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Stack:	Row:	Section:	Shelf:	Position:
G	26	18	6	5

CBO
 for
 Dec-2880
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 CBO's Analysis of 1989R R for FY90
 Revised baseline
 ③ 1069
 ③ 983 b.11.
 \$ 7

Draft #1

(Klugmann)
February 13, 1989
1:30 p.m.

PRESIDENTIAL REMARKS: SOUTH CAROLINA GENERAL ASSEMBLY
COLUMBIA, SOUTH CAROLINA
FRIDAY, FEBRUARY 17, 1989

Thank you very much, Governor Campbell. Lt. Governor Theodore, Speaker Sheehan. Members of Congress, ladies and gentlemen, thank you all. It is a great honor to be addressing this joint session of the General Assembly. This is a chamber rich in history and tradition, and I am grateful for the privilege of joining you in this hall today.

One very concrete way I plan to express my appreciation is by not talking too long. If I exceed my limit and we start to press up against lunchtime, I expect that the spirit of the late Speaker Blott will rise up, and this chamber will echo with the words: "it's cornbread and buttermilk time."

Now, I speak to you today with great respect and in accordance with the plan our Founding Fathers designed two centuries ago: as a President of the United States addressing the freely-elected Government of a Sovereign State. And I speak to you in the spirit of bi-partisanship: I realize that some of you favor the Tigers and others favor the Gamecocks, but as President of all the people I must remain neutral. And this morning, in that same spirit of neutrality, Lee Atwater, as far as I'm concerned, will be thought of simply as one native son of South Carolina who happens to be a famous rhythm and blues guitarist.

But a few minutes ago, I did not have to be neutral -- and I don't have to be neutral now in recognizing and congratulating

the N.A.I.A. national football champions: the Furman Paladines. We are all proud of that team.

A President cannot stand here without noting that the Great State of South Carolina has one of the oldest histories in our Republic, spanning nearly five centuries. In fact, the first Colonial Governor -- under the Spanish -- was the son of Christopher Columbus. Personally, I join with the people of this great State in saying that I much prefer Carroll Campbell.

And with all of South Carolina's great sense of tradition, this has also in recent years been the site of dynamic economic growth that has so greatly improved the lives of the people of this State. I believe that South Carolina is proof that traditional American values are not a hindrance to success in a modern economy, but, in fact, they are essential to it. And I want to keep the economy expanding so that it reaches every person in South Carolina and in the Nation.

There are a number of very sound provisions South Carolina uses in its budget process which I think our Nation as a whole would benefit from. I think it is long overdue for the Federal Government to catch up with South Carolina by giving the chief executive a line-item veto and by adding a balanced budget amendment to the Constitution of the United States.

These are essential instruments for controlling Government spending: you have them, you use them, they work, and they help protect the pocketbooks of the working people of South Carolina. I believe that the American people deserve the same, and they

deserve a budget process that they can be proud, and I will work for the reforms we need.

I also want to recognize and applaud your Governor's plan for promoting even greater economic growth by modernizing the tax code and by cutting the State capital gains tax.

Our experience at the National level is clear: reducing the capital gains rate has resulted in more tax revenue, not less. It helps produce the investment that means more jobs for working people. And it helps our international competitiveness -- some of our biggest trading partners, such as Japan and West Germany, have a capital gains rate of zero-point-zero. My proposal is to cut the rate down to 15 percent for investments held for three years or more.

Cutting the top marginal personal income tax rate, as we have, has not only restored incentives and brought in more revenue, it has also shifted the tax burden onto the wealthier segment of society, with those who are better off paying a much larger share of total taxes than they did under the high rates of the past.

As you know, last week I proposed a budget plan for the Federal Government. You've probably heard widely conflicting accounts of it. But when it comes to the Washington budget process, so much of the rhetoric is in the words of a former member of this chamber, Goat Leamond, "fantastic, fantastic." Once in the heat of budget politics, Goat Leamond stepped back from the fray to utter the immortal words: "When in doubt, run in circles, scream and shout."

But in Washington, with all the shouting that sometimes occurs, the words don't mean the same things that most people think they mean. When they talk about budget cuts in Washington, that usually doesn't mean that spending is going down, which would seem to be the obvious meaning. No, it usually means that spending is going up, but by less than had been previously projected. ~~Some programs have gone up in spending each year, and will go up again next year, but all that you ever hear is that they are being cut.~~

On the revenue side, I have taken a pledge to the American people, and I am going to keep it: No new taxes. That's what the people of this State and the American people as a whole voted for. And the bottom-line in the Federal budget is that it's not my money, it's not the Congress's money, it's the American people's money. And the people made their position clear in the election last November.

One group in Washington, Citizen's for a Sound Economy, commissioned the Roper Organization to conduct a poll on taxes, spending, and the budget deficit. Three out of four Americans surveyed said that the way they want us to reduce the deficit is by holding down spending. Only 5 percent wanted to do it by raising taxes.

For those of us who hold elected office, I think it is our job, when the American people speak so clearly, to read their lips. That's why my budget is based on a flexible freeze with no new taxes. This budget recognizes that there are three ways Government must serve the people: First, by not taking any more

of their hard-earned money than is absolutely necessary. Secondly, by creating the environment that permits economic growth, new jobs, and greater opportunity. And finally, by doing the very best to help people with the money that is spent by Government, caring for those in need, protecting what we hold in common, and serving the people with efficiency and compassion.

My budget does more for education, more for the environment, and more for the Space program. It makes a larger investment in scientific research, to help keep America competitive into the next century. It spends more on the Head Start program to help make America strong into the next generation. And there is another \$1 billion in outlays to fight drugs, because we cannot let this menace rob our children of their future.

We introduce a new child care initiative, targeted at low-income families, and designed to give real choice to working families. We also restore and double the tax deduction for adopting special needs children. And we commit a billion dollars to deal with the problems of the homeless.

We do not cut Social Security or support for farmers. And we keep our defenses strong. After seeing two years of real cuts in our National defense, this budget enables defense to keep up with inflation. I believe that defending America is one task which is an absolute responsibility for the Federal Government. And when our young men and women make the commitment to join our armed services, I think they have the right to know that we will give them the tools to defend themselves and to defend America.

And my budget helps assure a sound economy by not raising taxes and by cutting the Federal deficit by \$76 billion. That will not only meet the Gramm-Rudman-Hollings deficit limit, but it does even better than that. This budget will bring the deficit as a percentage of G.N.P. to its lowest level in __ years.

Now already some people have asked me how is it possible to do all this without raising taxes. The answer is straightforward, and it needs to be emphasized again and again.

Because of economic growth, tax revenues are going up with no new taxes. Our projections show that without raising taxes, the Federal Government will get an additional \$80 billion to spend. The Congressional Budget Office, using their own set of economic assumptions, predicts -- not my estimate, but theirs -- that Federal tax revenues will increase next year by even more, by \$86 billion. I think our number is closer, but whether you use the Congress's number or the O.M.B. number, that's enough money to reduce the deficit down to the levels required by Gramm-Rudman-Hollings and to spend more money on priority programs.

But to do this does require that choices be made, which is what my budget does. And I am prepared to work with the Congress to keep on making those hard choices. We weren't sent to Washington to abdicate our responsibility -- either to pass the cost of indecision onto working Americans by raising their taxes, or to fail to reduce the deficit, which will cause the cuts to be done automatically under the law.

That's why we must make choices that keep the economy growing, preserve our national defense, and allow Government to adequately and compassionately perform the services which it should.

One of the great figures in American history, John Calhoun, once said, "The very essence of a free Government consists in considering offices as public trusts, bestowed for the good of the country, and not for the benefit of an individual or a party." That is also my personal view. And it is in that spirit that I will seek to work with the United States Congress -- not as members of competing political parties, but as cooperating public servants.

You know, I've visited South Carolina enough times to learn that your State flower is the yellow jessamine [JAZZ-min]. I've been told that it was selected not just for it's fragrance, but because of its resilience. The budget debate is important, but even more important is the knowledge that America is strong and she is great. That we are thriving as a Nation in the world and we are providing for our people.

As Americans, we do not seek a world without challenges, but, rather, a chance to overcome the challenges that are before us and to leave this Nation that we love a little better for our having passed this way.

Thank you very much, and God bless you all.

**REMARKS FOR SOUTH CAROLINA GENERAL ASSEMBLY
COLUMBIA, SOUTH CAROLINA
WEDNESDAY, FEBRUARY 15, 1989**

THANK YOU VERY MUCH, GOVERNOR CAMPBELL. LIEUTENANT GOVERNOR THEODORE, SPEAKER SHAHEEN [SHAY-IN]. MEMBERS OF CONGRESS, LADIES AND GENTLEMEN, THANK YOU ALL. IT IS A GREAT HONOR TO BE ADDRESSING THIS JOINT SESSION OF THE GENERAL ASSEMBLY. THIS IS A CHAMBER RICH IN HISTORY AND TRADITION, AND I AM GRATEFUL FOR THE PRIVILEGE OF JOINING YOU IN THIS HALL TODAY.

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ONE VERY CONCRETE WAY I PLAN TO EXPRESS MY APPRECIATION IS BY NOT TALKING TOO LONG. IF I EXCEED MY LIMIT AND WE START TO PRESS UP AGAINST LUNCHTIME, I EXPECT THAT THE SPIRIT OF THE LATE SPEAKER BLATT [BLOT] WILL RISE UP, AND THIS CHAMBER WILL ECHO WITH THE WORDS: "IT'S CORNBREAD AND BUTTERMILK TIME."

NOW, I SPEAK TO YOU TODAY WITH GREAT RESPECT AND IN ACCORDANCE WITH THE PLAN OUR FOUNDING FATHERS DESIGNED TWO CENTURIES AGO: AS A PRESIDENT OF THE UNITED STATES ADDRESSING THE FREELY-ELECTED GOVERNMENT OF A SOVEREIGN STATE. AND I SPEAK TO YOU IN THE SPIRIT OF BIPARTISANSHIP: I REALIZE THAT SOME OF YOU PEOPLE FAVOR THE TIGERS AND OTHER PEOPLE FAVOR THE GAMECOCKS -- AND, OF COURSE, SOME PEOPLE FAVOR ONE OR ANOTHER SET OF BULLDOGS. BUT AS PRESIDENT I MUST REMAIN NEUTRAL; I STAND WITH THE PEOPLE.

AND THIS MORNING, IN THAT SAME SPIRIT OF NEUTRALITY, LEE ATWATER, AS FAR AS I'M CONCERNED, WILL BE THOUGHT OF SIMPLY AS ONE NATIVE SON OF SOUTH CAROLINA WHO HAPPENS TO BE A FAMOUS RHYTHM AND BLUES GUITARIST.

BUT I DON'T HAVE TO BE NEUTRAL NOW IN RECOGNIZING AND CONGRATULATING THE DIVISION I-AA [ONE-DOUBLE-"A"] NATIONAL FOOTBALL CHAMPIONS: THE FURMAN PALADINS [PAL-A-DINS]. WE ARE ALL PROUD OF THAT TEAM.

A PRESIDENT CANNOT STAND HERE WITHOUT NOTING THAT THE GREAT STATE OF SOUTH CAROLINA HAS ONE OF THE OLDEST HISTORIES IN OUR REPUBLIC, SPANNING NEARLY FIVE CENTURIES.

BUT WITH ALL OF SOUTH CAROLINA'S GREAT SENSE OF TRADITION, THIS HAS ALSO IN RECENT YEARS BEEN THE SITE OF DYNAMIC ECONOMIC GROWTH THAT HAS SO GREATLY IMPROVED THE LIVES OF THE PEOPLE OF THIS STATE. I BELIEVE THAT SOUTH CAROLINA IS PROOF THAT AN ABIDING RESPECT FOR TRADITIONAL AMERICAN VALUES IS NOT A HINDRANCE TO SUCCESS IN A MODERN ECONOMY, BUT, IN FACT, IT IS ESSENTIAL TO IT.

AND I WANT TO KEEP THE ECONOMY EXPANDING SO THAT IT REACHES EVERY PERSON IN SOUTH CAROLINA AND IN THE NATION.

THERE ARE A NUMBER OF VERY SOUND PROVISIONS SOUTH CAROLINA USES IN ITS BUDGET PROCESS WHICH I THINK OUR NATION AS A WHOLE WOULD BENEFIT FROM. I THINK IT IS LONG OVERDUE FOR THE FEDERAL GOVERNMENT TO CATCH UP WITH SOUTH CAROLINA BY GIVING THE CHIEF EXECUTIVE A LINE-ITEM VETO AND BY ADDING A BALANCED BUDGET AMENDMENT TO THE CONSTITUTION OF THE UNITED STATES.

THESE ARE ESSENTIAL INSTRUMENTS FOR CONTROLLING GOVERNMENT SPENDING: YOU HAVE THEM, YOU USE THEM, THEY WORK, AND THEY HELP PROTECT THE POCKETBOOKS OF THE WORKING PEOPLE OF SOUTH CAROLINA. I BELIEVE THAT THE REST OF THE AMERICAN PEOPLE DESERVE THE SAME AT THE FEDERAL LEVEL, AND THEY DESERVE A BUDGET PROCESS THAT THEY CAN POINT TO WITH PRIDE. AND I WILL WORK FOR THE BUDGET REFORMS WE NEED.

YOUR GOVERNOR, CARROLL CAMPBELL, HAS BEEN AN INNOVATIVE LEADER WHO HAS SET AN EXAMPLE THAT IS BEING ACKNOWLEDGED AROUND THE COUNTRY. HE AND YOU, WORKING TOGETHER, HAVE MADE SOUTH CAROLINA A MODEL OF WHAT CAN BE ACCOMPLISHED WITH SOUND POLICIES AND WISE LEADERSHIP. I PARTICULARLY WANT TO RECOGNIZE AND APPLAUD YOUR GOVERNOR'S PLAN FOR PROMOTING EVEN GREATER ECONOMIC GROWTH BY MODERNIZING THE TAX CODE AND BY CUTTING THE STATE CAPITAL GAINS TAX.

OUR EXPERIENCE AT THE NATIONAL LEVEL IS CLEAR: REDUCING THE CAPITAL GAINS RATE HAS RESULTED IN MORE TAX REVENUE, NOT LESS. IT SPURS INVESTMENT. INVESTMENT MEANS MORE JOBS. JOBS MEAN OPPORTUNITY. AND OPPORTUNITY IS THE FOUNDATION OF AMERICAN PROGRESS. AND A LOWER CAPITAL GAINS RATE HELPS OUR INTERNATIONAL COMPETITIVENESS -- ALL OF OUR BIGGEST TRADING PARTNERS, INCLUDING JAPAN AND WEST GERMANY, TAX LONG-TERM CAPITAL GAINS MODESTLY IF AT ALL.

EVEN AS YOU ARE TAKING UP THIS ISSUE IN SOUTH CAROLINA, MY PROPOSAL AT THE FEDERAL LEVEL IS TO CUT THE CAPITAL GAINS RATE DOWN TO 15 PERCENT FOR INVESTMENTS HELD FOR THREE YEARS OR MORE.

NOW, AS YOU KNOW, LAST WEEK I PROPOSED A BUDGET PLAN FOR THE FEDERAL GOVERNMENT. YOU MAY HAVE HEARD ABOUT IT. IT'S GETTING SOME ATTENTION. AND I'M PLEASED TO SAY NO ONE HAS SAID IT'S D.O.A. IF ANYONE DOES, I'LL INTERPRET THAT AS: "DEFINING OPPORTUNITY FOR AMERICANS."

BUT WHEN IT COMES TO THE WASHINGTON BUDGET PROCESS, SO MUCH OF THE RHETORIC IS, AS YOU KNOW, A BIT EXTRAVAGANT. ONCE IN THE HEAT OF BUDGET POLITICS, A FORMER MEMBER OF THIS CHAMBER, GOAT LEAMOND [LA-MOND], STEPPED BACK FROM THE FRAY TO UTTER THE IMMORTAL WORDS: "WHEN IN DOUBT, RUN IN CIRCLES, SCREAM AND SHOUT."

BUT IN WASHINGTON, WITH ALL THE SHOUTING THAT SOMETIMES OCCURS, THE WORDS DON'T MEAN THE SAME THINGS THAT MOST PEOPLE THINK THEY MEAN.

WHEN THEY TALK ABOUT BUDGET CUTS IN WASHINGTON, THAT USUALLY DOESN'T MEAN THAT SPENDING IS GOING DOWN, WHICH WOULD SEEM TO BE THE OBVIOUS MEANING. NO, IT USUALLY MEANS THAT SPENDING IS GOING UP, BUT AT A SLOWER PACE.

SENATOR RUDMAN SAID THIS: WASHINGTON IS THE ONLY TOWN WHERE A MAN MAKING \$20,000 CAN ASK HIS BOSS FOR A \$10,000 RAISE; AND, THEN, WHEN THE BOSS GIVES HIM INSTEAD A \$5,000 RAISE, THE STORY COMES OUT: "MAN'S SALARY CUT BY \$5,000."

ON THE REVENUE SIDE, I HAVE TAKEN A PLEDGE TO THE AMERICAN PEOPLE, AND I AM GOING TO KEEP IT: NO NEW TAXES. THAT'S WHAT THE PEOPLE OF THIS STATE AND THE AMERICAN PEOPLE AS A WHOLE VOTED FOR. AND THE BOTTOM-LINE IN THE FEDERAL BUDGET IS THAT IT'S NOT MY MONEY, IT'S NOT THE CONGRESS'S MONEY, IT'S THE AMERICAN PEOPLE'S MONEY.

ONE GROUP IN WASHINGTON, CITIZENS FOR A SOUND ECONOMY, COMMISSIONED THE ROPER ORGANIZATION TO CONDUCT A POLL ON TAXES, SPENDING, AND THE BUDGET DEFICIT.

THREE OUT OF FOUR AMERICANS SURVEYED SAID THAT THE WAY THEY WANT US TO REDUCE THE DEFICIT IS BY HOLDING DOWN SPENDING. ONLY 5 PERCENT WANTED TO DO IT BY RAISING TAXES.

MY BUDGET IS BASED ON A FLEXIBLE FREEZE WITH NO NEW TAXES. THIS BUDGET RECOGNIZES THAT THERE ARE THREE WAYS GOVERNMENT MUST SERVE THE PEOPLE: FIRST, BY NOT TAKING ANY MORE OF THEIR HARD-EARNED MONEY THAN IS ABSOLUTELY NECESSARY.

SECONDLY, BY CREATING THE ENVIRONMENT THAT PERMITS ECONOMIC GROWTH, NEW JOBS, AND GREATER OPPORTUNITY. AND FINALLY, BY DOING THE VERY BEST TO HELP PEOPLE WITH THE MONEY THAT IS SPENT BY GOVERNMENT, CARING FOR THOSE IN NEED, PROTECTING WHAT WE HOLD IN COMMON, AND SERVING THE PEOPLE WITH EFFICIENCY AND COMPASSION.

EVEN IN TIMES WHEN REDUCING THE DEFICIT MEANS TOUGH CHOICES, WE MUST STILL SET PRIORITIES.

