

MINUTES OF

Budget and  
Control Board  
Meeting

May 17, 1982

MINUTES OF BUDGET AND CONTROL BOARD MEETING

MAY 17, 1982      9:00 A. M.

The Budget and Control Board met at 9:00 A. M. on Monday, May 17, 1982, at the Public Service Authority facilities at Wampee, 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 staff members Katherine Clarke, Donald Hinson, Terry Peterson, Milton Kimpson, Bill Prince, and Sarah Shuptrine; and staff members of the various Board divisions.

EXECUTIVE DIRECTOR'S OFFICE - CIVIL CONTINGENT FUND ALLOCATION FOR LODGING AND MEAL EXPENSES - Upon a motion by Mr. Patterson, seconded by Representative Mangum, the Board agreed with Executive Director Putnam's suggestion that the lodging and meal expenses due the Public Service Authority for all participants in this meeting should be paid from the Civil Contingent Fund and allocated the amount necessary to do so.

FISCAL YEAR 1983-84 BUDGET OVERVIEW AND OUTLOOK AND BUDGETING CONCEPTS FOR 1984-85 - Chairman James A. Morris of the Board of Economic Advisors and Dr. E. A. Laurent of that Board opened the meeting with a presentation on the economic outlook for 1983-84 in particular and for the decade of the 80's in general. Dr. Morris focused on the settlement of the federal budgetary impasse as a critical factor in bringing interest rates down which in turn

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will largely dictate the intensity of the economic recovery in Dr. Morris' opinion. His outlook is for a period of growth with a modest downturn four to five years out in the future and with GNP growing at approximately 3.5% annually which is a lesser rate than was experienced during the 60's and 70's. Dr. Morris expects a slower rate of population growth, higher productivity with fewer new entrants into the work force, greater emphasis on savings and investment, increased technological change and less consumption. He anticipates a lesser portion of GNP being represented by government during the 1980's.

With regard to South Carolina in this period, Dr. Morris expects that manufacturing employment will be a lesser factor in the future and urged that the State emphasize its strengths rather than its weaknesses by not attempting to focus its efforts on the underdeveloped counties. He noted that increased agricultural productivity can be expected and that higher levels of output in the textile industry will be achieved with fewer jobs. At the same time, he noted that immigration will require additional jobs. Dr. Morris described the tourism industry as a sparkling and marvelous opportunity for South Carolina in that it requires relatively low job skills and in that it is basically an export industry. He urged that efforts in research and high technology areas be accelerated and that budget policy be directed to areas of strength rather than weakness. Dr. Morris also called for increased productivity in the educational endeavors of the State and urged that redundant programs be eliminated.

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Governor Riley queried Dr. Morris on his statement relating to the policy regarding poorer counties by noting that if they are not focused upon then workers are simply pulled into the more urban areas of this state from other states. Dr. Morris responded by noting that he had stated extreme positions which are somewhat academic but that he is arguing against focusing on the underdeveloped and rural areas as a major tenet in the State's policy. Dr. Morris also took the position that industrial firms ordinarily bring executives and perhaps upper management staff with them but that workers usually are trained from persons available locally. Governor Riley noted that unemployment in Greenville runs about 3% and that high technology industry may be for perhaps 50% of the people but not for the other 50%.

Dr. E. A. Laurent then reviewed the growth rates of major revenues and observed that they generally have been falling over an extended period of time in constant 1972 dollars. He pointed out that, while total jobs are up in non-agricultural employment during the 1970's, manufacturing employment in 1974 and in 1982 are about the same indicating little or no growth in that category. He noted that textile employment has been sagging during the entire period.

Dr. Laurent then reviewed the changing distribution among the components of the State's general fund revenue and commented that the individual income tax is the only category showing an increasing share up to the present time and that it shows the highest rates of elasticity with the retail sales tax category showing a declining elasticity.

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Dr. Laurent then noted that South Carolina counties are really becoming more diverse rather than more similar and that this will be an important issue in the 80's.

Following their presentations, Drs. Morris and Laurent then indicated that general fund revenue for 1983-84 will be at a level approximately 10.1% or 10.2% above the 1982-83 level. (Secretary's Note: As later presented, the 1983-84 revenue estimate of \$2,280,000,000 represents a \$210,326,000 increase above the 1982-83 base of \$2,069,674,000 which is the level as the bill for that fiscal year was passed by the House.)

Dr. Laurent then expressed a concern about whether or not South Carolina is adequately preparing its workers for the impact of even the current state of the art in telecommunications and other automated and computer-related fields. He noted in particular the impact of word processors on clerical jobs and asked rhetorically if the technical education system and the vocational education people are really looking at the issue of what will happen to the persons now employed as check-out clerks and at various banking operations.

Mr. Putnam noted that the purpose of the meeting today is to give a picture of where we are and noted that the State government itself does not practice what we preach with regard to the underdeveloped counties. He observed that prisons or other State facilities do not tend to be located in depressed counties.

Mr. Elmer Whitten of the Governor's staff then presented a review of the impact of the federal budget on South Carolina. He presented figures showing the prospect of a loss of \$157.3 million of federal funds in the

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1981 through 1983 period. He also noted a decrease between 1981 and 1982 of \$15.8 million in block grant funding with the prospect for a \$20.8 million decline in block grant funds if the proposed federal budget for 1982-83 is adopted. Mr. Whitten then reviewed the pattern of federal deficits over the 1966 to 1982 period and reviewed the situation relating to the proposed swap of programs involving AFDC, food stamps and Medicaid. He also reviewed the proposed turnback programs and indicated that the present proposal would give the states four years within which to determine whether or not these several programs would be assumed by the states.

Mr. Whitten summarized his comments by calling attention to the reduced federal funds coming to the State; by noting the effects of increased costs against fixed levels of federal funding and the upcoming change in the Medicaid matching arrangement which will cost South Carolina between \$500,000 and \$1,000,000; by noting the pending audit disallowance questions; and by calling attention to the efforts to sort out the appropriate roles to be played by the state, federal and local governments.

State Personnel Division Director Jack S. Mullins then reviewed various personnel issues. Dr. Mullins reported that the annual salary survey is still in process and will be completed in June or July and that a recommendation on base pay increases for State employees could not be made until that survey is completed. He noted also that salary compression within the State system is increasingly a problem and that approximately \$100,000 are needed for a study of that situation. Dr. Mullins urged that the State government's compensation philosophy be reexamined and that a formal pay policy statement

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be developed. In this connection he urged that employees be paid for performance and that adjustments be considered annual market adjustments rather than base pay increases in the future.

Dr. Mullins then reviewed the health insurance situation and pointed out that South Carolina's premium rates are very low compared to most other states as are premium increases being considered presently.

[Secretary's Note: Senator Dennis joined the meeting at this point.]

Dr. Mullins observed that the State is self insured insofar as health insurance is concerned and noted that the administrative cost paid to Blue Cross/Blue Shield is 2.8% of claims paid. He reported that the insurance program cost could conceivably go from \$83,000,000 in 1982 to some \$151,000,000 in 1985 if consultant projections are accurate. Dr. Mullins then noted that several cost avoidance efforts are underway and under consideration including the wellness program, the idea of a reduction of costs for prompt payment of claims, slowing down the payment of claims and the possibility of reducing benefits. Dr. Mullins then indicated that several proposed benefit changes will be presented to the Board for consideration at its regular meeting on May 25.

A brief discussion of the annual leave benefit ensued in which Governor Riley noted that criticism of the holiday policy of the State had been voiced by an industrialist and Dr. Mullins expressed the view that the law provides for too many holidays but that eliminating any of them would be very difficult.

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Mr. Phil Latham then described briefly the impact of the effort to streamline the paperwork requirements in the 1983-84 budget process. He noted that 14 mandatory forms were used in the preparation of the 82-83 budget, most of which are in response to a requirement in law. He then pointed out that only three required forms will be used in the 1983-84 budget process, one of which is an agency certification that its previous submissions serve to meet legal requirements. He then used the Department of Social Services as an example and stated that that Department's 1981-82 budget consisted of 186 pages, its 1982-83 budget included 96 pages, and its 1983-84 budget would require 15 pages if its increases are the same as in 1982-83. He noted that if no increases are requested the DSS budget for 1983-84 would require three pages.

The particulars on the revenue forecast for 1983-84 then were presented showing that general fund revenue would be \$2,280,000,000 which would represent a \$210,326,000 increase above the 1982-83 base. A brief discussion of revenue growth trends ensued during which Mr. Putnam observed that, in view of the reserve fund, the Board of Economic Advisors had shifted from an ultraconservative to a conservative posture.

Mr. Latham then reviewed the preliminary estimate on the statutory spending limitation which, on the basis of a three-year average personal income growth for calendar years 1980, 1981, and 1982, amounting to 10.8%, indicates a 1983-84 spending limit of \$2,293,199,000 or a figure \$13,199,000 above the anticipated revenue for 1983-84.

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Mr. Latham then reviewed briefly the limitation of the number of State employees for 1983-84 and indicated an increase of 5,624 FTE positions is theoretically possible under the limitation. It was also pointed out that only approximately 1,000 of these FTE positions could be filled at an average salary of about \$13,000 and still stay within the spending limitation even if the revenues were available.

Mr. Alton Loftis then reviewed several statewide issues representing increases above the 1982-83 level including an increase of \$10,127,000 for debt service which would keep the debt service for bonds covered by the 5% limitation at the limit; an increase of \$8,570,000 in aid to subdivisions to stay at the removal of 64% of the freeze (with an additional \$13,000,000 required to go back to the removal of 70% of the freeze and \$36.9 million needed for the complete removal of the freeze; an increase of \$7,412,000 in health insurance premiums excluding public school employees; an increase of \$6,900,000 for other employee benefits and contributions; and an increase of \$7,440,000 to cover the required restoration of the reserve fund for a total in the statewide issues of \$39,558,000 additional. Mr. Loftis described these as the least flexible items among the statewide issues.

He also briefly reviewed the several base pay increase options and stated that a 1% base pay increase would require \$6,907,000 and that a 2% merit pay increase would require some \$9.3 million.

Major agency issues for 1983-84, including judicial retirement, the appellate court, police retirement, public education and several other items represent a total increase of \$105,065,000.

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On the basis of a poll of some 35 agencies, Mr. Loftis reported a need for \$62,913,000 additional to cover other major agency needs including annualization, inflationary costs, mandated expenditures, equipment replacements (mostly technical education), and program expansions (approximately half for technical education).

Mr. Sam Griswold then reviewed the 1983-84 budget projections situation, starting with the \$210,326,000 in revenues expected above the 1982-83 level. Against that, predetermined needs for statewide issues would require some \$39.5 million; pay increases (6% for base pay and 3½% for merit) would require about \$54.5 million; and agency issues would require somewhat over \$105 million, leaving a balance of \$11.2 million against some \$62.9 million of other major agency needs for a shortfall of some \$51.7 million.

Mr. Putnam observed that the situation at this time looks a little better than it did at this same point last year and Mr. Griswold observed that no attempt had been made to replace any federal dollars in the figures presented thus far. Mr. Griswold also reminded the Board that the big ten agencies and higher education represent somewhat more than 86% of the entire budget and, coupled with the base pay increase requirements, represent about 95% of the entire budget.

Mr. Griswold then reviewed the major budgeting options which can be followed including such options as current level maintenance, increasing revenues, major issue options, reallocation to fund higher priority items within agencies, elimination of programs or agencies and percentage reductions.

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Mr. Patterson commended the staff for giving consideration to the pay of employees up front.

State Auditor Vaughn expressed the view that certain revenues included in the general fund probably should not be there and cited indirect cost recoveries as an example.

Mr. Griswold then called the Board's attention to the revised version of the State goals and objectives document based on agency input. Governor Riley noted that his office had responded to the goals and objectives statement and urged other members to consider that document at a future regular meeting of the Board.

Executive Director Putnam then asked Board members for any specific direction or guidance they cared to give to the staff at this point. In response, Representative Mangum expressed his concern that the future requirements of the insurance program be checked carefully and gotten in hand.

Mr. Putnam then expressed the hope that the Board would make a concerted effort during this year to give more time to the budget preparation process either individually or as a group.

Governor Riley urged that more emphasis be placed on jobs and its various related aspects along with the idea of self-sufficiency for individuals. Mr. Griswold responded by noting that a focus on jobs can be viewed in both short- and long-term perspectives and cited the future implication of an item like a second-generation seed orchard as a long-term investment with much implication for job opportunities in the future.

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Mr. Patterson urged that prevention be emphasized in the Board's deliberations.

Governor Riley noted that debt service requirements for capital improvements is not the highest growth category in 1983-84 and urged that that trend be continued by examining carefully the possibility of cashing out projects. He noted that the reserve fund reduction proposals probably should be coupled with the idea of paying cash for capital improvements. Governor Riley also expressed the view that the Board should recommend no additional bond authorizations for several years.

Mr. Patterson urged that his "camp" approach to providing space for non-violent criminals be seriously pursued.

Executive Director Putnam briefly touched on the process for developing the 1984-85 budget and noted that the Board would be expected to be heavily involved in determining the "what?" of the process with staff primarily involved in detailing the "how?" of the process.

Various items relating to these matters have been retained in these files and are collectively identified as Exhibit 1.

LANCASTER COUNTY - CIVIL CONTINGENT FUND ALLOCATION FOR CATAWBA INDIAN CLAIM - Upon a motion by Mr. Mangum, the Board approved the allocation of \$1,500 to Lancaster County to pay certain costs related to the Catawba Indian claim (from the Civil Contingent Fund).

The meeting was adjourned at 2:00 p.m.

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# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## AGENDA

ECONOMIC FORECAST FY 83-84

FEDERAL BUDGET IMPACT

STATE PERSONNEL ISSUES

PRELIMINARY BUDGET OVERVIEW

POLICY OPTIONS

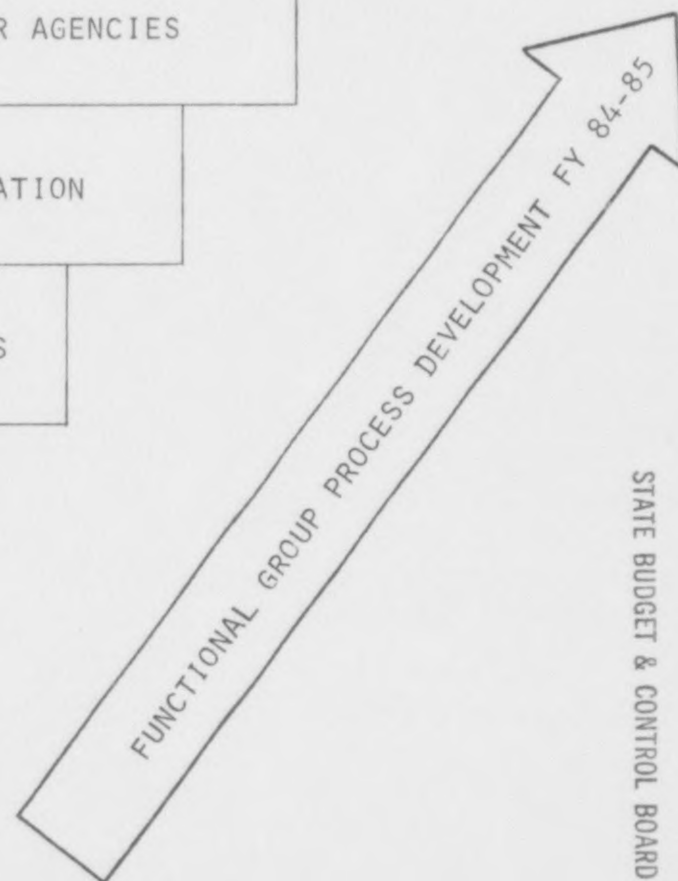
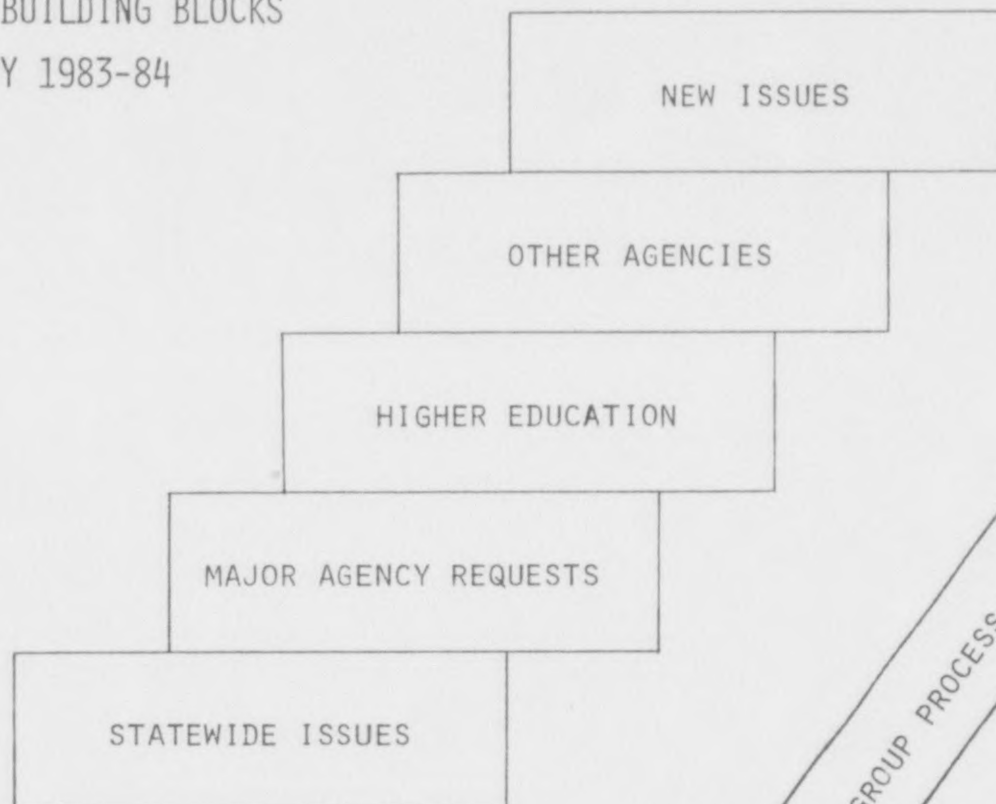
BUDGETING CONCEPTS FY 84-85

SUMMARY

024488



BUDGET BUILDING BLOCKS  
FY 1983-84



EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

024469

# LAST YEAR'S BUDGET REQUEST STRUCTURE

(FY 82-83)

