

MINUTES OF  
BUDGET AND CONTROL BOARD  
MEETING

September 7, 1990

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STATE OF SOUTH CAROLINA  
**State Budget and Control Board**  
OFFICE OF THE EXECUTIVE DIRECTOR

CARROLL A. CAMPBELL, JR., CHAIRMAN  
GOVERNOR

GRADY L. PATTERSON, JR.  
STATE TREASURER

EARLE E. MORRIS, JR.  
COMPTROLLER GENERAL



P.O. BOX 12444  
COLUMBIA, SOUTH CAROLINA 29211  
(803) 734-2320

JAMES M. WADDELL, JR.  
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN  
CHAIRMAN, WAYS AND MEANS COMMITTEE

JESSE A. COLES, JR., Ph.D.  
EXECUTIVE DIRECTOR

September 12, 1990

MEMORANDUM

TO: Budget and Control Board Division Directors  
FROM: Donna K. Williams, Assistant Executive Director  
SUBJECT: Summary of Board Actions at September 7, 1990, Meeting

This listing of actions is an unofficial **summary** of the Board actions taken at the referenced meeting. The minutes of the meeting are presented in a separate, more detailed document which becomes official when approved by the Board at a subsequent meeting.

The Board heard requests from the following agencies:

Commission on Higher Education  
State Board for Technical and Comprehensive Education  
Higher Education Tuition Grants Commission  
Tax Commission  
Department of Parks, Recreation and Tourism  
State Development Board

An overview summarizing 1991-92 requests was presentec by the Budget Division.

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FAX (803) 734-2117

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**MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING**

September 7, 1990                      9:00 A. M.

The Budget and Control Board met at 9:00 a.m. on Friday, September 7, 1990, in Room 105 of the Gressette Office Building, with the following members in attendance:

Governor Carroll A. Campbell, Jr., Chairman;  
Mr. Grady L. Patterson, Jr., State Treasurer;  
Mr. Earle E. Morris, Jr., Comptroller General;  
Senator James M. Waddell, Jr., Chairman, Senate Finance Committee;  
Representative William D. Boan, Chairman, Ways and Means Committee,

Executive Director Jesse A. Coles, Jr., Ph.D., and other Board staff were present.

**Continuation of 1991-92 Budget Preparation Process**

Dr. W. Ray Cleere, Commissioner, Board of Trustees of State Institutions of Higher Learning, Jackson, Mississippi, opened the session with a presentation on duplication in higher education.

**Agency Budget Requests**

The Board heard requests from the following agencies:

Commission on Higher Education  
State Board for Technical and Comprehensive Education  
Higher Education Tuition Grants Commission  
Tax Commission  
Department of Parks, Recreation and Tourism  
State Development Board

**State Budget Division Overview**

The hearings were concluded by the Budget Division's presentation of an overview of the 1991-91 budget situation. That presentation showed requests for new operating funds at \$628.5 million and for new non-recurring funds at \$183.6 million. The base allocation of \$3.6 billion included \$12.9 million for health insurance and \$17.1 million for pay increase annualizations.

With regard to 1991-92 available funds, the Division showed \$150 million as its pessimistic working estimate of "new funds" (4.2% revenue growth); \$187.5 million as its control estimate (5.2% revenue growth); and \$225 million as its optimistic estimate (6.3% growth).

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Minutes of Budget and Control Board Meeting  
September 7, 1990 -- Page 2

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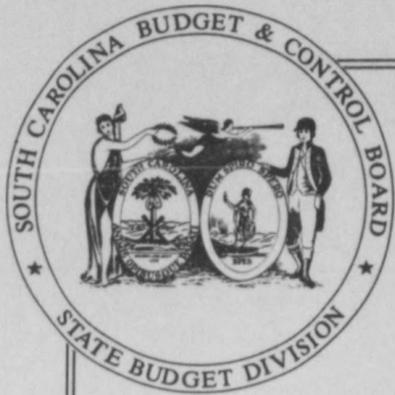
The Division identified \$117 million of major expenditure commitments, \$37 million other annualizations, and \$55 million compelling items, with total commitments of \$209 million. The Division also pointed out that allowable full-time-equivalent position growth for 1991-92 is 2,049.44 compared to 2,655.11 FTE positions requested.

Information relating to these matters has been retained in these files and is identified as Exhibit 1.

[Secretary's Note: In compliance with Code §30-4-80, public notice of this meeting was given to news media representatives and others on numerous occasions during the months of June, July and August.]

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**EXHIBIT**

SEP 7 1990 1

STATE BUDGET & CONTROL BOARD

# **BUDGET HEARINGS**

**Fiscal Year 1991-92**

**September 7, 1990**

**002205**

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**EXHIBIT**

SEP 7 1990 1

STATE BUDGET & CONTROL BOARD

**PRESENTERS FOR AGENCIES APPEARING**

**FRIDAY, SEPTEMBER 7, 1990**

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STATE COMMISSION ON HIGHER EDUCATION

William J. Whitener, Chairman  
Fred R. Sheheen, Commissioner

\*\*\*\*\*

STATE BOARD FOR TECHNICAL & COMPREHENSIVE EDUCATION

P. Henderson Barnette, Chairman  
Dr. James R. Morris, Jr., Executive Director

\*\*\*\*\*

HIGHER EDUCATION TUITION GRANTS COMMISSION

Dr. James Daniels, Chairman  
Edward M. Shannon III, Executive Director

\*\*\*\*\*

TAX COMMISSION

S. Hunter Howard, Jr., Chairman

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DEPARTMENT OF PARKS, RECREATION & TOURISM

William J. Sigmon, Chairman  
Fred P. Brinkman, Executive Director

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**EXHIBIT**

SEP 7 1990 1

STATE BUDGET & CONTROL BOARD

State Budget & Control Board

**FY 1991-92  
BUDGET REQUEST HEARINGS**

**HIGHER EDUCATION  
ECONOMIC DEVELOPMENT**

Friday, September 7, 1990

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**FY 1991-92 BUDGET HEARINGS**

**Friday, September 7, 1990**

**HIGHER EDUCATION/ECONOMIC  
DEVELOPMENT**

9:00 - 10:00

**Duplication in Higher Education**

Dr. W. Ray Cleere, Commissioner, Board  
of Trustees of State Institutions of Higher  
Learning, Jackson, Mississippi

Introduction by: Luther F. Carter

10:00 - 10:20

State Commission on Higher Education

10:20 - 10:35

State Board for Technical & Comprehensive Education

10:35 - 10:45

Higher Education Tuition Grants Commission

10:45 - 11:00

Tax Commission

11:00 - 11:15

Department of Parks, Recreation & Tourism

11:15 - 11:45

Question & Answer Session

11:45 - 12:45

**National Economic Trends**

Dr. David A. Wyss, Senior Vice President  
and Chief Financial Economist,  
DRI/McGraw-Hill

Introduction by: Douglas McKay III

12:45 - 1:00

State Budget Division Overview

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Guest Speaker

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## EXHIBIT

Dr. W. Ray Cleere  
Biographical Summary

SEP 7 1988 1  
STATE BUDGET & CONTROL BOARD

Dr. W. Ray Cleere became Mississippi's first Commissioner of Higher Education in December of 1987. Previously, he was Vice Chancellor of the University System of Georgia. He has served in other educational positions, including college vice-president, department head, and professor within Georgia's collegiate system, and as a public school teacher and counselor.

As Commissioner, Dr. Cleere and his staff implement the policies, programs and goals adopted by the Board of Trustees of Institutions of Higher Learning (IHL). Under the leadership of the IHL board, many changes have occurred, most prominent of which has been the establishment of an equitable formula-based approach to funding the state's public universities.

One result of this innovative approach has been that Mississippi's universities, in the 1988-1989 fiscal year received the highest percentage increase in appropriations of any public university system in the nation. In addition, over the past three fiscal years, over \$86 million has been approved for the repair and renovation of Mississippi's public universities. Although recent state funding limitations have slowed progress, the universities remain aggressive in their continuing desire to strengthen and expand educational opportunities throughout the state.

Under Dr. Cleere's leadership, cooperation has been the watchword among those responsible for Mississippi's education policy, including IHL, the Community and Junior College Board, and the Board of Education. Even though Mississippi's resources may remain limited in the foreseeable future, Dr. Cleere believes that substantial progress can be made in the improvement of the total education system through carefully designated funding and close cooperation among institutions. Ray Cleere's over thirty years of experience has been central in forging the ideas, concepts and programs necessary to move Mississippi's university system into a position of competitiveness throughout the nation.

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State Commission  
on Higher Education

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# EXHIBIT

SEP 7 1990 1

STATE BUDGET & CONTROL BOARD

## HIGHER EDUCATION:

H03 - Commission on Higher Education  
Fred R. Sheheen, Commissioner  
H09 - The Citadel  
H12 - Clemson University-General & Educational  
H15 - College of Charleston  
H18 - Francis Marion College  
H21 - Lander College  
H24 - South Carolina State College  
H27 through H40 - University of South Carolina  
H47 - Winthrop College  
H51 through H54 - Medical University of South Carolina  
H55 - Advisory Council on Vocational & Technical Education

FISCAL YEAR	GENERAL FUND			
	ADJUSTED APPROPRIATION	EXPENDITURE	LAPSE	CARRY-FORWARD
1984-85	347,139,401	339,833,979	170,159	7,135,263
1985-86	366,607,786	365,993,129	137,657	477,000
1986-87	370,091,690	370,052,109	39,581	0
1987-88	389,778,687	382,354,978	0	7,412,735
1988-89	442,433,452	418,873,492	47,759	23,512,201
1989-90	461,590,751	461,571,495	19,256	0
1990-91	466,733,315	Not Available	Not Available	Not Available

FISCAL YEAR	INCREASE REQUESTS			
	RECURRING	% INCREASE	NON-RECURRING	TOTAL
1991-92	121,874,926	26.11%	18,070,288	139,945,214

NOTE: The adjusted appropriation is equal to the original appropriation plus appropriations brought forward, special acts, supplemental appropriations, Civil Contingency transfers, and compensation increases. The FY 1990-91 displayed adjusted appropriation is equal to the original appropriation.

SOURCE: Office of the Comptroller General Agency Appropriation Activity Reports

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1991-92 SUPPLEMENTAL REQUEST SUMMARY  
 (The following information has been supplied by the agency.)

AGENCY NAME COMMISSION ON HIGHER EDUCATION AGENCY CODE HO3  
 -----

REQUESTED INCREASES

PRIORITY # 1 | PROGRAM NAME: ADMINISTRATION

The Property Management Division (Real Property) of the Budget & Control Board authorized the Commission to enter into a lease agreement with Southwind Ltd., for 12,270 sq. ft. of office space in the 1000 block of Main Street, on January 26, 1989. This lease expires in February, 1994.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$12,225	\$12,225

PRIORITY # 2 | PROGRAM NAME: STUDENT UNIT RECORDS

The Commission, in accordance with its approved Information Technology Plan and mandates set forth in The Cutting Edge, is developing a statewide information system of student specific data to reside on its in-house computer. The funds requested for 1991-92 are to pay for the necessary systems development and programming for the approved system.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$45,000	\$45,000

PRIORITY # 3 | PROGRAM NAME: ADMINISTRATION (PER DIEM)

On-site visits are essential to the achievement of stated Commission goals and are required in order to stay abreast of the current trends and developments in the State's institutions of higher education. Additional per diem funding is necessary to offset the increased cost of travel expenditures.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$5,000	\$5,000

PRIORITY # 4 | PROGRAM NAME: CUTTING EDGE

The 1988 General Assembly amended the Commission's enabling legislation by approving the "Cutting Edge." This legislation adds initiatives for research academic excellence & modifies the Commission's appointment process. The legislation also addresses a statewide planning system for higher education.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$15,000,000	\$15,000,000

FORM 90-R2

PAGE NO 1

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1991-92 SUPPLEMENTAL REQUEST SUMMARY  
 (The following information has been supplied by the agency.)

AGENCY NAME COMMISSION ON HIGHER EDUCATION AGENCY CODE HO3  
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REQUESTED INCREASES

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PRIORITY # 5 | PROGRAM NAME: EARLY INTERVENTION: TRI-STAR PROGRAM

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Recognizing the personal, social, and economic values of education, the Commission feels an obligation to embark on a program to illuminate the opportunities and benefits of postsecondary education to every young person in the public school system in S. C. The program will be a partnership of the public schools, the Department of Social Services, and the institutions of higher learning interacting with students in the sixth, seventh, and eighth grades.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$500,000	\$500,000

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PRIORITY # 6 | PROGRAM NAME: ACCESS AND EQUITY IN HIGHER EDUCATION

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Effective higher education efforts to achieve full participation of minorities the life & prosperity of our society are critical to support economic progress technological advancements, & other improvements in society that are necessary for future growth & success of our state & nation.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$2,724,819	\$2,724,819

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PRIORITY # 7 | PROGRAM NAME: SREB FEES AND ASSESSMENTS

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The State of S.C. has a contract with the Southern Regional Education Board (SREB) to provide various services and reports. In exchange for the service, the State pay a fee. In the past 3 years the annual fee has been \$100,000. At the SREB meeting on 06/14/90, the fee was increased to \$135,000 annually.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$35,000	\$35,000

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PRIORITY # 8 | PROGRAM NAME: SREB CONTRACT FOR SERVICES

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The Commission, on behalf of the State, contracts through the SREB for a given number of spaces for State residents in selected professional schools for professional training not available in the State. Contract students are granted a waiver of the out-of-state differential in tuition.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$68,508	\$68,508

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FORM 90-R2

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1991-92 SUPPLEMENTAL REQUEST SUMMARY  
 (The following information has been supplied by the agency.)

AGENCY NAME COMMISSION ON HIGHER EDUCATION AGENCY CODE HO3

REQUESTED INCREASES

PRIORITY # 9 | PROGRAM NAME: SREB SMALL GRANTS PROGRAM

The Commission on behalf of the State participates in this program, which enables faculty at South Carolina's public and private institutions of higher education to obtain small grants in support of research. Grants are awarded primarily for travel, outside the state, for access to libraries, sites, or equipment not available in the State.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$3,750	\$3,750

PRIORITY # 10 | PROGRAM NAME: ARTS PROGRAM

As requested by the Governor's Task Force on the Arts in 1984, endorsed by the General Assembly in 1985, the Commission on behalf of the State entered into a Tuition Aid Contract, through SREB, with the North Carolina School of the Art. The amount requested will be sufficient for 12 high school students.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$17,650	\$17,650

PRIORITY # 11 | PROGRAM NAME: ADMINISTRATION TRAVEL

The staff of the Commission on Higher Education will be required to conduct additional on-site visits of State, regional, and national institutions of higher education in order to fully understand the needs and concerns of State institutions and accomplish Commission functions required by law.

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$15,000	\$15,000

PRIORITY # | PROGRAM NAME:

STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		\$18,426,952	\$18,426,952

FORM 90-R2

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RECOMMENDATIONS OF BUSINESS & FINANCE COMMITTEE  
COMMISSION ON HIGHER EDUCATION  
(AUGUST 28, 1990)

B&CB FY 1991-90 Allocation to Colleges & Universities (Includes TEC System Instructional Programs)		\$590,318,419
CHE Preliminary Formula Allocation FY 1991-92 for Continuing Operations *	\$674,600,946	
CHE Recommended Unique Costs (see next page)	9,604,974	
CHE 100% Formula Funding for Colleges & Universities - FY 1991-92		684,205,920
Additional Funding Necessary to Reach 100% Formula Level		93,887,501

\*The formula will be updated for the fall 1990 enrollment in October 1990.

<u>OTHER SPECIAL ITEMS</u>	<u>FY 90-91 Funding</u>	<u>FY 91-92 Recommended</u>
USC-Small Business Development Corp.	\$700,000	\$731,500
MUSC/AHEC-Rural Physician Program	588,183	744,175

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UNIQUE COSTS RECOMMENDED AS PART OF FORMULA  
BY BUSINESS & FINANCE COMMITTEE

Unique Costs (Listed by Institution)

The Citadel	\$ 682,491
Clemson	951,604
College of Charleston	1,137,137
Francis Marion	290,118
S.C. State	1,114,304
USC-Columbia	2,448,478
USC-Coastal	15,000
Winthrop	470,958
MUSC	<u>2,494,884</u>
TOTAL UNIQUE COSTS RECOMMENDED	<u>\$ 9,604,974</u>

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REMARKS TO BUDGET AND CONTROL BOARD

William J. Whitener, Chairman  
Commission on Higher Education  
September 7, 1990, 9:00 a.m.  
Gressette Building, Room 105

It is a pleasure for me to come before you today to present to you the appropriation requests of the public colleges and universities.

The Commission on Higher Education has reviewed the 1991-92 appropriation requests and has based its recommendations for all institutions on requests computed through the 1991-92 Appropriation Formula. Careful consideration was also given to oral presentations made by the presidents of the colleges and universities and the executive director of the State Board for Technical and Comprehensive Education.

The Commission is recommending full-formula funding for all institutions. A complete analysis of our request for formula funding is included in your materials, and I do not intend to report those figures in detail in this presentation.

We are aware of the difficult financial situation which has been projected for the State in the coming budget year. We also share your concerns over increases in tuition and fees, and we support the institutions' efforts to hold fee increases at the higher education inflation rate, as requested by the Legislature this year.

The formula is designed to provide a base amount of funding for educational and general operations at each institution. The increase required to fund the base budgets of the institutions, pursuant to full-formula funding, will require \$107 million, excluding funding for anticipated enrollment increases. It is important to note, however, that

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over the past nine years, the formula has not been fully funded in any one year. In fact, the percentage of funding has ranged from a low of 80.7% (in 1982-83) to a high of 99.7% (in 1984-85), averaging 92.3% of the base amount needed for educational and general operations. Details of the percentages received, by year, are included in the materials provided.

When the formula is not fully funded, institutions must make up the difference. Two of the ways institutions have attempted to make up the shortfall are deferring needed equipment purchases and deferring maintenance on educational facilities. Even so, with these deferral measures and with substantial increases in student fees, the institutions have still been unable to keep faculty salaries at the Southeastern average. Salaries are a critical factor, as you might imagine, in attracting and retaining qualified faculty who can improve the quality of our undergraduate instructional programs, and our research and public service programs. In light of the accumulation of a number of years of shortfalls in base funding, the Commission and the institutions believe that a critical need exists to fully fund the formula.

While full-formula funding will allow the institutions to purchase some of the necessary computer and other instructional equipment, it will take significant funding in addition to the base formula to overcome the ~~the~~ equipment needs that have developed over the past several years. The Commission will examine the need for additional funding through supplemental or one-time funds to assist the institutions in eliminating these needs and make appropriate recommendations in a timely fashion.

When institutions must absorb budget shortfalls, building maintenance is often placed on hold. When this happens consistently over a period of time, the condition of our educational facilities erodes. Again the

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Commission will examine the need for supplemental or one-time funding to assist institutions in eliminating the backlog of deferred maintenance and make recommendations in a timely fashion.

The higher education community in the past several years has implemented new and vital assessment programs which will make the institutions more publicly accountable. As a part of the Commission's response to this issue, we have commissioned five new studies to assist us in a comprehensive analysis of institutional performance, the results of which will appear in the forthcoming state plan for higher education mandated by the Cutting Edge legislation. We believe that the rigorous system of accountability and effectiveness which has been adopted by the Commission and the institutions, together with the new state plan, will justify an enhanced investment in the educational programs of the colleges and universities.

I would like to conclude my remarks by saying that again this year, the colleges and universities and the Commission have joined together in a constructive effort to advance higher education. We are hopeful that the Budget and Control Board and the General Assembly will respond accordingly.

I will ask the Commissioner to discuss several specialized aspects of our appropriations request, after which we will be pleased to answer your questions.

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REMARKS OF FRED R. SHEHEEN  
COMMISSIONER, S.C. COMMISSION ON HIGHER EDUCATION  
S.C. BUDGET AND CONTROL BOARD HEARINGS  
SEPT. 7, 1990

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Governor, Members of the Budget and Control Board, Members of the  
General Assembly, Institutional Presidents & Officers, Ladies and  
Gentlemen:

The Chairman of the Commission has commended to you the  
urgency the Commission and the institutions regarding formula  
funding, or, as I term it, the baseline budgets of the  
institutions. You know, of course, that the major categories of  
operations, including salaries, are in the formula and the  
institutions need a higher level of base funding if we are to move  
our system of higher education to new levels of excellence and  
achievement.

However, I would also remind you, quite vigorously, that the  
new initiatives for academic excellence and quality, encompassed in  
The Cutting Edge legislation, Act 629 of the General Assembly  
session of 1988, have suffered this year because of a drop in  
funding. The 1990 session of the General Assembly funded these  
programs, and the minority programs, mainly from supplemental  
funds. When those funds failed to appear upon the closing of the  
books on the last fiscal year, both The Cutting Edge and the Access

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and Equity minority programs were left with only miniscule sums of revenue.

We consider this to be tragic: The only really unique programs in higher education created by the General Assembly in the last 25 years, and the exceptional programs for improving minority presence in higher education, have been cut back severely. It is vitally important that innovation and excellence in these programs be a part of higher education, and we urge that they be restored in some measure in the new budget.

The Commission is requesting \$15-million for The Cutting Edge, and, with the institutions, we are looking at even more creative and innovative ways to invest that money. However, the basic programs are on the statute books of the state, and at this time of movement and change in higher education, South Carolina does not need to abandon its special initiatives. The Access and Equity request is for \$3.2-million, and we do not need to cite the avalanche of national and state studies which indicate that improving the presence of minorities in higher education is on the national agenda, and it certainly should remain at the top of the state's agenda.

There is a vigorous call throughout this country in higher education to fund at least some parts of the enterprise outside of enrollment-driven formulas. The Cutting Edge programs are a model of some of the things being discussed in the national forums to

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achieve that objective. The Presidents of a number of our state institutions have joined the call for other sources of funding than the enrollment-driven sums in the formula. And the Commission itself will report, in a major study, on methods of accomplishing this later in the fall.

What I am saying is that it is vitally important to have an aspect of higher education activities funded outside of the formula, to encourage initiative and creativity; to see measureable and perceivable results; to engender excitement in the academic community; and to address particular and unique problems. (Cite brochure on Cutting Edge).

The Cutting Edge programs and the Access and Equity program address these vital components of the life of higher education. We were in the vanguard of the nation in these two programs until this year, and we hope they will be restored.

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REMARKS TO BUDGET AND CONTROL BOARD

William J. Whitener, Chairman

Commission on Higher Education

September 7, 1990, 9:00 a.m.

Gressette Building, Room 105

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The formula is designed to provide a base amount of funding for educational and general operations at each institution. The increase required to fund the base budgets of the institutions, pursuant to full-formula funding, will require \$107 million, excluding funding for anticipated enrollment increases. It is important to note, however, that

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The higher education community in the past several years has implemented new and vital assessment programs which will make the institutions more publicly accountable. As a part of the Commission's response to this issue, we have commissioned five new studies to assist us in a comprehensive analysis of institutional performance, the results of which will appear in the forthcoming state plan for higher education mandated by the Cutting Edge legislation. We believe that the rigorous system of accountability and effectiveness which has been adopted by the Commission and the institutions, together with the new state plan, will justify an enhanced investment in the educational programs of the colleges and universities.

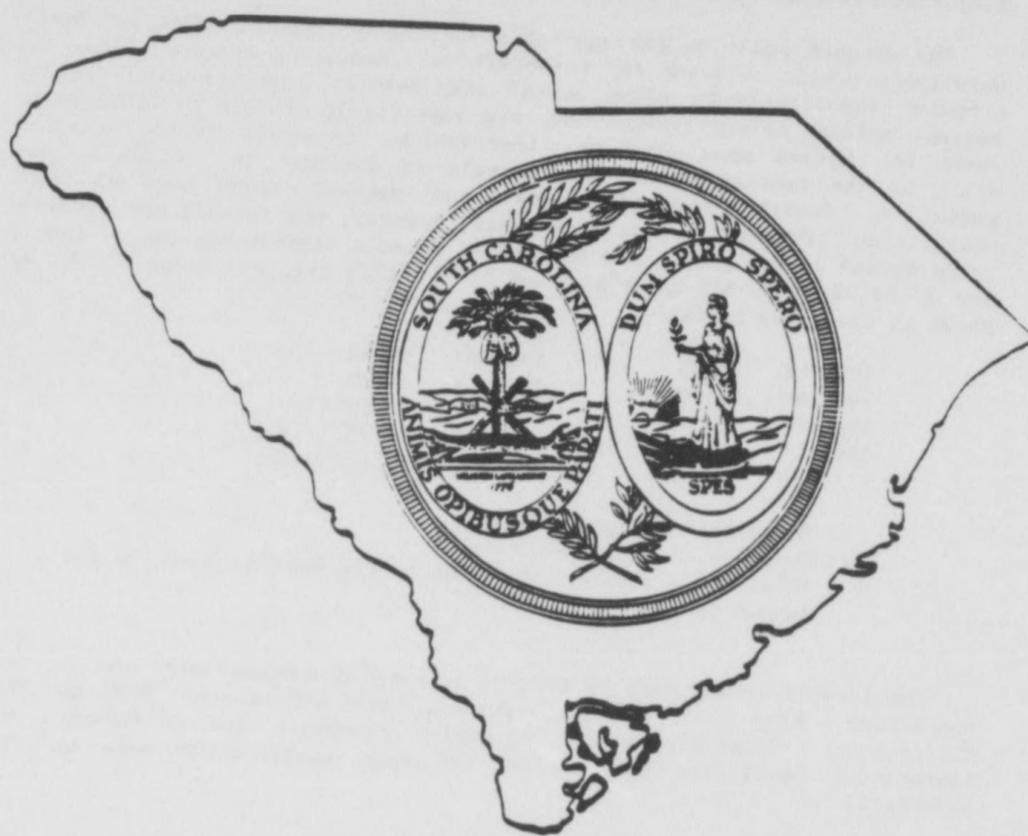
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I will ask the Commissioner to discuss several specialized aspects of our appropriations request, after which we will be pleased to answer your questions.

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COMMISSION ON HIGHER EDUCATION



BUDGET REQUESTS  
FY 1991-92

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RECOMMENDATIONS OF THE COMMISSION ON HIGHER EDUCATION  
CONCERNING THE 1991-92 FORMULA REQUESTS  
OF THE SOUTH CAROLINA PUBLIC COLLEGES AND UNIVERSITIES

On September 6, 1990, the Commission on Higher Education reviewed the 1991-92 appropriation requests of the public colleges and universities and the State Board for Technical and Comprehensive Education (SBTCE). The Commission based its review and recommendations for all institutions on requests computed through the 1991-92 Appropriation Formula. Careful consideration was given to the oral presentations made to the Commission on August 27 and 28 by the presidents of the colleges and universities and the Executive Director of SBTCE.

The formula provides for equitable sharing of State support for South Carolina's public colleges and universities. Realistic appropriations are computed impartially by using actual enrollments, proven student/faculty ratios, uniform salary assumptions, and justifiable average percentages to cover the agreed upon programs (instruction, research, public service, etc.) of the institutions. The formula is designed to provide a base amount of funding for educational and general operations at each institution. During the past nine years, however, the formula has not been fully funded in any year. The percent of formula funding has ranged from a low of 80.7% (1982-83) to a high of 99.7% (1984-85), averaging 92.3%, as shown in the table below:

1981-82	91.6%	1986-87	92.6%
1982-83	80.7%	1987-88	88.2%
1983-84	92.9%	1988-89	93.2%(1)
1984-85	99.7%	1989-90	92.7%(1),(2)
1985-86	98.9%	1990-91	89.6%(1),(3)

- (1) Includes One-Time Funds
- (2) Excludes Vacancy Reduction
- (3) After the Affected Deductions by the General Assembly the Amount is 87.7%

The formula is designed to provide a "base" for educational and general operations. When it is not fully funded, institutions must "make up" the difference. Deferring needed equipment purchases and maintenance on educational facilities are two of the ways institutions make up the shortfall.

The Commission is requesting full-formula funding for all institutions. Full-formula funding will assist the institutions in eliminating the deficiencies which have occurred over the past nine years.

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Commission on Higher Education  
Requested Increases  
FY 1991-92

PRIORITY # 1 ADMINISTRATION \$ 12,225

The Property Management Division (Real Property) of the Budget and Control Board authorized the Commission to enter into a lease agreement with Southwinds, Ltd., for 12,270 sq. ft. of office space in the 1000 block of Main Street, on January 26, 1989. This lease expires in February, 1994. This represents the increased rent amount per the lease agreement.

PRIORITY # 2 STUDENT UNIT RECORDS \$ 45,000

The Commission, in accordance with its approved Information Technology Plan and mandates set forth in the Cutting Edge, is developing a statewide information system of student specific data to reside on its in-house computer. The funds requested for 1991-92 are to pay for the necessary systems development and programming for the approved system.

PRIORITY # 3 ADMINISTRATION (PER DIEM) \$ 5,000

On-site visits are essential to the achievement of stated Commission goals and are required in order to stay abreast of the current trends and developments in the State's institutions of higher education. Additional per diem funding is necessary to offset the increased cost of travel expenditures.

PRIORITY # 4 CUTTING EDGE \$15,000,000

The 1988 General Assembly amended the Commission's enabling legislation by approving Act 629, the "Cutting Edge." This legislation adds initiatives for research and academic excellence and modifies the Commission's appointment process. The legislation also addresses a statewide planning system for higher education. In 1989-90 the Commission was appropriated \$5 million which was allocated as follows:

Palmetto Fellows	\$ 200,000
SBTCE Calendar	305,000
Undergraduate Instruction Grants	300,000
Professor of the Year	15,000
Endowed Professorship	750,000
Research Investment Fund	3,260,000
CHE Administration	<u>170,000</u>

TOTAL \$ 5,000,000

PRIORITY # 5 EARLY INTERVENTION: TRI-STAR PROGRAM \$ 500,000

Recognizing the personal, social, and economic values of education, the Commission feels an obligation to embark on a program to illuminate the opportunities and benefits of postsecondary education to every young person in the public school system in South Carolina. The program will be a partnership of the public schools, the Department of Social Services, and the institutions of higher learning interacting with students in the sixth, seventh, and eighth grades.

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PRIORITY # 6 ACCESS AND EQUITY IN HIGHER EDUCATION \$ 2,724,819

Effective higher education efforts to achieve full participation of minorities in the life and prosperity of our society are critical to support economic progress, technological advancements, and other improvements in society that are necessary for future growth and success of our state and nation.

PRIORITY # 7 SREB FEES AND ASSESSMENTS \$ 35,000

The State of South Carolina has a contract with the Southern Regional Education Board (SREB) to provide various services and reports. In exchange for the service, the State pays a fee. In the past three years the annual fee has been \$100,000. At the SREB meeting on June 14, 1990, the fee was increased to \$135,000 annually.

PRIORITY # 8 SREB CONTRACT FOR SERVICES \$ 68,508

The Commission, on behalf of the State, contracts through the Southern Regional Education Board (SREB) for a given number of spaces for State residents in selected professional schools for professional training not available in the State. In addition, for FY 91-92 fees have been increased, by SREB, and there has been an increase in the number of students. The fee charged the State is set by SREB and is a fee for services.

