusive of all revenue sources and expenditures in a single, comprehensive document. This will allow an education budgeting process that is holistic in its approach, rather than piecemeal as it is done now.

Department of Education

Department of Education

Our primary goal for the Department of Education's budget is simple – to deliver as many dollars as possible to what we consider the front line of education – *the classroom*. To that end, this budget redirects funds that we think could be better spent toward increasing the Base Student Cost (BSC).

We believe the BSC is the most direct way to affect classroom instruction. In these tough budget times, it is imperative that we focus our limited resources toward programs that are the most effective, and we will continue to look for ways to direct funds to this end.

By directing more money to the classroom and freeing up districts to allocate their resources with more flexibility through SMART funding, we believe this budget will give teachers greater resources to do what they do best – educate our children.

Additionally, as discussed in the Restructuring section, we recommend the administrative consolidation of the Wil Lou Gray Opportunity School and the School for the Deaf and Blind under the restructured Department of Education. We also recommend the closure of the John de la Howe School, but will provide scholarships to its current students, to be administered by the Wil Lou Gray School, to attend an appropriate facility.

Agency Summary

The mission of the Department of Education is to provide leadership and services to ensure a system of public education through which all students

will become educated, responsible, and contributing citizens.

Education Finance Act (EFA)

Implemented by Act 162 of 1977, the EFA represents the state's primary source of financial support to the state's 85 school districts. The program is designed to provide each student an equal educational opportunity in terms of financial support. The state provides 70 percent of the financial support while the districts provide 30 percent collectively. Each district's number of weighted pupil units (WPU) and index of taxpaying ability are major factors in determining allocations.

Education Accountability Act

Assessment: The state administers grade specific tests in the core academic areas of mathematics, English/language arts, social studies, and science. Based upon these tests each individual student receives a grade which is used to determine student advancement. Also, based on overall student performance each school receives a rating of Excellent, Good, Average, Below Average or Unsatisfactory.

External Review Teams: Schools receiving a rating of unsatisfactory must have an external review team assigned to examine school and district educational programs, actions and activities. Schools rated below average may also request an External Review Team. These teams provide recommendations for improvement.

Homework Centers: Schools and districts designated as below average and unsatisfactory must establish Homework Centers for students needing special or more attention than is

afforded them during regular school hours. Schools receiving such designations must provide centers that go beyond the regular school hours.

Teacher and Principal Specialists: External Review Teams may recommend that Teacher and/or Principal Specialists be assigned to a low performing school. Teacher specialists are eligible for a salary supplement equal to 50 percent of the average teacher's salary. Principal specialist salary supplements are 125 percent of their supplement amount for teachers.

Palmetto Gold and Silver Awards: Monetary awards given to those schools achieving at least above a "Good" absolute or improvement rating.

Retraining Grants: A grant program for schools designated as below average or unsatisfactory. Funds are to be used as outlined in the school renewal program. One of the primary uses is for retraining of school faculty and administration.

Summer Schools: If the student's work has not been at grade level or if the terms of the academic plan have not been met, the student may be required to attend summer school.

Alternative Schools: These schools must be operated at a site separate from other schools unless operated at a time when those schools are not in session or in another building on campus, which would provide complete separation from other students. Such schools are for students who need special attention and/or who have a documented need for

the program due to habitual exhibitions of disruptive behavior.

Governor's School for Science and Mathematics

The purpose of the South Carolina Governor's School for Science and Mathematics is to offer the most academically-able students of this state a learning environment that strengthens their ability to think critically, stimulates the joy of learning, and fosters the excitement of discovery through scientific research.

Governor's School for Arts and Humanities

The state's school for artistically talented high school students, the Governor's School for the Arts, began in 1981 with a Summer Honors Program held on the campus of Furman University. Since that time, thousands of students have participated in master classes, private studio lessons, individual and ensemble study, seminars, and workshops. Today, the school has grown to include the Academy and Preparatory Dance Summer Programs, Outreach, Graduate Intern Program for South Carolina Educators and a Residential School.

First Steps to School Readiness

First Steps is a statewide education initiative designed to help prepare our children to reach first grade healthy and ready to succeed. Signed into law in June 1999, First Steps is for children pre-first grade and their families. Public and private support is combined through county partnerships to enable individual communities to address the unmet needs of young children and their families.

DEPARTMENT OF EDUCATION				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	1,442,209,075	306,661,674	511,870,767	26,549,819
FY 98-99	1,556,487,248	329,914,842	498,517,806	18,547,000
FY 99-00	1,708,486,236	323,754,798	524,983,793	42,183,251
FY 00-01	1,847,369,767	395,326,231	564,019,012	55,825,335
FY 01-02	1,852,565,332	408,647,318	581,851,361	17,857,385
FY 02-03	1,770,080,116	406,168,387	578,938,876	45,675,000
FY 03-04	1,739,385,553	475,420,366	581,671,585	78,696,230

FY 04-05 Budget Recommendation

\$1,815,480,183

We propose the following adjustments to the base budget:

- The department's 15 percent reduction in travel, meals, registration, and phone expenses of **\$294,523** is redirected back to the **Base Student Cost**.
- An additional **\$65,538,791** in general funds to the **Base Student Cost**. These dollars are partially derived from the Federal Relief funds that were given to South Carolina last year and as a result of funding Life and Palmetto Fellows Scholarships from the Education Lottery Budget.
- We also propose shifting **\$22,102,206** from National Board Certification funding to the **Base Student Cost**. We will replace the National Board Certification money with funds from the EIA budget.
- A 10 percent reduction in administration has been made to the following offices, resulting in an

additional **\$1,262,396** to be added to the **Base Student Cost**:

- Superintendent's Office
- Board of Education
- Curriculum Services and Assessment
- Professional Development and School Quality
- District and Community Services
- Governmental Affairs

While general fund dollars to the department's administration have been reduced in recent years, total administrative funding has increased from \$26.3 million in FY 00-01 to \$36.9 million in this year's budget – nearly a 40 percent increase. The total budget for the office of the Superintendent has increased by over 50 percent. Our budget's 10 percent reduction in the administration's general fund dollars will be redirected to the Base Student Cost where we believe those funds will have the most impact in our classrooms.

- Again, we propose directing as many of our limited education dollars as possible to the classroom, where we

believe they are the most effective. For this reason, the following funding for programs funded in the FY 03-04 Appropriations Act have been redirected to the **Base Student Cost** for a total of **\$2,993,970** in additional funds:

- South Carolina Aquarium – Curriculum Development Proviso
- Archives and History (Historical works) Proviso
- SAT Prep Bonus Proviso
- Principal Mentors
- Character Education
- Aid to Other State Agency – Adult Education
- Aid to Other State Agency – DPS School Bus Safety
- Archibald Rutledge Scholarship
- Aid to Counties – Attendance Supervisor per County Proviso
- Aid to Counties – Lunch Supervisor Per County Proviso
- Status Offender Funds Formerly to John de la Howe School Proviso
- Access and Equity – Commission on Higher Education
- An additional **\$5,868,919** to the **Base Student Cost** to be funded by year-end cash surplus funds from operating revenues.
- An additional **\$4,386,920** to cover the expense of the estimated 960 teachers that will be newly eligible next year for the **National Board Certification Salary Supplement**.
- We also propose an additional **\$2,750,000** to be directed as “other funds” to the **Base Student**

Cost as a one-time contribution by Santee Cooper.

- A reduction of **\$4,600,000** to be realized by **freezing new entrants into the National Board Certification salary supplement and application reimbursement programs**. This figure, which we propose redirecting to the **Base Student Cost**, represents the amount that we will save by not providing additional funds to reimburse teachers for the application fee for National Board Certification. While there are many excellent nationally certified teachers, the constraints of this budget year force use to re-evaluate this program before deciding to continue to spend an additional \$8,900 (with fringe) per teacher per year.

As well, we would like to see changes made in the future to ensure that these newly certified teachers are being used to address teacher shortages in critical regions and critical subjects. We will, however, honor the commitment of the \$7,500 annual bonus to those teachers who have completed the program by December 2004, but recommend a freeze on new entrants after that date. Of course, if a local school board believes that the national certification merits an additional \$7,500 a year for anyone who achieves certification after 2004, they would be able to fund bonuses for the new participants out of local funds.

Recent studies have been conducted by a variety of researchers, from

East Tennessee State University, to the Westat research firm and others, showing that there has not been enough study to determine a clear link between National Board Certification and improved teacher performance and results.

We currently have over 3,100 national certified teachers enrolled in the program in South Carolina with an annual cost of nearly \$36 million. Every time a new teacher enters the program, the state is potentially committing to spend an additional \$90,000+ over the life of each certificate. Even by freezing new entrants into the program this year, the state has already committed to spending over \$300 million of our education dollars based upon this certification. In light of this recent research, we urge the General Assembly to enact a moratorium on new entrants to this program until further study has been conducted.

John de la Howe School

The John de la Howe School has served South Carolina very well since its inception in 1797. However, increased options for alternative schools in local districts have greatly reduced the need for this institution. The school has a dwindling student population, 98 employees, 41 buildings, and sits on over 1200 acres. The school has a total budget of over \$4.5 million, yet began the year with only 65 full time students, which translates to a cost of nearly \$70,000 per student. Given our current budget situation, we believe these funds could be better spent while still meeting the needs of the children served.

FY 04-05 Budget Recommendation

- We propose eliminating the general fund appropriation for the John de la Howe School, a reduction of **\$3,251,509**.

We have assumed the full savings from the school's appropriated budget from last year, and are providing tuitions of up to \$12,000 to each of the 65 students of the school. This amount reflects what the Wil Lou Gray Opportunity School would require to serve these students. As this voucher program will be overseen by the Wil Lou Gray School, we have provided an additional \$50,000 in administrative costs to them for the oversight of this program. The parents of the John de la Howe students will work with the leadership at the Wil Lou Gray Opportunity School to determine the best school for their child. Parents could elect to send their children to the Opportunity School, a private institution, or use the funds for after school programs, counseling, or any parent-selected need approved by officials at the Wil Lou Gray Opportunity School.

As the average length of stay of a John de la Howe student is two years but may be as long as four, this dollar amount will be reduced in subsequent years until all of the current students of the school have finished high school. In accordance with the will of Dr. de la Howe, our administration will work with the Department of Juvenile Justice and other agencies to make sure the

facility is properly utilized for educating youth.

Wil Lou Gray Opportunity School

As mentioned previously, the Wil Lou Gray Opportunity School will oversee the transition of all of the students currently attending the John de la Howe School.

School Summary

Founded in 1921 by the late Dr. Wil Lou Gray, the Wil Lou Gray Opportunity School has served the citizens of South Carolina for eighty-two years. Currently the mission of the Wil Lou Gray Opportunity School is to serve those citizens of South Carolina between 16 and 18 years of age who are most at-risk of being retained in their grade in school, dropping out of school and not completing their education, not making the transition from public schools to the workforce, being truant from school, or faces any number of obstacles that impedes rather than enhances the chance that they will stay in school and become prepared for employment.

The traditional priority of the Opportunity School has been to provide an alternative high school education supplemented with vocational training in order to prepare students for employment.

Services

The school, in partnership with the South Carolina National Guard Youth Challenge Academy, provides services to these youth in a structured residential, quasi-military environment to prepare and assist them to achieve independence and employability as soon as possible. In seeking to fulfill its mission, realizing the multiple service needs of these

youth, the school provides services such as Compensatory Education, Pre-Vocational Training, Pre-Employment Training, Career Guidance and Job Placement, Counseling, Health care, Life Skills, and Self-Discipline.

These students must be drug free, physically and mentally capable of completing the program and not under indictment or conviction of a felony offense. These students' academic performance is measured by a variety of standardized tests that demonstrate and reflect individual ability.

Student Education

The main focus of 2002-2003 has been on the quality of education presented and its continued improvement to reflect greater measurable results. As a school for at-risk students, the main focus of curriculum attention has been "back to the basics" with reading and math as the number one priority. On average, math and reading scores of the students has increased by almost two years in five months. In addition, the Opportunity School has had a marked increase in the number of students passing the GED examination.

WIL LOU GRAY OPPORTUNITY SCHOOL				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	3,003,136	256,999	836,416	64,000
FY 98-99	3,089,944	276,999	887,148	170,000
FY 99-00	3,251,847	121,353	830,140	170,000
FY 00-01	3,406,443	113,119	1,210,918	148,000
FY 01-02	3,304,797	113,119	1,135,566	
FY 02-03	3,033,060	120,000	1,030,591	
FY 03-04	2,660,658	180,000	1,040,893	

FY 04-05 Budget Recommendation

\$3,482,406

We propose the following adjustments to the base budget:

- A reduction of **\$8,252** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**
- Consistent with our belief that directing education funding to the classroom has the greatest impact on a child's learning, the school's reduction of **\$94,102** for savings from **agency consolidation.** (resulting from an 18 percent reduction in administration) is redirected back to the school's student cost.
- An additional **\$50,000** for **oversight of John de la Howe School student placement.**
- An additional **\$780,000** for scholarships to **John de la Howe School students.**

School for the Deaf and Blind

In August 2003, the School for the Deaf and Blind made an impressive presentation of its successful program results during our budget hearing. We must recognize this organization as an effective agency that serves the needs of their clients and the public well.

The mission of the South Carolina School for the Deaf and Blind is to provide quality comprehensive educational, vocational and developmental services to individuals who are deaf, blind or sensory multidisabled. The end result of this education is so that they may achieve their greatest potential of independence and to serve as a resource center providing leadership, information and technical assistance to organizations and individuals concerned with services to people with sensory disabilities.

Services

The main campus in Spartanburg offers educational services for students who are blind, deaf or multihandicapped; on-campus applied training programs; on-campus educational programs; mainstreaming programs in Spartanburg school districts; assistive technology/ augmentative communication; community service

programs; independent living skills programs; and prevocational/ vocational training programs.

The school also offers career and technology education programs (high school through postsecondary), career training programs, cooperative programs with Spartanburg Technical College, an industrial skills development center, occupational diploma programs, after-school programs, athletics and fitness, classes (music, technology, swimming and more), community service opportunities, employment opportunities, independent living skills development, recreational programs, and residential life.

The outreach centers offer services for individuals who are blind, deaf or multihandicapped; their families and the professionals who serve them; assessments; Braille readiness and instruction; Brailing/large print services; descriptive videos; early intervention services; information on sensory disabilities and services; itinerant teachers of the visually impaired; low vision training and consultation; orientation and mobility training; professional and family workshops; social, recreational and educational activities; summer programs for professionals, students and families; captioned films and videotapes for the deaf; sign language classes; sign language interpreter services.

SCHOOL FOR THE DEAF AND BLIND				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	11,545,372	685,899	6,522,658	1,185,200
FY 98-99	11,732,324	740,464	6,948,163	298,420
FY 99-00	13,367,973	782,028	7,273,166	2,344,797
FY 00-01	14,001,825	810,344	7,657,764	20,877
FY 01-02	13,589,341	727,641	7,741,467	
FY 02-03	12,523,524	727,641	8,012,610	
FY 03-04	11,621,381	1,117,812	8,710,961	

FY 04-05 Budget Recommendation

\$11,621,380

We propose the following adjustments to the base budget:

- Consistent with our belief that directing education funding to the

classroom has the greatest impact on a child's learning, the school's reduction of **\$364,174** for savings from **agency consolidation** (resulting from an 18 percent reduction in administration) is redirected back to the school's student cost.

Higher Education
Commission on Higher Education
Colleges and Universities
Higher Education Tuition Grants

Commission on Higher Education

The problem is simply stated: our state maintains too many post-secondary institutions with duplicative and overlapping programs. At last count, we had 33 public colleges and universities operating at 79 different campus locations. We have far too much waste in the system and not enough focus on core missions that coincide with our economic development efforts as a state. As to the solution, we strongly endorse the recommendations of Dr. Michael Porter, a Cambridge, Massachusetts-based expert in competitiveness, in his recently-released competitiveness report for South Carolina. In this report, he concluded that South Carolina must target our research capital in areas of emerging growth and build up our state's economic "clusters"—while looking out for opportunities to grow new clusters.

The Commission on Higher Education (CHE) serves as South Carolina's coordinating board for the state's 33 public post-secondary institutions. However, the CHE serves a dual role within state government, acting both as an advocate for higher education and as an oversight entity on behalf of the General Assembly. Fourteen commissioners, including the chair, are appointed by the governor and serve four-year terms. A term exception is made in the case of three members: institutional trustees that represent the different sectors of higher education who serve two-year terms. CHE staff are organized along functional lines into the

following divisions: Academic Affairs and Licensing; Planning, Assessment and Performance Funding; Finance, Facilities and Statistical Services; Student Services; and Administration. At the beginning of the 2003-2004 year, the Planning, Assessment and Performance Funding division was integrated into the Academic Affairs and Licensing and Finance, Facilities and Statistical Services divisions.

Coordination Among Institutions

We need to improve coordination and collaboration between our institutions of higher education. Having two separate institutions with only a hedge-row separating them and two medical schools for a population of only about four million people are indicative of a system that needs reform. When speaking about the challenge of a unified vision for higher education and its linkage to economic development for South Carolina, Dr. Porter rightly noted that "if every school is trying to be everything to everybody, it's going to end up being nothing to anybody." We believe that changing that system is essential to becoming more academically credible in the region and nation.

The real higher education decision-making power in South Carolina lies not with the CHE, but is diffused among the boards of trustees of the various higher education institutions. The CHE simply does not have the power it needs to effectively advocate for the best interests of the state system as a whole. The root of the problem is actually CHE's limited mission which is: "The South Carolina Commission on Higher Education will

promote quality and efficiency in the state system of higher education with the goal of fostering economic growth and human development in South Carolina.” This very weak mission contrasts sharply with the one for North Carolina’s Board of Governors, which is the policy-making body legally charged with “the general determination, control, supervision, management, and governance of all affairs of the constituent institutions.”

Mission Creep and Sprawl

Having a weak CHE also promotes mission creep and sprawl as our state’s smaller 2-year institutions add programs and slowly become 4-year institutions offering doctoral and master’s programs, without a clear mission or goal and without a coordinated assessment of the state’s needs. More independent program oversight is needed as well as a coherent, binding and effective planning process that focuses on the quality of education at higher institutions in the state as a whole.

Unnecessary Politicization

A weak CHE also leads to unnecessary and damaging politicization of how higher education dollars are allocated.

In South Carolina, colleges and universities hire lobbyists at taxpayer expense to make their cases to the General Assembly. At the same time board of trustee members will independently lobby the General Assembly and the CHE for funding for their institution, instead of following the course most responsible to the taxpayers – that is, making their funding requests through the CHE.

With a strengthened CHE, individual boards of trustees could remain in place and would work as advocates for their institution. They would take their case to the strengthened CHE, whose sole focus and mission is to build the higher education system in the state to be the best that it can be. The important thing is that we begin to implement a focused strategy for our institutions.

A major goal we should strive for is to have one of our state institutions rated among the top 20 public universities in the United States. As we pursue this laudable goal, we should be mindful that of the top 20 public universities in our country, 15 are in states that have a “governing” board of higher education, rather than a “coordinating” board.

COMMISSION ON HIGHER EDUCATION				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	8,966,217	1,368,597	34,109,065	2,850,000
FY 98-99	5,172,306	1,368,597	26,643,900	3,640,281
FY 99-00	5,134,804	1,368,597	27,025,667	9,564,300
FY 00-01	39,354,344	3,228,597	28,299,352	28,983,542
FY 01-02	68,054,820	3,228,597	17,746,961	5,910,000
FY 02-03	78,603,727	3,463,597	18,566,043	650,000
FY 03-04	105,409,666	3,134,564	10,604,805	1,827,857

FY 2004-05 Budget Recommendation

\$84,618,786

We propose the following adjustments to the base budget:

- A reduction of **\$44,437** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- An additional **\$1,259,511** for the **Mission Resource Requirements (MRR)**, which provide funding for those costs associated with education and general activities of the institutions for which the state is responsible. Such items funded under MRR include instruction, research, libraries and student services. These funds will be derived from the **closing of the USC-Union and USC-Salkehatchie campuses**.
- A reduction of **\$300,000** for either “higher education student funding” and/or the **Access and Equity Funding** program. Such programs are well-intentioned, but the funds are split in small increments and scattered among our many institutions of higher education, to the extent that we simply do not get the most for our money. The purpose of the program is to assist in student recruitment and development, and we believe that end is better promoted by directing this program’s dollars to the **Base Student Cost** so students in the K-12 system all have access to a road

toward higher education in the state.

- We propose **\$1,543,706** to fund the **Gaining Early Awareness and Readiness for Undergraduate Programs (Gear-Up), Higher Education Awareness Program (HEAP), Southern Regional Education Board (SREB) and Palmetto Fellows Reapplication** programs. GEAR-UP and HEAP programs are designed to increase the college-going rate in South Carolina by promoting middle school-high school students and parents awareness of higher education options, academic requirements and financial aid opportunities. The SREB program helps students in the fields of dentistry, medicine, optometry, podiatry, veterinary medicine, and osteopathic medicine. The program offers students pursuing professional health degrees admission in other state institutions of higher learning at the same cost of in-state tuition and at a reduced tuition rate for private institutions. Participating states pay colleges and universities to maintain availability in their professional programs, while the state avoids the expense of building and staffing these professional schools. The Palmetto Fellows Scholarship Reapplication program provides funding to students returning from out-of-state who originally qualified for the program.

In the FY 03-04 budget, these programs were funded by a

temporary proviso. We propose bringing the funding for these programs into the commission's base budget.

- A reduction of **\$22,300,000** for the **LIFE and Palmetto Fellows Scholarships**. We propose funding these scholarship programs with lottery funds at this same level of funding and redirecting this amount of recurring general funds to the Base Student Cost and Medicaid.
- A reduction of **\$15,000** for the **Professor of the Year** program. These funds should be directed toward improved student education programs. Funding for this initiative should be paid from CHE administrative resources.
- A reduction of **\$10,378** for the **Arts Program**. This appropriation is used to pay the differential in tuition costs for students to attend the North Carolina School for the Arts in Winston Salem, North Carolina. Such an appropriation is justifiable in the context of facilitating our students participation in programs not offered by South Carolina's institutions of higher education (such as veterinary school), but it is not justifiable in regard to programs such as arts programs that are available in-state.
- A reduction of **\$100,000** in administration at CHE for the elimination of the **Performance Funding Program** in higher education. This initiative was

enacted by the General Assembly in 1996 with the intent to link funding to actual performance scores. However, in 2001, the Legislative Audit Council issued their report which indicated that after four years a mere three percent of funding was affected by performance scores. The report went on to say that "performance funding has had little effect on the elimination of waste and duplication in higher education." We recommend elimination of this function in the administration at CHE and redirection of the savings back to CHE to allocate toward student costs or Mission Resource Requirements.

- A reduction of **\$2,463,806** for what is stated as "**performance funding**" and a corresponding increase of **\$1,539,524** for funding the **Experimental Program to Stimulate Competitive Research** (EPSCOR) through CHE general funds instead of through proviso. The remainder of this reduction is restored in South Carolina State University funding for its transportation center and business school. We do not favor the practice of using provisos such as this "performance funding" proviso for direct funding purposes.

Colleges and Universities

South Carolina's system of public and private higher education seeks to address the needs of the state by creating a well-educated citizenry, raising the standard of living of South Carolinians, improving the quality of life, meeting changing work force needs, creating economic development opportunities, positioning the state to be competitive in a global economy, and fashioning a new generation of public sector and private sector leaders.

During the last decade, the state has made significant strides in improving the quality of and access to higher education. Technical colleges have earned a well-deserved reputation for the excellence of their technical and occupational programs and for their responsiveness to the needs of business. They have also positioned themselves to serve as an entry point into higher education for increasing numbers of students. The state's technical colleges and two-year regional campuses have provided greater access to a wide array of university programs at sites across the state. The four-year institutions have developed new programs and strengthened their academic offerings. The state's research universities have expanded their graduate and high technology offerings, increased their admission criteria, and garnered greater external support for research and technology.

Tuition Increases

Unfortunately these strides in higher education have been accomplished simultaneously with significant increases in tuition. South Carolina led the nation in tuition increases for 2-year

schools from FY 01-02 to FY 02-03 with a 26 percent increase. This is 18 percent more than the national average. At four-year schools the increase was 15 percent, which is the 8th highest in the nation and five percent more than the national average. The total cost of higher education in South Carolina is currently at 110 percent of the national average compared to 86 percent for Georgia and 82 percent for North Carolina (two states which, not coincidentally, have governing boards overseeing their institutions of higher education). Just last year, South Carolina saw tuition jump 25 percent at Winthrop, 19 percent at Clemson and Coastal Carolina University and 15 percent at the University of South Carolina.

We therefore propose a proviso limiting any increases in tuition and fees for in-state, undergraduate students for FY 04-05 to the increase in prior year's Higher Education Price Index (HEPI). We believe that institutions should look to internal cost-saving measures in these tight times and not increase tuition further. Elimination of performance funding and its requirements should free up funds at each institution.

Privatization of Institutions

Some schools may be uncomfortable with our call for a stronger governing body to direct the higher education vision in the state. This may be particularly true of schools that derive only a small portion (in some cases less than 20 percent) of their funding from the state yet have to comply with 100 percent of the regulations. For that reason we have proposed a unique initiative – allowing certain institutions the option of becoming private schools. By forgoing state appropriations,

institutions would take ownership of the physical facilities and real estate of the school and would be released from state higher education regulations. While each school will have to look at their own needs and direction in deciding whether or not to leave the state system, we believe that it is an important option to consider as we move toward a more efficient statewide collaboration.

It is highly unlikely that more than one or two institutions could take advantage of this offer, if any at all. This would not be an abandonment of public higher education, but rather a way of decreasing the overall number of public institutions serving our citizens and improving the quality of education at the remaining public institutions. Even if no institution takes advantage of the offer, we believe it is useful to have

stirred the pot. Some have mistaken this offer as something it was not – namely, a strategic objective in and of itself. In fact, it was more of a tactical move, not unlike when a submarine fleet commander sends out sonar waves to determine his group's position related to obstacles on the ocean floor. We will continue to throw different ideas out there as we attempt to foster a discussion of that ultimate objective of creating a more coordinated system for higher education. Some will agree with those ideas and some will not, but the fact that we are having a conversation as to that strategic direction is critical. Our main goal is to make sure that we consider all available options—as well as the budget realities that have brought us to where we are in the process.

COLLEGES, UNIVERSITIES AND TECHNICAL SCHOOLS				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	659,384,464	283,929,834	1,346,858,453	48,841,398
FY 98-99	684,852,212	283,694,626	1,427,319,825	47,965,357
FY 99-00	710,744,335	302,579,187	1,435,708,267	90,726,819
FY 00-01	739,147,021	361,783,595	1,091,190,891	72,547,837
FY 01-02	772,521,635	372,613,973	1,179,085,512	6,010,000
FY 02-03	690,016,602	386,126,457	1,293,686,748	1,924,282
FY 03-04	615,643,538	438,418,635	1,435,749,868	2,424,282
MUSC — Hospital moved off budget in FY 00-01				

FY 04-05 Budget Recommendation

Institution	Amount
The Citadel	\$13,480,835
Clemson University	\$83,434,604
University of Charleston	\$25,780,247
Coastal Carolina University	\$10,703,988
Francis Marion University	\$12,485,721
Lander University	\$8,731,796
South Carolina State University	\$20,508,160
USC-Columbia	\$145,310,605
USC-Aiken	\$9,278,360
USC-Spartanburg	\$10,429,143
USC-Beaufort	\$1,969,150
USC-Lancaster	\$2,297,067
USC-Salkehatchie	\$1,262,097
USC-Sumter	\$3,576,086
USC-Union	\$603,455
Winthrop University	\$19,289,652
Medical University of South Carolina	\$78,935,172

We propose the following adjustments to the base budgets of the institutions:

- We made the following 15 percent reductions in **travel, meals, and registration expenses:**

Institution	Amount
The Citadel	\$97,633
Clemson University	\$1,037,158
University of Charleston	\$183,815
Coastal Carolina University	\$147,793
Francis Marion University	\$72,819
Lander University	\$37,530
South Carolina State University	\$158,175
USC-Columbia	\$963,765
USC-Aiken	\$49,045
USC-Spartanburg	\$79,510
USC-Beaufort	\$17,408
USC-Lancaster	\$3,759

USC-Sumter	\$10,311
Winthrop University	\$101,583
Medical University of South Carolina	\$496,275
Total	\$3,456,579

- We made the following 15 percent reductions in **phone expenses:**

Institution	Amount
The Citadel	\$172,707
Clemson University	\$677,866
University of Charleston	\$152,436
Coastal Carolina University	\$66,958
Francis Marion University	\$18,274
Lander University	\$19,665
South Carolina State University	\$194,445
USC-Columbia	\$956,681
USC-Aiken	\$22,170
USC-Spartanburg	\$27,328
USC-Beaufort	\$9,151
USC-Lancaster	\$9,069
USC-Sumter	\$12,632
Winthrop University	\$148,132
Medical University of South Carolina	\$1,041,497
Total	\$3,529,011

- We propose the following reductions for the purposes of **ending the practice of taxpayer-funded contract lobbyists** in institutions of higher learning:

Institution	Amount
University of Charleston	\$17,950
Coastal Carolina University	\$60,000
South Carolina State University	\$35,000

Earlier this year, this administration signed an Executive Order prohibiting all cabinet agencies from hiring independent, contract lobbyists to lobby the

General Assembly. The practice of using taxpayer funds to get funds creates a strong bias toward more government. Therefore, we also propose cutting these appropriations for contract lobbyists employed by public colleges and universities.

- A reduction of **1.5 percent** for **research universities to encourage collaboration and cooperation** to reduce duplicative programs:

Institution	Amount
Clemson University	\$1,289,081
Medical University of South Carolina	\$1,225,476
University of South Carolina-Columbia	\$2,224,294

Dr. Michael Porter recommended that our state focus on building up economic clusters. In business, clusters mean focus – specifically multiple private businesses focusing resources in a specific industry to gain a competitive advantage. Whether it is automotive, forestry or tourism-related, that means targeting resources. Like Dr. Porter, we believe that same principle ought to apply to the dollars we put into higher education.

Unfortunately, politics – not a coherent statewide strategy – has often been the driving force in decisions relating to our research universities. A refreshing departure from the default setting and one which we applaud and wish to see implemented on a wide-spread basis is the decision by the boards for MUSC and USC to merge their

respective colleges of pharmacy. MUSC President Ray Greenberg and USC President Andrew Sorenson are to be commended for instructing their respective pharmacy deans to develop a plan of consolidation. The benefits go beyond simply cost savings. As Farid Sadik, MUSC’s pharmacy school dean observed, the consolidation is “good for the students and pharmacy education. You really concentrate on one place. You have the benefit of more resources.”

With the **1.5 percent** reduction of funding to our research universities, they will have to build on these positive steps and look at other ways they can consolidate overlapping efforts. There are encouraging signs that they are continuing to do just that in regard to other areas of overlap – such as the colleges of nursing and medicine.

According to the CHE, however, there are several other areas of overlap which may benefit from consolidation efforts, including the following: the MBA programs offered by Clemson and USC; the Biomedical Science masters programs offered by USC and MUSC; the Animal Physiology masters programs offered by Clemson and MUSC; and the Public Administration masters programs offered by Clemson and USC, to name but a few. Perhaps good and valid reasons exist for the duplication of these programs. However, the default setting should not simply be acceptance of such

duplication, and the burden should be on the institutions to justify the programs' separate existence and to explain why the state is not better off with the type of consolidation that we recently witnessed when MUSC and USC proposed to merge their respective colleges of pharmacy.

Beyond educational programs, we believe there are other areas where the three research universities could save money through better collaboration. For example, we think that savings could be achieved if the institutions would better coordinate use of their aircraft. As a result of enhanced coordination among several state agencies, we recently announced the sale of three underutilized aeronautics assets that should bring in over \$1 million to the state. Through the sharing of resources, those agencies will also save the state over \$100,000 in annual operating costs.

Members of the Management, Accountability, and Performance (MAP) Commission found that the three research institutions could also achieve annual savings of approximately \$600,000 through the consolidation of their plane fleets. The report concludes that the universities should reduce their ownership of five planes by pooling their use with other state agencies and each other. Additionally, we believe there would be even further savings to the state if USC would move their aircraft from a privately-owned hanger at Owens Field to the state-owned hanger at Metro

Airport where some other state planes are kept.

- We propose **beginning a three-year phase-out of funding for USC-Salkehatchie and USC-Union**, reducing the funding for the two schools by the following amounts:

Institution	Amount
USC-Salkehatchie	\$681,279
USC-Union	\$301,727

Statewide enrollment since 1993 has increased by 7.1 percent while enrollment at Salkehatchie and Union has declined 14.4 and 22 percent respectively. We propose redirecting the funds saved from the phase-out of these schools to the CHE Mission Resource Requirements (MMR) to be reallocated among the other institutions in the system. This would increase to \$2,949,018 annually by the completion of the phase-out in FY 06-07. The goal is to allow more money to be spent on remaining institutions.

Students currently attending these institutions are within reasonable commuting distance of several four-year and two-year campuses and technical colleges. Union is near USC-Spartanburg and Spartanburg Technical College, Greenville Technical College, York Technical College and the Clinton campus of Piedmont Technical College. USC-Salkehatchie's Allendale campus is not far from USC-Aiken, Aiken Technical College, Denmark Technical College and South Carolina State. USC-Salkehatchie's Walterboro campus is less than 50

miles from USC-Beaufort, The University of Charleston, The Citadel, Technical College of the Lowcountry and Trident Technical College.

Evolving technology is making it possible for more non-traditional instruction across South Carolina. Now, many course offerings do not require the student to be on the campus. The coordination of Distance Education is provided by SCETV and is presented in several formats including internet, cable, satellite, compressed video and videotape.

USC-Sumter

- A reduction of **\$111,310** for **increased collaboration with Central Carolina Technical College**. This represents a three percent reduction in state funding for **USC-Sumter** and a 1.9 percent reduction in their total funds.

We must encourage our universities and technical schools to better cooperate and share in resource development. Currently, our universities and technical schools do allow for credit transfers but do not allow for resource-sharing in the classroom.

USC-Sumter and Central Carolina Technical College are located next-door to each other and are literally only separated by a fence that sits between their two campuses. However, one would think they were worlds apart as they each offer over 12 common academic courses.

Furthermore, they have separate bookstores, libraries and information technology infrastructure systems. Our institutes of higher learning must do a better job of working together, and we are confident that the schools can realize the savings from this small budget reduction through better coordination with each other.

The Citadel

- A reduction of **\$1,110,000** used for the **assimilation of women into the corps of cadets**. These funds were originally appropriated to retrofit dormitories and restroom facilities. Since most, if not all, of these projects for the assimilation of women have been completed by this point, it would be logical to cancel this entire appropriation and redirect the dollars to the CHE for reallocation among the institutions of higher education in accordance with the Mission Resource Requirements; and in fact, our goal over time is to do precisely that. But we believe that eliminating this entire appropriation in one fiscal year would be difficult for the school to absorb because The Citadel has relied on it to help pay its general operating expenses. Therefore, as a first step toward the outlined goal, we propose reducing the **\$1,110,000** appropriation to **\$832,500** to be used for **operating expenses**.

Clemson University

- An additional **\$500,000** for the **Wireless Communication Program**. This significant

program focuses on the convergence of wireless and wire line practice in voice and data transmission. These funds are expected to be used as a match for additional dollars.

\$575,000 for **operating expenses.**

Coastal Carolina University

- A reduction of **\$235,040** for the **Pawley's Island Campus**. This campus represents unchecked growth of facilities without appropriate thorough analysis of need and demand.

Francis Marion University

- A reduction of **\$56,147** for the **Omega Project**. The Legislature appropriated these funds to FMU for the Palmetto Project. This money is used for voter registration in the region. The result has been an extension of the educational mission and responsibility of the university system.

Lander University

- A reduction of **\$575,000** for the **Academic Initiative**. These funds were used to accredit the School of Business. These funds are now used for compensation of the professors brought into the university during their effort to become accredited.

We propose eliminating this special appropriation now that the original intent for this funding is complete. However, for the same reasons outlined above in regard to The Citadel's appropriation for the purpose of assimilating female cadets, we also recommend redirecting **\$287,500 of the**

USC-Columbia

- An additional **\$1,000,000** for **Nanotechnology**. This money is used to study molecular structure, and the state's investment helps to generate significant grant and sponsored research funding for the program.
- An additional **\$269,090** to transfer the **Guardian ad Litem** program from the Office of Executive Policy and Programs to the Children's Law Office. We also propose that one-half of the court fine assessments currently directed to the Governor's Task Force on Litter be re-directed to support the Guardian ad Litem program. Funding for this program has been unstable for several years and this proposal will provide resources that are vital to the success of an important program that serves abused and neglected children.
- A reduction of **\$100,000** for the **School Improvement Council**. We propose no funding for this program this year. Under the Education Improvement Act, all schools have been required to have School Improvement Councils since 1984. Training has been provided to the school districts since then and the process has become institutionalized. Support services for education reform are available from a number of sources, some at no cost.

USC-Salkehatchie

- The elimination of **\$100,460** for **Salkehatchie Leadership**. While providing worthy services, these funds are geared toward middle and high-school students in the region and should be allocated through the K-12 education system.

South Carolina State University

- Provide line-item funding in the amount of **\$924,282** for **South Carolina State University Transportation Center and the Business School**. These worthwhile programs include transportation research, education, technology transfer and business development that improve the quality of life in South Carolina.

Higher Education Tuition Grants

The mission of the South Carolina Higher Education Tuition Grants Commission is to administer a state-funded, need-based tuition grants program(s) for the State of South Carolina to assist eligible South Carolina residents with demonstrated financial need to attend certain in-state, accredited independent colleges on a full-time enrollment basis.

History

The South Carolina Tuition Grants Program is a “need-based” grants

program that was enacted in 1970 by the General Assembly as a tuition equalization program to give South Carolina students the choice of attending a South Carolina independent college.

Funding

The South Carolina Tuition Grants Program is funded solely by state appropriation with the exception of nearly \$850,000 that is received through the federal LEAP/SLEAP matching grant program.

HIGHER EDUCATION TUITION GRANTS Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	18,180,706	345,202	3,300,000	900,000
FY 98-99	19,084,515	551,712	2,889,399	500,000
FY 99-00	19,591,449	551,712	2,889,399	1,300,000
FY 00-01	21,359,454	551,712	2,889,399	515,000
FY 01-02	20,157,043	551,712	300,399	
FY 02-03	19,705,566	324,345	2,745,534	
FY 03-04	19,671,590	324,345	2,545,135	

FY04-05 Budget Recommendation

\$19,668,650

We propose the following adjustments to the base budget:

- A reduction of **\$2,940** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.

Area Health Education Consortium

Area Health Education Consortium

The South Carolina Area Health Education Consortium (SC AHEC) was established in 1972 as one of the original 11 funded projects of the federal AHEC program. At the same time the State of South Carolina began funding the South Carolina Consortium of Community Teaching Hospitals at the Medical University of South Carolina. In 1988, the Consortium changed its name to SC AHEC. In the past 30 years, SC AHEC evolved into providing multiple sites for graduate medical education residency training programs for graduates of the state's two medical schools.

The mission of SC AHEC is "to improve the quality and accessibility of health care for the communities of South Carolina through a system of community-academic partnerships whose central purpose is the recruitment, education, and retention of primary health care providers." SC AHEC identifies five major programmatic efforts.

- *Graduate Medical Education Residency Training Programs* emphasize the primary care specialties of family medicine, internal medicine, and pediatrics. Medical specialties with demonstrated shortages such as obstetrics, emergency medicine, general surgery, general psychiatry, and orthopedics are also supported. The teaching hospitals that sponsor these residency training programs are Anderson Area Medical Center, Greenville Hospital System, McLeod Regional Medical Center in

Florence, Medical University of South Carolina in Charleston, Oconee Memorial Hospital in Seneca, Palmetto Health in Columbia, Self Memorial Healthcare System in Greenwood, and Spartanburg Regional Healthcare System. Last year, there were 444 residents in AHEC training programs, 71 percent of these in primary care specialties.

- *Regional Education Centers* provide educational programs for health care providers at or near their workplace.
- *Community-Academic Partnerships* and other alliances facilitate the education of primary care providers and other health care providers in professions with inadequate supply. This objective is accomplished through community-based training for undergraduate health profession students.
- *Student Development and Diversity Programs* target middle school, high school, and college students and are designed to increase the representation of African-American and other minority groups in the primary care workforce.
- *Recruitment and Retention Programs* are designed to increase the supply and improve the geographic distribution of primary care providers.

FY 04-05 Budget Recommendation

\$13,301,581

We propose the following adjustments to the base budget:

- A reduction of **\$35,278** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$246,505** for **reduced administrative costs**. Because a large part of SC AHEC's function is to pass through funds to the regional centers and the teaching hospitals, the agency should be able to reduce the operating overhead of the central office to approximately 5 percent of the agency's total budget.
- A reduction of **\$467,441** for the **Student Development and Diversity Program**. These programs seek to increase the number of low income or minority youth who aspire to become health care professionals through programs and clubs in high schools and colleges, including a week-long summer institute.

In 2003, the regional AHECs sponsored 47 health care career clubs and provided activities for 887 secondary school students and 234 college students through the Future Healthcare Professionals Club. Although we do face a critical nursing shortage as a state and as a nation, the problem is not related to the amount of students wishing to enter the health care field. In fact, MUSC reports that it receives over

300 qualified applicants for 50 available slots. We believe these funds could be better spent on funding health care needs rather than health care clubs. SC AHEC officials estimate that about 20 percent of their regional centers' budgets are devoted to The Student Development and Diversity Program.

- A reduction of **\$262,500** for **Family Practice Residency Training Program** and **\$262,500** for the **Graduate Doctor Education Program Residency Training Program**. Both programs provide state funding for residents in certain specialties at specific hospitals throughout the state. However, residents in South Carolina hospitals and throughout the country are primarily supported with Medicare funding and are additionally supported by Medicaid funds. Although we understand residency training programs are a vital part of the health care delivery system in this state, we believe these programs can be adequately sustained with existing funds as well as federal and other funds.

Technical and Comprehensive Education

Technical and Comprehensive Education

The State Board for Technical and Comprehensive Education (State Tech Board) operates the South Carolina Technical College System, a statewide system which includes 16 technical colleges, the Center for Accelerated Technology Training for industry-specific training and a State Tech Board staff. The State Tech Board is responsible for the state-level development, implementation and coordination of post-secondary occupational and technical training and education. The purpose of these efforts is to support the economic development of the state.

Center for Accelerated Technology Training

The Center for Accelerated Technology Training is a program of the South Carolina Technical College System designed to provide tailor-made training to new and expanding industries in South Carolina.

This college system was founded on the premise that the state would be better served by providing a way to train its citizens and employ them in South Carolina with jobs that the state helped to create. When the concept of technical education was being proposed, many of South Carolina's young people were leaving the state to pursue higher paying jobs in other geographic regions. There was a profound need to be more proactive in recruiting business and industry into the state, in training citizens for the jobs that those industries would create and in maintaining a commitment to that training should

businesses want to expand and grow within our state.

The Center for Accelerated Technology Training program is the result of legislation proposed and passed in 1961. The main purpose of the Center for Accelerated Technology Training is to offer trained employees to a company when the doors are first opened for operation.

The Center for Accelerated Technology Training division serves four regions of the state with a manager assigned to each region.

Continuing Education

Continuing education programs at the technical colleges offer updating, upgrading and supervisory development training, both in-plant and on-campus. Training can be custom-tailored to meet the specific needs of the industry.

The Center for Accelerated Technology Training provides quick, short-term workforce training services to South Carolina industries in order to get them established. Continuing Education provides the necessary on-going workforce development training that is crucial to the long-term success of a business or industry.

In accordance with the Rural Development Act, the Continuing Education departments of the state's technical colleges are the designated providers of training to help keep the existing workforce up-to-date with changing technology and competitive in global markets.

FY 2004-05 Budget Recommendation

\$140,150,098

We propose the following adjustments to the base budget:

- A reduction of **\$113,566** for a 15 percent reduction in **travel, meals, registration, and phone expenses** at the State Tech Board.
- A reduction of **\$1,069,079** for a 15 percent reduction in **travel, meals, registration and phone expenses** at state Technical Colleges.
- A reduction of **\$165,195** for savings to be realized from a **collaborative effort between USC-Sumter/Central Carolina Technical College**. This represents a three percent reduction in state funding for **Central Carolina Technical College** and a 0.95 percent reduction in their total funds. As discussed in the Higher Education section, the overlap between USC-Sumter and Central Carolina Tech is the clearest example of the duplication in South Carolina's Higher Education system. These two schools share virtually the same space, offer several overlapping courses, but function as two separate and distinct institutions.

Additionally, each institution has completely separate support facilities, such as libraries, bookstores, and information technology infrastructure. We have proposed reductions to both USC-Sumter and Central Carolina Technical College in order to

encourage both institutions to work more closely in resource and curriculum development. Through this, we believe both institutions can focus better on their core missions and prevent overlap.

- A reduction of **\$80,000** for **agency contracts with lobbyists** (Trident Technical College and Florence-Darlington Technical College). Earlier this year, this administration signed an Executive Order prohibiting all cabinet agencies from hiring independent contract lobbyists to lobby the General Assembly. The practice of using taxpayer funds to get more funds creates a strong bias toward more government. Therefore, we propose an elimination of these funds.
- An additional **\$1,000,000** in other funds will be directed to the State Tech Board as a one-time contribution from Santee Cooper for initial funding for the recommendations outlined in the report, **Pathways to Prosperity: Success for Every Student in the 21st Century**. The workforce in this new economy is changing rapidly, as are the skills necessary to be successful in the workplace. Unfortunately, in South Carolina, many potential employees are not being fully prepared for the jobs of the future. Changes must be made so we will not be passed over by tomorrow's knowledge-based companies looking for an economic home.

As the South Carolina Competitiveness Initiative's

Monitor Group Report claims “a strong technical college system” as one of South Carolina’s strengths, we have chosen to pilot development of the Pathways to Prosperity recommendations under the State Tech Board. We recommend that the State Tech Board collaborate with the Governor’s Office, the Department of Education, the Department of Commerce and the state Chamber of Commerce as it develops this program and that it also make use of any Workforce Investment Act funds available for this purpose. It is the goal of this administration to fully fund this program once it is fully operational in following years.

South Carolina Educational Television

South Carolina Educational Television

Mission

“South Carolina Educational Television shall provide a statewide educational communications network. The primary purpose of the network is to offer comprehensive educational

opportunities to preschoolers, public schools, colleges, universities, and adult continuing education. The service, using a variety of technologies, shall support and enhance training for state agencies, private industry, and individuals and shall offer programs of cultural, historical, and educational significance to the general public.”

EDUCATIONAL TELEVISION Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	18,964,011	600,000	9,411,722	
FY 98-99	19,487,253	600,000	12,470,982	
FY 99-00	20,028,783	300,000	13,060,969	669,000
FY 00-01	20,642,953		10,674,707	287,500
FY 01-02	18,153,635	40,000	10,674,707	1,500,000
FY 02-03	16,156,524	1,540,000	10,900,514	
FY 03-04	14,253,210	1,500,000	11,495,514	

FY 04-05 Budget Recommendation

\$14,032, 793

We propose the following adjustments to the base budget:

- A reduction of **\$95,303** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**
- A reduction of **\$125,114** for savings to be realized by **closing SCETV's vehicle maintenance shop** as part of our overall proposal to privatize the state fleet.

