

**MINUTES
OF
BUDGET AND
CONTROL BOARD
MEETING**

August 22, 1992

01279

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

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
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August 22, 1992

MEMORANDUM

TO: Budget and Control Board Division Directors
FROM: Donna K. Williams, Assistant Executive Director
SUBJECT: Summary of Board Actions at August 22, 1992, 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.

1. Relating to the Department of Social Services 1992-93 deficit reduction plan to eliminate direct operated day care, directed DSS to begin a transition over a one-year period to discontinue operation of the centers in Spartanburg and Sumter Counties as is being done in Charleston and Colleton Counties;
2. Adopted the published agenda as proposed;
3. Ratified actions taken by the Comptroller General, sequestering \$21,197,021.46 from funds authorized for carryforward into 1992-93, to prevent the State from having a deficit fund balance in 1991-92;
4. Accepted the Board of Economic Advisors' revenue estimate for 1992-93 of \$3,567.2 million;
5. Regarding the 1992-93 budget:
 - (a) Sequestered the entire Capital Reserve Fund (\$66,108,555);
 - (b) Established an open-ended account for the Grant Program Fund (\$7,500,000 initially) to honor contractual obligations;

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- (c) By a three to one vote with one abstention, chose a method for decreasing agency 1992-93 general fund allocations by \$136,391,445 based on growth, with half of the decrease to be an immediate budget cut and half to be sequestered; and directed the Budget Division to assist agencies with budget adjustments;
- (d) Reduced the Aid to Subdivisions, Local Government Fund to the level of the fiscal year 1991-92 allocation; and
- (e) Directed the Budget Division to allocate fiscal year 1992-93 general funds to agencies in accord with the preceding actions.

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MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

Saturday, August 22, 1992

10:00 A. M.

The Budget and Control Board met at 10:00 a.m. on Saturday, August 22, 1992, in the Governor's conference room in the State House, 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 John Drummond, Chairman, Senate Finance Committee;
Representative William D. Boan, Chairman, Ways and Means Committee.

Also attending were Executive Director Luther F. Carter; Board Secretary Donna K. Williams; Deputy Executive Director Richard W. Kelly; Chief Deputy Attorney General Joseph D. Shine; Governor's Senior Executive Assistant W. Eddie Gunn; Deputy State Treasurer Sandy A. Huey and Senior Assistant State Treasurer C. C. "Chuck" Sanders, Jr.; Assistant Comptrollers General George M. Lusk, Kinsey Jenkins, and Don Lovett; Finance Committee Chief of Staff Robert Merritt and Budget Division Director Susan K. Hooks; Ways and Means Committee Director of Research Frank Fusco; and other Board staff.

DSS 1992-93 Deficit Reduction Plan

Mr. Patterson recommended that, relating to the Department of Social Services 1992-93 deficit reduction plan to eliminate direct operated day care, the Department include, in the spirit of fairness and equity, Spartanburg and Sumter Counties in the same parameters as had been authorized by the Board for Charleston and Colleton Counties at the August 11 meeting.

Senator Drummond noted that the state would still be funding child care in those areas, and that child care would not be deleted. Governor Campbell observed that Senator Drummond's point is a good one and reminded everyone that the cost per child for the state to operate the facilities is \$91 while the cost for private day care is \$69 per child. He said that child care had not been deleted, and that the matter had been misrepresented. He pointed out that Mr. Patterson's recommendation is a reasonable one since child care facilities are not available in all areas.

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the Board directed DSS to begin a transition over a one-year period to discontinue operation

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of the direct operated day care centers in Spartanburg and Sumter Counties as is being done in Charleston and Colleton Counties.

Adoption of Agenda

Upon a motion by Mr. Patterson, seconded by Senator Drummond, the Board adopted the agenda as proposed.

Budget Division: Fiscal Year 1991-92 Closeout (Regular Agenda #1)

On Tuesday, August 18, 1992, Comptroller General Earle E. Morris, Jr., had presented the overview of the completed 1991-92 fiscal year report.

To prevent the State from having a deficit fund balance, \$21,197,021.46 was sequestered from funds authorized for carry forward into 1992-93. A list showing the affected agencies was included in the agenda materials.

Mr. Boan questioned whether ratification is needed for the actions or if only the transfer of those funds under the Board's purview needs to be ratified. He pointed out that his earlier discussions with staff had led him to understand that ratification would include monies under the Board's purview, and the funds lapsed by the Governor's Office is not in that category. He also asked if the Board can say for sure that any commitments for local government funds that have been made are going to be kept.

Dr. Carter pointed out that the Board staff has a plan that will be dealt with in item three dealing with all contractual obligations of the local government fund. He said that, in transferring money out of authorized accounts, the Comptroller General's staff had felt that it would be most safe to have Board approval to effect those transfers as the year is closed out.

Mr. Morris advised that the transfers included approximately \$730,000 that the Governor's Office willingly gave from the OEPP match fund to help balance at year end.

Governor Campbell observed that, when dealing with trying to balance the budget, funds will have to be given up in any place where there will be least damage.

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the Board ratified actions taken by the Comptroller General, sequestering \$21,197,021.46

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from funds authorized for carryforward into 1992-93, to prevent the State from having a deficit fund balance in 1991-92.

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

Board of Economic Advisors: 1992-93 Revenue Outlook (Regular Agenda #2)

Board of Economic Advisors Chairman Harry Miley appeared before the Board on this matter. Dr. Miley distributed copies of the BEA release that had been distributed to Board members previously.

Dr. Miley advised that, at the BEA meeting on August 19, all BEA members had been present. He said there had been input from various staff and presentations from outside economists and BEA staff. He said the consensus had been that the US economy is expected to continue to grow at a very slow pace over the next six to eighteen months in the neighborhood of $1\frac{1}{2}$ - $2\frac{1}{2}$ %. In terms of employment and personal income, the national economy is expected to grow very slowly; jobs at a rate of 1-2%, inflation at 3-4%, consumption at 3-4%, and personal income at 4-5% in nominal dollars. He said that real personal income would probably be in the neighborhood of 1-2%.

He said economists agree in terms of the South Carolina forecast of modest growth over the next six to eighteen months: employment at 1-2%; inflation at 3-4%, total personal income at 4-5% in nominal personal income, retail sales at 4-5%. He said this is similar to the forecast given in February when the BEA had forecast personal income in the 4-5% range and employment growth in the 1-2% range. He said, however, the problem is that two years ago 5% growth in personal income might translate into 4-8% growth in retail sales and personal income taxes and now the elasticity is not the same as it used to be. He said the same levels of retail sales and personal income taxes will not be seen from the 5% growth if the 5% growth actually occurs.

Dr. Miley said that the BEA had revised its estimate based on three major forces. He said that, December through April, there had been consistent growth in retail sales and individual income tax withholding, and it had been thought that the trend would continue. He said that, had the trend continued, the estimate

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would have been met; however, the trend did not continue during the last two months of the year and the estimate was missed by \$43 million.

Dr. Miley said that the base needed to be lowered by \$43 million. He said that the relationship between personal income and the consumer's buying habits and spending patterns and individual income tax collections is not as robust as it had been. He stated that the revenue forecast had been revised downward even though the consensus is that the economy will grow. He pointed out that in revising the estimate the BEA had looked at the base lowering, the slower growth relative to personal income, and the enhancements (the law changes that caused revenue to come in). He said those three factors had been looked at in revising the estimate of \$3.555 billion, which had been made last February, to \$3.567 billion.

Senator Drummond observed that it had been estimated that video poker machines had taken from \$5 million to \$700 million out of the economy that otherwise would have been spent on grocery sales, rent, etc. Dr. Miley said that had been considered since any type of withdrawal from the economy would have a multiplier effect. He said he is not familiar enough with that industry to say whether the multiplier is large or small or quick or slow.

Mr. Patterson pointed out that historically, after a few months, recessions or slowdowns in the economy would start to go back up, but this recession had been unique. He said that the economy had gone down and stayed down for three years and is just beginning to go back up. He added that the forecasts were not predictable in an historic pattern.

Dr. Miley said this has been a difficult recession and expansion to measure. He said the recession had been longer than had been anticipated. He said he is convinced that the economy is now growing at a very slow rate.

Governor Campbell observed that the major world economies, Japan, Great Britain, the European market, are all in recession. Dr. Miley agreed that there is nothing to drive the economy faster than 2% growth. He added a recession is defined as two consecutive quarters of negative growth, and pointed out that we have been in expansion for several months.

Governor Campbell advised that estimates had been that the South Carolina economy had lost \$1½ - \$2 billion as a result of Hurricane Hugo after the insurance

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had paid off. Dr. Miley said that Hurricane Hugo had a wealth effect rather than an income effect because of the uninsured losses. He pointed out that people had been employed quickly because of construction and that insurance had taken care of a lot of the loss, but there had been a lot of uninsured loss with a wealth impact with the result that savings and net worth had been affected. He said that loss in wealth affects spending behavior since people save more or must retire debt.

Governor Campbell pointed out that the federal government had revised legislation on the rules on provider taxes which was the way much of Medicaid was funded. He said that had been eliminated as of October 1, and that had taken away \$18 million from the base. He said that the Health and Human Services Finance Commission had increased expenditures over the past two years by 132%. He noted that last year \$30 million had been put in and the \$18 million tax revenue had been lost, resulting in a \$48 million swing item in one agency alone that has to do with Medicaid. He emphasized the importance of understanding everything that is impacting the economy.

Governor Campbell recommended that in the future the state go into managed care for Medicaid. He pointed out that there are preferred providers for state employee health care, and the same thing should be done for Medicaid. He noted that it has been shown that some costs can be controlled with managed care and the state desperately needs to go to managed care. He asked that Board staff and insurance experts look at the possibility of managed care for Medicaid, which he said is absolutely essential.

Governor Campbell also pointed out that another area affecting revenues is that income taxes had been indexed to inflation to protect the taxpayers from paying taxes on inflation. He said that had been an appropriate move and the only fair way to treat people who work.

Governor Campbell said the Board needs to look at some of the things being dealt with and noted that the state has spent an inordinate amount of money. He said that in four years expenditures have increased 53% for the Department of Corrections and 132% for the Health and Human Services Finance Commission, both of which are major expenditures. He commended the General Assembly for its offender management bill passed last year and for movements taken to try to

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deal with the problem. He pointed out that the state cannot continue that growth because it is robbing the means to fund the things that are necessary for the good of the state. He said these items must be looked at carefully for the future, especially in the area of Corrections and Medicaid.

Mr. Morris observed that the General Assembly had acted in good faith and had passed an appropriations bill that ostensibly had been in balance. He asked what had happened between the time the bill passed and today.

Dr. Miley said the overall picture of the economy really has not changed much and that growth had been consistently estimated at 1½-2% in calendar year 1993 and fiscal year 1993. He said that in May and June the bottom fell out in withholding, which had nothing to do with refund patterns and nothing to do with the direct effect of earning power. He said he could not explain why it would hold up for five solid months, then fall off the table in May in June. He said that retail sales had averaged 6% from January through April, solid growth unaffected by any kind of adjustments, but in May and June that had stopped. He said that the state is not yet out of the atypical pattern and, given the same economic forecast, the revenue estimate had been lowered.

Dr. Miley pointed out that retail sales as a percentage of wages had plummeted since people are not spending what they used to given their same income. He said one reason is the real cost of interest expense. He advised that though interest rates had come down a lot interest expense is now not deductible. He said that in the past, when a consumer in the 20-30% tax bracket had paid 12% on a car loan and that interest was deductible, that had equated to a 9% or less car loan today. He pointed out that credit card purchases at 18% five years ago for someone in the 30-40% tax bracket actually had been 12-13%.

Mr. Morris observed that the 1986 Tax Reform Act more than anything else had adversely affected consumer spending.

Dr. Miley said that the consumer is liquidating debt and does not have a positive outlook. He said that while mortgage rates have come down and that has helped, the real cost of interest expense to the consumer has gone up.

In response to Governor Campbell, Dr. Miley said that though May and June were down, July had been very good. He said the economy generally does not fall off the table in one month and suddenly expand in the next month. In

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response to Mr. Morris, Dr. Miley advised that, of the approximately twenty enhancements added by the legislature, the BEA had been asked about only one. He added that forecasting the economy is not easy, but that the BEA would be glad to help in reviewing proposed enhancements if it can.

Mr. Patterson said that the August report of Solomon Brothers shows that the South Carolina economy is beginning to recover. Governor Campbell said there is no question that South Carolina is growing, but that it is not growing fast enough to offset expenditures, which raises the question of whether government is too big.

Senator Drummond pointed out that the greatest loss from Hurricane Hugo is to the timber industry which will be affected for fifty years. He observed there had been a \$6 billion loss in timber alone.

Relating to revenue enhancements, Mr. Boan said his figures show that in 1991-92 part of the shortfall is attributed to Barnwell, a shortage of \$14 million of the \$19 million anticipated. He said that, though in 1992-93 the enhancements were \$74 million as certified by the Tax Commission, they had been reduced by only \$7 million. Dr. Miley said that the research conducted supported the \$7 million cut. He said BEA members had varying opinions relating to the amount, and the lump sum estimate of all the revenue enhancements had been averaged. He said that, in terms of reporting that revenue source, the documentation was based on data generated by staff of Ways and Means, Senate Finance, Budget and Control Board, Tax Commission, Governor's Office, and BEA. He said that the person generating the estimate obviously knew more about it, and that without solid documentation that the revenues would not be there, he did not feel that he knew more than staff who had supported the documentation.

Mr. Boan expressed the view that the Legislature does not just throw enhancements in the budget without certification.

Governor Campbell said that the pattern of the nuclear waste revenue had been considered. He said that, when South Carolina had gone to \$160 and Nevada and Washington had gone to \$120, there had been a two month period in which waste had been diverted resulting in a \$12 million reduction in revenues. He said that revenues appeared to have leveled off once South Carolina's rate had gone back to \$120. He agreed that the BEA had been wise to reduce the figures and

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pointed out that the bottom line is that this still is a temporary revenue source for three years. He said it appears the revenue will come in close to what is projected.

In response to Mr. Boan, Dr. Miley advised that personal income is expected to stay at 4-5%. He said that the BEA had looked at recurring revenues and the economy that generates those revenues and had felt that the core would grow at about 2%. He said there were enhancements in the major core category; some, like Barnwell, which have nothing to do with retail sales or personal income, and others that do affect retail sales tax collections and income tax collections. He said the final number for retail sales was 3½% growth; however, a portion of that is because of the enhancement added on top of the 2% growth.

Upon a motion by Mr. Patterson, seconded by Senator Drummond, the Board unanimously accepted the Board of Economic Advisors' revenue estimate for 1992-93 of \$3,567.2 million.

Following a brief further discussion in which Dr. Miley advised that the next official BEA estimate will be on October 15, Mr. Boan expressed appreciation to Dr. Miley for the job he has done and acknowledged that it is a very difficult one.

Dr. Miley said that the BEA does not take its responsibility lightly, and that it had studied as hard as it could and had gotten as much information from everybody as it could. He said that forecasting the economy is always difficult and is more so in an atypical period.

Mr. Morris observed that in the past four years, including the bad news today, revenue estimates have been \$800 million wrong. He said that when the estimates are wrong the Budget and Control Board has to make it right. He expressed the view that it becomes more and more an intrusion of legislative intent, and he said he would discuss that further later in the meeting. He emphasized that \$800 million in four years is way off base.

Governor Campbell pointed out that the total estimate has been missed by a little under 5% and recalled the time Bob McNair had cut the budget 6% in November. Mr. Patterson noted that a 6% budget reduction in November equates to a 10-11% cut.

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Mr. Boan pointed out that the Legislature has made fundamental changes to the BEA to provide it more help and more input from those who have to make budget reduction decisions when the BEA is wrong.

Mr. Patterson expressed the view that the system works and that the modifications will further refine the process. He pointed out that South Carolina is one of the few states in which all those involved in the budget process operate using the same revenue figures. He suggested that Dr. Miley's critics will vanish once there are four to five good consecutive months.

Information relating to this matter has been retained in these files and is identified as Exhibit 2.

Budget Division: Fiscal Year 1992-93 Budget (Regular Agenda #3)

The Budget Division advised that, on August 19, the Board of Economic Advisors had estimated general fund revenues for fiscal year 1992-93 of \$3,567.2 million, a reduction of \$195.0 million from the 1992-93 Appropriations Act of \$3,762.2 million. Proviso 14N.2 authorizes the Budget and Control Board to take action to avoid a year-end deficit. Proviso 14R.1 requires that, in the event of a mid-year reduction, the Capital Reserve Fund be used to alleviate any projected deficit before any agency budget is reduced. The budgeted amount in the Capital Reserve Fund is \$66,108,555.

Proviso 14N.2 also states "...no reduction shall be applied to funds encumbered by a written contract with an agency not connected with State Government." To close fiscal year 1991-92 with a positive fund balance, the Board had authorized the use of \$20,305,074 in prior year appropriations brought forward in the Budget and Control Board Local Government Division, Grant Program Fund. The Division recommended that the Board reduce the 1992-93 budget by \$7,500,000 more than the revised BEA estimate so that an account could be established to honor contractual obligations in the Grant Program Fund.

After using the Capital Reserve Fund and establishing an account for the Grant Program Fund, the reduction necessary to adjust expenditures to the level of revised general fund revenues is \$136,391,445. Proviso 14N.2 states that "Any reduction of rate of expenditure...shall be applied as uniformly as may be

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practicable...." The Division had prepared two proposals for the Board to consider in making the reductions which were distributed at the meeting.

Code Section 6-27-20 (State Aid to Subdivisions Act, Local Government Fund) provides that, if mid-year cuts are mandated by the Budget and Control Board, a majority vote of the Board is required to reduce the Fund.

The Budget Division requested that, once a decision has been made on mid-year reductions, the Board authorize the Division to allocate general funds to agencies in accord with the provisions of the 1992-93 Appropriations Act.

At the meeting, Mr. Brooks advised that there are five requests for the Board to consider in this one agenda item. He said the Board is asked to:

- (1) Sequester the entire Capital Reserve Fund (\$66,108,555);
- (2) Increase the cuts to agencies from \$195,000,000 to \$202,500,000, an additional \$7.5 million, to put funds into an open-ended account that will be used to take care of pre-existing contractual obligations of the local government Grant Program Fund which will be presented to the Board on an on-going basis;
- (3) Choose a method for decreasing agency 1992-93 general fund allocations; and direct the Budget Division to assist agencies with budget adjustments;
- (4) Reduce the Aid to Subdivisions, Local Government Fund to the level of the fiscal year 1991-92 allocation; and
- (5) Allow the Budget Division to allocate fiscal year 1992-93 general funds to agencies.

Mr. Brooks then presented two recommendations for making the budget reductions. He called the Board's attention to page 1 of the handout and advised that column 1 is the amount of the original appropriation made to agencies by the Board last October to begin the budget process. He further advised that those figures are the base from which all additions and deletions during the budget process had been made. Column 2 is the appropriations just passed with all salary increases, fringe benefits increases, and rent increases distributed out to each of the agencies. Columns 3 and 4 are what the Budget Division considered to be mandatory exemptions to any cut and include, for example, transfers of

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funds from one agency to another, health insurance, bonus money, debt service, and capital reserve fund.

In response to Governor Campbell, Mr. Brooks confirmed that column 2 includes all pay raises and that the bonus is an exempted item for which credit had been given as a base.

In response to Mr. Morris, Mr. Brooks advised that the bonus is mandated by proviso, and there is no way it can be cut. Governor Campbell said he wanted to make sure everyone understood that the bonus and pay raises had not been counted as add-ons but rather had been included in the base. Mr. Brooks pointed out that the pay raise is in the base and that the bonus is not in the base but had been set aside. In response to Senator Drummond, Mr. Brooks advised that the pay raise and the bonus is about \$30 million for state employees; the total for pay raises and bonuses, including education, is about \$191 million.

In response to Mr. Boan, Mr. Brooks confirmed that the exemptions listed are directed by the appropriations bill or are transfers between agencies. He cited as an example the Museum Commission whose rent is mandated to be exempt from any cut.

Mr. Brooks advised that column 5 is the increase each agency received over and above the exemptions, a total of \$192 million. He said that the next two columns are presented as options for making the budget reductions: column 7 is an across-the-board reduction to all agencies of 3.92%; column 6 is a reduction based on increases rather than across-the-board. He advised that, with the column 6 option, each agency would receive roughly thirty cents on the dollar of the increased amount of the appropriations act. He said that agencies would receive 30% over and above their base, but that is 70% less than was in the appropriations bill.

In response to Governor Campbell, Mr. Brooks confirmed that agencies would be instructed to manage down in order to pay the employee raise.

Senator Drummond observed that, using column 6, no agency of state government would receive less money than had been received in 1991-92. Mr. Brooks said that no agency would receive less than had been included in the original base, which was basically the appropriation from the prior year, unless an agency had been cut in the process. He cited as an example the Adjutant

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General's Office which had been allocated less money this year than last year and, therefore, would not be cut.

Governor Campbell observed that this essentially establishes a scale that rewards the agencies that have held their budgets down. He observed that, when there is an across-the-board cut, agencies that have managed tightly get cut just like those who have not managed as tightly. He pointed out that there is \$29 million in carryforward funds last year from agencies that obviously had a lot of money. He said the Division has tried to allocate the reduction to the agencies that had received the most money.

Mr. Patterson noted that agencies would share proportionately in the new monies received.

Senator Drummond pointed out that research of his staff had shown that, in column 7, 112 of the 160 agencies would take a cut below what they had received in 1991-92, but that, using column 6, no agency would receive less than in 1991-92.

Mr. Brooks then called the Board's attention to page 8 of the handout, a table for information only which showed where the money has gone in the last four years. He said that health, education, and corrections have received most of the money over the last four years. Board members acknowledged that was rightfully so since those items had been the priorities.

Governor Campbell pointed out that Education had received roughly \$271 million over that time period and Health and Human Services had received \$121 million. He said that, by comparison, Health and Human Services had grown 132%, primarily because of federal mandates. He also pointed out that EIA funds had not been included.

Mr. Brooks advised that questions had been raised as to the Board's authority to make reductions other than across-the-board. He called the Board's attention to page 7, "Statement of Explanation for Justification of the Reduction Methodologies Presented to the Budget and Control Board."

Governor Campbell restated his earlier question of whether agencies have to absorb the pay raises since that has been pulled out in a separate line and has been exempted. Mr. Brooks advised that only the bonus money has been pulled out. He said that, if an agency had no increase in the last year other than the

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pay increase, that agency would only get thirty cents on the dollar to make the pay increase with the result that seventy cents on the dollar would have to be taken out of the previous year's budget. He emphasized that agencies are getting cut and will have to absorb the pay raise. As an example, he said that, if his agency were to have received no new money this year but his budget included some \$35,000 worth of pay increases, his agency would only get 30% of that, one-third of the pay increase, but the pay increase still must be distributed to employees. In response to Governor Campbell, Mr. Brooks advised that column 2 (\$20 million) minus exemptions in column 4 (\$20 million) equals zero in column 5, which means no new money. He pointed out that the \$10 million is the bonus and \$9 million is flow-through money that goes to Retirement System for buy-ins for police officers, etc.

In the ensuing discussion, Mr. Brooks advised that \$25 million went into health benefits which included local health care providers, \$21 million into pay increases, and \$.5 million into rent increases, roughly \$50 million that would be cut seventy cents on the dollar. He said there is no way to take the pay increase because of the proviso, and agencies still will have to give pay raises.

Mr. Boan observed that this is the same problem school districts have locally where money is included for a pay increase in the EFA. He said the Board is looking at taking some of that money back from the districts yet there is no authority to relieve the districts of the obligation to make the pay increase that is mandated by proviso. Mr. Morris asked how the Board will abrogate 50,000 contracts with public school employees when school already has started.

Governor Campbell advised that he had been prepared to reduce the appropriations bill by line, though much of the money was lumped and could not have been reduced. He said that, though he had been prepared to make the reductions which might have let the state pull back some big ticket items and do things better, certain special interest groups in the state had publicly announced intentions to bring lawsuits. He said that he had discussed with attorneys, Mr. Patterson, and others the impact of such lawsuits tying up the process for up to 90 days in court, and the consensus was that the state would automatically lose its AAA credit rating because of the uncertainty of actions taken by the state. He said that, before going much further, the Board needs to understand that. He

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reiterated that he had been willing to make those reductions and still is willing to do so, but he pointed out that everyone needs to understand what tools there are to work with.

Governor Campbell pointed out that this is a unique year in that the appropriations bill is still in his hands, resulting in a gray area. He said that, if it becomes necessary because the Board does not act, he would reduce the appropriations bill anyway. He stressed that action must be taken one way or another. He said that, even if he were to reduce the appropriations bill by line item, he could not get at the necessary reductions. He pointed out that lines could not be reduced but would have to be zeroed out. He emphasized that is a danger since it provides no tool with which to work.

Governor Campbell advised that the Budget and Control Board has the authority to cut in as equitable a manner as is practicable. He said the Board has the authority by law to cut in a staggered manner as long as the cut is based on a basis that is equal, or it can cut across-the-board. He said those are the only tools the Board has.

Mr. Morris said the 91 school districts will sue anyway, and asked how they would make up the shortfall. He said the contracts are out there and that a legal contract cannot be violated. He added they have no other sources of funding and it is too late to raise property taxes.

In response to Governor Campbell, Mr. Shine advised that the General Assembly has passed proviso 14N.2. He said that once the Board has determined the possibility of a deficit and has accepted the revised revenue estimate from the BEA any reduction of the rate of expenditure, which the Board is authorized to do, must be applied in as uniform a manner as may be practicable except that no reduction shall be applied to funds encumbered by a written contract. He said the Board is left with coming up with a plan that is uniform. He added that uniform connotes a pattern, and that pattern must be consistent and must be applied consistently. He said that the Board may make exceptions, but that any exceptions must be practicable. He said that practicable means, primarily, feasible.

Governor Campbell expressed the view that the bottom line is that he would encourage those in the General Assembly to look at empowering the Board to do

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some reductions rather than just cuts, providing some ability to reduce and not be as harmful by the straight cuts. He said those tools really are needed.

Mr. Boan expressed the view that the chances of that getting passed may depend on how the Board acts today. He said that there is no love lost for the Budget and Control Board with a lot of members of the Legislature. He said if the action the Board takes is not considered fair he would not expect the Legislature to give the Board any more authority.

Governor Campbell responded that he had heard one or two legislators suggest that the Legislature be called back, but that seventeen legislators from both parties had called his office to say "for God's sake, don't call us back." He said it is nice to be able to demagogue but still to say "please don't bring us back and make us do it." He said the Legislature may hate the Board, but the Board has to do the job.

Senator Drummond said that the Board has to make the decision and expressed the view that the individual agencies want to know as soon as possible. He pointed out that Dr. Miley has expressed the view that revenues will be better than have been predicted here. He said there will be another estimate in October, and asked if the Board will have any legal authority to change what it does today if there is an upturn.

Mr. Patterson pointed out that if the Board cuts a portion and escrows a portion, it could restore a portion of the escrowed amounts. He said that he would suggest that the Board escrow 2% and cut 2%.

Governor Campbell pointed out that another needed action of the Board is to allow agencies flexibility to move certain types of funds to mitigate as much as they can against the direct impact of the cut. Dr. Carter advised that the Board could direct the Budget Division to work with those agencies, and in those instances where the Board has to approve transfers, to bring those back at the September meeting.

Mr. Morris said that, about two months ago, Governor Campbell had said that if the deficit were to be \$200 million the General Assembly should come back. He expressed the view that the General Assembly should be called back and said that the General Assembly had passed the budget and the Board had not. He asked why the Board should intrude on legislative intent. He said that \$200

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million is too much at one whack for him to swallow. He pointed out that, in the reconstitution of the Board of Economic Advisors, the General Assembly had included that if reductions are made while the General Assembly is in session the Board would send proposed reductions to the Legislature which would have so many days to advise the Board. He acknowledged that the General Assembly is not in session, but expressed the view that the action had indicated that the General Assembly wanted to know about the Board's reduction. He said that he had talked to the Speaker of the House and the Lieutenant Governor and while neither had said to call the Legislature back both had said they were available if they were needed. Mr. Morris said he does not speak for all of the constituencies and agencies out there that will be wracked because of fallacious forecasting and appropriating.

Mr. Morris advised that both the Speaker and the Lieutenant Governor had said that they would be there if the Board wanted them involved. He suggested that, absent calling the Legislature back, the Board follow the procedure of asking the Senate Finance Committee and the Ways and Means Committee to look at what the Board proposes today and getting their input. He said that can be done after next Tuesday's primary election. He said he will not vote for these budget cuts unless the Board gets legislative input in addition to that from the two legislative members of the Board.

Senator Drummond asked if Mr. Morris really believes that the General Assembly, before the general election, could do one of two things: either reduce the budget by \$202 million or raise \$202 million in taxes. He asked if Mr. Morris believed the General Assembly could do either within the next six months.

Mr. Morris responded that it is the General Assembly's bill as they had passed it.

Senator Drummond said it had been thought the appropriations bill was in balance when it was passed. He pointed out that there is a lot of difference in addition and subtraction in politics. He said it is easy to add; people can get elected to anything as long as they add and it doesn't cost anything. He asked if, when it comes to bringing back 170 legislators, all of whom have special groups they like, Mr. Morris thinks that a majority of the Legislature would take \$54 million from education.

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Mr. Morris said that every special interest group says there should be legislative input. He said the Board has cut \$600 million in the last four years and he is tired of doing that. He said the Legislature had passed the budget and should have to come back to face up to it. He said that the Senate Finance Committee and the House Ways and Means Committee would scald whatever the Board does.

Senator Drummond expressed the view that, if the Finance Committee were to be called back Monday morning, six months from now it would not have cut \$200 million.

Governor Campbell advised that one legislator had called to say the Legislature should come back so it could raise taxes. He pointed out that a two-thirds vote would be required to do so, and expressed the view that it would not be possible to get a two-thirds vote.

Mr. Patterson pointed out that the Legislature in its wisdom passed the appropriations bill with its priorities. He added that the Legislature had included a method for dealing with shortfalls and had said that the appropriations are maximum, proportionate, and conditional and are conditional upon the money being available to pay them. He said that if revenue is not available a mechanism for reducing the expenditures is provided, with that mechanism being put on the Budget and Control Board. He said that traditionally over the years the Board has followed that mandate and that direction from the General Assembly. He said it is not unprecedented for the Budget and Control Board to be put in the difficult position of having to cut the budget.

Mr. Patterson pointed out that the rating services have advised that one of the factors of the state's credit rating is the Budget and Control Board and the ability to deal with shortfalls in an immediate compelling circumstance. He said the services had written to advise of that last year, and that he had published that information during the budget hearings. He then read the following from a letter from Standard & Poor's: "To the extent that the State Budget and Control Board is responsible for the annual budget, including monitoring revenues, adjusting appropriations, and restoring overall fiscal stability during a given fiscal year, the Board is also looked [upon] as a positive factor. Timely information on economic conditions, financial status, and administrative issues is

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important to our ongoing evaluation of the state's credit rating. The office of the State Treasurer has historically provided information to Standard & Poor's in a timely manner, due in part to his immediate access to such information by his position on the Board."

Mr. Patterson also read the following excerpt from a 1991 letter from Moody's: "We have come to regard the State's Budget and Control Board as an important element in the state's ability to maintain its high rating. While there are alternative means of maintaining budget controls, we attribute the states [sic] track record of budgetary attentiveness to the functioning of the Control Board. Over the years, the Board has acted responsibly and has demonstrated fiscal discipline."

Mr. Patterson said that as recently as yesterday he had several conversations with Standard & Poor's. He emphasized that the state is on a narrow, thin edge with its credit rating and that whether or not the state will lose its credit rating depends on what happens over the next week or so and added that the state is in a precarious position with Standard & Poor's. In response to Governor Campbell, Mr. Patterson advised that if the state loses its AAA credit rating it will add substantial additional expense to financing the borrowings of the state (the on-going \$85 million per year in the capital improvement program) and would cost about \$20 million over ten years which is additional expense to the taxpayers in financing worthwhile, desirable projects. He pointed out that the credit rating has a monetary impact on everyone in the room and on every taxpayer in the state. He said the state may lose the credit rating anyway, and reemphasized that the state is in a very precarious position.

Mr. Morris said that is no surprise and that is why the state had tried to eke out something left over with a budgetary fund balance at year end. He said that last year an accounting procedure had been changed, and added that it had been close this year. He wondered how many more mechanisms the state has. He then read the following excerpt from a Greenville News editorial: "...final numbers in hand, Comptroller General Earle Morris announced Tuesday that state government leaders had done a pretty good job of belt-tightening...he should have said they'd obscured another budget disaster...Campbell, Morris and Patterson are statewide elected officials [sic], not innocent bystanders. They

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can't rewrite the budget and agency missions...But they can insist on legislative action to set sensible spending priorities and missions, and correction of loose budget practices that are destructive to both."

Mr. Morris said he does not put himself above the collective wisdom and judgment of the General Assembly which is what he said Board members are saying should be done. He asked why the Board objects to calling the two committees back to consider the budget cuts.

Mr. Patterson pointed out that the Legislature in its wisdom had made the priority judgments as recently as June and that it also had said that if a shortfall occurs or is predicted there is a mechanism for dealing with it. He added that there are six months before the General Assembly comes back and if it does not like what the Board has done to keep the budget balanced it can, in its wisdom and judgment, address the whole thing again.

Senator Drummond said that if he were to call the Finance Committee back and Mr. Boan were to call the Ways and Means Committee back, and if those committees within twenty-four hours could cut \$200 million, the budget still would have to go back to the full General Assembly. He expressed the view that the General Assembly, before a general election with the hotly contested races, could not cut \$200 million.

Mr. Morris said that the presiding officers and the responsible members of the Legislature say they want to be involved in what the Board does.

Senator Drummond said that each individual member of the General Assembly who had called him had one special purpose and had said don't cut DSS, don't cut aid to children, don't cut anybody. He pointed out that a budget reduction takes a majority of both houses. He added that each individual in the Legislature has one area to be protected, but one area cannot be protected because the cut is \$202 million. He expressed the view that it would be impossible to get a majority vote.

Mr. Morris asked State Superintendent of Education Barbara Nielsen what the school districts will do about the public school employee contracts. Dr. Nielsen advised that there is a phrase in the contracts that provides that if the money is not there they can look at that. She emphasized that she is hearing from the superintendents who urge that action be taken now rather than during the

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school year. She added that they are saying if they have to tighten budgets they want to know.

Mr. Morris asked if districts can reduce contractual agreements. Dr. Nielsen advised that districts have several pots of money and that they would have to shift just as all other agencies will have to shift. She pointed out that school districts still will have to pay the raises, but they would have to look at where they would get the money.

In response to Governor Campbell, Dr. Nielsen advised that the Department and districts would like to have flexibility in making transfers. She pointed out that last year the Board had been kind enough to give flexibility to be able them to shift money within line items to cover raises and said the Department and the superintendents definitely would again ask for that flexibility.

Mr. Morris expressed the view that the Department doesn't have much to shift. Dr. Nielsen said that the Department still is getting some new money and Senator Drummond observed that the Department is getting \$26 million in new dollars.

Mr. Boan said that when Governor Campbell had suggested a few weeks ago that he might call the Legislature back every reporter in the state had called legislators to ask their opinions. He said that, at that time, he had said he was prepared to deal with it in whatever form the Governor chose. He said that, if Governor Campbell chooses not to call the Legislature back, that is no longer an issue. He said the Board is set up to do what it has to do. He said, though, if Governor Campbell chooses to call the Legislature back, it is the responsibility of the leadership of the Budget and Control Board, rather than the committees, to develop a plan. He said there is no need to call the Legislature back unless there is a sound plan. He expressed the belief that he could sell a sound plan to the House if the Governor has one. He further advised that if the Ways and Means Committee collectively tries to develop a plan, it just will not happen.

Mr. Boan expressed the view that the Legislature is looking right in this conference room to the leadership to manage the cuts. He said that, if the Legislature were to be called back, some of the things discussed today concerning the potential mandate on property tax increases for school districts to fund

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teacher pay raises would be enacted. He said that part of him says that the Legislature needs to come back and address those issues, but in light of everything concerned, the leadership of the state must address that. He added that, basically, it's the Governor's call, and he is prepared to act on whatever the Governor chooses to do.

Governor Campbell responded that the easiest thing for him to do would be to call the Legislature back and let it handle the situation. He said the easiest thing for any member of the Board is to hide in a hundred-some-odd people in the House and the Senate. He said the bottom line is that, if the state were not facing the loss of its AAA credit rating by inaction, calling the Legislature back would be an easy thing to do and he probably could responsibly call it back. He said there is no doubt that, if the Legislature were called back, the state would be dealing with several weeks of debate, meaning there would be no action during that period of time and that the AAA credit rating would have been lost. He said that would be an irresponsible act even though it would be easy.

Governor Campbell said he is fully prepared to veto items in the existing appropriations bill, even though the state will still lose the credit rating since lawsuits will tie up the process. Governor Campbell reiterated that the Board has no authority to reduce lines but only has the authority to reduce as equitably or as practicably as possible, on as equal a basis as it can. He pointed out that he has the authority to veto entire lines and that may take out an entire department given the way the budget is written.

Governor Campbell said he could call the Legislature back, lose the AAA credit rating, and debate the budget all Fall, or the Board can act like it's supposed to act, because this is the end of the line. He said he is fully prepared to act in any way that he has to act, painful though it is. He said he does not want to do that, but is prepared.

Mr. Shine advised Board members that there is a statement of explanation for justification for the reduction methodology included on page 7 of the handout.

Senator Drummond expressed the same sentiment as had been expressed by Mr. Boan as far as responsibility is concerned. He said he is only one of five votes on the Board, and it would be much easier to call the Legislature back and

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be one of 170. He reiterated that his sentiment is the same as that expressed by Mr. Boan, that it is the Governor's call.

Mr. Morris asked if Senator Drummond and Mr. Boan would object to submitting a plan the Board takes action on today to their committees and giving the committees a week to respond. He said he wants the committees to have some involvement.

Mr. Boan said he always tries to keep his committee informed. Senator Drummond said he will mail his committee copies today. Mr. Morris pointed out that mailing copies is not like personal confrontation.

Governor Campbell said the Board either will act or punt. He said, if the Board wants to punt, when the ball comes down there will be two A's on the credit rating instead of three. He said if the Board wants to act there is still an opportunity to maintain the fiscal integrity of the state, which he said is the number one priority in his mind. He said the second priority is those areas of the budget in which members have interest. He pointed out that all members have interest in the budget as a whole, but that there are specific areas of interest and, given the opportunity, each Board member would spare those areas. He reiterated his strong feeling that the Board must act and not procrastinate.

Senator Drummond said that, if the Board punts, there will not be a volunteer out of the 170-member Legislature to receive the ball. He again asked Mr. Brooks if, in using the option of column 6, he is correct in his understanding that no agency will receive less money than it had received in 1991-92. Mr. Brooks said that, even after the cuts, that is correct. Mr. Drummond expressed his understanding that those agencies who had been appropriated new money still would receive some new money though it would be at the rate of 30 cents on the dollar. He said that, using the option of column 7, 112 of the 160 agencies would actually take a cut and receive less in 1992-93 than in 1991-92. He said that, using the option of column 6, no agency would receive less money than it had in 1991-92 and that all agencies that had been appropriated new money would get at least part of the new money, at least 30% of the appropriated new money. He said Mr. Brooks has done an excellent job. He said he does not like cuts but that he likes additions.

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In response to Mr. Patterson, Mr. Shine advised that the Board has to develop a plan based on a criteria, whatever criteria it decides, and apply that criteria in a uniform, consistent manner. He said the Board's plan would be a pattern that would be applied consistently. He expressed the opinion that, once the Board has established the criteria, it should be applied in a uniform, consistent manner with limited exceptions, and that would meet the mandate of the proviso. He pointed out that, the more exceptions are made to the plan, the less uniform it becomes and the Board should minimize as much as possible any exceptions to the plan decided on.

Mr. Shine advised that practicable means feasible, and that those exceptions that are mandated in the appropriations act are legislative determinations of priorities by the General Assembly. He said that could be used as legislative intent to indicate that practicable application of how the funds are to be prioritized and spent.

Mr. Boan asked if Mr. Shine believes it was legislative intent to allow the Budget and Control Board to devise a plan for cuts regardless of what priorities are in the appropriations bill. He said that the Board could come up with any formula it wants using that interpretation.

Mr. Shine advised that the General Assembly in its wisdom did not prescribe a method for cutting.

Mr. Boan countered that the General Assembly did make specific exemptions to cuts, and the General Assembly had considered, and it had passed in the House, the growth method talked about today by the Board. He said that method had been taken out in the Senate and had not been adopted by the conference committee. He said that action tells him that the General Assembly did not want to have any type of growth cut, and expressed the belief that the only thing the General Assembly wants the Budget and Control Board to do is be fair and the only option the Board has is an across-the-board cut.

Mr. Shine advised that is a policy decision for the Board itself to make. He said that proviso states a reduction of the rate of expenditure and that is what the Board has the authority to do. He said it does not prescribe the methodology for that reduction but does say that any reduction of the rate of expenditure must be applied on a uniform basis. He said it doesn't prescribe a method for how that

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uniform basis is to be derived but leaves that as a judgment for the Board to make.

Mr. Boan asked if Mr. Shine thinks the courts would consider the fact that during the course of the legislative process one body had rejected a growth method of reduction. Mr. Shine said he is not sure whether the courts would or would not because those kinds of decisions are made based on many different compromises which are known and not known. He said that all he can go by is the plain reading of the statute, which is the first line of statutory construction. He said the words in the statute are given their plain and ordinary meaning. He said that, if the General Assembly had intended something to take place, it would have expressed it.

Mr. Boan said he goes by ten years of experience upstairs and expressed the belief that he can put more faith in that than in the literal interpretation of the words. He said he is certain that the General Assembly's intention is an across-the-board cut.

Mr. Shine said he cannot apply an intent that is not there to the words. He said he had been asked his legal advice as to what a court would look at and said the court will look at the plain words on the paper and the only inference it can draw is the plain and ordinary meaning that we as human beings give those words. Mr. Shine said that the US Congress has a legislative history, conference reports that can be used to determine legislative intent in interpreting statutes, but that is not available in South Carolina.

Governor Campbell said that the uniformity of the plan is that those who had received an increase would still get an equal percentage of the increase as appropriated. Mr. Shine said that is a consistent pattern. Mr. Shine said that the Board comes up with a criteria based on some logic or rationale or reason and then applies that logic or rationale or reason in a uniform, consistent manner to all the agencies so all the agencies are being treated alike. He said that whether or not the Board decides to pursue that particular rationale or plan or logic is the Board's policy decision to make. He pointed out that the across-the-board cut is another rationale or plan that the Board could decide to pursue.

Governor Campbell pointed out that, if the Board makes an across-the-board cut, the majority of agencies will receive less money than they had received

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last year as opposed to the reduction based on growth where no agencies will receive less than received last year but are still asked to absorb part of the pay raises. Mr. Shine said that is the basic distinction between the two plans, and that is where the Board's judgement comes in as to which methodology it decides to use because of the impact.

Senator Drummond said that the intent of the General Assembly was to set priorities for education, health, and corrections. He said that, to be legally sound, those three priorities are still the three priorities even with the cuts since each of those three is still receiving 30% of its new money. He acknowledged that it can be argued both ways.

Mr. Shine reiterated that either plan can be used as long as it is applied consistently. He said the key is to develop a criteria and to apply that criteria uniformly.

Senator Drummond reiterated that if the Board were to use the option of column 6 no agency would receive less and those agencies which were given priority would receive more. He said that with an across-the-board reduction, 112 agencies would actually receive less which was not the intent of the General Assembly.

Mr. Morris said that a large part of this debate shows that it doesn't matter what the General Assembly thinks and expressed appreciation to Mr. Boan and Senator Drummond for remembering the General Assembly.

In further discussion, Mr. Morris said that, in this instance, the General Assembly had passed a new legislative act saying that when the Board makes reductions it must run those reductions by the General Assembly if it is in session. He said the intent was that the General Assembly wants to be involved and advised. He said the committees should be called back, given a plan, and asked for input.

In response to Governor Campbell, Mr. Morris said he is not saying to call the General Assembly back but rather that they need to have some involvement in whatever decision the Board makes.

Governor Campbell asked that the Board look at the fact that an across-the-board cut would cut agencies that have taken cuts for the past two or three years, many of whom have to use money to match other programmatic money that

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comes from the federal government. He pointed out that, even though agencies might not have gotten any more money or might have gotten very little more money, the Legislature has very carefully avoided taking away. He said there are areas to look at, specifically law enforcement, that have not gotten increases and which will be adversely hit if the Board cuts across-the-board. He said there are areas in the judicial branch, particularly the Attorney General's Office, which have taken major cuts, and the ability to operate is hampered by across-the-board cuts without taking into consideration the growth rate of a particular agency.

Governor Campbell said the Board must go one way or the other, and he acknowledged that there are arguments for both sides. He expressed the view that the growth factor of an agency needs to be taken into consideration. He pointed out that the General Assembly has tried to take that into consideration because it had held harmless some agencies and had said in its wisdom that those agencies should remain whole. He said what the Board is really talking about doing with an across-the-board reduction is literally shifting the priorities of the General Assembly. He said that, if the Board cuts back some agencies, the money is shifted over to those agencies that got the increase, and the General Assembly didn't address that. He acknowledged that either side could be argued, but stressed that the Board needs to act as equitably as it can.

Governor Campbell then asked that the Board deal with the five items that must be addressed, and asked that the Board take them up separately.

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the Board sequestered the entire Capital Reserve Fund (\$66,108,555) in accord with Proviso 14R.1.

Mr. Morris pointed out that it is legislated that the capital reserve fund be used. He recalled that Standard & Poor's had asked that the state do three things: (1) to balance 1991-92; (2) balance the current year; and (3) replenish reserve funds and keep them there. He said item 3 is being violated again for the third year in a row.

Governor Campbell said the general reserve fund balance had been zeroed out, and that the first \$33 million that had come in had been put into that fund

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with the result that the reserve fund at the end of this year will have \$33 million. He said that the law says that in a shortfall the reserve fund is taken first.

Dr. Carter advised that the minutes should reflect that the Board is taking the action in accord with Proviso 14R.1.

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the Board unanimously agreed to establish an open-ended account for the Grant Program Fund (\$7,500,000 initially) to honor contractual obligations.

Mr. Boan questioned why the Board would establish a reserve fund rather than authorize a deficit. In the ensuing discussion, Dr. Carter advised that options had been discussed with staff of all Board members and that there had been a clear sense that the Board did not want to leave here today with any deficits still on the table, be it \$7 million or \$200 million.

Mr. Patterson moved that the Board choose the option of column 6 to reduce the budget and to cut half and escrow half for each agency. His motion was seconded by Senator Drummond.

Mr. Boan asked if Mr. Patterson considers that to be an equitable distribution and if he considers it to be legislative intent. Mr. Patterson confirmed that he did based on the legal explanation from the attorney.

Mr. Boan said he did not agree. He said that, discussing cuts and sequestering, the Board must look at what authority it has. He said the most critical issue facing the state now is maintaining the AAA credit rating. He expressed the view that it would send a stronger, firmer, clearer message to Wall Street if the Board just cut and did not sequester. He asked how Mr. Patterson with his expertise can make the suggestion that in communicating with Wall Street we are taking the strong conservative stand that it has been so kind to recognize.

Mr. Patterson responded that he had based his motion on the fact that if revenues pick up the Board would release half, but if they don't pick up the sequestered amount would not be released.

Governor Campbell said that if the funds are set aside, they are out of the budget, but if the revenues pick up, those sequestered funds can be restored at any point or at any level depending on the fiscal condition of the state.

Mr. Patterson pointed out that the Board is reducing expenditures by these amounts to match the revenue projections as of today.

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Mr. Boan said he had made light of the fact of what further power the General Assembly might grant the Board in the future. He said he cannot emphasize enough that the Board risks losing what authority it has when it makes decisions that are in conflict with what he believes is the intent of the General Assembly. He said Mr. Patterson's two-pronged motion flies in the face of the General Assembly's intention as expressed in the appropriations bill. He expressed great surprise to hear Mr. Patterson say that Wall Street will feel just as good about a 2% sequester as it would about a 2% cut. He said that, if the Board is going to bite the bullet, it needs to do so now.

Senator Drummond said that if revenues increase, he wants to be in position to restore funds. He said that if the Board makes a cut, it cannot restore. Mr. Boan said the money will be restored if there is a surplus.

Governor Campbell pointed out that the money could not be restored by the Board and said the General Assembly could not restore money until it gets through the appropriations act in the spring.

Mr. Boan expressed his understanding of the timetable, and said the money would not spoil and the needs would still be there. He said that if the Board is going to send the message to Wall Street that it needs to send, it should be just as firm in the message as possible. He advised that he cannot support Mr. Patterson's motion.

Senator Drummond asked if Mr. Boan wants straight across-the-board cuts. Mr. Boan said that, more than what he wants, he thinks that is what the General Assembly wants. He added that the growth was taken into consideration when that law was passed and expressed the strong belief that, if the Board uses the method proposed by Mr. Patterson, it will cut public education an additional \$6 million and Health and Human Services an additional \$12 million. Mr. Boan said if the meeting were to be stopped long enough for Senator Drummond to phone his colleagues on the Senate Finance Committee they would agree with this argument.

