



STATE OF SOUTH CAROLINA

A Report to Our Citizens

For Fiscal Year 2009

(JULY 1, 2008 THROUGH JUNE 30, 2009)

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THE SOUTH CAROLINA VISION

South Carolina is home to the hardest-working, most patriotic citizens in the world. Our vision for government is that it lives up to the potential of our people—a government that encourages economic growth and prosperity; a government that balances the need for essential services with the desire of taxpayers to keep more of their own hard-earned money; and a government that places the well-being of its citizens first, ahead of all other considerations.

- Comptroller General
 Richard Eckstrom

KEYS FOR CHANGE:

Fiscal Responsibility at the State and Local Government Levels:

- Adopt sustainable budgets
- Contain taxes by limiting government spending
- Reduce government debt
- Improve financial transparency

Restructure State Government:

- Streamline and combine agencies to eliminate waste
- Empower Governor with central administrative functions

	Calendar Year 2007	Calendar Year 2008
Population at Year End	4,407,709	4,479,800
Average Annual Unemployment Rate	5.9%	6.9%
Per Capita Income	\$31,013	\$31,884
	Fiscal Year 2008	Fiscal Year 2009
Public School Enrollment	701,749	707,739
State Government Employees at Year End	66,754	63,106

SOUTH CAROLINA'S PROGRESS In Fiscal Year 2009

GOVERNMENT:

Several key bills were signed into law during Fiscal Year 2009:

- School District Funding Flexibility law was passed giving school districts greater flexibility for program funding, class size and teacher salaries, and law required spending transparency on-line.
- Payday lending bill was passed limiting no more than one deferred presentment at a time and included greater reporting requirements.
- A Tax Realignment Commission was established to make a timely comprehensive study of the state's tax system and recommended changes to the legislature.

ECONOMY/EMPLOYMENT:

South Carolina's unemployment rate was 12.1% at June 30, 2009, more than double the rate twelve months ago. Overall job count was 92,700 below the year-ago level. Notable losses included 29,800 in manufacturing, 18,200 in trade, 16,500 in leisure and hospitality, and 10,900 in construction. The state saw a growth in per capita income for calendar year 2008 (latest available) of 1.9%, but this growth was slightly less than the growth in the previous year. In the grip of this economic recession, the SC Department of Commerce continues to work closely with economic development professionals throughout the state to recruit new businesses and jobs and help existing businesses grow, including two significant expansions and one new recruitment during the first few months of Fiscal Year 2010.



TRANSPARENCY:

The Comptroller's spending transparency website, located at www.cg.sc.gov, continued to expand during Fiscal Year 2009 by adding the ability to view detailed Stimulus spending by agency, recipient, and purpose of expenditure. The goal of the website is to provide meaningful information to the public in an easily accessible and understandable format, making the maximum possible amount of information publicly available. State government seeks to set an example for local governments in transparency, and many local governments across South Carolina have joined State government in developing their own transparency websites to disclose spending at local levels.

STIMULUS REVENUES:

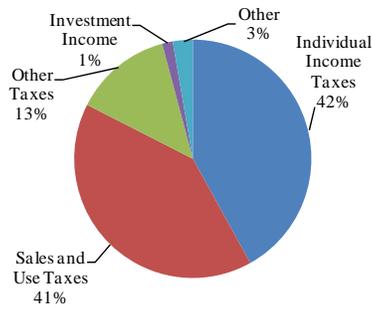
During Fiscal Year 2009, South Carolina state agencies received \$398 million of federal Stimulus money, using more than three-fourths of it to provide benefits for Medicaid (\$286 million) and unemployment (\$67 million). In all, State government expects to receive about \$3 billion in federal Stimulus money.

SOUTH CAROLINA'S FINANCES

Budgetary Revenues and Expenditures

General Fund Sources of Revenue (Budgetary)

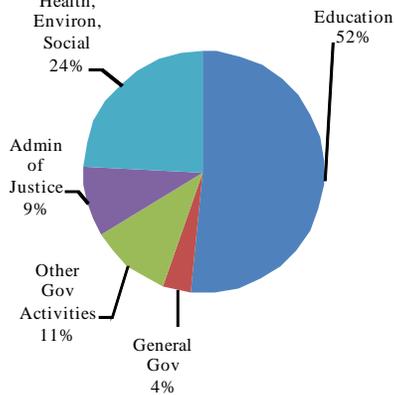
2009 REVENUES BY SOURCE



Revenues by Source (Expressed in Thousands)	2008	2009
Individual Income Taxes	\$ 2,863,839	\$ 2,326,707
Sales and Use Taxes	2,463,275	2,247,876
Other Taxes	808,699	740,134
Investment Income	123,633	79,560
Other	132,948	149,896
Total Revenues	\$ 6,392,394	\$ 5,544,173

General Fund Functional Expenditures (Budgetary)

2009 EXPENDITURES BY FUNCTION



Expenditures by Function (Expressed in Thousands)	2008	2009
General Government	\$ 330,223	\$ 216,362
Health, Environment, Social	1,772,952	1,398,460
Education (K-12)	3,513,782	2,971,831
Administration of Justice	626,679	539,497
Other Governmental Activities	793,664	621,765
Transfers Out	111,821	—
Total Expenditures and Transfers	\$ 7,149,121	\$ 5,747,915

To see the State's Audited 2009 Comprehensive Annual Financial Report, visit www.cg.sc.gov.

WHAT'S NEXT?

Future Challenges



BUDGET:

Despite mandated spending cuts in the amount of \$973.3 million, the State of South Carolina ended Fiscal Year 2009 with a budgetary deficit of \$339.5 million. After using up all \$241.3 million of available reserve funds, the State was left with a \$98.2 million deficit which will have to be covered by Fiscal Year 2010 revenues.

The fact that the State overspent by nearly \$100 million again underscores the need to re-examine the prevailing philosophy about spending, to close the gap between what we spend and what we can afford. We must set priorities and identify those essential things state government should do, and resist the urge to spend on things that are less essential or can be delayed until better economic times.

ECONOMIC CHALLENGES:

This upcoming year we can expect continued revenue shortfalls and additional agency budget cuts unless there is a considerable upswing in consumer spending and economic recovery.

Six months into the new fiscal year, overall revenue collections are down \$187.2 million (5.8%) compared to the same period a year ago. At this midpoint of the fiscal year, the State's three major revenue sources continue to lag behind the prior year: Individual income taxes are down by 3.1%, corporate income taxes are down 51.6%, and sales taxes are down by 5.1%.

Because of the continued lag in revenue, the SC Board of Economic Advisors (BEA) has already reduced its FY 2010 budgetary revenue estimate twice totaling decreases of \$459.3 million from its original estimate. In response to BEA actions, the Budget and Control Board ordered two across-the-board budget reductions of \$200 million (4%) in September and \$238 million (5%) in December. Also, \$7.8 million from the Capital Reserve Fund has been drawn upon. The State will continue to closely monitor monthly revenue developments and will take appropriate actions when necessary.

As with the above cuts and any other cuts deemed necessary during the next six months, State agencies will continue to face challenges to reduce spending by broadening their reduction of payroll costs through lay-offs and furloughs and by other cost-saving measures.

For additional information, visit www.cg.sc.gov.

If you have any questions, contact Comptroller General Richard Eckstrom's office at 803-734-2121.