PRIORITY # 9 SREB SMALL GRANTS PROGRAM \$ 3,750

The Commission, on behalf of the State, participates in this program which enables faculty at South Carolina's public and private institutions of higher education to obtain small grants in support of research. Grants are awarded primarily for travel outside the state in order to access libraries, sites, or equipment not available in the State.

PRIORITY # 10 ARTS PROGRAM \$ 17,650

As requested by the Governor's Task Force on the Arts in 1984, endorsed by the General Assembly in 1985, the Commission on behalf of the State entered into a Tuition Aid Contract, through SREB, with the North Carolina School of the Art. The amount requested will be sufficient for 12 high school students.

PRIORITY # 11 ADMINISTRATION TRAVEL \$ 15,000

The staff of the Commission on Higher Education will be required to conduct additional on-site visits and attend State, regional, and national conferences in order to fully understand the needs and concerns of higher education and to accomplish Commission functions as required by law.

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NON-STEP 12 LEASES - In 1989 the Commission adopted a policy of removing some rental/lease items from the formula. The rental/lease items removed are those not previously funded in the Unique Cost Step (Step 12) of the formula. All new approved leases and renewals of current Step 12 leases are shown outside the formula. This shift in accounting preserves formula funding for its intended purpose: operational funds for the institutions. Additionally, it does not permit large rental/lease items in the formula to distort the distribution of funds among the institutions, particularly threatening to smaller institutions which do not have large rental/lease factors.

INSTITUTION	NON-STEP 12 LEASES	STATE FUNDED AMOUNT
COLLEGE OF CHARLESTON	112 WENTWORTH ST., OFFICE	\$20,097
	55 COMING ST., OFFICE	\$5,960
	59 COMING ST., OFFICE	\$8,940
	18 BULL STREET, OFFICE	\$15,750
	TOTAL	\$50,747
LANDER	PARKING LOTS	\$120,860
USC-COASTAL	41 PORTABLE CLASSROOMS	\$20,500
	BOOKSTORE/OFFICE	\$4,200
	LAW ENFORCEMENT, OFFICE	\$1,500
	MUSTERFIELD CREEK, MARINE BIO.	\$2,400
	HOUSE ON HWY 544, MAINTENANCE	\$6,000
	ATHLETIC OFFICE	\$4,320
	TOTAL	\$38,920
USC-BEAUFORT	KIAWAH BDG., CURRICULUM/INSTRUCTION	\$78,831
USC-UNION	102 SPRING ST., LAURENS, INSTRUCTION	\$6,000
USC-COLUMBIA	2718 MIDDLEBURG, SPEECH/HEARING	\$13,777
	700 COLLEGE, WAREHOUSE	\$63,017
	1321 PENDLETON, ARCHEOLOGY/ANTHROP.	\$132,832
	1924 COLLEGE, GUEST HOUSING	\$8,930
	1323 PENDLETON, EDUCATION/LITERACY	\$9,988
	720 COLLEGE, WAREHOUSE	\$84,000
	TOTAL	\$312,544
CLEMSON	UNIVERSITY MALL, OFFICES	\$154,152
	COMPUTER CENTER	\$483,840
	RESEARCH BUILDING	\$500,000
	CLEMSON UNIV. RESEARCH, PENDLETON	\$101,782
	AT&T, COLUMBIA, INFORMATION OFFICE	\$37,989
	POST OFFICE	\$14,700
	HWY 123, ADMIN. OFFICES	\$68,000
	105 N. PINE ST., PUBLIC SERVICE	\$2,750
	TOTAL	\$1,363,213
MUSC-ACADEMIC	89 CANNON STREET, WAREHOUSE	\$12,024
	45 BEE STREET, STUDENT HEALTH	\$15,120
	164 CANNON STREET, PARKING LOT	\$856
	TOTAL	\$28,000
	GRAND TOTAL	\$1,999,115

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RECOMMENDATIONS OF THE COMMISSION ON HIGHER EDUCATION  
 CONCERNING THE 1991-92 APPROPRIATION REQUESTS  
 OF THE PUBLIC COLLEGES AND UNIVERSITIES

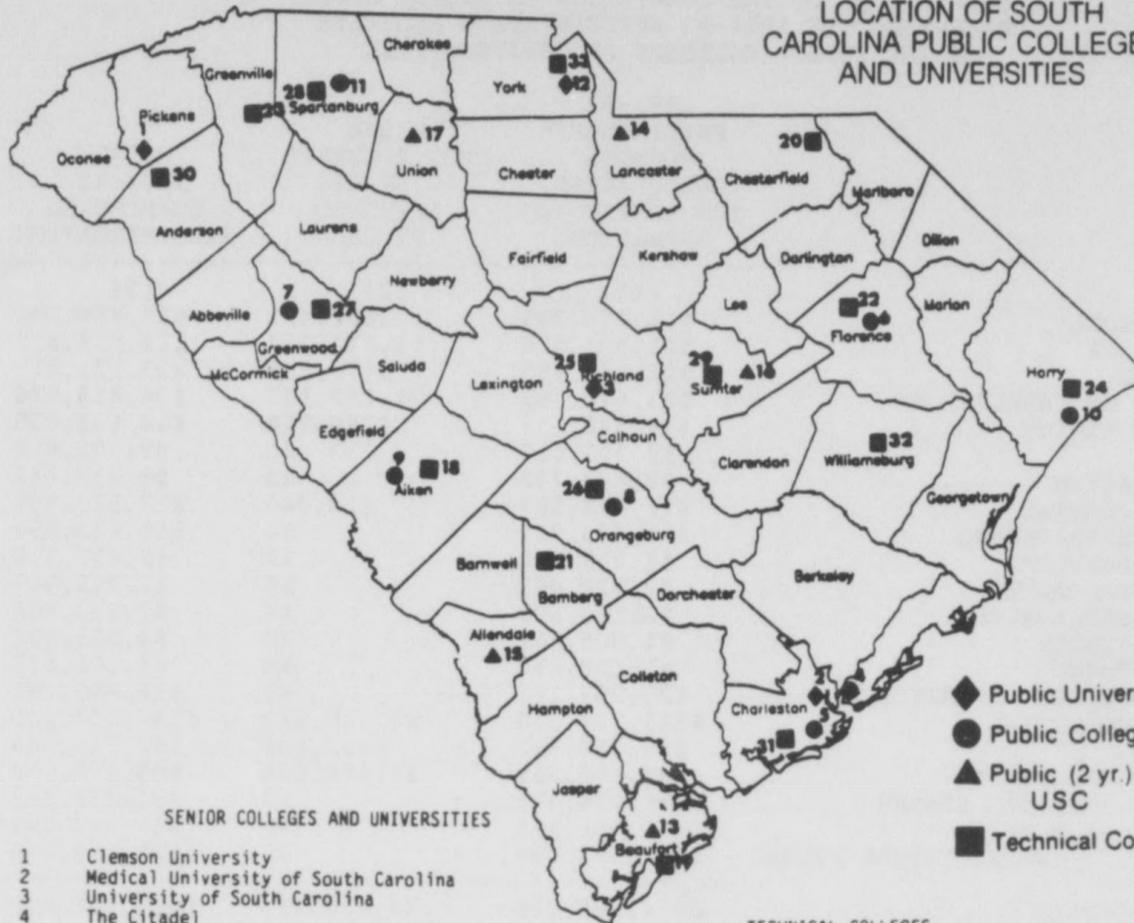
	1991-92 PRELIMINARY* FORMULA CALCULATION FOR CONTINUING OPERATIONS	UNIQUE COST REQUESTS (STEP 12) APPROVED BY CHE	TOTAL 1991-92 COMMISSION RECOMMENDATION
	[1]	[2]	[3]
THE CITADEL	\$15,076,299	\$682,491	\$15,758,790
S.C. STATE	\$21,501,518	\$1,114,304	\$22,615,822
WINTHROP	\$22,650,855	\$470,958	\$23,121,813
COLLEGE OF CHARLESTON	\$23,676,389	\$1,137,137	\$24,813,526
FRANCIS MARION	\$14,342,937	\$290,118	\$14,633,055
LANDER	\$9,301,610	\$0	\$9,301,610
U.S.C.-AIKEN	\$9,033,732	\$0	\$9,033,732
U.S.C.-COASTAL	\$12,518,507	\$15,000	\$12,533,507
U.S.C.-SPARTANBURG	\$11,423,937	\$0	\$11,423,937
U.S.C.-BEAUFORT	\$2,037,238	\$0	\$2,037,238
U.S.C.-LANCASTER	\$2,922,967	\$0	\$2,922,967
U.S.C.-SALKEHATCHIE	\$2,123,308	\$0	\$2,123,308
U.S.C.-SUMTER	\$4,005,808	\$0	\$4,005,808
U.S.C.-UNION	\$1,108,695	\$0	\$1,108,695
J.S.C.-SCHOOL OF MEDICINE	\$23,299,151	\$0	\$23,299,151
U.S.C. COLUMBIA	\$145,217,580	\$2,448,478	\$147,666,058
CLEMSON	\$96,764,760	\$951,604	\$97,716,364
M.U.S.C.-ACADEMIC	\$92,975,269	\$2,494,884	\$95,470,153
M.U.S.C.-MEDICAL CENTER	\$22,038,313	\$0	\$22,038,313
M.U.S.C.-A.H.E.C.	\$16,983,983	\$0	\$16,983,983
S.B.T.C.E.-INSTRUCTIONAL PRGMS.	\$125,598,090	\$0	\$125,598,090
TOTAL FORMULA	\$674,600,946	\$9,604,974	\$684,205,920
NON-STEP 12 LEASES	\$1,999,115		\$1,999,115
U.S.C.-S.B.D.C.	\$731,500		\$731,500
MUSC-A.H.E.C.(RURAL PHYSICIANS)	\$744,175		\$744,175
GRAND TOTAL	\$677,331,561	\$9,604,974	\$686,936,535

\*TO BE UPDATED WITH ACTUAL FALL ENROLLMENT DATA AND ACTIVITY CHANGES WHEN RECEIVED

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LOCATION OF SOUTH CAROLINA PUBLIC COLLEGES AND UNIVERSITIES



SENIOR COLLEGES AND UNIVERSITIES

- 1 Clemson University
- 2 Medical University of South Carolina
- 3 University of South Carolina
- 4 The Citadel
- 5 College of Charleston
- 6 Francis Marion College
- 7 Lander College
- 8 South Carolina State College
- 9 University of South Carolina-Aiken
- 10 University of South Carolina-Coastal Carolina
- 11 University of South Carolina-Spartanburg
- 12 Winthrop College

UNIVERSITY OF SOUTH CAROLINA TWO-YEAR CAMPUSES

- 13 University of South Carolina-Beaufort
- 14 University of South Carolina-Lancaster
- 15 University of South Carolina-Salkehatchie
- 16 University of South Carolina-Sumter
- 17 University of South Carolina-Union

TECHNICAL COLLEGES

- 18 Aiken Technical College
- 19 Technical College of the Lowcountry
- 20 Chesterfield-Marlboro Technical College
- 21 Denmark Technical College
- 22 Florence-Darlington Technical College
- 23 Greenville Technical College
- 24 Horry-Georgetown Technical College
- 25 Midlands Technical College
- 26 Orangeburg-Calhoun Technical College
- 27 Piedmont Technical College
- 28 Spartanburg Technical College
- 29 Sumter Area Technical College
- 30 Tri-County Technical College
- 31 Trident Technical College
- 32 Williamsburg Technical College
- 33 York Technical College

- ◆ Public Universities
- Public Colleges (4 yr.)
- ▲ Public (2 yr.) Branches USC
- Technical Colleges

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State Board for Tech.  
& Comp. Education

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**H59 - STATE BOARD FOR TECHNICAL  
& COMPREHENSIVE EDUCATION**

James R. Morris, Jr., Executive Director

**EXHIBIT**

SEP 7 1990 1

**STATE BUDGET & CONTROL BOARD**

**MISSION:** The State Board is to stimulate economic growth in South Carolina through the provision of occupational training for the people.

FISCAL YEAR	GENERAL FUND			
	ADJUSTED APPROPRIATION	EXPENDITURE	LAPSE	CARRY-FORWARD
1984-85	83,449,192	73,650,613	697,314	9,101,265
1985-86	92,444,280	90,544,603	649,677	1,250,000
1986-87	86,525,818	85,999,195	26,623	500,000
1987-88	88,229,347	86,850,214	879,133	500,000
1988-89	94,982,843	93,537,111	909,371	536,361
1989-90	109,172,089	107,808,408	863,681	500,000
1990-91	116,395,609	Not Available	Not Available	Not Available

	INCREASE REQUESTS			
	RECURRING	% INCREASE	NON-RECURRING	TOTAL
1991-92	21,754,272	18.69%	21,089,079	42,843,351

**NOTE:** The adjusted appropriation is equal to the original appropriation plus appropriations brought forward, special acts, supplemental appropriations, Civil Contingency transfers, and compensation increases. The FY 1990-91 displayed adjusted appropriation is equal to the original appropriation.

**SOURCE:** Office of the Comptroller General Agency Appropriation Activity Reports

**002235**

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## 1991-92 BUDGET REQUEST SUMMARY

(The following information has been supplied by the agency.)

AGENCY NAME State Board for Technical and Comprehensive Education AGENCY CODE H59

<b>PRIORITY #</b>	1	<b>PROGRAM NAME:</b> ADMINISTRATION	
To provide for improvement in affirmative action programs, employee assistance programs, staff development, public information assistance to colleges and professional assistance in personnel matters.			
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
		60,179	60,179

<b>PRIORITY #</b>	2	<b>PROGRAM NAME:</b> INSTRUCTION - DATA PROCESSING SUPPORT	
Provide support for local and wide area computer network hardware and software maintenance and enhancements to systems communication lines and terminals to insure maximum network efficiency.			
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
2.0	2.0	1,394,900	1,394,900

<b>PRIORITY #</b>	3	<b>PROGRAM NAME:</b> ECONOMIC DEVELOPMENT	
Increase funds available for direct support of training programs for new and expanding business and industry.			
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
0	0	1,000,000	1,000,000

<b>PRIORITY #</b>	4	<b>PROGRAM NAME:</b> INSTRUCTION - TECHNICAL COLLEGES	
Full funding of the Commission on Higher Education's Appropriation Formula for competitive faculty salaries, improve full-time faculty ratio, and student career counseling. The formula request is subject to update for FY 90 enrollment.			
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
266.0	266.0	20,010,789	20,010,789

<b>PRIORITY #</b>	5	<b>PROGRAM NAME:</b> INSTRUCTION-INNOVATIVE TECHNICAL TRNG.	
Provide expansion of the development of programs in automated manufacturing, instructional technology and related fields of changing technology.			
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS
0	0	600,000	600,000

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## 1991-92 BUDGET REQUEST SUMMARY

(The following information has been supplied by the agency.)

AGENCY NAME State Board for Technical and Comprehensive Education AGENCY CODE H59

<b>PRIORITY #</b>	6	<b>PROGRAM NAME:</b> ADMINISTRATION	
To establish counseling program procedures and instructional program guidelines between technical colleges and high schools to address high school students that fail to select academic or occupational paths of study.			
STATE FUNDED POSITIONS	0	TOTAL POSITIONS	0
		STATE FUNDS	125,000
		TOTAL FUNDS	125,000

<b>PRIORITY #</b>	7	<b>PROGRAM NAME:</b> INSTRUCTION - TECHNICAL COLLEGES	
Provide funding for equipment to address deficiencies in current inventory attributed to the inadequate availability of equipment dollars to maintain technological currency in training equipment inventory.			
STATE FUNDED POSITIONS	0	TOTAL POSITIONS	0
		STATE FUNDS	19,652,483
		TOTAL FUNDS	19,652,483

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>		
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>		
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>		
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS

**002237**

**AGENCY TOTALS:**

STATE FUNDED POSITIONS	268.0	TOTAL POSITIONS	268.0	STATE FUNDS	42,843,351	TOTAL FUNDS	42,843,351
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Higher Education  
Tuition Grants Comm.

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**H06 - HIGHER EDUCATION TUITION GRANTS COMMISSION**

Edward M. Shannon III, Executive Director

**MISSION:** The Commission is to provide South Carolina residents with the opportunity to further their education by awarding needy students with tuition grants to attend certain in-state, independent colleges.

**EXHIBIT**

SEP 7 1990 11

STATE BUDGET &amp; CONTROL BOARD

FISCAL YEAR	GENERAL FUND			
	ADJUSTED APPROPRIATION	EXPENDITURE	LAPSE	CARRY-FORWARD
1984-85	13,132,827	13,119,268	13,559	0
1985-86	14,546,489	14,542,019	4,470	0
1986-87	15,815,969	15,796,172	19,797	0
1987-88	16,626,978	15,756,623	20,355	850,000
1988-89	17,807,579	17,261,561	21,018	525,000
1989-90	17,683,881	17,653,412	30,469	0
1990-91	17,693,406	Not Available	Not Available	Not Available

INCREASE REQUESTS				
RECURRING	% INCREASE	NON-RECURRING	TOTAL	
1991-92	3,261,349	18.43%	0	3,261,349

**NOTE:** The adjusted appropriation is equal to the original appropriation plus appropriations brought forward, special acts, supplemental appropriations, Civil Contingency transfers, and compensation increases. The FY 1990-91 displayed adjusted appropriation is equal to the original appropriation.

**SOURCE:** Office of the Comptroller General Agency Appropriation Activity Reports

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## 1991-92 BUDGET REQUEST SUMMARY

(The following information has been supplied by the agency.)

AGENCY NAME Tuition Grants Commission AGENCY CODE H06

<b>PRIORITY #</b>	1	<b>PROGRAM NAME:</b>	Tuition Grants Program	
Increase needed to provide Tuition Grant Funds for Unfunded, Eligible Applicants				
STATE FUNDED POSITIONS	0	TOTAL POSITIONS	0	STATE FUNDS \$3,261,349
				TOTAL FUNDS \$3,261,349

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>			
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS	

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>			
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS	

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>			
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS	

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>			
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS	

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<b>AGENCY TOTALS:</b>			
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS

FORM 92-R2 Total

PAGE NO. 1

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## ANALYSIS OF TUITION GRANTS PROGRAM

### PURPOSE

The S.C. Tuition Grants Program, which is administered by the S.C. Tuition Grants Commission, has been in effect since 1970. The purpose of the S.C. Tuition Grants Program is to make the cost of attending in-state independent colleges more affordable for the citizens of South Carolina; to preserve the dual system of education in South Carolina; and to save the State tax dollars by encouraging South Carolina residents to attend independent colleges rather than State supported colleges and universities.

### TUITION GRANT ELIGIBILITY

South Carolina residents who plan to attend certain independent colleges may apply for grants, which are awarded on the basis of need and merit. Tuition Grants is a need based program. The need analysis system, which is similar to the federal educational aid system, considers income, assets, family size, number of family members in college, and college costs. In addition, an incoming freshman must meet at least one of three academic criteria, as follows: (1) be in the top 3/4 of their graduating high school class; (2) have an SAT score of at least 800; (3) have a C average in a college preparatory curriculum. An independent college upper classman must have passed a minimum of 24 credit hours in the previous year.

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ELIGIBLE UNFUNDED TUITION GRANT APPLICANTS

In 1989-90, there were 7,213 grants awarded, with the average grant of \$2,536 covering approximately 41% of total tuition and fees. There were 1,944 eligible applicants in 1989-90 who did not receive a grant because of lack of funding. It would have cost the State \$5 million to provide tuition grant assistance to these students. Assuming that these students, lacking sufficient funds to attend an independent college without assistance, enrolled at a State supported public institution, the cost to the State would be approximately \$10.3 million.

A survey of tuition grant recipients indicates that 88% of those receiving a grant would have enrolled in South Carolina public institutions had they not received assistance. In 1989-90, if 88% of grant recipients had not received a grant and had gone to a public institution instead of an independent college, the cost to the State would have been \$33.7 million vs. the \$16 million it took to assist these students in an independent college setting.

SUPPORT FOR OUT-OF-STATE STUDENTS AT PUBLIC INSTITUTIONS  
VS. TUITION GRANTS

Another issue that should be noted is the expenditure of South Carolina tax dollars on out-of-state students in public institutions. Attached is information on total enrollment at

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public vs. tuition grants institutions (Table 1; Figure 1) and a comparison of State appropriations for public higher educational institutions and the Tuition Grants Program (Table 2; Figure 2). This data shows that over the five-year period from 86-87 to 90-91, funding for the Tuition Grants Program has increased 11%, while the appropriation for comparable public institutions has gone up 27%. When considering only the State appropriation for undergraduate in-state and out-of-state students vs. funding for tuition grant recipients, the information shows that South Carolina residents at independent colleges are receiving 7% of the total funds for undergraduates, compared to the 13% share that is being used to subsidize students who do not reside in our State (Table 3; Figure 3). On a more individual student basis, it can be shown that in FY '90-91 South Carolina taxpayers supported out-of-state students at South Carolina public institutions at an average of \$2,545 per FTE student, compared to the average tuition grant of \$2,764 to South Carolina residents at independent colleges (Table 4; Figure 4).

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TABLE 1

Total Enrollment  
Public Colleges and Universities  
VS.  
Tuition Grant Institutions

FY 86/87 - 89/90

FY	Public <sup>1</sup>		Tuition Grant <sup>2</sup>
	In-State	Out-of-State	
86-87	60,931	13,467	15,579
87-88	63,348	14,744	15,984
88-89	68,477	15,518	16,680
89-90	69,111	16,468	16,858

<sup>1</sup>S.C. Higher Education Statistical Abstract,  
Commission on Higher Education, 1987/88/89/90

<sup>2</sup>1988-1989 Annual Report, Higher Education  
Tuition Grants Commission

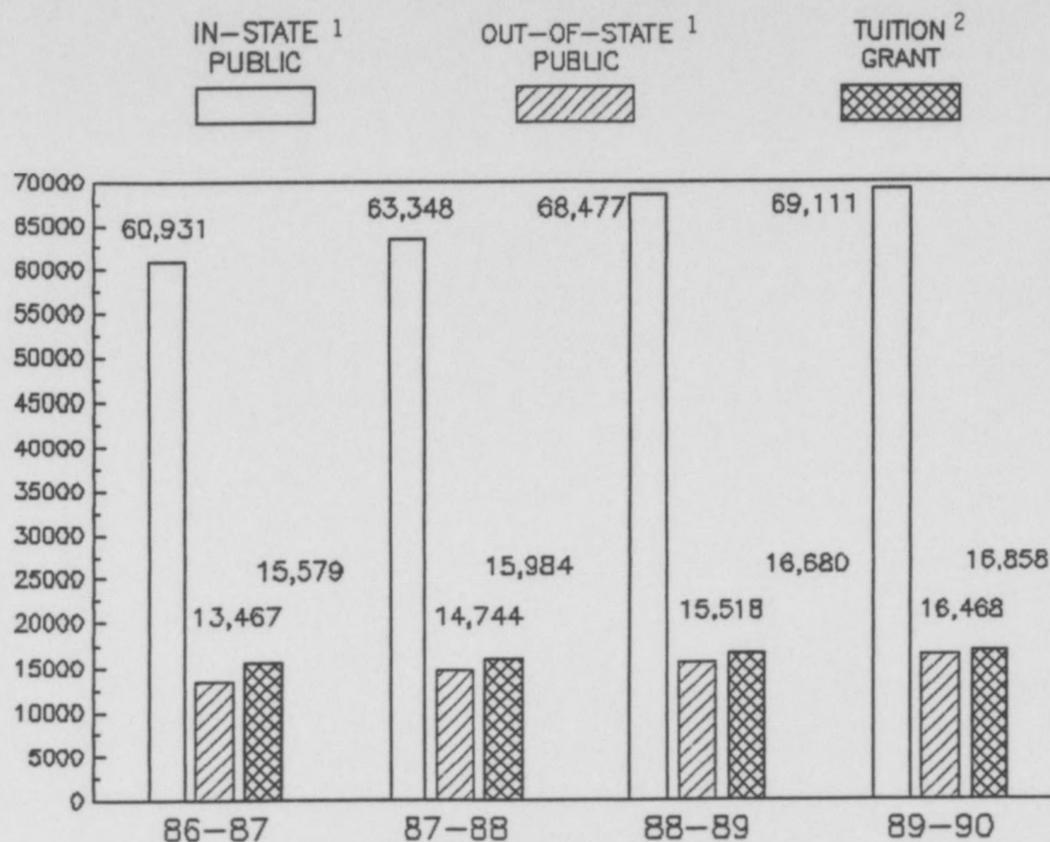
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FIGURE 1

TOTAL ENROLLMENT  
PUBLIC COLLEGES/UNIVERSITIES  
VS. TUITION GRANT INSTITUTIONS  
FY 86/87 - 89/90



1 S. C. Higher Education Statistical Abstract  
Commission on Higher Education, 1987/88/89/90

2 1988-1989 Annual Report, Higher Education  
Tuition Grants Commission

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TABLE 2  
 State Appropriation  
 Public Colleges and Universities  
 VS.  
 Tuition Grants Program

FY 86-87 - 90/91

FY	PUBLIC COLLEGES & UNIVERSITIES <sup>1</sup>			TUITION GRANTS PROGRAMS <sup>2</sup>		
	Appropriation	\$ Change	% Change	Appropriation	\$ Change	% Change
86-87	\$ 264,234,954			\$ 15,629,149		
87-88	268,663,174	+ 4,428,220	+ 1.7%	15,629,444	+ 295	0
88-89	299,078,177	+30,415,003	+11.3%	17,039,154	+1,409,710	+9.0%
89-90	321,464,400	+22,386,223	+ 7.5%	17,414,241	+ 375,087	+2.2%
90-91	335,427,036 <sup>3</sup>	+13,962,636	+ 4.3%	17,338,160 <sup>3</sup>	- 76,081	- .4%

\*Excluding Technical Colleges; Medical Universities;  
 Medical University Hospitals; Medical University  
 Statewide Program

<sup>1</sup> S.C. Higher Education Statistical Abstract  
 March, 1990

<sup>2</sup> Historical Overview of the S.C. Tuition Grants  
 Program, April 5, 1990, S.C. Higher Education  
 Tuition Grants Commission

<sup>3</sup> Information provided by officials at S.C. Commission  
 on Higher Education and S.C. Higher Education Tuition  
 Grants Commission

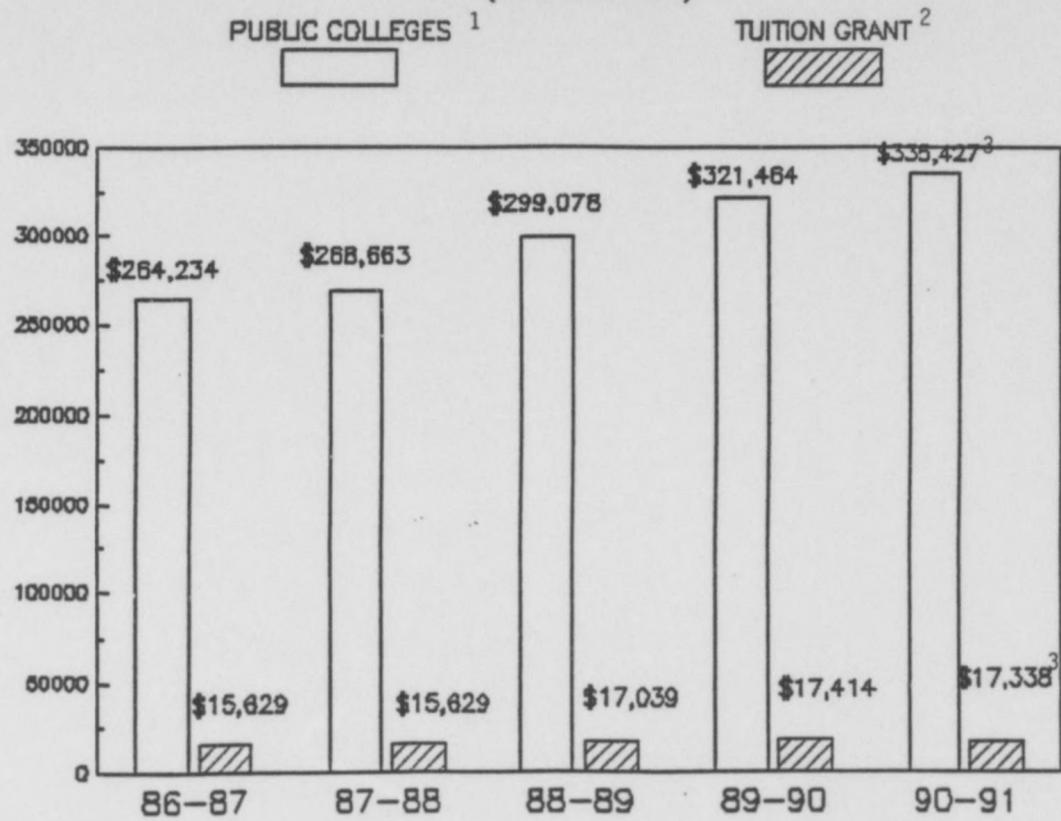
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FIGURE 2

STATE APPROPRIATIONS FOR  
PUBLIC COLLEGES/UNIVERSITIES  
AND TUITION GRANTS PROGRAM

FY 86/87 - 90/91  
(in thousands)



1 S. C. Higher Education Statistical Abstract  
March, 1990

2 Historical Overview of the S. C. Tuition Grants Program,  
April 5, 1990, S. C. Higher Education Tuition Grants Commission

3 Information provided by officials at S. C. Commission on  
Higher Education and S. C. Higher Education Tuition Grants  
Commission

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TABLE 3  
 STATE SHARE FOR  
 PUBLIC INSTITUTION IN-STATE &  
 OUT-OF-STATE UNDERGRADUATE STUDENTS  
 VS.  
 TUITION GRANTS STUDENTS  
 FY '89-90/90-91

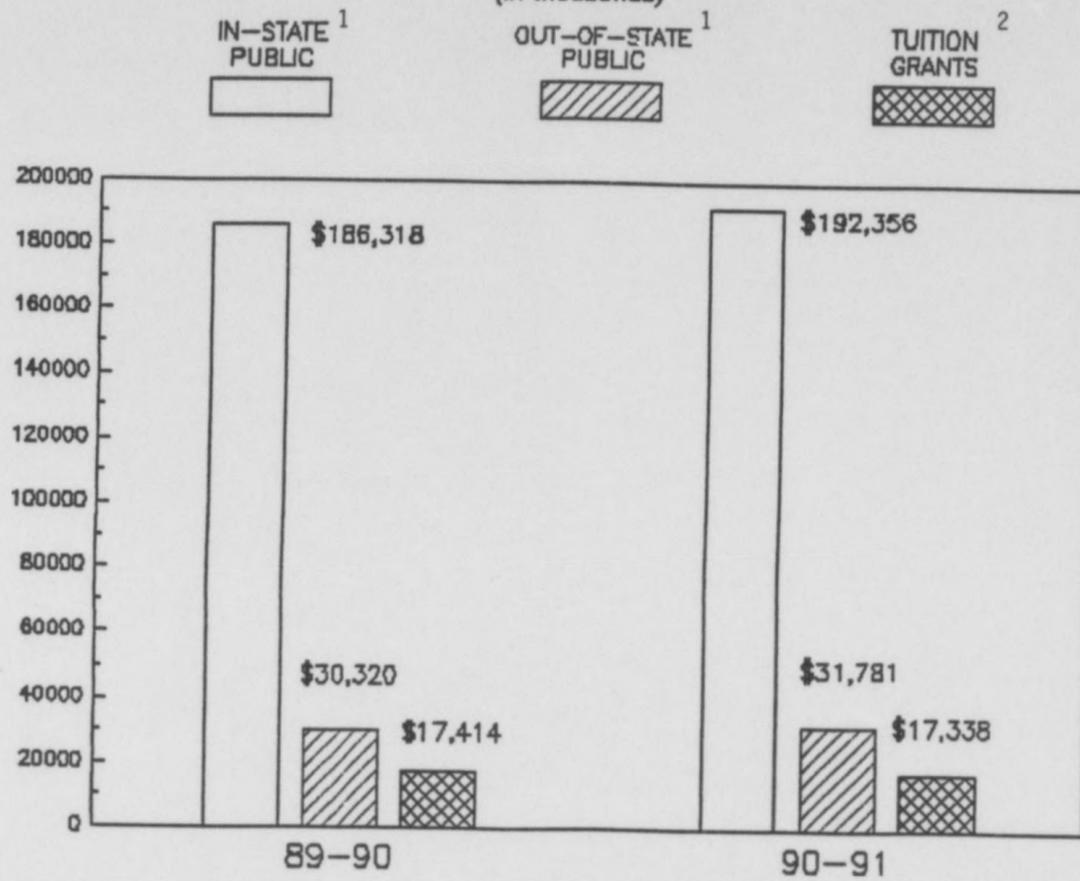
FY	Public 1 In-State	Public 1 Out-of-State	Tuition 2 Grants
89-90	\$186,317,712	\$30,319,892	\$17,414,241
90-91	192,356,118	31,780,616	17,338,160

<sup>1</sup> Commission on Higher Education

<sup>2</sup> Higher Education Tuition Grants  
 Commission

FIGURE 3

STATE SHARE FOR  
PUBLIC INSTITUTION IN-STATE &  
OUT-OF-STATE UNDERGRADUATE STUDENTS  
VS. TUITION GRANTS STUDENTS  
FY 89/90 - 90/91  
(in thousands)



1 Commission on Higher Education

2 Higher Education Tuition Grants Commission

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TABLE 4  
 STATE APPROPRIATION  
 PER FTE UNDERGRADUATE STUDENT  
 VS.  
 TUITION GRANT AWARDS  
 FY 88/89 - 90/91

FY	In-State <sup>1</sup> State App. Per FTE Student	Out-Of-State <sup>1</sup> State App. Per FTE Student	Average <sup>2</sup> Tuition Grant
88-89	\$ 3,941	\$ 2,977	\$ 2,246
89-90	4,074	2,593	2,536
90-91	4,014	2,545	2,764

<sup>1</sup> S.C. Commission on Higher Education

NOTE: All figures should be considered estimates.  
 Data could vary depending on the methodology  
 used to break out undergraduate costs.