Senator Drummond agreed Mr. Boan is absolutely right, that the Finance Committee will not agree to cut. Mr. Boan said that if they had to cut, they would want to cut in the areas that had been prioritized during the legislative session. Senator Drummond said that what Mr. Boan is saying is don't cut education any more, don't cut health care, but cut that \$202 million in other agencies.

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Governor Campbell asked that the Board think carefully about the following: (1) if the Board cuts by the formula, the rate of increase to the agencies that got an increase will still be there, it just won't be as much money; (2) if the Board does not cut that way, the rate of decrease to the other agencies is going to cause layoffs because they will be brought dramatically under their current base budgets. He said the priorities have been established by the General Assembly; the Board is not taking back their money because the General Assembly has decided, of the money available, what percentage it wanted each agency to get. He said that is exactly the way it should be, but if the money is less, the level is less even though the agencies get more.

Governor Campbell said that if the Board makes across-the-board reductions the major cuts are going to be on agencies that have had no increase, have managed themselves fairly well, and have no alternatives. He said that if cuts are made proportionately on the increase the fact is that the Board would have pulled back percentage-wise the exact same level of increase that was given.

Mr. Patterson expressed the view that reductions based on growth would still be following legislative intent.

Mr. Boan expressed understanding of the rationale, but disagreed with it and said that the Legislature will not agree with it.

Governor Campbell said the Board must act and must act today. He said that if the Board follows Mr. Patterson's motion and cuts half and encumbers half there is some opportunity to go to the Senate and House committees and ask them, of the encumbered money, how they might like it to be treated if the time comes it could be released. He said that way there would be some way to say because of priorities the funds for an agency should be released while the funds for another agency should not be released, putting back priorities without jeopardizing the action that is necessary.

Following further discussion, Governor Campbell said that, if the Board cuts half and escrows half, the Finance Committee and the Ways and Means Committee could meet to consider how the escrowed funds could be released if there are additional monies. Mr. Boan pointed out that it is not that simple, that the Ways and Means Committee and Senate Finance Committee will not be able to take that action unless the Legislature is in session and there are three readings

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in each house. Governor Campbell said that the Board would have encumbered funds in a specific agency and part of the encumbrance of that agency could be released. Dr. Carter observed that this actually would be a prioritization for release, not redirecting appropriations.

Senator Drummond advised that his staff had determined that if the Department of Education and the Health and Human Services Finance Commission are exempted on the growth method, column 5 would be increased by 156.97%, the amount of reduction necessary for the remaining agencies if those two agencies are held harmless. He said that if they are held harmless for 50% of the cuts, other agencies would have to be reduced 4.95%.

Governor Campbell said that if half is cut and half is encumbered and the revenues come up there is an ability to unencumber or to exempt those agencies where funds have been encumbered. He said it is his intent, if revenues come up, to exempt the priority agencies, of which education is number one, from taking the further cut.

Mr. Boan pointed out that, if all the encumbered monies were to be released, Education would still be \$6 million short under Mr. Patterson's motion.

Senator Drummond reiterated that 112 agencies will suffer a loss with an across-the-board cut. He expressed the view that it would be impossible to get a majority of the General Assembly to adopt a \$202 million cut, since each member has a priority. He said that if Education and HHSFC are exempted, additional cuts are shifted to all other agencies. He added that if just 50% is exempted for those two agencies that adds a 5% reduction to every other agency, including Corrections. He expressed the view that when trying to protect one agency, when there has to be a \$200 million cut, creates a tremendous burden on smaller agencies which have only the alternative of a reduction-in-force. Mr. Boan suggested that Senator Drummond save that speech for the Senate Finance Committee.

Governor Campbell reemphasized that it will not make any difference if general fund revenues grow above what is being estimated under the last cut since the Board has the authority and the flexibility to release some encumbered monies.

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Senator Drummond observed that the Budget and Control Board had escrowed funds last year. Governor Campbell pointed out that some funds had been released to help education and others when the ability to do so had presented itself.

Mr. Shine pointed out that the Board cannot redirect funds without legislative authorization.

In the ensuing discussion, Mr. Boan said that using the escrow method is creating an expectation that is irresponsible. Governor Campbell expressed the view that the Board is not creating an expectation but is maintaining the flexibility to deal with contingencies.

Following a further discussion in which Board members reiterated their positions, Mr. Patterson restated his motion that the budget be adjusted in accordance with column 6, with half to be cut and half to be escrowed for each agency. The restated motion was seconded by Senator Drummond.

Mr. Morris said that, under either plan, Mental Retardation, Mental Health, and the Department of Social Services are the most hurt.

In further discussion, Governor Campbell again said that if he had the authority and if the state would not get sued and if the state were not in jeopardy of losing the credit rating, he would take out \$50 million to keep some agencies whole. He said he had been told that if he were to take that action the state would be sued and the process would come to a screeching halt. He emphasized his preference for doing that, but pointed out that he does not have those tools and the Board does not have those tools. He said that the Board is maintaining some flexibility with escrowing funds and has some ability to release priority items as revenues allow.

Following this discussion, by a three to one vote with one abstention, the Board chose a method for decreasing agency 1992-93 general fund allocations by \$136,391,445 based on growth as shown in column 6, with half of the decrease to be an immediate budget cut and half to be sequestered; and directed the Budget Division to assist agencies with budget adjustments.

[Secretary's Note: Governor Campbell, Mr. Patterson and Senator Drummond voted in favor of the motion; Mr. Boan voted against the motion; and Mr. Morris abstained.]

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Minutes of Budget and Control Board Meeting
August 22, 1992 -- Page 32

Mr. Boan expressed the view that the intent of the General Assembly has been violated today by the method of the cut. He added that the Board is sending Wall Street and the people of South Carolina the wrong message of expectation by sequestering funds. He said the bolder move would have been to make the cuts equitably across-the-board.

Governor Campbell expressed his great respect for Mr. Boan and acknowledged that Mr. Boan's arguments had been well made. He said the history of the Board has been that, on many occasions, there have been sequestrations for a period of time to determine if the money were needed and then, on a priority basis, released when it was not needed. He expressed the view that any priority basis release should be on the same priority given by the General Assembly. He added that, if the Board cuts across-the-board, it has no ability whatsoever to deal with priority items in the case of an upturn. He said the money is out of the budget and is set aside, and, from a cash standpoint, it will be in the cash balance. He said there also will be \$33 million in the reserve accounts. He ended by saying that the percentage of cut is applied exactly to the percentage of increases that the Legislature made, and that there will be an equal percentage by category on cuts and the dollar figures will be equal on a percentage basis.

In response to Senator Drummond, Mr. Brooks advised that those agencies that would receive less money this year than they had received last year will face RIFs.

Mr. Boan said he has read a lot about RIFs in the last few days. He pointed out that the state-funded FTE count is less than 600 more than it was four years ago. He said that many agencies have functioned for four years with very little growth, the majority of which is in Corrections. He expressed his belief that the possibility of a RIF is not now as big a factor as he had thought a week ago.

Governor Campbell said that Mr. Boan's point is well taken in that there may be some ability to manage down. He served notice to any agency head who might think that an automatic deficit could be run and said that the best thing he could do would be to find someone else to run that agency. He said the reductions can be managed internally and that, by this method of reduction, agencies have not been pushed into a mandatory RIF. He said agencies have the money they had as a basis for last year, and that many agencies had more. He

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August 22, 1992 -- Page 33

said that if agencies need to pull back in travel, capital purchases, or other areas, they have the tools to manage.

Mr. Morris advised that he had abstained from voting not because he does not realize the reduction has to be made. He said he would have voted for the motion that passed, but had abstained because he felt that the Board had not heard the intent of the Legislature.

Dr. Carter emphasized that implicit in the Board's motion is the instruction to the Budget Division to work with agencies and bring back to the Board whatever transfers are necessary.

Governor Campbell said that the flexibility that is necessary should be given to any agency and that the Budget Division should work with such agencies. He said the Division should start working immediately with the Education Department and pointed out that there is some ability to transfer. He expressed the view that the Board will hear a week or ten days of wailing and gnashing of teeth. He added that then the Board will come down to the level of knowing exactly what, if anything, needs money directed for release. He stressed that, if any agency says that it will cut the most popular program in order to gain points, he is serving notice that the agency head ought to be looking for a job. He asked that the budget reduction be dealt with on a real basis, and that games not be played.

Upon a motion by Senator Drummond, seconded by Mr. Patterson, the Board reduced the Aid to Subdivisions, Local Government Fund to the level of the fiscal year 1991-92 allocation. Mr. Morris abstained for the reason stated previously.

Upon a motion by Mr. Patterson, seconded by Senator Drummond, the Board directed the Budget Division to allocate fiscal year 1992-93 general funds to agencies. Mr. Morris abstained for the reason stated previously.

Information relating to this matter has been retained in these files and is identified as Exhibit 3.

Adjournment

The meeting was adjourned at 12:30 p.m.

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**Minutes of Budget and Control Board Meeting
August 22, 1992 -- Page 34**

[Secretary's Note: In compliance with Code §30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room in the State House, near the Board Secretary's office in the Wade Hampton Building, and in the lobby of the Wade Hampton Office Building at 3:30 p.m. on Thursday, August 20, 1992.]

EXHIBIT

AUG 22 1992

1

STATE BUDGET AND CONTROL BOARD
MEETING OF August 22, 1992

STATE BUDGET & CONTROL BOARD
REGULAR SESSION

ITEM NUMBER 1

AGENCY: Budget Division

SUBJECT: Fiscal Year 1991-92 Closeout

On Tuesday, August 18, 1992, Comptroller General Earle E. Morris, Jr., presented the overview of the completed 1991-92 fiscal year report.

The prevent the State from having a deficit fund balance, \$21,197,021.46 was sequestered from funds authorized for carry forward into 1992-93.

A list showing the affected agencies is attached.

BOARD ACTION REQUESTED:

Ratify actions taken by the Comptroller General, sequestering \$21,197,021.46 from funds authorized for carryforward into 1992-93, to prevent the State from having a deficit fund balance in 1991-92.

ATTACHMENTS:

Agenda item worksheet; list of sequestered accounts

C1316

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (12/84)

Meeting Scheduled for: August 22, 1992

93-14
Regular Agenda

1. Submitted By:

(a) Agency: State Budget Division

(b) Authorized Official Signature: _____

2. Subject:

1991-92 Year-End Closing Report

3. Summary Background Information:

On Tuesday, August 18, 1992, Earle E. Morris, Jr., Comptroller General presented the overview of the completed 1991-92 fiscal year financial report. To prevent the State from having a deficit fund balance, \$21,197,021 was sequestered from previously authorized carry forwards into 1992-93. A copy of the effected agencies is attached.

4. What is Board asked to do?

Ratify the Comptroller General's actions.

EXHIBIT

AUG 22 1992

1

5. What is recommendation of Board Division involved?

Ratify the Comptroller General's actions.

STATE BUDGET & CONTROL BOARD

6. Recommendation of other Division/agency (as required)?

(a) Authorized Signature: _____

(b) Division/Agency Name: _____

7. Supporting Documents:

(a) List Those Attached:

(b) List Those Not Attached But Available From Submitter:

1. The Completed Fiscal Year--Comptroller's Overview

C1317

SEQUESTERED 1991-92 APPROPRIATION CARRY FORWARD AMOUNTS

<u>AGENCY NAME</u>	<u>AMOUNT</u>
Budget & Control Board	
Local Government	\$20,305,073.78
Research & Statistical Services Division	13,112.20
General Services Division	149,338.27
Governor's Office	
OEPP Match Fund	<u>729,497.21</u>
 TOTAL	 \$21,197,021.46

EXHIBIT

AUG 22 1992 1

STATE BUDGET & CONTROL BOARD

01318

EXHIBIT

AUG 22 1992

2

STATE BUDGET AND CONTROL BOARD
MEETING OF August 22, 1992

STATE BUDGET & CONTROL BOARD
REGULAR SESSION
ITEM NUMBER 2

AGENCY: Board of Economic Advisors

SUBJECT: 1992-93 Revenue Outlook

The Chairman of the Board of Economic Advisors will apprise the Board of actions taken by the BEA at its August 19 meeting.

BOARD ACTION REQUESTED:

Accept the Board of Economic Advisors' revenue estimate for 1992-93 of \$3,567.2 million.

ATTACHMENTS:

C1319



EXHIBIT

AUG 22 1992

2

STATE BUDGET & CONTROL BOARD

STATE OF SOUTH CAROLINA BOARD OF ECONOMIC ADVISORS

Harry W. Miley, Jr., Chairman
~~Walter R. Feltus, Chairman~~
Andrew J. Crane
~~Thomas E. Smith, Ph.D.~~ S. Hunter Howard, Jr.
~~Richard H. Howard, Jr., Ex officio~~
A. Crawford Clarkson, Jr., Ex officio
Barbara A. Feinn, Ph.D., Executive Director

Edgar A. Brown Building
Suite 535
1205 Pendleton Street
Columbia, S. C. 29201
803/734-1510

To: South Carolina Budget and Control Board

From: Harry W. Miley, Jr.

Subject: Estimates for FY 1992-93

The Board of Economic Advisors met on August 19 to evaluate the impact on Fiscal Year 1992-93 revenues of final collections for Fiscal Year 1991-92 of \$3341.6 million as reported by the Comptroller General August 18th. This was a decrease of \$43.4 million from the \$3385.0 million for Fiscal Year 1991-92 forecast by the Board of Economic Advisors on February 10, 1992. Given the lower base and slower economic conditions than had been anticipated at that time by national and State forecasters, the Board of Economic Advisors estimated revenues for Fiscal Year 1992-93 of \$3567.2 million, a reduction of \$195.0 million from the Appropriation Act of \$3762.2 million.

Board of Economic Advisors

August 21, 1992

01320

EXHIBIT

AUG 22 1992

2

TABLE I

STATE BUDGET & CONTROL BOARD

GENERAL FUND REVENUES
FISCAL YEARS 1991-92 AND 1992-93
(In Millions of Dollars)

	ACTUAL FY 1991-92	BEA 8/19/92 ESTIMATE FY 1992-93
TOTAL GENERAL FUND (1)	3341.6	3567.2
Total Regular Sources (1)	3281.9	3393.0
Sales Tax (1)	1166.0	1207.0
Individual Income Tax	1410.9	1470.3
Corporation Income Tax	132.4	139.7
All Other	572.6	576.0
Miscellaneous Sources	59.7	174.2
Education Improvement Fund	294.223	301.750*
Interest on Education Improvement Fund	0.895	0.525
TOTAL	295.118	302.275
	<u>RATES OF CHANGE**</u>	
TOTAL GENERAL FUND	1.1%	6.8%
Total Regular Sources	0.7	3.4
Sales Tax	0.9	3.5
Individual Income Tax	1.7	4.2
Corporation Income Tax	7.2	5.5
All Other	-0.1	0.6
Miscellaneous Sources	26.5	191.6
Education Improvement Fund	1.3	2.6
Interest on Education Improvement Fund	-55.0	-41.3
TOTAL	0.9	2.4

(1) Net of Education Improvement Fund.

* One-fifth of total sales tax.

** Percent change based on unrounded figures.

Board of Economic Advisors
August 21, 1992

01321

EXHIBIT

AUG 22 1992 2

STATE BUDGET & CONTROL BOARD

TABLE II

STATE OF SOUTH CAROLINA
TOTAL BUDGETARY GENERAL FUND
QUARTERLY ESTIMATES
Fiscal Year 1992-93
(In Millions of Dollars)

	FY 1992-93 -----
FIRST QUARTER	904.8
SECOND QUARTER	1818.8
THIRD QUARTER	2589.3
FOURTH QUARTER	3567.2

PERCENT OF TOTAL REVENUES
COLLECTION BY QUARTER

	FY 1992-93 -----
FIRST QUARTER	25.4
SECOND QUARTER	25.6
THIRD QUARTER	21.6
FOURTH QUARTER	27.4

Note: Tax collections for June sales accrue in the month of June.

Board of Economic Advisors
August 21, 1992

C1322

EXHIBIT

AUG 22 1992

2

STATE BUDGET & CONTROL BOARD

REVENUE FORECASTING PROCEDURES BOARD OF ECONOMIC ADVISORS FISCAL YEAR 1992-93

The procedures and methodology of the Board of Economic Advisors in the preparation of the revenue forecast for Fiscal Year 1992-93 as of August 19, 1992 involved four major stages: 1) providing the economic background and setting at the national and State levels for the revenue forecasts; 2) interpreting recent and historical revenue relationships; 3) interacting with officials of other states with responsibility for revenue forecasting; and 4) evaluating final Fiscal Year 1991-92 collections and their impact on Fiscal Year 1992-93 revenues.

The Board members consulted as in the past with business and financial experts and professional economists for economic intelligence gathering. This included presentations on the national and State economies at the August 19, 1992 meeting of the Board of Economic Advisors by Bruce Yandle, Jr., Ph.D., Alumni Professor of Legal Studies and First Savings Bank Scholar, Clemson University and Frank L. Hefner, Ph.D., Assistant Professor and Research Economist, Division of Research, College of Business Administration, University of South Carolina.

The resources of the national forecasting groups by which the SCOPE model and other forecasts are driven, Data Resources, Inc., Evans Economics, Inc., and WEFA, Inc., were available weekly and monthly to Board members and staff. Materials from a variety of sources--international, national and State publications--were also made available to Board members and staff. In addition, there was Board interaction with numerous national and regional economists. Further, there was BEA staff interaction at the Carolinas Chapter of the National Association of Business Economists meeting held in Columbia, South Carolina on June 26, 1992. Board members and staff continued discussions with leading economists and business and financial leaders prior to the release of this Report as well as with forecasters from South Carolina universities before and at the Board's August 19, 1992 meeting in Columbia.

Board of Economic Advisors
August 21, 1992

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BRIEF OVERVIEW OF THE SCOPE MODEL

The SCOPE (South Carolina Operations Planning and Evaluation) Model was initiated in 1972 in the Office of Chief Economist (originally in the Governor's office). It was designed and operated as a policy and forecasting tool for top level executive, legislative and management decision making. SCOPE is an econometric model designed to reflect the South Carolina economy and to forecast the performance of major economic variables in the State, particularly tax revenues, employment and income. The model is based on a framework of economic activity in the State relative to national economic activity with approximately 85 exogenous national variables provided by leading national forecasting services such as Data Resources, Inc., the WEFA Group, and Evans Economics, Inc.

The SCOPE core econometric model consists of 51 equations, of which 37 are stochastic* and 14 are identities. SCOPE attempts to reflect the diversity of the South Carolina economy by including 19 industrial sectors of manufacturing and nonmanufacturing employment, and a series of equations for wages, personal income and unemployment.

Durable Manufacturing Employment

The durable manufacturing employment block consists of ten stochastic equations for the major industries in the State as reported by the South Carolina Employment Security Commission. The employment equations for each separate industry are expressed as a function of a national consumption expenditure index appropriate for that particular industry, a national industrial production index corresponding to that industry and the national level of employment in that industry. The durable employment forecasts include the following industries: Lumber and Wood Products, Stone, Clay and Glass, Primary and Fabricated Metal Products, Electrical and Nonelectrical Machinery and Other Durables which includes Furniture and Fixtures, Transportation, Instruments and Related Products.

Nondurable Manufacturing Employment

The nondurable manufacturing employment block consists of seven stochastic equations for the major nondurable industries in the State. Like the durable block, the employment equation for each industry is expressed as a function of a national consumption index appropriate for that particular industry, a national industrial production index for that particular industry and the national level of employment in that industry. Employment forecasts are available for each of the following nondurable industries: Food and Kindred Products, Textile Mill Products, Apparel, Paper, Printing and Publishing, Chemicals and Other Nondurables, such as Rubber and Miscellaneous Plastics Products.

* Stochastic is defined as a type of modeling for time series analysis explaining future probability from historical experience.

Nonmanufacturing Employment

The nonmanufacturing employment block is disaggregated into eight stochastic equations: Mining, Construction, Transportation and Public Utilities, Services, Trade, Finance-Insurance-Real Estate, State and Local Government and Federal Government. Employment growth in these industries is specified as functions of State population, national employment in these industries and national consumption indices.

Personal Income

The personal income block is composed of 12 equations, one equation for the unemployment rate, one equation to adjust for nonresidents, and ten additional equations for each of the ten major components of personal income as published by the Bureau of Economic Analysis, U.S. Department of Commerce. These equations are specified as functions of their respective national and State income and employment variables. In addition, equations are estimated for wage and salary disbursements for all major industries and are specified as functions of national wage trends and State employment levels.

Revenues

The revenue section of the model is being structured to emphasize four major stochastic Regular Revenue Sources equations: 1) South Carolina corporate income tax, 2) South Carolina individual income taxes, 3) South Carolina retail sales tax, and 4) all other taxes. These equations are individually specified as functions of aggregate employment and income with their respective coefficients and constants. In addition, there are two stochastic equations for taxable sales and refunds.

Equations of the model are continuously respecified to account for revisions in historical data. Reformulation and respecification of the model continues as an ongoing process. Forecasts from the SCOPE core and revenue models were made available for deliberations in the first official estimate of FY 1992-93 by the Board of Economic Advisors on October 10, 1991, and for the February 15 revisions of FY 1991-92 and FY 1992-93 made at the Board of Economic Advisors meeting on February 10, 1992.

Board of Economic Advisors
August 21, 1992

EXHIBIT

AUG 22 1992

2

STATE BUDGET & CONTROL BOARD

01325

EXHIBIT

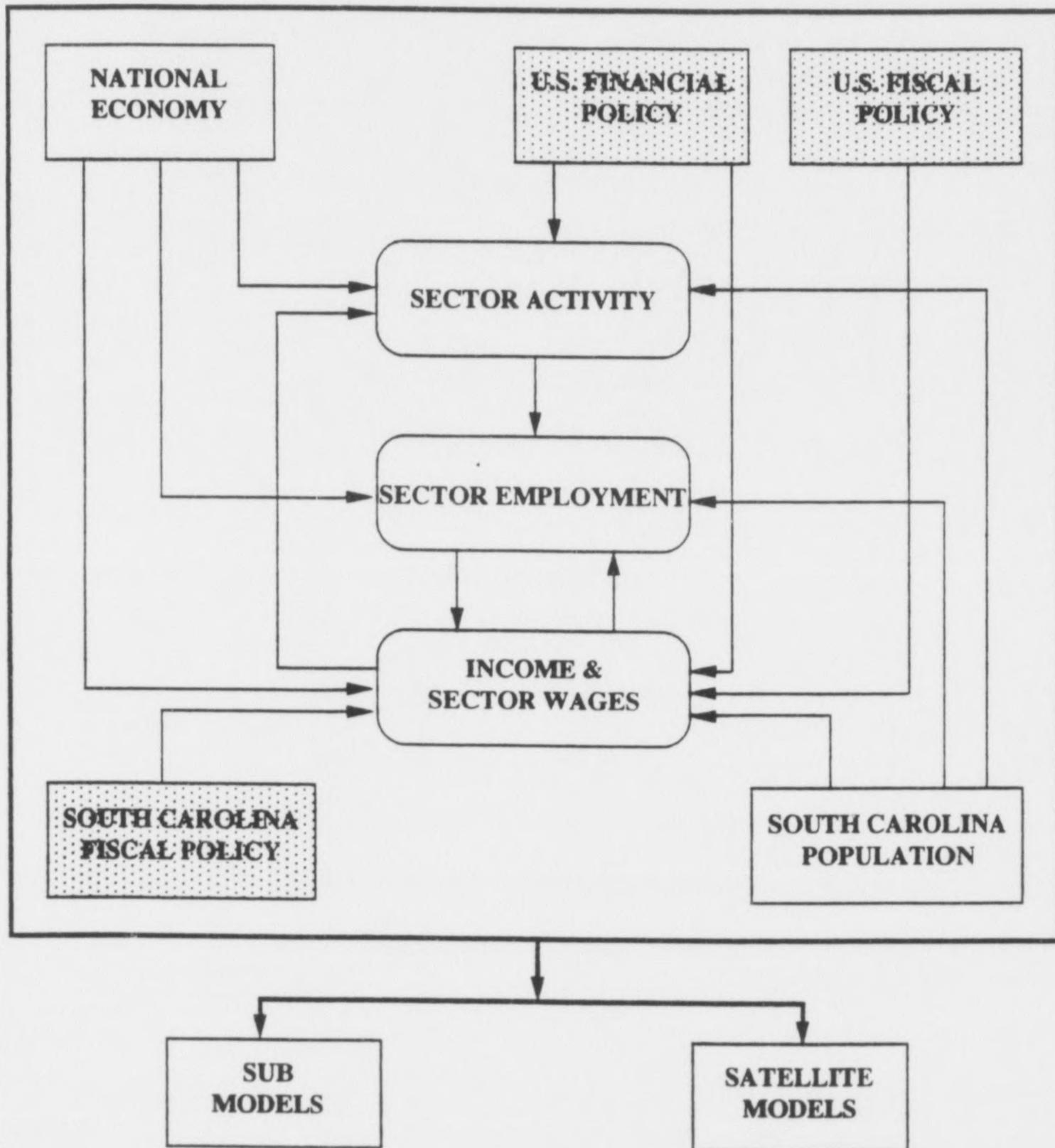
AUG 22 1992

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SCOPE MODEL

STATE BUDGET & CONTROL BOARD

SOUTH CAROLINA OPERATIONS, PLANNING & EVALUATION MODEL



-  Exogenous Variables
-  Exogenous Policy Variables
-  Endogenous Variables

EXHIBIT

AUG 22 1992

3

STATE BUDGET AND CONTROL BOARD
MEETING OF August 22, 1992

STATE BUDGET & CONTROL BOARD
REGULAR SESSION
ITEM NUMBER 3

AGENCY: Budget Division

SUBJECT: Fiscal Year 1992-93 Budget

On August 19, the Board of Economic Advisors estimated general fund revenues for fiscal year 1992-93 of \$3,567.2 million, a reduction of \$195.0 million from the 1992-93 Appropriation Act of \$3,762.2 million. Proviso 14N.2 authorizes the Budget and Control Board to take action to avoid a year-end deficit. Proviso 14R.1 requires that, in the event of a mid-year reduction, the Capital Reserve Fund be used to alleviate any projected deficit before any agency budget is reduced. The budgeted amount in the Capital Reserve Fund is \$66,108,555.

Proviso 14N.2 also states "...no reduction shall be applied to funds encumbered by a written contract with an agency not connected with State Government." To close fiscal year 1991-92 with a positive fund balance, the Board authorized the use of \$20,305,074 in prior year appropriations brought forward in the Budget and Control Board Local Government Division, Grant Program Fund. The Division recommends that the Board reduce the 1992-93 budget by \$7,500,000 more than that of the revised BEA estimate so that an account may be established to honor contractual obligations in the Grant Program Fund.

After using the Capital Reserve Fund and establishing an account for the Grant Program Fund, the reduction necessary to adjust expenditures to the level of revised general fund revenues is \$136,391,445. Proviso 14N.2 states that "Any reduction of rate of expenditure... shall be applied as uniformly as may be practicable..." The Division has prepared two proposals for the Board to consider in making the reductions. Details on the proposals will be presented at the meeting.

Code Section 6-27-20 (State Aid to Subdivisions Act, Local Government Fund) provides that, if mid-year cuts are mandated by the Budget and Control Board, a majority vote of the Board is required to reduce the Fund.

Once the Board has made a decision on mid-year reductions, the Budget Division requests authorization to allocate general funds to agencies in accord with the provisions of the 1992-93 Appropriations Act.

BOARD ACTION REQUESTED:

Regarding the 1992-93 budget:

- (a) Sequester the entire Capital Reserve Fund (\$66,108,555);
- (b) Establish an account for the Grant Program Fund (\$7,500,000) to honor contractual obligations;
- (c) Choose a method for decreasing agency 1992-93 general fund allocations; and direct the Budget Division to assist agencies with budget adjustments;
- (d) Reduce the Aid to Subdivisions, Local Government Fund to the level of the fiscal year 1991-92 allocation; and
- (e) Direct the Budget Division to allocate fiscal year 1992-93 general funds to agencies.

ATTACHMENTS:

Agenda item worksheet; Proviso 14N.2; Proviso 14R.1; § 6-27-20

01327

BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET (12/84)

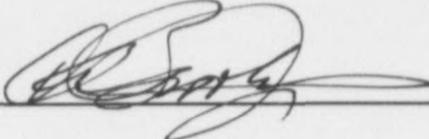
93-16

Meeting Scheduled for: August 22, 1992

Regular Agenda

1. Submitted By:

(a) Agency: State Budget Division

(b) Authorized Official Signature: 

2. Subject:

Fiscal Year 1992-93 Budget Reductions

3. Summary Background Information:

On August 19, 1992, the Board of Economic Advisors reduced the Fiscal Year 1992-93 General Fund revenue estimate from \$3,762.2 million to \$3,567.2 million, a decrease of \$195.0 million. In keeping with the requirements of Proviso 14N.2 of the Fiscal Year 1992-93 Appropriation Act, the Board is authorized to take action to avoid a year-end deficit. Proviso 14R.1 requires that in the event of a mid-year reduction, the Capital Reserve Fund be used to alleviate any projected deficit before any agency budget is reduced. The budgeted amount in the Capital Reserve Fund is \$66,108,555.

Proviso 14N.2 also states, "no reduction shall be applied to funds encumbered by a written contract with an agency not connected with State Government." In order to close Fiscal Year 1991-92 with a positive fund balance, the Board authorized the use of \$20,305,074 in prior year appropriations brought forward in the Budget and Control Board - Local Government Division, Grant Program Fund. In keeping with the intent of Proviso 14N.2, the Budget Division recommends the Board reduce the budget by \$7,500,000 more than the revised estimate of the Board of Economic Advisors so that an account may be established to honor contractual obligations in the Grant Program Fund.

The remaining reduction necessary to adjust expenditures to the level of revised General Fund revenues, after spending the Capital Reserve Fund and establishing an account for the Grant Program Fund, is \$136,391,445. The overriding caveat for mid-year appropriation decreases, as stated in Proviso 14N.2, is that any expenditure reduction be "applied as uniformly as may be practicable." The State Budget Division has prepared two scenarios for the Board to consider in making the reductions. Details of the two scenarios will be distributed at the Board meeting.

Per the requirements of Title VI, Section 27, South Carolina Code of Laws (State Aid to Subdivisions Act), if mid-year reductions are mandated by the Board, separate action must be taken by the Board to reduce the Local Government Fund. A majority vote of the Board is necessary to reduce the Fund.

Upon determination of a decision regarding mid-year reductions, the Budget Division requests permission to allocate General Funds to agencies in accord with provisions of the Fiscal Year 1992-93 Appropriation Act.

01328

4. What is Board asked to do?

The Board is asked to take five separate actions: 1) sequester the entire Capital Reserve Fund; 2) establish an account for the Grant Program Fund; 3) choose one of the two scenarios for decreasing agency General Fund allocations, 4) vote to reduce the Local Government Fund to the level of the Fiscal Year 1991-92 allocation; and 5) grant permission to the State Budget Division to allocate Fiscal Year 1992-93 General Funds to agencies.

5. What is recommendation of Board Division involved?

Recommend approval of the sequestration of the Capital Reserve Fund, approval of agency reductions based upon allocation growth in Fiscal Year 1992-93, approval of an account for the Grant Program Fund, approval of a reduction in the allocation of the Local Government Fund to that amount distributed in the previous fiscal year and approval of Fiscal Year 1992-93 allocations.

6. Recommendation of other Division/agency (as required)?

(a) Authorized Signature: _____

(b) Division/Agency Name: _____

7. Supporting Documents:

(a) List Those Attached:

(b) List Those Not Attached But Available From Submitter:

EXHIBIT

AUG 22 1992

3

STATE BUDGET & CONTROL BOARD

01329

14N.2. (Mid-Year Budget Reductions & Restricting the Rate of Expenditures) (Moved from 129.18. & 129.19.) Any appropriations made herein or by special act now or hereafter, are hereby declared to be maximum, conditional and proportionate, the purpose being to make them payable in full in the amount named herein, if necessary, but only in the event the aggregate revenues available during the period for which the appropriation is made are sufficient to pay them in full. The State Budget and Control Board shall have full power and authority to survey the progress of the collection of revenue and the expenditure of funds by all departments and institutions. If the Budget and Control Board determines that a deficit may occur, it shall utilize such funds as may be available to avoid a year end deficit and thereafter take such action as necessary to restrict the rate of expenditure as provided in this section of this Act. No institution, activity, program, item, special appropriation, or allocation for which the General Assembly has provided funding in any part of this Act shall be discontinued, deleted, or deferred by the Budget and Control Board. Any reduction of rate of expenditure by the said Board, under authority of this Act, shall be applied as uniformly as may be practicable except that no reduction shall be applied to funds encumbered by a written contract with an agency not connected with the State Government. No such reduction shall be ordered by the State Budget and Control Board while the General Assembly is in session without first reporting such necessity to the General Assembly and allowing 48 hours for a response.

As far as practicable all departments, institutions, and agencies of the State are hereby directed to budget and allocate the appropriations herein made to them as quarterly allocations so as to provide for operation on uniform standards throughout the fiscal year and in order to avoid a deficiency in such appropriations. It should be recognized that academic year calendars of state institutions will affect the uniformity of the receipt and distribution of funds during the years. The Budget and Control Board is authorized to require any agency, institutions or department to file a quarterly allocations plan and is further authorized to restrict the rate of expenditures of the agency, institution or department if the Board determines that a deficit may occur. The bonds of State officials violating the terms of this section shall be held liable therefor, unless the Budget and Control Board has been advised of, and officially recognizes the necessity for such deficit.

14R.1. (Deficit Projected - Use of CRF) If the Board of Economic Advisors revenue forecast to the Budget and Control Board at any time during the current fiscal year projects that revenues for the current fiscal year will be less than appropriated expenditures for this year, the Budget and Control Board in mandating necessary cuts during the current fiscal year to eliminate the projected deficit must first reduce to the extent necessary the appropriation herein contained to the Capital Reserve Fund, prior to mandating any cuts in operating appropriations.

EXHIBIT

AUG 22 1992

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CHAPTER 27 [New]

STATE BUDGET & CONTROL BOARD

State Aid to Subdivisions Act

SEC.

- 6-27-10. Short title.
- 6-27-20. Local Government Fund; fund exempt from mid-year cuts; exception.
- 6-27-30. Funding of Local Government Fund from general fund revenues.
- 6-27-40. Distribution of monies appropriated to Local Government Fund; use of funds distributed.
- 6-27-50. Restrictions on amendment or repeal of chapter.

§ 6-27-10. Short title.

This chapter may be cited as the State Aid to Subdivisions Act.

HISTORY: 1991 Act No. 171, Part II, § 22A, eff July 1, 1991.



§ 6-27-20. Local Government Fund; fund exempt from mid-year cuts; exception.

There is created the Local Government Fund administered by the State Treasurer. This fund is part of the general fund of the State. It is the intent of the General Assembly that this fund not be subject to mid-year cuts. However, if mid-year cuts are mandated by the State Budget and Control Board to avoid a year-end deficit, this fund is not subject to such cuts, except by a majority vote of the entire State Budget and Control Board which is separate and apart from any other reduction. These cuts are permitted only to the extent that counties and municipalities do not receive less funding than received in the immediate preceding fiscal year. The Local Government Fund must be financed as provided in this chapter.

HISTORY: 1991 Act No. 171, Part II, § 22A, eff July 1, 1991.

§ 6-27-30. Funding of Local Government Fund from general fund revenues.

In the annual general appropriations act, an amount equal to not less than four and one-half percent of general fund revenues of the latest completed fiscal year must be appropriated to the Local Government Fund.

HISTORY: 1991 Act No. 171, Part II, § 22A, eff July 1, 1991.

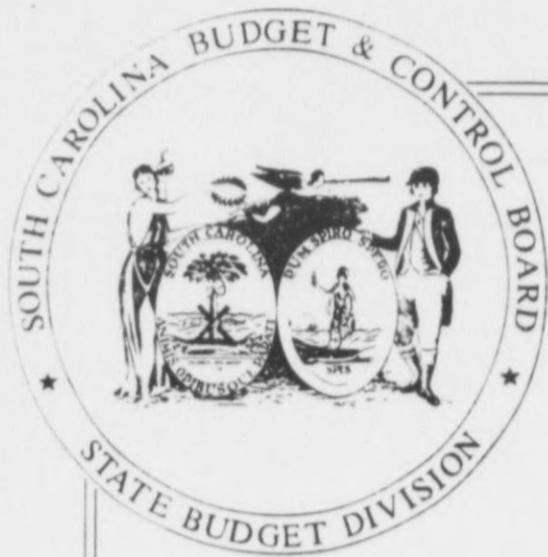
§ 6-27-40. Distribution of monies appropriated to Local Government Fund; use of funds distributed.

(A) Not later than thirty days after the end of the calendar quarter, the State Treasurer shall distribute the monies appropriated to the Local Government Fund as follows:

- (1) Eighty-three and two hundred seventy-eight thousandths percent must be distributed to counties. Of the total distributed to counties, each county must receive an amount based on the ratio that the county's population is of the whole population of this State according to the most recent United States Census.
- (2) Sixteen and seven hundred twenty-two thousandths percent must be

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C1331



EXHIBIT

AUG 22 1992

3

STATE BUDGET & CONTROL BOARD

RECOMMENDATIONS FOR REDUCTIONS TO THE FY 1992-93 APPROPRIATION ACT

August 22, 1992

C1332

EXHIBIT

AUG 22 1992 3

STATE BUDGET & CONTROL BOARD

RECOMMENDATIONS FOR REDUCTIONS TO THE FY 1992-93 APPROPRIATION ACT

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01333

FISCAL YEAR 1992-93
GENERAL FUND
REDUCTION ALLOCATION
(in \$)

AGY	AGENCY NAME	COLUMN #1 FY 1992-93 BEGINNING APPROPRIATION BASE	COLUMN #2 TOTAL APPROPRIATION BASE FY 92-93 LINE 180	COLUMN #3 EXEMPTIONS FROM BEGINNING BASE	COLUMN #4 EXEMPTIONS FROM LINE 180 BASE	COLUMN #5 ALLOCATION INCREASES ABOVE BASE	COLUMN #6 ACROSS THE BOARD BASED ON GROWTH	COLUMN #7 ACROSS THE BOARD BASED ON % OF TOTAL
	GRAND TOTAL	3,483,479,441	3,728,986,253	3,424,098	252,449,676	192,544,650	136,391,445	136,391,445
A01	LEG DEPT - SENATE	7,303,974	7,333,647			29,673	21,019	287,727
A05	LEG DEPT - HOUSE	8,253,296	8,347,045			93,749	66,408	327,487
A10	LEG DEPT - SP SERV BOTH HOUSE	302,988	302,592			0	0	11,872
A15	LEG DEPT - CODE OF LAWS LEG COUNC	2,048,597	2,090,552			41,955	29,719	82,020
A17	LEG DEPT - LEG PRINT & INFO TECH	2,572,842	2,566,600			0	0	100,698
A20	LEG DEPT - LEG AUDIT COUNCIL	1,057,685	1,064,011			6,326	4,481	41,745
A25	LEG DEPT - LEG INFO SYSTEMS	864,113	871,208			7,095	5,026	34,181
A27	LEG DEPT - REORGANIZATION COMM	998,081	1,024,073			25,992	18,412	40,178
A28	ADVISORY COMM INTERGOVERNMENTAL RE	245,008	246,543			1,535	1,087	9,673
A30	LEG DEPT - JT LEGISLATIVE COMMITT	2,843,730	1,204,667	1,581,491		0	0	47,264
B04	JUDICIAL DEPARTMENT	26,884,511	28,947,112			2,062,601	1,461,070	1,135,707
B06	SENTENCING GUIDELINES COMMISSION	87,388	87,819			431	305	3,445
D05	GOV OFFICE - E C OF S	1,481,769	1,505,516			23,747	16,821	59,067
D10	GOV OFFICE - SLED	22,697,793	22,800,826			103,033	72,985	894,564
D17	GOV OFFICE - OEPP	6,046,191	6,152,999			106,808	75,659	241,406
D20	GOV OFFICE - MANSION & GROUNDS	263,344	267,723			4,379	3,102	10,504
E04	LIEUTENANT GOVERNOR	266,507	267,492			985	698	10,495
E08	SECRETARY OF STATE	1,323,405	1,339,202			15,797	11,190	52,542
E12	COMPTROLLER GENERAL	4,263,926	4,367,534			103,608	73,392	171,355
E16	STATE TREASURER	3,516,901	3,598,494			81,593	57,797	141,183
E20	ATTORNEY GENERAL	6,333,346	6,320,228	85,129		72,011	51,010	244,627
E21	PROSECUTION COORDINATION COMMISSI	5,458,679	6,986,205		85,129	1,442,397	1,021,740	270,756
E22	COMM ON APPELATE DEFENSE	829,466	832,778			3,312	2,346	32,673
E24	ADJUTANT GENERAL	5,358,179	5,348,552			0	0	209,844
E28	ELECTION COMMISSION	1,672,847	4,192,464		2,421,109	98,508	69,779	69,497
F02	B & C - EXEC DIRECTOR	1,395,779	1,365,638	80,817		50,676	35,897	50,408
F04	B & C - INTERNAL OPERATIONS	2,030,300	2,053,841			23,541	16,676	80,580
F05	B & C - FINANCIAL DATA SYSTEMS	2,533,069	2,550,240			17,171	12,163	100,056
F06	B & C - BUDGET	1,391,679	1,439,154			47,475	33,630	56,464
F08	B & C - RESEARCH & STATISTICS	3,389,968	3,438,959			48,991	34,703	134,924
F10	B & C - IRM	1,729,330	1,736,915			7,585	5,373	68,146
F12	B & C - GENERAL SERVICES	6,307,399	6,263,469			0	0	245,740
F14	B & C - STATE FIRE MARSHAL	2,253,309	2,290,721			37,412	26,501	89,874
F16	B & C - MOTOR VEHICLE MANAGEMENT	73,486				0	0	0
F24	B & C - DIV OF HUMAN RESOURCE MGM	3,117,024	3,166,159			49,135	34,805	124,221
F26	B & C - LOCAL GOVERNMENT	12,834,471	12,802,471		80,817	0	0	499,120
F27	B & C - STATE AUDITOR	3,918,048	4,054,485			136,437	96,647	159,073
F28	B & C - BEA	355,618	359,376			3,758	2,662	14,100
F30	B & C - EMPLOYEE BENEFITS	9,705,132	20,796,677		20,796,677	0	0	0
F31	B & C - CAPITAL EXPENDITURE FUND	65,895,420	66,108,555		66,108,555	0	0	0
H03	HIGHER EDUCATION COM	3,754,112	3,746,579			0	0	146,993
H06	HIGHER ED TUITION GRANTS COM	16,530,649	16,702,939			172,290	122,044	655,321
H09	CITADEL	12,818,224	13,084,801			266,577	188,833	513,367
H12	CLEMSON	76,958,580	81,596,686			4,638,106	3,285,461	3,201,353
H15	COLLEGE OF CHARLESTON	20,408,004	21,796,063			1,388,059	983,249	855,144
H18	FRANCIS MARION	11,929,652	12,207,271			277,619	196,655	478,938
H21	LANDER	7,823,173	8,051,256			228,083	161,565	315,882

STATE BUDGET & CONTROL BOARD

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EXHIBIT

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FISCAL YEAR 1992-93
GENERAL FUND
REDUCTION ALLOCATION
(in \$)

AGY	AGENCY NAME	COLUMN #1 FY 1992-93 BEGINNING APPROPRIATION BASE	COLUMN #2 TOTAL APPROPRIATION BASE FY 92-93 LINE 180	COLUMN #3 EXEMPTIONS FROM BEGINNING BASE	COLUMN #4 EXEMPTIONS FROM LINE 180 BASE	COLUMN #5 ALLOCATION INCREASES ABOVE BASE	COLUMN #6 ACROSS THE BOARD BASED ON GROWTH	COLUMN #7 ACROSS THE BOARD BASED ON % OF TOTAL
H24	S C STATE	18,290,780	19,306,491			1,015,711	719,492	757,468
H27	USC - COLUMBIA	118,492,466	123,526,693			5,034,227	3,566,059	4,846,429
H28	USC - MEDICAL SCHOOL	18,129,481	19,241,450			1,111,969	787,677	754,916
H29	USC - AIKEN	7,225,671	7,705,490			479,819	339,886	302,316
H32	USC - COASTAL	10,013,928	10,276,479			262,551	185,981	403,186
H34	USC - SPARTANBURG	9,143,942	9,651,938			507,996	359,845	378,683
H36	USC - BEAUFORT	1,692,561	1,787,540			94,979	67,280	70,132
H37	USC - LANCASTER	2,308,332	2,436,346			128,014	90,680	95,587
H38	USC - SALKEHATCHIE	1,683,780	1,824,279			140,499	99,524	71,574
H39	USC - SUMTER	3,175,127	3,359,846			184,719	130,848	131,820
H40	USC - UNION	895,877	926,881			31,004	21,962	36,365
H47	WINTHROP	18,846,857	19,086,348			239,491	169,646	748,831
H51	MUSC	78,429,414	78,966,291			536,877	380,304	3,098,153
H52	MUSC - HOSPITAL	18,232,169	18,867,424			635,255	449,991	740,242
H53	MUSC - EXTENSION	14,149,509	14,785,630			636,121	450,604	580,097
H55	ADV COUNCIL VOC & TECH ED	80,397	81,136			739	523	3,183
H59	TECH & COMPREHENSIVE BD	113,883,924	122,996,360			9,112,436	6,454,910	4,825,622
H63	EDUCATION DEPT	1,144,771,723	1,221,278,515			76,506,792	54,194,556	47,915,473
H67	ETV	18,023,191	18,077,992			54,801	38,819	709,269
H71	WIL LOU GRAY OPPORT SCHOOL	2,683,629	2,765,399			81,770	57,923	108,497
H73	VOCATIONAL REHABILITATION	14,774,726	14,954,684			179,958	127,476	586,730
H75	DEAF AND BLIND SCHOOL	10,220,139	10,402,126			181,987	128,913	408,116
H79	ARCHIVES AND HISTORY	4,138,457	4,208,432			69,975	49,568	165,113
H83	CONFEDERATE RELIC ROOM	198,781	200,085			1,304	924	7,850
H87	STATE LIBRARY	5,957,772	6,089,929			132,157	93,615	238,931
H91	ARTS COMMISSION	3,560,713	3,602,771			42,058	29,792	141,351
H95	MUSEUM COMM	5,278,891	5,310,897	1,676,661	1,676,661	32,006	22,672	142,585
J02	HEALTH AND HUMAN SERVICES FINANCE	186,472,195	215,620,336			29,148,141	20,647,455	8,459,618
J03	CONTINUUM OF CARE-EMOTIONALLY DIS	2,306,642	2,295,200			0	0	90,050
J04	DHEC	96,337,353	97,781,049			1,443,696	1,022,660	3,836,328
J12	MENTAL HEALTH	174,065,671	174,931,239			865,568	613,136	6,863,228
J16	MENTAL RETARDATION	86,634,316	93,400,840			6,766,524	4,793,153	3,664,476
J20	ALCOHOL AND DRUG ABUSE	9,818,304	10,068,121			249,817	176,961	395,011
L04	DSS	107,663,482	116,680,136			9,016,654	6,387,061	4,577,812
L12	JOHN DE LA HOWE SCHOOL	3,289,475	3,376,239			86,764	61,460	132,463
L16	FOSTER CARE REVIEW BD	1,098,722	1,131,689			32,967	23,353	44,401
L24	BLIND COMMISSION	3,263,783	3,265,481			1,698	1,203	128,117
L28	AGING COMMISSION	2,440,303	2,539,498			99,195	70,266	99,634
L32	HOUSING AUTHORITY	469,306	471,670			2,364	1,675	18,505
L36	HUMAN AFFAIRS	1,772,389	1,783,632			11,243	7,964	69,979
L40	VETERANS AFFAIRS	1,240,647	1,256,329			15,682	11,109	49,291
L44	COMM ON WOMEN	76,515	77,653			1,138	806	3,047
N04	CORRECTIONS	199,181,927	210,672,571			11,490,644	8,139,543	8,265,499
N08	PAROLE AND COMMUNITY CORRECTIONS	14,231,170	14,549,139			317,969	225,237	570,819
N12	YOUTH SERVICES	33,691,609	35,399,238			1,707,629	1,209,621	1,388,849
P04	WATER RESOURCES COMM	4,139,619	4,222,686			83,067	58,842	165,672
P08	LAND RESOURCES	3,165,085	3,269,013			103,928	73,619	128,256
P12	FORESTRY COMM	16,260,717	16,600,188			339,471	240,469	651,289
P16	AGRICULTURE	6,223,733	6,376,550			152,817	108,250	250,177

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STATE BUDGET & CONTROL BOARD

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EXHIBIT

FISCAL YEAR 1992-93
GENERAL FUND
REDUCTION ALLOCATION
(in \$)

AGY	AGENCY NAME	COLUMN #1 FY 1992-93 BEGINNING APPROPRIATION BASE	COLUMN #2 TOTAL APPROPRIATION BASE FY 92-93 LINE 180	COLUMN #3 EXEMPTIONS FROM BEGINNING BASE	COLUMN #4 EXEMPTIONS FROM LINE 180 BASE	COLUMN #5 ALLOCATION INCREASES ABOVE BASE	COLUMN #6 ACROSS THE BOARD BASED ON GROWTH	COLUMN #7 ACROSS THE BOARD BASED ON % OF TOTAL
P20	CLEMSON - PSA	42,502,319	44,229,970			1,727,651	1,223,803	1,735,313
P22	MIGRATORY WATERFOWL COMM	29,471	29,176			0	0	1,145
P24	WILDLIFE AND MARINE RESOURCES	18,997,994	19,341,720			343,726	243,483	758,850
P25	COASTAL COUNCIL	1,512,470	1,529,993			17,523	12,413	60,028
P26	SEA GRANT CONSORTIUM	497,176	509,216			12,040	8,529	19,979
P28	PRT	14,994,851	15,170,638			175,787	124,521	595,203
P32	DEVELOPMENT BOARD	8,247,024	8,238,855			0	0	323,242
P34	S C JOBS ECON DEV AUTH	657,042	397,064			0	0	15,578
P40	SAVANNAH VALLEY AUTHORITY	1,536,460	1,133,475			0	0	44,471
P48	OLD EXCHANGE BUILDING	120,500	119,295			0	0	4,680
R04	PUBLIC SERVICE COMM	7,046,230	7,093,429			47,199	33,434	278,303
R08	WORKERS' COMPENSATION COMMISSION	3,665,953	3,698,262			32,309	22,886	145,097
R12	STATE WORKERS COMPENSATION FUND	604,261	2,206,352		1,581,491	20,600	14,592	24,516
R20	INSURANCE DEPT	5,135,924	5,165,333			29,409	20,832	202,656
R23	FIN INST BD - ADMINISTRATION	24,560	24,996			436	309	981
R24	FIN INST BD - EXAM	1,088,469	1,107,111			18,642	13,205	43,436
R25	FIN INST BD - CONSUMER FINANCE	448,758	457,914			9,156	6,486	17,966
R28	CONSUMER AFFAIRS	2,178,171	2,188,712			10,541	7,467	85,872
R36	LABOR DEPT	4,061,398	4,089,537			28,139	19,933	160,448
R44	TAX COMMISSION	34,318,810	35,546,532			1,227,722	869,672	1,394,628
R48	ABC COMMISSION	4,015,340	4,053,573			38,233	27,083	159,037
R52	STATE ETHICS COMMISSION	263,923	445,765			181,842	128,810	17,489
R60	EMPLOYMENT SECURITY COMM	192,632	190,706			0	0	7,482
R64	ACCOUNTANCY BOARD	360,327	371,380			11,053	7,830	14,571
R68	ARCHITECTURAL EXAM BD	281,434	281,219			0	0	11,033
R69	AUCTIONEER COMM	155,399	163,465			8,066	5,714	6,413
R72	BARBER EXAM BD	199,483	206,606			7,123	5,046	8,106
R74	STATE ATHLETIC COMMISSION	27,998	30,919			2,921	2,069	1,213
R76	CEMETERY BD	22,969	0			0	0	0
R80	CHIROPRACTIC EXAM BD	70,849	77,241			6,392	4,528	3,030
R82	CONTRACTOR'S LICENSING BD	423,561	444,631			21,070	14,925	17,445
R84	COSMETOLOGY BD	501,599	498,117			0	0	19,543
R88	DENTISTRY BD	297,858	313,439			15,581	11,037	12,297
R92	PROF ENGR & LAND SURVEYOR REG BD	453,907	544,500			90,593	64,173	21,363
R94	ENVIR SYS OPR BD OF CERTIFICATION	200,541	230,348			29,807	21,114	9,037
R96	FORESTER'S REGISTRATION BD	25,765	27,138			1,373	973	1,065
R99	FUNERAL SERVICES BD	107,869	112,451			4,582	3,246	4,412
S02	GEOLOGISTS REGISTRATION BOARD	55,245	54,141			0	0	2,124
S04	MEDICAL EXAM BD	819,797	811,955			0	0	31,856
S08	NURSING BD	796,838	817,823			20,985	14,865	32,086
S10	NURSING HOME ADM-RES CARE FAC	67,720	109,007			41,287	29,246	4,277
S14	OCCUPATIONAL THERAPY BD	21,191	20,767			0	0	815
S17	OPTICIANRY EXAM BD	43,415	45,672			2,257	1,599	1,792
S18	OPTOMETRY EXAM BD	52,216	54,087			1,871	1,325	2,122
S20	BD OF PHARMACY	284,715	301,690			16,975	12,024	11,836
S24	PHYSICAL THERAPIST EXAM BD	70,816	75,404			4,588	3,250	2,958
S28	PODIATRY EXAM BD	4,696	7,084			2,388	1,692	278
S30	PRO CO ASSO CO & MAR & FAM THER B	64,452	64,106			0	0	2,515
S32	PSYCHOLOGY BD OF EXAM	51,558	60,103			8,545	6,053	2,358

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FISCAL YEAR 1992-93
 GENERAL FUND
 REDUCTION ALLOCATION
 (in \$)

	COLUMN #1	COLUMN #2	COLUMN #3	COLUMN #4	COLUMN #5	COLUMN #6	COLUMN #7
AGY AGENCY NAME	FY 1992-93 BEGINNING APPROPRIATION BASE	TOTAL APPROPRIATION BASE FY 92-93 LINE 180	EXEMPTIONS FROM BEGINNING BASE	EXEMPTIONS FROM LINE 180 BASE	ALLOCATION INCREASES ABOVE BASE	ACROSS THE BOARD BASED ON GROWTH	ACROSS THE BOARD BASED ON % OF TOTAL
S36 REAL ESTATE COMM	1,858,931	1,793,073			0	0	70,349
S40 RESIDENTIAL HOME BLDR COMM	948,361	970,442			22,081	15,641	38,074
S44 REGISTERED SANITARIAN BD	5,662	0			0	0	0
S48 SOCIAL WORKER'S REG BD	96,519	124,586			28,067	19,882	4,888
S52 SPEECH PATH & AUDIO EXAM BD	17,209	16,865			0	0	662
S56 VETERINARY MEDICAL EXAM BD	46,561	48,503			1,942	1,376	1,903
S60 PROCUREMENT & REVIEW PANEL	117,553	118,416			863	611	4,646
U04 AERONAUTICS COMM	2,685,796	2,695,757			9,961	7,056	105,765
U12 DHPT	625,962	618,924			0	0	24,283
V04 DEBT SERVICE	119,350,067	159,699,327		159,699,237	0	0	4
W90 DUES & CONTRIBUTIONS					0	0	0
X22 AID TO SUBDIVISIONS	221,872,674	239,045,357			17,172,683	12,164,488	9,378,673
GRAND TOTAL	3,483,479,441	3,728,986,253	3,424,098	252,449,676	192,544,650	136,391,445	136,391,445

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 STATE BUDGET & CONTROL BOARD
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STATE BUDGET & CONTROL BOARD

EXPLANATION OF METHODOLOGY USED TO CALCULATE NECESSARY BUDGET REDUCTIONS FY 1992-93

Column #1 - The beginning point for each agency is the appropriation base for FY 1992-93 as set by the Budget and Control Board. This "base budget" figure is the number from which allocation increases and decreases are made by the Budget and Control Board and the General Assembly at the various iterations of the budget process.