AND MY BUDGET IS A REALISTIC PLAN THAT DOES MORE FOR EDUCATION, MORE FOR THE ENVIRONMENT, AND MORE FOR THE SPACE PROGRAM. IT MAKES A LARGER INVESTMENT IN SCIENTIFIC RESEARCH, TO HELP KEEP AMERICA COMPETITIVE INTO THE NEXT CENTURY. IT SPENDS MORE ON THE HEAD START PROGRAM TO HELP MAKE AMERICA STRONG INTO THE NEXT GENERATION. AND THERE IS ANOTHER \$1 BILLION IN OUTLAYS TO FIGHT DRUGS, BECAUSE WE CANNOT LET THIS MENACE ROB OUR CHILDREN OF THEIR FUTURE.

WE PROPOSE A NEW CHILD CARE INITIATIVE, TARGETED AT LOW-INCOME FAMILIES, AND DESIGNED TO GIVE REAL CHOICE TO FAMILIES. THE FAMILY UNIT IS VITAL TO THE VERY FABRIC OF OUR SOCIETY. GOVERNMENT MUST NOT DISCOURAGE PARENTAL CHOICE AND FAMILY INVOLVEMENT.

IN THIS BUDGET, WE ALSO RESTORE AND DOUBLE THE TAX DEDUCTION FOR ADOPTING SPECIAL NEEDS CHILDREN. AND WE COMMIT A BILLION DOLLARS TO DEAL WITH THE PROBLEMS OF THE HOMELESS.

WE DO NOT TOUCH SOCIAL SECURITY -- THAT'S OFF-LIMITS. AND WE KEEP OUR DEFENSES STRONG. DEFENDING AMERICA IS ONE TASK WHICH IS AN ABSOLUTE RESPONSIBILITY FOR THE FEDERAL GOVERNMENT. THIS BUDGET ENABLES OUR NATIONAL DEFENSE TO KEEP UP WITH INFLATION. WHEN OUR YOUNG MEN AND WOMEN MAKE THE COMMITMENT TO JOIN OUR ARMED SERVICES, THEY HAVE THE RIGHT TO KNOW THAT WE WILL GIVE THEM THE TOOLS TO DEFEND THEMSELVES AND TO DEFEND AMERICA.

THIS BUDGET HELPS ASSURE A SOUND ECONOMY BY NOT RAISING TAXES AND BY CUTTING THE FEDERAL DEFICIT BY MORE THAN \$75 BILLION. THAT WILL NOT ONLY MEET THE GRAMM-RUDMAN-HOLLINGS DEFICIT LIMIT, BUT IT DOES EVEN BETTER THAN THAT. THIS BUDGET WILL BRING THE DEFICIT AS A PERCENTAGE OF G.N.P. TO ITS LOWEST LEVEL SINCE THE 1970'S.

NOW ALREADY SOME PEOPLE HAVE ASKED ME HOW IS IT POSSIBLE TO DO ALL THIS WITHOUT RAISING TAXES. THE ANSWER IS STRAIGHTFORWARD, AND IT NEEDS TO BE EMPHASIZED AGAIN AND AGAIN.

BECAUSE OF ECONOMIC GROWTH, TAX REVENUES ARE GOING UP WITH NO NEW TAXES. OUR PROJECTIONS SHOW THAT WITHOUT RAISING TAXES, THE FEDERAL GOVERNMENT WILL GET AN ADDITIONAL \$80 BILLION TO SPEND. THE CONGRESSIONAL BUDGET OFFICE, USING THEIR OWN SET OF ECONOMIC ASSUMPTIONS, PREDICTS -- NOT MY ESTIMATE, BUT THEIRS -- THAT FEDERAL TAX REVENUES WILL INCREASE NEXT YEAR BY EVEN MORE, BY \$86 BILLION.

I THINK OUR NUMBER IS CLOSER, BUT WHETHER YOU USE THE CONGRESS'S NUMBER OR THE O.M.B. NUMBER, THAT'S ENOUGH MONEY TO REDUCE THE DEFICIT DOWN TO THE LEVELS REQUIRED BY GRAMM-RUDMAN-HOLLINGS AND TO SPEND MORE MONEY ON PRIORITY PROGRAMS.

BUT TO DO THIS DOES REQUIRE THAT CHOICES BE MADE, WHICH IS WHAT THIS BUDGET DOES. AND I AM PREPARED TO WORK WITH THE CONGRESS TO MAKE THOSE HARD CHOICES.

WE WEREN'T SENT TO WASHINGTON TO SIT ON OUR HANDS -- EITHER TO PASS THE COST OF INDECISION ONTO WORKING AMERICANS BY RAISING THEIR TAXES, OR TO FAIL TO REDUCE THE DEFICIT, WHICH WILL CAUSE THE CUTS TO BE DONE AUTOMATICALLY UNDER THE LAW.

THAT'S WHY WE MUST MAKE CHOICES THAT KEEP THE ECONOMY GROWING, PRESERVE OUR NATIONAL DEFENSE, AND ALLOW GOVERNMENT ADEQUATELY AND COMPASSIONATELY TO PERFORM THE SERVICES WHICH IT SHOULD. IF WE DO, WE CAN GET THE JOB DONE -- BUT NOT WITH BUSINESS AS USUAL.

ONE OF THE GREAT UNITED STATES SENATORS, JOHN C. CALHOUN, ONCE SAID, "THE VERY ESSENCE OF A FREE GOVERNMENT CONSISTS IN CONSIDERING OFFICES AS PUBLIC TRUSTS, BESTOWED FOR THE GOOD OF THE COUNTRY, AND NOT FOR THE BENEFIT OF AN INDIVIDUAL OR A PARTY." AND IT IS IN THAT SPIRIT THAT I WILL SEEK TO WORK WITH THE UNITED STATES CONGRESS -- NOT AS MEMBERS OF COMPETING POLITICAL PARTIES, BUT AS COOPERATING PUBLIC SERVANTS.

AND THE MEMBERS OF THIS LEGISLATURE HAVE A VITAL ROLE TO PLAY. YOU ARE CLOSER TO THE PEOPLE THAN THOSE OF US UP IN WASHINGTON. YOU NOT ONLY SERVE YOUR CONSTITUENTS -- YOU ARE THEIR NEIGHBORS. AND YOU SPEAK WITH THE AUTHORITY OF PEOPLE WHO KNOW GOVERNMENT FIRST HAND. AS WE FORM THE FEDERAL BUDGET AND REDUCE THE DEFICIT, I WANT YOUR VOICES TO BE HEARD. WE NEED YOUR LEADERSHIP. AND WORKING TOGETHER WE CAN MAKE A GREAT DIFFERENCE FOR ALL OF AMERICA.

YOU KNOW, I'VE VISITED SOUTH CAROLINA ENOUGH TIMES TO LEARN THAT YOUR STATE FLOWER IS THE YELLOW JESSAMINE [JAZZ-MIN]. I'VE BEEN TOLD THAT IT WAS SELECTED NOT JUST FOR ITS FRAGRANCE, BUT BECAUSE OF ITS RESILIENCE. THE BUDGET DEBATE IS IMPORTANT, BUT EVEN MORE IMPORTANT IS THE KNOWLEDGE THAT AMERICA IS STRONG AND SHE IS GREAT AND RESILIENT. WE ARE THRIVING AS A NATION IN THE WORLD AND WE ARE PROVIDING FOR OUR PEOPLE.

AS AMERICANS, WE DO NOT SEEK A WORLD WITHOUT CHALLENGES, BUT, RATHER, A CHANCE TO OVERCOME THE CHALLENGES THAT ARE BEFORE US AND TO LEAVE THIS NATION THAT WE LOVE A LITTLE BETTER FOR OUR HAVING PASSED THIS WAY. I AM GLAD THAT YOU AND I ARE PASSING THIS WAY TOGETHER.

THANK YOU VERY MUCH, AND GOD BLESS YOU ALL. AND GOD BLESS AMERICA.

#

South Carolina

~~John~~ Barbara 566-8784 (Trans.)

Japan has 20% on capital gains
starting in 4/89

Pay a min. on 20% on known cap
or 20% of 5% of gross proceeds

W.G. must hold assets for at least
6 months

CEA 5042

fiscal year David Hyman 5147

Cap. Gains Rate

Berry Lindsey 6402(3)

Amer. Council for Capital Formation

293-5811

Margot Thorning

11:15 - 11:35

Lt. Gov.

introduced by Campbell
House Chamber

4 house & 4 senate members
Joint Escort Comm.

Lt. Gov.

Gordon James

Gov. Campbell
Spk Bob Shaheen

Lt. Gov. Nick Theodore

Furman will watch it on closed circuit
in Senate

Photo op w/ Furman in lobby before
maybe lunch @ Gov's mansion

Thurmond

South Carolina

2/9/89

Robert Adams

754-1673

Turner 294-2000
111
294-4114

Feb. 17th Fri.
due date: 9 Feb.

GB Speeches in S.C.
Sports teams
basketball - record
football - record

10 min.
Adri: Gordon James x7565

State motto
State nickname
Rock n Roll stars from S.C.

61
734-0468

Chip 548-2337
Betsey (803) 778-3246
Warren Hopkins (803) 734-7845

~~State motto~~
Carroll Campbell

think of
L. M. says
only he can
do it
in James
oil
D. J.

Tucker Eskew
Bob McAllister

Robin Cap
Historian St. Legislature 734-8577

Whit Ayres 9818
(Barbara Anderson)

14-6 Clemson - Tigers (10-2) football
U.S.C. - Gamecocks (8-4)

Turner
Poladines won the Natl. Champ
of N. D. I.A. right after. → Pres. they
will be honored.

Both^{best} teams doing well split 1 for Clem.
1 for U.S.C.

U.S.C. football coach died Mon. or Tues.
Joe Morrison - heart attack Sund. night
former player N.Y. Giants

Trade issues -- textiles

Visited the Mansion but not the State House
(Gene S.C. press off.)

10/87 visited U.S.C. football game
2/88 Mansion for fundraiser

S.C. only state where budge. not proposed by Gov.

C.C. said pledged he would propose his own budget

- if back-end resp.
- then should have front-end resp.

Only Rep. on Budget Control Board

Both yrs. Board supported budget

Current FY revenue > expen.

Sales tax 5%

- Raised gas tax by 3% → C.C. calls it a user fee

- Proposed tax ↓ this yr. - income tax rate cut (1st in S.C. history) (top 5% @ 10,000) same as 1959

proposing ↑ top 5% level

Cap. gains from 7 → 3 (over 4 yrs)

Prop. elimination of auto premium tax
to cut insurance rate

Imp. of fairness in tax code
+ Gov. has proposed 1st cut in
income tax rates in S.C. history

Hot in legislative
Dem working

Reserve funds - 50% of budget

29% is capital reserve
(\$54 mill last yr. - to cushion cutbacks of expenditures)

- if no cutbacks, pays for buildings - so won't have to borrow

3% is genl. res. fund

- used in event of yearend shortfall

Req. to cut expenditures if rev. ↓ substantially

Res. fund
line-item

Components of resp. budget process

After 6 months in off. made 277
line-item vetos of approp. act that
cut out 2 agencies = Charlotte Cons. for High Educ
eliminated \$97 mill. in approp. act
- thought revenue was overly optimistic
- House sustained vetos (supported)

Next budget - no line-items in budget
has vetoed other bills

mid 86-87

mid 86-87
mid 87 budget cut

Feb. ~~at~~ by upping it was
1st full FY of Gov. Campbell balanced

Will Send
M. J. Ayres

Facts on surplus
Const. language
C.C.'s vld message
C.C.'s proposed budget w/ tax cuts
Compt. Gen's report on surplus
Statutory language on Bld Const

Unit Vires - budget man

Cost. Amend. bil. budget?

b.b. requirement

recision auth. if r.r. & certain %
line-item veto
yes
stagger features of interest
to b.b.s can remain
Bd. of Control
is budget balanced?

surplus lost yr. \$103 mil (Compt. Gen.)
over \$100 mil

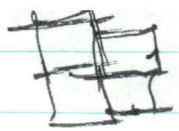
is disposed

Questions for Tucker or Advance

Will Firman team be in the room?

Who will be on divs?
What notable figures will be there?

Gov. Treas. Comptroller Gen.
Lloyd of Lyons Chairman, authority
make expenditure decisions
transfer requests
properly transactions
in some branch
of exec. branch



Nicknames:

Rice State

Swamp State

Keystone of the South Atlantic Seaboard

Iodine State

Palmetto State (~~Palme~~ state tree)

Mottos:

Animis Opibusque Parati --

-- "Prepared in Mind & Resources"

Dum Spiro Spero

"While I breathe I hope"

State songs:

"Carolina"

"South Carolina on my Mind"

R.R.

Fundraiser for Campbell '86

Caribbean Conference '85

Thurmond --

Jerry Dickinson

Leland (Charles) Congressman Gost Leonard

Gost Leonard (was in Navy) Frohm. Leg.
rose to a pt. of personal privilege

3 ladies who met for lunch

1st said she had so many

2nd My husband cruises

~~Fantastic~~

3rd Sent me to Charm school

Congressman (Govt Removal)

L.A. Housing Authority

(When Gov.)

Thurmond stood on his head to prove how athletic he was.

Was in newspapers

771-6161 Newspaper - library

Rep. Arthur Ravenel

(803) 724-4175

Dana Beech

[Glen McConnell (Senator)]

(803) 554-9555

LS-

Blatt - It's cornbread & buttermilk time

Goat herding (Charleston - the Holy City)
Chairman of Ways & Means in the middle of

"When in doubt run in circles
scream & chant." He broke the tension on
St Appropriations Bill

Harry Hollman - freshman (803) 884-8662

Jack Heland News & Courier

Colhoun quote
Feb. 13,

Rep. Congress. John Bradley
760-2150

Congress. Jack Rogers

~~Boyer~~ said
lucker 734-9818 will have some.

~~702~~
1775

Under lost Ry1 Gov. Campbell
Counsellor Upper House ← aristocracy
Commons House ← counsel at Senate
Addressed a letter to "lower House" instead
style of lower house is by no means applicable
to us.

1899 When a resolution was introduced to
color from blue to deep purple
to represent

Mr Van Hip 799-1610 (Tony Denny)
Chmn of St. GOP

Dr. Buddy Witherspoon 796-5300
hex. County GOP 781-3131

D. Neil Thigpen (Prof. of pol. sci. @ Francis Marion
College)
661-1371
662-4779 (h)

L.G. called the Campbell the wrong name

Lois T. Shealy

Clerk of the House for over 36 yrs.

892-2691

532-2170

Mark Goodin

863 8614

Dee Dee

328-0139 Charles Waring

225-3176

Reporter from WISTV

799-1010

Ran up the steps pulling off his clothes.
Police cut holes in a garbage bag & put it on him.

David Bonney Chmn of Educ (D)

Walked from Society Hill to Columbia

in 1978 & won the election

(Blot)

(30 odd yrs)

Solomon Blatt (Spkr of the House)

"It's bull but time." [Time for drinks

"The wisdom of Solomon"

debating educational TV

Olin Johnson

Sally Rand was introduced to House - women who danced

(Klugmann)
February 13, 1989
1:30 p.m.

PRESIDENTIAL REMARKS: SOUTH CAROLINA GENERAL ASSEMBLY
COLUMBIA, SOUTH CAROLINA
FRIDAY, FEBRUARY 17, 1989

7 Gordon Jones Adv.
Shubert
Cochran
Thank you very much, Governor Campbell. Lt. Governor Theodore, Speaker *Shubert* Sheehan. Members of Congress, ladies and gentlemen, thank you all. It is a great honor to be addressing this joint session of the General Assembly. This is a chamber rich in history and tradition, and I am grateful for the privilege of joining you in this hall today. *Advance*

Shubert
Blott
532-2170
892-2691
One very concrete way I plan to express my appreciation is by not talking too long. If I exceed my limit and we start to press up against lunchtime, I expect that the spirit of the late Speaker *Blott* will rise up, and this chamber will echo with the words: "it's cornbread and buttermilk time." *J.C.*

Shubert
Blott
532-2170
892-2691
Now, I speak to you today with great respect and in accordance with the plan our Founding Fathers designed two centuries ago: as a President of the United States addressing the freely-elected Government of a Sovereign State. And I speak to you in the spirit of bipartisanship: I realize that some of you favor the Tigers and others favor the Gamecocks, but as President of all the people I must remain neutral. And this morning, in that same spirit of neutrality, Lee Atwater, as far as I'm concerned, will be thought of simply as one native son of South Carolina who happens to be a famous rhythm and blues guitarist. *J.C.*

5057549819
Gov's off.
But a few minutes ago, I did not have to be neutral -- and I don't have to be neutral now in recognizing and congratulating

the ~~N.A.F.A.~~ ^{NCAA} national football champions: the Furman Paladines.

We are all proud of that team.

A President cannot stand here without noting that the Great State of South Carolina has one of the oldest histories in our Republic, spanning nearly five centuries. In fact, the first Colonial Governor -- under the Spanish -- was the son of Christopher Columbus. Personally, I join with the people of this great State in saying that I much prefer Carroll Campbell.

And with all of South Carolina's great sense of tradition, this has also in recent years been the site of dynamic economic growth that has so greatly improved the lives of the people of this State. I believe that South Carolina is proof that traditional American values are not a hindrance to success in a modern economy, but, in fact, they are essential to it. And I want to keep the economy expanding so that it reaches every person in South Carolina and in the Nation.

There are a number of very sound provisions South Carolina uses in its budget process which I think our Nation as a whole would benefit from. I think it is long overdue for the Federal Government to catch up with South Carolina by giving the chief executive a line-item veto and by adding a balanced budget amendment to the Constitution of the United States.

These are essential instruments for controlling Government spending: you have them, you use them, they work, and they help protect the pocketbooks of the working people of South Carolina. I believe that the American people deserve the same, and they

Jordan James Adv.

Blit. Announce

*Bl. Announce
P. 1072*

*2.C. Constitution
H 10, 87 p. 97
Gov's Veto Message
6/22/87*

*Building a Better
America 2/19/87
Fact Sheet p. 2*

X (advances)

history of S.C.

*P. 23
South Carolina*

WRONG

*chf
P. 1072*

300

deserve a budget process that they can be proud, and I will work for the reforms we need.

I also want to recognize and applaud your Governor's plan for promoting even greater economic growth by modernizing the tax code and by cutting the State capital gains tax.

Our experience at the National level is clear: reducing the capital gains rate has resulted in more tax revenue, not less.

It helps produce the investment that means more jobs for working

people. And it helps our international competitiveness -- some

of our biggest trading partners, such as Japan and West Germany,

have a capital gains rate of zero-point-zero. My proposal is to

cut the rate down to 15 percent for investments held for three

years or more.

Cutting the top marginal personal income tax rate, as we

have, has not only restored incentives and brought in more

revenue, it has also shifted the tax burden onto the wealthier

segment of society, with those who are better off paying a much

larger share of total taxes than they did under the high rates of

the past.

As you know, last week I proposed a budget plan for the

Federal Government. You've probably heard widely conflicting

accounts of it. But when it comes to the Washington budget

process, so much of the rhetoric is in the words of a former

member of this chamber, Goat Leamond, "fantastic, fantastic."

Once in the heat of budget politics, Goat Leamond stepped back

from the fray to utter the immortal words: "When in doubt, run

in circles, scream and shout."

