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STATE OF THE STATE MESSAGE BY GOVERNOR ROBERT E. MCNAIR

January 9, 1968

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Mr. President, Mr. Speaker, Members of the General Assembly and
My Fellow South Carolinians:

STATE DOCUMENTS

As a State, South Carolina continues to enjoy the benefits of progress. As a people, South Carolinians are becoming greater shareholders in the fruits of this progress. We are living in a dynamic State, in a dynamic time. We have come a long way, and the challenges ahead serve as an even greater stimulus for continuing our surge forward.

Last year you responded to the needs of our State and, among other things, enacted legislation creating:

- The State Commission on Higher Education
- The Department of Parks, Recreation and Tourism
- The Water Resources and Coordinating Commission
- The South Carolina Arts Commission
- The Alcoholic Beverage Control Board

and legislation was passed enabling South Carolina to utilize Industrial Revenue Bonds. These and other accomplishments demonstrate our ability to respond to the State's needs and they serve as a base for continued progress.

FISCAL NEEDS

The Budget and Control Board report is before you, along with an analysis of budget requests. To put the fiscal situation in perspective we need to have an awareness, understanding and appreciation of the problems we face.

Since fiscal 1959-60, our average rate of general fund increase has been 8.9 per cent, a trend superior to the national growth rate. In fiscal 1964-65, the rate was 12.2 per cent; in 65-66, 10 per cent, and in 66-67, 11.4 per cent. This was a three-year period of unprecedented growth - well above the national average - and a period long enough for us to establish a pattern of increased spending which corresponded to the increasing rate of income.

But this fiscal year, our increase is only 4.4 per cent above last year - a decidedly significant drop. During the three preceding bonanza years, we built up a momentum of State spending that could not easily be adjusted to the sudden decline in the growth rate. Because of our dependence upon the previous rates of growth, we are this year spending at a level of nine-and-a-half million dollars above anticipated tax revenues.

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With only \$3.7 million brought forward to cover this, we will show a \$5.8 million dollar deficit at the end of this fiscal year. This must be provided for by a transfer from the general fund reserve, or a reduction in spending during the remainder of this fiscal year.

The availability of the reserve fund has thus prevented our having to scale down appropriations in the middle of the year. With the rate of growth expected to return to a level of about nine per cent during fiscal 1968-69, depending upon several factors such as the war in Viet Nam, a stable textile industry, continued industrial expansion and a possible Federal income tax increase, we can look for a return to a healthy growth.

It is imperative that we recognize the seriousness of our current budgetary situation. Because of an over-appropriation for the current fiscal year, we find ourselves now spending beyond our means. We have, for all practical purposes, indulged in deficit financing and now find ourselves in the same position as the Federal government.

This, for South Carolina, is fiscally and constitutionally unsound. Regardless of how appealing it might be, we cannot maintain fiscal responsibility and constitutional integrity by continuing to over-appropriate.

RESERVE FUND

When the reserve fund was established, it was for one purpose: to provide for unforeseen declines in revenue. It is not a fund against which we can deliberately over-appropriate. It is my hope and my recommendation that the reserve fund be kept as a revenue cushion, for that purpose only, and that every effort be made to appropriate within anticipated revenues for the coming year. Should we continue to dip into the fund, we will eventually face a time when we will have to reduce expenditures in mid-year or take a large share of the following year's budget to make up the deficit. This reserve fund is not a surplus; it is money in the bank for a rainy day.

There undoubtedly will be efforts this year to use this fund for other purposes, but I remind you of and commend you for your wisdom in establishing it and urge you to keep it intact.

REVENUE AND APPROPRIATIONS

In looking to the next fiscal year, we see several budgetary problems, a few of which have already been widely discussed in recent weeks. Our general fund revenues can be expected to reach an estimated \$368.8 million dollars, some \$29.3 million dollars more than the current year.

However, with a level of spending already established at about \$9 1/2 million dollars above this year's revenue, only \$19.7 million dollars is available next year to provide for increases in appropriations. Because requests for additional funds for next year totaled \$72 million dollars, one can easily conclude that most agencies and departments will have to be content with only moderate improvements in the level of operation for at least another year.

