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# County might feel pinch of state cuts

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4 Comments



Officials in Beaufort County could find themselves in a bind if state lawmakers cut the amount of money given to local governments for the third consecutive year.

The S.C. House passed a bill Friday allowing lawmakers to cut the Local Government Fund below the level of the previous fiscal year. The bill now goes to the state Senate.

State lawmakers are considering a 10 percent cut from the distribution to help South Carolina reduce an estimated $700 million budget deficit. It's estimated the cut would save the state about $20 million.

The Local Government Fund was created by the legislature to provide a predictable revenue stream other than property taxes for counties and

### What is the Local Government Fund?

The Local Government Fund is a redistribution of tax revenue from the state to counties and municipalities, evolving from a program originally called Aid to Subdivisions. As early as 1925, the state collected these municipal and county taxes and returned the proceeds through complex formulas. In 1991, the process was simplified, creating the Local Government Fund.
The Local Government Fund is calculated at 4.5 percent of the previous yearâ€™s state general fund revenues divided between counties (83.3 percent) and cities (16.7 percent) and distributed based on population.
State law prohibits the fund from being cut below the level of the previous year without separate, specific legislation.
The Local Government Fund is subject to mid-year, across-the-board cuts by the Budget and Control Board, but only to the previous yearâ€™s funding level.

### Funding from the state

State money given to local governments during the past four fiscal years:
$280.2 million in 2008
$280.2 million in 2009
$230.2 million in 2010 â€" 18 percent decrease
$202.6 million in 2011 â€" 12 percent decrease
$182.6 million 2012 â€" if reduced 10 percent from the previous year

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municipalities. Local government funding, though, has been cut by more than $77 million since 2008.

Lawmakers trimmed about $28 million from the fund, or 12 percent, for fiscal year 2011. A year earlier, they made an 18 percent cut.

Meanwhile, state-imposed caps on property tax rates and assessed values have made it difficult for counties, cities and towns to recoup their losses.

The Town of Hilton Head Island, for example, has lost about $330,000 in state revenue since 2008 and could lose another $79,000.

Although that's a small fraction of the town's $74 million budget, replacing any losses in a flagging economy is a challenge, said Mayor Drew Laughlin. The town might have to cut services or raise taxes to compensate, Laughlin wrote to House Ways and Means Committee chairman Daniel Cooper, R-Anderson.

Attempts Thursday and Friday to reach Cooper and Rep. Bill Herbkersman, R-Bluffton, were unsuccessful. Herbkersman also sits on the Ways and Means Committee.

Other communities are relying less on state aid and balancing budgets without the money.

The city of Beaufort, for example, could lose $30,000 from its $14.4 million budget.

But it was able to balance its budget without the state aid. City officials did not include state money in their current budget, given the "volatility" in the General Assembly, said assistant city manager Shirley Hughes.

"We took a conservative position and did not budget for that state money at all. And we'll probably not budget for that next year," Hughes said.

Beaufort County lost $1 million in state aid last year and could suffer a $200,000 cut this year if the legislation is approved.

"Over a $100 million budget, it's not much," said county chief financial officer David Starkey. "We're lucky in that fact, but a $1 million cut from one year to the next is still going to hurt."

An additional cut of $200,000 "won't be catastrophic," Starkey said, "but it's still a part of the budget that's going to have to come out of something."

Like the city of Beaufort, the county is trying to wean itself from state aid, he said.

Municipalities use the state money to help pay for public safety, public works and general government services.

A further cut on top of those made in prior years would make it more difficult to trim the budget without affecting services, Hilton Head finance director Susan Simmons said.

For the most part, counties and municipalities are forbidden under a 2006 state law from raising property taxes to pay for town services beyond increases in population and inflation, measured by the Consumer Price Index.

Inflation currently is about 1.6 percent, not enough to cover increased fuel costs, declining revenue from building permits, fees and property tax assessments, plus the loss in state money, said Melissa Carter, research analyst with the Municipal Association of South Carolina.

"It's going to squeeze cities more and more," Carter said of further cuts in state aid.

Elected officials in the county say lawmakers need to stop shorting local governments and address the root of the issue -- state tax reform.

"The state has gotten to a position where they live beyond their means, and now they're taking it out of the hides of local governments, which is disappointing," said Beaufort Mayor Billy Keyserling. "The state is never going to get its financial house in order by nickel-and-diming counties and municipalities and other programs. They need tax reform that removes loopholes for special interests. The problem is too big and too fundamental to keep putting a patch on it."

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**River Owl** , Lived here for 30 years; 8 yrs. on HHI; home owner & resident of Bluffton for 22 yrs....

WhiteDuke "sounds like" a Town Employee to me, who is disguising themselves with deliberate misspellings. Sounds like a dog that is bitting the hand that is feeding them!! What does everyone else think?

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Good grief - listening to Mayor Billy, one would believe that state cut backs are a complete suprise! It's as if the economic dowturn just occured and the Democrats in beaufort are just now waking upot to it!!

Isn't this the same City of Beaufort that decided to build the massive government complex complete with a 30% property tax hike and over 50% of the buildings empty? All that for a town with less than 30k people - and now the strate is ". . . taking it out of the hides of local governments"??? Come on Billy - get real!

The bottom line - local government should never have been beholden to the state in the first place. Thye state has enough obligations of its own. Local governments need to do as Hilton Haed has done - treat state funds as extra - gravy that may or may not be there one year to the next..

Local governments have plenty of room to cut. Frankly - a move to CH2MHill wouldn't hurt either.

Either way - with tourism down, gas prices up, the feds hgaving built an enormous deficit and inflation and very high interest rates on the horizon - local governments better get ready for a very serious round of cuts. The future looks very tight.