

MINUTES OF BUDGET AND CONTROL BOARD MEETING

NOVEMBER 10, 1966

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The Budget and Control Board met in the Conference Room of the State Auditor's Office at 10:30 A. M., Thursday, November 10, 1966 with all members present.

The following business was transacted.

ADOPTION OF REVISED REVENUE PROJECTION FOR 1966-67
AND PROJECTION FOR 1967-68

At the opening of the meeting Dr. James A. Morris of the University of South Carolina, Consultant to the Board, was present and lead a discussion on prospective economic conditions in the Nation, and in South Carolina particularly, for the remainder of the current year and into 1967. Attached herewith as a part of the minutes is a written statement presented by Dr. Morris at the opening of the meeting.

The Board engaged in a general discussion of the State's economy with special consideration of revenue prospects for the remainder of this year and for 1967-68. Projections for these two period had been developed in a joint conference by the State Auditor, the Chairman of the Tax Commission and Dr. Morris and were recommended to the Board for adoption.

After deliberation the Board gave its approval to the revenue projections as presented. A copy of the projections as adopted is attached herewith as a part of the minutes.

REVIEW OF APPROPRIATION INCREASES REQUESTED FOR 1967-68

Mr. P. C. Smith presented for review by the Board a summary of major appropriation increases requested by the several departments for 1967-68. The requests were reviewed by the Board and commented upon.

It was agreed that the State Auditor would prepare a preliminary draft of the Board's recommendations, based upon today's discussions, to be presented

at the next meeting of the Board on November 17, 1966.

(After discussion of appropriation requests the Board recessed for lunch at 1:00 P. M. and reconvened at 3:00 P. M.)

ALLOCATIONS FROM CIVIL CONTINGENT FUND

The Board approved the following allocations from the Civil Contingent Fund.

1. An amount not exceeding \$10,000.00 to the Advisory Commission on Higher Education for expenses of a survey of the utilization of academic facilities at the Colleges.
2. An allocation of \$4,000.00 to cover South Carolina's initial entry fee into the Compact for Education, payable to the Education Commission of the States.
3. An allocation of \$1,485.00 to the Department of Veterans Affairs for Travel and Repairs.
4. An allocation of \$500.00 to the Joint Legislative Committee to Study Municipal Problems.

RESOLUTION AUTHORIZING ISSUANCE OF \$500,000.00 OF
STATE NOTES FOR RIVERSIDE SCHOOL FOR GIRLS

The Board approved a formal resolution authorizing the issuance of \$500,000.00 of State Notes for construction of new facilities for Riverside School for Girls. A copy of the resolution is attached herewith as a part of the minutes.

UNIVERSITY OF SOUTH CAROLINA - Approval of Revised
Cost of Memorial Hall

At the request of the University of South Carolina the Board continued consideration of the request originally received at the last meeting for approval of additional financing of the proposed Memorial Hall project.

The Board was particularly concerned with the increasing cost of construction of this and other permanent improvement projects in recent months.

After consideration, approval was given to the following financing plan for this project.

(a) City of Columbia	\$ 600,000.00
(b) State Notes	2,000,000.00
(c) University Revenue Bonds	3,535,843.00
(d) Federal Funds	473,157.00
(e) University Bonds (Authorized for this Project)	<u>2,016,000.00</u>
Total	<u>\$ 8,625,000.00</u>

CLEMSON UNIVERSITY - Approval Given Increased
Cost of Auditorium

At the request of Clemson University the Board considered further its request for approval of a revised cost of its proposed new Auditorium. The Board was also reluctant to approved this project because of increasing construction costs. The Board did, however, give its approval to increasing the cost of the project from the original estimate of \$2,000,000.00 to \$2,700,000.00 as requested.

STATE ENGINEER

Upon recommendation of Mr. P. C. Smith the Board approved his offering the position of State Engineer to Mr. Lawrence P. Hamilton, currently employed as head of the Building Inspection Division of the Columbia City Government.

