



# Institute Joins Effort to Study Beleagued Coastal Ecosystems

By Jeffery Allen

The South Atlantic Bight begins at Cape Hatteras, N.C., and curves gently westward until it reaches Brunswick, Ga., where it begins an eastward sweep that ends at the tip of Florida.

The bight encompasses a section of coastline shared by South Carolina and Georgia that supports one of the smallest populations in a nation where nearly half the citizens reside in coastal areas.

The land bears the light impressions of the cultural footprints of the original occupants, Indian tribes that were replaced by farmers and fishermen who had a heavier tread. Today, however, the growing anthropogenic (a scholarly word for the impact of man on nature) pressure is having a burdensome impact.

The fears of this pressure on ecosystems grew steadily for years, but the alarm sounded clearly in April, 1997. The continued high levels of usage of fresh water from the Floridan Aquifer caused an intrusion of salt water. All of the 24

coastal counties in Georgia are required to develop long-range water management plans with conservation measures at the core of each. In three coastline counties, usage was capped at current rates, and in Chatham County, where Savannah and the bulk of the coastal population of Georgia resides, a 10 percent reduction was required.

The National Oceanic and Atmospheric Administration's Coastal Ocean Program, citing the expectation of "unprecedented growth in the coming decades" in the region, is acting. The agency launched the South Atlantic Bight Land Use - Coastal Ecosystem Study (LU-CES).

The primary problem: "Increases of residents and visitors are now occurring at the highest rates in the nation. This growth is placing enormous pressure on coastal resources, watershed and the adjacent coastal ocean."

To head off ecosystem disasters of the sort experienced by other coastal areas when

population surges overburdened nature, LUCES is starting its program with a series of State-of-Knowledge reports designed to bring together information from various databases that can be used to set up a research agenda to help set policy and to formulate management plans that, hopefully, will stop humans from overwhelming ecosystems.

The Strom Thurmond Institute has joined in that effort in collaboration with the Baruch Institute at the University of South Carolina, the National Marine Fisheries Service's Southeast Fisheries Center at Charleston and the Joseph W. Jones Ecological Research Center of Newton, Ga.

The study will focus on the area between South Carolina's Little River Inlet at the North Carolina border and Georgia's St. Mary's River which flows into the ocean near the Florida state line. The study area encompasses such fast-growing areas as Myrtle Beach, Charleston and Hilton Head in South Carolina and Savannah and Brunswick in Georgia.

The growth of population in the coastal regions between the Little River Inlet and St. Mary's "is placing enormous pressure on coastal resources, watershed and the adjacent coast ocean," the NOAA agency said. "The opportunity for managed growth and scientifically sound decision-making now exists; unfortunately, much of the scientific knowledge needed to make decisions does not. The effects of land use alterations on coastal resources within the South Atlantic Bight are poorly understood or inaccessible in formats useful to watershed and coastal resource managers. Past modification of this landscape, however, are minor in comparison to the anticipated rate of change that will occur during the next few decades. The development of a variety of management tools will be necessary for planners and managers as they seek to balance population growth and associated development ;with resource conservation."

The study has as two of its areas of focus:

(a) The determination of the status and quality of Geographic Information Systems

(GIS) landuse/land change data bases in the region.

(b) The documentation of the state of knowledge on modern GIS data base design and assess it as it has been used in the study region with emphasis on input/output, shared use, data management and potential for use in modeling studies.

The goal of the consortium is to compile the framework for a metadata description of the available spatial data for coastal South Carolina and Georgia.

Metadata, in essence, is data about data. The information describes a data set so that the data user will know whether or not it conforms to certain data standards. For example, metadata for "roads" or "transportation" layer of data within a GIS would describe when the data was collected, how it was put into digital format, its map scale, the geodetic datum it was collected within, the map projection it should be used with, if it was generated from points or lines, etc.

Spatial data is any data that can be linked to a particular location. This can be a very specific location, such as the point of a fire hydrant or much more general, such as a county or a state.

The framework would include catalogued data sets in a user friendly retrieval system linked to a metadata description. Specific objectives include:]

(a) An assessment of data requirements necessary to address the mapping analysis needs of the LU-CES program.

(b) An inventory of current spatial data sources available for coastal South Carolina and Georgia.

(c). The compilation of a digital metadata manual and atlas of available data/coverage for the coast areas of South Carolina and Georgia. The manual and atlas will be made available through the LU-CES project's World Wide Web page.

