

MINUTES OF
Budget and
Control Board
Meeting
March 10, 1983

017012

State of South Carolina

State Budget and Control Board

RICHARD W. RILEY, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLEE MORRIS, JR.
COMPTROLLER GENERAL



Box 12444
Columbia
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REMBERT C. DENNIS
CHAIRMAN, SENATE FINANCE COMMITTEE
TOM G. MANGUM
CHAIRMAN, WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM
EXECUTIVE DIRECTOR

March 25, 1983

MEMORANDUM

TO: Budget and Control Board Division Directors

FROM: William A. McInnis, Secretary *WAM*

SUBJECT: Summary of Board Actions at March 10, 1983 Meeting

The following is a summary of actions taken by the Budget and Control Board at the referenced meeting:

1. After hearing a report by State Auditor Vaughn, authorized the transfer of the following amounts of specific appropriations as shown on Schedule II of the material presented by Mr. Vaughn: (1) DHEC, specific case services and other operating, \$350,000; (2) Vocational Rehabilitation, case services, \$250,000; (3) Election Commission, election expense, \$150,000; (4) Budget and Control Board, Employee Benefits, Retiree Supplement, \$630,000; (5) Department of Education, School Bus Transportation, \$1,200,000; (6) Wildlife and Marine Resources, Hatchery, \$170,000; (7) Debt Service, \$2,000,000; and (8) Budget and Control Board, Executive Director's Office, Lead Poisoning, \$9,000; for a total of \$4,759,000 on Schedule II;

2. Authorized the transfer of the following other funds which are available administratively, as shown on Schedule III as presented by Mr. Vaughn: (1) DHEC - "other" funds from carryover, \$300,000; (2) Tax Commission, Warrant Revolving Fund, \$150,000; (3) Aeronautics Commission, operating revenue, \$80,000; (4) Election Commission, sale of election lists, \$40,000; (5) State Personnel Division, reduction of health insurance reserve, \$4,000,000; Insurance Continuing Account, \$800,000; (6) Division of General Services, school bus medical benefits, \$12,000; Ordinary Sinking Fund, \$1,100,000; Funded Debt Sinking Fund, \$327,765; (7) Division of Research and Statistical Services, operating revenue, \$30,000; (8) Mental Retardation, Medicaid adjustment, \$1,066,113; and (9) Department of Education, school employee benefits earnings, \$955,000; for a total of \$8,860,878;

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3. Authorized the transfer of \$5,466,404 which is the estimated personal service funds lapse; which, when added to the \$4,759,000 on Schedule II and the \$8,860,878 on Schedule III, comprised a grand total of \$19,086,282 which the Board authorized for transfer as a part of the funds needed to meet the anticipated general fund revenue shortfall in the current fiscal year; and
4. Directed that all agencies of the State Government other than debt service, Mental Health, Corrections, part of the Tax Commission, part of the ABC Commission and Youth Services which were exempted prepare to take a 2.4% across-the-board budget reduction effective March 25, 1983, to meet the remaining shortfall in general fund revenues as forecasted, unless other actions impacting on the necessity for such a budget reduction have been taken by the General Assembly in the interim; and
5. Agreed to endorse the enactment of legislation accelerating the collection of income taxes, accelerating the payment of license fees for coin-operated machines, authorizing the use of \$3,000,000 of paying patient fee monies from the Department of Mental Health, making possible the transfer of approximately \$1.9 million repaid by the Patriots Point Development Authority to the general fund, accelerating alcohol tax collections, and accelerating the payment of corporate income taxes, all as a part of the effort to provide the funds needed to cover the projected revenue shortfall in the current year.

WAM:dw

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MINUTES OF BUDGET AND CONTROL BOARD MEETING

MARCH 10, 1983 3:00 P. M.

The Budget and Control Board met at 3:00 P. M. on Thursday, March 10, 1983, 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; Deputy Attorney General Frank K. Sloan; and staff members of the various Board divisions.