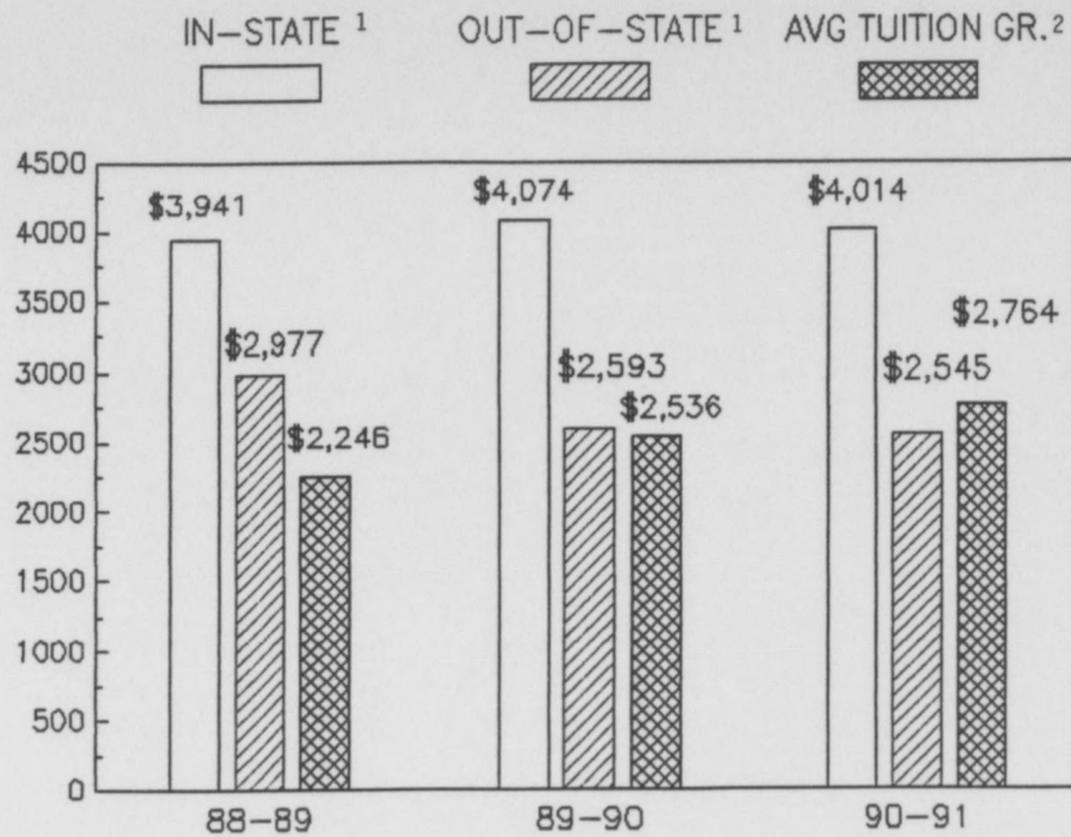
<sup>2</sup> S.C. Higher Education  
 Tuition Grants Commission

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FIGURE 4

### STATE APPROPRIATION PER FTE STUDENT VS. TUITION GRANT AWARDS FY 88/89 - 90/91



1 S. C. Commission on Higher Education

NOTE: All figures should be considered estimates. Data could vary depending on the methodology used to break out undergraduate costs.

2 S. C. Higher Education Tuition Grants Commission

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Tax Commission

002252

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# EXHIBIT

## R44 - TAX COMMISSION

E. Gregorie Frampton, Executive Director

SEP 7 1990 1

STATE BUDGET & CONTROL BOARD

**MISSION:** The Tax Commission is to administer the tax laws of South Carolina and to collect taxes due the State.

FISCAL YEAR	GENERAL FUND			
	ADJUSTED APPROPRIATION	EXPENDITURE	LAPSE	CARRY-FORWARD
1984-85	21,816,483	20,678,297	242,112	896,074
1985-86	25,235,047	23,740,827	219,205	1,275,015
1986-87	28,860,378	28,770,596	89,782	0
1987-88	31,641,382	31,069,722	563,299	8,360
1988-89	34,184,335	33,741,538	199,640	243,157
1989-90	35,196,185	35,044,489	151,696	0
1990-91	36,279,318	Not Available	Not Available	Not Available

FISCAL YEAR	INCREASE REQUESTS			
	RECURRING	% INCREASE	NON-RECURRING	TOTAL
1991-92	2,336,376	6.44%	235,800	2,572,176

**NOTE:** The adjusted appropriation is equal to the original appropriation plus appropriations brought forward, special acts, supplemental appropriations, Civil Contingency transfers, and compensation increases. The FY 1990-91 displayed adjusted appropriation is equal to the original appropriation.

**SOURCE:** Office of the Comptroller General Agency Appropriation Activity Reports

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## 1991-92 BUDGET REQUEST SUMMARY

(The following information has been supplied by the agency.)

AGENCY NAME TAX COMMISSION AGENCY CODE R44

<b>PRIORITY #</b>	1	<b>PROGRAM NAME:</b> Administrative / Accounting			
<u>Equipment Lease Payment:</u> This amount was struck from the Agency's recurring base with the understanding that it would be restored in FY92.					
STATE FUNDED POSITIONS	0.00	TOTAL POSITIONS	0.00	STATE FUNDS	409,983
				TOTAL FUNDS	409,983

<b>PRIORITY #</b>	2	<b>PROGRAM NAME:</b> Agency - Wide			
<u>Sustainment of Minimum Funding Level:</u> Requests an increase in the level of recurring funding to meet continuing operational requirements in three areas: Personal Service, Postage and Travel.					
STATE FUNDED POSITIONS	0.00	TOTAL POSITIONS	0.00	STATE FUNDS	938,993
				TOTAL FUNDS	938,993

<b>PRIORITY #</b>	3	<b>PROGRAM NAME:</b> Information Resource Management			
<u>Printing:</u> Requests funding for increases in printing costs. Printing costs have increased 62% from FY85 to date.					
STATE FUNDED POSITIONS	0.00	TOTAL POSITIONS	0.00	STATE FUNDS	435,000
				TOTAL FUNDS	435,000

<b>PRIORITY #</b>	4	<b>PROGRAM NAME:</b> Information Resource Management			
<u>Mainframe Disk Storage:</u> Requests funding for additional disk space, which is required for existing and new applications. Non-recurring portion = \$210,000.					
STATE FUNDED POSITIONS	0.00	TOTAL POSITIONS	0.00	STATE FUNDS	254,597
				TOTAL FUNDS	254,597

<b>PRIORITY #</b>	5	<b>PROGRAM NAME:</b> Information Resource Management			
<u>Telephone Communications:</u> Requests funding for telephone equipment for recently authorized new employees and for computer dial-in-access to the Division of Information Resource Management mainframe.					
STATE FUNDED POSITIONS	0.00	TOTAL POSITIONS	0.00	STATE FUNDS	229,200
				TOTAL FUNDS	229,200

FORM 92-R2

PAGE NO. 1

**002254**

0 3 8 4

## 1991-92 BUDGET REQUEST SUMMARY

(The following information has been supplied by the agency.)

AGENCY NAME TAX COMMISSION AGENCY CODE R44

<b>PRIORITY #</b>	6	<b>PROGRAM NAME:</b> Information Resource Management	
Personnel: Requests funding for personnel needed for scheduled growth of new and existing applications. Non-recurring portion = \$21,000.			
STATE FUNDED POSITIONS	7.00	TOTAL POSITIONS	7.00
		STATE FUNDS	251,176
		TOTAL FUNDS	251,176

<b>PRIORITY #</b>	7	<b>PROGRAM NAME:</b> Administrative / Accounting	
Post-Petition Bankruptcy Collection Unit: Requests funds to enforce collection of tax debts incurred after filing petitions for bankruptcy. Non-recurring portion = \$4,800.			
STATE FUNDED POSITIONS	2.00	TOTAL POSITIONS	2.00
		STATE FUNDS	53,227
		TOTAL FUNDS	53,227

<b>PRIORITY #</b>	8	<b>PROGRAM NAME:</b> Office Services Division	
Authority to Expend Earmarked Funds: Requests authority to expend earmarked funds comprising fees charged other agencies or institutions for collecting monies on their behalf.			
STATE FUNDED POSITIONS	0.00	TOTAL POSITIONS	0.00
		STATE FUNDS	-0-
		TOTAL FUNDS	150,000

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>		
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>		
STATE FUNDED POSITIONS	TOTAL POSITIONS	STATE FUNDS	TOTAL FUNDS

**AGENCY TOTALS:**

STATE FUNDED POSITIONS	9.00	TOTAL POSITIONS	9.00	STATE FUNDS	2,572,176	TOTAL FUNDS	2,722,176
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FORM 92-R2 Total

PAGE NO. 2  
**002255**

0 3 8 5

Department of Parks,  
Recreation & Tourism

002256

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# EXHIBIT

**P28 - DEPARTMENT OF PARKS, RECREATION & TOURISM** SEP 7 11  
 Fred P. Brinkman, Executive Director

STATE BUDGET & CONTROL BOARD

**MISSION:** The Department operates and maintains state parks and historic sites across South Carolina and provides technical assistance and matching grants for the acquisition and development of local recreation areas. In addition, the Department advertises and publicizes South Carolina as a vacation destination area for tourists.

FISCAL YEAR	GENERAL FUND			
	ADJUSTED APPROPRIATION	EXPENDITURE	LAPSE	CARRY-FORWARD
1984-85	10,294,539	8,469,287	7,982	1,817,270
1985-86	11,674,892	11,494,035	14,356	166,501
1986-87	11,802,597	11,698,608	3,989	100,000
1987-88	13,612,426	12,774,635	37,790	800,000
1988-89	15,482,718	14,831,611	16,328	634,779
1989-90	15,876,406	15,780,948	95,458	0
1990-91	15,918,962	Not Available	Not Available	Not Available

	INCREASE REQUESTS			
	RECURRING	% INCREASE	NON-RECURRING	TOTAL
1991-92	699,915	4.40%	1,830,081	2,529,996

**NOTE:** The adjusted appropriation is equal to the original appropriation plus appropriations brought forward, special acts, supplemental appropriations, Civil Contingency transfers, and compensation increases. The FY 1990-91 displayed adjusted appropriation is equal to the original appropriation.

**SOURCE:** Office of the Comptroller General Agency Appropriation Activity Reports

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## 1991-92 BUDGET REQUEST SUMMARY

(The following information has been supplied by the agency.)

AGENCY NAME PARKS, RECREATION & TOURISM AGENCY CODE P28

<b>PRIORITY #</b>	1	<b>PROGRAM NAME:</b> Major New State Park Operations			
In conformance with state spending constraints, PRT is limiting its 1991-92 request for new appropriations to one priority item. Funds are requested to operate two new state parks and a major development within an existing park. This is in accordance with prior legislative mandate and public expectations.					
STATE FUNDED POSITIONS	28	TOTAL POSITIONS	28	TOTAL FUNDS	1,008,029

<b>PRIORITY #</b>	2	<b>PROGRAM NAME:</b> Tourism Advertising/Marketing			
Expanded Tourism Advertising/Marketing through Increased Admissions Tax Revenues					
STATE FUNDED POSITIONS	0	TOTAL POSITIONS	0	TOTAL FUNDS	900,000

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>			
STATE FUNDED POSITIONS		TOTAL POSITIONS		TOTAL FUNDS

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>			
STATE FUNDED POSITIONS		TOTAL POSITIONS		TOTAL FUNDS

<b>PRIORITY #</b>	<b>PROGRAM NAME:</b>			
STATE FUNDED POSITIONS		TOTAL POSITIONS		TOTAL FUNDS

**AGENCY TOTALS:**

STATE FUNDED POSITIONS	28	TOTAL POSITIONS	28	STATE FUNDS	699,915	TOTAL FUNDS	1,908,029
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FORM 92-R2 Total

PAGE NO. 1

**002258**

0 3 8 8

## 1991-92 BUDGET REQUEST SUMMARY (NON-RECURRING)

(The following information has been supplied by the agency.)

AGENCY NAME PARKS, RECREATION & TOURISM AGENCY CODE P28

PRIORITY #	1	PROGRAM NAME: Major New State Park Operations and Improvements			
Two new state parks and an existing park require funds for equipment, start-up supplies and materials. Match funds are needed to build revenue producing cabins at Devils Fork State Park.					
STATE FUNDED POSITIONS	N/A	TOTAL POSITIONS	N/A	STATE FUNDS	1,830,081
				TOTAL FUNDS	1,830,081

PRIORITY #		PROGRAM NAME:			
STATE FUNDED POSITIONS	N/A	TOTAL POSITIONS	N/A	STATE FUNDS	
				TOTAL FUNDS	

PRIORITY #		PROGRAM NAME:			
STATE FUNDED POSITIONS	N/A	TOTAL POSITIONS	N/A	STATE FUNDS	
				TOTAL FUNDS	

PRIORITY #		PROGRAM NAME:			
STATE FUNDED POSITIONS	N/A	TOTAL POSITIONS	N/A	STATE FUNDS	
				TOTAL FUNDS	

PRIORITY #		PROGRAM NAME:			
STATE FUNDED POSITIONS	N/A	TOTAL POSITIONS	N/A	STATE FUNDS	
				TOTAL FUNDS	

**AGENCY TOTALS:**

STATE FUNDED POSITIONS	N/A	TOTAL POSITIONS	N/A	STATE FUNDS	1,830,081	TOTAL FUNDS	1,830,081
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FORM 92-R2 NR

PAGE NO. 6

**002259**

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**SUGGESTED REMARKS FOR CHAIRMAN SIGMON**

**Budget and Control Board Presentation**

**11:00 a.m. September 7, 1990**

Governor Campbell, Members of the Board, Distinguished Members of the General Assembly, ladies and gentlemen --- thank you for the opportunity to appear before you this morning to present our PRT budget request.

Last year was an unusual year for the Palmetto State. Hardly a citizen of this state nor an agency of state government was not affected in some way by the hurricane named Hugo. PRT was by no means the exception. We continue to weather destroyed natural resources and loss of park revenue. We battled, and I believe eventually beat, extremely adverse publicity concerning the condition of our coastal tourism destinations. I am extremely happy to report to you today that all of our state parks are now up and running and have in fact experienced an excellent summer. The growth of tourism slowed down from the ~~8~~ 10% annual rate prior to the storm, but we are thankful that 1990 as well as 1989 will still show a modest growth rate. Our PRT Commission goal now is to move forward and renew the momentum of pre-Hugo days.

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(2)

Our PRT Commission and Department recognize the State's overall revenue picture. Spending commitments of the past and a generally flat economy will leave little opportunity for using growth revenue for new and expanded programs. PRT's 1991-92 request for additional recurring state appropriations therefore is limited to one priority item.

Additionally, this request is limited to 4.4% above our current base budget. This conforms with the Governor's recommendation that agencies restrict their requests to items of highest priority and represent no more than a 5% to 7% increase.

PRT Executive Director Fred Brinkman will now explain our request.

(after Mr. Brinkman explains the budget, he will call on you to wrap up by voicing your support for the admissions tax adjustment.)

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#### WRAP UP

I was honored and proud to serve as a member of the Governor's Task Force on Economic Renewal. As Fred Brinkman has alluded to, one of the recommendations of the Task Force was to adjust the admissions tax to the 5% sales tax level for tourism advertising and marketing purposes. Such action will not only provide needed additional funds for tourism advertising, but it will serve the larger purpose of increasing visitation to South Carolina. Simply put, more visitors, spending more money, creates new tax revenues and increased general fund dollars. As the Chairman of the PRT Commission, as a private businessman whose company will be directly affected by the adjustment and as a member of the Economic Renewal Task Force, I wholeheartedly support this proposal and urge your support as well.

Thank you and we will be happy to answer any questions you may have.

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1991-92  
PRT Budget Request For Additional State Funds

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Recurring

PRIORITY #1                      Major New State Park Operations                      \$699,915

In conformance with state spending constraints, PRT is limiting its 1991-92 request for new appropriations to one priority item. Funds are requested to operate two new state parks (Devils Fork State Park and Sergeant Jasper State Park) and a major development within an existing park (Cheraw State Park). This is in accordance with prior legislative mandate and public expectations.

*(Other funds requested = \$308,114)*

PRIORITY #2                      Tourism Advertising/Marketing                      \$0

PRT proposes the adjustment of the admissions tax user fee from the current 4% rate to correspond with the present 5% sales tax rate, effective February 1, 1992, with all other provisions of the law remaining intact. This will eliminate the need to seek state general fund revenues for tourism advertising and promotion purposes.

*(Other funds requested = \$900,000)*

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Non-Recurring

PRIORITY #1                      Major New State Park Operations and Improvements                      \$1,830,081

Two new state parks and an existing park require funds for equipment, start-up supplies and materials. Match funds are needed to build revenue producing cabins at Devils Fork State Park.

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05-Sep-90

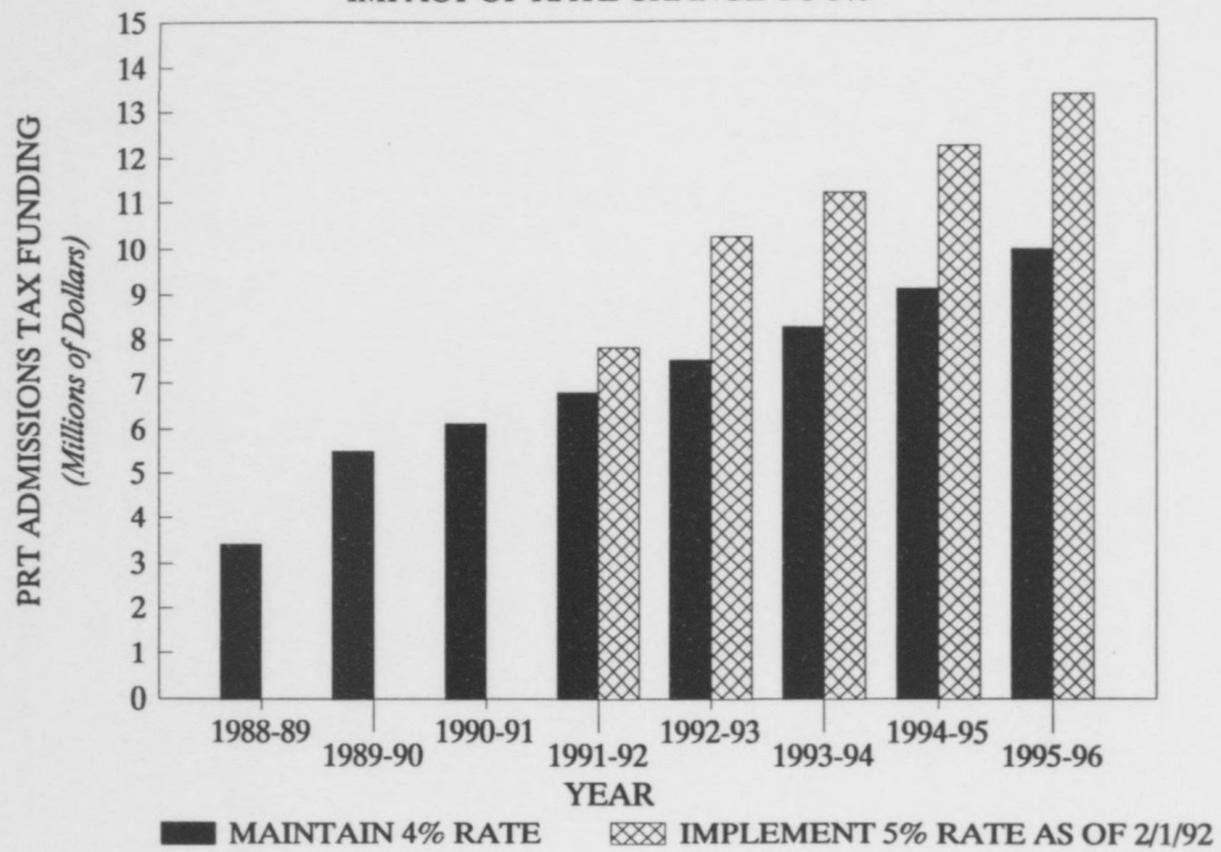
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# USER FEE PORTION OF ADMISSIONS TAX

IMPACT OF RATE CHANGE TO 5%

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**ADMISSIONS USER FEE:  
TOURISM FUNDING FOR THE FUTURE**

**PREFACE**

Tourism is South Carolina's second largest industry, currently bringing in \$5 billion in direct traveler spending and steadily growing. Tourism now employs over 100,000 South Carolinians and puts nearly \$1 billion into their paychecks annually. The taxes paid by the visitors to our state represent a wonderful plus in the state's balance of trade and significantly reduces the tax obligation of every resident of South Carolina.

**HISTORY OF THE ADMISSIONS TAX**

Prior to 1975 the South Carolina admissions tax was assessed at a 10% rate. Then the legislature lowered the rate to 4% to match the sales tax level. In 1978, the General Assembly stipulated that revenues from the tax in excess of \$3.5 million be allocated to PRT to advertise and promote the tourism industry of the state. Through the years, this user fee revenue source has grown and now provides for all local funds-sharing grants and most of PRT's advertising, marketing and promotional efforts.

**CURRENT USES OF ADMISSIONS TAX**

The admissions tax allocated to PRT funds grants for nearly 200 local promotions. In addition, the money funds marketing and promotional programs of PRT aimed at the travel trade and individual consumer business. This includes printing fulfillment literature, postage for the extensive inquiry mailings, participation in trade and consumer travel shows, shipping literature to travel centers and travel shows, telephone expenses of the inquiry program including toll-free, and most importantly, the state's tourism advertising program.

**THE PRODUCT**

Tourism is big business. South Carolina's smiling faces and beautiful places are our tourism product. Just as with any business

or product there are competitors trying to lure away our customers. So there is a critical need to advertise. We must make the potential visitor aware of what we have to offer, and why South Carolina offers it best. To fail to fully capitalize on the potential tourism business of this state by improperly or inadequately promoting the industry is penny wise and pound foolish.

**WHAT OUR COMPETITION IS DOING**

The Tourist Pie is filled with a finite number of potential visitors. Therefore, any time a state gets a larger share of pie, some other state's slice gets smaller. The chief competitors for South Carolina's share of the pie are our sister states here in the southeast. Our current media budget is \$2.95 MILLION. Here's what we're up against:

VIRGINIA	\$3.8 MILLION
NORTH CAROLINA	\$3.0 MILLION
GEORGIA	\$4.0 MILLION
FLORIDA	\$6.6 MILLION

Faced with such well-funded competition, how have we done so well in the past? Quite simply, we have an excellent product. Our beauty and hospitality surpasses the competition. However, having the best product is no guarantee for future success. Without competitive funding we will begin to fall behind.

**THE IMPACT OF INFLATION**

Simply put, inflation has steadily robbed from our advertising budget.

• Magazine rate increases have averaged 8-9% per year for the last five years. An ad that cost \$1,000 in 1985 now costs \$1,469.30.

• Print advertising overall has averaged a 5-6% increase or more per year.

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- Broadcast media costs have averaged a 4-6% increase per year.
- The U.S. Postal Service proposes to raise rates an additional 10%+ for the second time in three years.

#### USER FEES THE ANSWER

To get the largest share possible of the Tourist Pie, more funding for tourism marketing programs is essential. The most effective and fairest way to increase the state tourism advertising and promotions budget is to place a "user fee" on the people who have benefitted from the information they received about South Carolina's recreational, leisure and entertainment activities. This is already being done with the application of the admission tax. By adjusting this tax from 4% to 5% to bring it back in line with the state sales tax, and by assigning the increase to tourism marketing efforts, three purposes are accomplished.

- The state has more money available to attract additional tourist dollars.
- Those tourist dollars will generate more state and local taxes.
- A funding source will be established that can grow to meet future marketing needs.

#### WHAT THE 1% ADJUSTMENT MEANS

An adjustment of the State Admissions Tax from the existing 4% to 5%, effective February 1, 1992, will provide an estimated \$900,000 in increased funds for advertising and promotion for the last four months of 1991-92 and \$2,500,000 for the full 1992-1993 FY year.

#### WHAT THE DOLLARS WOULD DO

There are three general areas where the additional dollars would be put to work.

1. LOCAL TOURISM FUNDS SHARING GRANTS:  
With the funding increase, additional

dollars could be committed to local, regional and state-wide tourism funds-sharing grants.

#### 2. MARKETING AND DEVELOPMENT:

The second group includes domestic marketing and promotional efforts, additional international tourism marketing, and tourism development which includes expanding our programs in rural areas. Among the new efforts would be:

- Expanded production and distribution of group tour and convention and meeting guides.
- Increased participation at trade marketplaces.
- Develop an interactive travel information system for public use in travel information centers and with 800#'s.
- Increase quantity and quality of support materials for trade use.
- Promotion of new tourism-related developments, including rural and small town areas.
- Expand schedule of familiarization tours for trade industry and travel writers.
- Renovate and refurbish travel information centers, including construction and installation of marketing displays.

#### 3. TOURISM MEDIA ADVERTISING:

The following are key opportunities for additional funding in support of the tourism advertising program.

- Offset Media Inflation
- Media Campaign for Golf
- Expand International Advertising
- Expand Consumer Magazine Advertising
- Penetrate New Northeastern/Midwestern Markets
- Create 800#/900# Telemarketing System
- Move Into Radio
- Produce New Video
- Greatly Expanded Direct Marketing Program

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Guest Speaker

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**DAVID A. WYSS**

Research Director  
DRI/McGraw-Hill  
24 Hartwell Avenue  
Lexington, MA 02173  
(617) 860-6751

**EXHIBIT**

SEP 7 1990

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STATE BUDGET & CONTROL BOARD

David Wyss counsels corporate clients on financial issues, helping to make investment, asset allocation, financing, and leveraged buyout valuations. His solid track record and comprehensive knowledge of the linkages between economic and business issues make him a leading specialist in the financial field.

Recent engagements with which Mr. Wyss has been involved have included an assessment of a possible U.S. recession on financial markets, an analysis of the behavior of high yield corporate bonds under alternative business conditions, and an assessment of liquidity of stocks listed on alternative exchanges.

Mr. Wyss, who is responsible for all of DRI's financial forecasts, frequently provides expert testimony to Congress and is quoted regularly in the major national and financial press.

Since joining DRI in 1979, Mr. Wyss has directed DRI's European service, working with clients to assess the impact of exchange rate fluctuations, financial market volatility, economic fluctuations, and government policy changes on their prospects for growth.

Previously, Mr. Wyss was a Senior Economist for the President's Council of Economic Advisers, where he was responsible for economic forecasting and analysis. He was also a Senior Economist for the Federal Reserve Board, Economic Advisor to the Bank of England, and an instructor in economics at Harvard University.

Mr. Wyss holds a Ph.D. from Harvard University and a B.S. from the Massachusetts Institute of Technology.

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**DRI/McGraw-Hill**

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**THE ECONOMIC OUTLOOK:  
OIL AND TROUBLE**

\*\*\*\*\*

Presented by  
Dr. David A. Wyss  
Senior Vice President and Research Director  
DRI/McGraw-Hill

\*\*\*\*\*

Presented to  
State Budget and Control Board  
South Carolina  
September 7, 1990

DRI/McGraw-Hill, 24 Hartwell Avenue, Lexington, Massachusetts 02173 (617) 863-5100

**002268**

0399

## THE OIL CRISIS WILL HURT THE ECONOMY

- Which was slowing already.
- The Persian Gulf could be the last straw
- That pushes the economy into recession.
- Consumer and business confidence will be the key.
- Higher bond yields will also hurt.
- The Fed will ease,
- But high foreign interest rates will hold bond yields high.
- Housing will be hurt by higher mortgage rates, and
- Credit restrictions will also hurt.
- Defense spending will be higher.
- The dollar is not benefitting from the crisis.
- Risks are very high.
- Persian Gulf developments will dominate the economy.

