

Rowell	Sloan	Talbert	Weeks
Saleeby	Smythe	Thomason	Wesson (Mrs.)
Sams	Spence	Thompson	Wolfe
Shealy	Spruill	Turner	Yarborough
Simrill	Stevenson	Walsh	Young

Total—104

So the veto of the Governor was sustained.

LEAVES OF ABSENCE

Mr. WALSH asked and obtained leave of absence for his colleagues, Messrs. Smith, Ward and McChesney.

Mr. LEAMOND asked and obtained leave of absence for his colleague, Mr. Campsen.

JOINT ASSEMBLY

ADDRESS BY GOVERNOR ERNEST F. HOLLINGS

At 12:00 o'clock noon the Senate appeared in the Hall of the House.

The President of the Senate called the Joint Assembly to order and announced that it convened under the terms of a Concurrent Resolution adopted by both Houses.

The Clerk of the House read the Concurrent Resolution:

H. 1002.—Mr. Blatt: A Concurrent Resolution inviting his Excellency, Ernest F. Hollings, Governor, to address the General Assembly in Joint Session at 12:00 noon on Wednesday, January 21, 1959.

Governor Hollings was escorted into the Hall of the House by a committee composed of Senators Bristow, Dennis and Wasson and Messrs. REX L. CARTER, ELLIOTT, and LEAMOND.

The President of the Senate introduced Governor Hollings who then addressed the Joint Assembly as follows:

Mr. President, Mr. Speaker and Members of the General Assembly:

Twelve years ago, I was a Page in the Senate of South Carolina. Ten years I was a member of this House. On yesterday morning prior to the Inauguration I was President of the Senate, and today Burnet calls me Your Excellency and Sol doesn't even ask if ten members object. I appreciate the generosity of both

and I appreciate your generosity in listening to me twice in twenty-four hours.

With all the memories that flash by at this moment, one stands out. It was back in 1951 when I was making my fifty-third talk for the sales tax and education bill, and I yielded to a question from Johnny May. He stated I had an impediment in my speech. Thinking of the Charleston accent, I asked what was that? He said, "The trouble with you is you can't listen." I promise not to be guilty of that as your Governor. I will be wanting to listen to you The Distinguished Members of Both Bodies, and the People of South Carolina about their ideas for this great State. We all have a mutual challenge, one mutual goal, and that is that South Carolina provide the best opportunity for all its citizens. It will require team work. It will require lots of hard work. I look forward to both.

It is not my intent in submitting a program now to digress from my promise to listen. I would not imply that this is the only program and the only solution to our problems. All I ask is that we do recognize that the foremost problem is that of obtaining a balanced budget and this we must do now. There are other pressing needs of our State and I would not minimize their importance.

For example, the Mental Health problem still confronts our people. Your special Legislative Committee has just submitted its excellent report, but those recommendations requiring additional revenues must be postponed until our budget is balanced.

Your Forestry Committee of the General Assembly has done a splendid job. This Committee must be continued and its recommendations for a Forest-Fire Notification Law should be adopted.

We are fortunate in having within our borders nuclear projects at Aiken and Parr Shoals. A graduate program in Nuclear Science has been instituted at Clemson and we should continue our leadership in this field.

The Gressette Committee has done and is doing an excellent job. None of us condones violence and all of us are grateful that South Carolina has been spared the disorders attending other states in their school problems. In order to make no doubt of it, I am sure that the Committee will suggest at this session a strict, clear-cut, penal provision for those who would take the law unto

So Governor's - Messages

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themselves and deface and damage church and school property. As your Governor, I certainly urge such action.

The education problem is a constant challenge. We have just experienced a ten year record of vast improvement, and yet the job is far from done. We still must improve the curricula and increase our teachers' pay so that the children of South Carolina will receive the best education and the State will be better prepared for its new economy in the Atomic Age.

The rules for civil procedure in the courts of our State may well be amended for the promotion of the ends of justice. Our Judicial Council has done a thorough job on this subject for the General Assembly and I commend their study to you.

Finally, I should not overlook my pledge and platform of securing industry for South Carolina. I hope four years from now when I stand before you that every section of our State will have enjoyed new industry of the high type that we already have.

These are all "Must" programs for South Carolina, and from time to time at this and ensuing sessions I would appreciate the opportunity of delivering special messages to you on these and other important programs.