1982-83 BUDGET SITUATION - Governor Riley opened the meeting by noting that if he had not known better when he read the paper this morning, he would have thought the deficit facing the state had been solved but he expressed the view that the problem has not been solved and that it is the same problem today the Board had last Tuesday. He noted that the state faces an operational shortfall of about \$60,000,000 and that most of the funds identified for dealing with that shortfall are one-time monies and are derived by the jockeying of accounting mechanisms and the like. He indicated that only because the situation is so critical and that if it were not an absolute emergency he would not support these practices which he characterized as a poor way to do business.

Governor Riley expressed the view that if the ideas advanced by the Ways and Means Committee passed they will not do anything for the long-range financial problem facing the state and will not do anything to provide property tax

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relief, will not provide support for educational needs, will not provide relief to cities and counties and will not do anything for the fiscal integrity of the state government. He noted that the sequence of events would indicate that the Budget and Control Board had the capacity itself to avoid layoffs of state workers and he expressed the view that that is not the case. He noted that the Board had a list of sources for some \$10,000,000 which had been sent to the committees some two months ago. He then reviewed the several options which had been considered including the incorporation of an additional one cent sales tax, the possibility of furloughs for state employees, reduced school days and the transfer of certain funds, and across-the-board cuts.

Governor Riley then moved that the staff give to the Board information on the \$18,000,000 of transfer possibilities which had been provided to the Ways and Means Committee and recommended that the Board approve the transfer of these funds and that the Board then direct all agencies to prepare to take a two percent across-the-board reduction effective as of March 25, 1983. That date would allow the House and the Senate time to pass whatever emergency measures they could which would bear on the situation.

Mr. Morris noted that it looks like the tooth fairy has come upon us but he expressed the view that that is not the case. He stated that the Board has been completely honest with the Board of Economic Advisors forecast and noted that premature optimism regarding the state's economy is a fragile base. He called attention to the increase in the average income tax refund which is occurring this year and concluded by expressing the view that the fiscal crisis is not over by a long shot, particularly as relates to next year.

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Governor Riley also noted that the emergency actions under consideration do not help with the budget problem for 1983-84.

Mr. Patterson expressed the view that there is no gimmick about the proposals to accelerate tax collections and noted that the major one simply would require that firms employing 250 or less employees would pay on the same basis as other employers now pay.

Governor Riley stated that is a way to help balance the books without massive layoffs and agreed that this is a rare circumstance and that it represents a use of Mickey Mouse accounting techniques to meet the problem.

Representative Mangum acknowledged that many accusations had been made regarding the \$50,000,000 allegedly found and he expressed the view that the Ways and Means Committee had not found any money but rather had come up with a proposal to balance this year's budget which he hoped the House and the Senate will accept. He noted that some \$33,000,000 of the problem is left to the General Assembly with the other \$18,000,000 or so left to actions the Budget and Control Board can take.

Representative Mangum noted that State Auditor Vaughn had been criticized by various persons as reported in the press and he urged that the press print his view that Mr. Vaughn did what the Board told him to do by reporting to the Ways and Means Committee. He concluded his statement by noting that critics of the proposals will have an opportunity next week to vote on the matters.

Senator Dennis noted that the Senate had had a thorough discussion of the matter and that Mr. Vaughn had been criticized there. He pledged that the Finance Committee will cooperate and will try to meet the March 25 deadline set in Governor Riley's proposal.

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Mr. Patterson then seconded the motion made by Governor Riley.

Governor Riley then indicated that his motion is that the Board do what it can do in the way of approving transfers of funds and give two weeks for the House and Senate to do what they can do and then the Board's across-the-board reduction action would go into effect as necessary.

State Auditor Vaughn and his staff then distributed copies of the material handed out at the December 17, 1982 meeting, materials distributed at the January 11, 1983 meeting, and the latest information developed as of March 9, 1983. Mr. Vaughn pointed out that the only items not previously brought to the Board's attention involve the \$1.2 million of school bus transportation funds, \$955,000 of school employee benefits, and the Patriots Point bond repayments, amounting to approximately \$1.9 million, all of which had been worked out just yesterday (March 9). Mr. Vaughn assured the Board that he and his staff had not tried to hide anything from the Board or the General Assembly and emphasized that he has never understood that it is his responsibility to bring proposed tax legislation to the Board for its consideration.

