

STATE OF SOUTH CAROLINA
OFFICE OF THE BUDGET COMMISSION
Columbia

April 3, 1950

Mr. President and Gentlemen of the Senate:

Mr. Speaker and Gentlemen of the House of Representatives:

At the 1949 Session of the General Assembly, when appropriations for the present year were finally passed and approved, revenue estimates of the State Auditor and of the State Tax Commission indicated that the revenue yield for the current fiscal year would be sufficient to cover the appropriations made.

On January 31, 1950 the Budget Commission reported to the General Assembly what it considered an immediate or impending crisis in the State's financial affairs. Attached to that report was a revised General Fund revenue estimate for the fiscal year 1949-50, indicating that revenue for the current year would be short of the amount necessary to cover appropriations by the sum of \$3,617,509.16.

Under Section 89 of the General Appropriation Act of 1949-50, the Budget Commission is "authorized and directed to make such reductions of appropriations as may be necessary to prevent a deficit". Said section further provides that "any reduction of appropriations by the Budget Commission shall be uniform and shall apply to all appropriations".

In its report to the General Assembly of January 31st, the Budget Commission suggested three courses that might be followed to meet the situation, and requested that the General Assembly:

1. Provide additional revenue to meet the shortage; or
2. Authorize the Budget Commission to use the General Fund Surplus of \$3,922,660.38 to prevent a deficit; or
3. Concur in a Budget Commission order uniformly reducing the appropriations made in the 1949-50 Act, in order to bring them within the revised estimate of revenue.

Two months have elapsed since this report was made. The General Assembly has neither provided additional revenue, nor authorized use of the General Fund Surplus, nor suggested that the Budget Commission make a uniform reduction in appro-

priations. The Budget Commission felt that, inasmuch as the General Assembly is in session, the Budget Commission should not order a reduction in appropriations under Section 89, without first submitting the problem to the General Assembly for consideration and action.

As a result of a further revision of the revenue estimate by the State Auditor and the State Tax Commission on March 29, 1950, in the light of the March 15th income tax returns, it now appears that the shortage indicated by the January 31st survey will be greatly increased, and that instead of a current operating deficit of \$3,617,509.16, there will be an operating loss this year of \$7,722,483.00. This means, in simple language that, whether authorized or unauthorized, either by the Budget Commission or the General Assembly, the present General Fund Surplus will be entirely wiped out, and there will be a remaining deficit of \$3,799,823.00 as of June 30, 1950, if present appropriations are met.

The Budget Commission has concluded that it has no alternative under Section 89 of the current Appropriations Act, and has this day instructed the Comptroller General and the State Treasurer to reduce all 1949-50 appropriations as indicated by copy of letter to Honorable E. C. Rhodes, Comptroller General, which is hereto attached.

Respectfully submitted,

THE BUDGET COMMISSION

Governor

Chairman, Senate Finance Committee

Chairman, Ways and Means Committee