## MANDATORY FORMS REQUIRED

MISSION STATEMENT	FORM 83-P1
OPERATIONAL AUTHORIZATION	83-P2
PROGRAM DESCRIPTION	83-P3
REQUEST FOR PROGRAM REALIGNMENT	83-P3A
JUSTIFICATION FOR ADDITIONAL INCREASES	83-P5
SCHEDULE OF ADDITIONAL INCREASES	83-P6
REDUCTION IMPACT ASSESSMENT	83-P7
REDUCTION IMPACT SCHEDULE	83-P8
AGENCY SUMMARY/ADDITIONAL INCREASE REQUEST	83-P6
PROGRAM REQUEST SUMMARY	83-P9
SOURCE OF FUNDING STATEMENT	83-P12
SUMMARY OF NEW PERSONNEL	83-P13
STATISTICAL DATA	83-P14
OTHER SUPPLEMENTAL DATA	NO FORM NUMBER

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EXHIBIT  
MAY 17 1982 NO. 1  
STATE BUDGET & CONTROL BOARD

FY 83-84 BUDGET REQUEST STRUCTURE  
MANDATORY FORMS REQUIRED

AGENCY CERTIFICATION FORM	84-P0
REDUCTION IMPACT ASSESSMENT FORM	84-P7
REDUCTION IMPACT SCHEDULE FORM	84-P8

EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

024491



RESULT OF STREAMLINED BUDGET REQUEST PROCESS

<u>FY - 81-82</u>	BUDGET REQUEST FOR DSS WHICH INCLUDED THIRTY-FOUR ADDITIONAL INCREASE REQUESTS <u>WAS 186 PAGES LONG</u>
<u>FY - 82-83</u>	BUDGET REQUEST FOR DSS WHICH INCLUDES TWELVE ADDITIONAL INCREASE REQUESTS <u>WAS 96 PAGES LONG</u>
<u>FY - 83-84</u>	BUDGET REQUEST FOR DSS IF DSS REQUESTS THE IDENTICAL TWELVE ADDITIONAL INCREASE REQUESTS <u>WILL BE 15 PAGES LONG</u>

024492

EXHIBIT  
MAY 17 1982 NO. 1  
STATE BUDGET & CONTROL BOARD

# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## TOTAL ESTIMATED REVENUE

FY 1982-83 (EST)	\$ 2,069,674,000
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*FY 1983-84 (EST)	<u>2,280,000,000</u>
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REVENUE ABOVE 1983 BASE	\$ 210,326,000
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\*SOURCE: S.C. DIV. OF RESEARCH AND STATISTICS

**024493**

REVENUE GROWTH TRENDS

	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>
AMOUNT	1277	1427	1598	1709	1858(E)	2070(E)*	2280(E)
				1727(E)	1911(E)	2088(E)	
% CHANGE	15.44	11.71	12.00	6.9	8.7	11.4	10.14
NEW MONEY ABOVE BASE	171	150	171	111	149	212	210

\*SOURCE: S.C. DIV. OF RESEARCH AND STATISTICS

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EXHIBIT  
MAY 17 1982 NO. 1  
STATE BUDGET & CONTROL BOARD



# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## FY 81-82 ESTIMATES



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# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## STATUTORY SPENDING LIMITATION PRELIMINARY ESTIMATE

\$ 2,069,674,000

1982-83 ESTIMATED EXPENDITURE

X      1.108\*

PERSONAL INCOME GROWTH

\$ 2,293,199,000

1983-84 SPENDING LIMIT

THREE YEAR AVERAGE PERSONAL INCOME GROWTH FOR CALENDAR  
YEARS 1980, 1981 AND 1982.

\*SOURCE: S.C. DIV. OF RESEARCH AND STATISTICS

024496

# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## EXPENDITURE LIMITATION\*

EXPENDITURE LIMIT	\$2,293,199,000
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ANTICIPATED REVENUE, 1983-84	2,280,000,000
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AVAILABLE REVENUE GROWTH WITHIN LIMIT	13,199,000
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(OUR INITIAL GROWTH RANGE PRIOR YEAR WAS \$52,000,000)

\*SOURCE: S.C. DIV. OF RESEARCH AND STATISTICS

024497



# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## LIMITATION ON NUMBER OF STATE EMPLOYEES FY 83-84

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GENERAL FUND FTE LIMIT	40,352
HOUSE BILL FY 1982-83 FTE EMPLOYEES	34,728
GROWTH ALLOWABLE	5,624 POSITIONS

024498

# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## STATEWIDE ISSUES FY 83-84

DEBT SERVICE	\$ 10,127,000
AID TO SUBDIVISIONS (64% LEVEL)	8,570,000
HEALTH INSURANCE PREMIUM INCREASE	7,412,000
OTHER EMPLOYEE BENEFITS/CONTRIBUTIONS	6,009,000
RESERVE FUND CONTRIBUTION	<u>7,440,000</u>
TOTAL	<u><u>\$ 39,558,000</u></u>

024499

# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## FY 83-84 AID TO SUBDIVISIONS

	<u>TOTAL</u>	<u>ADDITIONAL FUNDS</u>
82-83 LEVEL	\$ 125,847,369	\$
TO MAINTAIN CURRENT LEVEL*	134,417,155	8,569,786
70% REMOVAL OF FREEZE	138,886,929	13,039,560
COMPLETE REMOVAL OF FREEZE	162,832,149	36,984,780

\*CURRENT LEVEL = 64.397% REMOVAL OF FREEZE

024500



# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## EMPLOYEE BENEFITS INCREASES \*

### HEALTH INSURANCE

STATE EMPLOYEES	\$ 4,845,600
RETIRED STATE EMPLOYEES	1,040,775
RETIRED SCHOOL EMPLOYEES	<u>1,526,470</u>
	\$ 7,412,845

### OTHER

RETIREES COST OF LIVING (2%)	\$ 2,500,000
SOCIAL SECURITY-STATE EMPLOYEES	2,354,100
WORKMENS COMPENSATION/UNEMPLOYMENT	<u>1,155,000</u>
	\$ 6,009,100

\*STATE AUDITOR'S OFFICE

024501

# EXHIBIT

MAY 17 1982

NO. 1

STATE BUDGET & CONTROL BOARD

## BASE PAY INCREASE OPTIONS

ESTIMATED COST OF 1% BPI	\$ 6,907,000
5%	34,535,000
6%	41,442,000
7%	48,349,000

MERIT/LONGEVITY	2%	\$ 9,339,000
	2½%	10,594,000
	3%	11,839,000
	3½%	13,075,000
	4%	14,303,000

024502

# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## MAJOR AGENCY ISSUES FY 83-84

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JUDICIAL RETIREMENT	\$ 1,770,000
APPELLATE COURT	1,000,000 (EST.)
POLICE RETIREMENT	625,000
PUBLIC EDUCATION	
EDUCATION FINANCE ACT - FULL FUNDING	45,165,000
GIFTED & TALENTED PHASE IN	5,221,000
SCHOOL BUS REPLACEMENT	5,650,000
GASOLINE & OTHER TRANSPORTATION COSTS	2,487,000
FREE TEXTBOOK PROGRAM	3,798,000
PUBLIC SCHOOL EMPLOYER CONTRIBUTIONS (FULL FUNDING)	25,513,000
MENTAL HEALTH	4,800,000
CORRECTIONS	3,030,000
DSS	5,224,000
COMMISSION ON HIGHER EDUCATION	782,060
CHANGES IN FORMULA FUNDING	<hr/> ?
 TOTAL	 \$ 105,065,000

024503



# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## OTHER MAJOR AGENCY NEEDS

ANNUALIZATION	\$ 1,416,000
INFLATIONARY COSTS	4,804,000
MANDATED EXPENDITURES	1,061,000
OTHER REQUIRED	5,235,000
EQUIPMENT REPLACEMENTS/PURCHASES	16,117,000
PROGRAM EXPANSIONS	<u>34,280,000</u>
TOTAL	<u><u>\$ 62,913,000</u></u>

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# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## BUDGET PROJECTIONS

1983-84

### REVENUE

1983-84 GENERAL FUND REVENUE	\$ 2,280,000,000
LESS 1982-83 EXPENDITURES (EST.)	<u>2,069,674,000</u>

BALANCE.....	\$ 210,326,000
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### PREDETERMINED NEEDS

STATEWIDE ISSUES	\$ 39,558,000
PAY INCREASE - 6%/3½%	54,517,000
AGENCY ISSUES (STATUTORY OR POLICY MANDATE)	<u>105,065,000</u>

BALANCE.....	\$ 11,186,000
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OTHER MAJOR AGENCY NEEDS	<u>\$ 62,913,000</u>
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BALANCE.....	< \$ 51,727,000 >
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024505

# EXHIBIT

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STATE BUDGET & CONTROL BOARD

## SUMMARY

GENERAL FUND SHORTFALL (PRE-IDENTIFIED NEEDS)	51,727,000
FEDERAL FUNDS REDUCTIONS	—
UNDETERMINED AGENCY NEEDS	?

CURRENT PROJECTION OF GENERAL FUND NEEDS ALREADY EXCEEDS  
EXPENDITURE LIMIT BY 39 MILLION WITHOUT CONSIDERING FEDERAL  
LOSSES.

024506

# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## MAJOR BUDGETING OPTIONS

CURRENT LEVEL MAINTENANCE

INCREASE REVENUE

MAJOR ISSUE OPTIONS

REALLOCATION: BEING USED TO FUND HIGHER PRIORITY  
ITEMS WITHIN AGENCIES

ELIMINATE PROGRAMS OR AGENCIES

PERCENTAGE REDUCTIONS (TARGETED)

024507



## MAJOR GENERAL FUND ALLOCATIONS BY AGENCY

(IN MILLIONS AND AS % OF TOTAL)

FY 81-82 TOTAL APPROPRIATION \$1,917.9

DEPT OF EDUCATION	HIGHER EDUCATION	DSS	AID TO SUB- DIV.	DEBT S E R V I C E	M E N T A L H E A L T H	T E C H & C O M P E D U C A T I O N	D H E C	C O R R E C T I O N S	M E N T A L R E T A R D A T I O N	C L E M S O N P S A	ALL OTHER AGENCIES (123 TOTAL)
716.3	282.2	131.0	115.4	94.6	80.7	56.8	55.2	50.5	48.7	24.0	262.5
37.3%	14.7%	6.8%	6.0%	4.9%	4.2%	3.0%	2.9%	2.6%	2.5%	1.3%	13.7%

HIGHEST 10 AGENCIES PLUS ALL HIGHER  
EDUCATION \$1655.4 86.3%

EXHIBIT

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STATE BUDGET &amp; CONTROL BOARD

0245C8

PRIMARY FUNCTIONS OF THE BUDGETING PROCESS

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WHAT?

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ASSESSMENT OF STATE NEEDS;

DEVELOPMENT OF GOALS,

POLICIES AND PRIORITIES

HOW MUCH?

---

ASSESSMENT OF PROGRAMS TO

ADDRESS PRIORITIES: DETERMINATION

OF THE LEVEL OF EFFORT

HOW?

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DETAIL FISCAL

IMPLEMENTATION PLAN-

BUDGET; ASSESSMENT OF

EFFICIENCY

EXHIBIT

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STATE BUDGET & CONTROL BOARD

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BUDGET AND CONTROL BOARD

REACTION

vs

ACTION

- \* AGENCY ASSESSMENT OF STATE NEEDS
- \* AGENCY DEVELOPMENT OF PRIORITIES
- \* AGENCY DEVELOPMENT OF BUDGET
- \* B & C BOARD REACTION TO BUDGET

- \* BOARD ASSESSMENT OF STATE NEEDS
- \* BOARD DEVELOPMENT OF PRIORITIES
- \* AGENCY REACTION TO PRIORITIES (BUDGET)
- \* BOARD REVIEW OF AGENCY REACTION

EXHIBIT

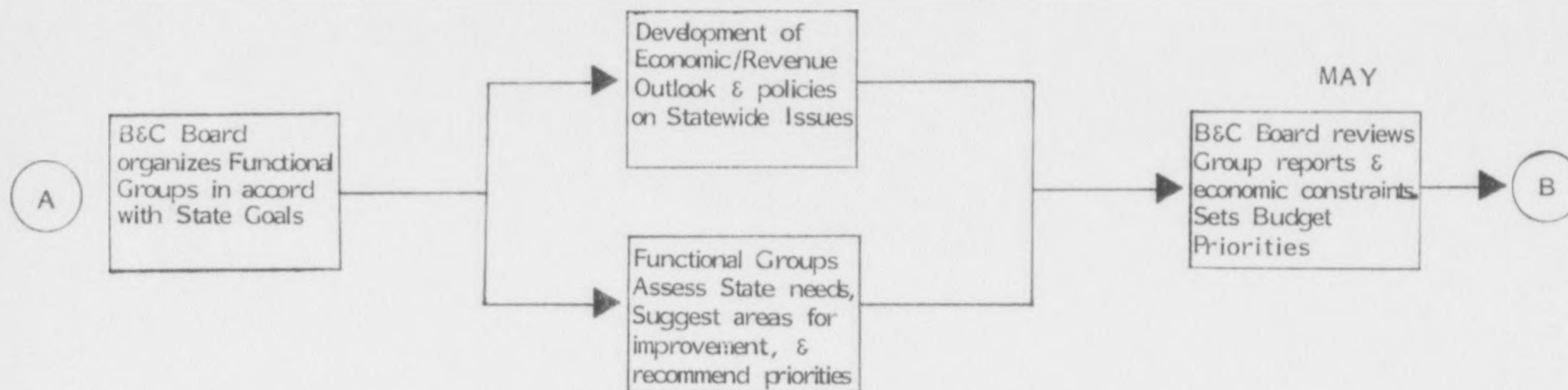
MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

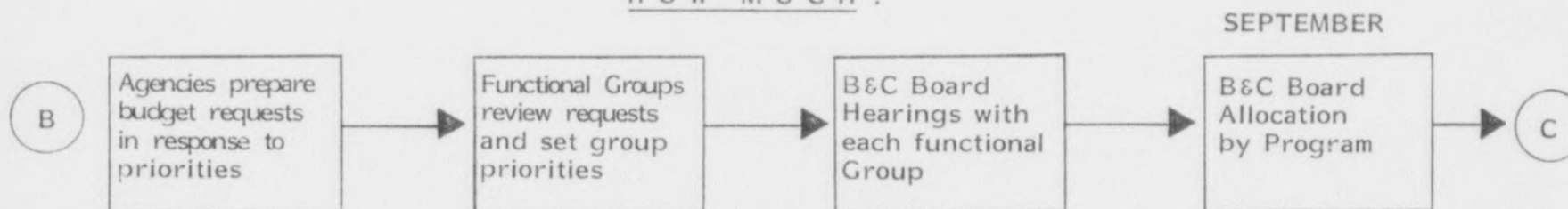
024510

# FY 84 - 85 BUDGET PROCESS

## WHAT ?



## HOW MUCH ?



## HOW ?

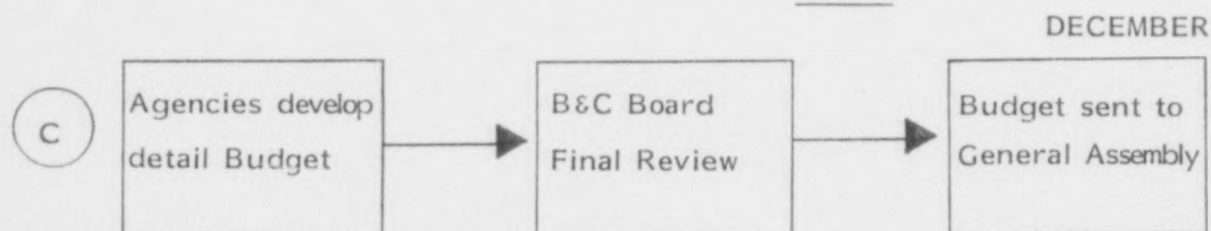


EXHIBIT  
MAY 17 1982 NO. 1  
STATE BUDGET & CONTROL BOARD

024511



# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## ANNUALIZED GROWTH RATES FOR FUNCTIONAL GROUPS 1975-82

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PUBLIC SAFETY	17.0%	REGULATION-PROFESSIONS	NM
PUBLIC EDUCATION	11.5%	TRANSPORTATION	6.0%
HIGHER EDUCATION	9.7%	LEGISLATIVE	19.0%
SPECIALIZED EDUCATION	9.3%	JUDICIAL	30.7%
HEALTH	10.3%	EXECUTIVE	11.1%
HUMAN SERVICES	12.8%	DEBT SERVICE	NM
ECONOMIC/RESOURCE DEVELOPMENT	9.0%	AID TO SUBDIVISIONS	8.0%
REGULATION-BUSINESS	10.9%		

GENERAL FUND GROWTH RATE - 10.8%

NM - NOT MEANINGFUL

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STATE BUDGET &amp; CONTROL BOARD

FUNCTIONAL GROUPS AS % OF  
GENERAL FUND\*  
FY 1981-82

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PUBLIC SAFETY	4.41	REGULATION-BOARDS	0.17
PUBLIC EDUCATION	39.50	TRANSPORTATION	0.11
HIGHER EDUCATION	17.41	LEGISLATIVE	0.75
SPECIALIZED EDUCATION	1.43	JUDICIAL	0.74
HEALTH	9.70	EXECUTIVE	2.23
HUMAN SERVICES	7.13	DEBT SERVICE	5.11
ECONOMIC/RESOURCE DEVELOPMENT	3.26	AID TO SUBDIVISIONS	6.23
REGULATION-BUSINESS	1.77		
		TOTAL	100.0%

\*BEFORE ALLOCATION OF COMPENSATION ADJUSTMENTS; EXCLUDES MISCELLANEOUS  
AND CONTRIBUTIONS.

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5-5-82

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## STATE GOALS AND OBJECTIVES

1. To provide a system which assures the public safety and legal rights of the people.
  - a. To provide for adequate crime detection, investigation, apprehension, and deterrence.
  - b. To assure the uniform application of the laws of the state.
    1. To develop strategies to address the increase in appellate workload due to sentencing disparities.
  - c. To provide for the appropriate punishment, confinement, and rehabilitation of convicted criminals.
    1. To develop strategies and alternatives to incarceration that are less costly to the state and to emphasize community alternatives to prisons.
  - d. To maintain civil order and protect the public in times of disaster and civil disobedience and large scale public demonstrations.
  - e. To provide for a system of services to promote the interests of children and prevent and reduce juvenile crime.
  - f. To develop and/or expand restitution programs to aid the victims of crime.
2. To provide a system of publicly supported education which imparts knowledge and skills to maximize the individuals's potential to participate effectively in society.
  - a. To provide for the maintenance and support of a system of free public preschool, elementary, and secondary schools open to all children of the state.
  - b. To provide a system of postsecondary education adequate to the needs of the citizenry.