Department of Health Oversight and Finance

**Department of Health
Oversight and Finance**
(formerly Department of Health and
Human Services)

The former Department of Health and Human Services is responsible for administering the Medicaid program, which provides health insurance benefits for low-income families as well as the aged, blind and disabled, and *SilverCard*, a prescription drug assistance program for low-income seniors.

This department is a purchaser of health services on behalf of approximately 20 percent of our state's citizens. Therefore, to more closely identify the department with its core mission, this budget includes a recommendation that its name be changed to the Department of Health Oversight and Finance (DHOF).

The necessary competencies of DHOF include management of costs, provider network development and monitoring, quality assurance, contract negotiation and compliance review. The most ethically appropriate approach to cost management is to seek ways to improve the health status of the beneficiaries, and thereby reduce the demand for services.

The need for restructuring in the health and human services agencies is profound, and is exemplified by the Medicaid program, where both expenditures and recipients have nearly doubled in ten years with no demonstrable evidence of increase in the health status of our citizens. Furthermore, the Medicaid budget has

become a back channel for unbudgeted increases in other health agencies – where all too often Medicaid eligibility has dictated both diagnosis and treatment, and financial considerations have trumped professional judgment. Medicaid expenditures by other state agencies increased by more than 25 percent from 2001 to 2003 (expenditures by agency shown in following chart).

	2001	2002		2003	
Department of Mental Health	154,771,202	176,915,739	14.3%	194,998,579	10.22%
DDSN	361,844,091	447,672,251	23.7%	410,999,457	-8.21%
DHEC	37,912,332	33,915,283	-10.5%	38,704,191	14.12%
Medical University of South Carolina	10,338,737	14,538,468	40.6%	27,829,341	91.42%
University of South Carolina	2,370,369	2,833,498	19.5%	5,612,272	98.07%
DAODAS	8,788,887	15,857,149	80.4%	11,839,390	-25.34%
Continuum of Care	6,371,366	8,529,603	33.9%	10,328,196	21.09%
School for the Deaf & Blind	1,325,643	1,391,696	5.0%	2,048,508	47.20%
Department of Social Services	58,176,304	60,534,139	4.1%	52,182,875	-13.80%
Department of Juvenile Justice	16,316,642	17,786,139	9.0%	23,598,126	32.68%
Department of Education	18,611,003	74,306,918	299.3%	69,965,732	-5.84%
Commission for the Blind	29,672	22,239	-24.8%	25,449	14.13%
Total Other Agency Medicaid Assistance	676,856,238	854,303,182	26.2%	848,072,116	-0.73%

Our focus will be to develop programs that reconnect medical need with appropriate treatment, particularly in the area of chronic illnesses. Efforts to make operational the principles of disease management in the health purchasing function will bring rewards in the realm of better stewardship of scarce financial resources, and more importantly, help our citizens live healthier and more productive lives.

The Scope of Medicaid

- Provides benefits for 20% of state's population
- Pays for 50% of all births
- Covers over 40% of all children
- Covers 33% of all seniors
- Pays for 75% of all nursing home beds
- Total budget of over \$3.8 billion
- Accounts for over 10% of General Fund budget
- Over 30 million annual claims

DHOF Strategic Goals

With the involvement of each agency bureau, DHOF is refining the agency's strategic goals and supporting objectives. The Strategic Plan that results from this current development process will be viewed as a living rather than static document, allowing the agency to respond appropriately to fiscal, legislative and other developments.

The overall strategic plan is still in the developmental process. However, the final strategic goals will focus on improving the following:

- the effectiveness and efficiency of the Medicaid service delivery system
- the accuracy and efficiency of the Medicaid eligibility process
- overall administrative accountability and productivity

Cost-Control Strategies**Disease Management**

The Office of Disease Management is analyzing Medicaid claims data to

identify costly recipient populations and develop an integrated approach that addresses these recipients' total health needs from preventive information and self-care advice, to chronic illness management and post diagnostic counseling.

Call-In Clinical Triage Services

In an effort to avoid costly emergency room visits for non-emergent care, DHOF is piloting and exploring statewide implementation of a triage service that will provide 24/7 telephone access to a medical professional who will offer symptom assessment and provide counsel to recipients on the appropriate level of care needed for their particular situation.

Enhanced Drug Utilization Review

DHOF is analyzing claims data to identify recipients with unusually high or duplicative pharmacy claims and then communicating with the prescribing physician about these findings. Often this cooperative sharing of information provides useful insight for the physician and positively impacts prescribing habits in the future.

Medicaid Managed Care

With actuarially rebased Medicaid managed care rates, DHOF expects that new providers of Medicaid managed care services will enter the state. This increased Medicaid managed care penetration will produce additional choices for recipients in more parts of the state and decreased overall cost to the Medicaid program for their care.

Expansion of Cash and Counseling Program

South Carolina Choice, a "cash and counseling" program that gives

Medicaid community long-term care beneficiaries more control over their personal care expenditures, will be expanded statewide from the three county pilot area of Spartanburg, Cherokee and Union counties. While the program itself is cost-neutral, studies indicate that individuals with more control over their home-care options are likely to delay admission to a more costly nursing home atmosphere.

Disease/High-Risk Condition Management

Target asthma, hypertension, congestive heart failure, diabetes and high-risk OB/neo-natal care to improve health outcomes and achieve cost-savings through a reduction in avoidable care such as emergency room visits and hospitalizations. The following methods will support this initiative:

- Emphasize prevention and self-management to improve quality of life;
- Supply providers and beneficiaries with evidence-based medicine resources to support optimal disease management; and
- Use data management and feedback to assess and improve health outcomes.

Patient-Centered Coordinated Care

Medical homes and managed care place responsibility for and coordination of care directly in the hands of those physicians who actually deliver care. The agency is modifying current programs to include use of medical homes and is talking with additional commercial HMOs that are interested in the South Carolina Medicaid market. Currently, there is only one Medicaid

HMO operating within the state. Another has recently been licensed and begun provider network development.

Pharmacy Supplemental Rebates

Improve the existing prior authorization program to further promote and encourage use of the most medically appropriate and cost-efficient drug therapies, allowing receipt of supplemental drug rebates from pharmaceutical manufacturers. Through use of an independent Pharmacy and Therapeutics Committee, we will develop a list of preferred drug therapies and allow other drugs to be added to the list upon negotiation of a supplemental drug rebate from the manufacturer.

Mandate Generic Substitution

A current budget proviso allows generic substitution without actual Medicaid patient consent. However, physician consent is still required. This proviso should be modified to remove the requirement for physician consent where a generic alternative is available.

Pharmacy Use Management

Other measures designed to ensure appropriate prescribing include a critical review of all recipients receiving a high number of prescriptions monthly, retrospective analysis of all recipients' pharmacy claims, "counter-detailing" efforts designed to educate providers on lower-cost drug therapies and a prior authorization requirement for all off-label prescribing.

Recipient Cost-Sharing

Extending co-pays to all services will result in savings and provide a sense of ownership to recipients of their benefit plan.

Enhance Program Integrity Enforcement

Implement recommendations from current private vendor to enhance detection and recovery of fraudulent provider billing abuses and implement recipient lock-ins to restrict recipients found to be abusing services to one provider.

Eligibility Determination Controls

The agency is critically examining the eligibility process to identify potential changes in categories covered, waiver requests, and income/resource levels. The agency is also enhancing controls,

for instance, non-citizens who have resided in the United States for five years or more and are in lawful permanent resident status can no longer qualify for the full range of Medicaid benefits until they have earned or can be credited with 40 work quarters. Additionally, significantly enhanced oversight of field workers includes unannounced audits of case files for accuracy in determinations and strengthened supervisory review of cases to examine worker accuracy and error rates. The agency is developing a comprehensive eligibility training program.

DEPARTMENT OF HEALTH OVERSIGHT AND FINANCE				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	361,698,715	1,728,292,165	390,046,152	15,387,281
FY 98-99	390,855,249	1,883,333,625	408,711,930	13,008,051
FY 99-00	409,346,176	1,824,657,522	388,364,853	56,521,616
FY 00-01	428,185,967	2,150,553,243	504,817,690	49,800,437
FY 01-02	488,248,617	2,314,278,056	534,327,129	
FY 02-03	528,998,893	2,401,240,252	467,939,284	97,000,000
FY 03-04	557,051,279	2,666,938,764	599,940,538	7,769,503

FY 04-05 Budget Recommendation

\$689,514,131

We propose the following adjustments to the base budget:

- An additional **\$140,000,000** in recurring general funds for **Medicaid** – an increase in the Medicaid recurring base of nearly 25 percent.

The most important goal for this department in our budget is fulfilling our commitment to fund

the Medicaid program with recurring funds, which has not happened since at least 1994. The practice of closing budget gaps in this critical agency with non-recurring funds must end.

- A reduction of **\$155,378** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$8,841** for the **McCormick Intergenerational** appropriation. This is a local special item which was intended to be a

one-time grant to a local council on aging. This funding provides a portion of funding for a volunteer coordinator and supplies needed to recruit and train senior citizens to assist students with certain activities in elementary schools.

- A reduction of **\$2,796,510** to reflect the **transfer of the Office on Aging** to the Division of Social Services in the Department of Human Services.
- We also propose an additional **\$2,750,000** to be directed as “other funds” to **Medicaid** as a one-time contribution by the Santee Cooper. These funds may also be used to assist the agency’s efforts to direct and oversee the newly-formed Division of Addiction Services.

Division of Addiction Services (formerly Department of Alcohol and Other Drug Abuse Services)

Our budget proposal and reorganization plan merges the Department of Alcohol and Other Drug Abuse Services (DAODAS) into the newly-created Department of Health Oversight and Finance (DHOF). According to a 2003 Legislative Audit Council report that examined the structure of our health care delivery system, we are one of only four states with a stand-alone Drug and Alcohol Treatment agency. Their report projects there would be administrative savings from merging the Drug and Alcohol treatment agency into another entity.

The newly-formed Division of Addiction Services should become an entity that

primarily purchases services from local providers and monitors their performance. For this reason, we think it fits well in the Health Care Oversight and Finance Agency as opposed to an agency that provides primary health or human service delivery. The consolidation of this agency into DHOF will allow us to greatly reduce the administrative and rent costs with little to no impact on the actual service delivery system.

Mission

The agency’s current mission statement is “*To ensure the provision of quality services to prevent or reduce the negative consequences of substance use and addictions.*” The Division of Addiction Services will continue to offer prevention, intervention and treatment services through a community-based system of care, and to subcontract with 33 county alcohol and drug abuse authorities to provide the majority of direct services to citizens in all 46 counties of the state.

One of the most important goals of the county provider network is the development of a seamless continuum of care that encompasses prevention, intervention and treatment services.

The major goal of *prevention services* is to avoid the development of problems related to the use of alcohol, tobacco and other drugs (ATOD) among the general public and specific high-risk groups. Services are implemented in communities and schools throughout South Carolina. Substance abuse prevention is the use of evidence-based approaches to create or enhance environmental conditions within communities, families, schools and

workplaces to protect individuals from substance abuse and to help them develop personal decision-making skills to reduce the risk of ATOD-related problems.

Intervention services work to identify, at an early stage, individuals who are at risk of experiencing specific problems caused by their use of alcohol, tobacco and other drugs. Following their identification through the school system, the criminal justice system, the work place or other social systems, individuals are referred to specific intervention programs for educational and treatment services as appropriate. The Alcohol and Drug Safety Action Program (ADSAP), the state's DUI offender program, is the most recognizable intervention program.

Treatment services are designed to improve the lives of individuals and families affected by substance abuse through the provision of individualized care to reduce the health and human service costs, as well as the economic cost, to our communities and state. Multiple treatment modalities are available to accommodate entry into services and progress along a continuum of care. Specific AOD services range from outpatient treatment, which is available in every county, to specialized treatment services, such as

detoxification, adolescent inpatient treatment and/or other residential services. Specialized services are available on a county, regional and/or statewide basis. These include specialized services for women and children that are provided through five long-term residential treatment programs and one long-term transitional housing program; services to adolescents; and services to incarcerated and paroled individuals.

Federal Mandates: The agency and its local partners participated in the federally required *Youth Access to Tobacco Study* to reduce South Carolina youth's access to tobacco. Federal law requires states to conduct annual, random, unannounced inspections of a statewide sampling of tobacco vendors to assess their compliance with the state law (§17-17-500) that prohibits retailers from selling tobacco products to minors. Continuing a steady decline in this rate, the department documented a purchase rate of 11.9 percent in 2003. This is lower than the 15.5 percent documented in 2002 and well below the federal requirement of 20 percent. By continuing to successfully achieve this requirement, the agency has forestalled a possible 40 percent cut in federal Substance Abuse Prevention and Treatment (SAPT) Block Grant funding.

DIVISION OF ADDICTION SERVICES				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	10,146,675	17,856,046	11,006,722	300,000
FY 98-99	10,337,143	17,160,785	9,155,747	300,000
FY 99-00	10,737,005	17,677,068	4,400,495	2,000,000
FY 00-01	12,689,438	24,209,514	12,223,796	
FY 01-02	10,904,766	30,413,519	6,886,991	
FY 02-03	9,227,441	31,553,519	6,167,999	
FY 03-04	7,950,683	31,049,068	6,209,999	

FY 04-05 Budget Recommendation**\$6,404,473**

We propose the following adjustments to the base budget:

- A reduction of **\$15,142** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$1,283,780** to reflect savings from an **80 percent reduction in administrative costs** as a result of DAODAS consolidation within the Department of Health Oversight and Finance.
- A reduction of **\$25,000** to reflect the **elimination of the DARE program**. DAODAS has conducted a review of their current programs and determined that the DARE program should be eliminated. During budget hearings this summer, agency officials confirmed that they do not have data to support the program's effectiveness and recommended that it not be continued.
- A reduction of **\$222,288** for savings to be realized through **reduced rent** by consolidating within the Department of Health Oversight and Finance.

Department of Health Services

Department of Health Services

The Department of Health Services represents the long overdue consolidating of the state's three largest health service delivery agencies. The public health portions of the former Department of Health and Environmental Control (DHEC), the Department of Disabilities and Special Needs and the Department of Mental Health have delivery capacity and formidable presence in every county of the state. Bringing those capacities and service commitments under a single accountable management should help the state erase the artificial line of demarcation between physical health and behavioral health. This new organization will have tremendous front-line capacity to serve patients, clients, consumers, and families where they live and work.

We believe the results of this merger will be an actual and measurable improvement in the health status and the quality of life of our citizens. The administrative efficiencies will be significant, and we believe that reducing the number of planners, checkers, counters and double-checkers will free the front-line workers to find more creative and collaborative ways to better serve the public.

Our commitment to protecting and improving the health of the population could not be stronger, and this department embodies the best hope for our state to make marked improvements in health status, and at the same time deliver services in settings chosen by the

client---almost always in their home and/or community.

Division of Public Health [formerly DHEC (Health)]

The Division of Public Health is the public health protection agency for the state. The division is charged with the protection of public health and carries out its duties pursuant to numerous statutes including, but not limited to, the Emergency Health Powers Act, Contagious and Infectious Diseases Act, State Certification of Need and Health Facility Licensure Act, and Vital Statistics Act.

The agency is organized to serve the public in two broad areas:

- Health Services (HS) and
- Health Regulations (HR)

The agency performs this mission in a time of change in health services arenas, amid unprecedented state growth that impacts the viability of our environment and the quality of our land, air and water, changing demographics resulting in greater ethnic diversity and an expanding population of retirees, and with added responsibilities and concern for homeland security.

LONG-TERM GOALS

- | |
|---|
| Increase local capacity to promote and protect healthy communities. |
| Improve health for all and eliminate health disparities. |
| Assure children and adolescents are healthy. |
| Increase the quality and years of healthy life for seniors. |

DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL*				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	110,141,700	175,904,827	202,248,892	1,670,000
FY 98-99	112,154,624	174,636,217	200,448,589	3,248,627
FY 99-00	118,108,080	160,240,567	188,005,689	6,400,000
FY 00-01	121,747,314	168,989,163	185,140,672	5,700,000
FY 01-02	109,986,384	186,056,596	156,775,425	
FY 02-03	104,681,428	218,367,822	163,160,044	
FY 03-04	105,898,858	228,015,730	158,656,688	
* This includes both Health and Environment figures for DHEC				

FY 04-05 Budget Recommendation

\$78,922,257

We propose the following adjustments to the base budget:

- A reduction of **\$654,183** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$4,418,035** for savings from **health agency consolidation**. These savings result from an 18 percent reduction in administration and further efficiencies derived from case management.
- A reduction of **\$121,184** for savings to be realized by **closing the division's vehicle maintenance shop** as part of our overall proposal to privatize the state fleet.
- Reductions totaling **\$1,750,000** from **streamlining access to care**. The agency says that it can streamline management, use technology to reduce travel and training costs, and potentially reduce rent, while still providing

services that are accessible to all citizens of South Carolina.

- A reduction of **\$100,192** for savings from changing the source of funding away from general funds for **Health Care Standards – Radiological Monitoring**.
- A reduction of **\$192,000** for the **Lancaster-Kershaw Health Center**. This money represents a portion of the center's operating budget and is passed through the Medical School at the University of South Carolina. While we believe that this is a worthy project, we have concerns about the practice of funding individual organizations through budget line-items as this practice limits the ability of agency officials to make funding decisions for their agencies. Additionally, line-items lend themselves to political influence and we do not believe the decision to choose to fund one health center over another should be driven by the political process. For these reasons, we feel compelled to cut this funding just as we did with other worthwhile projects such as the C.R. Neal Learning Center and the Greenville

Urban League in the Department of Human Services section of this budget.

Division of Mental Health

(formerly Department of Mental Health)

Mission

The Division of Mental Health's (DMH) mission is "To support the recovery of people with mental illnesses." A recovery approach to care embraces consumers' and families' medical, social, educational, spiritual, and cultural needs and helps them to find affordable, decent homes and meaningful employment.

DMH's mission, its priorities, and its values are outlined in the DMH strategic planning document, "Making Recovery Real," published in 2002. Specifically, the agency's priorities are adults, children, and their families affected by serious mental illnesses and significant emotional disorders. The agency is committed to:

- eliminating stigma and promoting recovery;
- achieving the agency's goals in collaboration with all stakeholders,
- Science-to-Practice services; – building a system of care using evidence-based practices; and
- assuring the highest quality of culturally competent services possible.

The agency served 92,647 clients in FY 03 – 6,658 in the agency's hospital system and 89,743 through community programs. Approximately 56,000 were adults and 36,000 were children. State appropriations comprise approximately

50 percent of the budget. About one-third of the state funds are used to match federal Medicaid dollars.

Through legislative mandate DMH is the governing authority over the state's mental hospitals, community mental health centers, and facilities for nursing care, and also over the Morris Village facility for inpatient alcohol and drug addiction.

Strategic goals

Foremost among the agency's goals is to continue to build a community system of care. To that end, for example, DMH is reducing the numbers of its long-term hospital beds and moving consumers, staff, and other resources to the community, where possible. DMH supports the federal *Olmstead* ruling, requiring that states serve patients in the least restrictive settings possible.

The agency is implementing performance-based contracting so that mental health centers, hospitals, and all organizational components' funding will be based on contractually agreed upon outcomes. DMH also continues to work on a new funding formula that will determine more equitably than in the past how much money centers and hospitals receive.

Implementing evidence-based/ best practice clinical programs is another way the agency will make certain that its resources are being used wisely. Clinical programs considered "evidence-based" are those with data to prove that they work, so DMH will continue to roll out such programs where possible.

In addition, the agency wants to help establish a statewide system of care for children. Children's services in South

Carolina are fragmented, and the agency, in concert with Clemson, the Federation of Families, advocates, and other state agencies, is exploring new approaches to make certain that children and their families' needs are met.

The agency is striving to place more crisis-oriented services in the community. The benefits of these programs include an improvement in the pre-screening of patients and avoidance of unnecessary hospitalizations; a reduction in the

number of admissions to the agency's own psychiatric hospitals; a reduction in the numbers of patients waiting in local emergency rooms; and support for psychiatric beds in the community.

With the increase in South Carolina's population has come a growth in the numbers of people with mental illness coming into contact with the criminal justice system. An important goal for the agency is to continue to strengthen its relationship with law enforcement and the judicial system.

DIVISION OF MENTAL HEALTH				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	177,570,788	6,293,736	150,643,711	1,000,000
FY 98-99	180,397,232	5,051,292	155,669,608	200,000
FY 99-00	186,866,906	5,397,292	149,643,502	15,360,461
FY 00-01	193,698,073	6,315,636	155,794,450	
FY 01-02	177,938,995	9,838,570	163,069,004	
FY 02-03	163,677,897	9,361,317	157,161,524	4,000,000
FY 03-04	168,332,843	9,439,724	161,612,349	4,875,000

FY 04-05 Budget Recommendation

\$160,008,153

We propose the following adjustments to the base budget:

- An additional **\$4,080,716** to **transfer the Continuum of Care for Emotionally Disturbed Children** program to the Department of Health Services from the Department of Social Services. The Continuum of Care for Emotionally Disturbed Children should continue to perform its mission but with a formal alignment

with the Division of Mental Health. While costs savings will occur due to the merger of administrative services and the consolidation of regional offices, shared resources between the agencies should also allow for more targeted evaluations and a more collaborative approach to case management. While we are not taking the savings from this consolidation of services, we would urge the administration of the new entity to roll these savings into services for their shared clientele.

- **\$2,125,000** for **Forensic Capacity** which provides for

evaluation and treatment for criminal defendants and prison inmates (this was funded through proviso FY 03-04).

- **\$750,000** for the **Sexual Predator Program** which provides for those individuals who require involuntary civil commitment in a secure facility for long term control, care and treatment (this was funded through proviso in FY 03-04).
- A reduction of **\$83,168** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$8,195,505** for savings from **health agency consolidation**. This amount results from an 18 percent reduction in administration. We also expect a five percent savings derived from efficiencies in case management.
- A reduction of **\$1,112,800** to be realized through savings by **outsourcing pharmacy services**. DMH spent \$9.4 million in pharmaceutical costs last year. The Department of Disabilities and Special Needs realized a 24 percent savings by outsourcing their pharmacy. Officials from DMH expect to see similar savings from outsourcing this function as well.
- A reduction of **\$5,300,000** to be realized through operating cost savings by **closing the State Hospital campus**. The campus includes 58 buildings on 180 acres in the heart of downtown Columbia. As recent as the late 1960's the

campus housed over 3,000 patients but is now down below 300 patients as improvements in medications have allowed more people to be treated in a community environment. In spite of operating at less than 10 percent of its 1960's capacity, many of the former support functions remain open. On the campus, for example, the agency still staffs and operates an automotive garage, a locksmith shop, a welding shop, a research and education training center, a greenhouse, a power plant, and an infirmary which offers lab, radiology, and related medical services.

While some of these functions are support for DMH as a whole, the agency reports spending a total of over \$46 million on the Bull Street campus last year. The agency plans to have many of the remaining patients off of the campus by the end of the FY 03-04 and should be able to completely vacate the remaining few acres before the end of the FY 04-05. Mental Health officials estimate that by moving off the campus, they can save the South Carolina taxpayers \$5.3 million annually.

We believe that the savings from closing down the facility combined with the privatization of some of the functions currently performed on the facility (for example, the automotive garage with an annual budget of \$850,000) will allow the agency enough additional savings to defray any one-time costs associated with the closure of the facility. This budget allows DMH to

retain its current surplus funds, which exceed \$5.7 million, to facilitate the relocation from its Bull Street facility.

Division of Disabilities and Special Needs

(formerly Department of Disabilities and Special Needs)

The South Carolina Department of Disabilities and Special Needs (DDSN) has authority over all the state's services and programs for South Carolinians with severe lifelong disabilities, including mental retardation and related disabilities, autism, traumatic brain injury, and spinal cord injury and similar disabilities. Primary responsibilities include planning, development and provision of a full range of services for children and adults, ensuring that all services and supports provided meet or exceed acceptable standards, and improve the quality of services and efficiency of operations.

DDSN advocates for people with severe lifelong disabilities both as a group and as individuals, coordinates services with other agencies and promotes and implements prevention activities to reduce the occurrence of both primary and secondary disabilities.

DDSN provides 24-hour residential care for individuals with the most complex and severe disabilities at five regional facilities across the state. Community residential services and in-home support services are provided through contracts with local disabilities and special needs boards and other providers. The agency works closely with consumers and families, service providers, advocacy organizations, the executive and legislative branches of government, county officials, state and federal agencies, the business community and the general public. These partnerships are integral to strategic planning, ensuring health and safety, and measuring outcomes and customer satisfaction.

DIVISION OF DISABILITIES AND SPECIAL NEEDS				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	123,867,835	2,796,000	202,418,621	1,875,590
FY 98-99	129,887,901	2,536,056	209,268,848	
FY 99-00	134,882,674	2,314,056	209,268,848	7,368,000
FY 00-01	142,766,560	2,114,056	269,995,181	
FY 01-02	144,356,888	2,551,830	280,464,947	
FY 02-03	134,317,012	2,551,830	280,498,502	
FY 03-04	138,621,112	2,230,747	281,665,169	

FY 04-05 Budget Recommendation

\$136,345,199

We propose the following adjustments to the base budget:

- A reduction of **\$57,581** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

- A reduction of **\$2,793,061** for savings from **health agency consolidation**. This results from an 18 percent reduction in administration. We also expect a five percent savings derived from efficiencies in general case management.
- A reduction of **\$52,500** for savings to be realized by **closing the division's vehicle maintenance shop** as part of our overall proposal to privatize the state fleet.

Department of Human Services

**Department of Human
Services**
(formerly Department of Social
Services)

We propose a new Department of Human Services to be comprised of three divisions that take the names of the precursor stand-alone agencies: the Division of Social Services, the Division of Vocational Rehabilitation and the Division for the Blind. Additionally, consistent with recommendation of the 2003 LAC report on health and human service agencies, we propose moving the Office of Aging from Department of Health and Human Services (DHHS) to the Division of Social Services. This program and DSS's Adult Protective Services program complement each other.

This restructuring proposal is absolutely essential. Appropriations for the various human service agencies have decreased by more than 20 percent in the past seven years. Our proposal to bring all of these human service agencies together under one accountable management will create administrative efficiencies and allow more dollars to be deployed in aid of our citizens in need.

The needs are substantial. Last year, for instance, DSS had a Family Independence case-load of about 20,000 per month; Vocational Rehabilitation helped almost 9,000 disabled citizens find employment, and the Commission for the Blind found employment for 300 individuals. By bringing all these initiatives under one unified accountable management structure, we can achieve greater

efficiencies, and more seamless and holistic service to the client.

Division of Social Services

The mission of the Division of Social Services is to ensure the safety and health of children and adults who cannot protect themselves, and to assist those in need of food assistance and temporary financial assistance while transitioning into employment.

Programs

Child Welfare: These programs ensure the safety and health of our children. This system of services includes Child Protective Services, Foster Care, Managed Treatment, Adoption Services, Child Care, and Child Care Licensing and Regulation.

This past fiscal year DSS's Child Welfare Services served 9,547 cases involving child maltreatment or children that were not safe without DSS intervention. Of those cases, approximately half were receiving services in their homes.

Managed Treatment Services (MTS) provides intensive case management for children in DSS custody (Foster Care) who require therapeutic placement. This service is for children who have emotional problems so severe they cannot function effectively at home or adjust in regular foster care.

Adult Protection: This program protects vulnerable adults from abuse and neglect.

Family Independence: This program that assists those in need of temporary financial and employment-related

assistance through the Temporary Assistance to Needy Families (TANF) program.

Family Nutrition: This program assists those in need of food assistance through several programs, including primarily Food Stamps.

Child Support Enforcement: This program enforces orders for child support, establishes paternity for children when paternity is an issue and provides “locate” services when the whereabouts of a parent is unknown.

DIVISION OF SOCIAL SERVICES				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	109,824,157	532,580,644	125,562,052	16,894,875
FY 98-99	110,869,710	528,993,421	129,136,839	5,500,000
FY 99-00	112,719,257	513,392,488	139,521,635	10,476,432
FY 00-01	119,816,265	495,846,631	152,211,303	400,000
FY 01-02	102,113,214	507,917,493	144,186,841	
FY 02-03	98,921,289	529,513,018	168,698,376	
FY 03-04	87,951,425	669,164,120	99,331,905	4,460,000

FY 04-05 Budget Recommendation

\$100,731,403

We propose the following adjustments to the base budget:

- A reduction of **\$189,811** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$3,685,579** for savings from **agency consolidation** as a result of an 18 percent reduction in administration and additional savings derived from efficiencies in case management.
- An additional **\$13,000,000** for the federally mandated **Child Support Enforcement Automated System**. The lack of a federally-certified child support system could

result in the loss to the state of up to \$130 million per year in federal funds used for the child support enforcement program, for benefits to needy children and for services to promote economic self-sufficiency. A prior attempt to build a system failed, and penalties continue to accrue. Therefore, it is essential to both pay penalties and continue efforts to build a system through these additionally appropriated funds and by carrying forward unused funds from the current fiscal year.

- An additional **\$575,000** for fund **one-time adoption expenses**. Due to prior budget cuts, the reimbursement for certain one-time costs of adoption, most of which includes legal expenses, was reduced from \$1500 to \$250. It currently takes an average of four

years to adopt a child in foster care, a length of time that does not meet federal guidelines and will result in future penalties. Increasing the reimbursement incentive can help us realize necessary improvements by giving adoptive parents the means to adopt children in our foster care system.

- A reduction of **\$200,000** for the **C.R. Neal Learning Center**, an alternative high school in Richland County One School District. This proviso in the FY 03-04 budget sets aside Temporary Assistance for Needy Families money to serve welfare clients within that school population; however, the funds were not expended because no TANF clients are enrolled in the school. We also believe TANF dollars should not be earmarked, but rather directed by the DSS to its clients.
- A reduction of **\$18,389** for a pass-through amount for the **Greenville Urban League**. We have many excellent Urban League offices located throughout the state and should not single out one particular office for line-item funding.
- An additional **\$2,796,510** to **transfer the Office of Aging** from the Department of Health Oversight and Finance to the Division of Social Services.
- A reduction of **\$4,080,716** to reflect the **transfer of the Continuum of Care program** to the Division of Mental Health in the Department of Health Services.

Division of Vocational Rehabilitation

(formerly Vocational Rehabilitation Department)

The mission of the Division of Vocational Rehabilitation is to enable eligible South Carolinians with disabilities to prepare for, achieve and maintain competitive employment. The public vocational rehabilitation program converts people reliant on government assistance into self-sufficient citizens who have jobs, purchase goods and services, save for the future and, ultimately, pay taxes that reimburse the funds spent on their rehabilitation. The division serves people with more than 135 different physically and mentally disabling conditions.

Key strategic goals

- *Program Integrity.* This is a system of guiding principles that creates a balance among three measurable components vital to the division's success – compliance, customer service and productivity.
- *Committee on Rehabilitation Excellence (CORE).* This group is implementing a system to assure achievement of Program Integrity standards by collecting and analyzing data, formulating and assessing plans for corrective action and assuring implementation and follow-up.
- *Professional Development Program (PDP).* This objective arose from the significant number of retirements facing the organization in the next few years. The PDP seeks to create an environment that fosters excellence by aligning agency needs with individual career goals.

- *Partnerships.* The agency emphasizes partnerships with other agencies, coordinates services with business and industry and works with past clients to enhance services and promote accomplishments.
- *Alternative funding.* The agency seeks to improve its level of services through the acquisition of grants, increased reimbursements from the Social Security Administration for job placement of clients who no longer rely on disability benefits, and coordination of payment for services by third party agencies/organizations.

VOCATIONAL REHABILITATION				
Seven Year Funding History				
	state	Federal	Other	Non-recurring
FY 97-98	15,785,311	59,331,953	16,907,575	
FY 98-99	16,594,701	61,408,179	20,763,500	
FY 99-00	17,166,344	60,898,000	21,862,000	
FY 00-01	17,658,175	62,007,000	21,863,000	
FY 01-02	15,370,758	63,901,500	22,143,500	
FY 02-03	13,100,678	67,139,500	23,675,000	
FY 03-04	12,388,877	68,159,500	23,730,500	

FY 04-05 Budget Recommendation

\$11,737,395

We propose the following adjustments to the base budget:

- A reduction of **\$23,125** for a 15 percent reduction in **travel, meals, registration and phone expenses.**
- A reduction of **\$628,357** for savings from **agency consolidation.** This results from an 18 percent reduction in administration.

Division for the Blind

(formerly Commission for the Blind)

The mission of the Division for the Blind is to provide individualized vocational rehabilitation services, independent living services, services to children and prevention services to blind and visually-impaired consumers leading to competitive employment and social and economic independence and improved quality of life. Our restructuring proposal for this agency is based on the fact that current agencies' activities often parallel and overlap with the other divisions within our proposed Department of Human Services. We believe that we should join the other 40 states, including our neighbors in the Southeast, which coordinate their services for the blind in a distinct division of a larger agency, rather than operating as a separate agency.

The agency receives federal funds through the state Department of Education for major program of vocational rehabilitation. In addition, federal funds are also received for the independent living services program. The prevention and children services programs are state funded programs.

The agency's key customers are those who meet the definition of blindness and severe visual disability as follows:

1. "Blindness" is defined as that level of central visual acuity, 20/200 or less in the better eye with correcting glasses, or a disqualifying field defect in which the peripheral field has contracted to such an extent that the widest diameter of visual field subtends an angular distance no greater than twenty degrees and

which is sufficient to incapacitate him for self-support, or an eighty per cent loss of visual efficiency resulting from visual impairment in more than one function of the eye, including visual acuity for distance and near, visual fields, ocular, mobility, and other ocular functions and disturbances;

2. "Severe visual disability" is defined as any progressive pathological condition of the eye or eyes supported by acceptable eye examination, which in the opinion of the examiner may or will result in legal blindness within twenty-four months.

The agency has developed and maintained programs for South Carolina's blind and severely visually impaired citizens as follows:

1. Rehabilitation services which lead to competitive employment;
2. Business Enterprise Program (BEP) which provides job training, stand development, consulting services, job placement and stand maintenance to carry out the mandates of the Randolph-Sheppard Act;
3. Prevention of Blindness which has a goal to prevent, stabilize or restore the loss of vision by providing appropriate medical services to detect eye diseases in their early stages;
4. Independent Living for Older Blind people with a goal to increase independence and quality of life in the home and community by providing adjustment to blindness skills training for individuals age 55 and older;

5. Children Services which provides counseling and guidance to blind and visually impaired children, birth to age 14, and their families; establishes a plan of service and coordinate provision of services;
6. Rehabilitation Center where unique blindness skills are taught that will enhance blind and visually impaired adults' ability to become more independent and employable; curriculum includes Orientation and Mobility, Communication Skills, GED Preparation, Remedial Education, Home Management, Braille Literacy, Wood Shop and Physical Education;
7. Telecommunications Center which focuses on training consumers for the growing customer service industry; consumers receive training on general customer service skills as well as company specific skills;
8. Adaptive Technology Unit which focuses on training consumers on basic through advanced adaptive technology skills that are needed to be competitively employed.

In carrying out the provision of services for the programs, the agency works

closely with physicians, ophthalmologists and optometrists throughout the state as a resource for their patients. Others who benefit from the services provided are clients' family members, as the agency provides establishes independence for the clients. Additionally, the agency provides assistance to employers in setting up equipment/tools that may be necessary for the employment of individuals who are blind or visually impaired and works closely with school districts to assist them with the resources and tools for school age children.

The business community is a key partner in the division's ability to carry out its mission. A major goal is to provide competitive employment to clients. Therefore, the agency works closely with employers in explaining and demonstrating the benefits and educating them concerning employing individuals who are blind or severely visually impaired. Optometrists and ophthalmologists in the state also provide assistance by conducting low vision exams for clinics sponsored by the agency.

DIVISION FOR THE BLIND				
Seven Year Funding History				
	state	Federal	Other	Non-recurring
FY 97-98	3,795,869	5,476,168	364,500	
FY 98-99	3,842,679	4,986,800	364,500	
FY 99-00	3,953,922	6,066,228	364,500	812,412
FY 00-01	4,167,154	6,066,228	364,500	
FY 01-02	3,639,597	6,539,073	333,000	
FY 02-03	3,194,858	6,556,571	512,520	
FY 03-04	2,984,094	6,556,571	512,520	

FY 04-05 Budget Recommendation

\$2,809,133

We propose the following adjustments to the base budget:

- A reduction of **\$11,071** for a 15 percent reduction in **travel, meals, registration and phone expenses**.

- A reduction of **\$163,890** for savings from **agency consolidation**. This results from an 18 percent reduction in administration.

Department of Literary and Cultural Resources

Department of Literary and Cultural Resources

In this budget, we are recommending administrative consolidation of the Department of Archives and History, the State Library, and the South Carolina Arts Commission. We also propose bringing the State Museum under the Department of Literary and Cultural Resources, but only until such time as it becomes self-funded, which it can accomplish by continuing its efforts to seek more private partnerships and more creative sources of revenue. These agencies' major goals are to continually improve and restore the environment of literary and cultural and historic resources. These agencies should be consolidated to eliminate duplication of effort and provide further coordination of resources and services. We should work toward a common goal to preserve, protect, develop and share the state's

rich cultural, historic and informational resources.

State Museum

Through innovative partnerships, comprehensive collections, and stimulating exhibits and programs, the State Museum provides educational environments that entertain, inspire imagination and creativity, and enrich the lives of visitors.

In recent years, the facility has developed several non-traditional sources of revenue including on-site coin operated equipment, contractual service arrangements with outside parties, and off-site retail sales opportunities. The facility rental program, with the help of some paid advertising, also increased both its revenues and the number of users.

STATE MUSEUM				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	5,253,779	120,000	1,087,562	160,000
FY 98-99	5,293,806	122,210	1,064,239	225,000
FY 99-00	5,656,301	122,210	1,064,239	1,125,000
FY 00-01	5,782,689	50,000	1,331,450	125,000
FY 01-02	5,209,717		1,122,125	
FY 02-03	4,784,714	14,063	1,168,125	
FY 03-04	4,597,045		1,168,125	

FY 04-05 Budget Recommendation

\$3,064,697

We propose the following adjustments to the base budget:

- We recommend a reduction of **\$1,532,348** to begin a three-year **shift from public to private funding** of the State Museum. Recently, we have seen the State Museum develop partnerships with

private entities as a means of bringing in additional funds. Ultimately, we believe these private-sector relationships can serve as a way for the State Museum to become completely self-funded, without relying on appropriated dollars. We applaud the State

Museum's leadership in developing other sources of funding and expect additional success over time. In addition, we look to our corporate community to expand the valuable role they currently provide in providing resources to our State Museum.

Division of Archives and History

(formerly Department of Archives and History)

The mission of the Division of Archives and History is to preserve and promote the documentary and cultural heritage of the state through professional

records, historic preservation, and education programs. The agency is in the final year of a four-year plan. The vision, as stated in their plan, is to be the leader in preserving and advocating the state's documentary and cultural heritage, and serve as a model for the nation's other state historical institutions and organizations.

DIVISION OF ARCHIVES AND HISTORY				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	4,283,170	520,000	708,593	5,901,240
FY 98-99	4,348,874	395,300	861,212	
FY 99-00	4,809,781	369,400	885,212	1,465,000
FY 00-01	4,974,646	369,400	954,812	75,000
FY 01-02	4,280,493	419,450	1,261,999	
FY 02-03	3,790,868	419,450	1,457,912	
FY 03-04	3,504,811	723,721	1,575,510	

FY 04-05 Budget Recommendation

\$3,332,371

We propose the following adjustments to the base budget:

- A reduction of **\$11,505** for a 15 percent reduction in **travel, meals,**

registration, and phone expenses.

- A reduction of **\$160,935** for savings from **agency consolidation.** This results from an 18 percent reduction in administration.

State Library

The State Library's mission is to improve library services throughout the state and to ensure all citizens' access to libraries and information resources is adequate to meet their needs. The State Library supports libraries in meeting the informational, educational, cultural, and recreational needs of the people of South Carolina. It is also a major leader in the

planning and implementation of effective informational and library services for the people of South Carolina. It is a vital component of the state's information and education infrastructure.

STATE LIBRARY				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	7,889,201	2,394,710	20,500	506,500
FY 98-99	8,268,659	2,947,031	20,500	
FY 99-00	9,705,271	2,221,776	1,515,500	125,000
FY 00-01	10,121,507	2,024,467	1,530,000	
FY 01-02	8,539,268	2,017,259	30,000	
FY 02-03	7,548,576	2,177,370	30,000	
FY 03-04	6,699,815	2,199,144	1,630,000	

FY 04-05 Budget Recommendation

\$6,559,405

We propose the following adjustments to the base budget:

- A reduction of **\$7,373** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$67,191** for savings from **agency consolidation**. This results from an 18 percent reduction in administration.
- A reduction of **\$65,846** in state funds for the **Continuing Education Coordinator**, which can be funded with federal funds.

Division of the Arts

(formerly Arts Commission)

In 1967, the General Assembly approved the Arts Commission, mandating the agency “to insure that the arts... will continue to grow and play an ever more significant part in the welfare and educational experiences of the citizens.”

The Division of the Arts has worked to accomplish its mission by concentrating resources on three strategic goals:

- Arts Education
- Community Development
- Artist Development

Grants

The Division of the Arts is primarily a grant-making entity. Organizations that receive grants are required to locally match their awards, usually on a 2:1 or 3:1 ratio (local:Division of Arts).

Arts Education

Integrating standards-based arts programming into the basic K-12 curriculum is one of the Division of the Arts’ primary strategic goals, addressed through its Arts in Basic Curriculum (ABC) Partnership.

DIVISION OF THE ARTS				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	3,918,929	787,216	349,882	
FY 98-99	3,947,053	1,047,227	467,519	109,093
FY 99-00	3,998,996	998,978	446,220	1,209,093
FY 00-01	4,721,709	1,006,973	446,220	700,000
FY 01-02	4,270,637	1,086,002	446,220	
FY 02-03	3,820,987	1,164,934	677,000	
FY 03-04	3,384,937	1,278,803	632,849	

FY 04-05 Budget Recommendation

\$2,907,992

We propose the following adjustments to the base budget:

- A reduction of **\$17,985** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**
- A reduction of **\$165,071** for savings from **agency consolidation.** This results from an 18 percent reduction in administration.

- A reduction of **\$75,000** in savings by **consolidating two arts programs, Arts Education Outreach and Aid to School Districts.** We believe that by combining these programs, which provide similar arts education outreach functions, and eliminating duplicate services, these savings can be realized.

Currently arts programs in South Carolina rely on various sources of funding, including federal, state, and local agencies, corporate

contributions, individual donations, foundation contributions, and earned income. Understanding that at this time we have competing interests for limited state funds, state government must focus on funding the critical needs of our citizens such as health care and public education. We do believe that the arts play a significant role in the educational and cultural experiences of our state's citizens and would recommend that the arts community continue to reach out to funding sources that will allow for a stable expansion of arts programs in our communities. For the reasons stated above, we propose reducing budgets for the following small grant programs for the arts:

- A reduction of **\$75,000** for **Aid to Private Sector**. These funds are distributed to private/non-profit organizations that provide arts

programs for the community based on a competitive review process.

- A reduction of **\$44,096** for **Aid to Municipal Governments**. These funds were distributed to Arts Councils in municipal governments based on a competitive review process.
- A reduction of **\$42,525** for **Aid to County Governments**. Similar to Municipal Governments, these funds were distributed to Arts Councils in county governments based on a competitive review process.
- A reduction of **\$57,268** for **Aid to Other State Agencies**. These funds were distributed to arts programs in other state agencies based on a competitive review process.

Department of Agriculture

Department of Agriculture

The mission of the Department of Agriculture is to promote and regulate the growth and development of the state's agriculture industry and its related businesses while assuring the safety and security of the buying public. Our restructuring proposal would make the Commissioner of Agriculture a cabinet position appointed by the governor.

The Department of Agriculture (SCDA) is charged with overseeing agriculture, the state's second largest industry. While the SCDA serves all the people of the state, the agency also serves approximately 24,500 farms with cash receipts for crops and livestock totaling \$1.7 billion.

The SCDA is comprised of three major areas of programs and services. These areas are Laboratory Services, Consumer Services, and Marketing and Promotions.

Laboratory Services

The SCDA is charged with a broad range of consumer protection regulatory responsibilities regarding production, storage, handling, transport and sale of food for human consumption. Assurance of quality and safety of food products from process facilities to marketplace involves chemical, physical, and biological testing of products.

Responsibilities extend beyond food products, to include regulating animal feeds and seeds sold for agriculture and gardening, inspecting commercial weighing and measuring devices, and testing petroleum products sold for

heating and automotive uses across the state. In addition, the SCDA administers product registration and conducts routine inspections for items such as animal and pet foods, antifreeze, frozen desserts, and cosmetic products. Permits are also issued for special services and businesses.

The objectives of Laboratory Division programs are to receive samples and analyze products from the public food supply to detect adulteration, confirm conformance to standards of identity and quality and assure consumers are protected from fraudulent or unsafe food products; to regularly sample commercial animal feed and pet foods from the state's markets for analysis of nutritional and medicinal ingredients for conformance to label guarantees and standards of quality; to provide seed analysis services to consumers, certifying agencies, seed companies, seed producers, and in support of regulatory surveillance and enforcement under the state's Seed and Noxious Weed Law; to regularly receive samples of gasoline, diesel fuel, kerosene, and heating fuel from channels of commerce and test them for conformance to quality standards, label representations and safety; to administer product registrations required by law including animal and pet foods, frozen desserts, gasoline, and antifreeze; and to issue licenses and permits to certain special services and businesses.

Consumer Services

The Consumer Services division includes petroleum, food, feed, scale inspectors, grain inspectors, food and cosmetology, audit, heavy duty scales, and metrology laboratory.

Marketing and Promotions

The Department of Agriculture is charged with the responsibility of maintaining and developing broad based marketing programs to increase consumer awareness and product demand for quality South Carolina agricultural commodities at local, national and international levels. The

Department of Agriculture also encourages expansion and development of existing industries that utilize South Carolina agricultural commodities, both fresh and processed, thereby increasing the marketability of locally grown products.

DEPARTMENT OF AGRICULTURE Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	6,533,609	252,201	4,427,330	169,000
FY 98-99	6,630,968	219,601	4,747,330	
FY 99-00	6,810,080	249,601	4,817,584	758,000
FY 00-01	7,114,309	152,101	4,882,337	
FY 01-02	6,095,916	21,895	5,051,461	
FY 02-03	5,567,116	1,201,002	5,303,461	
FY 03-04	5,148,861	1,201,002	5,546,096	

FY 04-05 Budget Recommendation**\$5,086,257**

We propose the following adjustments to the base budget:

- A reduction of **\$62,604** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Public Service Activities

Clemson PSA

South Carolina State University PSA

Clemson Public Service Activities

Clemson Public Service Activities (PSA) was created in order to provide support services and bring modern agricultural methods to our state's agricultural community. We believe that the agency has been successful in fulfilling this mission. However, we feel that especially in these difficult budget times, it is crucial that every agency focus specifically on its core mission. For Clemson PSA, we believe this means focusing their research and outreach efforts on how to help the farmers of South Carolina increase their productivity and profitability.

Additionally, the agency should continue to mirror the trends in agriculture that have led to greatly increased efficiency and effectiveness. Over the past 50 years, consolidations and technological advances have allowed the agricultural community to produce a greater amount of products with less labor and less land. Our vision for Clemson PSA is that it too will continue to embrace those very changes that have allowed our agricultural community to produce so much more with so much less.

