

MINUTES OF
Budget and
Control Board
Meeting

January 6, 1986

013635

State of South Carolina
State Budget and Control Board

RICHARD W. RILEY, CHAIRMAN
GOVERNOR
GRADY L. PATTERSON, JR.
STATE TREASURER
EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



Box 12444
Columbia
29211

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

WILLIAM T. PUTNAM
EXECUTIVE DIRECTOR

January 7, 1986

MEMORANDUM

TO: Budget and Control Board Division Directors

FROM: William A. McInnis, Deputy Executive Director *WAM*

SUBJECT: Summary of Board Actions at January 6, 1986 Meeting

This listing of actions is not the minutes of the referenced meeting. It is an unofficial (meaning it has not been approved by the Board) summary of the Board actions taken at that meeting. The minutes of the meeting are presented in a separate, much more detailed document which becomes official when approved by the Board at a subsequent meeting.

1. Adopted the revised general fund revenue forecast of the Board of Economic Advisors for fiscal year 1985-86 of \$2,551,401,789; and adopted the revised general fund revenue forecast of the Board of Economic Advisors for fiscal year 1986-87 of \$2,723,014,177;
2. To cover the \$45.8 million general fund revenue forecast reduction reflected in the revised forecast for fiscal year 1985-86, adopted the Budget Division's recommendation and directed agencies generally to transfer 2% from their operating program budgets to a restricted account within each agency, with the total to be escrowed in this manner amounting to \$46,349,968, after allowing for certain specified exceptions;
3. Agreed to pursue appropriate avenues to seek an exemption from the federal requirement that no sales tax be charged for items purchased with federal food stamps;
4. Received legal advice but took no action in an executive session; and
5. Directed Attorney William Austin to proceed with efforts to negotiate premium rates for the second year of the existing tort liability insurance contract with Michigan Mutual Insurance Company under the terms of the present policy and to report back to the Board at its January 16 meeting.

WAM:n1

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MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

JANUARY 6, 1986

9:30 A. M.

The Budget and Control Board met at 9:30 a.m. on Monday, January 6, 1986, in the Governor's conference room in the State House with the following members in attendance:

Governor Richard W. Riley, Chairman;
Mr. Grady L. Patterson, Jr., State Treasurer;
Mr. Earle E. Morris, Jr., Comptroller General;
Representative Tom G. Mangum, Chairman, House Ways and Means Committee.

Senator Rembert C. Dennis, Chairman of the Senate Finance Committee, was absent due to injuries sustained in an automobile accident. He was represented by Senate Finance Committee Vice Chairman James M. Waddell, Jr.

Also attending were:

William T. Putnam	Executive Director
William A. McInnis	Secretary
Katherine M. Hepfer	Governor's Executive Assistant
Joseph A. Wilson, II	Chief Deputy Attorney General
E. A. Laurent	Deputy Executive Director
Charles H. Smith	Special Projects Administrator
Donna K. Williams	Assistant to Board Secretary
Other Board staff	

REVENUE FORECAST AND BUDGETARY IMPLICATIONS

Appearing before the Board on this matter were Board of Economic Advisors members James Morris, Bobby Bowers, Barbara Feinn, and John Weeks and Budget Division Director Jesse A. Coles.

Dr. Morris distributed a report on the revenue outlook for the last six months of 1985-86 and a report on the revenue outlook for 1986-87 as of January 1, 1986. He noted, in summary, that a shortfall of \$45.8 million is now expected for 1985-86 and that the forecast for 1986-87 should be reduced by \$38 million.

Dr. Morris noted that the Board of Economic Advisors in September had notified the Budget and Control Board that a shortfall of some \$34 million appeared likely. He attributed the shortfall basically to smaller personal income growth due partially to lower inflation resulting in poor performance by the individual income tax category. He recalled that some \$11.4 million of prepaid income taxes were transferred to the General Fund during the last quarter of last fiscal year. He also noted that the assumption in the State's adoption of the federal tax code was that it would be revenue neutral though at this point there is no way to know for sure if that is or is not the case.

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He cited other uncertainties which may be contributors to the revenue shortfall now expected. Dr. Morris also pointed out that his Board, as is required of it, had consulted with many individuals and had attended a number of meetings in the course of arriving at its forecasts.

With regard to the forecast for 1986-87, Dr. Morris stated that the same economic estimate applies but that, with the smaller base now expected for 1985-86, the forecast for that year should be reduced by \$38 million. He concluded his remarks by noting that his Board's outlook is positive and that the forecasts he had described are the unanimous opinion of his Board.

Following this discussion, upon a motion by Mr. Patterson, seconded by Mr. Morris, the Board adopted the revised General Fund revenue forecast of the Board of Economic Advisors for fiscal year 1985-86 of \$2,551,401,789 (representing a reduction of \$45,819,687 from the previously-adopted forecast of \$2,597,221,476) and adopted the revised General Fund revenue forecast of the Board of Economic Advisors for fiscal year 1986-87 of \$2,723,014,177 (a reduction of \$38 million from the \$2,765,036,411 figure adopted previously by the Board).

Governor Riley then observed that the Board is mandated by law (Section 144 of Part 1 of the 1985-86 Appropriations Act) to reduce appropriations to meet the estimated revenues.

Budget Division Director Coles then distributed a copy of Section 144 and Section 135. He noted that Section 135 authorizes the Board to restrict the rate of expenditure and to make quarterly allocations of appropriations.

Dr. Coles also handed out a summary of anticipated appropriation reductions based on an across-the-board application and a detailed listing of a 2% reduction which, after certain proposed exemptions, would produce a reduction of \$44,340,000. He noted that personal service and employer contributions appropriations are almost \$332 million and that a reduction of some \$16.5 million would be needed for which would represent about 36% of the reduction required. He pointed out that about \$20.2 million would come from the 2% reduction which would account for about 44% of the required reduction. The remaining \$23.6 million would come from all other appropriations. He stated that the remaining \$23.6 million of the reduction required to meet the estimated revenues.

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Dr. Coles proposed that the Board handle the reduction required by following the methodology used in a similar situation three or four years ago. That method, as proposed by Dr. Coles, would involve the Board directing the amount to be reduced by each agency with that amount being transferred to a restricted account within each agency in the fashion of an escrow account. Dr. Coles expressed the view that this approach would give maximum flexibility to the Board to handle any adjustments which may be possible as a result of funds not being required in the areas appropriated. He mentioned debt service funds as a possibility in this regard. Dr. Coles recommended that the Board not make the appropriation reductions formal but that it instead direct agencies to make the appropriate transfer to a restricted account within each agency.

In the ensuing discussion, Mr. Patterson observed that the approach suggested by Dr. Coles would allow the Board to release the funds from the restricted accounts in accord with the appropriations act if funds become available as a result of improved revenue collections.

Dr. Coles recommended that the Board's action be applied as uniformly as possible but he also recommended total exemptions from the 2% reduction for the Department of Mental Health, the Tax Commission, debt service, and for salary items not related to operating costs for legislators, judges, county auditors, county treasurers and circuit solicitors. He also expressed the view that the Department of Corrections could take a 1.5% reduction although it would be tight and he recommended that level. He also noted that this agency would be a priority for any restoration possibilities. Dr. Coles noted that a 1.98% reduction actually would cover the shortfall and that the 2% recommended would produce almost \$500,000 more than is required. Governor Riley suggested that that amount be put into Corrections but Dr. Coles recommended that it be held.

Mr. Morris called attention to the \$90 million now being held in the Constitutionally-required reserve which he noted may be withdrawn to cover operating deficits and to the \$13 million in the "rolling" reserve. He observed that the 2% reduction proposed actually is a 4% reduction because of the time remaining in the year. He commended Governor Riley for his speech in which the Governor vowed that no Education Improvement Act (EIA) funds would

be used to cover any general fund shortfall and that the EIA stood on its own. Mr. Morris argued that elementary and secondary education needs cannot really be separated from higher education needs and that the budget reduction in the higher education area will impact in ways the Board really does not want. He cited the possibility that university researchers would leave the State in response to better offers and take significant grant funds in the high tech area with them. He said that acting President Cox of Clemson has said that the budget reduction would be "devastating." He urged the Board to use reserve funds to cover a part of the projected shortfall and expressed the view that the purpose of the reserve fund is not for it just to be looked at and bragged about and that if it is not going to be used for an operating deficit it should be given back to the taxpayers.

Governor Riley responded to Mr. Morris by stating that he perceived the reserve fund as being there to avoid year-end deficits and major shutdowns and that he did not believe it is to be used to meet up and down shifts during the fiscal year. He also expressed the view that the reserve fund comes into play at year end and that you cannot have a deficit in mid-year.

Mr. Mangum observed that the Board is dealing now with a projected deficit and that the transfer of funds now would mean that interest earnings would be lost and that loss would have to be replaced. He urged that agencies be required to set aside the 2% as suggested by Dr. Coles and that the Board look at the situation from month to month. He stated that he definitely is opposed to transferring any funds from the reserve fund at this time.

Governor Riley expressed his agreement with Mr. Mangum's sentiments and he urged the Board to try to keep the expenditure flow in harmony with the revenue flow. He observed that if the sales tax is down some percentage then EIA funds would be down accordingly.

Mr. Morris noted that a lot of new funds had been made available for public education and that there is a need to treat higher education in the same way.

Dr. Coles stated that there is nothing in his recommendation which attacks or destroys the separate status of the EIA funds. He noted that any reduction of those funds is a function of the yield of the penny tax imposed for that purpose.

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Mr. Patterson noted that the Board is directed to take steps to prevent a deficit and that the reserve fund is to be called on to cover any deficit which might result despite the Board's efforts. Governor Riley observed that if the action recommended is taken there won't be a deficit and that the Board is clearly responding to a change in the economy. Mr. Morris observed that some \$103 million is in the bank to cover contingencies and Mr. Patterson noted that some \$57 million had been used in 1981-82.

Senator Waddell indicated his agreement with Mr. Morris' comments regarding higher education needs and inquired about the possibility of a less arduous and more automatic process for releasing the funds to be put in restricted accounts. In response, Dr. Coles noted that hardship will not be uniform and that he does not know of any simple triggering mechanism.

Following this discussion, upon a motion by Mr. Patterson, seconded by Mr. Mangum, the Board, to cover the \$45.8 million General Fund revenue forecast reduction reflected in the revised forecast for fiscal year 1985-86, adopted the Budget Division's recommendation and directed agencies generally to transfer 2% from their operating program budgets to a restricted account within each agency, with the total to be escrowed in this manner amounting to \$46,349,968, after exempting totally the Department of Mental Health, the Tax Commission, debt service, and salaries for legislators, judges, county auditors, county treasurers and circuit solicitors and after requiring the Department of Corrections to transfer 1.5% of its budget to a restricted account.

