

Putting Dollars to Work for Your County: State & Local Coronavirus Fiscal Recovery Funds

August 1, 2021

South Carolina Association of Counties

Institute of Government for County Officials

Hilton Head Island, South Carolina

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Budget Status as of March 2020: A Beautiful Horizon



FY 2020-21 General Fund Outlook (February 2020)

(PRELIMINARY- Dollars in Millions)

BEA Revenue Estimate (11/8/2019)	\$10,229
- Tax Relief Trust Fund	(\$629)
- FY 19-20 Appropriation Act	<u>(\$8,737)</u>
Estimated "New" General Fund Revenue	\$863
Reserve Fund Contributions	
- Incremental General Reserve Fund (5%)	(\$34)
- Incremental Capital Reserve Fund (2%)	(\$14)
Estimated "New" General Fund Revenue Available for Appropriation (less Reserve Fund Contributions)	\$815

FY 2020-21 Budget Outlook

(February 2020)

(PRELIMINARY- Dollars in Millions)

	<u>Recurring</u>	<u>Non-Recurring</u>
FY 2019-20 Capital Reserve Fund		\$162
FY 2018-19 Contingency Reserve Fund		\$350
Projected FY 2019-20 Surplus (11/8/2019)		\$507
Total		\$1,019
FY 2019-20 HEX Fund Surplus/(Shortfall)		\$8
FY 2020-21 HEX Fund Surplus/(Shortfall)	\$17	
FY 2019-20 EIA Surplus/(Shortfall)		\$31
FY 2020-21 "New" EIA Revenue	\$69	
FY 2019-20 Lottery Surplus		\$7
FY 2020-21 "New" Lottery Revenue	\$7	
<small>¹ FY 2019-20 surplus lottery revenues are first appropriated to cover any shortfalls in LIFE, HOPE, and Palmetto Fellows Scholarships, so this surplus may not be available for appropriation. ² Lottery revenue is appropriated by proviso on a non-recurring basis. It is listed as recurring to show the net year to year increase in the estimate, excluding surpluses.</small>		

Exogenous Shock (Economic Term)

- An exogenous shock is an unexpected or unpredictable event that occurs outside an industry or country, but can have a dramatic effect on the performance or markets within an industry or country.

• Source: UN Economic and Social Commission

Exogenous
Shock:
The bottom
fell out.