0400

## DRI/McGraw-Hill Forecast for the U.S. Economy: CONTROL0990

	1990				1991			Years				
	1	2	3	4	1	2	3	1989	1990	1991	1992	1993
<b>Composition of Real GNP (Annual rate of change)</b>												
Gross National Product.....	1.7	1.2	1.5	-0.6	0.7	1.3	3.5	2.5	1.2	1.2	2.9	2.0
Final Sales.....	3.8	-0.2	0.4	1.0	0.7	1.5	2.6	2.5	1.5	1.2	2.5	2.3
Excluding CCC Transactions.....	4.0	-0.9	0.6	1.0	0.7	1.5	2.6	2.2	1.5	1.2	2.5	2.3
Total Consumption.....	1.1	0.3	1.8	-0.4	0.5	1.4	2.0	1.9	1.0	0.9	2.0	2.0
Nonresidential Fixed Investment.....	5.0	-5.2	1.6	2.0	-0.1	1.8	4.8	3.9	1.0	1.6	7.2	5.9
Equipment.....	5.8	-4.6	1.6	1.5	-2.5	1.6	6.1	5.2	1.2	1.2	8.8	6.5
Structures.....	2.4	-6.8	1.4	3.8	7.9	2.5	0.6	0.0	0.2	2.9	2.3	3.9
Residential Fixed Investment.....	15.0	-10.7	-20.7	-13.3	-2.6	9.2	12.6	-4.0	-5.0	-3.3	7.8	2.8
Exports.....	11.2	-3.5	2.0	7.0	5.8	5.8	7.3	11.0	5.9	5.4	7.5	7.0
Imports.....	2.5	-0.6	3.5	-2.6	-0.6	2.3	5.1	6.0	2.6	1.2	7.3	6.3
Federal Government.....	0.4	17.1	1.4	1.0	-6.5	-8.4	-2.9	2.1	2.7	-2.5	-3.1	-3.3
Excluding CCC Transactions.....	2.8	6.4	3.9	1.0	-6.5	-8.3	-2.9	-1.2	1.8	-2.7	-3.3	-3.3
State and Local Governments.....	4.8	-0.4	2.0	0.7	1.0	1.6	1.6	2.4	2.8	1.2	1.8	2.0
<b>Billions of Dollars</b>												
Real GNP (1982 \$).....	4150.6	4162.8	4177.9	4171.9	4179.0	4192.2	4228.4	4117.7	4165.8	4216.2	4337.3	4425.3
Gross National Product.....	5375.4	5451.9	5519.9	5551.9	5610.6	5678.2	5775.3	5200.8	5474.8	5735.8	6120.7	6458.7
<b>Prices and Wages (Annual rate of change)</b>												
GNP Price Deflator (Implicit).....	4.8	4.7	3.5	2.9	3.6	3.6	3.4	4.1	4.1	3.5	3.7	3.4
GNP Price Index (Fixed-Weight).....	6.6	3.9	4.0	4.4	4.3	4.0	4.0	4.5	4.5	4.1	4.2	4.0
CPI—All Urban Consumers.....	8.1	3.7	6.2	6.2	4.3	3.4	3.5	4.8	5.3	4.6	3.8	4.0
Producer Price Index—Finished Goods.....	9.5	-0.9	7.5	9.1	3.5	1.1	1.5	5.1	4.9	3.9	2.4	3.7
Compensation per Hour.....	3.0	5.8	4.9	5.2	5.5	5.7	5.1	2.9	3.6	5.3	5.2	4.9
Output per Hour.....	-2.1	1.8	1.1	-0.1	0.5	1.4	3.1	-0.3	-0.6	1.2	1.6	0.8
<b>Production and Other Key Measures</b>												
Industrial Production (1987=1.000).....	1.083	1.094	1.099	1.097	1.090	1.094	1.105	1.081	1.093	1.102	1.142	1.159
Annual Rate of Change.....	0.6	4.0	1.9	-0.6	-2.4	1.4	4.1	2.6	1.1	0.8	3.6	1.5
Nonfarm Inven Accum (Billion 1982 \$).....	-8.2	14.2	21.9	4.6	3.9	1.7	10.7	18.7	8.1	8.1	25.4	16.4
Housing Starts (Mil units).....	1.454	1.200	1.127	1.118	1.139	1.213	1.276	1.386	1.225	1.236	1.349	1.382
Retail Unit Car Sales (Mil units).....	9.8	9.5	9.3	9.1	8.9	8.9	9.1	9.9	9.4	9.0	9.3	9.5
Civilian Unemployment Rate (%).....	5.3	5.3	5.6	5.9	6.1	6.2	6.2	5.3	5.5	6.1	5.9	5.8
Nonfarm Empl. (Estab. survey, % change).....	3.0	1.7	0.0	0.1	0.1	0.5	0.9	2.8	1.8	0.4	1.3	1.3
Fed. Budget Surplus (Unified, FY, bil. \$).....	-80.4	-12.0	-63.3	-93.3	-96.2	1.6	-53.5	-151.9	-226.5	-241.5	-198.1	-163.6
<b>Foreign Trade</b>												
Current Account Balance (Billion \$).....	-91.4	-80.1	-98.7	-112.7	-105.8	-95.9	-91.6	-110.0	-95.7	-94.8	-81.1	-92.1
Merch. Trade Balance (c.v.b., bil. \$).....	-102.7	-80.6	-103.0	-111.8	-109.0	-97.7	-90.1	-109.4	-99.5	-95.0	-86.1	-101.2
Foreign Crude Oil (\$ per barrel).....	19.76	15.97	22.46	27.87	25.89	23.46	22.15	18.06	21.51	23.17	20.83	22.84
U.S. Dollar Exchange Rate (% change).....	-5.7	0.2	-20.0	-10.8	-5.7	6.6	3.9	3.7	-5.1	-4.3	2.6	-1.1
Foreign GDP (% change).....	4.1	1.4	3.3	2.2	2.3	2.8	4.2	3.7	3.0	2.8	3.8	4.3
<b>Financial Markets</b>												
Money Supply (M2, billion \$).....	3253.0	3276.3	3310.4	3361.1	3409.8	3459.4	3513.7	3201.6	3361.1	3567.4	3772.6	3999.6
Percent Change vs Year Ago (Q4/Q4).....	5.6	6.0	5.2	5.0	4.8	5.6	6.1	4.6	5.0	6.1	5.8	6.0
AA Corp Utility Rate (%).....	9.53	9.75	9.88	10.13	10.33	10.31	10.24	9.55	9.82	10.29	10.45	10.33
Thirty-Year Treasury Bond Rate (%).....	8.44	8.65	8.79	8.94	9.01	8.87	8.72	8.45	8.71	8.86	8.98	8.75
Treasury Bill Rate (%).....	7.76	7.75	7.52	7.23	7.08	6.96	6.93	8.11	7.56	7.04	7.47	7.17
Federal Funds Rate (%).....	8.25	8.24	8.04	7.69	7.42	7.32	7.40	9.22	8.06	7.47	8.21	8.05
Prime Rate (%).....	10.04	10.00	10.00	9.60	9.24	9.00	9.00	10.87	9.91	9.11	9.93	10.00
S&P Index of 500 Common Stocks.....	336.30	349.61	331.88	321.11	320.70	327.14	333.84	322.84	334.72	329.51	338.30	342.24
<b>Incomes</b>												
Personal Income (Billion \$).....	4562.8	4626.2	4692.9	4747.6	4823.0	4880.1	4937.5	4384.3	4657.4	4913.5	5220.6	5542.3
Real Disposable Income (% change).....	2.5	0.8	0.8	-1.8	2.1	0.2	1.0	2.4	1.3	0.6	1.9	2.0
Saving Rate (%).....	4.9	5.1	4.9	4.6	5.0	4.7	4.5	4.6	4.9	4.7	4.6	4.7
Profits After Tax (Billion \$).....	167.1	166.7	174.2	168.6	162.1	158.8	170.4	172.6	169.2	168.0	181.4	164.0
Post-Tax Corp Cash Flow (Billion \$).....	523.7	535.4	519.9	503.6	505.3	505.6	517.1	522.9	520.7	513.8	548.0	564.5
Percent Change vs Year Ago.....	1.6	2.6	-2.0	-3.9	-3.5	-5.6	-0.6	-0.1	-0.4	-1.3	6.7	3.0

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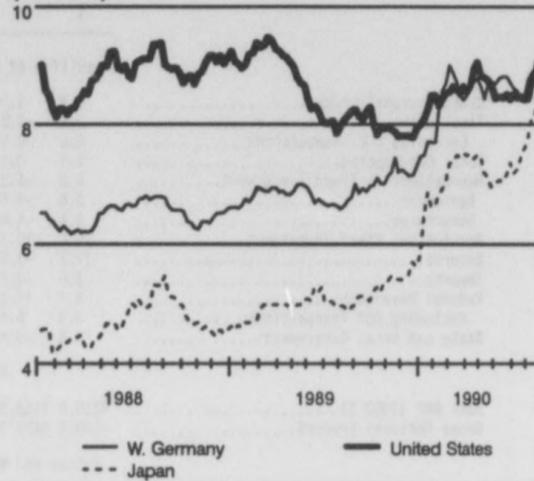
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## Oil Crisis has Thrown Markets into Turmoil

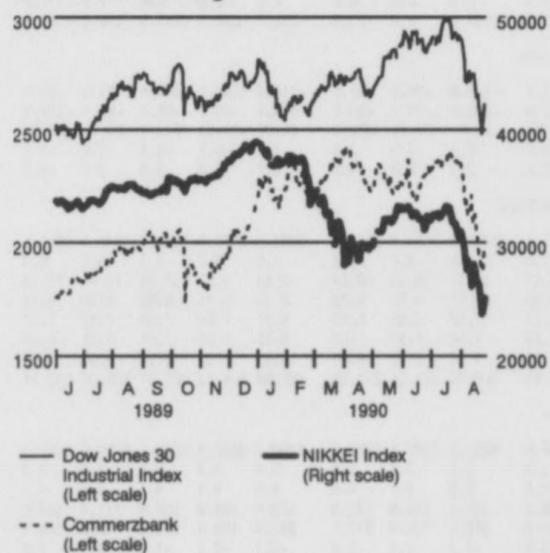
**Oil Prices Soar**



**10-Year Bond Yields Rise (Percent)**



**Stock Prices Plunge**



**The Dollar Falls**



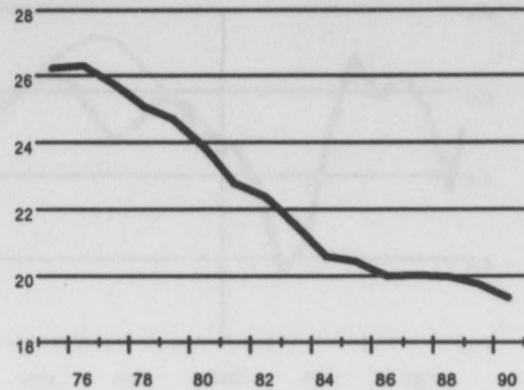
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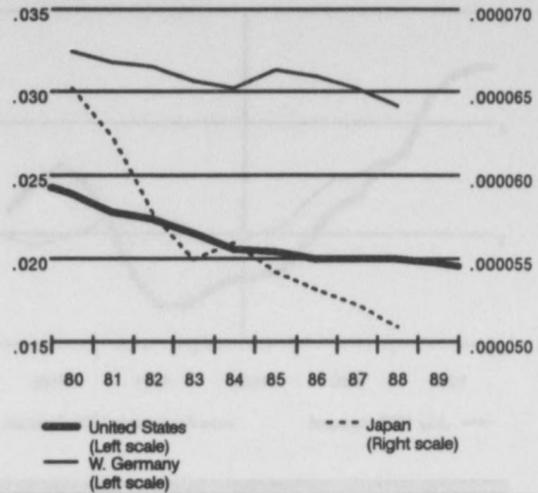
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## U.S. Still Depends On Oil

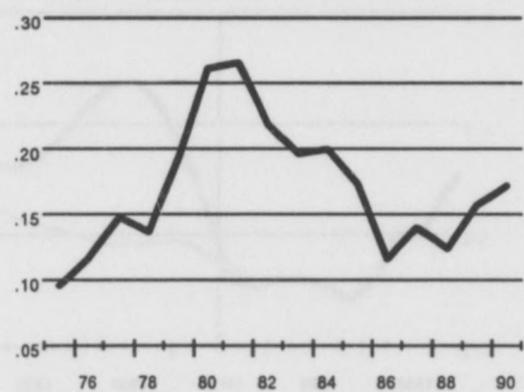
**British Thermal Units per Unit of GNP**



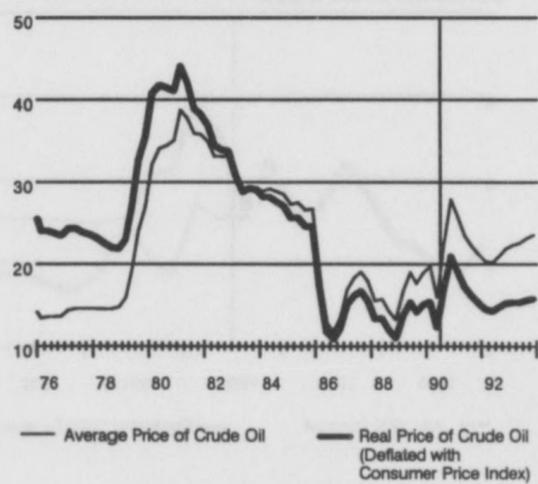
**Foreign BTU's per Unit of GNP**



**Oil Imports as a Share of BTUs**



**Real Prices Are Still Low**

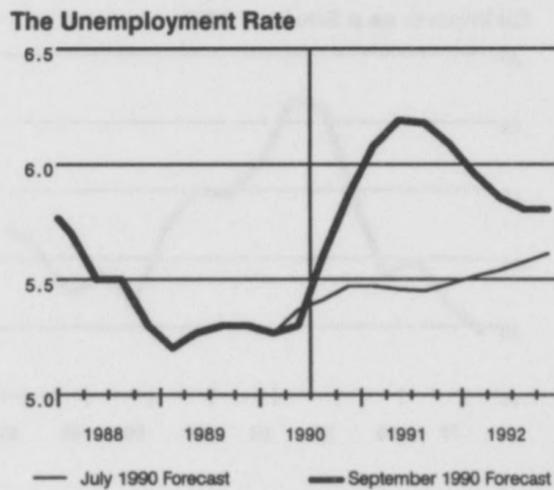
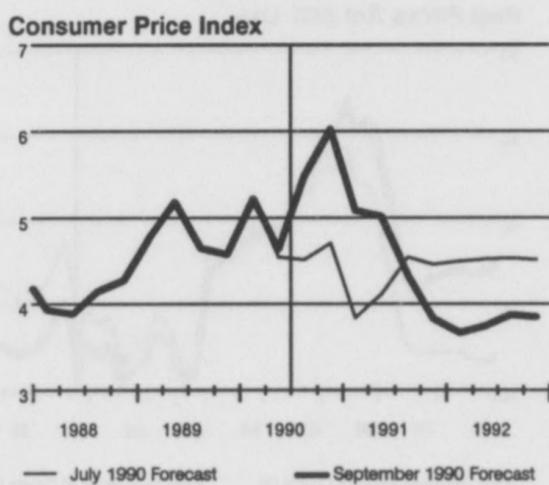
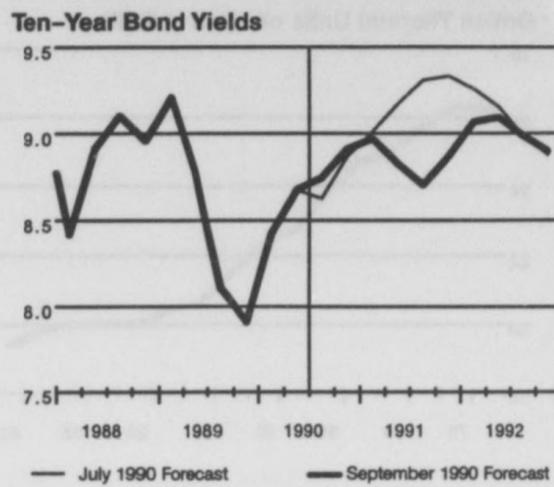
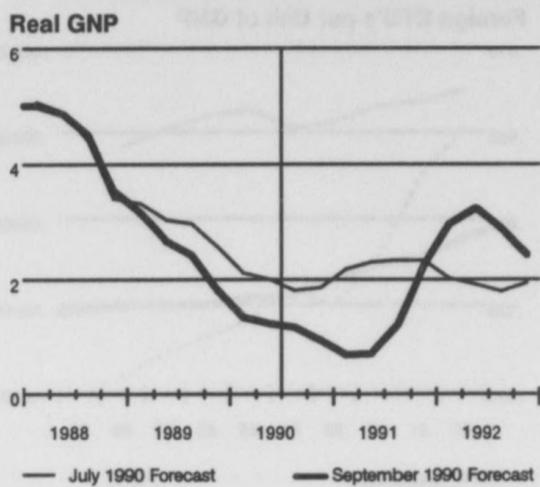


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## Revisions and the Crisis Have Changed the Forecast— July versus September Control



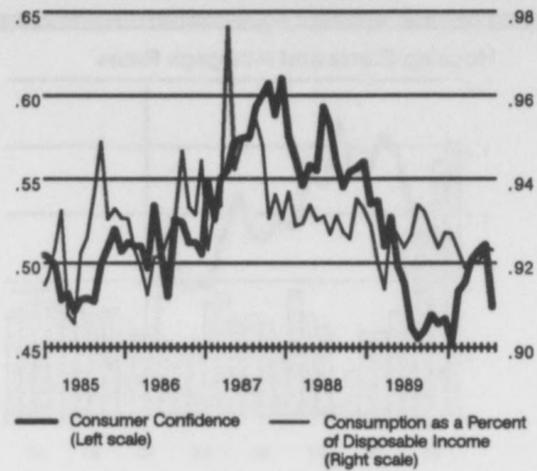
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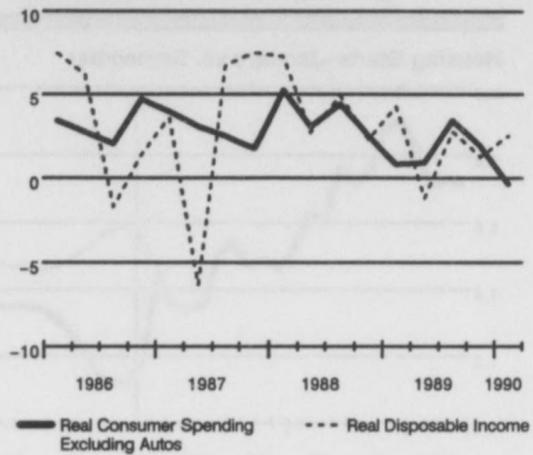
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## Consumer Confidence Will Suffer

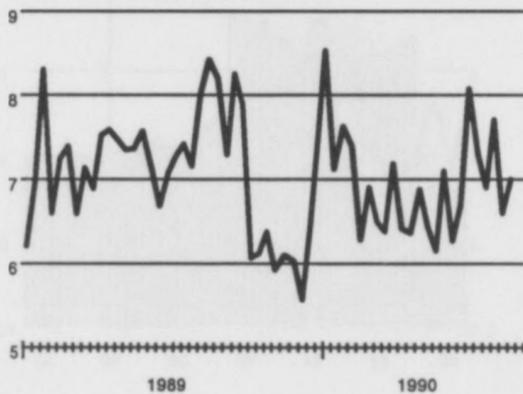
**Consumer Confidence and Consumption As A Percent of Disposable Income**



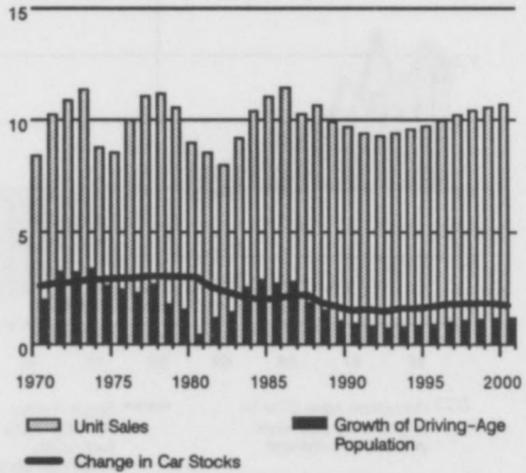
**But Consumers are still Spending**



**Car Sales Suffer Little So Far**



**Weak Demographics Have Shifted Auto Sales to a Lower Gear (Millions)**



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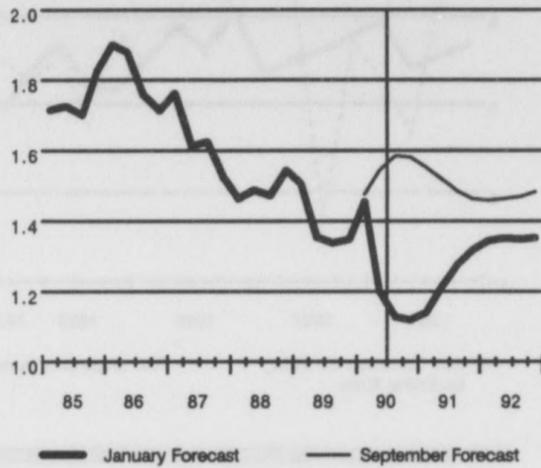
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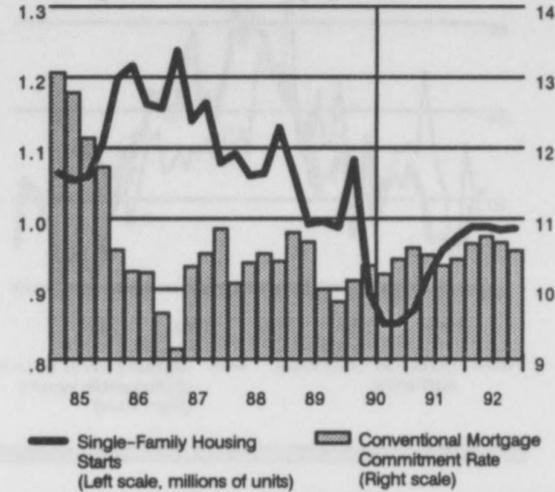
# Higher Mortgage Rates and A Credit Crunch May Hurt Housing

The U.S. Housing Forecast Has Been Significantly Lowered In Light of These and Other Developments

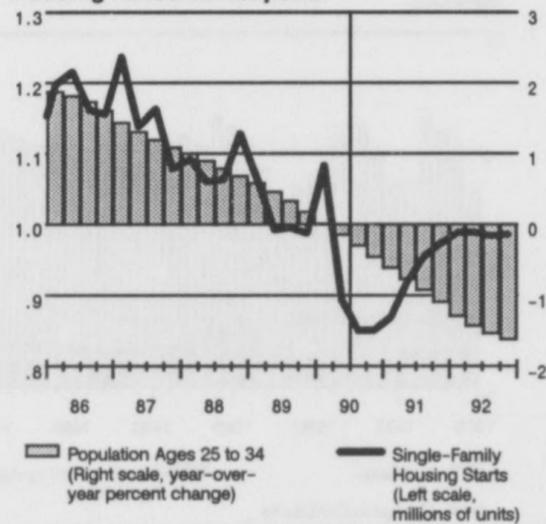
Housing Starts—January vs. September



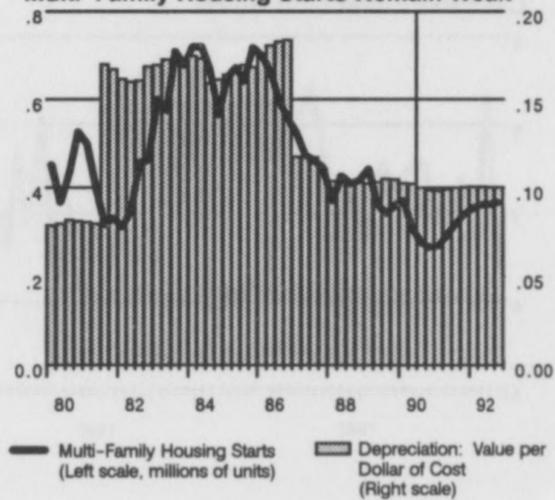
Housing Starts and Mortgage Rates



Housing Failed to Respond



Multi-Family Housing Starts Remain Weak



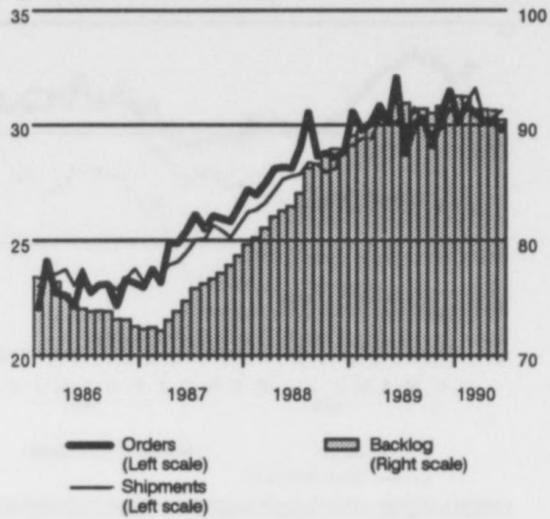
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## Capital Goods Purchases Are Expected To Slow

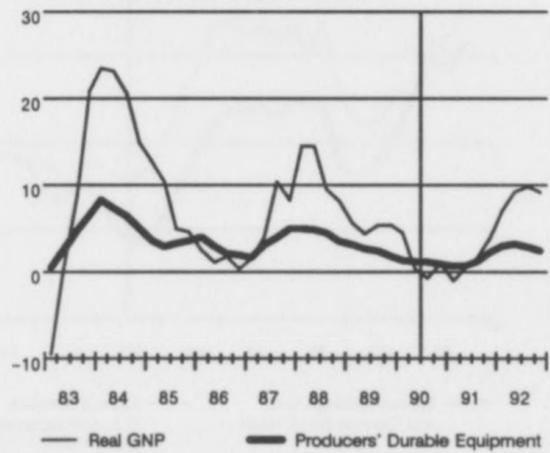
**Nondefense Capital Goods, Excluding Aircraft**  
(Billions of 1982 dollars)



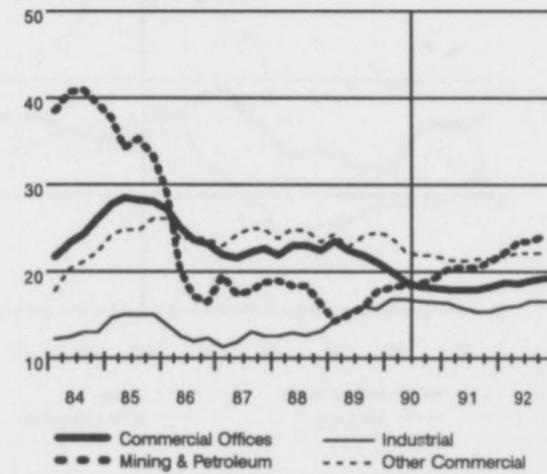
**Solid Capital Expenditure Plans**  
Are Being Executed  
(Percent change, annual rate)

	Quarters		Years	
	90:1	90:2	1989	1990
<b>Alternative Measures</b>				
<b>Bureau of Census Survey:</b>				
<b>Plant and Equipment</b>				
History.....	13.7	.....	10.4	
Forecast.....	.....	5.2	.....	7.8
<b>National Income Accounts:</b>				
<b>Total Nonres. Investment</b>				
History.....	9.1	.....	4.8	
DRI Forecast.....	.....	-5.1	.....	1.4
<b>DRI Market Forecasts</b>				
Producer Durable Equipment	10.9	-6.4	5.0	1.2
Autos.....	107.3	19.8	-3.5	10.4
Office.....	-0.7	-5.5	4.9	0.9
Other.....	8.0	-8.2	5.6	0.6
<b>Nonresidential Structures:</b>				
Buildings.....	4.8	-1.6	4.5	1.9
Buildings.....	2.9	0.8	6.9	0.2
Mining & Petroleum.....	14.0	-38.1	-13.9	13.3
Public Utilities.....	9.0	9.6	4.0	4.1

**Slower Growth for Capital Goods**

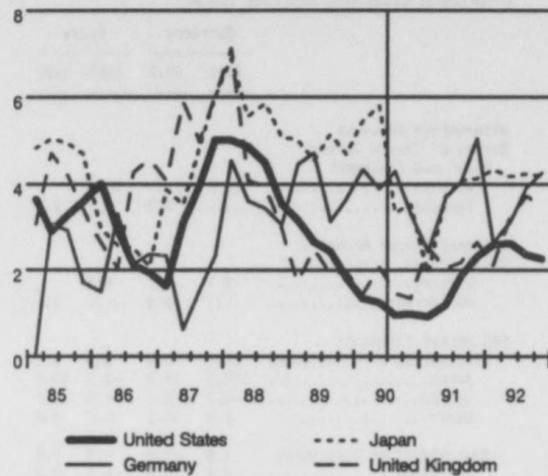


**Nonresidential Construction Remains Weak**  
(Billions of 1982 dollars)

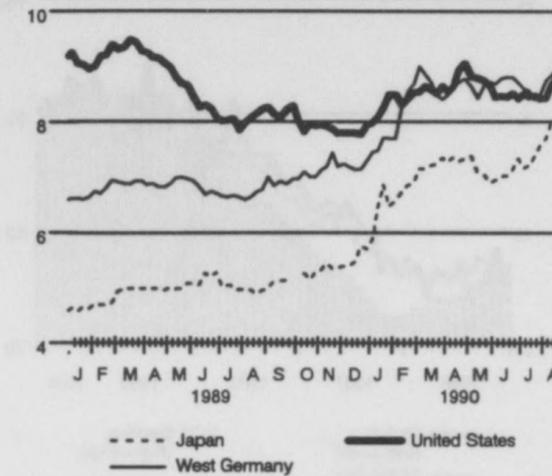


**The Business Cycles of Major Nations and Regions Are  
Not Completely Synchronized, But Rising Inflation Pressures Have Led to  
a Sequence of Foreign Central Bank Restraining Pressures.**