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- c. To provide specialized educational programs designed to meet unique educational needs and to promote and preserve certain arts, sciences and historical traditions.
- 3. To provide for the maintenance and enhancement of adequate levels of public health in the State and to control, prevent, and abate the pollution of the State's air, water, and soil.
  - a. To prevent and suppress the spread of communicable and epidemic disease and to protect and minimize the contamination of the State's natural resources.
    - 1. To emphasize primary, secondary and tertiary prevention measures as opposed to the high costs of treatment.
  - b. To provide services for the mentally ill citizens of the State so as to enhance their opportunities for living normal and useful lives.
    - 1. To develop methods for the efficient reallocation of existing resources from treatment to prevention programs which demonstrate the long term benefits of such an approach and accomodate transition problems for existing beneficiaries of treatment programs.
  - c. To provide services for the mentally retarded/developmentally disabled citizens of the State so as to enhance their opportunities for living normal and useful lives.
  - d. To provide financial support and diagnostic services to victims of disease as appropriate.
- 4. To promote the independence and well-being of individuals and families.
  - a. To provide temporary assistance and services to individuals and families in a manner which enables them to reach self sufficiency.
  - b. To provide continuing assistance and services to individuals and families which are unable to lead independent lives.
  - c. To protect abused, neglected or abandoned persons who are unable to protect themselves.
- 5. To promote the economic development of the State at an optimal long-term rate consistent with the needs of the citizenry.
  - a. To protect and conserve the natural resources of the state in a manner which assures preservation and enhancement of those resources for the future.

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- b. To provide for development and utilization of the State's resources in a manner which stimulates or maintains optimal economic growth and development.
- 6. To regulate economic activity in the State to assure the safeguarding of the public interest.
  - a. To assure that standards are established and maintained among practitioners of regulated professions in a manner which meets the public needs.
    - 1. Review the initial needs and/or requirements that established licensing boards and ascertain the validity of current requirements/licensing procedures.
    - 2. Review current programs and regulations with the goal of eliminating those programs and regulations that no longer contribute meaningfully to the purpose of the legislation.
  - b. To provide for the appropriate regulation of business and industrial activity in the interest of the public.
- 7. To provide a system of public transportation facilities which afford the means for adequate and safe transportation of people and goods within the state.
  - a. To propose, develop and construct transportation facilities in an efficient manner.
    - 1. To develop alternatives on a self supporting basis that meet the needs of South Carolina's citizens for public transportation.
    - 2. To develop a projection of the needs to address future industrial development.
    - 3. To analyze South Carolina's transportation network in detail. To determine excessive facilities and over design and alternatives taken to produce change.
    - 4. To accomplish the efficient development, maintenance and coordination of all modes of transportation.
  - b. To maintain transportation facilities.
  - c. To assure the safe utilization of all transportation facilities.
- 8. To assure the efficient and effective administration of state government.

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- a. To assure effective planning, programming and budgeting of state resources.
- b. To insure accountability in the expenditure of public funds.
- c. To insure effective financial and revenue administration.
- d. To provide various central administrative and support services.
- e. To promote and maintain an effective state work force.
- f. To minimize various procedural and administrative requirements so as to promote efficient state operating practices.

024517

From Bill Prince  
EXHIBIT 5/14/82

Public Safety and Criminal Justice

MAY 17 1982

NO. 1

A. Law Enforcement

STATE BUDGET & CONTROL BOARD

One of the principle factors in providing for the public safety is the development of a strong, competent system of law enforcement. Law enforcement is primarily a local responsibility. However, the State has an added responsibility to provide some assistance for adequate prevention, detection and apprehension.

The State's primary service to law enforcement is the provision of a uniform, standard training process to educate potential and present law officers. This education should focus on acquainting these individuals with the most up-to-date modern techniques in the law enforcement field, such as community relations, juvenile crime, etc.

Prevention must be the cornerstone of any effective law enforcement system. Preventing crime is everyone's responsibility. Every community must be made aware of the importance of neighborhood watch programs, prevention and security measures. These community awareness and prevention programs are essential if we are to maximize the resources available and provide a sound, stable system of law enforcement.

1. Law enforcement should provide comprehensive training programs for potential officers, and a modern, up-to-date system of continuing education for in-service officers.
2. Law enforcement should focus efforts on the development of community awareness and prevention programs to assist law enforcement officers in fighting crime.
3. Finally, law enforcement should focus its major efforts in combating major crime, such as narcotics trafficking, home burglary, and crimes against the individual person. While we cannot completely eliminate the presence of crime, we can work to reduce the fear of crime among our citizens by credible enforcement in specific crimes against persons.

Efforts should continue to provide technical assistance to law enforcement agencies concerning improved efficiency and effectiveness.

B. Juvenile Justice

Prevention and timely intervention are two primary components of any juvenile justice system. How effective we deal with youthful offenders can often influence an individual's attitude and direction in life. It is important for all participants in the juvenile justice system to be properly trained in dealing with juvenile crime.

1. There must be adequate training in juvenile justice for all law enforcement officers, family court judges, youth services staff, and other officials, and better coordination and cooperation among all appropriate agencies.

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2. Intake procedures should be standardized to provide equal, fair treatment for all who enter the system.
3. More attention must be given to working with the families of juveniles, with schools and others in the community to identify symptoms of juvenile crime (education oriented) and therefore help prevent its occurrence.
4. Officials in the juvenile system must work together to develop alternatives to juvenile detention and incarceration. No status offender should be held in these facilities. A plan for the removal of all children from jail must be developed.
5. There should be increased emphasis on providing adequate representation of juveniles. Defense services are not provided to the majority of juveniles taken into custody.
6. There should be an increased emphasis on the recruitment and training of volunteers.
7. There should be an increased emphasis on monitoring existing programs for effectiveness and efficiency and recommendations made for the reallocation of resources as appropriate.
8. Prevention of juvenile crime should be a high priority at the state level to provide needed program direction and technical assistance to local agencies, who should be responsible for the delivery of services.

#### C. Corrections

One primary responsibility the State has is to protect society from those who have been found guilty of a crime or crimes. In these tight financial times it is becoming increasingly difficult to provide adequate correctional facilities to house everyone being sentenced. It is becoming necessary for us to examine other less-expensive alternatives to incarcerating certain classes of convicted persons, such as juveniles, first offenders, non-violent criminals, so that our corrections system can provide adequate supervision for violent, dangerous criminals.

1. We should emphasize non-institutional oriented correctional methods that can adequately supervise and correct the behavior of certain classes of convicted persons.
2. Adequate facilities and resources must be provided to protect society from dangerous individuals convicted of serious crime.
3. Develop programs that provide greater alternatives to incarceration for certain classes of non-dangerous convicted persons.
4. Sentencing guidelines must be developed to bring consistency and certainty to the punishment meted out for crimes.

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5. A sound, credible probation and parole system must exist to supervise those released from corrections, and provide assistance to help assure they will not return.

A number of issues must be addressed at the State level concerning the local jails, many of which do not meet State standards and face potential litigation. A strategy for providing technical assistance, training, program direction and coordination is necessary at the State level.

#### D. Courts

It is vital that South Carolina develop a rational sentencing policy. Criminals should be punished but the punishment meted out should be consistent and meet the severity of the offense.

1. A classification system for offenses must be developed for misdemeanors and felonies. Sentencing guideline development would follow to bring consistency and certainty to the punishment meted out for crimes.
2. A thorough analysis of the indigent defense system has been accomplished but a cost impact must be developed and recommendations made to provide an adequate system compliant with constitutional mandates.
3. Efforts should continue to address funding and standards concerning magistrates as recently directed by the Supreme Court.
4. Efficiency measures in the court system should continue to be revised to maximize dollars and improve services and relations with the public, i.e., improved juror management techniques, victim assistance programs.

#### E. Emergency Management

In times of emergency or disaster people turn to their government for direction and assistance. It is important that the State develop an emergency management system that can respond to any threat to the health or safety of our people.

1. We should implement guidelines and standards to be followed across the State.
2. This system must be coordinated with local efforts and local officials to insure a comprehensive response to any threat.
3. The public must be educated on these emergency procedures and how they should respond.

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## II. PUBLIC EDUCATION

### A. Early Childhood

A child's potential for learning is affected by the quality of care the mother receives before the child is born as well as the child's education and early experience after birth. Therefore, it is critical that parents, caregivers, and teachers understand the importance of learning and applying sound principles of child development during these early years. Keeping in mind that the parents are the first and most influential teachers of the young child, we must find a variety of methods and resources to help them understand their responsibility and increase their knowledge and expertise in parenting skills. The second most influential teachers of the young child are those who provide daily care. Since more than forty percent of mothers with children under six are in the work force, we must turn our attention to the quality and availability of child development programs. To address these areas, our priorities might fall in the following order:

1. Encourage all agencies which serve young children or train child caregivers to adopt and focus attention upon the goals set forth in the Comprehensive Plan for Early Childhood Development and Education as approved by the Interagency Coordination Council for Early Childhood Development and Education. Over the last few years, we have seen the results of better early childhood and kindergarten programs by the improved readiness scores of our children. The time has come for us to build the tools of this success into the foundation of our educational systems. The Department of Education in cooperation with other agencies, should begin to develop a comprehensive program for early childhood development, incorporating a variety of alternatives and strategies that are cost-effective and productive.
2. Increase the availability of resources for parents and teachers of young children through the use of such natural networks as the county library system and the Media Clearinghouse for Early Childhood Development and Education.
3. Increase the number of home-based and center-based parent education programs in the public schools and encourage private day care/child development centers to establish similar programs.
4. Encourage business and industry to explore possible models for parent cooperative/child development centers.
5. Establish a state-wide consortium of qualified teacher-trainers through the cooperation of all agencies (public and private) that provide programs and services for young children and their parents, as well as colleges, universities, and technical schools.
6. Establish a resource bank or network to provide help for parents of preschool handicapped children. Explore the possibilities of cooperative regional centers for early education of handicaps.

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## 11. PUBLIC EDUCATION (Continued)

### B. Primary/Secondary Education

Public education is the chief function of State government. Five years ago, we embarked on a policy of improving the quality of our educational system and enhancing the opportunities for each child to improve his or her self. We have seen the fruits of that effort already being borne in improved achievement, evidenced by test scores, and a renewed commitment to quality public education. The future promises some imposing demands on our public school system for a higher quality student prepared to meet the demands of a technological world. The continued effort toward making our entire public education system the best must move forward to meet this challenge.

1. The State must continue to commit the necessary resources to be the primary provider of free public education. South Carolina must look to the future beyond the Education Finance Act and commit itself to a new initiative for the future. We should conclude the final and full implementation of the Education Finance Act. In addition, we must continue and expand this commitment to improve the quality of instruction for all students in public schools.
2. The success of our public school system depends upon the support rendered it by the community. For our system to achieve greater excellence, we must foster the active involvement of parents, retired citizens, businessmen and civic leaders in the daily activities of our schools. We must develop and fund programs to correct deficiencies found through basic skills testing.
3. Defined minimum educational programs must be continued, and emphasis on the quality of instruction built into the system if accrediting our schools.
4. Remedial education programs must be emphasized and targeted to insure that everyone has an equal opportunity to succeed.
5. Programs must continue for those who have handicapping conditions or learn more slowly.
  - a. Quality teacher training programs at colleges and universities are essential to the future improvement and growth of quality in our public schools.
  - b. Certification requirements for teachers must be reasonable and reflective of practical teaching skills necessary to educate our children.
  - c. Continuing teacher education should be a requirement and it is the State's responsibility to provide these programs.
6. Similarly, we must provide the opportunity for exceptionally gifted and talented students to achieve their fullest potential.

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7. Teacher and administrator training and retraining must be a primary focus of our educational system to produce and maintain quality educators.
8. We must provide a comprehensive system of guidance counseling in the educational process, especially in the formative elementary years.
9. Vocational training must be provided to help every student acquire job skills for the future. Vocational training aimed at providing students with viable job skills should be offered as early as eighth grade.
10. We must develop uniform guidelines and procedures to deal with the problems of training and school dropouts.

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### III. POST-SECONDARY EDUCATION

South Carolina's post-secondary education institutions are important to the future progress of the State. During the next 10-15 years, new demands will be placed on our colleges, universities and technical schools as we prepare for new waves of technology, industry and other changes. Our focus for the future must be to marshal our limited resources as effectively and efficiently as possible to build a strong, high-quality system of higher and technical education for citizens who need or seek it.

- A. To avoid costly duplication and waste by providing for greater coordination and cooperation among our four year colleges, universities, two year colleges, and technical colleges. This should include, where appropriate, shared faculty, coordinated library holdings, cooperative development and use of the latest instructional materials and curricula, and elimination of redundant courses and programs.
- B. To direct resources that promote research and the development of high technology, businesses and industry.
- C. To provide educational and training programs at our post-secondary institutions that must work hand-in-hand with available jobs in the private sector and the job demand facing South Carolinians.
- D. To eliminate low demand and less productive programs so we may focus our emphasis and resources on productive, high-demand programs during declining enrollments and changing needs for education programs.
- E. To minimize new construction and expansion by utilizing existing structures through renovation and repair, and multi-purpose use of facilities operated by other State and local agencies. Capital expenditures have placed a heavy burden on the resources of post-secondary institutions, reducing the availability of resources urgently needed for operational needs.
- F. To develop and retain high quality programs within our system of post-secondary education. This must be considered as a top priority. In order to accomplish this, salaries must be strong, competitive and flexible as certain disciplines require different levels of emphasis and resources. Also, a strong system of faculty, staff evaluation and development should be implemented as well as the most cost-effective use of equipment, buildings, instructional materials and organization.
- G. To provide resources to maintain modern up-to-date equipment for research and training needs in our post-secondary system of education; this must be a number one priority. This should include the shared purchase and use of high-cost, rapidly out-dated equipment, joint arrangements with private businesses and industries, and efficient use of private and public funds.

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#### IV. SPECIAL EDUCATION NEEDS

We have a duty to provide assistance to those children with special educational and training needs. We must support those programs that allow these young individuals the opportunity to become productive citizens and achieve their maximum potential.

- A. Our first priority is to make more available preventive services for children with these special needs.
- B. Provide coordinated screening and diagnostic services to identify children with special needs.
- C. Provide treatment and educational services to children with special needs, and initiate cost-effective programs for severely emotionally handicapped children and youth.
- D. Provide support and assistance to parents of children with special needs.
- E. To reduce the level of out-of-home placement of children, especially those in the pre-school years.

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V. CULTURAL PROGRAMS

Arts and other cultural programs are part of the rich heritage of life in South Carolina. In addition, they perform a valuable educational and learning role in bringing to our citizens the complete story of our history.

- A. To provide for a strong statewide library system that promotes the literacy and learning of all South Carolinians in cooperation with local and school libraries.
- B. To provide support for a variety of art forms in our State; especially to support local, indigenous arts programs, local artists, and artist in the schools programs.
- C. To maintain a base-level program that protects and preserves the history of South Carolina for present and future generations.

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## VI. HEALTH AND HUMAN SERVICES

It is the responsibility of government to assure that assistance is provided to individuals and families in need of health care, economic and social support. The provision of needed services may range from total to partial and from permanent to temporary. The role of government should be to assure that needed assistance is received with the goal of achieving self-sufficiency where possible. Government services should enhance and support family and volunteer assistance. Service delivery should be conducted in the private sector to the optimum extent possible, giving full consideration to cost effectiveness, equity and quality factors.

Public sector involvement should encompass three major areas:  
1) prevention; 2) assurance that needed services are delivered at the most appropriate level of care; and 3) cost effectiveness in administration and service delivery.

The elderly, the young, the handicapped, the poor and families in general should be given priority attention through planning efforts aimed at specific goals and objectives.

### A. Health

Prevention services aimed at promoting health and preventing illness or disability must receive first priority attention and funding.

1. A primary goal should be improvement in the health status of mothers and children. Adequate maternal and child health care services should be assured for those who would otherwise be unable to obtain or afford such services with special emphasis on teenage mothers and reducing the incidence of low birth weight.
2. Prevention of disabilities must be given special attention. Genetics counseling, general health education and other preventive measures are of utmost importance. Special services should be provided at the earliest stages in order to prevent and/or treat a condition which would otherwise become progressively disabling and thus inhibit self-sufficiency or require institutionalization.
3. Major efforts are needed to achieve an effective health education system for our children and adults. At early ages, such programs produce real dividends. Parent education is of tremendous importance here as well as the development of comprehensive health education programs in our schools. Community and worksite programs are also important factors in approaching our adult population.
4. Every effort must be made to avoid the spread of communicable disease.

We must achieve a balanced health care system which provides for quality institutional care when needed, but strives to avoid the need for institutional (24 hour) care. Health care services and health support services should be tailored to the needs of individuals and delivered at the most appropriate level of care.

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- a. Long term care services for the elderly and disabled should be closely monitored to assure this goal. We must strive for a better interagency system of resource planning and utilization.
- b. Efforts to fully promote and utilize community and family support systems are essential (e.g., home health services).
- c. Incentives should be developed to encourage providers of institutional care to become providers of non-institutional services and, to the extent possible, current funding should be shifted in this direction.
- d. Access to needed services should be assured for children, elderly, handicapped and poor citizens of our State, with special attention given to underserved areas.
- e. Services for the mentally ill and mentally retarded citizens of our State should enhance their opportunities to live useful lives. Non-institutional community services which support individuals and their families should receive priority attention.

#### B. Human Services

While the promotion of self-sufficiency of persons and families in need of public assistance benefits is of critical importance, it must be realized that the great majority of individuals receiving these benefits are unable to be self-sufficient and depend on such benefits to maintain a minimal standard of living. The role of government is to see that opportunities are provided for those who can achieve self-sufficiency and to assure an adequate benefit level for those who cannot otherwise meet their essential needs.

1. Government should make every effort to provide temporary economic and other support services to needy individuals and families aimed at achievement of self-sufficiency and preservation of families.
2. The establishment of effective work opportunities and training programs to assist individuals to become self-sufficient should be a shared responsibility of the public and private sectors.
3. Community social support services play an important role in the goal of avoiding premature or unnecessary institutionalization and in helping deinstitutionalized persons to adjust to a community environment. Such services should be a priority for state and local governments. Volunteer resources in the private sector can also be of tremendous assistance.
4. For those who are unable to lead independent lives, an adequate standard of living must be maintained, including support for food, shelter, health care, and other programs that help meet basic human needs.
5. Protection of abused, neglected and/or exploited children and adults must be a primary function of government.
6. The provision of adequate assurances for the rights of children is essential. Public services should be directed toward the goal of achieving a stability for child growth and development.