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

[SECRETARY'S NOTE: Mr. Putnam asked that the Board discuss the tort liability reinsurance situation at the present meeting. The Board agreed to consider this item after a 45-minute recess. Governor Riley announced that the Board would reconvene in an executive session beginning at 12 noon and then would continue in open session to discuss the tort liability reinsurance contract.]

EXEMPTION FROM FEDERAL FOOD STAMP REQUIREMENT

The Board agreed to pursue appropriate avenues to seek an exemption from the federal requirement that no sales tax be charged for items purchased with federal food stamps.

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RECESS

Upon a motion by Mr. Morris, seconded by Mr. Patterson, the Board agreed to a recess with the meeting to reconvene at 12 noon.

EXECUTIVE SESSION

The meeting reconvened at 12 noon. Governor Riley announced that consideration of the tort liability reinsurance contract had been proposed for executive session.

Upon a motion by Mr. Patterson, seconded by Mr. Mangum, the Board agreed to consider this item in executive session whereupon Governor Riley declared the meeting to be in executive session.

RATIFICATION OF EXECUTIVE SESSION ACTION

Following consideration of the executive session item, the meeting was opened and Governor Riley announced that no action had been taken during executive session.

GENERAL SERVICES: TORT LIABILITY REINSURANCE CONTRACT

Appearing before the Board on this matter were Insurance Reserve Officer James Bennett and Attorney William Austin.

Mr. Austin reported that numerous meetings had been held with staff of the Insurance Reserve Fund and with representatives of Michigan Mutual, the firm which now holds the tort liability reinsurance contract with the State. Out of these efforts, Mr. Austin identified three options which had been presented by Michigan Mutual along with a fourth option which would be to refuse any of the three proposed by Michigan Mutual.

Mr. Austin then reviewed the three options proposed. Option 1 is described as the original per claim excess of loss proposal under which the first \$500,000 of each loss is retained by the State with the next \$500,000 of each loss reinsured. This option offers no provision for premium refund. The reinsurance premium would be \$2,200,000 and would include claims service. The total premium is estimated at \$6,615,000.

Under Option 2, described as the excess of loss proposal, the first \$500,000 of each loss is retained by the State with the next \$500,000 of each

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loss reinsured but provision is made for possible refund of a maximum of \$605,000 in premium at 30 months after expiration. The reinsurance premium would be \$2,300,000 with the referenced possibility of a refund of a maximum of \$605,000. The estimated total premium was \$6,195,000.

Option 3 is described as 100% reinsurance by Michigan Mutual with excluded coverages self-insured by the State. The reinsurance premium would be \$7,294,000 and the estimated total premium would be \$7,894,800 which includes \$600,000 anticipated premium for the State to self-insure excluded coverages.

Option 4 actually was a rejection of the three options proposed by Michigan Mutual and was described as full self-insurance by the State. The estimated total premium (building a 3 to 1 surplus line ratio in one year) is \$5,190,000. Using current Fund surplus, the estimated total premium was \$3,885,000.

Mr. Austin advised the Board that Michigan Mutual had agreed to provide claims service during the January 1-31 period and that, if Option 1, 2 or 3 were to be selected, all claims would be considered covered retroactively to January 1.

In response to Governor Riley's query, Mr. Austin indicated that the major differences between proposed Option 3 and the existing contract are that certain coverages like for pollution liability are excluded and that the premium is payable up front rather than quarterly as at present. He also advised Governor Riley that he is not certain the options presented are the final ones to be offered.

Mr. Austin, in response to Senator Waddell, expressed the view that any of the options would be palatable if it could be agreed that the contract would be renegotiated upon the passage of tort claims legislation.

Following further discussion, Governor Riley concluded that it seems best to ask staff and consultant Austin to negotiate a premium for the second year of the existing contract and, in the event that effort is not successful, to negotiate on Options 1, 2 and 3 with a right to renegotiate the contract following the passage of pending tort claims legislation. Governor Riley noted that self-insurance would be the third and last alternative available.

Mr. Morris asked if anybody wants to provide coverage for the State and Mr. Austin responded by stating that Michigan Mutual does and that others have

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Regular Session -- January 6, 1986 -- Page 8

not really been asked. He also noted that the trend is to self-insurance because coverage cannot be secured.

Mr. Putnam cautioned against locking in on the figures presented in Mr. Austin's report because they contemplate some use of Fund reserves. Mr. Morris expressed his opposition to the use of reserves developed in the property area for tort coverage. Mr. Putnam pointed out that audits have considered that Fund reserves were to cover whatever was required. He did note that tort coverage has been reinsured 100% so that, technically, no reserve for tort has been built. He also stated that if the Fund were a new company the 3 to 1 premium to surplus line ratio would be required by the Insurance Commission.

Mr. Putnam suggested that only one level of coverage be offered if either Option 1 or 2 were to be selected since the payment to Michigan Mutual would be the same. He also noted his inclination to have each type of insurance carry its own weight.

In further discussion, Governor Riley suggested that staff and consultant Austin attempt to negotiate a premium on the second year of the current contract and that, if Michigan Mutual were to refuse that approach, the Board should be prepared to go to court on the matter or to look at the options proposed including the right to renegotiate. Senator Waddell also urged inclusion of the right to renegotiate the contract upon the passage of tort liability legislation.

Following this discussion, the Board directed Mr. Austin to proceed with efforts to negotiate premium rates for the second year of the existing tort liability insurance contract with Michigan Mutual Insurance Company under the terms of the present policy and to report the results of those negotiations to the Board at its January 16 meeting.

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

Upon a motion by Mr. Patterson, seconded by Mr. Morris, the meeting was adjourned at 1:43 p.m.

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[Secretary's Note: In compliance with Section 9 of Act 593 of 1978 (the Freedom of Information Act), public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room in the State House, near the Board Secretary's office in the Wade Hampton Building, and in the lobby of the Wade Hampton Office Building at 10 a.m. on Tuesday, December 31, 1985.]

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EXHIBIT

JAN 6 1986 NO. 1



STATE OF SOUTH CAROLINA
BOARD OF ECONOMIC ADVISORS

STATE BUDGET & CONTROL BOARD

James A. Morris, Ph.D., Chairman
Barbara A. Feinn, Ph.D.
John T. Weeks
Bobby M. Bowers

Rembert C. Dennis Building
Suite 345
1000 Assembly Street
Columbia, S. C. 29201
803/758-8663

REVENUE OUTLOOK-FY 1986-87
AS OF JANUARY 1, 1986

The Board of Economic Advisors is required by Section 57, Part II of Act 151 of 1983 to consider adjustments to the official revenue forecast for the 1986-87 fiscal year on January 1, 1986. It has done so and determined that a downward adjustment over the forecast made on November 1, 1985 is warranted.

The economic forecast for FY 1986-87 made on November 1, 1985 is still valid, but revenue results will not be as large as anticipated because of the reduced base of FY 1985-86. The economy is expected to expand through the fiscal year, measured by personal income, at about 7 percent. Real growth is expected to improve as the effects of the declining dollar stimulate exports and manufacturing activity. Efforts to reduce the federal deficit will produce some fiscal drag but moderate monetary policy should provide sufficient offset to move the economy forward. There should be a moderate increase in the price level during the fiscal year.

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General Fund Revenue should increase in line with personal income during the fiscal year. The effect of a reduced base in FY 1985-86 will result in a lower revenue estimate than that made on November 1, 1985 by \$38 million, and this is reflected in the attached tables.

Board of Economic Advisors
J. A. M.
January 1, 1986

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TABLE I

GENERAL FUND REVENUES
Forecast 1985-86 and 1986-87
In Millions of Dollars

	ACTUAL 1984-85	REVISED 1985-86	REVISED 1986-87
TOTAL GENERAL FUND	2393.4	2551.4 (1)	2723.0 (1)
Total Regular Sources	2317.5	2510.0 (1)	2681.0 (1)
Sales Tax	828.3	885.0	950.0
Individual Income Tax	850.8	945.0	1025.0
Corporation Income Tax	192.2	210.0	216.0
All Other	446.3	470.0	490.0
Miscellaneous Sources	75.8	41.4	42.0
Education Improvement Fund		221.3 (2)	237.5 (2)
Interest on Education Improvement Fund		1.8	1.8
TOTAL		223.1	239.3

	<u>RATES OF CHANGE</u>	
TOTAL GENERAL FUND	6.6%	6.7%
Total Regular Sources	8.3	6.8
Sales Tax	6.8	7.3
Individual Income Tax	11.1	8.5
Corporation Income Tax	9.3	2.9
All Other	5.3	4.2
Miscellaneous Sources	-45.4	1.6
Education Improvement Fund		7.3
Interest on Education Improvement Fund		0.0
TOTAL		7.3

(1) Net of Education Improvement Fund.

(2) One-fifth of total sales tax.

Board of Economic Advisors
1/1/86

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TABLE II

GENERAL FUND REVENUE FOR FISCAL YEAR 1986-87
(IN MILLIONS OF DOLLARS)

REVENUE CATEGORY	GENERAL APPROPRIATION ACT* FY 1985-86	BEA REVISED FORECAST FY 1986-87
SALES TAX **	906.0	950.0
INDIVIDUAL INCOME	1003.2***	1025.0
CORPORATION INCOME	193.3	216.0
ALL OTHER REVENUE	454.1	490.0
REGULAR SOURCES	2556.6***	2681.0
MISCELLANEOUS	40.6	42.0
TOTAL GENERAL FUND REVENUE	2597.2***	2723.0

*: PART 1, SECTION 128 OF ACT 201 OF 1985.

** : NET OF EDUCATION IMPROVEMENT ACT FUNDS.

***: ADJUSTMENT MADE BY BUDGET AND CONTROL BOARD ACTION
AUGUST 8, 1985.

BOARD OF ECONOMIC ADVISORS
1/1/86

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TABLE III
TOTAL GENERAL FUND REVENUES
QUARTERLY ESTIMATES
FISCAL YEARS 1985-86 AND 1986-87
(IN MILLIONS OF DOLLARS)

	FY 1985-86	FY 1986-87
	-----	-----
FIRST QUARTER	631.4	691.6
SECOND QUARTER	1,253.4	1,353.3
THIRD QUARTER	1,881.0	2,004.1
FOURTH QUARTER	2,551.4	2,723.0

PERCENT OF TOTAL REVENUES
COLLECTION BY QUARTER

	FY 1985-86	FY 1986-87
	-----	-----
FIRST QUARTER	24.9	25.4
SECOND QUARTER	24.2	24.3
THIRD QUARTER	24.6	23.9
FOURTH QUARTER	26.3	26.4

Board of Economic Advisors
1/1/86

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STATE OF SOUTH CAROLINA
BOARD OF ECONOMIC ADVISORS

EXHIBIT

JAN 6 1986 NO. 1

STATE BUDGET & CONTROL BOARD

James A. Morris, Ph.D., Chairman
Barbara A. Feinn, Ph.D.
John T. Weeks
Bobby M. Bowers

Rembert C. Dennis Building
Suite 345
1000 Assembly Street
Columbia, S. C. 29201
803/758-8663

TO: South Carolina Budget and Control Board and
the South Carolina General Assembly

SUBJECT: Report of Revenue Outlook for Last Six Months
of FY 1985-86

The Board of Economic Advisors is required by Section 57, Part II of Act 151 of 1983 to provide a synopsis of the revenue outlook for the last six months of the fiscal year on December 31st of each year. The synopsis for December 31st, 1985 is provided herein, with supporting tables.

