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Ernest F. Hollings
GOVERNOR OF SOUTH CAROLINA
BEFORE THE
GENERAL ASSEMBLY OF SOUTH CAROLINA

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A year has passed—and South Carolina marches forward. Last January we met and agreed that foremost was the problem of providing for the deficit. To solve the problem, I sought and secured the cooperation of this General Assembly. Together, we sought the support of the people for a revenue program. The people responded magnificently. We balanced the budget.

To maintain this balance without the need of further tax increases, we immediately launched an industrial development program that would attract more payrolls, increasing our wealth. A joint committee of this House and Senate worked overtime to study and guide us. We revitalized our Development Board and its facilities. Community development boards were organized and rejuvenated. We called in the Chambers of Commerce, the Junior Chambers of Commerce, the municipal and county governments. We corralled the industrial efforts of the banks, the railroads, the utilities and private industry into one team effort for the entire state. Personal trips throughout the nation to spark the momentum were made on the average of one a week. Jointly we invaded New York, personally telling and selling the South Carolina story to more industrialists than ever before. Private support for this industrial drive has been climaxed by the institution of a million dollar Business Development Corporation.

Today we can be pleased that our teamwork has produced positive results. Last year, $200 million was invested in new industry in South Carolina, and more interest by the right kind of industry is being shown now than ever before.

This march forward has been in step with our agricultural economy. Mechanization on the farm and the federal program of soil bank and quota have made able and willing farmers jobless. Rather than complaints, South Carolina has provided solutions. First, we provided 13,386 new jobs in 1959. Next, the rural development program was expanded throughout the state. The Under Secretary of Agriculture, Mr. True D. Morse, who instituted this program in private life, personally visited Columbia and briefed agricultural, industrial and civic leaders. The Development Board followed up this kickoff with a team in the field which is now coordinating communities into rural development programs. Communities need this program because it puts to work their dormant resources. While restrictions on productivity have caused the farmer to be the first to
join the ranks of the underemployed, the worker of modern day industry, with its short hours, finds that he is also underemployed. Many of these workers have taken to farming in their spare time. A new society of farmer-worker is emerging. The rural development program will satisfy the needs of this society and give stability to our industrial program. Other needs of the farmer are being met daily with research and revision. New agricultural products, as the honeydew melon, have been developed, and South Carolina leads the nation in its percentage increase in beef cattle production.

We have pushed forward with better law enforcement. Organized crime, such as safecracking, has been crushed. Today there is no organized crime in South Carolina.

We have stepped up executive study and control of state departments. The Budget and Control Board has created economy by requiring justification for the filling of all vacancies, already eliminating approximately 160 unnecessary jobs in state government. The Board instituted conferences and mutual studies among the college Presidents to effect economies in our higher educational program. This has already proved successful in the field of faculty pay, and if continued it will obviate the necessity for a fiscal council of higher education.

Additional emphasis has been placed on the functions of the State Purchasing Agent. To assure top level efficiency in state government expert economic analysts were employed to survey the University of South Carolina, Winthrop, the Insurance Department and the Tax Commission. The Board has worked diligently to present you an up-to-date and balanced budget program.

To create an open door policy within the Governor's Office, regular news conferences have been held and also many special interview programs. The people's advice has constantly been welcomed with such meetings as the Governor's Conference on Business, Industry, Agriculture and Education. This conference alone, with over 1,000 leaders in all fields and from all sections voluntarily coming and working to improve South Carolina—this conference epitomizes our new look and new approach.

As we enter our second year, I find then fundamental improvements in our state. Sectionalism and selfish interest have taken back seats to progress. I commend this General Assembly for leading the way.
Now, it has been said the quickest way to crush your laurels is to rest on them. Recently I was honored by a visit from William J. Murray, President of McKesson and Robbins and director of many other leading industries. I asked what criticism he might have of his native state. He said we were on the right track now but stated, “off to a slow start—other sections are still ahead of us.” This observation is important. The job of government is not done in a day but in years. While we have had a good year, this is no time to lapse into politics. We must not only keep up our momentum but increase the pace. What I mean is this. Rather than fight for seats in the stadium at Clemson or the University, we should fight for those who occupy the classroom seats and be sure that they are led by competent and adequately compensated faculties. Rather than fight over who shall be the Insurance Commissioner, let us apply our energies to properly organizing and strengthening the Insurance Department. Rather than riding off in all directions clamoring for the removal of any and all revenue measures to assure re-election, let’s build a platform for next year’s campaign on the best state government possible within the bounds of our economy. By the adoption last year of a sound fiscal policy, South Carolina for the first time since the War Between the States received a AAA credit rating for its bonds. We will receive a similar rating in government from our people if we reject mediocrity and strive for the best in our state institutions and departments.