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While recognizing that volunteer assistance cannot replace full-time paid staff in the delivery of health and human services, every effort should be made to encourage involvement of volunteer resources in helping to meet needs and provide opportunities.

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## VII. TRANSPORTATION

Safe and efficient transportation of goods and people is a necessary ingredient to the economic development of our State. Our transportation elements--rail, highway, air and sea--should be considered partners in a total system. Expansion of those elements provided or affected by state government should be only when necessary to encourage an area's economy.

- A. Roads and highways of high quality that provide for the uninterrupted transport of goods and people exist throughout South Carolina. Their repair and maintenance must be our number one concern and number one funding priority. Any new roads must be justified by direct economic benefit.
- B. The coordination of the commuter, regional and major national airlines is necessary to achieve the most efficient air transport of goods and people.
- C. The State should work to preserve the rail system it has and assure that rail expansions are coordinated with other transportation modes.
- D. Continued recognition of the value of our State's port facilities, and promotion of these port facilities as ports of call worldwide has great importance to the State's economy.
- E. The encouragement of public transportation systems is critical to efficient movement of people, especially in rural areas, and in many cases is critical to the ability of a labor force and an employer. Our State must continue to encourage the development of public transportation and help provide resources and assistance to local and regional efforts in this direction.

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VIII. CENTRAL ADMINISTRATION/MAJOR ISSUES

- A. Our major priority in this area must be the establishment of a comprehensive pay policy that sets out clear goals and objectives for meeting the needs of a qualified state work force. If we do nothing else this year, we should do this.
- B. To promote the adoption within the State system of new, modern information technology systems that are more efficient and more cost effective for our State, and to assure the implementation of these systems is centrally coordinated and monitored.
- C. State agencies need to recognize the tremendous drain capital improvements place on the general funds. It takes away from other operational services and needs. We may need to consider a further moratorium on any new bond authorizations for next year, and look seriously at alternatives such as cash for capital improvements in the future.
- D. At the same time, we need to provide some flexibility to allow agencies and institutions the ability to make certain repairs and renovations outside the capital bond process.
- E. The funds provided to local governments through aid to subdivisions should be considered in light of a comprehensive State policy toward local governments. It is essential that the State move forward to give local governments the authority and responsibility over their fiscal affairs, including new alternatives for revenues that will reduce their dependency on single tax sources.
- F. We must continue our commitment to reduce the size of State government by eliminating waste and consolidating functions where possible.
- G. The administration of State government must include the reduction of energy consumption as a high priority. This should be accomplished through stringent design criteria of new buildings, extensive energy conservation practices in existing buildings, strong controls on transportation in State vehicles and serious considerations of alternative primary fuels such as propane for vehicles and solar thermal heat for water and space heating.



IX. ECONOMIC DEVELOPMENT

Education/Development/Training

Economic development can best be facilitated through the continued encouragement of private investment. The State participates in this encouragement by providing a quality technical education system, helping local areas with assistance in attracting business, research, job training and recruitment. We must continue to improve these efforts so that we may enjoy sustained growth. At the same time, however, it is vital that we turn our attention and resources to assist those areas of the State which have not benefitted as greatly from economic growth over the past decade.

- A. Support must be provided to maintain a strong technical and vocational system, especially in the area of high technology and special schools. These are the jobs of the future. Joint planning and implementation of programs should be conducted to minimize cost and maximize services. Provision should be made for additional funding for special schools and equipment to implement the Design for the 80's program that will help provide the workforce for the high technology industry of the future.
- B. More State assistance must be provided to assist the research and development that is undertaken in the private sector. The State should promote research and development activities by coordinating the work of our secondary education system, private businesses, State agencies and other resources.
- C. Educational and training activities must direct their resources to maintain up-to-date equipment to properly train and educate potential workers and use cooperative approaches to sharing highcost training equipment. The first priority of our TEC, vocational and higher education systems should be to request funds for equipment on which we can train our future work force.
- D. As the Federal commitment to job training and retraining waivers, our State must continually reevaluate its efforts in this area and embark upon bold, innovative initiatives to develop and maintain a competent work force to meet industrial needs.
- E. Resources should be directed to assist small and minority businesses.
- F. All our economic development activities must protect, conserve and develop our natural resources to assure future availability. Funds must be provided to conduct base-line studies on our environmental system so that we can grow and develop in a manner consistent and compatible with our natural resources.
- G. Our State should embark on a program which will, through tax and other policies, allow underdeveloped areas of the State to build the capability to attract industrial development. Funds should be available to provide technical assistance to underdeveloped regions and to assist in the development of infrastructure and other systems basic to the needs of industry and economic development.

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- H. Resources should be coordinated and directed in a manner which will support the private tourism industry and supplement it in areas where it may be necessary. State parks should be utilized to support private tourism efforts and enhance the attractiveness of underdeveloped areas of our State to economic development. Local governments should be given the authority and resources to develop their own tourism promotion strategies.
- I. If economic development is to remain viable in our State, we must begin to address the lack of resources committed to our infrastructure system (water, sewer, roads, etc.). As the Federal government's commitment to infrastructure needs decline, we must seriously evaluate our State's effort at providing these building blocks to future economic development. Maintaining our roads, providing resources for water and sewer are fundamental requirements for economic growth.

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## X. & XI. REGULATORY AND LICENSING

Regulatory and licensing agencies perform a vital public service by regulating and monitoring certain businesses, professions and industries, safeguarding the public health and well-being. The functions are an essential and a normal part of these businesses, when kept within the normal bounds of common sense and fairness. These regulations and licensing requirements should, therefore, not stifle the productivity of the businesses they serve.

- A. The functions performed by licensing agencies should be fully self-supporting by the businesses and professions they monitor. Duplication should be avoided by consolidation of administration, etc., wherever possible.
- B. Regulatory agencies should reevaluate their fees and fine structure to increase their self-sufficiency as much as possible.
- C. A major priority must be to provide support to revenue enhancing functions in State government.
- D. To improve the safety and productivity of the work force and work place, we must have a strong equal employment program and employee safety program. The State has a responsibility to impose reasonable regulations to provide for fair work opportunities and a safe place to work.

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### XII. Natural Resources

The protection, preservation and use of South Carolina's natural resources are most important to future generations. We must always be mindful to maintain the quality of our environmental system.

- A. Our State must maintain a strong environmental protection capability in law, regulation and programs. This will require both additional funds and additional employees and provision for expensive contingencies arising from environmental intrusion of pollution.
- B. Those who directly utilize and benefit from our natural resources should bear a part of the financial responsibility for their protection, preservation and use. This is particularly true in the case of individuals who profit from the use of public natural resources. The State should institute user fees whenever practical in order to ensure equitable use of our resources and to help defray the cost of their management.
- C. It is important for our State to support and foster the development of those natural resources (e.g. forests, wetlands suitable for aquaculture, recreational areas) which can provide benefits to our State and its people without damaging the environment.
- D. Our State must move, without hesitation, to protect and preserve areas of unique cultural and ecological importance.

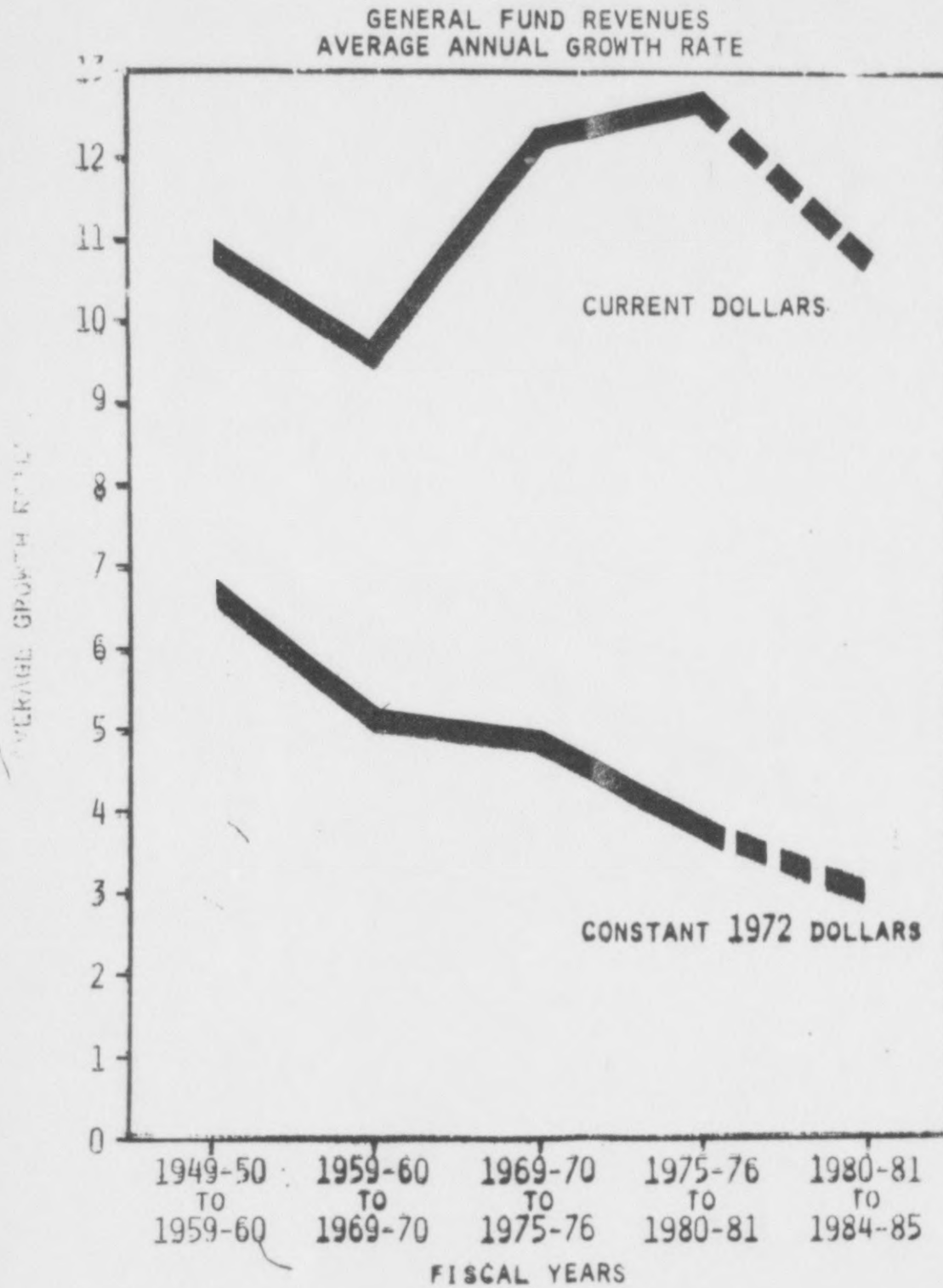
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# EXHIBIT

MAY 17 1982 NO. 1

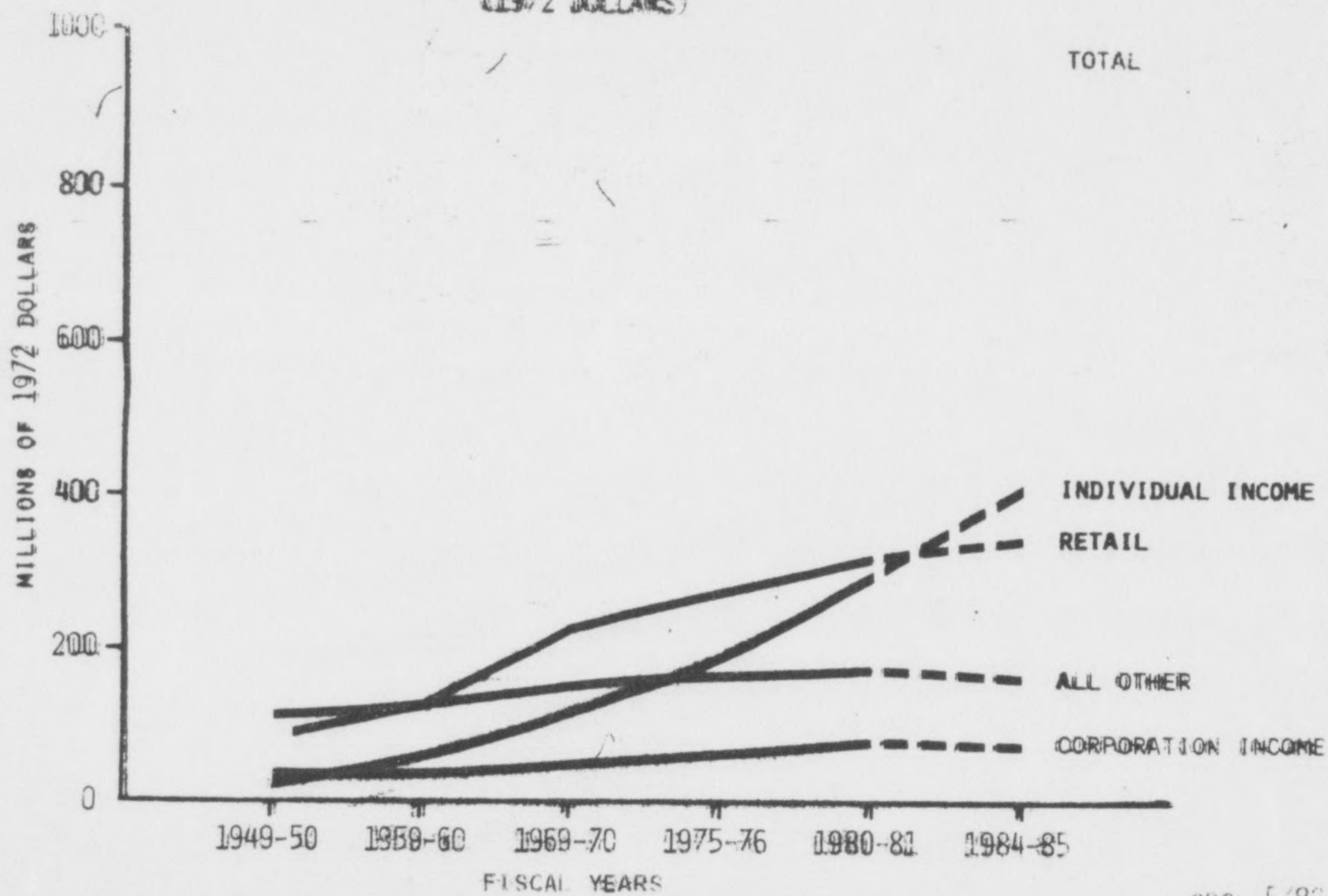
STATE BUDGET & CONTROL BOARD



DRSS 5.22

024536

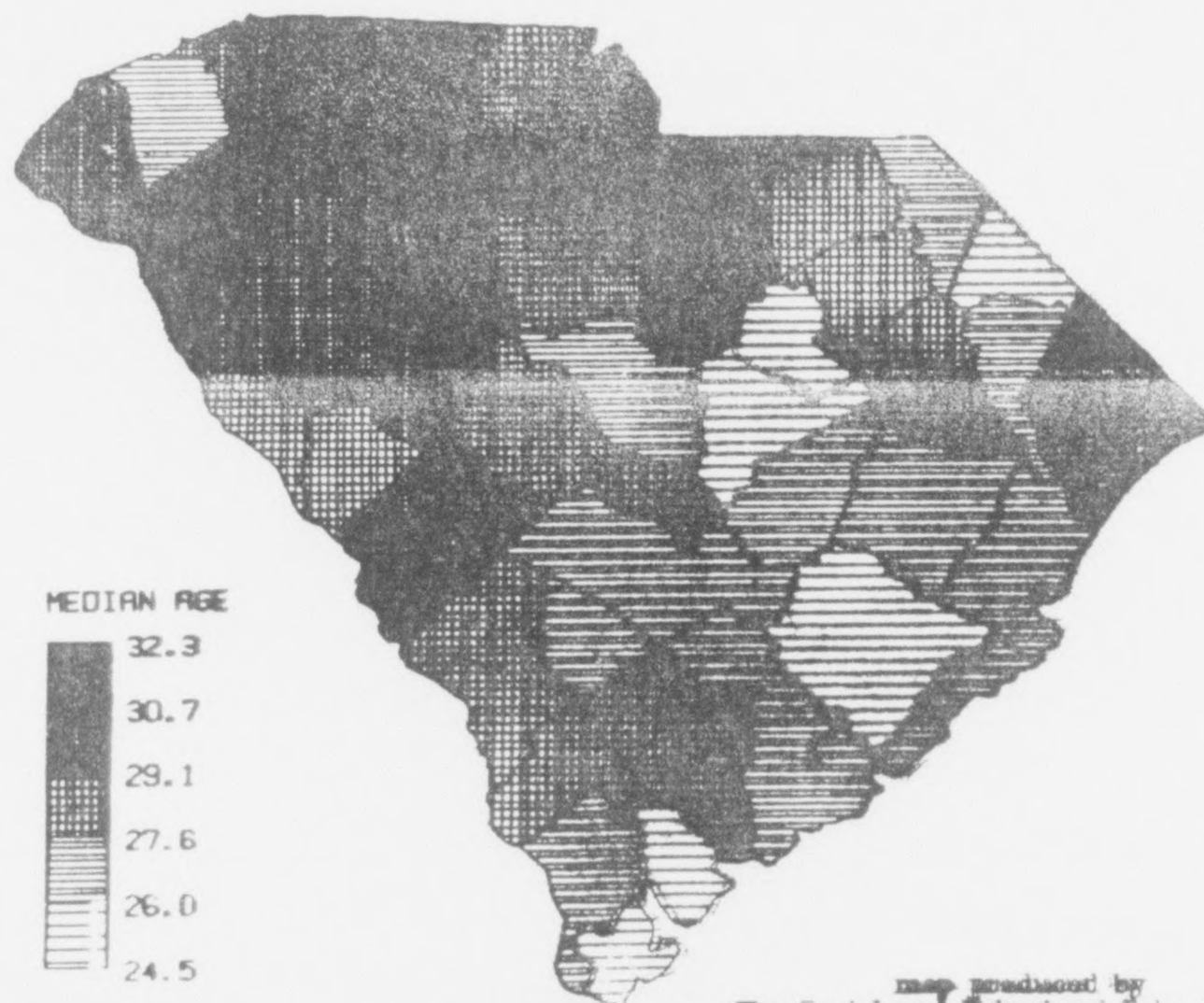
# REAL GENERAL FUND REVENUES (1972 DOLLARS)