Economic activity during the first six months of FY 1985-86 has been essentially as projected except that the inflation rate has been lower than anticipated. The value of the dollar and interest rates have declined as expected but the response in increased investment, especially in construction, has been sluggish. The balance of trade has not improved and manufacturing activity has not yet revived. As a result personal income growth has not been quite as high as was anticipated.

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Opinions on the economic outlook for the next six months are sharply divided between those forecasters who anticipate slow growth and those who expect real growth at 4-percent levels. The Board of Economic Advisors is basing its revenue estimates on the expectation of economic improvement in the second half of the fiscal year. Lower interest rates should soon reap more investment and construction. The lower dollar should begin to help the State's exporters, mitigate the intense pressure put on the manufacturing sector by imports, and boost the tourism business from foreigners. Income growth should pick up during the balance of the fiscal year.

Based on this economic scenario it is anticipated the revenue generation during the next six months will show improvement over the first six months of the fiscal year, more in line with the original forecast for the fiscal year. There are other encouraging factors for revenue during this period. Results from the tax amnesty and enforcement programs have yet to be fully recorded. The negative impact of the one time accounting changes and transfers has already been absorbed. Receipts from the repeal of the food tax credit and lower tax bracket indexation will boost the income tax in the latter part of the fiscal year.

It is unlikely, however, that the revenue situation will improve sufficiently to offset the shortfall that has already occurred. The BEA estimates, consequently, that there will be a

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shortfall during FY 1985-86 of \$45.8 million, and this is reflected in the attached tables. It must also be emphasized that this estimate is based on a second six months considerably improved over the first part of the fiscal year.

Board of Economic Advisors
J. A. M.
December 31, 1985

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TABLE 1

GENERAL FUND REVENUE FORECAST FOR FISCAL YEAR 1985-86
(in millions of dollars)

REVENUE CATEGORY	BEA FORECAST (5-8-85) FY 1986	Part 1, Section 128 Of Act 201 of 1985 (Appropriation Act) June 14, 1985 FY 1986	Dollar Changes in Appropriation Act	BEA Dollar Changes From Appropriation Act 12-31-85	BEA Revised Estimate 12-31-85
SALES (1	902.2	906.0	3.8 (2	-21.0	885.0
INDIVIDUAL	957.4	1003.2	45.8 (3	-58.2	945.0
CORPORATION	182.0	193.3	11.3 (4	16.7	210.0
ALL OTHER	451.0	454.1	3.1 (5	15.9	470.0
TOTAL REGULAR SOURCES	2492.6	2556.6	64.0	-46.6	2510.0
MISCELLANEOUS SOURCES	38.7	40.6	1.9 (5	0.8	41.4
TOTAL GENERAL FUND	2531.3	2597.2	65.9	-45.8	2551.4

- NOTES: 1) Net of Education Improvement Act Funds.
 2) Includes \$4.7 million for enhanced enforcement; \$0.3 million for tax amnesty; -\$1.2 million for sales cap on leased vehicles and musical instruments for churches.
 3) Added \$33.8 million for repeal of food tax credit; \$13.1 million for reduced rate of indexation; \$0.9 million for the amnesty program; \$1.0 million for enhanced enforcement; -\$3.0 million for retirement pay exemption for certain individuals; -\$3.0 million adjustment made by Budget and Control Board Action on August 8, 1985;
 4) Added \$4.8 million for amnesty program, \$4.0 million for enhanced enforcement; \$2.5 million for stiffer penalties.
 5) Added \$3.1 million for Sunday beverage sales, licenses for coin operated devices, and various revenues from government departments; \$1.9 million for higher probation fees and indirect costs recoveries.

Board of Economic Advisors
December 31, 1985

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Accompanying Notes to Table 1

The Board of Economic Advisors estimated on May 8, 1985 that revenue collections for the General Fund during Fiscal Year 1985-86 would amount to \$2,531.3 million. Estimates for various sources are provided in Table 1.

The Appropriation Act, June 14, 1985 included several changes to the Board of Economic Advisors estimate of May 8, 1985 to take into account legislation enacted during the session. The Act added to the Board of Economic Advisors estimate for the Sales tax \$4.7 million for additional revenue expected to be generated from an enhancement to the enforcement effort, another \$0.3 million for the tax amnesty program, minus \$1.2 million for losses from the application of a \$300 limit on sales taxes to leased vehicles and musical instruments sold to churches.

The Act added \$45.8 million to the Board of Economic Advisors estimate for the Individual Income tax of which \$33.8 million resulted from the repeal of the food tax credit of \$12.50 for each dependent, \$13.1 million from the use of tax bracket indexation at one fourth the rate of inflation instead of the full rate of inflation, \$0.9 million for the amnesty program, \$1.0 million for enhanced enforcement, minus \$3.0 million lost due to the increase in the amount of certain retirement income which is exempt from the income tax.

The Act increased the Board of Economic Advisors estimate for the Corporate Income tax \$11.3 million of which \$4.8 million was for the amnesty program, \$4.0 million for enhanced enforcement, and \$2.5 million from the imposition of stiffer penalties.

The Act added \$3.1 million to the All Other category of revenues to account for Sunday sales of alcoholic beverages, license fees for coin operated devices and revenues generated by government departments; and \$1.9 million for higher estimates of Miscellaneous revenues generated by higher parole and probation fees and higher estimates of various indirect cost recoveries.

The estimate for the Sales tax for Fiscal Year 1985-86 is being lowered \$21.0 million from the estimate in the Act due to lower income growth and a concentration of sales in autos and other large purchases for which there is a \$300 limit on sales taxes.

The Individual Income tax estimate is being lowered \$58.2 million from the Appropriation Act estimate due to lower income growth, a larger than expected carry over of refunds from last fiscal year, and increased uncertainty regarding revenue raising measures in light of the slower rate of growth in the individual income tax collections experienced thus far this fiscal year. The estimate for the Corporate Income tax is being raised \$16.7 million from the estimate in the Act to account for an improvement in the efficiency of business operations.

The estimate for All Other and Miscellaneous revenues is being raised \$16.7 million to account for small improvements in several categories.

Overall, the Board of Economic Advisors recommends lowering the estimate \$45.8 million from the estimate in the Appropriation Act for Fiscal Year 1985-86 as adjusted by Budget and Control Board action of August 8, 1985.

013655

TABLE 2

FISCAL YEAR 1986 OUTLOOK: GROWTH REQUIRED TO MEET ESTIMATES*

	FY	FY	FY 1986 CHANGES		FY 1986	
	1985 ACTUAL DECEMBER-JUNE (million \$)	1986 NEEDED DECEMBER-JUNE (million \$)	NECESSARY TO MEET BEA ESTIMATE DECEMBER-JUNE NET	ESTIMATE PERCENT	% CHANGES FY FORECAST	JULY TO NOVEMBER
SALES	\$ 474.8	\$ 507.2	\$ 32.4	6.8%	6.8%	6.9%
INDIVIDUAL	432.2	514.8	82.6	19.1	11.1	2.8
CORPORATE	144.7	156.6	11.9	8.2	9.3	12.7
ALL OTHER	300.3	311.8	11.5	3.8	5.3	8.4
REGULAR SOURCES	1,352.1	1,490.4	138.3	10.2	8.3	5.6
MISCELLANEOUS	29.7	31.2	1.5	5.1	-45.4	-77.9
TOTAL GENERAL FUND	1,381.8	1,521.6	139.8	10.1	6.6	1.8

*: Estimates based on BEA forecast of December 31, 1985.

Board of Economic Advisors
12/31/85

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TABLE 3
 REVIEW OF GENERAL FUND REVENUE COLLECTIONS AND STATE INCOME GROWTH

FISCAL YEARS	PERSONAL INCOME AT ANNUAL RATES (MILLIONS OF \$)	PERCENT CHANGE PRIOR YEAR QUARTER	CUMULATIVE GENERAL FUND REVENUE (MILLIONS OF \$)	PERCENT CHANGE PRIOR YEAR QUARTER	RATIO OF REVENUE GROWTH TO INCOME GROWTH
1983-84					
1983: 3	30,428	9.0	567.143	13.9	1.544
4	31,263	9.7	1094.857	14.5	1.495
1984: 1	32,473	12.6	1626.202	12.5	.992
2	33,081	11.3	2228.210	13.1	1.159
1984-85					
1984: 3	33,764	11.0	616.196	8.6	.784
4	34,222	9.5	1216.327	11.1	1.173
1985: 1	34,758	7.0	1790.714	10.1	1.435
2	35,035	5.9	2393.372	7.4	1.253
1985-86					
1985: 3	35,754	5.9	631.355	2.4	.407
			FORECASTS*		
4	36,469	6.6	1253.4	3.0	.464
1986: 1	37,046	6.6	1881.0	5.0	.766
2	37,452	6.9	2551.4	6.6	.957

* DECEMBER 31, 1985 QUARTERLY ESTIMATES.

BOARD OF ECONOMIC ADVISORS
 DECEMBER 31, 1985

013657

TABLE 4

GENERAL FUND REVENUE FORECAST FOR FISCAL YEAR 1986-87
(IN MILLIONS OF DOLLARS)

REVENUE CATEGORY	PART 1, SECTION 128 OF ACT 201 OF 1985 (THE APPROPRIATION ACT)		NOVEMBER 1, 1985 BEA	
	BEA FORECAST 5/8/85 FY 1985-86	JUNE 14, 1985 FY 1985-86	WORKING ESTIMATE FY 1985-86	BEA FORECAST FY 1986-87
SALES*	902.2	906.0	894.0	962.0
INDIVIDUAL	957.4	1003.2**	952.4	1056.0
CORPORATION	182.0	193.3	208.2	215.0
ALL OTHER	451.0	454.1	467.0	486.0
REGULAR SOURCES	2492.6	2556.6**	2521.6	2719.0
MISCELLANEOUS	38.7	40.6	41.4	42.0
TOTAL GENERAL FUND REVENUE	2531.3	2597.2**	2563.0	2761.0
EDUCATION IMPROVEMENT FUND			223.5	240.5
INTEREST ON EDUCATION IMPROVEMENT FUND			1.8	1.8
TOTAL			225.3	242.3

*: NET OF EDUCATION IMPROVEMENTS ACT FUNDS.