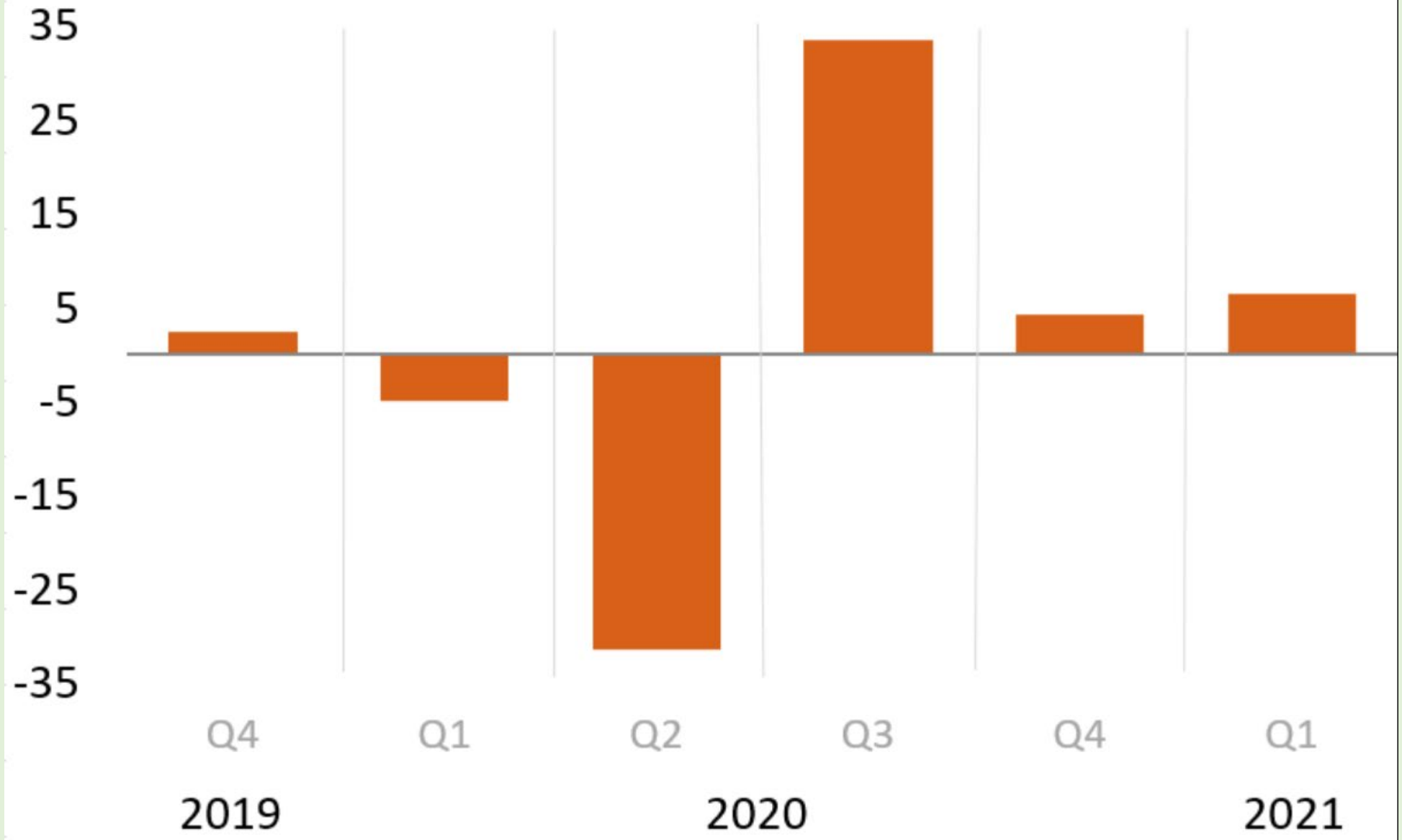


“A Medically Induced Economic Coma”

Council on Foreign Relations

April 8 2020

Real GDP: Percent change from preceding quarter



The Pandemic shutdown began in March of 2020 and was most severe in April, May and June.

In the 3rd quarter, businesses and organizations adapted. Grocery stores delivered to homes, restaurants served take-out food, offices rotated employees for less density.

Innovation led to a rebound.

The reaction of
South Carolina State
Government

THE CONTINUOUS BUDGET PROCESS DURING THE PANDEMIC - 2020

- H4014 - \$45M for DHEC immediate needs. Passed **March 17th**.
- **H3411 – Continuing Resolution** – Continued the FY19-20 budget into FY20-21. In addition, \$155M was appropriated from the Contingency Reserve Fund to the COVID-19 Response Reserve Account for specific COVID-19 related expenses. Passed **May 19th**.
- H5202 – Authorization to spend federal CARES Act funds - \$1.2B allocated and \$668M left for Phase 2. Passed **June 25th**.
- H3210 – Authorization to spend federal CARES Act funds from Phase 2. Passed **September 25th**.

Coronavirus Aid, Relief and Economic Security Act

March 27, 2020

Note: Represents about half of all federal spending on an annual basis.

CARES Act	\$2.0 Trillion
Individuals	\$560 Billion
Large Corporations	\$500 Billion
Small Businesses	\$377 Billion
State & Local Government	\$340 Billion
Public Health	\$154 Billion
Safety Net	\$ 26 Billion
Student Loans / Other	\$ 43 Billion