NECESSARY INCREASES

There are, of course, instances where mandatory increases are necessary, particularly where the General Assembly has already provided for the creation of new programs or has increased its commitment to existing programs.

These necessary increases amount to more than \$11 million dollars for educational purposes alone, including public schools, educational television, technical and vocational education and colleges and universities.

I remind you that these are increases brought about by the normal growth of the State and by our commitment to fund certain expanded programs.

In addition to the educational requirements, there is a total of \$6.8 million dollars committed to the State Treasurer's office for debt service; to the maintenance of a new 500-bed facility for the mentally retarded at Summerville and a 200-bed expansion at Whitten Village; to the retirement system, and to increased aid to subdivisions.

The grand total of necessary and committed increases is \$18,070,000.

Thus, we find that only \$1,640,000 remains to cover the other requests for increases totaling \$54 million dollars.

The problem this year has been an agonizing one for the State Budget and Control Board. Our several meetings have always ended with the same conclusion: there just is not enough money, which prompts me to again emphasize the urgent need for prudent appropriations for next year. Actually the Budget report before you is the fifth draft.

TEACHERS AND STATE EMPLOYEES

There has been a great concern expressed by teachers and state employees over the possible lack of a pay increase this year. We understand and sympathize with this concern. Our actions of the past two years I believe have demonstrated the degree of our concern.

Statistics show that during the 10-year period beginning in fiscal 1956-57, South Carolina increased teacher salaries by 76.7 per cent and ranked 11th in the nation in per cent of increase. In 1966-67, salaries were raised an average 13.2 per cent, second highest in the nation. These figures do not include last year's increase of \$300 dollars across the board, which resulted in a 20.7 per cent increase for the two-year period.

I believe it is clear that based upon our ability to pay - and we still rank near the bottom in that category - we are near the top in percentage of revenues allocated to education, generally, and to teachers, specifically.

When I became Governor, I made a commitment to the improvement of teacher pay, as the quality of education is closely linked to the quantity of compensation teachers receive. I renew that commitment today and assure all that every effort will be made to bring the level of teachers' salaries to a more competitive position in the Southeast by 1971. This also applies to faculties in our colleges and universities and to all other state employees. This upgrading of salaries will require bold and forthright actions by the General Assembly, but it is a matter that cannot be ignored if we expect our State to continue its progress.

The Budget and Control Board would have recommended increases this year, had appropriate funds been available. But there simply were none. Thus, I urge those interested in education and all others to understand the simple mathematics of the budget.

It has been suggested that the State is asking for disunity and fragmentation among teachers because of the current economic difficulties. I can only say that we did not ask for the budget problems and we would hope that the prospects for the future and our past record of attention to teachers' needs would serve as an assurance that an improvement will be made when funds are available and that education continues as the number one priority.

However, we cannot and we will not engage in deficit financing. If you can find the revenue for these and other essential, urgent needs, I would be most happy to endorse appropriate increases but until such time, I urge restraint.

HIGHER EDUCATION

Recent developments have created some uncertainty about South Carolina's future direction in post-high school and higher education. The report last week recommending a second medical college in Columbia is but one of several announcements and proposals that merit our attention and concern.

As desirable, however, as new State colleges and universities may be, any movement toward their establishment or expansion must, of necessity, be thoroughly studied and carefully weighed against the availability of State funds. Total needs must be determined, priorities established and ability defined. To assist us in this endeavor, a study by Moody's Investors Service and Campus Facilities Associates is now under way, and we anticipate their report within the next few months.

The report, dealing with a broad spectrum of needs, consolidates many previous recommendations and study reports into a meaningful package, which outlines South Carolina's ability to meet the total needs of education, health and transportation.

Thus, I urge that we await this report before taking any steps toward approving the several recent proposals and recommendations now before the Higher Education Commission.