024537

DRS: 5/82

# Median Age of Population



024508

Source: STPLS Census File

map produced by  
The Social and Behavioral Sciences Inst.  
University of South Carolina

ELASTICITY OF GENERAL FUND REVENUES  
FOR SELECTED PERIODS

	FY 1959-60 to FY 1969-70	FY 1969-70 to FY 1975-76	FY 1975-76 to FY 1980-81	FY 1981-82 to FY 1984-85
REGULAR SOURCES	1.210	1.172	1.117	.955
Retail Sales	1.494	1.092	.890	.647
Individual Income	1.635	1.826	1.816	1.691
Corporation Income	1.020	1.054	1.237	.331
All Other	.768	.841	.884	.590

Elasticity =  $\frac{\% \text{ Change in Revenue Category} - \text{Fiscal Years}}{\% \text{ Change in S. C. Personal Income} - \text{Calendar Years}}$

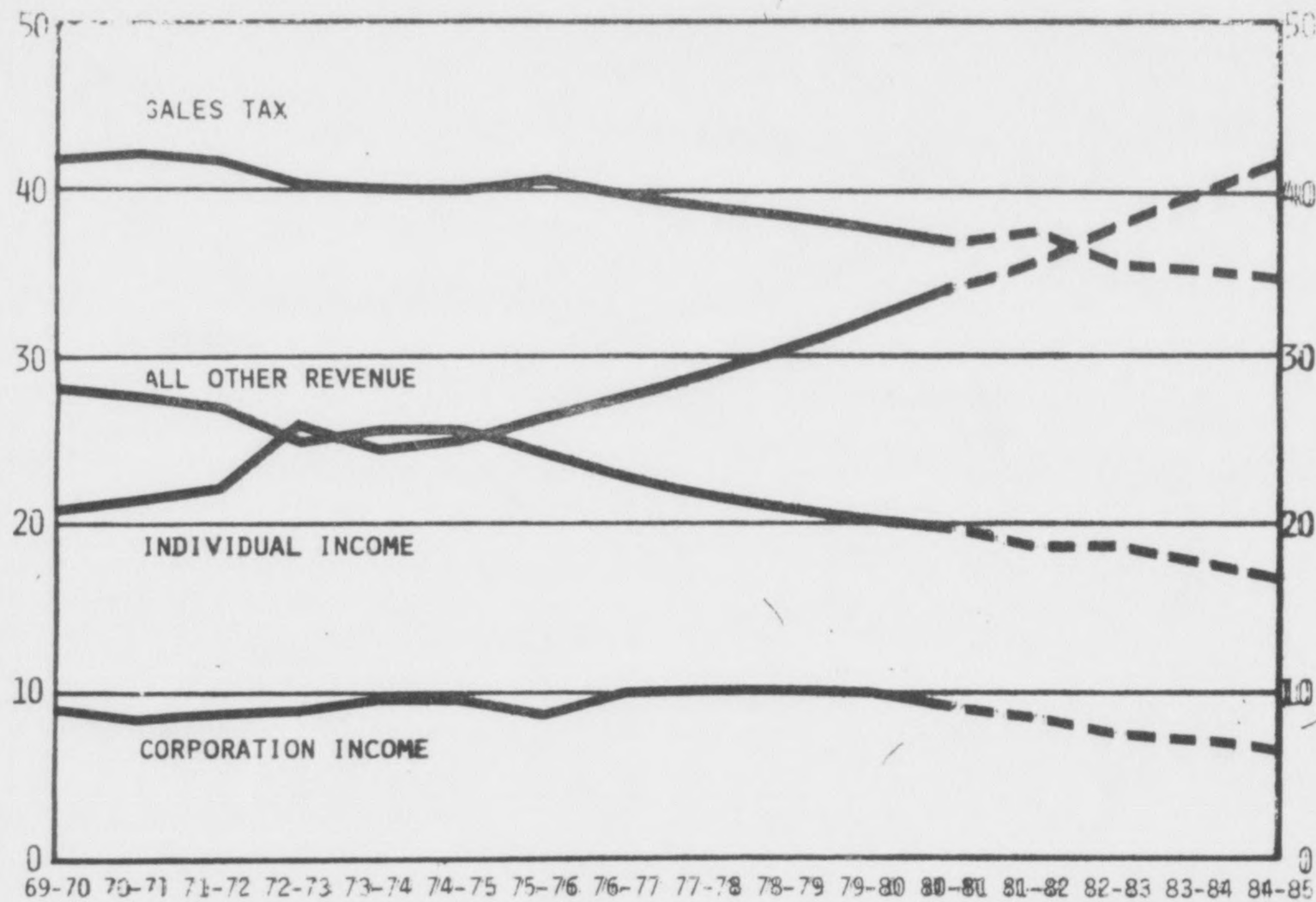
024539



# DISTRIBUTION OF REVENUE SOURCE REVENUE BY MAJOR CATEGORY PERCENT OF TOTAL

PERCENT  
OF TOTAL

PERCENT  
OF TOTAL

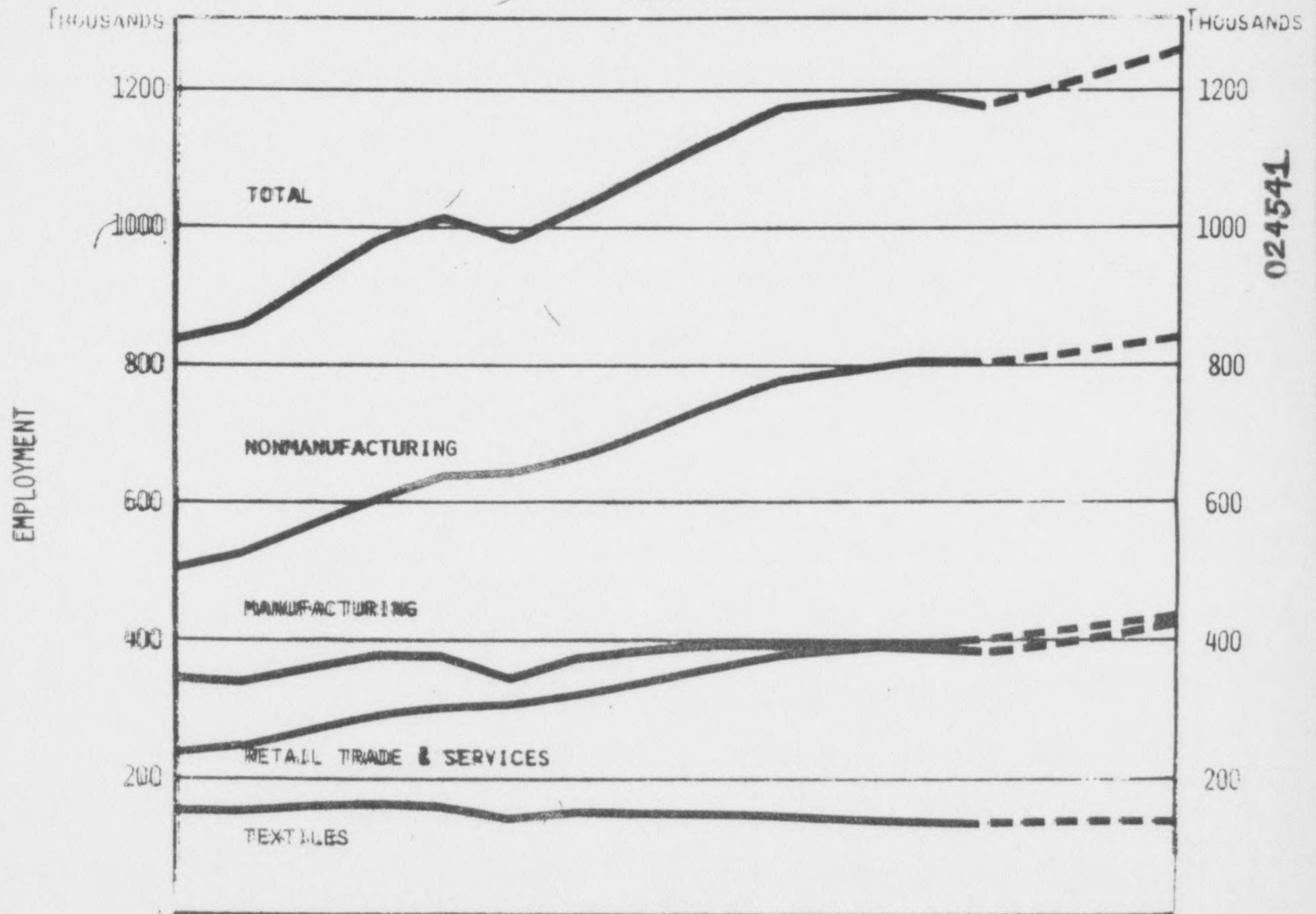


FISCAL YEARS

DRSS 5/82

024540

1970-1985



**THE SQUEEZE ON GRANTS TO STATE AND LOCAL GOVERNMENTS**  
(Past and Proposed Shifts in the Composition of the Federal Budget)

GRANTS-G	(11.5%)	GRANTS-G	( 8.4%)	GRANTS-G	( 5.4%)
GRANTS-I	( 5.8%)	GRANTS-I	( 6.0%)	GRANTS-I	( 5.3%)
Other Direct Domestic	(16.0%)	Other	(14.2%)	Other	(11.6%)
Social Safety Net	(35.5%)	Social Safety Net	(36.9%)	Social Safety Net	(37.7%)
Interest	( 7.9%)	Interest	( 9.8%)	Interest	( 8.8%)
Defense	(23.3%)	Defense	(24.7%)	Defense	(31.2%)
1978		1981		1984 (Proposed)	

"Grants-G" refers to grants for governments.

"Grants-I" refers to grants to governments primarily for direct individual payment programs, including AFDC, Medicaid, Housing Assistance, and Low Income Energy Assistance.

"Social Security" includes Social Security and Food Stamps.

## EXHIBIT

SOURCE: Advisory Commission on Intergovernmental Relations

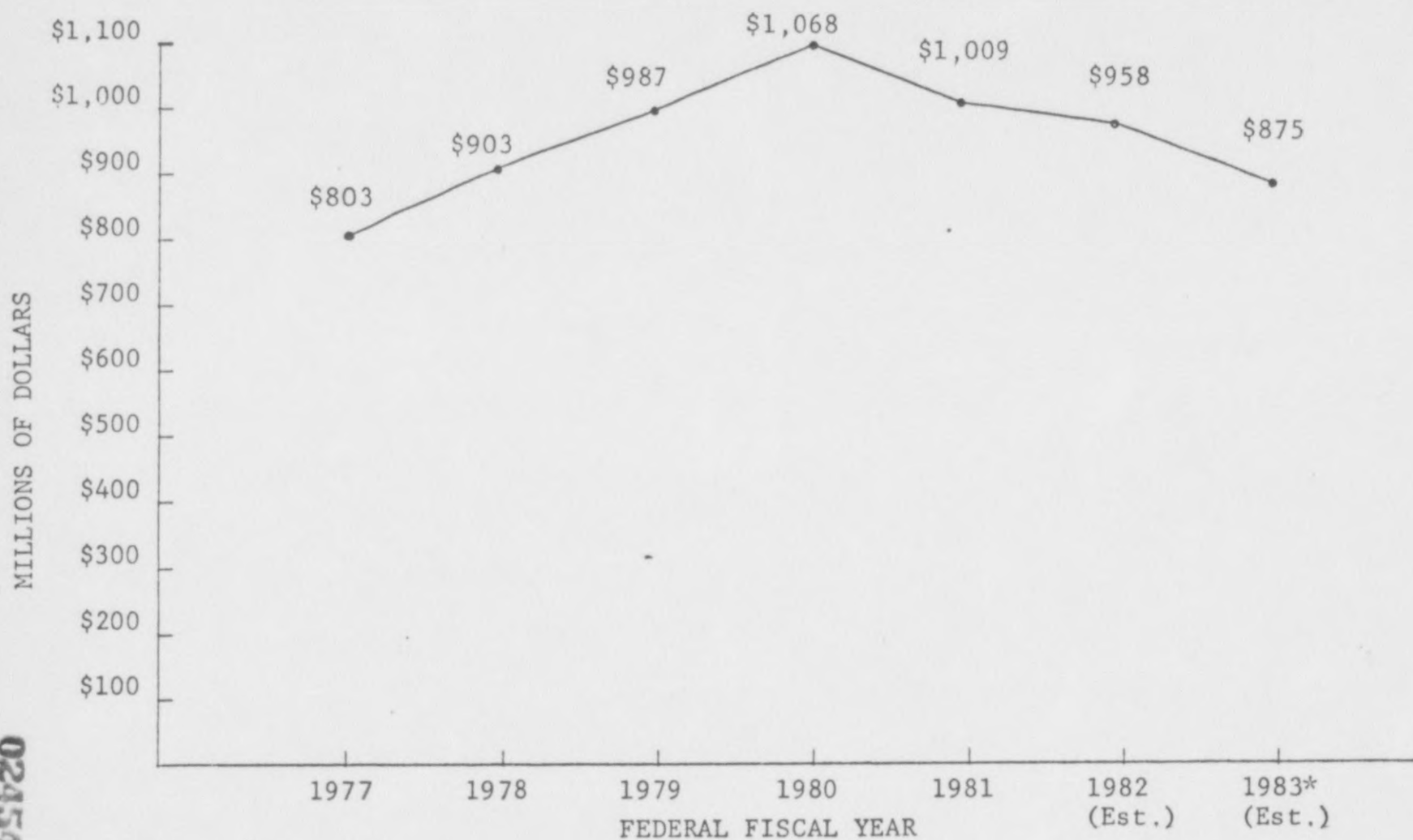
MAY 17 1982

NO. 1

**024542** STATE BUDGET & CONTROL BOARD



FEDERAL AID TO SOUTH CAROLINA  
STATE AND LOCAL GOVERNMENTS  
MILLIONS OF DOLLARS  
1977-1983



SOURCE: Department of the Treasury

\* Reagan budget

024543

# KEY DATES IN FEDERAL BUDGET PROCESS

FISCAL YEAR 1983 BUDGET

EXHIBIT

(BEGINNING OCTOBER 1, 1982)

MAY 17 1982

NO. 1

STATE BUDGET & CONTROL BOARD

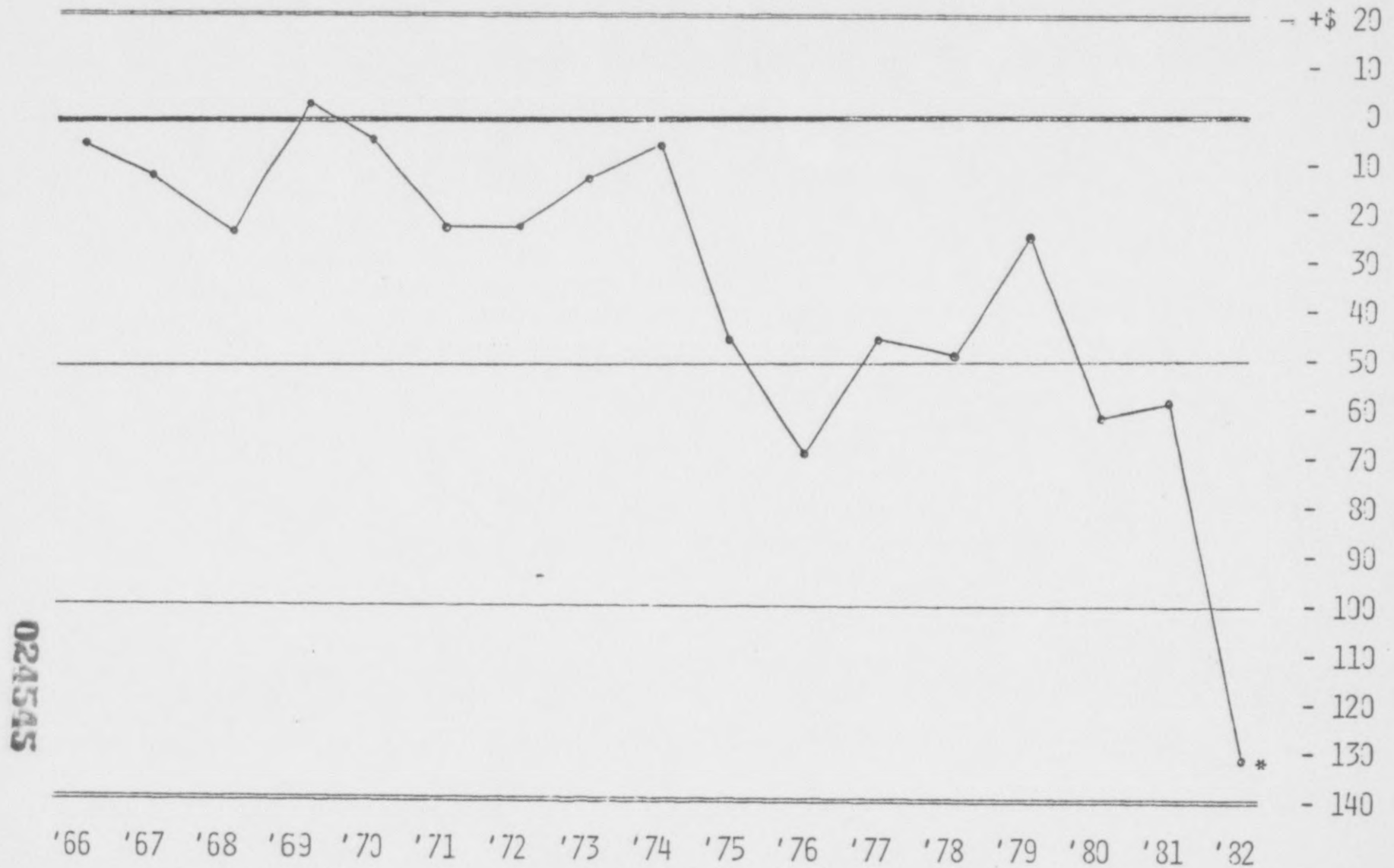
<u>WHEN</u>	<u>WHO</u>	<u>ACTION</u>
JANUARY	PRESIDENT	TRANSMITS BUDGET TO CONGRESS.
MARCH 15	STANDING COMMITTEES OF HOUSE & SENATE	PROVIDE BUDGET ESTIMATES TO HOUSE AND SENATE BUDGET COMMITTEES.
APRIL 15	HOUSE AND SENATE BUDGET COMMITTEES	REPORT OUT FIRST CONCURRENT RESOLUTION.
MAY 15	HOUSE AND SENATE	1. APPROVE FIRST CONCURRENT RESOLUTION. 2. PROVIDE INSTRUCTIONS TO HOUSE AND SENATE APPRO- PRIATIONS COMMITTEES.
SEPTEMBER 15	HOUSE AND SENATE	1. APPROVE SECOND CONCURRENT RESOLUTION WITH BUDGET CEILING. 2. PROVIDE DIRECTIONS TO HOUSE AND SENATE APPRO- PRIATIONS AND AUTHORI- ZATION COMMITTEES.
SEPTEMBER 25	HOUSE AND SENATE	APPROVE RECONCILIATION BILL.