However, before we can launch them successfully, we must first put our state on a sound financial footing. Therefore, I am devoting this message to this one problem. I believe that if it can be solved quickly, we can then move on to the vast problems of state improvement and development unhindered. I personally hope it can be quickly solved in order that we may proceed with our plans for the development of the State. We must face this financial problem as it faces us. I have great faith in the moral strength of our people and their willingness to work, to sacrifice, to pull together to meet any problem. As the facts are laid squarely before our people, they will act with wisdom and courage. This is not the time to deal in pleasantries and platitudes. This is not the time to dodge the issue, hoping for an easy solution.

Here, in brief, is the fundamental breakdown of this deficit as reported by Governor Timmerman and the Budget and Control Board last week:

For the Fiscal Year 1957-58 we have an actual Deficit of \$7,888,965.00.

For the Fiscal Year 1958-59 we have an estimated Deficit of \$6,839,777.00.

For these two years we thus have a total operating loss of \$14,728,742.00.

By using \$4,399,647.00 in reserves, we end with a \$10,329,098.00 anticipated Net Deficit as of June 30, 1959.

The Fiscal Year 1959-60 estimated revenues are \$142,766,000.00, and expenditures, based on the Budget Report, are set at \$155,868,032.00. This leaves us an operating loss of \$13,102,032.00.

Our total anticipated Net Deficit as of June 30, 1960, is this \$23,431,127.00.

Under the Constitution the Deficit for the present Fiscal Year of some ten million dollars must be immediately provided for. I quote Article 10, Section 2:

"Expenses of State Government.

The General Assembly shall provide for an annual tax sufficient to defray the estimated expenses of the State for each year, and whenever it shall happen that the ordinary expenses of the State for any year shall exceed that income of the State for such year the General Assembly shall provide for levying a tax for the ensuing year sufficient, with other sources of income, to pay the deficiency of the preceding year together with the estimated expenses of the ensuing year."

I quote this Section to emphasize, among other things, that the framers of our Constitution used the word "Estimated," for at this point we reach what could be a serious misunderstanding of the conduct of South Carolina's fiscal affairs. Some may argue that once the ten million dollar deficit for the present year has been satisfied, then the General Assembly has no legal duty to provide for the remaining thirteen million dollars because this figure is only "estimated." They will say that we can wait and see what the deficit actually is next year and satisfy it next year. However, the Constitutional requirement for "Estimated Expenses" is clear. Aside from this Constitutional Provision, we should make perfectly clear the fallacy of this approach. It assumes that we are going to pass an Appropriation Act of an approximate thirteen million dollars less than the present state requirements or that we will have no Act at all. Let me say a word about this last assumption. The thirteen million deficit for the next Fiscal Year is premised on the Budget and Control Board plan for austerity in government, which I heartily commend. The Budget and Control Board has recommended a hold-

ing of the line both in state services and in state expenditures. The Board felt that no substantial cut could be had in any department's budget without seriously impairing the efficiency of the department. I met with the Board during its hearings and agree with this view. If the General Assembly agrees, which means the adoption of the Budget and Control Board's Appropriations Proposal, then the General Assembly must raise sufficient revenue to balance the budget. The rule of the House of Representatives, which is an excellent one, is that no Appropriations Bill pass the House unless the amounts appropriated for are within the expected revenue. It will be my practice as Governor never to sign an Appropriations Bill unless the amounts appropriated for are within the expected revenue. Thus, the House Rule, coupled with my position means there must be adequate revenues or there will be no Appropriations Act.

I can assure you that economy will be a watchword in my administration. I want the public to know that I, many officials in state government, the Tax Study Commission, the Legislative Council, Committees of the General Assembly, and individual members of the General Assembly, have studied this problem all Fall in search for Economies that would be intelligent and practical. There are minor ones which can and should be enacted. Such economies, however, will not, nor cannot, be of sufficient scope to alter the needs for raising additional funds to meet the State Deficit. For example, our State educational system requires some fifty per cent of our annual budget expenditures and a major reduction cannot be had without seriously crippling our system of public schools and institutions of higher learning. The Highway Program, amounting to twenty-two per cent of our Budget, is fixed. The majority of the remaining portion of the Budget consists of vital health, welfare, and penal programs, leaving us again facing the necessity for additional revenues.