*(Jeffery Allen is Director of the South Carolina Water Resources Center and Research Coordinator for the Strom Thurmond Institute.)*

# **Evaluation: 'Network Reduces Rural Teacher Isolation'** *Funding Extension Encourages Innovative Change*

**By Chris Benson**

The Bread Loaf Rural Teacher Network (BLRTN) won funding for its fifth year of operation and received a positive evaluation of its contributions to students and teachers of schools in rural communities in six states: Alaska, Arizona, Mississippi, New Mexico, South Carolina, and Vermont. Administrators of BLRTN, Dixie Goswami, Senior Scholar at the Strom Thurmond Institute, and James Maddox, Director of Graduate Studies in English at George Washington University, selected two additional states, Colorado and Georgia, from which to recruit teachers to the BLRTN program. Funded by the DeWitt Wallace-Reader's Digest Fund, the program will carry on through 2001. Dixie Goswami commented, "The renewal of the grant allows us to provide support to encourage teachers to be active members of the network; to involve principals, superintendents and other administrators in our goals; and to encourage innovative changes in the classroom, including the use of technology.

The Bread Loaf Rural Teacher Network awards full fellowships to bring qualified rural teachers in the selected states to the Bread Loaf School of English at Middlebury College in Vermont to attend a unique graduate program in English. Selected teachers take two graduate English courses and receive training in telecommunications technology, a key component of the Network. Fellows in the program receive stipends to fund classroom projects when they return to their schools in the fall. During the school year, Fellows from the eight states maintain contact and pursue collaborative professional development opportunities through the use of telecommunications. As members in the BLRTN, Fellows and their students have access to BreadNet, a computer conferencing network that enables collaborations in educational research, curriculum planning, writing, literature study, and school reform.

Research for Action, a non-profit for community development, completed "Networking across Boundaries of Place, Culture, and Role: A Report to the Bread Loaf Rural Teacher Network." This report is the culmination of a four-year evaluation of the BLRTN program. The major findings of the report include:

\* Learning to use technology in classrooms and to make telecomputing an integral part of the curriculum is a developmental process that occurs over a period of years and requires intensive, direct and personalized support. Telecommunications can contribute to creating student-centered learning environments that are inquiry-based. The support of local administrators, principals and school district personnel is often critical to getting technology inside classrooms. . . . Reading and writing online demand new teaching strategies; in particular they demand a shift from classrooms where students' reading and writing are assigned by the teacher for evaluative purposes to classrooms where reading and writing originate with students for communicative purposes with audiences outside the classroom.

\* An unanticipated outcome of the project was the influence it has had on local schools. Not only have partnerships formed between BLRTN Fellows but between the schools where Fellows teach. Although BLRTN's primary identity is as a professional network for teachers and their students, it has begun to include principals, superintendents, and other teachers . . . creating a web of support for Fellows and facilitating school-wide change.

\* BLRTN is a network for and in rural settings. The network intentionally takes on one of the major dilemmas of rural education: affirming tradition while introducing new ideas and opportunities. BLRTN has reduced the professional isolation of many rural teachers through their partici-

pation in the summer program and their online communication with other professionals. Telecommunication use in BLRTN sites supports a “pedagogy of place” that brings teachers and students simultaneously into an appreciative yet critical stance toward their own community. Through

online communication across geographical and cultural differences, rural students have gained opportunities to portray themselves in their depth and variation, contributing to their sense of value of their own traditions and culture and helping to challenge stereotypes of themselves and others.

## **Rural Teacher Network Plans Heritage Project**

**By Chris Benson**

The South Carolina Bread Loaf Rural Teacher Network (BLRTN) is involving students from eight middle and high schools in South Carolina in a collaborative, online cross-age study of their family and community heritage.

The SCBLRTN is a group of rural public school teachers who have been awarded fellowships to study at the Bread Loaf School of English in Vermont. BLRTN teachers are engaged in professional development that leads to school reform.

The schools are located at both ends of the state and in the middle, including Pawleys Island, Hampton, Greenville, Pelion, Darlington, and Travelers Rest.

A teleconferencing computer network will be used to link them. The teachers, as members of the BLRTN, can provide students with access to an electronic network called BreadNet, which will enable students to “conference” with each other from their various locations in the state. The project

is currently being planned online by the participating teachers, and students will join the project early in the spring semester.