024544

# FEDERAL BUDGET SURPLUS OR DEFICIT

1966-1982

IN BILLIONS



\*\$130 PROJECTED  
1ST QUARTER '82

024545



ESTIMATE OF FEDERAL FUND REDUCTIONS  
FOR SOUTH CAROLINA  
FEDERAL FISCAL YEARS 1982 AND 1983  
(in millions of dollars)

	<u>1981 to 1982</u>	<u>1982 to 1983</u>	<u>1981 to 1983</u>
<u>Employment and Training</u>	<u>\$(30.6)</u>	<u>\$(23.1)</u>	<u>\$(53.7)</u>
CETA	(32.0)	(22.8)	(54.8)
Other Employment & Training	1.4	(.3)	1.1
<u>Education</u>	<u>(26.0)</u>	<u>(22.7)</u>	<u>(48.7)</u>
Elem. & Sec. Education Act (Title I)	(11.0)	(9.4)	(20.4)
Student Aid for Higher Education	(2.6)	(11.3)	(13.9)
Other Education	(12.4)	(2.0)	(14.4)
<u>Health And Human Services</u>			
<u>Block Grants</u>	<u>(15.9)</u>	<u>(19.9)</u>	<u>(35.8)</u>
<u>Community And Economic Development</u>	<u>(18.3)</u>	<u>(8.4)</u>	<u>(26.7)</u>
Econ. Dev. Admin. (EDA)	(2.9)	(4.6)	(7.5)
Appalachian Regional Comm.	(2.8)	(3.4)	(6.2)
Outdoor Recreation and Historic Preservation	(3.0)	(.4)	(3.4)
Other Community and Econ. Development	(9.6)	-	(9.6)
<u>Energy And Environment</u>	<u>(.5)</u>	<u>(5.0)</u>	<u>(5.5)</u>
<u>Other Programs*</u>	<u>31.3</u>	<u>(18.2)</u>	<u>13.1</u>
South Carolina Total	<u>\$(60.0)</u>	+ <u>\$(97.3)</u>	= <u>\$(157.3)</u>

Reductions are shown in parentheses; increases are unmarked.

\* "Other Programs" includes Transportation, Criminal Justice and Public Safety, and Health and Human Service programs other than Block Grants.

024546

MAJOR GRANT PROGRAMS PROPOSED FOR ELIMINATION  
1982 AND 1983

<u>FEDERAL PROGRAM</u>	<u>RECIPIENT AGENCIES</u>
WORK INCENTIVE (WIN)	EMPLOYMENT SECURITY, DSS
CETA PUBLIC SERVICE EMPLOYMENT	NUMEROUS STATE AGENCIES AND LOCAL GOVERNMENTS
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS	HIGHER EDUCATION INSTITUTIONS (STUDENT AID)
PUBLIC LIBRARY SERVICES	STATE LIBRARY, LOCAL LIBRARIES
ECONOMIC DEVELOPMENT ADMIN- ISTRATION	LOCAL GOVERNMENTS
HISTORIC PRESERVATION	ARCHIVES AND HISTORY, VARIOUS PRIVATE AND PUBLIC AGENCIES
OUTDOOR RECREATION	LOCAL GOVERNMENTS (FOR FACILITY DEVELOPMENT)
WATER RESOURCES PLANNING	WATER RESOURCES COMMISSION
ANDROMOUS FISH	WILDLIFE AND MARINE RESOURCES
SEA GRANTS	SEA GRANTS CONSORTIUM, HIGHER EDUCATION INSTITUTIONS
COASTAL ZONE MANAGEMENT*	COASTAL COUNCIL
COASTAL ENERGY SUPPORT	GOVERNOR'S OFFICE AND LOCAL GOVERNMENTS
CRIME CONTROL (LEAA)	NUMEROUS STATE AGENCIES AND LOCAL GOVERNMENTS
RAILROAD SAFETY	PUBLIC SERVICE COMMISSION

\* NEARLY 100% ELIMINATION PROPOSED

024547

BLOCK GRANTS  
(IN MILLIONS OF DOLLARS)

	<u>FY 81</u>	<u>FY 82</u>	<u>PROPOSED FY 83</u>	<u>82-83 CHANGE</u>
ADAMH*	7.7	5.5	5.5	-
PREVENTIVE HEALTH	1.3	1.0	1.0	-
SERVICES FOR WOMEN				
INFANTS & CHILDREN	31.7	31.1	24.0	-7.1
MCH	(7.7)	(6.6)		
WIC	(24.0)	(24.5)		
SOCIAL SERVICES	39.6	32.8	27.0	-5.8
LOW INCOME ENERGY	16.1	12.8	8.9	-3.9
COMMUNITY SERVICES	5.8	5.0	1.6	-3.4
COMMUNITY DEVELOPMENT	24.6	27.0	27.0	-
EDUCATION	7.0	6.2	5.6	-0.6
PRIMARY CARE BLOCK GRANT	15.0	11.6	11.6	-
PRIMARY CARE	(10.6)	(7.9)		
MIGRANT	(.5)	(0.4)		
BLACK LUNG	-	-		
FAMILY PLANNING	<u>(3.9)</u>	<u>(3.3)</u>	—	—
TOTAL	148.8	133.0	112.2	-20.8

\* ALCOHOL, DRUG ABUSE, & MENTAL HEALTH

**024548**



## PROPOSED TURNBACK PROGRAMS

### EDUCATION & TRAINING

VOCATIONAL REHABILITATION  
VOCATIONAL & ADULT EDUCATION  
STATE BLOCK GRANTS (ECIA CH.2)  
CETA  
WIN

### INCOME ASSISTANCE

LOW INCOME HOME ENERGY  
ASSISTANCE

### SOCIAL, HEALTH & NUTRITION SERVICES

CHILD NUTRITION  
CHILD WELFARE  
ADOPTION ASSISTANCE  
FOSTER CARE  
RUNAWAY YOUTH  
CHILD ABUSE  
SOCIAL SERVICES BLOCK GRANT  
LEGAL SERVICES  
COMMUNITY SERVICES BLOCK GRANT  
PREVENTION BLOCK GRANT  
ALCOHOL, DRUG ABUSE & MENTAL  
HEALTH BLOCK GRANT  
PRIMARY CARE BLOCK GRANT  
MATERNAL & CHILD HEALTH BLOCK  
GRANT  
PRIMARY CARE RESEARCH AND  
DEVELOPMENT  
BLACK LUNG CLINICS

### SOCIAL, HEALTH & NUTRITION SERVICES, CONT'D

MIGRANT HEALTH CLINICS  
FAMILY PLANNING  
WOMEN, INFANTS, & CHILDREN  
(WIC)

### TRANSPORTATION

GRANTS-IN-AID FOR AIRPORTS  
HIGHWAYS  
INTERSTATE TRANSFER  
APPALACHIAN HIGHWAYS  
URBAN MASS TRANSIT:  
CONSTRUCTION  
OPERATING

### COMMUNITY DEVELOPMENT AND FACILITIES

WATER & SEWER  
COMMUNITY FACILITIES LOANS  
COMMUNITY DEVELOPMENT BLOCK  
GRANT  
URBAN DEVELOPMENT ACTION  
GRANTS  
WASTE WATER TREATMENT GRANTS

### REVENUE SHARING & TECHNICAL ASSISTANCE

OSHA STATE GRANTS  
GENERAL REVENUE SHARING

\* BASED ON REAGAN'S PROPOSED '83 BUDGET

024549

## FEDERAL BUDGET PROPOSALS

024550

### HOUSE

TAX INCREASE \$147 BILLION

SAVINGS ON DOMESTIC APPROPRIATIONS,  
\$32.7 BILLION

CUT IN DEFENSE OF \$46.2 BILLION

1% INCREASE IN FEDERAL PAY AND PENSIONS

CUT IN BASIC BENEFITS OR ENTITLEMENTS OF  
\$14.3 BILLION

NO CUTS IN SOCIAL SECURITY

DEFICITS      1983 - \$103.8 BILLION  
                 1984 -    72.8 BILLION  
                 1985 -    34.7 BILLION -

### SENATE

TAX INCREASE \$95 BILLION

SAVINGS ON DOMESTIC APPROPRIATIONS ,  
\$38.3 BILLION

CUT IN DEFENSE OF \$22 BILLION

FREEZE IN FEDERAL PAY AND PENSIONS WITH  
4% INCREASE FOLLOWING 2 YEARS

CUT IN BASIC BENEFITS OR ENTITLEMENTS OF  
\$33.6 BILLION

\$40 BILLION SAVINGS ON SOCIAL SECURITY

DEFICITS      1983 - \$106.1 BILLION  
                 1984 -    69.0 BILLION  
                 1985 -    39.5 BILLION

NOTE: NO SPECIFICS ON TAX INCREASES OR PROGRAM CUTS.

SWAP PROGRAMS

<u>AFDC</u>	<u>FOOD STAMPS</u>	<u>MEDICAID</u>
FEDERAL - \$65,938,748	FEDERAL - \$202,618,666	FEDERAL - \$214,498,871
STATE - 30,830,983	STATE - 5,385,835	STATE - 68,895,138
OTHER - <u>28,655</u>	OTHER - <u>120,158</u>	OTHER - <u>20,397,532</u>
TOTAL - \$96,798,386	TOTAL \$208,124,659	TOTAL \$303,791,541

024551



STATE BOARD FOR TECHNICAL  
AND  
COMPREHENSIVE EDUCATION

Although current and projected economic conditions mandate restraints in government appropriation levels, as an agency that stimulates economic growth it is necessary that Technical Education identify the resources necessary to continue to be a viable part of the industrial growth of South Carolina.

The preliminary budget request figures for the State Board for Technical and Comprehensive Education indicate a need for an additional \$28.8 million dollars of which \$13 million addresses equipment needs in excess of current bond fund appropriations.

The following amounts are classified according to the classification structure outlined in your April 14, 1982 letter:

a) <u>Precommitted or Mandatory Items</u>	
Fixed increase in commercial office rent	15,420
b) <u>Increases for New Facilities</u>	
Educational Equipment	593,113
c) <u>Annualization of Programs</u>	
..Upgrade support of Central Data Processing subsequent to procurement of adequate hardware	709,013
..Continuation of development of Innovative Technical Training Operations	159,324
..Continuation of the expansion of Statewide Fire Training Programs	241,919
d) <u>Increases Outside of Agency Control</u>	
Support for current and projected level of new and expanding industry training resulting from Industrial development	500,000
e) <u>Issues of Concern</u>	
Continuation of the capability to offer quality, relevant job training for the State's population and economic growth	
Operations	14,127,180
Equipment and Library	12,498,603

Total Preliminary Request

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\$28,844,572

The categorization of the budget request data is not intended to indicate prioritization of the request. This data is preliminary and subject to extensive staff and State Board review.

May 6, 1982

024552

S.C. Department of Corrections  
SYNOPSIS OF ADDITIONAL INCREASE REQUESTS  
FISCAL YEAR 1983-84

DESCRIPTION OF INCREASE	APPROXIMATE COST
Inflation and Inmate Population Increase.	\$3,283,134
Institutional Staff.	3,512,505
Health Care - Medical Staff.	343,479
Psychiatric Unit - Kirkland Correctional Institution.	1,724,139
Institutional Maintenance; Life Safety Equipment; Maintenance Equipment.	1,338,390
New Institutions - Francis Lieber Correctional Institution.	26,666
Staff, equipment and supplies to upgrade farm.	945,921
Staff, related equipment and supplies for residential and day care for severely mentally retarded and physically handicapped inmates.	54,704
Annual Replacement of 25% of Vehicle Fleet (53% for FY 83-84 due to prior underfunding).	870,799
Annual Replacement of 10% of Food Service Equipment.	303,188
Staff, related equipment and supplies for handicapped inmates PL 94-142.	43,095
Staff, related equipment and operating expenses for vocational programs.	345,321
Staff, related equipment and operating expenses for Work Release and Pre-Release programs.	408,699
Staff, related equipment and supplies for academic education.	323,240
Employee Relations Specialist.	17,904
Contracting for evaluations to measure compliance with national standards (3 institutions).	23,275
Security/Institutional Equipment.	330,750
One Clerk for print shop and mailroom.	16,250
Two servings of fresh fruit per week per inmate.	99,225
Upgrade radio communications/equipment.	159,468
Staff, supplies and equipment needed to improve adjustment committee procedures.	69,410
Staff, related equipment and operating expenses for institutional based mental health programs.	204,989
Staff, equipment, and operating expenses to better provide specialized institutional services.	323,179
Increase Library Services.	123,708
Staff and operating expenses to maintain present level of Transition/Career Services.	306,348
Staff, equipment and operating expenses to increase inmate enrollment in apprenticeship training.	35,103
CRT Terminals	92,400
TOTAL	\$15,325,289

024553

Proposed Functional Groups  
(Fund Amounts from 1981-82 Appropriations)

1. To provide a system which assures the public safety and legal rights of the people.

	<u>Total Funds</u>	<u>General Funds</u>
Sec. 58. SLED	10,113,398	10,096,143
Sec. 11. Commission on Appellate Defense	437,108	437,108
Sec. 52. Corrections Department	52,017,394	48,071,477
Sec. 53. Probation, Parole and Pardon Board	6,402,441	6,402,441
Sec. 54. Youth Services Department	13,708,755	11,717,466
Sec. 55. Juvenile Placement and Aftercare	5,340,375	4,977,796
Sec. 56. Law Enforcement Training Council	2,402,558	-----
Sec. 57. Law Enforcement Officers Hall of Fame Committee	153,206	-----

2. To provide for the maintenance and support of a system of free public preschool, elementary, and secondary schools open to all children of the state.

Sec. 28. Education Department	886,228,780	719,303,905
Sec. 29. Educational Television Commission	16,551,025	12,358,701

3. To provide a system of post-secondary education adequate to the needs of the citizenry.

Sec. 15. Higher Education Commission	1,790,639	1,635,639
Sec. 16. Higher Education Tuition Grants Committee	13,131,095	12,257,153
Sec. 17. Citadel	19,574,778	8,709,086
Sec. 18. Clemson University	80,446,992	40,732,410
Sec. 19. College of Charleston	17,225,758	10,631,122
Sec. 20. Francis Marion College	8,367,361	5,931,771
Sec. 21. Lander College	7,016,516	3,975,843
Sec. 22. S. C. State College	21,192,326	11,183,662
Sec. 23. University of South Carolina:		
23A. U.S.C.-Columbia Campus	144,165,535	78,571,310
23B. U.S.C.-Aiken Campus	5,037,226	3,306,416
23C. U.S.C.-Coastal Campus	6,316,746	4,206,849
23D. U.S.C.-Spartanburg Campus	7,536,435	4,563,222
23E. U.S.C.-Beaufort Campus	1,022,120	644,704
23F. U.S.C.-Lancaster Campus	1,902,851	1,210,239
23G. U.S.C.-Salkehatchie Campus	1,233,619	712,576
23H. U.S.C.-Sumter Campus	2,468,156	1,472,042
23I. U.S.C.-Union Campus	849,306	506,350
Sec. 24. Winthrop College	20,662,686	11,127,078
Sec. 25. Medical University of South Carolina	148,301,933	67,255,307
Sec. 26. Advisory Council on Vocational and Technical Education	153,859	28,859
Sec. 27. Technical and Comprehensive Education Board	102,530,097	53,913,673

**024554**



4. To provide specialized education and information services.

		Total Funds	General Funds
Sec.	30. Wil Lou Gray Opportunity School	1,566,773	1,127,445
Sec.	31. Deaf and Blind School	7,103,830	6,496,150
Sec.	32. Archives and History Department	3,134,032	2,344,716
Sec.	33. Confederate Relic Room	115,167	115,167
Sec.	34. State Library	4,470,174	3,373,057
Sec.	35. Arts Commission	1,969,545	1,053,945
Sec.	36. Museum Commission	349,223	336,447
Sec.	42. Vocational Rehabilitation	38,266,126	10,438,046
Sec.	43. John De La Howe School	1,492,759	1,208,947
Sec.	51. Commission on Women	40,782	37,609

5. To provide for the maintenance and enhancement of adequate levels of public health in the state and to control, prevent, and abate the pollution of the state's air, water, and soil.

Sec.	37. Health and Environmental Control	117,726,858	52,393,624
Sec.	38. Mental Health Department	103,166,747	76,087,237
Sec.	39. Mental Retardation Department	81,427,730	46,100,201
Sec.	40. Alcohol and Drug Abuse Commission	6,987,177	4,061,731

6. To promote the independence and well-being of individuals and families.

Sec.	41. Social Services Department	727,465,921	129,169,329
Sec.	44. Foster Care Review Boards System	276,366	275,100
Sec.	45. Children's Bureau	791,542	730,110
Sec.	46. Blind Commission	4,273,812	2,282,094
Sec.	47. Aging Commission	11,498,152	1,296,561
Sec.	48. Housing Authority	3,112,096	369,776
Sec.	50. Veterans Affairs Department	940,479	940,479

7. To promote the economic development of the state and the maintenance of its natural resources at an optimal long-term rate consistent with the needs of the citizenry.