Gov's Prop. Budget
FY 89-90
P. 141

David Hyman
5147

Larry Lindsey
6408

Barbara @ Trans
5066-8494

Building A Better Amer.
West Street, P. 3

Building A Better Amer.
Econ. Report of Pres
P. 7-8

Charles Waring
235-3176

Chris Shealy
503 532-2170

S.C.

CEX

C.S. Statement

Perhaps breaks for poor rather than burden on rich

S.C.

But in Washington, with all the shouting that sometimes occurs, the words don't mean the same things that most people think they mean. When they talk about budget cuts in Washington, that usually doesn't mean that spending is going down, which would seem to be the obvious meaning. No, it usually means that spending is going up, but by less than had been previously projected. Some programs have gone up in spending each year, and will go up again next year, but all that you ever hear is that they are being cut.

On the revenue side, I have taken a pledge to the American people, and I am going to keep it: No new taxes. That's what the people of this State and the American people as a whole voted for. And the bottom-line in the Federal budget is that it's not my money, it's not the Congress's money, it's the American people's money. And the people made their position clear in the election last November.

One group in Washington, Citizen's for a Sound Economy, commissioned the Roper Organization to conduct a poll on taxes, spending, and the budget deficit. Three out of four Americans surveyed said that the way they want us to reduce the deficit is by holding down spending. Only 5 percent wanted to do it by raising taxes.

For those of us who hold elected office, I think it is our job, when the American people speak so clearly, to read their lips. That's why my budget is based on a flexible freeze with no new taxes. This budget recognizes that there are three ways Government must serve the people: First, by not taking any more

Building A Better
Amer. 3/4/87 p.1

Redd, Spending Taxes
the Budget Deficit p.7

Leadership on the
Issues 7.65

506

Proper
Report

73%

506

of their hard-earned money than is absolutely necessary.

Secondly, by creating the environment that permits economic growth, new jobs, and greater opportunity. And finally, by doing the very best to help people with the money that is spent by Government, caring for those in need, protecting what we hold in common, and serving the people with efficiency and compassion.

My budget does more for education, more for the environment, and more for the Space program. It makes a larger investment in scientific research, to help keep America competitive into the next century. It spends more on the Head Start program to help make America strong into the next generation. And there is another \$1 billion in outlays to fight drugs, because we cannot let this menace rob our children of their future.

We introduce a new child care initiative, targeted at low-income families, and designed to give real choice to working families. We also restore and double the tax deduction for adopting special needs children. And we commit a billion dollars to deal with the problems of the homeless.

We do not cut Social Security or support for farmers. And we keep our defenses strong. After seeing two years of real cuts in our National defense, this budget enables defense to keep up with inflation. I believe that defending America is one task which is an absolute responsibility for the Federal Government.

③ And when our young men and women make the commitment to join our armed services, I think they have the right to know that we will give them the tools to defend themselves and to defend America.

Even in times when reducing the deficit means tough choices, we must still do priorities.

Orry Anderson 4650

Fact Sheet 2/9/89 p. 3

Fact Sheet 2/9/89 p. 4

Fact Sheet 2/9/89 p. 5

Fact Sheet 2/9/89 p. 6-9

Fact Sheet 2/9/89 p. 9

Fact Sheet 2/9/89 p. 8

Fact Sheet 2/9/89 p. 10; p. 114

Build A Better America

Dr. Gelfman 4624

David Kleinberg 4922

OMB 4650? more? JU

JU

David King 4624

Bob Haxel 4624

Fact Sheet 2/9/89 p. 1
Fact Sheet 2/9/89 p. 10-12
MB comments
And my budget helps assure a sound economy by not raising taxes and by cutting the Federal deficit by ^{more than \$75} \$76 billion. That will not only meet the Gramm-Rudman-Hollings deficit limit, but it does even better than that. This budget will bring the deficit as a percentage of G.N.P. to its lowest level in ^{since the} 70s years.

Now already some people have asked me how is it possible to do all this without raising taxes. The answer is straightforward, and it needs to be emphasized again and again.

Because of economic growth, tax revenues are going up with no new taxes. Our projections show that without raising taxes, the Federal Government will get an additional \$80 billion to spend. The Congressional Budget Office, using their own set of economic assumptions, predicts -- not my estimate, but theirs -- that Federal tax revenues will increase next year by even more, by \$86 billion. I think our number is closer, but whether you use the Congress's number or the O.M.B. number, that's enough money to reduce the deficit down to the levels required by Gramm-Rudman-Hollings and to spend more money on priority programs.

But to do this does require that choices be made, which is what my budget does. And I am prepared to work with the Congress to keep on making those hard choices. We weren't sent to Washington to abdicate our responsibility -- either to pass the cost of indecision onto working Americans by raising their taxes, or to fail to reduce the deficit, which will cause the cuts to be done automatically under the law.

That's why we must make choices that keep the economy growing, preserve our national defense, and allow Government to adequately and compassionately perform the services which it should.

One of the great figures in American history, John Calhoun, once said, "The very essence of a free Government consists in considering offices as public trusts, bestowed for the good of the country, and not for the benefit of an individual or a party." That is also my personal view. And it is in that spirit that I will seek to work with the United States Congress -- not as members of competing political parties, but as cooperating public servants.

You know, I've visited South Carolina enough times to learn that your State flower is the yellow jessamine [JAZZ-min]. I've been told that it was selected not just for it's fragrance, but because of its resilience. The budget debate is important, but even more important is the knowledge that America is strong and she is great. That we are thriving as a Nation in the world and we are providing for our people.

As Americans, we do not seek a world without challenges, but, rather, a chance to overcome the challenges that are before us and to leave this Nation that we love a little better for our having passed this way.

Thank you very much, and God bless you all.

Presidents of America
p. 519
2/15/83

State Names & Symbols
p. 124

John Calhoun

Christina

S.C. Speech Tues. Feb. 14

218
19118

~~South Carolina coll → Leonard~~

~~Advance coll~~

~~MK → trad. Amer. values p. 2, 73% for Popul, special needs children~~

~~History of S.C.~~

Colman quote book

~~Flwr. xerox~~

~~Gov.'s plan for taxes~~

~~Flex. freeze~~

~~OMB → defense, more for, lowest level in 11 years,
cutting Fedl. deficit by \$76 bill.~~

~~EBU → coming from library~~

✓ Gordon → opening
Furman N/A/N



(Klugmann)
February 14, 1989
12:00 noon

*Draft
Res. 1001*

PRESIDENTIAL REMARKS: SOUTH CAROLINA GENERAL ASSEMBLY
COLUMBIA, SOUTH CAROLINA
WEDNESDAY, FEBRUARY 15, 1989

Thank you very much, Governor Campbell. Lt. Governor Theodore, Speaker Sheheen. Members of Congress, ladies and gentlemen, thank you all. It is a great honor to be addressing this joint session of the General Assembly. This is a chamber rich in history and tradition, and I am grateful for the privilege of joining you in this hall today.

One very concrete way I plan to express my appreciation is by not talking too long. If I exceed my limit and we start to press up against lunchtime, I expect that the spirit of the late Speaker Blaat [BLOT] will rise up, and this chamber will echo with the words: "it's cornbread and buttermilk time."

Now, I speak to you today with great respect and in accordance with the plan our Founding Fathers designed two centuries ago: as a President of the United States addressing the freely-elected Government of a Sovereign State. And I speak to you in the spirit of bipartisanship: I realize that some of you favor the Tigers and others favor the Gamecocks -- and, of course, some favor one or another set of Bulldogs -- but as President of all the people I must remain neutral. And this morning, in that same spirit of neutrality, Lee Atwater, as far as I'm concerned, will be thought of simply as one native son of South Carolina who happens to be a famous rhythm and blues guitarist.

But I don't have to be neutral now in recognizing and congratulating the N.C.A.A. Division I-AA national football champions: the Furman Paladines. We are all proud of that team.

A President cannot stand here without noting that the Great State of South Carolina has one of the oldest histories in our Republic, spanning nearly five centuries.

But with all of South Carolina's great sense of tradition, this has also in recent years been the site of dynamic economic growth that has so greatly improved the lives of the people of this State. I believe that South Carolina is proof that an abiding respect for traditional American values is not a hindrance to success in a modern economy, but, in fact, it is essential to it. And I want to keep the economy expanding so that it reaches every person in South Carolina and in the Nation.

There are a number of very sound provisions South Carolina uses in its budget process which I think our Nation as a whole would benefit from. I think it is long overdue for the Federal Government to catch up with South Carolina by giving the chief executive a line-item veto and by adding a balanced budget amendment to the Constitution of the United States.

These are essential instruments for controlling Government spending: you have them, you use them, they work, and they help protect the pocketbooks of the working people of South Carolina. I believe that the rest of the American people deserve the same at the Federal level, and they deserve a budget process that they can point to with pride. And I will work for the reforms we need.

Your Governor, Carroll Campbell, has been an innovative leader who has set an example that is being acknowledged around the country. He and you, working together, have made South Carolina a model of what can be accomplished with sound policies and wise leadership. I particularly want to recognize and applaud your Governor's plan for promoting even greater economic growth by modernizing the tax code and by cutting the State capital gains tax.

Our experience at the National level is clear: reducing the capital gains rate has resulted in more tax revenue, not less. It spurs investment. Investment means more jobs. Jobs mean opportunity. And opportunity is the foundation of American progress. And a lower capital gains rate helps our international competitiveness -- all of our biggest trading partners, including Japan and West Germany, tax long-term capital gains modestly if at all. Even as you are taking up this issue in South Carolina, my proposal at the Federal level is to cut the capital gains rate down to 15 percent for investments held for three years or more.

Now, as you know, last week I proposed a budget plan for the Federal Government. You may have heard about it. It's getting some attention. And I'm pleased to say no one has said it's D.O.A. If anyone does, I'll interpret that as: "Defining Opportunity for Americans."

But when it comes to the Washington budget process, so much of the rhetoric is, as you know, a bit extravagant. Once in the heat of budget politics, a former member of this chamber, Goat

Leamond, stepped back from the fray to utter the immortal words: "When in doubt, run in circles, scream and shout."

But in Washington, with all the shouting that sometimes occurs, the words don't mean the same things that most people think they mean. When they talk about budget cuts in Washington, that usually doesn't mean that spending is going down, which would seem to be the obvious meaning. No, it usually means that spending is going up, but at a slower pace.

On the revenue side, I have taken a pledge to the American people, and I am going to keep it: No new taxes. That's what the people of this State and the American people as a whole voted for. And the bottom-line in the Federal budget is that it's not my money, it's not the Congress's money, it's the American people's money.

One group in Washington, Citizen's for a Sound Economy, commissioned the Roper Organization to conduct a poll on taxes, spending, and the budget deficit. Three out of four Americans surveyed said that the way they want us to reduce the deficit is by holding down spending. Only 5 percent wanted to do it by raising taxes.

For those of us who hold elected office, I think it is our job, when the American people speak so clearly, to read their lips. That's why my budget is based on a flexible freeze with no new taxes. This budget recognizes that there are three ways Government must serve the people: First, by not taking any more of their hard-earned money than is absolutely necessary. Secondly, by creating the environment that permits economic

growth, new jobs, and greater opportunity. And finally, by doing the very best to help people with the money that is spent by Government, caring for those in need, protecting what we hold in common, and serving the people with efficiency and compassion.

Even in times when reducing the deficit means tough choices, we must still set priorities. And my budget is a realistic plan that does more for education, more for the environment, and more for the Space program. It makes a larger investment in scientific research, to help keep America competitive into the next century. It spends more on the Head Start program to help make America strong into the next generation. And there is another \$1 billion in outlays to fight drugs, because we cannot let this menace rob our children of their future.

We propose a new child care initiative, targeted at low-income families, and designed to give real choice to families. We also restore and double the tax deduction for adopting special needs children. And we commit a billion dollars to deal with the problems of the homeless.

We do not touch Social Security -- that's off-limits. And we keep our defenses strong. Defending America is one task which is an absolute responsibility for the Federal Government. This budget enables our national defense to keep up with inflation. When our young men and women make the commitment to join our armed services, they have the right to know that we will give them the tools to defend themselves and to defend America.

This budget helps assure a sound economy by not raising taxes and by cutting the Federal deficit by more than \$75

billion. That will not only meet the Gramm-Rudman-Hollings deficit limit, but it does even better than that. This budget will bring the deficit as a percentage of G.N.P. to its lowest level since the 1970's.

Now already some people have asked me how is it possible to do all this without raising taxes. The answer is straightforward, and it needs to be emphasized again and again.

Because of economic growth, tax revenues are going up with no new taxes. Our projections show that without raising taxes, the Federal Government will get an additional \$80 billion to spend. The Congressional Budget Office, using their own set of economic assumptions, predicts -- not my estimate, but theirs -- that Federal tax revenues will increase next year by even more, by \$86 billion. I think our number is closer, but whether you use the Congress's number or the O.M.B. number, that's enough money to reduce the deficit down to the levels required by Gramm-Rudman-Hollings and to spend more money on priority programs.

But to do this does require that choices be made, which is what this budget does. And I am prepared to work with the Congress to make those hard choices. We weren't sent to Washington to sit on our hands -- either to pass the cost of indecision onto working Americans by raising their taxes, or to fail to reduce the deficit, which will cause the cuts to be done automatically under the law.

That's why we must make choices that keep the economy growing, preserve our national defense, and allow Government

adequately and compassionately to perform the services which it should. If we do, we can get the job done -- but not with business as usual.

One of the great figures in American history, John Calhoun, once said, "The very essence of a free Government consists in considering offices as public trusts, bestowed for the good of the country, and not for the benefit of an individual or a party." And it is in that spirit that I will seek to work with the United States Congress -- not as members of competing political parties, but as cooperating public servants.

And the members of this legislature have a vital role to play. You are closer to the people than those of us up in Washington. You not only serve your constituents -- you are their neighbors. And you speak with the authority of people who know Government first hand. As we form the Federal budget and reduce the deficit, I want your voices to be heard. We need your leadership. And working together we can make a great difference for all of America.

You know, I've visited South Carolina enough times to learn that your State flower is the yellow jessamine [JAZZ-min]. I've been told that it was selected not just for its fragrance, but because of its resilience. The budget debate is important, but even more important is the knowledge that America is strong and she is great. That we are thriving as a Nation in the world and we are providing for our people.

As Americans, we do not seek a world without challenges, but, rather, a chance to overcome the challenges that are before

us and to leave this Nation that we love a little better for our having passed this way. I am glad that you and I are passing this way together.

Thank you very much, and God bless you all. And God bless America.

FEDERAL SPENDING, TAXES, AND
THE BUDGET DEFICIT

Report of a National Public Opinion Survey

Conducted for:

CITIZENS FOR A SOUND ECONOMY FOUNDATION
Washington, D.C.

Conducted by:

THE ROPER ORGANIZATION INC.
New York, New York

Released: January 25, 1989

Introduction and Purpose

Citizens for a Sound Economy Foundation commissioned The Roper Organization to conduct a national public opinion survey on the related issues of federal spending, taxes, and the budget deficit.

The survey was designed to look at these issues in a broad sense - not to look in detail at specific areas of spending, various sources of revenue, or the gamut of possible steps that might be considered to reduce the deficit. It is important to keep this in mind when viewing the survey results. For example, general support for spending control or tax increases cannot automatically be translated into support for spending reductions in specific areas or tax increases from specific sources.

Thus, the survey results provide you with the general mindset of the public - i.e., the opinion environment within which any specific spending or taxation recommendation will be received and evaluated.

Methodology

The survey was conducted by way of personal, in-home interviews among a nationally representative sample of 1,947 adults, age 18 and over. The interviewing was conducted during the period of December 3-10, 1988.

Survey results

By better than a three-to-one margin, the public believes that Congress rather than the President is primarily responsible for the budget deficit. About half the public puts the responsibility on Congress, while only 15% blame the President. Another three people in ten, however, say they share the responsibility equally.

"Who do you think is primarily responsible for the federal budget deficit - the President or the Congress?"

Congress	47 %
President	15
Both equally (vol.)	30
No opinion	7

Although all segments of the population single Congress out more frequently than the President as having primary responsibility for the budget deficit, there are differences of degree.

Most likely to lay the blame at the door of Congress are:

Political/Social Activists*	(65%)
Republicans	(63%)
Conservatives	(57%)
Higher income	(55%)
Executive/professional	(52%)
College educated	(52%)

*A Political/Social activity index is built out of responses to a list of activities respondents reported having engaged in in the last year--such things as having run for political office, having written a letter to the editor, having made a speech, or written an article, having worked in a political campaign, being an officer of a civic or fraternal organization, etc. Respondents who have done three or more of the things on the list are classified as "Political/Social Activists"--and may be roughly equated with "thought leaders."

The President is most likely to be held primarily responsible for the budget deficit by:

Blacks	(24%)
Liberals	(23%)
Democrats	(22%)
Non-high school graduates	(20%)

Public opinion is considerably more conclusive with respect to the primary cause of the budget deficit. By over six-to-one the cause is seen as increased spending rather than inadequate tax revenues. More than six people in ten cite the former, while only one in ten cites the latter. Both increased spending and inadequate revenues are given equal blame by a fifth of the public.

"Do you feel the federal budget deficit has been caused primarily by increased spending or primarily by inadequate tax revenues?"

Increased spending	63 %
Inadequate tax revenues	10
Both equally (vol.)	20
No opinion	8

Among all the population subgroups studied, increased spending rather than inadequate revenues is regarded as the cause of the deficit by a significant margin. Republicans (70%) and Conservatives (68%) are more likely than Democrats (59%) and Liberals (56%) to cite increased spending.

Overwhelmingly, the public believes that federal spending has increased over the last eight years. Only about one person in eight thinks spending has either stayed level or decreased.

"Since 1980, do you think federal spending has increased, decreased, or stayed about the same?"

Increased	80 %
Stayed the same	9
Decreased	3
No opinion	8

Fewer people but still a solid majority - 66% - are of the opinion that federal tax revenues also have gone up since 1980. Here, about a fourth of the public say revenues have either stayed the same or declined.

"Since 1980, do you think federal tax revenues have increased, decreased, or stayed about the same?"

Increased	66%
Stayed the same	17
Decreased	6
No opinion	11

With respect to both spending and tax revenues, those who believe there have been increases underestimate the size of the increase.

The median estimate for the percentage increase in federal spending since 1980 is 39%.

"By about what percentage would you say federal spending has increased since 1980?"

1% - 20%	14 %
21% - 40%	24
41% - 60%	18
61% - 80%	7
81% - 100%	7
Over 100%	4
Don't know	26
Median	39 %

(Those who say spending has increased)

For increases in federal tax revenues over the last eight years, the median estimate is 31%.

1% - 20%	24 %
21% - 40%	24
41% - 60%	12
61% - 80%	7
81% - 100%	6
Over 100%	1
Don't know	26
Median	31 %

(Those who say revenues have increased)

After asking about the direction of spending and tax revenues since 1980 and asking those who said there was an increase to estimate its amount, respondents were given the facts - that spending has risen by just over 90% and tax revenues have risen by almost 90%. Then respondents again were asked whether the primary cause of the budget deficit was increased spending or inadequate tax revenues. The response was identical to that given to the same question at the beginning of the interview. Increased spending is named by better than a six-to-one margin.

