

Legislative Report, September 5, 2013

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BEA

Since our last meeting, the Board of Economic Advisors or BEA has met. This group as you know is responsible for monitoring and forecasting the state's revenues. They set the projections which the General Assembly must rely on in determining the available level of funds for appropriations.

The good news from the meeting was that the state closed out its books for FY 2012-13 running ahead of the BEA's estimate for FY 2012-13 and at a higher level than anticipated. We ended the year about \$110 above the estimate. These funds will carry forward into the upcoming year and become available for FY 2014-15 appropriations as a nonrecurring source of funds. However, due to the legislative package that passed last year for DOT/Roads and bridges, the first \$50 million of this available surplus will go to DOT for bridges. So that leaves only about \$60 million in available nonrecurring funds.

As to new recurring funds, the BEA will not make its preliminary estimates for FY 2014-15 until November. Our General Fund revenues are improving but have not yet returned to their peak (of \$7.125 billion) in FY 2006-07 though expected to be close to the peak in FY 2014-15. Based on the yearend close-out report for FY 2013-14 and factoring in prior growth expectations and required state obligations, a very very early guess suggests there will not be much in the way of available new funds for state agencies and our colleges and universities.

Last fall, the BEA predicted a growth of 2.8% in FY2014-15 revenues. If you apply that to the yearend base, factor in possible adjustments for required appropriations, it would leave about \$88 million in new recurring general funds. Along with the available surplus funds of \$60 million, there would be around \$148 million anticipated available recurring and surplus funds. Once likely annualizations are backed out and before considering health care increases, K-12 base student costs or medicaid, the funding is all but spent before getting to other functional areas such as higher education, natural resources, corrections, public safety, mental health... There will be also likely be \$117M in one-time funds from the Capital Reserve Fund that will become available. But again, the needs are great and the available revenues will be limited despite continued improvement.

K-16 Building Need and Utilization Study Committee

This special committee of Ways and Means met last week. As a reminder, the Committee is chaired by Ways and Means Chair, Brian White. He is joined on the committee by Representatives, Roland Smith, Gilda Cobb-Hunter, Chip Limehouse, Kenny Bingham, Jimmy Merrill, and Jackie Hayes.

They continue to look at the facilities process and are interest in ways to improve the process by making it more effective and cost efficient. At their meeting, they heard from Marcia Adams, Executive Director of the Budget and Control Board, who spoke about the Board's role with respect largely to the procurement process. Additionally, Rick Harmon of the State Treasurer's Office spoke to the Committee about the state's debt within the context of K-16 building needs and utilization and focused on the State's debt profile, ratings and trends. At a previous meeting they heard from Budget and Control Board staff on the State's capital process.

The Committee will continue to meet throughout the fall. We anticipate that CHE will appear before within the next meeting or two – likely later in October and that some of the institutions will be invited to appear. While the focus is K-16, much of the conversation has centered on higher education. The Chairman expects to have legislative drafted as a result of the study committee’s work.

Tuition Residency Bills for Military

Finally, in light of questions on residency and information I believe you’ll be provided with later in the meeting, Chairman Finan asked that I remind you of the status of a couple bills that were considered last session concerning residency and tuition. You’ll recall mention of legislation relating to military and tuition rates – there are two bills under consideration – One, S.93 is a Senate bill that provides that non-resident military and dependents on the GI bill regardless of residency would be eligible for in-state rates. This bill was introduced in January and remains in the Education Committee. It had one hearing last year. Several institutions expressed concerns about the impact of the bill on revenues that would be foregone. Another bill, H.3086, that would waive the 12 month physical presence requirement for veterans establishing SC residency passed the House and is also presently under consideration in the Senate Education committee. This bill was also considered in the prior session, had passed the House but died at the end of the session waiting for its third reading in the Senate. A similar Senate bill, S.787, was filed at the end of the session. This bill had been reviewed previously by institutions and was appeared preferable to the broader provisions of S.93. These bills await further consideration in the upcoming session.

Other

As part of the upcoming budget cycle, agencies are preparing to submit annual accountability reports by September 15. We’ll be providing you with a copy of our updated report shortly.