Students will read excerpts of Dori Sanders’ novel “Clover” as a means of learning how to research and to write about their family and community heritage.

As a capstone to the project, a celebration will be held at the Penn Center on St. Helena Island, S.C., for students involved in the project. Rich in South Carolina history and heritage, the Penn Center in the 1860s became the site of the first school for African Americans in South Carolina.

Plans for the study were made in November at the South Carolina Bread Loaf Rural Teacher Network’s annual fall meeting in Darlington at the Mayo High School for Math and Technology.

*(Chris Benson is research associate for the Literacy and Community Service Networks of the Strom Thurmond Institute and editor of BLRTN Magazine.)*

### **Bread Loaf Rural Teacher Network is a Partner in The Strom Thurmond Institute’s Literacy and Community Service Networks**

*Other activities include:*

*Academic fellowships for teachers*

*Publishing BLRTN Magazine*

*Write To Change which supports partnership*

*Projects that include Writing for a Healthy Community*

*and writing and performing across communities*

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# Institute to Put Economic Situation Quarterly Online

By Martha G. Morris

The Strom Thurmond Institute is adding a quarterly report, The Economic Situation, to its online publications.

The report is a Strom Thurmond Institute and Clemson University College of Business and Public Affairs publication. The writers are Bruce Yandle, Senior Fellow of the institute and Alumni Professor and BB&T Scholar at Clemson University. Dr. Yandle comments on national and South Carolina economic trends, and John Alexander, Professor of Finance, writes a section on the stock market.

In the current report (Fall 1997) Dr. Yandle wrote that "October brought stock market gyrations to an already nervous investment community. . . . Underlying all this, the real economy was chugging along rather nicely. Growth rate for the last 12 months was 4 percent, the highest since 1994" while the "third quarter gross domestic price deflator rose just 1.4 percent, the lowest since 1964. Industrial production is strong, and news on corporate profits continues to be on the bright side."

His article notes that the South Carolina economy continues to maintain a steady growth rate while manufacturing is strong and new plants to be built in areas near Aiken and Florence will add demand to an already heavily committed con-

struction sector and many new additional jobs for the labor force.

Dr. Alexander reports that many money managers are suggesting that investors find safe investment areas such as utilities, energy, pharmaceuticals, and paper products.

This publication will soon be available through the Institute's web sight:

WWW.Strom.Clemson.Edu

To be added to the mailing list for The Economic Situation send e-mail to:

publications@strom.clemson.edu

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## Events

### at the Strom Thurmond Institute

Discovering Dinosaurs in the Old West

Speakers: Michael F. Kohl

Date: January 27, 1998

Time: 7:30 PM

Place: Self Auditorium, Strom  
Thurmond Institute

Israel at 50

The Peace Process: Past, Present and Future

Speaker: Deputy Consul General Zvi  
Aviner-Vapni

Date: April 2, 1998

Time: 7:30 PM

Place: Nancy Thurmond Room, Strom  
Thurmond Institute

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## Insight

### Work of the Strom Thurmond Institute

Published quarterly on-line

www.strom.clemson.edu

Publisher: Robert Becker

Editor: Dick Gorrell

# Fiscal Sustainability:

## *The South Carolina State Budget*

By Holley H. Ulbrich

In 1997, a group of researchers\* at the Strom Thurmond Institute was asked to look at the balance between projected general fund revenue and expenditures for the state of South Carolina through fiscal year 2009-10. The purpose of this exercise was to get some measure of how much flexibility the General Assembly can count on in planning spending and making tax policy decisions. The conclusion was that the state's financial picture looks pretty tight for the foreseeable future, with modest revenue shortfalls in the years between 1998-99 and 2004-05, followed by small but rowing surpluses to 2009-10 as the state's current debt service obligations decline.

The team also looked at two important related issues: the revenue prospects for local governments and the health of the state retirement system. Both of these issues could potentially impact on the state budget if local governments need more revenue to provide basic services and/or the state retirement system needs a transfusion in order to fulfill its commitments to retired state workers. However, the focus in this article is the general fund without taking account of any possible additional pressures from either of these sources.

### **Projections, Not Forecasts!**

It is important to note that the numbers that the team has offered are projections, not forecasts. What we projected was the future course of revenue and expenditures based on historical experience, projected population growth, and recent policy changes enacted by the General Assembly. These figures are projections in that they simply take the current state of affairs plus some changes that have already been authorized or implemented and trace them out into the future. A forecast, in contrast, requires a lot of additional assumptions

about events or changes that may occur or may be made, such as new policies, recessions, or hurricanes.

