

Finding Truth: Stimulus Funds in South Carolina

BY ALLISON K. CALDWELL

Is stimulus money really working in South Carolina? The answer seems to depend on who you ask. With pros and cons on both sides of the aisle, the issue has been a topic of heated debate since Gov. Mark Sanford's failed attempt to reject the funds made national headlines. While many state agencies and their consumers have and will continue to benefit from the more than \$3 billion projected to flow into the state, top financial officers doubt the long-term benefits to South Carolina's—or the nation's—economy.

"I do not believe that the stimulus money will solve our country's or our state's fiscal problems," says State Treasurer Converse A. Chellis III, CPA. "I would not have voted for it if I served in Congress."

Congress approved the \$787 billion American Recovery and Reinvestment Act (ARRA) in February 2009 under three conditions: that the money would be used to 1) create and save jobs, 2) spur economic activity and 3) invest in long-term economic growth. As of November 27, 2009, more than \$860 million had already passed through the palmetto state, mostly in the form of grants, loans and contracts to third-party companies.

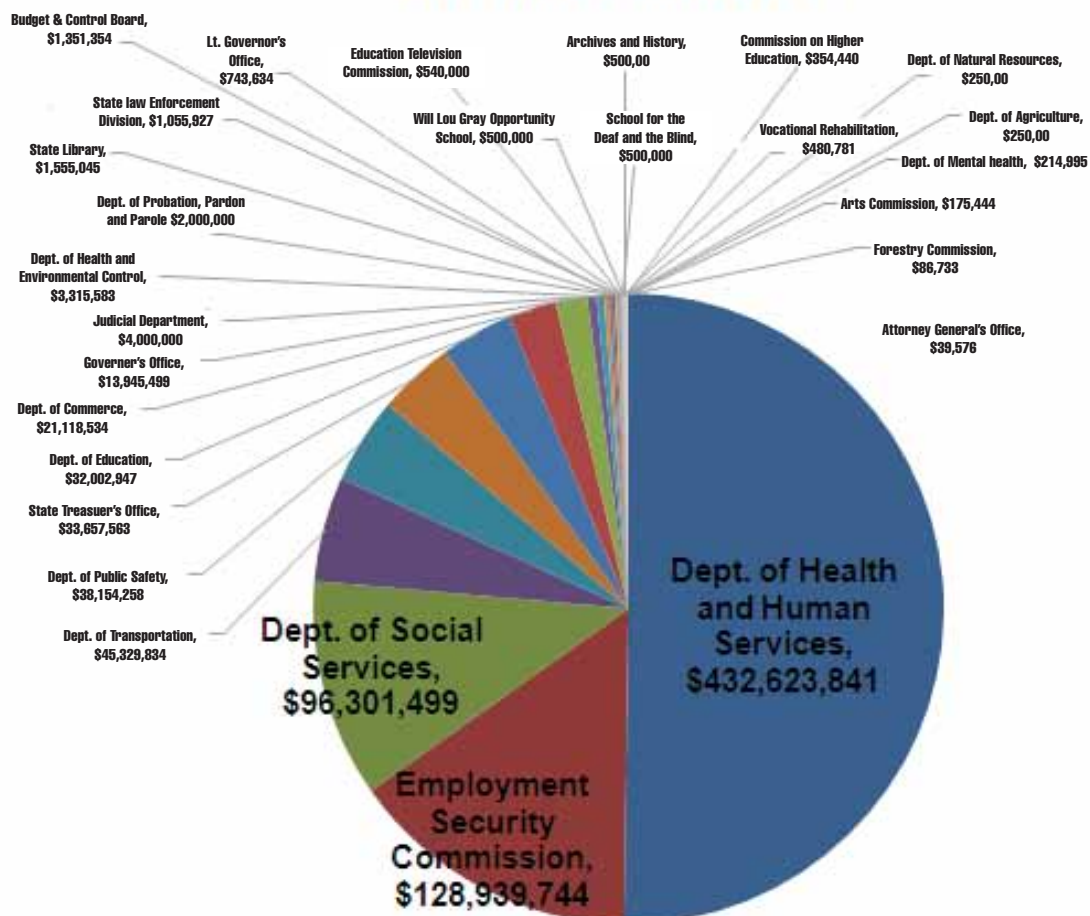
According to Recovery.gov, the Federal Web site created to track ARRA spending, more than 8,000 jobs have been "created or saved" in South Carolina. Overall, the site claims that more than 640,000 jobs have been created or saved nationwide. Here in South Carolina and elsewhere, these statistics have come under scrutiny as exaggerated, inclusive of part-time seasonal or contracted jobs and perhaps even reported from so-called "phantom" districts.