** : ADJUSTMENTS MADE BY BUDGET AND CONTROL BOARD ACTION ON AUGUST 8, 1985.

BOARD OF ECONOMIC ADVISORS
12/31/85

013658

REVENUE FORECASTING PROCEDURES
BOARD OF ECONOMIC ADVISORS
FISCAL YEAR 1987

The procedures and methodology of the Board of Economic Advisors in the preparation of the revenue forecasts for Fiscal Year 1985-86 and 1986-87 as of 12/31/85 and 1/1/86 involved five major stages: 1) providing the economic background and setting at the national and State levels for the revenue forecasts; 2) reconciling the May 8, 1985 Board of Economic Advisors Estimate of Fiscal Year 1985-86 with Legislative adjustments in Part 1, Section 128 of Act 201 of the 1985 Appropriation Act; 3) interpreting recent and historical elasticities; 4) analyzing the outputs of the SCOPE model under alternative scenarios, and 5) interacting with officials of other states with responsibility for revenue forecasting.

Board members individually and collectively had meetings and discussions as in the past with experts and professional economists for economic intelligence gathering. These included among others J. Alfred Broaddus, Jr., Ph.D., Senior Vice President, Federal Reserve Bank of Richmond, and Richard W. Ellson, Ph.D., Senior Research Economist and Associate Professor of Economics, University of South Carolina, in which the outlook for the economy of the nation, South Carolina, and the textile and other significant industries in the State was discussed. Board staff members conducted a telephone survey of Southeastern states regarding their economic and revenues outlook in order to ascertain any differences and/or similarities with those of the State of South Carolina which might be indicative of a trend. The resources of the national forecasting groups by which the SCOPE model is driven, Data Resources, Inc. and Evans Economics, Inc., were available on-line, as well as in hard copy Reports weekly and monthly to Board members. In addition, the Blue Chip Service and other leading national forecasts were used as a basis for simulations of the South Carolina economy and State revenues. Materials from a variety of sources-international, national and state publications-were also made available to Board members.

Board members and staff also attended the 1985 Fall Economic Outlook Conference on Economic Development in South Carolina sponsored by the Division of Research, College of Business Administration, University of South Carolina on November 19, 1985. Subsequently, on December 10, 1985, Board members attended the Data Resources, Inc. Quarterly Outlook session in New York at which James Tobin, Sterling Professor of Economics at Yale University and recipient of the Nobel Prize in Political Economy, and Martin Feldstein, Professor of Economics at Harvard University, President of the National Bureau of Economic Research, and former chairman of the President's Council of Economic Advisors, made presentations on the national and international economic outlook.

The preparation of the economic forecasts involved many meetings between November 1, 1985 and December 31, 1985 with preliminary estimates, modifications and refinements of estimates.

Board of Economic Advisors
December 31, 1985

013659

BRIEF OVERVIEW OF THE SCOPE MODEL

The SCOPE (South Carolina Operations Planning and Evaluation) Model was initiated in 1972 in the Office of Chief Economist (originally in the Governor's office and now in the Division of Research and Statistical Services). It was designed and operates as a policy and forecasting tool for top level executive, legislative and management decision making. SCOPE is an econometric model designed to reflect the South Carolina economy and to forecast the performance of major economic variables in the State, particularly tax revenues, employment and income. The model is based on a framework of economic activity in the State relative to national economic activity. Approximately 85 exogenous national variables are currently taken from two leading national forecasting services (Data Resources, Inc., and Evans Economics, Inc.).

The SCOPE core model consists of 63 equations, of which 55 are stochastic* and 8 are identities. SCOPE attempts to reflect the diversity of the South Carolina economy by including 20 industrial sectors of manufacturing and nonmanufacturing employment, and a series of equations for wages, personal income, unemployment, taxable sales and State tax revenue.

Durable Manufacturing Employment

The durable manufacturing employment block consists of 6 stochastic equations for the major industries in the State as reported by the South Carolina Employment Security Commission. The employment equations for each separate industry are expressed as a function of a national consumption expenditure index appropriate for that particular industry, a national industrial production index corresponding to that industry and the national level of employment in that industry. The durable employment forecasts include the following industries: Lumber and Products, Stone, Clay and Glass, Fabricated Metal Products, Electrical and Nonelectrical Machinery, and Other Durables which includes Furniture and Fixtures, Instruments and Related Products.

Nondurable Manufacturing Employment

The nondurable manufacturing employment block consists of 7 stochastic equations for the major nondurable industries in the State. Like the durable block, the employment equation for each industry is expressed as a function of a national consumption index appropriate for that particular industry, a national industrial production index for that particular industry and the

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

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national level of employment in that industry. Employment forecasts are available for each of the following nondurable industries: Food and Kindred Products, Textile Mill Products, Apparel, Paper, Printing and Publishing, Chemicals, and Other Nondurables, such as Rubber and Miscellaneous Plastics Products.

Nonmanufacturing Employment

The nonmanufacturing employment block is disaggregated into 7 stochastic equations: Construction, Transportation and Public Utilities, Services, Trade, Finance-Insurance-Real Estate, State and Local Government, and Federal Government. Employment growth in these industries is specified as functions of State population, national employment in these industries and national consumption indices.

Personal Income

The personal income block is composed of 2 stochastic equations, one equation for average hourly earnings and one equation for the unemployment rate, and 10 additional stochastic equations, one equation for each of the 10 major components of personal income as published by the Bureau of Economic Analysis, Department of Commerce. These equations are specified as functions of their respective national and State income and employment variables. In addition, equations are estimated for wage and salary disbursements for all major industries and are specified as functions of national wage trends and State employment levels.

Revenues

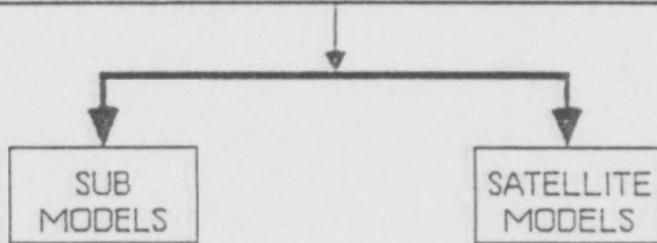
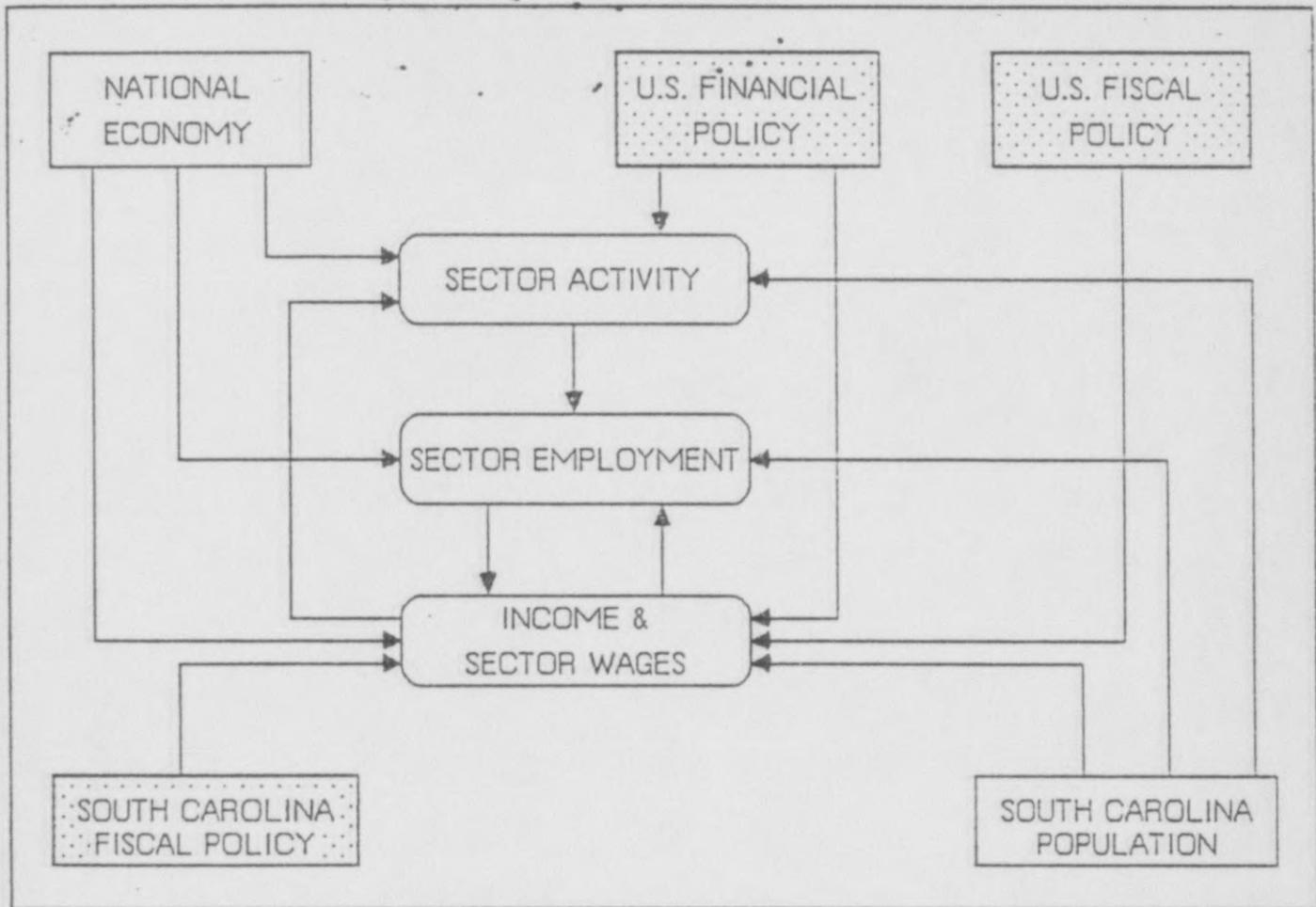
The revenue section of the model emphasizes 4 major stochastic Regular Revenue Sources equations: 1) South Carolina corporate income tax, 2) South Carolina individual income taxes, 3) South Carolina retail sales, and 4) all other taxes. These equations are individually specified as functions of aggregate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

12/31/85
Office of Chief Economist

013661

SCOPE MODEL

SOUTH CAROLINA OPERATIONS, PLANNING & EVALUATION MODEL



- Exogenous Variables
- Exogenous Policy Variables
- Endogenous Variables

Office of Chief Economist
State of South Carolina

December 31, 1985

013662

Where Has All the Personal Income Growth Gone?