Economic forecasts get about as much derision as weather forecasts, and for the same reasons. Forecasts require making assumptions about future events and if one or more of those assumptions does not hold true, the forecast is likely to be wrong. People remember that the forecast was wrong without trying to understand why.

Likewise, even simple projections are risky because they are based on extending current trends into the future when in fact those trends may suddenly change for reasons no one could have anticipated. But projections are generally a little safer, more cautious, and easier to explain and interpret.

Like most household budgets, the state budget consists of a few big items and a lot of small ones. Personal income taxes, corporate income taxes, and retail sales taxes account for over 80 percent of general fund revenue, with a variety of smaller sources making up the rest. Two of these three major revenue sources—personal and corporate income taxes—are likely to be greatly impacted by new business tax incentives, which will also affect local property tax revenue. On the expenditure side, seven items account for about 75 percent of state spending: K-12 and higher education, corrections, Medicaid and other social services, Local Government Fund, homestead exemption reimbursement, school property tax relief, and debt service. Most of the team's focus, therefore, was on the likely course of these major revenue and expenditure categories.

### **Revenue Projections**

The most important factor in projecting state revenue is the future course of personal income because state revenue growth is very closely tied to personal income growth. Our projections

\**Holley Ulbrich, James Hite, Daniel Rainey, and E. Lewis Bryan.*

and to changes in the tax structure that are likely to impact on that revenue/income relationship.

Revenue projecting can be done in a variety of ways, but most methods begin by looking at the past relationship between tax revenue and personal income. Researchers then develop or “borrow” projections for personal income and calculate the amount of tax revenue that would result from a given future personal income level. Usually these revenue projections are then compared to projections or forecasts available from other sources as a benchmark. If the other projections are very different, the researcher needs to have a clear idea of why they differ.

Two revenue projections were available at the time the study was undertaken: one by the Budget and Control Board and another developed in the recently completed *South Carolina Infrastructure Study*.<sup>1</sup> However, both of these projections were made prior to recent changes in business tax incentives. And in both cases, the projections had to be adjusted to be comparable. For the infrastructure study, the inflation-adjusted state revenue projection was \$8.7 billion in 2010, a figure that appeared to be too high to both the research team and the state’s chief economist. The Budget and Control Board’s projection was made in 1996 and only extended through fiscal year 2004-5. We adjusted this projection by using the actual revenue figures for 1996-97 and projecting each revenue source at the growth rates used in the earlier projection out to 2009-2010. That figure came to \$8.3 billion.

We developed two alternative revenue projections that differed in a few key respects from both of the others. We used the same annual growth rate for personal income, 5.5%, as was used in the Budget and Control Board projections; however, based on recent past experience, we assumed a smaller response of revenue to personal income. The first method projected total revenue in 1996-97 of \$4.6 billion to 2009-10 and yielded revenue of \$7.8 billion in 2009-10.

In our most detailed projection, we made separate revenue projections for each of the “big three” revenue sources—individual income tax, retail sales tax, and corporate income tax. All other

revenue sources were assumed to grow at the same rate as in the recent past. In addition, projected revenue was adjusted to take account of anticipated losses due to recent policy changes, of which the most significant were changes in business tax incentives. This method resulted in a revenue projection of \$7.85 billion for 2009-2010 (Table 1). Because this revenue projection incorporates information specific to each of the component taxes and reflects recent policy changes, it is the projection we use to compare to projected expenditures.

### **The Fiscal Cost of Business Tax Incentives**

A significant factor in our \$7.85 billion revenue projection is the state revenue impact of business tax incentives, estimated to grow to \$248 million by 2009-10. Developing estimates for the future fiscal cost of business tax incentives was one of the more challenging aspects of projecting state revenue. Because these incentive programs were new, there was no historical basis for developing such estimates. Business tax incentives impact on revenue from both the individual income tax and the corporate income tax at the state level as well as the local property tax. Table 2 describes the projected revenue costs of these various incentives.