Column #2 - The Total Appropriation Base (Line 180) is the General Fund allocation each agency receives after all relevant provisos in the Fiscal Year 1992-93 Appropriation Act are implemented. These figures are calculated in the following way:

Total State Funds per FY 1992-93 Appropriation Act
+ Base Pay Increase with Associated Employer Contributions
+ Local Health Care Provider Increases (Where Applicable)
+ Health Insurance Increases
+ Rent Increases (Where Applicable)
= Total Appropriation Base for Fiscal Year 1992-93

Columns #3 & #4 - Exemptions from Base are those items that cannot be reduced or items that were designated as interagency transfers during the appropriation process. These items include:

TRANSFERS

A30 Joint Legislative Committees - \$1,581,491
R12 State Workers Compensation Fund - \$1,581,491
Transfer of the Guardian Ad Litem program from the Joint Legislative Committee on Children to the State Workers Compensation Fund.
E20 Attorney General - \$85,129
E21 Prosecution Coordination Commission - \$85,129
Transfer of Pre-Trial Intervention funds from the Attorney General to the Prosecution Coordination Commission.
F02 Budget and Control Board - Office of Executive Director - \$80,817
F26 Budget and Control Board - Local Government Division - \$80,817
Transfer of funds for salary and fringe benefits associated with the transfer of one position from the Office of Executive Director to the Local Government Division.

PROGRAM RESTRICTIONS

E28 Election Commission - \$2,421,109
Restriction to eliminate from any reduction those funds allocated for the State Primaries, \$1,255,109, and for the General Election, \$1,166,000.
F30 Budget and Control Board - Employee Benefits - \$20,796,677
Restriction to eliminate from any reduction those funds allocated for the State Employee Bonus, \$10,820,000, and the remainder, \$9,976,677, which is allocated for retiree distributions.
F31 Budget and Control Board - Capital Reserve Fund - \$66,108,555
Per the requirements of Proviso 14R.1 of the FY 1992-93 Appropriation Act, the Capital Reserve Fund must first be used and exhausted in the event of a mid-year reduction in appropriations. Thus, the Fund is already spent and cannot be reduced.

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STATE BUDGET & CONTROL BOARD

H95 Museum Commission - \$1,676,661

Per the requirements of Proviso 37.11 of the FY 1992-93 Appropriation Act, the amount of rent paid by the Commission to the South Carolina Heritage Associates shall be excluded for mandated reductions.

V04 Debt Service - \$159,699,237

As a contractual arrangement between the State of South Carolina and holders of debt instruments, this amount is exempted.

Column #5 - Allocations Increases Above Base is the growth from Column #1 to Column #2 adjusted for the exceptions mentioned in Columns #3 & #4. If an agency received less in Column #2 than Column #1, the display is zero.

Column #6 - Across the Board Based on Growth is the pro rata share of Column #5 necessary to equal the reduction.

Column #7 - Across the Board Based on Percentage of Total is Column #2, adjusted by Columns #3 & #4, with a pro rata share for each agency to total adjusted appropriations used as the base from which to apply reductions.

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STATE BUDGET & CONTROL BOARD

STATEMENT OF EXPLANATION FOR JUSTIFICATION OF THE TWO REDUCTION METHODOLOGIES PRESENTED TO THE BUDGET AND CONTROL BOARD

The overriding proviso giving the Budget and Control Board the authority to reduce agency budgets in the event of a projected shortfall is 14N.2 of the Fiscal Year (FY) 1992-93 Appropriation Act. The key verbiage is as follows:

"Any reduction of rate of expenditure by the said Board, under authority of this Act, shall be applied as uniformly as may be practicable except that no reduction shall be applied to funds encumbered by a written contract with an agency not connected with State Government."

Within the alternatives of methodologies that may be considered by the Board to reduce expenditures, the test for legality is whether the methodology is applied as uniformly as may be practicable. The two methodologies presented fall within the confines of this legal test. An examination of the two methodologies substantiates this point.

Uniformity means without fluctuation or variation. The word uniformity also conveys the concept of consistency. Both methods apply reductions to budgeting units with consistency, and the only fluctuation or variation from this consistent treatment is to adhere to applicable statutes or legislatively mandated interagency transfers. However, these few variations fall within the confines of "practicable."

The primary difference between the two methodologies is the base that is used for the application of reductions. One method reduces agency allocations based on the growth in agency General Fund budgets above the pre-determined base as established by the Budget and Control Board. The other methodology makes reductions based on the percentage of an agency's General Fund budget to the total General Fund budget for all agencies. Again, the requirement of uniformity is met in both methods with regard to the bases used from which to calculate the reduction; in both versions, all agencies are treated with consistency. One budgeting unit is not treated differently from another budgeting unit, except for those exceptions which are practicable. Since both methodologies meet the legal requirements of Proviso 14N.2, the question of which alternative to choose is within the purview of the Board.

C1340

FOUR YEAR GROWTH IN APPROPRIATIONS
BY AGENCY

RANK	AGY	AGENCY NAME	FY 1988-89 BEGINNING APPROP BASE	TOTAL APPROPRIATION BASE FY 92-93 LINE 180	TOTAL INCREASES FY 1988-89 TO FY 92-93	% OF TOTAL INCREASE IN FUNDS ABOVE BASE FY 1988-89	CUMULATIVE OF TOTAL INCREASE IN FUNDS ABOVE BASE
1	H63	EDUCATION DEPT	950,304,422	1,221,278,515	270,974,093	31.13%	31.13%
2	J02	HEALTH AND HUMAN SERVICES FINANCE	93,754,941	215,620,336	121,865,395	14.00%	45.13%
3	N04	CORRECTIONS	137,378,859	210,672,571	73,293,712	8.42%	53.54%
4	V04	DEBT SERVICE	109,388,519	159,699,327	50,310,808	5.78%	59.32%
5	H59	TECH & COMPREHENSIVE BD	88,242,054	122,996,360	34,754,306	3.99%	63.32%
6	X22	AID TO SUBDIVISIONS	205,869,163	239,045,357	33,176,194	3.81%	67.13%
7	J12	MENTAL HEALTH	144,827,457	174,931,239	30,103,782	3.46%	70.58%
8	L04	DSS	89,619,047	116,680,136	27,061,089	3.11%	73.69%
9	J16	MENTAL RETARDATION	69,626,558	93,400,840	23,774,282	2.73%	76.42%
10	F31 B & C	- CAPITAL EXPENDITURE FUND	42,925,448	66,108,555	23,183,107	2.66%	79.09%
11	H12	CLEMSON	59,558,266	81,596,686	22,038,420	2.53%	81.62%
12	J04	DHEC	78,393,036	97,781,049	19,388,013	2.23%	83.85%
13	H27	USC - COLUMBIA	106,288,510	123,526,693	17,238,183	1.98%	85.83%
14	H51	MUSC	69,035,798	78,966,291	9,930,493	1.14%	86.97%
15	P20	CLEMSON - PSA	36,114,002	44,229,970	8,115,968	0.93%	87.90%
16	N12	YOUTH SERVICES	28,195,849	35,399,238	7,203,389	0.83%	88.73%
17	E21	PROSECUTION COORDINATION COMMISSI	0	6,986,205	6,986,205	0.80%	89.53%
18	D10	GOV OFFICE - SLED	15,893,076	22,800,826	6,907,750	0.79%	90.32%
19	B04	JUDICIAL DEPARTMENT	22,865,696	28,947,112	6,081,416	0.70%	91.02%
20	H52	MUSC - HOSPITAL	13,181,906	18,867,424	5,685,518	0.65%	91.67%
21	H15	COLLEGE OF CHARLESTON	16,636,664	21,796,063	5,159,399	0.59%	92.27%
22	H28	USC - MEDICAL SCHOOL	14,301,854	19,241,450	4,939,596	0.57%	92.83%
23	F26 B & C	- LOCAL GOVERNMENT	8,001,583	12,802,471	4,800,888	0.55%	93.39%
24	R44	TAX COMMISSION	30,985,841	35,546,532	4,560,691	0.52%	93.91%
25	H32	USC - COASTAL	7,485,130	10,276,479	2,791,349	0.32%	94.23%
26	N08	PAROLE AND COMMUNITY CORRECTIONS	11,873,276	14,549,139	2,675,863	0.31%	94.54%
27	E28	ELECTION COMMISSION	1,525,178	4,192,464	2,667,286	0.31%	94.84%
28	H34	USC - SPARTANBURG	7,031,292	9,651,938	2,620,646	0.30%	95.15%
29	H18	FRANCIS MARION	9,604,131	12,207,271	2,603,140	0.30%	95.44%
30	P28	PARKS, REC, TOURISM	12,767,123	15,170,638	2,403,515	0.28%	95.72%
31	P32	DEVELOPMENT BOARD	5,909,020	8,238,855	2,329,835	0.27%	95.99%
32	H47	WINTHROP	16,761,980	19,086,348	2,324,368	0.27%	96.25%
33	J03	CONTINUUM OF CARE-EMOTIONALLY DIS	0	2,295,200	2,295,200	0.26%	96.52%
34	H29	USC - AIKIN	5,411,155	7,705,490	2,294,335	0.26%	96.78%
35	R12	STATE WORKERS COMPENSATION FUND	106,283	2,206,352	2,100,069	0.24%	97.02%
36	H67	ETV	16,070,865	18,077,992	2,007,127	0.23%	97.25%
37	H53	MUSC - EXTENSION	12,816,243	14,785,630	1,969,387	0.23%	97.48%
38	H24	S C STATE	17,430,334	19,306,491	1,876,157	0.22%	97.70%
39	P24	WILDLIFE AND MARINE RESOURCES	17,525,309	19,341,720	1,816,411	0.21%	97.90%
40	J20	ALCOHOL AND DRUG ABUSE	8,444,935	10,068,121	1,623,186	0.19%	98.09%
41	H03	HIGHER EDUCATION COM	2,223,751	3,746,579	1,522,828	0.17%	98.27%
42	P12	FORESTRY COMM	15,142,160	16,600,188	1,458,028	0.17%	98.43%
43	H95	MUSEUM COM	3,909,507	5,310,897	1,401,390	0.16%	98.59%
44	E24	ADJUTANT GENERAL	4,073,917	5,348,552	1,274,635	0.15%	98.74%
45	A01	LEG DEPT - SENATE	6,063,557	7,333,647	1,270,090	0.15%	98.89%
46	H21	LANDER	6,810,946	8,051,256	1,240,310	0.14%	99.03%
47	H09	CITADEL	11,886,294	13,084,801	1,198,507	0.14%	99.17%
48	H87	STATE LIBRARY	5,030,885	6,089,929	1,059,044	0.12%	99.29%
49	R04	PUBLIC SERVICE COMM	6,060,258	7,093,429	1,033,171	0.12%	99.41%

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EXHIBIT

FOUR YEAR GROWTH IN APPROPRIATIONS
BY AGENCY

RANK	AGY	AGENCY NAME	FY 1988-89 BEGINNING APPROP BASE	TOTAL APPROPRIATION BASE FY 92-93 LINE 180	TOTAL INCREASES FY 1988-89 TO FY 92-93	% OF TOTAL INCREASE IN FUNDS ABOVE BASE FY 1988-89	CUMULATIVE OF TOTAL INCREASE IN FUNDS ABOVE BASE
50	H75	DEAF AND BLIND SCHOOL	9,455,333	10,402,126	946,793	0.11%	99.52%
51	P04	WATER RESOURCES COMM	3,299,797	4,222,686	922,889	0.11%	99.62%
52	H06	HIGHER ED TUITION GRANTS COM	15,780,617	16,702,939	922,322	0.11%	99.73%
53	L12	JOHN DE LA HOWE SCHOOL	2,513,534	3,376,239	862,705	0.10%	99.83%
54	H39	USC - SUMTER	2,560,232	3,359,846	799,614	0.09%	99.92%
55	H91	ARTS COMMISSION	2,823,117	3,602,771	779,654	0.09%	100.01%
56	L28	AGING COMMISSION	1,778,332	2,539,498	761,166	0.09%	100.10%
57	F12	B & C - GENERAL SERVICES	5,527,328	6,263,469	736,141	0.08%	100.18%
58	H38	USC - SAIKEHATCHIE	1,124,104	1,824,279	700,175	0.08%	100.26%
59	R48	ABC COMMISSION	3,361,952	4,053,573	691,621	0.08%	100.34%
60	F27	B & C - STATE AUDITOR	3,387,353	4,054,485	667,132	0.08%	100.42%
61	L16	FOSTER CARE REVIEW BD	467,027	1,131,689	664,662	0.08%	100.49%
62	H36	USC - BEAUFORT	1,137,050	1,787,540	650,490	0.07%	100.57%
63	H37	USC - LANCASTER	1,828,866	2,436,346	607,480	0.07%	100.64%
64	P08	LAND RESOURCES	2,670,738	3,269,013	598,275	0.07%	100.71%
65	H73	VOCATIONAL REHABILITATION	14,359,103	14,954,684	595,581	0.07%	100.77%
66	R20	INSURANCE DEPT	4,600,341	5,165,333	564,992	0.06%	100.84%
67	S40	RESIDENTIAL HOME BLDR COMM	475,077	970,442	495,365	0.06%	100.90%
68	H79	ARCHIVES AND HISTORY	3,719,062	4,208,432	489,370	0.06%	100.95%
69	L36	HUMAN AFFAIRS	1,338,324	1,783,632	445,308	0.05%	101.00%
70	R28	CONSUMER AFFAIRS	1,765,093	2,188,712	423,619	0.05%	101.05%
71	E12	COMPTROLLER GENERAL	3,962,371	4,367,534	405,163	0.05%	101.10%
72	P25	COASTAL COUNCIL	1,125,134	1,529,993	404,859	0.05%	101.15%
73	F05	B & C - FINANCIAL DATA SYSTEMS	2,161,250	2,550,240	388,990	0.04%	101.19%
74	P16	AGRICULTURE	6,003,860	6,376,550	372,690	0.04%	101.23%
75	F06	B & C - BUDGET	1,071,122	1,439,154	368,032	0.04%	101.28%
76	F28	B & C - BEA	0	359,376	359,376	0.04%	101.32%
77	S36	REAL ESTATE COMM	1,449,139	1,793,073	343,934	0.04%	101.36%
78	R36	LABOR DEPT	3,747,428	4,089,537	342,109	0.04%	101.40%
79	R08	WORKERS' COMPENSATION COMMISSION	3,378,864	3,698,262	319,398	0.04%	101.43%
80	D05	GOV OFFICE - E C OF S	1,215,975	1,505,516	289,541	0.03%	101.47%
81	R52	STATE ETHICS COMMISSION	161,082	445,765	284,683	0.03%	101.50%
82	A15	LEG DEPT - CODE OF LAWS LEG COUNC	1,821,242	2,090,552	269,310	0.03%	101.53%
83	H71	WIL LOU GRAY OPPORT SCHOOL	2,502,500	2,765,399	262,899	0.03%	101.56%
84	E08	SECRETARY OF STATE	1,076,401	1,339,202	262,801	0.03%	101.59%
85	L24	BLIND COMMISSION	3,021,681	3,265,481	243,800	0.03%	101.62%
86	A27	LEG DEPT - REORGANIZATION COMM	809,607	1,024,073	214,466	0.02%	101.64%
87	R92	PROF ENGR & LAND SURVEYOR REG BD	332,240	544,500	212,260	0.02%	101.67%
88	S08	NURSING B)	613,167	817,823	204,656	0.02%	101.69%
89	F08	B & C - RESEARCH & STATISTICS	3,249,492	3,438,959	189,467	0.02%	101.71%
90	E16	STATE TREASURER	3,413,691	3,598,494	184,803	0.02%	101.73%
91	H40	USC - UNION	746,323	926,881	180,558	0.02%	101.75%
92	U04	AERONAUTICS COMM	2,549,071	2,695,757	146,686	0.02%	101.77%
93	F24	B & C - DIV OF HUMAN RESOURCE HGM	3,023,569	3,166,159	142,590	0.02%	101.79%
94	A20	LEG DEPT - LEG AUDIT COUNCIL	941,249	1,064,011	122,762	0.01%	101.80%
95	S48	SOCIAL WORKER'S REG BD	5,895	124,586	118,691	0.01%	101.81%
96	R82	CONTRACTOR'S LICENSING BD	334,421	444,631	110,210	0.01%	101.83%
97	S10	NURSING HOME ADMIN BOARD	0	109,007	109,007	0.01%	101.84%
98	L40	VETERANS AFFAIRS	1,149,515	1,256,329	106,814	0.01%	101.85%

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STATE BUDGET & CONTROL BOARD

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EXHIBIT

FOUR YEAR GROWTH IN APPROPRIATIONS
BY AGENCY

RANK	AGY	AGENCY NAME	FY 1988-89 BEGINNING APPROP BASE	TOTAL APPROPRIATION BASE FY 92-93 LINE 180	TOTAL INCREASES FY 1988-89 TO FY 92-93	% OF TOTAL INCREASE IN FUNDS ABOVE BASE FY 1988-89	CUMULATIVE OF TOTAL INCREASE IN FUNDS ABOVE BASE
99	E22	COMM ON APPELATE DEFENSE	742,054	832,778	90,724	0.01%	101.86%
100	S04	MEDICAL EXAM BD	724,094	811,955	87,861	0.01%	101.87%
101	B06	SENTENCING GUIDELINES COMMISSION	0	87,819	87,819	0.01%	101.88%
102	R84	COSMETOLOGY BD	410,342	498,117	87,775	0.01%	101.89%
103	R25	FIN INST BD - CONSUMER FINANCE	374,202	457,914	83,712	0.01%	101.90%
104	R68	ARCHITECTURAL EXAM BD	203,001	281,219	78,218	0.01%	101.91%
105	R24	FIN INST BD - EXAM	1,029,599	1,107,111	77,512	0.01%	101.92%
106	R64	ACCOUNTANCY BOARD	306,788	371,380	64,592	0.01%	101.93%
107	D20	GOV OFFICE - MANSION & GROUNDS	203,571	267,723	64,152	0.01%	101.94%
108	S20	BD OF PHARMACY	241,631	301,690	60,059	0.01%	101.94%
109	R94	ENVIR SYM OPR BD OF CERTIFICATION	174,847	230,348	55,501	0.01%	101.95%
110	R69	AUCTIONEER COMM	108,986	163,465	54,479	0.01%	101.95%
111	R99	FUNERAL SERVICES BD	63,087	112,451	49,364	0.01%	101.96%
112	E04	LIEUTENANT GOVERNOR	218,156	267,492	49,336	0.01%	101.97%
113	P26	SEA GRAN CONSORTIUM	460,129	509,216	49,087	0.01%	101.97%
114	S32	PSYCHOLOGY BD OF EXAM	12,894	60,103	47,209	0.01%	101.98%
115	R72	BARBER EXAM BD	162,596	206,606	44,010	0.01%	101.98%
116	H55	ADV COUNCIL VOC & TECH ED	40,680	81,136	40,456	0.00%	101.99%
117	S24	PHYSICAL THERAPIST EXAM BD	39,058	75,404	36,346	0.00%	101.99%
118	S17	OPTICIANRY EXAM BD	14,875	45,672	30,797	0.00%	101.99%
119	S02	GEOLOGISTS REGISTRATION BOARD	25,515	54,141	28,626	0.00%	102.00%
120	R80	CHIROPRACTIC EXAM BD	52,841	77,241	24,400	0.00%	102.00%
121	S56	VETERINARY MEDICAL EXAM BD	24,166	48,503	24,337	0.00%	102.00%
122	A05	LEG DEPT - HOUSE	8,327,481	8,347,045	19,564	0.00%	102.01%
123	S14	OCCUPATIONAL THERAPY BD	2,916	20,767	17,851	0.00%	102.01%
124	S18	OPTOMETRY EXAM BD	40,676	54,087	13,411	0.00%	102.01%
125	R96	FORESTER'S REGISTRATION BD	14,429	27,138	12,709	0.00%	102.01%
126	L44	COMM ON WOMEN	68,589	77,653	9,064	0.00%	102.01%
127	S28	PODIATRY EXAM BD	1,014	7,084	6,070	0.00%	102.01%
128	R23	FIN INST BD - ADMINISTRATION	19,005	24,996	5,991	0.00%	102.01%
129	R74	STATE BOXING COMMISSION	25,764	30,919	5,155	0.00%	102.01%
130	L32	HOUSING AUTHORITY	466,662	471,670	5,008	0.00%	102.01%
131	H83	CONFEDERATE RELIC ROOM	195,447	200,085	4,638	0.00%	102.01%
132	S30	PRO CO ASSO CO & MAR & FAM THER B	60,687	64,106	3,419	0.00%	102.02%
133	S52	SPEECH PATH & AUDIO EXAM BD	13,453	16,865	3,412	0.00%	102.02%
134	A28	ADVISORY COMM INTERGOVERNMENTAL RE	245,046	246,543	1,497	0.00%	102.02%
135	F29	B & C - RETIREMENT	0	0	0	0.00%	102.02%
136	P48	OLD EXCHANGE BUILDING	120,346	119,295	(1,051)	0.00%	102.02%
137	P22	MIGRATORY WATERFOWL COMM	31,556	29,176	(2,380)	0.00%	102.02%
138	R60	EMPLOYMENT SECURITY COMM	194,031	190,706	(3,325)	0.00%	102.01%
139	S60	PROCUREMENT & REVIEW PANEL	122,650	118,416	(4,234)	0.00%	102.01%
140	R88	DENTISTRY BD	318,019	313,439	(4,580)	0.00%	102.01%
141	S44	REGISTERED SANITARIAN BD	7,071	0	(7,071)	0.00%	102.01%
142	R76	CEMETERY BD	22,341	0	(22,341)	0.00%	102.01%
143	W90	DUES & CONTRIBUTIONS	50,000	0	(50,000)	-0.01%	102.00%
144	A25	LEG DEPT - LEG INFO SYSTEMS	928,413	871,208	(57,205)	-0.01%	102.00%
145	S12	NURSING HOME ADM EXAM BD	60,669	0	(60,669)	-0.01%	101.99%
146	H54	CHAS HIGHER ED CONSORTIUM	74,686	0	(74,686)	-0.01%	101.98%
147	P34	S C JOBS ECON DEV AUTH	483,199	397,064	(86,135)	-0.01%	101.97%

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EXHIBIT

FOUR YEAR GROWTH IN APPROPRIATIONS
BY AGENCY

RANK	AGY	AGENCY NAME	FY 1988-89 BEGINNING APPROP BASE	TOTAL APPROPRIATION BASE FY 92-93 LINE 180	TOTAL INCREASES FY 1988-89 TO FY 92-93	% OF TOTAL INCREASE IN FUNDS ABOVE BASE FY 1988-89	CUMULATIVE OF TOTAL INCREASE IN FUNDS ABOVE BASE
148	A10	LEG DEPT - SP SERV BOTH HOUSE	416,278	302,592	(113,686)	-0.01%	101.96%
149	F04	B & C - INTERNAL OPERATIONS	2,215,518	2,053,841	(161,677)	-0.02%	101.94%
150	F02	B & C - EXEC DIRECTOR	1,562,671	1,365,638	(197,033)	-0.02%	101.92%
151	A17	LEG DEPT - LEG PRINT & INFO TECH	2,797,657	2,566,600	(231,057)	-0.03%	101.89%
152	F16	B & C - MOTOR VEHICLE MANAGEMENT	269,346	0	(269,346)	-0.03%	101.86%
153	D17	GOV OFFICE - OEPP	6,466,177	6,152,999	(313,178)	-0.04%	101.82%
154	F14	B & C - STATE FIRE MARSHAL	2,657,435	2,290,721	(366,714)	-0.04%	101.78%
155	F10	B & C - IRM	2,132,408	1,736,915	(395,493)	-0.05%	101.74%
156	P40	CLARKS-HILL RUSSELL AUTH	1,627,970	1,133,475	(494,495)	-0.06%	101.68%
157	U12	DHPT	1,242,925	618,924	(624,001)	-0.07%	101.61%
158	A30	LEG DEPT - JT LEGISLATIVE COMMITT	2,069,151	1,204,667	(864,484)	-0.10%	101.51%
159	E20	ATTORNEY GENERAL	9,689,635	6,320,228	(3,369,407)	-0.39%	101.12%
160	F30	B & C - EMPLOYEE BENEFITS	30,569,639	20,796,677	(9,772,962)	-1.12%	100.00%
GRAND TOTAL			2,858,434,819	3,728,986,253	870,551,434		

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EXHIBIT
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STATE BUDGET & CONTROL BOARD

Standard & Poor's Ratings Group

25 Broadway
New York, New York 10004
Telephone 212/208-1725
FAX 212/412-0242

F. Parry Young
Senior Vice President
Municipal Finance Department

August 2, 1991

Honorable Grady L. Patterson, Treasurer
Office of the State Treasurer
P.O. Drawer 11775
Columbia, SC 29211

Dear Mr. Patterson:

This letter is in response to your letter dated July 15, 1991, which included a summary of several proposed changes affecting South Carolina's government structure. Several statutory and constitutional provisions have historically been factored into the state's 'AAA' credit rating from Standard & Poor's. In addition to the capital and operating reserve requirements set forth in the constitution, the balanced budget provisions and budget growth limitations have been viewed favorably from a credit perspective. To the extent that the State Budget and Control Board is responsible for the annual budget, including monitoring revenues, adjusting appropriations, and restoring overall fiscal stability during a given fiscal year, the Board is also looked as a positive factor.

Timely information on economic conditions, financial status, and administrative issues is important to our ongoing evaluation of the state's credit quality. The office of the State Treasurer has historically provided information to Standard & Poor's in a timely manner, due in part to his immediate access to such information via his position on the Board.

If I can be of any further service, please do not hesitate to contact me.

Sincerely,

F. Parry Young
F. Parry Young

01345

Moody's Investors Service

99 Church Street, New York, NY 10007
212-553-0340

Daniel N. Heimowitz
Executive Vice President,
Director of the
Public Finance Department

June 25, 1991

Mr. Grady L. Patterson Jr., State Treasurer
Office of State Treasurer
State of South Carolina
P.O. Box 11778
Columbia, S.C. 29211

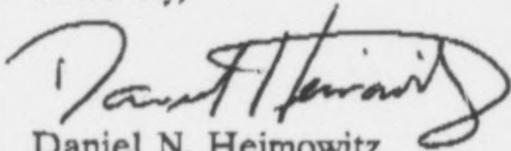
Dear Mr. Patterson:

Since 1960, South Carolina has merited a Aaa rating on its general obligation bonds from Moody's Investors Service. In considering the rating, we have placed great importance on the state's relatively conservative financial practices and its ability to manage and control the budget throughout the year. Our findings were again confirmed this year as South Carolina experienced revenue shortfalls, but was able to contain its budget problems by taking swift and effective action as needed.

We have come to regard the State's Budget and Control Board as an important element in the state's ability to maintain its high rating. While there are alternative means of maintaining budget control, we attribute the states track record of budgetary attentiveness to the functioning of the Control Board. Over the years, the Board has acted responsibly and has demonstrated fiscal discipline.

If we can provide more specific comments in this regard please do not hesitate to call me.

Sincerely,



Daniel N. Heimowitz

01346

State officials gloss latest budget deficit

WITH the final numbers in hand, Comptroller General Earle Morris announced Tuesday that state government leaders had done a pretty good job of belt-tightening to manage South Carolina's \$3.5 billion budget for fiscal year 1991-92.

He should have said they'd obscured another budget disaster. They're preparing to gloss still another that will begin to emerge tomorrow in plans to withdraw \$195 million of unfinanced spending authority from this fiscal year's budget.

The claim of prudent oversight of the last budget required zeroing the state's General Reserve Fund two months into this fiscal year. With that and other funding shifts Morris could say the state had ended the last budget period with \$7.5 million left over.

The tolerable face he puts on South Carolina's third operating deficit in three years will encourage continued indifference to the cause.

The essence of the problem is avoidance of leadership responsibility. With the latest deficit blamed on the recession, Gov. Campbell and three other members of the Budget and Control Board — Morris is having second thoughts on this — will again make across-the-board cuts and obscure the hat trick spending that accounts for the character of the crisis.

And with this expediency the governor won't have to call a special legislative session to either consider unpopular new taxes or to cut desirable spending to continue essential spending. And, of course, he won't have to make any difficult recommendations himself.

The \$38 million taken from the General Reserve Fund to help rescue the last budget will be replaced with the first \$33 million collected this fiscal year — 1 percent of the previous budget's revenue as required by the constitution. But a Wednesday court injunction against use of highway trust funds for state operating expenses (see editorial below) threatens to blow yet another \$34 million hole in the budget.

The net of all this is not just strained state finances and political officials feigning distress about it. It's also chaotic state agency administration, with funding reduced for program missions and entitlements that go unchanged. And it's demoralized state employees and seriously diminished state services and protective programs.

Comptroller General Morris warned the governor, Treasurer Grady Patterson and legislative leaders of the latest deficit four months ago. But on Tuesday his demeanor helped them pose the problem as another administratively manageable inconvenience.

Campbell, Morris and Patterson are statewide elected officials, not innocent bystanders. They can't rewrite the budget and agency missions themselves. But they can insist on legislative action to set sensible spending priorities and missions, and correction of loose budget practices that are destructive to the state.

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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

JOHN DRUMMOND
CHAIRMAN, SENATE FINANCE COMMITTEE

WILLIAM D. BOAN
CHAIRMAN, WAYS AND MEANS COMMITTEE

LUTHER F. CARTER
EXECUTIVE DIRECTOR

P.O. BOX 12444
COLUMBIA, SOUTH CAROLINA 29211
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August 30, 1992

MEMORANDUM

TO: Joe Shine

FROM: Donna Williams *DW*

SUBJECT: Transcript of August 22, 1992, Budget and Control Board Meeting

Attached is a transcript of the August 22, 1992, Budget and Control Board meeting.

The following is important to keep in mind when using this transcript:

- (1) It was prepared over the weekend by a transcriptionist who was not present at the Board meeting.
- (2) At the meeting, our recording equipment was not working perfectly (recorder two was not picking up), and some detail was lost during tape changes in three instances.

W
cc: Dr. Carter
Mr. Kelly
Mr. Gunn
Ms. Huey
Mr. Lusk
Mr. Merritt
Mr. Fusco

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1 MR. PATTERSON: YEAH, OKAY, ALL RIGHT.

2 GOVERNOR CAMPBELL: THAT POINT IS EXTREMELY
3 WELL TAKEN, SENATOR. I THINK WE ALL--REMEMBER AND REMIND
4 EVERYBODY THAT THE COST WAS \$91 TO GO TO A STATE CHILD
5 CARE CENTER, AND \$69 FOR THE PRIVATE, AND THAT WAS THE
6 REASON IT WAS RECOMMENDED, AND THE \$69 GOES WITH THE
7 CHILD SO THEY CAN BUY IT, SO IT WASN'T A DELETION. IT'S
8 BEEN MISREPRESENTED. HOWEVER, I TOTALLY AGREE. [INDIS-
9 TINGUISHABLE] ...OUT TO BE TREATED EXACTLY THE SAME.

10 MR. MORRIS: BUT THEY SAY THEY DON'T HAVE THE
11 PRIVATE FACILITIES, AND CAN'T HAVE THEM BY OCTOBER. THEY
12 JUST ASK--[INDISTINGUISHABLE]

13 SENATOR DRUMMOND: I WANT TO GET IT ACROSS TO
14 THIS BOARD I DIDN'T HAVE ANY PART IN DELETING CHILD
15 DEVELOPMENT.

16 MR. PATTERSON: AS OFFICIAL MOTION, I MOVE THAT
17 WE INCLUDE SPARTANBURG AND SUMTER IN THE SAME PARAMETERS
18 THAT WE AUTHORIZED FOR THE--IN CHARLESTON COUNTY, AND
19 COLLETON COUNTY.

20 GOVERNOR CAMPBELL: THAT MOTION HAS BEEN MADE
21 AND SECONDED. ALL THOSE IN FAVOR INDICATE BY RAISING
22 THEIR HANDS. THE ITEM CARRIES WITHOUT EVEN GOING ANY
23 FURTHER.

24 DOCTOR CARTER: I'LL INSTRUCT THE DEPARTMENT OF
25 SOCIAL SERVICES TO COMPLY FORTHWITH.

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1 GOVERNOR CAMPBELL: PLEASE DO THAT. NOW THE
2 QUESTION IS ON THE ADOPTION OF THE

3 [TAPE CHANGE FROM ONE RECORDER TO THE OTHER -
4 RECORDING PROBLEM]

5 DOCTOR CARTER: ...TAKEN EARLIER THIS WEEK BY
6 THE COMPTROLLER GENERAL TO SEQUESTER \$21,197,021.46 FROM
7 FUNDS AUTHORIZED FOR CARRY FORWARD INTO FISCAL YEAR '92-
8 '93.

9 MR. MORRIS: I MOVE APPROVAL.

10 GOVERNOR CAMPBELL: MOTION MADE AND SECONDED.
11 DISCUSSION?

12 MR. BOAN: ONE QUESTION, FRED.

13 GOVERNOR CAMPBELL: MR. BOAN.

14 MR. BOAN: A COUPLE THINGS. ONE IS, IS
15 RATIFICATION NEEDED FOR THIS ACTION?

16 DOCTOR CARTER: YES.

17 MR. BOAN: I MEAN, IT'S BASICALLY ALL BEEN
18 DONE.

19 DOCTOR CARTER: YES. IT'S BEEN DONE, BUT THIS
20 BOARD NEEDS TO RATIFY THAT TRANSFER.

21 MR. BOAN: WELL, I WOULD JUST POINT OUT, YOU
22 KNOW, THAT IN OUR EARLIER--IN MY DISCUSSION WITH THE
23 STAFF RATIFICATION WAS GOING TO INCLUDE MONIES THAT CAME
24 UNDER THE BOARD'S PURVIEW.

25 MR. MORRIS: IT'S JUST US.

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1 MR. BOAN: WELL, THE GOVERNOR'S LAPSE DOES NOT.
2 THE SECOND POINT I WANT TO MENTION TO YOU IS, CAN WE SAY
3 FOR SURE, AND IF WE CAN WE NEED TO SAY THAT ANY COMMIT-
4 MENTS IN LOCAL GOVERNMENT FUNDS THAT HAVE BEEN MADE ARE
5 GOING TO BE KEPT. I JUST THINK WE NEED TO AIR THAT OUT
6 PUBLICLY THAT--

7 DOCTOR CARTER: YES.

8 MR. BOAN: --THAT IS OUR UNDERSTANDING BEFORE
9 WE VOTE ON IT.

10 DOCTOR CARTER: MR. BOAN, I THINK YOU'LL FIND
11 WHEN WE MOVED TO ITEM THREE, MR. BROOKS WILL ADDRESS
12 THAT, BUT CERTAINLY THE BOARD STAFF HAS A PLAN TO PUT TO
13 YOU IN ITEM THREE THAT WILL DEAL WITH ALL CONTRACTUAL
14 OBLIGATIONS THAT THE LOCAL GOVERNMENT FUND HAS.

15 MR. BOAN: OKAY.

16 DOCTOR CARTER: AND THAT WE CAN DEAL WITH.
17 WITH REGARD TO YOUR FIRST QUESTION TO THE COMPTROLLER, IN
18 TRANSFERRING THOSE MONIES OUT OF CARRY-FORWARD ACCOUNTS,
19 THE FEELING WAS THE COMPTROLLER'S OFFICE AND BOARD STAFF,
20 WE WOULD BE MOST SAFE IF WE REQUIRED BOARD APPROVAL TO
21 EFFECT THOSE TRANSFERS IN THE GENERAL FUND AS WE CLOSED
22 OUT THE YEAR.

23 GOVERNOR CAMPBELL: FURTHER DISCUSSION?

24 MR. MORRIS: AND THAT WOULD INCLUDE THE
25 \$730,000 THAT THE GOVERNOR WILLINGLY GAVE FROM HIS OEPP

1 TO HELP US BALANCE OUT. WHILE YOU WERE IN TEXAS, WE TOOK
2 THAT FROM YOU.

3 GOVERNOR CAMPBELL: I NOTICED THAT. I NOTICED
4 THAT.

5 DOCTOR CARTER: YOUR STAFF OFFERED UP MORE,
6 GOVERNOR, BUT THE COMPTROLLER WAS ABLE TO--

7 MR. MORRIS: I WOULDN'T LET THEM GIVE UP ANY
8 MORE. THAT'S ENOUGH.

9 GOVERNOR CAMPBELL: I THINK THAT IF YOU'RE
10 GOING TO DEAL WITH TRYING TO BALANCE THE BUDGET, THAT
11 YOU'RE GOING TO HAVE TO GIVE UP IN ANY PLACE THAT YOU CAN
12 WHERE IT'S GOING TO DO THE LEAST DAMAGE. ALL THOSE IN
13 FAVOR OF THE MOTION INDICATE BY RAISING THEIR HAND.
14 CARRIED. NEXT ITEM, REVENUE OUTLOOK, DOCTOR MILEY.

15 DOCTOR MILEY: THANK YOU, GOVERNOR. MEMBERS OF
16 THE BOARD--

17 MR. MORRIS: CAN I PUT YOU UNDER OATH?

18 MR. PATTERSON: YOU MIGHT JUST SAY DITTO.

19 DOCTOR MILEY: I WILL BE BRIEF. YOU ALL HAVE,
20 AND IF YOU DON'T HAVE, IF YOU DIDN'T RECEIVE IN THE MAIL
21 COPIES OF THE RELEASE FROM YESTERDAY, I HAVE A FEW EXTRA
22 COPIES HERE IF YOU NEED THEM. WE MET WEDNESDAY, AS YOU
23 KNOW. ALL MEMBERS OF THE BOARD WERE THERE: HUNTER
24 HOWARD; ANDREW CRANE; MR. CRAWFORD CLARKSON; AND MYSELF.
25 WE HAD INPUT FROM VARIOUS STAFFS: OUR OWN; OTHER STAFFS

1 IN STATE GOVERNMENT. WE HAD PRESENTATIONS BY OUTSIDE
2 ECONOMISTS; PROFESSOR BRUCE SHANDON [?] FROM CLEMSON; AND
3 PROFESSOR FRANK HATFIELD [?] FROM U.S.C.; PRESENTATIONS
4 FROM OUR OWN STAFF. THE GENERAL CONSENSUS IS THAT THE
5 U.S. ECONOMY IS BARELY GROWING, AND EXPECTED TO CONTINUE
6 TO GROW AT A VERY SLOW PACE OVER THE NEXT SIX TO EIGHTEEN
7 MONTHS IN THE NEIGHBORHOOD OF 1 1/2 TO 2 1/2 % IN REAL
8 TERMS OF GDP.

9 WHAT THAT MEANS IN TERMS OF EMPLOYMENT AND
10 PERSONAL INCOME THEY FEEL LIKE THE NATIONAL ECONOMY WILL
11 CONTINUE TO GROW VERY SLOWLY; REAL GROWTH IN JOBS IN THE
12 NEIGHBORHOOD OF 1-2%; INFLATION IN THE NEIGHBORHOOD OF 3-
13 4%; CONSUMPTION IN THE NEIGHBORHOOD OF 3-4%; AND PERSONAL
14 INCOME IN THE NEIGHBORHOOD OF 4-5% IN NOMINAL DOLLARS;
15 REAL PERSONAL INCOME PROBABLY IN THE NEIGHBORHOOD OF 1-2%
16 FOR SOUTH CAROLINA, AND THIS PERHAPS MAY BOTHER SOME
17 PEOPLE, BUT THE ECONOMISTS AGREE JUST ABOUT WHOLEHEARTED-
18 LY IN TERMS OF THEIR FORECASTS.

19 WHAT THEY FELT FOR SOUTH CAROLINA, WHAT THAT
20 MEANT FOR SOUTH CAROLINA IS THAT EMPLOYMENT GROWTH IN
21 SOUTH CAROLINA WOULD BE MODEST, BUT WOULD GROW OVER THE
22 NEXT SIX TO EIGHTEEN MONTHS IN THE NEIGHBORHOOD OF 1-2%;
23 WE WOULD HAVE MODEST INFLATION AROUND 3-4%. TOTAL
24 PERSONAL INCOME IN THE STATE, THEY ALL PROJECTED TO BE IN
25 THE 4-5% RANGE IN NOMINAL PERSONAL INCOME. RETAIL SALES

1 WOULD BE IN THE 4-5% RANGE.

2 THIS IS VERY SIMILAR TO THE FORECAST WE
3 RECEIVED BACK IN FEBRUARY. THE FORECAST IN FEBRUARY
4 SUPPORTED GENERALLY THE SAME FORECAST OF THE STATE
5 ECONOMY, THAT IS, PERSONAL INCOME IN THE 5% RANGE;
6 EMPLOYMENT GROWTH IN THE 1-2% RANGE.

7 WHEREAS, HOWEVER, OUR PROBLEM IS IS THAT,
8 WHEREAS, A FEW YEARS AGO 5% GROWTH IN PERSONAL INCOME
9 MIGHT TRANSLATE INTO 4, 5, 6, 7, 8% GROWTH IN RETAIL
10 SALES, AND TOTAL PERSONAL INCOME TAXES. THE ELASTICITY,
11 THE RESPONSIVENESS, THE RELATIONSHIP BETWEEN RETAIL SALES
12 AND INDIVIDUAL INCOME TAX COLLECTIONS, AND PERSONAL
13 INCOME IS NOT THE SAME AS IT USED TO BE. IT GENERALLY
14 ISN'T WHEN YOU'RE IN RECESSION, AND WE WILL NOT SEE THE
15 SAME LEVELS OF RETAIL SALES IN PERSONAL INCOME FROM THAT
16 5% GROWTH, IF THAT 5% GROWTH IS ACCURATE.

