A FRAMEWORK AND POLICY OPTIONS FOR STATE GOVERNMENT MODERNIZATION

Prepared for the Governor and State Reorganization Commission
State of South Carolina
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The recommendations included in this report are those of the authors and do not necessarily reflect the views of the University of South Carolina or the South Carolina State Reorganization Commission.
EXECUTIVE SUMMARY

State government in South Carolina, as elsewhere, is a booming enterprise. The past 10 to 15 years have seen rapid growth in spending, taxation, and expansion of government programs. Increasingly, however, we are discovering that our resources are not adequate to do all we would like to do. As a result choices must be made. The problem is how to make these choices in order to balance our resources with the objectives we seek to achieve. The situation is complicated by the fact that in South Carolina the state is ill-equipped to make these choices due to the presence of traditions, management styles, and operative skills that are more appropriate to by-gone eras than to the 1970s and 1980s. Our first task must be to establish new management styles and approaches to managing state government.

Any attempt to reorganize government must come to grips with two aspects of reorganization. First, government can be changed structurally so that agencies and programs are transferred, abolished, or otherwise changed in order to expand or reduce the number of government agencies. This approach has been the typical approach to reorganization and is illustrated in the desire of legislative bodies to eliminate overlap and duplication of government programs.

The second approach to reorganization, while not ignoring structural changes, places its emphasis upon management organization and administrative processes, i.e., management styles and approaches. This stems from a belief that clear delineation of authority and power, well organized central management functions—e.g., personnel, budgeting, and planning
functions—and good supervision are just as necessary to efficient and effective government as are concerns over the number of agencies, spans of control, and various forms of activity grouping.

Both of these approaches to reorganization reflect very real, practical concerns. To ignore either of them is to ignore reality and risk unworkable reform proposals. Of the two approaches, however, the second—management process—has become the more important in the late 1970s. As government has grown in levels of expenditure and extent of activities since the mid-century, concern is increasingly focused upon administrative management of public agencies in the recognition that management procedures determine public agency efficiency and effectiveness as much or more so as organizational structure. Examples of such processes include such functions as the recruitment, evaluation, and training of personnel; planning, preparation, execution, and audit of public budgets; planning, goal-setting, and evaluation of public program policies, objectives, and options; and collecting, processing, and disseminating information for use by public officials and the citizenry.

The general approach taken in this report is to emphasize the modernization of management processes in South Carolina. This is not to say that some structural changes are not needed in this state. Some examples are provided in the following pages concerning structural change options as they could be applied to South Carolina. The effective modernization of management functions, however, will shape and impact directions and identify the need for well-planned structural changes. It is here that reform, if it is to be meaningful, must originate.
Several broad choices are presented in this report. These range over such options as:

- Maintaining the present situation
- Strengthening the Budget and Control Board
- Strengthening the Governor together with the Budget and Control Board
- Strengthening the Governor

As indicated earlier two approaches can be taken to reorganization. One involves structural change and the other centers upon management changes. The two are not mutually exclusive, however, but differ instead in emphasis. We argue that organizational structure is only one factor (and not necessarily the most significant one) in determining organizational effectiveness. Our interest, therefore, has been to uncover what else must be done in order to improve the chances of reorganization accomplishing its objectives.

Hence our focus upon improved management styles and approaches. Indeed, it is important that the concept of "reorganization" not be overemphasized in this report, or by political leaders, or the mass media. The term "reorganization", in fact, may divert attention from the real issues. This is because to most people "reorganization" implies some sudden changes in which agencies are abolished, merged, or transferred and government is streamlined to make it more efficient and responsive to the voters. As a result, jobs may be terminated, employees demoted, and established routines disrupted. The usual reaction to this, of course, among state employees and officials is anxiety, caution, and timidity. And one can not realistically expect otherwise. But, this is precisely the point. This is what we do not need. Rather, we need an atmosphere in which state officials and employees are involved
and participate in improving the management of state government. Thus the need for new management styles and approaches as a first step. Structural changes occur second.

We have identified three key management processes in this report which need attention: planning, financial management, and personnel administration. Of these planning is probably the most important because the presence or absence of it can condition the successful use of the other two processes. This is because government tends to centralize a great deal of decisions and involve top level policy officials in making unnecessarily detailed decisions. Policy officials should set policy and not become hopelessly tangled in day-to-day management of programs. They should set policies, review and approve plans, and use information systems to monitor the implementation of plans and programs. This involves planning. It means our officials must establish management processes to set objectives, to budget money on the basis of objectives where possible, and to motivate and train employees to be goal oriented. Thus, South Carolina needs to firmly establish planning as an integral part of state management. Next, it must update its budget process to provide more than just uninformative detail to managers, executives, and legislators. Finally, it must provide a personnel system which rewards initiative and imagination and searches for talented new employees for all state programs.