GENERAL SERVICES DIVISION - Proposed Salary Increases

Mr. Furman McEachern, Director of the Division of General Services, was present and requested the Board's approval of the immediate increase of the salaries of certain employees of his Division. The Board noted that these particular salaries were fixed in the Appropriation Bill and did not feel it had authority to approve increases in such instances. The matter was accordingly carried over without action at this time.

No further business was transacted and the meeting adjourned at 4:45 P. M.

A RESOLUTION

MAKING PROVISION FOR THE ISSUANCE OF \$500,000 OF NOTES OF THE STATE OF SOUTH CAROLINA FOR THE PURPOSE OF RAISING MONEYS TO CONSTRUCT NEW FACILITIES FOR THE RIVERSIDE SCHOOL FOR GIRLS AT A NEW LOCATION ON LAND PRESENTLY OWNED BY THE STATE.

BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF THE STATE OF SOUTH CAROLINA:

ARTICLE I

FINDINGS OF FACT

Section 1.

As an incident to the adoption of this Resolution the State Budget and Control Board of the State of South Carolina finds that the facts set forth in this Article are in all respects true and correct:

1. By the provisions of Section 2 of Part II of an Act of the General Assembly of the State of South Carolina, entitled "AN ACT TO PROVIDE SUPPLEMENTAL APPROPRIATIONS FOR OPERATION OF CERTAIN STATE AGENCIES FOR THE FISCAL YEAR 1964-65; TO FURTHER REGULATE THE EXPENDITURE OF FUNDS THEREFOR; TO AUTHORIZE THE ISSUANCE OF STATE NOTES NOT IN EXCESS OF \$500,000.00 FOR THE CONSTRUCTION OF EXPANDED FACILITIES FOR THE RIVERSIDE SCHOOL FOR GIRLS AT A NEW LOCATION; ETC...", Approved the 28th day of May, 1965 (the Enabling Act), it is provided that if the State Budget and Control Board (the State Board) shall express its approval by proper resolution, the Governor and the State Treasurer shall be empowered to issue Notes of the State of South Carolina to the extent of not exceeding \$500,000 and to apply the proceeds thereof to the purposes set forth in Sub-paragraph (4) of Paragraph A, Section 2, Part II of the Enabling Act.

2. The State Board finds that the entire sum of \$500,000 authorized will be required to construct the new facilities for the Riverside School for Girls and therefore, proposes to provide for the issuance of \$500,000 of Notes for such purpose.

3. Notes issued pursuant to said Section 2, Part II of the Enabling Act are to be payable from and secured by a pledge of the revenues derived from the tax imposed pursuant to Article 1, Chapter 12, Title 65, Code of Laws of South Carolina, 1962 (the Power Tax).

4. Such revenues are, as of this occasion, pledged to secure the following outstanding obligations of the State of South Carolina, all of which are held by the State Board in its capacity as Trustee of the funds of the South Carolina Retirement System, viz. (balances due as of August 31, 1966):

(a) The now outstanding \$140,000 of an original issue of \$300,000 State Notes, dated 10-1-57, issued for Clemson University.

(b) The now outstanding \$140,000 of an original issue of \$300,000 State Notes, dated 10-1-57, issued for the University of South Carolina.

(c) The now outstanding \$425,000 of an original issue of \$2,125,000 State Notes, dated 2-1-58, issued for various State Institutions.

(d) The now outstanding \$60,000 of an original issue of \$200,000 State Notes, dated 7-1-59, issued for the Archives Department.

(e) The now outstanding \$90,000 of an original issue of \$150,000 State Notes, dated 8-1-60, issued for Clemson University.

(f) The now outstanding \$90,000 of an original issue of \$150,000 State Notes, dated 8-1-60, issued for the University of South Carolina.

(g) The now outstanding \$500,000 of an original issue of \$1,500,000 State Penitentiary Notes, dated 11-1-62.

(h) The now outstanding \$1,035,000 of an original issue of \$1,305,000 South Carolina State Notes, First Series of 1963, dated 7-1-63, issued for various State Institutions.

