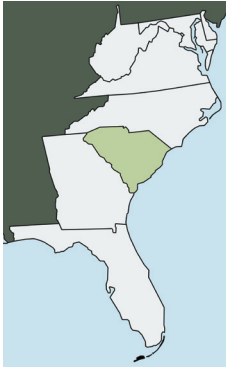


SOUTH CAROLINA Budget Report Card



SOUTH CAROLINA'S GRADES FOR fiscal 2016 through 2018 illustrate how chronic underfunding of public employee retirement costs can overshadow the achievements of an otherwise solid budgetary process.

The state earned an A average in budget forecasting. Its consensus revenue estimates are developed by the Board of Economic Advisors, which consists of voting members appointed by the governor and by each legislative house, as well as the director of the revenue department, who serves in a nonvoting capacity. The state also provides a clear rationale for forecasts. The board releases a *Three-Year General Fund Financial Outlook*, which describes the assumptions used in revenue forecasts.

The state also averaged an A in budget maneuvers by avoiding one-time measures such as deferring recurring expenditures, accelerating revenues, shifting revenues to the general fund from special accounts, and using debt to cover recurring expenditures.

In contrast, South Carolina received a D average, the second-lowest grade possible, in legacy costs, a category in which it has historically not made required contributions to other public workers' postemployment benefits (OPEB), such as health care. Since at least fiscal 2010, the state has not made more than 76 percent of the actuarially determined contribution (ADC) to its main OPEB vehicle, the South Carolina Retiree Health Insurance Trust Fund.

According to a 2015 report by the South Carolina Legislative Audit Council, public state pensions had been "significantly underfunded" for more than a decade and were likely to remain underfunded for at least the next thirty years. In fact, although South Carolina made its full ADC to pension plans in 2016 through 2018, its pension funded ratio was only 54.3 percent as of 2017, about 14 percentage points below the total for all states.


SOUTH ATLANTIC STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Delaware	B	A	C	B	B
Florida	A	B	C	B	B
Georgia	C	A	B	B	B
Maryland	A	C	D	C	B
North Carolina	A	B	B	B	B
South Carolina	A	A	D	B	C
Virginia	A	C	D	A	C
West Virginia	B	B	C	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


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BUDGET FORECASTING			
	2016	2017	2018
 CATEGORY GRADE	A	A	A
Consensus Revenue Forecasts	✓	✓	✓
Multiyear Expenditure Forecasts	✓	✓	✓
Multiyear Revenue Forecasts	✓	✓	✓
Revenue Growth Projections	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

BUDGET MANEUVERS			
	2016	2017	2018
 CATEGORY GRADE	A	A	A
Deferring Recurring Expenditures	✓	✓	✓
Revenue and Cost Shifting	✓	✓	✓
Funding Recurring Expenditures with Debt	✓	✓	✓
Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —	

LEGACY COSTS			
	2016	2017	2018
 CATEGORY GRADE	D	D	D
Public Employee OPEB Funding	✗	✗	✗
Public Employee Pension Funding	✓	✓	✓
Public Employee Pension Funded Ratio*	54%	54%	54%
3-YEAR AVERAGE D		3-YEAR TREND —	

RESERVE FUNDS			
	2016	2017	2018
 CATEGORY GRADE	B	B	B
Positive Reserve or General Fund Balance	✓	✓	✓
Reserve Funds Disbursement Policy	✓	✓	✓
Reserve Funds Replenishment Policy	✓	✓	✓
Reserves Tied to Revenue Volatility	✗	✗	✗
3-YEAR AVERAGE B		3-YEAR TREND —	

TRANSPARENCY			
	2016	2017	2018
 CATEGORY GRADE	C	C	C
Consolidated Budget Website	✓	✓	✓
Provides Debt Tables	✓	✓	✓
Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗
Discloses Tax Expenditures	✗	✗	✗
3-YEAR AVERAGE C		3-YEAR TREND —	

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* SOURCE Bloomberg; 2017 data also used for 2018.