ADDRESS OF

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Delivered to the
GENERAL ASSEMBLY OF
SOUTH CAROLINA

AT COLUMBIA
THURSDAY, APRIL 27, 1939

PRINTED UNDER THE DIRECTION OF THE
JOINT COMMITTEE ON PRINTING
GENERAL ASSEMBLY OF SOUTH CAROLINA
Mr. President, Mr. Speaker, Gentlemen of the General Assembly:

In my inaugural address, I pledged myself to the recognition of the constitutional division of authority in government in South Carolina and declared my determination never to seek to infringe upon the prerogatives of the Legislative or of the Judicial branch of the government. The Executive branch of the government, I said during my administration would ask nothing more than cooperation in attaining objectives for the good of all.

And in keeping with that pledge I have taken care not to harass the General Assembly with communications or suggestions. I have stood ready, as I stand ready always, to cooperate with the General Assembly and with all other agencies and departments of the State government. I have no temptation to dictate to the General Assembly if I could. The responsibility for originating and devising legislation is yours, and I desire not to trespass upon it.

I know first-hand the magnitude of the job facing you and I am deeply appreciative, as I believe the people of the State should be deeply appreciative, of the earnestness and the courage with which you have faced the State's problems.

There remains unsolved, however, the State's primary problem, the problem of revenue and appropriations. Toward its solution you have already accomplished the groundwork in the surveys and studies made to ascertain a true picture of existing conditions. I have asked for the opportunity to discuss this problem with you today because it seemed that I would be unfair to you, neglectful of the State's responsibilities to its people, and unjust to the taxpayers if I did not now make my ideas known to you. I come, of course, with no pride of opinion and do not suggest that I shall or can say all that might be said. But I do believe that at last—and chiefly as a result of your work and thinking—it is possible to set forth a program on the basis of which, or around which we can work out the solution of South Carolina's fiscal problems.

South Carolina, if it is ever to devise an adequate and equitable tax system, must contrive first to increase the per capita wealth of its people out of which the taxes to support the State, the counties, and the cities must come. This is possible only by the bringing in of
new industries to balance our agriculture, to provide wages—higher wages—for our people, to furnish the purchasing power that will be reflected in more business for our merchants and better prices for our farm products. Already the tax burden in South Carolina on industry is greater than that in the states which compete with us for new industries, the states which have been heretofore getting the industries that we need. I must be opposed, therefore, to any new taxes that would add to the burden upon industry and business that would keep out new industries and force down wage levels for those we have. The General Assembly as a whole, I believe, has demonstrated this year its recognition of the need for greater industrial development and I stress it here only because it is so vital if South Carolina is ever to progress from this low income and low wage estate to which it has been committed.

And what industry in South Carolina cannot bear, the people cannot bear. To impose upon South Carolina at this time any great number of new taxes would in my opinion not only be unwise but disastrous. The taxpayers, individuals and corporations alike, need now encouragement and relief not a heavier drain on their already strained resources.

Read estate is overburdened with taxes. Farms, homes and buildings are carrying practically the entire load of local taxation. Our selective sales taxes in South Carolina yield more in proportion to retail sales than does the 3% sales tax in North Carolina. If a general sales tax should be imposed upon the people and the commodities now taxed be exempted, as they would have to be, and the necessities of life also exempted, the rate would be so high and the collection costs so excessive as to make the experiment hopeless. And the general sales tax is subject also, as you know, to the criticism that it falls heaviest upon those least able to pay—the working people of the State who earn between $10.00 and $20.00 per week.

Our task is complicated and the problem confronting us aggravated. As you know we are closing the year with a net cash deficit of one and a quarter million dollars. But this is only part of the story and does not reveal the very serious situation which you and I must face. The real operating deficit for this fiscal year runs, when the school deficit is taken into consideration, to four million dollars. At the beginning of the fiscal year South Carolina had a surplus of $2,700,000.00, built up over the years. The General Assembly last year authorized the spending of $4,000,000.00 more than the taxes levied pro-
duced and hence the State will exhaust its entire surplus and end up with a $1,250,000.00 debt upon which interest must be paid.

Knowing this I would do you injustice if I simply declared that because of the poor financial condition of our people we should levy no more taxes. The government of the State, we know, is pressed for money. There must be, against our hopes, some extension of present taxes if the State government is simply to be maintained—if we are not to curtail operations of the State between 30 and 40 per cent, which is the amount by which the State in the current fiscal year expects to exceed its declining revenues.

The additional revenue needed should however, as I have said and as I believe you will agree, be derived from sources such as will not seriously injure business, industry or the people.

With these conditions in mind I desire to suggest for the serious consideration of the General Assembly the following measures:

1. That as soon as possible the law should be changed in order that all the expenses of the State government may be included in the annual appropriation Bill and in order that all State funds, from whatever source derived, may be turned in to the State Treasury to be appropriated by the Legislature. The Bill passed by the House this week, was, in my opinion, fair and just and would have accomplished much toward this end.

To give the General Assembly control of all State spending should in no way injure any department of the State government, and under such a plan the people can know where all of their tax money is being spent—and how much each and every agency and institution of the State spends. I am aware of the fact that this information can now be obtained, but it is a rather tedious task to obtain it and the average citizen does not know how nor where to find it.

It may be rather late this year to do the entire job but a beginning toward this should certainly be made. Only so will we ever be able to place the State's finances on a business basis.