The fact that business tax incentives are projected to cost the state revenue should be no surprise to anyone. The fact that the fiscal impact of business tax incentives may be negative does not mean that these programs are undesirable. There are substantial economic benefits to the state from more and better-paying jobs and increased capital investment, particularly if it takes place in the poorer areas of the state. However, one has to be careful in arguing that these incentives will so stimulate the growth of personal income that the result will be a net increase in revenue—an argument familiar from the early years of the Reagan administration. Even if there is a substantial increase in personal income, it will not necessarily translate into a revenue increase sufficient to offset the tax cut itself. That outcome is well documented in the professional literature dealing with economic development.<sup>2</sup>

Furthermore, there are limits to the extent to which the state’s rate of real income growth can be stimulated past about 2.5 percent per year. Years

**Table 1**  
**Projected General Fund Revenue, Selected Years**  
(in millions of dollars)

	1997-98	1999-00	2004-05	2009-10
Individual Income Tax (a)	\$2,005.6	\$2,210.7	\$2,845.6	\$3,675.1
Corporate Income Tax (b)	206.9	207.5	208.1	206.6
Retail Sales Tax	1,700.2	1,872.6	2,384.3	3,035.9
All Other Revenue	822.5	839.6	883.7	930.2
<b>Total Revenue Components (c)</b>	<b>\$4,735.2</b>	<b>\$5,130.4</b>	<b>\$6,321.8</b>	<b>\$7,847.8</b>

(a) Adjusted for projected losses from business tax incentives and elderly income tax exclusion.

(b) Adjusted for projected losses from business tax incentives.

(c) Detail may not sum to totals due to rounding.

**Table 2**  
**South Carolina Business Incentive Programs**  
**Projected Fiscal Costs, Selected Years**  
(in millions of dollars)

Program	1997-98	1999-00	2004-05	2009-10
<b><u>Corporate Income Tax Incentives</u></b>				
Job Tax Credit	\$11.1	\$19.1	\$40.3	\$63.4
Economic Impact Zones	2.2	2.7	4.3	6.9
Aid to Families with Dependent Children	4.8	5.8	9.4	15.0
<b>Total Corporate</b>	<b>\$18.1</b>	<b>\$27.6</b>	<b>\$53.9</b>	<b>\$85.3</b>
<b><u>Individual Income Tax Withholdings</u></b>				
Job Development Fees	\$6.3	\$20.1	\$71.9	\$139.8
Retraining Agreements	12.5	18.1	20.4	23.0
<b>Total Individual</b>	<b>\$18.8</b>	<b>\$38.2</b>	<b>\$92.3</b>	<b>\$162.8</b>
<b><u>Local Property Tax Reductions</u></b>				
Fee-in-Lieu of Taxes (FILOT)	\$30.3	\$51.7	\$109.6	\$172.4
<b><u>Total Program Costs (a)</u></b>				
<b>Total Excluding FILOT</b>	<b>\$36.9</b>	<b>\$65.8</b>	<b>\$146.2</b>	<b>\$248.1</b>
<b>Total All Incentives</b>	<b>\$67.2</b>	<b>\$117.5</b>	<b>\$255.9</b>	<b>\$420.5</b>

(a) Detail may not sum to totals due to rounding.

are based on the assumption that personal income will grow at 5.5% a year, of which 3% is inflation and 2.5% is real growth. Those rates are consistent with recent experience. In order to speed up real income growth, a state has to add jobs and jobs require more workers. With state unemploy-

ment at very low rates and the labor force growing at about 1% a year, it is difficult to get sustained income growth at rates much higher than 2.5% over time. Along with income growth, it is also important to look at trends in the relationship of different kinds of tax revenue to income growth

with higher growth rates are generally those immediately following a recession when unemployment is high but declining. Economic growth comes from a combination of employment growth and increases in productivity due to more capital investment and/or better technology. With current very low unemployment rates and the labor force only growing by about 1 percent per year, there just aren't enough available qualified workers to get the kinds of really high rates of growth of output and income that would generate substantial revenue increases.

### **Expenditure Projections**

Projections of future state general fund spending were made in a slightly different manner than the revenue projections. Instead of using historical spending growth rates, the spending projections were based on anticipated inflation (3 percent per year) and growth in key spending factors. The spending projections were also based on 1997-98 appropriations rather than on actual spending in an earlier year. For most spending categories, population growth is assumed to be the most important influence on future spending. Assuming expenditures will grow at the same pace as inflation plus population means that *real* (inflation-adjusted) per capita spending is held constant over time.

