

MINUTES OF
Budget and
Control Board
Meeting

October 17, 1979

MINUTES OF BUDGET AND CONTROL BOARD MEETING

OCTOBER 17, 1979 10:00 A. M.

The Budget and Control Board met at 10:00 a.m. on Wednesday, October 17, 1979 in the Ways and Means Committee Hearing Room, 521 Blatt Building, with the following members in attendance:

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

Absent was Mr. Earle E. Morris, Jr., who was on a foreign trade mission.

Also attending were Executive Director William T. Putnam; Governor's Executive Assistants Donald R. Hinson and Katherine M. Clarke; State Auditor Edgar A. Vaughn, Jr., and staff members Coles, Griswold and Loftis; members of the Finance Division Budget Development staff; staff of the House Ways and Means Committee and of the Senate Finance Committee; Administrative Assistant Donna K. Williams and Board Secretary William A. McInnis.

1980-81 BUDGET HEARINGS - The Budget and Control Board continued with the 1980-81 budget process by hearing requests from the following agencies:

Department of Education
Wil Lou Gray Oppoertunity School
Higher Education Tuition Grants
Department of Archives and History
John de la Howe School
Adjutant General's Office
Forestry Commission (after mid-day break)

BOARD OF ECONOMIC ADVISORS - GENERAL FUND REVENUE ESTIMATES - Board of Economic Advisors Chairman James A. Morris, accompanied by Board members Dr. E. A. Laurent and Dr. Barbara Feinn, appeared before the Budget and Control Board to present general fund revenue estimates for 1980-81 and to revise the estimates for 1979-80.

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Board Chairman Morris read a prepared statement on the economic and revenue outlook for fiscal years 1980 and 1981. The prepared statement indicated that the broad direction of movement of income and output in the national economy in real terms is downward and that it is now widely accepted that inflation must be contained even if reduced economic activity and increased unemployment are the costs. The statement by Chairman Morris also indicated that the outlook is for quarterly declines in real GNP of two to three percent until at least the second quarter of 1980 followed by a gradual improvement ending in early summer. Dr. Morris' statement indicated that it is unlikely that the South Carolina economy will experience a recession of the magnitude of 1974-75 while pointing out that the State's agricultural sector is performing well and that industrial development is creating new jobs and incomes and that the textile industry is in a more sound position than in the earlier period. Dr. Morris pointed out that the State will tend to mirror fluctuations in national economic activity but that it should not decline at the higher rates it did during the last recession.

The prepared statement by the Board of Economic Advisors reflected "small adjustments" in estimates for fiscal year 1979-80 to reflect the impact of inflation, particularly on corporate income and all other taxes. The revised 1979-80 general fund revenue forecast presented was \$1,562,123,828 or a \$5.4 million increase above the present level. The preliminary estimate for fiscal year 1980-81 was \$1,703,156,824.

Board of Economic Advisors member Robert C. Wasson was absent but other members Dr. Barbara Feinn and Dr. E. A. Laurent presented brief concurring comments after Dr. Morris' presentation of the prepared statement.

A brief question and answer period followed in which Dr. Morris indicated that inflation in the United States and in most European countries is comparable; that real output is declining but that inflation makes the situation look better than it really is; that this is not the time to introduce new programs but, rather, is the time to adjust priorities on old programs; that people generally will improve their debt positions during this period and that take home pay will pick up again in the spring; and that there will be a peak in interest rates within the next two to three months. He concluded that, during this time, caution is indeed appropriate.

Following this discussion, upon a motion by Mr. Patterson, seconded by Senator Dennis, the Budget and Control Board formally adopted the Board of Economic Advisors revenue estimate for fiscal year 1980-81 and also adopted the revision in the 1979-80 revenue estimate.

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

ADJOURNMENT OF REGULAR BUSINESS SESSION - Upon a motion by Senator Dennis, seconded by Representative Mangum, the Budget and Control Board adjourned the regular business portion of this meeting at 4:21 p.m.

1980-81 BUDGET HEARINGS - The Budget and Control Board continued the 1980-81 budget hearings by hearing the request of the Department of Wildlife and Marine Resources.

THE END