(i) The now outstanding \$82,000 of an original issue of \$100,000 South Carolina State Notes, Second Series of 1963, dated as of the first day of July, 1963 (For South Carolina School for Boys).

(j) The now outstanding \$1,165,000 of an original issue of \$1,345,000 South Carolina State Notes, Third Series of 1963, dated as of the first day of May, 1964.

(k) The now outstanding \$225,000 of an original issue of \$265,000 South Carolina State Notes, First Series of 1964, dated May 1, 1964 (For Armories).

(l) The now outstanding \$36,000 of an original issue of \$40,000 South Carolina State Notes, Fourth Series of 1963, dated as of the first day of July, 1964 (For South Carolina School for Boys).

(m) The now outstanding \$259,000 of an original issue of \$277,000 South Carolina State Notes, Second Series of 1964, dated September 1, 1964 (For Clemson and the John G. Richards School).

(n) The now outstanding \$560,000 of an original issue of \$600,000 South Carolina State Notes, Fifth Series of 1963, dated as of the first day of May, 1965 (For Pineland).

(o) The now outstanding \$150,000 of an original issue of \$150,000 South Carolina State Notes, Sixth Series of 1963, dated as of the first day of June, 1965 (For The Medical College of South Carolina).

(p) The now outstanding \$1,000,000 of an original issue of \$1,000,000 South Carolina State Notes, Seventh Series of 1963, dated as of the first day of June, 1966 (For South Carolina Retarded Children's Center).

(q) The now outstanding \$1,000,000 of an original issue of \$1,000,000 South Carolina State Notes, First Series of 1966, dated August 1, 1966 (For Educational Television Commission).

5. Pursuant to the provisions of Sub-paragraph E of Section 2, Part II, of the Enabling Act, the pledge herein made to secure the Notes herein authorized is on a parity in all respects with the pledges heretofore made to secure the payment of the outstanding Notes enumerated in Paragraph 4 of this Article I.

6. On the basis of the foregoing findings, the State Board by this Resolution undertakes to:

(1) Raise \$500,000 for the purpose of constructing new facilities for the Riverside School for Girls at a new location on land presently owned by the State; and

(2) Authorize the Governor and the State Treasurer to issue Notes of the State of South Carolina to the extent of \$500,000.

ARTICLE II
ISSUANCE OF NOTES

Section 1.

Pursuant to the provisions of Section 2, Part II of the Enabling Act, the State Board authorizes and empowers the Governor and the State Treasurer to issue \$500,000 of Notes of the State of South Carolina, to be designated "STATE OF SOUTH CAROLINA NOTES, ISSUED FOR RIVERSIDE SCHOOL FOR GIRLS," (the Notes), whose proceeds shall be expended for constructing and equipping new facilities for the Riverside School for Girls at a new location on land presently owned by the State.

Section 2.

The Notes shall be issued in fully registered form and as a single fully registered Note, in the name of the State Budget and Control Board of South Carolina, as Trustee of the funds of the South Carolina Retirement System, and payable to said Budget and Control Board of South Carolina, as such Trustee, or to its assigns.

Section 3.

The Notes shall be dated September 1, 1966, shall bear interest at the rate of five and one-half per centum (5-1/2%) per annum, from the date of the delivery thereof (as established by the certification endorsed thereon), payable on the first days of March and September of each year, commencing March 1, 1967, until the principal amount shall be paid in full, and shall mature in annual installments on September 1 in the years and amounts set forth below, viz.:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
1967	\$50,000	1972	\$50,000
1968	50,000	1973	50,000
1969	50,000	1974	50,000
1970	50,000	1975	50,000
1971	50,000	1976	50,000

Section 4.

The State of South Carolina reserves the right to effect the prepayment on September 1, 1967 and all subsequent interest payment dates, of any portion of the indebtedness evidenced by said Notes that it may determine upon, in the inverse chronological order of the maturities of the principal installments, and in multiples of \$10,000, at a redemption price equal to the par value of the principal amount so redeemed, and accrued interest to the date fixed for redemption.