The Saga of DRI

National Personal Income
Calendar Year % Change*

Solve Date	DRI Release	Calendar 1985	Calendar 1986	Calendar 1987
January '85	Control 122385	6.25%	6.54%	8.20%
February '85	Control 012685	6.42%	6.34%	7.88%
March '85	Control 022585	6.79%	6.19%	7.75%
April '85	Control 0485	6.67%	6.36%	7.85%
May '85	Control 0585	6.61%	6.42%	7.95%
June '85	Control 0685	6.57%	6.31%	7.93%
July '85	Control 0785	6.57%	5.96%	7.92%
August '85	Control 0885	6.46%	6.26%	7.79%
September '85	Control 0985	6.25%	5.97%	7.45%
October '85	Control 1085	6.07%	5.69%	7.47%
November '85	Control 1185	5.96%	5.50%	7.10%
December '85	Control 1285	5.85%	5.42%	7.44%

Board of Economic Advisors
12/31/85

013663

GENERAL FUND REVENUE BY CATEGORY

	REVISED ESTIMATE FY 1985-86*	REVISED FORECAST FY 1986-87**
REGULAR SOURCES		
SALES TAX (TOTAL)	\$ 885,000,000	\$ 950,000,000
RETAIL SALES	876,000,000	940,500,000
CASUAL SALES	9,000,000	9,500,000
INCOME TAX (TOTAL)	1,155,000,000	1,241,000,000
INDIVIDUAL	945,000,000	1,025,000,000
CORPORATION	210,000,000	216,000,000
TOTAL, INCOME AND SALES TAX	\$ 2,040,000,000	\$ 2,191,000,000
ALL OTHER REVENUE		
ADMISSIONS TAX	\$ 6,450,000	\$ 6,900,000
AIRCRAFT TAX	475,000	550,000
ALCOHOLIC LIQUOR TAX	47,700,000	49,700,000
BANK TAX	8,000,000	8,500,000
BEER AND WINE TAX	64,000,000	67,600,000
BUSINESS LICENSE TAX	30,700,000	31,500,000
CABLE TELEVISION FEES	5,000	10,000
COIN-OPERATED DEVICE TAX	6,500,000	6,900,000
COMMERCIAL NUCLEAR WASTE TAX	5,100,000	5,400,000
CONTRACTORS LICENSE TAX	825,000	860,000
CORPORATION LICENSE TAX	27,200,000	30,200,000
DEPARTMENT OF AGRICULTURE	5,457,860	5,560,100
DEPARTMENTAL REVENUE	24,937,270	24,000,000
DOCUMENTARY TAX	17,500,000	18,500,000
EARNED ON INVESTMENTS	68,100,000	60,050,000
ELECTRIC POWER TAX	14,100,000	14,450,000
ESTATE TAX	24,550,000	27,500,000
FERTILIZER INSPECTION TAX	225,000	240,000
GASOLINE TAX--COUNTIES	16,550,000	17,100,000
GIFT TAX	1,900,000	2,600,000
INSURANCE TAX	60,207,250	67,150,000
MOTOR TRANSPORT FEES	5,124,537	5,536,000
PRIVATE CAR LINES TAX	1,400,000	1,600,000
PUBLIC SERVICE ASSESSMENT	3,359,837	4,315,000
PUBLIC SERVICE AUTHORITY	1,850,000	1,850,000
RETAILERS LICENSE TAX	1,400,000	1,800,000
SAVINGS AND LOAN ASSOCIATION TAX	20,000	100,000
SOFT DRINKS TAX	18,500,000	20,500,000
WORKERS COMP. INSURANCE TAX	7,871,000	9,000,000
TOTAL, ALL OTHER REVENUE	\$ 470,007,754	\$ 489,971,100
TOTAL, REGULAR SOURCES	\$ 2,510,007,754	\$ 2,680,971,100
MISCELLANEOUS SOURCES		
CIRCUIT & FAMILY COURT FINES	\$ 1,700,000	\$ 1,751,000
DEBT SERVICE TRANSFERS	15,641,611	15,094,761
HOUSING AUTHORITY REIMBURSEMENT	465,075	465,075
INDIRECT COST RECOVERIES	15,487,349	16,000,000
MENTAL HEALTH FEES	3,800,000	3,800,000
PAROLE AND PROBATION SUPERVISION FEES	2,400,000	2,800,000
UNCLAIMED PROPERTY FUND TRANSFER	1,500,000	1,750,000
WASTE TREATMENT LOAN REPAYMENT	400,000	382,241
TOTAL, MISCELLANEOUS SOURCES	\$ 41,394,035	\$ 42,043,077
TOTAL, GENERAL FUND REVENUE	\$ 2,551,401,789	\$ 2,723,014,177

*Received
1/6/86*

EXHIBIT

JAN 6 1986 NO. 1

STATE BUDGET & CONTROL BOARD

SOURCE: BOARD OF ECONOMIC ADVISORS.
*: DECEMBER 31, 1985.
**: JANUARY 1, 1986.

013664

EXHIBIT

No. 201]

OF SOUTH CAROLINA
General and Permanent Laws--1985

NO. 1619

STATE BUDGET & CONTROL BOARD

approval as to form and execution by the Attorney General.

SECTION 143. *Provided, That* notwithstanding any other provision of law, the State Treasurer may enter into contracts whereby the agency or institution may accept credit cards as payment for goods or services provided.

SECTION 144. Any appropriations made herein or by special act now or hereafter, are hereby declared to be maximum, conditional and proportionate, the purpose being to make them payable in full in the amount named herein, if necessary, but only in the event the aggregate revenues available during the period for which the appropriation is made are sufficient to pay them in full. The State Budget and Control Board shall have full power and authority to survey the progress of the collection of revenue and the expenditure of funds by all departments and institutions, and is hereby authorized and directed to make such reductions of appropriations as may be necessary; *Provided, Further, That* no institution or activity for which the General Assembly has herein provided shall be discontinued. *Provided, Further, That* any reduction of appropriations by the said Board, under authority of this Act, shall be applied as uniformly as may be practicable except that no reduction shall be applied to any part of such appropriations which may be encumbered by a written contract with an agency not connected with the State Government; and *Provided, Further, That* in making such reductions any amounts of State Revenues allocated by law to Counties and Municipalities (commonly referred to as Aid to Subdivisions) shall be subject to reduction the same as appropriations. Counties and Municipalities shall be immediately notified of any such action by the Board. *Provided, Further, That* no such reduction shall be ordered by the State Budget and Control Board while the General Assembly is in session without first reporting such necessity to the General Assembly.

EXHIBIT

013665

JAN 6 1986

NO. 1

STATE BUDGET & CONTROL BOARD

SECTION 135. As far as practicable all departments, institutions, and agencies of the State are hereby directed to budget and allocate the appropriations herein made to them as quarterly allocations so as to provide for operation on uniform standards throughout the fiscal year and in order to avoid a deficiency in such appropriations. It should be recognized that academic year calendars of state institutions will affect the uniformity of the receipt and distribution of funds during the years. The Budget and Control Board is authorized to require any agency, institutions or department to file a quarterly allocations plan and is further authorized to restrict the rate of expenditures of the agency, institution or department if the Board determines that a deficit may occur.

Provided, Further, That the bonds of State officials violating the terms of this section shall be held liable therefor, unless the Budget and Control Board has been advised of, and officially recognizes the necessity for such deficit.

SECTION 136. All Federal Funds received shall be deposited in the State Treasury, if not in conflict with Federal regulations, and withdrawn therefrom as needed, in the same manner as that provided for the disbursement of state funds. If it shall be determined that federal funds are not available for, or cannot be appropriately used in connection with, all or any part of any activity or program for which state funds are specifically appropriated in this Act to match Federal funds, the appropriated funds may not be expended and shall be returned to the General Fund, except upon specific written approval of the Budget and Control Board after review by the Joint Appropriations Review Committee.

Provided, Further, That donations or contributions from sources other than the Federal Government, for use by any state agency, shall be deposited in the State Treasury, but in special accounts, and shall

013666

SUMMARY OF ANTICIPATED APPROPRIATION REDUCTION

BASED ON AN ACROSS-THE-BOARD APPLICATION

<u>Expenditure Category</u>	<u>85-86 Adjusted Appropriation *</u>	<u>Percentage</u>	<u>Estimated Additional Adjustment</u>
Personal Service and Employer Contributions	831,936,197	36%	16,472,336
Distribution to Sub- divisions	1,020,367,402	44%	20,203,275
All other (includes 110,352,543 debt service)	465,109,526	20%	9,124,389
TOTAL	2,317,413,125	100%	45,800,000

Assumption: The additional required adjustment (45,800,000) due to projected 85-86 revenue shortfall will be applied proportionately across major expenditure categories on a Statewide basis. An across the board reduction of 1.98% will be required to achieve the 45,800,000 amount needed.

By Expenditure Category:

Personal Service - required reduction, 16,472,336 or 36% of total reduction. A reduction of this level, if not restored the following year (86-87) would represent the application of an additional vacancy factor of 2.0% and would further reduce agencies ability to fund authorized FTE levels.

Distribution to Subdivisions - required reduction 20,203,275 or 44% of total reduction. Since this is the largest expenditure category, it would be imperative that these base funds participate in any significant interim year reduction. However, since these funds are formula driven by law, it would be mandatory to restore these funds in the following year 86-87.

All others - required reduction 9,124,389 or 20% of total reduction-this area includes other operating expenses (68%), Special items (8%), and Public Assistance payments (24%)-reductions in this area are the most difficult for agencies to apply due to the nature of these expenditure categories. Many agencies have not received significant other operating adjustments in recent years and this would be difficult for some agencies. Extension of these interim year adjustments into 86-87 would be very difficult for agencies to absorb.

* Includes previous reduction of 3,000,000 implemented by B & C Board through mandated hiring delays for new positions and the following exemptions:

Legislative Department	1,700,000
Mental Health	112,863,089
Corrections	24,444,949
Judicial Department	6,109,101
Tax Commission	23,063,758
Debt Service	109,378,483
Comptroller General	1,151,224
Attorney General	1,090,256

EXHIBIT

JAN 6 1986 NO. 1

STATE BUDGET & CONTROL BOARD

State Budget Division
January 3, 1986

013667

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
STATE BUDGET DIVISION
406 WADE HAMPTON STATE OFFICE BUILDING
COLUMBIA, S. C. 29201
(803) 758-3106

EXHIBIT

JAN 6 1986 NO. 1

STATE BUDGET & CONTROL BOARD

RICHARD W. RILEY, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
STATE TREASURER

EARLE E. MORRIS, JR.
COMPTROLLER GENERAL



JESSE A. COLES, JR., Ph.D.
DIVISION DIRECTOR

REMBERT C. DENNIS
CHAIRMAN
SENATE FINANCE COMMITTEE

TOM G. MANGUM
CHAIRMAN
HOUSE WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM
EXECUTIVE DIRECTOR

FY 1985-86 Projected Revenue Shortfall

On December 31, 1985, the Board of Economic Advisors officially revised the FY 1985-86 General Fund Revenue Estimate as required by Section 57, Part II of Act 151 of 1983. This revision represents a \$45.8 million reduction to the previously adjusted revenue of \$2,597 billion (resulting from Budget and Control Board action on August 8, 1985).