17 IN LIGHT OF THIS, AND IN LIGHT OF THE POOR
18 PERFORMANCE AT THE END OF LAST FISCAL YEAR, WE REVISED
19 OUR ESTIMATE. WE REVISED OUR ESTIMATE BASED ON THREE
20 MAJOR FORCES. WHEREAS, THROUGHOUT THE WINTER, FROM
21 DECEMBER THROUGH APRIL ACTUALLY, WE HAD CONSISTENT GROWTH
22 IN RETAIL SALES, AND INDIVIDUAL INCOME TAX WITHHOLDING.
23 WITHHOLDING IS GROWING AT THE 6-8, 9% RANGE EVERY MONTH.
24 RETAIL SALES WAS ANYWHERE BETWEEN 2 1/2 TO 12 1/2% FOR
25 THAT FOUR OR FIVE-MONTH PERIOD.

1 AT THAT TIME WE THOUGHT THAT WE HAD TURNED THE
2 CORNER, AND THAT THAT TREND WOULD CONTINUE, AND, AS YOU
3 KNOW, WE THOUGHT THAT THE LAST TWO MONTHS OF THE YEAR
4 WOULD FOLLOW THAT TREND, AND WE WOULD MAKE OUR ESTIMATE.
5 WE MISSED IT. WE MISSED IT BY, FROM OUR ESTIMATE, FROM
6 3.385 TO 3.342. WE MISSED IT BY \$43 MILLION DOLLARS.
7 THERE ARE SEVERAL FACTORS. THE BOTTOM LINE IS WE MISSED
8 OUR ESTIMATE.

9 WHAT WE SEE NOW IS THAT WE NEED TO LOWER OUR
10 BASE. OUR BASE WAS LOWERED BY \$43 MILLION DOLLARS. WE
11 THINK THE RELATIONSHIP BETWEEN PERSONAL INCOME, AND THE
12 CONSUMER, HIS BUYING HABITS, HIS SPENDING PATTERNS, AND
13 THE RELATIONSHIP BETWEEN THAT PERSONAL INCOME, AND
14 INDIVIDUAL INCOME TAX COLLECTIONS, IS NOT AS ROBUST AS IT
15 WAS. WE REVISED OUR FORECAST DOWN TO--EVEN THOUGH THE
16 CONSENSUS IS FOR THE ECONOMY TO GROW BY 1 AND 2% EMPLOY-
17 MENT, AND PERSONAL INCOME TO GROW BETWEEN 4-5%, WE THINK
18 THAT THE CORE BASE OF REVENUES SHOULD GROW IN THE 2%
19 RANGE, 2 TO 2 1/2% RANGE.

20 SO, WE REVISED OUR ESTIMATE. WE LOOKED AT THE
21 BASE LOWERING. WE LOOKED AT THE SLOWER GROWTH RELATIVE
22 TO PERSONAL INCOME; AND THEN WE LOOKED AT THE ENHANCE-
23 MENTS, THE LAW CHANGES THAT CAUSED MORE REVENUES TO COME
24 IN; THOSE THREE FACTORS TOGETHER. WE REVISED OUR
25 ESTIMATE. THE LAST ESTIMATE WE MADE WAS BACK IN FEBRU-

1 ARY, WHICH WAS \$3.555. WE REVISED OUR ESTIMATE TO \$3.567
2 BILLION DOLLARS.

3 SINCE YOU ALL HAVE THE REPORT, I WILL STOP NOW.
4 UNLESS YOU HAVE ANY QUESTIONS, I'LL BE GLAD TO ANSWER ANY
5 QUESTIONS I CAN.

6 MR. MORRIS: HARRY, NEXT APRIL GIVE ME A CALL,
7 AND I'LL TELL YOU HOW YOU'RE DOING.

8 DOCTOR MILEY: THANK YOU.

9 SENATOR DRUMMOND: MR. MILEY, LET ME ASK YOU
10 ONE QUESTION. THE MULTIPLIER EFFECT OF SAY, \$200, \$300
11 MILLION DOLLARS TAKEN OUT OF THE ECONOMY, THE MULTIPLIER
12 EFFECT OF BUYING GROCERIES, AND PAYING RENT, ET CETERA,
13 DO YOU ALL TAKE ANY CONSIDERATION OF THAT?

14 DOCTOR MILEY: YES, SIR.

15 SENATOR DRUMMOND: AND THE REASON--IT'S A
16 POINTED QUESTION I'M ASKING, OR TOO POLITICAL, I THINK,
17 THE ESTIMATE FOR THE VIDEO POKER MACHINES TAKEN OUT OF
18 THE ECONOMY IS ANYWHERE FROM FIVE TO \$700 MILLION DOLLARS
19 A YEAR. EVEN WHEN I HAD THE PUBLIC MEETING, I MEAN, EVEN
20 THE INDUSTRY ITSELF ADMITTED \$300 MILLION. YOU TAKE
21 FIVE, JUST SAY HALF OF THAT, SAY IT'S \$300 MILLION,
22 THAT'S TAKING IT OUT OF CIRCULATION AND GOING INTO JUST
23 A FEW POCKETS. YOU'RE TAKING IT AWAY FROM GROCERY SALES,
24 AND I'M HEARING A LOT OF THIS NOW BY PHONE CALLS. IT'S
25 COMING INTO MY AREA. DOES THAT HAVE ANY EFFECT?

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1 DOCTOR MILEY: YES, SIR, WE WOULD ANTICIPATE
2 ANY TYPE OF POSITIVE IMPACT ON THE ECONOMY WOULD HAVE A
3 MULTIPLIER EFFECT; AND ANY TYPE OF WITHDRAWAL FROM THE
4 ECONOMY, OR CONSTRICTION, CONTRACTION OF THE ECONOMY,
5 TAKING THAT OUT OF THE ECONOMY, WILL ALSO HAVE A MULTI-
6 PLIER EFFECT.

7 NOW, THE SPEED AND MAGNITUDE OF HOW FAST, AND
8 HOW LARGE THAT MULTIPLIER IS, DEPENDS ON THE TYPE OF
9 ACTIVITY THAT YOU'RE ADDING, OR SUBTRACTING. AND I DON'T
10 KNOW THAT INDUSTRY WELL ENOUGH TO SAY THAT THAT'S A LARGE
11 MULTIPLIER, OR A SMALL MULTIPLIER, AND A QUICK OR SLOW
12 ONE. BUT, YES, THERE WOULD PROBABLY BE A MULTIPLIED
13 EFFECT, WHETHER IT WOULD HIT--WHEN IT WOULD HIT, AND HOW
14 LARGE IT WOULD HIT, WOULD NEED FURTHER STUDY. BUT, YES--

15 SENATOR DRUMMOND: IT'S HITTING NOW, AND
16 THERE'S A LOT OF INFORMATION OUT THERE. I HAVE INFORMA-
17 TION ON IT. I MEAN, A LOT OF MONEY GOING IN A FEW
18 POCKETS, MOSTLY FROM THE POOREST PEOPLE THAT BUY THEIR
19 GROCERIES, BUY THE SCHOOL BOOKS, THE CHILDREN. AND IT'S
20 RAMPANT NOW IN THE STATE OF SOUTH CAROLINA.

21 GOVERNOR CAMPBELL: MR. PATTERSON.

22 MR. PATTERSON: MR. CHAIRMAN, HISTORICALLY
23 RECESSIONS, OR SLOWDOWNS HAVE BEEN GO DOWN, AND THEN A
24 FEW MONTHS THINGS WOULD START TO TRICKLE AND START TO GO
25 BACK UP. THAT'S HAPPENED OVER THE HISTORICAL RECORD OF

1 RECESSIOIN; IS THAT NOT TRUE?

2 DOCTOR MILEY: YES, SIR.

3 MR. PATTERSON: IN THIS ONE, IT'S UNIQUE. IT
4 HASN'T HAPPENED IN THE PAST. IT WENT DOWN, AND IT'S
5 STAYING DOWN FOR THREE YEARS ON THE BOTTOM, GENERALLY
6 SPEAKING, AND NOW IT'S BEGINNING TO HAVE A LITTLE UP
7 PICK; IS THAT TRUE?

8 DOCTOR MILEY: YES, SIR.

9 MR. PATTERSON: SO, IT'S NOT--THE POINT I'M
10 MAKING IS, THE FORECASTS WERE NOT PREDICTABLE IN A
11 HISTORIC PATTERN. IT HADN'T HAPPENED BEFORE.

12 DOCTOR MILEY: THIS HAS BEEN, I WOULD LIKE TO
13 PUT ALL THE BLAME ON THE ECONOMY. THIS HAS BEEN A VERY
14 DIFFICULT RECESSION, AND EXPANSION TO MEASURE. WE'VE HAD
15 A FEW STARTS AND STOPS. WE HAD A LONGER RECESSION THAN
16 ANYBODY ANTICIPATED, BUT NUMBERS COMING OUT OF WASHINGTON
17 WERE NOT AS ACCURATE. ONCE THEY GET REVISED, WE FIND
18 THAT IT WAS LONGER AND DEEPER THAN WE THOUGHT; AND THE
19 NUMBERS COMING OUT OF WASHINGTON ARE DIFFICULT TO READ AS
20 EXPAND ALSO, BECAUSE WE THOUGHT AT ONE TIME, FOR IN-
21 STANCE, LAST YEAR OUR EMPLOYMENT NUMBERS WERE REVISED
22 DOWNWARD AFTER BETTER INFORMATION BY 45,000 PEOPLE.

23 IT WASN'T THAT WE WERE MISREADING THE ECONOMY,
24 THE NUMBERS SAID THERE WERE 45,000 MORE PEOPLE OUT THERE
25 EMPLOYED THAN THERE ACTUALLY WERE. BUT THIS ECONOMY IS

1 ONE--THIS EXPANSION, I AM CONVINCED THAT WE ARE GROWING
2 AT A SLOW RATE. BUT IT IS A VERY PROLONGED, VERY SLOW
3 GROWTH, GIVEN THE WORLD ECONOMY, AND THE NATIONAL
4 ECONOMY, IT IS A VERY SLOW-GROWTH PERIOD.

5 GOVERNOR CAMPBELL: HARRY, I THINK YOU OUGHT TO
6 SPEAK JUST A LITTLE BIT TO THE WORLD ECONOMY. THE FOUR
7 GREAT ENGINES IN THE WORLD THAT ARE OUT THERE, AND THAT'S
8 JAPAN, AND THE EUROPEAN MARKET PLACE, INCLUSIVE OF GREAT
9 BRITAIN, THEY'RE ALL IN RECESSION.

10 DOCTOR MILEY: YES, SIR, WHILE I AM AN ETERNAL
11 OPTIMIST, WE DON'T SEE THE ENGINE THAT'S GOING TO DRIVE
12 THIS ECONOMY FASTER THAN 1 OR 2%. WE DON'T SEE A SECTOR
13 OUT THERE.

14 GOVERNOR CAMPBELL: WOULD YOU DEFINE, GIVE ME
15 A DEFINITION OF WHAT RECESSION IS? I MEAN, IT IS HOW
16 MANY QUARTERS IN A ROW OF NO GROWTH?

17 DOCTOR MILEY: GENERALLY, IT'S DEFINED AS TWO
18 QUARTERS, TWO CONSECUTIVE QUARTERS, OF NEGATIVE GROWTH.

19 GOVERNOR CAMPBELL: WE AREN'T IN THAT. WE'RE
20 IN A SLOW GROWTH.

21 DOCTOR MILEY: CORRECT, THAT IS CORRECT. WE'VE
22 BEEN IN AN EXPANSION FOR SEVERAL MONTHS, WE THINK, AND
23 EVERY INDICATION THAT I SEE WE ARE. BUT AT THE SAME
24 TIME, IT IS--WHEN YOU USED TO TALK ABOUT EXPANSION, YOU
25 USED TO THINK OF 6 OR 7% GROWTH.

1 GOVERNOR CAMPBELL: YEAH, INSTEAD WE'RE IN A
2 2-3--

3 DOCTOR MILEY: AND A RECESSION OF 10 OR 12%
4 UNEMPLOYMENT. WE'VE GOT 6 1/2% UNEMPLOYMENT. SO, I
5 MEAN, WE DID NOT HAVE A REAL DEEP, DEEP RECESSION. WE
6 HAD A--

7 GOVERNOR CAMPBELL: COULD I ASK YOU A COUPLE
8 MORE QUESTIONS, IF I MIGHT, WHICH, I THINK, ARE RELEVANT.
9 I WAS READING THE NATIONAL ANALYSIS OF SOUTH CAROLINA A
10 WHILE BACK AS TO WHAT WE LOST OUT OF OUR ECONOMY AFTER
11 HUGO. THE ESTIMATE WAS WE LOST BETWEEN 1 1/2 AND \$2
12 BILLION DOLLARS OUT OF OUR ECONOMY AFTER THE INSURANCE
13 PAID OFF. HOW DID THAT IMPACT US? I KNOW IT DIDN'T THE
14 NEXT YEAR, BECAUSE WE HAD THE INSURANCE MONEY FLOWING,
15 BUT HOW DID THAT IMPACT US IN '91?

16 DOCTOR MILEY: WELL, WE TALKED ABOUT THAT FOR
17 A LONG TIME, AND A LOT OF PEOPLE HAVE LOOKED AT THAT; AND
18 IT WASN'T AN INCOME EFFECT. IT WAS A WEALTH EFFECT.

19 GOVERNOR CAMPBELL: YEAH.

20 DOCTOR MILEY: PEOPLE RECEIVED--THEY GOT
21 EMPLOYED QUICKLY BECAUSE OF THE RECONSTRUCTION. THE
22 INSURANCE TOOK CARE OF A LOT OF THE CUT, I MEAN, OF THE
23 LOSS, BUT THERE WAS A LOT OF UNINSURED--

24 GOVERNOR CAMPBELL: LOSS WAS MUCH MORE. THIS
25 IS AFTER--

1 DOCTOR MILEY: THAT'S RIGHT, A LOT OF UNINSURED
2 LOSS WAS A WEALTH IMPACT; THAT IS, IT DIDN'T HURT YOUR
3 CASH FLOW, IT HURT YOUR SAVINGS ACCOUNT, AND YOUR NET
4 WORTH. WHEN YOU HAVE THAT KIND OF LOSS IN YOUR WEALTH,
5 ECONOMISTS WOULD LOOK AT THAT AS A WEALTH EFFECT, AND YOU
6 WOULD MAKE SOME CHANGES IN YOUR SPENDING BEHAVIOR, BASED
7 ON THE LOSS OF YOUR WEALTH. PERHAPS YOUR INCOME IS THE
8 SAME, BUT NOW SINCE YOU LOST WEALTH, YOU HAVE TO SAVE
9 MORE, OR RETIRE DEBT, AND YOU WOULD HAVE CHANGED YOUR
10 OUTLOOK ON THE FUTURE, BECAUSE YOUR SAVINGS ACCOUNT HAS
11 DWINDLED.

12 SO, THAT TOOK A WHILE, BECAUSE THE INCOME
13 EFFECT WAS FAIRLY SHORT. PEOPLE GOT REEMPLOYED VERY
14 QUICKLY, AND AT SOMETIMES HIGHER WAGES.

15 GOVERNOR CAMPBELL: AND GOT THEIR INSURANCE IN
16 '90?

17 DOCTOR MILEY: AND SPENT IT. A LOT OF THE TIME
18 THEY DIDN'T SPEND IT ON THE ASSET THAT WAS DAMAGED. THEY
19 SPENT IT FOR OTHER CONSUMPTION ITEMS. SO, WE SAW A BIG
20 INCREASED IN RETAIL SALES. BUT AT THE SAME TIME AFTER--
21 AFTER THAT WENT THROUGH THE ECONOMY, THERE WAS THAT
22 ESTIMATED BILLION DOLLARS, OR MORE, LOSS OF WEALTH IN
23 THOSE--

24 GOVERNOR CAMPBELL: OUT OF THE BASIC WEALTH
25 BASE OF THE STATE OF SOUTH CAROLINA.

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1 DOCTOR MILEY: YES, AND AS YOU CAN IMAGINE,
2 CONSUMER BEHAVIOR, WHILE IT'S DIFFICULT TO PREDICT IN THE
3 SHORT RUN, GENERALLY PEOPLE WHEN THEY HAVE A LOSS OF
4 WEALTH WILL CHANGE THEIR SPENDING HABITS. AND THAT'S
5 WHAT WE THINK HAS HAPPENED, IN THAT PART OF THE REASON
6 WHY THAT RELATIONSHIP BETWEEN RETAIL SALES AND INCOME HAS
7 CHANGED SOMEWHAT.

8 THERE ARE A LOT OF OTHER REASONS, CONSUMER
9 CONFIDENCE ABOUT THE FUTURE, OR WHATEVER, BUT PART OF
10 THAT IS THAT LOSS OF WEALTH IN TERMS OF YOUR ANTICIPATION
11 OF SPENDING.

12 GOVERNOR CAMPBELL: CAN I ASK YOU ONE OTHER
13 QUESTION. THE FEDERAL GOVERNMENT CHANGED THE RULES ON US
14 ON REVENUE LEGISLATION ON THE RULES ON REVENUE ON THE
15 PROVIDER TAXES, WHICH WAS THE WAY WE FUNDED MUCH OF
16 MEDICAID, WHICH THEY ARE, AS YOU KNOW, ELIMINATED AS OF
17 OCTOBER THE 1ST.

18 AND, BILLY, I DON'T THINK, I THINK YOU ALL
19 TRIED TO ADDRESS THAT, AND AGREE TO ABSORB IT, DIDN'T
20 YOU?

21 MR. BOAN: WE ADJUSTED THE RATE TO MAKE A BROAD
22 BASE FOR EVERYBODY. I DON'T THINK THERE'S MUCH CHANGE.

23 GOVERNOR CAMPBELL: YOU TOOK THE BED TAX OFF,
24 WHICH WAS IN THE HOW MANY MILLIONS; AND THE HOSPITAL,
25 TOO?

1 MR. BOAN: ABOUT \$18 MILLION, I THINK.

2 GOVERNOR CAMPBELL: ABOUT \$18 MILLION DOLLARS,
3 BUT THAT'S A REVENUE SIDE OF THE THING. I'M SAYING THAT
4 REALLY BECAUSE THE WAYS AND MEANS COMMITTEE, AND THOSE
5 HAD NO CHOICE. THE FEDERAL GOVERNMENT DID THAT. I MEAN,
6 THEY TOOK AWAY AN \$18 MILLION DOLLAR BASE ON A TAX THAT
7 WAS GOING TO THAT.

8 I POINT THAT OUT FOR THIS REASON, THAT IF YOU
9 LOOK AT THE INCREASE IN HEALTH AND HUMAN SERVICE FINANCE
10 COMMISSION, THOSE EXPENDITURES HAVE INCREASED 132% OVER
11 THE LAST FOUR YEARS. THAT'S THE FASTEST GROWING THING WE
12 HAVE. LAST YEAR, YOU ALL HAD TO PUT \$29 MILLION NEW
13 DOLLARS INTO THAT.

14 MR. BOAN: ABOUT \$30 MILLION.

15 GOVERNOR CAMPBELL: ALL RIGHT. IT WAS 29
16 SOMETHING, OR 30, SO IF YOU PUT \$30 MILLION NEW DOLLARS
17 INTO IN, AND YOU LOST THE \$18 MILLION DOLLAR TAX, WHAT
18 YOU HAD WAS A \$48 MILLION DOLLAR SWING ITEM IN ONE AGENCY
19 ALONE THAT HAS TO DO WITH MEDICAID.

20 NOW, HAVING SAID THAT, HAVING SAID THAT, I
21 THINK THAT WE REALLY NEED TO UNDERSTAND WHAT EVERYTHING--
22 IT'S IMPACTING US. I MEAN, IT IS IMPACTING US. THERE'S
23 NO QUESTION ABOUT THAT. I MEAN, YOU GET A \$48 MILLION
24 DOLLAR SWING FROM ONE YEAR TO THE NEXT IN ONE AGENCY,
25 YOU'VE GOT A PRETTY BIG SWING.

1 FOR FUTURE ACTION OF THIS BOARD, I WOULD
2 RECOMMEND SOMETHING TO US, AND I THINK IT'S IMPORTANT
3 THAT WE TAKE IT UP. IT WILL NOT DO ANYTHING FOR US NOW,
4 AND I'VE DISCUSSED THIS WITH A COUPLE OF YOU ALL.

5 WE NEED TO GO INTO MANAGED CARE FOR MEDICAID IN
6 THIS STATE. THAT IS THE FASTEST GROWING THING WE'VE GOT,
7 AND IT'S HITTING US HARD, AND WE NEED TO GO INTO MANAGED
8 CARE. I MEAN, WE DO IT FOR STATE EMPLOYEES. WE'VE
9 PROVIDERS; WE'VE GOT COSTS; WE'VE GOT EVERYTHING ELSE.
10 WE NEED TO DO EXACTLY THE SAME THING FOR MEDICAID. IF
11 THE PEOPLE THAT WORK FOR THIS STATE HAVE TO GO UNDER A
12 SYSTEM FOR MANAGED CARE AND PAYMENT, MEDICAID OUGHT TO BE
13 PUT UNDER THE SAME SYSTEM. AND WE HAVE SHOWN THAT WE CAN
14 CONTROL SOME COSTS WITH THAT, AND WE DESPERATELY NEED TO
15 DO IT, OR IT'S GOING TO CONTINUE TO BLOW US OUT OF THE
16 WATER.

17 SO, I JUST PUT THAT OUT. DOCTOR CARTER, I'D
18 LIKE TO HAVE THAT LOOKED AT IN THE BOARD WITH THE STAFF,
19 AND WITH THE INSURANCE EXPERTS, TO SEE WHAT WE CAN DO TO
20 PULL THAT IN.

21 DOCTOR CARTER: ALL RIGHT, SIR.

22 GOVERNOR CAMPBELL: I THINK IT'S ABSOLUTELY
23 ESSENTIAL THAT WE TAKE THAT TYPE OF STEP, OR ELSE WE'RE
24 GOING TO BE IN THE SAME BOX AGAIN. I MEAN, IT'S JUST
25 GOING TO CONTINUE ON, AND I THINK THAT THAT IS SOMETHING

1 THAT IS EXTREMELY IMPORTANT.

2 ANOTHER ITEM THAT I WANT TO SAY IS AFFECTING
3 OUR REVENUE, ONE WAY OR THE OTHER, BUT I THINK IT'S VERY
4 APPROPRIATE ANYHOW, AND THAT IS, IS THAT WE DID INDEX THE
5 INCOME TAXES TO INFLATION TO PROTECT THE TAXPAYER FROM
6 PAYING TAXES ON INFLATION. AND I THINK IT WAS A VERY
7 APPROPRIATE MOVE, AND I STILL THINK IT WAS, BECAUSE
8 THAT'S THE ONLY FAIR WAY YOU CAN TREAT THE PEOPLE THAT
9 WORK. BUT THAT DOES, IF YOU TAKE THAT INTO EFFECT, HAVE
10 A VERY NOMINAL EFFECT, BUT IT HAS SOME EFFECT ON US.

11 AND I THINK THAT WE NEED TO LOOK AT SOME OF THE
12 THINGS WE'RE DEALING WITH. WE HAVE SPENT AN INORDINATE
13 AMOUNT OF MONEY, AND THERE'S NO QUESTION ABOUT IT. IN
14 FOUR YEARS WE'VE INCREASED THE EXPENDITURES TO THE
15 DEPARTMENT OF CORRECTIONS BY 53%; AND WE HAVE INCREASED
16 THE HEALTH AND HUMAN SERVICE FINANCE COMMISSION ON THEIRS
17 BY 132%; AND THOSE ARE MAJOR, MAJOR EXPENDITURES, BECAUSE
18 THOSE ARE VERY BIG, BIG TICKET ITEMS. AND WE NEED TO
19 LOOK AT BOTH OF THOSE VERY CAREFULLY.

20 I COMMEND THE GENERAL ASSEMBLY LAST YEAR ON
21 THEIR OFFENDER MANAGEMENT BILL, AND THE MOVEMENTS THAT
22 WERE TAKEN TO TRY TO DEAL WITH THIS. BUT WE CAN'T
23 CONTINUE THAT GROWTH, BECAUSE IT IS LITERALLY ROBBING US
24 OF THE MEANS TO FUND THE THINGS THAT WE HAVE TO FUND FOR
25 THE GOOD OF THIS STATE, AND, BASICALLY, THOSE ARE

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1 EDUCATION ORIENTED, AND OTHER PROGRAMS.

2 AND, SO, I THINK THESE ARE ITEMS THAT WE BETTER
3 LOOK VERY CAREFULLY AT FOR THE FUTURE. IT'S NOT GOING TO
4 HELP US RIGHT NOW, BUT WE BETTER STEP IN THERE, AND DO
5 SOME THINGS ON THEM; ESPECIALLY ON THE CORRECTIONS, AND
6 TRYING TO DEAL WITH THAT; AND ESPECIALLY ON THE MEDICAID
7 SIDE OF EXPENDITURES, THOSE HEALTH EXPENDITURES. AND
8 THEY ARE--AND THEY'RE COMING DOWN FROM WASHINGTON; DON'T
9 GET ME WRONG. WE'RE NOT DOING IT. THOSE ARE COMING DOWN
10 OUT OF THE CONGRESS, AND MANDATES, AND WE'RE HAVING TO
11 DEAL WITH THEM. BUT WE ARE GOING TO HAVE TO ADDRESS
12 THEM.

13 I'M GOING TO STOP THERE. I THINK THAT MR.
14 MORRIS HAD A QUESTION, AND THEN SENATOR DRUMMOND.

15 MR. MORRIS: JUST RELATIVE TO WHY WE'RE HERE
16 TODAY, THE GENERAL ASSEMBLY IN GOOD FAITH, I ALWAYS
17 ATTRIBUTE GOOD FAITH TO THEM, BECAUSE I WAS UP THERE
18 TWENTY-FOUR YEARS.

19 MR. BOAN: NOT NECESSARILY GOOD WISDOM.

20 MR. MORRIS: WELL, GOOD FAITH. BUT WHEN THEY
21 PASSED THE CURRENT APPROPRIATIONS ACT, OSTENSIBLY, IT WAS
22 IN BALANCE. BUT WHEN WE GOT THROUGH LOOKING AT HOW MUCH
23 MORE WE GOT TO RAISE FOR THIS YEAR THAN THE YEAR JUST
24 CONCLUDED, YOU MENTIONED THE \$44 MILLION SHORT FALL THEY
25 HAD TO COLLECT IN REVENUE, WHAT HAPPENED BETWEEN THE TIME

1 THAT THEY PASSED THAT BILL, AND TODAY? I CAN ACCOUNT FOR
2 \$44 MILLION DOLLARS OF IT, BUT WHERE IS THE REST OF IT?

3 DOCTOR MILEY: I SEE--THE TWO AREAS THAT WE
4 ADDRESSED WERE THE CHANGE IN RELATIONSHIP THAT WE FELT
5 WAS RETURNING BACK TO ITS MORE NORMAL PATTERN DECEMBER
6 THROUGH APRIL; REMEMBER BACK FOR THOSE FOUR MONTHS, I
7 CAME IN HERE EVERY MONTH, AND WE TALKED ABOUT--I TALKED
8 ABOUT WITHHOLDING TAXES COMING IN AT THE 68% RANGE;
9 RETAIL SALES RECOVERING; AND FOR THOSE FOUR OR FIVE
10 MONTHS, WE FELT LIKE WE HAD RETURNED TO A MORE NORMAL
11 PATTERN.

12 THE OVERALL PICTURE OF THE ECONOMY REALLY
13 HASN'T CHANGED MUCH. BACK IN FEBRUARY, AND BACK IN
14 MARCH, AND APRIL IF YOU LOOK AT THE NATIONAL FORECASTERS,
15 AND THE STATE FORECASTERS, THEY HAVE CONSISTENTLY
16 ESTIMATED GROWTH IN THE CALENDAR YEAR OF '93, AND FISCAL
17 YEAR '93, IN THE 1 TO 2 1/2% RANGE; 1 1/2 TO 2 1/2% REAL
18 GROWTH; 1 TO 2% EMPLOYMENT; 4, 5, 6% IN PERSONAL INCOME.
19 NOW, THEY HAVE REVISED THEIR NATIONAL FORECAST DOWN SOME,
20 BUT NOT FROM FOUR TO ONE. IT'S BEEN MORE LIKE 2.6 TO
21 2.2, OR SOMETHING LIKE THAT.

22 SO, WE FELT LIKE THINGS HAD RECOVERED, AND THEN
23 MAY AND JUNE, AGAIN, THE BOTTOM FELL OUT IN WITHHOLDING.
24 IT HAD NOTHING TO DO WITH REFUND PATTERNS. IT DIDN'T
25 HAVE ANYTHING TO DO--IT WAS A DIRECT EFFECT OF PEOPLES'

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1 EARNING POWER, AND IT FELL OFF THE TABLE AGAIN. I CANNOT
2 EXPLAIN WHY IT WOULD HOLD UP FOR FIVE SOLID MONTHS, AND
3 THEN FALL OFF THE TABLE IN JUNE, IN MAY AND JUNE.

4 THE SAME THING WITH RETAIL SALES. RETAIL SALES
5 HAD AVERAGED 6% FROM JANUARY THROUGH APRIL; SOLID GROWTH
6 UNAFFECTED BY ANY KIND OF ADJUSTMENT FOR REFUNDS, OR
7 ANYTHING. IT WAS A SOLID 6% AVERAGE FROM JANUARY THROUGH
8 APRIL. AGAIN, IN MAY AND JUNE IT STOPPED. WE DON'T KNOW
9 THE ANSWER YET, BUT GIVEN THAT THAT PATTERN RETURNED, WE
10 FEEL LIKE THAT THE 5% INCOME GROWTH THAT WE STILL
11 ANTICIPATE, 4 TO 5%, AND THE 1 TO 2% EMPLOYMENT, WE HOPE
12 WE'VE LEARNED OUR LESSON. WE DO NOT ANTICIPATE THAT
13 RELATIONSHIP TO CONTINUE THE REST OF THIS YEAR, EVEN
14 THOUGH DECEMBER THROUGH APRIL WE DID, SO WE WERE A LITTLE
15 BIT MORE OPTIMISTIC; NOT OF THE ECONOMY, BUT OF THE
16 REVENUES THAT THE ECONOMY WOULD GENERATE. MAY AND JUNE
17 TAUGHT US THAT WE'RE NOT OUT OF THAT BAD PERIOD YET, THAT
18 ATYPICAL PATTERN, AND, THEREFORE, GIVEN THE SAME ECONOMIC
19 FORECAST, WE LOWERED OUR REVENUE ESTIMATE THAT WOULD BE
20 GENERATED BY THAT ECONOMY.

21 ONE OF THE THINGS THAT I FEEL LIKE IS IS
22 CHANGING THAT PATTERN IS THE--IT IS A VERY STARTLING
23 NUMBER, IN TERMS OF WAGE GROWTH LAST YEAR, OUR WAGES HAVE
24 BEEN GROWING IN THE 4% RANGE, OR SO. RETAIL SALES AT A
25 PERCENTAGE, AS A PERCENTAGE OF WAGES, THAT IS, THAT

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1 INCOME THAT YOU RECEIVE, AND HOW MUCH OF THAT YOU SPEND
2 ON RETAIL ITEMS, HAS PLUMMETED. IT HAS DROPPED OFF THE
3 TABLE. PEOPLE ARE NOT SPENDING WHAT THEY USED TO, GIVEN
4 THEIR SAME INCOME. ONE OF THE REASONS WHY IS IF YOU LOOK
5 AT THE REAL COST OF INTEREST EXPENSE. EVEN THOUGH
6 INTEREST RATES HAVE COME DOWN A LOT, A LOT OF THE
7 INTEREST EXPENSE THAT THE AVERAGE CONSUMER HAS IS NOT
8 DEDUCTIBLE ANY MORE. SO, WHEN YOU WERE PAYING 12% ON
9 YOUR CAR LOAN, AND GOT TO DEDUCT IT, AND YOU WERE IN THE
10 20 OR 30% TAX BRACKET, THAT WAS THE SAME AS A 9% CAR LOAN
11 TODAY, OR MAYBE EVEN LESS. YOUR CREDIT CARD PURCHASES OF
12 18% FIVE YEARS AGO WERE, IF YOU WERE IN THE 30 OR 40% TAX
13 BRACKET, 12 OR 13%.

14 MR. MORRIS: THAT'S THE 1986 TAX REFORM ACT,
15 WHICH I OPPOSED IN '85, THAT HAS SHOT CONSUMER SPENDING
16 MORE THAN ANY OTHER THING. WHEN YOU TAKE THESE DEDUC-
17 TIONS AWAY, IT KILLED IT.

18 DOCTOR MILEY: AND SO WE SEE THAT--THAT'S NOT
19 THE ONLY REASON. THAT'S NOT THE ONLY.

20 MR. MORRIS: THAT WAS THE BIGGEST ONE THOUGH.
21 IT'S A BIG ONE.

22 DOCTOR MILEY: BUT THOSE FACTORS PLAY INTO IT,
23 SO IT CHANGES THAT RELATIONSHIP. THE CONSUMER IS
24 LIQUIDATING DEBT; ITS OUTLOOK IS NOT AS POSITIVE AS IT
25 WAS; AND HE'S LIQUIDATING DEBT; AND THAT INTEREST EXPENSE

1 HAS NOT GONE DOWN AS YOU READ ABOUT INTEREST RATES.

2 MR. MORRIS: YES.

3 DOCTOR MILEY: HOME MORTGAGE RATES HAVE COME
4 DOWN, AND THAT HAS HELPED. BUT THOSE OTHER INTEREST
5 EXPENSE--

6 MR. MORRIS: CREDIT CARDS, CONSUMER LOAN, AND
7 SO FORTH, WHICH IS NO LONGER DEDUCTIBLE.

8 DOCTOR MILEY: SO, THE REAL COST OF THAT DEBT
9 HAS GONE UP TO THE CONSUMER.

10 GOVERNOR CAMPBELL: HARRY, LET ME ASK YOU ONE
11 QUESTION.

12 DOCTOR MILEY: YES, SIR.

13 GOVERNOR CAMPBELL: THE PATTERN THAT WE GET IN
14 MAY AND JUNE, WHAT DO YOU THINK CAUSED JULY TO GO BACK UP
15 AGAIN?

16 DOCTOR MILEY: GOVERNOR, I DON'T THINK I CAN
17 EXPLAIN WHAT HAPPENED IN JULY. JULY WAS A VERY GOOD
18 MONTH. WE HAD POSITIVE 4%, OR SO, RETAIL SALES GROWTH,
19 AGAIN, UNAFFECTED BY ANY KIND OF REFUND PATTERN, OR
20 ANYTHING ELSE. WE HAD VERY STRONG INDIVIDUAL WITHHOLDING
21 WITH VERY STRONG INDIVIDUAL INCOME TAX GROWTH. RIGHT
22 NOW, WE DON'T KNOW WHETHER IT IS THINGS THAT OCCURRED
23 ACTUALLY BECAUSE OF ECONOMIC ACTIVITY THAT OCCURRED IN
24 MAY AND JUNE, AND JUST CAME IN IN JULY; OR WHETHER THAT
25 THE ECONOMY PICKED UP IN JULY AFTER TWO BAD MONTHS. I

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1 DON'T HAVE THE ANSWER. THE ECONOMY, GENERALLY, DOES NOT
2 FALL OFF THE TABLE IN ONE MONTH; AND SUDDENLY EXPAND
3 QUICKLY THE NEXT MONTH.

4 SO, MY SUSPICION IS, IS THAT IF YOU LOOK AT
5 THOSE THREE OR FOUR MONTHS OVER AN AVERAGE, THAT THE
6 GROWTH WILL RETURN. WHAT WE SAW FROM DECEMBER TO APRIL
7 WAS PERHAPS A TREND THAT WAS REALLY THERE; MAY AND JUNE
8 FELL OFF FOR REPORTING REASONS, OR SOMETHING ELSE,
9 SOMETHING THE CONSUMER, OR TAXPAYER WAS DOING, AND
10 CORPORATIONS WERE DOING; AND IN JULY THEY PUT IT OFF AS
11 LONG AS THEY COULD, AND THEY FINALLY HAD TO PAY THOSE
12 TAXES. I DON'T KNOW. I CAN'T ANSWER THAT. I'M HOPING
13 TO BE ABLE TO ANSWER THAT WHEN WE GET ANOTHER MONTH'S
14 DATA IN. BUT JULY WAS A VERY GOOD MONTH; SO FAR AUGUST
15 HAS BEEN COMING IN VERY SOLIDLY, AGAIN, WHICH WOULD
16 SUPPORT A HIGHER ESTIMATE THAN WE'VE COME UP WITH; BUT
17 AFTER THE EXPERIENCE WE EXPERIENCED IN MAY AND JUNE, WE
18 DON'T THINK WE CAN COUNT ON THAT ONE AND A HALF MONTH'S
19 REVENUE GROWTH TO SAY THAT THE ECONOMY HAS TURNED--
20 BECAUSE LAST TIME WE HAD FOUR OR FIVE MONTHS OF GOOD
21 GROWTH, AND IT DID THIS, SO--

22 THE OTHER THING WAS THAT THE--YOU ASKED ABOUT
23 THE DIFFERENCE IN SOME OF THE ENHANCEMENTS THAT THE
24 LEGISLATURE ADDED. WE LOOKED AT, AND THEY HAD ESTIMATED
25 \$3 MILLION DOLLARS FOR THIS; MAYBE \$2.5 MILLION DOLLARS

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1 AFTER FURTHER STUDY; SOMETHING MAY HAVE CHANGED BETWEEN
2 NOW AND THE TIME THAT THEY PASSED THAT CHANGE. SO, THERE
3 WERE SOME--WE MADE SOME ADJUSTMENTS TO THOSE ENHANCE-
4 MENTS.

5 MR. MORRIS: SO, IS THE BEA INVOLVED WITH THE
6 TAX COMMISSION WHENEVER A NEW REVENUE SOURCE IS PUT ON
7 THE TABLE FOR THE ESTIMATE? DOES THAT HAVE TO RUN BY YOU
8 ALL, OR THE TAX COMMISSION; HOW DO YOU DO THAT?

9 DOCTOR MILEY: WE HAVE NOT BEEN IN THE PAST OF
10 THE TWENTY SOMETHING ENHANCEMENTS THAT WERE ADDED TO THE
11 LEGISLATURE. WE WERE ASKED ABOUT ONE OF THEM.

12 MR. MORRIS: SHOULDN'T YOU BE INVOLVED, AND ASK
13 ABOUT ALL OF THEM?

14 DOCTOR MILEY: WELL, IF WE'RE STILL AROUND--

15 MR. MORRIS: YOU MAY GET THE FIRST FURLOUGHS.

16 DOCTOR MILEY: I UNDERSTAND THAT. I UNDERSTAND
17 THAT.

18 MR. MORRIS: BUT YOU ALL ARE ALREADY INVOLVED
19 IN THAT.

20 DOCTOR MILEY: WELL, WE WOULD--WE WOULD LIKE
21 TO. REVENUE FORECASTING IS NOT EASY. FORECASTING THE
22 ECONOMY IS NOT EASY. BASED ON OUR RECORD, I'M NOT SURE
23 WE COULD HELP, BUT WE WOULD TRY, AND WE WOULD BE MORE
24 THAN HAPPY AND GLAD TO HELP IF WE COULD.

25 GOVERNOR CAMPBELL: MR. PATTERSON, THEN SENATOR

1 DRUMMOND HAD A QUESTION.

2 MR. PATTERSON: I JUST WANTED TO COMMENT,
3 GOVERNOR. WE GET ALL KIND OF ECONOMIC REPORTS FROM
4 VARIOUS SOURCES, AND IN AN AUGUST REPORT FROM SOLOMON
5 BROTHERS, IT'S ENTITLED, "EARLY GLIMMERS OF RECOVERY," I
6 DON'T KNOW WHETHER YOU RECEIVED THAT OR NOT, BUT, ANYWAY,
7 IT'S GOT SOUTH CAROLINA, AND IT SHOWS A SERIES OF GRAPHS
8 IN HERE. AND IT SHOWS SOUTH CAROLINA WITH AN UPTICK,
9 JUST LIKE YOU'VE DESCRIBED, THAT THE ECONOMY IS BEGINNING
10 TO RECOVER IN SOUTH CAROLINA. AND IT SHOWS A PATTERN OF
11 ECONOMIC ACTIVITY FOR EMPLOYMENT AND INCOME FROM '80 TO
12 '92. I THOUGHT I'D JUST MAKE THAT POINT.

13 MR. MORRIS: I DON'T BELIEVE THEM EITHER.

14 GOVERNOR CAMPBELL: I DON'T THINK THERE'S ANY
15 QUESTION THAT WE'RE GROWING. I MEAN, HARRY MADE A POINT
16 THAT WE'RE NOT GROWING FAST ENOUGH TO OFFSET THE EXPENDI-
17 TURES, WHICH RAISES THE QUESTION, IS GOVERNMENT TOO BIG?
18 I MEAN, THAT'S THE QUESTION WE HAVE TO ASK OURSELVES. I
19 HEAR PEOPLE ALL THE TIME SAY, "LET'S GO OUT AND RAISE
20 MORE TAXES." WELL, QUITE FRANKLY, THAT'S ALMOST A COP-
21 OUT. WE BETTER LOOK AT SOME OF THE THINGS THAT ARE IN
22 GOVERNMENT THAT MIGHT BE TOO BIG. SENATOR DRUMMOND.

23 SENATOR DRUMMOND: MR. MILEY, I KNOW YOU DON'T
24 NEED ADVICE FROM A SENATOR ON FORECASTING, BUT THE
25 EFFECTS OF HUGO, THE SHORT TERM WE TALKED ABOUT, BUT THE

1 LONGEST TERM WE'RE GOING TO HAVE IS THE GREATEST LOSS,
2 INDIVIDUAL LOSS, WITH THE TIMBER INDUSTRY. THAT'S OUR
3 THIRD REPORTED INDUSTRY, AND THAT'S GOING TO GO FOR FIFTY
4 YEARS. WE LOST, I BELIEVE, BETTER THAN THIRTY PERCENT--

5 MR. PATTERSON: HALF

6 SENATOR DRUMMOND: --THIRTY PERCENT OF THE TOTAL
7 OF A \$6 BILLION LOSS WAS IN TIMBER ALONE.

8 NOW, I WAS ON THE COMMITTEE ON SALVAGE, AND, I
9 BELIEVE, I'M NOT--I BELIEVE WE RECOVERED SOMEWHERE ABOUT
10 15%, OR SOMETHING. THAT 15% RECOVERY WENT IMMEDIATELY
11 INTO THE ECONOMY, BUT THE LOSS IS GOING TO BE COVERED FOR
12 FIFTY YEARS, AND THAT'S ONE OF THE LARGEST LOSSES WE
13 HAVE; THAT'S THE THIRD LARGEST. I KNOW ONE PLANT SHUT
14 DOWN UP IN MY AREA; DIDN'T HAVE THE TIMBER.

15 GOVERNOR CAMPBELL: WELL, THE SAME HELD TRUE,
16 AND A COUPLE DOWN IN THE LOW STATE, THEY SHUT DOWN. THEY
17 DID A GOOD JOB IN '91, AND THEY RAN FLAT OUT, AND THEN
18 THEY HAD TO PULL BACK BECAUSE OF THE RESOURCE. YOU'RE
19 ABSOLUTELY RIGHT. THAT HELPS. YES, SIR, MR. BOAN.

20 MR. BOAN: DOCTOR MILEY, MR. MORRIS SPOKE OF
21 THE REVENUE ENHANCEMENTS, AND I'D LIKE TO ASK YOU A
22 QUESTION OR TWO ABOUT THAT. I BELIEVE OUR FIGURES SHOW
23 THAT IN '91-'92 WE'VE HAD--PART OF OUR SHORT FALL WAS DUE
24 TO BARNWELL'S SHORTAGE OF ABOUT \$14 MILLION OF THE \$19
25 MILLION WE HAD ANTICIPATED. YET, IN 1992-'93, THE

1 ENHANCEMENTS WERE \$74 MILLION, CERTIFIED BY THE TAX
2 COMMISSION, NOT THE BEA, YET YOU ALL REDUCED THAT BY ONLY
3 \$7 MILLION DOLLARS. CAN YOU COMMENT ON THAT?

4 DOCTOR MILEY: YES, SIR, THE RESEARCH THAT WE
5 DID FROM DHEC, OUR OWN ACTIVITIES, CHEM NUCLEAR, THE
6 JUSTIFICATION THAT WE HAD SUPPORTED THE \$7 MILLION DOLLAR
7 CUT. I'M NOT A NUCLEAR WASTE EXPERT. VARIOUS MEMBERS OF
8 THE BOARD OF ECONOMIC ADVISORS HAD DIFFERENT OPINIONS OF
9 THAT. WHEN WE TOOK OUR--WHAT WE DID, IS WE DID NOT TAKE
10 EVERYONE'S ESTIMATE OF THE SUPERB FUND, SUPERB ENHANCE-
11 MENT, AND AVERAGE IT, AND ADD IT TOGETHER. WE TOOK OUR
12 LUMP--EACH ONE OF US CAME IN WITH A LUMP SUM ESTIMATE OF
13 REVENUES, AND WHEN WE AVERAGED THOSE, WE LOST SOME DETAIL
14 IN TERMS OF EXACTLY--

15 MR. BOAN: YOU TREATED ALL ENHANCEMENTS AS ONE?

16 DOCTOR MILEY: THAT'S RIGHT, BECAUSE WE HAD
17 FOUR DIFFERENT OPINIONS, AND VOTES, AND JUDGMENTS COMING
18 INTO THE BOARD OF ECONOMIC ADVISORS. SO, WHAT WE DID IN
19 TERMS OF THE REPORTING OF THAT REVENUE SOURCE, THE
20 DOCUMENTATION THAT WE HAD, BASED ON, IN FACT, I FORMED A
21 COMMITTEE, AND ASKED STAFFS OF WAYS MEANS, FINANCE,
22 BUDGET AND CONTROL BOARD, THE TAX COMMISSION, GOVERNOR'S
23 OFFICE, AND OUR STAFF TO COME TOGETHER AND HELP US
24 UNDERSTAND THOSE ENHANCEMENTS, AND GENERATE AS MUCH
25 DOCUMENTATION ON THOSE ENHANCEMENTS AS WE COULD, SO THAT

1 WE WOULD MAKE SURE THAT SINCE OUR ESTIMATE NOW IS THE
2 OFFICIAL ESTIMATE, THAT WE--IF THE LEGISLATURE ADDED \$1
3 MILLION DOLLARS FOR SOMETHING, WE COULD SUPPORT THAT; OR
4 IF WE DIDN'T BELIEVE IT, WE HAD DOCUMENTATION THAT WE
5 COULD UNSUPPORT IT.

6 SINCE THE PERSON THAT GENERATED THAT ESTIMATE,
7 OBVIOUSLY, KNEW MORE ABOUT IT THAN I DID, AND UNLESS I
8 HAD SOLID DOCUMENTATION ON THAT NOT BEING THERE, THEN I
9 DID NOT FEEL LIKE I COULD--THAT I KNEW MORE THAN THE
10 AGRICULTURAL DEPARTMENT ON THE SUPER FUND THAN THEY DID;
11 OR THAT I KNEW MORE ABOUT CHEM NUCLEAR THAN THEY DID; OR
12 THE OTHER STAFF THAT SUPPORTED THE DOCUMENTATION.

13 SO, WHEN WE AVERAGED OURS, THE ENHANCEMENTS
14 WERE LOWERED ABOUT \$30 MILLION DOLLARS IN TOTAL, WHICH
15 WAS ABOUT 20--30%; 15%, EXCUSE ME.

16 MR. BOAN: I WANTED TO MAKE THAT POINT, AND I
17 ALSO WANTED TO MENTION THAT, YOU KNOW, WE DON'T JUST
18 THROW ENHANCEMENTS IN THE BUDGET WITHOUT SOME CERTIFICA-
19 TION.

20 DOCTOR MILEY: I KNOW THAT.

21 MR. BOAN: I HOPE YOU DO KNOW THAT. WE DO HAVE
22 SOME DATA--

23 DOCTOR MILEY: ABSOLUTELY.

24 MR. BOAN: --ON WHAT WE DO.

25 GOVERNOR CAMPBELL: HARRY, CAN I--JUST PICKING

1 BACK AT THAT ONE THING. IN GOING BACK TO STUDYING IT ON
2 THE NUCLEAR, WE LOOKED AT THE PATTERN OF IT. WHEN WE
3 WENT TO \$160 AND NEVADA AND WASHINGTON WENT TO \$120, WE
4 HAD A TWO-MONTH PERIOD THERE WHERE THERE WAS A DIVERSION
5 OF WASTE OF, I'VE FORGOTTEN HOW MANY THOUSAND CUBIC FEET.
6 AND THE AMOUNT OF IT AT THAT PERIOD OF TIME WAS SOMEWHERE
7 IN THE NEIGHBORHOOD OF \$12 MILLION DOLLARS THAT DIVERTED;
8 THAT ACTUALLY DIVERTED.

9 IN LOOKING BACK AND CHECKING THE TAX COMMIS-
10 SION, IT APPEARS THAT IT CAME AND LEVELED BACK OFF AFTER
11 THAT PERIOD OF TIME, BUT THAT WAS GONE. I MEAN, JUST THE
12 DOLLARS WERE GONE.