"In fact, since 1980, federal spending has risen by just over 90 percent and federal tax revenues have risen by almost 90 percent. Knowing this, do you feel the deficit has been caused primarily by increased spending or primarily by inadequate tax revenues?"

Increased spending	62 %
Inadequate tax revenues	9
Both equally (vol.)	21
No opinion	8

If reducing the budget deficit were in the hands of the American public, the preferred approach - by a wide margin of more than 14 to one - would be to hold down spending so that it fits the tax revenues, not to raise taxes so that they equal spending. This point of view holds across all demographic, political, and ideological groups.

"Federal tax revenues are expected to rise by an average of \$74 billion a year through 1993. At the present rate, government spending will also increase about that fast, leaving the deficit above \$100 billion. What would you do to reduce the budget deficit - raise taxes so that they equal spending, or hold down spending so that it fits tax revenues?"

Hold down spending	73 %
Raise taxes	5
Both (vol.)	12
Live with deficit (vol.)	3
No opinion	7

That people are generally opposed to tax increases, which in one way or another come out of their pockets, is not surprising. However, aversion to taxes is not the only reason that the public so dramatically faults spending rather than a revenue shortfall for the deficit and opts for holding down spending rather than raising taxes as the route to reducing the deficit.

There also is a mistrust of government; a doubt that enhanced revenues actually would be applied to deficit reduction. By almost six-to-one - 70% to 12% - the public is of the opinion that, if there were an increase in taxes, the government would find new ways to spend the additional money rather than using it to cut the budget deficit.

"If taxes were raised, do you think the money would be used to cut the budget deficit, or do you think the government would find new ways to spend the additional money?"

Find new ways to spend the additional money	70 %
Cut the budget deficit	12
Some of each (vol.)	11
No opinion	7

Further, on balance, higher taxes are seen as having a detrimental effect on several aspects of the economy.

First, by about three-to-one - 44% to 15% - the public believes that higher taxes will decrease rather than increase economic growth. This opinion reaches the 50% level or better among Republicans (50%), executives and professionals (51%), and those most politically and socially active (53%). No more than 23% of any population group (Blacks) see higher taxes as beneficial to economic growth.

"Do you think higher taxes would increase economic growth, decrease economic growth, or not affect it one way or the other?"

Decrease	44 %
Increase	15
No effect	23
No opinion	18

Second, by more than five-to-one - 49% to 9% - people say that higher taxes would hurt rather than help the ability of American companies to compete with foreign companies. Here opinion reaches the majority level among the political/social activists (57%), executives and professionals (54%), Republicans (53%), conservatives (52%), and liberals (51%). No more than 13% of any population group (the South) regards higher taxes as helping in the foreign competition battle.

"Do you think higher taxes would help American companies to compete with foreign companies, hurt their ability to compete, or not affect their ability to compete one way or the other?"

Hurt	49 %
Help	9
No effect	24
No opinion	18

Third, over half the public - 55% - say they would save less if their taxes were raised, while only 7% say their savings would go up - a margin of almost eight-to-one. Another third of the public say a personal tax increase would have no affect on their savings. Opinion is reasonably similar throughout all population subgroups.

"If your taxes were raised, do you think you would put more money into savings than you now do, or put less money into savings, or wouldn't it affect your savings one way or the other?"

Save less	55 %
Save more	7
No effect	32
No opinion	6

Numerous suggestions have been put forth to help reduce the budget deficit. Research has shown that suggestions which are not regarded as having a direct financial impact on the average individual are favored, while those seen as directly hitting the personal pocketbook are opposed.

Public reaction to the two budget reduction proposals tested in this survey does not run counter to this principle. Both are supported by about two-thirds of the public - and this high level of support is evidenced among all subgroups. The proposals are: limit annual federal spending growth to 3% for each of the next five years - supported by 68% of the public; and hold federal spending in 1989 and 1990 to the same amount spent in 1988 - supported by 65% of the public.

"I'm going to read you two suggestions that would reduce the federal budget deficit. For

each one, would you tell me if you favor or oppose it?"

	<u>Favor</u>	<u>Oppose</u>	<u>No Opinion</u>
"Limit the annual growth in federal spending to 3% a year for each of the next five year."	68%	16	16
"Hold federal spending in 1989 and 1990 to the same dollar amount we spent in 1988."	65%	18	17

When asked which of these deficit reduction approaches would be favored, if it were known that one of them was going to happen, there is no majority opinion. Holding spending to the 1988 level is the winner, however, by a 47% to 40% plurality - and it wins with all population subgroups except the college-educated (where there is a 45% to 45% tie). The most support for the flat spending approach comes from the political/social activists - 53%.

"Here are those two approaches. If you knew one of them was going to happen, which one would you favor?"

"Limit the annual growth in federal spending to 3% a year for each of the next five years."	40 %
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"Hold federal spending in 1989 and 1990 to the same dollar amount we spent in 1988."	47
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No opinion	13
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There are, however, exceptions to everything - and, with respect to spending, social security apparently is an exception.

If federal spending were held to present levels for the next two years; if there were no increases in any other government spending, almost two-thirds of the public nonetheless would favor cost of living increases in social security payments. And, not surprisingly, this rises to seven in ten among those now receiving social security retirement benefits.

"Suppose federal spending were held to present levels for the next two years. Would you favor having no cost of living increases in social security payments for those two years, or do you think there should be cost of living increases in social security payments even though there would be no increases in any other government spending?"

	<u>Total public</u>	<u>Those receiving social security benefits</u>	<u>Those <u>not</u> receiving social security benefits</u>
Should have increases	64%	71%	63%
Favor <u>no</u> increases	26	24	27
No opinion	9	5	10

What should happen to social security payments if federal spending increases were held to 3% a year? Should this also apply to social security, or should social security be allowed to go up more? Given this scenario opinion is

considerably more divided, but even so more people would allow social security to exceed the 3% limit than would constrain its increases to 3% (49% v. 41%). Among social security recipients, a majority support exceeding general spending limitations.

"Suppose federal spending increases were held to 3% a year. Do you think increases in social security payments should also be held to 3% or should social security be allowed to go up more?"

	<u>Total public</u>	<u>Those receiving social security benefits</u>	<u>Those <u>not</u> receiving social security benefits</u>
Go up more than 3%	49%	54%	48%
Hold to 3%	41	38	42
No opinion	10	8	10

Another attack on the budget deficit would be to ban all new government programs, however popular, until the deficit is eliminated. This suggestion, however, is quite controversial and puts the public overall into two rather evenly divided camps - 43% oppose the idea and 40% favor it.

"Some people have suggested a ban on all new government programs, no matter how popular they may be, until the federal budget deficit is eliminated. Would you favor or

oppose banning new government programs
until the deficit is eliminated?"

Oppose	43%
Favor	40
No opinion	17

On this issue there are differing points of view by population subgroups. Most opposition to a ban on all new programs is found among:

Political/social activists	(56%)
Liberals	(53%)
College educated	(52%)
Executives/professionals	(51%)
Blacks	(50%)

The majority of no subgroup favors such a ban, but among those age 60 and over support outweighs opposition by the largest margin - 49% to 31%.

Among Republicans and Conservatives opinion is split right down the middle.

More diligence on the part of the Internal Revenue Service would raise more tax revenue by catching people who cheat on their taxes. And increased diligence is supported by a majority - although just a majority - of the public, even though it would mean that more people who do not cheat would be subjected to an audit. However, none of the population subgroups studied registers majority opposition.

"More Internal Revenue agents and stricter review of people's tax returns would raise more revenue by catching people who cheat on their taxes. It would also mean more people who don't cheat would be audited each year. On balance, would you favor or oppose tighter enforcement of the tax laws and tighter review of tax returns?"

Favor	51%
Oppose	33
No opinion	16

Lastly, the public was asked about two possible changes in the budget process - the line item veto and a balanced budget amendment to the Constitution.

The public was asked which system is better - allowing the President to approve some expenditures in a Congressional budget bill and reduce or reject others, or the present system whereby the President must either sign or reject a budget bill in its entirety. By a margin of three-to-one - 62% to 21% - the public opts for the line item veto. Majorities of all groups hold this view.

"At the present time, when Congress passes a budget bill, the President must either sign the bill or reject it. Some people believe the President should be allowed to approve some

expenditures in a budget bill and reduce or reject others that he disapproves of or thinks are too high. This would be what is called the line item veto. Do you think the present all-or-nothing system is better, or that the line item veto would be better?"

Line item veto better	62%
Present system better	21
No opinion	17

With respect to a balanced budget amendment to the Constitution - presented as an amendment that would both require a balanced budget and limit the amount of tax increases Congress could pass, except in times of national crises - this, too, is favored by a margin of three-to-one - 62% to 20%. And here, too, opinion is relatively similar across subgroups.

"Some people have suggested a Constitutional amendment that would both require a balanced budget and limit the amount of tax increases Congress could pass, except in times of national crises. Would you favor or oppose such an amendment to the Constitution?"

Favor	62%
Oppose	20
No opinion	17

Summary

In brief, the American public . . .

- blames Congress more than the President for the federal budget deficit.
- believes the primary cause of the deficit is increased spending rather than inadequate revenues.
- knows that both spending and revenues have gone up since 1980, but underestimates the amount of the increase.
- prefers holding down spending to raising taxes as the route to deficit reduction.
- fears that additional revenues would lead to new spending rather than deficit reduction.
- thinks that higher taxes would decrease economic growth, hurt our ability to compete with foreign companies, and reduce savings.
- supports a limit on spending growth and holding spending at the 1988 level as ways to reduce the deficit.
- is divided over banning all new government programs until the deficit is eliminated.

- sees social security as an exception to general spending limitations.
- supports both the line item veto and a balanced budget Constitutional amendment.

Thus, the public is not in a mood to see the budget deficit reduced at its expense - people want taxes controlled, spending decreased, and support legislative measures to accomplish these goals.

How the Survey was Conducted

The survey is based on personal, in-home interviews conducted December 3-10, 1988 with a representative sample of 1,947 adults, age 18 and over, in the Continental United States - exclusive of institutionalized segments of the population (military bases, nursing homes, prisons, etc.).

A multi-stage, stratified probability sample of interviewing locations is employed in this research. The probabilities of selection at each stage are based on the latest U.S. Census population data, and detailed Census maps are used to identify and locate the selected areas.

At the first stage, 100 counties are selected with probabilities proportionate to population, after all the counties in the 48 contiguous states and the District of Columbia are ordered by population size within 18 strata. The strata are constructed by classifying counties as metropolitan and non-metropolitan within each of the 9 Census Geographic Divisions.

At the second stage, within each primary sampling unit, two Census block groups (or Census Enumeration Districts, when Census block statistics data are unavailable) are selected with probabilities proportionate to population from a computer listing in which the block groups (ED's) are stratified by size of place in which located.

At the third stage, within each sample block group (ED), two sample locations (blocks or rural equivalents of blocks) are selected. When Census block data are available the sample blocks are selected with probability proportionate to size (population) from a cumulative computer listing. When no such block data

are available, sample Enumeration Districts are broken into identifiable segments (small areas defined by roads, streams, railroad tracks, or other unambiguous boundaries), and the sample segments are selected with equal probability.

At the block (segment) level, the interviewer is assigned a starting point and a path to proceed around the sample area. Quotas for men and women over and under age 45 are imposed, as are quotas for employed people. In addition it is required that interviewing on half the assigned blocks (segments) be conducted after 5 PM on weekdays or on Saturday or Sunday, to facilitate fulfilling the employment quota. While the assigned quotas produce the proper number of men and women over and under 45, there are small imbalances when the sample is examined in finer age terms, e.g., too few 18-29 year olds, too many 30-44 year olds. Accordingly the sample is weighted to achieve the correct proportions of men and women 18-29, 30-44, 45-59 and 60 and over.

A validation is made by telephone of all interviewers' work from our centralized telephone facility.

In theory, in 19 cases out of 20 (the 95% confidence level) the results based on such a sample will differ by no more than 3 percentage points in either direction from what would have been obtained if interviews had been conducted with all members of the population represented by the sample. For subgroups of the population the potential sampling error is larger.

In addition to sampling error, the practical difficulties of conducting any survey of public opinion may introduce other sources of error.

TABLE A-1. BASELINE BUDGET PROJECTIONS (By fiscal year)

	1989	1990	1991	1992	1993	1994
In Billions of Dollars						
Revenues						
Individual income	433	481	520	558	596	636
Corporate income	103	112	120	125	129	136
Social insurance	365	391	417	441	468	497
Other	82	85	84	85	87	90
Total	983	1,069	1,140	1,209	1,280	1,359
Outlays						
National defense	297	303	314	326	339	352
Nondefense discretionary spending	188	206	210	218	225	234
Entitlements and other mandatory spending	548	585	633	673	720	770
Net interest	169	182	193	199	204	208
Offsetting receipts	-60	-61	-64	-68	-72	-76
Total	1,142	1,215	1,287	1,348	1,416	1,489
Deficit	159	146	146	140	135	130
Deficit Targets	136	100	64	28	0	a
Debt Held by the Public	2,194	2,340	2,485	2,624	2,758	2,888
As Percentages of GNP						
Revenues						
Individual income	8.4	8.8	8.9	9.0	9.0	9.1
Corporate income	2.0	2.1	2.1	2.0	2.0	1.9
Social insurance	7.1	7.2	7.2	7.1	7.1	7.1
Other	1.6	1.6	1.4	1.4	1.3	1.3
Total	19.2	19.6	19.6	19.5	19.5	19.4
Outlays						
National defense	5.8	5.6	5.4	5.3	5.1	5.0
Nondefense discretionary spending	3.7	3.8	3.6	3.5	3.4	3.3
Entitlements and other mandatory spending	10.7	10.7	10.9	10.9	10.9	11.0
Net interest	3.3	3.3	3.3	3.2	3.1	3.0
Offsetting receipts	-1.2	-1.1	-1.1	-1.1	-1.1	-1.1
Total	22.3	22.3	22.1	21.8	21.5	21.2
Deficit	3.1	2.7	2.5	2.3	2.1	1.9
Debt Held by the Public	42.8	42.9	42.8	42.4	41.9	41.2

SOURCE: Congressional Budget Office.

NOTE: The projections include Social Security, which is off-budget.

a. The Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 established targets for 1988 through 1993.

**State of South Carolina
Office of the Governor**

**Governor's Proposed Budget
Fiscal Year 1989–1990**



Governor Carroll A. Campbell, Jr.

November 4, 1988

CONTENTS

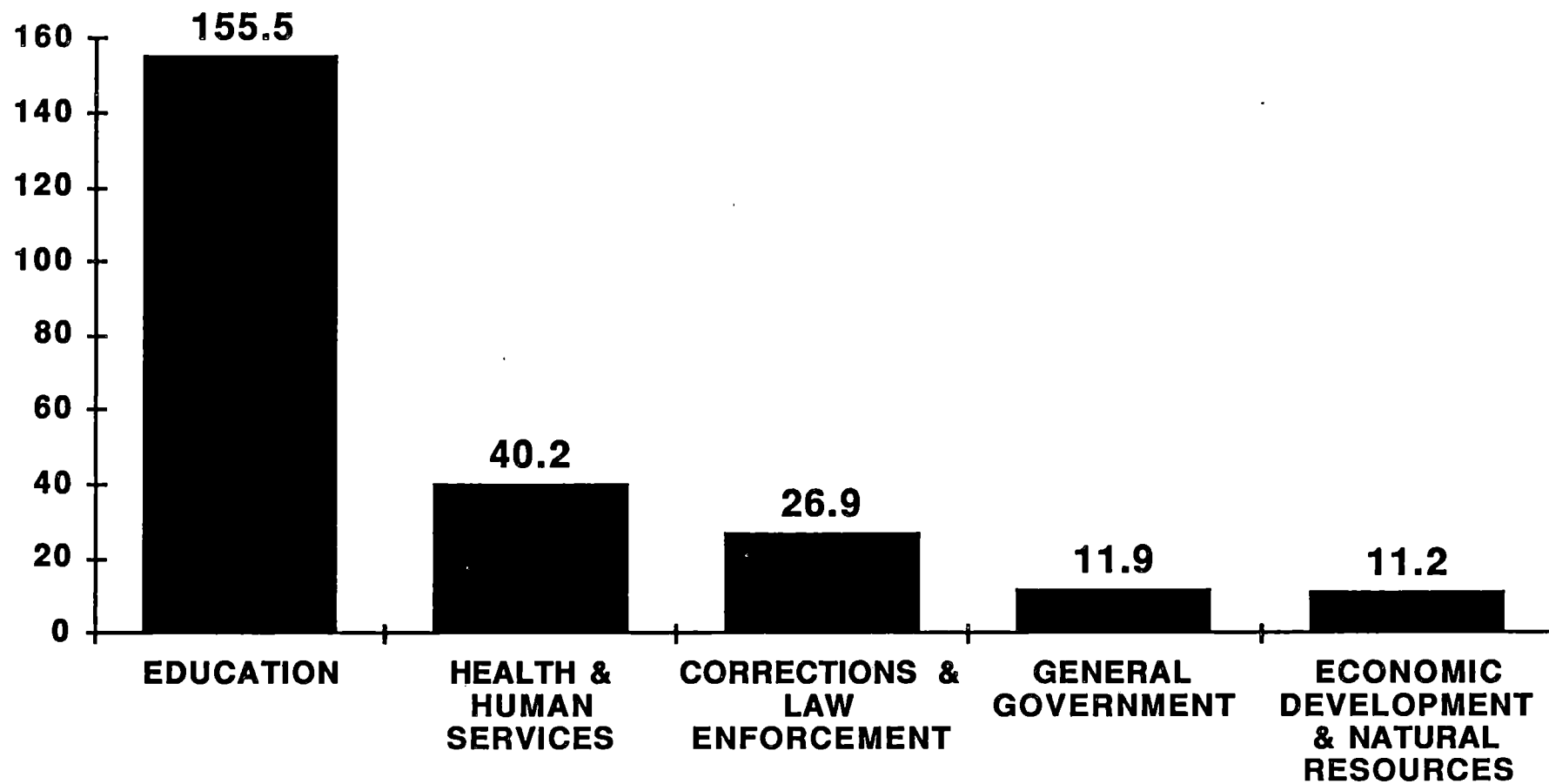
<u>Section</u>	<u>Page</u>
Highlights	i
Chart: Recommended Increases	iii
Introduction	1
Tax Cuts	
Automobile Insurance Premium Tax	2
Income Tax Rates	3
Capital Gains Tax	4
Vacancy Rate Change	5
Revenue Sources	6
Summary of Major Expenditures	
Elementary & Secondary Education	8
Higher Education	10
Economic Development	11
Environment & Natural Resources	11
Health and Human Services	13
Corrections and Law Enforcement	15
Local Government	17
General Government	17
State Employees	18

Highlights of the Governor's Proposed Budget Fiscal Year 1989-90

- Redirects \$10.6 million from the automobile insurance premium tax to the reinsurance facility to lower automobile insurance rates.
- Recommends \$76 million in tax cuts phased in over four years, including the first reduction in personal income tax rates in South Carolina history.
- Increases total spending for all education related agencies by more than \$155 million.
- Provides an additional \$94 million to public elementary and secondary education, even more than the substantial increase recommended last year.
- Fully funds the Education Finance Act at 100 percent for the second straight year.
- Pays public school teachers at the southeastern average salary estimated to be \$27,138 for Fiscal Year 1989-90.
- Recommends a \$1.8 million increase for new textbooks.
- Provides \$5.8 million additional to purchase new school buses.
- Increases the salaries of school bus drivers by 4 percent, the same as recommended for state employees.
- Allocates almost \$3 million to support the Governor's Workforce Initiative and expand efforts to combat adult illiteracy.
- Allocates a total of \$56 million in increased spending for public higher and technical education.
- Provides \$6 million for the Cutting Edge, the major initiative to improve the quality of research and teaching in higher education.
- Recommends \$1.25 million to continue our state's efforts in desegregating higher education.
- Increases the Higher Education Tuition Grants Program by \$2.6 million.
- Provides a state employees' pay raise at 4 percent.