Ninety per cent of our people never see, know or understand the operation and problems of a majority of our state departments. Only a limited number ever visit our institutions of higher learning. Their chance to look, to know and to understand is through you—the members of this Joint Assembly.

The first job at hand is to provide for needs that went wanting because of the deficit problem last year. Many of these needs have become acute. The most pressing need now is for funds for college faculty salary adjustments. For years increases in faculty salaries throughout the country have lagged behind those in other fields. This, with mounting enrollment, has resulted in a shortage of qualified teachers, especially in scientific fields. Industry willingly pays large salaries for outstanding staff members, and serious inroads into the supply of professional teaching and research personnel have been made. Colleges and universities in nearby states have raised faculty salaries markedly, leaving our institutions far behind. A meeting of
the presidents of our state institutions was held in the Fall to ascertain the true needs and to make sure that our own institutions would not be competing among themselves. The presidents agreed that a portion of the faculty salary increase could be met by increased student fees. Accordingly, the Budget Board has recommended an overall 10% increase in faculty pay from appropriations and student fees. These are not for across the board increases but for salary adjustments where deserved at The University of South Carolina, Clemson, Winthrop and The Citadel. Proportionately more has been recommended for South Carolina State College at Orangeburg. Only recently this institution was placed on the approved list of the Southern Association of Colleges and Secondary Schools, and should it continue to progress, it will be certified next January. The Budget Board has granted the entire request of this college, providing for salary increases and major repairs. To provide for an increasing number of Negro high school graduates, the Junior College Study Committee should recommend extension divisions of State College where feasible.

Practically the same observations of our college faculties can be made of our public school teachers. From the elementary grades to our highest levels of education, we must place in the hands and hearts of our young people the ability and desire to take themselves and South Carolina to un-reached heights in the future. A teacher salary increase, together with the normal increment of state aid, has been proposed by the Budget Board. This will provide a 10% increase, which is believed substantial and wise. It must be emphasized that should the recommendations of the Budget Board be adopted, education will receive next fiscal year more than $13 million additional dollars. When faculties are adequately compensated, their total attention can be given to improving the scope and quality of education. This is the important goal which only the teacher can attain.

More and more it is increasingly difficult to retain good employees within the government service. This past year, over half the Governors in their annual messages referred to this difficulty. Over-all, the state employees of South Carolina are conscientious and efficient. However, as industrial development brings high wage employment to South Carolina, the state government must increase salaries to compete. We must develop adequate reward for ability. The Budget Board has recommended varied increases for the different departments to allow salary adjustments. In no event is it to exceed 15%,
with an average nearer 6%. We do not, and will not, recommend across the board increases. We will not reward mediocrity, regardless of position or tenure. Our idea is to maintain state employment as an honorable and fruitful experience. We believe this constitutes economy.

There has been little public appreciation for the successful operation of our State Penitentiary. With the unfortunate publicity recently, there is probably even more misunderstanding and a greater lack of awareness of the true needs. While a joint legislative committee studies these needs, budget recommendations are made in the light of overcrowded prison conditions.

While the insurance industry grows, South Carolina's ability to cope with this growth lessens to the point of collapse. In 1958 the people of this state bought over $1 billion of life insurance. Five million dollars in premium taxes and fees were collected last year by the Insurance Department, and there are now more than 660 insurance companies licensed to do business in South Carolina. The scope and importance of the insurance department has increased tremendously, but its organizational capabilities and facilities have not. A management-consultant survey indicates (a) the method of selecting the commissioner handicaps his functions; (b) objectives and policies of the department are not clearly established; (c) numerous unrelated functions are assigned to the department; (d) the department is disorganized; (e) the staff is inadequate; (f) there is poor supervision. This is the only state department without a governing board. As presently constituted, it is the weakest link in state government. It needs a complete overhauling. I recommend that the General Assembly institute an Insurance Board of three to five members to serve on a per diem basis. This Board would select an Executive Director to serve as Insurance Commissioner. Minimum qualifications for the Commissioner's post should be written into law. This would give a governing board to this department and a qualified Commissioner. This should be done at once so that the new Commissioner, together with his reorganized staff, can immediately implement the recommendations of the expert study group and the Joint Legislative Committee. The securities and exchange commission duties should be transferred to the office of Secretary of State. The real estate regulatory function should be placed under a real estate board, the liquefied petroleum gas function should be studied in conjunction with the need of a fire marshal, the State Engineer should be desig-
nated state fire marshal and then it could be determined whether the liquefied petroleum function should be assigned to him or be retained within the Insurance Department. Under these steps, improvements in organization and administration could be made within the department to strengthen its efficiency and effectiveness. The nominal budget increases necessary have been provided for by the Budget Board.