This we must achieve either by a planned program or by the apparently easier method of increasing the state's sales tax. I know the merits of this tax having participated as a co-author of the present program. One of the attributes of our sales tax is that it all goes for the primary function of state government -- Education. I would recommend that the increase not be imposed just to satisfy an operating deficit. Perhaps some day this will be necessary. But it never should be done unless abso-

lutely necessary. Its increase at this time would be unwise. It would make our sales tax the highest in the Nation. It would put us in a bad position in the highly competitive field of attracting new industry. To the prospective industrialist South Carolina would be called the "High Tax State". To those who would argue that the industrialist would appreciate the State taking care of its needs through a sales tax rather than special taxes, they would only have to think twice and realize that any new state endeavor or financial crises would have to be met by special taxes.

I wish to propose a planned program that will not only meet our present financial crisis but will ensure us fiscal stability for the years ahead. Since early summer I have been at work on this program. I have had the assistance of some of the finest brains and talent in the state in making these studies, and I express my appreciation for the efforts expended. My program for the twenty-three million dollar deficit consists of a law that will make all of our citizens pay their income tax and a general "Tightening of the Belt" of established tax measures. I therefore recommend:

A with-holding tax provision on our State Income Tax. This law is fair and desirable. It is not an increase in taxes. This law in limited scope was passed by the General Assembly and the principle has been adopted. It should extend to all of our citizens, for South Carolina has been losing for years just revenues which in turn has caused the conscientious taxpayer to pay an additional amount for the delinquent. This law should be made effective January 1, 1960, and accordingly it will give an advanced collection of six months, or approximately eight million dollars.

The remaining deficit of some fifteen million four hundred thousand dollars can be raised in the following manner:

1. Remove the Sales Tax Exemption on Coal, Gas and Electricity for Manufacturing.....\$ 1,750,000.00
(These items are already taxed in North Carolina and Georgia, still leaving us in a competitive industrial position.)
2. Remove the Sales Tax Exemption on the Sale of Electricity at Retail 1,000,000.00

- (The consumer now pays the sales tax if he cooks by gas. The electric consumer is exempt. This exemption can be fairly removed.)
3. Require the Resumption of Annual Payments of the South Carolina Public Service Authority to the General Fund of the State 200,000.00
 4. Apply the Sales Tax to Intra-State Communications and Personal Transportation 2,000,000.00
 5. Remove the Exemption on the Admissions Tax, Except for High School or Lower than High School Athletic Contests and Church Dinners 1,000,000.00
 6. Increase the Cigarette Tax 2c Per Package for a Total of 5c 3,500,000.00
(Cigarettes can be bought on a price range from 25c to 35c and the taxes vary from 8c in Louisiana, 6c in Arkansas, 5c in Florida, 5c in Georgia, to no tax in North Carolina. The average over the Nation is 4 1/4c. With this increase we will still be in line with the average.)
 7. Adjust the Discount Given on Stamps and Crowns for Use on Cigarettes and Beer so that it will be in line with Other States 500,000.00
 8. Increase Beer Licenses to \$50.00 When it is Consumed Off Premises and \$100.00 on Premises 500,000.00
 9. Increase the License Tax on Pinball Machines from \$37.50 to \$75.00 250,000.00
 10. Remove the Exemption of \$500.00 Allowed on the State Income Tax For Federal Income Tax Paid 2,000,000.00
(The majority of States do not give this allowance, and it would cost at the most \$25.00 an individual. Moreover, the additional amount paid can be deducted in computing your Federal Income Tax.)
 11. Add Two Additional Brackets to Our Personal Income Tax Rate as Follows:

(A) 5% On the Excess of \$6,000.00 and up to \$8,000.00	
(B) 6% On all Between \$8,000.00 and \$10,000.00	
(C) 7% On all over \$10,000.00	1,650,000.00
12. The Increased Collections From The Withholding Tax Method on Income Tax will Give us in Additional Revenue	\$ 500,000.00
Total	\$15,450,000.00

This program considers the ability to pay, the taxing of non-necessities, and a fairer application of our income tax law. In considering the removal of exemptions from the sales tax, everyone will agree we should not pay an additional percentage on our foods and medicines and still allow these exemptions to persist. The program allows industrial and agricultural exemptions to stand. It is obvious that there are other exemptions and increases of other sources that could be included. I have considered these but believe this to be the best program. Let me firmly remind you that I will support any reasonable measure to balance the budget.