13 IN LOOKING AT THE FUTURE, THE FIGURES THAT YOU
14 HAVE REDUCED, I THINK YOU'RE PROBABLY WISE TO REDUCE.
15 BUT THE FIGURES THAT YOU'VE REDUCED, AND WHAT WE HAVE, WE
16 LOOKED VERY CAREFULLY AT THE GENERAL FLOW, AND EVEN
17 REQUESTED THAT THE PRESIDENT OF THE COMPANY GIVE US A
18 LETTER SAYING THAT THEY--THEY WOULD STAND BEHIND WHAT
19 THEY THOUGHT THAT WAS GOING TO BE, BECAUSE WE, LIKE
20 BILLY, WE WERE JUST AS NERVOUS ABOUT WHERE WE WERE
21 COMING, OR NOT COMING ON THAT REVENUE, AND WE DID GET
22 SUCH A LETTER, AND I THINK EVERYBODY HAS A COPY OF IT.

23 BUT THE BOTTOM LINE IS, IS THAT THAT THAT IS
24 STILL A TEMPORARY SOURCE FOR THREE YEARS, AND WE NEED TO
25 LOOK DOWN THE ROAD ON IT, BECAUSE WE'RE GOING TO SHUT IT

1 DOWN IN A COUPLE OF YEARS. THIS NEXT YEAR IT IS IN THE
2 PERMANENT SOURCE, BECAUSE WE HAD MORE THAN THREE YEARS OF
3 IT LEFT. BUT IT APPEARS, IT APPEARS THAT THAT REVENUE
4 WAS GOING TO COME IN FAIRLY CLOSE, YOU KNOW, MAYBE IT
5 WILL TAKE \$5 TO \$8 MILLION DOLLARS, ACCORDING TO--
6 ACCORDING TO WHAT THE INFORMATION IS THAT'S BEEN GIVEN US
7 BY DHEC, AND OTHERS.

8 MR. BOAN: GOVERNOR.

9 GOVERNOR CAMPBELL: YES, SIR, EXCUSE ME, EXCUSE
10 ME, I'M SORRY.

11 MR. BOAN: COULD I ASK HARRY ANOTHER QUESTION?

12 GOVERNOR CAMPBELL: ALL RIGHT, BILL.

13 MR. BOAN: I BELIEVE YOU SAID PERSONAL INCOME
14 YOU EXPECT TO STAY ABOUT 5%; CORRECT?

15 DOCTOR MILEY: FOUR OR 5%, YES, SIR.

16 MR. BOAN: AND DID I MISS SOMETHING, NOW, WHAT
17 IS YOUR REVISED ESTIMATE ON SALES TAX, THE INDIVIDUAL
18 INCOME TAX IN PERCENTAGE GROWTH OVER THE LAST YEAR?

19 DOCTOR MILEY: WE HAD, AGAIN, WE ESTIMATED THAT
20 THE CORE, AND I KNOW THIS SOUNDS, WE HAVEN'T USED THIS ON
21 A REGULAR TERM, BUT WE LOOK AT THE RECURRING REVENUES,
22 AND THE ECONOMY THAT GENERATES THOSE REVENUES, AND WE
23 FEEL LIKE THAT CORE WILL GROW ABOUT 2%.

24 SO, WE HAD THAT 2% GROWTH. THEN WE HAD
25 ENHANCEMENTS, AND SOME OF THOSE ENHANCEMENTS ARE IN THE

1 MAJOR CORE CATEGORY, THAT IS, SOME OF THEM ARE LIKE--
2 BARNWELL WOULD HAVE NOTHING TO DO WITH RETAIL SALES, OR
3 PERSONAL INCOME, OR ANYTHING ELSE. OTHERS DID AFFECT
4 RETAIL SALES TAX COLLECTIONS, AND PERSONAL INCOME TAX
5 COLLECTIONS. SO, THEN WE WENT BACK AND ADDED THOSE
6 ENHANCEMENTS TO RETAIL SALES. SO, OUR FINAL NUMBER, FOR
7 INSTANCE, FOR RETAIL SALES, IS 3 1/2% GROWTH. HOWEVER,
8 A PORTION OF THAT IS BECAUSE OF THE ENHANCEMENT ADDED
9 BACK ON TOP OF THAT 2% GROWTH.

10 WE WERE LOOKING AT ABOUT 2 1/2% RETAIL SALES
11 TAX GROWTH; AND THEN WE ADDED THE ENHANCEMENT; IT BROUGHT
12 IT UP TO ABOUT 3 1/2. AGAIN, WE ANTICIPATED ABOUT 3 1/2%
13 INDIVIDUAL INCOME TAX COLLECTIONS; ADDING THE ENHANCEMENT
14 TO THAT BRINGS IT UP TO ABOUT 4.2.

15 GOVERNOR CAMPBELL: DOCTOR, MR. MILEY, THANK
16 YOU VERY MUCH. WE APPRECIATE IT. WE HAVE TO FORMALLY
17 ACCEPT THIS REVISED ESTIMATE. AND I WOULD OPEN IT UP FOR
18 A MOTION THAT WE ACCEPT THE ESTIMATE OF THE BEA AS THE
19 OFFICIAL ESTIMATE, AND THEN ACCORDING TO LAW, ACT AS WE
20 SHOULD ON IT. IS THERE A MOTION MADE; ANYBODY WANT TO
21 MAKE IT?

22 MR. MORRIS: I'M NOT GOING TO PERJURE MYSELF.

23 MR. PATTERSON: I MOVE WE ACCEPT THE ESTIMATE
24 AS [INDISTINGUISHABLE] AS IT IS.

25 GOVERNOR CAMPBELL: THERE'S A SECOND. ANY MORE

1 DISCUSSION? IF NOT, ALL IN FAVOR, INDICATE BY RAISING
2 THEIR HAND. YOU DON'T ACCEPT IT?

3 MR. MORRIS: I DON'T BELIEVE IT.

4 GOVERNOR CAMPBELL: WHICH WAY?

5 MR. MORRIS: IT DOESN'T MATTER WHICH WAY I
6 DON'T BELIEVE IT. I'LL VOTE TO ACCEPT IT. BUT, HARRY,
7 PLEASE TRY TO BE MORE--

8 GOVERNOR CAMPBELL: I DON'T BELIEVE IT EITHER.
9 I DON'T BELIEVE IT'S GOING TO BE THAT BAD, BUT I'M GOING
10 TO ACCEPT IT, AND THEN WE'LL TALK ABOUT IT, BECAUSE WE
11 HAVE TO ACCEPT IT.

12 SENATOR DRUMMOND: I DON'T BELIEVE IT'S GOING
13 TO BE THAT BAD.

14 MR. PATTERSON: I DON'T EITHER.

15 MR. BOAN: CAN I ASK HIM ANOTHER QUESTION
16 BEFORE WE LET HIM GO? I WAS JUST CURIOUS AS TO THE TAX
17 COMMISSION'S RATIONALE FOR \$165 MILLION, AND THE WIDE
18 RANGE WE HAD IN TWO OF THEM AT 210? I MEAN, COULD YOU
19 JUST TELL US BRIEFLY WHAT THE DISCUSSION WAS AROUND THAT?

20 DOCTOR MILEY: I CAN'T. I DON'T THINK WE HAD
21 ENOUGH DISCUSSION WITH MR. CLARKSON FOR ME TO SPEAK FOR
22 HIM. WHAT I--

23 MR. BOAN: WELL, YOURS WAS 175--

24 DOCTOR MILEY: THAT'S RIGHT, AND I AM MORE
25 OPTIMISTIC. MY RATIONALE FOR 175 WAS THAT I AM MORE

1 OPTIMISTIC ABOUT THE ECONOMY, AND RETAIL SALES ACTIVITY.
2 I FEEL LIKE THE RECOVERY FROM THE CONSUMER IS GOING TO BE
3 THERE. I FEEL LIKE THAT PERSONAL INCOME TAX COLLECTION
4 WILL RETURN TO A MORE NORMAL PATTERN. I FELT LIKE THE
5 ENHANCEMENTS, MY VIEWPOINT OF THE ENHANCEMENTS, WAS IN
6 LINE WITH THE OTHERS, BUT THAT, OR AT LEAST WITH MR.
7 CRANE, AND MR. HOWARD, BUT THAT MY--I WAS MORE OPTIMISTIC
8 ABOUT THE ECONOMY. IT'S JUST MY PERSONAL EXPERIENCE.
9 BUT, I BELIEVE, THEY'RE WANTING TO CUT IT HIGHER, MORE.
10 THEY'RE--MR. CRANE, BECAUSE I BELIEVE I TALKED TO MR.
11 CRANE MORE THAN THE OTHERS, HE IS LESS OPTIMISTIC ABOUT
12 THE ENHANCEMENTS; AND LESS OPTIMISTIC ABOUT THE OVERALL
13 ECONOMY'S ABILITY TO GENERATE THE RETAIL SALES, AND THE
14 PERSONAL INCOME TAX COLLECTIONS. MR. HUNTER HOWARD WAS,
15 I THINK, ALONG THE LINES OF ME, IN TERMS OF OUR VIEWPOINT
16 OF THE ENHANCEMENTS, BUT HE WAS MORE PESSIMISTIC IN TERMS
17 OF RETAIL SALES, AND INDIVIDUAL INCOME TAX.

18 MR. BOAN: DID YOU ALL--YOU MENTIONED UNEMPLOY-
19 MENT WAS MORE FAVORABLE, BUT DID YOU TALK IN TERMS OF THE
20 TOTAL NUMBER OF PEOPLE WORKING?

21 DOCTOR MILEY: YES, SIR.

22 MR. BOAN: I MEAN, THAT'S SOMETHING WE LOOK AT
23 A LOT ON OUR STAFF.

24 DOCTOR MILEY: YES, SIR, AND WE'RE STILL
25 BELOW--

1 MR. BOAN: WHAT'S YOUR ANTICIPATION ON THAT?
2 IT'S BEEN A NEGATIVE FIGURE FOR SOME TIME, HASN'T IT?

3 DOCTOR MILEY: IT'S BEEN PRETTY CONSTANT, BUT
4 WE ARE BELOW LAST YEAR BY ABOUT 26,000 WORKERS. WE'RE
5 BELOW TWO YEARS BY EVEN MORE. BUT THE GENERAL CONSENSUS
6 FAIRLY WIDESPREAD WAS THAT EMPLOYMENT OVER THE NEXT SIX
7 TO EIGHTEEN MONTHS WOULD GROW SLOWLY BETWEEN--AGAIN,
8 BETWEEN 1 TO 2%. MR. CRANE FELT LIKE 1%. OTHERS FELT
9 LIKE--I FELT LIKE IT WAS GOING TO BE CLOSER TO TWO. I
10 FEEL LIKE 2% EMPLOYMENT WILL GENERATE THE RETAIL SALES,
11 AND INCOME THAT WILL GENERATE A HIGHER NUMBER. BUT I
12 THINK HUNTER HOWARD FELT LIKE IT WAS IN THE 1, 1 1/2%
13 RANGE IN TERMS OF EMPLOYMENT. I CAN'T SPEAK FOR HIM.
14 I'M TRYING TO RECOLLECT.

15 MR. BOAN: WHEN IS YOUR NEXT OFFICIAL ESTIMATE?

16 DOCTOR MILEY: I BELIEVE IT'S IN--

17 MR. BOAN: NOVEMBER?

18 DOCTOR MILEY: OCTOBER 15TH, THAT'S RIGHT, YES,
19 SIR.

20 MR. BOAN: HARRY, I HOPE YOU'RE WRONG AGAIN.
21 I HOPE YOU WERE RIGHT THE FIRST TIME, BUT I APPRECIATE
22 THE JOB YOU'VE DONE. I WANT YOU TO KNOW I KNOW HOW
23 DIFFICULT IT IS.

24 DOCTOR MILEY: I UNDERSTAND THAT, AND I
25 APPRECIATE THAT. I BELIEVE I CAN SPEAK FOR ALL MEMBERS

1 OF THE BOARD OF ECONOMIC ADVISORS, THAT WE DO NOT TAKE
2 THIS LIGHTLY. WE STUDIED IT AS HARD AS WE COULD. WE GOT
3 AS MUCH INFORMATION FROM EVERYBODY WE COULD. IT IS A
4 DIFFICULT--IT IS ALWAYS DIFFICULT TO FORECAST THE ECONOMY
5 WHEN YOU ARE IN AN ATYPICAL PERIOD IN WHICH YOU'RE KIND
6 OF WAFFLING, BARELY GROWING, BARELY DECLINING, IT IS EVEN
7 MORE DIFFICULT, BECAUSE A LITTLE SWING EITHER WAY WILL
8 CAUSE YOU TO MISS YOUR ESTIMATE SHORT, OR TO MISS IT ON
9 THE LOW SIDE.

10 GOVERNOR CAMPBELL: HARRY, I NOTICE THAT GIVEN
11 THE DIVERSITY OF OPINION THAT YOU HAD ON THE BOARD OF
12 ECONOMIC ADVISORS, AND ALL, THAT YOU DID CUT ON THE HIGH
13 SIDE FROM--

14 DOCTOR MILEY: YES, SIR.

15 GOVERNOR CAMPBELL: --WHAT I JUST HEARD YOU SAY.
16 SO, YOU DECIDED TO ERR ON CUTTING ON THE HIGH SIDE OF THE
17 OPTIMIST THAN THE PESSIMIST, YOU STILL--YOU CUT CLOSER TO
18 THE PESSIMIST.

19 DOCTOR MILEY: BASED ON, IN ESSENCE, I FEEL
20 LIKE THAT GIVEN THE THREE VOTING MEMBERS OF THE BOARD, IT
21 WEIGHED MORE HEAVILY TOWARDS THE HIGH SIDE. WHILE MR.
22 CLARKSON IS A MEMBER, HE DOES NOT--HE'S NOT A VOTING
23 MEMBER, AND THE THREE VOTING MEMBERS, TWO OF THEM WERE ON
24 THE HIGHER SIDE, AND I. WE COMPROMISED ON THE 195.

25 GOVERNOR CAMPBELL: I THINK YOU'RE WISE TO DO

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1 IT, I MEAN, PERSONALLY, AND--BUT I ALSO, YOU KNOW, I ALSO
2 HAVE, YOU KNOW, SOME OPTIMISM IN THE ECONOMY GIVEN THE
3 MAJOR THINGS THAT ARE STILL GOING ON, AND HAVEN'T EVEN
4 COME ON, OR ARE BEGINNING TO COME ON LINE IN THE STATE,
5 IN THIS STATE; AND I'M TALKING ABOUT THE MULTI-BILLION
6 DOLLAR TYPE OPERATIONS THAT ARE COMING IN IN DIFFERENT
7 PLACES. SO, IT WILL REMAIN TO BE SEEN. YES, SIR, MR.
8 MORRIS.

9 MR. MORRIS: AND, HARRY, YOU WEREN'T IN THE
10 CHAIR THAT YOU HOLD TODAY, BUT THE LAST FOUR YEARS,
11 INCLUDING THE BAD NEWS TODAY, THE ESTIMATES HAVE BEEN
12 \$800 MILLION DOLLARS WRONG. AND WHEN YOU'RE WRONG, THIS
13 BOARD HAS TO MAKE IT RIGHT. AND I FEEL IT MORE AND MORE
14 IT'S AN INTRUSION OF LEGISLATIVE INTENT, AND I'LL TALK A
15 LITTLE BIT MORE ABOUT THAT LATER.

16 BUT \$800 MILLION DOLLARS IN FOUR YEARS IS WAY
17 OFF BASE. BUT YOU JUST DESERVE HALF OF IT.

18 DOCTOR MILEY: THANK YOU. THANK YOU, I'LL TAKE
19 HALF OF IT.

20 MR. MORRIS: INEXCUSABLE. WE'RE NOT PAID TO
21 CLEAN UP THESE KINDS OF MISTAKES.

22 GOVERNOR CAMPBELL: MR. COMPTROLLER GENERAL,
23 THIS HAS HAPPENED IN EVERY STATE IN THIS NATION.

24 MR. MORRIS: NOT TO THE EXTENT IT HAS IN THIS
25 STATE. [INDISTINGUISHABLE]

1 GOVERNOR CAMPBELL: HARRY, I WOULD TELL YOU IF
2 I ADDED THEM ALL UP, AND EVERYTHING, THAT THE TOTAL
3 ESTIMATE THAT YOU'VE MISSED HAS PROBABLY BEEN A LITTLE
4 UNDER 5%, TAKEN WHAT THE COMPTROLLER GENERAL HAS SAID.

5 MR. MORRIS: GIVEN THE FACT, I'M REMINDED OF MY
6 GOOD FRIEND, BOB MCNAIR, WHEN HE SAID THAT IN ONE YEAR
7 THAT THEY HAD TO CUT 6%. YOU PROBABLY WERE ON THE BOARD
8 THEN, GRADY?

9 MR. PATTERSON: THAT'S RIGHT. IN NOVEMBER WE
10 HAD TO CUT THE BUDGET 6%, AND WHEN YOU APPLY THAT TO THE
11 TOTAL APPROPRIATIONS, THAT WAS MORE LIKE 11, 10, 11% CUT
12 FOR THE REST OF THE YEAR.

13 MR. MORRIS: THAT WAS LATE IN THE YEAR?

14 MR. PATTERSON: THAT'S RIGHT.

15 MR. MORRIS: I WELL REMEMBER--[UNDISTINGUISH-
16 ABLE]

17 MR. BOAN: GOVERNOR?

18 GOVERNOR CAMPBELL: YES, SIR.

19 MR. BOAN: IN LIGHT OF THE HISTORY OF IT, I
20 WOULD SUGGEST THAT THE LEGISLATURE MAKE SOME FUNDAMENTAL
21 CHANGES TO THE BEA IN THE PAST LEGISLATIVE SESSION TO
22 PROVIDE THEM MORE HELP, AND MORE INPUT FROM THOSE OF US
23 WHO HAVE TO MAKE THOSE TOUGH DECISIONS WHEN THEY ARE
24 WRONG.

25 AND I THINK THAT THE LAST MEETING, I BELIEVE,

1 WAS A RESULT OF SOME OF THE POSITIVE CHANGES WE MADE IN
2 THE LAST LEGISLATIVE SESSION TOWARDS STAFF ASSISTANCE ON
3 THAT.

4 DOCTOR MILEY: ABSOLUTELY.

5 MR. BOAN: I GOT TO TELL YOU THAT I HAVE HAD NO
6 CONFIDENCE IN THE STAFF OF THE BEA SINCE I'VE BEEN HERE,
7 AND IT'S JUST ERODED YEAR IN, AND YEAR OUT TO THE DEGREE
8 THAT I FELT LIKE LAST YEAR WE NEEDED TO MAKE THOSE
9 FUNDAMENTAL CHANGES. I NEEDED REPRESENTATION; SENATOR
10 DRUMMOND NEEDED REPRESENTATION; AND THE GOVERNOR NEEDED
11 REPRESENTATION IN THE INPUT, AND HOW THOSE FIGURES HAD
12 COME ABOUT. AND, I BELIEVE, IN THE FUTURE WE'RE GOING TO
13 SEE A LOT MORE ACCURACY IN THE BEA.

14 MR. PATTERSON: I WANT TO JUST--MAY I ADD TO
15 THAT, GOVERNOR?

16 GOVERNOR CAMPBELL: YES.

17 MR. PATTERSON: THE SYSTEM WORKS, AND WITH
18 THESE MODIFICATIONS THAT WILL FURTHER REFINE THE REVENUE
19 ESTIMATING PROCESS. WE'RE ONE OF THE FEW STATES IN THE
20 NATION WHERE EVERYBODY OPERATES OFF THE SAME SHEET OF
21 MUSIC WITH RESPECT TO REVENUES. IN MOST STATES, OR A LOT
22 OF STATES, THE GOVERNOR MAKES AN ESTIMATE, AND THEN THE
23 LEGISLATURE MAKES AN ESTIMATE, AND SOMEBODY ELSE MAKES AN
24 ESTIMATE, AND THAT CAUSES ALL KINDS OF CONFUSION WITH
25 RESPECT TO APPROPRIATIONS, AND CAUSES EXCESSIVE APPROPRI-

1 ATIONS.

2 AND, SO, I THINK THE SYSTEM WORKS; AND, HARRY,
3 I THINK I TOLD YOU THAT A LOT OF THIS CRITICISM WILL
4 VANISH WITH ABOUT FOUR OR FIVE GOOD REVENUE MONTHS.

5 GOVERNOR CAMPBELL: I'LL TAKE ONE GOOD YEAR.
6 AS TO YOUR ESTIMATE, AND AFTER THAT REDUCTION TAKES
7 PLACE, WE'LL STILL BE SPENDING \$171 MILLION; IS THAT
8 RIGHT, BILLY, OVER LAST YEAR; \$171 MILLION, CHARLIE;
9 WE'LL STILL BE SPENDING \$171 MILLION DOLLARS OVER LAST
10 YEAR.

11 MR. BOAN: GOVERNOR, THAT INCLUDES THE RESERVE
12 FUND PAYMENTS TO HUGO; NOT ATYPICAL.

13 GOVERNOR CAMPBELL: THAT'S WHAT I'M--YOU'RE
14 MAKING A POINT BEFORE I GOT TO IT, BUT THE POINT IS, IS
15 THAT FROM PEOPLE THAT SAY, "WELL, WHY DIDN'T IT GO UNDER
16 THIS AGENCY, OR THAT AGENCY," IT GOES INTO THE RESERVE
17 FUND BY LAW. YOU PAY BACK ONE-THIRD OF IT BY CONSTITU-
18 TION, AND THAT IS WHERE \$33 MILLION DOLLARS WENT BACK TO
19 PAY FROM--TO THAT RESERVE FUND. AND THAT IS--I JUST
20 WANTED TO MAKE THAT POINT, BECAUSE THAT IS SOMETHING THAT
21 YOU'RE OBLIGATED TO DO ON THE FRONT END, AND WE DO IT.

22 HAVING SAID THAT, WE ARE NOW AT THE POINT OF
23 DECIDING EXACTLY WHAT WE SHOULD DO.

24 TAPE 2 -

25 DOCTOR CARTER: ...WHAT THE BOARD HAS JUST

1 ACCEPTED. MR. BROOKS WILL JOIN US AT THE TABLE, AND WALK
2 THE BOARD THROUGH THE FIVE STEPS, CHARLIE.

3 MR. BROOKS: THANK YOU, SIR. GOVERNOR, AND
4 MEMBERS OF THE BOARD, WE HAVE FIVE REQUESTS TO MAKE OF
5 YOU IN THIS ONE AGENDA ITEM. LET ME JUST BRIEFLY GO
6 THROUGH EACH ONE OF THEM BEFORE WE GET INTO THE REAL MEAT
7 OF THIS.

8 FIRST, WE'RE ASKING YOU TO SEQUESTER THE
9 CAPITAL RESERVE FUND OF \$66 MILLION DOLLARS. WE'RE
10 SECOND ASKING YOU TO INCREASE THE CUT TO AGENCIES FROM
11 \$195 MILLION TO \$202,500, AN ADDITIONAL \$7.5 MILLION
12 DOLLARS TO PUT INTO AN OPEN-ENDED ACCOUNT THAT WILL BE
13 USED TO TAKE CARE OF OBLIGATIONS THAT THE LOCAL GOVERN-
14 MENT HAS OBLIGATED TO, BY PUTTING IT IN AN OPEN-ENDED
15 ACCOUNT THIS ALLOWS YOU TO REALLY DRAW MORE AGAINST IT IF
16 YOU HAD TO.

17 SO, I THINK THAT WILL TAKE CARE OF YOUR
18 OBLIGATIONS TO THE LOCAL GOVERNMENT DIVISION.

19 DOCTOR CARTER: MR. BROOKS, THOSE WILL BE PRE-
20 EXISTING CONTRACTUAL OBLIGATIONS.

21 MR. BROOKS: PRE-EXISTING CONTRACTUAL OBLIGA-
22 TIONS, YES, SIR, AND THOSE WILL BE PRESENTED TO THE
23 BUDGET AND CONTROL BOARD FOR APPROVAL, OKAY.

24 MR. PATTERSON: ON AN ONGOING BASIS, YES.

25 MR. BROOKS: AND WE'LL COME BACK WITH SOME

1 RECOMMENDATIONS HOW THAT WILL BE HANDLED AT THE NEXT
2 MEETING.

3 THE THIRD THING YOU'RE ASKED TO DO IS TO CUT
4 THE AGENCY BUDGET, AS WE SAID. THE FOURTH THING IS TO
5 REDUCE AID TO SUBDIVISIONS, THE LOCAL GOVERNMENT FUND, TO
6 THE LEVEL OF THE PAST FISCAL YEAR, AND THIS REQUIRES A
7 SEPARATE VOTE OF YOURS, OVER AND ABOVE THE REGULAR CUT
8 VOTE.

9 AND, FINALLY, TO ALLOW US TO ALLOCATE THE FUNDS
10 THAT WE WIND UP WITH TO THE INDIVIDUAL AGENCIES. NOW,
11 FOR THE THIRD ITEM THAT WE TALKED ABOUT, LET ME PRESENT
12 TO YOU SOME RECOMMENDATIONS THAT WE WOULD LIKE TO HAVE
13 YOU CONSIDER, TWO RECOMMENDATIONS FOR MAKING THIS
14 REDUCTION.

15 AND LET ME ASK YOU THEN TO TURN TO THE FIRST
16 PAGE IN YOUR HANDOUT, PAGE NUMBER ONE, WHICH IS JUST
17 BEYOND THE INDEX, AND LOOK AT THE TOP OF THAT PAGE, AND
18 LET ME GO ACROSS EACH OF THE COLUMNS, AND EXPLAIN THEM TO
19 YOU, AND THEN GIVE YOU YOUR OPTIONS.

20 COLUMN NUMBER 1 IS THE ORIGINAL APPROPRIATION
21 THAT WAS MADE BY THIS AGENCY, BY THE CONTROL BOARD, LAST
22 OCTOBER TO BEGIN THE BUDGET PROCESS. THAT IS THE BASE
23 FROM WHICH ALL ADDITIONS AND DELETIONS DURING THE PROCESS
24 WERE MADE.

25 COLUMN NUMBER 2 IS THE APPROPRIATION THAT WAS

1 JUST PASSED, WITH ALL OF THE SALARY INCREASE, THE FRINGE
2 BENEFIT INCREASES, THE RENT INCREASES, DISTRIBUTED OUT TO
3 THE INDIVIDUAL AGENCIES, SO THAT EACH AGENCY NOW HAS
4 THEIR SALARY INCREASES, THEIR FRINGE BENEFITS INCREASES,
5 THE RENT INCREASES ARE INCLUDED IN THAT COST.

6 COLUMN 3 AND 4 ARE WHAT WE CONSIDER TO BE
7 MANDATORY EXEMPTIONS TO ANY CUT. THESE CONSIST OF SUCH
8 THINGS AS WHERE IS TRANSFERRED FROM ONE AGENCY TO
9 ANOTHER, AND IN THE EXAMPLE OF THE JUDICIAL DEPARTMENT,
10 YOU TAKE THE MONEY OUT OF THE JUDICIAL DEPARTMENT.

11 THEREFORE, YOU WOULD NOT WANT TO TRY TO CUT
12 BACK ON THE INITIAL BASE. YOU WOULD WANT TO CUT ON THE
13 REVISED BASE. AT THE SAME TIME THAT MONEY GOES INTO
14 ANOTHER AGENCY, AND YOU CERTAINLY DON'T WANT TO CUT THAT
15 AGENCY, BECAUSE THAT WOULD NOT BE A LEGITIMATE INCREASE,
16 AS WOULD OTHER INCREASES.

17 YOU ALSO HAVE TO EXEMPT YOUR HEALTH INSURANCE;
18 YOU ALSO HAVE TO EXEMPT THE BONUS MONEY THAT WAS PUT INTO
19 THE BILL; YOU HAVE TO EXEMPT THE DEBT SERVICE, AND ALSO
20 THE CAPITAL RESERVE FUND.

21 GOVERNOR CAMPBELL: CHARLIE, LET ME BE ABSO-
22 LUTELY SURE I UNDERSTAND SPECIFICALLY WHAT YOU'RE SAYING.
23 YOU'RE SAYING THAT COLUMN NUMBER 2 IS INCLUSIVE OF ALL OF
24 THE PAY RAISES?

25 MR. BROOKS: YES, SIR.

1 GOVERNOR CAMPBELL: AND THEN THE BONUS IS AN
2 EXEMPTED ITEM?

3 MR. BROOKS: YES, SIR.

4 GOVERNOR CAMPBELL: AND, THEN, THE BONUS IS AN
5 EXEMPTED ITEM?

6 MR. BROOKS: YES, SIR.

7 GOVERNOR CAMPBELL: SO, WHEN YOU MOVE ON A
8 CROSS, YOU HAVE GIVEN CREDIT FOR THOSE THINGS GOING IN?

9 MR. BROOKS: THAT'S CORRECT.

10 GOVERNOR CAMPBELL: OKAY. AS A BASE; AS A
11 BASE?

12 MR. BROOKS: THAT'S RIGHT.

13 GOVERNOR CAMPBELL: SO, YOU HAVEN'T CREATED
14 THOSE AS ADD-ONS; YOU'VE CREATED THAT AS A BASE?

15 MR. BROOKS: AS A BASE, RIGHT.

16 GOVERNOR CAMPBELL: OKAY, I JUST WANTED TO MAKE
17 SURE EVERYBODY WAS REAL CLEAR ON THAT.

18 MR. MORRIS: LET ME ASK THIS: YOU SAY THE
19 BONUS IS TOUCHABLE?

20 MR. BROOKS: NO, SIR.

21 MR. SHINE: NO, IT'S MANDATED.

22 MR. BROOKS: IF THEY MANDATED IT BY PROVISIO,
23 THERE'S NO WAY YOU COULD CUT IT.

24 MR. MORRIS: WELL, I MISUNDERSTOOD THE
25 GOVERNOR'S QUESTION.

1 GOVERNOR CAMPBELL: NO, MINE WAS--WHAT I WANTED
2 TO MAKE SURE EVERYBODY UNDERSTOOD THAT YOU WEREN'T
3 COUNTING BONUS AND PAY RAISES AS ADD-ONS; YOU WERE
4 PUTTING THEM IN THE BASE. SO, THEY WEREN'T TREATED AS AN
5 ADD-ON, THEY WERE KEPT IN THE BASE.

6 MR. BROOKS: THE PAY RAISE IS IN THE BASE; THE
7 BONUS IS NOT IN THE BASE. IT'S SET ASIDE SEPARATELY.

8 GOVERNOR CAMPBELL: BUT YOU SET IT ASIDE
9 SEPARATELY?

10 MR. MORRIS: IT'S SET ASIDE?

11 MR. BROOKS: YES, SIR, RIGHT, EXACTLY.

12 GOVERNOR CAMPBELL: YOU EXEMPTED IT?

13 MR. BROOKS: EXEMPTED IT FROM EXPENDITURE.

14 GOVERNOR CAMPBELL: THAT'S WHAT I'M ASKING. I
15 JUST WANT TO MAKE SURE WE UNDERSTOOD THAT WHEN WE GET ON
16 A CROSS, OKAY.

17 MR. BROOKS: YES, SIR.

18 SENATOR DRUMMOND: LET ME ASK YOU, CHARLIE, BUT
19 JUST THE RANGE OF THE PAY RAISES AND THE BONUS, ANYWHERE
20 FROM \$60 TO \$90 MILLION DOLLARS TOTAL, OR IS IT?

21 MR. BROOKS: THE PAY RAISE AND THE BONUS WAS
22 ONLY ABOUT \$30 MILLION DOLLARS. THERE'S A 2% PAY
23 INCREASE--

24 SENATOR DRUMMOND: HE'S COUNTING THEM UP FOR
25 EVERYONE; ALL THE EDUCATION DEPARTMENT; EVERYTHING.

1 MR. BROOKS: OH, YES, SIR, THAT'S CORRECT,
2 THAT'S CORRECT.

3 SENATOR DRUMMOND: ANYWHERE, ACCORDING TO WHO
4 YOU'RE TALKING TO, IT'S ANYWHERE FROM \$52 TO \$91 MILLION.

5 MR. MORRIS: BUT STATE EMPLOYEES ARE ABOUT \$30.

6 GOVERNOR CAMPBELL: IT'S ABOUT \$91 MILLION
7 DOLLARS.

8 MR. BROOKS: \$91 MILLION DOLLARS, YES, SIR.

9 SENATOR DRUMMOND: THE TOTAL PAY RAISE?

10 MR. BROOKS: THE TOTAL PAY RAISE, YES, SIR.

11 SENATOR DRUMMOND: PLUS THE BONUS.

12 GOVERNOR CAMPBELL: MR. BOAN HAS A QUESTION.

13 MR. BOAN: CHARLIE, THE ONLY EXEMPTIONS THAT
14 YOU LIST HERE ARE DIRECTED BY THE APPROPRIATIONS BILL--

15 MR. BROOKS: ARE DIRECTED BY THE APPROPRIATION
16 BILL, OR TRANSFERS BETWEEN AGENCIES, YES, SIR.

17 MR. BOAN: THEY'RE EXEMPTED SOMEWHERE IN THE
18 APPROPRIATION BILL. FOR EXAMPLE, IF YOU LOOK AT THE
19 MUSEUM COMMISSION, THEIR RENT IS MANDATED TO BE EXEMPT
20 FROM ANY CUTS. YOU'RE ALL AN EXEMPTION, OKAY. THAT'S
21 THREE-FOURTHS OF THEIR BUDGET.

22 MR. BROOKS: COLUMN 5 THEN IS THE INCREASE THAT
23 EACH AGENCY RECEIVED OVER AND ABOVE THESE EXEMPTIONS OF
24 \$192 MILLION DOLLARS. THE NEXT TWO COLUMNS ARE COLUMNS
25 FOR YOU TO CONSIDER TO CHOOSE BETWEEN THE TWO AS TO WHICH

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1 YOU WILL USE TO MAKE THE REDUCTIONS.

2 THE SEVENTH COLUMN, THE LAST COLUMN, IS AN
3 ACROSS-THE-BOARD REDUCTION TO ALL AGENCIES OF 3.66% --
4 3.92.

5 THE SIXTH COLUMN IS TO CUT BASED ON THE
6 INCREASES, VERSUS CUT BASED ON THE ACROSS-THE-BOARD. IN
7 OTHER WORDS, YOU WOULD GIVE EACH AGENCY ROUGHLY THIRTY
8 CENTS ON THE DOLLAR OF THE RAISE THAT THEY RECEIVED IN
9 THE APPROPRIATIONS ACT.

10 SENATOR DRUMMOND: THAT'S NEW MONEY?

11 MR. BROOKS: THAT'S NEW MONEY. THEY WOULD ALL
12 RECEIVE 30% OVER AND ABOVE THEIR BASE, BUT IT WOULD BE
13 70% LESS THAN WAS IN THE APPROPRIATIONS BILL.

14 GOVERNOR CAMPBELL: AND THEN YOU WOULD BE
15 TELLING THAT AGENCY TO MANAGE DOWN IN ORDER TO PAY THAT
16 PAY RAISE?

17 MR. BROOKS: EXACTLY.

18 GOVERNOR CAMPBELL: OR MANAGE THEIR AGENCY
19 DOWN, IN ORDER TO DO IT?

20 MR. PATTERSON: TO MEET THE OBLIGATION.

21 SENATOR DRUMMOND: LET ME ASK CHARLIE, WHAT
22 YOU'RE SAYING THEN IN COLUMN 6, IN THAT COLUMN ALL THE
23 WAY DOWN, NO AGENCY OF STATE GOVERNMENT WOULD RECEIVE
24 LESS MONEY THAN THEY DID IN '91-'92?

25 MR. BROOKS: THAT'S EXACTLY RIGHT. LET ME

1 REPHRASE THAT. THEY WILL RECEIVE NO LESS MONEY THAN WHAT
2 WAS IN THE ORIGINAL BASE THAT YOU GAVE THEM BACK IN 1992
3 AT THE BEGINNING OF THIS PROCESS, WHICH WAS BASICALLY THE
4 APPROPRIATION FROM THE PRIOR YEAR, WHICH WAS BASICALLY--

5 SENATOR DRUMMOND: EVEN AFTER THE LAST CUTS
6 THOUGH, THERE WAS NO, THE WAY I UNDERSTAND IT, THERE
7 WOULD BE NO ONE [INDISTINGUISHABLE] WOULD RECEIVE LESS--

8 MR. BROOKS: THAT'S RIGHT.

9 SENATOR DRUMMOND: --MONEY, EVEN AFTER ALL THE
10 CUTS, AS THEY DID IN '91-'92?

11 MR. BROOKS: THAT'S CORRECT, UNLESS--UNLESS YOU
12 ACTUALLY CUT IT IN THE PROCESS THEN.

13 SENATOR DRUMMOND: IN THE PROCESS. THERE'S
14 ONLY ABOUT TWO--

15 MR. BROOKS: THERE'S A COUPLE AGENCIES LIKE
16 THAT; ONE OF THEM IS THE--THE ADJUTANT GENERAL WAS ONE OF
17 THEM. YOU GAVE HIM LESS MONEY THIS YEAR THAN HE HAD LAST
18 YEAR, SO HE WOULD NOT RECEIVE A CUT.

19 SENATOR DRUMMOND: BUT THE REASON THAT, THOSE
20 TWO--

21 GOVERNOR CAMPBELL: BASICALLY WHAT YOU'RE DOING
22 IS ESSENTIALLY ESTABLISHING A SCALE THAT REWARDS THE
23 AGENCIES THAT HAVE HELD THEIR BUDGET DOWN, AND KNOWS
24 WHERE THE MONEY WENT.

25 WHEN YOU CUT ACROSS THE BOARD, IF AN AGENCY HAS

1 MANAGED VERY TIGHTLY, AND KEPT THEIR MONEY DOWN, THEY GET
2 CUT ANYHOW, JUST LIKE THE ONES THE HAVE JUST BLOWED. WE
3 HAD \$29 MILLION DOLLARS IN CARRY-FORWARD FUNDS FROM LAST
4 YEAR FROM AGENCIES THAT, OBVIOUSLY, HAD A LOT OF EXTRA
5 MONEY. WHAT YOU'VE TRIED TO DO IS TO ALLOCATE THE
6 REDUCTION TO THE AGENCY THAT GOT THE MOST INCREASES?

7 MR. BROOKS: THAT'S EXACTLY RIGHT.

8 GOVERNOR CAMPBELL: I WANT TO BE CLEAR ON THAT.

9 MR. BROOKS: THAT'S EXACTLY RIGHT.

10 MR. PATTERSON: AND THAT WOULD BE AN EQUAL
11 THOUGH ON THE NEW MONEY?

12 GOVERNOR CAMPBELL: WOULD IT BE EQUAL?

13 MR. PATTERSON: THAT'S RIGHT.

14 MR. BROOKS: AND THEY ALL SHARE EQUALLY IN THE
15 NEW MONEY THAT THEY RECEIVE?

16 MR. PATTERSON: THAT MAKES IT PROPORTIONATE,
17 YEAH.

18 SENATOR DRUMMOND: GOVERNOR, MY SECOND QUESTION
19 THAT COLUMN 6, AND YOU SAID NO ONE OTHER THAN THOSE
20 AGENCIES RECEIVE LESS THAN THEY DID IN '91, AND '92.

21 NOW, THE RESEARCH THAT MY STAFF DID, I ASKED
22 THEM TO DO THIS BEFORE, COLUMN 7, IF WE ADOPT THAT, 112
23 OUT OF 160 AGENCIES WOULD TAKE A CUT.

24 MR. BROOKS: BELOW WHAT THEY HAD THE PREVIOUS
25 YEAR, YES, SIR.

1 SENATOR DRUMMOND: THEY WOULD ACTUALLY TAKE A
2 CUT, 112 OF THEM, OF THOSE AGENCIES--

3 MR. BROOKS: THAT'S CORRECT.

4 SENATOR DRUMMOND: --WOULD HAVE LESS MONEY THAN
5 THEY DID IN 91-92, BUT COLUMN 6, NO ONE WOULD RECEIVE
6 LESS?

7 MR. BROOKS: NO ONE WOULD RECEIVE LESS, THAT'S
8 CORRECT.

9 SENATOR DRUMMOND: THAT'S A GOOD POINT.
10 [INDISTINGUISHABLE]

11 MR. BROOKS: THE QUESTION, GOVERNOR, THAT YOU
12 HAVE MADE EARLIER, THE COMMENT YOU MADE EARLIER, AND OVER
13 ON PAGE 8, THERE IS A TABLE THERE FOR YOUR INFORMATION
14 ONLY THAT SHOWS OVER THE LAST FOUR YEARS WHERE THE MONEY
15 HAS GONE. THE FIRST THREE, AND YOU TALKED ABOUT THEM,
16 THE HEALTH, AND THE EDUCATION, AND THE CORRECTIONS, HAVE
17 RECEIVED MOST OF THE MONEY OVER THE LAST FOUR YEARS.

18 SENATOR DRUMMOND: AND RIGHTFULLY SO.

19 MR. BROOKS: AND RIGHTFULLY SO. THAT'S WHERE
20 IT SHOULD HAVE GONE.

21 SENATOR DRUMMOND: THAT'S WHERE THE PRIORITIES
22 ARE.

23 MR. BROOKS: THAT'S WERE YOUR PRIORITIES WERE,
24 YES, SIR.

25 GOVERNOR CAMPBELL: EDUCATION IS 270, ROUGHLY

1 \$271 MILLION DOLLARS OVER THAT PERIOD OF TIME?

2 MR. BROOKS: YES, SIR.

3 GOVERNOR CAMPBELL: AND HEALTH AND HUMAN
4 SERVICES ARE \$121, BUT BY COMPARISON HEALTH AND HUMAN
5 SERVICES HAS GROWN 132%?

6 MR. BROOKS: THAT'S CORRECT.

7 GOVERNOR CAMPBELL: PRIMARILY BECAUSE OF
8 FEDERAL MANDATES?

9 MR. BROOKS: YES, SIR. THE FEDERAL GOVERNMENT
10 PUT ALL THE BURDEN BACK ON US.

11 GOVERNOR CAMPBELL: NOW, THAT DOESN'T COUNT
12 EIA?

13 MR. BROOKS: THAT DOES NOT INCLUDE EIA, NO,
14 SIR.

15 GOVERNOR CAMPBELL: NONE OF THAT?

16 MR. BROOKS: NONE OF THAT, NO EIA MONEY--

17 GOVERNOR CAMPBELL: NO EIA MONEY IN THOSE
18 FIGURES YOU HAVE?

19 MR. BROOKS: THESE ARE STRICTLY STATE REVENUES,
20 EXCLUDING EIA, YES, SIR.

21 NOW, THERE'S BEEN QUESTIONS RAISED AS TO YOUR
22 AUTHORITY TO MAKE REDUCTIONS, OTHER THAN ACROSS-THE-
23 BOARD, AND I WOULD CALL YOUR ATTENTION TO THE SCENARIOS
24 GIVEN YOU ON PAGE 7. WE BELIEVE THAT--

25 GOVERNOR CAMPBELL: CHARLIE, I ASKED YOU A

1 QUESTION. MY STAFF SAYS THAT I MISSED THE POINT ON IT,
2 OR THAT YOUR ANSWER DIDN'T QUITE COINCIDE WITH WHAT MY
3 QUESTION WAS AIMED AT. THE AGENCIES DO NOT HAVE TO
4 ABSORB THE TAX CUTS, BECAUSE YOU HAVE PULLED--I MEAN,
5 EXCUSE ME, THE PAY RAISES, BECAUSE YOU HAVE PULLED THEM
6 OUT IN A SEPARATE LINE, AND BASICALLY EXEMPTED THEM?

7 MR. BROOKS: NO, SIR.

8 GOVERNOR CAMPBELL: YOU HAVE NOT?

9 MR. BROOKS: NO, SIR.

10 GOVERNOR CAMPBELL: ALL RIGHT.

11 MR. BROOKS: NO, SIR.

12 MR. SHINES: JUST THE BONUS; JUST THE BONUS.

13 MR. BROOKS: JUST THE BONUS. IN OTHER WORDS--

14 GOVERNOR CAMPBELL: SO, THAT \$10 MILLION
15 DOLLARS IS PULLED OUT AND PROTECTED?

16 MR. BROOKS: IT'S PULLED OUT. IF AN AGENCY HAD
17 NO INCREASE FROM LAST YEAR TO THIS YEAR, OTHER THAN THE
18 PAY INCREASE--

19 GOVERNOR CAMPBELL: YES.

20 MR. BROOKS: --THEN THEY'RE ONLY GOING TO GET
21 THIRTY CENTS ON THE DOLLAR TO MAKE THAT PAY INCREASE
22 WITH, SO THEY'VE GOT TO TAKE THE OTHER 70% OUT OF THEIR
23 PREVIOUS YEAR'S OPERATING BUDGET. SO, THEY ARE GETTING
24 CUT.

25 MR. BOAN: IF THEY ADJUST THE PAY RAISE?

1 MR. BROOKS: RIGHT, JUST THE PAY RAISES, YES,
2 SIR.

3 MR. MORRIS: EXPLAIN THAT SOME MORE. YOU SAY
4 THAT THE 2% IS BEING CUT BY 70%?

5 MR. BROOKS: WHAT I'M SAYING IS THAT TAKE MY
6 DIVISION, FOR EXAMPLE, WHERE I HAVE NO NEW MONEY THIS
7 YEAR OVER WHAT I HAD LAST YEAR, BUT I GET SOME \$35,000
8 WORTH OF PAY INCREASES, THAT IS BEING CUT THIRTY CENTS,
9 SO I ONLY GET THIRTY CENTS OF THAT. I'LL ONLY GET ONE-
10 THIRD OF THAT PAY INCREASE, BUT I'VE GOT TO DISTRIBUTE
11 THE PAY INCREASE TO MY EMPLOYEES.

12 GOVERNOR CAMPBELL: YEAH, I UNDERSTAND THAT,
13 BUT WHEN YOU SAY EXEMPTIONS FROM LINE 1-80, IF YOU GO
14 DOWN UNDER F-30--

15 MR. BROOKS: YES, SIR.

16 GOVERNOR CAMPBELL: --IT SAYS THAT THE EXEMP-
17 TIONS INCLUDE THE \$20,796,000.

18 MR. BROOKS: NO, THE EXEMPTION, ALSO OVER IN
19 COLUMN 5 WE EXCLUDE IT. SO, THE TWO OF THOSE TOGETHER,
20 SUBTRACT OUT TO ZERO IN COLUMN 5. SO, COLUMN FIVE IS NO
21 NEW MONEY. COLUMN 2--

22 GOVERNOR CAMPBELL: YEAH.

23 MR. BROOKS: --MINUS YOUR EXEMPTION IN COLUMN
24 4 OF \$20 MILLION GIVES YOU COLUMN 5, WHICH IS ZERO.

25 NOW, THE \$10 MILLION DOLLARS IS YOUR BONUS; THE

1 \$9 MILLION DOLLARS IS FLOW-THROUGH MONEY THAT GOES TO THE
2 INSURANCE--I'M SORRY, RETIREMENT SYSTEM FOR BUY-INS FOR
3 THE RETIREMENT SYSTEM OF POLICE OFFICERS, AND THAT SORT
4 OF THING. AND IT'S JUST STRICTLY A FLOW-THROUGH APPRO-
5 PRIATION.

6 MR. BOAN: HOW MUCH IS THAT?

7 MR. BROOKS: NINE MILLION DOLLARS. YOU ALL
8 STARTED THAT BACK IN 1980, '79, '80, AND IT'S BEEN THERE
9 EVER SINCE.

10 GOVERNOR CAMPBELL: BUT THAT BENEFIT IS--THAT'S
11 ADDITIONAL COST TO PAY FOR--

12 MR. BROOKS: FOR RETIREES.

13 GOVERNOR CAMPBELL: FOR RETIREES.

14 MR. BROOKS: YES, SIR, IT'S FOR RETIREES. IT
15 HAS NOTHING TO DO WITH ANY AGENCY WHATSOEVER.

16 SENATOR DRUMMOND: THE HEALTH BENEFIT GETS \$25
17 MILLION ADDITIONAL WE PUT IN.

18 MR. BROOKS: THE \$25 MILLION IS DISTRIBUTED
19 AMONG THE AGENCIES WHO TAKE A CUT. THE \$25 MILLION, AND
20 THE \$25 MILLION FOR PAY INCREASES ARE DISTRIBUTED TO EACH
21 AGENCY.

22 GOVERNOR CAMPBELL: TELL ME ON THE PAYMENTS,
23 ALL THE PACKAGES FOR THE EMPLOYEES, HOW MUCH MONEY WENT
24 INTO IT? YOU SAID \$25 MILLION WENT INTO HEALTH; AND THEN
25 YOU GOT 20, JUST ROUNDING IT OFF, \$21 MILLION DOLLARS IN

1 PAY; AND THEN WHAT ELSE DO YOU HAVE?

2 MR. BROOKS: YOU HAD RENT INCREASES OF HALF A
3 MILLION DOLLARS. YOU HAVE SOME LOCAL HEALTH CARE
4 PROVIDERS OF, I FORGET HOW MUCH THAT WAS. DO YOU
5 REMEMBER? THEY WERE IN THE PAY PACKAGE, SO THAT'S A PART
6 OF THAT. THOSE ARE THE ITEMS THAT WERE DISTRIBUTED;
7 THOSE FOUR ITEMS.