- Allocates \$1.2 million to the State Development Board to promote economic development.
- Recommends \$4.5 million to the Budget and Control Board's Local Government Division to support rural economic development.
- Provides \$1.9 million to Clemson Public Service Activities to support agricultural development.
- Recommends \$500,000 to Parks, Recreation, and Tourism for national and international advertising to promote tourism.
- Recommends a \$9.8 million increase to meet the requirements of the Medicare Catastrophic Act passed by the federal government.
- Expands the National Governors' Association Health Care Initiative for poor and pregnant mothers to cover children up through 2 years of age, at a cost of \$950,000.
- Provides \$1.3 million to the Department of Health and Environmental Control to expand environmental and health protection programs.
- Supports the state's adoption and foster care programs at the Department of Social Services with an additional \$1.5 million.
- Recommends a \$2 million increase for special programs for children such as pilot projects for at-risk youth, the Guardian Ad Litem program, and community services to children at the Department of Mental Health.
- Provides \$2.3 million to the State Law Enforcement Division to fight crime and reduce drugs.
- Allocates more than \$20 million to the Department of Corrections to open new prisons, establish minimum security work centers, and expand the Shock Probation Program.
- Provides almost \$4 million to the Department of Youth Services to continue alternative programs for troubled youth, and establish new alternative treatment programs for 12 and 13 year olds.
- Includes \$3.7 million for the Department of Mental Retardation to continue expansion of the community residential and work programs.
- Provides \$13.6 million to the Department of Mental Health to upgrade facilities and expand services for children.

**RECOMMENDED INCREASES
BY FUNCTIONAL AREAS
IN MILLIONS OF DOLLARS**



THE GOVERNOR'S PROPOSED BUDGET

FISCAL YEAR 1989-90

The overriding objective in my proposed budget for 1989-90 is the same as last year: expanding opportunities for all South Carolinians. Consequently I have placed the highest spending priority on education, the key to meeting so many of our State's challenges in creating jobs, reducing crime, and promoting better health. This budget proposes increasing spending for education by more than \$155 million, an even greater increase than the substantial jump I proposed last year. This budget retains the emphasis on children in other areas by expanding services to troubled youth and combatting childhood diseases.

But family, not government, remains the most critical part of a child's life. Government has an important responsibility to families to support quality education and stimulate the creation of good jobs. But government also has a responsibility to let South Carolina families keep as much of their earned income as possible, since families are the front line of defense for our children.

I am therefore calling for \$76 million in tax cuts over four years to provide a measure of relief to our taxpayers. This tax reduction should begin with changing the way we use the tax on automobile insurance premiums so that we can lower automobile insurance rates for good drivers. It should continue by reducing our personal income tax rates. This would be the first reduction in income tax rates in South Carolina history.

This change in our tax laws, coupled with cuts in individual tax rates and capital gains taxes, will put more money in the pockets of South Carolina taxpayers. If these changes are adopted, a two wage earner family where each person owns a car and makes \$15,000 per year would realize a yearly savings of \$122. That may not seem like a lot of money to most of us who make these decisions, but it is important to realize that the per capita income of our people is only \$12,004 per year. Such a savings represents two weeks' worth of groceries.

I realize that some will find fault with a proposal that takes money out of the state treasury, claiming that the needs of our state are too great. We do have great needs. But we have also been experiencing the benefits of a growing economy. During the past two years our State's general fund revenues grew by 7.4 percent and 8.9 percent. **I submit that there comes a time when government must control its appetite for more and more money by sharing prosperity with the people. This is the time to share.**

Tax Cuts

I am proposing three different tax changes to lighten our tax burden. Automobile drivers, retirees, middle income families, and our poorest taxpayers are just some of the South Carolinians who will benefit from these changes.

1. Automobile Insurance Premium Tax

Currently automobile insurance companies pay a tax on the premiums they collect from South Carolina drivers. That tax, which amounted to \$13.5 million last year, is split between state and county governments to fund ongoing operations. Last year, the state received \$10.6 million and the counties received \$2.9 million of the tax. This amount is far in excess of that appropriated to the South Carolina Insurance Commission each year to regulate our insurance system.

I believe a tax paid on automobile insurance premiums should be devoted to reducing the amount of the premiums paid by South Carolina drivers rather than funding the operations of government. Consequently I am proposing that the state portion of the automobile insurance premium tax be allocated to reduce the enormous losses suffered by the automobile Reinsurance Facility. Should surplus revenues be available to replace the county money, I would like to see the county portion allocated to the Reinsurance Facility as well.

I consider the Reinsurance Facility to be a form of insurance welfare, because good drivers subsidize the cost of insuring bad drivers. South Carolina's automobile insurance premiums are high in part because the losses from the Reinsurance Facility have grown so fast. Based on current estimates, the Facility will lose \$115 million this year. Good drivers now pay \$73 per year per car to cover losses sustained by the Facility.

Based on this year's estimates, devoting the state's portion of the money raised by the automobile insurance tax to the Reinsurance Facility would reduce the losses of the Facility by 9.2 percent, thereby reducing the charge to good drivers by \$6.75 per car. And if we included the counties' share of the tax, rates for good drivers could drop by \$8.55 per car. By placing the State's portion of the tax in the Reinsurance Facility, coupled with improvements contained in my Highway Safety Bill and other automobile insurance changes that I will propose, I believe that the maximum amount that good drivers pay into the pool can be reduced and capped at \$65 per year.

This change in our tax law should relieve some of the enormous burden South Carolinians bear as a result of our high automobile insurance rates. I believe this change should be instituted in the first year of the four-year tax reduction program, and should start with the 1989-90 budget. I have allocated sufficient money in the General Fund in this proposed budget to finance the change.

2. Income Tax Rates

South Carolina's income tax structure raises rates too fast on low and moderate income taxpayers. The top rate of 7 percent is reached at \$10,000, an income barely above the poverty level for a family of four. Moreover, after the federal government passed the Tax Reform Act of 1986, our State raised the rate on the first \$2000 of income from 2 percent to 3 percent, thereby raising taxes on the poorest of the poor.

I am proposing three steps over four years that will cut income taxes for all South Carolinians, thereby making our tax structure more fair, more equitable, and more stimulative for South Carolina's economy:

- a) In the first year, the rate on the first \$2000 of income should be reduced from 3 percent back to 2.5 percent, a change that will save taxpayers \$11 million. That would partially offset the increase passed after the Tax Reform Act, and would insure that even the poorest taxpayers get a tax break.
- b) In the second year, the income subject to the top rate of 7 percent should be moved to \$15,000, and the rate on income from \$10,000 to \$15,000 should be reduced from 7 percent to 6.5 percent. That change would save taxpayers approximately \$12.8 million, and would benefit all taxpayers with an income of at least \$10,000.
- c) In the third and fourth years, the new brackets should be indexed to inflation to guard against hidden tax increases. In other words, indexing would stretch the brackets to prevent us from slipping back into a situation where those with low incomes are subject to the highest tax rate. At an inflation rate of 5 percent, indexing would save taxpayers \$10 million annually.

I believe the first step, the reduction from 3 percent to 2.5 percent on the first \$2000 of income, should occur on January 1, 1990. Its revenue impact would then be felt in April of 1991, in the fiscal year after the one I am proposing here.

At this time, however, there is substantial likelihood that the State will collect more revenue in the current fiscal year than projected by the Board of Economic Advisors. The Board has properly taken a conservative approach in anticipation of a possible recession. But as this budget is proposed in November of 1988, our economy continues to grow at a faster rate than projected by the Board, and there is widespread anticipation of a surplus this year.

Moreover, Congress appears likely to pass legislation that will allow states to collect sales taxes on mail order goods ordered from another state. Passage of

that legislation could mean an additional \$30 million for South Carolina, with four-fifths going to the General Fund and one-fifth going to the Educational Improvement Act. That revenue would further increase the chances of a surplus.

Last spring, when a similar surplus was anticipated, the General Assembly added a part to the Appropriations Act that prospectively spent that money if it actually materialized, which it did at the end of the fiscal year. **If a similar surplus materializes at the end of the current fiscal year, I would like for the top priority to be cutting taxes rather than increasing spending.**

In the event of a surplus, I believe we should first redirect the county portion of the automobile insurance premium tax to the Reinsurance Facility, and replace the money lost to the counties with surplus revenue. I also would like to accelerate the income tax reduction proposal by reducing the tax rate on the first \$2000 of income from 3 percent to 2.5 percent retroactive to January 1, 1989. The surplus revenue could then be carried forward into FY89-90 to cover the revenue loss when it is felt in April of 1990. **If we can adopt spending increases contingent upon anticipated surplus revenues, then surely we can adopt tax cuts on the same basis.**

3. Capital Gains Tax

When the federal government adopted the Tax Reform Act of 1986, it eliminated the different tax rates on regular income and investment or capital gains income. The result was an increase in the federal long term capital gains tax from from 20 percent of the gain to 28 percent of the gain, or an increase of 40 percent.

Shortly thereafter, our State also eliminated the different tax rates on the two types of income. But in South Carolina, the result was an increase in the capital gains tax from 2 percent to 7 percent, or an increase of 250 percent.

That change hits particularly hard those South Carolinians who want to sell a farm and retire on the proceeds, those who want to buy a smaller house or condominium after children are grown, or those who need to sell stock for retirement income. (Taxpayers over age 55 can take a one-time exclusion of \$125,000.) Moreover, the large increase hurts our attractiveness as a retirement home, especially in competition with Florida which has no state capital gains tax.

I believe we should reduce our capital gains tax by one percentage point per year over four years, down to a level of 3 percent. A 3 percent level would reflect an increase similar to the 40 percent increase that the federal government adopted, rather than our 250 percent increase. That change would save taxpayers \$5.5 million in the first year. Initially the general fund will experience a decrease in revenue, but the increase in economic

activity generated by a capital gains tax reduction will reduce the revenue impact over several years, and eventually generate more money for the state coffers than the initial loss.

The timing on the reduction should be the same as on the income tax reduction. The first one percentage point reduction should occur no later than January 1, 1990, but if sufficient surplus revenue materializes the change should occur retroactive to January 1, 1989.

If surplus revenue materializes beyond that necessary to accelerate these tax cuts, I would like to see the money devoted to additional rural development grants, increased formula funding for higher and technical education, and capital improvements at the Department of Youth Services.

These three tax changes will reduce the tax burden on South Carolina taxpayers by at least \$76 million over four years. However, the increased economic activity and the signals we send to those looking for a place to locate or expand a business or find a retirement home should more than make up for the initial revenue loss. I urge the General Assembly to adopt a commitment to this four year program, starting with the relief on our automobile insurance rates.

Vacancy Rate Change

Most state agencies have at any one time a certain percentage of their personnel positions vacant. Last year the House Ways and Means Committee required agencies to increase the percentage of vacant positions (the "vacancy rate") from 2.5 percent to 3.5 percent. This was an effort to free revenue to spend on new programs. In other words, the amount of money appropriated to an agency for its personnel costs was reduced from 97.5 percent of the amount necessary to fund all of an agency's positions to 96.5 percent.

Agencies in particular financial difficulty were given exemptions from this increase in the vacancy rate. Before the budgetary process was completed, however, so many agencies received exemptions that approximately three-fourths of the positions in state government were exempted. Consequently the vacancy rate was increased to 3.75 percent on non-exempt agencies to raise the amount of money desired.

That increase to 3.75 percent has posed a substantial burden for non-exempt agencies, which tend to be smaller agencies with less budgetary flexibility. Therefore I am proposing a change in the vacancy rate to 3.0 percent for all agencies across the board. This will allow the burden to be shared equally.

This budget contains 616 new employees, far more than I am comfortable recommending. The overwhelming majority, however, result from federal mandates to relieve prison overcrowding and improve care at the Department of Mental Health. Those two agencies alone account for 531 new employees, or

86 percent of the total. After we meet these federal mandates, I urge the General Assembly to slow the growth in the number of new state employees. Furthermore, I recommend that the number of full time equivalent employee lines in any agency be restricted to the number of lines actually occupied at the end of any fiscal year. This will allow us to make modest reductions in the number of employees in some state agencies without affecting services.

Revenue Sources

This budget is based on the following sources of revenue which total \$347.5 million:

1. Growth from existing taxes provides the main source of revenue. The Board of Economic Advisors' estimate of \$3280 million for the General Fund in FY89-90 anticipates an increase of 5.7 percent over expected revenues of \$3103 in FY88-89. Based on our growth rates over the past few years and our current economic conditions, this appears to be a conservative estimate that should avoid the possibility of mid-year budget cuts. The estimate provides increased revenue of \$186,199,175 over the FY88-89 Appropriations Act.
2. Because of nonrecurring revenue spent on recurring expenditures, the FY88-89 Appropriations Act called on all agencies to reduce their base budget by 3 percent to start the FY 89-90 budget process. Many agencies received appropriations that were understood to be one time allocations. This 3 percent reduction in the Appropriations Act base provides an additional \$85,256,657 in revenue. In a number of instances in this budget I have recommended that money saved in that reduction be spent on new initiatives. If agency leaders strongly believe that maintaining existing programs at current levels is a higher priority than my new recommendations, I will consider supporting transfer requests.
3. Continuing improvements in collections at the Tax Commission will produce an additional \$2,000,000 in revenue for FY89-90.
4. Probation and Parole Fees will produce additional revenue of \$47,104.
5. The Tax Commission estimates that the economic activity generated by a tax cut will be approximately 5 percent of the amount of the cut. Consequently I have included in this budget \$531,747 in general fund revenue, or 5 percent of the amount of the automobile insurance premium transfer. Should sufficient

surplus funds become available this year to accelerate the income and capital gains tax reduction, this amount would increase.

6. The Capital Reserve Fund contains \$53,855,082 that will be available unless we have mid-year budget cuts in this fiscal year. Based on our current and projected rates of growth, the full amount will be available. The money is to be used "to finance in cash previously authorized capital improvement bond projects, to retire interest or principal on bonds previously issued, (and) for capital improvements or other nonrecurring purposes." I have suggested in this budget appropriate uses for that money that are similar to the expenditures that the General Assembly appropriated from that Fund for the current fiscal year, such as money for school buses and library books.
7. Higher than anticipated revenues from FY87-88 produced an unallocated surplus of \$6,132,199. That surplus should be appropriated to the General Reserve Fund, thereby reducing the required General Fund appropriation in FY89-90 by an identical amount.
8. The Board of Economic Advisors' estimate for FY88-89 of \$3103 million is \$8,900,000 higher than the FY88-89 Appropriations Act. I have included this amount as a source of surplus revenue for my recommendations for FY89-90. This is identical to the General Assembly's treatment of \$12.3 million in surplus revenues from the last fiscal year.
9. Part III of the FY88-89 Appropriations Act contained \$3,975,488 for the Inventory Tax phase-out. The Comptroller General's Office now has determined that \$3,819,488 of that money will not be needed, so it provides an additional source of known lapsed funds for FY89-90. In addition, the Comptroller General's Office has determined that the Employee Bonus to be paid in December of 1988 is overfunded by \$788,785. I have included those two sources of known lapsed funds as surplus revenue, and I have suggested appropriate expenditures.

Higher Education

I have said repeatedly that educational excellence should not stop at the 12th grade. Our State's progress depends on a healthy and vibrant system of higher and technical education. I am recommending in this budget:

- **A total of \$58.8 million in increases for higher and technical education.** This figure does not include \$28 million in federal funds approved by my Office for our colleges, universities, and technical schools.
- \$47 million more for formula funding in higher and technical education. The Commission on Higher Education has identified \$21.5 million in non-recurring expenses in the formula for library books, academic support areas, and the Step 12 projects. Consequently I am recommending that \$17.1 million in formula funding be taken from the Capital Reserve Fund, similar to the appropriation the General Assembly made last year through the formula for library books and computer equipment. This is a significant jump above the substantial increase I proposed last year. Because of increases in the base cost of the formula driven by higher faculty salaries and student enrollments, this increase will maintain the formula funding percentage at 91.0 percent, the same level as I proposed last year. Should additional surplus become available this year above that necessary to fund the tax reduction, I encourage efforts to increase the percentage of funding above 91 percent.
- \$6 million for the Cutting Edge, the major initiative to improve the quality of research and teaching in higher education.
- \$1,250,000 for the State's higher education desegregation plan. The Federal government's scrutiny of our Plan has ended, but I believe we should continue our efforts on a voluntary basis. I believe our colleges and universities should match every state desegregation dollar received on a 1 to 1 basis in FY89-90, increasing to 1 state dollar to 2 institution dollars in FY90-91, followed in FY91-92 by full institution funding of our desegregation efforts.
- \$1 million in addition to the \$6 million in the formula for new industrial training equipment at our technical colleges.
- \$2.6 million to expand the Higher Education Tuition Grants program to support our private colleges.

location and use of hazardous chemicals throughout South Carolina.

- \$210,000 to open a new Trident Regional Office at the Water Resources Commission to monitor water quality in the Trident area.
- \$50,000 to begin a four year study of groundwater quality in the Florence area.
- \$330,000 to maintain and expand services at the State Forestry Commission to forest landowners.
- \$50,000 to relocate hazardous storage at the Clemson Public Service Activities.
- \$65,000 to Wildlife and Marine Resources to expand Project WILD, a conservation education program designed to promote responsible behavior in dealing with wildlife and the environment.
- \$55,000 to Wildlife and Marine Resources to establish a stock enhancement program for red drum, spotted sea trout, and black sea bass at the Mariculture Center.
- \$100,000 for the Coastal Council to implement the Beach Management Statute.
- \$200,000 to the Coastal Council to conduct a Baseline Study as mandated by the Beach Management Statute.
- \$50,000 to the Sea Grant Consortium to conduct a study of the appropriate uses and comparative qualities of South Carolina's fresh-water wetlands.
- \$350,000 to the Department of Parks, Recreation, and Tourism to support, and maintain our new state parks.
- \$500,000 at Parks, Recreation, and Tourism to the Recreation Land Trust Fund to purchase property for public access to our beaches.