"Our unemployment [in South Carolina] is currently over 12 percent," says Chellis. "The 5,000 to 8,000 jobs that may have been created or saved are but a drop in the bucket compared to our overall unemployment problem."

SC Comptroller General Richard Eckstrom agrees, saying "There's no reliable way of knowing how many jobs it will bring in, because Washington is using a flawed method to count jobs. It's producing inflated figures."

"The problem I've had all along with the stimulus is that most of the money is being spent on stimulating the growth of government and government programs, which does little to stimulate our

Revenue as of Nov. 27



economy,” says Eckstrom. “I don’t believe massive government spending is the way to create private-sector jobs. For example, state government has received nearly \$900 million so far, but most of that—about \$650 million—has gone to provide Medicaid, unemployment and welfare benefits. That’s not the way to stimulate the economy.”

To prove his point, Eckstrom cites North Charleston’s recent acquisition of a second Boeing assembly plant to manufacture the company’s 787 Dreamliner. At a November groundbreaking ceremony, it was announced that the 584,000-square-foot facility will open in 2011 and employ at least 3,800 workers.

**Stimulus Tracking:
FOLLOW THE MONEY!**

Track stimulus funds in South Carolina by agency, purpose or vendor at www.stimulus.sc.gov.

To view spending and jobs reported nationwide, visit www.recovery.gov.

“Washington thinks the way to improve the economy is through government spending. So it’s embarked on a record-shattering spending spree called the stimulus, and in the process it’s probably permanently increased the size and cost of government,” says Eckstrom. “By contrast, South Carolina successfully recruited Boeing by reducing government obstacles through cutting red tape, unnecessary regulations and taxes, and by letting free markets work. We induced Boeing, a major private sector employer, to choose our state over others because we were willing to focus on Boeing’s best interests. This approach is resulting in thousands of new jobs for South Carolinians.”

Where is it?

So just where is all that stimulus cash being spent?



Converse A. Chellis III, CPA



Richard Eckstrom

More than a third of the federal money sent to South Carolina—and at nearly \$1.5 billion, the single largest piece of the federal stimulus pie nationwide—was awarded to the former Savannah River Site in Aiken, now known as Savannah River Nuclear Solutions, LLC. According to site representatives, the money is being used for infrastructure upgrades and environmental cleanup work.

Among state departments, here are the top recipients (and money received to date) according to Stimulus.sc.gov, the site created and maintained by Eckstrom’s office to keep South Carolinians informed on how the money is being used:

- Department of Health and Human Services, \$432, 623, 841
- Employment Security Commission, \$128,939,744
- Department of Social Services, \$96,301,499
- Department of Transportation, \$46,329,834
- Department of Public Safety, \$38,154,268
- Treasurer’s Office, \$33,657,563
- Department of Education, \$32,002,947
- Department of Commerce, \$21,118,534
- Governor’s Office, \$13,948,499
- Judicial Department, \$4,000,000
- Department of Health and Environmental Control, \$3,315,583.

A total of 26 state agencies have received funds so far. Those interested in specific details can search stimulus expenditures by state agency, purpose or vendor.

The SC Department of Health and Human Services has received the largest amount—a little over half of the state’s total awards. According to the state’s stimulus tracking Web site, a large portion of that money has been used to support the Medicaid Federal Medical Assistance Percentage (FMAP), which has increased from 70.07 to 79.36 percent using federal stimulus funds. The increase will last through December 31, 2010.

At the other end of the scale, the SC Attorney General’s office ranks last with a total award amount of \$39,576.

The total impact in South Carolina will be measured by projects ranging from paving, interstate maintenance and bridge replacement projects by the Department of Transportation; support of K-12 and higher education programs, services and school renovations through the Department of Education’s Fiscal Stabilization Fund; grants to the SC Energy Office for weatherization, energy- and lighting-efficiency improvements; support for various public housing agencies—including South Carolina’s Homelessness Prevention Fund—to improve living conditions and provide suitable housing for low-income citizens; and a variety of programs related to defense, arts, veterans affairs and environmental projects.

The awards come on the heels of yet another across-the-board cut for state agencies. In November, state economists suggested trimming another \$120 million, or roughly three percent for all state agencies in addition to budget cuts imposed earlier in the year. The bottom line is whether or not the stimulus money is being used to merely plug the gaps or as originally intended—to create and sustain long-term economic growth.

“Stimulus dollars are not really going towards the long-term needs of the state,” says Chellis. “At best, they are a short-term relief in a time of great economic turmoil. The better question may be: who will pay the bill when it comes due?”

“All we know for sure,” says Eckstrom, “is that—contrary to promises made by Washington to sell its spending plan—job losses and unemployment continue to rise. Washington politicians promised us this wouldn’t happen.”