In 1862, the U.S. Congress enacted the Morrill Act, which established Clemson University as a Land Grant College. Clemson Agriculture College itself was established in 1889, along with the Public Service Activities (PSA), and in 1912, the U.S. Congress enacted the Smith-Lever Act, creating a national extension service. The intent of the Land Grant Colleges and Agriculture Extension Services was to provide

agricultural research to benefit the large, rural farming communities. Essentially, these institutions brought research and technology to rural America.

Changing Times for Agriculture

Times have changed dramatically, however, since the creation of the extension service. Many in rural South Carolina have benefited greatly from the efforts of the employees at Clemson PSA. However, the pervasiveness of technologies such as telephones, automobiles, computers, digital cameras, the internet, and others have brought information and people together in ways that could never have been considered when the agency was chartered. These changes in the world have lead to a very different agricultural industry today than the one that existed a century ago.

Changes in the United States Agricultural Industry

	Beginning of the Century (1900)	End of the Century (1997)
Number of Farms	5,739,657	1,911,859
Average Farm Acreage	147 acres	487 acres
Crops		
<i>Percent of Farms Growing:</i>		
Corn	82 %	23 %
Hay	62 %	46 %
Vegetables	61 %	3 %
Irish potatoes	49 %	1 %
Orchards ¹	48 %	6 %
Oats	37 %	5 %
Soybeans	- 0 -	19 %
Livestock		
<i>Percent of Farms Raising:</i>		
Cattle	85 %	55 %
Milk cows	79 %	6 %
Hogs & pigs	76 %	6 %
Chickens ²	97 %	5 %
Government Payments	- 0 -	\$5 billion
Percent Population Living on Farms⁴	39.2 %	1.8% (1990)
Percent Labor Force on Farms⁵	38.8 %	1.7 % (1990)
1 / 1929 Census of Agriculture. 2 / 1910 Census of Agriculture. 3 / 1920 Census of Agriculture. 4 / Bureau of the Census. 5 / Bureau of Labor Statistics.		

Changes in our world economy, technology, and the consolidation of farms into larger more efficient entities have led to an enormous reduction in the number of farms as well as the percentage of our population that make their living from farming. This trend has occurred in our state as well as in the nation as a whole. According to United States Department of Agriculture (USDA), South Carolina currently has approximately 24,500 farms – roughly 30 percent less than 25 years ago when we had approximately 37,000 farms on an additional two million acres. While we can never ignore the importance of the farming industry in South Carolina, we believe it is important to recognize that improved farming methods and other factors have lead to a marked decrease in farms nationally and here at home.

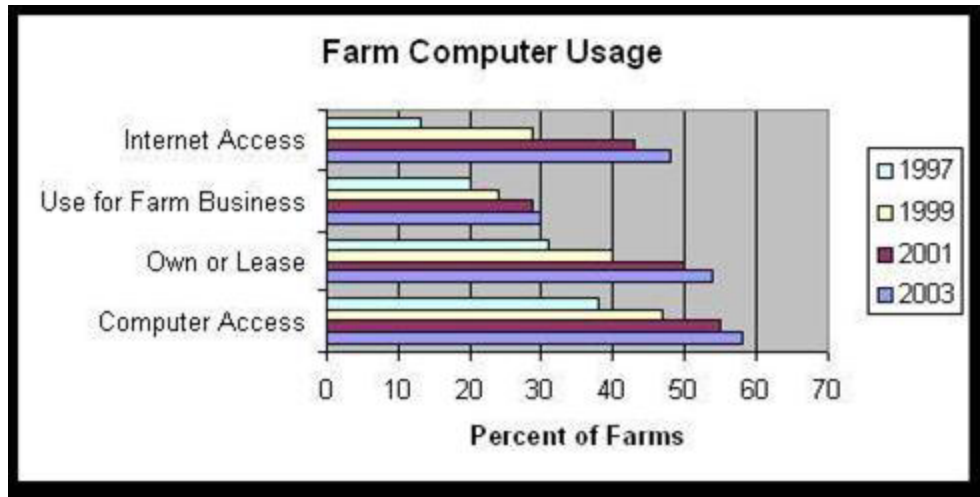
The Kellogg Commission on the Future of State and Land Grant Colleges noted this changing environment in their January 2001 report entitled, *Returning to Our Roots*. In that report, the Commission states, “We live in an age of transformational, not technical, change. Our leadership, like our institutions, must become transformational as well.”

Productivity Increases

Increased agricultural productivity has been one of the most significant farm developments during the second half of the 20th century. Productivity gains are largely due to the availability and adoption of new or improved technologies. Over the past 50 years, agricultural output increased as the level of inputs have remained constant or declined. The result is sustained growth in farm productivity without the need to commit additional resources to the

production process. Increased productivity is a major factor in a farmer’s ability to stay in business, as prices they have received for production have often remained relatively flat.

Over the past five years, farmers’ dependence on computers and the internet has also grown significantly. We believe that this trend is likely to continue as it becomes more and more difficult for farm operations to operate without computers. Previously, internet access was a limiting factor because it was not available in all locations. However, with more recent developments in technology, the internet has become more affordable and accessible to our rural communities. With this new technology, farm businesses are able to manage information better, resulting in significant improvements in productivity similar to those achieved in other businesses.



Changing Times in Public Service Activities

We believe that improvements in agricultural productivity should be matched by improvements in productivity for Clemson PSA as well. In his 2001 study, *Land-Grant Universities and Extension into the 21st Century – Renegotiating or Abandoning a Social Contract*, George McDowell of the Virginia Polytechnic Institute recognizes this fact and warns that Land Grant Colleges and Extension Services will suffer if they rely on past practices and do not adapt to realities of a changed world.

Some states Public Service Activities agencies seem to have taken George McDowell’s warning to heart and are rapidly evolving with the times. The University of Minnesota Extension Service, for example, is in the process of a complete restructuring of the state’s system. In discussing the plan to reorganize the agency, Charles Casey, Minnesota’s Extension dean and director, said that they “needed to do something different to continue to be able to provide services to people across

the state,” pointing out that “the current structure could not be sustained any longer.”

According to the USDA, total commodity sales in Minnesota were approximately \$7.5 billion in 2002 – five times larger than our sales in South Carolina that same year. However, state government’s funding for Minnesota’s Extension Service was \$26 million that year, only 27 percent more than the \$18.8 million in general fund dollars being spent for the Extension Services portion of the budget at Clemson PSA this year.

We recognize the unique relationship between our county-based Extension agents and the agricultural community and are not advocating replacing it. However, we feel the need to closely examine our Extension spending given that state funding for Minnesota’s Extension Service is only about one-fourth more than ours, yet supports three times more farmers producing five times more sales. The fact that Minnesota is in the process of restructuring their system to make it

even more efficient also reinforces our belief that we should closely examine how we are allocating our Extension resources.

With that thought in mind, we propose that the agency consider closing County Extension offices in what are today largely urban areas. For example, Charleston County has an Extension Office located downtown on Meeting Street in Charleston. The Richland County Extension Office is located in downtown Columbia and the Extension Service also has the Sandhills Research and Education Center in the rapidly growing suburbs of Northeast Columbia. We believe that these closures will allow the agency to focus greater attention and resources on our state's more rural areas.

We also believe that by taking further advantage of the advances in technology, the Extension Service can provide information to the farming community more efficiently. The agency is already making strides in that direction. According to Clemson PSA officials, their home and garden information website received over 1.4 million visits last year and their hotline, with recorded messages on over 600 topics, handled over 15,000 requests for information. Minnesota's Extension Service has achieved enormous success with their website, which received over 5.2 million visits last year. Continued use of more efficient means of information dissemination should free up funds for improved service to our agricultural community.

PSA's Five Goal Areas

As an agency that will spend approximately \$58 million in total funds

this year, Clemson PSA is also involved in many activities and missions beyond what we consider to be their core mission. The agency has identified the following five areas of focus:

- Agrisystems Productivity and Profitability
- Economic and Community Development
- Environmental Conservation
- Food Safety and Nutrition
- Youth Development

While all of these areas represent worthy goals, this varied list seems both too broad for one agency and potentially duplicative of other agencies and the private sector. Within state government alone, South Carolina has other agencies that are involved in all of these functions. While the Department of Agriculture and the Division of Forestry are also involved in supporting our state's agricultural businesses, we think that this first goal of improving Agrisystems productivity and profitability should serve as the overriding core mission of Clemson PSA rather than as one of five.

Clemson PSA's endeavors in the Economic and Community Development arena lead to duplicative efforts with other state entities such as the Department of Commerce and our Community Development Block Grant Program. For example, under their economic development goals, Clemson PSA officials indicate that they maintain "a direct link to the Department of Commerce, making known to the state's recruiters the resources in each of the 46 counties," which "necessitates a working relationship with the county Development Boards and with the

towns' and cities' Chambers of Commerce."

Meanwhile, officials at the Department of Commerce have worked hard to do the same thing – strengthen their relations and lines of communication with these same local economic developers. In fact, this past summer, Commerce Secretary Faith went on an Open Door Tour to get to know local development officials in every county in the state. We do not believe that it is cost effective for the taxpayer to have Clemson PSA officials acting as intermediaries in work that should be done by the state's primary economic development agencies. While we think that Clemson PSA officials can certainly play an important role in working with Commerce on developing the state's Agricultural Cluster, these efforts should be spearheaded by the Department of Commerce.

We also believe that many functions of Clemson PSA's Business Retention and Expansion program can be provided by experienced counselors from the Small Business Development Center. This center is a well-run collaborative effort among state universities, the Department of Commerce, and the United States Small Business Administration.

Also within this goal area, the agency claims that their Palmetto Leadership program places them in a "development, policy setting, and community improvement role." The agency states that this program is designed to develop leadership skills in public officials, conduct team-building exercises with council groups, and encourage citizens to participate in their county's policy

making. Like many of the goals of this agency, we find these pursuits worthy but believe they should be handled by a different entity. As a part of fulfilling this mission, local extension agents attend a Public Issues Management School where they take a 40-hour conflict management course. We do not think that having locally certified conflict facilitators provides material benefit to our farming community; in fact, it arguably detracts from a local agent's focus on the farmers which he or she should concentrate on serving.

We find similar overlap in the other three Clemson PSA goal areas. Environmental Conservation falls largely under the purview of the agencies that we propose merging to form the Department of Environment and Natural Resources. The mission statement of the Department of Natural Resources, one of the agencies to be merged, is to be "the advocate for and steward of the state's natural resources." A portion of the Department of Health and Environment Control's mission is to protect the health of the environment. In fact, it is largely because these two entities shared overlapping responsibilities in environmental conservation that we propose merging them with the Forestry Commission to form the Department of Environment and Natural Resources. Their unified efforts and resources should allow Clemson PSA to reduce its role in the environmental conservation area.

Clemson PSA's fourth major goal, Food Safety and Nutrition, is largely handled by the USDA and under the Division of Public Health at the state level. The Extension service claims to be the "only source in the state from which

consumers can get up-to-date, reliable information on the safe handling and preservation of food at home.” However, the Food Safety and Inspection Service of the USDA runs two toll free numbers dedicated to the Basics of Handling Food Safely, and also offers a variety of links and online publications which appear to address the same information. Rather than Extension employees counseling people on the handling of food in their homes, interested citizens could instead be referred to the proper department of the USDA or the South Carolina Division of Public Health.

Similarly, Clemson PSA operates a rapid response system in order to quickly alert the public and media of pending food safety issues. However, the U.S. Center for Disease Control, in conjunction with South Carolina’s Department of Health and Environmental Control, operates the South Carolina Health Alert Network that should provide the same service.

Most of the responsibility for the agency’s final goal area, Youth Development, falls under the Department of Education, First Steps, Department of Social Services, and the Department of Juvenile Justice (DJJ). We believe that there is clearly overlap in missions as those agencies should remain the lead in their specific area of concentration. However, Clemson PSA’s recent efforts to collaborate with DJJ in providing services on a contractual basis provide a good example of how we think their outreach activities should be funded in non-agricultural related fields such as this one. If the agencies are able to coordinate rather than duplicate services, the primary agency responsible for working with troubled youth, DJJ,

will be providing the funding and oversight for Clemson PSA’s support role in youth development centers.

There are also some areas where overlap does not occur, such as the state’s 4-H clubs, where we believe Clemson PSA should continue their efforts. However, that is one of the exceptions as the 4-H club is more closely aligned with what we believe should be the agency’s more narrowly focused goal – supporting South Carolina’s agricultural community.

Additional PSA Activities

It is our belief that such broadly defined goals have led Clemson PSA to be involved in an enormously wide variety of pursuits. For example, the agency offers over 1000 free publications on topics as varied as the following:

- Adventures with your camera – Unit 1
- Any Time is a Time for Cheese
- Electricity’s Silent Partner – Magnetism
- Getting the Hang of It – Wallcoverings for the Beginner
- Holiday Meats – Not Just Turkey!
- Jelly and Jam Recipes
- Leadership for Teens
- Preparing Food for a Crowd
- Raising Earthworms

We have also found Clemson PSA to be involved in a wide variety of Research Projects across 18 different research areas. In fact, there are currently over 130 different listed research projects being conducted through Clemson’s Experiment Station. We find that these research projects, which can have terms as long as ten years, also show quite a diversity in focus similar to that found in the agency’s available publications. Some examples include the following:

<u>Research Project</u>	<u>Term</u>
Development and efficacy of antimicrobial food packaging materials	6/30/04
Songbird community ecology in recently-harvested & mature hardwoods in the Southern Appalachian mountains	6/30/04
Assessing impacts of welfare reform on individual, family, and community well-being in the rural South	9/30/05
Place attachment and its relationship to use conflict on forest resource lands	6/30/06
Anti-acne application of the propionbacterium bacteriocin Jensenin	6/30/07
Developing a Management Information System	6/30/08

Other examples of potentially extraneous activities supported by Clemson PSA over the past year include hosting a regular radio call in show about insects, hosting a seminar in Sumter on Terrorism, offering free water quality test kits to teachers for National Water Quality Monitoring Day, producing and distributing a video on how to field dress and skin a whitetail deer, forming a walking club in Union, hosting a workshop for people interested in starting an Ag-Tourism business, and writing and disseminating a press release around February 2nd explaining Groundhog Day.

CLEMSON PSA				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	48,030,634	13,160,288	4,256,314	2,000,000
FY 98-99	50,427,762	13,560,345	5,320,391	350,000
FY 99-00	52,114,103	13,727,550	6,354,621	1,790,000
FY 00-01	53,531,246	13,065,898	6,354,621	563,582
FY 01-02	47,053,786	13,065,898	6,354,621	
FY 02-03	43,232,457	13,065,898	6,405,042	
FY 03-04	38,485,992	13,065,898	6,406,816	1,000,000

FY 04-05 Budget Recommendations

\$22,846,788
(Plus an additional \$7,510,000
from a recent Clemson PSA
property sale for total funding of
\$30,356,788)

These tough budget times unfortunately require that some difficult decisions be made. We recognize the valuable role the Public Service Activities has played in our rural areas over the decades. However, as we mentioned before, we think that the agency should narrow its

focus to more closely concentrate on its core mission of serving our state's agricultural community. Additionally, just as the Extension Services have helped the farming community achieve much greater efficiency and effectiveness through consolidation and greater use of technology, we believe the agency can continue its own improvements along that same path.

The agency has provided some broad allocations of how general fund dollars are spent on its five areas of focus.

	<u>Research</u>	<u>Extension Services</u>	<u>Regulatory and other</u>
Agrisystems Productivity and Profitability	81%	43%	
Economic and Community Development and Youth Development		30%	
Environmental Conservation	10%	13%	
Food Safety and Nutrition	<u>9%</u>	<u>14%</u>	
State funding including fringe	\$15,467,848	\$18,211,627	\$4,806,517

We propose keeping intact all of the funding that the agency spends on its Agrisystems Productivity and Profitability functions in both the Research and Extension Services. We were surprised to discover that only 43 percent of the agency's Extension budget is spent in the Agrisystems Productivity and Profitability goal area, as we find these functions central to our vision of the core mission of the agency. We also propose to continue funding the essential regulatory functions of the agency at their current level.

However, we believe that due to overlapping missions with other state and federal agencies, Clemson PSA's activities in the other goal areas should be reduced. We propose a reduction of **\$2,731,744** in funding for the **Economic and Community Development and Youth Development activities** of the agency. We believe that this cut, which represents a 50 percent reduction in funding for these goal areas, will help minimize further duplicative activities with other agencies. The remaining funds should allow for funding of the activities we view as more supportive of the agency's agricultural mission, such as the \$1.3 million in general funds used to support South Carolina's 4-H program.

We also propose reducing general funds going to achieve the agency's **Environmental Conservation** goal areas by **\$2,730,541**. This reduction represents eliminating all general fund dollars allocated to the research component of this goal area and a 50 percent reduction in the Extension Services spending in this area as well. While we highly value environmental

conservation, we believe that more of the funding, research and outreach efforts for this goal area should come from the private sector, the federal government, and our other state agencies' charged with this goal as their primary responsibility.

Finally, we propose a reduction in **\$2,666,919** in the **Food Safety and Nutrition** area, which similarly represents a full reduction in general fund spending for research and half of the spending in food safety and nutrition Extension efforts. Again, we believe that improvements in food safety and nutrition efforts are very worthy goals, but these efforts should be spearheaded and coordinated by our state and federal public health agencies.

If there are research projects within the environmental conservation or food safety and nutrition areas that are critical to the productivity and profitability of South Carolina's farmers, we believe that they could be funded from other agencies or from the over \$12.5 million in state funding that we have recommended for agricultural research in this budget. We also believe that freeing up the Extension agents from some of these additional responsibilities will allow them to better focus on the needs of the agricultural community.

We also propose closing down Clemson Public Service Activities offices in areas that are predominantly urban. Our hope is that the agency would invest these savings in accordance with the notion put forth in the Monitor Group Report that the agriculture cluster is important to South Carolina and should be focused in areas of relative strength. We think

that this will further allow the agency to focus more closely on the agricultural support it continues to provide for many rural South Carolinians in our state.

Specifically, we would hope the Public Service Activities would look at reductions with an eye toward the following philosophies:

1. Eliminate all duplicative programs and initiatives that are or could be offered by other agencies or organizations.
2. Rely even more heavily on web-based and phone-based information delivery systems to provide information about many topics.
3. Narrow their focus of activities to a few issues of critical importance rather than spreading the missions across many areas.
4. Look for further opportunities to partner with the private sector to fund research and outreach activities.

Our funding proposal leaves in place state dollars to draw down the existing federal match, and leaves intact the regulatory and emergency response monies of the agency. We would have liked to have been able to show the dollar amounts for the specific cuts that we are recommending, or at least to have been able to provide the dollar amount we think is necessary to fund the programmatic areas we suggest that the agency continue to perform. However, the agency's accounting system does not allow them to tie their dollars to a specific programmatic budget linked to their goal areas. Therefore, we have made our recommendations based upon their

estimated general fund distributions amongst their five focus areas.

In addition to our recommendation for \$8,129,204 in general fund reductions, we also request that Clemson PSA use \$7,510,000 from their recent sale of surplus property to fund their operations this year. In 2002, the agency sold almost 300 acres from their Sandhills Research and Education Center in Northeast Columbia for over \$13.5 million. While a portion of the funds have been earmarked for endowment scholarships, the agency is planning on using \$7,510,000 of the proceeds to build and maintain a 25,000 square foot building for more research labs, offices, meeting rooms, an auditorium, and a digital library.

In the agency's response to a request concerning this facility, they wrote that their current Sandhills facilities are outmoded for the needs of "modern and technologically oriented programs in horticulture, environmental concerns, and community and economic development." However, according to the agency, the Sandhills facility currently only houses nine employees. Given that Clemson PSA currently maintains over 20 research facilities, and that the Columbia area contains over seven million square feet of USC's buildings and over 10 million square feet of additional state-owned government buildings, we do not think that another Clemson PSA facility or another state owned building in Columbia is the best use of those funds.

We would certainly prefer not to use one-time funds for annual operating costs. However, we feel so strongly that this facility does not need to be built that we are compelled to cut this \$7,510,000

from their operating costs. We request that the Clemson Board of Trustees provide the funds from the sale for the agency's operating costs in this upcoming budget year.

Once the state's general fund dollars are combined with the funds from the land sale and the \$19.7 million in budgeted federal and other funds, Clemson PSA should have approximately \$50 million to fulfill its mission of serving the agricultural community. By comparison, in the FY 80-81, Clemson PSA operated with a total budget of just over \$34 million in providing services to 34,000 farms. In that year, the agency was funded at a level equal to roughly \$1,000 per farm in South Carolina. Our budget proposal provides the agency with essentially twice that much, or \$2,000 per farm, to support our current population of 24,500 farms in this upcoming year.

We believe that by reducing the funding for other areas of the agency, a more focused and streamlined Clemson PSA should be in an even better position to provide continued service to the farmers of South Carolina.

**South Carolina State
University Public Service
Activities**

South Carolina State University was awarded Land Grant status in 1890 and opened for operation in 1896. The mission of South Carolina State

University's Public Service Activities is to become engaged in organized research efforts and opportunities to address problems and issues of concern to limited-resource stakeholders or clientele through research-based programs and activities.

SOUTH CAROLINA STATE PSA Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98				
FY 98-99				
FY 99-00				
FY 00-01	225,606	2,568,382		
FY 01-02	1,321,647	2,568,382		
FY 02-03	1,241,487	2,719,226		
FY 03-04	1,521,147	2,754,439		

FY 04-05 Budget Recommendation

\$1,513,647

We propose the following adjustments to the base budget:

- A reduction of **\$7,500** for an estimated 15 percent reduction in

travel, meals, registration, and phone expenses. This amount is based on similar expenses from similar-sized agencies rather than the agency's actual expenses because, to date, the agency has not submitted their actual expenses upon requests of the State Budget Office.

Department of Environment and Natural Resources

Department of Environment and Natural Resources

As we discuss in the Restructuring section, we propose consolidating the two lead environmental agencies, along with the Forestry Commission, into one unified entity. In addition to the consolidation, we propose making the Department of Environment and Natural Resources (DENR) a cabinet-level agency.

In both of our neighboring states of North Carolina and Georgia, the responsibility for enforcing environmental protection, coastal management, and wildlife protection are housed in one agency. We believe that their combined efforts will lead to better enforcement agencies with a clearer focus on environmental protection.

In addition, we have also looked closely at the Forestry Commission to see which programs are working well and which are not necessarily core missions. Through that evaluation, we have eliminated programs that compete with the private sector or are not part of the management of the state forests.

Division of Natural Resources (formerly Department of Natural Resources)

Mission

The Division of Natural Resources (DNR) is the advocate for and steward of the state's natural resources.

DNR Divisions:

- Conservation Education and Communications
- Law Enforcement
- Land, Water and Conservation
- Earth Sciences / Hydrology / Geology
- Environmental Affairs
- Natural Resources Information Management and Analysis
- Climatology
- Land, Water and Conservation publications

Marine Resources Division

- Marine Resources Research Institute
- Fisheries Management
- Regional Biologist program
- Public Affairs Office
- Marine Education
- Environmental Management
- Endangered Species

Wildlife and Freshwater Fisheries

- DNR Lands
- Freshwater Fisheries
- Wildlife Management (small mammals, deer, alligators)
- Wildlife Diversity

Licensing

While participation in hunting and fishing has declined since 1985 nationally, the decline in South Carolina has been slower than in our neighboring states and the nation. We trailed our neighbors and the national average in the percentage of population participating in hunting and fishing in 1985. However, from 1991 through

2001, a larger percentage of South Carolina's residents have hunted and fished than residents of Georgia, Florida and North Carolina.

Boat Titling

The Boat Titling and Registration Program provides registration and titling services for watercraft and outboard motors. Given that South Carolina is ranked 4th in the nation in per capita boat ownership, with 372,074 actively registered boats, this is an area of particular concern where customer service is of the utmost importance. Beginning in February 2002, the division began offering the option of boat renewal via toll-free number. This option of phone registration renewal has been a success.

Since 1999, South Carolina has consistently had higher license sales as a percent of the state's population than the states of North Carolina, Georgia and Florida.

Law Enforcement Division

The Law Enforcement Division (LED) has the primary responsibility of protecting natural resources and those who utilize them through the enforcement of laws and regulations. In addition to enforcement efforts, the LED conducts educational and public awareness programs to promote safety, improve compliance with the laws and regulations, and promote ethical behavior. Law enforcement officers also routinely assist other law enforcement agencies with a variety of enforcement tasks such as responses to natural/manmade disasters, civil disturbances, manhunts, and search and rescue operations.

DEPARTMENT OF NATURAL RESOURCES				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	27,843,563	14,488,963	23,983,467	600,000
FY 98-99	28,342,065	14,543,093	24,936,851	436,000
FY 99-00	29,419,075	13,864,212	28,468,659	3,085,000
FY 00-01	30,847,604	14,106,163	28,779,549	250,000
FY 01-02	26,117,698	14,106,163	28,779,549	
FY 02-03	24,060,894	14,106,163	27,728,374	
FY 03-04	20,142,135	14,303,243	25,634,425	379,518

FY 04-05 Budget Recommendation

\$18,106,394

We propose the following adjustments to the base budget:

- A reduction of **\$128,017** for a 15 percent reduction in **travel, meals,**

registration, and phone expenses.

- A reduction of **\$965,514** for savings from **agency consolidation**. This results from an 18 percent reduction in administration.
- A reduction of **\$251,250** to reflect savings from consolidating **education programs** between our environmental agencies. We believe there are many opportunities to reduce overlap in terms of the programs and services offered by these three agencies – especially in the areas of educational services. For example, at DNR, we discovered 26 programs for students, six programs for teachers, and eight different student or teacher competitions.

As the environmental divisions of DHEC and the Forestry Commission all offer education and outreach programs as well, there are plenty of opportunities to eliminate redundancy in a consolidated Environment and Natural Resources agency. Additionally, some of the programs offered for teachers and students are already available online from school districts and national organizations. The total savings in education program consolidation from the Division of Natural Resources and from the Division of Forestry reflects the total of the Division of Forestry's education budget.

- A reduction of **\$410,000** to reflect savings by making the **South**

Carolina Wildlife magazine self-sustaining. For several years, the General Assembly has maintained a proviso allowing the Department of Natural Resources to retain revenue from the magazine to make it self-sufficient. To date, the department still receives general fund revenue to support the publication of the magazine.

Today, the magazine, which is published bi-monthly, has a subscriber base of roughly 57,000 people, who pay \$10 annually for the magazine. We propose requiring the magazine to become self-sufficient this year, specifically looking to ad sales.

- A reduction of **\$280,960** to reflect savings from adding a **\$16 charge for the Hunting Safety course**. A safety course is required for all state residents, born after June 30, 1979, who are seeking a hunting license. The hunter safety course is currently a cost-share, 75 percent from the federal government, 20 percent from the state, and five percent in-kind unpaid instructional services. We propose adding a \$16 user fee which would fully cover the cost of the state share.

Division of Environmental Protection

[formerly Department of Health and Environmental Control (EQC)]

The Division of Environmental Protection is the environmental protection agency for the state. The division is charged with the protection

of the environment and carries out its duties pursuant to numerous statutes including, but not limited to the: Pollution Control Act, Safe Drinking Water Act, Hazardous Waste Management Act, Solid Waste Policy and Management Act and Beachfront Management Act.

The agency is organized to serve the public under two broad areas:

- Environmental Quality Control (EQC)
- Ocean and Coastal Resource Management (OCRM)

DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL*				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	110,141,700	175,904,827	202,248,892	1,670,000
FY 98-99	112,154,624	174,636,217	200,448,589	3,248,627
FY 99-00	118,108,080	160,240,567	188,005,689	6,400,000
FY 00-01	121,747,314	168,989,163	185,140,672	5,700,000
FY 01-02	109,986,384	186,056,596	156,775,425	
FY 02-03	104,681,428	218,367,822	163,160,044	
FY 03-04	105,898,858	228,015,730	158,656,688	
* This includes both Health and Environment figures for DHEC				

FY 04-05 Budget Recommendation

\$17,902,976

We propose the following adjustments to the base budget:

- A reduction of **\$173,897** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$1,081,540** for savings from **agency consolidation**. This results from an 18 percent reduction in administration.
- A reduction of **\$150,000** to reflect savings from consolidation between agencies in the area of **Labs and Research**.

- A reduction of **\$150,000** to reflect savings from consolidation between agencies in the area of **Data Research**.
- A reduction of **\$212,955** to reflect **the elimination of state appropriations for inspections for swimming pools under construction**. The Recreational Waters program performs routine inspections and provides technical assistance to swimming facilities. This bureau of DHEC ensures that public pools across the state are operated and maintained in accordance with regulations. Previously, the state invested \$213,000 into this program. In this budget, we are authorizing the department to collect a nominal fee from pool owners for each repeat

final inspection required due to construction that is incomplete or not in accordance with permitted plans.

- A reduction of **\$69,639** for **Coastal Zone Education**. This money flows as pass-through dollars to USC-Beaufort for the Education Center for Coastal Ecology. Should USC-Beaufort wish to retain this program, we recommend they fund it out of their institutional budget instead of using pass-through dollars from another agency.

Division of Forestry

(formerly Forestry Commission)

The Division of Forestry's mission is to protect, promote, enhance, and nurture the forestlands of South Carolina, and educate the public about forestry issues, in a manner consistent with achieving the greatest good for its citizens.

Forest Protection

The Division of Forestry provides landowners with wild land firefighting assistance through a network of firefighters and equipment stationed throughout the state. Dispatching the closest firefighting unit is a key process in protecting the forest resource. The agency has three dispatch centers located in Newberry, Florence, and Walterboro. Our forest wardens are the first line of defense, conducting preliminary cause and origin determination on fires they suppress.

In addition to fire protection, new technology for detection of forest pests is constantly being evaluated. An example of technological advance is use

of the Global Positioning System in conducting aerial surveys. By using a preprogrammed GPS, the agency was able to eliminate the need for one of three personnel required for the survey. The use of GPS technology also cut the time required for each survey by providing the aircraft pilot a constant and continuous flight track throughout the survey.

Forest Management

The Division of Forestry provides forest landowners with assistance in managing their forestland. This involves a wide range of services including the development of management plans, the monitoring of environmental guidelines, and the re-inventory of South Carolina's forests.

State Forests

The Division of Forestry's state forests demonstrate sustainable multiple-use management to forest landowners and the general public.

DIVISION OF FORESTRY				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	18,512,821	3,048,193	5,703,089	50,000
FY 98-99	18,797,354	3,249,966	5,953,089	
FY 99-00	19,312,945	2,833,324	5,615,000	
FY 00-01	19,742,565	2,024,582	5,980,000	
FY 01-02	17,905,451	2,269,752	5,402,000	
FY 02-03	16,177,015	4,112,009	5,521,000	
FY 03-04	14,660,108	5,333,937	5,374,000	24,483

FY 04-05 Budget Recommendation

\$12,296,210

We propose the following adjustments to the base budget:

- A reduction of **\$77,887** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$395,971** for savings from **agency consolidation**. This results from an 18 percent reduction in administration.
- A reduction of **\$429,660** for savings to be realized by **closing the division's vehicle maintenance shop** as part of our overall proposal to privatize the state fleet.
- A reduction of **\$30,000** for the **Field Trial Area** item. A primary goal of reorganization is to eliminate duplication of service and effort by state agencies. In the case of the Forestry Commission and the Department of Parks, Recreation and Tourism (PRT), both maintain state supported recreational areas.

In particular, the Forestry Commission manages the Field Trial Area at Sand Hills State Forest which includes a clubhouse, kitchen, horse stalls, horse arena, dog kennels, retriever training sites, trails, and campsites.

Funding for the Field Trial Area may be eliminated because these recreational areas do not support the stated mission of the Forestry Commission: "to protect, promote, enhance, and nurture the forest lands of South Carolina." In any event, the demand for such fee-driven facilities should result in self-sufficiency or a reevaluation of the offerings.

- A reduction of **\$236,008** for the **Seedling Program**. This amount reflects the state funds that are spent on the program, according to the State Budget Office. While the program provided an important service for years, with the emergence of new forest supply companies and the expansion of existing nurseries, and the growth of e-commerce, it is no longer necessary for the state to provide this function. We have identified

seedling availability for most of the products offered by the Forestry Commission and are confident that the private sector can adequately supply the demand for state seedling products. Moreover, a withdrawal of state seedling funding will eliminate unfair state competition in the forest industry. This agency should discontinue selling seedlings to citizens and provide guidance to those who need seedling products.

- A reduction of **\$251,250** to reflect savings from consolidating **education programs** between the agencies. As was discussed above, we believe there are many opportunities to reduce overlap in terms of the programs and services offered by these three agencies – especially in the areas of educational services. The total savings in education program consolidation from the Division of Natural Resources and from the Division of Forestry reflects the Division of Forestry’s education budget in total.
- A reduction of **\$211,758** for **Resource Management**. This amount reflects the state funds that are spent in this area, according to the State Budget Office. We believe that this program could be integrated into a comprehensive management program with the Division of Natural Resources.
- A reduction of **\$118,431** for **Urban Resource Management**. This amount reflects the state funds that are spent on this program according to the division’s detailed budget. The program’s appropriation for

urban forestry can be eliminated, as urban forestry may be planned and implemented by the municipalities.

- A reduction of **\$232,901** for **Wildlife / Urban Interface**. This amount reflects the state funds that are spent on this program according to the division’s detailed budget. The program aids home and business owners in mitigating the mutual risks posed by settlement near forested areas. The maintenance of a healthy interface may be ensured by construction and zoning inspectors, eliminating the amount budgeted for the program.
- A reduction of **\$82,543** for **Law Enforcement**. This amount reflects the state funds that are spent on law enforcement according to the division’s detailed budget. Law enforcement and timber investigations may be performed by natural resources officers, allowing for the elimination of this program’s funding.
- A reduction of **\$120,337** for **Forest Landowners Assistance – Protection and Information Technology**. The Forestry Commission coordinates a statewide system for forest protection. This amount reflects the savings they expect they can achieve by reassigning duties and responsibilities without sacrificing critical functions. They also plan to privatize certain services and tighten IT management in an effort to retain dollars for their core mission.
- A reduction of **\$177,152** for **State Forests**. The state forests currently

contain an array of recreational facilities, all of which must be individually managed. This amount represents what the division expects to save by refocusing on the Forestry Division's core mission of protecting and developing the state's forest resources and moving away from the micro-management of these facilities within the forests.

Sea Grant Consortium

Sea Grant Consortium

Operations Overview

The Sea Grant Consortium, created in 1978 by the South Carolina General Assembly, is charged with managing and administering the Sea Grant Program and related activities to support, improve, and share research, education, training, and advisory services in fields related to ocean and coastal resources. The Consortium's unique mission is to maximize the economic, social, and environmental potential of the coastal and marine resources of the state and region, and the agency does so by serving as a broker of information and funding.

The Consortium is structured to optimize communication and feedback linkages necessary for the proper development and implementation of its programs. Activities of the Consortium are governed by authorizing committees of the South Carolina General Assembly and a Board of Directors to which the Executive Director reports.

Primary Products and Services

The Consortium's major products and services fall into the following categories:

- Marine and coastal research that delivers applied, science-based information to educate individuals, businesses, local and state government, and other organizations on the balanced use and conservation of coastal and ocean resources.
- Extension, advisory services, and technical assistance activities (such as workshops, seminars, constituent

meetings, etc.) focusing on coastal hazards, environmental and water quality issues, coastal recreation and tourism, aquaculture, and coastal community development.

- Community-based volunteerism, through marine litter and habitat restoration projects (e.g., Beach Sweep/River Sweep; Oyster Reef Restoration).
- Communications products (print, media, Web-based) that inform and educate citizens about the issues relevant to life and work along the coast of South Carolina (e.g., *Coastal Heritage* magazine).

SEA GRANT CONSORTIUM				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	535,159	6,860,000	487,000	
FY 98-99	575,195	6,860,000	487,000	50,000
FY 99-00	591,536	6,860,000	262,000	
FY 00-01	644,249	6,860,000	262,000	
FY 01-02	530,728	6,860,000	262,000	
FY 02-03	481,206	6,860,000	262,000	
FY 03-04	436,100	8,850,000	150,000	

FY 04-05 Budget Recommendation

\$432,478

We propose the following adjustments to the base budget:

- A reduction of **\$3,622** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Department of Parks, Recreation, and Tourism

**Department of Parks,
Recreation, and Tourism**

Today tourism is an economic engine that drives a significant portion of our state's economy. Thanks to its influence, many of our coastal counties are among the fastest growing in the nation. Successful tourism does not just happen; it requires the efforts of a hardworking industry supported and encouraged by government. Our role in government must be to energetically market and promote an indelible and inviting image of our state and its resources.

The Department of Parks, Recreation, and Tourism (PRT) is the agency which must present the image and send out the invitation. Its budget will ensure that PRT prioritizes its actions in a way that extends both the economic benefits and the enhancements to our quality of life that successful tourism growth can bring.

Tourism

The mission of the Tourism division is to improve the state's economy by attracting visitors to expend their discretionary funds in South Carolina. The program objective is achieved through integrated research, advertising, marketing, sales, visitor services and grant programs.

South Carolina is fourth in the nation (behind Hawaii, Nevada, and Florida) in the importance of travel and tourism to our nation's economy. PRT's customers include consumers of travel and tourism activities, private sector businesses that provide amenities for visitors, and the destination-marketing organizations

and associations that represent the tourism industry. In addition, it caters to resident and non-resident users of parks and recreation facilities throughout the state that enable consumers to experience our state's natural environment and cultural heritage.

Through tourism-based community and economic development efforts, the economic benefits of tourism are extended to all areas of the state, including rural and less-developed communities.

There is tangible economic impact from South Carolina's investment in tourism. Media placed in FY 01-02 generated over \$20 for every dollar invested. Two and a half million travelers visited South Carolina Welcome Centers, generating nearly \$4.1 million in direct room revenue for the state. The FY 03-04 strategic marketing objective is to fuel South Carolina's economic engine through tourism marketing and sales by increasing visitation and growing visitor expenditures.

For FY 02-03, the South Carolina National Heritage Corridor was in its sixth year of federal funding following Congressional authorization in 1996. Grant funds support Corridor projects and promote product development growth within the Corridor and presents opportunities to leverage local funds.

Grant Allocations: The admissions tax grants have been generally consistent over the past three years, only showing a very slight decline in funding last year. Grants are made available to local governments to help offset the cost of public infrastructure that directly or

indirectly supports the qualified new or expanding tourism development generating the admissions tax.

Travel and Tourism Satellite Account: The travel and tourism industry in South Carolina directly produced \$6.2 billion of Gross State Product (GSP) in calendar year 2002. The direct and indirect effect in 2002 was \$9.4 billion, approximately 7.9 percent of the state's total GSP. Gross State Product is the main descriptor of economic production in the economy and includes wages/salaries, transaction taxes, profits, depreciation and subsidies.

Travel and Tourism Jobs: In 2002, travel and tourism industry jobs in South Carolina totaled 132,400, or nine percent of state employment. A total 207,000 jobs (direct and indirect) were generated by travel and tourism across the broader spectrum of the economy, including employment by travel agencies, as well as government agencies and suppliers serving the travel and tourism industry.

Travel and Tourism State Revenue: Travel and tourism generated \$961.8 million in state and local tax revenues. In comparison, government operational expenditures on the travel and tourism industry totaled \$430.7 million in 2002.

Parks, Recreation and Planning

Tourism is a powerful force for economic expansion, but in addition to the dollars left by visitors within our borders, there are the enhancements to our own quality of life brought by such development. The very sites and services that attract visitors here are the amenities we residents enjoy every day.

Our natural beauty and cultural richness is part of what "sells" South Carolina to visitors, and their protection and enhancement, which falls, in part, to PRT's State Park Service is an important contributor to our quality of life.

The State Park Service manages and protects more than 80,000 acres of South Carolina's natural and cultural resources, which range from deep mountain wilderness and old-growth forests, to plantation homes, battlefields, waterfronts and wetlands. The state park system includes 46 operational parks and eight historic properties. The system also includes more than 1,500 separate buildings, 155 cabins, 80 motel rooms, 3,000 campsites, two 18-hole golf courses, two saltwater fishing piers, 42 ponds, 156 miles of paved roads, and more than 300 miles of hiking and riding trails.

The recreation program assesses statewide needs, issues, and public opinion on recreational topics. In addition to promoting outdoor recreation including trails and greenways, the program provides technical assistance to communities on a wide range of parks and recreational issues, including conceptual planning, facility management, and grant needs. The program administers four federal and state funded grant programs that assist with acquisition and development of parks and recreational facilities.

DEPARTMENT OF PARKS, RECREATION AND TOURISM				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	1,591,048	1,056,393	49,555,312	25,000
FY 98-99	1,565,427	876,393	49,555,312	1,620,000
FY 99-00	29,717,489	1,671,228	19,800,500	12,025,000
FY 00-01	33,860,147	1,711,184	20,170,000	5,653,042
FY 01-02	31,799,973	2,001,684	20,520,000	2,100,000
FY 02-03	31,380,504	1,688,825	20,405,000	4,500,000
FY 03-04	28,215,780	3,180,680	20,125,000	4,000,000

FY 04-05 Budget Recommendation

\$25,815,672

We propose the following adjustments to the base budget:

- A reduction of **\$189,832** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$1,410,000** for estimated savings from the **privatization of lodging units, restaurants, campgrounds, retail operations, and golf courses**.
- A reduction of **\$959,000** for **off-line pass-through money** and a reduction of **\$441,552** for **special contributions**. Historically there have been contributions for specific entities, projects, and special events that have passed through PRT's budget. We feel that with the continued funding of \$2.4 million in competitive Tourism Marketing Partnership Program (TMPP) grants, there exists a better process for the funding of these types of projects. We have taken half of these savings, equaling **\$700,276**, and added it to

the **TMPP budget** so that projects that have been funded via previous budget pass-throughs will have the opportunity to compete for them in the future.

- A reduction of **\$100,000** for **Palmetto Trails**. These funds are passed on to the Palmetto Conservation Fund (PCF) as a grant. The PCF uses the money to construct trail segments along a pathway from the mountains to the sea, designated as the Palmetto Trail. The funding for this program would be more appropriately allocated through a competitive grant due to the specialized nature of the project. If PCF is allocated funds through a competitive grant from the agency, their needs can be measured against the needs of the state and they will be held more closely accountable for their results.
- We also propose an additional **\$4,000,000** to be directed as one-time "other funds" to **Marketing Programs** by Santee Cooper. As the Monitor Group report on the South Carolina Competitive Initiative highlights, tourism is a viable and valuable economic "cluster" for our state. It also points

out that South Carolina can do a better job of attracting more tourists and more effectively developing this cluster in order to attract increasing revenues in the form of higher tourist spending and higher wages throughout this sector. We encourage PRT to spend these marketing dollars in the future in accordance with the recommendations being developed through this initiative.

Department of Commerce

Department of Commerce

Office of Local Government
Jobs-Economic Development
Authority

The consolidation of the Office of Local Government and the Jobs-Economic Development Authority into the Department of Commerce would create a single lead agency in state government empowered to influence, affect, and enhance economic development in South Carolina. The mission of the newly restructured South Carolina Department of Commerce is to continue to improve the economic well being of all South Carolinians in a manner that supports and enhances a high quality of life.

In support of that mission, the new department would seek to:

- recruit and grow business;
- improve business environment; and
- enhance competitiveness of communities.

The process to achieve these goals will be effective and efficient with the kind of strategic focus, both internally and externally, that will ensure that South Carolina maintains its competitive position in a global economy.

Department of Commerce

The Department of Commerce is the economic development and industrial recruiting arm of the state. The newly restructured organization includes a leaner management structure, with four departments instead of 15. The department now puts focus on the agency's core missions through three

departments. One recruits business and industry; a second provides services to existing businesses; and a third helps develop communities and rural areas to attract industry. The fourth department is administration, which includes staff for the Community Development Block Grant Program and the South Carolina Coordinating Council for Economic Development, both of which administer grant funds to support the agency's core missions.

Other divisions not affected by the recent reorganization are the divisions of Aeronautics, Public Railways, and Savannah Valley Development. These divisions support the core missions of the Department of Commerce while performing their separate statutorily mandated functions.

Business Development

The new Business Development division is a blending of four previous divisions – Marketing, Research, Existing Business Development, and Global Business Development. In combining these functions, the agency has brought the front-line sales team, and the team's support, directly into the market process.

The new division is comprised of project managers, marketing managers, and research personnel. This division is responsible for the recruitment of new national and international businesses to the state and the competitive expansion of existing industries. The division includes ongoing support from the agency's foreign offices in Munich and Tokyo. For the calendar year 2003, the Business Development division directly accounted for over \$1 billion in new and competitive expansions, including the creation of over 7,200 new jobs.

Business Solutions

The Business Solutions Division works to provide South Carolina companies with the resources and expertise to help them achieve peak performance. Business Solutions works with existing companies looking to expand their operations in South Carolina by assisting them with matching incentive programs and resources that meet their specific needs. This division also assists with business planning, supply chain and market development product and process improvements, financing options, and project management. The division specializes in entrepreneurship and small business services, international trade, recycling market development and film production services.

Community and Rural Development

The Division of Community and Rural Development assists the 23 "Distressed" and "Least Developed" counties in their effort to become more competitive in seeking new jobs and investment. The division continues to take steps to ensure that every rural county in the state has an up-to-date Strategic Plan for Economic Development.

South Carolina Capital Access Program

Our proposed consolidated Department of Commerce would also include the creation of a new South Carolina Capital Access Program (SC-CAP). SC-CAP is designed to encourage banks and other financial institutions to make small business loans that may be riskier or in smaller amounts than conventional loans. Unlike government programs that guarantee specific loans, SC-CAP will utilize an insurance concept on a portfolio of loans by establishing a loan loss reserve at each participating bank funded by enrollment premiums paid by the borrower and the bank. Other states have enjoyed a great success with similar programs. For instance, Michigan invested \$5 million upfront resulting in over 2,000 loans exceeding \$100 million, a 22 to 1 private/public funding ration. We propose an initial state investment of \$2.5 million which should result in a loan capability ranging from \$24 million to \$56 million. We believe the SC-CAP proposal is a flexible, public/private partnership which will expand business opportunities throughout the state.

DEPARTMENT OF COMMERCE				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	12,205,372	38,670,909	20,236,000	564,000
FY 98-99	13,109,924	38,670,909	21,056,000	351,000
FY 99-00	14,917,381	38,670,909	21,370,000	11,186,186
FY 00-01	15,741,639	38,670,909	22,305,000	760,000
FY 01-02	12,954,653	38,670,909	23,005,000	100,000
FY 02-03	12,186,536	38,670,909	53,545,000	600,000
FY 03-04	10,957,524	38,610,000	54,840,000	750,000

FY 04-05 Budget Recommendation

\$9,822,285

We propose the following adjustments to the base budget:

- A reduction of **\$135,239** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$1,000,000** to be derived from savings from the **FY 03-04 reduction of staff**.
- We propose that **revenues from the sale of the department's fractional jet ownership** be used to make the FY 04-05 repayment on the loan from the Office of Local Government
- We also propose an additional **\$2,500,000** to be directed as other funds to **Business Recruitment and the Capital Access Program (SC-CAP)**. These one-time funds are being provided to the department by the Santee Cooper for rural economic development. We believe that the funding of this SC-CAP program will help to generate a large amount of private financing to many small businesses and is critical for helping to stimulate the growth of small businesses and jobs in our state. As a rule, this administration will dedicate recurring dollars for recurring programs. In this instance, we believe the SC-CAP program should begin immediately in order to assist our economic growth and job creation. In future budgets, we are committed to using only recurring dollars to fund this program.