Sec.	58. Water Resources Commission	1,557,607	994,133
Sec.	59. Land Resources Conservation Commission	2,445,591	1,734,816
Sec.	60. Forestry Commission	11,094,354	9,296,621
Sec.	61. Agriculture Department	6,073,345	3,941,442
Sec.	62. Clemson University Public Service Activities	37,063,631	22,580,562
Sec.	63. Wildlife and Marine Resources Department	21,126,291	9,943,398
Sec.	64. Coastal Council	1,593,329	402,522
Sec.	65. Sea Grants Consortium	1,252,214	330,314
Sec.	66. Parks, Recreation and Tourism	16,977,520	7,322,695
Sec.	67. Development Board	3,204,056	3,119,258

024555

		Total Funds	General Funds
Sec. 68.	Patriots Point Development Authority	1,443,066	381,666
Sec. 69.	Clarks Hill-Russell Authority	141,284	141,284
Sec. 70.	Old Exchange Building Commission	169,368	82,868
Sec. 71.	American Revolution Bicentennial Commission	12,180	10,000
8. To provide for the appropriate regulation of business and industrial activity in the interest of the public.			
Sec. 81.	Tax Commission	16,289,055	16,289,055
Sec. 49.	Human Affairs Commission	1,146,889	669,934
Sec. 72.	Public Service Commission	4,156,952	3,984,332
Sec. 73.	Industrial Commission	1,783,637	1,766,637
Sec. 74.	Workmen's Compensation Fund	720,124	-----
Sec. 75.	Second Injury Fund	231,506	-----
Sec. 76.	Insurance Department	3,867,028	3,867,028
Sec. 77.	Financial Institutions:		
	77A. Board of Administration	14,778	14,778
	77B. Board of Bank Examiners	644,905	644,905
	77C. Board of Consumer Finance	257,410	257,410
Sec. 78.	Consumer Affairs Commission	938,458	937,958
Sec. 79.	Dairy Commission	209,064	209,064
Sec. 80.	Labor Department	3,939,499	2,308,207
Sec. 82.	Alcoholic Beverage Control Commission	1,634,985	1,634,985
Sec. 83.	State Ethics Commission	119,433	116,627
Sec. 84.	Employment Security Commission	47,975,433	-----
9. To assure that standards are established and maintained among practitioners of regulated professions in a manner which meets the public needs.			
Sec. 85.	Accountancy Board	104,999	104,999
Sec. 86.	Architectural Examiners Board	74,270	74,270
Sec. 87.	Auctioneers Commission	79,697	79,697
Sec. 88.	Barber Examiners Board	107,030	107,030
Sec. 89.	Cemetery Board	2,621	2,621
Sec. 90.	Chiropractic Examiners Board	40,484	40,484
Sec. 91.	Contractors Licensing Board	172,670	172,670
Sec. 92.	Cosmetic Art Examiners Board	201,091	201,091
Sec. 93.	Dentistry Board	127,940	127,940
Sec. 94.	Engineering Examiners Board	181,064	181,064
Sec. 95.	Environmental Systems Operator Board of Certification	75,820	75,820
Sec. 96.	Foresters Registration Board	4,543	4,543
Sec. 97.	Funeral Service Board	52,411	52,411
Sec. 98.	Medical Examiners Board	412,146	412,146
Sec. 99.	Nursing Board	389,440	389,440
Sec. 100.	Nursing Home Administrators Examiners Board	37,404	37,404
Sec. 101.	Board of Occupational Therapy	2,185	2,185
Sec. 102.	Board of Examiners in Opticianry	13,196	13,196
Sec. 103.	Board of Examiners in Optometry	25,915	25,915

024556

		Total Fund	General Fund
Sec. 104.	Pharmaceutical Examiners	100,000	100,000
Sec. 105.	Physical Therapist Examining Board	11,577	11,577
Sec. 106.	Podiatry Examiners Board	1,097	1,097
Sec. 107.	Psychology Board of Examiners	8,228	8,228
Sec. 108.	Real Estate Commission	628,602	628,602
Sec. 109.	Residential Home Builders Commission	254,607	254,607
Sec. 110.	Registered Sanitarians Board	3,683	3,683
Sec. 111.	Social Workers Registration Board	3,081	3,081
Sec. 112.	Speech Pathology and Audiology Examiners Board	6,779	6,779
Sec. 113.	Veterinary Medical Examiners Board	10,638	10,638
10.	To provide a system of public transportation facilities which afford the means for adequate and safe transportation of people and goods within the state.		
Sec. 114.	Aeronautics Commission	1,784,542	1,694,394
Sec. 115.	Public Railways Commission	1,421,296	-----
Sec. 116.	Department of Highways and Public Transportation Council on Public Transportation	455,814	367,762
Sec. 121.	Department of Highways and Public Transportation	317,715,500	-----
11.	To assure the efficient and effective administration of state government.		
Sec. 5.	Governor's Office:		
5A.	Executive Control of State	693,161	693,161
5C.	Executive Policy and Programs	87,015,767	4,575,903
5D.	Mansion and Grounds	234,005	234,005
Sec. 6.	Lieutenant Governor	159,869	159,869
Sec. 7.	Secretary of State	507,190	507,190
Sec. 8.	Comptroller General's Office	3,331,632	3,331,632
Sec. 9.	State Treasurer's Office	1,338,358	1,338,358
Sec. 10.	Attorney General	7,887,341	6,880,047
Sec. 12.	Adjutant General's Office	4,984,612	2,598,498
Sec. 13.	Election Commission	937,821	887,821
Sec. 14.	Budget and Control Board:		
14A.	Office of Executive Director	1,876,147	1,876,147
14B.	Finance Division	4,703,772	4,462,015
14C.	Research/Statistics Division	2,216,935	1,588,439
14D.	General Services Division	26,284,087	5,033,245
14E.	State Fire Marshal	754,384	754,384
14F.	Motor Vehicle Management Division	2,349,898	259,899
14G.	Retirement Division	1,922,983	-----
14H.	Personnel Division	3,127,582	2,148,698
14I.	Local Government	3,938,984	3,938,984
14J.	Employee Benefits	63,863,123	63,863,123

024557



	<u>Total Funds</u>	<u>General Funds</u>
Sec. 117. Debt Service	94,604,264	94,604,264
Sec. 118. Miscellaneous	637,915	613,916
Sec. 119. Contributions	585,337	585,337
Sec. 120. Aid to Subdivisions	115,371,123	115,371,123

12. Other Branches of Government

Sec. 3. Legislative Department	13,862,781	13,852,781
Sec. 4. Judicial Department	13,659,490	13,659,490

024558

# WORK PLAN

## IMPLEMENTATION OF FUNCTIONAL ANALYSIS AND FY 83-84 BUDGET REQUEST

EXHIBIT											
MAY 17 1982											
NO. 1											
STATE BUDGET & CONTROL BOARD											
FOR FY 83-84											
ANALYSIS & HEARINGS											
BUDGET											
ANALYSIS & HEARINGS											
BUDGET REQUEST DEVELOPMENT											
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MARCH      APRIL      MAY      JUNE      JULY      AUGUST

024559

B+C BD. 83-84 ALLOCATION	AGENCIES DETAIL	DEVELOP BUDGET	B+C BD COMPLETION	APPROVAL AND OF RECOMMENDATION	PREPARE BUDGET DIGEST AND PRINT BUDGET		
	ORGANIZE AND TRAIN FUNCTIONAL GROUPS	FUNC. GRPS. CHANGES TO B+C BOARD GOALS	SUBMIT REC. CHANGES TO B+C BOARD	FINAL GOALS TRANS- MITTED TO GROUPS			
		FUNCTIONAL REPORTS	GROUPS PREPARE "STATE OF STATE" AREA				
	DEVELOP POLICY ON STATEWIDE RESOURCES AND CONSTRAINTS	ISSUES AND PREPARE FOR USE IN BUDGET PREPARATION	REPORT ON PREPARATION				
						BASED ON FUNC. GROUP REPORTS, GOALS, CONSTRAINTS, ETC. B+C BOARD DEVELOPS BUDGET PRIORITIES FOR FY84-85.	
						DEVELOP FORMAT FOR BUDGET REQUEST FOR USE BY AGENCIES	
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY		

024560



<div data-bbox="455 517 686 575" data-label="Text"> <p>AGENCY TRAINING ON BUDGET REQ</p> </div>	<div data-bbox="726 529 1649 575" data-label="Text"> <p>AGENCY PREPARATION OF FY84-85 BUDGET REQUEST</p> </div>		<div data-bbox="1274 618 2024 675" data-label="Text"> <p>FUNCTIONAL GROUPS MEET TO DEVELOP REQUEST PRIORITIES</p> </div>	<div data-bbox="2053 624 2226 675" data-label="Text"> <p>PRIORITY REPORT TO B+C BD</p> </div>	<div data-bbox="1649 719 2572 765" data-label="Text"> <p>ANALYSIS OF AGENCY BUDGET REQUESTS</p> </div> <div data-bbox="2226 803 2572 866" data-label="Text"> <p>B+C BOARD HEARINGS BY FUNCTIONAL GROUP</p> </div>	<div data-bbox="2601 910 2745 986" data-label="Text"> <p>TO PAGE 2 ABOVE DOTTED LINE</p> </div>
<p>MARCH</p>	<p>APRIL</p>	<p>MAY</p>	<p>JUNE</p>	<p>JULY</p>	<p>AUGUST</p>	

024561

# EXHIBIT

MAY 17 1982 NO. 1

STATE BUDGET & CONTROL BOARD

## REPORT TO THE BUDGET AND CONTROL BOARD on the STATE HEALTH INSURANCE PROGRAM

In recent years, South Carolina has experienced a rapid escalation in health care costs, with corresponding increases in health insurance costs. This escalation is national in scope and appears to be somewhat regional in intensity.

Nationally, the bill for medical care has grown tenfold during the past 20 years. The nation's medical costs are a prime driver of inflation, with a 12.5% increase during 1981. But, even with a slowdown in overall inflation, the medical cost spiral continues at the same rapid pace.

Factors often cited for the excessive inflation in the health care industry are:

1. Competition and incentives to contain costs are virtually non-existent. Doctors and hospitals have a blank check.
2. Consumers want the best care possible, regardless of cost, and generally do not try to hold costs down since their insurance pays for all or most of the bill.
3. Technology. Expensive equipment is bought, even if it is little use, or available in a competing hospital. If technology is defined broadly to include laboratory and other diagnostic procedures, it accounts for 70% of the medical care cost escalation.
4. Defensive practice of medicine. Doctors order excessive testing and prolong hospital stays in order to avoid malpractice suits.
5. Excessive number and length of hospitalizations.
6. High number of charity or other non-paying patients. A significant portion of these costs are passed along to insured patients.

024562

# EXHIBIT

MAY 17 1982 NO. 1

-2-

STATE BUDGET & CONTROL BOARD

While health care costs increased 12.5% nationally, they grew in excess of 20% in South Carolina during 1981. The latest available data, April of 1982, reveal an increase of 21.6% in cost per hospitalization over April of 1981. The length of each hospital stay remains fairly constant at just over 6 days, and 4.3% more hospitalizations occurred during this period although the employee population remained constant. It is good that 10.6% more persons were treated on an outpatient basis, but the cost per case increased by 20.6% during this twelve month period. The number of persons enrolled remained virtually constant, but the claim cost per employee/dependent grew by 27.7%.

It appears that Southern states are playing "catch-up" with the rest of the nation, which has long had higher health care costs.

The State of South Carolina health insurance program for its employees is excellent, both in terms of benefits and administrative efficiency.

State employees have the choice of two plans. The basic program has limited benefits, but it is generally competitive with offerings of other states and employers. The State pays the total premium for the employee. The expanded plan is excellent in all aspects. Few employers offer a better plan. The employee pays the actuarially-determined differential in cost between the basic and expanded plans. Whereas most states and other employers pay all or much of the dependent premiums, these are borne in their entirety by the employee of the State of South Carolina.

CHARTS 1 and 2 illustrate the excellence of the expanded plan and, to a lesser degree, the basic plan. Note that both plans cost far less than many of the lower-paying plans in other states. Note also that Mississippi reduced its benefits significantly after CHART 2 was prepared; thus, its benefits level is no longer accurate. The State of Louisiana requires employees to pay 50% of the premium costs and over 40% of claims costs, but its rates are still very high in comparison to ours.

024563



This comparison shows a typical in-patient hospital-surgical claim for 10 days through the benefits for the same fourteen (14) states in the South. Our comparison shows the total amount payable by the insurance carrier and that amount left payable by the employee. The claim includes charges for:

10 days at \$100 private room and board	\$1,000.00
Miscellaneous hospital charges	<u>1,250.00</u>
TOTAL HOSPITAL	\$2,250.00
Surgical charges	\$ 850.00
Anesthesia	<u>170.00</u>
TOTAL SURGICAL	\$1,020.00
Physician's Visits	
One (1) day @ \$50.00	\$ 50.00
Eight (8) days @ \$20.00	<u>160.00</u>
TOTAL PHYSICIAN	\$ 210.00
Out-patient test and x-rays	\$ 150.00
TOTAL CHARGES	<u><u>\$3,630.00</u></u>

The assumptions are that all charges are within the usual and customary range and the semi-private room rate is \$90.00.

024564

On a hypothetical claim of \$3,630.00 the fifteen states rank as follows, based upon fiscal year 1981 health insurance benefits.

<u>STATES</u>	<u>AMOUNT PAID BY INSURANCE CARRIER</u>	<u>AMOUNT PAID BY EMPLOYEE</u>	<u>FY 1982 MONTHLY PREMIUMS FOR SINGLE COVERAGE</u>
1. South Carolina Plan B	\$3,530.00	\$ 100.00	\$41.46
2. Maryland	3,480.00	150.00	51.60
3. North Carolina	3,420.00	210.00	40.26
4. Virginia	3,420.00	210.00	51.00
5. West Virginia	3,420.00	210.00	54.00
6. Kentucky	3,401.00	229.00	39.84
7. Oklahoma	3,398.00	232.00	51.81
8. Georgia	3,377.60	252.40	50.80
9. Alabama	3,363.00	267.00	68.00
10. Mississippi*	3,334.00	296.00	28.80
11. South Carolina Plan A	3,303.60	326.40	36.22
12. Tennessee	3,052.00	578.00	
13. Arizona	3,030.00	600.00	45.46
14. Florida	2,960.00	670.00	24.96
15. Arkansas Plan 2	2,664.00	966.00	42.13
Plan 1	2,584.00	1,046.00	
16. Louisiana	1,925.90	1,704.10	53.84

\*Mississippi reduced its benefits in September, 1981.

024565

CHART 3 shows a comparison of South Carolina premium increases with those recently announced by Georgia and Florida. Georgia, which ranked number 8 on CHART 2 announced state premium increases of 47.01% and 48.69% for single and family coverage, respectively, and employee increases of 37.74 and 33.33% for the same coverages. At the same time, Georgia announced that a thorough study of benefits is under way and that "some cost containment benefit structure changes may take effect on January 1, 1982."

Florida, which ranked twelfth on CHART 2, has announced increases of 113% for employee and employer contributions.

Many employers and carriers have commented to me that rate increases of 40 to 50% are common.

If we look at the federal employees health insurance plan that is most similar to our (CHART 4) we find both rate increases and benefit reductions. We understand that federal plans in general have experienced increases of about 30%, but the premiums for this plan jumped by about 25%. At the same time, the deductible for major medical increased to \$200 and a \$25 per day deductible for the first ten days was instituted for each hospitalization.

The Southern states are playing "catch-up" with the rest of the nation in health-care costs, and the escalation reflects in our rate increases. Notice that the more drastic increases in our rates have come during the past three years (CHART 5).

CHART 6 shows that for the State of South Carolina group the employer's share of insurance premiums has risen from \$27,463,000 million to \$60,071,000 in five years. Notice also that retiree insurance costs jumped nearly threefold when the state picked up the total premium for retirees. And the acceleration continues at a very unhealthy pace.

024566



## COMPARISON OF GEORGIA, FLORIDA AND SOUTH CAROLINA'S CURRENT AND PROPOSED RATES

	EMPLOYEE CONTRIBUTION			STATE CONTRIBUTION			TOTAL PREMIUM		
	Current Premium	New Premium	% Increase	Current Premium	New Premium	% Increase	Current Premium	New Premium	% Increase
*Georgia		effec. 7/1/82			effec. 7/1/82			effec. 7/1/82	
Single	\$ 7.26	\$10.00	37.74%	\$34.69	\$51.00	47.01%	\$41.95	\$ 61.00	45.41%
Family	22.50	30.00	33.33%	63.15	93.90	48.69%	85.65	123.90	44.65%
Florida		effec. 8/1/82			effec. 8/1/82			effec. 8/1/82	
Single	\$ 6.24	\$13.30	113%	\$18.72	\$39.88	113%	\$24.96	\$ 53.18	113%
Family	28.74	48.46	68.5%	41.22	75.06	82%	69.96	123.52	76.5%
South Carolina		effec. 7/1/82			effec. 7/1/82			effec. 7/1/82	
Single	\$ 5.24	\$ 6.56	25%	\$36.22	\$45.28	25%	\$41.46	\$ 51.84	25%
Family	53.90	67.38	25%	36.22	45.28	25%	90.12	112.66	25%

\*Georgia has announced that a thorough study of benefits is under way and that "some cost containment benefit structure changes may take effect on January 1, 1983."