If the option to redeem shall be exercised, notice of redemption shall be given to the holder of said Notes, at least thirty (30) days prior to the prepayment date, by mailing to such holder a notice prescribing such prepayment date and specifying the amount of principal to be prepaid.

Section 5.

Payment of interest and installments of principal of said Notes and portions thereof (if the privilege of prepayment be exercised) shall be effected by check or draft drawn by the State Treasurer. Such payments shall be effected by the use of funds pledged for the payment of the principal and interest of the Notes. All payments of principal and interest shall be duly endorsed upon the Payment Record appended to said Registered Note.

Section 6.

The Notes shall be executed on behalf of the State of South Carolina by the Governor and State Treasurer. The Great Seal of the State shall be affixed thereto and the same shall be attested by the Secretary of State.

Section 7.

For the payment of the principal of and interest on said Notes there are hereby irrevocably pledged so much of the revenues derived from the tax imposed pursuant to Article 1, Chapter 12, Title 65, Code of Laws of South Carolina, 1962, as shall be required to effect the prompt payment of the principal and interest thereof, as the same shall respectively mature. The

pledge made to secure the Notes of this issue is hereby declared to be on a parity with the pledges now existing and hereafter made to secure the following obligations, viz.:

(a) The obligations enumerated in Paragraph 4 of Article I, supra, secured in whole or in part by a pledge of the revenues derived from the tax imposed pursuant to Article 1, Chapter 12, Title 65, Code of Laws of South Carolina, 1962; and

(b) All obligations of the State of South Carolina authorized hereafter pursuant to legislation now or hereafter enacted and payable from the revenues pledged to the payment of the Notes of this issue.

All moneys received by the State Treasurer from the tax above referred to shall be duly impounded by him to the extent required to provide for the payment of the principal of and interest on the Notes herein authorized, other notes hereafter issued on a parity therewith, and all existing obligations heretofore issued, secured in whole or in part by a pledge of the aforesaid revenues.

ARTICLE III

FORM OF FULLY REGISTERED NOTE

Section 1.

The form of the Notes as issued in fully registered form shall be as set forth in EXHIBIT "A" annexed hereto and made a part of this Resolution.

UNITED STATES OF AMERICA

STATE OF SOUTH CAROLINA

STATE OF SOUTH CAROLINA NOTE, ISSUED
FOR RIVERSIDE SCHOOL FOR GIRLS

NUMBER R-1

\$500,000

The STATE OF SOUTH CAROLINA hereby acknowledges itself indebted, and for value received, promises to pay to the

STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA,
as Trustee of the funds of the South Carolina Retirement System,
or its registered assigns, the principal sum of

FIVE HUNDRED THOUSAND DOLLARS

on the first day of September in the years and amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
1967	\$50,000	1972	\$50,000
1968	50,000	1973	50,000
1969	50,000	1974	50,000
1970	50,000	1975	50,000
1971	50,000	1976	50,000

and to pay to the registered holder hereof interest on the balance of said principal sum from time to time remaining unpaid, at the rate of five and one-half per centum (5-1/2%) per annum, from the date of the delivery hereof (as established by the certification endorsed hereon), payable semi-annually on March 1 and September 1 of each year, commencing March 1, 1967, until the principal amount hereof has been fully paid. Both the principal of and interest on this Note are payable in any coin or currency of the United States which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts, by check or draft issued by the State Treasurer of the State of South Carolina to the registered holder hereof.