2. Definite provision should be made for the collection of delinquent property taxes, which, according to the report of the Comptroller General, amounted on June 30, 1938, to $11,579,813.00. This will provide some ready money for the schools and local governments. And, what is more important, it is fundamental if we are ever to have an equitable tax system in South Carolina. The machinery set up for the collection of these taxes has virtually made their collection impossible, and it is not in criticism of any officer now charged with undertaking this responsibility, but in realization of the fact
that these taxes can only be collected by some central authority removed from immediate local influence that I would suggest that their collection be placed under the direction of the State Tax Commission or some central agency with provision being made that no extra fees nor costs to the taxpayers shall be attached to this service.

It is neither justice nor common sense to talk about imposing new taxes upon the already overburdened taxpaying taxpayers when hundreds of citizens have failed to meet their tax obligations over the years and little effective work has been done to remedy this situation. When all taxpayers pay alike, it will be possible to reduce the levies and to give the owners of real property in South Carolina a measure of relief long overdue.

3. The qualified electors participating in the general election voted in favor of removing the constitutional three mill school tax. To make this declaration of the voters' opinion effective, the General Assembly has enacted and I have approved an Act confirming and ratifying this repeal of the constitutional provision requiring the perpetual imposition of three mills upon all property of this State. This will permit the elimination of this tax and it gives me hope that this may be accomplished without undue delay. But it is my opinion, shared as you know by many of you and those interested in the maintenance of educational standards of this State, that this tax should remain by statutory provision for at least another year in order that the schools may continue to operate on a reasonable basis of efficiency. This is, I believe, not unreasonable, especially in view of the fact that five mills of the general tax levy on real property was removed by act of the General Assembly last year.

4. Your task in undertaking to find a solution of the State's fiscal problems is complicated, as I have pointed out, by the fact that the State will be faced this year with a deficit of $1,250,000.00. The very cornerstone of government is a sound fiscal policy and nothing can be done to give us that sound fiscal policy until this inherited deficit has been taken care of. It would be an imposition upon you to ask you to undertake to find all of this extra $1,250,000.00 and it would be a still greater imposition upon the taxpayers to require them to pay it this year. The wiser course would, it seems to me, be to refinance this floating debt over a period of five years, as suggested by the Senate Committee.

5. The Supreme Court of the United States in a recent opinion has abandoned the idea of reciprocal immunity in taxation as between the states and the Federal government. South Carolina em-
ployees will be required to pay a Federal income tax. We should therefore amend our income tax law to provide for the payment of state income taxes by Federal employees, with the provision being made however that this should not be retroactive, but should apply only to incomes earned after January, 1939.

6. Taxes on alcoholic liquors are being increased in many of the states. South Carolina could raise its tax on whiskeys from 96¢ to $1.28 a gallon to provide additional revenue of approximately $500,000.00. This increase, which should be accompanied by the adoption of amendments such as proposed by the State Tax Commission to improve the enforcement of the law, would amount to only 4¢ a pint and is supported by both the committees which have given study to our revenue problem.

7. Existing Federal laws governing public welfare are unjust and unfair to the poorer states of the United States. The system operates to the advantage of those states that least need Federal aid and to penalize those that need it most; it is a contradiction of the theory underlying the social security system and if perpetuated will guarantee for us not social security but social insecurity, crucifying business and industry and the well-to-do in the South as well as the poor. Southern and western states with their low per capita incomes and their low per capita wealth are not able, without bankrupting themselves, to match Federal aid. The richer states, able to pay more themselves, get more.

The poverty of South Carolina in comparison with most of the other states is real; the difficulties facing it even under the best of circumstances are great. The care of the old, the sick, and the blind is, however, as it has always been, essential, even though the people of South Carolina have neither income nor wealth to continue to match Federal aid in an effort to keep up with the richer and more resourceful states. I had hoped that before now the Congress would have found it possible to do something to remedy this grave injustice to the South. And there is still reason to believe that with the South and West cooperating this problem may be solved. Until this is accomplished, however, the State and other states like South Carolina face extraordinary problems and must undertake to find extraordinary remedies for them.

The Appropriation Bill as passed by the House provides for the spending of $10,265,000.00. This is within our present anticipated revenues. Some increases must necessarily be made in the Bill but the totals should be kept within bounds and only such increases as
are absolutely essential should be approved. These increases, together with funds to meet the present program of public assistance, will exceed present revenue and revenue provided in such measures as I have here recommended by approximately $2,500,000.00 to $2,750,000.00.

I do not attempt to list the revenue measures to provide this sum but it seems inescapable that we must ask that a good part of this needed money be secured from revenues normally allocated to highway purposes. After this is accomplished then you could easily, working together, secure the balance where it would do the least harm.

The figures indicate to me that in the present dilemma and plight of South Carolina we are attempting to spend a disproportionate share of the taxpayers' money for highways as compared with the other institutions of South Carolina.

The State Highway Department, as it is now constituted and as it has been operated, is one of the most efficient of all the State's departments and institutions. Under its supervision has been constructed a system of State highways in which the people of South Carolina may take just pride—a system of State highways that has contributed vastly to the comfort of South Carolinians, to the improvement of business, that has virtually transformed transportation in the State. No patriotic South Carolinian would desire to penalize this department for its good work and care should be taken in securing the money needed that the department's program is not disrupted nor the orderly retirement of its obligations interfered with. I have faith in you gentlemen and in the gentlemen of the State Highway Department, and I believe that you and they can work out the details of this transfer in this crisis and do it without imposing any undue hardship upon the department or upon those counties which are entitled to additional highway construction. Other states have been able to accomplish as much. I have talked to some of you and some of the State officials and I believe this can be worked out.

There is no profit to come to South Carolina from eternal conflict. The times demand the cooperation of all in the interest of the State as a whole, and with cooperation, this problem, and any other problem that may face us, can be solved.

BURNET R. MAYBANK, Governor.