November 24, 2008

Dear Agency Director,

I am writing to both update you on our state’s financial situation, and to ask that given further anticipated drops in revenue that you plan accordingly. Specifically, I am asking each state agency to sequester at least four percent of its general funds now so that you can be ready to absorb the cuts that we expect the General Assembly to make when it convenes in January.

To date, the general fund appropriation reductions since July 1, 2008, have totaled $621 million, and I know your agency is contending with its share of the cut right now. Most recently, the BEA on November 7th lowered the revenue estimate – the third time since July – by nearly two percent for a total of $724 million. Given these rather unique circumstances, and the continued deceleration of the national economy, further revenue drops are almost certain to come – and as such, we believe a four percent general funds sequestration would be prudent. It is our hope and expectation that the General Assembly will do as they did in October – make targeted cuts when it reconvenes in January.

While we recognize that the longer legislators wait before making these needed cuts, the more harm is effectively done to state agencies, we don’t believe that the immediacy of the situation should lead to unwise across-the-board cuts to all of state government – since, as the old saying goes, “haste makes waste.”

We have commended the House and Senate for heeding our call for targeted budget cuts and for reversing course on simply taking the politically expedient route of across the board cuts. To the extent possible, given the budget hole we’re in, we believe the Rescission Appropriations Act recognized that all services are not created equal and it made cuts accordingly. For example, the General Assembly protected most Corrections and education funding, and finally took the long overdue step of zeroing out the Competitive Grants program and ending state-paid security for the Hunley.

It bears repeating that the budget situation we’ve found ourselves in was predictable, preventable and indeed guaranteed based on the over 40 percent run-up in state spending over the past four years and ignoring the administration’s calls for results-based budgeting and spending limits. It is our hope that we will look at some of the things that have created our current problems and make systematic changes going forward.
In the meantime, your agency should prepare for this unprecedented economic downturn and further revenue shortfalls by holding back at least four percent of your general funds while we weather this financial storm. Thank you for your time and take care.

Sincerely,

Mark Sanford

cc: The Honorable Richard A. Eckstrom, Comptroller General
    The Honorable Converse A. Chellis III, State Treasurer
    The Honorable Glenn F. McConnell, President Pro Tempore
    The Honorable Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee
    The Honorable Robert W. Harrell, Jr., Speaker of the House
    The Honorable Dan Cooper, Chairman, House Ways and Means Committee