THIS NOTE, designated as STATE OF SOUTH CAROLINA NOTE, ISSUED FOR RIVERSIDE SCHOOL FOR GIRLS, is issued pursuant to and in accordance with the Constitution and Laws of the State of South Carolina, including particularly the provisions of an Act of the General Assembly of the State of South Carolina, entitled "AN ACT TO PROVIDE SUPPLEMENTAL APPROPRIATIONS FOR OPERATION OF CERTAIN STATE AGENCIES FOR THE FISCAL YEAR 1964-65; TO FURTHER

REGULATE THE EXPENDITURE OF FUNDS THEREFOR; TO AUTHORIZE THE ISSUANCE OF STATE NOTES NOT IN EXCESS OF \$500,000.00 FOR THE CONSTRUCTION OF EXPANDED FACILITIES FOR THE RIVERSIDE SCHOOL FOR GIRLS AT A NEW LOCATION; ETC. . . .," Approved the 28th day of May, 1965 (the Enabling Act), and resolutions duly adopted by the State Budget and Control Board of South Carolina, for the purpose of raising moneys to aid in the construction and equipping of new facilities for the Riverside School for Girls at a new location on land presently owned by the State.

In addition to the installments of principal required to be paid as hereinabove set forth, the right is reserved to the State of South Carolina to prepay on September 1, 1967 and all subsequent interest payment dates, installments of principal in inverse chronological order, and in multiples of \$10,000, at a redemption price equal to the par value of the principal amount so redeemed, and accrued interest to the date fixed for redemption.

Notice of any such optional prepayment shall be given at least thirty (30) days prior to the prepayment date by mailing to the registered holder of this Note a notice fixing such prepayment date and the amount of principal to be prepaid.

THIS NOTE may be assigned, and upon such assignment, the assignor shall promptly notify the State Treasurer in the City of Columbia, South Carolina, by registered mail, and shall surrender this Note to the State Treasurer either in exchange for a new fully registered Note or for transfer of this Note on the registration records kept by the State Treasurer. Each and every such assignee shall take this Note subject to verification of the endorsements made on the Payment Record attached hereto of the portion of the principal amount hereof and interest hereon paid or prepaid.

For the payment of the installments of principal of and interest on this Note, as the same respectively mature, there are hereby pledged so much as may be needed of the revenues

derived from the tax imposed pursuant to Article 1, Chapter 12, Title 65, Code of Laws of South Carolina, 1962.

The pledge of the revenues derived from the tax imposed pursuant to Article 1, Chapter 12, Title 65, Code of Laws of South Carolina, 1962, is on a parity with other pledges heretofore made to secure certain other Notes of the State of South Carolina heretofore issued.

The right is further reserved to issue additional obligations of the State of South Carolina pursuant to legislation now or hereafter enacted, and to be secured by a pledge of the revenues derived from the tax imposed pursuant to Article 1, Chapter 12, Title 65, Code of Laws of South Carolina, 1962, on a parity with the pledge securing this obligation and the other obligations on a parity therewith, to the extent and under the conditions related in the Enabling Act.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required by the Constitution or Statutes of the State of South Carolina to exist, be performed or happen precedent to or in the issuance of this Note, exist, have been performed and have happened, and that the amount of this Note, together with all other indebtedness of the State of South Carolina, does not exceed any limit prescribed by such Constitution or Statutes.

IN WITNESS WHEREOF, the STATE OF SOUTH CAROLINA has caused this Note to be signed by the Governor of South Carolina and by the State Treasurer of South Carolina, and has caused the Great Seal of the State to be affixed hereto or impressed hereon and attested by the Secretary of State, and this Note to be dated as of the first day of September, A. D. 1966.

Governor

(SEAL)

State Treasurer

Attest:

Secretary of State

THIS NOTE delivered at Columbia, South Carolina, this _____ day of _____, 1966. Interest hereon accrues from the said delivery date.

State Treasurer

FORM OF ASSIGNMENT

(A form similar to this but not attached to the within Note may also be used)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within Note of the State of South Carolina, and hereby irrevocably constitutes and appoints _____ Attorney, to transfer the same on books of the State Treasurer, with full power of substitution in the premises.

Dated: _____
_____, 19____.