Additional Appropriation Bills in 2021

• H3707

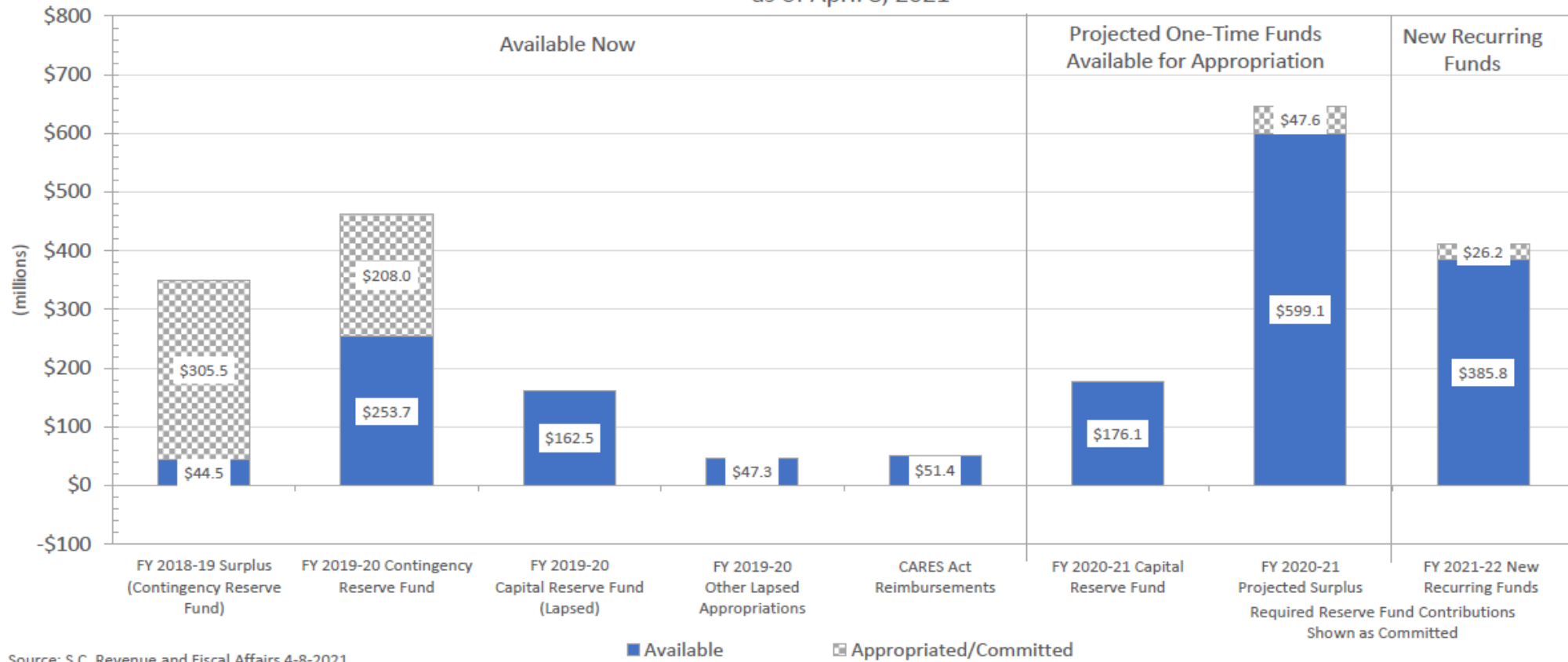
- A joint resolution to appropriate funds for addressing the pandemic.
- One-time amounts of \$63 Million for DHEC and \$45 Million for MUSC were appropriated for vaccine delivery infrastructure.
- In addition, \$100 Million was appropriated to a COVID-19 Vaccine Reserve Account with \$75 Million for hospitals and \$25 Million for other partners for vaccine delivery.
- Effective 2/19/21

• H3609

- A joint resolution to restore teacher step increases that were frozen due to the pandemic.
- A one-time amount of \$50 Million was appropriated for this purpose.
- Effective 3/11/21

Available Funds – FY 2021-22 Budget Process

AVAILABLE FUNDS - FY 2021-22 BUDGET PROCESS
as of April 8, 2021



H4100 – General Appropriations Bill

- Total Recurring General Fund Appropriations of \$9.2 Billion.
- Non-Recurring Appropriations of \$1.3 Billion.
- Total Recurring Budget size (with fed and other \$) of \$31 Billion.
- Total Personal Income in SC (size of our economy) is \$285 Billion.
- Due to the passage of a Continuing Resolution in FY20-21, H4100 was essentially a biennial budget.
- Most importantly, by keeping spending at current levels during the worst days of the Pandemic helped SC avoid budget cuts which would have been devastating during the COVID – 19 response.