8 GOVERNOR CAMPBELL: SO, THAT'S ROUGHLY, GETTING
9 CLOSE TO A \$50 MILLION DOLLAR PACKAGE?

10 MR. BROOKS: THAT'S CORRECT, THAT'S CORRECT.
11 AND THAT \$50 MILLION DOLLARS IS GOING TO BE CUT SEVENTY
12 CENTS ON THE DOLLAR; YOU ONLY GET THIRTY.

13 MR. MORRIS: WELL, HOW ARE GOING TO EXPLAIN,
14 YOU SAID PAY RAISE, WHEN YOU CUT IT BY 70%?

15 MR. BROOKS: THE SAME WAY YOU, THE SAME WAY YOU
16 DID IT LAST YEAR WHEN YOU HAD TO CUT. YOU CUT
17 EVERYBODY'S PAY INCREASE, SO THEY HAD TO GIVE IT ANYWAY,
18 REMEMBER A COUPLE YEARS AGO. IT'S JUST, WHERE ARE YOU
19 GOING TO CUT?

20 WE CAN'T, AND IT'S BEEN LOOKED AT, THERE'S NO
21 WAY WE COULD TAKE THE PAY INCREASE OUT OF THE PACKAGE,
22 BECAUSE YOU COULD TAKE THE MONEY, BUT YOU CAN'T TAKE THE
23 PROVISIO, SO, THEREFORE, THE AGENCY WILL STILL HAVE TO
24 GIVE THE PAY.

25 MR. BOAN: IT'S THE SAME PROBLEM THE SCHOOL

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1 DISTRICTS HAVE LOCALLY WHERE WE SEND MONEY HOME FOR A PAY
2 INCREASE IN THE EFA. WE ARE LOOKING AT TAKING SOME OF
3 THAT MONEY BACK FROM THE DISTRICT, YET WE HAVE NO
4 AUTHORITY TO RELIEVE THEM OF THE OBLIGATION OF THE PAY
5 INCREASE THAT IS MANDATED BY PROVISIO.

6 MR. MORRIS: THAT'S A GOOD POINT. HOW CAN WE
7 ABROGATE 50,000 CONTRACTS WITH PUBLIC SCHOOL EMPLOYEES
8 WHEN SCHOOL HAS ALREADY STARTED? LEGALLY, I DON'T KNOW
9 HOW WE CAN DO THAT. DISTRICTS CAN'T DO THAT. IT'S
10 IMPOSSIBLE.

11 GOVERNOR CAMPBELL: LET ME POINT OUT A COUPLE
12 OF THINGS THAT, AND THE FRUSTRATION OF THIS, BECAUSE I'VE
13 DISCUSSED THIS WITH DIFFERENT ONES INDIVIDUALLY, I WAS
14 PERFECTLY PREPARED TO TAKE THE APPROPRIATIONS BILL AND GO
15 INTO BY LINE AND REDUCE IT. WE STILL CAN'T GET PART OF
16 IT, BILLY, BECAUSE OF THE WAY IT'S DONE. IT'S LUMPED,
17 AND SO YOU CAN'T REDUCE IT.

18 I WAS PREPARED TO DO THAT, WHICH MIGHT HAVE LET
19 US PULL BACK SOME BIG TICKET ITEMS, AND DO SOME THINGS
20 BETTER, BUT THERE WERE CERTAIN SPECIAL INTEREST GROUPS IN
21 THE STATE THAT ANNOUNCED PUBLICLY THEY'D BRING A LAWSUIT.

22 I DISCUSSED THIS WITH THE ATTORNEYS, AND THEN
23 WITH MR. PATTERSON, AND OTHERS CONCERNING THE IMPACT SUCH
24 A LAWSUIT WOULD HAVE, EVEN THOUGH WE THINK WE'D WIN IT
25 TIED UP IN COURT FOR 30, OR 60, OR 90 DAYS TO DO IT, AND

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1 THE ANSWER WAS THAT YOU WILL PROBABLY AUTOMATICALLY LOSE
2 YOUR AAA CREDIT RATING BECAUSE THEY'LL BE SO MUCH
3 UNCERTAINTY SURROUNDING THE ACTIONS TAKEN BY THE STATE
4 THAT WE WOULD JEOPARDIZE IT.

5 AND I THINK BEFORE WE GO MUCH FURTHER THAT WE
6 OUGHT TO UNDERSTAND THAT. I STILL WAS PERFECTLY WILLING
7 TO DO IT; STILL AM. BUT I THINK EVERYBODY NEEDS TO
8 UNDERSTAND WHAT TOOLS WE HAVE TO WORK WITH. THE ONE TOOL
9 IS, AND THIS IS ONLY A VERY UNIQUE YEAR, AS I THINK
10 BILLY, JOHN DRUMMOND, ALL OF YOU KNOW, BECAUSE OF THE
11 FACT THAT THE APPROPRIATIONS BILL IS STILL IN OUR HANDS.
12 SO, WE HAVE A GRAY AREA. THERE'S NO QUESTION IT'S A GRAY
13 AREA.

14 BUT IF IT'S NECESSARY, IF THIS BOARD DIDN'T
15 ACT, I WOULD DO IT ANYHOW; I WOULD DO IT ANYHOW. WE HAVE
16 TO ACT ONE WAY, OR THE OTHER, AND THAT MIGHT HAVE BEEN
17 ABLE TO DO SOME THINGS, BUT EVEN IF WE HAD DONE THAT, WE
18 COULD NOT HAVE GOTTEN AT THE REDUCTIONS NECESSARY IN
19 ORDER TO DO IT BECAUSE OF THE LARGE SIZE OF THE LINES,
20 WHICH WOULD HAVE MEANT WE WOULD HAVE HAD TO ZERO OUT
21 LINES. YOU CAN'T REDUCE THEM, AND THEY ARE LUMPED SO
22 THAT YOU CAN'T PULL, YOU KNOW, SOMETHING OUT OF THEM.

23 NOW, THEY CAN LOOK AT THAT. THAT'S A DANGER;
24 THAT'S A DANGER, BECAUSE IT DOESN'T GIVE US THE TOOL TO
25 WORK WITH. THIS BOARD HAS THE AUTHORITY TO CUT IN AN

1 EQUITABLE MANNER AS PRACTICAL, WHICH MEANS WE HAVE THE
2 AUTHORITY BY LAW TO CUT IN A STAGGERED MANNER, AS LONG AS
3 IT'S BASED ON A BASE THAT IS EQUAL; OR WE CAN CUT ACROSS
4 THE BOARD.

5 NOW, THOSE ARE THE ONLY TOOLS WE HAVE TO WORK
6 WITH. I'LL ASK OUR COUNSEL ABOUT THAT ONE.

7 MR. BOAN: ME, TOO.

8 MR. MORRIS: YOU STILL HAVEN'T ANSWERED MY
9 QUESTION. THE 91 SCHOOL DISTRICTS ARE GOING TO SUE US
10 ANYWAY. HOW ARE WE GOING TO MAKE UP THIS SHORT FALL?
11 THE CONTRACTS ARE OUT THERE. YOU CANNOT VIOLATE A LEGAL
12 CONTRACT THAT 91 SCHOOL DISTRICTS HAVE WITH THEIR
13 EMPLOYEES.

14 MR. SHINE: WHAT THEY'LL HAVE TO DO IS JUST PAY
15 IT OUT OF THEIR OTHER SOURCES, OR FUNDS.

16 MR. MORRIS: THEY HAVEN'T GOT ANY, AND IT'S TOO
17 LATE TO RAISE PROPERTY TAXES. TAX NOTICES COME OUT THE
18 15TH OF SEPTEMBER. YOU'RE NOT LOOKING AT SOME OF THE
19 LOGISTICS; HAD THIS BEEN DONE EARLIER--

20 GOVERNOR CAMPBELL: I WANT MR. SHINE TO GIVE
21 ME, GIVE ME THE LANGUAGE, PLEASE, THAT ALL THE LAWYERS
22 HAVE LOOKED AT AT WHAT WE DO HAVE AVAILABLE TO US.

23 MR. SHINE: NOT MUCH, BUT THE GENERAL ASSEMBLY
24 HAS IN PROVISIO 14N.2, "ONCE THE BOARD HAS DETERMINED THAT
25 THERE IS THE POSSIBILITY OF A DEFICIT, AND HAS ACCEPTED

1 THE REVISED REVENUE ESTIMATE FROM THE BEA, ANY REDUCTION
2 OF RATE OF EXPENDITURE, WHICH THE BOARD IS AUTHORIZED TO
3 DO, MUST BE APPLIED IN UNIFORM MANNER AS MAY BE AS
4 PRACTICABLE, EXCEPT THAT NO REDUCTION SHALL BE APPLIED TO
5 FUNDS ENUMERATED BY WRITTEN CONTRACT WITH AN AGENCY NOT
6 CONNECTED WITH STATE GOVERNMENT," "ENCUMBERED," EXCUSE
7 ME, "BY A WRITTEN CONTRACT."

8 SO, WHAT YOU'RE LEFT IS TO COME UP WITH A PLAN,
9 AND UNIFORM GENERALLY CONNOTES A PATTERN, AND THAT
10 PATTERN MUST BE CONSISTENT; MUST BE APPLIED CONSISTENTLY.
11 THAT'S WHAT UNIFORM GENERALLY MEANS. AND THAT YOU MAY
12 MAKE EXCEPTIONS, BUT EXCEPTIONS MUST BE ONES THAT ARE
13 PRACTICABLE, BECAUSE IT'S NOT PRACTICABLE, YOU GIVE AN
14 EXCEPTION, IN OTHER WORDS. PRACTICABLE MEANS PRIMARILY
15 FEASIBLE, WHICH MEANS IT CAN BE DONE.

16 GOVERNOR CAMPBELL: LET ME TELL YOU FOR
17 WHATEVER IT'S WORTH, LONG TERM, AND I WON'T BE HERE TOO
18 MUCH LONGER, BUT BILLY, AND YOU AND JOHN WILL BE HERE ON
19 THIS BOARD, AND SOME OF THE OTHERS MAY BE--

20 MR. PATTERSON: WE HOPE.

21 GOVERNOR CAMPBELL: --THE BOTTOM LINE--WE DON'T
22 ALL LIVE FOREVER, BUT THE BOTTOM LINE IS, IS THAT I WOULD
23 ENCOURAGE YOU ALL TO LOOK IN THE GENERAL ASSEMBLY TO SEE
24 ABOUT EMPOWERING THE BOARD TO DO SOME REDUCTIONS, AS
25 OPPOSED TO JUST CUTS, WHERE YOU HAVE ABILITY TO REDUCE,

1 AND NOT BE AS HARMFUL BY THESE STRAIGHT-TYPE CUTS. THOSE
2 TOOLS REALLY ARE NEEDED.

3 I MEAN, AND THAT'S JUST THE BOARD. THAT'S
4 SOMETHING THAT YOU OUGHT TO LOOK AT.

5 MR. MORRIS: THEY ARE TOO RESTRICTIVE. I'VE
6 BEEN ADVOCATING THAT FOR TEN, OR FIFTEEN YEARS. IT'S A
7 BAD LAW. IT'S A BAD LAW.

8 GOVERNOR CAMPBELL: YOU REALLY NEED SOME OF
9 THESE TOOLS SO THAT YOU CAN DO SOME REDUCTIONS, NOT JUST
10 WHACKING, I MEAN, JUST BY THE THINGS, AND THAT'S SOME-
11 THING YO ALL MIGHT CONSIDER FOR THE FUTURE.

12 MR. BOAN: WHY DON'T WE WRITE IT IN AS A
13 PROVISIO FOR THE NEXT LEGISLATIVE YEAR.

14 MR. SHINE: THAT'S SOMETHING FOR THE LEGISLA-
15 TURE TO DO.

16 GOVERNOR CAMPBELL: YEAH, I MEAN, THE LEGISLA-
17 TURE WOULD HAVE TO CONSIDER THAT, BUT IT IS SOMETHING
18 THAT THEY NEED TO DO, TO PROVIDE SOME MECHANISM TO DO
19 THAT.

20 MR. BOAN: BUT THEY MAKE US DO THE DIRTY WORK.

21 GOVERNOR CAMPBELL: BUT I DON'T KNOW, I MEAN,
22 YOU KNOW, THAT'S WHERE WE SIT, AND THAT'S OUR JOB, AND WE
23 HAVE TO DO IT, AND THAT'S FINE. BUT TWO MEMBERS OF THE
24 LEGISLATURE ALSO WORK RIGHT ALONG WITH US.

25 MR. BOAN: THE CHANCES OF THAT GETTING PASSED

1 MAY DETERMINE ON HOW WE ACT TODAY. I CAN TELL YOU THAT
2 A LOT OF MEMBERS OF THE LEGISLATURE, THERE'S NO LOVE LOST
3 FOR THE BUDGET AND CONTROL BOARD. IF THE ACTION WE TAKE
4 IS NOT CONSIDERED FAIR, I WOULDN'T EXPECT THAT THE
5 LEGISLATURE WOULD GIVE US ANY MORE AUTHORITY.

6 GOVERNOR CAMPBELL: THERE'S NO LOVE LOST, BUT
7 I'M GOING TO TELL YOU SOMETHING RIGHT STRAIGHT UP, AND I
8 DON'T KNOW HOW MANY OF THE OTHERS OF YOU HAVE HEARD THIS,
9 BUT I'LL TELL IT TO YOU RIGHT UP OFF THE BAT, I HEARD ONE
10 LEGISLATOR OR TWO, OUT THERE CALLING, "LET'S COME BACK IN
11 FOR A SESSION, AND DO THAT."

12 I'VE HAD SEVENTEEN LEGISLATORS FROM BOTH
13 PARTIES CALL MY OFFICE, AND SAY, "FOR GOD'S SAKE, DON'T
14 BRING US BACK." IT'S NICE TO BE ABLE TO GO OUT THERE,
15 AND DEMAGOGUE, AND SAY, "BUT PLEASE DON'T BRING US BACK,
16 AND MAKE US DO IT."

17 THEY MAY HATE US, BILLY, THEY MAY HATE US, BUT
18 WE'RE GOING TO HAVE TO DO THE JOB.

19 MR. BOAN: THIS IS NOW, BUT IT'S GOING TO BE
20 THEN.

21 GOVERNOR CAMPBELL: I UNDERSTAND THAT; THEY'RE
22 TWO DIFFERENT CIRCUMSTANCES.

23 SENATOR DRUMMOND: GOVERNOR, OF COURSE, I'M THE
24 JUNIOR MEMBER OF THE BOARD, AND I DON'T KNOW WHY I'M
25 HERE, BUT WE'VE GOT TO MAKE A DECISION, AND, I BELIEVE,

1 THE INDIVIDUAL AGENCIES, THEY WANT TO KNOW AS SOON AS
2 POSSIBLE. IF WE WAIT UNTIL AFTER THE ELECTION, THAT'S
3 TWO MORE MONTHS, SEPTEMBER, OCTOBER, NOVEMBER, WELL, TWO
4 AND A HALF MONTHS, AND ANY FURTHER IN THIS [INAUDIBLE]--
5 AND IT'S FURTHER COMPLICATED.

6 NOW, LET ME ASK YOU THIS: DOCTOR MILEY IS
7 SITTING HERE, AND HE SAYS HE'S BELIEVES IT'S GOING TO BE
8 BETTER THAN WHAT THEY PREDICTED HERE. WE MEET AGAIN, I
9 MEAN, THEY'RE GOING TO GIVE US ANOTHER ESTIMATE IN
10 OCTOBER, NOVEMBER?

11 MR. SHINE: OCTOBER.

12 SENATOR DRUMMOND: AND IF THERE'S AN UPTURN, DO
13 WE HAVE ANY LEGAL AUTHORITY TO CHANGE WHAT WE'RE GOING TO
14 HAVE TO DO THIS MORNING?

15 MR. PATTERSON: IF WE, THE CUTS THAT WE MAKE,
16 IF WE CUT A PORTION OF IT, AND ESCROW A PORTION OF IT, WE
17 COULD RESTORE THE ESCROWED PORTION OF IT; THAT'S THE
18 ANSWER TO THAT.

19 MR. SHINE: ONCE IT'S CUT, IT'S GONE.

20 SENATOR DRUMMOND: LET'S ESCROW ALL OF IT.

21 MR. PATTERSON: ONCE IT'S CUT, IT'S GONE. BUT
22 I'M GOING TO SUGGEST WE ESCROW 2%, AND CUT 2% WHEN WE GET
23 TO IT.

24 SENATOR DRUMMOND: WELL, THAT'S MAKING ME FEEL
25 BETTER. I HADN'T BEEN ON THIS BOARD LONG. I DIDN'T KNOW

1 ABOUT THAT. BUT WE HAVE TO MAKE A DECISION.

2 GOVERNOR CAMPBELL: LET ME TELL YOU ANOTHER
3 ACTION THAT NEEDS TO BE TAKEN BY THIS BOARD AS WE GO INTO
4 IT. WE DO NEED TO TAKE AN ACTION TO ALLOW THE AGENCIES
5 THE FLEXIBILITY OF MOVEMENT OF CERTAIN TYPES OF FUNDS, SO
6 THAT THEY CAN REALLY MITIGATE AS MUCH AS THEY CAN AGAINST
7 ANY DIRECT IMPACT ON THEM, WHERE THEY HAVE SOME ABILITY
8 TO MOVE. AND IT MAY TAKE SPECIFIC ACTIONS IN CERTAIN
9 AGENCIES, AND IT MAY BE A GENERAL ACTION FOR OTHERS, BUT
10 THAT'S SOMETHING THAT WE DEFINITELY OUGHT TO HAVE.

11 DOCTOR CARTER: DIRECT THE BUDGET DIVISION TO
12 WORK WITH THOSE AGENCIES IN THOSE INSTANCES IN WHICH THE
13 BOARD HAS TO APPROVE TO BRING BACK AT THE SEPTEMBER
14 MEETING.

15 GOVERNOR CAMPBELL: YES.

16 MR. BROOKS: THAT'S WHAT WE ASK YOU IN ITEM C.

17 GOVERNOR CAMPBELL: OKAY. WE NEED TO TAKE THAT
18 ACTION.

19 MR. MORRIS: LET ME HAVE MY SAY.

20 GOVERNOR CAMPBELL: YES, SIR.

21 MR. MORRIS: GOVERNOR, ABOUT TWO MONTHS AGO YOU
22 SAID IF THE DEFICIT WAS \$200 MILLION DOLLARS, YOU FELT
23 THE GENERAL ASSEMBLY OUGHT TO COME BACK. I'VE BEEN
24 FOLLOWING YOU FOR SIX YEARS. THOSE ARE YOUR WORDS; NOT
25 MINE.

1 I THINK THEY SHOULD BE CALLED BACK. THEY
2 PASSED THIS THING. I DID NOT. WE DID NOT. WELL, YOU
3 TWO DID. WHY SHOULD THREE OF US, WHY SHOULD THREE OF US,
4 AND YOU TWO INTRUDE, AND I'LL USE THIS AGAIN, INTRUDE ON
5 LEGISLATIVE INTENT; \$200 MILLION DOLLARS IS JUST TOO MUCH
6 AT ONE WHACK FOR ME TO SWALLOW.

7 NOW, IN THE RECONSTITUTION OF THE BUDGET OF THE
8 BOARD OF ECONOMIC ADVISORS, YOU ALL PUT IN THERE THAT IF
9 REDUCTIONS ARE MADE WHILE YOU'RE IN SESSION, WE SEND IT
10 TO THE LEGISLATURE. THEY GOT SO MANY DAYS TO LOOK AT IT;
11 TO TAKE IT, OR LEAVE IT; OR GIVE US SOME ADVICE.

12 NOW, THAT'S WHAT YOU ALL PASSED. I KNOW YOU'RE
13 NOT IN SESSION, BUT THAT INDICATED TO ME THAT THE GENERAL
14 ASSEMBLY WANTED TO KNOW ABOUT OUR REDUCTIONS.

15 I TALKED TO THE SPEAKER, AND I TALKED TO THE
16 LIEUTENANT GOVERNOR; NEITHER ONE SAID, "CALL THEM BACK."
17 BUT BOTH SAID, "WE ARE AVAILABLE IF YOU NEED US." YOU'RE
18 NOT THE PRESIDING OFFICER. YOU'RE NOT THE SPEAKER. YOU
19 DON'T SPEAK FOR THE SENATE FINANCE, AND I DON'T SPEAK FOR
20 ALL THESE CONSTITUENCIES, AND AGENCIES OUT THERE THAT ARE
21 GOING TO GET WHACKED, AND WRECKED AGAIN BECAUSE OF
22 FALLACIOUS FORECASTING AND APPROPRIATING.

23 NOW, THE SPEAKER SAID, "IF YOU WANT US IN-
24 VOLVED, WE'LL BE THERE." THE LIEUTENANT GOVERNOR SAID,
25 "IF YOU WANT US INVOLVED, WE'LL BE THERE." ABSENT

1 CALLING THEM BACK, WHY DON'T WE FOLLOW THIS PROCEDURE;
2 GIVE THEM A WEEK AT THE PRIMARY; ASK THE FINANCE COMMIT-
3 TEE, AND THE WAYS AND MEANS COMMITTEE TO LOOK AT WHAT WE
4 PROPOSE TODAY, AND GET THEIR INPUT. THAT CAN BE DONE
5 AFTER NEXT TUESDAY'S PRIMARY ELECTION. SOMEBODY SAID,
6 "THERE WILL BE A LOT LAME DUCKS." BUT THAT'S LIKE
7 SAYING, "SOMEBODY COMMITTED MURDER, AND YOU'RE GOING TO
8 CHARGE HIS BROTHER WITH IT LATER ON WHEN THE NEW LEGISLA-
9 TORS COME BACK."

10 I'M NOT GOING TO VOTE FOR THESE CUTS, UNLESS WE
11 GET SOME LEGISLATIVE INPUT, IN ADDITION TO THE TWO FINE
12 MEMBERS OF THIS BOARD.

13 GOVERNOR CAMPBELL: MR. DRUMMOND.

14 SENATOR DRUMMOND: MR. COMPTROLLER GENERAL, LET
15 ME ASK YOU THIS QUESTION: YOU'VE BEEN A LEGISLATOR FOR
16 TWENTY-FOUR YEARS.

17 MR. MORRIS: TWENTY, I WAS LIEUTENANT GOVERNOR
18 FOR FOUR OF THEM.

19 SENATOR DRUMMOND: WELL, YOU DIDN'T HAVE A VOTE
20 THEN, DIDN'T HAVE A VOTE. DO YOU REALLY BELIEVE THAT THE
21 GENERAL ASSEMBLY, BEFORE THE GENERAL ELECTION, NOT THE
22 PRIMARY NEXT TUESDAY, BEFORE THE GENERAL ELECTION COULD
23 DO ONE OF TWO THINGS: REDUCE BY \$200 MILLION DOLLARS,
24 \$202 MILLION DOLLARS, THIS BUDGET; OR RAISE \$202 MILLION
25 DOLLARS IN TAXES? DO YOU BELIEVE THEY COULD DO EITHER

1 ONE OF THEM IN THE NEXT SIX MONTHS?

2 MR. MORRIS: THEY PASSED IT. IT'S THEIR BILL;
3 NOT MINE.

4 SENATOR DRUMMOND: I KNOW WE PASSED IT.

5 MR. MORRIS: IT'S THEIR BILL. IT'S YOUR BILL,
6 IT'S YOUR BILL.

7 SENATOR DRUMMOND: BUT WE PASSED IT WHEN WE
8 THOUGHT WE WERE BALANCED. THERE'S A LOT OF DIFFERENCE IN
9 ADDITION AND SUBTRACTION WHEN YOU GET IN POLITICS. IT'S
10 EASY TO ADD. LORD, YOU CAN GET ELECTED AS YOU'RE ADDING,
11 AND IT'S NOT GOING TO COST ANYBODY. BUT WHEN HAVE 170
12 LEGISLATORS COME BACK HERE, AND EVERY ONE OF US HAVE
13 SPECIAL GROUPS THAT WE LIKE--

14 MR. MORRIS: AND SO DO WE.

15 SENATOR DRUMMOND: --DO YOU THINK--

16 MR. MORRIS: SO DO WE.

17 SENATOR DRUMMOND: --DO YOU THINK YOU CAN GET A
18 MAJORITY OF THE LEGISLATURE TO TAKE \$54 MILLION DOLLARS
19 WORTH OF EDUCATION FROM EDUCATION?

20 MR. MORRIS: IF THEY DON'T, THEN IT COMES BACK
21 TO US. ALL I'M SAYING IS--

22 SENATOR DRUMMOND: WELL, LORD, IT'S GOING TO
23 COME BACK TO US THEN.

24 MR. MORRIS: --THEY NEED TO BE INVOLVED, AND
25 EVERY SPECIAL INTEREST GROUP SAYS WE OUGHT TO HAVE

1 LEGISLATIVE INPUT. I JUST DON'T THINK IT'S A POSSIBILI-
2 TY.

3 SENATOR DRUMMOND: I WOULD LIKE TO HAVE IT. I
4 WOULD LIKE TO HAVE IT.

5 MR. MORRIS: I'VE CUT \$600 MILLION DOLLARS.

6 SENATOR DRUMMOND: BUT HOW LONG ARE WE GOING TO
7 HAVE TO GET IT?

8 MR. MORRIS: I'VE CUT \$600 MILLION DOLLARS IN
9 THE LAST FOUR YEARS, AND I'M TIRED OF DOING IT. WHEN
10 YOU'RE WRONG, AND YOU'VE TOLD ME, JOHN, "WELL, WE DID IT.
11 WE'LL HAVE TO COME BACK, AND HAVE TO FACE UP TO IT."
12 YOU'VE TOLD ME THAT.

13 SENATOR DRUMMOND: WELL, THAT'S WHAT I'M FACING
14 UP TO NOW.

15 MR. MORRIS: IT'S NOT WITH ONE PERSON. YOU'VE
16 GOT A COMMITTEE; YOU'VE GOT A COMMITTEE; AND THEY'RE
17 GOING TO SCALD WHATEVER WE DO; WHATEVER WE DO, IT'S NOT
18 GOING TO SOOTHE THEM.

19 SENATOR DRUMMOND: EITHER WAY, EITHER WAY, ASK
20 THEM.

21 MR. MORRIS: TAKE WHAT ACTION WE DO TODAY, NEXT
22 WEEK--

23 SENATOR DRUMMOND: I'LL CALL MY COMMITTEE BACK
24 TO WORK, AND TOGETHER MONDAY MORNING--

25 MR. MORRIS: OKAY. WELL, WAIT UNTIL AFTER

1 TUESDAY.

2 SENATOR DRUMMOND: --AND I'LL ASSURE YOU THAT
3 MONDAY MORNING SIX MONTHS FROM THEN, WE WOULD NOT CUT
4 \$200 MILLION DOLLARS IN THAT BILL.

5 MR. MORRIS: I AM SURE OF THAT. I JUST WANT
6 THEIR FINGERS IN THE POT.

7 GOVERNOR CAMPBELL: AND LET ME TELL YOU THAT I
8 HAVE ONE LEGISLATOR OUT THAT CALLED, AND SAID, "LET'S
9 COME BACK SO WE CAN RAISE TAXES." LET ME TELL YOU,
10 THEY'RE GOING TO HAVE TWO-THIRDS VOTE TO DO THAT IF THEY
11 DO IT.

12 SENATOR DRUMMOND: AND YOU CAN'T GET TWO-THIRDS
13 TO RAISE TAXES.

14 GOVERNOR CAMPBELL: AND YOU'RE NOT GOING TO DO
15 IT. MR. PATTERSON.

16 MR. PATTERSON: LET ME JUST SAY, GOVERNOR, THAT
17 THE LEGISLATURE IN ITS WISDOM PASSED THIS BILL, AND THIS
18 IS THEIR PRIORITIES, AND THEY SIGNED OFF ON IT JUNE,
19 WHATEVER THE DATE WAS. AND THIS IS THEIR PRIORITY JUDG-
20 MENTS, AND DETERMINATIONS, AND TO PUT IN HERE A METHOD
21 FOR DEALING WITH SHORTFALLS, AND THEY ALSO SAID THAT,
22 "THESE APPROPRIATIONS ARE MAXIMUM, PROPORTIONAL, AND
23 CONDITIONAL, AND THEY'RE CONDITIONAL UPON THE MONEY BEING
24 AVAILABLE TO PAY THEM."

25 AND, SO, IF THE REVENUE IS NOT AVAILABLE, THEN

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1 THEY PROVIDED A MECHANISM TO REDUCE THE EXPENDITURES.
2 AND THE MECHANISM IS PUT ON THIS BOARD. AND THIS BOARD
3 HAS TRADITIONALLY, OVER THE YEARS, FOLLOWED THAT MANDATE,
4 AND FOLLOWED THAT DIRECTION FROM THE GENERAL ASSEMBLY,
5 AND IT GOES BACK TO MY PERSONAL KNOWLEDGE TO 1969, OR
6 '70, WHEN GOVERNOR MCNAIR WAS GOVERNOR, WHERE WE CUT THE
7 BUDGET IN NOVEMBER 6%.

8 AND, SO, IT'S NOT UNPRECEDENTED, AND GOVERNOR
9 CAMPBELL HAS PRESIDED OVER SEVERAL SESSIONS WHERE WE'VE
10 CUT THE BUDGET. AND, SO, IT'S NOT UNPRECEDENTED FOR THIS
11 BOARD TO BE PUT INTO THIS DIFFICULT POSITION OF HAVING TO
12 CUT THE BUDGET.

13 LET ME TELL YOU ONE OTHER THING. THE RATING
14 SERVICES HAVE SAID, AND TOLD US, THAT ONE OF THE FACTORS
15 THAT FIGURES INTO OUR CREDIT RATING IS THIS BUDGET AND
16 CONTROL BOARD, AND THE ABILITY TO DEAL WITH SHORTFALLS IN
17 AN IMMEDIATE COMPELLING CIRCUMSTANCE. AND THEY WROTE US
18 TO THAT EFFECT LAST YEAR, WHICH I PUBLISHED DURING THE
19 BUDGET HEARINGS--

20 MR. MORRIS: WHY ARE WE ON A CREDIT WATCH THEN?

21 MR. PATTERSON: --AND I'M JUST TELLING YOU THAT,
22 I'LL JUST READ JUST SO WE'LL REFRESH OUR MEMORIES ABOUT
23 WHAT THE RATING SERVICES SAID ABOUT THIS BOARD. AND I'LL
24 HAVE TO GET MY GLASSES OUT, EARLE.

25 MR. MORRIS: I'LL LET YOU HAVE MINE.

1 MR. PATTERSON: OKAY. BUT STANDARD & POOR'S
2 SAID, "...TO THE EXTENT THAT THE STATE BUDGET AND CONTROL
3 BOARD IS RESPONSIBLE FOR THE ANNUAL BUDGET, INCLUDING
4 MONITORING, REVENUES, ADJUSTING APPROPRIATIONS, AND
5 RESTORING OVERALL FISCAL STABILITY DURING A GIVEN FISCAL
6 YEAR, THE BOARD IS ALSO LOOKED UPON AS A POSITIVE FACTOR.
7 TIMELY INFORMATION ON ECONOMIC CONDITIONS, FINANCIAL
8 STATUS, AND ADMINISTRATIVE ISSUES IS IMPORTANT TO OUR
9 ONGOING EVALUATION OF THE STATE'S CREDIT RATING. THE
10 OFFICE OF THE STATE TREASURER HAS HISTORICALLY PROVIDED
11 INFORMATION TO STANDARD & POOR'S IN A TIMELY MANNER, AND
12 DUE IN PART TO HIS IMMEDIATE ACCESS TO SUCH INFORMATION
13 BY HIS POSITION ON THE BOARD...." THAT'S WHAT STANDARD
14 & POOR SAID.

15 NOW, MOODY'S SAID IN 1991: "WE HAVE COME TO
16 REGARD THE STATE BUDGET AND CONTROL BOARD AS AN IMPORTANT
17 ELEMENT IN THE STATE'S ABILITY TO MAINTAIN ITS HIGH
18 CREDIT RATING. WHILE THERE MAY BE OTHER ALTERNATIVES, WE
19 ATTRIBUTE THE STATE'S TRACK RECORD OF BUDGETARY ATTEN-
20 TIVENESS TO THE FUNCTIONS OF THE STATE BUDGET AND CONTROL
21 BOARD. OVER THE YEARS THE BOARD HAS ACTED RESPONSIBLY,
22 AND HAS DEMONSTRATED FISCAL DISCIPLINE."

23 NOW, AS RECENT AS YESTERDAY, I HAD SEVERAL
24 CONVERSATIONS WITH STANDARD & POOR'S, AND I CAN TELL YOU,
25 WE'RE ON A NARROW, THIN EDGE WITH OUR CREDIT RATING. AND

1 IT DEPENDS ON WHAT HAPPENS OVER THE NEXT WEEK, OR SO,
2 WHETHER OR NOT WE'LL LOSE THE CREDIT RATING, AND I JUST
3 WANT TO INFORM THIS BOARD, AND THE PUBLIC THAT THAT'S
4 WHERE WE ARE. WE'RE IN A PRECARIOUS POSITION WITH
5 STANDARD & POOR'S.

6 GOVERNOR CAMPBELL: COULD I ASK YOU ONE
7 QUESTION, MR. PATTERSON. WOULD YOU EXPLAIN TO THE PEOPLE
8 THE IMPORTANCE OF THE AAA CREDIT RATING, AND IN THIS
9 PARTICULAR CONTEXT, IN A TIME OF EXTREMELY LOW INTEREST
10 RATES WHEN WE'VE BEEN REFINANCING, AND PULLING DOWN
11 PAYMENT POTENTIAL OF SAVINGS ON BONDS, AND BUILDINGS, AS
12 OPPOSED TO IF WE WERE DOWNGRADED?

13 MR. PATTERSON: WELL, WE'VE BEEN ASKED THAT A
14 NUMBER OF TIMES, AND I FURNISHED A CHART, OR SOME
15 ESTIMATIONS, WE WOULD ADD SUBSTANTIAL ADDITIONAL EXPENSE
16 TO FINANCE THE BORROWINGS OF THE STATE, THE ONGOING \$85
17 MILLION DOLLARS A YEAR, AND THE CAPITAL IMPROVEMENT
18 PROGRAM. IT WOULD COST US, I THINK, WE CAME TO THE
19 CONCLUSION ABOUT \$20 MILLION DOLLARS OVER TEN YEARS,
20 ADDITIONAL EXPENSE TO THE TAXPAYERS IN THE FINANCING OF
21 WORTHWHILE DESIRABLE PUBLIC PROJECTS, IF WE LOST THE
22 CREDIT RATING. SO, IT HAS A MONETARY IMPACT ON EVERYBODY
23 IN THIS ROOM, AND EVERY TAXPAYER IN THIS STATE IF WE LOSE
24 THE CREDIT RATING. AND WE MAY LOSE IT ANYWAY, BUT I'M
25 TELLING YOU THAT WE'RE IN A VERY PRECARIOUS POSITION WITH

1 RESPECT TO THE CREDIT RATING AS FAR AS STANDARD & POOR'S
2 IS CONCERNED.

3 MR. MORRIS: WE ALL KNOW THAT. THAT'S NO
4 SURPRISE. THAT'S HOW COME WE TRIED TO EKE OUT SOMETHING
5 LEFT OVER WITH A BUDGETARY FUND BALANCE THIS YEAR. WE
6 CAME CLOSE. LAST YEAR WE HAD TO CHANGE AN ACCOUNTING
7 PROCEDURE; CLOSER THIS YEAR. I DON'T KNOW HOW MANY MORE
8 MECHANISMS--

9 GOVERNOR CAMPBELL:--[INAUDIBLE] AND I THINK
10 YOU NEED TO MAKE THAT POINT VERY WELL--

11 MR. MORRIS: --BUT WE GOT CRITICIZED IN THIS
12 EDITORIAL. I WANT TO READ PART OF IT TO YOU FROM THE
13 GREENVILLE NEWS, "...FINAL NUMBERS IN HAND, COMPTROLLER
14 GENERAL EARLE MORRIS ANNOUNCED TUESDAY THAT STATE
15 GOVERNMENT LEADERS HAD DONE A PRETTY GOOD JOB OF BELT-
16 TIGHTENING." WELL, WE HAVE. BUT HE SHOULD HAVE SAID,
17 "THEY'D OBSCURED ANOTHER BUDGET DISASTER," WHICH I DO NOT
18 DISAGREE. I DISAGREE WITH IT. BUT HE SAID, "CAMPBELL,
19 MORRIS, AND PATTERSON ARE STATEWIDE ELECTED OFFICIALS,
20 NOT INNOCENT BYSTANDERS. THEY CAN'T REWRITE THE BUDGET,
21 AND AGENCY MISSIONS. BUT THEY CAN INSIST ON LEGISLATIVE
22 ACTION TO SET SENSIBLE SPENDING PRIORITIES, MISSIONS, AND
23 CORRECTIONS OF LOOSE BUDGET PRACTICES THAT ARE DESTRUC-
24 TIVE TO BOTH."

25 I DON'T PUT MYSELF ABOVE THE COLLECTIVE WISDOM

1 AND JUDGMENT OF THE GENERAL ASSEMBLY.

2 SENATOR DRUMMOND: I DON'T EITHER.

3 MR. MORRIS: THAT'S WHAT YOU ALL ARE SAYING
4 WE'RE SUPPOSED TO DO.

5 MR. PATTERSON: NO, THAT'S NOT WHAT WE'RE
6 SAYING.

7 MR. MORRIS: WHY DO YOU OBJECT TO CALLING THE
8 TWO COMMITTEES BACK TO CONSIDER THIS?

9 MR. PATTERSON: WHAT WE ARE SAYING IS--

10 MR. MORRIS: YOU MAY BE SMARTER THAN I AM, BUT
11 [INAUDIBLE]

12 MR. PATTERSON: I'M A LAYMAN, BUT WHAT I'M
13 SAYING IS, THE LEGISLATURE IN ITS WISDOM MADE THESE
14 PRIORITY JUDGEMENTS AS RECENT AS JUNE.

15 MR. MORRIS: WHY SHOULDN'T THEY REVIEW THOSE?

16 MR. PATTERSON: AND THEY ALSO SAID THAT IF A
17 SHORTFALL OCCURS, OR IS PREDICTED, THEN THERE'S A
18 MECHANISM FOR DEALING WITH IT. NOW, LET ME ADD ONE OTHER
19 THING. IT'S FIVE MONTHS, OR SIX MONTHS UNTIL THE GENERAL
20 ASSEMBLY COMES BACK, AND IF THEY DON'T LIKE WHAT WE DO TO
21 KEEP THE BUDGET BALANCED, THEN THEY CAN ADDRESS THE WHOLE
22 THING AGAIN IN THEIR WISDOM, AND IN THEIR JUDGMENT.

23 GOVERNOR CAMPBELL: MR. BOAN.

24 MR. BOAN: YOU GO AHEAD, SENATOR.

25 SENATOR DRUMMOND: MR. COMPTROLLER GENERAL, IF

1 I CALL THE SENATE FINANCE COMMITTEE BACK, AND CHAIRMAN
2 BOAN CALLED THE WAYS AND MEANS COMMITTEE, AND SUPPOSE
3 WITH TWENTY-FOUR HOURS WE CUT \$200 MILLION DOLLARS OUT,
4 WE'D HAVE TO GO BACK TO THE FULL GENERAL ASSEMBLY FOR
5 THEIR ACTION, AND I'M TELLING YOU RIGHT NOW--HUH?

6 MR. MORRIS: YOU CAN'T DO THAT UNLESS THEY'RE
7 BACK IN SESSION.

8 SENATOR DRUMMOND: IF YOU CALL US BACK INTO
9 SESSION, AND MY COMMITTEE WITHIN TWENTY-FOUR HOURS SAID,
10 "YES, SIR, WE'LL ADOPT THAT. WE'LL CUT \$202 MILLION,"
11 AND THE WAYS AND MEANS AGREED ALSO, WE'VE GOT TO TAKE IT
12 BACK TO THE GENERAL ASSEMBLY, AND IF YOU THINK THE
13 GENERAL ASSEMBLY BEFORE THE GENERAL ELECTION WITH THE
14 HOTLY CONTESTED RACES WE HAVE IN THIS STATE, COULD AGREE
15 ON CUTTING ON \$202 MILLION DOLLARS, YOU MUST SUCKING
16 SOMEBODY'S STRAW.

17 MR. MORRIS: YOU CAN LAUGH IF YOU WANT TO, THE
18 ONES I'VE TALKED TO, THE PRESIDING OFFICERS, AND RESPON-
19 SIBLE MEMBERS OF THE LEGISLATURE SAY, "WE WANT TO BE
20 INVOLVED IN WHAT YOU DO." NOW, I MAY BE TALKING TO A
21 DIFFERENT CROWD THAN YOU ARE.

22 SENATOR DRUMMOND: WELL, WHAT YOU'RE DOING--
23 LISTEN, THEY TALKED TO ME, EACH INDIVIDUAL THAT CALLED ME
24 HAD ONE SPECIAL PURPOSE, "DON'T CUT DSS; DON'T CUT AID
25 THE TO CHILDREN."

1 MR. MORRIS: DON'T CUT ANYBODY; DON'T CUT
2 ANYBODY.

3 SENATOR DRUMMOND: NOW, IT TAKES A MAJORITY OF
4 BOTH HOUSES. I DON'T HAVE TO TELL YOU; YOU'VE BEEN THERE
5 TWENTY-FOUR YEARS. EACH INDIVIDUAL IN THE LEGISLATURE
6 HAVE ONE THEY WANT TO PROTECT, BUT YOU CAN'T PROTECT ONE,
7 BECAUSE YOU'VE GOT TO CUT \$202 MILLION. THEREFORE, YOU'D
8 NEVER GET--YOU'D NEVER GET A MAJORITY TO CUT \$54 MILLION
9 FROM THE EDUCATION DEPARTMENT.

10 WE'RE NOT CUTTING, AND WE'RE GOING TO REDUCE IT
11 FOR WHAT WE THOUGHT WE WERE GOING TO GIVE THEM, THEY'RE
12 GOING TO STILL HAVE \$24 MILLION DOLLARS NEW MONEY THIS
13 YEAR.

14 MR. MORRIS: WELL, WHAT ABOUT THOSE PUBLIC
15 SCHOOL EMPLOYEE CONTRACTS?

16 SENATOR DRUMMOND: I DON'T KNOW [INAUDIBLE].
17 I DON'T KNOW WHAT OTHER CHOICE I HAVE.

18 MR. MORRIS: COULD I ASK DOCTOR NIELSEN TO TELL
19 US WHAT THEY'RE GOING TO DO ABOUT THAT.

20 DOCTOR NIELSEN: I THINK THERE'S TWO THINGS.
21 NUMBER ONE, THAT THERE IS A PHASE IN THE CONTRACT THAT IF
22 THE MONEY IS NOT THERE, THEY CAN LOOK AT THAT. BUT I
23 THINK WHAT I'M HEARING FROM THE SUPERINTENDENTS WHO HAVE
24 TO MANAGE THEIR BUDGETS, WHATEVER IT IS YOU'RE GOING TO
25 DO, PLEASE DO IT SO THEY CAN MANAGE THE BUDGET, AND GET

1 IT OVER WITH, AND LET'S NOT DO IT DURING THE YEAR. I
2 MEAN, IF WE HAVE TO TIGHTEN, LET'S TIGHTEN, BUT PLEASE
3 LET US KNOW.

4 MR. MORRIS: BUT DOES THAT MEAN THAT DISTRICTS
5 CAN REDUCE A CONTRACTUAL AGREEMENT WITH AN EMPLOYEE?

6 DOCTOR NIELSEN: WELL, THEY HAVE SEVERAL POTS
7 OF MONEY THAT THEY WOULD HAVE TO SHIFT, JUST ALL THE
8 AGENCIES ARE GOING TO HAVE TO DO. WE'D HAVE TO GO BACK,
9 AND LOOK AT OUR BUDGET TO SEE, I MEAN, THEY WOULD STILL
10 HAVE TO PAY THE RAISES, BUT THEY WOULD HAVE TO LOOK AT
11 WHERE THEY COULD GET THAT MONEY.

12 GOVERNOR CAMPBELL: HOW MUCH ABILITY DO YOU
13 HAVE DO YOU THINK, DOCTOR NIELSEN, INTERNALLY IN THAT
14 SHIFTING?

15 DOCTOR NIELSEN: WELL, THAT'S WHAT WE LIKE TO
16 HAVE FLEXIBILITY IN. LAST YEAR WHEN WE HAD TO MAKE, YOU
17 WERE KIND ENOUGH TO GIVE US THE FLEXIBILITY TO BE ABLE TO
18 SHIFT MONEY WITHIN LINE ITEMS TO COVER THOSE RAISES, AND
19 I THINK DEFINITELY THAT'S WHAT I WOULD ASK, AND THAT'S
20 WHAT THE SUPERINTENDENTS WOULD ASK.

21 MR. MORRIS: YOU HAVEN'T GOT MUCH TO SHIFT.

22 DOCTOR NIELSEN: WELL, WE'RE STILL GETTING SOME
23 NEWER--

24 SENATOR DRUMMOND: THEY GOT \$26 MILLION IN NEW
25 DOLLARS THIS YEAR.

1 GOVERNOR CAMPBELL: MR. BOAN.

2 MR. BOAN: GOVERNOR, WHEN YOU SUGGESTED SEVERAL
3 WEEKS AGO THAT YOU MIGHT CALL THE LEGISLATURE BACK, I
4 BELIEVE EVERY REPORTER IN THE STATE CALLED US ALL, AND
5 ASKED US WHAT OUR OPINION WAS ON THAT, AND AT THAT TIME
6 I SAID THAT I WAS PREPARED TO DEAL WITH IT IN WHATEVER
7 FORM YOU CHOSE TO DO. IT'S YOUR CALL. NOW, IF YOU
8 CHOOSE NOT TO CALL THE LEGISLATURE BACK, THEN IT'S NOT AN
9 ISSUE ANY MORE, AS FAR AS I'M CONCERNED. AND THE BOARD,
10 IT'S SET UP, MR. TREASURER, TO DO WHAT IT HAS TO DO.

11 IF YOU CHOOSE TO CALL THE LEGISLATURE BACK
12 THOUGH, RATHER THAN, RATHER THAN THE COMMITTEES MEET, MR.
13 MORRIS, I THINK IT'S A RESPONSIBILITY OF THE LEADERSHIP
14 OF THIS BOARD, THE GOVERNOR, AND THE MEMBERS OF THIS
15 BOARD, TO DEVELOP A PLAN. AND I HAVE TOLD THIS, AND THIS
16 IS CONSISTENT WITH WHAT I SAID THAT DAY, "WE DON'T NEED
17 TO CALL THE LEGISLATURE BACK UNLESS WE'VE GOT A SOUND
18 PLAN." AND I'LL TELL YOU IF THE GOVERNOR HAS A PLAN,
19 THEN I BELIEVE I CAN SELL THAT IN THE HOUSE. BUT IF WE
20 COLLECTIVELY TRY TO GET THE WAYS AND MEANS COMMITTEE
21 TOGETHER TO DEVELOP A PLAN, I JUST DON'T THINK IT WILL
22 HAPPEN.

23 I THINK THE LEGISLATURE IN THE STATE IS LOOKING
24 RIGHT IN THIS CONFERENCE ROOM FOR LEADERSHIP TO MANAGE
25 THESE CUTS. I REALLY THINK, GOVERNOR, IF YOU CHOOSE TO

1 CALL US BACK, SOME OF THE THINGS THAT WE'VE TALKED ABOUT
2 CONCERNING THE, WHAT I CONSIDER POTENTIAL MANDATE ON
3 PROPERTY TAX INCREASE TO THESE SCHOOL DISTRICTS, THAT'S
4 THE ONLY WAY I SEE IT IN TERM OF DEALING WITH TEACHER
5 PAY.

6 MR. MORRIS: IT'S TOO LATE THIS YEAR.

7 MR. BOAN: YEAH, I KNOW IT IS. THEY'LL HAVE A
8 DEFICIT. IT WILL BE NEXT YEAR. AND SOME OF THE DIFFI-
9 CULT DECISION THAT WE'RE FACING NOW ARE GOING TO AFFECT
10 THOSE THINGS. THOSE ISSUES, PART OF THESE SAY, "YOU
11 NEED TO COME BACK AND ADDRESS THAT." BUT I THINK IN
12 LIGHT OF EVERYTHING CONCERNED, WE NEED TO LOOK TO THE
13 LEADERSHIP OF THE STATE AND SAY, "WHAT'S THE PLAN?"
14 ABSENT OF THAT, THE LEGISLATURE MAY NEED TO COME BACK.

15 BUT, BASICALLY, GOVERNOR, IT'S YOUR CALL.
16 WHATEVER YOU CHOOSE TO DO, I'M PREPARED TO ACT ON IT.

17 GOVERNOR CAMPBELL: LET ME KIND OF WEIGH IN ON
18 THAT SUBJECT. THE EASIEST THING FOR ME TO DO IS CALL THE
19 LEGISLATURE BACK, AND LET YOU ALL HANDLE THE THING, AND
20 DO WHATEVER YOU WANT TO DO, THE EASIEST THING IN THE
21 WORLD. THE EASIEST THING FOR ANY MEMBER OF THIS BOARD IS
22 TO GO HIDE IN A HUNDRED AND SOME ODD PEOPLE IN THE HOUSE
23 AND SENATE, AND COME IN, AND DO IT.