As included in its responsibilities as outlined in Section 144, Part I of the 1985-86 Appropriation Act, the Budget and Control Board is ". . . authorized and directed to make such reductions of appropriations as may be necessary . . ." to counter projected revenue shortfalls. Section 135 of the Act authorizes the Board "to restrict the rate of expenditures of the agency, institution or department if the Board determines that a deficit may occur." To implement this reduction all agencies participating will be required to submit a STARS Form 30 transferring an amount (which they will be advised of) from their operating program (s) to an internal standardized program entitled "Interim Reduction - Restricted", which will be established by the Comptroller General's Office for all agencies. Appropriations reserved in this program will be frozen with no expenditure permitted and year ending balances lapsing to the General Fund. Should revenue projections/collections improve authorized and approved portions of these funds may be transferred back into operating programs for expenditure.

January 6, 1986
State Budget Division

013668

STATE OF SOUTH CAROLINA
BUDGET AND CONTROL BOARD
STATE BUDGET DIVISION
406 WADE HAMPTON STATE OFFICE BUILDING
COLUMBIA, S.C. 29201
(803) 758-3106

RICHARD W. RILEY, CHAIRMAN
GOVERNOR

GRADY L. PATTERSON, JR.
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HOUSE WAYS AND MEANS COMMITTEE

WILLIAM T. PUTNAM
EXECUTIVE DIRECTOR

EXHIBIT

JAN 6 1986 NO. 1

STATE BUDGET & CONTROL BOARD

January 6, 1986

The attached list is a proposal to reduce the FY 1985-86 base to come into compliance with Board of Economic Advisor's estimate of January 1, 1986.

This schedule is based on a 2% reduction with the following exceptions:

- A. Total exemptions for:
- (1) Department of Mental Health
 - (2) State Tax Commission
 - (3) Debt Service
 - (4) Legislator's Salaries
 - (5) Judge's salaries
 - (6) County Auditor's salaries
 - (7) County Treasurer's salaries
 - (8) Circuit Solicitors's salaries

B. Department of Corrections was only reduced 1.5% which the department has developed a suitable plan.

This schedule allows for a \$46,349,968 reduction in the base which exceeds the \$45.8 million reduction by \$549,968 which would be used to help hardship cases at the end of the third quarter.

013669

AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
A01*	LEG. DEPT-THE SENATE TOTAL APPROPRIATION BASE FOR 1985-86	6,029,881	111,398	5,918,483
A05*	LEG. DEPT-HOUSE OF REPRESENTATIVES TOTAL APPROPRIATION BASE FOR 1985-86	8,263,348	140,467	8,122,881
A10	LEG. DEPT-SPECIAL SERVICES FOR BOTH HOUSES TOTAL APPROPRIATION BASE FOR 1985-86	407,007	8,140	398,867
A15	LEG. DEPT-CODIFICATION OF LAWS & LEG COUNCIL TOTAL APPROPRIATION BASE FOR 1985-86	1,804,252	36,085	1,768,167
A17	LEG. DEPT-LEG PRINTING & INF. TECH. RES. TOTAL APPROPRIATION BASE FOR 1985-86	2,926,282	58,526	2,867,756
A20	LEG. DEPT-LEG AUDIT COUNCIL TOTAL APPROPRIATION BASE FOR 1985-86	939,466	18,789	920,677
A25	LEG. DEPT-LEG INFORMATION SYSTEMS TOTAL APPROPRIATION BASE FOR 1985-86	939,560	18,791	920,769
A27	STATE REORGANIZATION COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	760,614	15,212	745,402
A28	S C ADV COMM INTERGOVERNMENTAL RELATIONS TOTAL APPROPRIATION BASE FOR 1985-86	117,545	2,351	115,194
A35	JT. LEG. MEMBERSHIP RESEARCH COMMITTEE TOTAL APPROPRIATION BASE FOR 1985-86	126,313	2,526	123,787
A40	JT. LEG. COMMITTEE ON ENERGY TOTAL APPROPRIATION BASE FOR 1985-86	151,801	3,036	148,765
A42	JT. LEG. APPROPRIATIONS REVIEW TOTAL APPROPRIATION BASE FOR 1985-86	305,110	6,102	299,008
A45	JT. LEG. COMMITTEE-HEALTH CARE PLANNING TOTAL APPROPRIATION BASE FOR 1985-86	118,841	2,377	116,464
A50	JT. LEG. COM. ALCOHOL & DRUG ABUSE TOTAL APPROPRIATION BASE FOR 1985-86	29,317	586	28,731
A51	JT. LEG. COM. STATE BIDDING PRACTICES TOTAL APPROPRIATION BASE FOR 1985-86	13,200	264	12,936
A52	JT. LEG. COM. TOBACCO ADVISORY TOTAL APPROPRIATION BASE FOR 1985-86	8,790	176	8,614
A53	JT. LEG. COM. EDUCATION STUDY TOTAL APPROPRIATION BASE FOR 1985-86	34,340	687	33,653

EXHIBIT

JAN 6 1986 NO. 1

STATE BUDGET & CONTROL BOARD

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
A54	JT. LEG. COM. TEXTILE - APPAREL STUDY TOTAL APPROPRIATION BASE FOR 1985-86	23,414	468	22,946
A55	JT. LEG. COM. STATE EMPLOYEES EMPLOYMENT TOTAL APPROPRIATION BASE FOR 1985-86	10,919	218	10,701
A56	JT. LEG. COM. HANDICAPPED TOTAL APPROPRIATION BASE FOR 1985-86	9,540	191	9,349
A57	JT. LEG. COM. INS LAWS & AUTO LIAB TOTAL APPROPRIATION BASE FOR 1985-86	82,517	1,650	80,867
A58	JT. LEG. COM. WORKERS COMPENSATION STUDY TOTAL APPROPRIATION BASE FOR 1985-86	34,500	690	33,810
A59	JT. LEG. COM. PUBLIC TRANSPORTATION STUDY TOTAL APPROPRIATION BASE FOR 1985-86	25,785	516	25,269
A60	JT. LEG. COM. AGING STUDY TOTAL APPROPRIATION BASE FOR 1985-86	57,599	1,152	56,447
A61	JT. LEG. COM. CONSUMER AFFAIRS TOTAL APPROPRIATION BASE FOR 1985-86	9,374	187	9,187
A62	JT. LEG. COM. AGRICULTURE STUDY TOTAL APPROPRIATION BASE FOR 1985-86	12,000	240	11,760
A63	JT. LEG. COM. WATER RESOURCES TOTAL APPROPRIATION BASE FOR 1985-86	2,385	48	2,337
A64	JT. LEG. COM. CATAWBA INDIAN COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	5,000	100	4,900
A65	JT. LEG. COM. MENTAL HEALTH & RETARDATION TOTAL APPROPRIATION BASE FOR 1985-86	55,066	1,101	53,965
A66	JT. LEG. COM. TOURISM & TRADE TOTAL APPROPRIATION BASE FOR 1985-86	32,245	645	31,600
A67	JT. LEG. COM. SOCIAL SERVICES ADVISORY TOTAL APPROPRIATION BASE FOR 1985-86	0	0	0
A68	JT. LEG. COM. CONT COM ON RETIREMENT SYSTEMS TOTAL APPROPRIATION BASE FOR 1985-86	14,708	294	14,414
A69	JT. LEG. COM. TAX STUDY COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	54,080	1,082	52,998
A70	JT. LEG. CHILDREN'S STUDY TOTAL APPROPRIATION BASE FOR 1985-86	409,911	8,198	401,713

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
A71	JT. LEG. COM. CRIME STUDY TOTAL APPROPRIATION BASE FOR 1985-86	4,000	80	3,920
A72	JT. LEG. COM. INTERNAL SECURITY TOTAL APPROPRIATION BASE FOR 1985-86	5,000	100	4,900
A77	JT. LEG. COM. YOUTH COORDINATING COUNCIL TOTAL APPROPRIATION BASE FOR 1985-86	0	0	0
A78	JT. LEG. COM. ON RAILROAD ABANDONMENT TOTAL APPROPRIATION BASE FOR 1985-86	5,000	100	4,900
A79	JT. LEG. COM. ON AQUACULTURE TOTAL APPROPRIATION BASE FOR 1985-86	2,385	48	2,337
A80	JT. LEG. COM. ON CULTURAL AFFAIRS TOTAL APPROPRIATION BASE FOR 1985-86	42,450	849	41,601
A81	JT. LEG. ELECTION LAW STUDY COMMITTEE TOTAL APPROPRIATION BASE FOR 1985-86	35,000	700	34,300
B04*	JUDICIAL DEPARTMENT TOTAL APPROPRIATION BASE FOR 1985-86	21,183,266	301,483	20,881,783
D05	GOVERNORS OFF-EXECUTIVE CONTROL OF STATE TOTAL APPROPRIATION BASE FOR 1985-86	1,038,552	20,771	1,017,781
D10	GOVERNORS OFF-STATE LAW ENFORCEMENT DIVISION TOTAL APPROPRIATION BASE FOR 1985-86	14,498,977	289,980	14,208,997
D17	GOVERNORS OFF-OFF EXEC POLICY & PROGRAMS TOTAL APPROPRIATION BASE FOR 1985-86	6,146,696	122,934	6,023,762
D20	GOVERNORS OFF-MANSION AND GROUNDS TOTAL APPROPRIATION BASE FOR 1985-86	187,843	3,757	184,086
E04	LIEUTENANT GOVERNOR'S OFFICE TOTAL APPROPRIATION BASE FOR 1985-86	199,981	4,000	195,981
E08	SECRETARY OF STATE'S OFFICE TOTAL APPROPRIATION BASE FOR 1985-86	820,596	16,412	804,184
E12*	COMPTROLLER GENERAL'S OFFICE TOTAL APPROPRIATION BASE FOR 1985-86	4,720,603	71,388	4,649,215
E16	STATE TREASURER'S OFFICE TOTAL APPROPRIATION BASE FOR 1985-86	2,632,083	52,642	2,579,441
E20*	ATTORNEY GENERAL'S OFFICE TOTAL APPROPRIATION BASE FOR 1985-86	9,645,030	171,895	9,473,135

