

State and Federal Dollars Impact Region's Economy Government Payments Essential to Local Economies

Federal and State employees' salaries and government transfer payments to individuals account for an increasing portion of the spending power of the Santee-Lynches Region. The Region's economy is composed of a variety of elements, but payroll is a major component of the area's income. This monograph will draw a comparison between the four counties' private sector plus local government payrolls and the federal & state worker payroll, active duty military payroll, as well as government transfer payments to individuals.

DEFINITIONS:

Private Payroll: all salaries and/or wages for the private sector and local government employees.

Government Payments: all state, federal, and active duty military payrolls plus government transfer payments.

Transfer Payments: all federal & state tax dollars provided individuals for the following purposes:

Retirement/Disability/Benefits	Old age, survivor, & disability pymts, Workers Comp pymts.
Medical Payments	Medicare, Medicaid, and Military medical insurance.
Income Maintenance	SSI payments, Family Assistance, and Food Stamps.
Unemployment Insurance	SC unemployment ins., employment comp for federal wkrs.
Veterans Benefits	Veterans pension, disability, readjustment & Insurance.

SOURCE MATERIAL: The following sources are used in this monograph:

US Dept. of Commerce, Bureau of Economic Analysis – all transfer payments data.

SC Employment Security Commission – all payroll data (except active duty military).

Shaw AFB Economic Impact Analyses - active duty military payroll data.

The Santee-Lynches Region's individual income is primarily made up of salaries/wages. While not the Region's total income, payrolls account for the major share of its residents spending power. In addition to payrolls, a growing element of income is direct government transfer payments to individuals. As the number of people receiving Social Security, Medicare/Medicaid, government retirements, etc. continues to increase; these transfer payments provide a growing portion of the Region's residents' income. This increasing amount of Federal and State dollars coming into the Santee-Lynches' economy makes residents more dependent on government for their economic well-being.

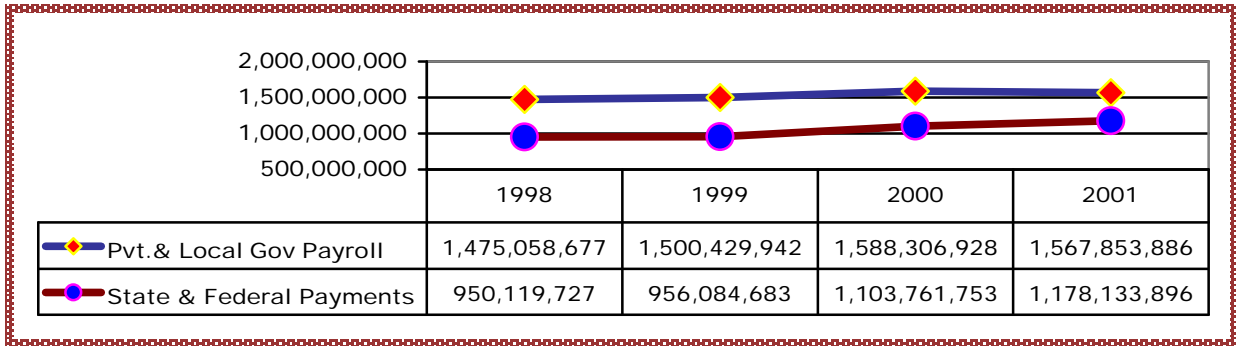
From 1998 to 2001, the Region's private sector and local government payrolls increased by approximately \$93 million or six percent (6%). During this same time frame, state and federal government transfer payments and salaries increased by \$128 million or twenty-four percent (24%). The growth in government pay and payments was four times that of the private sector plus local government payrolls. Part of this increase is attributable to the much higher wages paid to State and Federal employees than the workers of the Santee-Lynches private sector. In 2001, the average weekly

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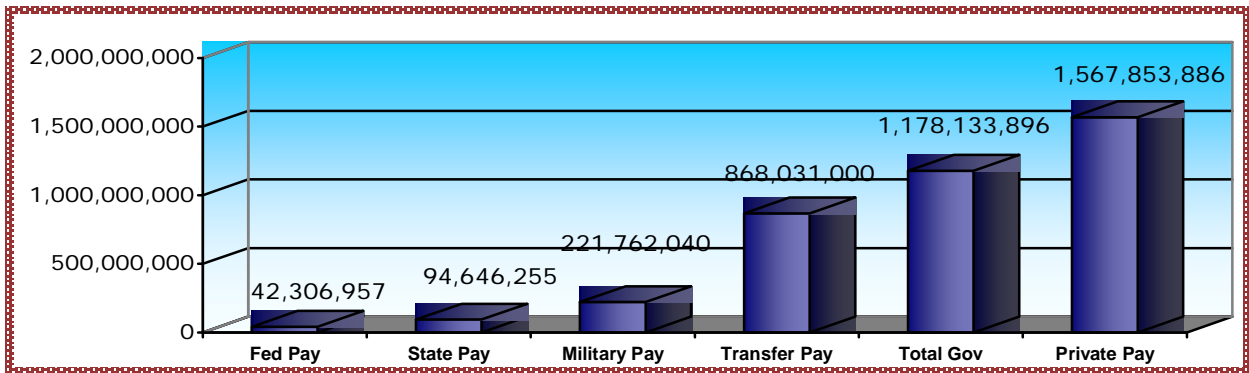
wage for state employees in the Region was \$100 more than the private sector average wage. Federal employee's average wage was \$200 more a week than the Santee-Lynches private sector workers. The annual pay raises for government workers also added to the disproportionate increase in government pay.