To begin to move toward modernizing South Carolina state government it is recommended that improved management styles and approaches be given top priority. We therefore propose that the Governor, as the chief executive of the state, be strengthened in order to focus
attention upon the need for management improvement with this as one of his most important charges. Accordingly, we suggest the creation of new offices which cover the various functional areas of state government activity. All existing state agencies would be assigned to one of these offices. The administrator in charge of each office should be someone responsible to the Governor and indirectly to the Budget and Control Board. These offices would be responsible for management improvement in their functional area and would study and recommend changes in planning, finance, and personnel administration. At the central level of government in the state, divisions of planning, finance, personnel, and general services would exist in order to provide coordination and central policy guidance to the offices from the Governor, Legislature, and Budget and Control Board. The Legislature, in mandating a strong central management structure, would help assure all citizens that the intent of legislative policies, programs and appropriations would be implemented in the most effective and efficient manner.

This proposal could cost the state some additional money, and would require certain statutory changes and personnel transfers. It is felt, however, that unless management styles and approaches are addressed forthrightly in this state, structural reorganization will have little meaning. Should management issues be addressed first, structural changes will follow, but will be the result of more informed, realistic decisions. The key to South Carolina's future is management.
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I. INTRODUCTION

Reorganization Trends in the United States

Efforts to reorganize government are a recurring theme in the United States. The themes established under Herbert Hoover and other public administration experts have not changed much over the past three or four decades. One still finds the following types of purposes sought via reorganization:

1. To increase effectiveness of management
2. To promote economy and efficiency in government
3. To group agencies by major function so as to coordinate and consolidate them
4. To reduce the number of agencies by grouping them into large agencies housing similar functions organized under a single agency head
5. To reduce overlap and duplication of services

These purposes have become virtual dogmas of administrative reform in the United States. Their common acceptance and use, however, obscures some basic realities of administration and politics. These include the following:

1. The purpose of reorganization is not just economy—it is also to achieve better management. Economy in and of itself can be produced by curtailing services and abolishing agencies and programs. It is not always a product of reorganization.
2. Traditional doctrines of administrative organization overemphasize structural mechanics. Structural change by itself is not enough. Some reorganizations may require political changes;
others will require management reforms which coincide with structural changes.

3. Executive branch administrative organization and structure is very often a mirror of society, reflecting the current values, conflicts, and traditions of that society. The search for a neat, frictionless organization structure is unrealistic. Organizational structure is not neutral. It expresses commitment, priorities, and direction. The use of economy or efficiency models without other considerations will result in serious distortions and mounds of useless paper.

4. Attention must be devoted to maintaining adequate checks in a governmental system so as not to disturb the balance of power between the executive and legislative branches. For example, although boards and commissions are generally criticized as multi-headed executive agencies, and usually roundly unloved, they have been difficult to eliminate since they are believed by many to provide balance between executive and legislative authority.

**Reasons for State Reorganization**

What motivates a state to consider reorganization? Many reasons exist. The most commonplace reflect a periodic need to assess the administrative structure and organization of the state to assure good management practices. Other important reasons exist, however, for reexamining state government organization. These include the need to assure that legislative intent is followed by state agencies and that
appropriate legislative oversight occurs which maintains a balance of power between the branches of state government. State government also needs to be reexamined on a somewhat regular basis to assure executive and bureaucratic responsibility and accountability to the public and its representatives. Finally, regular attention needs to be focused upon state government from the perspective of its administrative efficiency, effectiveness, economy, and equity regarding its services and programs. Government agencies and programs grow and expand over time and require periodic appraisal and critical examination so that current state priorities are accurately reflected in state programs and services. Therefore, some of the key goals of reorganization and modernization are the following:

1. To assure the protection of the public interest against the politization of the state bureaucratic structure.
2. To establish a workable and accountable central management system.
3. To improve the quality and effectiveness of services rendered to the public.
4. To improve the efficiency of the administration of programs established by statute in keeping with legislative intent.

In the late 1960s and early 1970s, twelve states developed reorganization plans which reflected the goals mentioned above. Eleven of these states now have constitutional restrictions on the number of executive departments. The five States having the fewest number of departments were among the last to reorganize. Thus, the approach followed by most states has been structural reorganization.
Reorganization in South Carolina

In 1949 the General Assembly created the State Reorganization Commission. This Commission was authorized to study the administrative needs of the State and to recommend when departments should be merged and when agencies had served their purposes and should be discontinued. The Act declares it to be in the public interest that the Executive and administrative agencies and functions of the State government be reorganized to increase the efficiency of their operations, to promote economy, and to reduce the cost of government. During the early 1950s the Reorganization Commission submitted a total of nine proposals detailing changes needed in the administrative organization of the state. As a result several small state agencies were abolished and the present State Budget and Control Board was established. This board was given the responsibility of some of the activities which had been under the control of the abolished boards.

After these major proposals were implemented, the Commission was inactive until 1971 when proposals to consolidate the State Pollution Control Authority and the State Board of Health, to merge the drug and alcohol programs into the Commission on Alcohol and Drug Abuse, and to strengthen the budgetary powers of the Commission on Higher Education were presented to and enacted by the General Assembly. Again the Reorganization Commission recessed until 1976 when it proposed a plan to reorganize the Disaster Preparedness Agency. At this time it was again asked to reexamine the organization of state government.
Current Approach to Reorganization in South Carolina

Any attempt to reorganize government must come to grips with two aspects of reorganization. First, government can be changed structurally so that agencies and programs are transferred, abolished, or otherwise changed in order to expand or reduce the number of government agencies. This approach has been the typical approach to reorganization and is illustrated in the desire of legislative bodies to eliminate overlap and duplication of government programs.