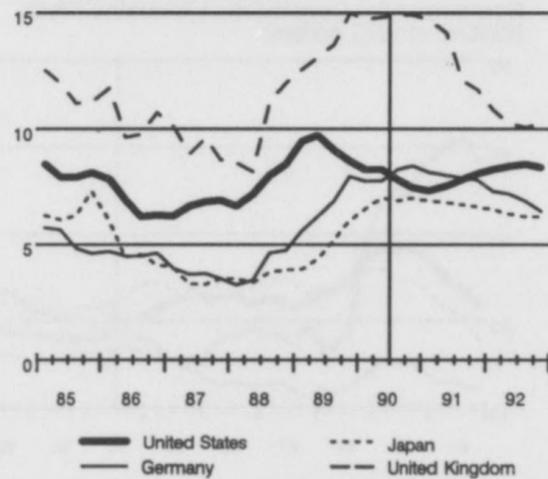
**Real GNP Growth**



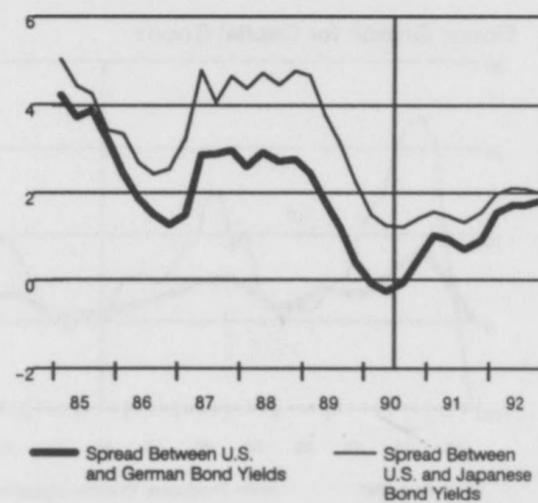
**The Surge in Bond Yields**



**Overnight Interest Rates**



**Yield Spreads Narrow Substantially**



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## Oil Will Hurt Our Trade Deficit

### Real GNP/GDP Growth Rates

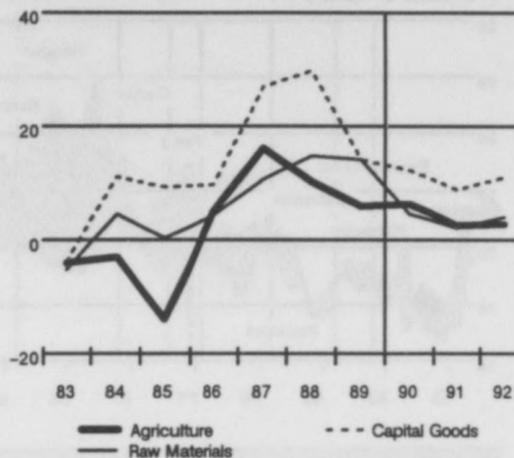
	1978-83	1983-1988	1988-92
United States	1.0	4.1	1.9
Europe.....	1.6	2.9	3.1
Canada.....	1.8	4.6	2.4
Asia-Pacific..	4.6	6.2	4.9
Japan.....	3.9	4.6	4.3
Latin America	1.7	2.6	1.5
Mideast/Africa	1.2	1.0	4.6

Although the U.S. Will Continue to Recapture Market Share,

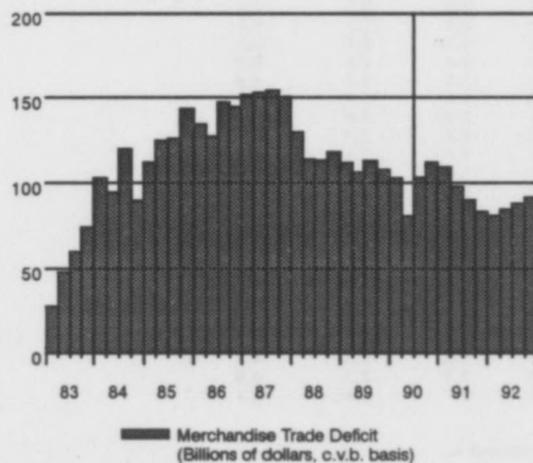
### Percent Shares of Major 7 Exports

	1980	1985	1988	Average	
				1983-88	1989-92
United States	24.6	19.5	25.1	21.3	26.9
European 4...	54.3	55.7	51.8	54.6	51.7
Japan.....	13.9	16.4	14.5	15.7	13.7
Canada.....	7.2	8.4	8.5	8.4	7.7

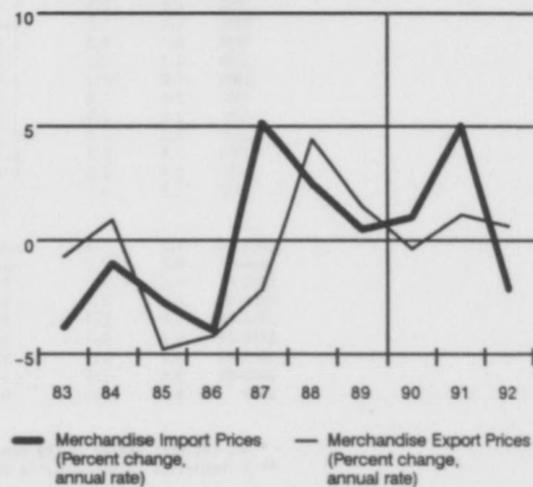
### Export Growth Is Slowing (Billions of 1982 dollars, percent change, annual rate)



### Improvement in the Overseas Deficit Will Stall in 1990...



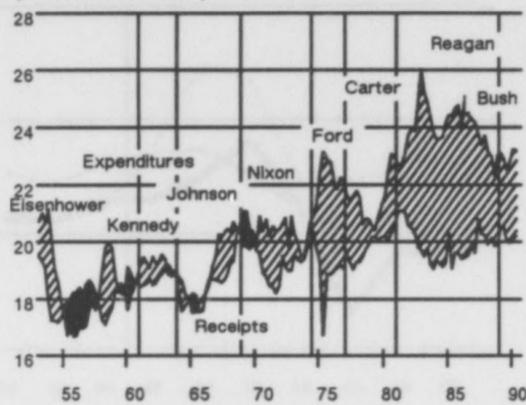
### Largely Because Import Prices Are Inflating More Rapidly Than Export Prices.



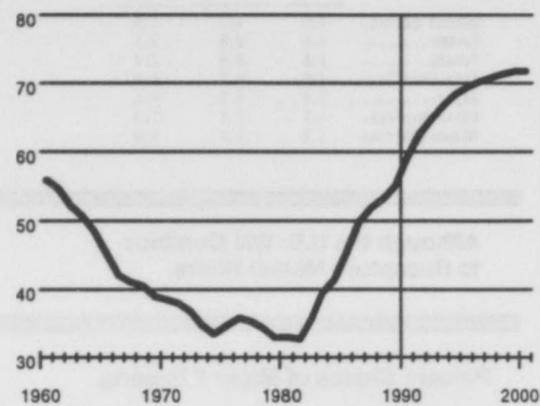
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## U.S. Government Debt Continues To Rise

**Government Receipts and Expenditures  
(Percent of GNP)**



**Federal Debt as a Percent of GNP**



### Financial Flows

	Net Personal Saving	Net Business Saving	State and Local Surplus or Deficit	Federal Surplus or Deficit	Net National Saving *	Capital Outflow (-) or Inflow (+) from Abroad	Net Domestic Investment **
1976	5.4	2.6	0.9	-3.0	5.8	-0.5	5.4
1977	4.6	3.1	1.4	-2.3	6.7	0.4	7.3
1978	4.9	3.1	1.3	-1.3	7.9	0.4	8.5
1979	4.7	2.5	1.1	-0.6	7.6	-0.1	7.7
1980	5.0	1.4	1.0	-2.2	5.1	-0.4	4.7
1981	5.2	1.4	1.1	-2.1	5.7	-0.3	5.2
1982	4.9	0.6	1.1	-4.6	2.0	0.0	2.0
1983	3.8	1.9	1.4	-5.2	2.0	1.0	3.0
1984	4.4	2.5	1.7	-4.5	4.1	2.4	6.5
1985	3.1	2.6	1.6	-4.9	2.4	2.8	5.2
1986	3.0	2.0	1.5	-4.9	1.5	3.2	4.8
1987	2.0	1.8	1.1	-3.5	1.5	3.4	4.9
1988	3.0	1.9	1.0	-2.9	2.9	2.4	5.4
1989	3.3	1.0	0.9	-2.6	2.6	1.9	4.5
1990	3.5	0.4	0.7	-3.0	1.6	1.6	3.2
1991	3.4	0.0	0.9	-2.9	1.4	1.5	2.9
1992	3.3	0.2	1.2	-2.2	2.6	1.2	3.8
1950-54	4.7	2.6	-0.2	0.1	7.3	0.1	7.6
1955-59	4.7	2.9	-0.3	0.1	7.5	-0.4	7.3
1960-64	4.4	3.3	0.1	-0.3	7.5	-0.8	6.7
1965-69	4.8	3.7	0.0	-0.3	8.2	-0.4	7.8
1970-74	6.0	2.2	0.6	-1.2	7.6	-0.3	7.5
1975-79	5.2	2.7	1.0	-2.3	6.6	-0.2	6.5
1980-84	4.7	1.6	1.3	-3.7	3.8	0.5	4.3
1985-89	3.0	1.8	1.2	-3.8	2.2	2.7	4.9
1990	4.0	0.5	0.9	-2.7	2.7	1.4	4.1

\* Net national saving is the sum of columns 1 through 4.  
\*\* A statistical discrepancy is omitted from this table.

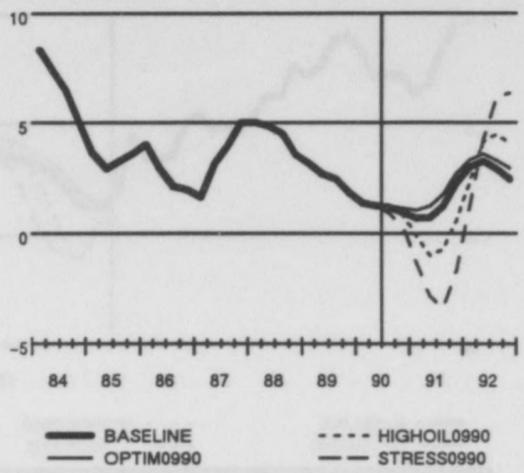
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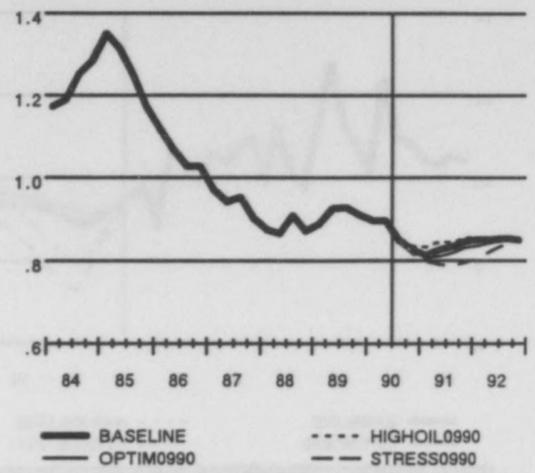
0410

## Comparison of Alternative Forecasts

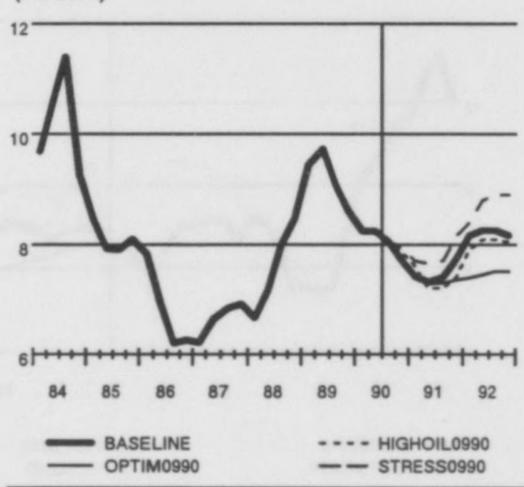
**Real GNP Growth**  
(Year-over-year percent change)



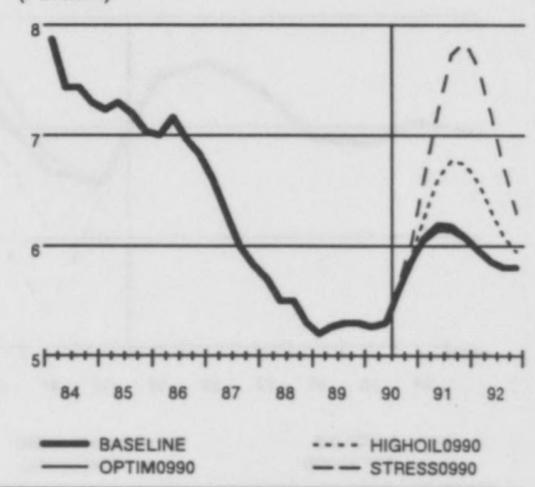
**The Trade-Weighted Exchange Rate**  
(1980-82 = 1.0)



**The Federal Funds Rate**  
(Percent)



**The Civilian Unemployment Rate**  
(Percent)



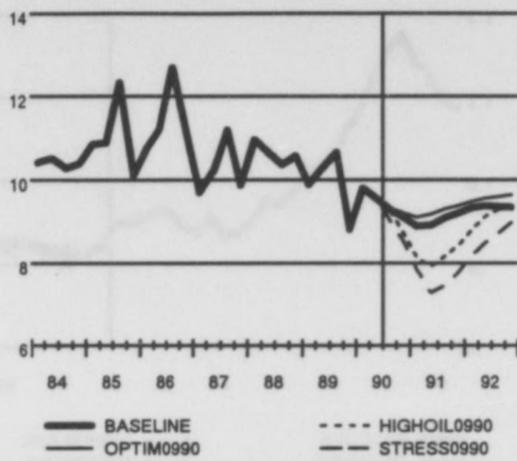
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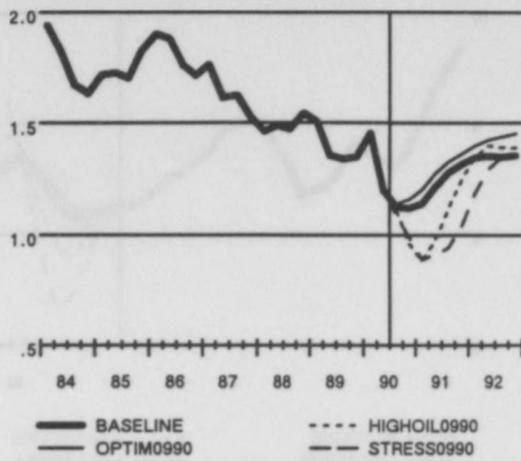
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### Comparison of Alternative Forecasts

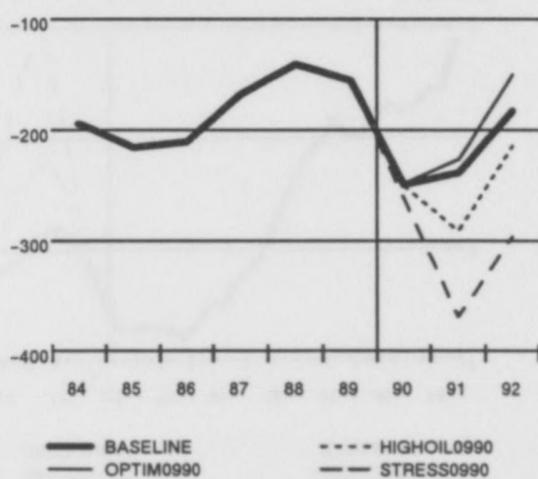
**Automobile Sales**  
(Millions of units, annual rate)



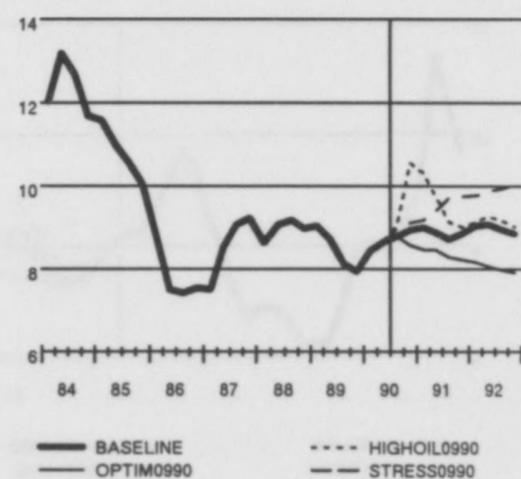
**Housing Starts**  
(Millions of units, seasonally adjusted)



**The Federal Government Deficit**  
(Unified basis)



**The 30-year Treasury Bond Rate**  
(Percent)



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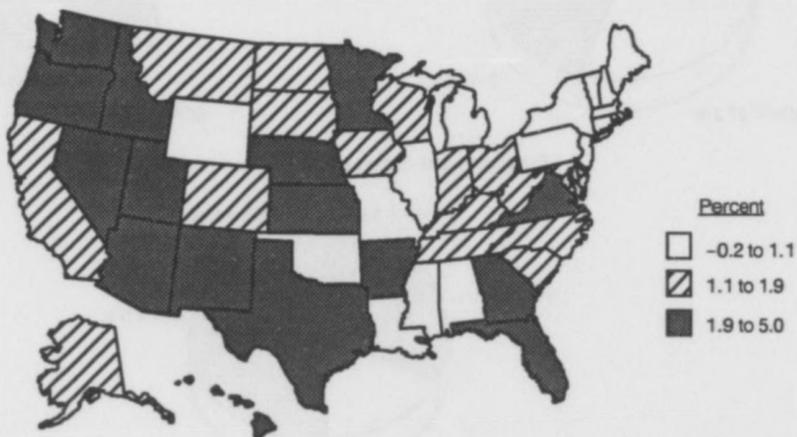
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## Total Nonfarm Employment Growth

### Compound Annual Rates

	1983 to 1986		1986 to 1989		1989 to 1992	
	%Gr	Rank	%Gr	Rank	%Gr	Rank
Total U.S.	3.2		2.8		1.5	
New England	3.8	3	1.9	7	0.3	9
Middle Atlantic	2.6	8	1.8	8	0.7	8
South Atlantic	4.7	1	3.8	2	2.0	2
East North Central	2.9	5	2.7	6	1.1	7
East South Central	3.4	4	3.4	4	1.4	6
West North Central	2.6	7	2.9	5	1.5	5
West South Central	1.2	9	1.1	9	1.7	4
Pacific Northwest	2.6	6	4.0	1	2.3	1
Pacific Southwest	4.2	2	3.4	3	2.0	3

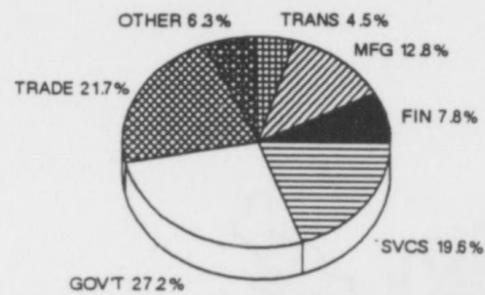
**Employment Growth 1989 - 1992**  
(Average annual growth)



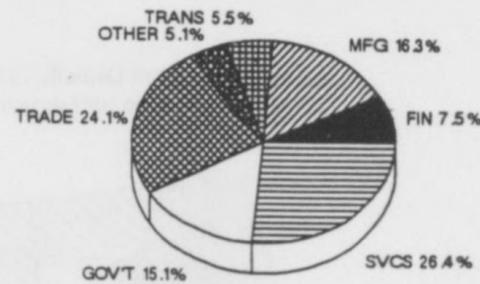
## South Carolina

- Nonfarm employment will expand at a sluggish 1% annual rate in South Carolina through 1992, causing its rank to drop to 22nd among the 50 states and the District of Columbia, down from a rank of ninth more recently.
- Without the impetus from Hurricane Hugo, construction jobs will decline for the first two years in South Carolina as slow housing activity combines with sluggish growth in nonresidential building activity.
- Following West Virginia, South Carolina residents have the lowest per capita income levels in the South Atlantic region. By the end of the century, per capita income levels will be 19% below the region average as the area's concentration of low-wage jobs continues to limit salary income.
- With more than one of every three manufacturing jobs associated with the nationally declining industries of textiles and apparel, South Carolina's manufacturing sector will continue to decline, falling at a 0.3% annual rate through 2000.

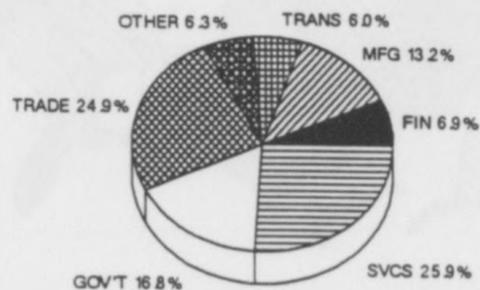
Employment Shares - Columbia



Employment Shares - Top 100 MSAs

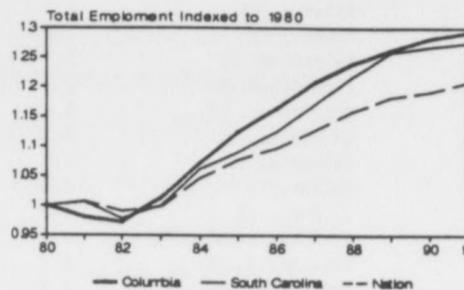
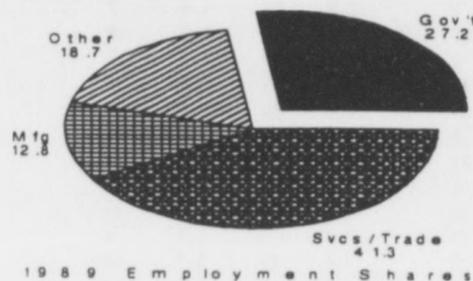


Employment Shares - Southern MSAs

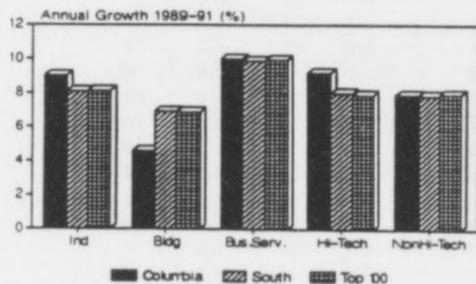


## Spotlight on Columbia, S.C.

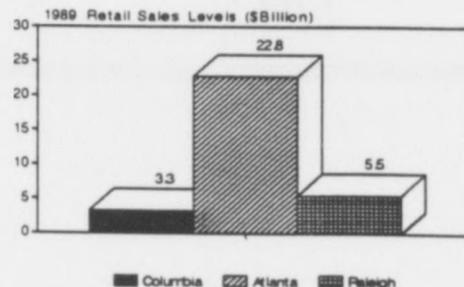
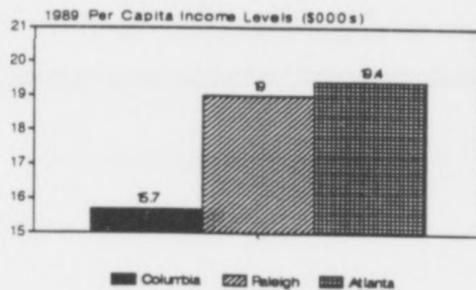
Large government sector dominates the economy, providing a relatively stable source of jobs, but lack of nationally fast-growing industries dampens employment growth.



The weak local economy limits market potential, but keeps operating costs low.



Columbia's relatively small market coupled with low per capita income levels limits the size of its retail market.



## Where Are The Jobs In The South?

Total Employment in Region Growth 1986-89 Growth 1989-91

MSA	Percent	Rank	Percent	Rank	Percent	Rank
Atlanta, GA	7.2	3	2.9	15	1.6	7
Austin, TX	1.8	25	-0.6	34	1.3	18
Baltimore, MD	5.7	5	2.4	20	1.4	15
Birmingham, AL	2.0	21	2.4	23	0.9	28
Charleston, WV	0.5	34	0.4	30	0.4	34
Charlotte, NC	3.0	8	3.6	9	1.2	21
Columbia, SC	1.2	31	2.8	17	1.2	23
Dallas, TX	6.8	4	0.3	31	1.5	11
El Paso, TX	1.0	32	2.3	24	0.9	27
Fort Lauderdale, FL	2.5	14	3.8	6	1.7	5
Fort Worth, TX	2.7	10	1.6	26	1.3	16
Greensboro, NC	2.4	16	2.4	21	0.8	30
Greenville, SC	1.6	26	3.3	10	0.5	33
Houston, TX	7.4	2	1.5	27	1.5	10
Jackson, MS	0.9	33	2.9	14	1.3	17
Jacksonville, FL	2.1	20	3.9	5	1.9	4
Knoxville, TN	1.3	29	2.4	22	0.7	31
Little Rock, AR	1.2	30	2.7	18	1.6	8
Louisville, KY	2.3	18	2.9	16	1.0	26
Memphis, TN	2.2	19	3.2	11	1.2	24
Miami, FL	4.4	6	3.0	13	1.3	19
Nashville, TN	2.4	15	2.1	25	1.2	20
New Orleans, LA	2.6	11	0.1	32	1.1	25
Norfolk, VA	2.9	9	2.4	19	1.2	22
Oklahoma City, OK	2.0	22	-0.2	33	0.6	32
Orlando, FL	2.6	12	5.3	2	3.0	1
Raleigh, NC	2.0	23	3.0	12	1.5	12
Richmond, VA	2.3	17	3.7	8	1.4	14
San Antonio, TX	2.6	13	1.0	28	1.6	9
Tampa, FL	4.3	7	4.2	3	2.0	3
Tulsa, OK	1.5	27	0.4	29	0.9	29
Washington, DC	11.2	1	4.1	4	1.7	6
W. Palm, FL	1.8	24	6.2	1	2.9	2
Wilmington, DE	1.5	28	3.8	7	1.4	13

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**BREAKDOWN OF  
FY 1991-92 REQUESTED INCREASES**

<b>FY 1991-92 TOTAL REQUESTED INCREASES</b>	<b><u><u>\$812,214,193</u></u></b>
<b>NEW OPERATING FUNDS</b>	<b>\$628,567,197</b>
<b>NEW NON-RECURRING FUNDS</b>	<b>\$183,646,996</b>

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**EXHIBIT**  
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SUMMARY OF FY 1991-92 REQUESTS

BY MAJOR FUNCTIONAL AREA

FUNCTIONAL AREA	FY 1991-92 APPROPRIATION BASE	FY 1991-92 NEW OPERATING REQUESTS	% INCREASE NEW OPERATING REQUESTS	FY 1991-92 NON-RECURRING REQUESTS	% INCREASE TOTAL REQUESTS
HIGHER EDUCATION	\$600,822,330	\$146,890,547	24.4%	\$39,159,367	31.0%
K-12 EDUCATION	1,145,352,004	113,906,613	9.9%	19,410,388	11.6%
HEALTH & HUMAN SERVICES	665,023,348	153,239,968	23.0%	42,966,211	29.5%
CORRECTIONS	244,384,579	65,035,486	26.6%	16,924,622	33.5%
DEBT SERVICE	118,166,510	5,000,000	4.2%	33,641,058	32.7%
AID TO SUBDIVISIONS	244,695,977	57,607,389	23.5%	0	23.5%
CAPITAL RESERVE FUND	62,742,901	3,152,519	5.0%	0	5.0%
ALL OTHER	505,273,529	83,734,675	16.6%	31,545,350	22.8%
<b>TOTAL</b>	<b>\$3,586,461,178</b>	<b>\$628,567,197</b>	<b>17.5%</b>	<b>\$183,646,996</b>	<b>22.6%</b>

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**FY 1991-92 BASE**

<b>FY 1990-91 PART I APPROPRIATION</b>		<b>\$3,586,461,178</b>
<b>FY 1991-92 ADJUSTMENTS</b>		<b>35,508,364</b>
<b>PAY INCREASE ANNUALIZATIONS</b>		
<b>COST OF LIVING ADJUSTMENT</b>	<b>5,039,034</b>	
<b>MERIT PLAN</b>	<b>12,093,679</b>	
<b>NEW POSITION DELAYS</b>	<b>5,383,172</b>	
<b>EMPLOYEE BENEFITS - HEALTH INSURANCE</b>	<b>12,992,479</b>	
<b>FY 1991-92 BASE ALLOCATION</b>		<b><u><u>\$3,621,969,542</u></u></b>

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## FY 1991-92 REQUESTS

FY 1991-92 BASE ALLOCATION	\$3,621,969,542
REQUESTED OPERATING INCREASES	\$628,567,197
PERCENTAGE OF TOTAL	17.4%
GRAND TOTAL (OPERATING REQUESTS ONLY)	\$4,250,536,739
REQUESTED TOTAL INCREASES (OPERATING REQUESTS & NON-RECURRING REQUESTS)	\$812,214,193
PERCENTAGE OF TOTAL	22.4%
GRAND TOTAL (BASE + TOTAL REQUESTED INCREASES)	\$4,434,183,735

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**FY 1991-92 AVAILABLE FUNDS**

FY 1989-90 BUDGETARY GENERAL FUND OPERATING REVENUE \$3,294,770,987

PERCENTAGE GROWTH FROM FY 1988-89 5.0%

FY 1990-91 ESTIMATED TOTAL GENERAL FUND REVENUE (APPROPRIATION ACT) \$3,586,466,790

PERCENTAGE GROWTH FROM FY 1989-90 8.9%

FY 1991-92 WORKING ESTIMATE  
"NEW FUNDS"

PESSIMISTIC	CONTROL	OPTIMISTIC
\$150,000,000	\$187,500,000	\$225,000,000

FY 1991-92 ESTIMATED REVENUE \$3,736,466,790    \$3,773,966,790    \$3,811,466,790

PERCENTAGE GROWTH 4.2%                      5.2%                      6.3%

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**FY 1991-92 MAJOR EXPENDITURE COMMITMENTS**

**CONSTITUTIONAL**

General Reserve Fund to 3% of FY 1989-90 Revenue	\$3,152,519	
Capital Reserve Fund to 2% of FY 1989-90 Revenue	<u>4,728,779</u>	
<b>SUBTOTAL - CONSTITUTIONAL</b>		<b>\$7,881,298</b>

**STATUTORY**

Debt Service	\$5,000,000	
Homestead Exemption Growth	4,895,887	
Education Finance Act Inflation Factor at 5.1%, including employee benefits	<u>63,704,309</u>	
<b>SUBTOTAL - STATUTORY</b>		<b>73,600,196</b>

**ANNUALIZATIONS PREVIOUSLY ALLOCATED ON  
JULY 16, 1990**

<b>PAY INCREASE ANNUALIZATIONS</b>		
COST OF LIVING ADJUSTMENT	\$5,039,034	
MERIT	12,093,679	
<b>NEW POSITION DELAYS</b>	5,383,172	
<b>EMPLOYEE BENEFITS - HEALTH INSURANCE</b>	<u>12,992,479</u>	
<b>SUBTOTAL - ANNUALIZATIONS PREVIOUSLY ALLOCATED</b>		<b><u>35,508,364</u></b>

<b>TOTAL MAJOR EXPENDITURE COMMITMENTS</b>		<b><u><u>\$116,989,858</u></u></b>
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## OTHER ANNUALIZATIONS