The State Mental Health Program deserves our continuing attention and support. An approximate half million dollar increase in its budget is recommended for salary adjustments and the employment of 3 psychiatrists and 55 additional personnel. The psychiatric facilities at the Medical College Hospital should be expanded, as recommended by the Special Committee. I also urge your consideration of a Legislative Study of the Problem of the Mentally Retarded.

Finally there are permanent improvements listed in the Budget Report for the Industrial School for Girls, the John G. Richards Industrial School, the Sanatorium, the Forestry Commission, Winthrop College, and a new state office building. The physical plant at Winthrop needs repair. While Winthrop’s borrowing authority has not been exhausted, we believe it wise that renovations be made from capital funds available. The same is true of a new state office building. The study of floor space requirements by Cresap, McCormick and Paget stressed this need. At the present time, the state pays large rentals for office space. Moreover, we are losing rentals from agencies receiving federal funds. This is simply not good business. By paying cash we can save over one million dollars. The details of this recommendation appear in the Budget Report.

These are things to be done not just because funds are available. These are appropriations for which one would willingly raise the revenue. This is the test I have used. Fortunately, while other states again are faced with fiscal crises, we can provide these improvements within the Budget and still have a surplus.

The revenue estimates of last year were made in good faith with the best information at hand. We can attribute the surplus over the estimate to three main factors. First, while we were in session in February last year, several large textile manufacturers increased their average wages 8¢ an hour. Throughout the Spring other manufacturers followed suit, so that by summer we had enjoyed a wage increase in our largest industry. This occurred at such a time and in
such a fashion that there was no way reliably to reflect its impact on our revenue estimates. Second, our Highway Department, leading the nation in percentage of defense construction under contract, awarded $100 million of road work. This was not reflected in the estimates. Third, our program for industrial development has taken root and flourished far beyond our expectations.

A state dependant for a majority of its revenue on sales and income tax has necessarily an uncertain basis for reliable fiscal estimates. These revenue measures call fluctuate up and down several million dollars in spite of the most keen and expert calculation, and accordingly, we should not condemn to carelessness a deficit or shout bad faith in the estimate when a surplus arises. We should be thankful that within the last five years our estimates have been off by only 77/100th of 1% from the actual revenue collected.

Once we have determined the needs of the state in the light of absolute necessity as contrasted to mere desirability, we find we have raised the operating budget $9 million and expended $5 million in capital improvements or nonrecurring items. This means that for the next fiscal year the budget will be balanced only so long as we maintain the same revenue measures. Last year I stated in my message to this assembly, “I wish to propose a planned program that will not only meet our present financial crisis but will insure us fiscal stability for the years ahead.” Fortunately, we have obtained just this.

We logically approach consideration of tax relief. The only tax relief that can be practically and immediately given the taxpayer is a suspension for one year of the provision eliminating the $500.00 deduction of taxes paid the federal government in the computation of state income tax. This would leave the $3 million reserve fund and $5 million to be returned to the counties for school purposes, which I recommend.

Now, for our opportunities. To keep pace with our economic and industrial expansion, the research programs of the University of South Carolina and Clemson should be expanded. An economic research center should be instituted at the University, as provided in the Budget Report. It is intended that this activity be carried on jointly with the State Development Board. This will furnish established industry expert economic studies and data needed for expansion or development plans. This is an extremely important facet
of industrial development. However, another important feature is that it will furnish the basis for a top-flight business school at the University. The need for business executives, personnel managers, plant superintendents, is growing every day. While we have excellent schools in architecture, forestry, textiles, chemistry, engineering, and other fields, little emphasis has been placed on a superior business school. We should have this at the University.

In this same vein, I recommend an immediate study by the West Committee to report at this session of the General Assembly, a program for industrial training. Years ago our total economy was in agriculture and we instituted the finest agricultural research program, with experimental stations and agricultural training in the public schools. This program continues, and should continue. However, the revolution in our economy since World War II, resulting in employment of over half our workers in industry, has not been realized or provided for in our educational system. While all modern day industries readily institute training programs for particular employment, they need as raw material young people who have been grounded in elementary industrial skills. Mr. T. J. Ault, President of Saco-Lowell Shops, emphasized this at the dedication of his research center when he stated, "As I see it, further industrialization of South Carolina requires industrial training programs in the schools of the state to teach youngsters the skills of industry."

We no longer can represent that we are ripe for development when we have no industrial training. Certainly it would be a sham to our people to continue in this fashion because rather than create jobs for them, as is the intent, the industry that locates will be required to bring their employees as well, only to the detriment of our own people.