HEALTH AND HUMAN SERVICES

This budget devotes substantial resources to expansion of health and human services, especially at the Health and Human Service Finance Commission (HHSFC) and the Department of Mental Health. Significant expenditures include:

- **A total increase of \$40.2 million for all health and human service agencies.**
- \$9.8 million at HHSFC required by the federal government's Medicare Catastrophic Act. This Act mandates expansion of Medicaid eligibility to all Medicare and Medicaid recipients under the federal poverty level, an increase of 29,764 people in South Carolina. Because this is a new program with unknown costs, and because the guiding regulations have yet to be written, I have recommended funding this program out of the pool of known surplus revenue.
- \$3.8 million to HHSFC to maintain the Medicaid program at current levels.
- \$955,000 at HHSFC for the National Governors' Association initiative for poor, pregnant mothers that would expand coverage of children from age one through age two. I consider this program to be one of our best health care investments, and I hope we will have funds available for further expansion in future years.
- \$844,000 at HHSFC to meet new standards for nursing homes that take effect October 1, 1990. The standards are contained in the Federal Omnibus Reconciliation Act of 1987.
- \$600,000 at HHSFC to fund new nursing home beds approved by the Department of Health and Environmental Control in FY87-88.
- \$823,865 to provide HHFSC contract providers a 2 percent cost-of-living increase.
- \$240,000 to continue funding for the Human Services Integration Project that offers substantial promise for improving efficiency and coordination in the delivery of our health care services.
- \$480,000 to upgrade nursing salaries at the Department of Health and Environmental Control.
- \$400,000 to the Department of Health and Environmental Control to begin a major new initiative in preventive health that should avoid far greater health costs in the future. In addition I am

recommending \$120,000 for equipment at the Greenwood Genetic Center to advance research on the prevention of mental retardation.

- \$4.6 million to the Department of Mental Health that will maintain current services for patients at the Tucker Center and inmates at the Department of Corrections.
- \$5.4 million to the Department of Mental Health to meet the requirements of the Justice Department Settlement for improved patient care.
- \$250,000 at the Department of Mental Health to prepare for the opening of the Veterans Administration Hospital in Anderson.
- \$1.25 million at the Department of Mental Health to expand community services for troubled children.
- \$1.1 million for reclassification of nurses at the Department of Mental Health.
- \$1 million at the Department of Mental Health to begin a program to upgrade the fire alarm system.
- \$716,492 for a 2 percent cost-of-living raise for contract providers at the Department of Mental Retardation and the Commission on Alcohol and Drug Abuse.
- \$2.2 million to the Department of Mental Retardation to maintain development of community-based programs for their clients.
- \$1 million extra to expand the work support program at the Department of Mental Retardation to help the Department's clients become self sufficient.
- \$200,000 to expand the successful Alcohol and Drug Safety Action Programs at the Commission on Alcohol and Drug Abuse. In addition, I have directed that \$835,000 in federal funds be administered through the Commission to prevent drug abuse.
- \$75,000 for the Commission on Alcohol and Drug Abuse to combat teenage alcohol problems through an additional Teen Institute for 160 high school students and 15 Teen Leadership weekends for 450 middle school students.
- \$800,000 to the Department of Social Services to increase the pay received by foster parents.

- \$495,000 to the Department of Social Services to help defray the legal costs and maintenance payments for parents who are willing to adopt children with special needs who have historically been very difficult to place in adoptive homes.
- \$250,000 to pay for medical examinations for children placed in foster homes.
- \$120,000 to expand the employment and training subsidy for food stamp recipients at the Department of Social Services.

Corrections and Law Enforcement

As has been the case in recent years, I am recommending that a significant portion of available revenue be devoted to Corrections and Law Enforcement. I hope that, with new intervention programs targeted toward troubled youth, promising alternative programs at the Department of Corrections, and the federal court's permission for double celling in our new prisons, the State will be able to avoid these enormous increases in future years. I am recommending:

- **Total spending increases of \$26.9 million for all corrections and law enforcement agencies.** In addition, \$4.5 million in federal funds have been recommended through my office to various agencies for law enforcement and corrections.
- \$300,000 for improved drug enforcement at the Narcotics Division of the State Law Enforcement Division (SLED).
- \$1,200,000 for operations at the new Forensic Science Laboratory at SLED. When the new Lab opens, it should provide high quality forensic analysis to law enforcement offices throughout the State.
- \$160,000 for operating costs for the new Automated Fingerprint System at SLED.
- \$1.7 million to annualize the new marine alternative programs for troubled youth at the Department of Youth Services (DYS). These programs offer the promise of reducing recidivism, which if realized should relieve pressure on our adult institutions in future years.
- \$900,000 to improve staff coverage at DYS.
- \$750,000 at DYS to establish alternative correctional programs for nonviolent 12 and 13 year olds to keep them out of juvenile correctional facilities.

- \$230,000 to DYS to conduct community-based evaluations for children who would otherwise be sent to the overcrowded Reception and Evaluation Center in Columbia.
- Allocating \$485,000 to the Joint Legislative Committee on Children to expand the Guardian Ad Litem project to insure protection of the rights of children in the court system.
- \$10.55 million to the Department of Corrections for operations The Allendale and Marlboro prisons, correctional officer pay adjustments, and staff at the Broad River School Bus Renovation Project.
- \$3.25 million for the operation of three new work release centers, additions to three other institutions, and a new women's institution. This funding level assumes that the work centers will open on January 1, 1990.
- \$1.2 million to open five new minimum security work centers. Our success in the double celling decision has relieved pressure on overcrowding in medium and maximum security prisons; these new centers will relieve pressure in the severely overcrowded minimum security prisons. The Department of Corrections has designed these centers for nonviolent offenders sentenced to one year or less. The inmates would then be available for work details with local governments. This funding level assumes that two centers will open January 1, 1990, and the other three will open April 1, 1990.
- \$460,000 to expand the Shock Probation Program at the Wateree River Institution by 100 beds. This recommendation assumes that the expansion will open on January 1, 1990. That date is approximately six months after the State Reorganization Commission is expected to issue an evaluation of the Program. The six month delay should allow correction of any deficiencies which may be noted in the report before the Program is expanded.
- \$575,000 at the Probation, Parole, and Pardon Services to meet the additional caseload.

Local Government

Providing support for our local governments, particularly for developing our infrastructure, is one of the keys to our future economic growth. I am recommending in this budget:

- \$12.9 million for Aid to Subdivisions to maintain formula funding at the current percentage.
- \$1.3 million for the Inventory Tax reduction.
- \$2.8 million in increased funding to meet growth in the Homestead Exemption.
- \$4 million for rural development grants that can be matched by federal dollars. At an average match ratio of 5 to 1, this appropriation will create \$24 million in new funds to promote rural economic development. Should funds above those currently anticipated become available during this fiscal year, I would recommend appropriating up to \$6 million in additional funds for rural development.
- \$400,000 in matching funds for the Environmental Protection Agency revolving loan fund. With a 5 to 1 match from the federal government, this appropriation will produce over \$2.4 million in increased spending for new sewer development and wastewater treatment plants.

General Government

I have recommended a number of increases in the general government category, usually in small expenditures to improve services offered by the agencies of central state government. Among the more significant recommendations are:

- \$1.6 million from the Capital Reserve Fund to pay off loans on the mainframe computer at the Budget and Control Board's Division of Information Resource Management, thereby avoiding the debt service portion of future charges for other agencies using the computer.
- \$2.6 million to improve efficiency at the Tax Commission.

In addition to the expenditures I am recommending, I urge the General Assembly to change the way State government finances rental charges on State buildings and the use of State airplanes:

1. Under the current arrangement, state agencies are charged rent based upon the number of square feet occupied times the **average** cost per square foot for all of state government. Consequently agencies occupying less costly space subsidize those occupying more costly space. For state office buildings constructed in the future, I would like for agencies to be charged the actual cost of amortizing the building rather than an average cost.
2. As currently structured, the State provides the Aeronautics Commission with an appropriation to supply air transportation for all of state government. In the future, I would like for every office using state airplanes to be charged directly for that use, with the actual cost paid to the Aeronautics Commission out of the agency's travel budget. That change would provide far better accountability for the use of state aircraft, and would allow a substantial reduction in direct state appropriations to the Commission.

STATE EMPLOYEES

I am proposing a 4 percent raise for state employees in this budget. As with my proposal last year, I would like to see that money split evenly between a cost-of-living increase and a merit raise. Under that formulation, the most meritorious employees could receive an increase of up to 6 percent.

The exploding cost of health care has caused insurers of our state health plan to ask for a \$22.4 million increase in state funds for FY89-90. If the state were to pay the full amount, it would reduce the pay raise for state employees to 2 percent, a level that I believe is too low.

To keep the pay raise at 4 percent, I am recommending that the deductible on the health plan be increased from \$100 to \$300 per year, effective at the start of the 1989-90 fiscal year. (The change would have no effect on the dental plan, which is a separate benefit.) This change would benefit all state employees by providing a larger pay raise, but would only affect those covered by the health plan who have more than \$100 in insurable health costs during the course of the year. Moreover, the additional 2 percent in the pay raise would go into the base, thereby providing higher future salaries and greater retirement benefits.

If the General Assembly adopts this proposal, I will recommend that the Budget and Control Board structure a plan whereby the employee could purchase coverage for the increased deductible. I believe that a 4 percent pay raise, along with the increased deductible and an option to purchase additional coverage to defray the increased cost, will be more attractive to state employees than a 2 percent raise and continuation of the current deductible.

BUDGET INCREASE

RECOMMENDATIONS

FISCAL YEAR 1989-90

			BUDGET INCREASE				
			RECOMMENDATIONS				
				FY1989-90			
		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN		POSSIBLE
		FTE	FUND	FUND	SURPLUS	TOTAL	SURPLUS
TAX CHANGES							
	Transfer Auto Insurance Tax To Reinsurance Facility		\$10,634,930				\$2,886,914
	Reduce Income Tax Rate From 3% to 2.5% on First \$2000						\$11,000,000
	Reduce Capital Gains Tax Rate From 7% to 6%						\$5,500,000
	TOTAL TAX CHANGES		\$10,634,930			\$10,634,930	

		REC	RECOMMEND GENERAL FUND	RECOMMEND CAPTL RES FUND	RECOMMEND KNOWN SURPLUS	RECOMMEND TOTAL
STATEWIDE APPROPRIATIONS						
	General Reserve Fund		\$1,034,051		\$6,132,199	
	Non-recurring \$ from FY87-88 Surplus					
	Total		\$1,034,051		\$6,132,199	\$7,166,250
Sec. 16-0	Capital Reserve Fund		\$4,777,500			
	Total		\$4,777,500			\$4,777,500
Sec. 122 V04	Debt Service		\$11,774,415			
	Total		\$11,774,415			\$11,774,415
	Vacancy Factor Adjustment to 3%		(\$138,602)			
	Total		(\$138,602)			(\$138,602)

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 125	Aid to Subdivisions					
X22	Restoration		\$4,751,187			
	Growth to Maintain 85.4% Funding		\$8,145,675			
	Inventory Tax					
	Restoration				\$98,121	
	Anticipated Growth				\$1,213,916	
	(From known FY88-89 Surplus)					
	Homestead Exemption					
	Restoration		\$824,331			
	Anticipated Growth				\$2,060,300	
	(From known FY88-89 Surplus)					
	Total		\$13,721,193		\$3,372,337	\$17,093,530

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 16-N	State Employees					
	Health Insurance Rate Increases		\$3,956,321			
	Increase Deductible to \$300/year					
	Social Security Rate Increase		\$1,218,850			
	Constitutional Officer Adjustment		\$14,132			
	National Guard Workers Comp		\$653,812			
	Dues and Contributions		(\$38,800)			
	Pay Plan @4%		\$43,443,584			
	Total-State Employees		\$49,247,899			\$49,247,899
	TOTAL STATEWIDE APPROPRIATIONS		\$80,416,456		\$9,504,536	\$89,920,992

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
		FTE	GENERAL	CAPTL RES	KNOWN	TOTAL
			FUND	FUND	SURPLUS	
GENERAL GOVERNMENT						
Sec. 3A	Senate					
A01	Restoration		\$160,000			
	Employer Contributions		\$23,139			
	Mail Room		\$50,000			
	Total	0.00	\$233,139			\$233,139
Sec. 3B	House of Representatives					
	Chamber Equipment			\$220,000		
	Postage		\$12,400			
	Transfer from Special Services		\$90,000			
	Total	0.00	\$102,400	\$220,000		\$322,400
Sec. 3C	Special Services					
	Transfer to House		(\$90,000)			
	Total	0.00	(\$90,000)			(\$90,000)
Sec. 3D	Legislative Council					
A15	Restoration for Code Supplements		\$60,000			
	Total	0.00	\$60,000			\$60,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 3F	Legislative Audit Council					
A20	Restoration-Administration		\$31,000			
	New Auditor		\$30,000			
	Total	0.00	\$61,000			\$61,000
Sec. 3H	State Reorganization Commission					
A27	Restor.-Administrative Contr. Serv.		\$25,000			
	Administration		\$6,000			
	Total	0.00	\$31,000			\$31,000
	Joint Legislative Committees					
	Guardian Ad Litem Project		\$485,000			
	Other Joint Committee Projects		\$18,000			
	Total	0.00	\$503,000			\$503,000
Sec. 4	Judicial					
B04	Restoration-Service Programs		\$110,000			
	Calhoun Rent-Annualize Part Year		\$43,132			
	Increase for Circuit Court Law Clerks		\$130,000			
	Total	0.00	\$283,132			\$283,132

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 5C	Gov Off-Exec Policy & Programs					
D17	Partial Restoration		\$90,000			
	Dues		\$18,000			
	Total	0.00	\$108,000			\$108,000
Sec. 7	Secretary of State's Office					
E08	Restoration -State Records		\$35,000			
	Administration	2.00	\$50,000			
	Total	2.00	\$85,000			\$85,000
Sec. 8	Comptroller General's Office					
E12	Restoration		\$121,000			
	Total	0.00	\$121,000			\$121,000
Sec. 9	State Treasurer's Office					
E16	Restoration-Admin. Legal Serv.		\$100,000			
	Additional Positions	3.00	\$55,000			
	Total	3.00	\$155,000			\$155,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 10	Attorney General's Office					
E20	Partial Restoration-Legal Services		\$160,000			
	Statewide Grand Jury-Annualize		\$210,000			
	Total	0.00	\$370,000			\$370,000
Sec. 13	Adjutant General's Office					
E24	Restoration-Armories		\$100,000			
	State Guard	2.00	\$42,000			
	Pensions		\$45,000			
	Total	2.00	\$187,000			\$187,000
Sec. 15	State Election Commission					
E28	Restoration-Aid to Counties		\$50,000			
	Travel to Train Election Officials		\$3,000			
	Total	0.00	\$53,000			\$53,000
Sec. 16A	B & C - Office of Exec Director					
F02	Partial Restoration-Civil Contingency		\$23,000			
	Executive Training		\$55,000			
	Total	0.00	\$78,000			\$78,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 16M	B & C - Bd of Economic Advisors					
F28	Restoration-Contractual Services		\$4,500			
	Advisory Council Meetings		\$2,600			
	Operations		\$8,400			
	Printing and Publishing		\$3,800			
	Total	0.00	\$19,300			\$19,300
Sec. 16B	B & C - Internal Operations					
F04	Partial Restor.-Internal Operations		\$41,000			
	AT&T Operating Increase		\$165,000			
	Total	0.00	\$206,000			\$206,000
	B & C - Protection and Advocacy					
	Restoration-Public Information		\$11,000			
	Salary Adjustments		\$19,000			
	Rent		\$6,100			
	Total	0.00	\$36,100			\$36,100

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 16C	B & C - Financial Data Systems					
F05	Restoration-Contractual Services		\$50,000			
	Retirement Data Base			\$50,000		
	Total	0.00	\$50,000	\$50,000		\$100,000
Sec. 16D	B & C - Budget Division					
F06	Restor-Print. SC Budg. & Approp. Act		\$24,000			
	New Analysts	2.00	\$80,000			
	Total	2.00	\$104,000			\$104,000
Sec. 16E	B & C Research & Statistical Services					
F08	Restoration-Mapping Program		\$63,000			
	Population Mapping	2.00	\$75,000	\$50,000		
	Personal Service		\$34,000			
	County Boundary Program			\$85,000		
	Total	2.00	\$172,000	\$135,000		\$307,000
Sec. 16F	B & C - Infor Resources Management					
	Mainframe Payoff			\$1,624,589		
	AT&T Settlement--Switching Unit			\$375,000		
	Total	0.00		\$1,999,589		\$1,999,589

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 16G	B & C - General Services Division					
F12	Restoration-Salary & Operations		\$110,000			
	Materials Management	2.00	\$105,000			
	State Engineer	1.00	\$62,000			
	Mansion Complex	1.00	\$75,000			
	Rent Increase on State Buildings		\$2,170,000			
	Total	4.00	\$2,522,000			\$2,522,000
Sec. 16H	B & C - State Fire Marshal					
F14	Restor.-Arson Control & Personnel		\$55,000			
	Fire Death Prevention		\$50,000			
	Fire Service Training		\$20,000			
	Total	0.00	\$125,000			\$125,000
Sec. 16-I	B & C - Motor Vehicles					
F16	Restoration-Administration		\$5,300			
	Total	0.00	\$5,300			\$5,300

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 16J	B & C - Human Res Mgt Division					
F24	Partial Restoration-Operating Costs		\$50,000			
	Agency Head Salary Study		\$40,000	\$65,000		
	Total	0.00	\$90,000	\$65,000		\$155,000
Sec.16K	B & C - Local Government Division					
F26	Restoration-Admin. (EPA match)		\$50,000			
	Rural Devt Grants (Fed'l Match)			\$4,000,000		
	EPA Match-State Revolving Fund			\$400,000		
	Rent		\$10,000			
	Total	0.00	\$60,000	\$4,400,000		\$4,460,000
Sec. 16L	B & C - State Auditor					
F27	Restoration-Audits Programs		\$115,000			
	Personal Service		\$60,000			
	Contract Audits		\$65,000			
	Equipment			\$15,000		
	Total	0.00	\$240,000	\$15,000		\$255,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
		FTE	GENERAL	CAPTL RES	KNOWN	
			FUND	FUND	SURPLUS	TOTAL
Sec. 78	Workers' Compensation Commission					
	Computer System Replacement			\$250,000		
	Total	0.00		\$250,000		\$250,000
Sec. 75	State Fund					
R12	Restoration-Victim Witness Program		\$16,000			
	Total	0.00	\$16,000			\$16,000
Sec. 81	Department of Insurance					
R20	Restoration-Salaries		\$115,580			
	Public Communication		\$16,000			
	Microcomputers			\$45,000		
	Asst. Data Processing Manager	1.00	\$50,000			
	Total	1.00	\$181,580	\$45,000		\$226,580
Sec. 82A	Financial Inst Bd - Administration					
R23	Restoration-Administration		\$579			
	Total	0.00	\$579			\$579