To establish a system of kindergartens, raise teachers' salaries to the Southeastern average, reduce the student-teacher ratio, develop a system of area vocational schools, provide for more supervisory personnel, more counseling and guidance, a program of adjunct education, an expanded system of adult vocational and technical education, a two-year college parallel and associate degree program, a second medical college and to upgrade graduate education, and build our two universities into institutions of excellence will challenge the minds and resources of all of us.

While we also plan and build a transportation system to meet urban and other pressing demands and establish a program to administer to the total health needs of our people - not to mention all other areas of activity, such as Parks, Recreation and Tourism, law enforcement and correction of criminals - we must have strength and resolution. No longer can we afford to move haphazardly or without complete study and planning.

DEVELOPMENT OF RESOURCES

South Carolina is today in the midst of the great mid-20th Century transformation, shifting from a rural to an urban state, from agriculture to industry. The economy is in serious transition.

Prior to the 1960's our overall economy was at a standstill. Then, following concentrated efforts toward attracting new and expanded industrial investments, the State gained this unprecedented forward momentum of growth. However, in the last year, that momentum slowed down - a clear reflection of business indecision and a national re-adjustment, and an indication that the present South Carolina economy is vulnerable to the ups and downs of the national economy.

How well South Carolina performs in the future depends ultimately on the rate at which the national economy continues to expand, how well we compete with other areas of the nation, and the extent to which the State can continue the transformation of its society and economy to achieve both a solid foundation and framework for sustained growth. The once relatively narrow complex of industry and technology must extend into more diverse, refined and technologically complex areas - the areas that represent the growth future of the national economy and a higher income future for South Carolina's citizens.

South Carolina is not a wealthy state, yet it is a growth-conscious State, and the overall attitude reflects enthusiasm for the future. Because of this enthusiasm, we can come to demonstrate the powerful arithmetic of compound interest applied to growth. We can invest carefully along carefully related priorities with the view toward maximizing future opportunities.

The change that is required is from growth by momentum to development by decision.

We must concern ourselves with the many challenges that will bring about continuing, healthy, balanced growth - both short term and long term - by use of our resources in a workable plan of basic investment in people, in program, in plant.

In education, South Carolina can tie itself to the growth tide of the future by developing the trained and educated manpower necessary for modern technology and industry that will match the opportunities of our people to those anywhere in the nation; this calls for improvement in quantity, quality and diversity at all levels.

Our accomplishments in the development of manpower resources have been significant, and our programs of occupational training have been viewed by several other states with interest and envy. Still we are plagued by many of the problems we set out to solve. We have on the one hand jobs without people, and on the other, people without jobs. We are still trying to bridge this gap.

Recent reports on our programs of technical education, higher education, the Department of Education, and medical education indicate that we must cautiously and carefully devise a blended system of education that is within our means. We expect the Moody report mentioned earlier to accomplish much of this.

EMPLOYEES - RETIREMENT AND SICK LEAVE BENEFITS

We have carefully developed an excellent, sound retirement program; however, there remains a noticeable deficiency. The Director of the system has proposed a plan for a death benefit for employees who die while in State service. It calls for payment of an amount equal to a year's pay. It stipulates that any employee completing one year of membership in the system shall be eligible. I urge passage of legislation implementing this proposal.

Provisions should be made for a 40-hour work week and the closing of State offices on Saturday where feasible. Most State agencies and departments now operate with only a skeleton staff on Saturday morning and they conduct very little public business, some none at all.

Legislation is now pending providing for uniform sick and annual leave and I would urge its passage.

Most agencies and departments of State government have created their own personnel classification systems, and the real pressing need remaining is that all systems establish uniform practices and job descriptions to eliminate inequities. The Budget and Control Board is now preparing to establish a personnel division to work toward this before next year.

COMPULSORY SCHOOL ATTENDANCE

Since your action of last year in establishing a compulsory school attendance law, South Carolina schools have experienced a significant increase in students returning to classes. 62 of the 105 school districts have complied with the law. More than 4,000 students have returned as a direct result and another 300 have returned in districts not yet in compliance. This experience serves as adequate justification for recommending that the mandatory effective date of 1974 be moved up to September 1968. Experience already gained indicates no hardship will be imposed on any district.