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
E22	COMMISSION ON APPELLATE DEFENSE TOTAL APPROPRIATION BASE FOR 1985-86	702,224	14,044	688,180
E23	SOUTH CAROLINA SENTENCING & GUIDELINES COMM. TOTAL APPROPRIATION BASE FOR 1985-86	177,491	3,550	173,941
E24	ADJUTANT GENERAL'S OFFICE TOTAL APPROPRIATION BASE FOR 1985-86	3,564,463	71,289	3,493,174
E25	SOUTH CAROLINA STATE GUARD TOTAL APPROPRIATION BASE FOR 1985-86	73,776	1,476	72,300
E28	STATE ELECTION COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	1,232,818	24,656	1,208,162
F02	B & C-OFFICE OF EXECUTIVE DIRECTOR TOTAL APPROPRIATION BASE FOR 1985-86	3,403,924	68,078	3,335,846
F06	B & C-BUDGET DIVISION TOTAL APPROPRIATION BASE FOR 1985-86	3,086,001	61,720	3,024,281
F08	B & C-RESEARCH AND STATISTICAL SERVICES DIV. TOTAL APPROPRIATION BASE FOR 1985-86	2,170,778	43,416	2,127,362
F10	B & C-INFORMATION RESOURCES MANAGEMENT TOTAL APPROPRIATION BASE FOR 1985-86	2,716,151	54,323	2,661,828
F12	B & C-GENERAL SERVICES DIVISION TOTAL APPROPRIATION BASE FOR 1985-86	5,027,459	100,549	4,926,910
F14	B & C-STATE FIRE MARSHAL TOTAL APPROPRIATION BASE FOR 1985-86	1,912,944	38,259	1,874,685
F16	B & C-MOTOR VEHICLE MANAGEMENT DIVISION TOTAL APPROPRIATION BASE FOR 1985-86	257,055	5,141	251,914
F24	B & C-HUMAN RESOURCE MANAGEMENT TOTAL APPROPRIATION BASE FOR 1985-86	2,888,541	57,771	2,830,770
F26	B & C-LOCAL GOVERNMENT DIVISION TOTAL APPROPRIATION BASE FOR 1985-86	6,119,850	122,397	5,997,453
F27	B & C-STATE AUDITOR TOTAL APPROPRIATION BASE FOR 1985-86	3,068,866	61,377	3,007,489
F29	B & C-RETIREMENT DIVISION TOTAL APPROPRIATION BASE FOR 1985-86	0	0	0
F30	B & C-EMPLOYEE BENEFITS TOTAL APPROPRIATION BASE FOR 1985-86	26,597,013	531,940	26,065,073

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
F31	B & C-CAPITAL EXPENDITURE FUND TOTAL APPROPRIATION BASE FOR 1985-86	13,001,098	260,022	12,741,076
H03	COMMISSION ON HIGHER EDUCATION TOTAL APPROPRIATION BASE FOR 1985-86	2,076,652	41,533	2,035,119
H06	HIGHER EDUCATION TUITION GRANTS COMMITTEE TOTAL APPROPRIATION BASE FOR 1985-86	14,848,237	296,965	14,551,272
H09	THE CITADEL TOTAL APPROPRIATION BASE FOR 1985-86	11,999,944	239,999	11,759,945
H12	CLEMSON UNIVERSITY (EDUCATIONAL & GENERAL) TOTAL APPROPRIATION BASE FOR 1985-86	59,489,083	1,189,782	58,299,301
H15	COLLEGE OF CHARLESTON TOTAL APPROPRIATION BASE FOR 1985-86	16,890,282	337,806	16,552,476
H18	FRANCIS MARION COLLEGE TOTAL APPROPRIATION BASE FOR 1985-86	9,240,141	184,803	9,055,338
H21	LANDER COLLEGE TOTAL APPROPRIATION BASE FOR 1985-86	6,834,961	136,699	6,698,262
H24	S C STATE COLLEGE TOTAL APPROPRIATION BASE FOR 1985-86	19,124,784	382,496	18,742,288
H27	UNIV OF SOUTH CAROLINA TOTAL APPROPRIATION BASE FOR 1985-86	99,586,273	1,991,725	97,594,548
H28	UNIV OF SOUTH CAROLINA - MEDICAL SCHOOL TOTAL APPROPRIATION BASE FOR 1985-86	12,693,946	253,879	12,440,067
H29	U S C - AIKEN CAMPUS TOTAL APPROPRIATION BASE FOR 1985-86	4,973,560	99,471	4,874,089
H32	U S C - COASTAL CAROLINA CAMPUS TOTAL APPROPRIATION BASE FOR 1985-86	6,546,481	130,930	6,415,551
H34	U S C - SPARTANBURG CAMPUS TOTAL APPROPRIATION BASE FOR 1985-86	6,378,725	127,575	6,251,150
H36	U S C - BEAUFORT CAMPUS TOTAL APPROPRIATION BASE FOR 1985-86	999,980	20,000	979,980
H37	U S C - LANCASTER CAMPUS TOTAL APPROPRIATION BASE FOR 1985-86	1,693,685	33,874	1,659,811
H38	U S C - SALKEHATCHIE CAMPUS TOTAL APPROPRIATION BASE FOR 1985-86	1,106,936	22,139	1,084,797

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
H39	U S C - SUMTER CAMPUS TOTAL APPROPRIATION BASE FOR 1985-86	2,356,151	47,123	2,309,028
H40	U S C - UNION CAMPUS TOTAL APPROPRIATION BASE FOR 1985-86	633,664	12,673	620,991
H47	WINTHROP COLLEGE TOTAL APPROPRIATION BASE FOR 1985-86	16,396,872	327,937	16,068,935
H51	MEDICAL UNIVERSITY OF S C TOTAL APPROPRIATION BASE FOR 1985-86	68,968,619	1,379,372	67,589,247
H52	MEDICAL UNIVERSITY OF S C HOSPITAL TOTAL APPROPRIATION BASE FOR 1985-86	10,411,798	208,236	10,203,562
H53	S. C. CONSORTIUM OF COMM. TEACHING HOSPITALS TOTAL APPROPRIATION BASE FOR 1985-86	13,378,406	267,568	13,110,838
H54	CHARLESTON HIGHER EDUCATION CONSORTIUM TOTAL APPROPRIATION BASE FOR 1985-86	223,967	4,479	219,488
H55	ADV COUNCIL VOCATIONAL & TECHNICAL ED. TOTAL APPROPRIATION BASE FOR 1985-86	41,011	820	40,191
H59	ST. BD. FOR TECHNICAL & COMPREHENSIVE ED. TOTAL APPROPRIATION BASE FOR 1985-86	84,424,942	1,688,499	82,736,443
H63	STATE EDUCATION DEPARTMENT TOTAL APPROPRIATION BASE FOR 1985-86	912,360,137	18,247,203	894,112,934
H67	EDUCATIONAL TELEVISION COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	15,747,988	314,960	15,433,028
H71	WIL LOU GRAY OPPORTUNITY SCHOOL TOTAL APPROPRIATION BASE FOR 1985-86	2,284,576	45,692	2,238,884
H73	VOCATIONAL REHABILITATION TOTAL APPROPRIATION BASE FOR 1985-86	14,216,693	284,334	13,932,359
H75	SCHOOL FOR THE DEAF AND THE BLIND TOTAL APPROPRIATION BASE FOR 1985-86	9,014,234	180,285	8,833,949
H79	DEPARTMENT OF ARCHIVES AND HISTORY TOTAL APPROPRIATION BASE FOR 1985-86	3,391,836	67,837	3,323,999
H83	CONFEDERATE RELIC ROOM TOTAL APPROPRIATION BASE FOR 1985-86	190,866	3,817	187,049
H87	S. C. STATE LIBRARY TOTAL APPROPRIATION BASE FOR 1985-86	4,931,844	98,637	4,833,207

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
H91	S. C. ARTS COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	2,322,334	46,447	2,275,887
H95	STATE MUSEUM COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	1,025,072	20,501	1,004,571
J02	STATE HEALTH & HUMAN SERVICES FINANCE COMMSN TOTAL APPROPRIATION BASE FOR 1985-86	91,650,735	1,833,015	89,817,720
J04	DEPT OF HEALTH & ENVIRONMENTAL CONTROL TOTAL APPROPRIATION BASE FOR 1985-86	72,962,736	1,459,255	71,503,481
J12	DEPARTMENT OF MENTAL HEALTH TOTAL APPROPRIATION BASE FOR 1985-86	112,778,017	0	112,778,017
J16	DEPARTMENT OF MENTAL RETARDATION TOTAL APPROPRIATION BASE FOR 1985-86	64,380,654	1,287,613	63,093,041
J20	S. C. COMMISSION ON ALCOHOL & DRUG ABUSE TOTAL APPROPRIATION BASE FOR 1985-86	6,203,188	124,064	6,079,124
L04	DEPARTMENT OF SOCIAL SERVICES TOTAL APPROPRIATION BASE FOR 1985-86	86,726,155	1,734,523	84,991,632
L12	JOHN DE LA HOWE SCHOOL TOTAL APPROPRIATION BASE FOR 1985-86	2,066,055	41,321	2,024,734
L16	ADV. BD. FOR REV OF FOSTER CARE OF CHILDREN TOTAL APPROPRIATION BASE FOR 1985-86	0	0	0
L20	CHILDREN'S BUREAU TOTAL APPROPRIATION BASE FOR 1985-86	1,145,398	22,908	1,122,490
L24	COMMISSION FOR THE BLIND TOTAL APPROPRIATION BASE FOR 1985-86	2,813,902	56,278	2,757,624
L28	COMMISSION ON AGING TOTAL APPROPRIATION BASE FOR 1985-86	1,562,050	31,241	1,530,809
L32	STATE HOUSING AUTHORITY TOTAL APPROPRIATION BASE FOR 1985-86	465,075	9,302	455,773
L36	S. C. COMMISSION ON HUMAN AFFAIRS TOTAL APPROPRIATION BASE FOR 1985-86	1,320,966	26,419	1,294,547
L40	DEPT. OF VETERANS AFFAIRS TOTAL APPROPRIATION BASE FOR 1985-86	1,132,030	22,641	1,109,389
L44	COMMISSION ON WOMEN TOTAL APPROPRIATION BASE FOR 1985-86	66,461	1,329	65,132