I wish to tell you and the people of South Carolina that it is a genuine privilege to have the opportunity to be associated with this very fine General Assembly at this important time in our State's history. With the high caliber of Legislative membership, of which the State may well be proud, and with able, forward-thinking leaders in both Houses, I predict great things for our State in the period just ahead. I pledge my personal cooperation and I look forward with keen anticipation to working with you in meeting our mutual challenges.

It is gratifying and stimulating to hear the high opinions of impartial, objective analysts who point to the great potential of this region in which it is our good fortune to live. Last year Dr. Harold F. Clark, Professor of Educational Economics at Columbia University, had this to say: "There are strong reasons for assuming that the South will become the richest section of the country and consequently the world."

The paradox of our time in South Carolina is that while we stand in the center of what has been termed one of the potentially richest areas in the world, we are plagued with a financial problem which threatens to stifle our reaching this great potential.

There is no doubt our potential is great. But we in South Carolina cannot hope to keep our date with destiny without first meeting the major problem at hand. It can only be met successfully by fearless leadership and the utmost effort and cooperation on the part of our people.

I have deep and abiding faith we will be blessed by both.

JOINT ASSEMBLY RECEDES

The purposes of the Joint Assembly having been accomplished, the President announced that under the terms of the Concurrent Resolution the Joint Assembly would recede from business.

The Senate accordingly retired to its Chamber.

THE HOUSE RESUMES

At 12:30 p. m. the House resumed, the Speaker in the Chair.

MOTION PERIOD

Mr. McNAIR moved to dispense with the motion period which was agreed to.

House to meet for the consideration of local uncontested matters only on Thursday, except for the reading of H. 1054 which was unanimously agreed to.

On motion of Mr. DUSENBURY with unanimous consent it was ordered that the House meet for local uncontested matters on Thursday and that H. 1054 be given a second reading Thursday and a third reading on Friday.

ADJOURNMENT

At 12:35 p. m. the House, on motion of Mr. DUSENBURY adjourned (to meet at 10:00 a. m. tomorrow).

THURSDAY, JANUARY 22, 1959

The House assembled at 10:00 a. m.

The Clerk called the roll.

The SPEAKER took the Chair, and a quorum being present, the deliberations were opened with prayer by the Chaplain.

There being no corrections to the Journal of Yesterday's proceedings the SPEAKER ordered it confirmed.

ORDERED ENROLLED FOR RATIFICATION

The following Bills were read the third time, passed, and, having received three readings in both Houses, it was ordered that the title of each be changed to that of an Act, and that they be enrolled for Ratification.

S. 10.—Senator Smith: A Bill transferring the sum of ten thousand dollars from the general fund of Jasper County to the contingent fund.

S. 11.—Senator Smith: A Bill to direct the Treasurer of Jasper County to pay a certain note.

S. 22. Senator Parker: A Bill to amend Section 65-1507, Code of Laws of South Carolina, 1952, relating to certain tax exemptions for industries in Oconee County, so as to provide such exemptions for certain research and development facilities.

ORDERED TO THIRD READING

The following Bills and Joint Resolutions were taken up, read severally the second time and ordered to a third reading:

H. 1054.—Ways And Means Committee: A Bill to amend Section 7 of Part II of Act No. 855 of the Acts of 1958 by making provision for the continuance of the program of enlarging and improving the State Highway secondary system (farm-to-market roads) throughout the present fiscal year by means of the issuance of State Highway bonds, to make provision for the payment thereof, and to prescribe the manner of apportioning moneys derived from the tax levied pursuant to Section 7 remaining after effective payment of such bonds.

H. 1055.—York Delegation: A Bill transferring the sum of twenty-four thousand dollars from the general fund of York County to the York County Public Buildings Commission for the purpose of constructing certain public buildings in York County.

H. 1056.—Florence Delegation: A Bill to authorize the Clerk of Court of Florence County to destroy certain records.

H. 1058.—McCormick Delegation: A Bill transferring the sum of fifteen thousand dollars from the general fund of McCormick County to the contingent fund of McCormick County.