JUDICIAL DEPARTMENT NEW JUDGESHIPS	\$2,400,000
COMMISSION ON HIGHER EDUCATION FORMULA (FUNDED BY CRF)	9,526,200
DEPARTMENT OF EDUCATION SCHOOL BUSES (ONE YEAR RECURRING BASE DECREASE)	5,485,000
HEALTH & HUMAN SERVICES FINANCE COMM. MEDICAID INFLATION INCREASE DELAY	1,925,000
NURSING HOME BED IMPLEMENTATION DELAY	2,688,590
DEPT. OF HEALTH & ENVIRONMENTAL CONTROL HANDICAPPED CHILD DEVELOPMENT DELAY	740,150
DEPARTMENT OF MENTAL HEALTH VA NURSING HOME IMPLEMENTATION DELAY	4,000,000
DEPARTMENT OF MENTAL RETARDATION COMMUNITY RESIDENCES ANNUALIZATION	1,315,000
HANDICAPPED CHILD DEVELOPMENT DELAY	1,300,000
DEPARTMENT OF SOCIAL SERVICES COUNTY HUMAN SERVICE WORKERS DELAY	326,637
DEPARTMENT OF CORRECTIONS FACILITIES ANNUALIZATION	<u>7,482,661</u>
<b>TOTAL OTHER ANNUALIZATIONS</b>	<b><u><u>\$37,189,238</u></u></b>

**COMPELLING ITEMS**

**EMPLOYEE BENEFITS**

State Pay Plan, 3.5% Payout \$44,998,216

State Health Plan 10,000,000

**TOTAL COMPELLING ITEMS** \$54,998,216

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**TOTAL COMMITMENTS**

<b>MAJOR EXPENDITURE COMMITMENTS</b>	<b>\$116,989,858</b>
<b>OTHER ANNUALIZATIONS</b>	<b>37,189,238</b>
<b>COMPELLING ITEMS</b>	<b><u>54,998,216</u></b>
<b>TOTAL COMMITMENTS</b>	<b><u><u>\$209,177,312</u></u></b>

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**ITEMS NOT INCLUDED  
BUT SHOULD BE COMMITTED**

<b>COMMISSION ON HIGHER EDUCATION</b>	
Formula, 3 points at \$7m per point	\$21,000,000
<b>DEPARTMENT OF EDUCATION</b>	
School Buses	10,000,000
Textbooks	<u>7,400,000</u>
<b>TOTAL</b>	<u><u>\$38,400,000</u></u>

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**SUMMARY OF FY 1991-92 MAJOR COMMITMENTS  
BY NATURE OF OBLIGATION**

CONSTITUTIONAL				\$7,881,298
STATUTORY				73,600,196
ANNUALIZATIONS PREVIOUSLY ALLOCATED				35,508,364
OTHER ANNUALIZATIONS				37,189,238
COMPELLING ITEMS EXCLUDING PAY PLAN				<u>10,000,000</u>
<b>SUBTOTAL</b>				<b>\$164,179,096</b>
STATE EMPLOYEES PAY PLAN		2.5%	3.5%	4.5%
		<u>\$32,141,583</u>	<u>\$44,998,216</u>	<u>57,854,849</u>
TOTAL MAJOR COMMITMENTS		<u>\$196,320,679</u>	<u>\$209,177,312</u>	<u>\$222,033,945</u>
WORKING REVENUE ESTIMATE OF "NEW FUNDS" (Control Scenario)		<u>187,500,000</u>	<u>187,500,000</u>	<u>187,500,000</u>
DISCRETIONARY FUNDS AFTER MAJOR COMMITMENTS		<u>(\$8,820,679)</u>	<u>(\$21,677,312)</u>	<u>(\$34,533,945)</u>

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**FY 1991-92 LIMITATION ON EXPENDITURES**

<b>FY 1991-92 SPENDING LIMIT</b>		<b>\$4,987,524,000</b>
<b>FY 1991-92 GENERAL FUND BASE ALLOCATION</b>	<b>\$3,586,461,178</b>	
<b>FY 1991-92 HIGHWAY TRUST FUND REVENUE</b>	<u><b>450,510,000</b></u>	
<b>TOTAL FY 1991-92 BASE SUBJECT TO LIMITATION</b>		<u><b>4,036,971,178</b></u>
<b>FY 1991-92 ALLOWABLE GROWTH (DIFFERENCE)</b>		<u><u><b>\$950,552,822</b></u></u>

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**FY 1991-92  
LIMITATION ON NUMBER OF  
STATE EMPLOYEES**

<b>FY 1991-92 STATE FTE LIMIT</b>	<b>44,802.15</b>
<b>FY 1990-91 CERTIFIED FTE BASE</b>	<b><u>42,752.71</u></b>
<b>FY 1991-92 ALLOWABLE GROWTH</b>	<b><u><u>2,049.44</u></u></b>
<b>TOTAL FY 1991-92 REQUESTED FTE's</b>	<b><u><u>2,655.11</u></u></b>

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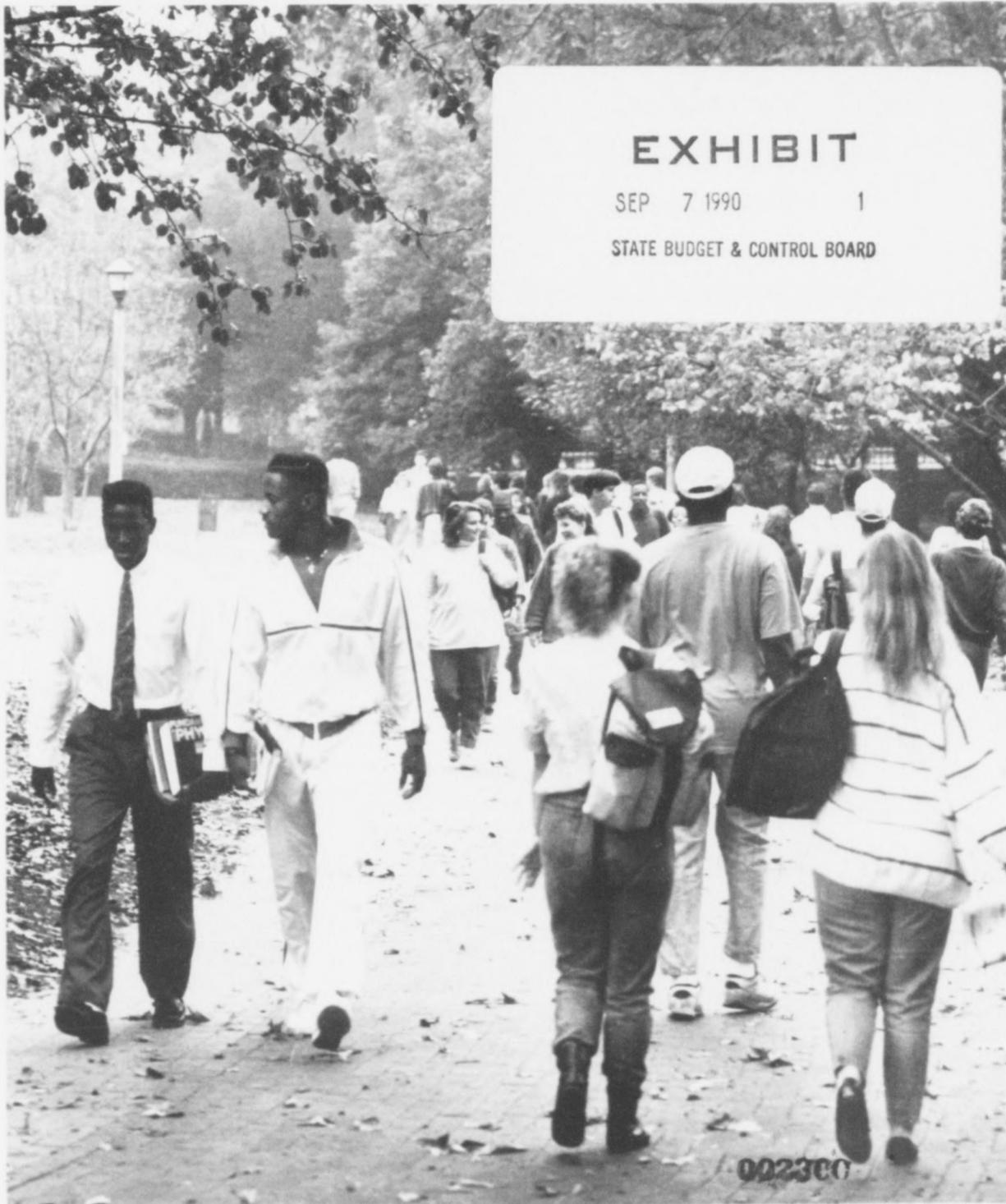
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**EXHIBIT**  
The Cutting Edge In Progress

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The SC Commission on Higher Education  
STATE BUDGET & CONTROL BOARD



**EXHIBIT**

SEP 7 1990 1

STATE BUDGET & CONTROL BOARD

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## The SC Commission on Higher Education

### Introduction

In 1986, a national consulting firm recommended that South Carolina strengthen the quality and improve the accountability of higher education in the state. Two years later, in June 1988, the General Assembly passed legislation to do just that — making South Carolina one of the first states in the Southeast to include higher education in its school reform package.

This legislation, popularly known as **The Cutting Edge**, aims for excellence in five areas: among students, in instruction and educational services, in research for economic development, in planning and assessment, and in the effectiveness of the Commission on Higher Education.

Are **The Cutting Edge** funds helping put South Carolina students and faculty on the cutting edge of excellence? Let's take a look.

### Palmetto Fellows Scholarship Program

#### Mark Ross: Palmetto Fellow, Wofford College

Mark Ross, 19, likely would have gone out-of-state to college if he hadn't been named a Palmetto Fellow scholarship winner in 1988. "UNC-Chapel Hill probably was where I would have gone," he says.

But because of the Palmetto Fellows program, the multi-talented Ross opted to remain in-state. He recently completed his sophomore year at Wofford College in Spartanburg.

Established to encourage more of South Carolina's talented students to stay in the state for their higher education, the program provides academic scholarships of up to \$5,000 annually. The scholarships are available at any of the accredited public or private senior colleges in the state. In 1988-89, 45 bright young South Carolinians were named Palmetto Fellows. In 1989-90, an additional 54 scholars were named. State investment in the program totaled \$99,500 the first year and \$216,000 the second year.

It's a good investment to keep young people like Ross in the state for college, since students who attend South Carolina colleges and universities tend to settle in the state after graduation.

A dean's list student, runner-up in Wofford's College Bowl Tournament, and all-around intramural athlete, Ross is also an accomplished writer who won



Mark Ross

first place for his short story, "Cuttin' Grass," and third place for his poem, "Fishing for Children," in Wofford's Helmus Creative Writing Competition. He might apply to medical school when he graduates in two years. Or he might become a writer. "I love to write," he says. Perhaps he can combine the two, and become an author of medical books? □

### Endowed Professorships Program

#### Dr. Richard Dame, USC-Coastal Carolina College

USC-Coastal Carolina College has one of the three most sought after undergraduate marine science programs in the nation today. Dr. Richard Dame, 48, Chairman of Coastal's Marine Science Department, is an important reason for this lofty ranking.

"We've got more students wanting to come here than we can handle," he says happily. Dr. Dame, a faculty member at Coastal Carolina since 1971, is internationally recognized for his work on oyster reefs and mussel beds and the influence of these systems on estuaries. This information helps mussel and oyster farmers increase their production — thereby increasing their incomes.

Dr. Dame, a **Cutting Edge** Endowed Professor who earned his Ph.D. from the University of South Carolina, has written and edited two books, published dozens of articles, and produced several television shows for South Carolina ETV, including a television course entitled "Oceans and Man." He has conducted

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Federal Fund for the Improvement of Post Secondary Education (FIPSE) and Winthrop College have provided monies for the first and the second years.

The SCHEA Network helps institutions assess their effectiveness in several ways:

- It provides literature and technical assistance on higher educational assessment through an informational clearinghouse and methodological expertise via a telephone "hotline."
- It organizes statewide assessment conferences featuring local and national experts. Two have already been held — in March 1989 and October 1989. A third is planned for October 1990.
- It organizes workshops and consultations.
- It publishes a newsletter with the latest information on local and national assessment issues.
- It offers a monograph, "The Beginner's Guide to Higher Education Assessment," that provides a model for postsecondary educators new to the assessment movement.
- It helps schools learn about the latest methods for assessing how much students are learning and how they can use their assessment results for improving institutional effectiveness.

### Summary on Planning and Effectiveness

Without planning and the assessment of institutional effectiveness, institutions of higher learning would simply muddle through. Therefore, **The Cutting Edge** legislation requires the Commission on Higher Education to maintain a statewide planning and institutional effectiveness program.

As part of the planning system, the first statewide planning document for all public colleges and universities in the state will be approved by the CHE and distributed in December 1990. The document will examine enrollment distribution, incorporating "quality factors" into the funding formula, state funding and institutional funding patterns, converting from regional to national peer groups in the formula, and space use and needs of institutions. The document will be updated annually.

The second annual Summary Report on Institutional Effectiveness will be distributed in February 1991. The report will contain assessment data, their interpretation, and descriptions of how such data are used for the improvement of institutional effectiveness. □

### Other "Cutting Edge" Programs

#### Admission Standards

Each public college or university must set the minimum total score on the College Board's Scholastic Aptitude Test (SAT) required for incoming

freshmen. These standards are designed to help students make informed choices. A booklet summarizing these admission standards has been distributed to students and guidance counselors in middle and high schools. The Commission on Higher Education will review these standards on a regular basis.

#### Monitoring Admission Prerequisites

All freshmen seeking baccalaureate degrees must complete a uniform set of specific high school work. In 1986, only 31 percent of all entering freshmen had fulfilled all the prerequisites. By 1989, that number had risen to 78 percent, including 85 percent of all South Carolina residents admitted.

#### "Developmental" Education

Each public college or university must offer appropriate developmental, i.e., remedial, education programs. These are courses or activities in mathematics, reading, or writing designed to help students who were admitted to a college or university but who need additional help in one or more of these basic skills. Effective Fall 1990, no degree credit will be awarded for developmental course work. The Commission on Higher Education will conduct a statewide evaluation of these programs and of their funding during the 1992-93 school year.

#### Converting the Calendar

Since they were founded in 1962, the public technical colleges in South Carolina have operated under the quarter system. All other public colleges and universities in the state are on the semester system. This causes problems for students wishing to transfer from "tech" colleges to public colleges/universities and vice versa. By 1992, all 16 technical colleges will have switched to the semester system. A total of \$500,000 has been appropriated to cover the costs of revising curricula and modifying computer systems to allow this switch to take place.

#### Undergraduate Instruction Grants

This program was established to improve undergraduate education in the public and private institutions of higher learning in South Carolina. It is a competitive grant program to fund projects that improve and/or evaluate undergraduate instruction. During the past two years, seven projects totaling \$524,301 have been approved.

The Commission on Higher Education welcomes inquiries about **The Cutting Edge** programs described briefly in this brochure. Inquiries may be made by letter or phone as indicated below.

Produced by:  
SC Commission on Higher Education  
1333 Main Street — Suite 300  
Columbia, South Carolina 29201  
(803) 253-6260 □

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Dr. Richard Dame

research with the Belle W. Baruch Institute for Marine Biology and Coastal Research, the Institute of Ecology at the University of Georgia, and the Rijksinstituut for Nature Management in Texel, the Netherlands. He has served as a consultant for the U.S. Department of Justice, the South Carolina Coastal Council, the Smithsonian Institution and the National Science Foundation.

After a while at any institution, most professors seem to be taken for granted, says Dr. Dame. That's why he was so pleased to be named to an Endowed Professorship. "It's excellent recognition," he says.

The Endowed Professorship program assists senior public institutions attract and retain the best faculty. When fully funded, the program will establish 38 of these professorships — six at Clemson, five at the Medical University, nine at USC-Columbia and two each at the other nine senior college campuses.

\$750,000 in state money was set aside each of the past two fiscal years for the program. This is half the **corpus** of the endowment funds. The other half comes from private funds raised by each institution specifically for this purpose. □

## Governor's Professor of the Year Award Program

### Dr. Tom Cloer, Furman University

Imagine being a child in Appalachia and trying to learn to read from standard textbooks that made no mention of mountains and meadows and valleys — but talked about life in the big city instead. This was how Dr. Tom Cloer, Jr., learned to read, and he's

never forgotten the difficulty of it.

Today, Dr. Cloer is a leading spokesman for teaching reading using familiar subjects in the vernacular that children speak. Coastal children, for example, read about crabbing and shrimping and the ocean. Inner-city youngsters read about street fairs and basketball and delicatessens. "Instead of squelching home-rooted language, we use a wardrobe of languages," explains Dr. Cloer, 45, Professor of Education and Director of Special Services at Furman University.



Dr. Tom Cloer, Jr.

He was named Governor's Professor of the Year in 1988.

Dr. Cloer, who earned a master's degree at Clemson and a doctorate at the University of South Carolina, says children make the transition easily from their special familiar books to standard texts. "It doesn't matter," he says. "It works with mountain kids, black kids, Hispanic kids, island kids, suburban kids, inner-city kids."

The author of two books, a series of teachers' manuals and numerous articles, Dr. Cloer conducts workshops all over the world on this method of teaching reading. His alma mater, Cumberland College (Kentucky), presented him a Distinguished Alumnus Award in 1985 and inducted him into the school's Hall of Honors. He won Furman's Alester G. Furman, Jr., and Janie Earle Furman Award for Meritorious Teaching in 1988. □

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Dr. Thomas W. Mahan

### **Dr. Thomas Mahan, The Citadel**

Dr. Thomas W. Mahan had a dream: develop an innovative way of teaching inner-city high school students that would fire them up enough to make them want to go to college. His dream came true in 1988 when The Citadel's Educational Partnership with Burke High School in Charleston was established.

"We have a really exciting curriculum that challenges the kids," explains Dr. Mahan, who was named Governor's Professor of the Year in 1989. The curriculum works like this: all science, history, literature, and mathematics classes are tied together under the theme, "Order and Disorder in the Universe." This helps students see that what they're learning in one subject area is relevant to another. No standard textbooks are used in the history or literature classes. Instead, special books, articles and readings are used, and guest speakers are invited.

Some 100 selected ninth and tenth graders participated in the program in 1988-89 and 1989-90. In two years, when all four grades are included, 200 students will participate. Burke High School is predominantly black. "We challenge the kids intellectually and give them a lot of caring," Dr. Mahan says. "Our feeling is that it's definitely a success."

Dr. Mahan, 61, joined The Citadel faculty in 1972. He is currently a professor of education and psychology. He has two master's degrees (from Catholic University and Fairfield University) and a Ph.D. in counseling and clinical psychology from the University of Connecticut.

And how long will the Burke High School experiment continue? "We hope forever," says Dr. Mahan. "We hope to illustrate that this program could be a model for the whole school." □

The Governor's Professor of the Year Award is presented annually to a faculty member from a public or private institution of higher learning in South Carolina who has demonstrated "exceptional teaching." The recipient is selected by a committee of representatives of the Governor's office, the Commission on Higher Education, and appropriate civic, business, government and academic organizations. The award carries with it a citation and a payment of \$5,000. □



Dr. Floyd R. Sallee

### **Research Investment Fund**

#### **Dr. Floyd R. Sallee, The Medical University of South Carolina**

It's estimated that 5 million Americans use cocaine regularly, and more than 20 million have tried it. Cocaine use and addiction cost businesses between \$20 billion and \$30 billion a year in employee absences, low productivity and theft from employers. That's why business and industry — and others — are watching the pioneering work of Dr. Floyd R. Sallee with great interest.

Dr. Sallee, a medical doctor who also holds a Ph.D. in pharmacology, believes that a protein in the brain holds the key to obstructing cocaine's potent effect. If that protein can be identified and understood, it is believed the euphoria that comes from cocaine use eventually can be blocked. "And if the cocaine can't make you high, there's no sense in taking it," Dr. Sallee says.

So far, the 38-year-old Dr. Sallee has received \$108,000 in **Cutting Edge Research Investment Fund** monies for his research. The State's three public universities have shared almost \$9 million from the Fund during the last two years. **The Cutting Edge**

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money has also served to attract federal grants, such as a recent one for \$100,000 in support of Dr. Sallee's research.

Currently, Dr. Sallee is focusing on cloning the gene responsible for the cocaine receptor. If the receptor can be blocked, the craving for cocaine is blocked, too. A cocaine-blocking drug could be worth up to \$1 billion annually to the pharmaceutical industry, so it, too, is watching Dr. Sallee's work with interest.

Dr. Sallee earned his M.D. degree at Southern Illinois University and his Ph.D. at the University of Pittsburgh. He is an Assistant Professor of Child Psychiatry in MUSC's Department of Psychiatry and Behavioral Sciences. In 1982, Dr. Sallee received the Sandoz Award in Psychiatry and in 1985 the NIMH (National Institutes of Mental Health) Physician-Scientist Award for Pediatric Psychopharmacology. □



Dr. Leola Adams

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### Dr. Leola Adams, S.C. State College

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The rate of teen pregnancy in South Carolina is high. Besides the human tragedy of children having children, teen pregnancy often results in the young mothers dropping out of school. This is an economic as well as an educational problem.

The Research Grants program provides **Cutting Edge** monies to encourage public senior colleges to develop research projects targeted to the continued economic development of South Carolina. During the past two years, nearly \$908,000 has been allocated. One of the projects funded, at South Carolina State

College, is designed to determine teenage mothers' aspirations for education and a career.

When the project is completed in 1991, approximately 250 mothers between the ages of 13 and 19 will have been interviewed to determine what kind of help they need to accomplish their goals in life. Dr. Leola Adams, chair of the Department of Home Economics and five staff members are conducting the study.

Early findings show that teenage mothers need day care for their babies and also transportation in order to go back to school. "We hope the project will generate some changes in community attitudes and in funding, too," says Ms. Karen Roache, the project research associate. "We need to reorder our funding priorities if we are to help these young women become productive members of society." □



Dr. Reid Johnson

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### The SCHEA Network and Dr. Reid Johnson

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How does a college or university know that it's being educationally effective? The best way, says Dr. Reid Johnson of Winthrop College's Office of Assessment, is "to look at the product: the students' learning and development." And that's exactly where the South Carolina Higher Education Assessment (SCHEA) Network comes in.

Organized in 1988 and coordinated by Dr. Johnson, the SCHEA Network helps over 30 South Carolina higher education institutions assess how effectively they are educating their students. **Cutting Edge** funding provided \$100,000 the first year. The

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**EXHIBIT**

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STATE BUDGET & CONTROL BOARD



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## Taxpayer Service Centers

Aiken  
410 Barnwell Avenue  
(803) 649-3061

Beaufort  
Highway 170 and Salem Road  
(803) 524-2852

Charleston  
3 Southpark Circle, Suite 202  
(803) 571-3000

Columbia  
301 Gervais Street  
Columbia Mills Building  
(803) 737-4661

Florence  
1452 West Evans Street  
(803) 661-4850

Greenville  
211 Century Drive  
(803) 241-1200

Myrtle Beach  
141 McDonald Court  
(803) 293-6550

Rock Hill  
875 Albright Road  
Colonial Center  
(803) 324-7641

Spartanburg  
Hillcrest Shopping Center  
(803) 582-1241



SOUTH CAROLINA TAX COMMISSION  
P.O. BOX 125  
COLUMBIA, S.C. 29214  
(803) 737-5000

*For additional copies of this brochure, please write the  
Public Information Office at the above address, or call  
(803) 737-4405.*

Revised 7/89



## Senior Adults' Guide To South Carolina Taxes

EXHIBIT

SEP 7 1990

STATE BUDGET & CONTROL BOARD



### RETAILER:

You should verify the purchaser's age by a driver's license, voter registration card or some other form of suitable identification showing proof of age.

South Carolina Tax Commission

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## Senior Adults' Guide To South Carolina Taxes

The citizens of South Carolina enjoy many advantages living in this state. The people, climate, culture and economy all combine to make this one of the most attractive areas in the country.

Necessary to the progress of any state are the services offered by state and local governments. These services, such as education, health care, roads and highways, and police and fire protection make our communities better places in which to live. In order to provide these services, state and local governments collect taxes from its citizens.

As a resident of South Carolina, you have an obligation to pay your fair share of taxes for these services. As a senior adult, there are many special tax circumstances and credits which apply only to you. This brochure explains the major state and local taxes, such as income, sales and property taxes, and a few other taxes with which you should be aware.

For more specific information, call or visit one of the taxpayer service centers listed in this brochure.

### INCOME TAX

South Carolina has a very simple income tax structure. The exemptions, adjustments and deductions allowed on your federal income tax return are allowed on your state return. Your federal taxable income is your starting point in determining your state income tax liability.

### Filing Returns

You are required to file a South Carolina income tax return if you are required to file a federal return or if you have taxes withheld from your wages. Individual income tax returns are due April 15 of each year.

### Deductions

A deduction of up to \$3,000 is allowed for income derived from:

- 1) The South Carolina Retirement System;
- 2) Federal civil service retirement;
- 3) Military retirement for retired persons with 20 years active duty;
- 4) A qualified pension program for any person aged 65 or older;
- 5) Retirement pay for police officers and firefighters who served in South Carolina; and
- 6) Retirement systems of all state, county and municipal governments.

All income received from National Guard or armed forces reserve pay and disability retirement is deductible.

### Social Security Income

Social Security benefits are exempt from income tax in South Carolina. If your benefits were taxed on the federal level, you will deduct that portion from your South Carolina taxable income.

### Credits

South Carolina has a number of income tax credits. Some that may be of particular interest to you are:

- \* A two-wage earner credit allows married couples to take a maximum credit of \$210 if both spouses work.
- \* A nursing home credit allows you to take a maximum credit of \$300 for payments made to nursing home for the care of yourself or another individual.
- \* A credit is allowed for income taxes paid to another state on income from personal services earned in the other state.
- \* A Dependent Care Credit allows you to claim 7% of your allowable federal deductions for the care of an elderly person, if that care is necessary for you to work.

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### Tax Rates

The individual income tax brackets will be adjusted annually to help offset the effects of inflation. Tax rates for the 1989 tax year are:

If your taxable income is:	Your tax is:
0 - \$4,020	3%
\$4,021 - \$6,030	\$121 + 4% of excess over \$4,020
\$6,031 - \$8,040	\$201 + 5% of excess over \$6,030
\$8,041 - \$10,050	\$302 + 6% of excess over \$8,040
\$10,051 or more	\$423 + 7% of excess over \$10,050

### Estimated Tax

Declaration of estimated tax is the method you use to pay tax on income that is not subject to withholding. This includes income from self-employment, interest, dividends, alimony, rent, capital gains and prizes. You may also have to pay estimated tax if enough tax is not being withheld from your salary, pension or other income.

Generally, you should make estimated tax payments if you figure your estimated tax will be \$100 or more and you estimate that the total amount of income tax that will be withheld from your income will be less than the lesser of:

- 1) 90% of the tax to be shown on your current income tax return; or
- 2) 100% of the tax shown on your last year's income tax return.

### PROPERTY TAX

Many political subdivisions in South Carolina, including counties, cities and school districts, are

authorized to impose ad valorem taxes on real and personal property.

The market value of a legal residence and up to five acres of surrounding land will be assessed at 4 percent. The millage rate of the local government is then applied to the assessed value resulting in the tax liability. The average millage rate in South Carolina for 1988 is 183.4 mills. One mill equals 1/1,000 of a dollar.

Using the average millage rate, the following example has been worked to give you an idea of average property taxes.

Market Value	\$50,000
Assessment Ratio	x .04
Assessed Value	\$ 2,000
Average Millage Rate	x .1834
Tax Due	\$366.80

### Homestead Exemption

The first \$20,000 of the fair market value of a home is exempt from property taxes for citizens who are 65 years or older, citizens who are totally and permanently disabled, and citizens who are legally blind, provided they have been residents of South Carolina for at least one year. Application for the Homestead Exemption must be made to the auditor of the county and the governing body of the municipality in which the home is located.

Using the same example shown above, the benefit of the Homestead Exemption is clearly seen:

Market Value	\$50,000
Homestead Exemption	-20,000
New Value	\$30,000
Assessment Ratio	x .04
Assessed Value	\$ 1,200
Average Millage Rate	x .1834
Tax Due	\$220.08

The Homestead Exemption has decreased the property tax due by \$146.72.

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## SALES AND USE TAX

In general, a 5 percent sales tax is imposed on the retail sale of goods and certain services in South Carolina. The use tax of 5 percent is imposed on goods purchased out of state and brought into South Carolina.

Medicines sold by prescription, dental prosthetics and hearing aids are some exemptions from the tax.

Persons 85 years or older pay only 4 percent sales tax, a reduction of one penny on every dollar. If you qualify for this reduced sales tax rate, it is your responsibility to inform the cashier. You may be asked to show proof of age.

A maximum sales tax of \$300 is imposed on the purchase of motor vehicles and boats, as well as leased vehicles.

## MOTOR VEHICLE LICENSE TAX

The annual motor vehicle license tax required to be paid for all vehicles is \$12 for passenger cars with various other rates depending on the weight and class of the vehicle. For persons 65 years or older, the motor vehicle license tax is only \$10. Please show driver's license as proof of age when renewing your license plates.

For questions concerning motor vehicles, contact the South Carolina Department of Highways and Public Transportation, Motor Vehicle Division, P.O. Box 1498, Columbia, S.C. 29216-0022, (803) 737-1089.

## ESTATE TAX

Estates left by a deceased individual are subject to tax in South Carolina. The first \$170,000 of the estate is exempt from the tax and if an estate is below that value, you do not have to file a state return. Estates are taxed at the following rates:

- \* The first \$40,000 of the amount exceeding \$170,000 is taxed at 6%.
- \* The amount more than \$40,000 but less than \$100,000, is taxed at \$2,400 plus 7% of the excess over \$40,000.
- \* The amount over \$100,000 is taxed at \$6,600 plus 8% of the excess over \$100,000.

The amount of an estate which is exempt from the tax increases to \$320,000 on July 1, 1990. Thereafter, your South Carolina estate tax will be equivalent to the credit you claim for state death taxes on your federal estate return.

## GIFT TAX

Gift tax is imposed on the transfer of any property of value. The giver or donor is liable for the tax. Gifts of less than \$10,000 per year, not to exceed \$60,000 in a lifetime, are exempt.

- \* Gifts of more than \$10,000 but less than \$40,000 are taxed at 6%.
- \* Gifts of more than \$40,000, but less than \$100,000, are taxed at \$2,400 plus 7% of the excess over \$40,000.
- \* Gifts of more than \$100,000 are taxed at \$6,600 plus 8% of the excess over \$100,000.

The gift tax has been repealed and will no longer be collected after December 31, 1991.

## TAX SERVICES

The South Carolina Tax Commission offers a wide variety of services to assist you with your taxes. If you need help in filing your income tax return, look for the Voluntary Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) programs offered throughout the state. Locations provide this free service during the months January through April. Check your newspaper or call a Tax Commission taxpayer service center to find the location nearest you. We also need volunteers for these programs. If you can volunteer a few hours each week from January through April, we could use your help. Please call (803) 737-4405 for more information on volunteering.

In addition, each of the Tax Commission's nine taxpayer service centers provide free tax assistance year-round on all taxes.