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 82B	Financial Inst Bd - Bank Examiners					
R24	Restoration-Travel		\$31,000			
	Admin. Assistant	1.00	\$21,000			
	Total	1.00	\$52,000			\$52,000
Sec. 82C	Financial Inst Bd - Consumer Finance					
R25	Restoration-Travel & Salary		\$12,000			
	Examiner	1.00	\$35,000			
	Total	1.00	\$47,000			\$47,000
Sec. 83	Department of Consumer Affairs					
R28	Restoration-Misc. Programs		\$55,000			
	Insurance		\$9,000			
	Additional Personnel	2.00	\$60,000			
	Equip.-Toll Free Tel. for Consum. Serv.			\$19,000		
	Total	2.00	\$124,000	\$19,000		\$143,000
Sec. 85	Department of Labor					
R36	Restoration-Labor Mgt Serv. Program		\$110,000			
	Total	0.00	\$110,000			\$110,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 86	State Tax Commission					
R44	Restor.-Info. Res., Office & Field Serv.		\$995,000			
	Annualization-Part Year Funding		\$280,000			
	Office Technology		\$360,000	\$1,000,000		
	Total	0.00	\$1,635,000	\$1,000,000		\$2,635,000
Sec.88	State Ethics Commission					
	Operations		\$9,900			
	Total	0.00	\$9,900			\$9,900
Sec. 89	Employment Security Commission					
R60	Restoration-Telephone Charges		\$6,500			
	Miscellaneous Operations		\$22,000			
	Total	0.00	\$28,500			\$28,500
	TOTAL GENERAL GOVERNMENT	20.00	\$8,174,930	\$8,198,589		\$16,373,519

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
	BOARDS AND COMMISSIONS					
Sec. 86	Accountancy, Board of					
R64	Restoration		\$10,000			
	Exam		\$6,000			
	Total	0.00	\$16,000			\$16,000
Sec. 87	Architectural Examiners, Board of					
	Rent		\$6,000			
	Total	0.00	\$6,000			\$6,000
Sec. 88	Auctioneers' Commission					
R69	Restoration		\$3,600			
	Total	0.00	\$3,600			\$3,600
Sec. 89	Barber Examiners, Board of					
R72	Restoration		\$5,200			
	Total	0.00	\$5,200			\$5,200

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 90	Athletic Commission					
R74	Restoration		\$700			
	Mgmt Services		\$2,500			
	Total	0.00	\$3,200			\$3,200
Sec. 91	Cemetery Board					
R76	Restoration		\$700			
	Total	0.00	\$700			\$700
Sec. 92	Chiropractic Examiners, Board of					
R80	Restoration		\$1,800			
	Health Insurance		\$1,000			
	Total	0.00	\$2,800			\$2,800

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
		FTE	GENERAL	CAPTL RES	KNOWN	TOTAL
			FUND	FUND	SURPLUS	
Sec. 93	Contractors Licensing Board					
R82	Restoration		\$10,000			
	Exam		\$22,000			
	Printing		\$12,000			
	Lease & Insurance		\$8,000			
	Reclass		\$3,500			
	Automated Bookkeeping		\$7,000			
	Total	0.00	\$62,500			\$62,500
Sec. 94	Cosmetology, Board of					
R84	Restoration		\$13,000			
	Laser Printer		\$6,000			
	Total	0.00	\$19,000			\$19,000
Sec. 95	Dentistry, Board of					
	Additional Reduction		(\$33,477)			
	Total	0.00	(\$33,477)			(\$33,477)

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 96	Engineer & Land Surveyors, Board of					
R92	Restoration		\$10,000			
	Special Investigator		\$23,000			
	Admin. Assistant		\$18,000			
	Equipment		\$5,900			
	Telephone Sets		\$1,100			
	Total	200	\$58,000			\$58,000
Sec. 97	Envir. Syst. Operators, Bd of Cert. of					
R94	Restoration		\$5,200			
	Equipment		\$15,000			
	Part-time Investigator		\$8,000			
	Total	0.00	\$28,200			\$28,200
Sec. 98	Foresters, Board of Registration for					
R96	Restoration		\$688			
	Total	0.00	\$688			\$688

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 99	Funeral Service, Board of					
R99	Restoration		\$2,000			
	Temporary Positions		\$3,200			
	Travel		\$500			
	Total	0.00	\$5,700			\$5,700
Sec. 100	Geologists, Board of Registration for					
S02	Restoration		\$1,000			
	Exam		\$24,000			
	Total	0.00	\$25,000			\$25,000
Sec. 102	Nursing, Board of					
S08	Restoration		\$19,000			
	Operations		\$29,000			
	Total	0.00	\$48,000			\$48,000
Sec. 103	Nursing Hm Administrators, Bd of Ex for					
S12	Restoration		\$1,800			
	Exam		\$2,000			
	Total	0.00	\$3,800			\$3,800

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
		FTE	GENERAL	CAPTL RES	KNOWN	TOTAL
			FUND	FUND	SURPLUS	
Sec. 104	Occupational Therapy, Board of					
S14	Restoration		\$87			
	Special Contract Employee		\$250			
	Total	0.00	\$337			\$337
Sec. 105	Opticianry, Board of Exam					
S17	Restoration		\$450			
	Total	0.00	\$450			\$450
Sec. 107	Pharmacy, Board of					
S20	Restoration		\$7,200			
	Reclass		\$9,200			
	Testing		\$18,000			
	Data Entry Operator		\$14,000			
	Total	1.00	\$48,400			\$48,400
Sec. 108	Physical Therapy Examiners, Board of					
S24	Restoration		\$1,300			
	Operations		\$8,200			
	Total	0.00	\$9,500			\$9,500

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 109	Podiatry Examiners, Board of					
S28	Restoration		\$90			
	Total	0.00	\$90			\$90
Sec. 110	Prof. Counselors & Therapists, Bd of					
	Additional Reduction		(\$14,560)			
	Total	0.00	(\$14,560)			(\$14,560)
Sec. 113	Residential Home Builders Commission					
S40	Restoration		\$17,000			
	New Personnel		\$30,000			
	Total	1.00	\$47,000			\$47,000
Sec. 117	Veterinary Medical Examiners, Bd of					
S56	Restoration		\$725			
	Part-time Investigator		\$9,000			
	Total	0.00	\$9,725			\$9,725
	TOTAL BOARDS & COMMISSIONS	4.00	\$355,853			\$355,853

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
ECON DEVELOPMENT, NAT RESOURCES & TRANS						
Sec. 60	Water Resources Commission					
P04	Restoration-Plcy/Gwater Research.		\$50,000			
	Florence Groundwater Study			\$50,000		
	Trident Regional Office	3.00	\$140,000	\$70,000		
	Total	3.00	\$190,000	\$120,000		\$310,000
Sec. 61	St. Land Resources Conservation Comm					
P08	Part-time Secretary	0.60	\$5,000			
	Dam Safety Vehicle			\$18,000		
	Aerial Mapping			\$20,000		
	Restoration - Aid to Conserv. Districts		\$85,000			
	Total	0.60	\$90,000	\$38,000		\$128,000
Sec. 62	State Forestry Commission					
P12	Forest Landowner Assistance		\$330,000			
	Newberry Operations		\$15,000			
	Partial Restoration - Air Tanker			\$90,000		
	Total	0.00	\$345,000	\$90,000		\$435,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 63	Department of Agriculture					
P16	Restoration-Marketing		\$48,000			
	Aquaculture Marketing	1.00	\$32,000			
	Equine Marketing	1.00	\$28,000			
	Marketing Support	1.00	\$17,000			
	Lab Operations		\$20,000			
	Rent-Dennis Bldg.		\$34,972			
	Weights & Measures			\$65,000		
	Total	3.00	\$179,972	\$65,000		\$244,972

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 65	Clemson Univ - Public Service Activity					
P20	Restoration-Ag. Research		\$320,000			
	Restoration-Coop. Ext.		\$420,000			
	Restoration -Livestock & Poultry		\$65,000			
	Cooperative Ext.	2.20	\$100,000			
	Regulatory & Public Service	3.00	\$100,000			
	Ag. Experiment Station	1.20	\$100,000			
	Newman Hall Equipment			\$400,000		
	Phone System Replacement			\$125,000		
	Vehicle Replacement			\$65,000		
	Poole Lab Equipment			\$150,000		
	Relocate Hazardous Storage			\$50,000		
	Total	6.40	\$1,105,000	\$790,000		\$1,895,000
Sec. 66	Migratory Waterfowl Commission					
P22	Restoration		\$947			
	Total	0.00	\$947			\$947

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 67	Wildlife and Marine Resources					
P24	Restoration-Equipment		\$430,000			
	Project WILD	2.00	\$43,000	\$22,000		
	Special Projects-Bonneau Ctr	1.00	\$52,000			
	Mariculture Center	1.00	\$55,000			
	Total	4.00	\$580,000	\$22,000		\$602,000
Sec. 68	Coastal Council					
P25	Restoraton-Operations		\$35,000			
	Beach Mgmt. Act	3.00	\$100,000			
	Baseline Study			\$200,000		
	Total	3.00	\$135,000	\$200,000		\$335,000
Sec. 69	Sea Grant Consortium					
P26	Restoration-Admin		\$8,000			
	Operations Increase		\$7,900			
	Reclass		\$10,000			
	Wetland Coordination Study			\$50,000		
	Total	0.00	\$25,900	\$50,000		\$75,900

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec.70	Dept of Parks, Recreation & Tourism					
P28	New St. Parks-Annualize Part Year		\$100,000			
	Park Maintenance	2.00	\$250,000			
	International Marketing		\$200,000			
	National Advertising		\$300,000			
	Recreation Land Trust Fund			\$500,000		
	Total	2.00	\$850,000	\$500,000		\$1,350,000
Sec. 71	State Development Board					
P32	National Devt.	2.00	\$50,000			
	International Devt.	1.00	\$500,000			
	Special Programs	2.00	\$120,000			
	Business Devt. & Asst.		\$75,000			
	Executive		\$23,000			
	Research & Information		\$44,000			
	Communications & PR		\$330,000	\$40,000		
	Total	5.00	\$1,142,000	\$40,000		\$1,182,000
Sec. 72	Jobs - Economic Development Authority					
P34	Miscellaneous Operations		\$40,000			
	Total	0.00	\$40,000			\$40,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 120	Aeronautics Commission					
U04	Rent		\$7,000			
	Overhaul of Plane			\$230,000		
	Additional Pilot	1.00	\$37,000			
	Total	1.00	\$44,000	\$230,000		\$274,000
	TOTAL ECON DEV/NAT RES/TRANS	28.00	\$4,727,819	\$2,145,000		\$6,872,819

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTAL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
	CORRECTIONS & LAW ENFORCEMENT					
Sec. 5B	Gov Off-State Law Enforcement Div					
D10	Restoration-Security and Vehicles		\$420,000			
	Forensic Laboratory	13.00	\$1,200,000			
	Personnel Deficit		\$250,000			
	Automated Fingerprint System		\$160,000			
	Drug Enforcement		\$300,000			
	Total	13.00	\$2,330,000			\$2,330,000
Sec. 55	Department of Corrections					
N04	Restoration-Entire Agency		\$4,600,000			
	Allendale/Marlboro-Annualization		\$9,550,000			
	Officer Pay Adj.-Annualization		\$1,000,000			
	Operations for New Facilities	337.00	\$2,600,000	\$650,000		
	Operations for Work Centers	102.00	\$1,100,000	\$125,000		
	Shock Probation Program		\$460,000			
	Total	439.00	\$19,310,000	\$775,000		\$20,085,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 56	Probation, Parole & Pardon Services					
N08	Personnel/Additional Caseload	21.00	\$575,000			
	Mobile Radios			\$25,000		
	Total	21.00	\$575,000	\$25,000		\$600,000
Sec. 57	Department of Youth Services					
N12	Restoration-Entire Agency		\$900,000			
	Marine Insts. - Annualize Non-Recurring		\$1,700,000			
	Officer Pay Adjustment - Annualize		\$100,000			
	Alternatives for 12 & 13 year-olds		\$750,000			
	Community Evaluations		\$230,000			
	Operational Deficit		\$300,000			
	Total	0.00	\$3,980,000			\$3,980,000
Sec. 87	Alcoholic Beverage Control Commission					
R48	Source of Funds Change		(\$200,000)			
	Rest. Travel & Equip for Enforcement		\$110,000			
	Total	0.00	(\$90,000)			(\$90,000)
	TOTAL CORRECTIONS & LAW ENFORCEMENT	473.00	\$26,105,000	\$800,000		\$26,905,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
	EDUCATION					
Sec. 17	Commission on Higher Education					
H03	Rent Increase		\$20,000			
	SREB Contract w/NC School of Arts		\$11,000			
	SREB Fee Increase		\$42,000			
	Total	0.00	\$73,000			\$73,000
Sec. 18	Higher Education Tuition Grants					
H06	Grants-Restoration		\$490,000			
	Grants-Annualize Non-R		\$850,000			
	Additional Grants			\$1,250,000		
	Total	0.00	\$1,340,000	\$1,250,000		\$2,590,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 19-	Public Higher & Technical Education					
Sec 29	Formula Restoration		\$14,250,664			
H09-	Formula-Replace Non-Recurring		\$15,600,000			
H53	Formula at 91%			\$17,100,000		
	Each 1% = \$5,757,163					
	Desegregation Plan			\$1,250,000		
	Cutting Edge		\$4,000,000	\$2,000,000		
	TEC Equipment			\$1,000,000		
	TEC Workforce Initiative			\$960,000		
	Total	0.00	\$33,850,664	\$22,310,000		\$56,160,664

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 28	State Department of Education					
H63	School Bldg Aid Formula		\$87,983			
	School Bldg Aid-Restoration		\$530,787			
	EFA & EFA Fringe-Restoration		\$26,794,282			
	EFA & EFA Fringe-5.4%		\$52,614,705			
	New School Buses		(\$6,507,750)	\$12,300,000		
	Bus Shops-Operating Deficit		\$433,000			
	Driver Salaries-Restoration		\$670,000			
	Driver Salaries- 4% Increase		\$2,300,000			
	Textbooks-Transfer to Non-R		(\$1,500,000)	\$3,300,000		
	Test Revisions		\$350,000		\$200,000	
	Disk Storage			\$32,000		
	Microcomputers			\$12,000		
	Adult Education-Restoration		\$85,000			
	Adult Education-Workforce Initiative		\$500,000			
	Adult Education-Increase		\$1,500,000			
	Asbestos Removal	1.00	\$50,000			
	Gov. Sch. for Math & Science		\$230,000			
	Total	1.00	\$78,138,007	\$15,644,000	\$200,000	\$93,982,007

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 29	Educational Television					
H67	Equipment			\$300,000		
	Deficit-Electric Power		\$130,000			
	New Video Circuits		\$46,000			
	Total	0.00	\$176,000	\$300,000		\$476,000
Sec. 32	Wil Lou Gray Opportunity School					
H71	Restoration-Operations		\$75,000			
	Freezer/Refrigerator			\$50,000		
	Heating & A/C Repair			\$250,000		
	Activity Bus			\$29,000		
	Total	0.00	\$75,000	\$329,000		\$404,000
Sec. 31	Vocational Rehabilitation					
H73	Restoration-Case Services		\$430,000			
	Total	0.00	\$430,000			\$430,000
Sec. 34	School for the Deaf and Blind					
H75	Restoration-Pioneer Ridge		\$290,000			
	Vehicles			\$47,000		
	Total	0.00	\$290,000	\$47,000		\$337,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 35	Department of Archives and History					
H79	Personal Service-Restoration		\$112,000			
	Computer Consultants/Env. Study			\$50,000		
	Total	0.00	\$112,000	\$50,000		\$162,000
Sec. 36	Confederate Relic Room					
H83	Restoration-Administration		\$5,800			
	Total	0.00	\$5,800			\$5,800
Sec. 37	SC State Library					
H87	Aid To Counties-Restoration		\$160,000			
	Aid to Counties		\$160,000			
	Book Account			\$50,000		
	Terminal Leave				\$10,000	
	Van			\$19,000		
	Total	0.00	\$320,000	\$69,000	\$10,000	\$399,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 38	SC Arts Commission					
H91	Rent		\$9,000			
	Restore Grant in Aid (Challenge)		\$95,000			
	Total	0.00	\$104,000			\$104,000
Sec. 39	State Museum Commission					
H95	Operations-Restoration		\$150,000			
	Annualize Part Year Salaries		\$100,000			
	Parking		\$34,000			
	Upfitting of Exhibit Spaces			\$88,000		
	Total	0.00	\$284,000	\$88,000		\$372,000
	TOTAL EDUCATION	1.00	\$115,198,471	\$40,087,000	\$210,000	\$155,495,471

		REC	RECOMMEND	RECOMMEND	RECOMMEND		RECOMMEND
			GENERAL	CAPTL RES	KNOWN		
		FTE	FUND	FUND	SURPLUS		TOTAL
HEALTH AND HUMAN SERVICES							
Sec. 40	Health & Human Serv Fin Commis						
J02	Restoration-Medicaid Base		\$3,400,000				
	Catastrophic Health Insurance				\$9,800,000		
	OBRA-Nursing Homes		\$800,000				
	OBRA-Pre-Admission Screening	0.75	\$30,000				
	OBRA-Additional Staff	0.43	\$14,000				
	SSBG COLA Adjustment @ 2%		\$823,865				
	Medicaid Match Rate Change		\$400,000				
	New Nursing Beds-Annualization		\$600,000				
	Adm. Accounting System	0.50	\$18,000	\$150,000			
	NGA Initiative-Expand to Age 2	1.00	\$935,000				
	Human Services Integration Project		\$240,000				
	Pilot Projects for At-Risk Youth			\$300,000			
	Total	2.68	\$7,260,865	\$450,000	\$9,800,000		\$17,510,865

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 41	Dept of Health & Environmental Ctl					
J04	Restoration-Recreational Waters	-4.50	\$110,000			
	Nursing Upgrades		\$480,000			
	EQC Upgrades		\$200,000			
	EQC District Services		\$70,000	\$250,000		
	Solid & Hazardous Waste Mgmt.		\$650,000			
	Health Protection		\$400,000			
	Hazardous Chemical Emerg Response			\$250,000		
	Total	-4.50	\$1,910,000	\$500,000		\$2,410,000
Sec. 42	Department of Mental Health					
J12	Restoration-Tucker Center		\$3,700,000			
	Restoration-Services to Prisoners		\$900,000			
	Justice Department Settlement					
	State Hospital	41.00	\$1,900,000			
	Community MH Centers	30.00	\$3,500,000			
	Anderson VA Hospital	6.00	\$250,000			
	Community Services for Children	15.00	\$1,250,000			
	Base Erosion: Nurses Reclass		\$1,100,000			
	Fire Alarm System			\$1,000,000		
	Total	92.00	\$12,600,000	\$1,000,000		\$13,600,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 43	Department of Mental Retardation					
J16	Restoration-Community Programs		\$2,200,000			
	Local COLA @ 2%		\$394,520			
	Community Work Programs		\$1,000,000			
	Greenwood Genetic Center Equip.			\$120,000		
	Total	0.00	\$3,594,520	\$120,000		\$3,714,520
Sec. 44	Commission on Alcohol & Drug Abuse					
J20	Restoration-Involuntary Ctment		\$260,000			
	ADSAP Expansion		\$200,000			
	Local COLA @ 2%		\$321,972			
	Teen Institute		\$75,000			
	Total	0.00	\$856,972			\$856,972
Sec. 45	Department of Social Services					
	Foster Care Board Payments		\$800,000			
	Adoption Subsidy-Special Needs		\$420,000			
	Adoption Costs-Special Needs		\$75,000			
	Foster Care Medical Exams		\$250,000			
	Food Stamp E & T Subsidy		\$120,000			
	Total	0.00	\$1,665,000			\$1,665,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 46	John De La Howe School					
L12	Restoration-Therapeutic Work/Rec.		\$90,000			
	Electricity & Food		\$75,000			
	Total	0.00	\$165,000			\$165,000
Sec. 47	Adv Bd - Foster Care Review					
L16	Restoration-Per Diem & Travel		\$15,000			
	Rent and Insurance		\$11,000			
	Total	0.00	\$26,000			\$26,000
Sec. 49	Commission for the Blind					
L24	Restoration-Rehabilitative Service		\$91,000			
	Educational Radio Equipment			\$25,000		
	Total	0.00	\$91,000	\$25,000		\$116,000
Sec. 50	Commission on Aging					
L28	Restoration-Aid to Planning Districts		\$55,000			
	Publications		\$10,000			
	Total	0.00	\$65,000			\$65,000