American Rescue Plan Act

March 11, 2021

- Total \$1.9 Trillion

Among the appropriations are:

- State and Local Funds \$362 Billion
- Direct Financial Assistance \$656 Billion
- Individual and Family Assistance \$ 56 Billion
- Education and Child Care \$212 Billion
- Transportation \$ 40 Billion
- Other \$ 61 Billion

AMERICAN RESCUE PLAN OF 2021 STATE AND LOCAL FISCAL RECOVERY FUND

- **South Carolina Total Estimated Funding** **\$3.868 Billion**
- Initial Estimate**
- **State** **\$2.095 billion**
- **Metropolitan Cities** **\$ 144 million**
- **Non-Entitlement Units (Municipalities)** **\$ 442 million**
- **Counties** **\$ 999 million**
- **State Capital Projects Fund** **\$ 188 million**

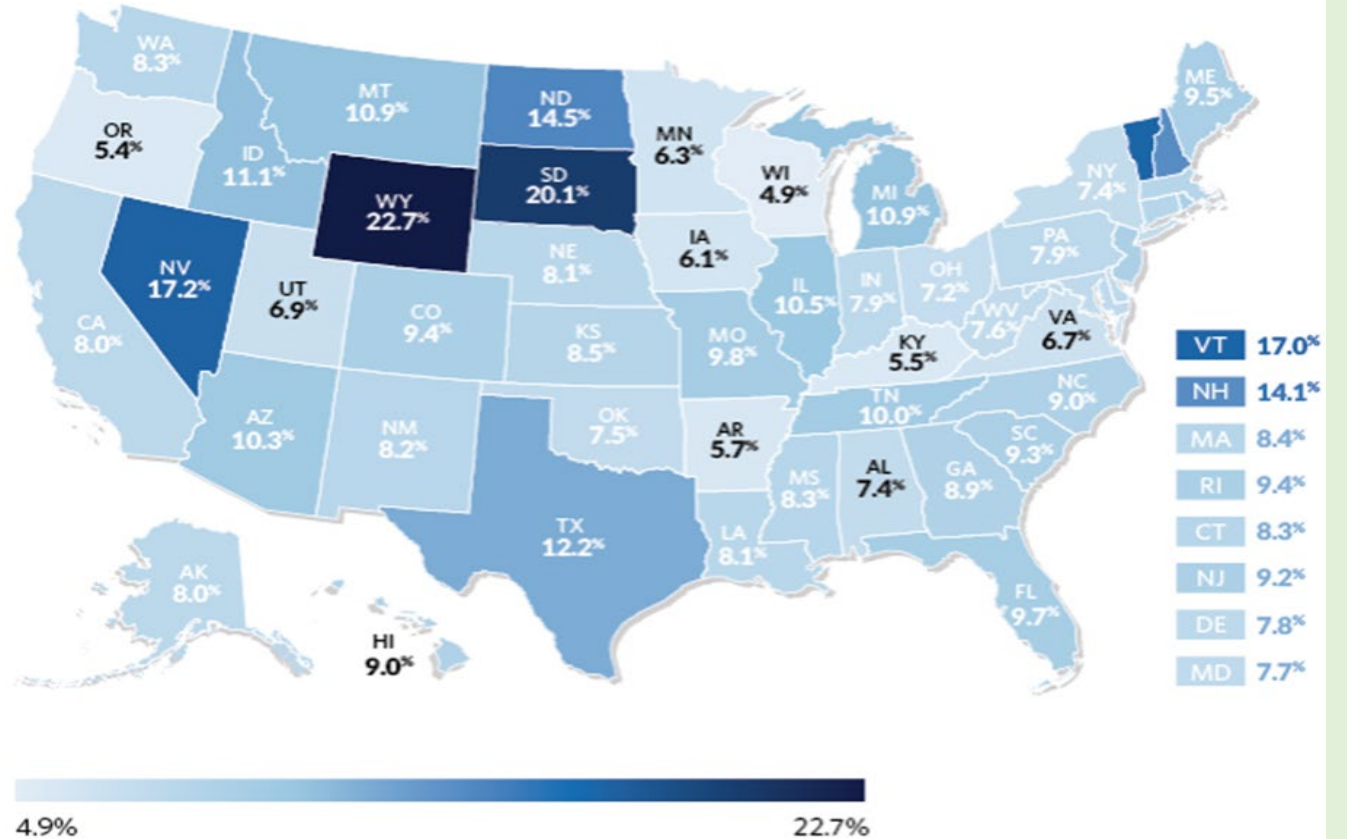
Magnitude of the Federal Stimulus in 16 months

- \$22 Trillion is the size of the US economy (GDP).
- In a 12 month period of time, the federal government has injected the economy with roughly \$4 Trillion in tax cuts or spending stimulus.
- That's 18% of annual GDP.

The addition of ARPA Funds to state budgets has resulted in significant increases in overall spending.

