

MINUTES OF

Budget and  
Control Board  
Meeting

December 14, 1982

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MINUTES OF BUDGET AND CONTROL BOARD MEETING

DECEMBER 14, 1982      9:00 A. M.

The Budget and Control Board met at 9:00 A. M. on Tuesday, December 14, 1982, in the Governor's conference room in the State House with the following members in attendance:

Governor Richard W. Riley  
Mr. Grady L. Patterson, Jr.  
Mr. Earle E. Morris, Jr.  
Senator Rembert C. Dennis  
Representative Tom G. Mangum

Also attending were Executive Director W. T. Putnam; Board Secretary William A. McInnis; Governor's Executive Assistant Katherine M. Clarke; and staff members of the various Board divisions.

BOARD OF ECONOMIC ADVISORS - REVENUE ESTIMATES - Governor Riley opened the meeting by indicating that it was the Budget and Control Board's desire to hear the report of the Board of Economic Advisors as soon as possible and to respond to that report initially at the meeting scheduled to be held on Friday, December 17, 1982. He then recognized Chairman James A. Morris for his presentation.

With Board of Economic Advisors members Barbara A. Feinn, E. A. Laurent, and John Weeks present, Chairman James A. Morris first read the following prepared statement:

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The national and state economies are not performing as well as anticipated by most analysts and this is reflected in a slow-down in the rate of increase in revenues. There are many indications that the situation should improve modestly but still no clear pattern of movement out of the recession and to a balanced recovery.

Positive factors at the national level include reductions in interest rates and in inflation and a resurgence of activity in the stock market. Housing and automobile sales are also beginning to move upward to some extent. At the same time, industrial production and employment continue to lag and inventories are still at discouragingly high levels. The strength of the dollar plus recessions overseas have resulted in a poor balance of trade situation which is expected to continue. With investment plans negative in the near future the major hope for recovery is in consumer spending. To this point consumer spending has not been responding well, but Christmas sales offer some hope in this connection.

The South Carolina economy, dominated by manufacturing activity and textiles in particular, has not been performing even at national levels. At this moment, the prospects for improvement hinge on national recovery and again on positive actions by consumers.

In essence, the outlook is for economic activity to improve slightly in the early part of 1983 in transition to a modest recovery in the last six months of the year. Wise actions in Washington in dealing with the overly-high budgetary deficit and continued moderation in monetary policy are essential if the economy is to move into a sustainable recovery. It should then be possible to take vigorous actions to deal with the structural problems of lack of competitiveness of basic industries, international monetary problems, and the major issue of productivity.

State revenues have been increasing erratically and at lower than projected rates, conditioned by the poor performance of the economy. This is not a localized problem, with states throughout the country being forced to deal with unexpected budgetary shortfalls by reducing spending or increasing taxes or both. Earlier forecasts based on conservative estimates of the potential for recovery have been affected not only by slower than expected growth but also, perversely, by lower rates of inflation. At the same time the responsiveness of revenues to increases in income has been reduced.

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The effect of these forces has required a downward readjustment of revenue expectations for FY 1983 and FY 1984. These new estimates, which are attached, are conservative, and are based on a very modest improvement in the economic situation over the poor performance of the last few months.

Board of Economic Advisors

The attached figures indicated that the forecast of general fund revenues for 1982-83 should be reduced by \$59,500,000 (from \$1,971,500,000 to \$1,912,000,000) and that the general fund revenue forecast for 1983-84 should be revised by reducing it by \$85,000,000 (from \$2,151,000,000 to \$2,066,000,000).

Dr. Morris indicated that this report is a unanimous one from the Board of Economic Advisors.

Dr. Feinn noted that revenue collections in some 29 or 30 states are off about the same as South Carolina's are and that, in fact, South Carolina probably is doing a little bit better than many other states. She indicated in response to Representative Mangum's question that most of the states are talking about raising taxes as a means of dealing with the shortfalls.

Dr. Laurent emphasized how quickly the change in revenue collections came and Mr. Weeks declined to comment on the report.