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
			GENERAL	CAPTL RES	KNOWN	
		FTE	FUND	FUND	SURPLUS	TOTAL
Sec. 52	Commission on Human Affairs					
L36	Restor.-Discrim. Compli. Investigat.		\$33,000			
	Total	0.00	\$33,000			\$33,000
Sec. 53	Department of Veterans Affairs					
L40	Restore-Veterans Services		\$35,000			
	Total	0.00	\$35,000			\$35,000
Sec. 54	Commission on the Status of Women					
L44	Restoration-Phone, Ins., NACW		\$2,000			
	Computer Maintenance		\$750			
	Total	0.00	\$2,750			\$2,750
	TOTAL HEALTH & HUMAN SERVICES	90.18	\$28,305,107	\$2,095,000	\$9,800,000	\$40,200,107

		REC	RECOMMEND	RECOMMEND	RECOMMEND	RECOMMEND
		FTE	GENERAL	CAPTL RES	KNOWN	
			FUND	FUND	SURPLUS	TOTAL
	GRAND TOTAL RECOMMENDATIONS	616.18	\$273,918,566	\$53,325,589	\$19,514,536	\$346,758,691
	AVAILABLE REVENUE					
	Growth		\$186,199,175			
	3% Reduction		\$85,256,657			
	Tax Commission Enhancement		\$2,000,000			
	5% Reflow from Tax Reduction		\$531,747			
	Probation and Parole Fees		\$47,104			
	Surplus from FY87-88				\$6,132,199	
	BEA Anticipated Surplus from FY88-89				\$8,900,000	
	Known Lapse from FY88-89					
	Inventory Tax				\$3,819,494	
	Employee Bonus				\$788,785	
	Total		\$274,034,683	\$53,855,082	\$19,640,478	\$347,530,243
	SURPLUS (DEFICIT)		\$116,117	\$529,493	\$125,942	\$771,552

THE WHITE HOUSE

Office of the Press Secretary

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PRESIDENT BUSH'S AGENDA: BUILDING A BETTER AMERICA

FACT SHEET

Less than three weeks into his Presidency, President Bush addressed a Joint Session of the Congress and outlined a comprehensive agenda for building a better America. The President's Message is accompanied by a supplementary discussion of plans and proposals entitled Building a Better America. Together, the Message and the 193-page supplement describe the President's priorities and approach.

The President outlined a realistic plan that establishes clear priorities and meets the Gramm-Rudman-Hollings budget targets, without raising taxes. While dealing with problems from the past (the Savings and Loan crisis and nuclear clean-up), and meeting tight fiscal constraints, the President's priorities nonetheless focus attention on investing in America's future.

The President's agenda has six basic parts -- each of which is summarized below:

1. Restoring Fiscal Balance
2. Advancing Priorities for Growth and Competitiveness
3. Ending the Scourge of Drugs
4. Making a Kinder and Gentler Nation
5. Managing America's Government Better
6. Securing a More Peaceful World

In seeking to advance his agenda, the President again extended his hand to the Congress in a cooperative bipartisan spirit. He repeated his observation that "the people did not send us here to bicker," emphasizing that Americans want to see their elected leaders produce. To this end, he offered to have members of his Administration negotiate in good faith -- day and night if that is what it takes -- in order to reach bipartisan agreement with the Congress.

MORE

I. RESTORING FISCAL BALANCE

A. Ordering Budget Priorities

The President's budget plan adopts a common-sense approach to budgeting. It no longer measures changes against the Wonderland concept of "current services baseline" but rather from this year to next year. In this approach the starting point is the large revenue growth expected in FY 1990 over 1989 -- almost \$82 billion. This growth is then allocated to a reduction of the deficit by 40 percent, required increases in such areas as interest on the national debt, and to the President's priorities and initiatives.

B. Budget Process Reforms

The President's budget process reform proposals include:

- o A Balanced Budget Constitutional Amendment, to end the chronic affliction of spending that exceeds revenues and to assure future fiscal responsibility.
- o A Line Item Veto, a tool possessed by 43 state governors, to help the President control spending.
- o Enhanced rescission authority that would require an up-or-down vote by Congress on Presidential rescission proposals.
- o Biennial Budgeting, to make the budget process easier and more efficient and encourage longer term policy development by the President and Congress.
- o Enactment of Individual Appropriations bills, to avoid crisis-born, thousand-page omnibus "continuing resolutions."
- o A Joint Budget Resolution, requiring approval of the President, to guarantee early negotiations and make it more likely that the resolution would ultimately be reflected in law.
- o Enforcement of the Budget Resolution as a guideline for legislative action, ending differing policy interpretations.
- o Credit Reform, to identify the true subsidy cost of direct and guaranteed loan programs.

- o Heightened Attention to Capital Expenditures without changing the measurement of a budget surplus or deficit.
- o Longer Horizons, to assure that major budget problems such as FSLIC insolvency are anticipated.

II. ADVANCING PRIORITIES FOR GROWTH AND COMPETITIVENESS

A. Investing in R&D and Long Term Productive Capacity

The President's initiatives to assure the continued economic health of future generations include:

- o Encouraging Long-Term Investment by reducing the capital gains tax rate to a maximum of 15 percent for long-held assets and eliminating capital gains taxes for taxpayers with adjusted gross incomes below \$20,000 a year.
- o Elevating Science and Technology in national policy-making by making the White House Science Advisor an Assistant to the President, reporting directly to the President.
- o Enhancing the Federal investment in basic research by increasing research programs of the National Science Foundation and the Department of Energy by \$360 million.
- o Maintaining America's leadership in space. The President proposes a 22 percent increase in funding for the National Aeronautics and Space Administration, providing for the continued development of Space Station Freedom and a build-up of the flight rate of the space shuttle. Viable commercial space initiatives are also encouraged.
- o Making the Research & Experimentation (R&E) tax credit permanent and improving R&E expense allocation rules to encourage continued growth of private domestic research and experimentation.

- o Stimulating Domestic Oil and Gas Production and reducing dependence on foreign oil by:
 - providing tax incentives for exploratory drilling costs; and
 - urging decontrol of natural gas.
- o Constructing the Super Conducting Supercollider which will be used by research scientists around the world and will assure our technological leadership in high-energy physics.
- o Expanding Biomedical Research. The President will propose a seven percent increase in funding for basic research and will encourage new partnerships with industry for applied research.
- o Promoting International Competitiveness. The President will create a Council on Competitiveness to be chaired by the Vice President.
- o Improving Opportunities for Disabled Americans. The President will establish a policy working group of senior Administration officials to recommend changes needed to promote self-sufficiency and to rationalize services across government programs.

B. Investing in People: Education

Educational achievement of our Nation's children is a major determinant of future productivity and our competitive position in the world. The President will help to reward success through public recognition and financial rewards for those schools, students and teachers who have excelled. The President's initiatives include:

- o Rewarding Successful Schools whose students demonstrate substantial progress with a new program starting at \$250 million and rising to \$500 million. The awards can be used by the winning schools for any educational purpose.
- o Recognizing Superior Teachers across the country with public recognition and cash awards to provide incentives for excellence and to demonstrate that highly motivated educators will not go unnoticed.

- o Establishing a National Science Scholars Program to foster a greater commitment to science and mathematics education. Scholarships and opportunities for hands-on experience in federal research laboratories will be provided to top high school students across the country.
- o Creating a new \$100 million addition to the magnet schools program to encourage curriculum innovation and provide better opportunities for motivated students.
- o Helping states develop alternative certification systems to remove unnecessary barriers so that talented and motivated people can become teachers or principals.
- o Providing additional Federal funds to increase support for experimentation and innovation in the schools and to assure timely distribution of knowledge about what works in education.
- o Providing \$60 million over four years in new Federal matching grants for Historically Black Colleges and Universities to create incentives for increased endowments, to assure continued progress of these important institutions.
- o Assuring proper accountability in Federal education programs to provide for the best use of tax dollars and the achievement of educational goals.

C. Expanding Economic Opportunities: Enterprise Zones

- o Create Enterprise Zones to expand economic opportunity for economically distressed areas, using tax incentives and regulatory relief to stimulate growth.

III. ENDING THE SCOURGE OF DRUGS

The President believes in zero tolerance of illegal drug use. No amount of illegal drug use is acceptable to the President. Action on multiple fronts is needed. The President is requesting \$6 billion in FY 1990 to fight drugs, including nearly \$1 billion in new outlays for drug education,

treatment, and enforcement, and will support stiffer drug penalties. The Director of National Drug Control Policy will develop a national drug control strategy.

A. Educating the Young: Drug Prevention

- o Funding for the Drug-Free Schools and Communities Act will be increased.
- o A new \$25 million Emergency Urban Grants program is created for the special needs of those urban school systems with the worst drug problems.
- o A new \$35 million community partnership grant program will also be added to stimulate more community involvement in drug prevention activities.

B. Reclaiming Lives with Improved Drug Treatment

- o Funding for drug abuse treatment will be increased 18 percent, including new grants to reduce the waiting periods for admittance into drug treatment programs.
- o A grant program will be created to assist areas of the country identified as having the greatest need for more treatment for the indigent, disadvantaged, youth and expectant mothers.

C. Going to the Source: Drug Law Enforcement

- o Substantial funding increases are requested for the Drug Enforcement Agency, the Customs Service, the State Department's Bureau of International Narcotics Matters, and the drug interdiction budget of the Coast Guard, to strengthen inspection, interdiction, intelligence efforts and crop eradication programs.
- o The Justice Department will receive funding for grants for local law enforcement agencies and for additional U.S. Attorney prosecutorial staff, as well as for FBI investigations and local law enforcement training.

D. Strengthening Our Laws: Drug Penalties

- o The President will call for strict application of the tough new penalties in the Anti-Drug Abuse Act of 1988.
- o Drug offenders will be a top prosecuting priority of U.S. Attorneys.

IV. MAKING A KINDER, GENTLER NATION

A. Protecting the Environment

The President proposes a nine-part program to protect the environment.

- o Strengthening Our Commitment to Cleaner Air: The President will propose legislation to reauthorize the Clean Air Act, ensuring progress toward meeting air quality standards in the Nation's major cities. The President will ask Congress to establish an acid rain program that will obtain significant SO₂ and NO_x emission reductions, balancing competing interests, by specified dates. The President will work to achieve the worldwide ratification of the historic Montreal Protocol.
- o Preserving and Expanding Recreation Lands: America's parks and open spaces are national treasures. The President proposes \$200 million for new land acquisitions through the Land and Water Conservation Fund, reversing the policy in the January budget of essentially no new acquisitions.
- o Developing Offshore Oil and Gas While Protecting the Environment: The President believes that oil and gas development is necessary; however, drilling will be permitted only in an environmentally sound manner. The President will delay leasing in three sensitive areas pending resolution of environmental concerns by a task force he will establish.
- o Speeding Hazardous Waste Cleanup: A reinvigorated Superfund program is the key to resolving the Nation's hazardous waste problems. Polluters unwilling to clean up their wastes will pay triple damages; cost recovery cases will be pursued sooner to end the incentive for delay; and EPA will use its emergency cleanup authority more often.
- o Fighting Ocean Pollution: The President is committed to end ocean dumping by the end of 1991, and EPA will issue no new permits for ocean dumping of sludge or industrial waste. The FBI and EPA will be instructed to prosecute illegal dumpers of medical waste and new penalties against medical waste dumpers will be sought.
- o Preserving Our Wetlands: The national goal will be no net loss of wetlands. An interagency task force will be established to ensure that all agencies involved in wetlands preservation work toward that goal, and there will be firmer enforcement of present laws aimed at saving wetlands.

- o Enhancing Water Quality: The President proposes an increase in funding of \$64 million for coordinated Federal water quality programs in four agencies. Farmers will be aided in their efforts to avoid groundwater contamination from pesticides and fertilizers.
- o Reducing the Growing Volume of Waste: The President is committed to exceeding EPA's current goal of 25 percent reduction in waste. This is primarily a local problem, but Federal assistance will be expanded, including developing a database on successful waste reduction and recycling techniques.
- o Fostering International Cooperation on the Environment: President Bush will promote international cooperation on environmental issues, including global warming, preservation of the oceans, and the loss of tropical rain forests.

B. Combatting Homelessness

- o The President is committed to addressing forcefully -- through public and private action -- the tragedy of men, women, and children living without homes. The President's budget fulfills his pledge to fully fund the McKinney Act at \$746 million in FY 1990, and over-all funding directed at homelessness will increase 70 percent to \$1 billion.
- o Beyond McKinney, an incremental \$50 million will be requested for a new matching grant program, in partnership with state and local agencies and not-for-profit and volunteer organizations. This program will address many facets of homelessness, encouraging and supporting the most promising local solutions for the problem.

C. Enhancing Parental Choice in Child Care

The President proposes a four-part initiative, a key element of which is to preserve the incentive for parents to make their own decisions about what sort of care is best for their children. The cost of the initiative in 1990 is \$330 million, rising to more than \$2.5 billion by 1993.

- o Enhancing Parental Choice in Child Care: The President proposes a new, refundable tax credit of up to \$1000 for each child under four in low-income families, allowing families to select from a wide range of child care options the arrangement that best suits their needs.

- o Making the Existing Dependent Care Credit Refundable: For lower income families that do not pay tax, the present credit is of no value. Under the proposal it would be made refundable.
- o Expanding Head Start: A \$250 million increase in the Head Start program will allow up to 95,000 additional four year-olds to get a better start in life.
- o Examining Barriers to Liability Insurance: The difficulty encountered by employers in obtaining liability insurance may prevent them from providing on-site child care. The President has directed the Secretary of Labor to determine what obstacles stand in the way of purchasing such insurance, and report back to him by the end of this year.

D. Increasing Adoption

The President proposes to facilitate adoption by restoring the tax deduction for unreimbursed one-time costs of adopting special needs children and doubling it to \$3,000. A reduction in the January budget for the Adolescent Family Life Program is withdrawn, and there is increased funding for several adoption-related programs.

E. Involving Youth in Service: YES to America

The President is convinced that increasing the involvement of young Americans in voluntary programs will not only reduce many national problems but will also instill a life-long spirit of service. He will propose legislation and funding for the establishment of the YES to America Foundation.

F. Responding to HIV/AIDS

Solving the problem of AIDS is the highest public health priority of the Bush Administration. The President proposes an increase of \$313 million in AIDS funding in 1990, devoting more money than ever before for research, education, testing, and counselling.

G. Improving Medicaid for Pregnant Women, Infants, and Children

The President is committed to improving health care for lower-income Americans by focusing first on those most at risk: pregnant women and their children. To accomplish this, the Administration is proposing to further expand eligibility for Medicaid beyond expansions recently enacted. The proposal for Medicaid savings in the January budget is withdrawn.

H. Protecting Social Insurance and Providing for Those in Need

Social Security will be fully funded, with an estimated 3.6 percent Cost of Living Adjustment in January 1990. Other social insurance benefit programs, such as Unemployment Compensation and Veterans Service-connected Compensation, are also fully funded. No cuts are proposed in means-tested entitlement programs.

V. MANAGING AMERICA'S GOVERNMENT BETTER

A. Providing for National Security While Increasing Efficiency

The President proposes to freeze defense budget authority for one year in real terms, followed by a resumption of real growth of one percent in 1991 and 1992 and two percent in 1993. The President will accept the freeze in 1990 only on condition that the savings be allocated to his priority initiatives, and that the defense spending level be part of a comprehensive budget agreement that meets the Gramm-Rudman-Hollings targets without a tax increase and includes budget process reforms.

The President has ordered a review by the National Security Council of defense policies and strategies, and has charged the Secretary of Defense with improving the defense procurement process. The President has also asked the Congress to do its share by streamlining its own procedures of oversight and budgeting for defense.

B. Attending to Problems from the Past

- o Reforming the S & L Sector. A comprehensive plan for dealing with insolvencies in the thrift industry was announced February 6. It involves a mix of industry and taxpayer funds but will not result in greater net budget outlays than contemplated in the January budget, except in FY 1989. The total cost to the taxpayer over ten years is estimated at \$39.9 billion.
- o Protecting Safety and Environment While Modernizing Nuclear Weapons Plants. The President proposes an increase of \$1.1 billion in budget authority in FY 1990 for nuclear safety, environmental cleanup and modernization, 42 percent above 1989. Outlays would rise \$700 million.
- o Ensuring Excellence and Safety in Aviation. Budget authority for the FAA will increase by almost \$1.2 billion in 1990, providing for hiring more air traffic controllers and a 41 percent increase in the program of modernization of the air traffic control system.

C. Transferring Assets to the Private Sector

The Administration intends to transfer to the private sector activities of government that can be best performed there. These include the naval petroleum reserves, helium processing facilities and the assets of two of the seven electric power marketing administrations. In addition, there will be sales of oil and gas leases on the outer continental shelf and in the Arctic National Wildlife Refuge. Three lease areas on the outer continental shelf off California and Florida are withdrawn from proposed sale pending further assessment of potential environmental damage.

VI. SECURING A MORE PEACEFUL WORLD

- o The President is committed to building ever-stronger partnerships with United States allies and friends, who are our first priority.
- o As the result of Western strength and solidarity, we enjoy the prospect of more constructive relations with the East. The President is ready to work with the Soviet Union in many areas, to build on previous significant progress. The agenda for the future includes addressing regional conflicts, arms reduction, human rights and bilateral exchanges, as well as many new transnational challenges, including terrorism, narcotics and the global environment.
- o There is a new appreciation of the benefits of economic freedom -- in developed countries, in developing countries and even in the Communist world. It is increasingly realized that free markets and private initiative are the engine of prosperity and growth. American policies will build upon this awareness and the profound changes it is likely to bring in much of the world.
- o The President and Secretary of State are pledged to consult and collaborate with Congress as appropriate. History shows that foreign policies succeed when there is a spirit of bipartisanship and cooperation.
- o The President has instructed the National Security Council to review the range of foreign policy and national security challenges facing the nation. The NSC will recommend to the President within 90 days options for United States policy.

BUSH BUDGET SUMMARY
RECEIPTS, OUTLAYS, AND DEFICITS
(In billions of dollars)

	1989	1990	1991	1992	1993
Receipts	979.3	1,065.6	1,147.6	1,218.6	1,286.6
Outlays, excluding asset sales	1,149.5	1,160.4	1,211.8	1,249.2	1,284.1
Deficit, excluding asset sales	170.2	94.8	64.2	30.6	-2.5
G-R-H targets	136.0	100.0	64.0	28.0	0.0
Deficit, including asset sales	163.3	91.1	61.9	26.8	-3.8

#

170.2
94.8

75.4