A yearly average of twenty-four tourists a day is the equivalent to our economy of a new industry with a $100,000.00 annual payroll. Tremendous growth in tourist travel is predicted because of greater leisure, higher personal incomes, and speedier transportation. This business benefits every phase of our economy but State-wide we have been missing the boat. I commend an accelerated travel promotion program under the Development Board to attract additional tourist income.

Our forests, which bring an annual revenue of $300 million, are producing only half of what they are capable of producing. I rec-
ommend planting some 45,500 acres of state-owned lands now worthlessly idle. This program could be financed on the proceeds from the planting. In addition to the commercial value, reforestation will develop our wildlife resources. Our vital wildlife assets must be nurtured and conserved.

More and more each year I am convinced the greatest natural resource we have is water. It is important to all segments of our people and economy. Since we have an abundance, there has been no need for regulation. However, experience indicates that when the need arises, it is too late to regulate without extreme hardship. Ordinary foresight could be exercised by this legislature in instituting a fair and firm water policy. In order to facilitate this, the director of the Water Pollution Control Authority has been designated to hold hearings and make recommendations to the General Assembly so that a good water policy can be adopted.

We have in South Carolina a unique potential for the development of peaceful uses of nuclear energy. The joint committee, which is doing excellent work, should be resolved into a permanent commission. I commend for your approval the Southern Interstate Nuclear Compact so that we may maintain state control.

I again recommend that the rules for civil procedure in the courts of our state be amended in accordance with the recommendation of the Judicial Council.

The Pension Fund of the Law Enforcement Officers should be given fiscal stability by an assessment of a portion of the drivers license fees being allotted to the fund.

Somehow we continue to lose the battle for highway safety. We have an excellent Highway Patrol, good highway construction and marking, and an adequate motor vehicle inspection policy. The point system outlaws careless drivers and habitual offenders. It now appears that the field for emphasis, other than driver examination, is driver training. This program exists to a limited extent in our high schools. It should be compulsory high school training, but any compulsion without public support is doomed to failure. The communities should study this problem. Their studies will indicate, I am sure, that the number one corrective measure to promote highway safety is to improve driver training. The South Carolina Highway Safety Committee and the South Carolina Highway Department endorse this as the number one need. A state-wide program would cost
approximately one million dollars. However, with the $5 million in state revenues being returned to the counties, certainly one-fifth of it could be used on a local basis for driver training. I believe this local assumption of responsibility is vital to the success of this program.

During the past year the Educational Finance Commission has operated two school bus repair shops as authorized by the 1958 General Assembly. The experiment indicates that the system of maintenance used can result in substantial savings to the state in the two counties tested, the average total cost of maintenance and operation in 1958-59 was $209.45 per bus less than the year before, accidents were reduced by more than one-third, and service was greatly improved. I therefore recommend that the General Assembly provide for the gradual extension of the new system.

In 1951, as chairman of a Tax Study Committee, I recommended equalization of property assessment. This recommendation received no more recognition or support than similar ones did in 1920, 1935, 1939, or 1948. Similar recommendations in 1952, 1957, and 1958 have also been ignored. However, these inequities have finally gained the public wrath. One out of every three complaints to the tax study commission involved property tax inequities. This inequity hits me forcefully in the drive for new industry. Industrialists don't understand the law calling for 100% evaluation on the one hand and the haphazard system of minimum evaluations to the contrary. This relationship to the problem has caused many to believe that interest in reassessment spawns only from a drive to get new industry or consequently favor new industry. This is not true. The Tax Study Commission Report indicates that farm property would benefit more from equalization. To prepare the local units to carry forward and institute property tax equalization, the State Tax Commission should promulgate a guide and policy for the equalization of property evaluation. The entire state should be mapped for property tax purposes and training for assessors, an assessors' manual and other aids should be made available to the local units on a voluntary basis.

South Carolina has the essentials for becoming the model American state. While unemployment racks some regions of our country, South Carolina employment stands at all-time highs. While industrial deserts are forming in some formerly rich sections, we enjoy an industrial boom. While lack of natural resources plague some, we have an abundance. And while financial crises strangle some, our fiscally sound, conservative government strides strongly forward.
The future for South Carolina is boundless. Our transcending task now is to fire each South Carolinian with faith and confidence in our state, its abilities, its opportunities, and to inspire every citizen to his utmost in helping to fulfill that future.

From the tremendous forward surge of the past year, it is clear South Carolina shall be second to none.

The overwhelming share of the credit is yours. I join you and all South Carolinians in our continued march forward.