HIGHWAY BONDS

The State Highway Department has established a 5 year construction program to begin this year costing an estimated \$450,650,000. To accomplish this the Bond limit must be raised from \$70 million to \$100 million and the Sinking Fund requirement should be rescinded. Other recommendations will be made later after the Moody report is completed.

HIGHWAY SAFETY

Safety experts advise me that the Compulsory Vehicle Inspection Law, the uniform traffic ticket law, legislation providing for a stronger penalty for driving under suspension, and the 1966 legislation providing for a realistic speed law have been significant in reducing our injury and death rate. Fatal accidents in 1967 number 745, compared to 801 the year before. The number of deaths in 1967 was 911 - still a saddening toll - but 57 less than in 1966. Nearly 1/4 of these deaths were pedestrians.

However, there still exists an urgent need for a true implied consent law as surveys indicate that more than 50 per cent of the drivers involved in fatal accidents had been drinking.

AUTO LIABILITY INSURANCE

The problems of arbitrary cancellations of automobile liability insurance policies, rising premium costs and assignment of high risk classifications continue to plague the South Carolina driver. These matters are of serious concern and I renew my request to the South Carolina Insurance Commission to make recommendations that would lead to the alleviation of these problems.

LAW ENFORCEMENT

In the area of Law Enforcement, I am pleased to report that South Carolina continues to enjoy a record which should be a source of great pride for all of us. The past year has not been free of its problems, but it has been one of great accomplishment for our law enforcement officers. They have maintained South Carolina's outstanding reputation of respect for the law and at the same time demonstrated understanding and promoted good will. They are all due our highest commendation.

The South Carolina Police Institute is well on its way toward operation, and we can expect classes to begin within a short time. It is our hope that all persons engaged in law enforcement at all levels will be given and take the opportunity to attend.

I would suggest that all municipalities and counties make greater efforts toward improving police standards and salaries so that performance and compensation are more in line with the degree of responsibility.

Because law enforcement personnel face greater dangers than most, and because the death benefits of most police insurance policies are sometimes minimal, I recommend that the children of any officer losing his life in the actual performance of his duty be granted free tuition at any state-supported college or university and I hope you will give this recommendation your approval.

AGRICULTURE

One area of need that has caused me great personal concern is agriculture. Having an interest and background in farming, I have been for some time distressed over the lack of growth in what has long been regarded as the backbone of our economy.

It is my belief that a stronger Department of Agriculture, one that is more closely attuned to the problems of the South Carolina farmer and responsive to his needs, is essential if we are to develop a more effective program in our State.

To achieve these objectives, I recommend that legislation be enacted to provide for the creation of a Commission of Agriculture to set policy and give direction to programs in the Department of Agriculture.

With the creation of the Commission, consideration should then be given to merging the present Agriculture Marketing Commission with the Department so that it would then function as a Division thereof. With this reorganization, enabling legislation should be enacted to permit growers and producers to utilize the advantages of modern marketing techniques and improved contractual arrangements with handlers and consumers. A strong Marketing Division, working closely with the farmer, can help him regain his rightful share of the agriculture dollar.

As a means of better serving and protecting the interests of the South Carolina grower, and to keep inferior out-of-state products off the market, legislation should be enacted prohibiting the sale of agricultural commodities in South Carolina which do not meet the standards of their own state or the U. S. Department of Agriculture.

In another step toward greater efficiency and effectiveness in the agricultural program of South Carolina, I recommend that a study be made of the present regulatory activities related to agriculture to determine the feasibility of consolidating these functions and/or assigning them to the agency, department or institution that would better serve the interest of agriculture.

These recommendations are based upon studies made by the Agriculture Study Committee which is to be commended for going out and listening to the voice of the farmer.

The Emergency Milk Act of 1966, which was continued as a temporary measure last year, has proved to be highly beneficial. Where chaos reigned prior to its enactment, stability now prevails. Cooperation by retail stores and all segments of the dairy industry and general compliance during the past 18 months indicate the legislation imposes no undue burden on any party directly involved. For these reasons, I recommend the milk price stabilization act be made permanent.

