



State of South Carolina

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FOR IMMEDIATE RELEASE

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Gov. Sanford Unveils 2009-10 Executive Budget **BUDGET SETS SPENDING PRIORITIES, REFORMS** **TAX CODE, LARGELY PROTECTS CORE SERVICES**

Columbia, S.C. – January 9, 2009 – Gov. Mark Sanford today released the sixth Executive Budget of his administration – a balanced, activity-based \$5.8 billion spending plan for Fiscal Year 2009-10 that prioritizes spending in a tough budget year, provides for an optional income tax rate cut while phasing out the corporate income tax, offers \$267 million in cost savings, and largely protects core government functions such as education, law enforcement, and healthcare.

Before the state's most recent budget, government spending in South Carolina had grown by over 40 percent in four years' time. That rapid increase in spending proved unsustainable, and necessitated painful cuts. The governor's plan spends \$800 million less than last year's original budget. Using a record amount of cost saving – things like shortening the legislative session and restructuring the technical college board system – the spending plan calls for a \$200 million increase in spending over the latest round of budget cuts, reinvesting those dollars in priority areas.

The governor's budget also contains a proposal for an optional flat tax of 3.65 percent – paid for with an increase of 30 cents per pack in the cigarette tax, elimination of sales tax holidays and a new landfill tipping fee – aimed at bettering South Carolina's competitive position when it comes to tax rates. The plan also recommends eliminating the state's corporate income tax over a 10-year-time period, taking the rate from 5 percent to zero. The governor's tax plan will move South Carolina's overall business climate ranking from 25th to 6th.

"We've said for the past four years that you can't grow government faster than the underlying economy without having to pay for it sooner or later, and it's unfortunate for everyone that day has arrived," Gov. Sanford said. "Some incredibly tough choices had to be made in this budget, and in many cases they're choices that we wouldn't be facing had we put more money away for a rainy day. That being said, we hope this budget will serve as an impetus to look seriously at some of the restructuring proposals we've put forward, and some of the cost savings we're proposing. Finally, I'd say that this should serve as a wake-up call to the many who have spent money as if it's been growing on trees, and will highlight the need for serious spending cap legislation so that we don't go through this up-and-down cycle every few years."

The governor's budget, which will be submitted today to the South Carolina General Assembly, was crafted again this year following a series of public agency budget hearings and working with different "results teams" composed of state employees, board appointees, private citizens and issue advocates that were asked to rank roughly 1,600 different government activities in order of priority. Based upon that work, this year's Executive Budget recommends roughly \$267 million in suggested savings, the highest number ever.

A complete copy of the budget is available online at www.scgovernor.com.