24 THE BOTTOM LINE IS THIS: IF WE WEREN'T FACING
25 THE LOSS OF A AAA CREDIT RATING BY INACTION, WHICH WE

1 ARE, THEN THAT WOULD BE AN EASY THING TO DO, AND WE
2 PROBABLY RESPONSIBLY COULD SAY, "COME BACK," BECAUSE I
3 HAVE NO DOUBT THAT IF I BROUGHT THE LEGISLATURE BACK,
4 THAT WE WOULD BE DEALING WITH SEVERAL WEEKS OF DEBATE,
5 AND I THINK BOTH OF THE LEGISLATORS HERE WOULD SAY THAT,
6 WHICH MEANS THAT THERE WOULD BE NO ACTION OVER THAT
7 PERIOD OF TIME; AND ALSO WOULD MEAN THAT WE WOULD THEN
8 HAVE LOST THE AAA CREDIT RATING. AND I THINK THAT THAT
9 WOULD BE AN IRRESPONSIBLE ACT, EVEN THOUGH IT WOULD BE
10 EASIER.

11 AS I SAID EARLIER, I'M FULLY PREPARED, EVEN
12 THOUGH I'M AFRAID WE'LL STILL LOSE THE AAA CREDIT RATING,
13 BECAUSE LAWSUITS WILL TIE IT UP TO VETO OUT OF THE
14 EXISTING BILL ENOUGH TO KEEP US OUT OF TROUBLE, AND
15 ENOUGH US TO MAKE US BALANCE, AS BEST I CAN. I CAN'T DO
16 IT THE WAY I'D LIKE TO. THIS BOARD HAS NO AUTHORITY TO
17 REDUCE LINES. WE HAVE ONLY THE AUTHORITY THAT WAS READ
18 TO US BY OUR ATTORNEY, AND THAT IS, AS EQUITABLY AS
19 POSSIBLE, OR PRACTICABLE AS POSSIBLE TO REDUCE ON AS
20 EQUAL A BASIS AS YOU CAN.

21 SO, THAT'S THE AUTHORITY. I HAVE THE AUTHORITY
22 THAT I COULD BE SUED OVER TO KNOCK AN ENTIRE LINE PERIOD.
23 THAT MAY TAKE OUT THE ENTIRE DEPARTMENT THE WAY THIS
24 BUDGET IS DRAWN. FOR INSTANCE, IF YOU HAD TO DEAL WITH
25 THINGS TO REDUCE, YOU WOULD HAVE TO TAKE OUT 100%. YOU

1 CAN'T TAKE OUT 50%. IT'S ON THAT LINE. IF YOU LOOK AT
2 THE BUDGET, THAT'S WHAT IT IS.

3 IT GETS DOWN TO THIS: WE COULD CALL THE
4 LEGISLATURE BACK; WE COULD LOSE THE AAA CREDIT RATING; WE
5 DEBATE IT ALL FALL; OR WE CAN ACT LIKE WE'RE SUPPOSED TO
6 ACT, BECAUSE THIS IS THE END OF THE LINE. AND I'M FULLY
7 PREPARED TO ACT IN ANY WAY THAT I HAVE TO ACT, AS PAINFUL
8 AS IT IS, AND I DON'T WANT TO DO IT, BUT I'M FULLY
9 PREPARED TO DO IT. MR. SHINE.

10 MR. SHINE: I WAS GOING TO POINT OUT THE
11 MEMBERS OF THE BOARD THAT THERE IS A STATEMENT OF
12 EXPLANATION AND JUSTIFICATION FOR THE REDUCTION METHODOLOGY
13 THAT'S BEEN PRESENTED ON PAGE 7, AND I'D BE HAPPY TO
14 ADDRESS ANY QUESTIONS ON THAT, BUT IT PROVIDES SUPPORT
15 FOR THE REDUCTION OF RATE OF EXPENDITURES, IF THE BOARD
16 DECIDES TO DO THAT.

17 GOVERNOR CAMPBELL: SENATOR.

18 SENATOR DRUMMOND: GOVERNOR, I'D LIKE TO
19 EXPRESS THE SAME SENTIMENT, AS FAR AS I'M PERSONALLY
20 CONCERNED AS FAR AS MY RESPONSIBILITY. I'M ONE OF FIVE
21 VOTES HERE. IT WOULD BE MUCH EASIER FOR ME TO CALL THEM
22 BACK. I'D BE ONE OF 170, BUT I'M GOING TO HAVE TO FACE
23 IT. AND I'M GOING TO EXPRESS THE SAME SENTIMENTS
24 CHAIRMAN BOAN DOES; WHATEVER YOU CHOOSE TO DO, I'M
25 WILLING TO SUPPORT.

1 MR. MORRIS: WOULD EITHER OF YOU OBJECT TO
2 SUBMITTING A PLAN THAT WE TAKE ACTION ON TODAY TO YOUR
3 COMMITTEES; GIVE THEM A WEEK TO SAY YES OR NO? NEXT
4 WEEK, TO LOOK AT IT. I JUST WANT THEM TO HAVE SOME
5 INVOLVEMENT, AND TO KNOW WHY WE HAVE TO DO WHAT WE'RE
6 GOING TO DO.

7 MR. BOAN: WELL, I TRY TO ALWAYS KEEP OUR
8 COMMITTEE MEMBERS INFORMED.

9 SENATOR DRUMMOND: I'LL MAIL COPIES TODAY TO
10 EVERY ONE OF THEM.

11 MR. MORRIS: MAILING COPIES IS NOT LIKE
12 PERSONAL CONFRONTATION.

13 SENATOR DRUMMOND: I'D WANT THEM TO HAVE A COPY
14 BEFORE WE MET.

15 MR. MORRIS: OF COURSE.

16 SENATOR DRUMMOND: I CHOOSE TO DO IT--

17 GOVERNOR CAMPBELL: WELL, LET ME TELL YOU SOMETHING,
18 EITHER WE'RE GOING TO ACT, OR WE'RE GOING TO PUNT. NOW,
19 IF YOU ALL WANT TO PUNT, JUST WHEN THE BALL COMES DOWN
20 THERE ARE GOING TO BE TWO A'S ON IT INSTEAD OF THREE. IF
21 YOU ALL WANT TO PUNT, WE CAN PUNT. IF YOU WANT TO ACT,
22 THEN WE STILL HAVE AN OPPORTUNITY TO MAINTAIN THE FISCAL
23 INTEGRITY OF THIS STATE, AND THAT IS THE NUMBER ONE
24 PRIORITY THAT I HAVE IN MY MIND IS THE FISCAL INTEGRITY
25 OF THE STATE. AND THE SECOND PRIORITY THAT WE WOULD HAVE

1 IN OUR MIND WOULD BE THOSE AREAS OF THE BUDGET THAT WE'RE
2 INTERESTED IN, AND ALL OF US HAVE INTEREST IN THE BUDGET
3 AS A WHOLE, BUT THERE ARE SPECIFIC AREAS, AS SENATOR
4 DRUMMOND HAS SAID, THAT SOME PEOPLE HAVE. AND IF I HAD
5 THE OPPORTUNITY TO DO IT, I WOULD SPARE SOME OF THOSE
6 AREAS, AND YOU WOULD, TOO; YOU WOULD, TOO.

7 BUT WHATEVER WE DO, WE'D BETTER ACT AND NOT
8 PROCRASTINATE.

9 SENATOR DRUMMOND: GOVERNOR, IF YOU'RE GOING TO
10 PUNT, I DON'T KNOW WHETHER YOU'RE GOING TO GET A VOLUN-
11 TEER OUT OF THAT 170 LEGISLATORS TO RECEIVE THAT BALL.

12 GOVERNOR CAMPBELL: I'M NOT THE KICKER, JOHN.
13 THAT BRINGS US UP TO THE POINT OF WHAT THE PLEASURE OF
14 THE BOARD IS.

15 SENATOR DRUMMOND: LET ME ASK THE QUESTION
16 AGAIN TO MR. BROOKS: YOU HAVE TWO RECOMMENDATIONS HERE;
17 COLUMN 6 THAT YOU'RE RECOMMENDING, NO AGENCY WILL RECEIVE
18 LESS MONEY THAN THEY RECEIVED THIS PAST '91-'92--

19 MR. BROOKS: THAT'S CORRECT.

20 SENATOR DRUMMOND: --EVEN AFTER THE CUTS.
21 THOSE THAT RECEIVE NEW MONEY WOULD STILL GET ADDITIONAL
22 MONEY, THIRTY CENTS ON THE DOLLAR. COLUMN 7, IF WE
23 ADOPT THAT, 112 AGENCIES WOULD ACTUALLY TAKE A CUT FROM
24 THEIR '91-'92--OF THE 160 AGENCIES, 112 WOULD RECEIVE A
25 CUT.

1 MR. BROOKS: THAT'S CORRECT.

2 SENATOR DRUMMOND: SOME GREATER THAN OTHERS.

3 MR. BROOKS: THAT'S RIGHT.

4 SENATOR DRUMMOND: NO ONE IS GOING TO BE HAPPY
5 EITHER WAY--EITHER WAY.

6 MR. SHINE: 112, SENATOR, IS THAT WHAT YOU'RE
7 SAYING?

8 SENATOR DRUMMOND: 112, THAT'S WHAT THE STAFF
9 SAYS. ON COLUMN 7, 112 AGENCIES OF THE 160 WILL RECEIVE
10 LESS IN '92-'93, THAN IN '91-'92. IF THE TRADITIONAL
11 ACROSS-THE-BOARD METHOD IS USED TO REDUCE THE BUDGET,
12 THAT'S 3.92% ACROSS-THE-BOARD; 112 OF THE 160 AGENCIES
13 WOULD ACTUALLY TAKE A CUT OVER THE LAST '91-'92.

14 COLUMN 6, NO AGENCY WILL RECEIVE LESS MONEY
15 THAN THEY DID IN '92-'91 -- '91-'92; AND ALL OF THOSE
16 AGENCIES THAT RECEIVE PART OF THE NEW MONEY WOULD GET AT
17 LEAST 30% OF THE MONEY THEY HAD, THEY WOULD GET OF THAT
18 NEW MONEY. I THINK MR. BROOKS HAS DONE AN EXCELLENT, AND
19 IT'S NOT A HAPPY JOB. I DON'T LIKE CUTS. I LIKE
20 ADDITIONS.

21 MR. PATTERSON: JOE, MAY I ASK A QUESTION.
22 JOE, THE COLUMN 6 WOULD BE APPLIED AS UNIFORMLY AS MAY BE
23 PRACTICAL?

24 MR. SHINE: WHAT THE BOARD HAS TO DO IS DEVELOP
25 A PLAN BASED ON A CRITERIA, WHATEVER CRITERIA YOU DECIDE-

1 MR. PATTERSON: THROUGHOUT THE BUDGET.

2 MR. SHINE: --AND APPLY THAT CRITERIA IN A
3 UNIFORM CONSISTENT MANNER, A PATTERN. IN OTHER WORDS,
4 YOUR PLAN WOULD BE A PATTERN THAT WOULD BE APPLIED
5 CONSISTENTLY.

6 MR. PATTERSON: AS UNIFORMLY AS MAY BE PRACTI-
7 CAL.

8 MR. SHINE: RIGHT. ONCE YOU'VE ESTABLISHED THE
9 CRITERIA, IT'S MY OPINION THAT IF IT'S APPLIED IN A
10 UNIFORM, CONSISTENT MANNER WITH LIMITED EXCEPTIONS, THEN
11 YOU WOULD MEET THE MANDATE OF THE PROVISO. THE MORE
12 EXCEPTIONS YOU DRAW FROM THAT PLAN, THE LESS UNIFORM IT
13 IS. SO, IT SHOULD MINIMIZE AS MUCH AS POSSIBLE ANY
14 EXCEPTIONS TO THE PLAN THAT YOU DECIDE ON.

15 PRACTICABLE MEANS WHAT'S FEASIBLE, AND SO THOSE
16 EXCEPTIONS ARE MANDATED, AS MR. BROOKS POINTED OUT, IN
17 THE APPROPRIATIONS ACT. A LEGISLATIVE DETERMINATION HAS
18 BEEN MADE THAT THAT'S A PRIORITY BY THE GENERAL ASSEMBLY.
19 SO, YOU COULD USE THAT AS LEGISLATIVE INTENT TO INDICATE
20 THAT'S PRACTICABLE APPLICATION OF HOW THE FUNDS ARE TO BE
21 PRIORITIZED AND SPENT. SO, TO ME, I'M COMFORTABLE WITH
22 THAT. DID THAT RESPOND TO YOUR--

23 MR. PATTERSON: YEAH, THAT ANSWERS THE QUES-
24 TION.

25 GOVERNOR CAMPBELL: MR. BOAN.

1 MR. BOAN: DO YOU BELIEVE THAT IT WAS LEGISLA-
2 TIVE INTENT TO ALLOW THE BUDGET AND CONTROL BOARD TO
3 DEVISE A PLAN FOR CUTS, REGARDLESS OF WHAT THE PRIORITIES
4 ARE IN THE APPROPRIATIONS BILL? YOU KNOW, WE CAN COME UP
5 WITH ANY FORMULA WE WANT, IF YOU USE THAT INTERPRETATION.

6 MR. SHINE: THE GENERAL ASSEMBLY, IN ITS
7 WISDOM, DID NOT PRESCRIBE A METHOD FOR CUTTING.

8 MR. BOAN: BUT LET ME ARGUE A COUNTER TO THAT.
9 THE GENERAL ASSEMBLY DID MAKE SPECIFIC EXEMPTIONS TO
10 CUTS. THE GENERAL ASSEMBLY CONSIDERED, AND, I BELIEVE,
11 PASSED IN THE HOUSE, THIS GROWTH METHOD THAT WE'RE
12 TALKING ABOUT TODAY THAT WAS RECOMMENDED BY THE BOARD AND
13 CONTROL BOARD. IT WAS TAKEN OUT IN THE SENATE; AND IT
14 WAS NOT ADOPTED BY THE CONFERENCE COMMITTEE.

15 THAT ACTION TELLS ME THAT THE GENERAL ASSEMBLY
16 DID NOT WANT TO HAVE ANY KIND OF GROWTH CUT. I BELIEVE
17 THE ONLY THING THE GENERAL ASSEMBLY WANTS THE BUDGET AND
18 CONTROL BOARD TO DO IS BE FAIF, AND THE ONLY OPTION WE
19 HAVE IS AN ACROSS-THE-BOARD CUT.

20 MR. SHINE: WELL, THAT IS A POLICY DECISION FOR
21 THE BOARD THEMSELVES TO MAKE. WHAT I'M SAYING IS THAT
22 THAT THE PROVISIO STATES A REDUCTION OF THE RATE OF
23 EXPENDITURE; THAT'S WHAT THE BOARD HAS TO AUTHORITY TO
24 DO. IT DOES NOT PRESCRIBE THE METHODOLOGY FOR THAT
25 REDUCTION. IT DOES SAY THAT ANY REDUCTION OF RATE OF

1 EXPENDITURE MUST BE APPLIED ON A UNIFORM BASIS. IT
2 DOESN'T DESCRIBE A METHOD FOR HOW THAT UNIFORM BASIS IS
3 TO BE DERIVED. IT LEAVES THAT AS A JUDGMENT FOR THE
4 BOARD TO MAKE.

5 MR. BOAN: WELL, DO YOU THINK THE COURTS WOULD
6 CONSIDER THE FACT THAT DURING THE COURSE OF THE LEGISLA-
7 TIVE PROCESS THAT ONE BODY REJECTED A GROWTH METHOD OF
8 REDUCTIONS? WOULD THE COURTS CONSIDER THAT?

9 MR. SHINE: WELL, I'M NOT SURE THE COURTS WOULD
10 OR WOULD NOT, BECAUSE THOSE KINDS OF DECISIONS ARE MADE
11 BASED ON MANY DIFFERENT COMPROMISES, WHICH ARE KNOWN, AND
12 NOT KNOWN. ALL I CAN GO BY IS THE PLAIN READING OF THE
13 STATUTE, WHICH IS THE FIRST LINE OF STATUTORY CONSTRUC-
14 TION. YOU GIVE THE WORDS IN THE STATUTE ITS PLAIN AND
15 ORDINARY MEANING. NOW, IF THE GENERAL ASSEMBLY INTENDED
16 SOMETHING TO TAKE PLACE, THEN THEY WOULD HAVE EXPRESSED
17 IT.

18 MR. BOAN: WELL, LET ME TELL YOU WHAT I GO BY.
19 I GO BY TEN YEARS EXPERIENCE UPSTAIRS, AND I BELIEVE I
20 CAN PUT MORE FAITH IN THAT, THAN YOUR LITERAL INTERPRETA-
21 TION OF THE VERBIAGE. I AM CERTAIN THAT THE GENERAL
22 ASSEMBLY'S INTENTION IS AN ACROSS-THE-BOARD CUT.

23 MR. SHINE: WELL, THEN THEY COULD EXPRESS IT.

24 MR. BOAN: WELL, I THINK PROBABLY IF THEY NEED
25 TO, THEY WILL NEXT TIME.

1 MR. SHINE: IN OTHER WORDS, I CANNOT IMPLY AN
2 INTENT INTO WORDS THAT'S NOT THERE.

3 MR. BOAN: YEAH, I UNDERSTAND.

4 MR. SHINE: SO, I'M LIMITED, YOU KNOW, YOU'VE
5 ASKED ME IN TERMS OF MY LEGAL ADVICE, AND WHAT A COURT
6 WILL LOOK AT--

7 MR. BOAN: OKAY.

8 MR. SHINE: --THE COURT WILL LOOK AT THE PLAIN
9 WORDS ON THE PAPER, AND IT WILL IMPLY THE ONLY IMPLICA-
10 TION IT CAN IMPLY, IS THAT ORDINARY AND PLAIN MEANING
11 THAT WE AS HUMAN BEINGS GIVE THOSE WORDS.

12 NOW, THE WAY THE U.S. CONGRESS DEALS WITH THAT
13 SO THAT YOU CAN HAVE LEGISLATIVE INTENT INTERPRETING THE
14 STATUTES, THEY HAVE A LEGISLATIVE HISTORY WHERE LAWYERS
15 CAN LOOK AT THE LEGISLATIVE HISTORY, AND HAVE CONFERENCE
16 REPORTS WHICH THEN EXPLAINS THE INTENT. BUT WE DON'T
17 HAVE THAT AVAILABLE TO US IN SOUTH CAROLINA.

18 GOVERNOR CAMPBELL: JOE, LET ME ASK YOU ONE
19 QUESTION.

20 MR. SHINE: YES, SIR.

21 GOVERNOR CAMPBELL: THE UNIFORMITY OF IT IS, IS
22 THAT THOSE THAT GET THE INCREASE WILL STILL GET AN EQUAL
23 PERCENTAGE INCREASE AS OF WHAT THE LEGISLATURE APPROPRI-
24 ATES?

25 MR. SHINE: THAT'S YOUR CONSISTENT PATTERN.

1 GOVERNOR CAMPBELL: BUT THEY'LL STILL GET THE
2 SAME--

3 MR. SHINE: IN OTHER WORDS, YOU CAN COME UP
4 WITH A CRITERIA BASED ON SOME LOGIC, OR RATIONALE, OR
5 REASON, AND THEN YOU APPLY THAT LOGIC, OR RATIONALE, OR
6 REASON IN A UNIFORM CONSISTENT MANNER SO ALL THE AGEN-
7 CIES, SO THE AGENCIES ARE BEING TREATED ALIKE PROPORTION-
8 ATELY. NOW, WHETHER OR NOT YOU DECIDE TO PURSUE THAT
9 PARTICULAR RATIONALE PLAN, OR LOGIC, IT'S YOUR POLICY
10 DECISION, YOUR JUDGMENT TO MAKE. AND IF YOU DECIDE THAT
11 THAT'S WHAT YOU WANT TO DO, FINE. IF YOU DECIDE YOU WANT
12 TO DO AN ACROSS-THE-BOARD CUT, THAT'S ANOTHER RATIONALE,
13 OR PLAN, THAT YOU CAN DECIDE TO PURSUE; OR IF YOU HAVE
14 ANOTHER PLAN OUT THERE, YOU KNOW, THAT'S--

15 GOVERNOR CAMPBELL: LET ME ASK, IF YOU DO AN
16 ACROSS-THE-BOARD CUT, SOME OF THE AGENCIES, THE MAJORITY
17 OF THE AGENCIES WILL RECEIVE LESS MONEY THAN THEY DID
18 LAST YEAR, AS OPPOSED TO DOING IT THIS WAY, WHERE NONE OF
19 THEM RECEIVE LESS MONEY, BUT THEY'RE STILL ASKED TO
20 ABSORB PART OF THE PAY RAISES; IS THAT RIGHT?

21 MR. SHINE: THAT'S THE BASIC DISTINCTION
22 BETWEEN THE TWO PLANS, AND THAT'S WHERE YOUR JUDGMENT
23 COMES IN AS TO WHICH METHODOLOGY YOU DECIDE TO USE,
24 BECAUSE OF THE IMPACT IT WOULD HAVE. BUT, AGAIN, AN
25 ACROSS-THE-BOARD CUT HAS A RATIONALE IN ITSELF BECAUSE

1 YOU'RE WHACKING IT CONSISTENTLY ACROSS-THE-BOARD AT A
2 PARTICULAR PERCENTAGE.

3 MR. BOAN: DON'T EDITORIALIZE NOW, JOE.

4 GOVERNOR CAMPBELL: SENATOR DRUMMOND, LET'S
5 MOVE ON.

6 SENATOR DRUMMOND: JOE, I KNOW THIS COULD BE
7 ARGUED BOTH WAYS.

8 MR. SHINE: THAT'S RIGHT.

9 SENATOR DRUMMOND: THE INTENT OF THE GENERAL
10 ASSEMBLY WAS TO SET PRIORITIES FOR EDUCATION, HEALTH, AND
11 CORRECTIONS. I KNOW THAT'S WHAT THE SENATE FINANCE
12 COMMITTEE DID, AND I THINK WE FINALLY WOUND UP, I THINK
13 THE CONFERENCE COMMITTEE. FROM WHAT YOU'RE SAYING, TO BE
14 LEGALLY SOUND IS WHAT YOU'RE SAYING, UNIFORMLY THOSE
15 THREE PRIORITIES ARE STILL THE THREE PRIORITIES THAT WE
16 HAVE, EVEN WITH THIS CUT, BECAUSE EACH ONE OF THEM WILL
17 STILL RECEIVE 30% OF THE NEW MONEY THAT WE GAVE, AND IT'S
18 UNIFORM--I KNOW WE CAN ARGUE IT BOTH WAYS.

19 GOVERNOR CAMPBELL: ISN'T THAT WHAT YOU'RE
20 SAYING, JOE?

21 MR. SHINE: YEAH, EITHER PLAN YOU ADOPT, AS
22 LONG AS YOU APPLY IT CONSISTENTLY. IN OTHER WORDS, THE
23 KEY IS THAT YOU DEVELOP A CRITERIA, AND YOU APPLY THAT
24 CRITERIA.

25 SENATOR DRUMMOND: EITHER ONE OF THEM WOULD BE

1 EQUAL, BUT WHAT I'M SAYING COLUMN 6, NO ONE RECEIVE LESS,
2 AND THOSE PRIORITY ITEMS THAT WE GAVE, IF ALL WERE TO
3 RECEIVE MORE, SOME OF THE ACROSS-THE-BOARD, 112 AGENCIES
4 ACTUALLY RECEIVE LESS, WHICH WAS NOT THE INTENT OF THE
5 GENERAL ASSEMBLY. I AIN'T GOING TO CUT ANY OF THOSE
6 AGENCIES BELOW '91-'92. I DON'T KNOW HOW THE REST OF
7 THEM, BUT I'M TALKING PERSONALLY.

8 MR. MORRIS: FOR A LARGE PART OF THIS DEBATE I
9 HAVE HEARD IT DOESN'T MATTER WHAT THE GENERAL ASSEMBLY
10 THINKS. THANK YOU FOR REMEMBERING THEM, SENATOR
11 DRUMMOND.

12 TAPE 3

13 MR. MORRIS: ...BIT THE BULLET, BUT IN THIS
14 INSTANCE, IT'S TYPICAL, BECAUSE YOU'VE PASSED A NEW
15 LEGISLATIVE ACT SAYING THAT WE MAKE REDUCTIONS, WE'VE GOT
16 TO RUN IT BY THE GENERAL ASSEMBLY, IF YOU'RE IN SESSION.
17 I DON'T SEE A DAMN BIT OF DIFFERENCE.

18 GOVERNOR CAMPBELL: WE'RE NOT IN SESSION.

19 SENATOR DRUMMOND: IN INTENT?

20 MR. MORRIS: NO, BUT THE INTENT WAS YOU WANTED
21 TO BE INVOLVED AND ADVISED. I DON'T SEE ANY DIFFERENCE.

22 SENATOR DRUMMOND: WELL, IF WE STAYED IN
23 SESSION ABOUT TWO MONTHS, WE PROBABLY WOULD.

24 MR. MORRIS: I'M NOT TALKING ABOUT STAYING IN
25 SESSION. I'M SAYING CALL YOUR COMMITTEES BACK, AND GIVE

1 THEM SOME OPPORTUNITY.

2 SENATOR DRUMMOND: MY COMMITTEES AREN'T GOING
3 TO MAKE THAT FINAL DECISION EITHER. THEY DON'T WANT--

4 MR. MORRIS: WELL, GIVE THEM A PLAN. SAY,
5 "THIS IS IT. WHAT DO YOU THINK?"

6 GOVERNOR CAMPBELL: THE GENERAL ASSEMBLY WOULD
7 HAVE TO WRITE A NEW BILL.

8 MR. MORRIS: I'M NOT SAYING CALL THEM BACK UP,
9 DO YOU UNDERSTAND THAT? I SAID THEY NEED TO HAVE SOME
10 INVOLVEMENT IN WHAT DECISION WE MAKE, AND YOU DID PUT
11 THEM BACK ON THE TABLE.

12 GOVERNOR CAMPBELL: WELL, I'M GOING, YOU KNOW,
13 I'M TO SAY A COUPLE OF THINGS THAT I THINK ARE IMPORTANT.
14 NUMBER ONE, I WANT YOU TO LOOK AT THE FACT THAT YOUR
15 ACROSS-THE-BOARD CUT WILL CUT AGENCIES THAT HAVE TAKEN
16 THE CUTS FOR THE LAST TWO OR THREE YEARS; HAVEN'T BEEN
17 REINSTATED; HAVEN'T HAD ANY MONEY GIVEN BACK TO THEM; AND
18 MANY OF WHOM HAVE TO USE MONEY TO MATCH OTHER PROGRAMMAT-
19 IC MONEY THAT COMES FROM THE FEDERAL GOVERNMENT, AND
20 YOU'RE GOING TO BE REMOVING THAT.

21 IF YOU DEAL WITH THE INCREASES ON IT, THE
22 LEGISLATURE HAS CAREFULLY AVOIDED, CAREFULLY AVOIDED
23 TAKING AWAY, EVEN THOUGH AGENCIES MIGHT NOT HAVE GOTTEN
24 ANY MORE MONEY, OR VERY LITTLE BIT MORE MONEY, THEY'VE
25 VERY CAREFULLY AVOIDED TAKING AWAY SOME OF THOSE THINGS.

1 THERE ARE AREAS TO LOOK AT. THERE ARE AREAS IN
2 LAW ENFORCEMENT TO LOOK AT THAT HAVE NOT GOTTEN THOSE
3 INCREASES, BUT THAT IF WE WHACK ACROSS-THE-BOARD THEY'RE
4 GOING TO BE ADVERSELY HIT.

5 THERE ARE AREAS IN THE JUDICIAL BRANCH,
6 PARTICULARLY IN THE ATTORNEY GENERAL'S OFFICE, WHICH HAS
7 TAKEN MAJOR CUTS, AND IS GOING TO HAVE TO--THE ABILITY TO
8 OPERATE IS HAMPERED BY ACROSS-THE-BOARD CUTS, WITHOUT
9 TAKING INTO CONSIDERATION THE GROWTH RATE OF THE DOLLARS
10 GOING INTO A PARTICULAR AGENCY.

11 SO, I JUST WANTED TO, YOU KNOW, WHICH WAY WE
12 GO, WE'RE GOING TO HAVE TO GO ONE WAY, OR THE OTHER, AND
13 THERE ARE ARGUMENTS FOR BOTH SIDES OF IT. DON'T GET ME
14 WRONG. THERE ARE ARGUMENTS FOR BOTH SIDES OF IT. BUT
15 THE GROWTH FACTOR OF AN AGENCY NEEDS TO BE TAKEN INTO
16 CONSIDERATION, IF WE DON'T TAKE IT INTO CONSIDERATION,
17 AND THE GENERAL ASSEMBLY HAS TRIED TO, BECAUSE THEY HELD
18 HARMLESS SOME OTHER AGENCIES. THEY KEPT THEM WHOLE. I
19 MEAN, THEY DID. THEY DIDN'T CUT THEM. THEY KEPT THEM
20 WHOLE. AND THEY, BY THEIR WISDOM, HAVE SAID THEY SHOULD
21 REMAIN WHOLE. AND I DON'T THINK THAT THEY STEPPED UP TO
22 THE PLATE TO SAY, "WE'RE GOING TO CUT," YOU KNOW, "A
23 MILLION DOLLARS OUT OF THIS LAW ENFORCEMENT AGENCY, OR
24 THAT ONE THAT'S GOING TO REMOVE THE SAFETY OF ITS OWN
25 STREETS NOW," THAT'S ON THERE NOW.

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1 SO, WHAT WE'RE REALLY TALKING ABOUT DOING IS IF
2 WE DO THAT, IS LITERALLY SHIFTING THE PRIORITIES OF THE
3 GENERAL ASSEMBLY. BILLY, IF WE CUT BACK SOME AGENCIES,
4 WE'RE SHIFTING THE MONEY OVER TO THOSE AGENCIES THAT GOT
5 THE INCREASE, AND YOU ALL DIDN'T ADDRESS THAT.

6 SO, THIS IS--I MEAN, THIS IS AN AREA THAT
7 EITHER ONE OF US COULD ARGUE EITHER SIDE OF IT. I DON'T
8 KNOW.

9 MR. BOAN: EITHER WAY.

10 GOVERNOR CAMPBELL: I DO NOT KNOW. BUT I KNOW
11 THIS, WE NEED TO ACT ON IT. AND, I THINK, THAT AS, YOU
12 KNOW, AS EQUITABLY AS WE POSSIBLY CAN, THAT WE NEED TO
13 STEP UP AND ADDRESS IT. HOWEVER, WE'VE GOT THE CART
14 BEFORE THE HORSE, AND IN ORDER TO GET THE HORSE BACK
15 BEFORE THE CART, I'D LIKE TO DO THIS: THE FIRST THING
16 IS, I WANT TO DEAL WITH THE ITEMS WE MUST ADDRESS. THERE
17 ARE FIVE ITEMS ON HERE. I WANT TO TAKE THEM UP SEPARATE-
18 LY, IF YOU DON'T MIND. ONE IS THE SEQUESTRATION OF THE
19 ENTIRE CAPITAL RESERVE FUND.

20 MR. MORRIS: WE DON'T HAVE ANY CHOICE THERE.

21 GOVERNOR CAMPBELL: THERE'S A MOTION MADE ON
22 THAT, AND A SECOND. ALL THOSE IN FAVOR OF THE SEQUESTRA-
23 TION OF THE CAPITAL RESERVE FUND, RAISE THEIR HAND. THE
24 MOTION CARRIED.

25 THE SECOND ITEM IS--

1 MR. MORRIS: GOVERNOR, BEFORE WE LEAVE THAT.

2 GOVERNOR CAMPBELL: YES, SIR, I'M SORRY.

3 MR. MORRIS: I KNOW IT'S LEGISLATIVE THAT WE DO
4 IT, BUT IF YOU RECALL "S&P" ASKED US TO DO THREE THINGS:
5 BALANCE '91 AND '92, WHICH WE BARELY DID; BALANCE THE
6 CURRENT YEAR, WHICH, WHEN THEY PASSED IT, YOU THOUGHT IT
7 WAS IN BALANCE.

8 GOVERNOR CAMPBELL: THAT'S RIGHT.

9 MR. MORRIS: IN GOOD FAITH.

10 GOVERNOR CAMPBELL: WE ALL DID.

11 MR. MORRIS: THE THIRD THING WAS REPLENISH
12 RESERVE FUNDS, AND KEEP THEM THERE. SO, WE'RE VIOLATING
13 THAT AGAIN; THAT'S THE THIRD YEAR IN A ROW. I JUST POINT
14 THAT OUT AS THE THIRD REQUIREMENT THAT WE'RE NOT GOING TO
15 BE ABLE TO COMPLETE.

16 GOVERNOR CAMPBELL: THAT'S TRUE, BUT WE ZEROED
17 THE RESERVE FUND, THE GENERAL RESERVE FUND, AND WE HAVE
18 NOW PUT BACK IN \$33 MILLION DOLLARS INTO THAT, THE FIRST
19 \$33 MILLION THAT CAME IN. SO, THE RESERVE FUND FOR THIS
20 YEAR, AT THE END OF THIS YEAR, WE'LL BE SITTING THERE
21 WITH \$33 MILLION.

22 THE LAW SAYS THAT IN A SHORTFALL THOUGH, WE
23 TAKE THE CAPITAL RESERVE FUNDS FIRST.

24 MR. MORRIS: THAT'S RIGHT. BUT I JUST WANTED
25 TO POINT OUT, GOVERNOR, THAT THIRD, THIRD THING.

1 GOVERNOR CAMPBELL: I UNDERSTAND IT. BUT WE DO
2 HAVE, AND HAVE PUT BACK IN \$33 MILLION DOLLARS, AND I
3 THINK THAT'S A DIRECT--I WISH IT HAD BEEN \$50 MILLION.

4 MR. PATTERSON: I AGREE.

5 MR. MORRIS: BUT IT'S IN THERE.

6 GOVERNOR CAMPBELL: THE SECOND ITEM--YES, SIR.

7 MR. CARTER: GOVERNOR, MR. MORRIS' COMMENT
8 THOUGH, THE MINUTES SHOULD REFLECT THAT THE BOARD IS
9 TAKING THAT ACTION IN ACCORDANCE WITH PROVISIO 14R.1.

10 MR. PATTERSON AND MR. BOAN: WITH NO OPTION.

11 GOVERNOR CAMPBELL: THE SECOND ITEM THAT WE
12 HAVE TO DO IS TO ESTABLISH AN ACCOUNT FOR THE GRANT
13 PROGRAM TO HONOR CONTRACTUAL OBLIGATIONS.

14 MR. PATTERSON: MOVE FOR APPROVAL.

15 MR. MORRIS: SECOND IT.

16 GOVERNOR CAMPBELL: MOTION MADE AND SECONDED.
17 DISCUSSION, MR. BOAN.

18 MR. BOAN: WHY WOULD WE JUST NOT AUTHORIZE A
19 DEFICIT? WHY IS THERE A NEED TO ESTABLISH A FUND? IS
20 THERE SOME RATIONALE FOR THAT?

21 MR. SHINE: IT'S IN THE PROVISIO THAT YOU HAVE
22 TO HONOR ALL YOUR CONTRACTUAL OBLIGATIONS.

23 MR. BOAN: BUT YOU CAN'T DO THAT JUST BY
24 RECOGNIZING A DEFICIT? I MEAN, DOES AN ACTUAL FUND NEED
25 TO BE ESTABLISHED?

1 MR. SHINE: WELL, THAT'S JUST HIS METHODOLOGY
2 THAT MR. BROOKS CAME UP TO TO TAKE CARE OF THAT.

3 MR. BOAN: I MEAN, WOULDN'T WE--WOULDN'T WE
4 NORMALLY JUST RECOGNIZE A DEFICIT, AND ALLOW HIM TO, I
5 MEAN, ISN'T THAT THE WAY--

6 MR. BROOKS: YOU ASKED ME A QUESTION. I'M NOT
7 SURE I CAN ANSWER IT. YOU COULD DO THAT, BUT WHAT WE'RE
8 SAYING IS THAT WHAT YOU'RE DOING THEN IS RUNNING THE RISK
9 OF COMING UP WITH ANOTHER YEAR IN DEFICIT, BECAUSE IF YOU
10 ALLOW HIM TO RUN A DEFICIT--

11 MR. BOAN: WELL, WE'VE CAPPED IT BEFORE. WE'VE
12 ALLOWED AGENCIES TO RUN A DEFICIT UP TO A FIGURE.

13 MR. BROOKS: UP TO A FIGURE, THAT'S RIGHT.

14 MR. BOAN: IS THIS A TECHNICAL QUESTION?

15 MR. BROOKS: NO, WHAT WE'RE SAYING HERE IS,
16 "LET'S PUT \$7.5 MILLION IN THERE, BECAUSE WE KNOW THAT HE
17 HAD OBLIGATIONS WITHIN EXCESS OF \$10 MILLION, ALL RIGHT.
18 AND MAKE IT--

19 MR. BOAN: WHY DON'T WE MAKE IT --

20 MR. BROOKS: --MAKE IT OPEN-ENDED SO THAT IF WE
21 DO SPEND MORE THAN THE \$7 MILLION, THEN WE CAN PUT MONEY
22 BACK IN THERE TO TAKE CARE OF WHATEVER IS LEFT OVER. SO,
23 YOU, IN EFFECT, ARE RUNNING DEFICIT, IF YOU WILL, BY
24 MAKING IT AN OPEN-ENDED ACCOUNT, THE SAME YOU DO--

25 MR. BOAN: HE'S GOT TO HAVE A FEDERAL--I MEAN,

1 HE'S GOT TO HAVE THE MONEY [INDISTINGUISHABLE]

2 MR. BROOKS: --THIS IS THE SAME WAY YOU DO
3 LOCAL GOVERNMENT IN YOUR HOMESTEAD EXEMPTION, FOR
4 EXAMPLE. WHAT YOU BUDGET THERE, IS NOT NECESSARILY WHAT
5 THEY NEED. IF THEY NEED MORE MONEY THAN THAT, YOU PUT
6 THE MONEY IN.

7 DOCTOR CARTER: IF YOU NEED LESS, YOU TAKE
8 LESS, YEAH.

9 MR. BROOKS: IF IT TAKES LESS, IT TAKES LESS.
10 I FEEL MORE COMFORTABLE PUTTING ACTUAL DOLLARS OUT THERE
11 TO HAVE, RATHER THAN TO JUST SAY, "YOU DON'T HAVE ANY
12 DOLLARS, BUT WE'RE GOING TO ALLOW YOU TO RUN A DEFICIT."

13 MR. SHINE: I ALSO THINK HE HAS TO CERTIFY IN
14 SOME OF THESE GRANT PROGRAMS THAT THE MONEY IS AVAILABLE.
15 SO, IN OTHER WORDS, WHEN HE GIVES A COMMITMENT, THEN HE
16 HAS TO SAY, TOO, THAT THE MONIES ARE AVAILABLE TO CARRY
17 OUT THAT COMMITMENT.

18 DOCTOR CARTER: MR. BOAN, WE AS A STAFF
19 DISCUSSED BOTH OPTIONS WITH ALL THE STAFFS OF THE BOARD
20 MEMBERS, AND I THINK THE ONE THING WE CLEARLY LEFT THE
21 TABLE WITH WAS THE SENSE THAT THE BOARD DID NOT WANT TO
22 LEAVE HERE TODAY WITH ANY DEFICIT STILL ON THE TABLE, BE
23 IT \$7 MILLION DOLLARS; OR BE IT \$200 MILLION.

24 MR. BOAN: THIS IS JUST--THE REASON I RAISE THE
25 QUESTION, IT JUST SEEMS LIKE WE'VE DONE IT DIFFERENT IN

1 THE PAST WHEN WE'VE HAD AGENCIES, AND I'M READY TO VOTE.

2 MR. PATTERSON: OKAY. CALL FOR A QUESTION.

3 GOVERNOR CAMPBELL: THE QUESTION IS CALLED, ALL
4 THOSE IN FAVOR OF ESTABLISHING OF AN ACCOUNT FOR THE
5 GRANT PROGRAM FUND WILL INDICATE BY RAISING THEIR HANDS.
6 ITEM CARRIES.

7 THE NEXT ITEM IS ITEM C, AND THAT'S TO CHOOSE
8 A METHOD FOR DECREASING AGENCY '92-'93 GENERAL FUND
9 OBLIGATIONS, AND DIRECT THE BUDGET DIVISION TO ASSIST
10 AGENCIES WITH BUDGET ADJUSTMENTS. WHAT IS THE PLEASURE
11 OF THE BOARD?

12 MR. PATTERSON: GOVERNOR, TO GET A MOTION ON
13 THE TABLE, I MOVE WE CHOOSE COLUMN 6, AND REDUCE BY 4%,
14 AND TO CUT 2%, AND ESCROW 2% OF THOSE CUTS.

15 MR. BROOKS: MR. PATTERSON.

16 MR. PATTERSON: YES.

17 MR. BROOKS: WHEN YOU USE A CUT BASED ON COLUMN
18 6, WHICH IS ON GROWTH ONLY, YOU'RE GOING TO HAVE TO MAKE
19 YOUR MOTION TO SAY, "ESCROW HALF, AND CUT HALF," SOME-
20 THING TO THAT EFFECT.

21 MR. PATTERSON: THAT'S WHAT I SAID.

22 DOCTOR CARTER: FOR EACH AGENCY.

23 MR. PATTERSON: FOR EACH AGENCY, THAT'S
24 CORRECT.

25 MR. BROOKS: RATHER THAN 2%, AND 2%; IT'S

1 ESCROW HALF; AND CUT HALF.

2 MR. PATTERSON: YEAH.

3 GOVERNOR CAMPBELL: ESCROW HALF, AND CUT HALF?

4 MR. BROOKS: YES, SIR.

5 MR. SHINE: FOR EACH AGENCY.

6 MR. BROOKS: FOR EACH AGENCY.

7 DOCTOR CARTER: IT WILL NOT BE PRECISE.

8 GOVERNOR CAMPBELL: I UNDERSTAND, I UNDERSTAND.

9 WELL, THAT'S FOR EACH AGENCY CUT.

10 DOCTOR CARTER: YES, SIR, THAT'S CORRECT.

11 MR. BROOKS: EXACTLY.

12 MR. PATTERSON: ESCROW HALF, CUT HALF. THE
13 EFFECT OF THE CUT WILL REDUCE THE BASE BY THAT AMOUNT
14 NEXT YEAR; IS THAT RIGHT?

15 MR. SHINE: I THINK ONLY AS TO THE CUTS, RIGHT?

16 DOCTOR CARTER: AS TO THE CUTS, YEAH. THAT'S
17 ALL RIGHT. IT DOESN'T MATTER. THAT'S NOT IMPORTANT.

18 GOVERNOR CAMPBELL: THERE'S A MOTION. IS THERE
19 A SECOND TO THAT BEFORE WE GO TO DISCUSSION?

20 SENATOR DRUMMOND: I SECOND IT.

21 GOVERNOR CAMPBELL: THERE'S A SECOND. NOW,
22 WE'LL GO TO DISCUSSION.

23 MR. BOAN: WELL, I'D JUST LIKE TO ASK A
24 QUESTION, GOVERNOR. DO YOU CONSIDER THAT TO BE AN
25 EQUITABLE DISTRIBUTION?

1 MR. PATTERSON: YES, SIR.

2 MR. BOAN: DO YOU CONSIDER TO BE THE
3 LEGISLATIVE'S INTENT IN PASSING THE APPROPRIATIONS BILL
4 THAT YOU HELD UP JUST A FEW MINUTES AGO?

5 MR. PATTERSON: I CONSIDER THAT WITH THE LEGAL
6 EXPLANATION FROM THE ATTORNEY.

7 MR. BOAN: WELL, I JUST WANT TO TELL YOU, I
8 DON'T.

9 MR. PATTERSON: WELL, WE RESPECT--

10 MR. BOAN: AND I WANT TO SAY SOMETHING ELSE.
11 YOU KNOW YOU TALK ABOUT CUTS, AND YOU TALK ABOUT SEQUES-
12 TERS, AND I THINK YOU GOT TO AGAIN LOOK AT WHAT AUTHORITY
13 WE GOT TO DO THAT. NOW, YOU KNOW WE ARE TALKING ABOUT
14 THE MOST CRITICAL ISSUE FACING THE STATE RIGHT NOW,
15 MAINTAINING THE TRIPLE AAA CREDIT RATING THAT IS SO
16 SACRED TO US ALL.

17 YOU DON'T THINK THAT IT WOULD SEND A STRONGER,
18 FIRMER, CLEARER, MESSAGE TO WALL STREET IF WE JUST CUT,
19 AND NOT SEQUESTER. HOW CAN YOU MAKE THAT SUGGESTION WITH
20 YOUR EXPERTISE IN COMMUNICATING WITH WALL STREET THAT WE
21 AREN'T TAKING THE FIRM CONSERVATIVE STAND THAT THEY'VE
22 BEEN SO KIND TO RECOGNIZE SOUTH CAROLINA'S FISCAL
23 HISTORY?

24 MR. PATTERSON: WELL, I BASE IT ON THE FACT
25 THAT IF REVENUES PICK UP THEN, OF COURSE, WE WOULD

1 RELEASE THE 2%; BUT IF THE REVENUES DON'T PICK UP, AND
2 WE'RE GOING BY--IF YOU HAD TO CALL IT TODAY, WE'RE GOING
3 TO TAKE 4%, OR HALF AND HALF, AS WE DISCUSSED HERE.

4 GOVERNOR CAMPBELL: ARE YOU--YOU'RE BASING THAT
5 ON THE FACT THAT WE HAVE OTHER ESTIMATES, AND THAT WE SET
6 IT ASIDE NOW SO THAT THAT IT'S ALREADY ASIDE, AND IT'S
7 ACCOUNTED OUT OF THE BUDGET, BUT IT CAN BE RESTORED IF,
8 IN FACT, AT ANY POINT, OR AT ANY LEVEL, I MEAN, NOT
9 NECESSARILY THE 2%, 1%, 1 1/2, OR WHATEVER IT WAS,
10 DEPENDING ON THE FISCAL CONDITION OF THE STATE?

11 MR. PATTERSON: THAT'S RIGHT. AND, SEE,
12 ANOTHER POINT IS WE ARE REDUCING EXPEDITURES BY THESE
13 AMOUNTS TO MATCH THE REVENUE PROJECTIONS AS OF TODAY.

14 MR. BOAN: GOVERNOR, LET ME MAKE ONE POINT.

15 GOVERNOR CAMPBELL: YES, SIR. WE'RE LETTING
16 ANYBODY DEBATE ON IT.

17 MR. BOAN: I MADE LIGHT OF THE FACT, WHAT
18 FURTHER POWER THE GENERAL ASSEMBLY MIGHT GRANT THIS BOARD
19 IN THE FUTURE, I CAN'T EMPHASIZE ENOUGH TO YOU THAT WE
20 RISK--WE RISK LOSING WHAT AUTHORITY WE HAVE WHEN WE MAKE
21 DECISIONS THAT ARE IN CONFLICT WITH WHAT, I BELIEVE, IS
22 THE INTENT OF THE GENERAL ASSEMBLY.

23 YOU MAKE A TWO-PRONG MOTION: ONE, I THINK,
24 FLIES IN THE FACE OF THE GENERAL ASSEMBLY'S INTENTION IN
25 THAT APPROPRIATION BILL YOU PASSED. THE SECOND, AND I AM

1 REALLY SURPRISED TO HEAR YOU SAY THAT, THAT YOU THINK
2 WALL STREET WOULD FEEL JUST AS GOOD ABOUT A 2% SEQUESTER
3 AS THEY DO A 2% CUT. I BELIEVE IF WE'RE GOING TO BITE
4 THAT BULLET, SENATOR--

5 SENATOR DRUMMOND: BITE IT NOW.

6 MR. BOAN: --WE NEED TO DO IT NOW.

7 SENATOR DRUMMOND: LET ME ASK YOU THIS: I
8 AGREE WITH YOU ON THAT, BUT WHEN I ASKED THE QUESTION
9 EARLIER, IF WE DO THE 3.92% ACROSS-THE-BOARD, AND IN
10 NOVEMBER DOCTOR MILEY COMES HERE AND SAYS THINGS ARE ON
11 THE UPBEAT, AND BY JANUARY IT LOOKS LIKE WE'RE GOING TO
12 BE ABLE TO RESTORE 2%, I CERTAINLY WANT TO BE IN A
13 POSITION TO RESTORE IT. THEY SAID IF WE CUT THOUGH, WE
14 CAN'T RESTORE IT.