The Transfer payments to individuals also saw a significant increase of over \$154 million during this four year period. The \$868,031,000 in 2001 government transfer payments is the equivalent of \$5,631 for every man women and child in the Region. The impact of this increased spending power from government sources is even greater when one considers that the majority of state and federal transfer payments are untaxed.

Private Payroll vs. Government Payroll & Payments (1998 – 2001)



In 2001 the state and federal payrolls and transfer payments were less than \$400 million below the private payroll. Another way of saying this is that federal and state government pay & payments equal 75% of the private and local government payrolls of the Region. The breakout of the over one billion dollars of government payroll and transfer payments for 2001 are:



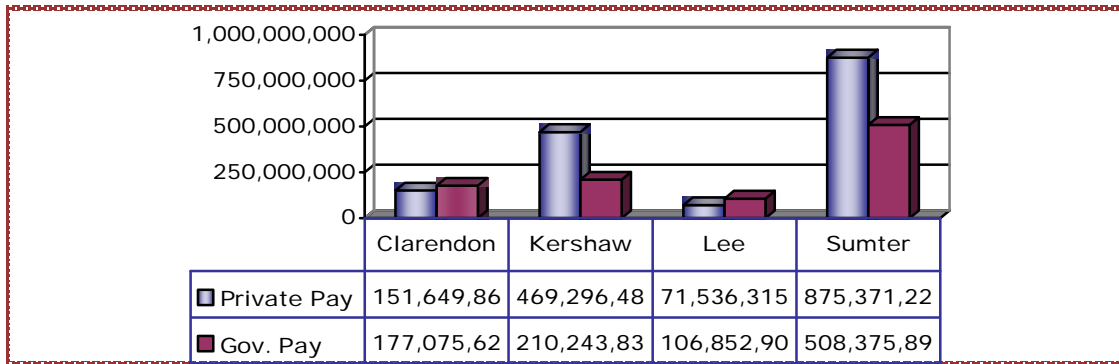
If the Santee-Lynches Region's 2001 local governments' payroll of over \$300,000,000 were subtracted from the private payroll total and added to the State and federal totals, government pay & payments would surpass the private sector payroll for the four counties by over \$200 million.

This dependence on government financing (recycled tax dollars) is greater for the more rural counties in the Santee-Lynches Region. In both Clarendon and Lee County

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government pay & payments provide more spending power than is available from the private sector and local government payroll. In Lee County government payments are 149% of the private sector, while in Clarendon they equal 117% of the private/local government's payroll. The impact of the government pay and payments is less dramatic in Kershaw and Sumter County. Although Sumter County's private sector economy is large enough to accommodate the active duty payroll of Shaw AFB, its government payments are up to 58% of the private sector payroll. Kershaw County with a growing private sector economy and relatively few federal and state workers has government payments at only 45% of the private sector payroll.

Private Payroll vs. Government Payments by County 2001



Although there are other income sources and other government payments for individuals and county funds, this comparison provides insight into the growing impact federal and state dollars have on the spending power of this Region's residents. Our rural counties' residents are clearly dependent on government financing to maintain their standard of living, which in many cases is already below the poverty level. Even Sumter's high ratio of government payments to local payroll places the County in danger of too much dependence on government to provide for its citizens well being.

When government payments or salaries account for more of an area's spending power than the local private payroll, the county's economy is less competitive and lacks the vitality and diversification necessary to attract private sector employment. The predictability of government dollars may be of some stabilizing benefit in times of economic downturn, but the justification for some payments, for economic conditions, holds the Region back during periods of recovery or a full growth economy.

The Region will continue its growth trend in government payments and pay, but as the economy reaches full recovery, the rate of growth is expected to slow. If the Region can benefit from the national economic upturn, the dollar impact of government payments growth will be lessened but not overcome. This will only come to pass if the Region's workforce can support high-paying, technically sophisticated industries. Without significant growth in the private sector, the region's economic development will stagnate and it will ultimately become a major consumer of tax dollars.