How ARPA Aid Compares With the Size of States' Budgets

Allocations range from 4.9% of total FY 2020 spending in Wisconsin to 22.7% in Wyoming



Note: The funds can be spent over multiple years and are shown as a share of total annual spending for comparison purposes. The American Rescue Plan also includes Local Fiscal Recovery Funds that are not reflected here. Expenditures include capital and noncapital spending from all funding sources.

Sources: Pew calculations based on data reported by the U.S. Department of the Treasury and the National Association of State Budget Officers' "State Expenditure Report"

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“When it rains,
it pours.” (colloquialism)

Its origin comes from a fairly unlikely place: the Morton Salt Company. Yep, that's right. That expression which you use at least a handful of times a month was developed by ad execs in the early 1900s to sell salt. It's still, to this day, one of the most successful and lasting ideas to originate in those early days of advertising.

The Morton Salt Company was looking for a way to promote its new product, a free-flowing table salt. The product it was selling then looks nearly the same today, a blue cylindrical tube of free-running table salt with a handy pouring spout (a patent of the company's) seen in almost all kitchens across the country.

Source: Huffington Post, 8/31/12



Augusta Chronicle

September 3, 2020, by Jonathan Vickery

SRS lawsuit ends in \$600 million settlement

Single largest settlement in South Carolina's history could benefit Barnwell County

“Years of litigation over plutonium waste at the Savannah River Site (SRS) has ended in a \$600 million settlement.

The settlement between the State of South Carolina and the United States government ends six years of litigation related to the remaining 9.5 metric tons of weapons-grade plutonium relocated to SRS in the early 2000s. Under the terms of the settlement, the United States will pay South Carolina \$600 million immediately. Also, the Department of Energy (DOE) remains obligated to remove the plutonium by 2037 or else monetary penalties will be reinstated and the DOE will be subject to additional litigation.”

Allowable Uses of ARPA Funds

Allowable Uses of Funds: Funds may be used to:

1. respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses and nonprofits, or aid to impacted industries such as tourism, travel and hospitality
2. for the provision of government services to the extent of the reduction in revenue (i.e. online, property or income tax) due to the public health emergency
3. make necessary investments in water, sewer or broadband infrastructure, or
4. include premium pay for eligible workers performing essential work (as determined by each state or tribal government) during the pandemic

Other key provisions:

- states are not allowed to use the funds to either directly or indirectly offset a reduction in the net tax revenue that results from a change in law, regulation or administrative interpretation during the covered period that reduces any tax
- No funds shall be deposited into any pension fund
- State and local governments are allowed to transfer to a private nonprofit organization, a public benefit corporation involved in the transportation of passengers or cargo, or a special-purpose unit of state or local government

Legislative Priorities

Broadband

Water and Wastewater

Reimbursements for Lost Revenue

General Fund

Gas Tax

Legislative Subcommittees assigned to develop a blueprint for spending ARPA and SRS Funds

State Senate

- Senator Thomas Alexander (chair)
- Senator Nikki Setzler
- Senator Kevin Johnson
- Senator Ross Turner
- Senator Mike Gambrell

House of Representatives

- Rep. Bruce Bannister (chair)
- Rep. Gilda Cobb Hunter
- Rep. Bill Clyburn
- Rep. Gary Simrill
- Rep. Bill Herbkersman
- Rep. Lonnie Hosey
- Rep. Nathan Ballentine
- Rep. Leon Stavrinakis
- Rep. Todd Rutherford
- Rep. Heather Crawford
- Rep. Lee Hewitt