The most important factor in projecting five categories of state expenditures is the rate of population growth in the relevant population subgroups. Education expenses are sensitive to growth of the kindergarten through college-aged population. Corrections expenses rise and fall with the population of males age 18-30, although our projections also reflect changes in sentencing guidelines that will increase the prison population. Medicaid costs are largely for the over 65 population, which is growing at an above-average rate. The homestead exemption reimbursement, which the state pays to local governments, is also affected by growth in the elderly population. And finally, miscellaneous general fund spending, which is a mixed bag of many small items that are difficult to project, was projected to grow at a rate just sufficient to accommodate the growth of the state's population (1 percent per year) and inflation, or 4 percent per

year.

Projected spending in three other major categories is affected by non-population factors. The Local Government Fund, which is state-shared revenue to local governments, is formula driven at 4.5 percent of state general fund revenue from the most recently completed fiscal year. The cost of school property tax relief depends primarily on new housing construction and its growth in value. Debt service projections reflect decisions about borrowing up to and including the 1997 bond bill, but do not allow for any additional debt that might be incurred after that date. Total projected spending comes to \$7.64 billion in 2009-10 (Table 3).

Maintaining constant real per capita spending was an important assumption in many of the spending projections. A large part of the cost of state agencies is labor, and state workers expect (although they do not always receive) annual increases in wages equal to the increase in the cost of living. The costs of road paving materials, food for prison inmates, office supplies, and other state purchases also rise with inflation. Population growth creates more wear and tear on the roads, more drivers applying for licenses and tags at the DMV, and more visitors to state parks, all of which require more state employees to serve these needs. If state agencies do not get an increased appropriation that allows for these factors, then they receive a de facto budget cut. When this happens, the lines get longer at the DMV, the maintenance is deferred on state roads and park facilities, and county libraries buy fewer books because their appropriation from the state doesn't go as far. Thus, to hold real per capita spending at today's levels, spending will need to increase at the same rate as population growth and inflation. New programs or higher levels of spending on existing programs will require additional funds above and beyond that level.

### **Shortfalls and Surpluses**

Putting projected revenue and expenditures together, the picture for the state's fiscal future is cloudy. Based on the revenue projection that reflects the cost of business tax incentives, we anticipate modest revenue shortfalls beginning with the 1998-99 budget (\$107 million) and continuing

through 2004-05 (\$7.8 million), after which small but growing surpluses start to appear (Figure 1). In our projections, these later surpluses are largely the product of declining debt service outlays because we did not build any new bond authorizations into these projections. Additional borrowing for capital expenditures and new or higher levels of spending in other areas could cause these surpluses to disappear.

The research team considers these revenue and expenditure projections to be “cautiously optimistic.” They are cautious in the assumptions about income growth and about the responsiveness of revenue to income growth, but they are optimistic in not building in any spending increases or revenue declines due to recessions, hurricanes, or other misfortunes. They are also optimistic in not making any spending allowance for improving

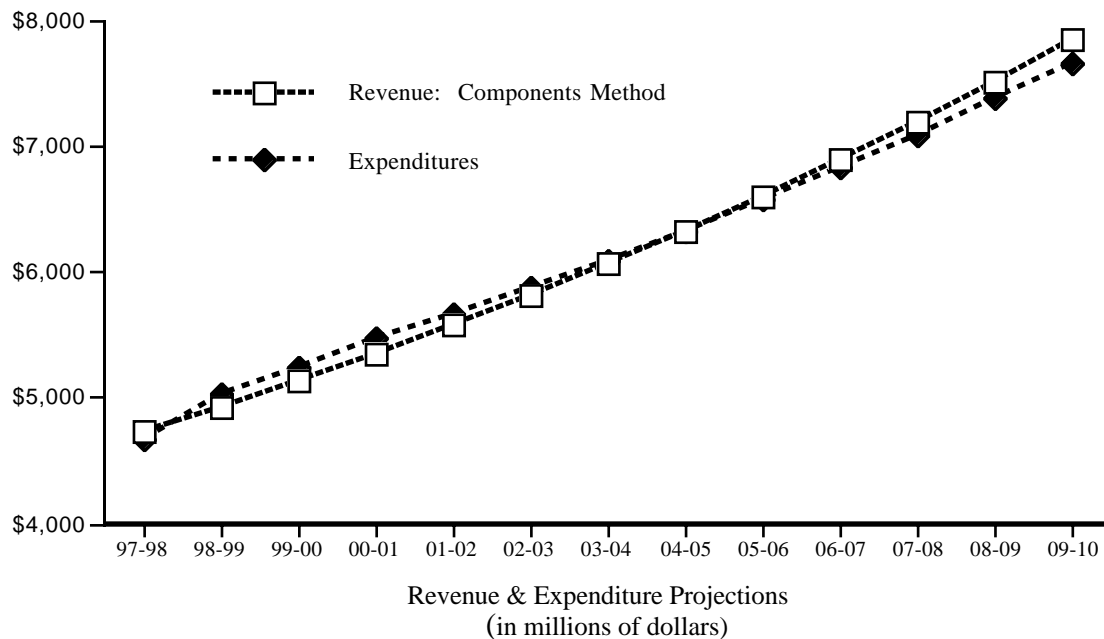
**Table 3**  
**Projected General Fund Expenditures, Selected Years**  
**(in millions of dollars)**