The Office of Local Government

(formerly at the Budget and Control Board)

The Office of Local Government (OLG) serves as a source of financial and technical assistance in aiding local government and other public entities provide water, sewer, and related infrastructure facilities necessary for economic development, environmental protection and public health. The office provides the following products and services.

State Water Pollution Control Revolving Fund (CWSRF)

This fund provides local communities with affordable financing in the form of long-term, low-interest loans for the construction of publicly owned wastewater treatment facilities. It is capitalized by the Environmental Protection Agency (EPA) under the federal Clean Water Act and requires a state match.

State Drinking Water Revolving Fund (DWSRF)

Provides long-term, low-interest loans to assist public water systems to finance the cost of facilities necessary to achieve or maintain compliance with the Safe Drinking Water Act. It is capitalized by the Environmental Protection Agency (EPA) and requires a state match.

Budget and Control Board Grant Program

Provides financial assistance in the form of grants to local governments and other public entities to construct water and sewer related infrastructure. It also assists in the technical evaluation of loan/grant applications for the OLG and

assists the Department of Commerce regarding environmental matters affecting new and existing industries, often interfacing with the Department of Health and Environmental Control.

FY 04-05 Budget Recommendation

\$3,862,650

We propose the following adjustment to the base budget:

- A reduction of **\$68,926** for savings from **agency consolidation**. This results from an 18 percent reduction in administration.

Jobs-Economic Development Authority

Mission

The South Carolina Jobs-Economic Development Authority (JEDA) is a quasi-public instrument of the state. The purpose of the Authority is to develop the business and economic welfare of the State of South Carolina through loans, investments, and the financial promotion of export of goods and services produced within the state. Such efforts are aimed at providing maximum opportunities for the creation and retention of jobs by the small and middle market business sector.

The purpose of Business Carolina, Inc. (BCI) is to act as a development finance institution to promote the growth of productive private investment and to assist business enterprises that will contribute to the economic development of the State of South Carolina, and to engage in any and all activities necessary to promote that growth. All activities

must contribute to the state's economic development efforts, thus providing a better quality of life for all its citizens. BCI, a 501 (c)(4) public corporation, administers JEDA's programs through a Memorandum of Understanding.

Lending programs currently managed by BCI:

- Community Development Block Grant Loan Program
- The Commercial Loan Program for Rural Communities
- Intermediary Re-lending Program
- Business Carolina Revolving Loan Fund (BCI RLF)
- Export Working Capital Guarantee Program
- Job Development Loan Fund
- Business and Industry Loan Fund
- SBA 7(a) Guaranteed Loan Fund
- Tax-Exempt Industrial Revenue Bond Program
- EDA Revolving Loan Fund
- Palmetto Basic Building Fund
- SBA Micro-Enterprise Loan Fund
- Community Development Finance Institute (CDFI) RLF

The average loan size for these 14 programs is \$323,000 and the majority of these loans are made in the non-urbanized portion of the state. In addition to the program descriptions, the following sections provide an example of the typical client for each program.

Community Development Block Grant (CDBG) Loan Program

The CDBG loan program is available to all for-profit manufacturing, industrial and service firms, and can be used for any business purpose. This loan program is available in all areas of the

state except the entitlement areas of Charleston, Greenville, Lexington (with certain exceptions) and Spartanburg Counties and cities of Aiken, Anderson, Columbia, Florence, Myrtle Beach, Rock Hill, and Sumter. This is also the source of funds for the Commercial Loan Program for Rural Communities.

The Commercial Loan Program for Rural Communities

This loan program is also available to all for-profit manufacturing, industrial, service and retail firms, and can be used for any business purpose. To be eligible, the project must be located in a town or city that is a member of the South Carolina Downtown Development Association and the project cannot be located in a CDBG-restricted area of the state.

Intermediary Relending Program

The Intermediary Relending Program is designed for all business purposes of for-profit manufacturing, industrial and service firms. This loan program is limited to projects in rural areas and in cities with a population of 25,000 or less.

Business Carolina Revolving Loan Fund

The BCI RLF provides funds for all business purposes of for-profit manufacturing, industrial and service firms and non-profit entities.

EX-IM Bank Working Capital Guarantee Program

This program is designed for South Carolina businesses involved in international trade, regardless of industry. This program provides a guarantee for short-term working capital loans.

Job Development Loan Fund

This program is targeted to finance the acquisition or renovation of fixed assets by for-profit or not-for-profit firms located in a SCANA service territory. SCANA is the state's largest electric utility.

Business and Industry Guarantee Loan Program (B&I)

This first program instituted by BCI after the completion of the strategic plan was the B&I program to fill the capital gap for traditional traded-sector companies. The B&I program is designed to provide funds for all business purposes: to purchase land and buildings, equipment and machinery, and working capital. This program is available to all for-profit and non-profit businesses that are located in non-urbanized areas of South Carolina.

SBA 7(a) Loan Guarantee Program

BCI continues to offer an SBA 7(a) Loan Guarantee Program to meet the needs of small businesses. The financing can be used by start-ups or existing firms for a variety of business purposes:

- expand or renovate facilities, purchase machinery, equipment, fixtures, leasehold improvements,
- finance receivables and augment working capital,
- refinance existing commercial debt,
- provide seasonal lines of credit,
- construct commercial buildings,
- purchase land or buildings.

Tax-Exempt Industrial Revenue Bond (IRB) Program

BCI administers this program for JEDA. IRBs are used primarily for financing needs of manufacturing entities. IRBs may be used to finance the acquisition of

land, the construction of buildings as well as other improvements to real property; machinery, apparatus, equipment, office facilities and furnishings; interest during construction; and costs of issuance. IRBs often are used to expand existing facilities or acquire new equipment for existing facilities. IRB proceeds cannot be used for inventory or working capital.

**Economic Development
Administration Revolving Loan
Fund**

BCI assumed the responsibility of this loan fund in 1998. This revolving loan fund can provide loans as small as \$10,000 and up to \$100,000. These loans can be used to purchase land, buildings, leasehold improvements, machinery, equipment, furnishings and fixtures. Loans are restricted to Fairfield, Richland, and Newberry Counties.

**Palmetto Basic Building Loan
Fund**

This program is funded through the U.S. Department of Commerce, Economic Development Administration, and the Department of Housing and Urban Development. The Palmetto Basic Building Loan Fund may be used to purchase fixed assets such as land, building, leasehold improvements, machinery, equipment, furnishings and fixtures. This program is targeted toward small to mid-sized manufacturing firms that ideally support existing industry in the state.

**SBA Micro-enterprise Revolving
Loan Fund**

The target customers for this product are low-income individuals with little or no credit, assets, or capital, but with the

desire and potential skills to be self-employed. The rate is established by BCI.

**Building Dreams Revolving Loan
Fund**

Building Dreams is BCI's Community Development Finance Institution (CDFI) program that assists low-income individuals, Community Development Corporations and rural communities throughout South Carolina in building businesses, affordable housing, and community facilities. The program offers a wide range of services to meet the needs of each community by providing loan and investment products, technical support, education, and training.

Training Component

BCI offers training to local community based organizations that are interested in establishing local revolving loan funds. The areas for training should include: program design and methodology, underwriting techniques for micro loans, handling delinquency, portfolio management, outreach and marketing, the provisions of technical assistance, and fundraising. BCI offers two phases of training. After an organization has entered into a Memorandum of Understanding establishing the partnership, BCI offers the first phase of the training sessions to the local entity.

FY 04-05 Budget Recommendation

There are no general funds within JEDA.

FY 04-05 Overall Budget Recommendation for Restructured Department of Commerce

The Monitor Group which was funded, in part, by the Department of Commerce should provide guidance to the department as to the direction of its ongoing economic development efforts. We agree with the recommendations of the report that the state begin to focus its efforts in attracting and growing specific “clusters” within our economy in order to begin to raise incomes and wage levels. The report also recognizes the “difficult environment for start-ups and small businesses” in this state and the “limited networking and collaboration across firms” and the “limited participation of the private sector and universities in economic development.”

It is with this in mind that our administration is proposing to direct additional funds to the Department of

Commerce to begin SC-CAP, a fund for small business start-ups and growth. As well, in moving the Office of Local Government and JEDA under the direction of Commerce, we aim to encourage better coordination of economic development efforts and monies. While we have not moved the administration of the Workforce Investment Act program under the direct control of Commerce at this time, we have strongly encouraged the Employment Security Commission to better direct some of these funds through Commerce in accordance with the economic development and workforce training efforts at the Department of Commerce.

At the same time, our administration is proposing to direct initial funding to the State Board for Technical and Comprehensive Education for the enactment of the Pathways to Prosperity recommendations. Again, it is our recommendation that these funds be spent in accordance with the overall strategic economic development goals developed through the Department of Commerce.

Attorney General

Attorney General

The Attorney General, through his office, fulfills a multi-purpose mission on behalf of the state and its citizens. As chief prosecutor, the Attorney General renders the following services:

1. Represents the state in criminal cases when defendants file for Post Conviction Relief and when they appeal their convictions;
2. Prosecutes all cases of insurance fraud;
3. Investigates and prosecutes cases of Medicaid fraud, patient abuse and provider fraud;
4. Operates a program to address the widespread problem of violence against women;
5. Sponsors a Youth Mentor Program designed to prevent juvenile crime and rescue at-risk youngsters;
6. Assists the victims of crimes in claiming the benefits guaranteed under the state's Victims Bill of Rights;
7. Prosecutes cases of internet crimes against children, including those involving sexual exploitation;
8. Oversees the activities of the State Grand Jury including the prosecution of multi-jurisdictional drug offenders, multi-county pornography, public corruption, election fraud, computer crime violations, terrorism, and security fraud;
9. Represents the state in civil trials of alleged sexually violent predators;
10. Through a federal grant, prosecutes in state courts defendants accused of criminal domestic violence; and

11. Also, under the Attorney General's authority, all violators of state tax laws are prosecuted.

The office maintains official liaison with the General Assembly and researches, writes, and issues opinions when requested by certain state and local officials.

As the Attorney for the State of South Carolina, the Attorney General also has important responsibilities in the area of civil law. When the state is a party to a lawsuit, either as plaintiff or defendant, attorneys in this division may represent and advise the state, its agencies, and its officials in civil lawsuits. The office represents the state in civil proceedings against dangerous sex offenders for commitment under South Carolina's Sexually Violent Predators statute. Staff members also investigate and prosecute grievance complaints filed against attorneys and judges. The Attorney General serves as the South Carolina Securities Commissioner, provides information on securities laws and practices, and investigates allegations of fraud or other violations of security laws and takes appropriate enforcement action; and, through his staff, he handles the registration of all persons engaged in the sale of securities in the State of South Carolina.

ATTORNEY GENERAL				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	8,083,964	712,018	87,000	39,316
FY 98-99	8,274,229	685,326	1,101,500	60,000
FY 99-00	8,786,516	719,549	995,520	
FY 00-01	9,067,092	1,065,154	995,520	
FY 01-02	7,855,791	1,042,498	1,397,000	
FY 02-03	7,129,344	1,160,596	1,144,000	
FY 03-04	6,443,014	1,306,384	2,529,999	918,188

FY 04-05 Budget Recommendation**\$6,407,302**

We propose the following adjustments to the base budget:

- A reduction of **\$35,712** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.

Legal Service Agencies
*Commission on Prosecution
Coordination
Office of Appellate Defense
Commission on Indigent Defense*

Commission on Prosecution Coordination

This commission was created to coordinate all activities involving the prosecution of criminal cases in this state.

The primary clientele served by this agency are the 16 Judicial Circuit Solicitors, the deputy and assistant solicitors throughout the state, the Judicial Circuit Victim/Witness Assistance Advocates and their programs, the Pretrial Intervention directors and their programs representing the 46 counties of this state, and those Solicitor-based Investigators.

The commission has a total of 42 full-time employees and two part-time employees. There are 16 Judicial Circuit Solicitors; 16 Administrative Assistants; 1 Executive Director; 1 Deputy Director; 1 Administrative Assistant to the commission; 1 state PTI Coordinator; 1 PTI Records Manager; 1 Child Abuse Attorney Specialist; 1 state Victim/Witness Assistance Coordinator; 1 Information Technology Specialist (federal); 1 Child Victim/Witness Advocate (federal); 1 DUI Attorney Specialist (federal); and, 2 full-time DUI Support Personnel (federal).

The commission is composed of the Chairmen of the Senate and House Judiciary Committees or their legislative designees, the Chief of the South Carolina Law Enforcement Division, the

Director of the Department of Public Safety, a director of a Judicial Circuit Pre-Trial Intervention Program (PTI), a Judicial Circuit Victim-Witness Assistance Advocate, and five Judicial Circuit Solicitors appointed by the governor.

Primary Duties

The following duties pertain to the commission:

1. Coordinates all administrative functions of the offices of the solicitors and any affiliate services;
2. The submission of the budgets of the solicitors and their affiliate services to the General Assembly;
3. Providing both legal education and training programs;
4. A source for the distribution of publications that impact solicitors' offices and affiliate services;
5. A statewide prosecution unit for abuse and sexual assault cases involving child victims as both the primary and secondary prosecutorial unit
6. Providing blank indictments; and,
7. Assisting the solicitors in establishing and maintaining a Pretrial Intervention Program in each judicial circuit.

Specialized Duties (Statistical Data)

The commission provides statistical data in five areas: information technology, Child Abuse Prosecution, state Office of Pretrial Intervention, DUI Prosecution Unit, and state Victim/Witness Assistance Coordinator.

PROSECUTION COORDINATION COMMISSION				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	9,597,956			500,000
FY 98-99	10,315,305			
FY 99-00	10,309,743			1,210,576
FY 00-01	11,719,360	413,073		
FY 01-02	9,683,659	413,073		
FY 02-03	8,744,709	414,161		
FY 03-04	8,086,567	149,676		5,170,959

FY 04-05 Budget Recommendation

\$8,084,331

We propose the following adjustments to the base budget:

- A reduction of **\$2,236** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Office of Appellate Defense

The United States Constitution requires states to guarantee adequate legal representation to every indigent criminal defendant, both at trial level, and on appeal from any conviction involving a sentence of imprisonment. The Office of Appellate Defense discharges the state's constitutional obligation to provide indigent citizens convicted of crimes with representation on appeal to the South Carolina Supreme Court, and Court of Appeals.

Case materials are prepared and delivered manually to the Supreme Court, Court of Appeals and Attorney General. The requirements of these

productions are managed physically by the agency's legal and support staff.

The agency director manages both administrative and legal departments. Appellate Defense obtains operational services primarily through government organizations such as Information Resources printing facilities, General Services Inter-Agency Mail and Supply services and other state and state contract private vendors.

Primary Duties

The Office of Appellate Defense has a single goal which is to provide legal representation on appeal to indigent criminal defendants.

OFFICE OF APPELLATE DEFENSE				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	1,159,454			340,000
FY 98-99	1,176,582			340,000
FY 99-00	1,208,245			
FY 00-01	1,231,659			
FY 01-02	1,052,897			
FY 02-03	974,123			
FY 03-04	875,883			244,850

FY 04-05 Budget Recommendation

\$874,954

We propose the following adjustments to the base budget:

- A reduction of **\$929** for a 15 percent reduction in **phone expenses**.

Commission on Indigent Defense

The Commission on Indigent Defense and its operational arm, the Office of Indigent Defense, were created in 1993. The main focus of the creation of the commission was to improve the delivery of indigent criminal defense in the state and to provide additional funding to lighten the burden on the counties which were facing extraordinary expenses in capital litigation.

The agency has six employees: one Executive Director, one Administrative Manager, and four staff persons. The commission appoints the Executive Director and oversees the general operation of the agency. The Executive Director is responsible for the day to day operation of the Office of Indigent Defense which is the operational arm of the agency. The agency is divided into a criminal division and a civil division although the staff actually is cross trained to function in either division.

Primary Duties

The Office of Indigent Defense administers the distribution of funding for indigent defense. In addition to these funds, the office also makes payments to private attorneys appointed to represent indigent defendants in both capital and non capital cases.

In FY 97-98, this agency became responsible for collecting and disbursing funds generated by an increase in the court filing fees for civil cases to the state's Legal Aid offices.

The agency only serves as a conduit for these funds, collecting them monthly and disbursing them twice a year.

In FY 99-00, the Office of Indigent Defense became responsible for administering two new programs which became funded with recurring funds: the Civil Appointments Fund and the Appellate Conflict Fund. These programs provide funding to reimburse attorneys appointed to represent persons appealing criminal convictions where the Office of Appellate Defense is unable to represent a client due to a conflict of interest, and to reimburse attorneys who are appointed to represent clients in civil matters such as Post Conviction Relief cases, Sexual Violent Predator cases, attorneys for Guardians ad litem in child abuse cases, parents in abuse and neglect cases and in cases in which the state is seeking to terminate parental rights. In addition, the Civil Appointment Fund reimburses attorneys appointed in other civil type cases which may not fit into a distinct category.

The office also participates in training programs for the Public Defender offices across the state with the South Carolina Public Defenders Association, and provides information on expert witnesses and other sources of expertise when called upon to do so by public defenders and appointed counsel.

COMMISSION ON INDIGENT DEFENSE				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	2,441,330		8,122,672	
FY 98-99	3,039,521		10,322,672	
FY 99-00	3,646,738		10,373,052	2,340,000
FY 00-01	6,183,680		10,373,052	
FY 01-02	4,365,613		7,573,052	
FY 02-03	3,909,830		7,573,052	
FY 03-04	3,515,524		7,573,052	

FY 04-05 Budget Recommendation

\$3,575,401

We propose the following adjustments to the base budget:

- A reduction of **\$849** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Department of Public Safety

Department Of Public Safety

The mission of the Department of Public Safety (DPS) is to serve and protect the public in South Carolina through training, education, prevention, and enforcement.

Organizational Structure

Established on July 1, 1993, the department is comprised of the Criminal Justice Academy (CJA), the South Carolina Law Enforcement Hall of Fame, the Highway Patrol (HP), the State Transport Police (STP), the Bureau of Protective Services (BPS), the Office of Highway Safety (OHS), and the Office of Justice Programs (OJP).

Highway Patrol

The Highway Patrol endeavors to serve the citizens of South Carolina by effectively, professionally, and fairly enforcing the South Carolina Motor Vehicle Laws by reducing crashes, injuries and fatalities.

State Transport Police

The State Transport Police is primarily responsible for enforcing state and federal laws governing commercial motor vehicles by preventing accidents,

removing unsafe drivers and vehicles from the highways, protecting the environment from hazardous materials being transported on our roadways, and preventing premature deterioration of roads and bridges through the Size and Weight Enforcement Program.

Bureau of Protective Services

The Bureau of Protective Services provides for the protection of the Governor, First Family, Lieutenant Governor, members of the House and Senate and employees of state offices in Columbia.

Criminal Justice Academy

The Criminal Justice Academy seeks to improve the quality of law enforcement services by providing basic law enforcement training, basic jail training, E-911 training and other training needs.

Office of Justice Programs and the Office of Highway Safety

The Office of Justice Programs and the Office of Highway Safety administer criminal justice grant programs by developing, reviewing and accounting for projects and activities primarily in the areas of law enforcement, juvenile justice and services to victims of crime.

DEPARTMENT OF PUBLIC SAFETY*				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	109,198,543	41,348,900	18,718,060	3,000,000
FY 98-99	113,374,753	35,706,526	28,054,230	2,114,940
FY 99-00	120,916,051	20,524,693	28,658,417	15,011,716
FY 00-01	125,180,746	24,403,767	28,899,028	
FY 01-02	111,404,027	29,658,718	32,195,538	
FY 02-03	100,414,273	35,605,157	50,358,187	
FY 03-04	89,301,596	45,204,201	62,293,064	3,054,097
* Includes figures for both DPS and DMV				

FY 04-05 Budget Recommendation

\$60,016,691

We propose the following adjustments to the base budget:

- A reduction of **\$248,647** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- An additional **\$600,000** for the **renovation of the Criminal Justice Academy**. The Academy is charged with the responsibility of providing basic and advanced law enforcement training to police agencies across the state. The physical plant has critical deferred maintenance problems, and they must be addressed soon. We propose this funding to begin to address these problems.
- A reduction of **\$1,800,000** for the return of **excess building funds**. DPS currently receives about \$4.3 million a year from delinquent registrations and license penalties. These funds are earmarked for its new headquarters, yet its annual debt payment is only around \$2.5 million. We propose the balance of these monies be returned to the general fund.
- A reduction of **\$750,000** for savings to be realized by the **consolidation of dispatch offices**. The department currently has 13 dispatch centers throughout the state. Through consolidation of these offices and the statewide use of the 800 MHz voice radio system,

it will allow the department to save these operating funds.

- A reduction of **\$200,000** for the **DARE program**. The Department of Alcohol and Other Drug Abuse Services has conducted a review of their current programs and determined that the DARE program should be eliminated. During budget hearings this summer, agency officials confirmed that they do not have data to support the program's effectiveness and recommended that it be discontinued.

Department of Motor Vehicles

Department of Motor Vehicles

The Department of Motor Vehicles (DMV) has been a blueprint for demonstrating the efficiency and effectiveness of the cabinet form of government. For years, South Carolinians dreaded a trip to the DMV office and the interminable wait time that it meant. A big part of the problem with the agency was that it was buried within another department, without a clear and direct chain of accountability to the governor. In the last legislative session, we were able to secure passage of a DMV reform bill that brought the department into our cabinet. We also appointed a director who was accountable to the Governor's Office and, thus, was motivated to achieve immediate and positive results.

Those results have been noteworthy – in the past year, wait times in DMV offices have dropped from over an hour to just 15 minutes. Customers can now perform numerous services including driver's license renewals online. Six regional offices are open on Saturdays and 39 high activity offices have added greeters to check paperwork and provide information to customers before they wait in line.

We are going to continue in the next year pursuing further reforms at the DMV, implementing new and easier ways for customers to perform transactions and continuing to work on making trips to the offices faster and more efficient.

Operations Overview

The Department of Motor Vehicles

provides essential services to residents and non-residents, insurance companies, county tax offices, law enforcement, vehicle dealers, the Legislature, Judges and Court Administrators, federal agencies, other states and countries. These services primarily include the issuance of South Carolina credentials such as driver's licenses and titles.

Primary Services

The Department of Motor Vehicles is the only entity in South Carolina providing the issuance of such critical credentials and documents as driver's licenses and motor vehicle titles. As such, the department is very function oriented.

These functions are most apparent through the division of tasks within DMV office locations. For instance, the Drivers Service function provides support when obtaining or renewing drivers' licenses (including commercial driver's licenses), beginner's permits, and identification cards. The Vehicle Service function pertains to a variety of title and registration related support. Finally, dealers of motor vehicles or those who would like information on obtaining a dealer license are supported by Dealer Services.

DMV has contact with most citizens at some point during their lives. Services have often been limited by available funding affecting not only pay ranges but advances in technology. Project Phoenix (DMV's new computer system), the Q-matic system and other improvements, such as making more forms and services available on line have enhanced DMV's customer service. As of June 2003, DMV become a separate agency; however, DMV and law

enforcement efforts will continue to be linked.

Prior Year Achievements

During the prior fiscal year, the Department of Motor Vehicles achieved the following results:

- Implemented Project Phoenix technology.
- Held an all-day workshop for all DMV employees on May 28, 2003, to introduce employees to new services and the ACT (Accountability, Customer Service and Transaction Accuracy) Program, as well as enhance morale by having special speakers, including Governor Sanford and a motivational speaker. Senior management addressed employees regarding up-to-date issues and concerns. A customer service session was held in the afternoon. The program was a positive experience for employees and confirmed commitment and renewal for the DMV.
- Evaluated employee training needs for Project Phoenix and developed training programs for every office and function. Employees received in-depth technical and process training prior to system deployment. DMV also developed the Business Operation and Assessment Unit to monitor office performance and develop division processes and training.
- Developed a comprehensive employee career path based on knowledge and skills rather than years of service. Once implemented, the career path will give employees the opportunity to advance, make them feel more confident about their future with the agency, and enhance employee morale. DMV supports division-wide communications and encourages employees to submit their ideas and news for the “DMV Motorvator,” the division’s newsletter, which is sent to employees monthly via e-mail. Employees also receive the “Kudos Count!” newsletter highlighting positive customer feedback for DMV employees.
- Communicated in advance with all customers regarding Project Phoenix application rollout through news releases, bulletins, correspondence, website updates, stakeholder meetings and signs posted in branch offices. A brochure and poster were distributed detailing requirements for both U.S. and non-U.S. citizens seeking South Carolina credentials.
- The *South Carolina Driver’s Manual* was made available to customers on the website, including the Spanish translation.

The DMV has regular and direct contact with the Legislature – an avenue used by constituents to address issues.

DEPARTMENT OF PUBLIC SAFETY*				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	109,198,543	41,348,900	18,718,060	3,000,000
FY 98-99	113,374,753	35,706,526	28,054,230	2,114,940
FY 99-00	120,916,051	20,524,693	28,658,417	15,011,716
FY 00-01	125,180,746	24,403,767	28,899,028	
FY 01-02	111,404,027	29,658,718	32,195,538	
FY 02-03	100,414,273	35,605,157	50,358,187	
FY 03-04	89,301,596	45,204,201	62,293,064	3,054,097

* Includes figures for both DPS and DMV

FY 04-05 Budget Recommendation

\$18,979,495

We made the following adjustments to the department's base budget:

- A reduction of **\$256,194** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$1,800,000** by bringing certain **IT functions in-house**. This number represents the savings that the department will realize from bringing the IT maintenance on the Phoenix computer system in-house rather than contracting with the original vendor.
- A reduction of **\$2,596,944** in general funds to be replaced by **increasing the Plate Transfer Fee to \$10**. The plate fee has not been changed since 1975, while the costs for this service have increased greatly over the past 29 years.
- A reduction of **\$402,625** in general funds to be replaced by implementing a **CDL Skills Test fee at \$25**. There is currently no charge for the commercial driver's license skills test, which can take up to 1.5 hours to administer. Most applicants fail the test and must take it more than once. The board of the South Carolina Trucking Association has agreed to support this increase, which will bring these fees more in line with other states and encourage participants to show up prepared the first time they take the test.
- A reduction of **\$901,000** to be realized in savings by **reducing services at under-utilized offices**. The average DMV office does about 260 transactions per day, but there are some offices that average less than 50 per day. DMV can save the taxpayers significant dollars and still offer convenient services to everyone in the state by staggering days of operation in some of these slower areas that do not have the volume of customers to justify service five days per week.
- A reduction of **\$450,000** to reflect **agency staff reductions** undertaken in 2003.
- A reduction of **\$1,500,000** realized from savings through the **outsourcing of digitized license plates and registration fulfillment**.

Department of Corrections and Probation

**Department of Corrections
and Probation**

South Carolina is one of only ten states with a corrections agency that is completely bifurcated from their probation and parole functions. In fact, over half of the states in the country combine all of their probation, pardon, and parole functions (community corrections) within a unified Corrections agency. Joining these two agencies as most other states have done will create a more effective, unified system, save valuable resources and improve our criminal justice system now and in the future.

Combining these agencies sends a clear message that South Carolina is unified in its philosophy toward dealing with those convicted of crime. It will ensure that offenders are managed and measured by one agency from admission to final release, whether that release is directly from prison or from a lesser level of state supervision. A unified corrections system will ensure that within that continuum, decisions about behavior and risk assessment are made consistently.

While we understand the natural tendency of agencies to want to maintain autonomy, our bifurcated system provides for a less effective system and a less efficient use of scarce state resources. We can no longer be tied to the status quo. A unified system would immediately allow the two distinct and separated entities to better coordinate the exchange of information, resources, and personnel. In addition to

saving hundreds of thousands of dollars in administrative duplication, we believe this will allow for better use of our scarce programming resources in areas such as drug and alcohol treatment and re-entry programming. This change will also benefit victims of crime. Instead of multiple points of contact, victims of crime will now have a single point of contact to learn about the status of their offender, from entry to completion of their sentence.

The next century promises more scientific and outcome based methods for dealing with crime and making effective use of corrections' resources. Technology will soon allow us to extend the fences of prisons and safely manage and control offenders in ways we cannot imagine. We need to be poised for these changes that will make our state safer and allow for more prisoners to pay their own way.

Even now, a unified corrections agency is needed as we develop smarter ways of dealing with crime by examining less expensive alternatives to traditional incarceration for non-violent offenders. Working with the leadership of the House and the Senate, we will be proposing a new alternative sentencing option for non-violent offenders. Options such as restitution centers and electronic monitoring fall squarely in between the missions of the two agencies charged with the oversight of criminals. By joining these related functions into a single entity, as most other states have done, we will improve coordination, better manage limited resources, realize significant financial

savings, and improve protection for our law-abiding citizens.

placement or community-based program.

Division of Corrections

(formerly Department of Corrections)

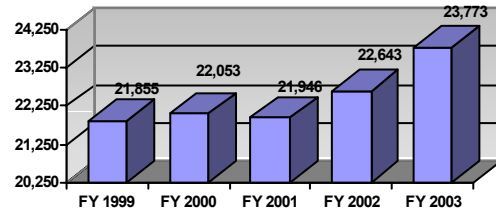
Operations Overview

The Division of Corrections provides a variety of essential services in support of the agency's mission and related initiatives. These services are designed and implemented based on the agency's mission. The most critical services or processes include:

- Security
- Institutional Operations
- Training and Development
- Safety and Inspections

Specific Facts

Inmate Population: During FY 02-03 the agency had responsibility for the care and custody of an average annual population of 23,773 inmates. Of these inmates, 22,845 were housed within Correction's facilities. The remaining 928 were housed in other suitable city, county and state designated facilities or were involved in some form of special



The agency currently operates 29 facilities throughout the state. These institutions are classified based on their security level. Institutional security levels are determined by the type of internal and external security features, housing within the institution, and the degree of staff supervision required.

Cost per day: Even in years when the division received more funding, agency food costs were consistently among the lowest in the nation and these costs continue to decrease as agency personnel implement further cost saving initiatives while still providing nutritious meals to inmates.

DIVISION OF CORRECTIONS Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	285,553,160	2,358,633	50,711,520	2,887,043
FY 98-99	291,651,414	13,157,064	57,553,600	1,794,093
FY 99-00	303,331,371	18,197,009	48,824,235	11,808,050
FY 00-01	321,741,492	27,083,359	44,638,680	
FY 01-02	276,798,040	27,288,900	46,681,180	3,500,000
FY 02-03	254,384,432	29,049,423	54,426,800	
FY 03-04	257,808,695	29,049,423	54,426,800	3,672,750

FY 04-05 Budget Recommendation

\$276,808,695

We propose the following changes to the base budget:

- An additional **\$19,000,000** for **operations expenses** at the division.

Corrections continues to be a national leader in the area of efficiency – only Alabama currently spends less per inmate than South Carolina and our three-year recidivism rate is among the best in the nation.

However, the agency has been severely under-funded for several years which has caused it to run a substantial deficit. As a result our budget proposes to help relieve the deficit by adding an additional \$19 million to the agency's budget. In addition, the agency is in the process of enacting several money-saving steps that should make them an even more efficient operation in the upcoming budget year.

Savings from privatization efforts could prove to be substantial. The agency currently has an outstanding Request for Proposal for the privatization of their \$56 million health care system, which the agency believes could lead to medical care for our inmates and savings of \$3 to \$5 million or more in the upcoming budget year. Corrections officials already project medical savings of over \$1 million

for FY 04-05 as a result of using the purchasing power of the State Health Plan in contracting with hospitals for medical services for inmates.

Also, the agency is looking to privatize their canteen services, which could lead to an additional \$1 million in savings and additional income. The increase in egg-laying capacity, grist mill production, and an expansion of their dairy operation should lead to savings of over \$1 million in FY 04-05. Finally, the Fiscal Impact Statement for the Alternative Sentencing Plan for non-violent inmates that has been proposed by the Joint Corrections and Penology Study Committee projects first year savings of nearly \$200,000 for the agency.

When combined with our significant increase of new monies, we are hopeful that these and other continued money-saving efforts implemented by Corrections will allow it to operate without a deficit for the first time in several years.

Division of Probation, Parole and Pardon Services

(formerly Department of Probation, Parole and Pardon Services)

Operations Overview

The Division of Probation, Parole, and Pardon Services provides a variety of essential services in support of the division's mission and related initiatives. The division supervises and helps

offenders to complete their periods of supervision, supports and conducts parole hearings, assists the victims of crime, partners with the state's law enforcement and emergency response organizations, provides training to the division's employees, and participates in continuous improvement initiatives.

As of June 30, 2003, the Division of Probation, Pardon and Parole Services had 766 full time employees.

Primary Duties

The Division of the Probation, Parole and Pardon Services is the only entity in South Carolina providing supervision for adult offenders on probation, parole, community supervision, supervised furlough and adult offenders under

youthful offender supervision. The division is also charged with conducting investigations for offenders who are eligible for parole or those who make application for pardons. A major component of this mission is placing the needs of the victim's community at the forefront. The capacity to place offenders in our residential facilities to ensure gainful employment produces significant returns by way of restitution payments and other monetary obligations. Additionally, the division's mandate to provide and administer court ordered restitution through the collection and disbursement of millions of dollars annually contributes directly to the well-being of our citizenry.

DIVISION OF PROBATION, PARDON AND PAROLE SERVICES				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	20,376,944		18,617,410	1,658,116
FY 98-99	22,449,869		18,617,410	1,000,000
FY 99-00	24,855,813	113,804	18,617,410	983,038
FY 00-01	26,563,835	184,216	19,057,956	
FY 01-02	22,869,590		19,994,168	
FY 02-03	20,784,240		21,210,895	
FY 03-04	18,945,355		21,294,225	

FY 04-05 Budget Recommendation

\$17,705,969

We propose the following adjustments to the base budget:

- A reduction of **\$123,378** for a 15 percent reduction in **travel, meals,**

registration, and phone expenses.

- A reduction of **\$1,116,008** for savings from **agency consolidation.** This results from an 18 percent reduction in administration.

Department of Juvenile Justice

Department of Juvenile Justice

There has been a thirteen-year old class action lawsuit against the Department of Juvenile Justice (DJJ) for providing unconstitutional conditions to juvenile inmates. This lawsuit recently ended, but there remains a concern about DJJ's ability in these difficult financial times to sustain the progress that was recently recognized by the court. The agency has undertaken great effort to reduce expenses including the consolidation of three facilities into one, the elimination of leased office space, and the consolidation of some services with other state agencies. These efforts are ongoing at DJJ as the agency continues to look for innovative ways to sustain agency operations with fewer state dollars. Our budget underscores the success of the Department of Juvenile Justice in ending the era of federal court supervision.

The mission of the Department of Juvenile Justice as currently written is *"to support the Governor's mission by protecting the public and reclaiming juveniles through prevention, community services, education, and rehabilitative services in the least restrictive environment."*

Programs

Division of Rehabilitative Services: The Division of Rehabilitative Services provides juveniles committed by the family courts with 24-hour care and individualized treatment at four facility locations.

Division of Community Services: The Division of Community Services serves

all 46 counties through 43 local county offices and four regional offices. Community Services also operates three regional residential evaluation centers and one residential detention center.

Division of Educational Services: The Division of Educational Services operates as a special school district that includes a middle school and a high school for youth housed at DJJ.

Division of Administrative Services: The Division of Administrative Services supports the other divisions and offices within the Department of Juvenile Justice.

Office of Policy and Planning: The Office of Policy and Planning consists of three sections including Program and Grants Development, Research and Statistics, and Planning and Evaluation.

Office of the Inspector General: The Office of the Inspector General is composed of sections: Investigations, Internal Audits, Safety and Compliance, and Juvenile and Family Relations.

Community Based Services

More than fifty percent of delinquency cases are diverted from prosecution, helping to maintain an equilibrium within the juvenile justice system by not overloading probation caseloads, DJJ facilities, and other deep end programs. DJJ contributes to this process through the risk and needs assessment to identify appropriate candidates for diversion and the management/support of front-end programs such as juvenile arbitration that provide effective and accountable interventions for first time offenders without formal court processing. Cases also are diverted from

prosecution through solicitors' actions to dismiss charges, decisions not to prosecute, and the use of restitution in lieu of court processing.

DJJ is performing about one-fourth of the court-ordered predispositional evaluations in the community, where more immediate access to information leads to a better product and the service is Medicaid reimbursable. A key goal for the agency is to increase the proportion of community evaluations by using this approach for appropriate offenders who do not pose a threat to society.

Another goal of DJJ for which we increased funding in our budget is the continuing development of alternatives such as wilderness camps for

appropriate offenders. It is the agency's belief that smaller, more focused programs produce better outcomes than do large institutions. As a result of this emphasis, the proportion of committed youth who serve their sentences in community-based programs is increasing.

Educational Services

Within its school district for committed juveniles, DJJ is working to increase youth capacity for future productivity. The portion of 10th graders meeting standards on the exit examination at first attempt and the number of GED/Diplomas awarded improved in the last fiscal year. Efforts persist to ensure that more committed juveniles return to the communities with GEDs in hand and ready to enter the job market.

DEPARTMENT OF JUVENILE JUSTICE*				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	68,404,876	2,963,711	10,963,861	8,491,957
FY 98-99	74,483,768	3,749,900	12,264,533	
FY 99-00	78,274,264	4,257,096	14,182,216	5,184,742
FY 00-01	80,272,348	4,314,728	17,867,501	
FY 01-02	71,657,859	4,661,745	18,789,847	
FY 02-03	65,751,947	2,942,326	16,619,913	
FY 03-04	65,094,428	3,266,712	20,906,071	7,094,226*

*DJJ received \$1,683,041 in nonrecurring funds through Proviso 73.2 and was estimated to receive approximately \$5,411,185 in recurring funds through Proviso 73.3, the \$25 surcharge. Collections for the \$25 surcharge funds are running over 50 percent below what was estimated.

FY 04-05 Budget Recommendation

\$65,377,575

We propose the following adjustments to the base budget:

- A reduction of **\$146,508** for a 15 percent reduction in **travel, meals,**

registration, and phone expenses.

- An additional **\$1,625,115** for **Assault Prevention and Additional Female Evaluation Beds.** In compliance with the thirteen-year-old federal lawsuit, DJJ was funded with one-time appropriations through Proviso 73.2

for these two crucial initiatives. Both initiatives address principal concerns of the federal court that assault incidents in the institutions be reduced through increased surveillance and staffing levels and that DJJ close the old R&E Center in Columbia and open three new regional evaluation centers. The three centers are now open but only the newest center has accommodations for females. Funding for additional female beds will ensure the availability of regional services for young women at the other two centers.

- A total reduction of **\$600,000** for **health care savings**. DJJ officials have identified the following health care savings that they believe they can achieve in the upcoming budget year:
 - \$270,000 for combining pharmacy services with the Department of Corrections;
 - \$110,000 for combining dental services with the Department of Corrections;
 - \$50,000 for a State Health Plan amendment for DJJ; and
 - \$170,000 for improvements in purchasing more efficient procurement of radiology, nursing, and other services.
- An additional **\$754,540** for **wilderness camps for females**. In past years, DJJ had ten wilderness camps for males but no wilderness camp alternative to commitment for females. In FY 03-04 with the use one-time money, DJJ was able to obtain two-thirds of a wilderness camp for females. We

recommend funding the remainder to operate the entire camp and ensure its ongoing operation.

- An additional **\$150,000** in one-time funds for the **renovation of facilities at the John de la Howe School**. These funds will allow the department to adapt the existing wilderness camp on the campus for use by their population.
- We also assume an initial reduction of **\$1,500,000** to be realized through savings from **consolidating facilities**. The expansion of wilderness camps, which are proven to be more effective for juvenile rehabilitation, will allow the agency to attain significant savings through efficiencies and consolidations.

Human Affairs Commission

Human Affairs Commission

The mission of the Human Affairs Commission is to prevent and eliminate discrimination because of race, religion, color, national origin, age, sex, disability, and (in housing) familial status, and to foster mutual understanding and respect among all people of the state. This mission is mandated by the South Carolina Human Affairs Law of 1972, as amended; the South Carolina Fair Housing Law; and the Equal Enjoyment and Privileges to Public Accommodations Act.

A 15-member board, appointed by the governor, serves as the policy-making body of the agency, provides oversight for agency operations, and reviews and approves findings and decisions regarding complaints of employment discrimination.

The agency's structure is divided into three general areas: the Administration Unit, the Compliance Programs Unit, and the Consultative Services Unit.

The Administrative Unit is composed of the Office of the Commissioner and elements that provide staff support to the agency and to the line elements. The Compliance Programs Unit, is composed of the Intake Division, which provides intake, information and referral services; the Fair Housing Division, which provides fair housing complaint investigation/resolution services; and Mediation Services.

The Consultative Services Unit is composed of two divisions. The Community Relations Division works with local communities providing public accommodations complaint investigation/resolution services, and conducts the agency's A-95 circular review process. The Division of Staff Development, Training and Technical Services provides training to state agencies and other entities, assists state agencies in addressing their affirmative action-related efforts, and prepares the annual report on the affirmative action status of state agencies as required by the Legislature.

HUMAN AFFAIRS COMMISSION				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	2,211,970	95,885	663,438	
FY 98-99	2,315,317	153,255	728,000	
FY 99-00	2,384,989	89,700	664,031	95,697
FY 00-01	2,441,954	140,000	588,000	
FY 01-02	2,144,275	167,294	699,500	
FY 02-03	1,943,420	151,659	618,000	
FY 03-04	1,747,426	227,578	649,450	

FY 04-05 Budget Recommendation

\$1,740,052

We propose the following adjustments to the base budget:

- A reduction of **\$7,374** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Commission for Minority Affairs

Commission for Minority Affairs

The Commission for Minority Affairs has as its mission to serve as a think-tank to provide leadership, focus and direction in addressing problems of deprivation and poverty among the state's minority population.

The Commission for Minority Affairs has a seven-member Board of Commissioners that provides oversight and assists with determining the vision and direction of the agency.

Customer Focus

Over the past two fiscal years, the agency has conducted needs assessments for three major minority groups of the state, Hispanics/Latinos, Native Americans, and African Americans. Meetings with the leadership and grassroots constituents of these groups continue to be held regularly for the purpose of keeping the commission focused on how to meet their needs.

COMMISSION FOR MINORITY AFFAIRS				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	295,974		200,000	
FY 98-99	371,116		750,000	63,500
FY 99-00	379,117		750,000	73,288
FY 00-01	443,087		750,000	
FY 01-02	426,846		750,000	
FY 02-03	401,246		200,000	
FY 03-04	360,780		200,000	

FY 04-05 Budget Recommendation

\$356,578

We propose the following adjustments to the base budget:

- A reduction of **\$4,202** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Workers' Compensation Commission

Workers' Compensation Commission

Created on September 1, 1935, the Workers' Compensation Commission administers and enforces South Carolina's workers' compensation law. The basic premise and purpose of the law is to provide a fair, equitable, and timely system of benefits to injured workers and their employers. The Workers' Compensation Act serves to relieve employers of the liability for common-law suits involving negligence in exchange for responsibility for medical costs and lost wages of on-the-job injuries, regardless of fault.

Historically, six basic objectives underlie workers' compensation laws:

1. Provide sure, prompt, and reasonable income and medical benefits to work-related accident victims, or income benefits to their dependents, regardless of fault;
2. Provide a single remedy and reduce court delays, costs, and judicial workloads arising out of personal injury litigation;
3. Relieve public and private charities of financial demands incident to uncompensated occupational accidents;
4. Minimize payment of fees to lawyers and witnesses as well as time-consuming trials and court appeals;
5. Encourage maximum employer interest in safety and rehabilitation through an appropriate experience-rating mechanism; and,
6. Promote frank study of the causes of accidents (rather than concealment of fault) in an effort to reduce

preventable accidents and human suffering.

Commissioners

The commission consists of seven members appointed by the governor with the advice and consent of the Senate for terms of six years and until their successors are appointed and qualified. The governor, with the advice and consent of the Senate, designates one commissioner as chairman for a term of two years, and the chairman may serve two terms in a six-year period, though not consecutively. The chairman is the chief executive officer of the commission and responsible for implementing the policies established by the commission in its capacity as the governing board.

The commissioners are responsible for hearing and determining all contested cases, conducting informal conferences, approving settlements, and hearing appeals. In their capacity as administrative law judges, the commissioners must conduct the legal proceedings in the county in which the claimant was injured. For administrative purposes, the state is divided into seven districts. Commissioners are assigned to a district for a period of two months before being reassigned to another district. During the course of a 14-month period, the commissioners serve in each of the state's 46 counties.

It is the responsibility of the commission to administer the South Carolina Workers' Compensation Law, generally found in Title 42 of the Code of Laws of South Carolina. In accordance with the Administrative Procedures Act, the commission also promulgates rules and

regulations necessary to implement the provisions of Title 42.

WORKERS' COMPENSATION COMMISSION				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	3,766,946		650,000	
FY 98-99	3,831,484		950,000	15,000
FY 99-00	3,948,113		950,000	
FY 00-01	4,045,290		950,000	
FY 01-02	3,560,076		1,098,053	
FY 02-03	3,176,945		1,500,000	
FY 03-04	2,950,905		1,500,000	

FY 04-05 Budget Recommendation

\$2,945,427

We propose the following adjustments to the base budget:

- A reduction of **\$5,478** for a 15 percent reduction in **phone expenses**.

Department of Insurance

Department of Insurance

Agency Summary

The Department of Insurance is charged with the protection of the insurance consumer, the public interest, and the insurance marketplace by ensuring the solvency of insurers; by enforcing and implementing the insurance laws of this state; and by regulating the insurance industry in an efficient, courteous, responsive, fair, and equitable manner.

Employees and Operations

The Department of Insurance operates four organizational divisions: the Executive Division, the Alternative Risk Transfer Services Division, the Administrative Services Division and the Financial Services/Office of General Counsel Division.

Through the Executive Division of the department, assistance is provided to the Legislative and Executive branches of government regarding the creation of new statutes and regulations, the amending of existing statutes and regulations and the resolution of constituent matters.

Through the Administrative Division, the Office of Consumer Services provides assistance to consumers regarding insurance related issues, complaints and concerns. Also within the Administrative Division, the Office of Education reviews and approves sponsors, instructors and courses for both pre-licensing and continuing education for insurers.

The Financial Services Division provides market conduct exams of insurers, monitors the financial condition and

operations of insurers and health maintenance organizations conducting business in South Carolina and acts as a securities custodian for South Carolina policyholders, enrollees and creditors of insurers, eligible surplus lines insurers and health maintenance organizations. The Financial Services division is also responsible for the review of all policy forms and rates for compliance with state laws and regulations for all companies writing insurance in South Carolina.

Market Assistance Program

The Market Assistance Program (MAP) was developed as a tool to assist consumers in locating hard-to-place coverage. Insurance providers that offer coverage for individuals with specific conditions and risks are listed in the MAP Directory, which is made available to the public through the Office of Consumer Services.

Market Conduct Examinations: The Market Conduct Examination Section audits the trade practices of insurers licensed to transact the business of insurance within the State of South Carolina. Market conduct examinations test the claims practices of the insurer or HMO and whether the insurer or HMO is utilizing approved rates and selling approved products. Moreover, this department also checks for general compliance with the insurance laws of the state.

Insurer and HMO Licensing

The Office of Financial Analysis analyzes financial and other pertinent information submitted by insurers and HMOs applying to conduct business in this state in order to determine their compliance with South Carolina insurance statutes and regulations.