Post-Pandemic Euphoria

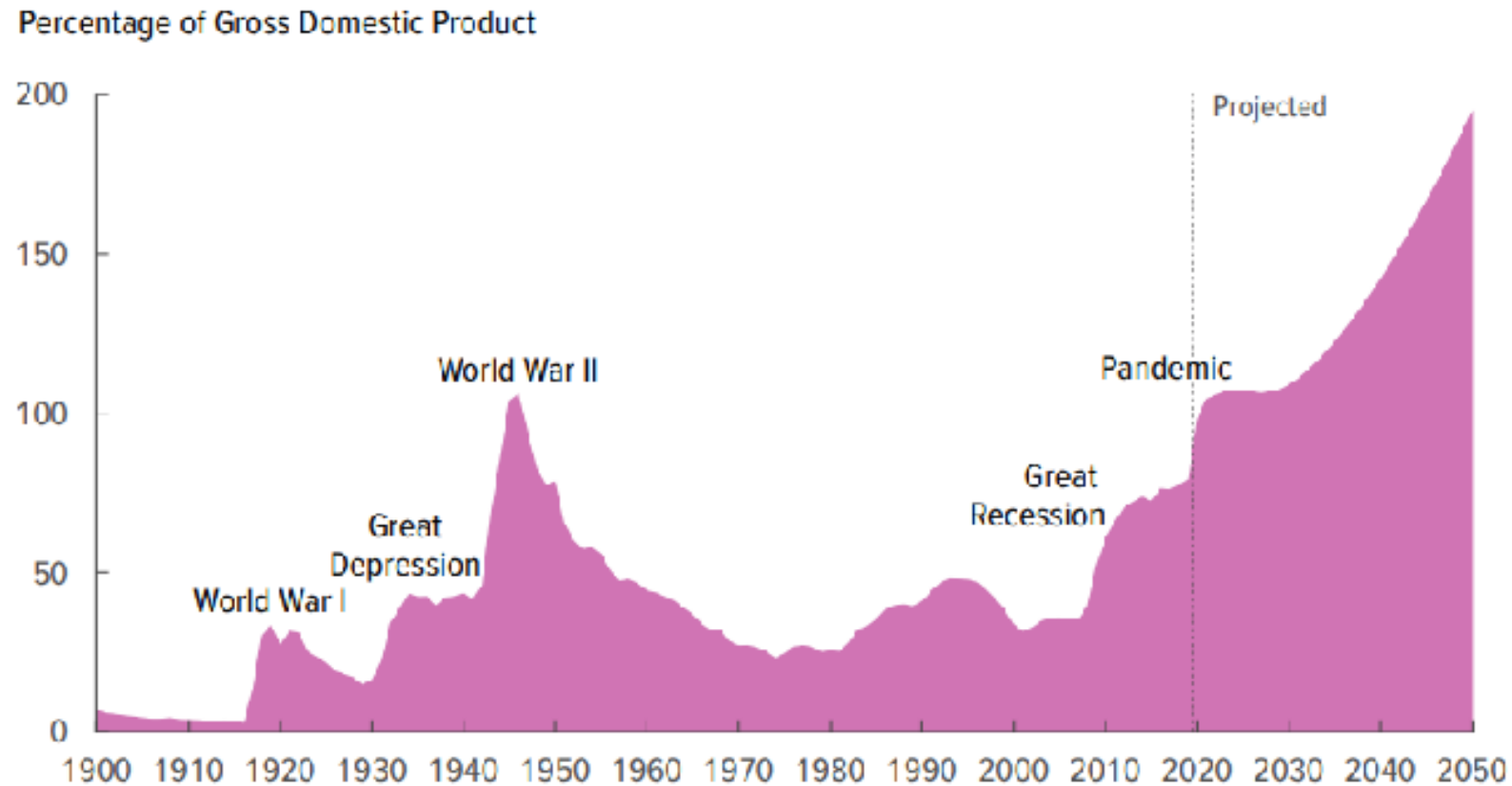


“All good things must come to an end”

- The idea contained in the expression all good things must come to an end originated with Geoffrey Chaucer, who wrote in his poem, Troilus and Criseyde: “But at the laste, as every thing hath ende, She took hir leve, and nedes wolde wende.”

US National Debt

Federal debt held by the public is projected to equal 195% of GDP in 2050



Source: Congressional Budget Office, The 2020 Long-Term Budget Outlook, September 2020, ng/4/19/2020

Famous Presidential Words that have not aged well during the time of COVID – 19.

**President Reagan's News Conference,
August 12, 1986**

- "The nine most terrifying words in the English language are: I'm from the Government, and I'm here to help. "

**President Clinton's State of the Union
Address, January 23, 1996**

- "The era of big government is over."

Take Away

- The past 16 months of the Pandemic have been a roller coaster.
- Revenue did not perform as poorly as expected (-8% vs. -16%).
- Luckily, SC had cash on hand from March 2020 and beyond to deploy for COVID related expenses. Implementing a “Continuing Resolution” was key.
- Federal stimulus funds are plentiful, and the deployment of these funds can be transformative for SC (broadband & water/sewer).
- Challenges ahead are the Deficit, Social Security and Medicare, Population Growth and Technology/Labor substitution.