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**SOUTH CAROLINA TAX COMMISSION  
BUDGET PRESENTATION  
S. HUNTER HOWARD JR., CHAIRMAN  
SEPT. 7, 1990**

**EXHIBIT**

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STATE BUDGET & CONTROL BOARD

**I. Introduction**

**II. Taxpayer Service**

- A. National Award for Taxpayer Service
- B. Communications
- C. Taxpayer Education
- D. Taxpayer's Bill of Rights

**III. Employee Development**

- A. Training
- B. Wellness Program
- C. Quality Improvement Program

**IV. Technology**

- A. South Carolina Automated Tax System
  - 1. Accounting and Processing Module
  - 2. Automated Collection and Receivables System
  - 3. Sales Tax Module
  - 4. Individual Income Tax Module
- B. Optical Scanned Returns
- C. Electronic Filing and Payments
- D. Automated Telephone Assistance

**V. Compliance**

- A. Enforced Collections
- B. Criminal Investigations
- C. Recodification

**VI. Organizational Development**

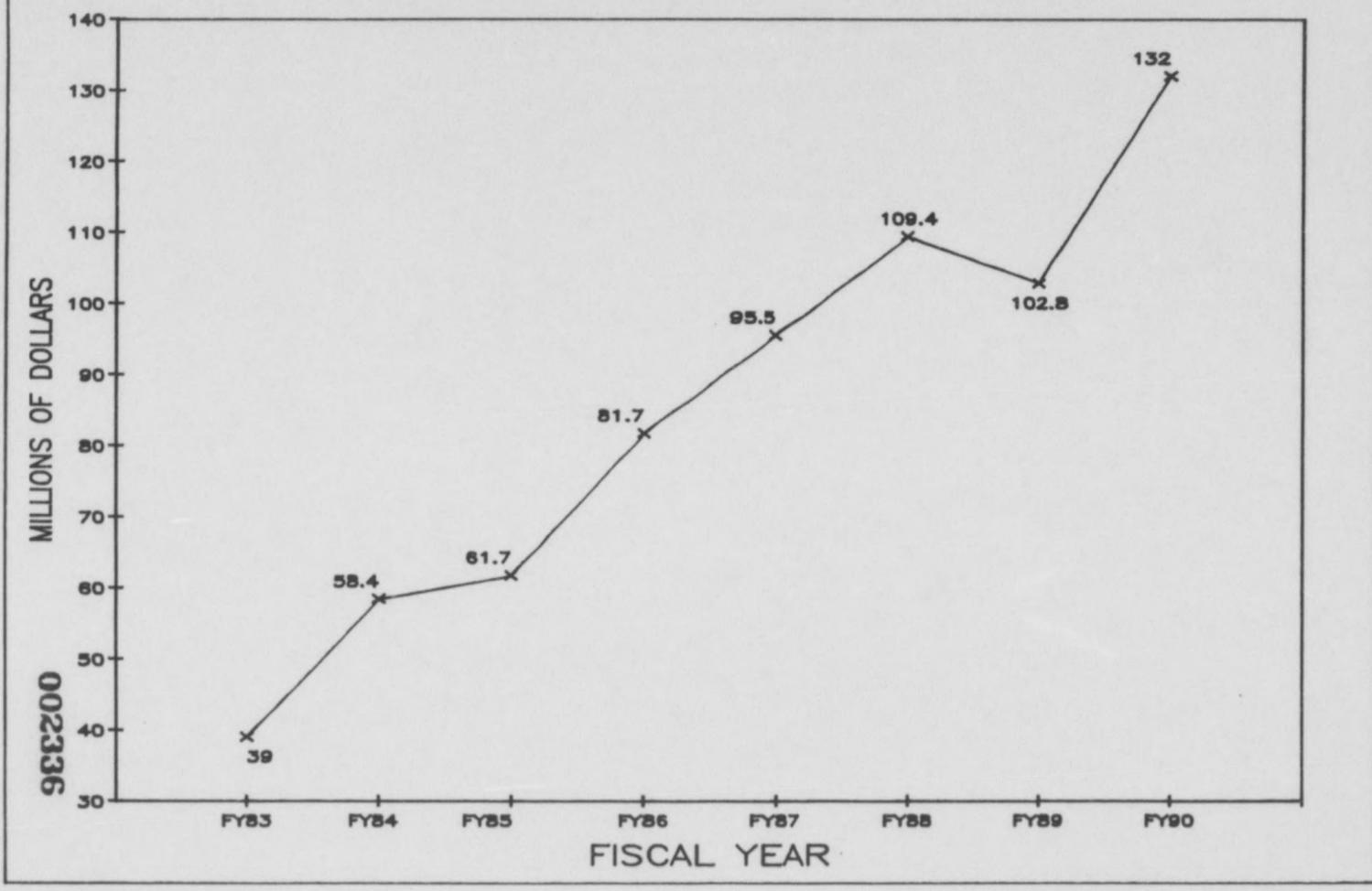
- A. Disaster Assistance
- B. Economic Development
- C. Recycling Program
- D. Appeals/Bankruptcy Procedures

**VII. Conclusion**

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# SOUTH CAROLINA TAX COMMISSION ENFORCED COLLECTIONS



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**South Carolina Tax Commission**

**GOALS AND ACCOMPLISHMENTS**

**ANNUAL REPORT**

**EXHIBIT**

SEP 7 1990 1

STATE BUDGET & CONTROL BOARD



**Fiscal Year 1989 - 1990**

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**EXECUTIVE SUMMARY  
ACCOMPLISHMENTS**

**Fiscal Year 1989-1990**

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**SOUTH CAROLINA TAX COMMISSION  
EXECUTIVE SUMMARY  
FISCAL YEAR 1989-90**

**EMPLOYEE DEVELOPMENT**

- **Continuing Management Education (CME)**
  - 3rd year for tracking CMEs. All managers and supervisors required to complete 12 hours.
  - All managers completed the 12-hour CPE requirements, more than 80 percent exceeded the 12 hours.
  - Concept of quality improvement introduced at an all managers' meeting.
  - Two managers attended the Federal Executive Institute.
  - Approximately 48 managers have attended quality improvement training.
- **Continuing Professional Education (CPE)**
  - Tracking training for all employees has been completely automated.
  - All employees with career ladders (approximately 41 percent) are required to complete 12 hours of nontechnical training.
- **Technical Training**
  - Training material has been developed and courses conducted in all major taxes for revenue officers and tax auditors.
  - Average number of training hours per employee for the year was 33.4.

Total training hours for all employees and managers — 28,229, an 11 percent increase over Fiscal Year 1989.
- **Career Ladders**
  - Finalized and implemented career ladder for tax examiners.
  - 41 percent or 352 positions are covered by career ladders.
- **Wellness**
  - Outstanding program developed. Model for state agencies. Other state agencies have requested information pertaining to our program.

**TAXPAYER RELATIONS**

- Received the Federation of Tax Administrators (FTA) Rothenberg Award for for "Outstanding Programs in Taxpayer Service."
- Implemented the Taxpayers Bill of Rights. Appointed taxpayers rights advocate.
- Published several educational publications.
- 90 workshops were presented to specific taxpayer audiences; 89 presentations were made through the Speakers Bureau; 54 Small Business Workshops with IRS.

- High School Tax Education Program taught to more than 10,000 students in the state. 200 high schools participated.
- Conducted 21 Tax Talk Workshops.
- Assisted 275,515 taxpayers in person and by telephone during the filing season (January through April). This represents a 24 percent increase from the same period last year.

#### TECHNOLOGY

- In the final stages of implementation of the taxpayers accounting, collecting and billing modules.
- Approximately 190,000 short forms were scanned and refunds were issued in record time.
- Joint effort with IRS to develop and establish joint electronic filing.
- Initiated plans for a teletax system.
- Currently have 204 employees on the local area network.

#### COMPLIANCE

- Enforced collections for the year totalled \$132,649,086, for a 29.03 percent increase over last year.
- 3,259 field audits completed. 82.4 percent direct audit time.
- The Criminal Investigation Department made three arrests and eight convictions.
- Sales and use tax bill was enacted.
- Continued work on recodification.
- The SEATA Cooperative Agreement was enhanced.

#### ORGANIZATIONAL DEVELOPMENT

- Hosted Federation of Tax Administrators (FTA) and Southeastern Association of Tax Administrators (SEATA) conferences, bringing approximately 640 to 700 participants to our state.
- Celebrated the Tax Commission's 75th anniversary.
- Assisted with the HUGO relief effort. Approximately 131 employees involved in the HUGO relief effort. Approximately 54 spent more than 80 hours, individually. Tax Commission employees worked more than 10,000 total hours on the HUGO relief effort.

- Instituted a special registration program for nonresident retailers as provided in the 1989-90 Appropriations Bill. As a result, 45 nonresident retailers registered with South Carolina.
- Worked with federal retirees.
- Participated with the State Development Board in making approximately 100 presentations to prospective industries.

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**GOALS  
AND  
ACCOMPLISHMENTS  
ANNUAL REPORT**

**Fiscal Year 1989-1990**

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**SOUTH CAROLINA TAX COMMISSION  
FY 89-90 GOALS AND OBJECTIVES  
ANNUAL PROGRESS REPORT**

1. **GOAL - Ensure that all employees are provided an equal opportunity for career development and advancement. Continue to strive for positive gains in meeting and exceeding affirmative action goals.**

*PROGRESS -* During the year, 12 of the 16 projected affirmative action hiring goals were achieved. Due to budget restrictions, the agency experienced a hiring freeze that impacted on this objective. However, efforts will continue to be made toward reaching parity.

2. **GOAL - Incorporate "Train-the-Trainers" workshops for technical employees into the training curriculum.**

*PROGRESS - This goal has been accomplished.* Two "Train-the-Trainers" workshops were held during the fiscal year. 24 employees attended the two workshops.

3. **GOAL - Evaluate and enhance the effectiveness of continuing professional education (CPE) for all employees including management.**

*PROGRESS - This goal has been accomplished.* During the year, 2,897 total employees attended 28,229 hours of training which represents an average of 33.4 hours per employee. Training continues to be one of our major focus areas. The payoffs are increased technical knowledge, sensitivity to the needs of the taxpayers, as well as overall professionalism of our employees.

4. **GOAL - Expand the automated training tracking system to include the tracking of training received for professional as well as managerial employees. Automate training registration, commission-wide.**

*PROGRESS - This goal has been accomplished.* The automated tracking system was installed and implemented during the year. Individual training reports are currently available.

5. **GOAL - Include in the training curriculum a training program for contact employees on customer/quality service and related technical training.**

**PROGRESS - This goal has been accomplished.** The Tax Commission has made tremendous progress in this area during the year. Quality has been adopted as a major priority for the agency. The following are some of the training in Quality Improvement/Customer Services that employees have received:

Course	# of Participants	# of Hours
Quality Improvement Orientation (All managers meeting)	130	910
Development of a Company-Wide Quality Program	25	766
IRS Team Leader/Faciliator Training	2	200
Deming Tour-Day Seminar	2	64
Customer Service — The Path to Excellence	54	324

6. **GOAL - Continue to update and enhance the quality of training for technical employees, including training manuals and materials.**

**PROGRESS - This goal has been accomplished.** All revenue officers have completed at least the first modules of technical training that was developed for them. Tax auditor training materials and curriculum are nearing completion.

7. **GOAL - Evaluate the feasibility of establishing career ladders for employees in tele-collections and taxpayer assistance. Re-evaluate the domestic tax auditor career ladder.**

**PROGRESS -** This objective will be a carryover for Fiscal Year 1990-1991 due to the pending implementation of the automated receivables management system. Career ladders for tax auditors and revenue officers have been reviewed and analyzed. Recommendations will be made during the first quarter of Fiscal Year 1990-91.

8. **GOAL - Develop and implement an active wellness program to include a survey, objectives and a plan of action.**

**PROGRESS - This goal has been accomplished.** A very active wellness program was planned, developed and implemented during the year. There were many positive reports on increased awareness to health related issues. Some of the successfully implemented programs were:

- Wellness Survey
- Nonsmoking classes and a quitters club (9 smokers successfully quit)
- Aerobics classes on site (53 participants)
- Healthy brown bag lunch seminars
- Weight loss program
- Health screenings for employees:
  - body composition analysis
  - blood pressure screenings  
(137 employees identified with elevated blood pressure)
  - rectal cancer screenings (2 employees with positive results)

- cholesterol screenings (191 desirable screenings, 77 borderline, 75 high risk)
- mammography screenings (1 malignant biopsy, 1 requiring ultrasound).

**9. GOAL - Continue to enhance programs which recognize and reward employees for outstanding accomplishments.**

**PROGRESS - *This goal has been accomplished.*** In addition to our regular quarterly recognition programs, the agency had the first annual employee recognition ceremony during this fiscal year. Several employees were recognized for their assistance during the HUGO relief efforts.

- Bob Barr, IRM manager, completed Leadership Columbia Program.
- Betty Britt, executive assistant, was named "Employee of the Quarter" for the 4th quarter.

**10. GOAL - Provide at least two personal computer training classes quarterly.**

**PROGRESS - *This goal has been accomplished.*** This has been a very successful year for introducing personal computer technology and the benefits of office automation into the agency. 366 employees attended. 43 personal computer classes were conducted during the year.

## B. TAXPAYER RELATIONS

1. **GOAL - Expand the survey of tax practitioners to solicit input from management and business leaders.**

*PROGRESS - This goal has been accomplished.* The survey has been expanded to include input from management and business leaders. Others will continue to be added as they are identified.

2. **GOAL - Establish and organize the Taxpayers Bill of Rights Advocate. Explore avenues to enhance public awareness of the taxpayer ombudsman and the responsibilities associated therein.**

*PROGRESS - This goal has been accomplished.* Provisions of the legislation have been enacted; internal procedures and guidelines have been developed and the advocate was named.

3. **GOAL - Pursue a more active role in publicizing tax enforcement activities as a means of increasing public awareness in the consequences of tax evasion in an effort to enhance and foster voluntary compliance.**

*PROGRESS - This goal has been accomplished.* Nine news releases were issued on tax evasion cases resulting in very good media coverage.

4. **GOAL - Increase availability of tax education workshops to the general public and to specific taxpayer groups in identified areas of need.**

*PROGRESS - This goal has been accomplished.* The following tax education workshops were conducted during the year:

- 15 Small Business Workshops
  - 1 workshop was specifically designed for business licensing officials.
  - 1 workshop for church officials.
- 90 workshops to specific taxpayer audiences in addition to the many general presentations to nonspecific groups.

Through taxpayer outreach such as the Small Business Workshops, enhancements have been made in our public image and voluntary compliance. As a result of our increased effort, the Tax Commission received the national Rothenberg Award for "Outstanding Programs in Taxpayer Service."

5. **GOAL - Increase circulation of *Revenews* to reach larger groups of taxpayers.**

*PROGRESS - This goal has been accomplished.* There are currently more than 9,632 subscribers to *Revenews*. This publication remains our best source for providing tax information to the public in a timely manner.

6. **GOAL - Publish and disseminate completed materials for the high school education program to all state public high schools.**

*PROGRESS - This goal has been accomplished.* The high school tax education program was taught to more than 10,000 students in 200 high schools. Letters of appreciation and

evaluations were sent to all participating high schools. The evaluations that were returned were very positive. This program far exceeded expectations during its first year of full implementation. Ongoing feedback from the instructors will provide a source for continued improvement and expansion of the program.

**7. GOAL - To continue to develop brochures targeted to areas of non-compliance.**

**PROGRESS - *This goal has been accomplished.*** The following were printed and distributed during the year:

- The SEATA Exchange Agreement brochure was printed and distributed to 13,500 South Carolina taxpayers.
- A card detailing the 1 percent sales tax exemption for persons 85 and older was printed and distributed.
- Revised edition of *Moving to South Carolina*.
- Revised edition of *Guide to South Carolina Taxes*.
- Revised and distributed *Guide to Preparing South Carolina Income Tax Returns*.

**8. GOAL - Continue to review and revise as necessary, forms for simplicity and readability.**

**PROGRESS - *This goal has been accomplished.*** Existing publications bring a steady flood of requests. Publications will be refined and revised on an ongoing basis to make them more simple and readable. New publications are developed as the demand and need warrants.

**9. GOAL - Automate the assessibility and distribution of tax policy documents.**

**PROGRESS - *This goal has been accomplished.*** Policy documents have been automated and are accessible.

### C. TECHNOLOGY

1. **GOAL - Continue development of the South Carolina Automated Tax System (SCATS) with implementation of the taxpayer accounting and processing modules, the collection and billing modules, the receivables management module, and the sales and use processing module.**

**PROGRESS -** The taxpayer accounting module completed the user acceptance's phase in May 1990. Implementation is scheduled for the first quarter of 1991. The following progress has been made in the continuing development of the South Carolina Automated Tax System (SCATS) during this year:

- Scanning of short form refunds preceded development of the new sales tax system. Revised implementation is July 1991. The general design document was completed in June 1990.

2. **GOAL - Develop an Information Technology Disaster Recovery Plan.**

**PROGRESS -** This objective will be carried over to Fiscal Year 1990-1991. The disaster recovery plan has been outlined and the scope presented to the management team. The scope has been approved. Critical functions must now be defined and divisional coordinators assigned.

3. **GOAL - Develop policies and procedures for end users.**

**PROGRESS -** Hardware and software standards have been developed. The first draft of the end user (PC) application development standards has been completed.

4. **GOAL - Implement the Automated Receivable Management System.**

**PROGRESS -** A three-day walk through the automated receivable management system (ARMS) was conducted in June to identify potential problems and provide feedback, as necessary. ARMS is scheduled to come on-line in December 1990.

5. **GOAL - Continue application of automation in order to allow for the most effective utilization of agency resources.**

**PROGRESS -** Technology applications and advancements continue to be very strong. One of the major innovations during the year in the area of technology has been the agreement entered into with the IRS to develop a federal/state electronic filing system (piggybacking).

The agency is currently in the process of acquiring an integrated teletax/voice mail system which will automate inquiries by taxpayers into refund status, EFT payment status and answers to simple questions. This will improve agency productivity.

6. **GOAL - Finalize implementation of the Taxpayer Accounting System.**

**PROGRESS -** The taxpayer accounting system is scheduled for implementation in July 1990.

7. **GOAL - Analyze the role of desktop publishing in the agency for possible expansion.**

**PROGRESS -** *This goal has been accomplished.* Desktop publishing has become a vital part of the agency's publications and communications process.

8. **GOAL - Implement optical scanning of income tax short forms and accelerate income tax refund process.**

*PROGRESS - This goal has been accomplished.* Individual income tax short forms are being scanned. South Carolina is the first state involved in scanning returns.

9. **GOAL - Implementation of local area networks.**

*PROGRESS - This goal has been accomplished.* Network strategies have continued to be enhanced throughout the year. During the year, 204 users were added to network. The network added 133 workstations, seven print servers, two file servers, one TAB server, one access server and the trail gateway. Acceptance of PC technology has been excellent.

10. **GOAL - Develop an automated system for continual review of audit recommendations.**

*PROGRESS - This goal has been accomplished.* All outstanding internal audits have been loaded onto the internal audit tracking program. The End User Services Center Group is planning a training session for users.

## D. COMPLIANCE

### 1. SALES TAX

**a. GOAL - Increase sales tax delinquent clearance by 5 percent.**

**PROGRESS** - Overall delinquency clearance on sales tax for the year was 73.6 percent. This represents a 2.7 percent increase for the year. Restricted activities due to Hurricane HUGO and expanded revenue officer training programs had some effect on percent of increase. Total field sales tax delinquents issued were down by 12.67 percent. Revenue officers lost 2,000 hours direct collection time due to HUGO.

**b. GOAL - Implement statistical sampling in sales and use tax.**

**PROGRESS** - *This goal has been accomplished.* Three statistical sampling sales tax audits were completed during the fiscal year. A reduction in audit time is estimated at approximately 40 percent.

**c. GOAL - Expand the Audit Review Program to include all multi-state sales and use audits.**

**PROGRESS** - *This goal has been completed.* The audit review program was expanded to include all multi-state sales and use audits during the 2nd quarter.

### 2. INCOME TAX

**a. GOAL - Expand the Audit Review Program to include all domestic individual and corporate income audits.**

**PROGRESS** - *This goal has been completed.* The audit review program was expanded to include all domestic individuals and corporate income audits during the 2nd quarter.

**b. GOAL - Conduct office audits of all corporate returns within three months of receipt.**

**PROGRESS** - The number of days to issue corporate refunds was decreased from 223 days to 159 days during the fiscal year.

**c. GOAL - Collect \$2 million in the office audit section from the individual master file tax difference (IMFTD), head of household and partnership audits.**

**PROGRESS** - Assessments of approximately \$3,300,000 were made during the year from head-of-household and partnership office audits. Reduced refunds were approximately \$780,000.

**d. GOAL - Establish a program to administer the indigent health care and utilities tax.**

**PROGRESS** - The program to administer the indigent health care tax and the public service utility tax has been established and is operational.

### 3. GENERAL COMPLIANCE

**a. GOAL - Design and implement a new audit coverage plan based on emphasizing coverage on those taxpayers paying the majority of taxes to the state.**

**PROGRESS - This goal has been accomplished.** The data base for the new audit coverage plan has been completed. The plan has been presented and is in the final stages of implementation.

**b. GOAL - Appoint a nexus officer to the audit selection group to identify at least five new areas of noncompliance and implement strategies for compliance.**

**PROGRESS - This goal has been accomplished.** A nexus officer has been appointed. \$1.5 million was collected during the fiscal year from new nexus activities.

**c. GOAL - Develop a system to identify and measure compliance.**

**PROGRESS -** Personnel from the Office Services, Field Services and Administrative divisions have been working closely on the monthly enforcement collections to ensure that figures are not duplicated or omitted. We will continue to monitor this throughout the year.

**d. GOAL - Increase collections by \$10 million for FY 89-90.**

**PROGRESS -** Enforced collections for April through June 1990 totalled \$45,828,614, as compared to collections of \$29,603,175 for the same period last year, or a 54.81 percent increase over the same period last year.

Current year-to-date collections amount to \$132,649,087 as compared to \$102,804,774 for the same period last year, or a 29.03 percent increase.

More than \$9 million has been collected from the offset of state receivables against outstanding tax liabilities. This represents a 32 percent increase over last year. (See chart on page 10.)

**e. GOAL - Recommend legislation that would provide more uniform, simple administrative procedures for assessment and appeal of all state taxes including a study of all penalty provisions of Chapter 54.**

**PROGRESS -** The sales and use tax recodification bill was enacted. Provisions of the bill became effective July 1, 1990. The draft for the recodification of the miscellaneous tax section is 50 percent completed and should be finalized for presentation during the next legislative session. Portions of the tax procedures bill have also been redrafted.

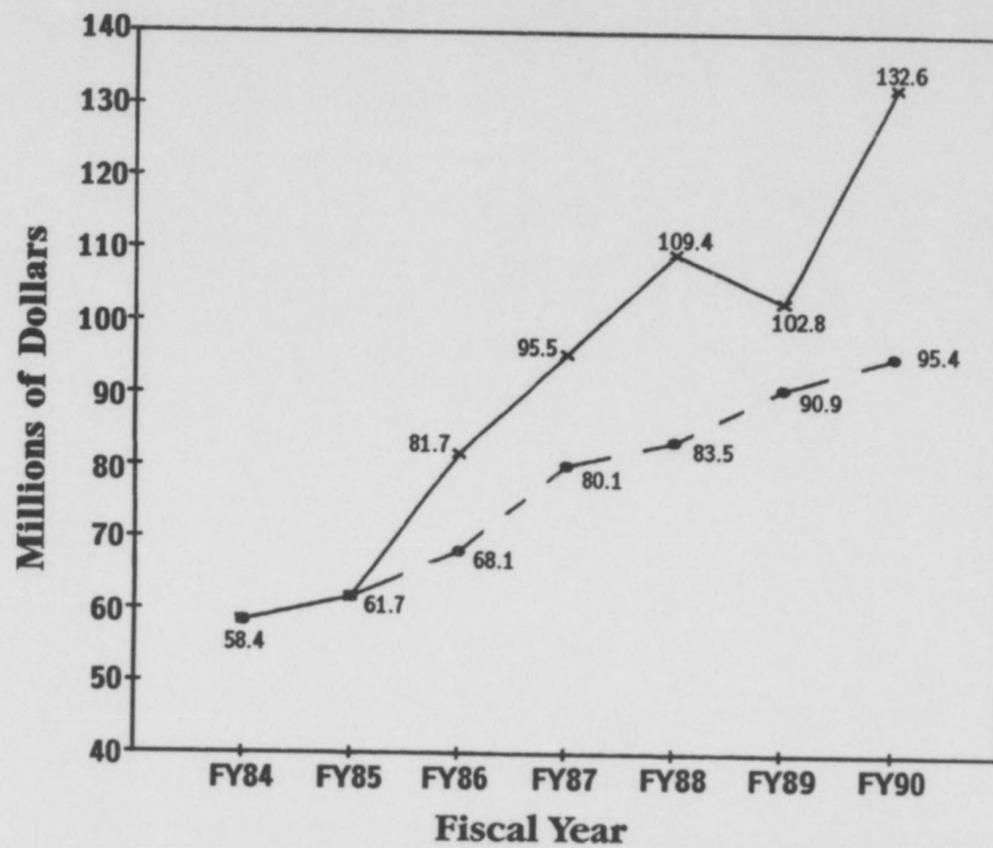
**f. GOAL - Identify and develop cooperative agreements with three states that currently do not have cooperative agreements with South Carolina.**

**PROGRESS - This goal has been accomplished.** Exchange agreements were entered into with New Jersey, New York, Ohio and Utah.

**g. GOAL - Establish and implement an audit program for forms PT-300 and PT-100.**

**PROGRESS -** This objective will be a carryover for Fiscal Year 1990-1991. A committee has been appointed to develop the program. Recommendations are anticipated during August 1990.

## Enforced Collections Actual and Committed



On a cumulative basis, actual collections have exceeded commitment by \$104 million since Fiscal Year 1983-1984.

**Legend**

- x Actual
- Committed

**h. GOAL - Implement a multistate sales and use tax cooperative agreement.**

**PROGRESS -** *This goal has been accomplished.* The multistate sales and use tax cooperative agreement was implemented during the first quarter. The results as follows have been outstanding:

- Referrals Indicating Noncompliance Issues - \$179,881,250
- Referrals Received - Gross Receipts Exceeding \$250,000 - 328
- Referrals Received - Consumer Sales Exceeding \$3,000 - \$168,019,486
- Registrations Received From Exchange Agreement - \$286,737
- Audits/Assessments From Exchange Agreement - \$166,252

**i. GOAL - Establish a program to assist counties and municipalities in enhancing their current revenue collections.**

**PROGRESS -** The Property Division continues to assist counties and municipalities on an ongoing basis in enhancing their current revenue collections.

**j. GOAL - Evaluate cooperative IRS examinations of international corporations.**

**PROGRESS -** *This goal has been accomplished.* Although combined international audits have been deemed not feasible, the audits departments of both agencies have identified other areas where joint audits can be conducted.

**k. GOAL - Continue with the recodification of Title 12 of the South Carolina Code of Laws for simplification and clarification.**

**PROGRESS -** The sales and use tax recodification bill has been enacted. A draft proposal of chapters 1 and 3 of Title 12 is in process, as is the recodification of the income tax code.

## E. ORGANIZATIONAL DEVELOPMENT

1. **GOAL - Implement the first phase of a Quality Improvement Program (QIP) agency-wide.**

**PROGRESS - This goal has been accomplished.** Much progress has been made in the area of implementing a Quality Improvement Program such as:

- Appointment of a quality coordinator.
- The executive director and staff development and training directors are serving as members of the Midlands Area Council on Excellence.
- Training for all managerial employees on quality improvement.
- The chairman and the executive director attended a four-day workshop on quality conducted by Dr. W. Edwards Deming.

We anticipate ongoing and continued progress in this area as we strive toward enhancing quality throughout our organization.

2. **GOAL - Conduct a study on the feasibility of obtaining open-end (credit cards) funding for travel expenses of Tax Commission employees who are required to travel in order to perform their regularly assigned duties.**

**PROGRESS - This goal has been accomplished.** American Express Corporate credit cards have been distributed to appropriate employees.

3. **GOAL - Plan and coordinate the Federation Tax Administrators (FTA) Annual Conference for 1990 in Charleston, South Carolina.**

**PROGRESS - This goal has been accomplished.** One of the best FTA conferences ever was held in Charleston, South Carolina, June 9-13, 1990. We continue to receive very positive feedback on all aspects of the conference. Conference attendees were enlightened with a presentation by Senator Ernest F. Hollings, IRS Commissioner Fred Goldberg and Assistant Secretary of the Treasury for Tax Policy Kenneth Gideon.

4. **GOAL - Implement a centralized leave system.**

**PROGRESS - This goal has been accomplished.** The leave system was fully implemented during the 2nd quarter.

5. **GOAL - Finalize plans for central processing.**

**PROGRESS - This goal has been accomplished.** The agency's processing function is now centralized in one division — Office Services.

6. **GOAL - Evaluate the feasibility of a centralized bankruptcy section.**

**PROGRESS - This goal will be carried forward.**

7. **GOAL - Seek passage of the remaining 1989-90 Tax Commission's legislative proposals and the 1990-91 proposed legislation.**

**PROGRESS -** 14 of 24 legislative proposals were approved by the General Assembly.

8. **GOAL - Update and expand tax expenditure report.**

**PROGRESS -** *This goal has been accomplished.* The next report will be published during Fiscal Year 1990-1991.

9. **GOAL - Increase the number of audits conducted, initiate a more formal staff continuing education program, continue to improve relationships with auditors, and continue the improvement of internal audit procedures to enhance controls and accountability of revenues.**

**PROGRESS -** *This goal has been accomplished.* 14 internal audits were conducted during the fiscal year. In addition, during the year, the Internal Audit Department implemented a more formal continuing education program for the staff, and improvements were made to existing audit programs and procedures.

10. **GOAL - Assist the counties in developing an audit plan for external review of the tax collections process.**

**PROGRESS -** Legislation introduced by the county auditors was passed providing for standards of review for county auditors, treasurers and tax collectors.

11. **GOAL - Implement process for security review of other agencies utilizing Tax Commission data.**

**PROGRESS -** A proposal has been drafted for changes in legislation to apply the disclosure laws to any person who has access to tax information. This should serve the public and the Tax Commission by making the employees of all agencies and companies contracted by the state, as well as all other individuals, legally responsible for confidentiality and liable for improper disclosure.

The proposed legislation is being revised. It will be coordinated and finalized in the immediate future.

#### **E. OTHER HIGHLIGHTS FOR THE YEAR**

- Implemented the Taxpayers Bill of Rights.
- The Tax Commission celebrated its 75th anniversary.
- Developed a wellness program.
- Hosted the annual Federation of Tax Administrators (FTA) conference in Charleston in June.
- Managers from the Information Resource Management Division have been instrumental in initiating efforts to develop a national standard for electronic funds transfer.
- Chairman Howard was appointed to the IRS Commissioner's Advisory Group.
- The Tax Commission received the Federation of Tax Administrators Rothenberg award for outstanding programs in taxpayer service.
- Hosted the annual Southeastern Association of Tax Administrators (SEATA) conference in Hilton Head in July.
- Approximately 131 commission employees participated and provided assistance during the HUGO relief efforts. 54 Tax Commission employees spent more than 80 hours each with the HUGO relief effort. Tax Commission employees worked more than 10,000 total hours on the HUGO relief effort.