DEPARTMENT OF INSURANCE				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	5,109,489		784,000	
FY 98-99	5,179,525		1,070,000	
FY 99-00	5,304,055		1,930,000	3,500,000
FY 00-01	5,392,531		1,991,000	
FY 01-02	4,696,041		2,016,000	
FY 02-03	4,211,089		2,331,000	
FY 03-04	3,786,401	450,990	2,575,581	

FY 04-05 Budget Recommendation

\$128,095

We propose the following adjustments to the base budget:

- A reduction of **\$3,658,306**. We propose moving the entire agency's budget off-line, with the exception of the director's salary – \$128,095 – to remain funded through general funds. We propose creating a Department of Insurance Trust Fund which will support the operation of the agency through the payment of a regulatory fee established by the department. The regulatory fee, in lieu of general fund appropriations, will be established annually by bulletin and paid annually by all licensed insurers and other designated regulated entities as prescribed by the bulletin. The Trust Fund would be created in the State Treasury as a separate fund and the money in the Trust Fund would be used only for the operation of the Department of Insurance.

Thirty states have moved to a system whereby the insurance industry's assessment of fees

provides the funding for their Departments of Insurance. We propose moving in that same direction by charging an assessment fee, or regulatory fee, which would be spread over the entire population of insurance companies doing business in South Carolina. As there are currently close to 2,000 licensed insurers in South Carolina, no one company would have any influence over the other. The Department of Insurance would still issue each a license; insurance companies would still be required to file annual statements with the department; and they would still be required to keep security deposits with the department.

The director and deputy directors would remain clearly accountable to the governor, no matter what funding mechanism is in place. In order to make it clear that the director and the deputy directors (who report to the director) of the Department of Insurance work for the people of South Carolina rather than being beholden to any industry, our budget proposes keeping the director's salary funded from general fund dollars.

Overall, we are talking about an industry that collected over \$16 billion in premiums in South Carolina alone last year and pays in excess of \$140 million in taxes to the state every year that go directly into the general fund. Our proposal is for the Department of Insurance, through assessments and fees, to collect a total of \$7,000,000 a year spread over several thousand licensed insurers and other designated regulated entities as prescribed by the director of the Department of Insurance via bulletin.

As a component of making the Department of Insurance a self-funding regulatory body, we commit that all funds collected to regulate the industry will only be used to fund operations at the Department of Insurance. We will oppose any effort to take those funds for any other purpose.

Department of Consumer Affairs

Department of Consumer Affairs

The Department of Consumer Affairs was established by Act 1241 of 1974, which is known as the Consumer Protection Code, and is the state law governing consumer credit transactions in South Carolina. As the state agency designed to represent the interest of consumers, the department attempts to resolve complaints and seeks to inform and educate consumers to create an atmosphere in which consumers will be more aware of their rights and responsibilities in the marketplace.

The Consumer Protection Code authorizes the department to provide the following services:

- Analyze and mediate individual complaints;
- Investigate business practices if a pattern of fraud is suspected;
- Refer to the appropriate agency with the authority to assist individuals;
- Inform about complaints filed against a business;
- Monitor the filing of notification fees and maximum rate schedules;
- Educate consumers about unfair and deceptive practices; and
- Provide legal action to prevent persons from violating the Consumer Protection Code and to prohibit unconscionable conduct.

Act 644 of 1978 amended the Consumer Protection Code to create the Division of Consumer Advocacy as a part of the Department of Consumer Affairs. The Advocacy Division was originally established to represent consumers at large before state and federal regulatory

agencies that set utility rates, but Act 166 of 1987 expanded the division's responsibilities to include the analysis of auto insurance rate and recoupment filings. The Consumer Advocate was granted the authority to intervene in auto insurance filings at the Department of Insurance by Act 148 of 1989, the Automobile Insurance Reform Act. In addition, Act 63 of 1991 requires the Consumer Advocate to serve on the Solid Waste Advisory Council, and he must also participate in waste disposal cases as part of the Atlantic Interstate Low-Level Radioactive Waste Compact, which was implemented by Act 357 of 2000.

Over the years the General Assembly has given the department additional areas of responsibility, including motor clubs (Act 400 of 1984), rent-to-own businesses (Act 121 of 1985), physical fitness services (Act 165 of 1985), pawnbrokers (Act 491 of 1988), mortgage loan brokers (Act 544 of 1988), telephone solicitations (Act 656 of 1988), continuing care retirement communities (Act 97 of 1989), express warranties on motor vehicles (Act 142 of 1989), athlete agents (Act 456 of 1990), motor vehicle subleasing (Act 132 of 1991), loan brokers (Act 452 of 1992), motor fuel pricing (Act 161 of 1993), staff leasing services (Act 169 of 1993), prize promotions (Act 483 of 1994), prepaid legal services (Act 328 of 2000), motor vehicle dealer closing fees (Act 387 of 2000, Part II, § 82), and prescription drug discount cards (Act 82 of 2001).

The Consumer Protection Code does not allow the department to provide the following:

- Advise whether or not a business is reputable;
- Provide information on the location or phone number of a business;
- Recommend a company with which an individual should do business; or
- Handle a complaint filed by a business against another business.

DEPARTMENT OF CONSUMER AFFAIRS				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	2,180,397		229,000	
FY 98-99	2,216,207		281,000	
FY 99-00	2,281,392		350,000	
FY 00-01	2,439,558		401,512	
FY 01-02	2,048,640		411,033	
FY 02-03	1,874,427		600,000	
FY 03-04	1,652,916		600,000	

FY04-05 Budget Recommendation:**\$1,645,341**

We propose the following adjustments to the base budget:

- A reduction of **\$7,575** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Department of Labor, Licensing, and Regulation

Department of Labor, Licensing and Regulation

The mission of the Department of Labor, Licensing and Regulation (LLR) is to promote and protect the health, safety and economic well-being of the public through regulation, licensing, enforcement, training and education.

The South Carolina Legislature restructured a significant portion of state government on February 1, 1994, with Act 181, which created the South Carolina Department of Labor, Licensing and Regulation (LLR). This Act merged the Department of Labor, State Fire Marshal's Office and the South Carolina Fire Academy, and thirty-seven professional and occupational licensing boards to form the new agency.

Division of Labor

The relationship between employers and their employees in South Carolina is governed by various state and federal laws.

The Division of Labor is one of the agencies responsible for administering employment laws. Employment law programs at LLR include occupational safety and health, payment of wages, child labor, migrant and seasonal farm worker oversight, mediation of disputes under union contracts, and right to work. The division also provides safety inspections for elevators and amusement rides.

Office of OSHA Voluntary Programs

The Office of OSHA Voluntary Programs (OVP) provides safety and health

courtesy inspections, technical assistance, and safety and health training to aid the business community in voluntary compliance with all areas of the Occupational Safety and Health Act. These confidential services are free to both public and private sector employers. Training resource materials, brochures, booklets, audio-visual programs, seminars, lectures and extended courses have been developed to assist employers in providing employees a safe work environment.

The Voluntary Protection Program (VPP) or Palmetto Star Program recognizes manufacturing facilities with exemplary safety and health records and reduced injury and illness rates.

Office of Elevators and Amusement Rides

The office was created in 1986 to administer the South Carolina Elevator Code and the South Carolina Amusement Ride Safety Code. To ensure compliance with both codes, the licensing staff of ten inspectors conducts inspections of new and existing elevator facilities, amusement rides and bungee jumps.

Office of Wages and Child Labor

It is the responsibility of the Office of Wages and Child Labor to enforce the South Carolina Labor Laws regarding Payment of Wages and Child Labor. In 1986, the office was given additional responsibilities when the Payment of Wages Law was completely revised. This Act requires employers to give written notice to employees of certain key terms and conditions of their wages, to pay according to this notice, and to keep records of the payments. LLR is authorized to make inspections, issue

warnings and citations, and assess civil penalties for violations of the Act.

In 1989, the office was given new responsibilities when the General Assembly amended the state child labor laws. The amendment allows the agency to make findings concerning employers who engage in any oppressive child labor actions, to issue warnings and citations and assess civil penalties for violations of the Act.

All penalties collected in this program are remitted to the state's general fund.

Office of Labor-Management Mediation

Under §41-17-10 of the South Carolina, 1976 (as amended), the LLR director is responsible for assisting in the settlement of labor disputes (except railroads and express companies doing business by rail). The Office of Labor-Management Mediation investigates industrial disputes, strikes, lockouts and their causes, and tries to help the two sides reach an agreement. When requested by both sides, a mediator will act as arbitrators or appoint other arbitrators. In general, the Office of Labor-Management Mediation tries to eliminate the causes of misunderstanding and differences between organized labor and management.

This office also administers the South Carolina Right to Work Law (S.C. Code of Laws, §41-7-10 through §41-7-90), which provides that the rights of workers shall not be denied or abridged based upon their affiliation or non-affiliation with a labor union.

Division of Fire and Life Safety

The Division of Fire and Life Safety maintains a statewide delivery system for fire prevention, protection and training services. The division provides leadership, guidance and services needed by the fire service to carry out its responsibilities at the local level. The Office of the State Fire Marshal and the South Carolina Fire Academy comprise the division.

The Office of the State Fire Marshal also has licensing and permitting responsibilities for all LP Gas dealers, installers and resellers; public firework displays; proximate audience fireworks displays; explosives storage, use manufacture, and sale; and fire equipment dealers statewide.

The State Fire Academy provides training to the fire service – paid, volunteer and industrial. The academy also provides training for police, emergency medical services personnel and other emergency response personnel. The academy is South Carolina's franchisee of the National Fire Academy.

Under the state's Emergency Operations Plan, the Fire and Life Safety Division is coordinator for Emergency Support Function (ESF) 9 – Search and Rescue and co-coordinator for ESF 4 – Structural Firefighting. When the Emergency Operations Center is activated, the state provides personnel to coordinate fire service assets in accordance with the Firefighter Mobilization Plan.

Office of the State Fire Marshal

The Office of State Fire Marshal has regulatory responsibility to ensure compliance with state fire safety regulations. This is accomplished through inspection activities by deputy state fire marshals in the field, code consultation and plans review services provided by the Engineering Services Section. The Office of the State Fire Marshal also has licensing and permitting responsibilities for all LP Gas dealers, installers and resellers; public firework displays; proximate audience fireworks displays; explosives storage, use manufacture, and sale; and fire equipment dealers statewide. The Public Fire Safety Education Section manages fire prevention activities aimed at reducing the state's fire death rate. Activities include the distribution of smoke alarms, programs in the schools to educate youth and the dissemination of timely fire safety information to the public.

South Carolina Fire Academy

The Fire Academy's mission is to provide statewide training for fire service personnel: paid, volunteer, airport air crash rescue firefighters, industrial brigade and other emergency response personnel. This training includes the skills necessary to provide basic incident command and control for emergency operations involving fire, rescue and hazardous materials, including weapons of mass destruction incidents. The Academy also provides basic and advanced training for firefighters, fire officers, instructors and fire department support functions which include public fire education, fire prevention, inspections and fire investigations. Fire and emergency service training requires a combination

of classroom instruction and hands on skill training using special tools and equipment. It also requires several instructors per course to ensure safety of students and instructors and to evaluate students for required skill competency.

The academy has been operating since July 1995 on a 208-acre site located four miles north of Columbia on Monticello Road. The site has ten buildings with over 100,000 square feet of heated and cooled floor space. This includes the Fire Marshal's office; an administration building; five classrooms; an auditorium that seats 200; a dormitory that sleeps 116; cafeteria; five story drill tower with smoke maze; six-bay fire station with living quarters; an instructor building; student processing center; maintenance building and shop; a Class A burning building and a computer controlled LP gas fire burn building; ten flammable liquid and gas live-fire training props; two computer-controlled 737 aircraft burn training props constructed with an FAA grant; and a confined space rescue, hazardous materials and USAR heavy rescue training area props.

The Fire Academy has three separate program areas: Regional Training, Resident Training and Curriculum, which includes instructor certification, IFSAC certification and an accreditation program. South Carolina has approximately 750 fire departments with about 18,000 paid and volunteer firefighters. In FY 03, the Fire Academy trained 17,185 public fire service and emergency personnel and 1,628 industrial fire brigade members for a total of 18,813 students in 1,421 programs with 415,738 student contact hours.

The Fire Academy underwrites all municipal programs except programs conducted with federal grant funding. Fire departments pay a fee for each student except for instructor training workshops and updates. These are provided free of charge to ensure instructors have up-to-date knowledge and technical skills. Training is provided to industry, military, police, emergency medical services and emergency service organizations at a higher, but still reasonable fee.

All fees collected are retained for use in operations.

Division of Professional and Occupational Licensing

Professional and occupational licensure has a long history. Modern day licensure has its roots in workers' guilds, which can be traced back to the 10th century in England. The first modern effort to regulate occupations and professions was Virginia's medical practice act in 1639. In the late 1800s, state licensure activity began in earnest, and by 1900, a majority of the states had licensed attorneys, dentists, pharmacists, physicians and teachers. Between 1900 and 1960, most states licensed an additional 20 occupations and professions including accountants, nurses, real estate brokers, barbers, hairdressers, chiropractors and funeral directors. Today, more than 80 occupations and professions are licensed by one or more states.

Professional and occupational licensing is an exercise of the state's inherent police power to protect the health, safety and welfare of its citizens. State licensure is deemed appropriate when:

- unqualified practice poses a serious risk to a consumer's life, health, safety or economic well-being;
- the public cannot accurately judge a practitioner's qualifications; and
- benefits to the public clearly outweigh potential harmful effects of licensure (such as a decrease in the supply of practitioners).

The absence of these conditions generally indicates that licensure is not justified or that some alternative form of regulation such as registration or certification may be appropriate. Proponents of licensure argue that the purpose of licensure is to raise standards of practice, ensure quality service, and establish accepted codes of ethical behavior. In the last two decades, there has been a growing awareness of licensure's concomitant responsibility to promote continuing professional education and competence and to enforce licensure laws against fraudulent, incompetent and unethical behavior.

The Professional and Occupational Licensing (POL) Division was established to oversee the administration of the licensing programs. LLR Licensing Programs have quasi-legislative and judicial functions. They promulgate regulations and adopt a code of professional ethics. They also determine the eligibility of applicants for examination and licensure, evaluate and approve continuing education course hours and programs, and discipline licensees.

The POL Division is organized into three offices:

- Office of Health and Medically Related Professions (OHMRP)
- Office of Business and Related Services and Dental, Pharmacy and Long Term Care Administrators (BRS/DPL)
- Office of Property, Environmental, Design, and Construction Services (OPEDACS)

Office of Health and Medically Related Professions (OHMRP)

In the Office of Health and Medically Related Professions, the programs listed below license 20 professions and occupations.

OHMRP – Boards

Board of Chiropractic Examiners

Board of Medical Examiners

Board of Nursing

Board of Occupational Therapy

Board of Examiners in Opticianry

Board of Examiners in Optometry

Board of Physical Therapy

Board of Podiatry Examiners

Board of Examiners for Licensure of Professional Counselors, Marriage and Family Therapists and Psycho-Educational Specialists

Board of Examiners in Psychology

Board of Social Work Examiners

Board of Speech-Language Pathology and Audiology

Board of Veterinary Medical Examiners

Office of Business and Related Services and Dental, Pharmacy and Long Term Care Administrators (BRS/DPL)

In the Office of Business and Related Services and Dental, Pharmacy and Long Term Care Administrators

(BRS/DPL), the programs listed license 34 occupations and professions.

BRS/DPL – Boards

Board of Accountancy

State Athletic Commission

Auctioneers Commission

Board of Barber Examiners

Board of Cosmetology

Board of Dentistry

Board of Registration for Foresters

Board of Funeral Service

Board of Registration for Geologist

Board of Long Term Health Care Administrators

Massage/Bodywork Therapy Panel

Perpetual Care Cemetery Board

Board of Pharmacy

Pilotage Commission

Office of Property, Environmental, Design and Construction Services (OPEDACS)

In the Office of Property, Environmental Design and Construction Services (OPEDACS), the programs listed below license 18 professions and occupations.

OPEDACS – Boards

Board of Architectural Examiners

Building Codes Council

Contractors' Licensing Board

Board of Registration for Professional Engineers and Land Surveyors

Environmental Certification Board

Manufactured Housing Board

Board of Pyrotechnic Safety

Real Estate Commission

Real Estate Appraisers Board

Residential Builders Commission

DEPARTMENT OF LABOR, LICENSING AND REGULATION				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	6,012,750	2,468,948	19,135,085	50,000
FY 98-99	6,104,834	2,468,948	19,135,085	
FY 99-00	6,693,375	2,468,948	20,214,595	
FY 00-01	6,906,694	2,468,948	21,152,647	
FY 01-02	6,080,890	2,592,006	21,152,647	
FY 02-03	5,402,561	2,632,006	22,152,647	
FY 03-04	4,750,742	2,632,006	22,152,647	

FY 04-05 Budget Recommendation

\$4,256,234

We propose the following adjustments to the base budget:

- A reduction of **\$231,303** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$263,205** to be realized by savings from **office space consolidation**. LLR will be closing a satellite office and centralizing its office location to the main facility located on Bush River Road.

Board Eliminations

As part of this budget we are proposing the elimination of the Foresters' Board and the Geology Board.

Foresters' Board

In their March 2002 report, the Legislative Audit Council (LAC) stated, "We could not identify a connection between the regulation of the practice of forestry and the protection of the public." State law (§40-1-10) requires that a

profession should be regulated only when regulation is clearly necessary to preserve the health, safety, and welfare of the public. The LAC went further to state that "[w]hile the board has not acted to prevent harm to the public, the South Carolina Forestry Commission does provide assistance to landowners." Today, only 16 states have some form of forester credentialing, while only 10 regulate the practice of forestry.

There are alternatives in the private-sector for consumers who need professional foresters. For instance, the Society of American Foresters (SAF) developed and implemented a certification program. The requirements to become SAF certified are:

- Accredited degree or equivalent,
- Five years of professional experience, and
- Continuing education

The standard set by the SAF is higher than the requirement to be a certified forester in South Carolina. Our law does not require a forester to have formal education.

Additionally, consumers needing professional foresters can contact the South Carolina Forestry Association (SCFA), a membership organization comprised of landowners, loggers, foresters, educators, researchers, conservationists, and sportsmen. The membership includes industry members from lumber mills, pulp and paper mills, wood processors, and equipment dealers. The SCFA organizes public education initiatives and community activities centered on forestry issues.

Geology Board

Nearly every board at the Department of Labor, Licensing, and Regulation was established to protect and preserve the health, safety, and welfare of the public. The Geology Board does not satisfy this fundamental requirement for the existence of a regulatory agency. In our view, there is no continued need for this Board.

Geologists provide services primarily to large corporations and government entities which are sophisticated organizations in little danger of harm from this profession. These entities usually check the backgrounds and references of the geologists they employ. In fact, a major employer of geologists in South Carolina is the Department of Health and Environmental Control. We would expect that agency to be capable of examining the credentials of those they employ and making the appropriate decisions.

Employment Security Commission

Employment Security Commission

The mission of the South Carolina Employment Security Commission is to provide quality, customer-driven workforce services that promote financial stability and economic growth.

The Employment Security Commission (ESC) has traditionally been responsible for paying unemployment insurance benefits, collecting unemployment taxes, finding jobs for people, and collecting federal employment statistics. As the leading workforce development and labor exchange agency in the state, ESC continually adapts to the demands of new technology and the global economy. The agency's main goal is to match job seekers with employers quickly and effectively, and the agency offers a variety of services to assist both groups.

ESC is responsible for the payment of unemployment insurance (UI) benefits, the collection of unemployment taxes, job placement and federal employment statistics. The agency's main goal is to match job seekers with employers quickly and effectively, and the agency offers a variety of services to assist both groups.

ESC works in concert with the federal government to preserve national economic stability. Funds come from payroll taxes paid by employers. These funds underwrite UI claims and the public employment service. (Administrative funds, it should be noted, are federal dollars that come from a portion of the tax paid by state employers.) ESC is also an active

partner with business and industry, working with employers to hold down tax rates, and working hard to reduce the time that any worker is out of a job. At the state and local levels, special employer advisory committees actively work with ESC to ensure that all employment security programs are designed to meet the needs of business, and to ensure that the private sector has a strong voice in issues affecting employment and training of South Carolinians.

Description of Services

Job Seeker Services: Individuals seeking to locate employment have full use of all services available to them in their job search. Job seekers who register with a workforce center are included in a database of available job seekers and matched with current job openings in the area. The system also refers qualified individuals to the employer for interviewing. Each workforce center is equipped with a resource area designed to give applicants self-service access to the latest technology for state job searches, the best resources for producing professional resumes, tools to evaluate their work skills and needs, and access to employer information. Information is also available to all applicants regarding training services, as well as referrals to other agencies and services designed to help individuals re-enter the workforce.

Employer Services: Employers have access to a full array of services to assist them with their workforce needs. Employers are encouraged to post job openings with ESC, which builds a database of job openings in the state. A job matching system is in place to match applicants with employers based on the

requirements of the job. Specialized services such as recruiting, screening, and scheduling interviews of potential applicants are provided to employers. Employers experiencing or anticipating layoffs may receive additional services to help prepare their workforce for the separation. These services may include group orientations, on-site registrations, or on-site filing for unemployment insurance (UI) benefits.

Administering the State Unemployment Insurance (UI) System: The UI system is funded through an unemployment insurance tax levied against employers to assist workers who may become unemployed. Workers who are unemployed or partially unemployed may apply for UI benefits. Application for benefits can be accomplished several ways – by visiting the nearest workforce center, electronically via the state, or by the worker’s employer (if he or she is still job-attached). After the initial application is taken, the employer is notified of the claim being filed. Statements are taken from the applicant and the employer as to the reason for separation and then a determination is issued. Should either party disagree with the final decision, they may initiate an appeal process. Once the benefit year begins, claimants file weekly by phone or by mail. Each claimant’s status will be reviewed periodically as he or she continues to receive benefits.

Administering the Workforce Investment Act Within South Carolina: ESC serves as the administrative entity for the Workforce Investment Act (WIA) in South Carolina and works in conjunction with the State Workforce Investment Board to provide planning and policy development for WIA and the

Welfare to Work (WtW) program. WIA made provisions for the “one-stop” delivery system within 12 local areas that were established in the state. Each area has developed a system to provide core, intensive training services to customers seeking employment, designed to make them self-sufficient. Access to core services is available to all customers. Intensive services and training may be available to those customers who need extra help in finding a job or re-entering the workforce.

One-Stop Workforce Center Operator: WIA legislation provided that at least one comprehensive one-stop workforce center be designated in each of the 12 areas. The workforce center coordinates with various other agencies (partners) to provide the full array of services required under the Workforce Investment Act. Additional sites (satellite locations) can be established, if the need is determined by the Workforce Investment Board (WIB) in that area. The entity that operates a comprehensive workforce center or satellite location is determined by a competitive bidding process. Each area WIB seeks bids from those entities that can operate a one-stop workforce center, complying with WIA legislation. There are a total of 52 one-stop workforce centers in the state, 17 of which are comprehensive sites and 35 of which are satellite sites. Of the 17 comprehensive one-stops in the state, ESC currently operates 13. In addition, of the 35 satellite sites, ESC operates 24 of those. In the satellite offices, all basic services are provided. Additional services may be available on a limited basis.

Labor Market Information Services: ESC, in conjunction with the Bureau of Labor Statistics, provides a broad array of statistical data in various formats. The data provided are for use by job seekers, employers, educators, planners, economists, students, and others. Data are presented in publications, articles, news releases, pamphlets, and the state. Special data requests are often received. Types of data available include unemployment statistics, recent industrial employment numbers, occupational data, and wage survey results.

The South Carolina Occupational Informational Coordinating Committee (SCOICC) is also housed in the agency. SCOICC operates the South Carolina Occupational Information System (SCOIS). This system was designed to address the need for career information in the state. It is available in all workforce centers, many school districts, and various other sites. Users may access computer software that offers resources to assess their skills and interests. This assessment is matched with potential occupations. Additionally, the user may review all available information pertaining to that occupation and locate facilities that offer the specific training required.

Other Specialized Services: Certain segments of the workforce also receive specialized services in the workforce

centers. Veterans are given preference with registration, referrals to job openings and have designated program specialists to assist them. The agency also monitors the employment and living arrangements of migrant and seasonal farm workers very closely. In addition, the Department of Labor has designated ESC as the coordinator for the Alien Labor Certification (ALC) and Work Opportunity/Welfare-to-Work Federal Tax Credit programs.

Economic Development Services: ESC is one of the main providers of data to economic development agencies around the state. The agency distributes data on the general economic status of the state to various colleges and universities, as well as the general public, on a monthly basis. Companies considering relocation to South Carolina can find the data needed to make an informed decision.

Number of Employees and Operation Locations

At the end of FY 02-03, ESC had 1066 full-time employees and 167 temporary employees. ESC operates a network of offices serving all 46 counties of the state. This includes 35 workforce centers, 11 itinerant points, 2 administrative offices, and a warehouse. In addition, a limited number of staff is assigned to provide services at six other locations.

OFFICE OF EMPLOYMENT SECURITY				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	250,554	86,027,805	10,596,370	
FY 98-99	250,554	104,273,512	11,378,534	
FY 99-00	250,554	111,307,801	12,062,077	
FY 00-01	248,048	58,264,448	9,454,780	
FY 01-02	212,374	95,868,412	15,357,256	
FY 02-03	193,663	97,203,810	15,901,555	
FY 03-04	176,049	104,468,615	12,889,337	

FY04-05 Budget Recommendation

\$149,017

We propose the following adjustments to the base budget:

- A reduction of **\$27,032** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

The recently released report by The Monitor Group on the South Carolina Competitiveness Initiative has reinforced the need for much greater coordination among the various arms of government in the area of economic development. It states that South Carolina must move from being an area “seeking to create jobs to one striving to raise prosperity.” Certainly, this administration believes wholeheartedly that it is time to change many of our old habits in order to ensure that South Carolina remains home to all of our children and grandchildren.

It is with this in mind that the administration **strongly urges**

better coordination of the spending of the WIA funds (\$45.9 million was allocated for 2003) within the overall framework of the economic development goals and strategies at the Department of Commerce and with the newly created effort at the State Board for Technical and Comprehensive Education to enact the Pathways to Prosperity recommendations. We can no longer afford to spend such workforce development funds without a clear and comprehensive focus on improving the economic climate in the state as a whole.

The administration will monitor progress in this area and continue to explore the possible transfer of the entire administration of the WIA program from ESC to the Department of Commerce.

Department of Transportation

Department of Transportation

The Department of Transportation (SCDOT) is charged with the responsibility of systematic planning, construction, maintenance, and operation of the state highway system and providing statewide support for mass transit services. SCDOT is responsible for managing the fourth largest state-owned highway system in the nation.

The Department of Transportation's funds come almost exclusively from the motor fuel tax. This money is used for everything from maintenance and construction of state roads to matching funds for federal highway dollars.

Mass Transit

The Mass Transit Office serves to implement mass transit programs for

SCDOT. Specifically, the office provides planning, research, and administrative functions of state and federal assistance programs, evaluation of existing and proposed programs, and coordination of mass transit projects statewide.

Infrastructure Bank

In 1997, the General Assembly created the South Carolina Transportation Infrastructure Bank (SCTIB) to select and assist in financing major qualified projects by providing loans and other financial assistance to government units and private entities for constructing and improving highway and transportation facilities necessary for public purposes including economic development.

The mission of the SCTIB is to utilize available funding sources to effectively provide financial assistance through authorized means to major qualified transportation projects

DEPARTMENT OF TRANSPORTATION				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	585,976	5,315,160	729,302,835	
FY 98-99	578,976		749,139,468	
FY 99-00	578,976		799,403,490	200,000
FY 00-01	573,186		957,510,763	2,200,000
FY 01-02	490,752		859,421,024	
FY 02-03	444,269		827,596,562	
FY 03-04	990		861,914,182	

FY 04-05 Budget Recommendation

- We propose eliminating the general fund appropriation for the department, a reduction of **\$990**.

The Department of Transportation's total budget is more than

\$860,000,000 for FY 03-04. In the same fiscal year, the Department of Transportation will also receive \$990 in state appropriations. This small appropriation provides very little benefit toward funding any projects within the department.

Legislative Agencies

The Senate

The House of Representatives

Legislative Council

Legislative Printing and Technology

Systems

Legislative Audit Council

Legislative Agencies

In this budget year, we have left legislative agencies at the same funding level, but encourage them to find the same efficiencies that we have identified in our executive budget for certain items

like travel, meals, registration, and phone expenses in order to find costs savings to help relieve our state's budgetary problems. We will continue to look for more ways to save our taxpayers money, and look forward to working with all branches of government to implement those savings.

The Senate

THE SENATE				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	9,705,380		105,000	
FY 98-99	10,284,468			
FY 99-00	10,505,587			250,000
FY 00-01	10,627,537			
FY 01-02	9,562,948			
FY 02-03	9,014,223			
FY 03-04	8,842,187			

For FY 04-05, we maintain the level of funding at **\$8,842,187**.

The House of Representatives

HOUSE OF REPRESENTATIVES				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	11,396,190			125,000
FY 98-99	12,018,367			180,000
FY 99-00	12,423,830			250,000
FY 00-01	12,493,493			
FY 01-02	11,204,086			
FY 02-03	10,569,907			
FY 03-04	10,455,110			

For FY 04-05, we maintain the level of funding at **\$10,455,110**.

Legislative Council

The Legislative Council's mission is fourfold:

1. To provide research, reference, and bill drafting services to the General Assembly;
2. To codify the statutory laws of this state into various publications mandated by state law;
3. To establish and implement all procedures for carrying out the provisions of the Administrative Procedures Act relating to the

General Assembly review of regulations and the publication of the State Register; and

4. To maintain a legislative library which distributes over 1300 annual statutory supplements to various public sector recipients upon their subscription and to other entities where the codes of the various states and of the United States, and the acts and joint resolutions, Senate and House Journals, and various other books, publications, and documents are maintained.

LEGISLATIVE COUNCIL				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	2,518,017		100,000	
FY 98-99	2,556,129		100,000	
FY 99-00	2,628,239		100,000	65,000
FY 00-01	2,765,922		100,000	
FY 01-02	2,543,847		100,000	
FY 02-03	2,354,796		100,000	
FY 03-04	2,502,042		100,000	

For FY 04-05, we maintain the level of funding at **\$2,502,042.**

Legislative Printing and Information Technology Systems

The Legislative Printing and Information Technology Systems' mission is to prepare and publish all legislative materials and provide

research services and information technology to all offices of the General Assembly. LPTIR is charged with maintaining the computer hardware, software and system network for all legislative offices and the General Assembly.

LEGISLATIVE PRINTING Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	2,417,443			510,000
FY 98-99	2,135,873			
FY 99-00	2,471,413			
FY 00-01	2,490,090			
FY 01-02	3,184,263			168,000
FY 02-03	3,128,803			
FY 03-04	3,087,674			

For FY 04-05, we maintain the level of funding at **\$3,087,674.**

Legislative Audit Council

The Legislative Audit Council's mission is to conduct performance audits of state agencies and programs to help ensure that their operations are efficient, that they maximize performance, and they follow the law. In conducting audits, the Legislative Audit Council (LAC) seeks to uphold the values of responsiveness, fairness, independence, thoroughness, and accuracy.

The Legislative Audit Council's single program is conducting performance audits of state agencies and programs. The processes and systems that are required to successfully complete audits

include determination of the needs of the Legislature and the views of Legislative Audit Council's staff, and adherence to Government Auditing Standards such as independence, thoroughness, and accuracy.

The Legislative Audit Council uses multiple methods for ensuring that these processes and systems are carried out consistently and efficiently. Frequent communication with Legislators at various stages of each audit helps ensure that questions are fully answered and evolving requirements of the customer are met.

LEGISLATIVE AUDIT COUNCIL				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	1,074,711			
FY 98-99	1,093,328			
FY 99-00	1,172,678			
FY 00-01	1,201,170			
FY 01-02	1,107,116			
FY 02-03	1,010,077			
FY 03-04	968,209			

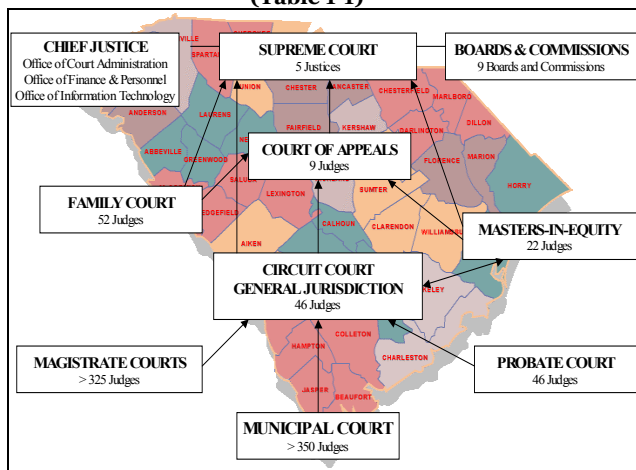
For FY 04-05, we maintain the level of funding at **\$968,209**.

Judicial Department

Judicial Department

By the adoption of Article V, Section 1, of the South Carolina Constitution, the people of this state established the Judicial Department as the administer of a unified judicial system (the Judicial Branch), one of the three co-equal branches of South Carolina state government.

South Carolina Judicial System (Table 1-1)



The Judicial Department has a total of 556 employees with court facilities located throughout the state. The Supreme Court, Court of Appeals, Office of the Chief Justice and Court Administration are located in Columbia, with the other courts facilities and personnel located throughout the 46 counties. Table 1-1 identifies the various types of employees working for the Judicial Department.

The key participants of the Judicial Branch include:

- Litigants and counsel
- Grievants
- Non-litigants participating in court proceedings
- Judges, clerks and staff at the locally-funded level
- Members of the South Carolina Bar
- Applicants
- Media
- General public

JUDICIAL DEPARTMENT Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	37,212,133	170,318	75,000	811,200
FY 98-99	40,272,130		75,000	800,000
FY 99-00	41,374,998		150,000	668,200
FY 00-01	42,558,258		150,000	
FY 01-02	38,356,221		150,000	
FY 02-03	35,200,927		150,000	
FY 03-04	31,812,917	4,395,672	7,050,000	1,936,220

For FY 04-05, we maintain the level of funding at **\$31,812,917**.

In this budget year, we have left judicial agencies at the same funding level, but encourage them to find the same efficiencies that we have identified in our executive budget for certain items

like travel, meals, registration, and phone expenses in order to find costs savings to help relieve our state's budgetary problems. We will continue to look for more ways to save our taxpayers money, and look forward to working with all branches of government to implement those savings.

Governor's Office

Governor's Office Executive Control of State (ECOS)

The South Carolina Constitution designates that supreme executive authority of this state shall be vested in a Chief Magistrate, who shall be styled "The Governor of the State of South Carolina."

Executive Control of State encompasses the Governor's Senior Staff including Legal Counsel, Legislative and Policy Liaisons, Communications, Cabinet Affairs, Boards and Commissions, Constituent Services, and Administration.

GOVERNOR'S OFFICE – ECOS				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	1,683,196			
FY 98-99	1,710,223			
FY 99-00	1,754,656			
FY 00-01	1,791,052			
FY 01-02	1,466,680			
FY 02-03	1,305,156			
FY 03-04	1,280,393			

FY 04-05 Budget Recommendation

\$1,273,249

We propose the following adjustments to the base budget:

- A reduction of **\$7,144** for a 15 percent reduction in **travel, meals, registration, and phone expenses**. This reduction is in addition to the savings achieved through a 24 percent decline in

telephone costs and the 84 percent reduction in travel expenses during the first six months of the Sanford administration in 2003 compared to the same period in 2002.

Governor's Office – State Law Enforcement Division (SLED)

The State Law Enforcement Division (SLED) is a multi-faceted state level investigative and law enforcement support agency. Its mission is to provide quality manpower and technical assistance to law enforcement agencies and to conduct investigations on behalf of the state as directed by the Governor and Attorney General. In order to accomplish this mission, SLED will: investigate organized criminal activities or combined state-federal interstate criminal activities, all general criminal activities, and arson criminal activity; provide emergency event management pertaining to explosive devices; maintain and operate a statewide comprehensive forensic sciences laboratory; conduct covert investigation of illegal activities pertaining to the interdiction of narcotics and other illicit substances; operate and maintain a central, statewide criminal justice data base and data communication system; establish and operate a highly specialized, rapid response law enforcement unit; operate and regulate state polygraph examination services; enforce and regulate alcohol statutes; coordinate state counter-terrorism efforts; and provide enforcement assistance that is not inconsistent with the mission of the division or otherwise proscribed by law.

Office of Counter-Terrorism oversees coordination of law enforcement resources to provide appropriate resource allocation. This unit is also responsible for planning and making law enforcement specific preparations relating to natural disasters, coordinating security for

transportation of hazardous materials shipments, and coordinating security for special events.

Forensic Services provides a full-service forensic laboratory which includes the following departments: Arson Analysis; DNA/Serology; Drug Analysis; Evidence; Firearms; Implied Consent; Latent Prints (and Crime Scene Processing); Photography; Questioned Documents; Toxicology; and Trace Evidence.

Criminal Justice Information System (CJIS) provides responsibility for the operation and maintenance of a central statewide crime information center. The center is comprised of the Uniform Crime Reports Section, the Central Records Repository, the Quality Control Unit, and the Information Technology Unit. The center conducts and disseminates crime analysis information, and provides criminal identification and records information to SLED components, state and local agencies, and the FBI.

Criminal justice agencies accessing the network include 7,141 terminal devices, 494 agencies, 82 local area networks, 4 wide area networks, and 1,313 wireless devices. There are fingerprints for approximately 1,155,427 subjects stored on the Automated Fingerprint Identification System (AFIS). Two hundred thousand two hundred thirty-two fingerprint cards were received in FY 02-03 and in excess of 635,676 total criminal history records were processed as additions, arrests, adjudications, expungements, and correctional commitments.

Investigative Services includes the Arson/Bomb Squad; the Emergency Preparedness/Protective Services Unit; Four Regional Investigative Units; the Computer Crimes Unit; Tactical Services Unit (SWAT Team, Tracking, and Aviation); the Joint Terrorism Task Force; and the Fugitive Task Force.

During FY 02-03, SLED responded to the following Investigative Services requests: Computer Crimes Unit: 2,116 investigations and requests for service; Forensic Art Unit: 102 composites, 3 facial reconstructions and 7 graphics for courtroom presentations; Intelligence/Missing Persons/Case Files Unit: 3,069 requests for assistance; Polygraph Unit: 1,375 tests scheduled and 985 tests conducted; Behavioral Science Unit: opened 82 cases of which 52 were threat assessments; Tracking Team: of the 126 calls, 38 persons were apprehended; Fugitive Task Force: of the 205 cases opened, 186 fugitives were arrested; Insurance Fraud Unit: opened 270 cases resulting in 98 convictions and 55 civil remedies; Statewide Special Event Planning: responded to 103 special events including marches, high profile conferences, and natural disaster management.

Community Services includes the following Units: Inspections; Training; Alcohol and Tobacco Enforcement; and Regulatory Services and Alcohol Licensing which promotes interaction between law enforcement and the public through community awareness programs; oversees compliance with alcoholic beverage control statutes and enforcement of underage alcohol and tobacco laws; conducts covert investigation of illegal activities pertaining to the interdiction of

narcotics and other illicit substances; regulatory services regulates private security and private investigation businesses; firearms businesses; investigates applications for alcohol sales businesses; conducts background investigations on applicants for state constable commissions and issues recommendations to the Governor's Office concerning commissioning; conducts background investigations on applicants for concealable weapons permits and issues or denies such permits; and, operates a firearms tracing program to aid criminal investigations by federal, state, and local law enforcement agencies.

During FY 01-02, the Alcohol Enforcement Unit and the Narcotics Unit combined to form a VICE Unit. During FY 02-03, this new unit was responsible for over 2,439 arrests, 10,456 inspections and approximately \$47,276,566 in drugs purchased/seized.

GOVERNOR'S OFFICE – SLED				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	28,555,089	164,802	5,765,680	110,000
FY 98-99	29,252,105	853,011	4,815,680	208,966
FY 99-00	35,358,633	2,824,850	3,953,000	
FY 00-01	35,906,131	8,726,071	5,364,329	
FY 01-02	31,761,429	11,780,327	4,192,536	
FY 02-03	29,853,195	6,689,306	2,217,550	
FY 03-04	27,138,046	5,527,000	3,523,150	3,672,750

FY 04-05 Budget Recommendation**\$27,046,445**

We propose the following adjustments to the base budget:

- A reduction of **\$91,601** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Governor's Mansion and Grounds

The newly renovated Governor's Mansion of South Carolina is an historic treasure. In addition to being the residence of the governor and his family, the home is used to court business and industry for the state and to hold legislative and other receptions. As well, it remains open to the public at no charge, by appointment, for all South Carolinians to enjoy and to learn from.

Upon moving into the Governor's Mansion, the Sanford family faced an immediate shortfall in operating funds left over from the previous administration. After reorganizing

operations at the mansion, Mrs. Sanford was able to reduce personnel expense by roughly 40 percent and she was able to cut operating expenses in half. Today, the Governor's Mansion is operating within the amount appropriated for its use by the General Assembly. Additionally, after re-opening the Lace House for rental by public and private entities, approximately \$20,000 in net new money has been raised through rentals to be put toward the ongoing maintenance needs at the Lace House and the Mansion complex.

Mrs. Sanford has effectively ended the recent practice of transferring other appropriated funds to the mansion for operating funds and personnel use.

GOVERNOR'S OFFICE – MANSION				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	294,560			
FY 98-99	261,624			
FY 99-00	267,018			
FY 00-01	327,647			
FY 01-02	469,530			
FY 02-03	418,786			
FY 03-04	410,840			

FY 04-05 Budget Recommendation

\$410,840

We propose the same level of funding as the previous year.

**Governor's Office – State
Inspector General**

We propose the creation of an Inspector General in order to promote effective and efficient operation of state government programs. This would be accomplished through audits, inspections and other management reviews.

The mission is to assist state agencies and taxpayers by identifying opportunities for cost savings in state programs thereby returning dollars to the general fund.

FY 04-05 Budget Recommendation

\$400,000

These funds represent our estimate of the cost to establish the Inspector General's office.

Constitutional Officers

Lieutenant Governor

Comptroller General

State Treasurer

Adjutant General

Secretary of State

Lieutenant Governor

Under the South Carolina Constitution, the Lieutenant Governor serves as President of the Senate and assumes the position of Governor if for any reason

the Governor is unable to perform the duties of that office. The Lieutenant Governor's Office provides services to constituents by maintaining a Program Assistance Line.

LIEUTENANT GOVERNOR				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	310,877			
FY 98-99	315,342			
FY 99-00	323,701			
FY 00-01	345,509			
FY 01-02	318,436			
FY 02-03	290,744			
FY 03-04	271,646			

FY 04-05 Budget Recommendation**\$271,092**

We propose the following adjustments to the base budget:

- A reduction of **\$554** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Comptroller General

As we discuss in the Restructuring section, we propose making the Comptroller General an appointed member of the governor's cabinet rather than a directly-elected constitutional officer.

Overview

The Comptroller General's Office mission is to provide centralized accounting and reporting of financial data in accordance with the statewide program budget structure mandated by the General Assembly and in accordance with Generally Accepted Accounting Principles (GAAP); supervise the collection of all property taxes; assist county auditors, treasurers, and tax collectors; and reimburse counties for homestead exemption, merchants' inventory, property tax relief and manufacturing reimbursement programs.

The Comptroller General's Office was created in 1890 to supervise the expenditure of all state funds. All payrolls for state employees, vouchers for bills owed by the state and interdepartmental payments between state agencies are submitted to the Comptroller General. These payments are scrutinized to ensure they are proper and that funds are available to cover the expense. Upon approval, a warrant is issued authorizing the State Treasurer to make the payment. The office maintains accounting controls for all state agencies and all funds in the state budget. The Comptroller General issues the state's Comprehensive Annual Financial Report, which is used by national firms to determine the state's bond rating for borrowing. The office also supervises

the collection of property taxes, administers the Homestead Exemption Program for senior citizens and the disabled, the Property Tax Relief Program, the Manufacturers' Depreciation Fund, and the Merchants' Inventory Exemption Program. The Comptroller General is a member of the State Budget and Control Board.

South Carolina Enterprise Information System (SCEIS)

The Comptroller General's Office has been active in the effort to develop a "Multi-Agency Contract for Agency Level Accounting." The agency views this as a strategic opportunity to move the state toward a complete enterprise solution for managing the state's finances. To that end, a Statewide Oversight Committee was appointed to facilitate implementation first at the Department of Mental Health. Committee membership crosses agency lines and includes staff members from the Comptroller General's Office, the Budget and Control Board, the State Auditor's Office and the Department of Mental Health. An SCEIS users group was also established. The membership will continue to evolve to include other areas of state government, as needed.

Central State Audit Division

The Central State Audit Division conducts pre-audits of all disbursements of South Carolina state government to ensure that agencies comply with the annual Appropriations Act. The division also certifies the validity, authenticity, and legality of each payment. Section 11 of Internal Revenue Service Circular E, Employer's Tax Guide for tax year 2003, requires employee payroll withholdings to be deposited within specified time frames. Penalties between two and

fifteen percent are assessed for deposit not made on time. By meeting the Internal Revenue Service's payroll deposit requirements, we avoided a minimum of \$8.4 million in federal tax deposit penalties. The Audit Division audited and accurately paid over \$1.5 million contingent vouchers and interdepartmental transfers.

Central State Accounting Division

The Central State Accounting Division provides centralized accounting of the state's financial activities in accordance with the program structure mandated by the South Carolina General Assembly. The Accounting Division creates a chart of accounts prior to the beginning of the fiscal year which includes all appropriated and supplemental appropriation accounts; estimated sources of revenue for general, earmarked, restricted and federal funds; and for agencies implementing a capital improvement bond program.

Central State Financial Reporting Division

The Central State Financial Reporting Division provides centralized reporting of the state's financial activities in accordance with the program structure mandated by the South Carolina General Assembly and generally accepted accounting principles. The division also provides timely, accurate statewide financial data needed by state government and by external parties such as national bond rating services, potential bond purchasers, other state creditors, citizen groups, and agencies of the federal government. The Central State Financial Division compiles and publishes the State of South Carolina's Comprehensive Annual Financial Report

(CAFR) in accordance with Generally Accepted Accounting Principles, implementing all new accounting standards required by the Governmental Accounting Standards Board (GASB).

Administration/Local Government Division

The Administration/Local Government Division provides administrative support functions in the areas of accounting, budgeting and finance, procurement, public and legislative relations, and employee benefits in compliance with all state and federal requirements. The division works directly with the county auditors, treasurers and tax collectors and supervises the property tax collection process and reimbursement programs as mandated by the General Assembly. The Administrative Division also maintains and provides payroll and insurance benefits records for 73 employees and 92 county auditors and treasurers as well as provides information for all EPMS reviews, reclassifications and performance increases for covered positions.

Data Processing Division

The Data Processing Division provides quality information technology application development, maintenance and production control services for the Comptroller General's Office. This includes all statewide accounting and payroll functions, local government functions and internal administrative functions of the agency. The division also maintains the agency's local area network and personal computer assets. This includes all the maintenance and installation of new servers, workstations and peripherals.

FY 2004-05 Executive Budget

COMPTROLLER GENERAL Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	4,941,291			
FY 98-99	5,026,672			35,000
FY 99-00	5,186,302			
FY 00-01	5,307,170			3,000,000
FY 01-02	4,637,435			
FY 02-03	4,320,282			
FY 03-04	4,012,894		200,000	602,546

FY 04-05 Budget Recommendation

\$4,004,891

We propose the following adjustments to the base budget:

- A reduction of **\$8,003** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

State Treasurer

As we discuss in the Restructuring section, we propose making the State Treasurer an appointed member of the governor's cabinet rather than a directly-elected constitutional officer.

