



## DOA Finance & Debt Concerns H. 3066 as amended by the S.C. Senate

(The following points are an analysis by the State Treasurer's Office only on matters related to the official duties of this office – finance and debt. The passage and/or scope of reform are Legislative decisions. This analysis of finance and debt issues in no way should be perceived as an endorsement or rejection of H. 3066 as a whole.)

- We support the establishment and transfer of many of the offices and divisions of the Budget and Control Board to the Department of Administration, along with any other measures that will promote greater transparency, accountability and efficiency throughout state government.
- While the bill creates a Bond Review Authority and appears to envision oversight of all debt issuance by that Authority, the bill transfers the boards of certain entities in some cases to the Department of Administration, and another to the Rural Infrastructure Authority, including the Tobacco Authority.<sup>1</sup> These boards have **powers to incur debt in their own name** but their bonds have no subsequent oversight or approval requirement since their boards are under existing law comprised of the members of the current Budget and Control Board, which will no longer exist.
- We believe that it is imperative that all debt issued by the state and the entities authorized to incur debt be subject to the rigors of uniform state debt policy and subject to the review of the Joint Bond Review Committee and the Bond Review Authority. To this end, we believe that a thorough statutory review of all bond enabling acts is essential to ensure conformance with the Bond Review Authority oversight described above. We further encourage amending the bill to remove the exemption of the South Carolina Jobs-Economic Development Authority from such oversight for the same reason.
- Bonded indebtedness, which is authorized, constrained and protected by the constitution and contractually binds the State to significant long term liability, must be judiciously undertaken and vigilantly administered. Pension and certain other long-term obligations, because of their debt-like characteristics, must be managed with the same level of oversight and degree of care.
- The model must promote swift and responsible action in response to unexpected changes in economic circumstances, and must withstand the constitutional test of separation of powers.
- Matters with broad public policy implications must be carefully deliberated and conducted in ways that promote public confidence, transparency and accountability. To the greatest extent possible, the model that emerges must be devoid of singular oversight and political influence.
- The Governor's executive budget specifically identified the functional areas of "procurement, technology, budgeting, facilities and real estate, and a number of other critical back office functions" for transfer to the Department of Administration, and cited that "citizens often call for government to be run more like a business". **We agree with and advocate for this general proposition, but also observe that well-run businesses vest general oversight and their most important policy and management decisions in boards of directors. All of South Carolina's AAA-rated peers have an entity that provides oversight most notably to matters of public finance and debt policy, extending as well in various cases to such matters as state and retirement investments and other matters of statewide significance.**

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<sup>1</sup> The State Education Assistance Authority, the Educational Facilities Authority for Private, Non-Profit Institutions of Higher Learning, and the South Carolina Resources Authority will be transferred to the Department of Administration; and the Tobacco Settlement Revenue Management Authority will be transferred to the South Carolina Rural Infrastructure Authority.