	1997-98(a)	1999-00	2004-05	2009-10
Property Tax Relief	\$209.8	\$226.9	\$276.1	\$335.9
Homestead Exemption	51.2	53.0	57.6	64.1
Local Government Fund (b)	173.6	213.1	261.4	323.6
Corrections	383.1	447.8	580.0	728.8
Education (K-12 & Higher)	2,115.1	2,287.7	2,783.3	3,386.3
Medicaid/Social Services	441.7	482.6	605.0	776.1
General Obligation Debt Service	149.9	288.6	250.9	185.4
All Other Spending	1,151.5	1,245.5	1,515.3	1,843.6
<b>Total Expenditures</b>	<b>\$4,675.9</b>	<b>\$5,245.2</b>	<b>\$6,329.6</b>	<b>\$7,643.9</b>

(a) 1997-98 expenditures based on appropriations act. Expenditure projections for later years are based on these appropriations.

(b) Based on projected revenue by components; full formula funding assumed.

**Figure 1**



education, working off the backlog of infrastructure needs and deferred maintenance, or paying for any additional bonded indebtedness beyond what is currently authorized.

What do these projected revenue shortfalls mean for future budgets? Certainly they would imply that the proposed tax cuts on the agenda for the next legislative session must be approached with considerable caution because they would have to be funded either by spending cuts or by increases in revenue from other sources like video poker or fees for various state services. And any further commitments for future tax relief or increased spending on public programs will need to be funded from some identifiable source, because “new money” is not going to be available to any significant degree.

These projections do not imply that there will be no “new money.” This phrase simply refers to the increase in revenue over the previous year’s budget, less any specific commitments that have been made for some of those funds. Legislators can choose to give state agencies less than what they need to maintain current services and divert some of the “new money” to other projects or enact further tax cuts. However, the amounts available for that purpose will be small to nonexistent for the next six years if our projections are correct.

### **Conclusion**

Tax structures, spending decisions, and the budgets that reflect them both make some important statements about our values and priorities as a

state. Reasonable people can differ with these revenue and spending projections, arguing that income will grow faster, or that inflation will be lower, that revenue will respond more positively to income growth, or that state agencies can get by with increases in appropriations that are less than the increase in the price level and their client populations. But any meaningful discussion of what our state’s budget will look like and what it should look like in the next ten to fifteen years has to start with some idea of the amounts of money that will be available and the kinds of spending demands that are likely to develop. We hope that this debate will be livelier and more productive as a result of the revenue and spending projections our team developed.

*(Holley Hewitt Ulbrich, Ph.D, is a senior scholar at The Strom Thurmond Institute and Alumni Professor Emeritus of Economics, Clemson University. She wrote this article for Winter 1998, vol. 9, no. 1 of the Institute of Public Affairs of the University of South Carolina’s “South Carolina Policy Forum” magazine.)*

<sup>1</sup> *South Carolina Infrastructure Study*, prepared by Rutgers University, Wilbur Smith & Associates, Siemon, Larsen & Marsh, and Sandstone Environmental Associates, Inc. for the South Carolina Advisory Commission on Intergovernmental Relations (Columbia, SC: SCACIR, May 1997).

<sup>2</sup> For example, see T.J. Bartik, “Taxes and Local Economic Development: What Do We Know and What Can We Know?,” National Tax Association, Proceedings of the 86th Annual Conference, 1994, p. 102-106.

# The Strom Thurmond Institute of Government and Public Affairs

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