DATE OF REGISTRATION	NAME OF REGISTERED HOLDER	SIGNATURE OF TREASURER OR HIS DEPUTY
Sept. 1, 1966	State Budget and Control Board of South Carolina, as Trustee	
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

PAYMENT RECORD

Due Date	Principal Payment	Principal Balance Due	Interest Payment 5-1/2%	Date Paid	Signature of State Treasurer or his deputy
Mar. 1, 1967	:	:	:	:	:
Sept. 1, 1967	\$50,000	:	:	:	:
Mar. 1, 1968	:	:	:	:	:
Sept. 1, 1968	\$50,000	:	:	:	:
Mar. 1, 1969	:	:	:	:	:
Sept. 1, 1969	\$50,000	:	:	:	:
Mar. 1, 1970	:	:	:	:	:
Sept. 1, 1970	\$50,000	:	:	:	:
Mar. 1, 1971	:	:	:	:	:
Sept. 1, 1971	\$50,000	:	:	:	:
Mar. 1, 1972	:	:	:	:	:
Sept. 1, 1972	\$50,000	:	:	:	:
Mar. 1, 1973	:	:	:	:	:
Sept. 1, 1973	\$50,000	:	:	:	:
Mar. 1, 1974	:	:	:	:	:
Sept. 1, 1974	\$50,000	:	:	:	:
Mar. 1, 1975	:	:	:	:	:
Sept. 1, 1975	\$50,000	:	:	:	:
Mar. 1, 1976	:	:	:	:	:
Sept. 1, 1976	\$50,000	:	:	:	:

GENERAL FUND REVENUE

	<u>Actual Collections 1965-66</u>	<u>Estimated 1966-67</u>	<u>Estimated 1967-68</u>
Admissions Tax	1 078 007	1 190 000	1 240 000
Alcoholic Liquors Tax	16 067 074	18 275 000	20 000 000
Bank Tax	794 807	600 000	650 000
Beer and Wine Tax	13 036 059	14 250 000	15 000 000
Building and Loan Associations	247 237	250 000	250 000
Business License Tax	13 265 886	13 630 000	14 100 000
Coin-Operated Device Tax	623 940	635 000	650 000
Contractors' License Tax	190 914	200 000	207 000
Corporation License Fees	3 564 271	3 700 000	4 000 000
Documentary Tax	2 280 520	2 400 000	2 500 000
Earned on Investments	2 290 530	2 750 000	2 750 000
Electric Power Tax	5 314 431	5 750 000	6 000 000
Estate Tax	2 406 603	2 500 000	2 600 000
Fertilizer Inspection Tax	239 180	240 000	240 000
Gasoline Tax - Counties	8 843 329	9 400 000	9 900 000
Income Tax	89 410 836	105 500 000	108 600 000
Insurance Taxes	9 188 991	9 750 000	10 100 000
Motor Transport Fees	793 226	820 000	840 000
Public Recreation Tax	35 250	36 000	37 000
Retail Sales Tax	106 118 676	118 000 000	125 000 000
Retailers' License Tax	421 484	450 000	450 000
Soft Drinks Tax	7 033 257	7 300 000	7 500 000
Workmen's Compensation Tax	787 227	870 000	900 000
*Public Service Assessment	276 599	290 000	300 000
*Public Service Authority	519 260	450 000	450 000
Department of Agriculture	3 657 188	3 900 000	4 000 000
*Department-Supported Appropriations	822 353	1 023 000	1 050 000
*Miscellaneous Departmental Revenue	1 367 421	1 400 000	1 450 000
 Totals	 <u>290 674 556</u>	 <u>325 559 000</u>	 <u>340 764 000</u>

*Tentative Estimates

ECONOMIC OUTLOOK FOR NEXT FISCAL YEAR

THE ECONOMIC OUTLOOK FOR THE NATION AND STATE IN 1967 IS FOR CONTINUED GROWTH, ALTHOUGH LIKELY AT LOWER RATES THAN IN 1966. THERE ARE MANY UNCERTAINTIES WHICH MAKE PREDICTION DIFFICULT, THE MOST SIGNIFICANT OF WHICH IS THAT OF MILITARY SPENDING FOR THE WAR IN VIET NAM.