COUNTY GOVERNMENT

Every day it becomes more obvious that there is an urgent need for strong local governments to provide orderly, uniform, and coordinated administration of local activities. I repeat my request of last year in urging legislation establishing a uniform system of county government during this session to prevent a multiplicity of varying forms throughout the State.

I urge that serious consideration be given to amending the Constitution in order to permit counties to jointly engage in and support activities of mutual interest. Increasingly, the solutions to many county problems will be found in the regional or multi-county approach which this amendment would make possible.

I also urge that each county give serious consideration to a program of property re-evaluation to provide equitable sources of revenue to carry on its functions. We are encouraged by a recent Tax Commission report which shows that 32 counties have expressed an interest in conducting programs of reassessment. Of these, 26 have already re-assessed or are in the process of beginning, 17 with assistance from the State Tax Commission. Let me urge all of you to avail yourselves of this service by the Tax Commission which stands ready to act upon a request from any legislative delegation.

ELECTIONS AND REGISTRATION

South Carolina's unique computer system of voter registration continues to develop as an efficient and effective means of maintaining accurate, up-to-date information on each person registered to vote. Because the computer will develop a permanent record, it should nullify the requirement for re-registration every 10 years, and because the re-registration process involves a great amount of effort and expense, I recommend action be taken to eliminate the 10-year re-registration requirement.

In asking for your action on this matter, I also commend the Election Law Study Committee and renew my request of last year that consideration be given to setting primary election days on Monday, for making election day a State holiday, and for moving the primary from June to September. An Election Commission should be established to administer the election laws and conduct elections, as well as serve as an elections review board.

REAPPORTIONMENT

Although it is too early to say what action will be taken on the reapportionment plan adopted by the General Assembly last year, we would hope that the general provisions will remain intact. Should this be the case, it is my recommendation that Senators again be elected on a four-year staggered term basis to assure the continuing status of this body.

PUBLIC WELFARE

In our State we have some 75,000 families, comprising 225,000 people whose incomes are inadequate to provide a balanced diet. 13 counties have sought to remedy this deficiency through the use of the Food Stamp Program, a plan which enables low income families to increase their food purchasing power by investing their own money in food coupons worth considerably more than their cash cost.

A statewide program would cost about \$550,000, and a conservative estimate is that it would reach 225,000 individuals and add an additional \$20 million annually to the local economies. This would in itself add \$600-thousand in additional Sales Taxes - enough to pay the administrative costs of the full program. I recommend your approval of the program.

TUBERCULOSIS SANITORIUM

A recent study of the State Park Tuberculosis Sanitorium recommends that its role be geared to serve as a chronic-disease center, to operate under the supervision of the State Board of Health. I hereby recommend legislation carrying out the study's findings.

STATE PLANNING AND GRANTS DIVISION

Earlier this year, I created within the Office of the Governor the State Planning and Grants Division as a means for further improving the coordination of effort among the agencies of State government.



This new Division will stimulate and assist in long-range planning efforts by the various State agencies so that we can allocate the resources available to us each year with a better understanding of how our daily and yearly activities fit into the long-range picture. As a part of the planning effort, this Division is working closely with all agencies and institutions on problems involving Federal funding sources.

This Division will also coordinate all regional and multi-state planning including the Appalachian and Coastal Regional programs that will contribute immeasurably to our growth.

Working closely with the State Budget and Control Board, the Division will continue to develop a plan to guide our building program here in the Capital Complex. In order to meet our pressing space needs and in order to build a complex which is both functionally and esthetically in keeping with the significance of this area, it will be essential for us to coordinate our efforts closely with the City of Columbia and the University of South Carolina.

CONCLUSION

With 1968 just a little over a week old and with the beginning of a new legislative session, there is great enthusiasm and resolution among all people; and it is my hope that we will carry these feelings into all our deliberations as we strive to better serve the people who elected us to these positions of responsibility.