Mr. Vaughn then reviewed the approximately \$18,000,000 listing of items which the Budget and Control Board could deal with by way of transfers. He began by noting that the estimated personal service lapse is now \$5,466,404. He emphasized that if an across-the-board reduction is necessary this amount of money should be available to the agencies.

Mr. Vaughn then called the Board's attention to Schedule II listing specific appropriation reduction possibilities and advised the Board that the Ways and Means Committee did not approve the \$30,000 item included there which

would reduce State Library books and it did not approve the \$1,200,000 reduction in school bus transportation funds.

Following a brief discussion, upon a motion by Senator Dennis, seconded by Mr. Morris, the Board agreed to strike the \$30,000 for State Library books from the list of specific appropriation reductions under consideration.

Mr. Patterson, Mr. Morris, and Representative Mangum expressed the view that the \$1.2 million of school bus transportation funds should be left in the list of appropriation reductions. Thus, Schedule II, as adjusted, totalled \$4,759,000.

Mr. Vaughn then indicated that all of the items on Schedule III had been to the Board previously except the \$955,000 Department of Education school employee benefits item. In addition, he advised that he had met with State Personnel Division Director Mullins who had agreed that the reduction of the health insurance reserve could be increased from \$3,000,000 to \$4,000,000. Mr. Vaughn pointed out that the Ways and Means Committee had unanimously approved this listing of items.

Following a brief discussion, upon a motion by Governor Riley, seconded by Mr. Patterson, the Board agreed to approve the transfer of the funds enumerated by State Auditor Vaughn as listed on Schedule II (after striking item 4, \$30,000 of State Library books) and all of the items listed on Schedule III, as adjusted, which totalled \$8,860,878. That figure plus the \$4,759,000 represented by Schedule II produced a total of \$13,619,878 which when the estimated personal service lapse of \$5,466,404 is added comprise a grand total of \$19,086,282.

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The Board then observed that the projected deficit, after bringing the \$19,086,000 to bear, would be roughly \$40,000,000. In response to Governor Riley, Mr. Vaughn then estimated that an across-the-board reduction of slightly more than 2% would be required to cover that remaining \$40,000,000 if no agencies are exempted other than debt service. Mr. Vaughn then expressed the view that some agencies like Mental Health and the Department of Corrections are going to have to be exempted.

Mr. Vaughn then stated that if the same agencies are exempted from this cut as were exempted from the 4.6% reduction (Mental Health, Corrections, part of the Tax Commission, part of the ABC Commission, and Youth Services) then an approximate 2.4% across-the-board reduction would be required.

Following a brief discussion, upon a motion by Governor Riley, seconded by Mr. Morris, the Board then directed that the agencies enumerated by Mr. Vaughn be exempted from this budget reduction and that all other agencies be directed to take a 2.4% across-the-board reduction effective March 25, 1983, unless other action which impacts on this necessity has been taken by the General Assembly in the interim.

Following a very brief discussion, Representative Mangum asked that the Board endorse legislation which had been proposed by the Ways and Means Committee to meet the remaining portions of the projected deficit and his motion to that effect was seconded by Mr. Patterson.

A lengthy discussion of these items ensued focusing on the proposal to accelerate the collection of income taxes, estimated to produce \$25,000,000 in the current year; the proposal to accelerate the payment of license fees

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for coin-operated machines which is estimated to generate \$3,500,000 in the current fiscal year; the use of \$3,000,000 of paying patient fee monies from the Department of Mental Health; and the legislation designed to clear the technical problem which has kept the \$1.9 million repaid by Patriots Point from being transferred to the general fund.

In addition, the Ways and Means Committee this morning adopted legislation which would accelerate alcohol tax collections and generate \$4,360,000 in the current fiscal year and also approved legislation which would accelerate the payment of corporate income tax and would generate \$1,700,000 in the current year.

The Board then observed that all of these funds plus those that it could transfer will leave a deficit of about \$1,000,000. Mr. Morris pointed out that lapses historically have ranged in the \$4,000,000 to \$5,000,000 level.