15 MR. BOAN: OH, WE'LL RESTORE. YOU KNOW WE'LL
16 RESTORE. IF WE HAVE A SURPLUS, WE'LL RESTORE. NOBODY
17 REALLY HAS THAT DECISION. [INAUDIBLE]

18 GOVERNOR CAMPBELL: NO, BUT, BILLY, YOU ALL
19 CAN'T RESTORE. I MEAN, YOU CAN'T RESTORE UNTIL YOU GET
20 THROUGH YOUR APPROPRIATIONS ACT, WHICH IS OVER IN THE
21 SPRING--

22 MR. BOAN: I UNDERSTAND THE TIME TABLE. I
23 UNDERSTAND THE TIME TABLE. THAT MONEY WON'T SPOIL,
24 SENATOR. THE NEEDS ARE STILL GOING TO BE THERE. THE
25 NEEDS ARE STILL GOING TO BE THERE.

1 SENATOR DRUMMOND: ALL YOU'RE SAYING TO JUST GO
2 ON AND CUT, JUST TELL THEM--

3 MR. BOAN: I THINK IF WE'RE GOING TO SEND THE
4 MESSAGE TO WALL STREET THAT WE NEED TO SEND, WE OUGHT TO
5 BE JUST AS FIRM IN OUR MESSAGE AS WE CAN BE.

6 SENATOR DRUMMOND: AND YOU SAID ACROSS-THE-
7 BOARD.

8 MR. BOAN: AND I CERTAINLY BELIEVE, YOU KNOW,
9 HE MADE HIS MOTION; HE MADE TWO POINTS IN HIS MOTION; AND
10 I'M SORRY TO ARGUE AGAINST THEM BOTH, MR. TREASURER, BUT
11 I CAN'T SUPPORT IT.

12 MR. PATTERSON: WELL, LET ME JUST SAY--

13 SENATOR DRUMMOND: LET ME ASK A QUESTION,
14 BECAUSE I'M GOING TO HAVE TO HAVE SOME AGREEMENT WITH MY
15 CHAIRMAN OVER HERE, WHAT YOU'RE SAYING, YOU WANT STRAIGHT
16 ACROSS-THE-BOARD CUTS ON EVERYONE, AND YOU DON'T WANT--

17 MR. BOAN: MORE THAN WHAT I WANT, SENATOR, I
18 THINK THAT'S WHAT THE GENERAL ASSEMBLY WANTS. I THINK
19 THE GROWTH WAS TAKEN INTO CONSIDERATION WHEN THAT LAW WAS
20 PASSED, AND I THINK THAT IF WE USE THE METHOD THAT MR.
21 PATTERSON IS PROPOSING, I DON'T THINK, I KNOW IT'S GOING
22 TO CUT PUBLIC EDUCATION AN ADDITIONAL \$6 MILLION DOLLARS;
23 AND IT'S GOING TO CUT HEALTH AND HUMAN SERVICES AN
24 ADDITIONAL \$12 MILLION DOLLARS; AND ALL YOU'D HAVE TO DO
25 WOULD BE STOP THIS MEETING LONG ENOUGH TO CALL SOME OF

1 YOUR COLLEAGUES ON THE FINANCE COMMITTEE, AND ASK THEM
2 THEIR OPINION OF IT, AND THEY WOULD AGREE WITH WHAT I'M
3 ARGUING FOR.

4 SENATOR DRUMMOND: THEY WILL NOT AGREE TO CUT.
5 YOU'RE ABSOLUTELY RIGHT.

6 MR. BOAN: NO, BUT IF THEY'VE GOT TO CUT, THEY
7 WANT TO CUT IN THE AREAS THAT THEY PRIORITIZE DURING THE
8 LEGISLATIVE SESSION.

9 SENATOR DRUMMOND: IN OTHER WORDS, WHAT YOU'RE
10 SAYING THAT I SAID, "DON'T CUT EDUCATION ANY MORE; DON'T
11 CUT HEALTH CARE, AND ALL, BUT YOU USE THAT, CUT THAT \$202
12 MILLION--"

13 GOVERNOR CAMPBELL: LET ME POSE ANOTHER
14 QUESTION TO YOU. LET ME POSE ANOTHER--

15 SENATOR DRUMMOND: I MEAN, I'LL ANSWER THAT,
16 AND THEY'LL ANSWER, THEY'LL SAY, "DON'T CUT EDUCATION.
17 DON'T CUT HEALTH CARE. DON'T CUT CORRECTIONS."

18 GOVERNOR CAMPBELL: YES. DON'T CUT YOU, DON'T
19 CUT ME, CUT THE MAN BEHIND THE TREE.

20 MR. PATTERSON: THAT'S THE MESSAGE I'M GETTING.

21 SENATOR DRUMMOND: YOU DON'T LIKE TO HEAR THEM
22 SAY THAT.

23 GOVERNOR CAMPBELL: LET ME ASK YOU A QUESTION,
24 AND I'M GOING TO POSE THIS QUESTION, BECAUSE I THINK THAT
25 ALL OF YOU OUGHT TO THINK ABOUT IT PRETTY CAREFULLY.

1 NUMBER ONE, IF YOU CUT BY THE FORMULA, THE RATE OF
2 INCREASE TO THE AGENCIES THAT GOT AN INCREASE WILL STILL
3 BE THERE. IT WILL BE RATED AND INCREASED ON THE SAME
4 LEVEL. IT JUST WON'T BE AS MUCH MONEY IN THE INCREASE IF
5 YOU CUT THAT WAY.

6 NUMBER TWO, IF YOU DON'T CUT THAT WAY, THE RATE
7 OF DECREASE TO THE OTHER AGENCIES IS GOING TO CAUSE
8 LAYOFFS, BECAUSE THEY ARE BRINGING THEM UNDER THEIR
9 CURRENT BASE BUDGET. YOU'RE BRINGING THEM DRAMATICALLY
10 UNDER THEIR CURRENT BASE BUDGET, AND THE QUESTION OF THE
11 EQUITY OF IT, I MEAN, BOTH OF THEM, THE PRIORITIES HAVE
12 BEEN ESTABLISHED BY THE GENERAL ASSEMBLY. WE'RE NOT
13 TAKING BACK THEIR MONEY, I MEAN, THAT YOU INCREASED,
14 BECAUSE YOU'VE DECIDED, YOU KNOW, OF THE MONEY AVAILABLE
15 HOW MUCH EACH AGENCY, OR WHAT PERCENTAGE YOU WANTED THEM
16 TO GET. BUT YOU ALL DECIDED THAT, AND THAT'S EXACTLY THE
17 WAY IT SHOULD BE. NOTHING SHOULD BRING OUT THE LEVEL,
18 BUT IF THE MONEY IS LESS, THE LEVEL IS LESS EVEN THOUGH
19 THEY GET THAT MUCH MORE.

20 SO, I MEAN, THERE'S AN ARGUMENT, BILLY, TO BE
21 MADE BOTH WAYS, BUT, QUITE FRANKLY, QUITE FRANKLY, IF WE
22 GO ACROSS THE BOARD, THE MAJOR, MAJOR CUTS ARE GOING TO
23 BE ON AGENCIES THAT HAVE HAD NO INCREASE; HAVE MANAGED
24 THEMSELVES FAIRLY WELL; AND ARE HAVING NO ALTERNATIVES.

25 WHEREAS, IF WE DO IT PROPORTIONATELY ON THE

1 INCREASE, WE, IN FACT, HAVE PULLED BACK PERCENTAGE WISE,
2 THE EXACT SAME LEVEL OF INCREASE THAT WAS GIVEN. NOW,
3 SOME OF THEM WILL HAVE A LITTLE BIT; SOME OF THEM WILL
4 HAVE A LOT MORE. IT WON'T BE THE SAME DOLLARS, BUT IT
5 WILL BE THE SAME PERCENTAGE.

6 THE QUESTION IS JUST REALLY WHAT THE BOARD
7 WANTS TO DO.

8 MR. PATTERSON: IT WOULD STILL BE FOLLOWING THE
9 LEGISLATIVE INTENT, MR. CHAIRMAN.

10 MR. BOAN: WELL, I JUST DON'T AGREE WITH THAT.
11 I UNDERSTAND YOUR RATIONALE FOR IT, AND I UNDERSTAND HOW
12 YOU CAN LOOK AT IT AND SEE THAT IT MAY BE FAIR. I JUST
13 DON'T BELIEVE THAT--I DON'T AGREE WITH THAT, AND I DON'T
14 BELIEVE THE LEGISLATURE AGREES WITH THAT.

15 MR. PATTERSON: THAT'S WHY REASONABLE FOLKS
16 DISAGREE WITHOUT BEING DISAGREEABLE.

17 MR. BOAN: WELL, I HOPE I'VE ALWAYS BEEN THAT
18 WAY.

19 GOVERNOR CAMPBELL: I'LL TELL YOU WHAT. LET ME
20 TELL YOU, SOMETHING JUST DAWNED ON ME FOR WHATEVER IT'S
21 WORTH. NOW, JUST THINK WITH ME JUST A MINUTE. WE NEED
22 TO ACT. I MEAN, WE NEED TO ACT TODAY; WE NEED TO DO IT.
23 IF WE DO FOLLOW YOUR MOTION, MR. PATTERSON, WHERE WE, IN
24 FACT, CUT TWO AND ENCUMBER TWO, WE HAVE SOME OPPORTUNITY,
25 MR. MORRIS, TO GO TO THE SENATE AND THE HOUSE COMMITTEE,

1 AND ASK THEM OF THE ENCUMBERED MONEY HOW WE MIGHT LIKE--
2 HOW THEY MIGHT LIKE US TO TREAT IT, IF AT THE TIME WE GO
3 TO RELEASE IT, OR TO--

4 MR. MORRIS: THAT'S ALL I'M ASKING, GOVERNOR.
5 I'M GLAD YOU FINALLY UNDERSTOOD IT--

6 GOVERNOR CAMPBELL: --AND THAT WAY, BILLY, WE'D
7 ALL THE ABILITY TO SIT DOWN AND MEET AND SAY, "OKAY,
8 WE'VE ENCUMBERED 2%. WE THINK, BECAUSE OF OUR PRIORITY
9 THAT THE 2% IN THIS AGENCY OUGHT TO BE RELEASED; AND THIS
10 AGENCY SHOULDN'T; AND THE SENATE FINANCE COMMITTEE, AND
11 HOUSE, WAYS AND MEANS COMMITTEE COULD DO IT, AND RECOM-
12 MEND IT. NOW, YOU CAN DO THAT, AND THEN THAT PUTS YOU
13 RIGHT BACK IN YOUR PRIORITIES WITHOUT US JEOPARDIZING THE
14 ACTION THAT'S NECESSARY.

15 MR. MORRIS: BUT THAT BRINGS UP THE SAME POINT,
16 WHAT IS LEGISLATIVE INTENT?

17 GOVERNOR CAMPBELL: IS THAT ACCEPTABLE?

18 MR. SHINE: IT HAS TO PASS THE STATUTE BY THE
19 GENERAL ASSEMBLY.

20 MR. BOAN: YEAH, I WAS GOING TO SAY, I DON'T
21 SEE WHAT THAT WOULD ACCOMPLISH WITHOUT A SPECIAL SESSION.

22 GOVERNOR CAMPBELL: NO, NO, IT'S NOT A SPECIAL
23 SESSION. I'M TALKING ABOUT THE SENATE AND HOUSE WAYS AND
24 MEANS COMMITTEE. LET ME--MAYBE I WASN'T CLEAR ON IT. IF
25 WE WENT IN HERE AND CUT TWO, AND ESCROWED TWO ON THE

1 INCREASE, AND THEN HELD IT, AND THE SENATE FINANCE
2 COMMITTEE GOT TOGETHER AND MET, AND YOU GOT TOGETHER WITH
3 YOUR COMMITTEE, AND SAID, "OKAY, WE'VE GOT 2% ESCROWED IN
4 THIS. NOW, IF THERE'S ADDITIONAL MONEY AT ALL, THIS IS
5 HOW WE WANT IT SPENT." NOW, WHICH ONE DO YOU WANT TO
6 RELEASE?

7 MR. BOAN: WELL, GOVERNOR--

8 GOVERNOR CAMPBELL: I MEAN, THAT'S THE SAME--
9 THAT GIVES YOU FLEXIBILITY.

10 MR. BOAN: I DON'T BELIEVE IT'S THAT SIMPLE.
11 LET'S SAY WE GOT MONEY ESCROWED, AND WE WANT TO PUT THIS
12 \$6 MILLION DOLLARS THAT MR. PATTERSON'S MOTION IS GOING
13 TO TAKE FROM PUBLIC EDUCATION VERSUS THE OTHER METHOD,
14 THE LEGISLATURE IS NOT GOING TO BE--THE WAYS AND MEANS,
15 AND SENATE FINANCE IS NOT GOING TO BE ABLE TO DO THAT
16 UNLESS THE LEGISLATURE IS IN SESSION, AND WE HAVE THREE
17 REGIONS IN EACH HOUSE. THAT IS NOT POSSIBLE--

18 GOVERNOR CAMPBELL: TO EVEN HAVE THE ADVICE OF
19 THE COMMITTEE. ALL I'M TALKING ABOUT--THE BOARD HAS THAT
20 AUTHORITY TO RELEASE ANY PART OF IT, OR ANYTHING, AND
21 THAT'S THE WHOLE THING.

22 MR. BOAN: WHAT WE WOULD HAVE TO DO WOULD BE
23 TRANSFER IT FROM ONE AGENCY TO ANOTHER AGENCY, AND THE
24 BOARD DOESN'T HAVE THAT AUTHORITY.

25 GOVERNOR CAMPBELL: NO, SIR, YOU HAVE ENCUM-

1 BERED THE SPECIFIC AGENCY, AND YOU COULD RELEASE PART OF
2 THAT ENCUMBRANCE OF THAT AGENCY.

3 DOCTOR CARTER: GOVERNOR, I THINK YOU'RE
4 ACTUALLY TALKING ABOUT A PRIORITIZATION FOR RELEASE.

5 GOVERNOR CAMPBELL: THAT'S RIGHT, ESTABLISH A
6 PRIORITIZATION FOR RELEASE.

7 MR. SHINE: HE'S TALKING ABOUT REDIRECTING--

8 GOVERNOR CAMPBELL: NOT REDIRECTING; I'M
9 TALKING ABOUT A PRIORITIZATION FOR RELEASE.

10 [INDISTINGUISHABLE]

11 SENATOR DRUMMOND: GOVERNOR, LET ME--OUR STAFF
12 DID A LITTLE RESEARCH, AND I HAD ASK THEM, IF YOU EXEMPT
13 THE STATE DEPARTMENT OF EDUCATION, AND THEN HEALTH AND
14 HUMAN SERVICES ON THE GROWTH METHOD, COLUMN 5 YOU'RE
15 LOOKING AT WOULD BE INCREASED BY 156.97%, AND THIS WOULD
16 BE THE AMOUNT OF REDUCTION NECESSARY FOR THE REMAINING
17 AGENCY IF YOU HOLD THEM HARMLESS, THOSE TWO AGENCIES,
18 BECAUSE THAT WAS THE BIG AGENCIES THAT GOT ALL THE
19 INCREASES. AND IF YOU JUST HELD THEM HARMLESS FOR 50% OF
20 THE CUTS, OF COURSE, THE PERCENTAGE OF INCREASE IN COLUMN
21 5 WOULD BE THE SAME, 156%. AND THEN THAT WOULD THROW A
22 4.95% REDUCTION ONTO ALL OF THE AGENCIES, STATE GOVERN-
23 MENT INCLUDED, TO MEET--TO COME BACK TO THAT SAME \$202
24 MILLION DOLLAR REDUCTION, THEN WE GOT IT ON DOWN ON THE
25 TABLES THAT GO ON DOWN.

1 GOVERNOR CAMPBELL: BILLY, LET ME SAY ONE OTHER
2 THING. IF WE CUT 2%, AND ENCUMBER 2%, AND THE REVENUES
3 COME UP ANY AND ALL, YOU HAVE AN ABILITY IN THERE TO
4 UNENCUMBER, OR TO EXEMPT THOSE AGENCIES WHERE YOU HAVE
5 THEM ENCUMBERED. AND IF THEY CAME UP, I MEAN, IT WOULD
6 BE MY INTENTION, AND IF THEY CAME UP ON SOME, THAT WE
7 START IN WITH THE PRIORITY AGENCIES, EDUCATION BEING THE
8 NUMBER ONE; AND TO EXEMPT THEM FROM TAKING THAT OTHER
9 PART OF THAT CUT, SO THAT THOSE FUNDS GO BACK INTO THAT
10 AGENCY. AND THEN YOU WOULD HAVE TO DO YOUR HEALTH
11 AGENCIES.

12 MR. BOAN: GOVERNOR, BUT IF YOU--IF YOU RELEASE
13 ALL THE ENCUMBERED MONEY, YOU'RE STILL GOING TO BE \$6
14 MILLION DOLLARS SHORT UNDER MR. PATTERSON'S MOTION, AS
15 YOU WOULD IF YOU DID THE STRAIGHT 4% ACROSS THE BOARD.

16 SENATOR DRUMMOND: JUST FOR THAT ONE AGENCY;
17 OTHER AGENCIES WOULD BE AFFECTED; 112 AGENCIES WOULD GET
18 A LOSS. YOU SEE, THAT'S THE DIFFERENCE. THAT'S WHY YOU
19 WOULD NEVER GET A GENERAL ASSEMBLY, A MAJORITY, TO ADOPT
20 A \$202 MILLION DOLLAR CUT, BECAUSE EACH ONE HAS--EDUCA-
21 TION IS MY PRIORITY, BUT MENTAL RETARDATION IS ALSO. I
22 DON'T WANT TO SEE ANYBODY--SO, I'M FIGHTING FOR THEM.

23 BUT WHEN YOU DO THAT, THEN YOU SHIFT--THAT'S
24 WHAT I WAS JUST--THEN YOU SHIFT IT TO ALL THE OTHER
25 AGENCIES. IF YOU EXEMPT JUST 50% OF THOSE TWO AGENCIES,

1 YOU SHIFT 5% TO EVERY OTHER AGENCY, INCLUDING CORREC-
2 TIONS.

3 BY THE TIME YOU PROTECT ONE AGENCY, WHEN YOU'VE
4 GOT TO MAKE THE \$202 MILLION DOLLAR CUT, AND I THINK YOU
5 AGREE WITH ME ON THIS, IF YOU'VE GOT TO MAKE THE CUT,
6 EVERY TIME YOU SHIFT ONE AGENCY, ESPECIALLY THOSE BIG
7 AGENCIES, YOU PUT A TREMENDOUS BURDEN ON THE SMALL
8 AGENCIES, AND THEY'RE GOING TO HAVE ONE ALTERNATIVE, RIF.

9 MR. BOAN: SENATOR, YOU BETTER SAVE THAT SPEECH
10 FOR THE SENATE FINANCE COMMITTEE. I KNOW WHAT YOU'RE
11 SAYING.

12 GOVERNOR CAMPBELL: BUT LET ME MAKE THIS POINT
13 ONE MORE TIME. IT DOESN'T MAKE ANY DIFFERENCE IF GENERAL
14 FUND REVENUES GROW ABOVE WHAT WE'RE ESTIMATING UNDER THE
15 LAST CUT, YOU HAVE THE AUTHORITY ON THIS BOARD TO RELEASE
16 SOME OF THE MONEY BY THE AGENCIES; AND IF YOUR PRIORITY
17 IS HEALTH AND HUMAN SERVICES, OR IT'S EDUCATION, YOU HAVE
18 THE RIGHT TO RELEASE IT. YOU DON'T HAVE TO RELEASE ANY
19 MONEY FOR ANY OF THE OTHER AGENCIES. YOU CAN SET--THOSE
20 PRIORITIES ARE STILL THERE, BECAUSE THEY'RE SET BY YOUR
21 PRIORITIES, AND YOU CAN RELEASE THEM ON THE BASIS OF
22 THAT. AND THAT FLEXIBILITY IS THERE. IF WE RESTORE THAT
23 FLEXIBILITY, YOU CAN'T DO ANYTHING.

24 SENATOR DRUMMOND: DIDN'T THE BUDGET AND
25 CONTROL BOARD ESCROW LAST YEAR?

1 GOVERNOR CAMPBELL: YES.

2 MR. SHINE: THEY SURE DID.

3 GOVERNOR CAMPBELL: AND, YES, WE DID RELEASE
4 SOME OF OUR PRIORITIES TO HELP EDUCATION, AND OTHERS,
5 AFTER THE FACT WHEN WE GOT TO THE ABILITY TO DO IT.

6 SENATOR DRUMMOND: I DIDN'T KNOW THAT, BUT MY
7 BRAIN--MY BRAIN TRUST KNEW.

8 MR. BOAN: DID YOUR BRAIN TRUST TELL YOU WHAT
9 AUTHORITY THE BOARD HAD TO DO THAT?

10 SENATOR DRUMMOND: NO, MY LAWYER DID.

11 MR. SHINE: [INAUDIBLE]...THE AUTHORITY USED
12 WAS THE PRACTICABLE BASIS. WELL, WHAT YOU'RE TALKING
13 ABOUT IS REDIRECTING THE SOURCE OF FUNDS TO SOME OTHER,
14 AND YOU CANNOT DO THAT WITHOUT--

15 MR. PATTERSON: WITHOUT LEGISLATION.

16 GOVERNOR CAMPBELL: THERE'S NOT ANY REDIREC-
17 TION.

18 MR. SHINE: I AGREE, BUT HE WAS SUGGESTING
19 REDIRECTING MONEY, AND THAT CANNOT BE DONE WITHOUT
20 STATUTE.

21 GOVERNOR CAMPBELL: LISTEN, IF I COULD HAVE
22 VETOED AND REDIRECTED, I WOULD HAVE DONE SOME OF IT IN
23 THERE.

24 MR. SHINE: RIGHT.

25 GOVERNOR CAMPBELL: AND GOTTEN IT DONE. THAT'S

1 WHERE THE LAWSUITS, AND EVERYTHING ELSE COME IN, AND IT
2 WOULD HAVE BLOCKED THIS. WE CAN'T DO IT; WE DON'T HAVE
3 THAT AUTHORITY.

4 MR. SHINE: RIGHT. AND WHAT YOU'RE SUGGESTING
5 ABOUT PRIORITIZING, RELEASING THE ESCROWED FUNDS, YOU'VE
6 DONE BEFORE.

7 GOVERNOR CAMPBELL: THERE IS AMPLE PRECEDENT
8 FOR IT; IT GIVES THE FLEXIBILITY FOR IT; AND, EARLE, IT
9 GIVES THEM THE STEPS.

10 MR. MORRIS: BUT, LET ME ASK THIS: IF WE SAY
11 4%, EVERY AGENCY HAS GOT TO PLAN FOR 4%, EVERY AGENCY.
12 SO, IF YOU TAKE AWAY FROM SOME, AND GIVE BACK TO OTHERS,
13 THAT MEANS SOME AGENCIES ARE GOING TO BE HIT WORSE THAN
14 FOUR. FIVE OR SIX.

15 GOVERNOR CAMPBELL: NO, YOU'RE NOT GOING TO
16 GIVE ANY BACK UNLESS YOUR REVENUES COME UP, THEN YOU GIVE
17 IT BACK. YOU CAN'T SHIFT REVENUE.

18 SENATOR DRUMMOND: BUT YOU'VE GOT TO CUT
19 EVERYBODY FOUR--WELL, NOT 4%. IF YOU DO IT BILLY'S WAY,
20 EVERYBODY GETS IT. THE OTHER WAY IS THE GROWTH THING.

21 GOVERNOR CAMPBELL: THAT'S RIGHT.

22 MR. MORRIS: IF YOUR MOTION PASSES, WE CUT
23 ACROSS-THE-BOARD. IF YOURS PASSES, WE'RE GOING TO TELL
24 THEM WE CUT 4%, BUT YOU MIGHT GET SOME BACK, RIGHT; IS
25 THAT CORRECT?

1 [INAUDIBLE]

2 MR. BOAN: AND I THINK WE'RE CREATING AN
3 EXPECTATION WITH AN ESCROW METHOD THAT IS IRRESPONSIBLE.

4 GOVERNOR CAMPBELL: NO, I DON'T THINK WE SHOULD
5 CREATE THE EXPECTATION. I THINK WE OUGHT TO MAINTAIN THE
6 FLEXIBILITY TO DEAL WITH CONTINGENCIES, AND THAT WE HAVE
7 DONE WITHOUT, YOU KNOW, WITHOUT JUST LOPPING THE WHOLE
8 THING OFF, AND MAINTAINING NO FLEXIBILITY THAT IF WE HAVE
9 THAT UPTURN, IF, IN FACT, THAT IT DOES CONTINUE TO GO,
10 AND IF THERE IS MONEY IN IT, THAT WE CAN RELEASE IT TO
11 THE EDUCATION PEOPLE, TO THE HEALTH AGENCIES, WHICH ARE
12 THE PRIORITIES OF THE GENERAL ASSEMBLY; HAVE BEEN. YOU
13 SET THEM, AND THEY OUGHT TO BE.

14 SENATOR DRUMMOND: GOVERNOR, THE BUDGET AND
15 CONTROL BOARD WON'T HAVE TO DO IT. WHEN WE COME BACK IN
16 JANUARY, WE BETTER SUPPLEMENT A BILL IN A HURRY. IF
17 THERE'S MONEY THERE TO BE GIVEN, WE'LL--

18 GOVERNOR CAMPBELL: BUT, JOHN, BY THAT TIME,
19 YOU'RE FEBRUARY, OR MARCH, AND YOU HAVE THE ABILITY IN
20 NOVEMBER, OR DECEMBER, IF YOU HAVE A MAJOR UPTURN. THAT
21 IS THE ONLY DIFFERENCE.

22 [INAUDIBLE]

23 MR. BOAN: YOU WERE ARGUING AGAINST THAT WHEN
24 I SUGGESTED IT JUST A FEW MINUTES AGO.

25 SENATOR DRUMMOND: ABOUT SUPPLEMENTING?

1 MR. BOAN: YES.

2 SENATOR DRUMMOND: I SAID IN JANUARY WHEN WE
3 COME BACK, I DON'T THINK WE COULD--NOW, WHAT MY ARGUMENT
4 IS, I DON'T BELIEVE THE GENERAL ASSEMBLY BEFORE NOVEMBER
5 COULD CUT \$202 MILLION DOLLARS OUT OF THIS--

6 MR. BOAN: I AGREE. IF WE CUT IT ALL, AND WE
7 COME IN AND THE ORIGINAL ESTIMATE IS BACK, WE'LL HAVE,
8 WE'LL HAVE SOME MONEY FOR SOMETHING.

9 GOVERNOR CAMPBELL: THEN WE'RE OVER IN MARCH,
10 OR SOMEWHERE.

11 SENATOR DRUMMOND: YOU KNOW WE USED TO HAVE A
12 SUPPLEMENTAL IN THE OLD DAYS ABOUT EVERY THIRTY DAYS.
13 I'VE SEEN IT EVERY MONTH. [INAUDIBLE]

14 MR. PATTERSON: EVERY TIME THE REVENUES CAME
15 IN.

16 SENATOR DRUMMOND: AND YOU KNOW, YOU VERY
17 SELDOM HAD A VOTE AGAINST A SUPPLEMENTAL BILL ADDITION,
18 WHEN YOU'RE ADDING.

19 MR. MORRIS: JOHN, THAT'S WHEN WE USE THE LAST
20 YEAR'S COLLECTIONS AND THE NEXT YEAR'S APPROPRIATION.
21 THAT'S THE ONLY WAY WE'LL EVER GET OUT OF THIS DILEMMA.

22 SENATOR DRUMMOND: IF WE HAD MONEY, WE'D HAVE
23 SUPPLEMENTAL BILLS.

24 MR. MORRIS: AND YOU HAVE SUPPLEMENTALS,
25 BECAUSE YOU HAD CASH IN THE BANK. THAT'S WHAT WE NEED TO

1 WORK TOWARD GETTING INTO OVER A PERIOD OF YEARS.

2 MR. PATTERSON: I SUPPORT THAT. IT'S GOING TO
3 TAKE YEARS TO DO IT.

4 MR. MORRIS: IT WILL TAKE A FEW YEARS, BUT WE
5 NEED TO MOVE--

6 MR. PATTERSON: IF WE DID IT NOW IT WOULD BE
7 ABOUT \$200 MILLION TO FOR THE NEXT YEAR.

8 GOVERNOR CAMPBELL: WE HAVE A MOTION, AND A
9 SECOND -- WE HAVE A MOTION, AND A SECOND BEFORE THE
10 BOARD.

11 MR. MORRIS: RESTATE THE MOTION.

12 GOVERNOR CAMPBELL: ADDITIONAL DISCUSSION? I
13 MEAN, YOU KNOW, WE'VE GOTTEN OFF THE SUBJECT HERE. WE'RE
14 TALKING ABOUT A LOT OF OTHER THINGS.

15 MR. PATTERSON: I MOVE WE ADJUST THE BUDGET IN
16 ACCORDANCE WITH COLUMN 6, AND CUT THE 2%, AND ESCROW--

17 DOCTOR CARTER: CUT HALF.

18 MR. PATTERSON: CUT HALF.

19 DOCTOR CARTER: ESCROW THE OTHER HALF OF IT FOR
20 EACH AGENCY.

21 MR. PATTERSON: I GOT THAT NOTE HERE, YEAH.

22 GOVERNOR CAMPBELL: AND THAT WAS SECONDED BY
23 SENATOR DRUMMOND. FURTHER DISCUSSION?

24 MR. MORRIS: DO YOU REALIZE UNDER EITHER PLAN
25 WHAT YOU'RE DOING TO MENTAL RETARDATION, FOUR AND THREE-

1 QUARTER MILLION DOLLARS, AND EACH ONE OF THESE IS MATCHED
2 WITH A FEDERAL DOLLAR, AND I CRIED OVER EVERY ONE OF
3 THEM. BUT THEY AND DSS ARE THE MOST HURT FROM EITHER
4 PLAN, EITHER PLAN.

5 SENATOR DRUMMOND: IF WE WENT INTO GENERAL
6 ASSEMBLY, AND WE VOTED I'D NEVER VOTE TO CUT IT, AND WE
7 NEVER WOULD PASS A BILL.

8 MR. MORRIS: THEY'RE GOING TO HAVE TO PUT
9 CLIENTS OUT. WE GOT SCALDED ABOUT THAT LITTLE DSS CUT,
10 AND, OF COURSE, WE'RE WHACKING THEM, AND OTHERS WHAT--

11 GOVERNOR CAMPBELL: WE DO HAVE THE FLEXIBILITY
12 TO RESTORE--

13 SENATOR DRUMMOND: MR. COMPTROLLER GENERAL, IF
14 YOU DON'T HAVE THE MONEY, YOU'VE GOT TO DO SOMETHING.
15 YOU CAN'T JUST WAIT.

16 MR. MORRIS: WE CAN WAIT A WEEK FOR YOUR
17 COMMITTEES--

18 SENATOR DRUMMOND: THE LONGER WE WAIT--

19 MR. MORRIS: YOU AND BILLY HAVE MADE ARGUMENTS
20 FOR YOUR COMMITTEES TO COME BACK AND GIVE US SOME
21 COUNSEL. IF WE'VE LOST THE CREDIT RATING, WE'VE LOST IT.
22 A WEEK WON'T MAKE--

23 SENATOR DRUMMOND: MY COMMITTEE--MY COMMITTEE,
24 I DON'T BELIEVE THEY WANT TO COME BACK, AND TELL THE
25 STATE OF SOUTH CAROLINA EVERY AGENCY, AND HOW TO CUT,

1 BECAUSE MY COMMITTEE LIKES MENTAL HEALTH; WE LIKE
2 EDUCATION; WE LIKE HEALTH AND HUMAN SERVICES. WE LIKE
3 ALL OF THEM. AND I DON'T KNOW WHETHER WE'D GET A
4 MAJORITY TELLING THE BOARD AND CONTROL BOARD WHERE TO
5 CUT.

6 GOVERNOR CAMPBELL: LET ME STATE ONE MORE TIME.
7 IF I HAD THE AUTHORITY, AND WE WEREN'T GOING TO GET SUED,
8 AND WE WEREN'T GOING TO LOSE IT, I WILL TAKE OUT \$50
9 MILLION DOLLARS, OR SO, TO KEEP SOME OF THESE AGENCIES
10 WHOLE. AND I AM TOLD THAT IF I DO THAT, THAT WE'RE GOING
11 TO BE SUED, AND THE PROCESS IS GOING TO COME TO A
12 SCREECHING HALF. AND I WANT TO DO THAT. I'D LITERALLY
13 LIKE TO DO THAT, TO TRY TO KEEP US ON OUR PRIORITIES.
14 BUT I DON'T HAVE THOSE TOOLS, BECAUSE OF WHAT WE'RE
15 FACING, AND THIS BOARD DOESN'T HAVE THOSE TOOLS. AND WE
16 HAVE--MAINTAINING SOME OF THE FLEXIBILITY THAT WE CAN GET
17 OF THE ESCROWED AMOUNT, IT GIVES US SOME ABILITY TO
18 RELEASE FOR PRIORITY ITEMS AS THE REVENUES ALLOW US TO.
19 AND THAT'S THE ONLY THING. WE JUST DON'T HAVE ANY OTHER
20 TOOLS.

21 THERE'S A MOTION MADE AND SECONDED. ALL THOSE
22 IN FAVOR INDICATE BY RAISING THEIR HANDS. ALL OPPOSED.
23 THE MOTION CARRIES.

24 MR. BOAN: GOVERNOR, LET ME JUST RESTATE I AM
25 NOT AFRAID TO BITE THE BULLET. I'M LIKE YOU, SENATOR.

1 WE'VE DONE IT SINCE I'VE BEEN HERE, BUT I THINK--I THINK
2 THAT THE INTENT OF THE GENERAL ASSEMBLY WAS VIOLATED
3 TODAY BY THE METHOD OF CUTS; AND I ALSO THINK THAT WE'RE
4 SENDING WALL STREET THE WRONG MESSAGE, AND WE'RE SENDING
5 THE PEOPLE OF SOUTH CAROLINA THE WRONG MESSAGE OF
6 EXPECTATION BY SEQUESTERING FUNDS. I BELIEVE THE BOLDER
7 MOVE WOULD HAVE BEEN TO MAKE THE CUTS, MAKE THEM, IN MY
8 OPINION, EQUITABLY ACROSS-THE-BOARD. FOR THAT REASON, I
9 HAVE--

10 SENATOR DRUMMOND: MR. CHAIRMAN, LET ME ASK
11 YOU--

12 GOVERNOR CAMPBELL: I HAVE GREAT RESPECT--

13 MR. BOAN: AND I RESPECT YOU.

14 GOVERNOR CAMPBELL: LET ME TELL YOU SOMETHING.
15 I HAVE GREAT RESPECT--SENATOR, LET ME SAY SOMETHING. I
16 HAVE GREAT RESPECT FOR MR. BOAN, AND I THINK THAT HIS
17 ARGUMENTS ARE WELL MADE. THE HISTORY OF THIS BOARD SINCE
18 I'VE BEEN HERE, AND JUDGING FROM THE DISCUSSION I'VE HAD
19 WITH MANY THAT, HAS BEEN THAT THAT ON MANY OCCASIONS THAT
20 THERE HAVE BEEN SEQUESTRATIONS FOR A PERIOD OF TIME TO
21 DETERMINE IF, IN FACT, YOU NEEDED TO TAKE THAT MONEY, AND
22 THEN ON THE PRIORITY BASIS RELEASED WHEN YOU DIDN'T. ON
23 ANY BASIS OF A PRIORITY RELEASE, THERE SHOULD BE ON THE
24 SAME BASIS AS THE PRIORITY GIVEN BY THE GENERAL ASSEMBLY,
25 AND THEY HAVE SET THEIR PRIORITIES VERY, VERY HIGH, AND

1 EDUCATION AND HEALTH CARE ARE RIGHT AT THE TOP OF THEIR
2 LIST, REFLECTIVE NOW, OF WHAT THEY HAVE DONE.

3 THE SECOND THING IS THAT IF WE DO CUT ACROSS-
4 THE-BOARD WE HAVE NO ABILITY WHATSOEVER TO DEAL WITH
5 PRIORITY ITEMS IN THE CASE OF AN UPTURN. AND THE MONEY
6 IS OUT OF THE BUDGET. IT IS SET ASIDE, AND IT WILL BE,
7 IN MY OPINION, RECEIVED AS IF WE HAD CUT IT, BECAUSE IT'S
8 NOT SPENT. IT WILL NOT BE SPENT, AND FROM A CASH
9 STANDPOINT, WHICH IS WHAT PEOPLE LOOK AT, AND THE
10 COMPTROLLER GENERAL MAINTAINS FROM A CASH STANDPOINT, IT
11 WILL BE THERE. AND SO OUR CASH BALANCE WILL BE THERE.
12 WE WILL HAVE \$33 MILLION DOLLARS IN THE RESERVE ACCOUNT.
13 AND WE WILL HAVE A GREAT DEAL OF ABILITY.

14 AND, FINALLY, AND, FINALLY, LET ME SAY THIS,
15 THAT IN CUTTING, THAT THE PERCENTAGE OF CUTS IS APPLIED
16 EXACTLY TO THE PERCENTAGE OF INCREASES THAT THE LEGISLA-
17 TURE MADE. AND, SO, THERE WILL BE AN EQUAL PERCENTAGE BY
18 CATEGORY ON CUTS, AND THE DOLLAR FIGURES WILL BE EQUAL IN
19 A PERCENTAGE AS THE GENERAL ASSEMBLY HAS RATED. SOME
20 WILL BE ZERO; SOME WILL BE MUCH HIGHER. BUT IT'S NOT A
21 DOLLAR FIGURE, BECAUSE THE DOLLARS AREN'T THERE.

22 SENATOR DRUMMOND: IF YOU'LL ALLOW ME--

23 GOVERNOR CAMPBELL: YES, SIR.

24 SENATOR DRUMMOND: CHARLIE, I DON'T KNOW WHERE
25 YOU WOULD HAVE IT IN, BUT UNDER THE TWO RECOMMENDATIONS

1 STRAIGHT ACROSS THE BOARD, AND THEN THE NUMBER 6 FOR THE
2 AGENCIES TO BETTER MANAGE, WHICH COLUMN DO YOU THINK
3 WOULD HAVE LESS RIF?

4 MR. BROOKS: I THINK THE GOVERNOR MADE THAT
5 VERY CLEAR A WHILE AGO. THOSE AGENCIES THAT ARE GOING TO
6 RECEIVE LESS MONEY NEXT YEAR, THIS NEW YEAR, THAN THEY
7 DID LAST YEAR ARE GOING TO FACE RIF'S, YES, SIR.

8 GOVERNOR CAMPBELL: MR. BOAN.

9 MR. BOAN: YOU KNOW, I'VE READ A LOT ABOUT
10 RIF'S IN THE LAST FEW DAYS, AND, OF COURSE, ONE OF THE
11 CONCERNS I'VE GOT OVER TAKING AN ACTION IS, YOU KNOW, WE
12 WON'T KNOW ABOUT NEXT WEEK WHAT WE'VE DONE HERE TODAY,
13 AND THAT CAUSES ME A LITTLE CONCERN, BUT THE FTE, STATE-
14 FUNDED FTE COUNT IS LESS THAN 600 MORE THAN IT WAS FOUR
15 YEARS AGO. ISN'T THAT RIGHT, FRANK, FOUR YEARS AGO.

16 SENATOR DRUMMOND: BECAUSE WE'VE BEEN WATCHING.

17 MR. BOAN: WELL, YEAH, WE'VE BEEN WATCHING IT.
18 BUT THE POINT I'M MAKING IS THOSE AGENCIES, THEY FUNCTION
19 FOR FOUR YEARS WITH VERY LITTLE GROWTH, THE MAJORITY OF
20 WHICH IS IN CORRECTIONS. I DON'T THINK THAT RIF'S IS AS
21 BIG A FACTOR AS I THOUGHT IT MIGHT BE A WEEK AGO, IS THE
22 POINT I'M MAKING HERE, SENATOR.

23 GOVERNOR CAMPBELL: WELL, I THINK THAT YOUR
24 POINT MAY BE WELL TAKEN, IN THAT THERE MAY BE SOME
25 ABILITY TO MANAGE VACANCIES, AND MANAGE DOWN. AND LET ME

1 SERVE NOTICE ON SOMETHING, AND YOU ALL CAN TAKE IT ANY
2 WAY YOU WANT TO, THE AGENCY HEADS THAT THINK THAT THEY'RE
3 GOING TO COME BACK IN AND JUST RUN A DEFICIT AUTOMATICAL-
4 LY, IF THAT'S THE WAY YOU'RE GOING TO PLAN TO DO IT, THE
5 BEST THING I CAN DO IS FIND SOMEBODY ELSE TO RUN YOUR
6 AGENCY, BECAUSE YOU NEED TO MANAGE IT DOWN. NOW, YOU CAN
7 MANAGE IT INTERNALLY, AND BY DOING THIS WE HAVE NOT
8 PUSHED PEOPLE INTO A MANDATORY RIF OF ANY KIND, BECAUSE
9 YOU HAVE THE MONEY YOU HAD AS A BASIS FROM LAST YEAR,
10 PLUS MANY AGENCIES HAVE MORE. AND THAT KEEPS IT, AND
11 PUTS IT INTO A MANAGEMENT STATUS INTERNALLY. AND THAT
12 MEANS THAT IF YOU NEED TO PULL BACK IN TRAVEL, AND YOU
13 NEED TO PULL BACK IN CAPITAL PURCHASES, AND YOU NEED TO
14 DO THESE OTHER THINGS NECESSARY TO DO IT, YOU HAVE THE
15 TOOLS TO MANAGE IT, AND DO IT.

16 SENATOR DRUMMOND: AND NO AGENCY WOULD HAVE
17 LESS MONEY UNDER WHAT WE JUST VOTED THAN THEY HAD THIS
18 LAST YEAR.

19 MR. PATTERSON: AND LEAVE FULL MANAGEMENT TO
20 THE AGENCIES, DEPARTMENTS, AND HEADS, AND INSTITUTIONS.

21 GOVERNOR CAMPBELL: WE HAVE OTHER ACTION TO
22 TAKE. YES, SIR, EXCUSE ME, MR. MORRIS. I DIDN'T MEAN TO
23 CUT YOU OFF.

24 MR. MORRIS: I ABSTAINED FROM VOTING, NOT
25 BECAUSE I DON'T REALIZE WE HAVE TO DO IT. I WOULD HAVE

1 VOTED FOR THE MOTION TO PASS. I VOTED BECAUSE I THINK WE
2 HAVE NOT HEARD THE INTENT OF THE LEGISLATORS, MR. BOAN
3 SAID, AND THAT'S MY REASON FOR ABSTAINING.

4 GOVERNOR CAMPBELL: I UNDERSTAND. ITEM NUMBER
5 D. DOCTOR--

6 DOCTOR CARTER: YES, SIR, ONE OTHER THING
7 BEFORE WE MOVE ON. IN PARTICULAR IN YOUR DISCUSSION,
8 CERTAINLY IMPLICIT IN WHAT I THINK WAS CONTAINED IN THE
9 MOTION, IS THE INSTRUCTION TO MR. BROOKS THAT HE WILL
10 WORK WITH THE AGENCIES, AND BRING BACK WHATEVER TRANSFERS
11 ARE NECESSARY TO THE BOARD TO WORK OUT THE FLEXIBILITY
12 YOU MENTIONED; IS THAT CORRECT?

13 GOVERNOR CAMPBELL: THE FLEXIBILITY THAT IS
14 NECESSARY TO BE GIVEN TO ANY OF THE AGENCIES INTERNALLY,
15 YOU SHOULD WORK WITH THEM; OR YOU CAN START WORKING, YOU
16 KNOW, IMMEDIATELY WITH THE EDUCATION DEPARTMENT FOR THEIR
17 FLEXIBILITY INTERNALLY, BECAUSE THAT'S THE FIRST PLACE
18 THAT YOU CAN DO SOME GOOD WHERE WE'VE GOT SOME ABILITY TO
19 TRANSFER. IS THAT NOT CORRECT, DOCTOR NIELSEN?

20 DOCTOR NIELSEN: YES.

21 GOVERNOR CAMPBELL: THANK YOU. AND I THINK WE
22 SHOULD DO THAT, AND THEN THE OTHER AGENCIES IN THE SAME
23 MANNER. FROM THAT STANDPOINT, IN THIRTY DAYS, OR SO, AS
24 MR. BOAN SAID, AND I THINK HE'S ABSOLUTELY CORRECT, IN
25 THIRTY DAYS OR SO, THE FIRST THING WE'RE GOING TO HEAR IS

1 ABOUT A WEEK OR TEN DAYS OF WAILING AND GNASHING OF
2 TEETH. AND EVERYBODY OUT THERE IS GOING TO DO IT.

3 THE SECOND THING IS GOING TO BE THAT WE'RE
4 GOING TO COME DOWN TO THE LEVEL OF KNOWING EXACTLY WHAT,
5 IF ANYTHING, NEEDS SOME MONEY DIRECTED, OR RELEASED
6 BECAUSE OF CERTAIN SPECIAL THINGS. BUT ANY AGENCY THAT
7 GOES OUT HERE AND SAYS, "I'M GOING TO CUT THE MOST
8 POPULAR PROGRAM IN THE WORLD," IN ORDER TO GAIN POINTS,
9 BETTER HAVE NOTICE SERVED THE AGENCY HEAD OUGHT TO BE
10 LOOKING FOR A JOB IF THAT'S THE WAY THEY'RE GOING TO
11 OPERATE. LET'S DEAL WITH IT ON A REAL BASIS, TAKING BACK
12 THOSE AREAS THAT YOU CAN TAKE BACK, AND LET'S NOT PLAY
13 GAMES WITH IT.

14 THE NEXT ITEM, ITEM D.

15 DOCTOR CARTER: THE BOARD HAS ASKED, GOVERNOR,
16 IN ITEM D TO REDUCE THE AID TO SUBDIVISIONS, LOCAL
17 GOVERNMENT FUND TO THE LEVEL OF FISCAL YEAR '91-'92
18 ALLOCATION IN ACCORDANCE WITH THE LEGISLATURE REQUIRES A
19 SEPARATE VOTE ON THE PART OF THE BOARD.

20 MR. BOAN: WHAT IS THAT?

21 MR. BROOKS: THIS ACT RIGHT HERE, ACT 6-27-20
22 REQUIRES THAT A SPECIAL VOTE OF THE BOARD BE DONE TO
23 REDUCE AID TO SUBDIVISION BACK TO THE PRIOR YEAR'S LEVEL.

24 MR. BOAN: HOW MUCH MONEY ARE WE TALKING ABOUT,
25 AND WHAT PERCENTAGE IS THAT IN RELATIONSHIP TO THE ACTION

1 WE'VE JUST TAKEN?

2 MR. BROOKS: WELL, THE TOTAL CUT TO AID TO
3 SUBDIVISION, ALL AID TO SUBDIVISION IS \$12 MILLION
4 DOLLARS, OF WHICH -- HOW MUCH OF THAT GOES TO LOCAL
5 GOVERNMENT--7.6 GOES TO LOCAL GOVERNMENT.

6 MR. BOAN: WHAT PERCENTAGE, WHAT PERCENTAGE CUT
7 IS THAT?

8 MR. BROOKS: THAT'S JUST REMOVING ALL THE NEW
9 MONIES. THEY'RE TAKING THEM BACK TO THE PRIOR YEAR'S
10 BASE.

11 MR. BOAN: WOULD A 4% CUT HAVE CARRIED THEM
12 BELOW LAST YEAR'S LEVEL?

13 MR. BROOKS: IT WOULD BE THE SAME.

14 MR. MORRIS: THEY'VE GOT ABOUT A SIX POINT--

15 MR. BROOKS AND PATTERSON: YOU CAN'T GO BELOW
16 LAST YEAR.

17 MR. BOAN: BUT IF WE COULD, WOULD IT TAKE THEM
18 BELOW LAST YEAR'S LEVEL?

19 MR. BROOKS: YES, IT WOULD. YES, IT WOULD.

20 MR. BOAN: OKAY.

21 GOVERNOR CAMPBELL: IS THERE A MOTION?

22 SENATOR DRUMMOND: I MOVE.

23 MR. PATTERSON: SECOND IT.

24 GOVERNOR CAMPBELL: THERE'S A MOTION, AND A
25 SECOND. ALL IN FAVOR INDICATE BY RAISING THEIR HAND.

1 ITEM CARRIES. THE NEXT ITEM. THE FINAL--

2 MR. MORRIS: I ABSTAIN; SAME REASON, LEGISLA-
3 TIVE INTENT HAS BEEN THWARTED.

4 DOCTOR CARTER: THE FINAL ACTION, GOVERNOR, IS
5 THAT THE BOARD HAS ASKED TO DIRECT THE BUDGET DIVISION TO
6 ALLOCATE THE FISCAL YEAR '92-'93 GENERAL FUNDS IN
7 ACCORDANCE WITH THE ACTION TAKEN BY THE BOARD TODAY.

8 GOVERNOR CAMPBELL: IS THERE A MOTION?

9 MR. PATTERSON: MOVE.

10 GOVERNOR CAMPBELL: MOTION MADE ON ITEM E. IS
11 THERE A SECOND?

12 SENATOR DRUMMOND: I SECOND IT.

13 GOVERNOR CAMPBELL: THERE'S A SECOND. DISCUS-
14 SION. IF NOT, ALL IN FAVOR INDICATE BY RAISING THEIR
15 HAND. ITEM E CARRIES. NO FURTHER BUSINESS. ADJOURN.

THE END

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