Slicing the state pie: Lowcountry governments need more state funds

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Jan 27 2015 10:00 pm Jan 28 7:43 am

Who's lost what
During the past 10 years, the state has not met its statutory commitment to sharing its income with cities and counties. Here is a glimpse of how that has affected the Lowcountry:

County	8-year shortfall
Berkeley	$12.0 million
Charleston	$25.3 million
Dorchester	$8.6 million
All counties	$286.3 million

Source: S.C. Association of Counties

Most South Carolina voters probably don't know what the Local Government Fund is, but how state lawmakers handle this nine-figure pot of money affects everything from police on the streets to ambulance service to property tax rates.
And two Lowcountry lawmakers are playing key roles in what could be one of the livelier debates leading up to this year's budget.

Since the end of World War II, the state government has taken some of its revenues and sent them back to counties to help pay for local services. In 1991, a new state law required 4.5 percent of the state's income from the previous year to be sent to counties and municipalities.

But after the Great Recession hit in 2008, state lawmakers have shorted local governments. Last year, the state sent along $187.6 million — only 64 percent of what the law required.
State Rep. Jim Merrill, R-Charleston, wrote a bill to change the formula and tie it, not to last year's budget, but to different income streams. Merrill said counties and cities would be assured the same amount of income as they've had in the past two years.
"It needs to be predictable and fulfilled each year," he said. "The state has not done that in almost 10 years now."
But state Rep. Eddie Southard, R-Moncks Corner, introduced a very different bill Tuesday — one that would require the state to restore its 1991 commitment over the next three years.
"I'm just a big supporter of local government versus state government," he said. "I've got about 40 co-sponsors. I probably could have gotten more, but I wanted just to get it submitted."

Where the tree limb hits the road

When last winter's ice storm struck Dorchester County, its local government had to scramble to clear branches and tree limbs from roadways.
Fortunately, the county had enough money in reserve, but it would have been less stressful had the county received its full allotment from the state fund, said Councilman Bill Hearn, who was

chairman at the time. The county has lost out on more than $8 million in the eight years since lawmakers stopped full funding.

“Had we not had money set aside, we would have had to somehow come up with more than $3 million to pay for cleanup,” he said.

Enlarge A city maintenance truck narrowly misses getting hit by a falling branch on West Carolina Avenue Wednesday, Feb. 12, 2014 in Summerville. Paul Zoeller/Staff

A city maintenance truck narrowly misses getting hit by a falling branch on West Carolina Avenue Wednesday, Feb. 12, 2014 in Summerville. Paul Zoeller/Staff

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In the town of Mount Pleasant, council members voted last year to raise property taxes to pay for deferred maintenance on roads and drainage lines.

Finance Director Charlie Potts said the town's relative loss of state-shared revenue was not necessarily the main reason for that decision, but it didn't help. "Less revenue is always problematic," he said.

By comparison, however, the state's formula gives counties a larger share — and a larger stake in the debate. Some county services, such as courts, local health departments and election offices, operate a de facto arm of state government.

In Berkeley County, where lawmakers see the fund's future in different ways, the outcome will decide how much county taxpayers are burdened with funding state-mandated services, Supervisor Bill Peagler said. He added that Berkeley has lost $10 million since fiscal year 2009.

"It is truly unfortunate that the taxpayers of Berkeley County have been forced to cover $10 million for the unfunded mandates of state government," he said, adding he hopes Southard's bill prevails. "Inflation is real. The costs of providing the mandated services on behalf of the state have increased and will continue to increase."

Hearn said not having full funding makes it more difficult for County Council to plan and to hire new personnel, such sheriff's deputies to patrol a growing county.

"The state appears to be balancing their budgets on the counties' backs, and that's a problem — at least if you're elected to County Council," he said.

'Just property tax relief'

The Legislature's decision about how to handle the fund is about more than dollars, however. Merrill said the way the formula was restructured in 1991 is unconstitutional because it is based on a percentage of the state's previous year revenues —and essentially ties one Legislature to the decision of the previous year.

"One Legislature can't bind another Legislature in an appropriations bill," he said. State Rep. Brian White, R-Anderson and chairman of the influential Ways and Means Committee, is a co-sponsor.

However, Southard said he does not buy their argument.

"My idea is to do what the law requires us to do," he said. "Some people might say the law is not binding, but then why are we saying we need to change it?"

Southard's plan would let cities and counties enjoy — or suffer through — the same revenue swings that state government faces. Merrill's approach would allow for some increase in the Local Government Fund if state revenues are up more than 4 percent, but that does not happen every year.

Southard said he does not understand that proposed formula. "You have to be a mathematician."

Tim Winslow, assistant general counsel with the South Carolina Association of Counties, said the debate over the fund dates back to before South Carolina's cities and counties got Home Rule — the power to handle more of their own affairs.

The fund actually began when counties — which were funded primarily through beer and wine and gas taxes — faced shortages because those items were rationed during World War II. Instead of raising taxes in the counties, lawmakers — who had control over county operations — sent some state revenues back instead.

"This is just property tax relief," Winslow said. "It's no different than the Homestead Exemption," which dramatically lowered school property tax rates in 2006.

Winslow said counties realize the state will have a tough time finding $82 million to catch up to the full funding level, even in a year where the state's income is projected to grow by $300 million. That's why Southard's bill — which the association favors over Merrill's and White's approach — phases in the increase over three years.

"It's a huge issue for county government," Winslow said, "and it's a huge issue for taxpayers."

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