Governor Riley expressed his determination that the state balance the current budget and Mr. Patterson expressed the view that the Board and the General Assembly are now taking the necessary actions to balance the budget.

State Auditor Vaughn expressed the view that the furlough option still is needed and Mr. Putnam likened it to an insurance policy.

Mr. Putnam pointed out that a great many people of good will have been working on all of these ideas and he expressed his intention to continue working to find additional funds. He emphasized that he doesn't know where any additional funds presently might be found but he expressed concern that people in the Tax Commission and elsewhere should not be reluctant to come forward with ideas on other possibilities as a result of the criticisms levelled in recent days.

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Following this discussion, the Board adopted Representative Mangum's motion and agreed to endorse the legislation aimed at providing the monies needed to balance the budget in the current fiscal year.

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

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the meeting was adjourned at 4:05 p.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 11:45 a.m. on Wednesday, March 9, 1983.]

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State Auditor's Office
Budget Development Section
March 9, 1983

EXHIBIT

MAR 10 1983 NO. 1

STATE BUDGET & CONTROL BOARD

SUMMARY
3% REDUCTION
REVISED ESTIMATES

Schedule I - Items Requiring Legislative Action	\$33,453,379
Schedule II - Specific Appropriation Reductions	4,789,000
Schedule III - Other Funds Items	<u>7,860,878</u>
Subtotal	<u>\$46,103,257</u>
Estimated "Personal Service" Lapse	5,466,404
Subtotal Revised Estimated Available	<u>\$51,569,661</u>
<u>Ways and Means Actions March 10, 1983</u>	
Alcohol Tax Acceleration	4,360,000
Corporate Income Tax Acceleration	<u>1,700,000</u>
REVISED TOTAL AVAILABLE	<u><u>\$57,629,661</u></u>

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State Auditor's Office
Budget Development Section
March 9, 1983

SCHEDULE I

EXHIBIT

MAR 10 1983 NO. 1

STATE BUDGET & CONTROL BOARD

ITEMS AVAILABLE TO BALANCE 3% REQUIRING LEGISLATION

1. Income Tax Collection Acceleration	25,000,000
2. Coin Operated Machines	3,500,000
3. Mental Health Paying Patients	3,000,000
4. Patriot's Point Bond Repay	1,953,379
Total	<u>33,453,379</u>

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EXHIBIT

MAR 10 1983 NO. 1

STATE BUDGET & CONTROL BOARD

REVISED SPECIFIC APPROPRIATION REDUCTIONS

1. D.H.E.C. - Specific Case Services & Other Operating	\$350,000
2. Vocational Rehabilitation - Case Services	250,000
3. Election Commission - Election Expense	150,000
4. State Library - Books	30,000
5. Budget and Control Board Employee Benefits Retiree Supplement	630,000
6. Department of Education School Bus Transportation	1,200,000
7. Wildlife & Marine Resources - Hatchery	170,000
8. Debt Service	2,000,000
9. Budget and Control Board Executive Director Lead Poisoning	9,000
Total	<u>4,789,000</u>

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EXHIBIT

MAR 10 1983 NO. 1

STATE BUDGET & CONTROL BOARD

REVISED OTHER FUNDS
AVAILABLE ADMINISTRATIVELY

<u>D.H.E.C.</u> - "Other" funds from Carry Over	\$300,000
<u>State Tax Commission</u> - Warrent Revolving Fund	150,000
<u>Aeronautics Commission</u> - Operating Revenue	80,000
<u>State Election Commission</u> - Sale of Election Lists	40,000
<u>State Personnel Division</u>	
Reduction of Health Insurance Reserve	3,000,000
Insurance Continuing Account	800,000
<u>General Services Division</u>	
School Bus Medical Benefits	12,000
Ordinary Sinking Fund	1,100,000
Funded Debt Sinking Fund	327,765
<u>Research & Statistics</u> - Operating Revenue	30,000
<u>Mental Retardation</u> - Medicaid Adjustment	1,066,113
<u>DEPARTMENT OF EDUCATION</u>	
School Employee Benefits Earnings	955,000
TOTAL	<u>7,860,878</u>

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THE END

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