Overview

The mission of the State Treasurer's Office is to serve the citizens of South Carolina by providing banking and financial management services for state government.

To this end, the State Treasurer uses a vast network of resources, industry knowledge and technology to provide service in the areas of: receipt and disbursement of funds; investment and cash management; debt issuance and debt service; management of all state banking relations; administration of the Unclaimed Property Program and the College Savings Plans; and provide advice and counsel to local governments on issues related to investments, debt and other fiscal matters.

Accounting and Banking

The State Treasurer's Office is the state's chief banker and handles the deposits, distributions, reconciliations, and produces financial reporting which are time sensitive processes. Deadlines are imposed either by legal mandate, management policy, or customer expectations. Constant monitoring of deadlines, exception reports, and other performance requirements drives day-to-day operations. In order to meet growing demands with dwindling resources, managers must continually look for ways to better utilize automation for processing, verifying, and reporting information.

Systems tied to non-state entities are often driving forces for automation. Office systems are electronically tied to outside banks and service providers through electronic receipt and submission of data, credit card and internet payment systems, electronic daily confirmations, and automated reconciliation systems.

Primarily, other state agencies and institutions drive decisions as to how and when certain services will be delivered. Where possible, the State Treasurer's Office strives to standardize banking services to take advantage of efficiency of scale, while serving the diverse and sometimes unique needs of state agencies.

Communication of information from state agencies to the State Treasurer's Office has traditionally been paper intensive; however, major strides have been made in the past few years to automate those processes, including implementation of the Automated Deposits System, Electronic Vendor Payments, and Deposit Sweep systems for colleges and universities. The State Treasurer's Office continues to promote these new systems and work closely with agencies to implement them as quickly as possible.

Investments

The State Treasurer's Office is linked by the latest technology to market information, brokers, investment advisors, custodial banks, and accounting systems. To obtain the best yield opportunities within the guidelines of approved investments, the State Treasurer's Office maintains constant communication with securities

professionals and uses on-line securities quotation services. The State Treasurer also receives expert advice from an independent investment advisory firm. BidSC, the quarterly internet auction process for bidding on Certificate of Deposits continues to be an efficient method of assuring the state the best rate on time deposits while allowing all financial institutions in the state an opportunity to bid for state deposits. In addition to the increase in return on the deposits, the system also provides an efficient method of communicating settlement information to the banks and financial institutions on those trades. Future plans include a partnering with QED, our portfolio management system, and MuniAuction, the provider of the web-based system, to offer a seamless transfer of information from the MuniAuction system to the accounting system.

The overall objectives of the investment program for retirement funds are provided in the Statement of Investment Objectives, recommended by the Investment Panel and the State Treasurer, and adopted by the Budget and Control Board. An Annual Investment Plan, recommended by the Investment Panel and adopted by the Budget and Control Board, sets the annual objectives for the equity investments of the retirement funds. Objectives for investment of general and other funds are developed in conjunction with the state's investment advisor and adopted by the State Treasurer. In addition to daily monitoring and communication with investment advisors, twice monthly investment update meetings are held with the State Treasurer and investment staff to review market conditions and

investment direction. Monthly performance reports assure the performance requirements are reviewed regularly and processes are adjusted as market conditions dictate.

Debt Management

The State Treasurer's Office continues to use internet-based technology in advertising bond sales and accepting bids. While this process saves printing and postage costs, it more significantly broadens the universe of potential bidders on the state's debt offerings.

The legacy Debt Management System (DMS) provides a system of controls and automation for the Debt Management division. This system provides mechanisms for recordkeeping and reporting, and provides automation for electronic debt payment through the Automated Clearing House to the state's paying agents. It also provides functionality for tracking agency payments for authorized capital projects to ensure timely and accurate payments for projects approved by the Joint Bond Review Committee and as appropriated by the General Assembly.

The DMS system adequately performs core functions for the Debt Management area; however, that system was developed on an older technology platform and frequently requires technical intervention. It is also paper intensive which increases resource costs. Some minor reporting enhancements for debt refunding were accomplished during FY 02-03 but were still limited by the aging technology. The Debt Management area must perform an evaluation of the area's system needs and analyze those needs against the current system's continuing ability to

meet them. The priority of this objective has increased in the past year due to the unusually large number of debt issues closed and the increased demand for debt service information by the Legislature.

Unclaimed Property Program and College Savings Plans

The State Treasurer's Office administers these two programs, which involve the direct interaction with the general citizenry of the state and require the promotion of the South Carolina's higher education system. Internet access to data and services continues to be the focus. Both the Unclaimed Property Program and College Savings Plans systems are managed through outside vendor software systems designed specifically for the industry. By outsourcing these unique systems,

the programs are able to take advantage of upgrades and best practices applicable to other states. The Treasurer's Office is currently undergoing an internal feasibility study to determine whether the recordkeeping for the Tuition Prepayment Plan would be cost effective if moved in-house.

Support Systems

Programs included in this area are Administration, Data Processing, and Legislative and Constituent Services. These offices are designed to assist the production areas by providing a well-qualified work force, adequate funds to support the mission and retain valuable staff, efficient data processing systems, accurate and timely data for decision making, and information and opportunities for input on legislative matters and constituent concerns.

STATE TREASURER Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	3,308,745		3,625,003	
FY 98-99	3,364,406		3,877,250	
FY 99-00	3,464,760		4,362,572	119,350
FY 00-01	3,542,060		4,362,572	
FY 01-02	3,173,101		7,994,197	
FY 02-03	2,956,063		5,174,197	
FY 03-04	2,431,502		5,624,197	40,000

FY 04-05 Budget Recommendation

\$2,423,394

We propose the following adjustments to the base budget:

- A reduction of **\$8,108** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

- We also propose an additional **\$5,000,000** to begin **repayment of the Barnwell Extended Care Fund** for site cleanup. As part of the operations of the Barnwell site, money had been set aside in a fund to assist in the cleanup of the Barnwell site when it finally reaches capacity. Unfortunately, as the state has dealt with budget cuts, money has been borrowed from the fund to

pay for other expenses—always with the promise that funds thus taken would be restored. In fact, the fund, which was as much as \$100 million at one point, is now below \$25 million. We believe dedicated funds should be just that, dedicated. Therefore, our budget proposes two very significant ideas: first, no more money should be taken from the Extended Care Fund for anything other than cleanup and operations of the Barnwell site, and, second, we need to begin repayment of the fund. The first installment of \$5 million was to be repaid in the FY 03-04 budget, but, ultimately, no funds were set aside. Our budget provides for \$5 million to begin the repayment of the fund. As our economy turns around and more revenue becomes available, we should accelerate repayment to the fund as quickly as possible.

Adjutant General

(South Carolina Military Department)

As we discuss in the Restructuring section, we propose to make the Adjutant General an appointed member of the governor’s cabinet rather than a directly-elected constitutional officer.

Overview

The South Carolina Military Department (SCMD) (Office of Adjutant General) provides combat-ready units to the United States (U.S.) Army and U.S. Air Force; provides planning, coordination and military capabilities in response to state emergencies; and adds value to state and nation with community-based organizations, soldiers and airmen.

The agency is headquartered in Columbia and maintains 84 armories throughout the state valued in excess of \$300,000,000.

The Adjutant General’s staffing includes state employees, federal employees (technicians), Active Guard Reserve (AGR) and the traditional Guard members who drill on weekends and participate in two weeks training each year:

State Employees:	256
Federal Employees:	1,037
(100 percent federally funded)	
AGR:	727
(100 percent federally funded)	
Traditional Guard:	10,493
(100 percent federally funded)	
Total:	12,513

Of the normal full-time workforce of 2,020 employees, there are only 26 state employees who are 100 percent funded

by the state or 1.28 percent of the work force. Other state employees are paid with a combination of state and federal funds.

Primary Duties

The department's primary duties are designed and implemented based on the agency’s mission. The most critical duties include:

- Providing combat-ready units to the U.S. Army and U.S. Air Force.
- Providing planning, coordination and military capabilities in response to state emergencies.
- Adding value to state and nation with community-based organizations, soldiers and airmen.

These duties are primarily achieved through active and citizen soldiers based out of 84 local armories who interact with other entities such as: the President of the U.S.; the Governor of South Carolina and the General Assembly; the citizens of this state; the Department of Defense; the U.S. Army and U.S. Air Force; the National Guard Bureau; the Federal Emergency Management Agency; the traditional National Guard men and women of our Army and Air Guard components; parents/guardians of at-risk youth; the Universities of South Carolina and Clemson; South Carolina Departments of Juvenile Justice, Social Services, Health and Environmental Control, Public Safety and Transportation; the U.S. Drug Enforcement Administration; the U.S. Customs Service; the U.S. Marshals Service; the U.S. Attorney’s Office; the U.S. Postal Inspection Service; State Law Enforcement Division; Greenville County’s Sheriff’s Office; the Port of Charleston;

magistrates; county and municipal governments; the American Red Cross and, of course, the agency's staff.

ADJUTANT GENERAL				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	8,260,274	15,737,315	4,797,685	522,810
FY 98-99	8,303,699	15,739,272	4,797,884	780,622
FY 99-00	8,576,668	15,739,272	4,797,884	1,967,840
FY 00-01	9,034,620	15,756,877	4,797,884	15,307,057
FY 01-02	7,626,934	15,756,877	4,797,884	100,000
FY 02-03	7,286,546	18,344,011	2,413,759	
FY 03-04	6,870,222	24,734,149	2,519,495	

FY 04-05 Budget Recommendation

available for core services like public education and health care.

\$6,747,629

We propose the following adjustments to the base budget:

- A reduction of **\$22,593** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$100,000** for the **Funeral Caisson**. Since 1999, the Adjutant General has maintained eight horses donated from the Arlington National Cemetery's Caisson Unit as each horse was being replaced. The horses are stabled in Charleston and maintained by the local volunteer unit in Charleston. The unit also maintains authentic and/or replica limber and caisson (horse-drawn vehicles for cannons or caskets). Due to these tight budget times, we propose to use the dollars from this reduction to help increase the funds

Secretary of State

As discussed in the Restructuring section, we propose making the Secretary of State an appointed member of the governor's cabinet, and to give the Secretary oversight responsibility of elections in South Carolina.

Overview

The Secretary of State's office provides two key administrative functions in state government. The office registers, administers, maintains, and disseminates filed information. It also regulates charities, professional fundraisers, and employment agencies.

The Secretary of State is responsible for:

- The statewide registration of domestic and foreign corporations, limited liability companies (LLC), limited partnerships, limited liability partnerships, non-profit corporations, and business trusts;
- Filing of Uniform Commercial Code security interests;
- Registration and regulation of charitable organizations soliciting in South Carolina;
- Registration and regulation of professional fundraisers soliciting charitable donations in South Carolina;
- Registration of employment agencies;
- Registration of state trademarks;
- Investigation of counterfeit marks;
- Registration of notaries public, boards, and commissions;
- Acceptance of service of process primarily for foreign corporations

not authorized to do business in South Carolina; and

- Registration of business opportunities.

The office also handles in varying aspects:

- Municipal incorporations;
- Special purpose districts;
- Annexations of land; and
- Escheatment of real and personal property.

Business Filings

The Business Filings Division of the Secretary of State's Office handles the majority of filings. The Business Filings Division is the highest volume division of the Secretary of State's Office since it involves both corporate and UCC filings. Fifteen employees staff the Business Filings Division.

Charities Division

Since its return from the Attorney General's Office, the Charities Division has seen an increase in filings of almost 100 percent. This last year filings increased by 21 percent. Part of the increase this last year can be attributed to an increased effort by the division that charities register and file their annual reports. As a result, the public can better educate themselves about a charity.

The Secretary of State's Office is able to issue fines on those charities and professional solicitors that do not register or do not file their financial records on time. The office can also issue fines for charities and professional solicitors that mislead the public in their solicitations. The charities division

aggressively pursues substantive violations of our law. Not only do they fine organizations and individuals for misrepresentations made in solicitations, but they also issue injunctions and even refer some cases for criminal enforcement.

Trademarks Division

The Secretary of State handles the registration of state trademarks and assists law enforcement in the investigation and confiscation of counterfeit goods – fraudulent goods that infringe upon the trademark rights of legitimate businesses.

FY 04-05 Budget Recommendation

\$946,302

We propose the following adjustments to the base budget:

- A reduction of **\$5,569** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.

State Election Commission

State Election Commission

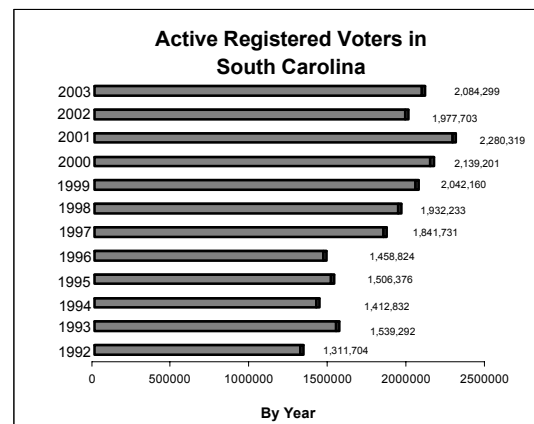
South Carolina is currently one of only 13 states where the Secretary of State has no role in the elections process. As previously discussed, we propose giving the Secretary of State oversight responsibility of elections once the Secretary becomes an appointed position.

Mission

The mission of the State Election Commission is to maintain an accurate database of registered voters in the state and provide services necessary to ensure successful elections in South Carolina.

The commission maintains the state's computerized statewide voter registration system. The commission is responsible for printing the lists of registered voters for all elections held in the state. The statewide voter registration system also serves as the source for selection of jurors in the state. The commission provides oversight including assistance and advisory services to county and municipal election officials for elections in South

Carolina. The commission trains voter registration and election officials, provides voter registration and election materials, prints or provides funding for ballots for all federal offices, statewide offices and constitutional amendments voted on in South Carolina, and produces databases and machine ballots for all elections in the state conducted on certain electronic voting systems. The members of the State Election Commission serve as the State Board of Canvassers after elections to certify election returns, to declare candidates elected, and hear protests/appeals that may arise.



STATE ELECTION COMMISSION Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	2,130,855		2,075,930	2,050,000
FY 98-99	2,144,454		3,180,436	2,088,000
FY 99-00	2,170,189		2,182,386	2,357,200
FY 00-01	2,183,884		1,783,326	2,250,000
FY 01-02	3,970,260		1,783,326	
FY 02-03	2,911,947		1,783,326	
FY 03-04	1,649,818		1,858,326	

FY 04-05 Budget Recommendation

\$3,041,636

We propose the following adjustments to the base budget:

- A reduction of **\$8,182** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- An additional **\$1,400,000 for Help America Vote Act (HAVA) funding** which will be used as follows:
 1. **\$700,000** to restore funding to the State Election Commission which they used in FY 03-04 to match federal dollars to implement HAVA.
 2. **\$700,000** to match federal dollars to implement HAVA for FY 04-05.

To implement HAVA, South Carolina is expected to receive \$42,000,000 over three years starting in FY 03-04. However, states are required to provide a five percent match for each of these three years.

Budget and Control Board

Budget and Control Board

The primary purpose of the Budget and Control Board is to help state and local entities serve the citizens of South Carolina. Through leadership, policy direction, data collection and value-added services, the Board seeks to improve the efficiency of government. In most cases, the Board does not provide direct service delivery to the public.

Within our budget, this administration proposes moving some of the Board's responsibilities to a new Department of Administration. For years, the Budget and Control Board has had responsibility of most of the administrative functions of the Executive Branch. The Board, however, is a five member board comprised of members of the Executive and Legislative Branch.

Consistently throughout our restructuring proposal, we have suggested changes that will lead to better central and more accountable management of the Executive Branch. We believe the Budget and Control Board still serves an important function within state government. However, we also believe that many of the functions they currently perform belong in a cabinet-level agency where we can better utilize and coordinate those functions and missions throughout the Executive Branch.

The significant reduction in the Budget and Control Board's budget this year reflects the movement of these responsibilities to the Department of Administration.

South Carolina Retirement Systems

The South Carolina Retirement System (SCRS) provides benefits to 94,541 retirees and beneficiaries and 230,203 active employees. SCRS tracks all customer requests for information, benefits estimates and other services on a centralized computer system. This system allows SCRS to measure customer service goals such as completing research information requests received by telephone within three business days. The Electronic Employer Service (EES) allows benefits administrators in state and local agencies to access the central SCRS database to conduct benefits estimates and other transactions that otherwise would be performed by Retirement Systems' staff. Currently, 48 percent of employers, serving 92 percent of SCRS membership, use EES.

State Budget Office

This office is responsible for the development and oversight of the process for preparing the annual state budget. This includes requests for funds, allocations of funds, and the responsible utilization of funds to achieve the needs of state government. The State Budget Office logs all agency fund transfer requests and requests for fiscal impact statements for pending legislation into an Access database. This allows the office to monitor its response time, employee workload and the need for data from other agencies involved in the fiscal impact process.

Office of State Auditor

The mission of the Office of the State Auditor is to provide audit coverage of state agencies and Medicaid providers, and to help these agencies and their

employees recognize mismanagement, fraud, and misuse of assets. Also, technical assistance is provided to other governmental entities by either assisting with or conducting reviews of financial records and record keeping systems.

The Medicaid Audits Section of the Office of the State Auditor performs audits and reviews of cost reports filed by institutional providers of Medicaid services. These cost reports are used by the Department of Health Oversight and Finance to establish amounts to be paid to these providers for services provided to qualified Medicaid recipients. Each year, approximately 60 Medicaid contractors are audited with program funding of over \$230 million. In FY 02-03, 85 Medicaid audit reports were issued representing 55 providers. The audit reports identified adjustments to payments made to providers resulting in the Department of Health Oversight and Finance certifying receivables of more than \$4.4 million.

Office of Research and Statistical Services

As part of our restructuring plan, we propose moving the Office of Research and Statistics to the new Department of Administration. However, the office performs two functions that are purely legislative in nature. Specifically, the office has two sections that perform Digital Cartography and Precinct Demographics which aid the General Assembly in redistricting Legislative seats for the General Assembly and congressional districts after the decennial census.

Though we propose moving the Office of Research and Statistics to the Department of Administration, our proposal retains both Digital Cartography and Precinct Demographics within the Budget and Control Board to ensure the General Assembly can perform their redistricting duties without any obstacle.

BUDGET AND CONTROL BOARD*				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	29,131,890	21,003,408	191,421,922	24,863,019
FY 98-99	32,112,997	8,028,242	220,059,750	9,668,422
FY 99-00	32,912,345	3,302,977	204,733,130	30,302,391
FY 00-01	34,157,443	2,576,098	233,887,450	11,855,859
FY 01-02	27,998,590	2,140,000	232,418,694	100,000
FY 02-03	25,123,420	1,585,541	211,364,242	75,000
FY 03-04	22,997,932	3,224,945	158,431,189	287,500

*These figures include many functions we propose moving to the Department of Administration.

FY 04-05 Budget Recommendation

\$5,635,838

We propose the following adjustments to the base budget:

- A reduction of **\$9,787** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

- A reduction of **\$395,926** for **Strategic Planning**. This has been a continuing process for several years, yet sufficient talent resides within the Board to perform this function without a specific appropriation.

Budget and Control Board Auditor

FY 04-05 Budget Recommendation

\$3,038,990

We propose the following adjustments to the base budget:

- A reduction of **\$11,779** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.

Budget and Control Board Employee Benefits

FY 04-05 Budget Recommendation

\$27,934,094

We propose the following adjustments to the base budget:

- An appropriation of **\$25,000,000** to the **Employee Benefits Program** to reduce future increases in health insurance premiums for state employees. This program has not been funded in the past two Appropriations Acts. While this funding for the Employee Benefits Program will be derived from non-recurring dollars from the sale of a portion of the state's vehicle fleet, we fully recognize the need to reward state employees who have worked so diligently during these tough budget times. Accordingly, we hope to provide recurring funds for pay raises and health benefit increases when our economic situation improves.

Administrative Law Judge Division

Administrative Law Judge Division

In order to streamline administrative procedure functions within South Carolina state government, we are recommending that the authority and responsibilities of the Procurement Review Panel be transferred to the Administrative Law Judge (ALJ) Division.

The mission of the Administrative Law Judge Division is to provide a neutral forum for fair, prompt and objective hearings for any person affected by an action or proposed action of certain agencies of the State of South Carolina.

The mission of the Procurement Review Panel is to provide an administrative review of procurement contract disputes in accordance with the provisions of the South Carolina Procurement Code. We propose to expand the authority of the ALJ Division to include review of procurement disputes in order to eliminate duplication of effort and provide further coordination of resources.

Agency Summary

The Administrative Law Judge Division provides a neutral forum for fair, prompt and objective hearings for any person(s) affected by an action or proposed action of certain state agencies.

The division's jurisdiction is statutory in nature. Because the division is an agency within the executive branch of state government, its power to hear a particular type of case from a particular agency is derived exclusively from the

legislative branch of state government, the General Assembly. The division has jurisdiction over three types of matters:

- Contested cases
- Appeals
- Regulation hearings

Under the South Carolina Administrative Procedures Act, administrative law judges have the power to issue those remedial writs as are necessary to give effect to the division's jurisdiction. Further, Administrative law judges have the power to issue injunctions and enforce subpoenas as well as the same power at chambers or in open hearing as do circuit court judges, which includes the power of contempt.

The division's contested case hearings and other proceedings are open to the public unless confidentiality is allowed or required by law.

The Chief Judge operates as a judicial officer and the administrative head of the agency, hiring and supervising all of the administrative staff.

ADMINISTRATIVE LAW JUDGE DIVISION				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	1,707,422		1,000	
FY 98-99	1,734,622		1,000	
FY 99-00	1,778,999		1,000	
FY 00-01	1,916,687		1,000	
FY 01-02	1,592,723		1,000	
FY 02-03	1,490,593		36,250	
FY 03-04	1,403,814		36,250	

Procurement Review Panel

The Procurement Review Panel is responsible for providing an administrative review of disputes arising from the solicitation and award of procurement contracts; for the debarment or suspension of a person from consideration for an award of a

contract; or for reviewing any other decision, policy, or procedure arising from or concerning the expenditure of state funds for the procurement of any supplies, services, or construction procurement in accordance with the provisions of the South Carolina Procurement Code.

PROCUREMENT REVIEW PANEL				
Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	116,528			
FY 98-99	120,338			
FY 99-00	123,788			
FY 00-01	126,427			
FY 01-02	116,398			
FY 02-03	109,520			
FY 03-04	108,425			3,000

FY 04-05 Budget Recommendation

\$1,403,814

We propose the following adjustments to the base budget:

- A reduction of **\$108,425** to be realized through **agency consolidation savings**. The Procurement Review Panel received 10 protests in FY 00-01, 16 in FY 01-02, and seven in FY 02-03. Due to the limited number

of protests filed per year, we believe the ALJ Division can readily assume the duties of the Panel. By transferring these duties to the ALJ Division, the Panel's budget can be eliminated.

- We also recommend that with the expansion of ALJ Division's review authority, it should be allowed to assess a reasonable filing fee for procurement protests.

Department of Administration

Department of Administration

As discussed in the Restructuring section, we propose that the department will be the state's central agency for administrative policy and support, encompassing some of the administrative functions of the Budget and Control Board along with the policy offices from the Governor's Office and other agencies.

The South Carolina Constitution clearly provides that the governor is to serve as the "supreme executive authority" of the state. Consolidating the administrative functions of the Budget and Control Board into a cabinet-level agency will achieve this constitutional goal, while creating an administrative agency that is directly accountable to the governor, not a joint Legislative/Executive board.

Agency Summary

The primary purpose of the Department of Administration is to help state and local entities serve the citizens of South Carolina. Through leadership, policy direction, data collection and value-added services, the department would improve the efficiency of government.

General Services Division

The division maintains 82 state buildings, including the State House and the Governor's Mansion, as well as 229 additional buildings served under contract. It also operates the statewide Agency Mail, Central Supply, Fleet and Surplus Property programs and assists agencies in obtaining leased office space at the best possible price.

The Surplus Property Warehouse centrally manages the disposal of all state property and returns the proceeds, less overhead costs, of sold items to the donor agency.

Commercial Vendor Repair Program:

The Commercial Vendor Repair Program (CVRP) saves the state money by using a network of private repair shops for maintenance of vehicles at locations that allow agencies to avoid long trips to state-owned shops.

Facilities Management Section: The General Services' Facilities Management Section uses two computerized maintenance management systems to manage the 82 state buildings under its care. The Facilities Center FM system records all scheduled maintenance needs for each mechanical system in a facility and creates reports so that managers know when routine upkeep is needed. All work orders for building repair and alteration requested by tenants are also recorded. Maintenance workers enter into the system all tasks performed at a facility. This allows Facilities Management to track long term maintenance costs by building and equipment manufacturer. The Facilities Assessment System maintains deferred maintenance costs and anticipated remaining lifespan for all major components of each state building. When combined with the database on actual repair history, Facilities Management can make long-term capital improvement projections and prioritize funding requests and work scheduling.

FY 04-05 Budget Recommendation

\$1,724,177

We propose the following adjustments to the base budget:

- A reduction of **\$62,389** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$1,000,000** to reflect savings from **reduced custodial, operational and other general services**. We propose that General Services utilize methods to reduce custodial and operational services without adversely impacting the operations of the buildings they manage. For instance, by reducing custodial services alone, such as changing trash collection and spot cleaning from every day to every other day, while still continuing to clean bathrooms daily, General Services could save \$1,053,840. A number of private and public facilities have done similar reductions in custodial services, according to SSC Service Solutions, a national company that provides custodial and maintenance services for industrial, retail, and government facilities in twenty states.

A 2001 research report by the International Facility Management Association indicates that some facilities perform housekeeping functions less frequently than does General Services. For example, 16 percent of the facilities surveyed performed low dusting semiweekly

and 13 percent vacuumed carpets semiweekly.

In tough budget years such as this one, we are forced to look for ways to save funds without impacting services. Cutting back on some custodial or other general services in state agencies is an example of a way that we can save money, in this case at least \$1 million, without materially hampering our ability to serve the citizens of the state.

Office of Human Resources

As the central human resources agency for state government, the Office of Human Resources operates consulting, policy development, training, recruitment, grievance and mediation and the state pay system.

FY 04-05 Budget Recommendation

\$3,113,877

We propose the following adjustments to the base budget:

- A reduction of **\$9,831** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.

State Energy Office

Through partnerships and educational programs, the State Energy Office improves public and private sector energy efficiency. The 12 energy conservation loans it issued in 2002-03 are expected to generate \$12 million in energy savings over their useful lives.

Division of Procurement Services

The State Procurement Office is responsible for procurement of all goods and services for South Carolina not provided by the Information Technology Management Office or the Office of the State Engineer. The State Procurement Office issues solicitations, maintains statewide term contracts, and assists agencies with their procurement of goods and services.

The State Procurement office makes available on their website various information pertaining to a variety of procurement issues such as an up-to-date list of State Term Contracts for goods and services, goods and services online awards, goods and services online solicitations, South Carolina fixed price bids, online solicitations directory, a Business Guide on how to do business with South Carolina, standard contract clauses for invitations to bid, the South Carolina Procurement Code and Procurement Regulations, protests and contract disputes, and a list of recycled products, distributors, and manufacturers.

FY 04-05 Budget Recommendation

\$2,750,285

We propose the same level of funding as the previous year.

Internal Audit and Performance Review

The Internal Audit and Performance Review Division acts as an independent appraisal function to examine and

evaluate the Board's activities. The Performance Review Program conducts evaluations of the programs within the Board.

FY 04-05 Budget Recommendation

\$126,072

We propose the following adjustments to the base budget:

- A reduction of **\$570** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Office of the State Chief Information Officer

The division provides a wide assortment of telephone services, networking services, applications development, computer maintenance and operation services and IT procurement services.

FY 04-05 Budget Recommendation

- We propose eliminating the general fund appropriation for this division, a reduction of **\$457,057**. While the CIO has made progress in controlling costs over the past year, an independent assessment by a nationally recognized consulting firm, The Gartner Group, pointed out the following three areas where we could achieve further savings:

1. The Help Desk, where we spend "4.5 percent higher than our workload peer group."
2. CIO's occupancy costs, which The Gartner Group reports is

\$2,224,000, "four to five times higher than our peer groups."

3. Personnel, which the report points out that CIO's 167.4 FTE's, are "significantly higher than the Workload peer group FTE staff of 87.9 that would be required to support the state's workload. The state also has more FTE's than the Public Administration peer group at 132.2."

Savings in those three areas of identified high costs should allow the division to easily save the \$457,057 they receive in general fund dollars, which is only 1.0 percent of their budget.

Office of Research and Statistical Services

This office gathers, analyzes and publishes data vital to the social, health, and economic well-being of South Carolina. The office includes sections focusing on economic research, demographics, mapping, and health data. It also works with other agencies to prevent overlap and duplication of data gathering activities. We propose that this office be moved from the Budget and Control Board to the department with the exception of Digital Cartography and Precinct Demographics.

FY 04-05 Budget Recommendation

\$2,423,925

We propose the following adjustments to the base budget:

- A reduction of **\$13,338** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.

Office of Executive Director

The Office of Executive Director coordinates the Budget and Control Board's various functions. The Office coordinates analysis and preparation of all matters brought by state agencies and related entities for consideration by the Board. One-half of this office will be moved into the department.

FY 04-05 Budget Recommendation

\$152,173

We propose the following adjustments to the base budget:

- A reduction of **\$3,579** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.

Internal Operations

The Office of Internal Operations provides administrative support services to all Board offices and divisions, including personnel services, centralized accounting, procurement, compliance with all laws and regulations governing management of public funds, management information, and the preparation and submission of the Board's annual budget. One half of this office will be moved to the Department of Administration.

FY 04-05 Budget Recommendation

\$1,120,583

We propose the following adjustments to the base budget:

- A reduction of **\$2,031** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$64,919** for savings from **agency consolidation**. This results from an 18 percent reduction in administration.

Office of Executive Policy and Programs

The Office of Executive Policy and Programs (OEPP) provides administrative and financial services for the Governor's Office, including the Executive Control of State (ECOS) and the Governor's Mansion and Grounds, as well as a wide variety of constituent services to the residents of South Carolina. The constituent services provided range from assistance to abused and neglected children, children with emotional and behavioral problems, victims of crime, people with disabilities, veterans, small and minority business, and economic opportunity. To provide these services, OEPP works in close collaboration with other public officials, state agencies, boards and commissions, and public, private and non-profit organizations. The entire OEPP will be moved to the Department of Administration with the exception of the Guardian ad Litem office which we recommend be moved to the University of South Carolina and the Continuum of

Care, which will be moved to the Division of Mental Health within the Department of Health Oversight and Financing.

Children's Affairs provides services to public agencies serving children and to families of children by arbitrating and mediating services among agencies serving difficult cases and by providing ombudsman services for families and children.

State Office of Victims' Assistance (SOVA) provides assistance to crime victims regarding medical and dental expenses, counseling, and loss of support, information, and referral. Victim/ Witness Assistance Services (VWAS) provides direct services to crime victims before, during, and after the appeals process. They are also available to provide information, crisis intervention, case status updates, case management, follow-up, and referrals, and they handle all incoming calls.

Veteran's Affairs provides assistance to Veterans, their families, and legislators in filing, developing, presenting, and prosecuting to final determination all claims for benefits (funerals, burials, education, hospitalization). The Office of Veterans Affairs collected 58,709 records for the South Carolina War Roster and obtained an additional \$3 million from the state for the state Veterans Nursing Home. These funds secured an additional \$5.8 million in matching federal dollars, allowing for a 60 bed assisted living wing to be added on to the state Veterans Nursing Home. The Veteran's cemetery is still in the design process. The Office of Veteran's Affairs Free Tuition Program provides free tuition to in-state public colleges

and universities for children of certain eligible veterans. The program is completely state funded through each public college and university. Data for the past three fiscal years is as follows:

Veteran's Affairs Free Tuition Program Measures

Measure	FY 00-01	FY 01-02	FY 02-03
# Students Applying	380	635	581
# Students Approved	269	387	449
# Students Enrolled	614	502	711

Governor's Ombudsman provides services to residents of South Carolina by handling complaints regarding state agencies and providing information on state agencies and their services.

Developmental Disabilities Council provides services to citizens with disabilities and organizations that deal with the needs of the disabled by providing grants for programs which support inclusion into the community for those with disabilities. The Council administers the Basic State Grant Program. Council grants are awarded in the federal Areas of Emphasis: Employment, Education/Early Intervention, Child Care, Health, Homes, Recreation, Transportation, Quality Assurance, and Formal and Informal Community Supports and Prevention.

Small and Minority Business provides small and minority businesses with certification, training, and networking opportunities.

Small and Minority Business Assistance Program Measures

Measure	FY 01-02	FY 02-03
# Certifications	129	223
# Recertifications	70	59
# Temporary Certifications	332	24*
# Trade Fairs/ Business Attendees	1/70	1/70
# Minority Business Forums/ # Attendees	1/300	1/450
\$ spent with minority and women businesses	\$28,254,910	Not yet available.

*Note: The decrease in the # of temporary certifications is a direct result of the OSMBA's efforts to encourage full certification to streamline processes and reduce paperwork duplication.

Foster Care Review Board

The Division of Foster Care Review provides an external system of accountability and advocacy for children and families involved with the foster care system. The division utilizes panels of community volunteers to promote safe, permanent homes for children in foster care in a timely manner and to increase public awareness regarding the impact of child abuse and neglect.

Currently, there are 36 local review boards across the state that conduct semi-annual case reviews. There is at least one local review board in each of the 16 judicial circuits.

Local Review Board Members are appointed to serve on local boards by the governor upon the recommendation of their Legislative delegations. Each local board consists of five members who must be residents of the judicial circuit they represent.

The Foster Care Review Board is supported by a seven member State Board. The State Board meets quarterly and is responsible for reviewing and coordinating the activities of the local review boards and making recommendations in an annual report to the Governor and the General Assembly.

propose to eliminate funding the dues payments for this board. Interaction and information exchange among southern states in other collaborative venues is more than adequate for coordination of energy policy efforts without the expenditure of these funds.

Local Review Board recommendations regarding the permanent plan for the child are forwarded to the Department of Social Services and filed with Family Court. Data compiled from these recommendations is used to formulate recommendations contained in the Annual Report to the Governor and General Assembly.

FY 04-05 Budget Recommendation

\$5,141,189

We propose the following adjustments to the base budget:

- A reduction of **\$44,444** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.
- A reduction of **\$133,545** for savings from **agency consolidation**. This results from an 18 percent reduction in administration.
- The elimination of **\$3,427** in funding for the **Mining Council**. These funds were used to pay per diem and other expenses however any future incidental costs will be paid from existing administrative accounts.
- A reduction of **\$31,372** for **the dues payments to the Southern States Energy Board**. We

State Trust Fund Authority

State Trust Fund Authority

As a part of this administration's restructuring plan, we propose combining two funds into a single agency. Under our proposal the following agencies would become a part of the State Trust Fund Authority:

State Accident Fund

This risk management fund provides workers' compensation benefits predominantly to state employees. The program is funded through premiums collected from state agencies. The State Accident Fund currently has approximately 630 policyholders, covering tens of thousands of state and local government employees throughout South Carolina.

Insurance Reserve Fund

This risk management/reinsurance fund underwrites insurance risks on public buildings and their contents and tort liability, medical malpractice, and automobile liability for public employees. The fund insures more than \$18 billion in property, 169,000 state and local government employees,

38,000 vehicles, including the state school bus fleet, 17 hospitals, and over 1,600 governmentally-employed physicians and dentists.

FY 04-05 Budget Recommendation

All of these funds are paid for by premiums of users and, therefore, do not receive direct state appropriations.

Purpose for Consolidation

These funds are self-insurance mechanisms run by the state. We believe that consolidation would allow for a standardization of claims practices, reducing paperwork burdens on government agencies.

We also believe combination of these funds will allow for efficiencies from combining various staff functions such as accounting, personnel, and computer services. In addition, the combined risk factor of the Trust Fund Authority would allow for unified, coordinated risk management initiatives, benefiting state and local government and the citizens of the state.

Department of Revenue

Department of Revenue

The mission of the Department of Revenue is to administer the revenue and regulatory laws of this state.

Specifically, the South Carolina Department of Revenue:

- Collects the revenue due to the state;
- Recommends improvements to the laws administered;
- Ensures a professionally-trained staff of employees;
- Provides guidance to foster compliance with revenue and regulatory laws.

DEPARTMENT OF REVENUE Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	37,532,488		5,360,566	205,000
FY 98-99	37,712,347		5,360,566	
FY 99-00	39,234,157		6,200,463	1,000,000
FY 00-01	40,114,619		6,490,910	
FY 01-02	32,764,465		6,642,014	
FY 02-03	32,044,339		8,538,165	
FY 03-04	29,558,044		8,411,273	

FY 04-05 Budget Recommendation

\$29,384,575

We propose the following adjustments to the base budget:

- A reduction of **\$173,469** for a 15 percent reduction in **travel, meals, registration, and phone expenses**.

State Ethics Commission

State Ethics Commission

The State Ethics Commission is responsible for the enforcement of the Ethics Reform Act of 1991 to restore public trust in government. The mission of the State Ethics Commission is to carry out this mandate by ensuring compliance with the state's laws on financial disclosure, lobbyist/lobbyist's

principal disclosure and campaign disclosure; regulating lobbyists and lobbying organizations; issuing advisory opinions interpreting the statute; educating public officeholders and the public on the requirements of the state's ethics laws; conducting criminal and administrative investigations of violations of the state's ethics laws; and prosecuting violators either administratively or criminally.

STATE ETHICS COMMISSION Seven Year Funding History				
	State	Federal	Other	Non-recurring
FY 97-98	440,398		50,000	5,000
FY 98-99	484,809		50,000	2,050
FY 99-00	509,602		50,000	52,000
FY 00-01	508,938		50,000	
FY 01-02	469,067		50,000	
FY 02-03	429,159		50,000	
FY 03-04	385,878		50,000	

FY 04-05 Budget Recommendation

\$384,347

We propose the following adjustments to the base budget:

- A reduction of **\$1,531** for a 15 percent reduction in **travel, meals, registration, and phone expenses.**

Education Improvement Act

Education Improvement Act

With the passage of the Education Accountability Act (EAA) of 1998 here in South Carolina and the No Child Left Behind Act at the federal level, we have seen a major shift in education away from an emphasis on a programs-based model to a results-driven accountability model. Our budget is designed to place a greater emphasis on increasing accountability within our public schools.

Today we are faced with several education challenges. South Carolina currently ranks 49th in SAT scores nationwide. We have seen some improvement in scores over the last five years, but we still lag too far behind the rest of the nation. We also have a crisis in terms of the dropout rate. According to a recent study by the Manhattan Institute for Policy Research, South Carolina ranks 49th in dropout rates in the country. According to the study, only 57 percent of our students starting high school today will graduate with their classmates in four years.

This is not a reflection on the hardworking teachers and students across the state, but rather a sign of the constraints that are placed on them in Columbia. Though well-intentioned, South Carolina's education policies have evolved into a top down approach that does not give communities enough flexibility. We are concerned that our school districts expend as much energy trying to qualify for grants and adding new programs designed in Columbia as they spend on educating children. We believe our students will achieve more if we deliver the resources to what we call the front line of education – teacher pay and the classroom.

We start this process with a set of beliefs that we feel will provide a clearer path to accomplishing much more in the years to come. First, we believe those who shape education policy should be closer to home. Every school district is unique in its circumstance, geography and demographics – with that comes different needs. Some districts need more funding for reading initiatives, others need more resources to attract teachers, still others need better workforce education programs. If we design programs to meet every need at the state level, we will dilute the resources to the point where we cannot meet any need. Our first aim is to get more of those resources directly into the school districts, without red tape, so parents and community leaders have more of a say in the education of their children. Second, we believe in a fair exchange of accountability for flexibility. The Education Accountability Act provides both the measurements for achieving progress and the tools to address it. Where we fall short is the strings to which so much of the education funding is tied. What we are driving toward in this budget is a trade-off with school districts across the state – more flexibility with an expectation of improved performance.

Within the Education Improvement Act, we see a number of largely uncoordinated programs with diffused pools of resources for very specific purposes. Some of the EIA-funded programs are worthwhile, and we support this funding and possibly increasing them. Still others are no longer necessary since enactment of the No Child Left Behind Act, which provides increased resources from the federal government for very similar

purposes. Other programs simply detract focus from providing the most money directly into the classroom and should be reduced or eliminated.

We look at the Education Improvement Act funding not as a stand alone budget, but rather as a piece of the larger education pie. The total education spending in the state is roughly \$5 billion each year, including local, federal, and other state funding. Our education budget proposal is designed with all available resources in mind, with the single purpose of putting more focus on direct classroom dollars through increasing the Base Student Cost.

National Board Certification

The major change in the Education Improvement Act budget for FY 04-05 is the funding of a substantial portion of the National Board Certification program from the Education Improvement Act budget rather than from the general fund.

We propose providing \$22,102,206 for National Board Certification in the FY 04-05 Education Improvement Act budget. This will allow us to increase our general fund investment in the Base Student Cost by an additional \$22.1 million – resulting in an additional \$37 for the Base Student Cost.

Standards, Teaching, Learning and Accountability

Student Learning

Advanced Placement (AP)

The AP program was designed to give high school students an opportunity to take college-level courses and receive college credits. This program is aimed at academically or artistically gifted and talented students. In 2003, 10,646 students took 17,429 exams in 33 of 34 AP exam areas. The students in AP courses must take the national AP examinations, and students who score "3-5" on the AP exam may receive college credit for that subject area. (Proviso 1A.2; Education Improvement Act of 1984, Division II, Subdivision A, Subpart 4, § 1; SC Code Ann. Reg. 43-258.1)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>		<u>Difference</u>
Advance Placement	\$2,633,814	(\$119,549)	\$0	\$2,514,265	(\$119,549)

Rationale: We are recommending making the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Gifted and Talented

This program is geared toward students in grades 1-12 who have demonstrated high performance ability or potential in academic areas. The education program must be more academically challenging than normally provided by the general school program to help these students achieve their potential. (Provisos 1A.3 & 1A.5, SC Code Ann § 59-29-170, 24 SC Code Ann. Reg. 43-220)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>		<u>Difference</u>
Gifted and Talented	\$29,497,533	(\$1,338,893)	\$1,338,893	\$29,497,533	\$0

Rationale: We are following the recommendation of the Education Oversight Committee to fully restore the FY 03-04 funding with the aim to improve the number of students scoring proficient and advanced on PACT.

Handicapped Student Services

These services are designed to provide educational services to trainable and profoundly mentally disabled students in South Carolina school districts. (Proviso 1A.6, SC Code Ann. § 59-21-510 & § 59-33-10, 24 SC Code Ann. Regs. 43-172)

FY 2004-05 Executive Budget

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>		<u>Difference</u>
Handicapped Student Services	\$4,105,017	(\$186,327)	\$186,327	\$4,105,017	\$0

Rationale: Ultimately, any shortfall in this budget will fall on the shoulders of the local school districts to replace. We propose restoring special needs funding to the FY 03-04 appropriated amount in an effort to aid local school districts in meeting the education needs of disabled students.

Junior Scholars–Districts / Other Entities / Other Agencies

This program is designed to identify and recognize 8th graders with exceptionally high scholastic achievement and intellectual ability. Summer academic “camps” are also offered for these students. Funds are used to reimburse districts for administration of the PSAT to 8th graders. Public (agencies) and private (entities) colleges and universities receive payment to help offset the cost of summer camp for rising 9th graders. (Proviso 1A.7)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>		<u>Difference</u>
Junior Scholars-District	\$51,558	(\$2,340)	\$2,340	\$51,558	\$0
Aid to Other Entities-Jr. Scholars	\$29,908	(\$1,358)	(\$28,550)	\$0	(\$29,908)
Aid to Other Agencies-Jr. Scholars	\$150,490	(\$6,831)	(\$143,659)	\$0	(\$150,490)

Rationale: We propose restoring the full FY 03-04 funding to ensure continued access to the PSAT for underprivileged students. We believe the end result will be improving SAT scores as the PSAT provides another opportunity to practice for the SAT test. In addition, we believe this funding will continue to provide academic challenges to our gifted students and promote achievement.

However, we also believe that public and private higher institutions could provide access to SAT preparation and other prep classes for high achieving students as a part of their recruiting process. The objectives of college partnerships are certainly worthwhile, and we hope to see those programs continue with other funding. We commit these savings to funding the bonuses for National Board Certification, allowing us to invest more general fund dollars toward the Base Student Cost.

Tech Prep

South Carolina's Tech Prep initiative is administered through a 16-partnership consortia structure. The Tech Prep consortium was established and is aligned with the 16 technical colleges in South Carolina to assist with the continuing education of those students who intend to obtain a degree from a technical college. This program offers

students an opportunity to develop a foundation of basic and workplace skills to better prepare them for the workforce. (Proviso 1A.21)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>		<u>Difference</u>
Tech Prep	\$4,257,742	(\$193,259)	\$0	\$4,064,483	(\$193,259)

Rationale: The state receives nearly \$16 million in federal funding for Secondary and Technical Education grants. As a result of these federal funds, we believe there will remain adequate funding for Tech Prep. Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Allocation—EIA Other Entities

Professional development arts institutes approved by the State Department of Education for arts and regular classroom teachers.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Allocation-EIA – Other Entities	\$475	\$0	(\$475)	\$0	(\$475)
Allocation-EIA – Other Agencies	\$15,642	\$0	(\$15,642)	\$0	(\$15,642)

Rationale: We recognize and support the value of arts education for students and teachers. There are, however, alternate sources of professional development that should be used to continue this program. There are considerable state dollars spent on professional development and an additional \$38 million from the federal government for improving teacher quality that can also be used for professional development. We believe this ensures adequate support for arts development if this is important to the community. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Modernize Vocational Equipment

This program allows for the continuous upgrade of vocational equipment for school districts. Each district receives a minimum of \$20,000; with the remainder allocated on the basis of student enrollment in technical education courses.

FY 2004-05 Executive Budget

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Modernize Vocational Equipment	\$4,151,978	(\$188,458)	\$0	\$3,963,520	(\$188,458)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Arts Curricula

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Arts Curricula	\$1,597,584	(\$73,246)	\$0	\$1,524,338	(\$73,246)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Local School Innovation

Fifty percent of these funds are distributed based on average daily membership (attendance), and fifty percent on the EFA formula basis. Funds are to be used for implementation of innovative programs designed to improve student learning and accelerate performance. Funds may be used to apply different teaching techniques, develop new approaches, redefine how schools operate and/or establish appropriate relationships with other entities. (Proviso 1A.29, SC Code Ann. § 59-139-05)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Local School Innovation	\$20,888,245	(\$948,117)	(\$1,140,707)	\$18,799,421	(\$2,088,824)

Rationale: South Carolina currently receives an additional \$5.1 million from the federal government which is distributed by the State Department of Education to local school districts for innovative programs. With federal funds providing a supplement to the state grant, we recommend making the FY 03-04 mid-year cut permanent, along with a 10 percent reduction in FY 04-05.

The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

The net result of this change will redirect an additional \$2 million from the general fund into the Base Student Cost. This will provide the funds, as before, except we will provide local school districts with additional flexibility to determine the most appropriate needs.