In the ensuing discussion, Governor Riley emphasized that Board policy is that the state does not end the year with a shortfall and suggested that attention be given at the Friday meeting to what other states are doing in response to a similar situation and to any reasonable alternatives available within the constraints of law. He also urged that at the meeting on Friday the Board make provision for the cut to cover the entire expected shortfall

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and then look at the various ways of meeting the reductions.

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

The meeting was adjourned at 9:55 A. M.

[Secretary's Note: In compliance with Section 9 of Act 593 of 1978 (the Freedom of Information Act), public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's press secretary in the State House and near the Board Secretary's office in the Wade Hampton Building at 9:00 A. M. on Monday, December 13, 1982.]

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# EXHIBIT

DEC 14 1982 NO. 1

ECONOMIC AND REVENUE OUTLOOK

STATE BUDGET & CONTROL BOARD

DECEMBER, 1982

The national and state economies are not performing as well as anticipated by most analysts and this is reflected in a slow-down in the rate of increase in revenues. There are many indications that the situation should improve modestly but still no clear pattern of movement out of the recession and to a balanced recovery.

Positive factors at the national level include reductions in interest rates and in inflation and a resurgence of activity in the stock market. Housing and automobile sales are also beginning to move upward to some extent. At the same time industrial production and employment continue to lag and inventories are still at discouragingly high levels. The strength of the dollar plus recessions overseas have resulted in a poor balance of trade situation which is expected to continue. With investment plans negative in the near future the major hope for recovery is in consumer spending. To this point consumer spending has not been responding well, but Christmas sales offer some hope in this connection.

The South Carolina economy, dominated by manufacturing activity, and textiles in particular, has not been performing even at national levels. At this moment the prospects for improvement hinge on national recovery and again on positive actions by consumers.

In essence the outlook is for economic activity to improve slightly in the early part of 1983 in transition to a modest recovery in the last six months of the year. Wise actions in Washington in dealing with the overly high budgetary deficit and continued moderation in monetary policy are essential if the

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economy is to move into a sustainable recovery. It should then be possible to take vigorous actions to deal with the structural problems of lack of competitiveness of basic industries, international monetary problems and the major issue of productivity.

State revenues have been increasing erratically and at lower than projected rates, conditioned by the poor performance of the economy. This is not a localized problem, with states throughout the country being forced to deal with unexpected budgetary shortfalls by reducing spending or increasing taxes or both. Earlier forecasts based on conservative estimates of the potential for recovery have been affected not only by slower than expected growth but also, perversely, by lower rates of inflation. At the same time the responsiveness of revenues to increases in income has been reduced.

The effect of these forces has required a downward readjustment of revenue expectations for FY 1983 and FY 1984. These new estimates, which are attached, are conservative and are based on a very modest improvement in the economic situation over the poor performance of the last few months.

Board of Economic Advisors

## EXHIBIT

DEC 14 1982 NO. 1

STATE BUDGET & CONTROL BOARD

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# EXHIBIT

DEC 14 1982 NO. 1

GENERAL FUND REVENUES  
Forecast 1982-83 and 1983-84  
In Millions of Dollars

STATE BUDGET & CONTROL BOARD

	Revised 1982-83	Revised 1983-84
TOTAL GENERAL FUND	1912	2066
Total Regular Sources	1869	2028
Sales Tax	673	714
Individual Income Tax	712	810
Corporation Income Tax	114	124
All Other	370	380
Miscellaneous Sources	43	38

## RATES OF CHANGE

TOTAL GENERAL FUND	6.0%	8.1%
Total Regular Sources	6.0%	8.5%
Sales Tax	4.1%	6.1%
Individual Income Tax	10.9%	13.8%
Corporation Income Tax	(10.7)%	8.8%
All Other	6.4%	2.7%
Miscellaneous Sources	6.1%	(11.6)%

Board of Economic Advisors  
12/14/82

82-83  
From 1971500000+  
To 1912000000-  
535000000  
595000000\*

83-84  
From 2151000000+  
To 2066000000-  
850000000  
850000000\*

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**THE END**

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