

The Fiscal Impact of Selected State Mandates on County Governments 2012



**Strom Thurmond Institute
of Government & Public Affairs
Clemson University**

Francis Marion University

**Institute for Public Service & Policy Research
University of South Carolina**

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EXECUTIVE SUMMARY

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Executive Summary

The South Carolina Association of Counties (SCAC) enlisted the assistance of Clemson University’s Strom Thurmond Institute of Government and Public Affairs, Francis Marion University and the University of South Carolina’s Institute for Public Service and Policy Research to undertake a study to determine the financial impact certain state mandates have on county governments in South Carolina. The goal of this study is to provide meaningful and valid information on the cost of these mandates to counties. Please see a copy of the full report, which is available at www.sccounties.org, for more detailed findings.

Cost of Selected State Mandates in FY2009-10

- The estimated cost of selected state mandated functions and programs to county governments in South Carolina was \$604.2 million in FY2009-10, *capital costs excluded*.
- The estimated cost to county governments of office space and utilities provided to state agencies was \$20.4 million, *cost for providing court system office space excluded*.
- Revenues and statutory fees totaling \$494.4 million were used by counties to cover the cost of state mandated functions and programs, including state agency office space and utilities.
- **The estimated overall shortfall (unfunded cost) to counties after accounting for mandate-specific county revenues and the Local Government Fund was \$130.2 million in FY2009-10.**
- **Between FY1992-93 and FY2009-10 the net cost of state mandates to county governments increased by 3.98 percent a year on average, after adjusting for inflation. The increase to the Local Government Fund during this same period was only 0.48 percent, after adjusting for inflation.**

Mandate Costs:	
State Mandated Functions/Programs	\$604,233,006
Office Space and Utilities for State Agencies ^a	\$20,360,092
	\$624,593,098
Less State Revenues:	
Revenue from Statutory Fees and Mandate-Specific State Funds	-\$312,559,066
Local Government Fund ^b	-\$181,873,991
	-\$494,433,057
SHORTFALL (UNFUNDED COST) TO COUNTY GOVERNMENTS^c	\$130,160,041

^aThis figure is based on the square footage provided by responding counties and the S.C. State Budget and Control Board’s General Services’ Lease Cost of \$11.29 per square foot, which includes utilities.

^bThe portion of the Local Government Fund money that counties were required to pay for alcohol and drug abuse rehabilitation programs has been excluded from this figure.

^cEstimates do not include data from Allendale, Chesterfield and Union Counties. Capital costs of mandates and mandates adopted after FY2009-10 are excluded.

State Mandates Excluded From Estimated Shortfall Figure

It is important to note what is **NOT** reflected in the \$604.2 million cost figure for State Mandated Functions/Programs. **This figure does not include capital costs, any mandates adopted after FY2009-10, or any costs from Allendale, Chesterfield or Union counties. It also does not include the following:**

- Alcohol and Drug Abuse
- Auditor
- Coroner (*except office space*)
- Detention Center (*except medical care and housing of state inmates*)
- Emergency Management
- EMD Communications
- Health Department (*except office space*)
- Sheriff
- Solicitor
- Treasurer

State Mandates Included in Estimated Shortfall Figure

Listed below are the state mandates that are included in the study and are reflected in the \$604.2 million cost figure:

- Animal Shelter
- Assessors (Equipment/Software)
- Building Codes
- Circuit Court
- Clerk of Court
- Court Security
- DNA (Preservation/Storage)
- Elections and Voter Registration
- Emergency Medical Services (Electronic Data Submission Regulation)
- Jails – Medical Care
- Jails – Housing of State Inmates
- Juvenile Detention
- Libraries
- Magistrates
- Master-in-Equity
- Medically Indigent Assistance Program
- Probate Court
- Public Defender/Indigent Defense
- Records Management
- Register of Deeds
- Solid Waste (Collection, Disposal and Recycling)
- Stormwater Management
- Victims' Services

Revenue Challenges to Counties

- From its inception, State Aid to Subdivisions has been an integral part of funding operations at the county level and reducing the burden on property taxes. Aid to Subdivisions was approximately 10 percent of the state's General Fund from 1948 to 1975.
- Since 1991, the Local Government Fund (LGF), the largest component of State Aid to Subdivisions, was set at 4.5 percent of the prior year's General Fund revenue.
- Since 1998, General Fund revenue moved off budget to the Trust Fund for Tax Relief, has reduced the base on which the LGF is calculated. Loss of the base is estimated to reduce LGF revenue by \$24.7 million in FY2013-14.
- The LGF was last fully funded according to state statute in FY2007-08.
- The 2000 constitutional amendment reducing the assessment ratio on personal vehicles from 10.5 percent to 6.0 percent has reduced counties' property tax revenue share from personal vehicles from over 18 percent to below 10 percent.
- Act 388 of 2006 placed stringent limitations on local government millage increases.
- Act 402 of 2006 reduced the real property tax base by placing a 15 percent limitation on the increase in assessed value of any parcel over the reassessment period.
- South Carolina counties, challenged by the recent recession, held general fund budget growth to 1.3 percent between FY2007-08 and FY2011-12, compared to a 7.2 percent increase in the CPI. During this same time period, LGF allocations as a percent of county general fund budgets fell from 13.6 percent to 7.9 percent.

Conclusion

The impact of unfunded and underfunded mandates has had a tremendous impact on county governments. **In FY2009-10, county governments in South Carolina expended a reported \$604,233,006 to comply with state directives. Revenue from statutory fees and state-shared revenue only partially covered these costs, leaving counties to shoulder an unfunded mandates burden of \$130,160,041 in FY2009-10 alone.**

The combination of the recession, reduction in the LGF, and the restrictions on raising revenue has had a significant impact on county governments' abilities to provide services and programs to citizens. **While the inflation-adjusted net cost to counties to provide state functions and services has risen, on average, 3.98 percent annually since 1993, the Local Government Fund increased just 0.48 percent a year, on average. Moreover, the Local Government Fund, which traditionally has been used to offset costs associated with state mandates, has not been fully funded according to statutory formula since 2008, and current funding is on par with FY1999-00 levels.**

Changes to the tax code imposed by the General Assembly present further fiscal challenges to local governments. Statutory changes – such as the drop in the personal vehicle assessment ratio from 10.5 percent to six percent, the millage and assessment caps, the six-year exemption for new, unsold and unoccupied homes, and the expanded multiple lot discount – continue to erode the county tax base.

In addition to the fiscal impact of selected mandates included in this study, counties are burdened by federal mandates and other state mandated functions not included in this study (e.g., Americans with Disabilities Act, Family and Medical Leave Act, Subtitle D of the Resource Conservation and Recovery Act and the Clean Air Act, and Act 178 of 2010). While state and federal mandates continue to flow down to local government, counties are hampered by rising costs to provide services, eroding tax bases, and a Local Government Fund that is not fully funded.

It is hoped that this study will serve as a starting point for further discussion of the cost of state mandates to county governments and the availability of revenues to fund those mandates.



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