Curriculum and Standards

Governor's Institute of Reading

This program awards competitive grants to school districts for designing and providing a comprehensive approach to reading instruction based on best practices. (Proviso 1A.42, SC Code Ann. § 59-5-135)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>		<u>Difference</u>
Governor's Institute of Reading	\$1,312,874	(\$59,591)	(\$1,253,283)	\$0	(\$1,312,874)

Rationale: In April 2003, the U.S. Department of Education awarded the state an \$88.6 million grant for 5-1/2 years to increase reading instruction in South Carolina schools. The grant will provide nearly \$16 million annually under the No Child Left Behind Act and provide a significant increase over the historical state contribution. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Teacher Grants

Competitive grants for teachers awarded for the purpose of improving teaching practices and procedures. Grants may not exceed \$2,000 per teacher or \$6,000 per grant unit. (SC Education Improvement Act of 1984, Division II, Subdivision C, Subpart 4, § 3; 24 SC Code Ann. Reg. 43-201.1)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>		<u>Difference</u>
Teacher Grants	\$1,348,241	(\$61,197)	(\$1,287,044)	\$0	(\$1,348,241)

Rationale: In FY 03-04, this program provided funds for 368 grants: 231 grants to individual teachers and 137 unit grants (three teachers). This partnership has provided some help throughout the state; however, we are concerned about the limited impact of the grants. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost. We believe the increase in the Base Student Cost will provide more resources to students and teachers throughout the state.

Assistance, Intervention and Reward

Homework Centers

Schools and districts designated as below average and unsatisfactory must establish Homework Centers for students needing special or more attention than is afforded them during regular school hours. Schools receiving such designations must provide centers that go beyond the regular school hours. (SC Code Ann. § 59-18-1910)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>		<u>Difference</u>
Homework Centers – EAA	\$2,067,936	(\$93,864)	\$0	\$1,974,072	(\$93,864)

Rationale: Currently, the state receives \$7,911,716 of funding from the federal government in 21st Century Learning grants for these centers. In addition, funds from the Title I-Basic Grant, which total more than \$164 million, can be used for qualifying schools. With the availability of a substantial amount of federal funds, we propose making the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Teacher and Principal Specialists

External Review Teams may recommend that Teacher and/or Principal Specialists be assigned to low performing schools. Teacher specialists are eligible for a salary supplement equal to 50 percent of the average teacher's salary. Principal specialist salary supplements are 125 percent of the supplement amount for teachers. (Provisos 1A.40 & 1A.45, SC Code Ann. § 59-18-1530)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Teacher/Principal Specialist – EAA	\$13,199,637	(\$599,132)	\$0	\$12,600,505	(\$599,132)

Rationale: We propose making the mid-year reduction permanent. The Education Oversight Committee is reviewing this program to determine its effectiveness. Our proposal reflects maintaining the program at its current status while the review is taking place. Once the Education Oversight Committee can determine the effectiveness of the program or propose changes, then we can make adequate funding determinations. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

External Review Teams

Schools receiving a rating of unsatisfactory must have an external review team to examine school and district educational programs, actions and activities. Schools rated below average may also request an External Review Team. These teams provide recommendations for improvement. Funds are also used for the placement of on-site assistance personnel (curriculum specialist, etc.) based upon a tiered system of assistance. (Proviso 1A.47)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
External Review Teams	\$4,000,000	(\$181,560)	(\$3,818,440)	–	(\$4,000,000)

Rationale: Within the Education Lottery budget, we propose spending \$1.4 million for External Review Teams. We support the concept of an external review process for schools in need of improvement. However, we believe the process could be evaluated and made more cost effective in delivery. One specific concern is that 36 of the 47 schools that were assigned External Review Teams in the last year were also evaluated by External Review Teams the prior year. The External Review Process is a fairly extensive and costly one, and reforms do take time. We would also like to examine the process to ensure that schools who have already gone under the External Review process receive monitoring in the next year, rather than dispatching an External Review Team back to the facility again.

Retraining Grants

This is a grant program for schools designated as below average or unsatisfactory. Funds are to be used for professional development as outlined in the school renewal program. One of the primary uses is for retraining of school faculty and administration. Allowable costs include costs for consultants, conference registration, travel, tuition and fees for courses taken by staff, supplies and materials (associated with professional development), and substitute teachers' pay (to allow regular teachers to attend training). (Proviso 1A.50, SC Code Ann. § 59-18-1560)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Retraining Grants	\$4,628,645	(\$210,094)	(\$1,595,051)	\$2,823,500	(\$1,805,145)

Rationale: As a result of the No Child Left Behind Act, South Carolina now receives \$38 million in federal funds for professional development. With the availability of federal funds, we propose reducing the state share. The Education Oversight Committee also supports this level of funding for FY 04-05, which would make the mid-year reduction permanent, along with an additional 40 percent reduction. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Report Cards

These funds are used for the compilation of data, printing and preparation of the annual report card for each school showing absolute and improvement ratings. (Proviso 1A.46)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Report Cards	\$1,018,000	(\$46,207)	–	\$971,793	(\$46,207)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Assessment

These funds are used for implementation of the assessment instruments in accordance with Education Accountability Act requirements. Testing includes the Palmetto Achievement Challenge Test (PACT), the readiness assessment test and the exit examination.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Assessment (SDE Other Operating)	\$1,000,559	–	–	\$1,000,559	\$0

Rationale: The federal government provides \$6 million annually for assessments under the No Child Left Behind Act. In addition, the state also receives \$2.3 million to give an English proficiency test to help schools develop academic plans for non-English speaking children. Along with our proposed EIA funding, this will provide overall funding of more than \$9 million for assessments.

Palmetto Gold and Silver Awards

Monetary awards given to those schools achieving at least above a “Good” absolute or improvement rating.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Palmetto Gold/Silver Awards	\$1,000,000	(\$45,390)	\$45,390	\$1,000,000	\$0

Rationale: This program allows the state to recognize schools, specifically the hardworking students and teachers, for striving to excel. In FY 03-04, the Palmetto Gold/Silver received a total of \$2 million (\$1 million from EIA and \$1 million for the

Education Lottery budget). We propose retaining the EIA funding of \$1 million so that schools have, in some small way, a reward system for students and teachers who perform well, even in these tight budget times. Going back to FY 02-03, the funding for Palmetto Gold/Silver was \$1 million, and the program received no funding for FYs 00-01 or 01-02. In addition, the federal government also provides the state with reserved funds within Title I for awards and incentives to teachers or schools.

Aid to Other Agencies

Funds used to reimburse Clemson University for a portion of the cost for teacher training associated with the Reading Recovery program.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Aid Other State Agencies	\$170,904	(\$7,757)	\$ (0)	\$163,147	(\$7,757)

Rationale: In conjunction with the federal reading grant awarded to South Carolina, a portion of that grant can be used to fund administrative costs of this program through the No Child Left Behind Act. As a result of that additional federal funding, we propose no state funding this year. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Act 135 – Academic Assistance

This program requires districts to implement strategies to provide needed and targeted assistance to students experiencing difficulties in K-12. Schools select appropriate strategies based on needs assessments conducted as part of the district and school comprehensive planning. Funds are also used to provide reading recovery to improve reading skills in the early grades. A major component in determining allocations is “students eligible for free and reduced-price lunches.” (Provisos 1A.9-1A.13, SC Code Ann. § 59-139-05, 24 SC Code Ann. Regs. 43-267 & 43-268)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Act 135 – Academic Assistance	\$120,412,397	(\$5,464,683)	–	\$114,947,714	(\$5,464,683)

Rationale: South Carolina receives approximately \$164,700,381 in Title I-Basic Grants to Schools. The State Department of Education is to reserve funds within this program which must go directly to school districts for improvement or corrective action. This is in addition to the other federal funds that go directly to student learning and teacher professional development. We propose making the mid-year reduction permanent and reinvesting those savings into increasing the Base Student Cost.

Early Childhood Education

Four-Year Old Early Childhood

This initiative targets four-year olds who have tested “Not Ready” and whose parents voluntarily allow participation in the program. A major component to determine allocations is “students eligible for free and reduced-price lunches.” (Proviso 1A.14, SC Code Ann. § 59-5-65 & § 59-135-05, Target 2000: School Reform for the Next Decade Act, 24 SC Code Ann. Regs. 43-264.1)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Four Year Old Early Childhood	\$22,870,783	(\$1,038,105)	–	\$21,832,678	(\$1,038,105)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Bus Driver Salary

This provides funds to school districts to assist with Bus Drivers’ salaries. Allocation is based on the time it takes drivers to complete their routes. (SC Code Ann. § 59-65-10)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Bus Driver Salary	\$472,210	(\$21,434)	–	\$450,776	(\$21,434)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Parenting Support / Family Literacy

These initiatives are designed to support parents in their role as principal teachers of their children. Initiatives include parent education and family literacy for those parents with school age children five years of age or younger. (Provisos 1A.27 & 1A.28, Early Childhood Development and Academic Assistance Act of 1993, SC Code Ann § 59-1-450 & § 59-139-05, 24 SC Ann Regs. 43-265)

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	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Parent Support	\$4,354,304	(\$197,642)	—	\$4,156,662	(\$197,642)
Family Literacy	\$1,779,642	(\$80,778)	—	\$1,698,864	(\$80,778)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Teacher Quality

Retention and Reward

Teacher of the Year Award

This funding includes monetary awards for the Teacher of the Year (\$25,000); each of the four Honor Roll Teachers (\$10,000 each), and the teacher of the year for each district, one at the Department of Juvenile Justice, and one at Department of Corrections (\$1,000 each). (Proviso 1A.38)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Teacher of the Year Award	\$174,000	(\$7,898)	–	\$166,102	(\$7,898)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Teacher Quality Commission

Funding for the Commission on Teacher Quality is used to implement the recommendations of the commission. In order to oversee the implementation of the Commission on Teacher Quality's recommendations (which became statute), the State Superintendent of Education created the Division of Teacher Quality at the State Department of Education in July 2000. The Teacher Quality Act of 2000 contains over 25 initiatives that are the responsibility of the Division of Teacher Quality. Since the funding was initially approved, the state has been given additional accountability responsibilities by the federal government. In addition, the Elementary and Secondary Education Act (ESEA, No Child Left Behind) requires the state to monitor the school districts' implementation of teacher quality goals and their progress in attaining those goals.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Teacher Quality Commission	\$569,679	(\$25,858)	(\$543,821)	–	(\$569,679)

Rationale: South Carolina now receives \$38 million in federal funds for improving teacher quality. With the availability of federal funds, we propose eliminating the state funding for this function. The savings from this reduction will become a part of the

National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Teacher Salary Supplement (and Fringe)

One of the state's statutory objectives is to maintain the average teacher's salary at or above the Southeastern average. Education Improvement Act funds are used to supplement state and local school district funds in order to assist in achieving that objective.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Teacher Salary Supplement	\$204,594,180	–	–	\$204,594,180	\$0
Teacher Salary Supplement – Fringe	\$37,849,923	–	–	\$37,849,923	\$0

Rationale: Funding for teacher salaries and fringe benefits is maintained at the current year's level to ensure that school districts have adequate funds to hire and retain quality teachers while maintaining teacher salaries at \$300 above the Southeastern average teacher salary.

Critical Teaching Needs

This program provides funding for the purpose of improving mathematics, science, reading, and computer instruction at the elementary, middle, and secondary levels. Funds may also be used for teacher training courses that support the education of students with disabilities or special needs in the regular classroom, and instructional techniques and strategies in keeping with the professional development plans. School districts or a consortium of districts may conduct courses for certificate renewal or may contract with colleges to offer the prescribed courses. (Proviso 1A.17, SC Code Ann. § 59-5-60, 24 SC Code Ann. Regs. 43-500)

	<u>FY 2003-04 Per Appropriation Act</u>	<u>Governor's Adjustments</u>			<u>Difference</u>
Critical Teaching Needs	\$602,911	–	–	\$602,911	\$0

Rationale: We propose maintaining the funding for this program at the FY 03-04 level.

Teacher Supplies

Teachers are reimbursed \$200 each for classroom supplies and materials. (Proviso 1A.36)

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	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Teacher Supplies	\$10,000,000	(481,266)	–	\$9,518,734	(\$481,266)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Professional Development

Professional Development

These funds shall be used for professional development for teachers in grades K-12 in the academic standards (in the areas of English/language arts, mathematics, social studies, science, visual and performing arts, foreign language, physical education, and health) to better link instruction and lesson plans to the standards, develop classroom assessments consistent with the standards and PACT-style testing, and analyze PACT results for needed modifications in instructional strategies. Teachers participating in this professional development shall receive credit toward recertification according to State Board of Education guidelines. Funds provided for professional development on standards may be carried forward into the current fiscal year to be expended for this same purpose. Funds are used to increase teacher knowledge of subject-matter content in English/language arts, mathematics, social studies, and science; increase teacher knowledge of and practice in standards-based instructional strategies that promote the academic achievement of all children; increase teacher skills in developing classroom assessments and teacher skills in using assessment data to improve instructional practices; and support evaluation strategies designed to demonstrate that these funds attribute to the increased knowledge and skills of participating teachers, the improvement of student achievement, and the closing of academic performance gaps that exist among student subgroups. (Provisos 1A.34 & 1A.44)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Professional Development – EAA	\$6,646,260	(\$442,200)	(\$6,204,060)	–	(\$6,646,260)

Rationale: In its initial recommendation, the EIA Improvement and Mechanisms Subcommittee recommended no EIA funding for professional development because the EAA does not require professional development funds. School districts currently have access to professional development funds through local revenues, Title I federal funds, and individual EIA programs such as the Gifted and Talented Program. Additionally, the state receives \$38 million from the federal government for professional development. Some school officials have argued that they have an overabundance of professional development monies. We propose eliminating the state share with the resulting savings from this reduction becoming a part of the National Board Certification funding. This would allow us to invest more general fund dollars toward the Base Student Cost. We believe the redirection of these funds will not adversely impact the professional development opportunities for teachers, and it will provide local school districts with greater flexibility. We believe this proposal will maintain the commitment to professional development, while allowing us to invest an additional \$6 million into increasing the Base Student Cost.

Professional Development NSF Grant

These funds are distributed to the 13 math and science hubs around the state. Funds are used to support efforts to improve math and science in accordance with the Statewide Systemic Initiative (SSI) strategic plan. The program places strong emphasis on expanding the use of computers in the classroom. The hubs provided over 150,000 hours of professional development training, including 180 training sessions last fiscal year. (Proviso 1A.31)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Professional Development NSF Grant	\$3,038,290	(\$137,908)	—	\$2,900,382	(\$137,908)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Leadership

Principal Executive Institute

The institute is a three-year executive training program for principals and superintendents designed to orient and educate these individuals on the various aspects of the requirements associated with the position. The program stresses such topics as law, policies, procedures, and the importance of networking, conflict management, effective planning, and instructional program development. The Principal Induction Program provides training, coaching and support for first-time principals during their first year on the job. The Principal Assessment Center requires all first-time principals to undergo an intensive, structured assessment of leadership and management skills prior to their permanent appointment. (Proviso 1A.37)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Principal Executive Institute – EAA	\$949,466	(\$43,096)	–	\$906,370	(\$43,096)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Principal Salary Supplement

These funds are salary supplements used to help attract and retain principals and assistant principals. Funds are distributed to school districts based on their average daily membership. Within each school district, the funds are distributed equally among principals and assistant principals. (Proviso 1A.22)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Principal Salary Supplement	\$3,095,968	–	–	\$3,095,968	–

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to provide the same funding as FY 03-04. This program assists the state and school districts with recruiting and maintaining quality principals.

State

EOC Public Relations Initiative

The Education Accountability Act requires the Education Oversight Committee (EOC) to conduct an “on-going public information campaign” to apprise the public of the status of the public schools and the importance of high standards for academic performance. Section 59-28-190 of the Parental Involvement in Their Children’s Education Act also requires the public awareness campaign to promote the importance of parental involvement.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
EOC Public Relations Initiative – EAA	\$237,366	(\$10,774)	–	\$226,592	(\$10,774)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. Under this program, the Education Oversight Committee has the responsibility of informing the public on the status of K-12 education in a clear, objective and timely manner.

Other

State Agency Teacher Pay–B&CB

Funds per Proviso 1A.20 of the current Act. These funds are the same as Teacher Salary Supplement funds for the school districts, but these funds go to the special schools (Wil Lou Gray Opportunity, the Governor's Schools, School for the Deaf and Blind, etc.) for their classroom teachers. Funds are used to supplement classroom teacher salaries. The Budget and Control Board distributes the additional amount appropriated each year, which appears on the line in question.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
State Agency Teacher Pay-B&CB	\$0*	–	\$819,576	\$819,576	\$819,576

Rationale: This funds teachers for these special schools at the Southeastern average since these schools operate outside of the local tax base.

**Note—The FY 03-04 Appropriations Act provided \$725,128 in teacher salary supplement for all of the special schools. This figure is now reflected by institution in the FY 03-04 Appropriation Act funding for Special Schools—Teacher Salary Supplement (see below).*

Special Schools—Teacher Salary Supplement

Governor's School for Arts and Humanities, Wil Lou Gray Opportunity School, School for the Deaf and Blind, Department of Disabilities and Special Needs, John de la Howe, Clemson Agriculture Education Teachers, and the Governor's School for Science and Math. These schools receive teacher salary supplement funds for their classroom teachers as do the regular public schools. (Proviso 1A.20)

Special Schools	<u>FY 2003-04 Per Appropriation Act**</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Governor's School for Arts and Humanities	\$45,177	\$149,852	–	\$195,029	\$0
Wil Lou Gray	\$447,033	\$70,006	–	\$517,039	\$0
South Carolina School for the Deaf and Blind	\$3,962,831	\$331,908	–	\$4,294,739	\$0
Department of Disabilities and Special Needs	\$763,653	–	–	\$763,653	\$0
John De La Howe	\$320,550	\$57,595	(\$378,145)	\$0	(\$378,145)
Clemson Agriculture Education Teachers	\$162,195	\$64,700	–	\$226,895	\$0
Governor's School for Science and Math	\$122,694	\$51,117	–	\$173,811	\$0

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Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to retain the current year funding, except the John de la Howe School which we propose closing.

***Note--The FY 03-04 Appropriations Act provided \$725,128 for State Agency Teacher Pay-B&CB for teacher salary supplement for all of the special schools. This figure is now reflected by institution in the FY 03-04 Appropriation Act funding for Special Schools—Teacher Salary Supplement (see above).*

Writing Improvement Network (WIN)

The Writing Improvement Network is a special project created, coordinated, and administered by teachers involved with the South Carolina Writing Project, an affiliate of the National Writing Project. WIN is a professional development initiative designed to assist in providing training in the implementation of current, research-based best practices in teaching students how to be better writers. WIN also assists in choosing and organizing staff development and classroom resources through teacher experts.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Writing Improvement Network-USC	\$302,158	(\$13,714)	(\$288,444)	—	(\$302,158)

Rationale: We propose eliminating funding for this program. Funds for this program are not direct in-class spending, but rather support services housed at universities. If this is determined to be a teaching priority, we believe school districts could determine the need for this program and use contract services or pay a subscription fee. Currently all schools do not use these services, and it would provide the local districts the flexibility to select programs that meet their instructional needs from other state or federal sources. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Education Oversight Committee

The Education Oversight Committee receives no general fund appropriations. The Committee and its staff are funded with EIA funds to include other operating expenses (supplies, material, etc.)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Education Oversight Committee	\$1,062,774	(\$48,236)	—	\$1,014,538	(\$48,236)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. The savings from this

reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Geographic Alliance

A partnership between the National Geographic Society and the State Geographic Alliance to act as a resource center for K-12 teachers seeking to improve geography and social studies instruction. The Alliance is located at the USC Department of Geography. Approximately 70 percent of the funds are used for personnel services.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
South Carolina Geographic Alliance- USC	\$188,631	(\$8,561)	(\$180,070)	—	(\$188,631)

Rationale: We propose eliminating funding for this program and investing those dollars into increasing the Base Student Cost. This program is not direct, in-class spending, but rather supports activities housed in universities. We believe school districts can determine their own need for this program and could contract services or pay a subscription fee. Currently, not all schools use these services, and it would provide the local districts with the flexibility to select programs that meet their instructional needs using other state or federal sources. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

School Improvement Council (SIC)

See proviso 1A.51. The Council was created to provide training and services to local School Improvement Councils statewide in support of their work to improve public education in each community. This program is located at the University of South Carolina, College of Education, in Columbia. A variety of support services are available at no cost to SICs, including a newsletter sent regularly to all SIC members. Videos, printed materials, and technical assistance are also available. (Proviso 1A.51)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
School Improvement Council	\$188,759	(\$8,567)	(\$180,192)	—	(\$188,759)

Rationale: We propose no funding for this program this year. Under the Education Improvement Act, all schools have been required to have School Improvement Councils since 1984. Training has been provided to the school districts since then and the process has become institutionalized. Support services for education reform are available from a number of sources, some at no cost. The savings from this reduction

will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Centers of Excellence

The EIA provides for the establishment of a contract program administered by the Commission on Higher Education to foster the development of Centers of Excellence in teacher training in public and private colleges and universities. These resource centers are designed to improve teacher education programs in specific priority areas.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>		<u>Difference</u>
Centers of Excellence – CHE	\$500,226	(\$22,704)	\$185,431	\$662,953	\$162,727

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to increase funding for centers of excellence. These centers, similar to the one at USC-Aiken, will specifically focus on preparing teachers to teach in rural and under-performing schools and will help us to get more qualified teachers into areas where they are needed the most. This proposal will provide funds for two additional Centers of Excellence.

Teacher Recruitment Program

The Teacher Recruitment (Fellows) Program provides scholarships to 200 high school seniors each year who have a desire to obtain a teaching degree. Scholarships are \$6,000 annually (including \$300 for books). The program became fully funded in FY 03-04 with the last class of 200 students being funded. The program was designed to provide scholarships to up to 800 students annually (a class of 200 new students enrolled in a four-year teaching program). The program is funded at \$6,113,578, which supports four other programs including Pro Team, Teacher Cadet, Teacher Forum and National Board Support. Each of these programs is designed to attract and recruit students into teaching. Of the \$6.1 million, \$467,000 are transferred to South Carolina State University for minority recruitment efforts (see proviso (1A.24)). The Teaching Fellows program is by far the largest component in terms of funding. The remainder of the budget is personnel costs and other operating expenses. (Proviso 1A.24)

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Teacher Recruitment Program-CHE	\$6,113,587	(\$277,477)	–	\$5,836,110	(\$277,477)

Rationale: Our proposal reflects the recommendation of the Education Oversight Committee to make the mid-year reduction permanent. This spring the first class of 200 Teaching Fellows will graduate. We believe this program is important in increasing

the number of quality teachers here in the state. However, questions arise as to whether these students will be certified in areas of critical need, such as special education, math and science. In addition, we should see this as an opportunity to put some of the best and brightest students in underperforming schools to ensure we get the best possible return on our investment. It is for these reasons that we propose modifying the program to require future recipients of these grants to teach in critical need subject areas or geographical regions as a condition of receiving this financial aid. In our proposal, we define critical geographic area as a school or district defined as “unsatisfactory,” “below average,” or “average” on the most recent report card absolute rating. Our proposal would not affect the terms of any students currently in the program.

Teacher Loan Program

This loan program was established to encourage talented and qualified students into the teaching profession. Freshmen and sophomores can borrow up to \$2,500 per year. Juniors, seniors and graduate students can get up to \$5,000 per year. These loans are cancelled by teaching in a state public school in an area of critical need (either geographic or subject area). The loan is cancelled at a rate of 20 percent a year (or 33 percent a year if teaching in both a geographic AND subject needs area). The loan has to be repaid if the student does not go into a critical need area. Repayments are used to fund the program. Approximately 1,500 students receive loans under this program annually.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>		<u>Difference</u>
Teacher Loan Program- State Treasurer	\$2,863,826	(\$129,980)	\$129,980	\$2,863,826	—

Rationale: We propose to fully restore funding to the FY 03-04 appropriated amount. Just as with the Teacher Recruitment Program, we propose modifying the definition of a critical geographical area as a term of their loan forgiveness. In our proposal, we define critical geographic area as a school or district defined as “unsatisfactory,” “below average,” or “average” on the most recent report card absolute rating. This would not affect the terms of any students currently receiving a loan.

EOC Family Involvement

In accordance with the Parental Involvement in their Children’s Education Act, the EOC is involved in (1) the development and distribution of curriculum standards to parents; (2) determining the effectiveness of the parental involvement programs; and (3) recognizing employers who implement policies and programs that encourage parental involvement.

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	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
EOC Family Involvement	\$47,473	(\$2,155)	—	\$45,318	(\$2,155)

Rationale: Our proposal reflects the recommendation by the Education Oversight Committee to make the mid-year reduction permanent. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

SDE Request and /or EOC Recommendation

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
SDE Administration	\$10,596,492	(\$526,353)	(\$533,296)	\$9,536,843	(\$1,059,649)

Rationale: As we have with so many agencies, we are asking the State Department of Education to continue to work to reduce administrative costs. With this in mind, we propose a 10 percent cut in the administrative budget of the State Department of Education funded under the Education Improvement Act. We also recognize the increase in administrative funds that the State Department of Education has received from the federal government to carry out the very same functions that the Education Accountability Act requires. We believe the department should make every effort to align administration and delivery of these functions with the larger pools of resources now available. The savings from this reduction will become a part of the National Board Certification funding, allowing us to invest more general fund dollars toward the Base Student Cost.

Proposed New Programs

High Schools that Work

The aim of this program is to increase the number of students who meet reading, math and science performance goals, and who complete an upgraded academic core and career focus. The key practices and conditions of High Schools That Work include: advocating accelerated learning and raising standards for all students, giving students the counseling, support, and extra help they need to plan and complete a challenging program of study; involving parents and the community in efforts to raise student achievement; and securing and effectively utilizing world class technology. The key practices relate directly to the No Child Left Behind Act requirements of assessment and accountability for results, flexibility and local control, and scientifically based research. All requested funds will flow through to school districts and career centers.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
High Schools That Work	–	–	\$500,000	\$500,000	\$500,000

Rationale: We join the Education Oversight Committee and the State Department of Education in supporting full funding for the 50 High Schools that Work sites in South Carolina. Consistent with the Pathways to Prosperity report, we believe this initiative will better prepare our students for the workforce. This program is one approach in improving the number of students graduating from our schools with both the academic and work force readiness skills needed to succeed.

Data Collection

Under the Education Accountability Act and the federal No Child Left Behind Act, the State Department of Education is required to collect student data. The State Department of Education has proposed a system using a unique student identifier and a data warehouse to store the information.

	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Data Collection	–	–	\$2,000,000	\$2,000,000	\$2,000,000
	<u>FY 2003-04 Per Appropriation Act</u>		<u>Governor's Adjustments</u>	<u>TOTAL</u>	<u>Difference</u>
Student Identifier	–	–	\$488,000	\$488,000	\$488,000

Rationale: With the data and reporting requirements under the Education Accountability Act and the No Child Left Behind Act, we are proposing funding for a unique student identifier and completing the data collection warehouse. The information collected will provide teachers, administrators, parents and policymakers

with additional tools in determining priorities in education funding. We propose directing this funding to the Education Oversight Committee to provide oversight of the research, outsourcing and implementation of this program. We also expect that this program, as it is implemented, will be designed to provide full confidentiality to students and their families.

South Carolina Education Lottery

South Carolina Education Lottery

Our chief goal for the South Carolina Education Lottery (Education Lottery) has been to move the maximum amount of dollars toward education. Since the beginning of the lottery through June 2003, only 29 cents of every dollar collected by the South Carolina Education Lottery has gone toward education. The remaining money is divided up into prize money (58 percent), operating expenses (6 percent), and retailer commissions (7 percent).

According to *LaFluer's 2002 World Lottery Almanac*, lottery states averaged a 32.4 percent return from lottery sales in FY 02. If our rate of return had been 32.4 percent from the beginning, an additional \$37.2 million would have been returned to the state for education. We recognize the lottery is a relatively new enterprise; therefore, the rate of return may not be as high as older lotteries. However, the Education Lottery has reached a point where we can expect more, and our budget reflects that aim.

In addition, we also believe more dollars should be dedicated to elementary and secondary education. Obviously, at the creation of the Education Lottery, a commitment was made to fund scholarships for students going to college. We maintain that commitment. However, there are two factors that are cause for concern. First, South Carolina currently ranks 49th in the nation for SAT scores. Though we have made progress over the past five years, we still

have a great deal more to accomplish. Second, our high school dropout rate ranks among the highest in the nation. According to a recent study by the Manhattan Institute, South Carolina has the second worst dropout rate, with nearly half of our students dropping out before graduation.

Throughout our education budget and the Education Improvement Act budget, we reviewed programs to focus spending on our top priority of getting more resources directly to the classroom. Within the Education Lottery budget, we look at the overall budget with a similar goal: getting more dollars into the classroom and more dollars into the public schools. Given the budget challenges we face, we must focus the resources we have available to ensure that we do better.

FY 2004-05 Budget Recommendations

\$236,663 ,000

Administration Allowance

- The Education Lottery's administrative costs are capped by statute at eight percent, with one percent going to advertising. However, in the last fiscal year, the Education Lottery managed to maintain operating expenses at roughly 5.6 percent. We propose capping those operating expenses at five percent for FY 04-05.

In recent years, and again in our budget proposal, we have asked nearly all agencies to do more with less, specifically with regard to administrative costs. We applaud

the Education Lottery for spending below their capped amount on administration. However, we are asking them to look deeper into their spending and find savings like all other state agencies have been expected to do. The end result will allow us to dedicate more of the proceeds to education.

Specifically, we believe that the agency's \$7 million advertising and marketing budget should be examined to determine if all expenditures are worthwhile expenses as it seems that a lot of that advertising has a minimal impact on sales. According to a study done by Maritz Research, one of the world's largest marketing research firms, only about five percent of the purchasers of lottery tickets in South Carolina were influenced by television advertising. Their research shows billboard and radio advertising were even less influential than television, yet our Education Lottery spends millions on these three expensive marketing mediums. According to the study, the most important factors influencing lottery purchases are relatively inexpensive or free, such as the size of the jackpot, awareness of winners, or point of sale materials.

Furthermore, we believe that comparing the Education Lottery's advertising budget with that of the Department of Parks, Recreation, and Tourism demonstrates the enormity of the agency's marketing budget. As we have mentioned, the Education Lottery projects to spend

\$7 million on advertising the lottery next year within the South Carolina market area. By contrast, the Department of Parks, Recreation, and Tourism only has a budget of \$11.8 million for marketing tourism, our state's largest industry, to potential visitors around the country and around the world.

Beyond expenses in paid space advertising, we have found many other specific marketing expenses that may not be necessary. For instance, last year the Education Lottery spent the following amounts on these items:

- \$6,157.20 on lip balm promotion
- \$9,395.57 for "Just Plain Fun" Battery Fans
- \$7,517 for summer koozies
- \$1,254.86 for promotional stress balls
- \$8,379 for holiday ornaments
- \$18,972.22 for "Caribbean Cash" beach towels.

A recent report by the South Carolina Legislative Audit Council (LAC) pointed out other questionable advertising expenditures, such as the \$173,800 paid in fees and expenses for an actor to participate in six days of production for lottery ads. We could provide other examples of the hundreds of thousands of dollars spent on promotional items and sponsorships. However, getting back to our overall aim of increasing the amount of funds going to our classrooms, we do not believe we should spend dollars on

such items at the expense of education. We propose dedicating the savings generated from capping the Education Lottery's administrative expenses to the Base Student Cost.

Commissions to Retailers

- At the creation of the Education Lottery, commissions to retailers were set at a minimum of seven percent. According to the 2003 LAC study, South Carolina ranks seventh highest among the 39 lottery states in retailer commissions. According to the LAC report, we pay well above the national average of 6.07 percent and nearly 40 percent more than states like Texas, Illinois, and Louisiana that pay commissions of around five percent. Furthermore, on top of the \$52.5 million budgeted for retailers' commissions, the Education Lottery has also budgeted an additional \$525,000 for "retailer incentives" this year.

Again, our chief aim is to reduce expenses in order to get more of the proceeds from the lottery into education spending. We propose reducing commissions to retailers from seven percent to six percent. Adjusting our commission percentage to be more in line with the national average will generate an additional \$7.5 million in funds for education. The net impact of this change will raise the Base Student Cost an additional \$8 per pupil.

Tuition Assistance Two-Year Institutions (Commission on Higher Education) – \$34,000,000.

- This is the same level of funding from FY 03-04.

LIFE Scholarships – \$60,014,796

- With the enactment of the Education Lottery, the law requires, "[t]he... proportion of general fund[s]...of the State expended for the total of public elementary, secondary, and higher education allocations in any fiscal year must not be less than the proportions in the fiscal year immediately before the fiscal year in which education revenues are first received from a state lottery." We propose reducing the general fund spending for LIFE Scholarships to \$51.5 million. In exchange, we propose increasing the amount of lottery dollars appropriated to LIFE Scholarships by \$20,014,796.

The chief purpose of the Education Lottery was to create a larger pool of resources for scholarships. It is this purpose that drives our proposal to increase the percent of scholarship funds actually funded from the Education Lottery.

HOPE Scholarships – \$6,500,000.

- This is the same level of funding from FY 03-04.

Palmetto Fellows Scholarships – \$7,285,204

- Again, under the Education Lottery Act, general fund spending for the Palmetto Fellows Scholarships cannot be below \$291,300, as was spent in FY 00-01. We propose reducing the general fund spending for the Palmetto Fellows Scholarship by \$2,285,204. In exchange, we increase Education Lottery spending on this program by the same amount. Just as with the LIFE Scholarship, our policy is driven by the chief purpose for the creation of the Education Lottery, which is college scholarships.

Need-Based Grants (Commission on Higher Education) – \$3,000,000.

- This is the same level of funding from FY 03-04.

Tuition Grants (Tuition Grants Commission) – \$3,000,000 .

- This is the same level of funding from FY 03-04.

National Guard Tuition Repayment Program (Commission on Higher Education) – \$1,500,000.

- This is the same level of funding from FY 03-04.

Endowed Chairs (Commission on Higher Education) – \$20,000,000.

- This is the third of a three-year funding proposal. Initially, the

endowed chairs program was to receive \$30 million annually for three years. At this point, very little of the funding has actually been drawn down for the endowed chairs program, but we do not expect that to remain the case. In an effort to maintain the commitment to endowed chairs, while providing funding at a pace that can be matched by our universities, we propose a reduction in the FY 04-05 appropriations from \$30 million to \$20 million. In exchange for that reduction in the next fiscal year, we also propose extending the life of the program an additional year to FY 05-06 at \$20 million. This would provide an aggregate increase of \$10 million to the endowed chair program.

South Carolina State University – \$3,000,000.

- Of the 33 colleges and universities in the state, South Carolina State University is the only one that receives any direct funding from the Education Lottery budget. We propose the same level of funding as FY 03-04 (\$3 million). However, we also propose requiring \$1 million of the funds to be dedicated to deferred maintenance of buildings on the campus.

When the Education Lottery was first created, South Carolina State University received \$2 million for research and technology grants. However, in the FY 03-04 budget, South Carolina State University received \$3 million toward general operations.

Technology: Public 4-Year Universities, 2-Year Institutions, and Technical Colleges – \$12,000,000.

- This is the same level of funding from FY 03-04.

K-5 Reading, Math, Science, and Social Studies Programs – \$40,000,000.

- In an effort to dedicate more dollars to public education, we propose funding this program at \$40 million, an increase of \$3 million from FY 03-04. These programs are basic education programs which, we believe, will provide students a stronger foundation for success in learning throughout elementary and secondary schools.

State Library – Aid to County Libraries – \$1,500,000.

- This is the same level of funding from FY 03-04.

Higher Education Excellence Enhancement Program (Commission on Higher Education) – \$3,000,000.

- This is the same level of funding from FY 03-04.

Education Accountability Act:

<i>EAA – Homework Centers</i>	\$ 1,548,440
<i>EAA – Teacher Specialist</i>	\$11,581,069
<i>EAA – Principal Specialist</i>	\$ 2,270,302
<i>EAA – External Review Teams</i>	\$ 1,466,872
<i>EAA – Retraining Grants</i>	\$ 4,637,000
Total	\$22,503,683

- This is the same level of funding from FY 03-04.

Base Student Cost – \$20,359,317

- Given the needs of our elementary and secondary education, we propose allocating \$20,359,317 to go directly to the Base Student Cost. This investment will increase the Base Student Cost by \$24.18 for FY 04-05.

Appendix

*Section A: FY 2004-05
Executive Budget*

*Section B: Organizational
Charts*

FY 2004-05 General Fund Revenue

FY 2004-05 BEA Estimate November, 2003	\$ 5,490,732,508
FY 2004-05 BEA Estimate of Property Tax Relief Trust Fund	\$ (505,158,783)
 Non-Recurring Revenue	
Federal Relief	\$ 65,295,399
Cash Surplus from Select Agencies Proviso 73.csa	\$ 10,000,000
Cash Surplus from SDE Operating Revenue - to be used for Base	
Student Cost Proviso 1.bsc	\$ 5,868,919
Sale of State Fleet Proviso 63.ssf	\$ 33,785,083
Sell Surplus Land Proviso 72.ssl	\$ 31,691,250
Contribution of Ports Authority-Sale of Port RoyalProviso 53C.spr	\$ 12,500,000
Closure of Central Supply - Sale of Assets	\$ 167,800
 Subtotal Non-Recurring Revenue	 \$ 159,308,451
 Net General Fund Revenue	 \$ 5,144,882,176

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
1		Department of Education								1
2										2
3		H63	1,702,582,473							3
4		Reduction in Travel, Meals, Fees & Registration (15%)added to Base Student Cost (BSC)				(212,921)				4
5		Reduce Phone Expenditures (15%) added to BSC				(81,602)				5
6		National Board Certification (NBC)	36,803,080							6
7		Additional Recipients Eligible for NBC Salary Supplement		4,386,920						7
8		Discontinue Application Fee redirected to BSC					(4,600,000)			8
9		Redirect Application Fee to BSC		4,600,000						9
10		Change Source of Funds to EIA (See EIA Section)				(22,102,206)				10
11		Funding for Base Student Cost - redirected from NBC source of funds change		22,102,206						11
12		Funding for Base Student Cost from Federal Relief and funds redirected from CHE		65,538,791						12
13		Superintendent of Education 10% Reduction of Administration to BSC								13
14		Superintendent's Office					(142,961)			14
15		Board of Education					(7,182)			15
16		Curriculum Svcs & Assessment					(305,954)			16
17		Professional Development & School Quality					(268,746)			17
18		District & Community Services					(490,612)			18
19		Governmental Affairs					(46,941)			19
20		SC Aquarium-curriculum devel. Proviso 1.23-added to BSC					(75,000)			20
21		Arch & History (Historical works) Proviso 1.51 - added to BSC					(43,000)			21
22		SAT Prep Bonus Proviso 1.36 - added to BSC					(150,000)			22
23		Principal Mentors - Special Item - added to BSC					(58,722)			23
24		Character Education - Special Item - added to BSC					(226,792)			24
25		Aid Other St Agency - Adult Education - added to BSC					(425,085)			25
26		Aid Other St Agency - DPS School Bus Safety - added to BSC					(98,595)			26
27		Archibald Rutledge Scholarship - added to BSC					(16,328)			27
28		Aid to Cnty - Attendance Supervisor Per County Proviso 1.2 - added to BSC					(532,966)			28
29		Aid to Cnty - Lunch Supervisor Per County Proviso 1.2 - added to BSC					(532,966)			29
30		Status Offender Funds Formerly to John de la HoweProviso 1.50 - added to BSC					(534,516)			30
31		Santee Cooper contribution to SDE as Other Funds for Base Student Cost \$2,750,000								31
32		Reduction of SDE programs \$4,250,889, Redirect CHE Access & Equity \$300,000		4,550,889						32

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
33		BSC Increase Funded by Year-end Cash Surplus From Operating Revenue (Proviso 1.bsc)		5,868,919				76,094,630	1,815,480,183	33
34		Reduction of SDE programs and CHE Access & Equity \$4,550,889; Cash Surplus \$5,868,919; Santee Cooper Contribution \$2,750,000 will increase the BSC \$13,169,808 or \$22 per pupil								34
35										35
36	L12	John de la Howe School	3,251,509							36
37		School to be Closed - Funding for Students in Wil Lou Gray Budget					(3,251,509)	(3,251,509)	0	37
38										38
39	H71	Wil Lou Gray Opportunity School	2,660,658							39
40		Cost savings from consolidation - 18% of Administration			(94,102)					40
41		Savings Directed to Wil Lou Gray Student Cost		94,102						41
42		Reduction in Travel, Meals, Fees & Registration (15%)				(3,365)				42
43		Reduce Phone Expenditures (15%)				(4,887)				43
44		Oversight of the Placement of John de la Howe Students		50,000						44
45		Scholarships for John de la Howe Students (Proviso 2.sp)		780,000				821,748	3,482,406	45
46										46
47	H75	School for the Deaf & the Blind	11,621,380							47
48		Cost savings from consolidation - 18% of Administration			(364,174)					48
49		Savings Directed to Deaf & Blind School Student Cost		364,174				0	11,621,380	49
50										50
51		Total Department of Education	1,756,919,100	108,336,001	(458,276)	(22,404,981)	(11,807,875)	73,664,869	1,830,583,969	51
52										52
53										53
54	H03	Commission on Higher Education	105,409,666							54
55		Redirect Cost Savings from Closing of USC Union & Salkehatchie Campuses & USC Sumter Central Carolina Collaborative Effort to MRR		1,259,511						55
56		Reduction in Travel, Meals, Fees & Registration (15%)				(40,235)				56
57		Reduce Phone Expenditures (15%)				(4,202)				57
58		Reduce Administration and Redirect to MRR		100,000			(100,000)			58
59		Access & Equity Part IA & Proviso 5A.4 (H63) - added to Base Student Cost					(300,000)			59
60		Performance Funding (New lines added to General Fund for EPSCoR and SC State)					(2,463,806)			60
61		EPSCoR (Previously allocated from CHE by proviso)		1,539,524						61
62		Gear-Up (FY 03-04 Proviso 73.2 Funding)		600,000						62
63		HEAP Higher Education Awareness Program(FY 03-04 Proviso 73.2 Funding)		402,250						63
64		SREB (FY 03-04 Proviso 73.2 Funding)		341,456						64
65		Reapplication Scholarships - Palmetto Fellows (FY 03-04 Proviso 73.2 Funding)(Proviso 5A.17)		200,000						65
66		LIFE & Palmetto Fellows Scholarships - Scholarships funded in Lottery Budget; General funds redirected to Base Student Cost and Medicaid				(22,300,000)				66
67		Professor of the Year - Special Item					(15,000)			67
68		Eliminate Arts Program - Special Item					(10,378)			68
69		Total Commission on Higher Education	105,409,666	4,442,741	0	(22,344,437)	(2,889,184)	(20,790,880)	84,618,786	69
70										70
71	H06	Higher Education Tuition Grants	19,671,590							71
72		Reduction in Travel, Meals, Fees & Registration (15%)				(1,469)				72
73		Reduce Phone Expenditures (15%)				(1,471)				73
74		Total Higher Education Tuition Grants	19,671,590	0	0	(2,940)	0	(2,940)	19,668,650	74
75										75
76	H09	The Citadel	14,028,675							76
77		Reduction in Travel, Meals, Fees & Registration (15%)				(97,633)				77
78		Reduce Phone Expenditures (15%)				(172,707)				78
79		Coeducational Initiative (Assimilation of women)					(1,110,000)			79
80		Operating Expenses		832,500						80
81		Total The Citadel	14,028,675	832,500	0	(270,340)	(1,110,000)	(547,840)	13,480,835	81
82										82
83	H12	Clemson University (E&G)	85,938,709							83
84		Reduction in Travel, Meals, Fees & Registration (15%)				(1,037,158)				84

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
85		Reduce Phone Expenditures (15%)				(677,866)				85
86		Wireless Communication Research		500,000						86
87		Savings Derived From Collaborative Effort Among Research Universities (Proviso 72.cru)					(1,289,081)			87
88		Total Clemson University	85,938,709	500,000	0	(1,715,024)	(1,289,081)	(2,504,105)	83,434,604	88
89		H15 University of Charleston	26,134,448							89
90		Reduction in Travel, Meals, Fees & Registration (15%)				(183,815)				90
91		Reduce Phone Expenditures (15%)				(152,436)				91
92		Reduction of funding because of agency contract with lobbyist (Proviso 72.pl)					(17,950)			92
93		Total University of Charleston	26,134,448	0	0	(336,251)	(17,950)	(354,201)	25,780,247	93
94		H17 Coastal Carolina University	11,213,779							94
95		Reduction in Travel, Meals, Fees & Registration (15%)				(147,793)				95
96		Reduce Phone Expenditures (15%)				(66,958)				96
97		Eliminate Funding for Pawley's Island Campus					(235,040)			97
98		Reduction of funding because of agency contract with lobbyist (Proviso 72.pl)					(60,000)			98
99		Total Coastal Carolina University	11,213,779	0	0	(214,751)	(295,040)	(509,791)	10,703,988	99
100		H18 Francis Marion University	12,632,961							100
101		Reduction in Travel, Meals, Fees & Registration (15%)				(72,819)				101
102		Reduce Phone Expenditures (15%)				(18,274)				102
103		Omega Project - Special Item					(56,147)			103
104		Total Francis Marion University	12,632,961	0	0	(91,093)	(56,147)	(147,240)	12,485,721	104
105		H21 Lander University	9,076,491							105
106		Reduction in Travel, Meals, Fees & Registration (15%)				(37,530)				106
107		Reduce Phone Expenditures (15%)				(19,665)				107
108		Academic Initiative - Special Item					(575,000)			108
109		Operating Expenses		287,500						109
110		Total Lander University	9,076,491	287,500	0	(57,195)	(575,000)	(344,695)	8,731,796	110
111		H24 South Carolina State University	19,971,498							111
112		Reduction in Travel, Meals, Fees & Registration (15%)				(158,175)				112
113		Reduce Phone Expenditures (15%)				(194,445)				113
114		Transportation Center (Previously allocated from CHE by proviso)		462,141						114
115		School of Business (Previously allocated from CHE by proviso)		462,141						115
116		Reduction of funding because of agency contract with lobbyist (Proviso 72.pl)					(35,000)			116
117		Total South Carolina State University	19,971,498	924,282	0	(352,620)	(35,000)	536,662	20,508,160	117
118		H27 USC - Columbia	148,286,255							118
119		Reduction in Travel, Meals, Fees & Registration (15%)				(963,765)				119
120		Reduce Phone Expenditures (15%)				(956,681)				120
121		Savings Derived From Collaborative Effort Among Research Universities(Proviso 72.cru)					(2,224,294)			121
122		School Improvement Council Proviso 5K.3					(100,000)			122
123		Nano Technology Research		1,000,000						123
124		Guardian ad Litem - formerly under the Governor's Office OEPP								124
125		Transferred to USC Children's Law Office	269,090							125
126		Total USC - Columbia	148,555,345	1,000,000	0	(1,920,446)	(2,324,294)	(3,244,740)	145,310,605	126
127		H29 USC - Aiken	9,349,575							127
128		Reduction in Travel, Meals, Fees & Registration (15%)				(49,045)				128
129		Reduce Phone Expenditures (15%)				(22,170)				129
130		Total USC - Aiken	9,349,575	0	0	(71,215)	0	(71,215)	9,278,360	130
131		H34 USC - Spartanburg	10,535,981							131
132		Reduction in Travel, Meals, Fees & Registration (15%)				(79,510)				132