024567

COMPARISON OF FEDERAL RATES AND S. C. STATE RATES  
FOR  
HEALTH INSURANCE (BLUE CROSS-BLUE SHIELD)

	<u>PAID BY EMPLOYEE</u>			<u>PAID BY EMPLOYER</u>			<u>TOTAL</u>		
	<u>State</u> <u>7-1-81 (1)</u>	<u>Federal</u> <u>1-1-81 (2)</u>	<u>Federal</u> <u>1-1-82 (3)</u>	<u>State</u> <u>7-1-81</u>	<u>Federal</u> <u>1-1-81</u>	<u>Federal</u> <u>1-1-82</u>	<u>State</u> <u>7-1-81</u>	<u>Federal</u> <u>1-1-81</u>	<u>Federal</u> <u>1-1-82</u>
Single	5.24	32.16	42.75	36.22	32.95	37.62	41.46	65.11	80.37
Family	53.90	66.13	90.49	36.22	77.22	86.53	90.12	143.35	177.01
Employee-Spouse	36.80	66.13	90.49	36.22	77.22	86.53	73.02	143.35	177.02

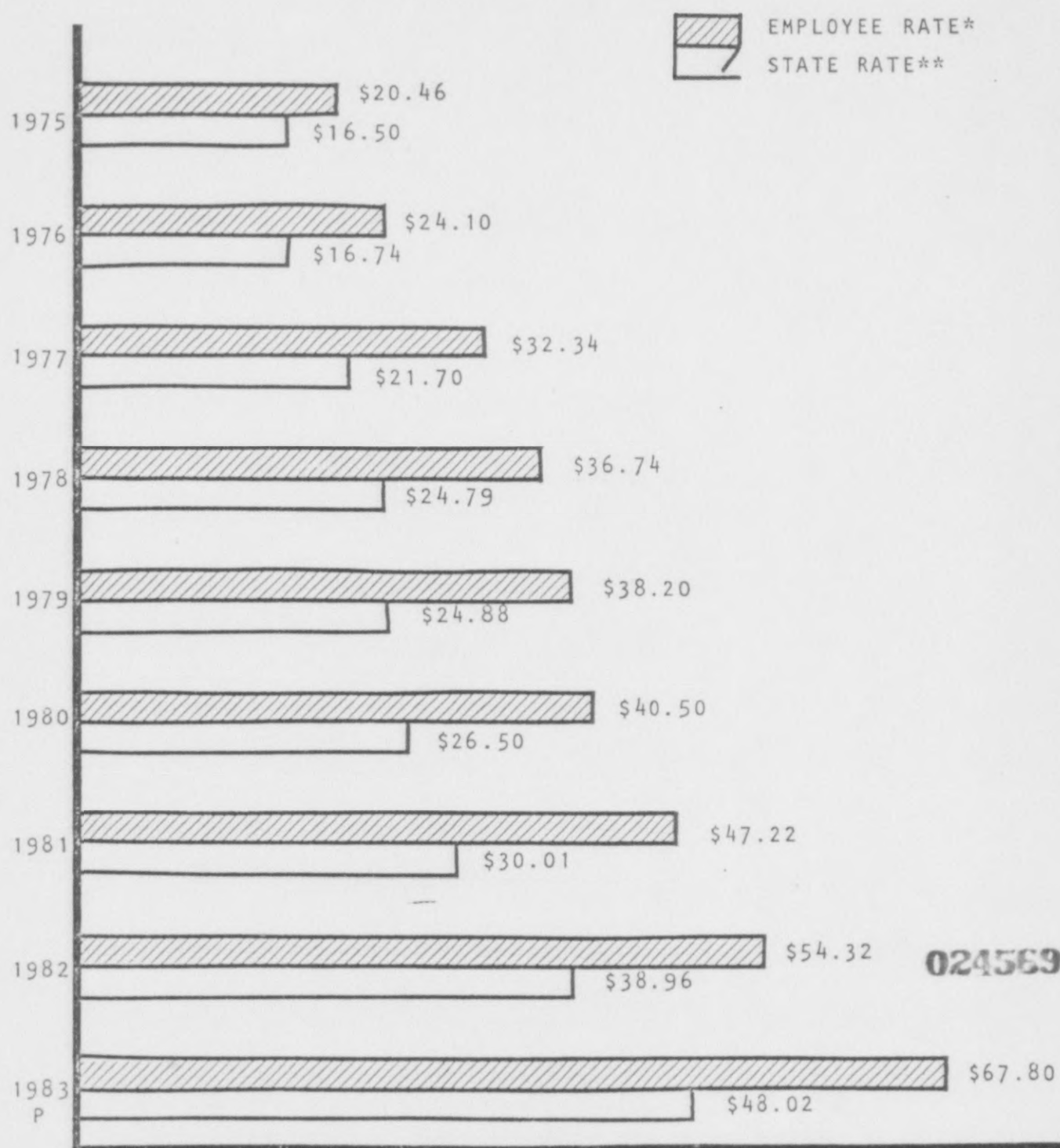
(1) State Deductible \$100 (MM)

(2) Federal Deductible \$75 (MM)

(3) Federal Deductible \$200 (MM) & \$25 a day for 1st 10 days per hospital admission

024568

GROUP INSURANCE PREMIUM RATES  
Fiscal Year 1975 thru Fiscal Year 1983



\*This is the premium rate for full family, Plan B with dependent life.  
 \*\*This includes health, long term disability and life insurance premiums.



EMPLOYER'S PORTION OF INSURANCE  
PREMIUM COSTS FOR EACH FISCAL YEAR\*

	<u>STATE EMPLOYEES</u>	<u>SCHOOL DISTRICT EMPLOYEES</u>	<u>STATE RETIREEES</u>	<u>SCHOOL DISTRICT RETIREEES</u>	<u>TOTAL ENROLLMENT</u>
76-77	12,923,987.61	13,539,598.22	397,392.48	601,687.44	27,462,665.75
77-78	15,390,577.23	15,569,322.53	480,015.45	828,106.47	32,268,021.68
78-79	16,339,946.44	16,293,661.76	557,940.33	933,899.32	34,125,447.85
79-80	18,178,057.07	17,714,445.09	685,196.64	1,122,330.04	37,700,028.84
80-81	20,778,265.35	20,532,659.88	1,861,440.94	3,039,595.32	46,211,961.49
81-82**	<u>25,989,350.52</u>	<u>26,307,648.60</u>	<u>2,957,875.88</u>	<u>4,815,645.24</u>	<u>60,070,524.24</u>
Total Dollar Change 1977-82	13,065,362.91	12,768,050.38	2,560,487.40	4,213,957.80	32,607,858.49
Total % Change 1977-82	101.1%	94.3%	644.3%	700.4%	118.7%

\* Includes Blue Cross/Blue Shield, Piedmont Health Care (HMO), Metropolitan Life Insurance Company and Liberty Life Insurance Company

\*\* Data projected through June 30, 1982.

024570

The free insurance for retirees reflects also in enrollment for retiree insurance--an increase of over 160% in seven years. (SEE CHART 7) Another contributing factor in the total insurance costs for the state is that the number of covered state employees has grown by 19.9% and those of the school districts by 12.5%.

The major factors in claims cost increases are higher charges by hospitals and doctors and more frequent use by employees. Although there has been a growth of 25% in the number of covered employees and retirees in recent years; inpatient usage by employees grew by 4.3% during the past year when enrollment grew by only .3%.

So far as I know, South Carolina is one of the few states that provides a totally free basic insurance coverage for all state and public school employees. It appears that we have the highest ratio of covered employees to population of any state. Even in many states that provide coverage to state employees, the college and university and technical education employees are covered by other plans; therefore, the total costs are spread among different cost centers and do not create the same impression of bigness that characterizes our program of 131,000 members.

The commitment of a quality insurance program by the State of South Carolina to all state and public school employees is commendable. It is, however, a sizable dollar investment for so many persons during a period of economic recession that is still characterized by a steep healthcare inflation rate.

CHART 8 is interesting from several perspectives. First, it shows that our increased costs have been the result of increased claims. These grew from \$35,654,000 to over \$65½ million in four years. Second, it reveals that we dipped significantly into the reserves in FY1980 and FY1981, when we had to use \$6,138,980. For FY1982, even with a 34.3% premium increase, we may barely break even or operate at a small loss. Keep in mind also that we added subrogation pre-existing

024571

INSURANCE ENROLLMENT COUNT AT THE END OF EACH FISCAL YEAR

	STATE EMPLOYEES	SCHOOL DISTRICT EMPLOYEES	STATE RETIREES	SCHOOL DISTRICT RETIRES	TOTAL ENROLLMENT*
74-75	46,456	50,669	2,533	4,059	103,717
75-76	48,454	51,158	2,934	4,392	106,938
76-77	51,188	52,263	3,266	5,511	112,228
77-78	54,087	51,182	3,428	5,913	114,610
78-79	56,267	55,099	3,598	6,532	121,496
79-80	57,629	56,138	4,438	7,239	125,444
80-81	57,328	57,166	5,165	8,420	128,079
81-82**	55,698	57,010	6,523	10,680	129,911
<hr/>					
% Change	19.9%	12.5%	157.5%	163.1%	25.3%

\* Represents the total number to State agency and school district employees enrolled under the State Group Insurance Program. The figures do not include individual employee's dependents.

\*\* These figures are based on enrollment as of 04/01/82.

024572

EXHIBIT  
MAY 17 1982 NO. 1  
STATE BUDGET & CONTROL BOARD



## HEALTH INSURANCE EXPERIENCE

JULY, 1978 - MARCH, 1982

<u>Year</u>	<u>Claims</u>	<u>Retention</u>	<u>Total Costs</u>	<u>Premiums</u>	<u>Difference</u>
81-82*	59,845,536	1,675,675	61,521,211	62,444,018	922,807
80-81	65,519,812	1,834,554	67,354,366	63,164,590	(4,189,776)
79-80	54,237,713	2,752,027	56,989,740	55,040,536	(1,949,204)
78-79	42,309,796	2,424,297	44,734,093	53,133,267	8,399,174
77-78	36,979,936	2,256,938	39,236,874	45,138,753	5,901,879
76-77	35,654,423	2,255,025	37,909,448	40,268,296	2,358,848

\*Costs through March 31, 1982

024573

condition clauses to our contract for FY82. Third, we negotiated with Blue Cross-Blue Shield in a bid situation for a new financial agreement. This provided for gross retention of 2.8% of claims (as opposed to the previous 5% of premium) and for payment of interest on reserves at the treasury bill rate or 8%, whichever is higher. Our net retention rate for FY81 was 1.04%.

On CHART 9, we see that South Carolina has the most advantageous gross retention rate of any self-insured state on which we have been able to secure data. We are in the process, however, of negotiating a new financial arrangement with Blue Cross-Blue Shield that will place us on a monthly retention rate per covered employee. This type of arrangement will preclude our administrative costs from rising at the same pace as health care inflation, which we all know is far out-pacing general inflation.

With the rapid escalation of health care costs, the question arises: "Can the employer and the employee afford health insurance at the same levels of coverage?" Our insurance consultants have prepared CHART 10 to show the dollar input if we maintain the same benefits, if claims grow at the rate of 22% each year, and if we increase our reserves to the level of 15% of annual claims. Total charges would increase during this three-year period from \$83 million to \$151.1 million. It is obvious that this rapid cost spiral must be curtailed somehow. Unfortunately, solutions to so complex a problem will be painful.

South Carolina state government is not the only employer wrestling with this problem. All employers are, especially in the South.

A great deal is said about cost-containment, but, as you know, much of what is called cost-containment is really cost-shifting or cost-avoidance. In actuality, both approaches must be taken.

As indicated earlier, we instituted preexisting condition and subrogation features in July of 1981. We shall institute a wellness program in July of 1982.

021574

ADMINISTRATIVE COSTS FOR STATES SURVEYED  
APRIL, 1982

Gross Retention as a percentage of claims paid:

		<u>No. of Employees</u>
Arkansas	2.15%	18,220
Missouri	2.79%	28,000
South Carolina	2.80%	128,079**
Texas	2.92%	97,995
New Mexico	3.00%	14,797
Colorado	4.00%	27,500
Michigan	4.30%	49,000
Mississippi	4.60%	40,000
North Carolina	4.64%	193,000
***Louisiana	4.80%	92,000
Illinois	5.20%	127,229
Pennsylvania	5.50%	103,000

Monthly Retention Rate Per Employee:

*South Carolina	\$1.20	128,079**
*Arkansas	1.53	18,250
Ohio	1.56	49,500
Tennessee	1.79	50,409
Georgia	2.197	120,000
*Missouri	2.28	28,000
Colorado	2.30	27,500
Florida	2.52	85,000
Virginia	2.92	80,920
*West Virginia	3.24	90,000

\*These states do not pay a flat monthly rate per employee, but the rate has been calculated from available data. South Carolina figures are based on fiscal year 1981 data, the last complete data available.

\*\*Including Retirees. Figures for other states generally include retirees, but not in every instance.

\*\*\*Louisiana administers its own self-insured program. The retention rate shown is computed from available data for comparative purposes.

024575



## Estimated Health Plan Cost Prior to Interest Earnings

July 1, 1982 - June 30, 1985Cash Basis (Assumes no addition to IBNR reserves of \$6,913,674 estimated on 6/30/82)

<u>Year Beginning July 1,</u>	<u>Paid Claims</u>	<u>Retention</u>	<u>Total Charges</u>	<u>IBNR Estimated Year Ended June 30</u>
1982	\$ 80,819,000	\$ 2,262,900	\$ 83,081,900	\$ 11,997,000
1983	98,773,200	2,765,600	101,538,800	14,444,000
1984	120,503,300	3,374,100	123,877,400	18,582,000
1985	147,014,200	4,116,400	151,130,600	22,669,000

## ASSUMPTION:

Paid Claims - 22% increase each year

Retention - 2.8% of paid claims

IBNR - Approximately 15% of total charges in each year

024576

This holds promise for reducing the necessity for expensive health care under the maxim that "an ounce of prevention is worth a pound of cure." The prevention of a few heart attacks or strokes can more than pay for the costs of the wellness program.

Other long-range approaches will be studied very carefully during the coming year. In Denver, Colorado, a large number of doctors accept reduced rates as full payment by the insurance in return for prompt and total payment of the claims. The incentive for the providers is that they do not have the hassle and expense of collecting from employees where sizable deductibles exists.

Another cost-containment idea with merit involves out-patient surgery. The idea here is to identify those surgical procedures that can be performed safely and routinely on an outpatient basis and then to pay for those surgical procedures only on an outpatient basis except where complications require hospital admission.

Second medical opinions have proved very effective in reducing costs in some parts of the nation. Blue Cross-Blue Shield has recently started a major study as to whether this approach would be cost-effective in South Carolina. The results should be available for consideration in the coming months.

We are now publishing an insurance newsletter on a periodic basis. This newsletter will serve as an organ to inform employees of changes in coverage, et cetera and to stress their vital role in continuing costs.

The next long-range concept is anathema to the hospitals, but a delay in the payment of claims can generate a great deal of interest income. This year, the State of Louisiana insurance program initiated a 30-day delay in the payment of claims. The reasons were two-fold: (1) to earn the interest on the money; and (2) as leverage to force providers to give a discount for more prompt payment. A delay of about 23 days above the 7 or 8 that it now takes to pay most hospital claims could yield close to a million dollars a year.

**024577**

Another long-range approach is to secure a discount from providers for prompt payment of claims. This practice is most common in the Northeast where discounts range up to 14% and less common in the Southwest, where discounts may be as low as 2%. No such discounts are given in South Carolina, but the idea appears worth pursuing.

One cannot expect, however, to be very successful in securing reduced rates from doctors or discounts from providers unless there are significant hospital and major medical deductibles that must be collected from the employees. With a full services plan with minimum deductibles, such as our expanded plan, there is little incentive for providers to agree to a reduced payment.

Similarly, there is little incentive for employees to practice cost containment if the insurance is going to pay all or a very high percentage of the costs.

Numerous federal, state and local government employers, as well as in the private sector, are reducing benefits and increasing deductibles as a means of curtailing the heavy dollar drain.

CHART 11 projects the dollar impact of various benefits changes that have been considered for implementation on July 1, 1982. Since our insurance consultants believe that a 30 or 35% increase is necessary for FY1982, and since only a 25% increase has been appropriated, it is essential to curtail benefits. A decision must then be made by the General Assembly as to whether it wishes to continue to fund the same level of benefits or to reduce benefits further.

024578



## Cost Summary of Insurance Benefit Change Options

Options	Savings	Cost	Net Savings
1. Increase Major Medical maximum from \$250,000 to \$500,000 -- and		\$ 51,700	
A. Increase Major Medical deductible from \$100 to \$200, or	\$1,700,000		\$1,649,300
B. Increase Major Medical deductible from \$100 to \$250	\$2,250,000		\$2,199,300
2. Increase outpatient diagnostic from \$200 to \$300 -- and		\$128,000	
A. Implement hospital deductible of \$25 per day up to 10 days, or	\$3,480,000		\$3,352,000
B. Implement flat hospital deductible of \$100 per hospitalization	\$3,112,700		\$2,984,700
3. Decrease inpatient substance abuse treatment to 30 days per year with \$3,500/year maximum and no more than 60 days per employee per lifetime, and	\$ 100,000		
Add outpatient treatment at County Alcohol and Drug Abuse Centers to Major Medical coverage		\$ 50,000	\$ 50,000
4. Disallow rate difference between semi-private and private rooms for Major Medical	\$ 25,000		\$ 25,000
5. Add treatment for speech impairments for congenital anomalies (e.g. lip, hearing, cleft palate)		\$155,300	\$ -155,300
6. Add treatment in private psychiatric hospitals approved by JCAH and located in South Carolina		No cost	
7. Increase Drug & Nursing Service Endorsement from \$10,000 to lifetime maximum of \$25,000 (for retirees over 65)		No cost	
8. Coordinate benefits in Medicare program at a level to preclude us from having to absorb federal benefits reductions	<u>Unknown,</u> <u>but</u> <u>Substantial</u>		?
9. Increase Plan A retirees Major Medical maximum from \$20,000 to \$50,000 (under 65)		\$ 51,700	\$ -51,700

024579

Short-range strategy:

1. Restructure benefits to reduce claims cost during FY 1983. (This is necessary because claims are projected to rise 30 to 35%, but funding will be appropriated for only 25% increase.)

Recommendations:	Projected "Savings"
A. Increase major medical maximum per lifetime to \$500,000 and increase Major Medical deductible to \$200	\$1,649,000
B. Increase outpatient diagnostic coverage from \$200 to \$300 and implement hospital deductible of \$25 per day for up to 10 days	\$3,350,000
C. Add outpatient treatment at County Alcohol and Drug Abuse Centers to major medical coverage and decrease inpatient substance abuse treatment to 30 days per year (maximum of \$3,500 per year) and no more than 60 days per employee lifetime	\$ 50,000
D. Disallow rate difference between semi-private and private rooms for major medical	\$ 25,000
E. Add treatment for congenital speech impairments.	- \$ 155,000
F. Add treatment in private psychiatric hospitals approved by JCAH and located in South Carolina	No cost
G. Increase Drug and Nursing Service Endorsement for retirees over 65 from \$10,000 to lifetime maximum of \$25,000	No cost
H. Increase Plan A retirees Major Medical maximum from \$20,000 to \$50,000	- \$ 52,000
I. Coordinate benefits in Medicare program at a level to preclude <u>having</u> to absorb federal benefits reductions	<u>Unknown</u>
TOTAL	\$4,867,000

024580

### Long-Range Strategy

1. Develop wellness program on statewide basis.
2. Pursue discounts from hospitals for prompt payment.
3. Pursue reduced rates from doctors for prompt payment.
4. Pursue implementation of reasonable delays in payments to providers.
5. Pursue payment for selected surgical procedures only on outpatient basis except when complications require hospitalization.
6. Educate employees on the necessity for cost-containment through newsletter and other means.
7. Continue to evaluate necessity for restructuring of benefits.
8. Develop appropriate mechanisms for retiree plan to avoid automatic escalation of state claims when Medicare benefits are reduced.
9. Build up health insurance reserves to equal 15% of annual claims.
10. Conduct a feasibility study of self-administration.
11. Consider a requirement for second opinions on all elective surgeries.
12. Consider payments to employees for non-use of benefits.

## EXHIBIT

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024581



**THE END**

024582