**SOUTH CAROLINA TAX COMMISSION**

**STRATEGIC PLAN**

1990 - 1991

**EXHIBIT**

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STATE BUDGET & CONTROL BOARD

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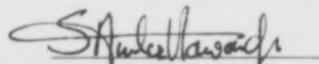
## FOREWORD

With a sense of considerable pride, I accept the Strategic Plan to carry out the mission of the South Carolina Tax Commission. The plan consists of the Statements of Strategic Direction and the specific Initiatives to translate them into action. The Plan is the product of a dedicated team effort by a large group of Tax Commission employees. Continued employee participation is vital to the success of our planning process. Clearly, without the commitment and effort by Commission employees we could not have achieved these results. We remain mindful that over time, we expect to see improvements as our planning process matures.

This Plan provides a strong foundation for stimulating economic development, improving agency productivity, and directing tax administration into the future and lays the groundwork for the Commission's entry into the 1990's. Still ahead are the major tasks of effectively implementing the approved Initiatives and keeping the Plan current.

Our continued success requires a broad awareness and understanding of the Strategic Plan by **all** employees along with their supervisors and managers.

Each of us in the Commission is therefore responsible for identifying new or alternative trends that affect the Commission's ability to carry out its Mission. We welcome and encourage employees' input and suggestions and ask that you forward these to the Executive Director's Office. While we may not be able to accommodate everyone's ideas, each will be given careful consideration. In this way we will build on the solid start we have already made, while keeping the Plan current and ensuring that the Commission becomes the best state tax administration agency in the nation.



S. Hunter Howard, Jr.  
Chairman

July 31, 1990

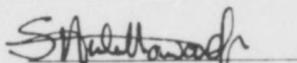
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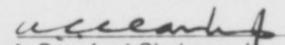
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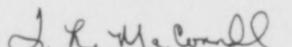
## S. C. TAX COMMISSION MISSION STATEMENT

As an initial step in the development of the Strategic Plan, the Commission developed our Mission Statement with the goal of accurately portraying what the Commission is and should be doing. With the assistance of the Executive Director and the Division Directors, we have concluded that the Mission Statement accurately reflects our broad organizational purpose. The Mission Statement reads as follows:

The mission of the S. C. Tax Commission is to administer the South Carolina tax laws and to collect taxes due the state in a manner that ensures public confidence in our integrity, effectiveness and fairness. The following methods will be used to ensure that our mission is accomplished: Achieve the highest possible degree of voluntary compliance; Recruit, develop and retain a competent staff; Assist and advise local government and increase taxpayer awareness and knowledge; Maintain a timely and effective information system utilizing state-of-the-art technology; Increase effective use of audit and enforcement techniques.

  
S. Hunter Howard, Jr.  
Chairman

  
A. Crawford Clarkson, Jr.  
Commissioner

  
T. R. McConnell  
Commissioner

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## INTRODUCTION

When it was implemented in FY 1986-87, the Strategic Planning process was designed to facilitate overall planning for the Commission. The process provided the framework for identifying environmental changes and trends that would affect the Commission's ability to carry out its mission, facilitating consideration of those trends by the Commission management, determining the strategic directions in which the Commission should move, and formulating Strategic Initiatives to translate those directions into action.

Furthermore, the planning process established a cornerstone for reevaluating the Commission's organizational and operational direction, a structure for the development of the SCTC Strategic Plan, mechanisms for implementing the Strategic Initiatives, a process for keeping the Strategic Plan current, and a mechanism for continued employee involvement in the strategic planning process.

The initial SCTC strategic planning process encompassed six stages. The first stage of the process involved taking the agency mission statement and goals to the Commission for input. Bringing the mission statement and a non-prioritized list of goals to the agency's operational areas for management recommendations formed the second stage. The third stage involved both the evaluation of those recommendations and the development of an implementation plan of the approved recommendations. Stage four encompassed the dissemination of the results of the third stage - an official plan of action - to the Commission and all agency employees. The monitoring, evaluation, and progress reporting was defined by the fifth stage, while aggressive marketing and communication of the successes of the Strategic Plan to all agency constituents was stage six of the process.

This FY 90-91 issue of the Strategic Plan represents the completion of the second year under the strategic planning process. Strategic initiatives have been modified to reflect changes in the environment and organization and to incorporate the input of management and staff personnel - all representative of a living document which has the flexibility to adapt to change and growth.

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## **EMPLOYEE DEVELOPMENT**

The continued emphasis on employee development and retention is a central factor in the agency's ability to serve effectively the citizens of the State of South Carolina. The changing age level of the work force and the growing trend toward two wage earner families, as well as technological innovations in the work place, require the Commission to provide employees with quality development programs in the areas of TRAINING, RECOGNITION, CAREER PLANNING, QUALITY OF WORK LIFE, and RECRUITMENT.

### **TRAINING**

Effective employee training is the foundation for the success of the Commission's activities. Well trained employees will understand the technical aspects of the work environment, will appreciate the effects of changes in cultural trends and technology, and will welcome challenges and advancement opportunities. The Commission's objective is to provide quality training for all employees.

1. Training needs analysis will be an ongoing process.  
RESPONSIBLE: TRAINING DEPARTMENT
2. Organize a Commission-wide Training Team by creating training and development officers in all divisions utilizing current resources. Divisional participation levels will depend on needs.  
RESPONSIBLE: TRAINING DEPARTMENT
3. Develop and institute a training program for all job classifications with required core courses.  
RESPONSIBLE: TRAINING DEPARTMENT
4. Utilize new technology (i.e., VCR and computer based programs and teleconferencing) to enhance training activities.  
RESPONSIBLE: TRAINING DEPARTMENT
5. Provide inter- and intra-Divisional training to enhance communications and understanding.  
RESPONSIBLE: TRAINING DEPARTMENT
6. Establish Divisional training budgets ensuring proper funding support for training programs.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

7. Monitor a management development training program to ensure that management is prepared for work environment changes.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
8. Establish a continuing professional educational (CPE) program for employees, to ensure annual educational development.  
RESPONSIBLE: TRAINING DEPARTMENT
9. Provide specific training programs for employees whose job functions will be changed by technological changes.  
RESPONSIBLE: TRAINING DEPARTMENT
10. Continue to utilize available resources identified through the IRS training agreement.  
RESPONSIBLE: TRAINING DEPARTMENT

#### **RECOGNITION**

The Commission is staffed by dedicated and committed employees who will be recognized for their contributions. All areas of management must be continually aware of outstanding performance and initiate appropriate recognition.

1. Enhance awareness and participation in employee recognition programs.  
RESPONSIBLE: PERSONNEL DEPARTMENT
2. Encourage participation of employees in the suggestion program.  
RESPONSIBLE: PERSONNEL DEPARTMENT
3. Provide suggestions to management for recognizing and rewarding employees.  
RESPONSIBLE: PERSONNEL DEPARTMENT
4. Utilize the **Tax Commission Times** to publicize employee achievement in work-related activities, educational achievement, and community service.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

#### **CAREER PLANNING**

The well-being and development of each employee are major responsibilities of the agency. Individualized career planning will be increased to promote employee mobility.

1. Complete implementation of the Employee Development Program to assist employees in developing career goals and obtaining training necessary to achieve those goals.  
RESPONSIBLE: PERSONNEL & TRAINING DEPARTMENTS.
2. Monitor job duties to ensure proper classification. Ensure timely evaluations.  
RESPONSIBLE: PERSONNEL DEPARTMENT
3. Ensure that as requirements are met for career path advancement, promotions are promptly processed.  
RESPONSIBLE: PERSONNEL DEPARTMENT
4. Evaluate sharing programs with other state agencies to make more opportunities available to employees. Explore making instructors available to institutions in exchange for reduced tuition for employees.  
RESPONSIBLE: TRAINING DEPARTMENT
5. Increase awareness of job potential by publishing career paths requirements to encourage upward mobility.  
RESPONSIBLE: PERSONNEL DEPARTMENT
6. Study the feasibility of voluntary job rotation to enhance career opportunities.  
RESPONSIBLE: PERSONNEL DEPARTMENT
7. Facilitate and publicize educational opportunities available to employees.  
RESPONSIBLE: TRAINING DEPARTMENT
8. Expand the John T. Weeks Fellowship to provide additional financial assistance to employees.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

#### **QUALITY OF WORK LIFE**

The agency will maintain a commitment to improving the quality of work life in the current environment. To promote the attractiveness of state government employment, the Commission will implement a program to improve the quality of work life.

1. Provide counseling assistance and information on subjects of personal interest to employees, such as

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financial planning, utilizing lunch lectures, printed materials, and individual sessions.

RESPONSIBLE: TRAINING DEPARTMENT

2. Increase physical fitness opportunities for employees.

RESPONSIBLE: WELLNESS COORDINATOR

3. Maximize each individual's potential job satisfaction, growth, and productivity by improving workload distribution and support systems.

RESPONSIBLE: ALL DIVISIONS

4. Actively pursue changes in state laws that enhance the attractiveness of state employment.

RESPONSIBLE: ADMINISTRATIVE DIVISION

5. Continue to promote equal employment opportunity regardless of race, color, religion, sex, national origin, age or physical disability utilizing an Affirmative Action Plan with targeted objectives.

RESPONSIBLE: ALL DIVISIONS

#### **RECRUITMENT**

The Commission will actively and aggressively recruit externally and internally to ensure the future success of the agency. Excellence in recruitment will ensure effectiveness, increase public confidence, and enhance affirmative action.

1. Develop an agency-wide coordinated recruitment strategy and plan to ensure recruitment of the best available employees.

RESPONSIBLE: PERSONNEL DEPARTMENT

2. Regularly evaluate entry level salaries for competitiveness and request adjustments when needed.

RESPONSIBLE: PERSONNEL DEPARTMENT

3. Aggressively market Commission employment with student groups and other potential sources of employees.

RESPONSIBLE: PERSONNEL DEPARTMENT

## **TAXPAYER RELATIONS**

The mission statement of the Tax Commission states that taxes due the state, will be collected in accordance with appropriate tax laws and rules. As such, our public information, taxpayer education and assistance activities, along with the rulings and appeals processes, all clearly promote voluntary compliance - the Commission's ultimate objectives. Therefore, all initiatives in these areas - **MONITOR PUBLIC OPINION, PUBLIC INFORMATION, EDUCATION, and TAXPAYER SERVICE** - should be designed under the guidance of the self-assessment philosophy of taxation.

### **MONITOR PUBLIC OPINION**

Taxpayer concerns and perceptions are constantly changing and becoming more complex. Determining and tracking these trends give guidance to the entire emphasis area of taxpayer relations.

1. Improve the Commission's ability to solicit and use feedback regarding concerns of the public, as well as public perception, attitudes, opinions, and experiences as they influence tax compliance.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
2. Analyze correspondence trends from taxpayers and practitioners.  
RESPONSIBLE: FIELD SERVICES DIVISION
3. Continue managerial person-to-person contact with tax practitioners and business leaders to obtain feedback on our performance and suggestions for improvement.  
RESPONSIBLE: FIELD SERVICES DIVISION
4. Survey non-responsive taxpayer segments and develop programs to enhance compliance.  
RESPONSIBLE: OFFICE SERVICES DIVISION
5. Establish a Commission Advisory Committee to provide input into the policy level.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

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### **PUBLIC INFORMATION**

Frequent changes in the tax laws and the lack of public understanding of these changes increase unintended noncompliance. The growing trend of dissatisfaction with government also promotes noncompliance. Public information is the primary vehicle for dealing with and reversing these trends and their negative impact.

1. Continue to pursue a more proactive public relations posture providing an effective strategy to improve compliance and communications.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
2. Enhance the public's awareness of the importance of compliance with the tax system and the seriousness of tax cheating.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
3. Continue to emphasize the development of tax policy and the accurate uniform distribution of guidelines to the taxpaying public and practitioners.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
4. Continue to evaluate forms, brochures, tax guides and all other printed materials to ensure simplicity, clarity, and uniformity.  
RESPONSIBLE: IRM DIVISION
5. Establish working relationships with other agencies to more successfully market the value of government services to the public and prospective businesses, resulting in a greater commitment by the public to voluntarily pay taxes because of the benefit they receive.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
6. Increase use of the media through news releases and scheduled meetings with editors and reporters.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
7. Increase publication and dissemination of brochures and information in areas of need.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
8. Increase utilization of television coverage with public service announcements.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

9. Develop information packets that are tailored to specific taxpayer segments.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
10. Increase person-to-person contact with new and prospective businesses to ensure better understanding and enhance preventative action plans.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

#### **EDUCATION**

Increasing taxpayer and employee awareness of the benefits and responsibilities of tax compliance will help minimize unintentional noncompliance.

1. Increase availability of workshops and seminars on subjects identified by trends and surveys.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
2. Continue to promote and conduct workshops for self-employed taxpayers who have limited access to professional assistance.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
3. Conduct technical training for employees in public contact positions.  
RESPONSIBLE: TRAINING DEPARTMENT
4. Enhance availability of speakers to public groups and organizations.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
5. Coordinate educational plan with professional and industry associations, state and federal agencies.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

#### **TAXPAYER SERVICE**

The citizens of the State of South Carolina are the customers of the Commission. Excellence in services is a principal objective of this agency.

1. Evaluate public assistance programs for adequacy and actively seek support for proper staffing levels.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
2. Conduct training for public assistance positions in communications, telephone, and interpersonal relations skills.  
RESPONSIBLE: TRAINING DEPARTMENT

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3. Evaluate correspondence responsiveness and develop strategies to improve.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
4. Improve the Problems Resolution Office. Analyze trends in complaints and implement improvements in problem areas.  
RESPONSIBLE: OFFICE SERVICES DIVISION
5. Evaluate micro software program for public assistance and computer assisted information sources.  
RESPONSIBLE: IRM DIVISION
6. Evaluate delivery of services to improve one stop shopping at Taxpayer Service Centers.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

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## **TECHNOLOGY**

The Commission recognizes information resources and technology as key strategic assets, and strives to manage those resources from an agency-wide perspective. Mindful of the rapid pace of change in technology, the agency plans to capitalize on new developments to support effective and efficient tax administration, to cooperate in sharing information with agencies and organizations in state government, to coordinate appropriate technology related activities with the IRS, and to foster an awareness and understanding among the taxpayers of South Carolina of the impact of automation through effective tax assistance and efficient enforcement programs.

The ultimate goal of technology utilization for tax administration is the establishment of a fully integrated SCTC information network. Such an automated information system will assist the Commission to accommodate increasing work loads and to expand its functions and services to taxpayers without escalating costs or demands for resources.

The Commission's information systems also will support goals of state government beyond those of tax administration. Providing, for example, detailed and accurate statistical information to agencies such as the State Development Board that will assist in projecting tax liabilities and benefits for new industries entering the state.

Computer and communications technology will allow the creation of all digital networks for transmission of voice, text, data, and image media. The Commission will work closely with the IRS to share technological resources, to resolve hardware and software compatibility issues and, over time, to develop a set of guidelines for state-to-IRS and state-to-state electronic tax administration communications.

The continuous process of identifying and evaluating new trends in technology will underscore the Commission's commitment to take advantage, where appropriate, of technological developments. Encouraging and monitoring technological advances and research will add to the value of the agency's information resources and technology assets.

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**SOUTH CAROLINA AUTOMATED  
TAX SYSTEM**

The strategic use of technology to support the South Carolina Automated Tax System (SCATS) is a primary agency goal in the area of technology. The specific strategies that address the goal are:

1. Continue designing, developing and implementing planned functions providing integrated automation to support the goals and direction of the Commission. This process will, as it develops, provide MIS capability to aid in determining program effectiveness and evaluating overall agency performance.

The Business Tax Registration module is continuing to develop the remaining business taxes which will complete the one-stop, one-time business registration function.

RESPONSIBLE: IRM DIVISION

- (a) Taxpayer Accounting involves the automation of accounting functions that include on-line posting and updating of accounting/receivables data for timely processing of financial data.

The daily activities associated with the internal accounting operation of the Commission is within the framework of the operational accounting function being installed by SABAR under the direction of accounting personnel.

RESPONSIBLE: IRM DIVISION

- (b) Integrated tax processing combines the functions of specific taxes to support efficient tax administration, encourage sharing of tax data in a secure environment, alleviate paper flow delays inherent in manual systems, and incorporate electronic filing and payment technology.

RESPONSIBLE: IRM DIVISION

- (c) The efficient and rapid generation of consistent, accurate written communication between the Commission and the taxpayer is the direction that will be taken in the development of a Correspondence module.

RESPONSIBLE: IRM DIVISION

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(d) The implementation of an enhanced communications system, incorporating combined voice and data technology will contribute significantly to the agency's goal of collecting all taxes legally due the state.

RESPONSIBLE: IRM DIVISION

(e) Effective and efficient auditing activities will be the focus of the automated Audit module. Including non-site access to tax information by district and field officials, as well as the ability to update on-line the appropriate databases, the new system will create a productive environment to expedite auditors' work.

RESPONSIBLE: IRM DIVISION

(f) The completion of an MIS module will form the capstone of the new SCATS system. The Commission's ability to track programs in meeting effectiveness goals and to develop clear, and wherever possible, quantifiable measures of program effectiveness, as well as to evaluate overall agency performance, will be enhanced by the application of technology to the management of the information resources of the Commission.

RESPONSIBLE: IRM DIVISION

2. Monitor the long range planning process that focuses on the strategic utilization of technology to support the goals of the Commission.

RESPONSIBLE: IRM DIVISION

(a) The Technology Planning Unit, established in the IRM Division (10/87) to develop, coordinate, monitor, and revise agency technology planning activities, will identify future technology and encourage technological research and development of potentially cost-effective use for the agency. Monitoring of the agency's technology long range plan as well as the annual development of the agency Information Technology Plan for the S. C. Division of Research and Statistics will be the responsibility of the Planning Unit.

RESPONSIBLE: IRM DIVISION

3. Install new hardware for data capture, storage, and retrieval.

RESPONSIBLE: IRM DIVISION

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(a) To alleviate the paper intensive environment of the Commission and improve turnaround time for data entering automated systems, the agency plans to install, in stages, state-of-the-art scanning equipment and a full scale optical disk-based image processing system for storage, processing and retrieval of taxpayer returns, documents, correspondence, etc. . The utilization of that technology for electronic storage of millions of documents will bring the added benefit of freeing space for productive use that had previously been dedicated to the storage of mass amounts of paper documents.

RESPONSIBLE: IRM DIVISION

4. Develop an adequately wired training facility equipped with data terminals and PC's to support agency training for the new information systems.

RESPONSIBLE: IRM DIVISION

5. Utilize hardware and software tools to monitor and improve the computer system's response time.

RESPONSIBLE: IRM DIVISION

6. Utilize PC programming aids to enhance project development and project management with continuing user involvement to ensure the incorporation of essential requirements into all new systems.

RESPONSIBLE: IRM DIVISION

7. Contingency planning for technology.

RESPONSIBLE: IRM DIVISION

(a) The agency will continue to investigate cost-effective alternate hardware solutions. To ensure against catastrophic losses of equipment and data vital to the existence of Commission, a full scale agency technology disaster/recovery plan will be developed.

RESPONSIBLE: IRM DIVISION

#### **END USER COMPUTING**

The strategic use of technology to support SCTC end user, operational computing is the second major goal. The specific strategies that address that goal are shaped with an understanding that the benefits of automation can and should extend to the operational tasks of tax

administration, providing the opportunities for increasingly productive work on the departmental, sectional and individual levels.

1. A SCTC Information Center will be developed and to provide for ongoing agency-wide microcomputer activities that include analysis and design, technical support, mainframe-mini-microcomputer interfaces, and administration of end user computing.

RESPONSIBLE: IRM DIVISION

2. An agency Office Automation strategy will be developed and implemented to support efficient office operations.

RESPONSIBLE: IRM DIVISION

3. Significant research and development activities will support the development of a networking strategy that will link the agency's PC's to each other as well as the mainframe.

RESPONSIBLE: IRM DIVISION

4. Develop a Commission reprographics system, including desktop publishing components, which provides all required capabilities and ensures the highest standard of quality.

RESPONSIBLE: IRM DIVISION

#### **COORDINATION**

The third technology goal emphasizes the importance of coordinating all computer related tax processing activities with the IRS. Cooperation with the federal tax agency will ensure that new resources and technological advances can be shared to support efficient and effective state tax administration.

RESPONSIBLE: IRM DIVISION

#### **STANDARDS**

The fourth technology goal calls for supporting the establishment of standards for data and information processing in all state agencies. The construction of a state government data base of information will support more effective state agency operations through information sharing.

RESPONSIBLE: IRM DIVISION

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**IMPACT ON WORK ACTIVITIES**

The fifth goal recognizes the impact of technology on traditional work activities. The Commission will direct appropriate resources to efficiently utilize current technology.

RESPONSIBLE: IRM DIVISION

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## **MAXIMIZE VOLUNTARY COMPLIANCE**

Increasing voluntary compliance is the most important objective of the agency, ultimately providing for the collection of the most tax dollars at the least cost to the public. Voluntary compliance is affected by a more transient population, significant changes in the employment base, complexity and frequent changes in tax laws, and changing attitudes toward government. Enhanced public information will assist in strengthening compliance; however, the effective use of enforcement resources will continue to provide significant support to compliance.

1. Evaluate trends of noncompliance to provide the basis for resource allocations.  
RESPONSIBLE: OFFICE SERVICES DIVISION
2. Establish cooperative compliance efforts with federal, state, and local government agencies.  
RESPONSIBLE: FIELD SERVICES DIVISION
3. Expand computer-generated contact and correspondence programs to increase agency presence in the state at least cost.  
RESPONSIBLE: IRM DIVISION
4. Improve the effectiveness of the examination process through utilization of statistical sampling, target examinations, multiple tax examinations, and a quality control review program.  
RESPONSIBLE: FIELD SERVICES DIVISION
5. Analyze tax law proposals of the General Assembly, other states, and Congress and advise and/or make recommendations to strengthen compliance and enhance regional competitiveness.  
RESPONSIBLE: POLICY & SPECIAL PROCEDURES DIVISION
6. Recodify Title 12 to simplify and clarify by eliminating duplicate and outdated provisions, adding and revising language.  
RESPONSIBLE: POLICY & SPECIAL PROCEDURES DIVISION

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7. Restructure the tax appeals process.  
RESPONSIBLE: POLICY & SPECIAL PROCEDURES  
DIVISION
8. Review all regulations and AG Opinions for  
uniformity, simplicity and necessity.  
RESPONSIBLE: POLICY & SPECIAL PROCEDURES  
DIVISION
9. Make recommendations toward goal of enhancing  
uniformity and reciprocity of tax laws between  
states.  
RESPONSIBLE: POLICY & SPECIAL PROCEDURES  
DIVISION
10. Strengthen technical training for examiners  
RESPONSIBLE: ADMINISTRATIVE DIVISION
11. Evaluate the total collection process for effectiveness  
and institute agency, statutory, and technological  
changes that will strengthen the procedures.  
RESPONSIBLE: IRM DIVISION
12. Establish divisional legislative committees to  
ecommend new legislation and regulations that  
facilitate compliance and increase simplification.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
13. Implement a comprehensive tape match program  
with the Internal Revenue Service and other state  
agencies to identify noncompliance and reduce the  
need for taxpayer reporting to the Commission.  
RESPONSIBLE: OFFICE SERVICES DIVISION
14. Develop an annual field audit plan providing for  
statewide coverage of all taxes.  
RESPONSIBLE: FIELD SERVICES DIVISION
15. Develop an audit selection program staffed with  
personnel qualified to select potentially productive  
tax returns for audit.  
RESPONSIBLE: FIELD SERVICES DIVISION
16. Increase utilization of self assessment programs in  
identified areas of noncompliance.  
RESPONSIBLE: OFFICE SERVICES DIVISION
17. The criminal enforcement program of the S. C. Tax  
Commission encompasses all activities of the  
Criminal Investigations Department. The  
identification and investigation of tax evasion cases

of substance with prosecution potential is a primary objective. The program will provide for balanced coverage as to types of violations, as well as geographic locations and economic and vocational status of violators as considered necessary to stimulate voluntary compliance.

The highest priority of the Criminal Investigations Department is to create maximum positive impact on the compliance attitudes and practices of taxpayers through an effective enforcement program.

RESPONSIBLE: POLICY & SPECIAL PROCEDURES DIVISION

18. Explore the need for, and implement where indicated, saturation audits and collection programs.  
RESPONSIBLE: FIELD SERVICES DIVISION
19. Evaluate the recommendation to restrict delinquent taxpayers from conducting business with state agencies (i.e., obtaining vehicle tags from the Highway Department).  
RESPONSIBLE: ADMINISTRATIVE DIVISION
20. Evaluate and enhance technology on a continuing basis for effective use by the staff, such as portable personal computers and automated office assessments.  
RESPONSIBLE: IRM DIVISION
21. As a fully interactive and ongoing process, assess the level of efficiency with which all resources are utilized.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
22. Once implemented, re-evaluate new programs and track effectiveness of new programs funded by the General Assembly.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
23. Investigate cooperative agreement with other state revenue departments.  
RESPONSIBLE: POLICY & SPECIAL PROCEDURES DIVISION

## **ORGANIZATIONAL DEVELOPMENT**

The Commission is challenged by a rapidly changing environment and in order to provide a strong foundation for directing tax administration into the 1990's, the agency is committed to strengthening the development of the organization. This objective will be accomplished by developing an effective management team to lead the organization in structure development and strategic planning, utilizing maximum employee participation and communication. The Commission is committed to being the finest revenue department in the United States.

### **CAREER LADDERS**

Progressive advancement and development of employees in technical and managerial skills ensures the organization of a capable, dedicated, and prepared staff for the future.

1. Evaluate all positions for feasibility of developing career ladders that encourage advancement through excellent performance and increased professional skills.

RESPONSIBLE: PERSONNEL DEPARTMENT

2. Evaluate functionalizing of duties to increase development of career ladders.

RESPONSIBLE: PERSONNEL DEPARTMENT

### **LEADERSHIP AND MANAGEMENT DEVELOPMENT**

The future of the organization not only depends upon the employees of the Commission but also on the capabilities of the individuals chosen to lead those employees - the primary resource of the agency. Management must not only enhance their skills but also be developed into leaders.

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1. Establish minimum ongoing training standards for all levels of management.  
RESPONSIBLE: TRAINING DEPARTMENT
2. Evaluate establishing special duty assignment with other agencies, such as IRS, to enhance management development.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
3. Establish programs that enhance team building at all organizational levels.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

#### **INCREASE EMPLOYEE PARTICIPATION**

Excellence in an organization depends on utilizing all employees' talents and experience for the greatest possible good. In order to accomplish this goal, active participation by employees is necessary.

1. Evaluate and implement employee participation programs that provide for involvement by **every** employee of the organization.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
2. Provide training to managers and employees in participative management.  
RESPONSIBLE: TRAINING DEPARTMENT
3. Encourage delegation of authority and responsibility to the lowest feasible level in the organization.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
4. Encourage employee input in all appropriate decision making.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

#### **ORGANIZATIONAL STRUCTURE**

The long-term effectiveness of the Commission is largely dependent upon an organizational structure that is responsive to a rapidly changing environment. Programs and procedures must be flexible to permit rapid change as trends dictate. The agency must improve its ability to identify, plan, and respond to change.

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1. Continuously evaluate trends to aid in anticipating needed changes.  
RESPONSIBLE: IRM DIVISION
2. Institute management information systems that enable staff to evaluate all programs based upon clear quantifiable measures of effectiveness.  
RESPONSIBLE: IRM DIVISION
3. Establish goals and objectives for all functional and program areas.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
4. Coordinate goals between functional areas to enhance success probability.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
5. Evaluate staffing needs and patterns to ensure proper levels to carry out the agency's mission.  
RESPONSIBLE: IRM DIVISION
6. Develop an analysis plan, by Division and work unit, that projects changes in technology, automation, and future workloads and the resultant effect on staffing needs for the long term.  
RESPONSIBLE: IRM DIVISION
7. Continually review the organizational structure and make adjustments to improve the overall operation of the agency.  
RESPONSIBLE: IRM DIVISION
8. Review prior organizational changes and programs for continued effectiveness.  
RESPONSIBLE: IRM DIVISION
9. Evaluate the processing function and implement changes to improve effectiveness.  
RESPONSIBLE: IRM DIVISION
10. Evaluate forms usage and management for effectiveness.  
RESPONSIBLE: IRM DIVISION
11. Increase the scope of revenue analysis.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

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### **STRATEGIC PLANNING AND EVALUATION**

To increase effectiveness and ensure long-term responsiveness to change, strategic planning must be incorporated as an ongoing part of the Commission's operation. The strategic planning function is a living process that will be evaluated regularly, tailored to the organizational needs, and improved by utilizing maximum employee input. The plan will provide broad direction to the agency for the future.

1. Develop a structure and process to ensure that the strategic plan is developed on an annual basis to include:
  - a) identification of significant environmental trends;
  - b) identification of major areas of concern;
  - c) setting direction for the agency to follow;
  - d) formulating strategies to accomplish those directions.RESPONSIBLE: PROPERTY DIVISION
2. Establish a process for implementing strategic initiatives.  
RESPONSIBLE: PROPERTY DIVISION
3. Develop a process for keeping the strategic plan current and evaluated.  
RESPONSIBLE: PROPERTY DIVISION
4. Increase employee awareness of and commitment to strategic planning.  
RESPONSIBLE: PROPERTY DIVISION
5. Coordinate the strategic planning process with statewide directions and initiatives.  
RESPONSIBLE: PROPERTY DIVISION
6. Aggressively market and communicate the progress of the strategic planning process.  
RESPONSIBLE: PROPERTY DIVISION
7. Develop a process of coordinating annual division, department, and employee goals and objectives to the direction set by the strategic plan.  
RESPONSIBLE: PROPERTY DIVISION

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**IMPROVE MANAGEMENT  
COMMUNICATIONS WITH EMPLOYEES.**

Any large group of individuals will experience problems when there is a lack of communication. Critical to the success of this agency is the need for employees to have easily accessible ways to communicate their suggestions and concerns, and for management to communicate agency direction, procedures, and expectations. For the process to be legitimate, accurate, timely communication must flow throughout the organization.

1. Evaluate information published in **REVENUES** and **THE TAX COMMISSION TIMES** and expand information affecting employees.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
2. Ensure distribution of current publications to all employees.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
3. Encourage management to solicit employee input on legislative, procedural, and operational changes, and completely communicate the results.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
4. Develop a system for obtaining employee suggestions and constructive criticism with commitment to openness and positive action, and to eliminate negative perceptions.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
5. Provide training in communication for employees and management.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
6. Survey employee attitudes and perceptions on communications and solicit suggestions for improvement.  
RESPONSIBLE: ADMINISTRATIVE DIVISION
7. Encourage management to meet more informally and to circulate more frequently in work areas.  
RESPONSIBLE: ADMINISTRATIVE DIVISION

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