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
140		Reduce Phone Expenditures (15%)				(27,328)				140
141		Total USC - Spartanburg	10,535,981	0	0	(106,838)	0	(106,838)	10,429,143	141
142										142
143	H36	USC - Beaufort	1,995,709							143
144		Reduction in Travel, Meals, Fees & Registration (15%)				(17,408)				144
145		Reduce Phone Expenditures (15%)				(9,151)				145
146		Total USC - Beaufort	1,995,709	0	0	(26,559)	0	(26,559)	1,969,150	146
147										147
148	H37	USC - Lancaster	2,309,895							148
149		Reduction in Travel, Meals, Fees & Registration (15%)				(3,759)				149
150		Reduce Phone Expenditures (15%)				(9,069)				150
151		Total USC - Lancaster	2,309,895	0	0	(12,828)	0	(12,828)	2,297,067	151
152										152
153	H38	USC - Salkehatchie	2,043,836							153
154		3 Year Phase-Out 1/3 Appropriation Reduction TB = 2,043,836(savings directed to CHE MRR)					(681,279)			154
155		Salkehatchie Leadership -Special Item					(100,460)			155
156		Total USC - Salkehatchie	2,043,836	0	0	0	(781,739)	(781,739)	1,262,097	156
157										157
158	H39	USC - Sumter	3,710,339							158
159		Reduction in Travel, Meals, Fees & Registration (15%)				(10,311)				159
160		Reduce Phone Expenditures (15%)				(12,632)				160
161		Savings Derived From Collaborative Effort With Central Carolina (Proviso 72.csc) savings directed to CHE MRR					(111,310)			161
162		Total USC - Sumter	3,710,339	0	0	(22,943)	(111,310)	(134,253)	3,576,086	162
163										163
164	H40	USC - Union	905,182							164
165		3 Year Phase-Out 1/3 Appropriation Reduction TB = 905,182 (savings directed to CHE MRR)					(301,727)			165
166		Total USC - Union	905,182	0	0	0	(301,727)	(301,727)	603,455	166
167										167
168	H47	Winthrop University	19,539,367							168
169		Reduction in Travel, Meals, Fees & Registration (15%)				(101,583)				169
170		Reduce Phone Expenditures (15%)				(148,132)				170
171		Total Winthrop University	19,539,367	0	0	(249,715)	0	(249,715)	19,289,652	171
172										172
173	H51	MUSC	81,698,420							173
174		Reduction in Travel, Meals, Fees & Registration (15%)				(496,275)				174
175		Reduce Phone Expenditures (15%)				(1,041,497)				175
176		Savings Derived From Collaborative Effort Among Research Universities (Proviso 72.cru)					(1,225,476)			176
177		Total MUSC	81,698,420	0	0	(1,537,772)	(1,225,476)	(2,763,248)	78,935,172	177
178										178
179	H53	Area Health Education Consortium	14,575,805							179
180		Reduction in Travel, Meals, Fees & Registration (15%)				(22,271)				180
181		Reduce Phone Expenditures (15%)				(13,007)				181
182		Reduce Administrative Costs				(246,505)				182
183		Student Development & Diversity Program					(467,441)			183
184		Reduction of Family Practice Residency Training Program					(262,500)			184
185		Reduction of Graduate Doctor Education Program					(262,500)			185
186		Total Area Health Education Consortium	14,575,805	0	0	(281,783)	(992,441)	(1,274,224)	13,301,581	186
187										187
188	H59	Technical & Comp. Education	141,577,938							188
189		Reduction in Travel, Meals, Fees & Registration (15%) (Tech Bd)				(100,502)				189
190		Reduce Phone Expenditures (15%) (Tech Bd)				(13,064)				190
191		Reduction in Travel, Meals, Fees & Registration (15%) Tech Colleges				(679,239)				191
192		Reduce Phone Expenditures (15%) Tech Colleges				(389,840)				192
193		Savings Derived From Collaborative Effort With Central Carolina & USC Sumter (Proviso 72.csc) savings directed to CHE MRR				(165,195)				193
194		Reduction of funding because of agency contract with lobbyist Trident Tech & Florence-Darlington Tech (Proviso 72.pl)					(80,000)			194
195		Santee Cooper Contribution of \$1 million will be directed to Tech Bd as Other Funds for Pathways to Prosperity								195

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
196		Total Technical & Comp. Education	141,577,938	0	0	(1,347,840)	(80,000)	(1,427,840)	140,150,098	196
197										197
198	H67	Educational Television	14,253,210							198
199		Close Vehicle Maintenance Shop - Operating Costs (Proviso 63.ssf) 1st qtr transition				(125,114)				199
200		Reduction in Travel, Meals, Fees & Registration (15%)				(48,953)				200
201		Reduce Phone Expenditures (15%)				(46,350)				201
202		Total Educational Television	14,253,210	0	0	(220,417)	0	(220,417)	14,032,793	202
203										203
204										204
205		Health Care Agencies								205
206										206
207		Dept of Health Oversight and Finance								207
208	J02	(formerly Dept. of Health & Human Services)	552,474,860							208
209		Recurring Funding for Medicaid		140,000,000						209
210		Proviso 8.28 & 8.29 additional \$40 million for Medicaid								210
211		Santee Cooper contribution to DHOF as Other Funds for Medicaid \$2,750,000								211
212		Reduction in Travel, Meals, Fees & Registration (15%)				(45,685)				212
213		Reduce Phone Expenditures (15%)				(109,693)				213
214		McCormick Intergeneration - Special Item					(8,841)			214
215		Office on Aging Transferred to Department of Human Services	(2,796,510)					139,835,781	689,514,131	215
216										216
217	J20	Division of Addiction Services	7,950,683							217
218		(formerly Dept. of Alcohol & Other Drug Abuse Services)								218
219		Cost savings from consolidation - 80% of Administration			(1,283,780)					219
220		Reduction in Travel, Meals, Fees & Registration (15%)				(7,481)				220
221		Reduce Phone Expenditures (15%)				(7,661)				221
222		Eliminate DARE program Proviso 1.49 (SDE)					(25,000)			222
223		Rent Savings				(222,288)		(1,546,210)	6,404,473	223
224										224
225										225
226		Department of Health Services								226
227										227
228										228
229	J04	Division of Public Health (formerly DHEC (Health))	86,157,851							229
230		Cost savings from consolidation - 18% of Admin. (Health) 5% of Case Management			(4,418,035)					230
231		Close Vehicle Maintenance Shop - Operating Costs (Proviso 63.ssf) 1st qtr transition				(121,184)				231
232		Reduction in Travel, Meals, Fees & Registration (15%)				(400,344)				232
233		Reduce Phone Expenditures (15%)				(253,839)				233
234		Savings From Streamlining of Access to Care as Suggested by Agency				(1,750,000)				234
235		Change Source of Funding Hlth Care Stds Radiological Monitoring				(100,192)				235
236		Lancaster Kershaw Health Center - Special Item					(192,000)	(7,235,594)	78,922,257	236
237										237
238	J12	Division of Mental Health (formerly Dept. of Mental Health)	167,743,910							238
239		Cost savings from consolidation - 18% of Admin. 5% of Case Management			(8,195,505)					239
240		Reduction in Travel, Meals, Fees & Registration (15%)				(26,906)				240
241		Reduce Phone Expenditures (15%)				(56,262)				241
242		Forensic Capacity - Proviso 73.2 Funding		2,125,000						242
243		Sexual Predator Prog. - Proviso 73.2 Funding		750,000						243
244		Savings From Outsourcing Pharmacy Services				(1,112,800)				244
245		Operating Savings from Closing the State Hospital Campus				(5,300,000)				245
246		Continuum of Care - Transferred from DSS (Proviso 10.cc)	4,080,716					(11,816,473)	160,008,153	246
247										247
248	J16	Division of Disabilities & Special Needs	139,248,341							248
249		(formerly Dept of Disabilities & Special Needs)								249
250		Cost savings from consolidation - 18% of Admin. 5% of Case Management			(2,793,061)					250
251		Close Vehicle Maintenance Shop - Operating Costs (Proviso 63.ssf) 1st qtr transition				(52,500)				251

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
252		Reduction in Travel, Meals, Fees & Registration (15%)				(56,131)				252
253		Reduce Phone Expenditures (15%)				(1,450)		(2,903,142)	136,345,199	253
254										254
255										255
256										256
257		Department of Human Services								257
258										258
259	L04	(formerly Dept of Social Services)	92,534,388							259
260		Cost savings from consolidation - 18% of Admin. 5% of Case Management			(3,685,579)					260
261		Reduction in Travel, Meals, Fees & Registration (15%)				(112,520)				261
262		Reduce Phone Expenditures (15%)				(77,291)				262
263		Child Support Enforcement Automated System		13,000,000						263
264		Restore Adoption Incentives from \$250 to \$1,500		575,000						264
265		CR Neal Center Proviso 13.20					(200,000)			265
266		Greenville Urban League - Special Item					(18,389)			266
267		Office of Aging Transferred from DHOF	2,796,510							267
268		Continuum of Care Transferred to Mental Health	(4,080,716)					9,481,221	100,731,403	268
269										269
270	H73	Division of Vocational Rehabilitation	12,388,877							270
271		Cost savings from consolidation - 18% of Admin.			(628,357)					271
272		Reduction in Travel, Meals, Fees & Registration (15%)				(6,716)				272
273		Reduce Phone Expenditures (15%)				(16,409)		(651,482)	11,737,395	273
274										274
275	L24	Division for the Blind (formerly Commission for the Blind)	2,984,094							275
276		Cost savings from consolidation - 18% of Admin.			(163,890)					276
277		Reduction in Travel, Meals, Fees & Registration (15%)				(1,980)				277
278		Reduce Phone Expenditures (15%)				(9,091)		(174,961)	2,809,133	278
279										279
280		Total Health and Human Services Agencies	1,061,483,004	156,450,000	(21,168,207)	(9,848,424)	(444,230)	124,989,139	1,186,472,143	280
281										281
282										282
283		Department of Literary and Cultural Resources								283
284										284
285	H95	Museum Commission	4,597,045							285
286		Phase-in of elimination Year 1 of 3 TB = 4,597,045					(1,532,348)	(1,532,348)	3,064,697	286
287										287
288	H79	Division of Archives and History (formerly Dept. of Archives & History)	3,504,811							288
289		Cost savings from consolidation - 18% of Administration			(160,935)					289
290		Reduction in Travel, Meals, Fees & Registration (15%)				(6,409)				290
291		Reduce Phone Expenditures (15%)				(5,096)		(172,440)	3,332,371	291
292										292
293	H87	State Library	6,699,815							293
294		Cost savings from consolidation - 18% of Administration			(67,191)					294
295		Reduction in Travel, Meals, Fees & Registration (15%)				(3,497)				295
296		Reduce Phone Expenditures (15%)				(3,876)				296
297		Continuing Education Coordinator Transferred to Federal Funds				(65,846)		(140,410)	6,559,405	297
298										298
299	H91	Division of the Arts (formerly Arts Commission)	3,384,937							299
300		Cost savings from consolidation - 18% of Administration			(165,071)					300
301		Reduction in Travel, Meals, Fees & Registration (15%)				(13,972)				301
302		Reduce Phone Expenditures (15%)				(4,013)				302
303		Reduction from Combining Similar Arts Programs					(75,000)			303
304		Aid Municipal Govts - Restricted					(44,096)			304
305		Aid County - Restricted					(42,525)			305
306		Aid Other State Agencies					(57,268)			306
307		Aid to Private Sector					(75,000)	(476,945)	2,907,992	307

Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
308									308
309	Total Department of Literary and Cultural Resources	18,186,608	0	(393,197)	(102,709)	(1,826,237)	(2,322,143)	15,864,465	309
310									310
311	P16 Department of Agriculture	5,148,861							311
312	Reduction in Travel, Meals, Fees & Registration (15%)				(52,942)				312
313	Reduce Phone Expenditures (15%)				(9,662)				313
314									314
315	Total Department of Agriculture	5,148,861	0	0	(62,604)	0	(62,604)	5,086,257	315
316									316
317	P20 Clemson PSA	38,485,992							317
318	Reduction in Economic, Community and Youth Development Outreach					(2,731,744)			318
319	Reduction in Environmental Conservation Research and Outreach					(2,730,541)			319
320	Reduction in Food Safety and Nutrition Research and Outreach					(2,666,919)			320
321	Reduction in General Funds to be offset by proceeds from sale of Sandhills property				(7,510,000)				321
322	Funds from Sale of Sandhills as Other Funds for Operating Expenses \$7,510,000								322
323	Total Clemson PSA	38,485,992	0	0	(7,510,000)	(8,129,204)	(15,639,204)	22,846,788	323
324									324
325	P21 SC State PSA	1,521,147							325
326	Reduction in Travel, Meals, Fees & Registration (15%)				(1,500)				326
327	Reduce Phone Expenditures (15%)				(6,000)				327
328	Total SC State PSA	1,521,147	0	0	(7,500)	0	(7,500)	1,513,647	328
329									329
330									330
331	Department of Environment and Natural Resources								331
332									332
333	P24 Division of Natural Resources (formerly Dept. of Natural Resources)	20,142,135							333
334	Cost savings from consolidation - 18% of Administration			(965,514)					334
335	Reduction in Travel, Meals, Fees & Registration (15%)				(41,145)				335
336	Reduce Phone Expenditures (15%)				(86,872)				336
337	Savings from Consolidation of Education Programs				(251,250)				337
338	Wildlife magazine self-sufficient Proviso 24.4				(410,000)				338
339	Charge a \$16 Fee for the Hunter Safety Course (Proviso 24.hsc)				(280,960)		(2,035,741)	18,106,394	339
340									340
341	J04 Division of Environmental Protection	19,741,007							341
342	(formerly Dept. of Health & Environmental Control (Environmental))								342
343	Cost savings from consolidation - 18% of Administration			(1,081,540)					343
344	Reduction in Travel, Meals, Fees & Registration (15%)				(106,421)				344
345	Reduce Phone Expenditures (15%)				(67,476)				345
346	Savings from Lab and Research Consolidation with DNR and Forestry				(150,000)				346
347	Savings from Data Research Consolidation DNR and Forestry				(150,000)				347
348	Eliminate state approp for inspections of pools under construction (Proviso 9.spi)				(212,955)				348
349	Reduction Coastal Zone Education					(69,639)	(1,838,031)	17,902,976	349
350									350
351	P12 Division of Forestry (formerly Forestry Commission)	14,660,108							351
352	Cost savings from consolidation - 18% of Administration			(395,971)					352
353	Close Vehicle Maintenance Shop - Operating Costs Proviso 63.ssf) 1st qtr transition				(429,660)				353
354	Reduction in Travel, Meals, Fees & Registration (15%)				(32,312)				354
355	Reduce Phone Expenditures (15%)				(45,575)				355
356	Field Trial Area - Special Item					(30,000)			356
357	Eliminate Seedling Program (Proviso 21.sp)					(236,008)			357
358	Savings from Consolidation of Education Programs				(251,250)				358
359	Reduction - Resource Management				(211,758)				359
360	Reduction - Urban Resource Management					(118,431)			360
361	Reduction - Wildlife/Urban Interface					(232,901)			361
362	Reduction Law Enforcement				(82,543)				362
363	Reduction Forest Landowners Assist - Protection & Info Tech				(120,337)				363

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
364		Reduction State Forests					(177,152)	(2,363,898)	12,296,210	364
365										365
366		Total Department of Environment and Natural Resources	54,543,250	0	(2,443,025)	(2,930,514)	(864,131)	(6,237,670)	48,305,580	366
367										367
368										368
369		P26 Sea Grant Consortium	436,100							369
370		Reduction in Travel, Meals, Fees & Registration (15%)				(2,382)				370
371		Reduce Phone Expenditures (15%)				(1,240)				371
372		Total Sea Grant Consortium	436,100	0	0	(3,622)	0	(3,622)	432,478	372
373										373
374		P28 Parks, Recreation & Tourism	28,215,780							374
375		Reduction in Travel, Meals, Fees & Registration (15%)				(100,319)				375
376		Reduce Phone Expenditures (15%)				(89,513)				376
377		Santee Cooper contribution to PRT as Other Funds for Advertising \$4,000,0000								377
378		Eliminate off-line pass thru's					(959,000)			378
379		Contributions - Special Item					(441,552)			379
380		1/2 Contributions & Pass-Thrus Invested into TMPP competitive grants program		700,276						380
381		Palmetto Trails					(100,000)			381
382		Privatize Hotel, Restaurants, Retail and Golf Course Operations (Proviso 26.ph)				(1,410,000)				382
383		Total Parks, Recreation & Tourism	28,215,780	700,276	0	(1,599,832)	(1,500,552)	(2,400,108)	25,815,672	383
384										384
385		Department of Commerce								385
386										386
387										387
388		P32	10,957,524							388
389		Operating Exp - Proviso 73.2 (Fund \$750,000 from sale of fractional jet - Proviso 27.rl)								389
390		Reduction in Travel, Meals, Fees & Registration (15%)				(110,702)				390
391		Reduce Phone Expenditures (15%)				(24,537)				391
392		Santee Cooper contribution to Commerce as Other Funds for Business Recruitment/CAP \$2,500,000								392
393		Savings from FY 03-04 Reduction of Staff				(1,000,000)		(1,135,239)	9,822,285	393
394										394
395		F03 Office of Local Government (formerly B&C Bd - Office of Local Govt)	3,931,576							395
396		Reduce Phone Expenditures (15%)				0				396
397		Local Govt Restructured Dept. of Commerce - 18% Administration			(68,926)			(68,926)	3,862,650	397
398										398
399		P34 Jobs Economic Development Authority	0						0	399
400										400
401		Total Department of Commerce	14,889,100	0	(68,926)	(1,135,239)	0	(1,204,165)	13,684,935	401
402										402
403										403
404		P40 Conservation Bank <i>Budget Requires No Delay in Funding</i>	0						0	404
405										405
406										406
407		E20 Attorney General	6,443,014							407
408		Reduction in Travel, Meals, Fees & Registration (15%)				(14,362)				408
409		Reduce Phone Expenditures (15%)				(21,350)				409
410		Total Attorney General	6,443,014	0	0	(35,712)	0	(35,712)	6,407,302	410
411										411
412		E21 Prosecution Coordination Commission	8,086,567							412
413		Reduction in Travel, Meals, Fees & Registration (15%)				(1,252)				413
414		Reduce Phone Expenditures (15%)				(984)				414
415		Total Prosecution Coordination Comm.	8,086,567	0	0	(2,236)	0	(2,236)	8,084,331	415
416										416
417		E22 Office of Appellate Defense	875,883							417
418		Reduce Phone Expenditures (15%)				(929)				418
419		Total Office of Appellate Defense	875,883	0	0	(929)	0	(929)	874,954	419

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
420										420
421	E23	Commission on Indigent Defense	3,576,250							421
422		Reduction in Travel, Meals, Fees & Registration (15%)				(266)				422
423		Reduce Phone Expenditures (15%)				(583)				423
424		Total Commission on Indigent Defense	3,576,250	0	0	(849)	0	(849)	3,575,401	424
425										425
426	K05	Department of Public Safety	62,415,338							426
427		Reduction in Travel, Meals, Fees & Registration (15%)				(81,418)				427
428		Reduce Phone Expenditures (15%)				(167,229)				428
429		Building Fund Savings				(1,800,000)				429
430		Renovate Criminal Justice Academy		600,000						430
431		Savings from Consolidation of Dispatch Offices				(750,000)				431
432		Eliminate DARE Program Proviso 36.16					(200,000)			432
433		Total Department of Public Safety	62,415,338	600,000	0	(2,798,647)	(200,000)	(2,398,647)	60,016,691	433
434										434
435	R40	Division of Motor Vehicles	26,886,258							435
436		Reduction in Travel, Meals, Fees & Registration (15%)				(5,350)				436
437		Reduce Phone Expenditures (15%)				(250,844)				437
438		Savings from moving IT functions in-house				(1,800,000)				438
439		Savings from outsourcing license plates, regist., etc.				(1,500,000)				439
440		Savings from Reduction in Force				(450,000)				440
441		Plate Transfer Fee to \$10 - Agency to Collect & Retain Revenue (Other Funds Increase) (Proviso 36A.lpt)				(2,596,944)				441
442		CDL Skills Test to \$25 Allow Agency to Collect & Retain Revenue (Other Funds Incr.) (Proviso 36A.cdl)				(402,625)				442
443		Savings from Reducing Hours in Underutilized Offices (Proviso 36A.lis)				(901,000)				443
444		Total Division of Motor Vehicles	26,886,258	0	0	(7,906,763)	0	(7,906,763)	18,979,495	444
445										445
446		Department of Corrections and Probation								446
447										447
448	N04	Division of Corrections (formerly Dept. of Corrections)	257,808,695							448
449		Operating Expenses		19,000,000			0	19,000,000	276,808,695	449
450										450
451	N08	Division of Probation, Parole and Pardon Services	18,945,355							451
452		(formerly Dept. of Probation, Parole & Pardon Services)								452
453		Cost savings from consolidation - 18% of Administration				(1,116,008)				453
454		Reduction in Travel, Meals, Fees & Registration (15%)				(56,289)				454
455		Reduce Phone Expenditures (15%)				(67,089)	0	(1,239,386)	17,705,969	455
456										456
457										457
458		Total Department of Corrections & Probation	276,754,050	19,000,000	(1,116,008)	(123,378)	0	17,760,614	294,514,664	458
459										459
460	N12	Department of Juvenile Justice	65,094,428							460
461		Reduction in Travel, Meals, Fees & Registration (15%)				(14,308)				461
462		Reduce Phone Expenditures (15%)				(132,200)				462
463		Funding for Proviso 73.2		1,625,115						463
464		Health care savings				(600,000)				464
465		Expand Wilderness Camp for Females		754,540						465
466		Costs Associated with Renovations to John de la Howe Facility		150,000						466
467		Savings from Consolidating Facilities				(1,500,000)				467
468		Total Department of Juvenile Justice	65,094,428	2,529,655	0	(2,246,508)	0	283,147	65,377,575	468
469										469
470	L36	Human Affairs Commission	1,747,426							470
471		Reduction in Travel, Meals, Fees & Registration (15%)				(914)				471
472		Reduce Phone Expenditures (15%)				(6,460)				472
473		Total Human Affairs Commission	1,747,426	0	0	(7,374)	0	(7,374)	1,740,052	473
474										474

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
475										475
476	L46	Commission on Minority Affairs	360,780							476
477		Reduction in Travel, Meals, Fees & Registration (15%)				(1,970)				477
478		Reduce Phone Expenditures (15%)				(2,232)				478
479		Total Commission on Minority Affairs	360,780	0	0	(4,202)	0	(4,202)	356,578	479
480										480
481	R08	Workers' Compensation Commission	2,950,905							481
482		Reduce Phone Expenditures (15%)				(5,478)				482
483		Total Workers' Compensation Commission	2,950,905	0	0	(5,478)	0	(5,478)	2,945,427	483
484										484
485	R20	Department of Insurance	3,786,401							485
486		Agency Funded From Fees Except for Director Proviso 47.tf				(3,658,306)	0			486
487		Total Department of Insurance	3,786,401	0	0	(3,658,306)	0	(3,658,306)	128,095	487
488										488
489	R28	Department of Consumer Affairs	1,652,916							489
490		Reduction in Travel, Meals, Fees & Registration (15%)				(1,714)				490
491		Reduce Phone Expenditures (15%)				(5,861)				491
492		Total Department of Consumer Affairs	1,652,916	0	0	(7,575)	0	(7,575)	1,645,341	492
493										493
494	R36	Dept of Labor, Licensing & Regulation	4,750,742							494
495		Reduction in Travel, Meals, Fees & Registration (15%)				(179,367)				495
496		Reduce Phone Expenditures (15%)				(51,936)				496
497		Savings from Office Space Consolidation				(263,205)				497
498		Total Dept of Labor, Licensing & Regulation	4,750,742	0	0	(494,508)	0	(494,508)	4,256,234	498
499										499
500	R60	Employment Security Commission	176,049							500
501		Reduction in Travel, Meals, Fees & Registration (15%)				(14,329)				501
502		Reduce Phone Expenditures (15%)				(12,703)				502
503		Total Employment Security Commission	176,049	0	0	(27,032)	0	(27,032)	149,017	503
504										504
505	U12	Department of Transportation	990							505
506		Mass Transit					(990)			506
507		Total Department of Transportation	990	0	0	0	(990)	(990)	0	507
508										508
509	A01	Senate	8,842,187					0	8,842,187	509
510										510
511	A05	House	10,455,110					0	10,455,110	511
512										512
513	A15	Legislative Council	2,502,042					0	2,502,042	513
514										514
515	A17	Legislative Printing	3,087,674					0	3,087,674	515
516										516
517	A20	Legislative Audit Council	968,209					0	968,209	517
518										518
519	B04	Judicial Department	31,812,917					0	31,812,917	519
520										520
521										521
522	B06	Sentencing Guidelines Commission	0					0		522
523		Eliminated by Proviso 73.2 in FY 03-04								523
524		Total Sentencing Guidelines Commission	0	0	0	0	0	0	0	524
525										525
526	D10	Governor's Office - SLED	27,138,046							526
527		Reduction in Travel, Meals, Fees & Registration (15%)				(31,413)	0			527
528		Reduce Phone Expenditures (15%)				(60,188)				528
529		Total Governor's Office - SLED	27,138,046	0	0	(91,601)	0	(91,601)	27,046,445	529
530										530

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
531	D25	Governor's Office Division of State Inspector General								531
532		Establish Inspector's Office		400,000						532
533		Total Governor's Office Div. of State Inspector General	0	400,000	0	0	0	400,000	400,000	533
534										534
535	D20	Governor's Office - Mansion	410,840					0	410,840	535
536										536
537	E12	Comptroller General	4,012,894							537
538		Reduction in Travel, Meals, Fees & Registration (15%)				(3,014)				538
539		Reduce Phone Expenditures (15%)				(4,989)				539
540		Total Comptroller General	4,012,894	0	0	(8,003)	0	(8,003)	4,004,891	540
541										541
542	E16	State Treasurer	2,431,502							542
543		Reduction in Travel, Meals, Fees & Registration (15%)				(1,881)				543
544		Reduce Phone Expenditures (15%)				(6,227)	0			544
545		Total State Treasurer	2,431,502	0	0	(8,108)	0	(8,108)	2,423,394	545
546										546
547		Begin Repayment of Barnwell Extended Care Maintenance Fund Proviso 72.62		5,000,000				5,000,000	5,000,000	547
548										548
549										549
550	E24	Adjutant General	6,870,222							550
551		Reduction in Travel, Meals, Fees & Registration (15%)				(13,937)				551
552		Reduce Phone Expenditures (15%)				(8,656)				552
553		Funeral Caisson - Special Item					(100,000)			553
554		Total Adjutant General	6,870,222	0	0	(22,593)	(100,000)	(122,593)	6,747,629	554
555										555
556	E28	Election Commission	1,649,818							556
557		Reduction in Travel, Meals, Fees & Registration (15%)				(5,478)				557
558		Reduce Phone Expenditures (15%)				(2,704)				558
559		HAVA Federal Match not funded FY 03-04		700,000						559
560		HAVA Federal Match FY 04-05		700,000						560
561		Total Election Commission	1,649,818	1,400,000	0	(8,182)	0	1,391,818	3,041,636	561
562										562
563	F27	B&C Bd. - Auditor	3,050,769							563
564		Reduction in Travel, Meals, Fees & Registration (15%)				(10,110)				564
565		Reduce Phone Expenditures (15%)				(1,669)				565
566		Total B&C Bd. - Auditor	3,050,769	0	0	(11,779)	0	(11,779)	3,038,990	566
567										567
568	F30	B&C Bd. - Employee Benefits	2,934,094							568
569		Employee Health Insurance		25,000,000			0	25,000,000	27,934,094	569
570										570
571										571
572	F31	B&C Bd. - Capital Reserve Fund	98,599,197	756,829				756,829	99,356,026	572
573		General Reserve Fund	49,299,599	700,401				700,401	50,000,000	573
574										574
575										575
576	C05	Administrative Law Judges & Procurement Review	1,403,814							576
577	S60	Procurement Review Panel Merged with Admin Law Judges	108,425							577
578		Cost savings from move to ALJ Division 100%			(108,425)		0			578
579		Total Admin Law Judges & Procurement Review	1,512,239	0	(108,425)	0	0	(108,425)	1,403,814	579
580										580
581	D05	Governor's Office - ECoS	1,280,393							581
582		Reduction in Travel, Meals, Fees & Registration (15%)				(981)				582
583		Reduce Phone Expenditures (15%)				(6,163)				583
584		Total Governor's Office - ECoS	1,280,393	0	0	(7,144)	0	(7,144)	1,273,249	584
585										585

	Agy No.	Agency	FY 2004-05 Base	Additional Appropriations	Restructuring	Efficiencies/ Alternative Funding	Targeted Cuts	Total Adjustments	FY 2004-05 Budget	
586										586
587		Department of Administration								587
588										588
589	F03	Office of General Services	2,786,566							589
590		Reduction in Travel, Meals, Fees & Registration (15%)				(21,106)				590
591		Reduce Phone Expenditures - 15%				(41,283)				591
592		Reduction in Maintenance, Custodial and Other General Services				(1,000,000)	0	(1,062,389)	1,724,177	592
593		Office of Human Resources	3,123,708							593
594		Reduction in Travel, Meals, Fees & Registration (15%)				(3,414)				594
595		Reduce Phone Expenditures - 15%				(6,417)		(9,831)	3,113,877	595
596		Employee Insurance Program	0							596
597		Energy Office	0							597
598		Division of Procurement Services	2,750,285					0	2,750,285	598
599		Division of Internal Audit & Performance Review	126,642							599
600		Reduction in Travel, Meals, Fees & Registration (15%)				(263)				600
601		Reduce Phone Expenditures - 15%				(307)		(570)	126,072	601
602		Research & Statistics (Excl. Digital Cartography, Prec. Demo.)	2,437,263							602
603		Reduction in Travel, Meals, Fees & Registration (15%)				(6,588)				603
604		Reduce Phone Expenditures - 15%				(6,750)		(13,338)	2,423,925	604
605		1/2 B&CB Executive Director's Office	155,752							605
606		Reduction in Travel, Meals, Fees & Registration (15%)				(2,349)				606
607		Reduce Phone Expenditures - 15%				(1,230)		(3,579)	152,173	607
608		Office of the Chief Information Officer	457,057							608
609		Reduce appropriations				(457,057)		(457,057)	0	609
610		1/2 Office of Internal Operations	1,187,533							610
611		Cost savings from consolidation - 18% of Administration				(64,919)				611
612		Reduction in Travel, Meals, Fees & Registration (15%)				(816)				612
613		Reduce Phone Expenditures - 15%				(1,215)		(66,950)	1,120,583	613
614										614
615	D17	Governor's Office - OEPP	5,623,067							615
616		Cost savings from consolidation - 18% of Administration				(133,545)				616
617		Reduction in Travel, Meals, Fees & Registration (15%)				(38,155)				617
618		Reduce Phone Expenditures (15%)				(6,289)				618
619		Mining Council - Special Item						(3,427)		619
620		Southern States Energy Board						(31,372)		620
621		Guardian ad Litem Transferred to USC Children's Law Office	(269,090)					(212,788)	5,141,189	621
622										622
623		Total Department of Administration	18,378,783	0	(198,464)	(1,593,239)	(34,799)	(1,826,502)	16,552,281	623
624										624
625										625
626	E04	Lieutenant Governor	271,646							626
627		Reduction in Travel, Meals, Fees & Registration (15%)				(113)				627
628		Reduce Phone Expenditures (15%)				(441)				628
629		Total Lieutenant Governor	271,646	0	0	(554)	0	(554)	271,092	629
630										630
631	E08	Secretary of State	951,871							631
632		Reduction in Travel, Meals, Fees & Registration (15%)				(1,161)				632
633		Reduce Phone Expenditures (15%)				(4,408)				633
634		Total Secretary of State	951,871	0	0	(5,569)	0	(5,569)	946,302	634
635										635
636	F03	Budget & Control Board	6,041,550							636
637		Reduction in Travel, Meals, Fees & Registration (15%)				(6,151)				637
638		Reduce Phone Expenditures (15%)				(3,636)				638
639		Strategic Planning						(395,926)		639
640		Total Budget & Control Board	6,041,550	0	0	(9,787)	(395,926)	(405,713)	5,635,838	640

H66 LOTTERY EXPENDITURE ACCOUNT		Proviso 1AA.1
Revenue		
Earnings (SC Education Lottery Estimate)	\$	226,459,000
Limit Administration Allowance to 11 percent		
Cap Administrative spending at 5% of Sales		2,704,000
Limit Retailer Commission to 6% of Sales		7,500,000
Total South Carolina Education Lottery Revenue	\$	<u>236,663,000</u>
Appropriations		
CHE - Tuition Assistance Two-Year Institutions	\$	34,000,000
CHE - LIFE Scholarships		60,014,796
CHE - HOPE Scholarships		6,500,000
CHE - Palmetto Fellows Scholarships		7,285,204
CHE - Need-Based Grants		3,000,000
Tuition Grants Commission - Tuition Grants		3,000,000
CHE - National Guard Tuition Repayment Program		1,500,000
CHE - Endowed Chairs		20,000,000
South Carolina State University - E & G		2,000,000
South Carolina State University - Deferred Maintenance		1,000,000
Technology: Public 4-Year Univ, 2-Year Inst., & Tech Coll.		12,000,000
SDE - K-5 Reading, Math, Science, & Social Studies Prog		40,000,000
State Library - Aid to County Libraries		1,500,000
CHE - Higher Education Excellence Enhancement Program		3,000,000
SDE - Education Accountability Act:		
EAA - Homework Centers		1,548,440
EAA - Teacher Specialist		11,581,069
EAA - Principal Specialist		2,270,302
EAA - External Review Teams		1,466,872
EAA - Retraining Grants		4,637,000
Funds to EFA - Base Student Cost	\$	<u>20,359,317</u>
Total Appropriations	\$	<u>236,663,000</u>
Residual Balance	\$	-

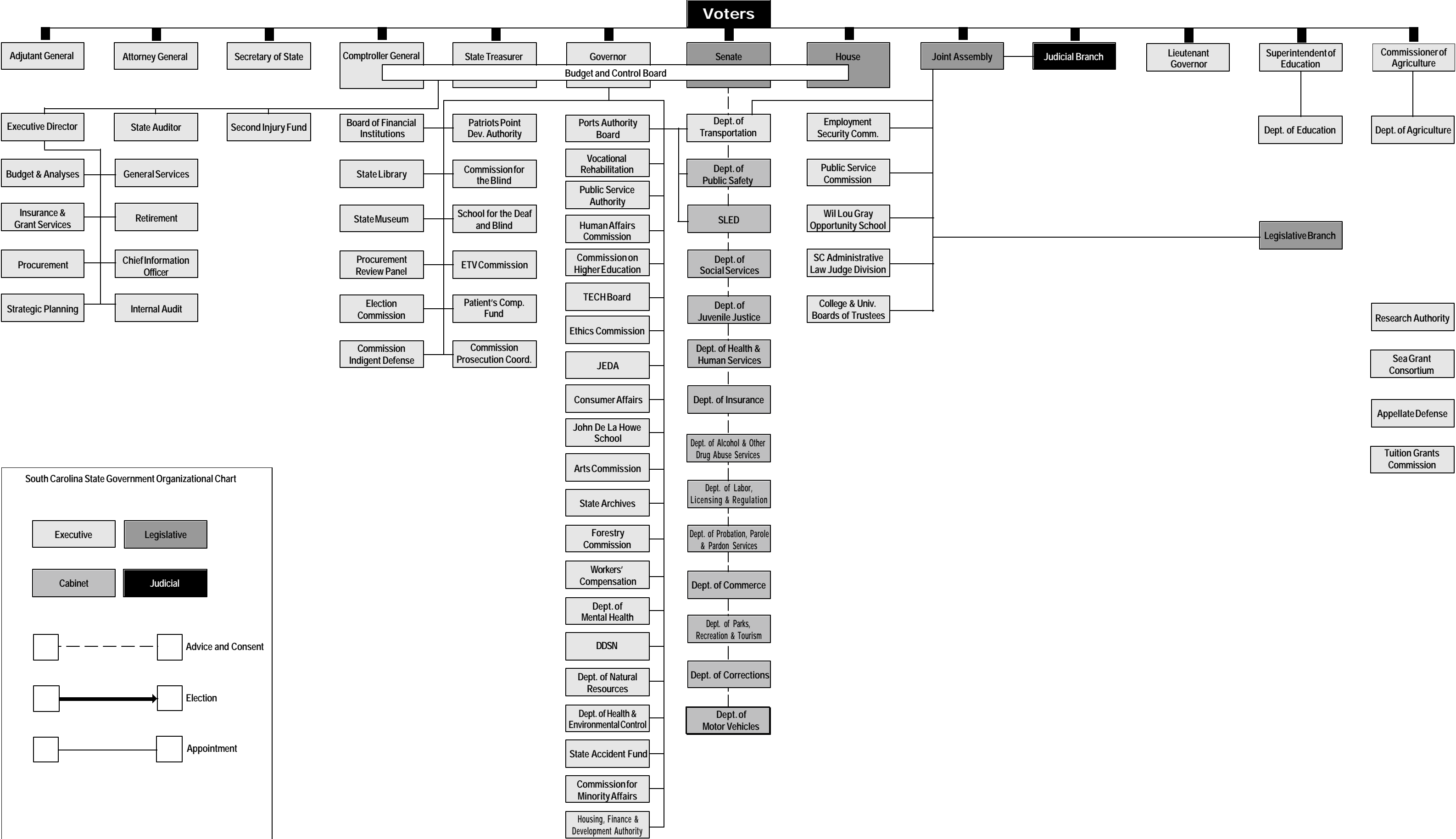
Education Improvement Act		
Revenue		
BEA Estimate November, 2003	\$	540,099,698
FY 03-04 Appropriation Act Revenue		<u>543,187,398</u>
"New" EIA revenue over the FY 03-04 Act	\$	(3,087,700)
Appropriations		
Advance Placement		(119,549)
Aid to Other Entities--Jr Scholars		(29,908)
Aid to Other Agencies-Jr Scholars		(150,490)
Tech Prep		(193,259)
Alloc EIA - Other Entities		(475)
Alloc EIA - Other Agencies		(15,642)
Modernize Vocational Equipment		(188,458)
Arts Curricula		(73,246)
Local School Innovation		(2,088,824)
Governors Institute of Reading		(1,312,874)
Teacher Grants		(1,348,241)
Homework Centers - EAA		(93,864)
Teacher/Principal Specialist - EAA		(599,132)
External Review Teams		(4,000,000)
Retraining Grants		(1,805,145)
Report Cards		(46,207)
Aid Other State Agencies		(7,757)
Act 135 - Academic Assistance		(5,464,683)
Four Year Old Early Childhood		(1,038,105)
Bus Driver Salary		(21,434)
Parent Support		(197,642)
Family Literacy		(80,778)
Teacher of the Year Award		(7,898)
National Board Certification (Moved from General Fund See H63)		22,102,206
Teacher Quality Commission		(569,679)
Teacher Supplies		(481,266)
Professional Development - EAA		(6,646,260)
Professional Development NSF Grant		(137,908)
Principal Executive Institute - EAA		(43,096)
EOC Public Relations Initiative - EAA		(10,774)
State Agency Teacher Pay		819,576
John De La Howe		(320,550)
Writing Improvement Network-USC		(302,158)
Education Oversight Committee		(48,236)
SC Geographic Alliance-USC		(188,631)
School Improvement Council		(188,759)
Centers of Excellence-CHE		162,727
Teacher Recruitment Program-CHE		(277,477)
EOC Family Involvement		(2,155)
High Schools That Work		500,000
Student Identifier		488,000
Data Collection		2,000,000
SDE Administration		(1,059,649)
Total EIA Appropriations	\$	<u>(3,087,700)</u>
Residual Balance	\$	<u>-</u>

**Education Finance Act
Base Student Cost Funding Recapitulation**

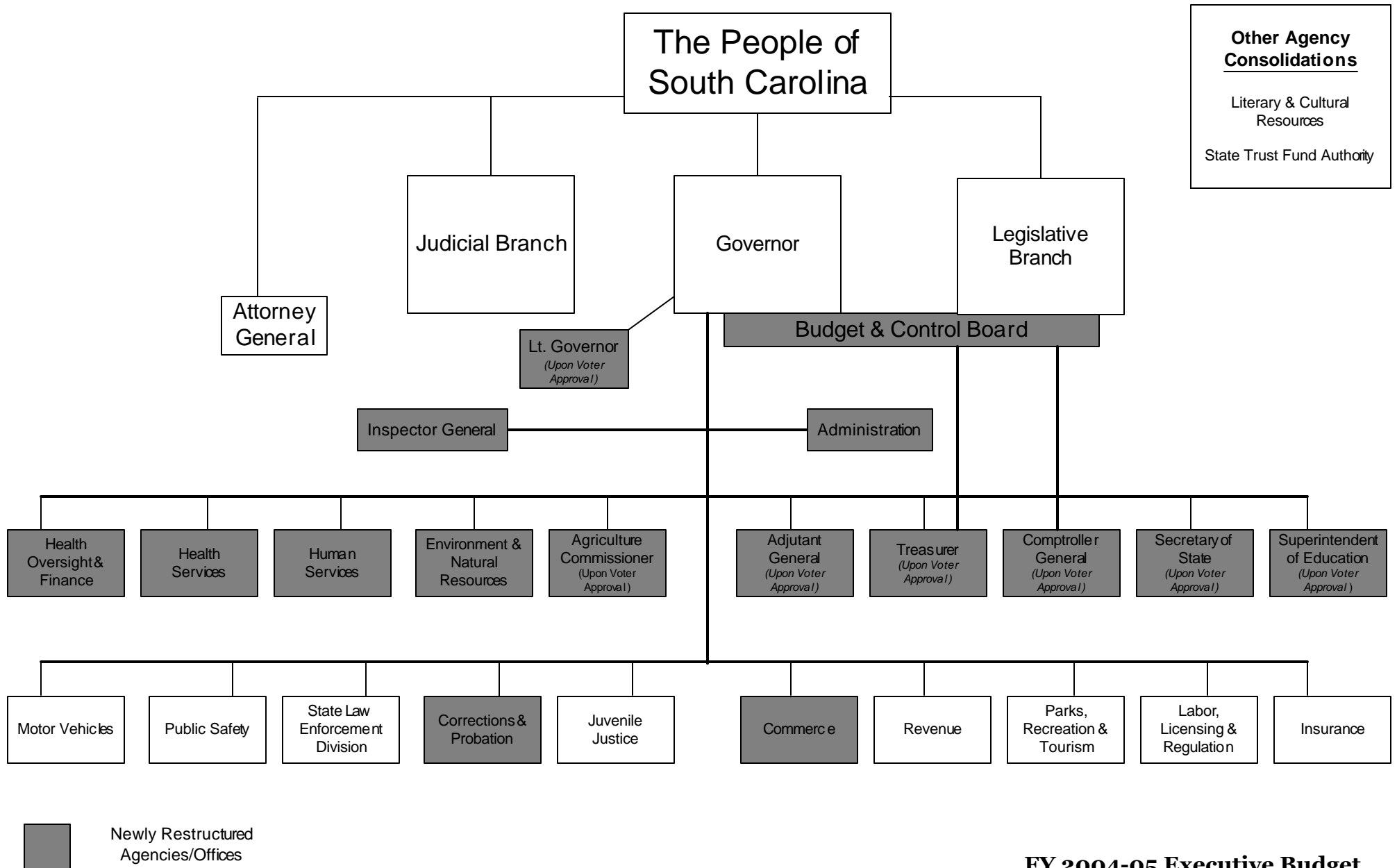
Funding for Base Student Cost (See H63)	\$ 65,538,791
Redirect NBC Application Fee	4,600,000
NBC Change Source of Funds Redirect to BSC	22,102,206
Funding from Reduction of Dept of Educ. Administration and Other Program Reductions	4,550,889
Funding From Year-end Cash Surplus from Operating Revenue at Dept of Education - Non-Recurring	5,868,919
Lottery Appropriation	20,359,317
Santee Cooper Contribution to SDE Other Funds Proviso	2,750,000
Total Base Student Cost Appropriations	<u>\$ 125,770,122</u>

Of the \$125,770,122 appropriated, \$78,696,230 will replace FY 03-04 non-recurring funding and \$15,347,715 will restore the FY 03-04 1% mid-year reduction of the BSC. The remainder of \$31,726,177 will increase the BSC for FY 04-05 to \$1,810. This is an increase of \$67 per student over the FY 03-04 BSC, adjusted for the 1% mid-year reduction, of \$1,743.
(The FY 04-05 BSC is calculated based on a Weighted Pupil Unit estimate of 842,000)

Current Structure of State Government



Governor Sanford's Proposed Changes to the Structure of South Carolina State Government



Proposed Realignment of Agency Functions

Department of Health Oversight and Finance

- Rename Department of Health and Human Services (DHHS) the Department of Health Oversight and Finance
- Division of Addiction Services (formerly DAODAS)

Department of Health Services

- Division of Public Health (formerly health programs at DHEC)
- Division of Mental Health (formerly Department of Mental Health)
- Continuum of Care for Emotionally Disturbed Children moved from the Governor's Office to Division of Mental Health.
- Division of Disabilities and Special Needs (formerly Department of Disabilities and Special Needs)

Department of Human Services

- Rename Department of Social Services the Department of Human Services.
- Division of Vocational Rehabilitation (formerly Vocational Rehabilitation Department)
- Division for the Blind (formerly Commission for the Blind)
- Office on Aging (moved from DHHS)
- Child Development Block Grant and Social Services Block Grant (recently moved from DHHS)

Department of Corrections and Probation

- Division of Corrections (formerly the Department of Corrections)
- Division of Probation, Parole and Pardon Services (formerly Department of Probation, Parole and Pardon Services)

Department of Environment and Natural Resources

- Division of Environmental Protection (formerly environmental programs at DHEC)
- Division of Natural Resources (formerly Department of Natural Resources)
- Division of Forestry (formerly South Carolina Forestry Commission)

Proposed Realignment of Agency Functions

Department of Commerce

- Department of Commerce
- Office of Local Government (formerly in the Budget and Control Board (B&CB))
- Jobs-Economic Development Authority

Department of Administration

- General Services Division (formerly in the B&CB)
- Office of Human Resources (formerly in the B&CB)
- Employee Insurance Program (formerly in the B&CB)
- State Energy Office (formerly in the B&CB)
- Division of Procurement Services (formerly in the B&CB)
- Division of Internal Audit and Performance Review (formerly in the B&CB)
- Office of Research and Statistical Services [excluding Digital Cartography and Precinct Demographics] (formerly in the B&CB)
- One-half of Office of Executive Director (formerly in the B&CB)
- One-half of Office of Internal Operations (formerly in the B&CB)
- Governor's Office of Executive Policy and Programs (excluding Guardian ad Litem and Continuum of Care programs)
- Division of the State Chief Information Officer (formerly in the B&CB)

Budget and Control Board

- Office of State Budget
- Board of Economic Advisors
- South Carolina Retirement System
- Office of State Auditor
- Office of Research and Statistical Services - Digital Cartography, Precinct Demographics
- Confederate Relic Room & Museum
- One-half of the Office of Internal Operations
- One-half of the Office of Executive Director

Per the requirements of Section 1-11-425 of the South Carolina Code of Laws (2002 Cum. Supp.), a total of 400 copies of this public document was printed by the Print Shop of the General Services Division of the Budget and Control Board at a cost of \$2,956 or \$7.39 per copy.