CURRENT PROBLEM AREAS ARE THE STOCK MARKET DECLINE, THE REDUCTION IN NEW HOUSING STARTS AND DECREASES IN AUTOMOBILE SALES WHICH AFFECT, AMONG OTHER THINGS, STEEL PRODUCTION. INFLATION, NOW RUNNING AT 3 - 4 PER CENT ON A YEARLY BASIS IS A PRESSING PROBLEM, DEMANDING APPROPRIATE FISCAL POLICIES (SUCH AS REDUCED FEDERAL GOVERNMENT EXPENDITURES IN LESS ESSENTIAL AREAS OR A TAX INCREASE) TO SUPPLEMENT RESTRICTIVE MONETARY POLICIES.

GROSS NATIONAL PRODUCT DURING THE THIRD QUARTER OF 1966 WAS AT THE SEASONABLY ADJUSTED ANNUAL RATE OF \$746 BILLION, 1.9 PER CENT ABOVE THE SECOND QUARTER RATE OF \$732 BILLION. GOVERNMENT SPENDING ROSE \$7.4 BILLION OF A TOTAL GAIN OF \$13.7 BILLION, WITH CONSUMER SPENDING INCREASING AND INVESTMENT DECLINING. IT NOW APPEARS LIKELY THAT GROSS NATIONAL PRODUCT FOR THE YEAR WILL BE \$740 BILLION FOR 1966, ABOUT 8.5 PER CENT HIGHER THAN IN 1965. SOUTH CAROLINA PERSONAL INCOME WILL PROBABLY REACH \$5.17 BILLION FOR THE YEAR, ABOUT 9.8 PER CENT HIGHER THAN IN 1965. BECAUSE THESE ARE HIGHER THAN PRIOR ESTIMATES TAX REVENUES WILL BE CONSIDERABLY HIGHER THAN PROJECTED.

BASED ON AN ASSUMPTION OF CONTINUED INCREASE IN MILITARY SPENDING AND A THREE PER CENT RISE IN PRICES, BUT WITH SMALLER INCREASES IN INVESTMENT, G.N.P. FOR 1967 CAN BE PROJECTED TO GROW AT A SLOWER PACE THAN IN THE PAST TWO TO THREE YEARS. IN POINT OF FACT SOME MODERATION IN GROWTH IS NECESSARY TO PREVENT OVERSTIMULATION OF THE ECONOMY. A PROJECTION OF \$775-780 BILLION

IN GROSS NATIONAL PRODUCT SEEMS REASONABLE BASED ON THESE CONSIDERATIONS AND ON THE UNCERTAINTIES WHICH FACE THE NATION. THUS, THE RATE OF GROWTH WOULD BE AT THE RATE OF ABOUT FIVE PER CENT WITH A LARGE PART OF THIS REPRESENTING PRICE INCREASES.

ASSUMING CONTINUED PROSPERITY IN TEXTILES AND INDUSTRIAL DEVELOPMENT ACTIVITIES CLOSE TO PRESENT LEVELS, SOUTH CAROLINA PERSONAL INCOME WILL ALSO EXPAND AT BETTER THAN NATIONAL AVERAGE RATES, OR BY APPROXIMATELY SIX PER CENT. TAX REVENUES CAN BE EXPECTED TO INCREASE AT SOMEWHAT HIGHER RATES, BASED ON PAST PERFORMANCE AND THESE FACTORS.

IT SHOULD BE EMPHASIZED THAT MAINTENANCE OF ADEQUATE RESERVES IS ESPECIALLY IMPORTANT DURING A PERIOD LIKE THIS ONE, WITH MORE THAN THE USUAL UNCERTAINTIES BEFORE US. A CHANGE IN THE WAR SITUATION OR IN TEXTILE CONDITIONS WOULD MATERIALLY AFFECT THE ECONOMIC PROSPECTS. GRANTED MAINTENANCE OF AN ADEQUATE RESERVE, IT WOULD BE BOTH PRUDENT AND PROGRESSIVE TO PLAN SPENDING ON THE GROWTH RATES MENTIONED ABOVE.

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