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
N04*	DEPARTMENT OF CORRECTIONS TOTAL APPROPRIATION BASE FOR 1985-86	97,779,796	1,466,697	96,313,099
N08	PAROLES AND COMMUNITY CORRECTIONS TOTAL APPROPRIATION BASE FOR 1985-86	12,277,820	245,556	12,032,264
N12	DEPARTMENT OF YOUTH SERVICES TOTAL APPROPRIATION BASE FOR 1985-86	25,468,420	509,368	24,959,052
N20	LAW ENFORCEMENT TRAINING COUNCIL TOTAL APPROPRIATION BASE FOR 1985-86	0	0	0
N24	LAW OFFICERS HALL OF FAME COMMITTEE TOTAL APPROPRIATION BASE FOR 1985-86	0	0	0
P04	WATER RESOURCES COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	2,444,441	48,889	2,395,552
P08	STATE LAND RESOURCES CONSERVATION COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	2,470,370	49,407	2,420,963
P12	STATE FORESTRY COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	14,170,419	283,408	13,887,011
P16	DEPARTMENT OF AGRICULTURE TOTAL APPROPRIATION BASE FOR 1985-86	5,663,293	113,266	5,550,027
P18	FAMILY FARM DEVELOPMENT AUTHORITY TOTAL APPROPRIATION BASE FOR 1985-86	228,152	4,563	223,589
P20	CLEMSON UNIVERSITY-PUBLIC SERVICE ACTIVITIES TOTAL APPROPRIATION BASE FOR 1985-86	33,489,306	669,786	32,819,520
P22	MIGRATORY WATERFOWL COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	32,121	642	31,479
P24	WILDLIFE & MARINE RESOURCES DEPARTMENT TOTAL APPROPRIATION BASE FOR 1985-86	16,683,872	333,677	16,350,195
P25	COASTAL COUNCIL TOTAL APPROPRIATION BASE FOR 1985-86	1,005,518	20,110	985,408
P26	SEA GRANT CONSORTIUM TOTAL APPROPRIATION BASE FOR 1985-86	447,664	8,953	438,711
P28	DEPARTMENT OF PARKS, RECREATION & TOURISM TOTAL APPROPRIATION BASE FOR 1985-86	9,802,676	196,054	9,606,622
P32	STATE DEVELOPMENT BOARD TOTAL APPROPRIATION BASE FOR 1985-86	5,200,820	104,016	5,096,804

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
P34	JOB-ECONOMIC DEVELOPMENT AUTHORITY TOTAL APPROPRIATION BASE FOR 1985-86	227,843	4,557	223,286
P36	PATRIOTS POINT DEVELOPMENT AUTHORITY TOTAL APPROPRIATION BASE FOR 1985-86	362,263	7,245	355,018
P40	CLARKS HILL-RUSSELL AUTHORITY OF S.C. TOTAL APPROPRIATION BASE FOR 1985-86	765,653	15,313	750,340
P48	OLD EXCHANGE BUILDING COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	93,587	1,872	91,715
R04	PUBLIC SERVICE COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	5,401,502	108,030	5,293,472
R08	INDUSTRIAL COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	3,341,376	66,828	3,274,548
R12	STATE WORKERS' COMPENSATION FUND TOTAL APPROPRIATION BASE FOR 1985-86	110,000	2,200	107,800
R16	SECOND INJURY FUND TOTAL APPROPRIATION BASE FOR 1985-86	0	0	0
R20	DEPARTMENT OF INSURANCE TOTAL APPROPRIATION BASE FOR 1985-86	4,518,144	90,363	4,427,781
R23	FINANCIAL INST BD-ADMINISTRATION DIVISION TOTAL APPROPRIATION BASE FOR 1985-86	19,545	391	19,154
R24	FINANCIAL INST BD-BANK EXAMINING DIVISION TOTAL APPROPRIATION BASE FOR 1985-86	1,012,301	20,246	992,055
R25	FINANCIAL INST BD-CONSUMER FINANCE DIVISION TOTAL APPROPRIATION BASE FOR 1985-86	348,934	6,979	341,955
R28	DEPARTMENT OF CONSUMER AFFAIRS TOTAL APPROPRIATION BASE FOR 1985-86	1,504,179	30,084	1,474,095
R32	STATE DAIRY COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	203,711	4,074	199,637
R36	DEPARTMENT OF LABOR TOTAL APPROPRIATION BASE FOR 1985-86	2,942,923	58,858	2,884,065
R44	STATE TAX COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	23,063,958	0	23,063,958
R48	ALCOHOLIC BEVERAGE CONTROL COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	2,839,033	56,781	2,782,252

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
R52	STATE ETHICS COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	160,835	3,217	157,618
R60	EMPLOYMENT SECURITY COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	140,104	2,802	137,302
R64	BOARD OF ACCOUNTANCY TOTAL APPROPRIATION BASE FOR 1985-86	253,531	5,071	248,460
R68	BOARD OF ARCHITECTURAL EXAMINERS TOTAL APPROPRIATION BASE FOR 1985-86	174,600	3,492	171,108
R69	AUCTIONEERS' COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	105,755	2,115	103,640
R72	BOARD OF BARBER EXAMINERS TOTAL APPROPRIATION BASE FOR 1985-86	143,963	2,879	141,084
R74	STATE BOXING COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	20,176	404	19,772
R76	CEMETERY BOARD TOTAL APPROPRIATION BASE FOR 1985-86	18,250	365	17,885
R80	BOARD OF CHIROPRACTIC EXAMINERS TOTAL APPROPRIATION BASE FOR 1985-86	53,152	1,063	52,089
R82	CONTRACTORS LICENSING BD TOTAL APPROPRIATION BASE FOR 1985-86	265,240	5,305	259,935
R84	BOARD OF COSMETOLOGY TOTAL APPROPRIATION BASE FOR 1985-86	357,302	7,146	350,156
R88	BOARD OF DENTISTRY TOTAL APPROPRIATION BASE FOR 1985-86	147,731	2,955	144,776
R92	BOARD OF ENGINEERS AND LAND SURVEYORS TOTAL APPROPRIATION BASE FOR 1985-86	252,872	5,057	247,815
R94	BD. OF CERT. OF ENVIR. SYSTEMS OPRS. TOTAL APPROPRIATION BASE FOR 1985-86	148,980	2,980	146,000
R96	BOARD OF REGISTRATION FOR FORESTERS TOTAL APPROPRIATION BASE FOR 1985-86	6,532	131	6,401
R99	BOARD OF FUNERAL SERVICE TOTAL APPROPRIATION BASE FOR 1985-86	61,992	1,240	60,752
S04	BOARD OF MEDICAL EXAMINERS TOTAL APPROPRIATION BASE FOR 1985-86	592,977	11,860	581,117

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
S08	BOARD OF NURSING TOTAL APPROPRIATION BASE FOR 1985-86	544,094	10,882	533,212
S12	BD. OF EX. FOR NURSING HOME ADMINISTRATORS TOTAL APPROPRIATION BASE FOR 1985-86	52,100	1,042	51,058
S14	BD. OF OCCUPATIONAL THERAPY TOTAL APPROPRIATION BASE FOR 1985-86	2,378	48	2,330
S17	BD. OF EXAM. IN OPTICIANRY TOTAL APPROPRIATION BASE FOR 1985-86	14,183	284	13,899
S18	BD. OF EXAM. IN OPTOMETRY TOTAL APPROPRIATION BASE FOR 1985-86	31,859	637	31,222
S20	THE BOARD OF PHARMACY TOTAL APPROPRIATION BASE FOR 1985-86	173,789	3,476	170,313
S24	BOARD OF PHYSICAL THERAPY EXAMINERS TOTAL APPROPRIATION BASE FOR 1985-86	24,206	484	23,722
S28	BOARD OF PODIATRY EXAMINERS TOTAL APPROPRIATION BASE FOR 1985-86	1,044	21	1,023
S32	BOARD OF EXAMINERS IN PSYCHOLOGY TOTAL APPROPRIATION BASE FOR 1985-86	12,771	255	12,516
S36	REAL ESTATE COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	1,050,088	21,002	1,029,086
S40	RESIDENTIAL HOME BUILDERS COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	385,384	7,708	377,676
S44	BD. OF EX. FOR REGISTERED SANITARIANS TOTAL APPROPRIATION BASE FOR 1985-86	7,236	145	7,091
S48	STATE BOARD OF SOCIAL WORK EXAMINERS TOTAL APPROPRIATION BASE FOR 1985-86	4,930	99	4,831
S52	BD. OF EX. FOR SPEECH, PATHOLOGY & AUDIOLOGY TOTAL APPROPRIATION BASE FOR 1985-86	12,715	254	12,461
S56	BD. OF VETERINARY MEDICAL EXAMINERS TOTAL APPROPRIATION BASE FOR 1985-86	22,645	453	22,192
U04	AERONAUTICS COMMISSION TOTAL APPROPRIATION BASE FOR 1985-86	2,487,260	49,745	2,437,515
U10	D H & P T-INTERAGENCY COUNCIL ON PUBLIC TRANS TOTAL APPROPRIATION BASE FOR 1985-86	700,019	14,000	686,019

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AGENCY NO.	DESCRIPTION	BASE	PROPOSED REDUCTION (2.00%)	PROPOSED BASE
V04	DEBT SERVICE TOTAL APPROPRIATION BASE FOR 1985-86	109,378,483	0	109,378,483
W04	MISCELLANEOUS TOTAL APPROPRIATION BASE FOR 1985-86	395,000	7,900	387,100
W90	DUES AND CONTRIBUTIONS TOTAL APPROPRIATION BASE FOR 1985-86	0	0	0
X22	AID TO SUBDIVISIONS TOTAL APPROPRIATION BASE FOR 1985-86	161,389,643	3,227,793	158,161,850
X50	DEPT. OF HIGHWAYS & PUBLIC TRANSPORTATION TOTAL APPROPRIATION BASE FOR 1985-86	600,000	12,000	588,000
STATEWIDE TOTALS		2,597,174,185	46,349,968	2,550,824,217

NOTE:

THE FOLLOWING AGENCIES ARE EXEMPTED FROM THE PROPOSED REDUCTION -
 J12 DEPARTMENT OF MENTAL HEALTH
 R44 STATE TAX COMMISSION
 V04 DEBT SERVICE

* THE AGENCY BASE AMOUNT WAS ALTERED BEFORE THE REDUCTION WAS COMPUTED:

A01 THE SENATE - REDUCED BY 460,000
 A05 HOUSE OF REP - REDUCED BY 1,240,000
 B04 JUDICIAL DEPT - REDUCED BY 6,109,101
 E12 COMPT GEN OFF - REDUCED BY 1,151,224
 E20 ATTOR GEN OFF - REDUCED BY 1,050,256
 N04 DEPT OF CORR - REDUCED BY 24,444,949

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EXHIBIT
 JAN 6 1986 NO. 1
 STATE BUDGET & CONTROL BOARD