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Both of these approaches to reorganization reflect very real, practical concerns. To ignore either of them is to ignore reality and risk unworkable reform proposals. Of the two approaches, however, the second—management process—has become the more important in the late 1970s. As government has grown in levels of expenditure and extent of activities since the mid-century, concern is increasingly focused upon administrative management of public agencies in the recognition that management procedures determine public agency efficiency and effectiveness as much or more so as organizational structure. Examples of such processes include such functions as the recruitment, evaluation, and training of
personnel; planning, preparation, execution, and audit of public budgets; planning, goal-setting, and evaluation of public program policies, objectives, and options; and collecting, processing, and disseminating information for use by public officials and the citizenry.

The general approach taken in this report is to emphasize the modernization of management processes in South Carolina. This is not to say that some structural changes are not needed in this state. Some examples are provided in the following pages concerning structural change options as they could be applied to South Carolina. The effective modernization of management functions, however, will shape and impact directions and identify the need for well-planned structural changes. It is here that reform, if it is to be meaningful, must originate. Several broad choices are presented in this report. These range over such options as:

- Maintaining the present situation
- Strengthening the Budget and Control Board
- Strengthening the Governor together with the Budget and Control Board
- Strengthening the Governor

It is important to note, however, that the options presented here are not specific with regard to some of the key issues surrounding state government reorganization in South Carolina. This has been done deliberately so as not to associate broader management questions with particular issues. Some examples of specific issues which may need to be resolved in this state if reorganization is desired include the following:

1. How many and which state officials should be elected on a statewide basis?
2. How should key central management and other officials be appointed, to whom are they responsible, and what should be their term of office? (Such officials would include the State Auditor, Planning Director, Personnel Director, General Services Director, and other major department heads.)

3. What is the nature of executive authority in South Carolina? What language might be included in a constitutional amendment and/or legislation to render executive authority to the Governor, and/or limit the number of executive agencies, if this is desirable?

4. How much executive authority should boards, commissions, and advisory councils exercise? How should they be appointed, to whom are they responsible, and what should be their term of office?

5. What is the role of the Budget and Control Board in relation to the Governor and agency heads regarding executive authority and responsibility?

These issues are discussed in more detail throughout this report. At this point it is important to note that the options posed in this report do not rely upon any particular configuration of answers to the above questions.
II. STRUCTURAL REORGANIZATION

The Present Structure of State Government

Legislators and state agency officials frequently request organization charts of state government. While various charts have been developed over the years, the overall structure of South Carolina state government virtually defies an understandable graphic presentation, particularly in a format such as used in this report. Thus, no chart is provided here. Rather, brief descriptive material is provided in the following section to outline the structure of state government. (See Table I. Appendix I depicts agency groupings in South Carolina as shown in the 1977-78 General Appropriations Bill including state funds and total agency personnel.)

In general one finds that South Carolina state government is composed of executive officials elected on a statewide basis (the Governor, of course, being the "chief executive"), legislators, judges, state boards, commissions, departments, and other agencies. The focus here is upon the chief executive and the state bureaucracy. Most state boards, departments, and so forth are governed by boards and commissions in South Carolina. (Some exceptions exist for elected agency heads, i.e., agriculture, attorney general, treasurer, etc.) These boards and commissions are appointed in a variety of ways as the following section indicates. (See Table I.)

These include:

- Appointment by Governor
- Appointment by Governor with advice and consent of the Senate
- Appointment by Governor and legislative delegations
- Appointment by General Assembly
- Appointment by Governor and General Assembly
TABLE I

State Agency Functional Organization

Human Resources

Agencies that have their boards or commissions appointed by the Governor:

- Advisory Council for Comprehensive Health Planning
- Advisory Hospital Council
- Commission on Aging
- Council for Control of Methadone Programs for Narcotic Addicts
- Technical Advisory Radiation Control Council
- Tuberculosis Control Advisory Committee
- State Housing Authority
- Commission on Human Affairs
- Department of Veteran's Affairs (Director only)

Appointed by the Governor with advice and consent of the Senate:

- Alcohol and Drug Abuse
- Children's Bureau
- Commission for the Blind
- Department of Health and Environmental Control
- Mental Health
- Mental Retardation
- Vocational Rehabilitation
- Commission on the Status of Women
Appointed by Governor upon recommendation of Legislative Delegations:

Advisory Board Review Care of Foster Children
Regional Health Services District
GLEAMS Human Resources Commission

Appointed by the Governor and the General Assembly:

Nuclear Advisory Council

Elected by the General Assembly:
Department of Social Services

Education

Agencies that have their boards or commissions appointed by the Governor:

Commission on Higher Education
Educational Television
School for the Deaf and Blind

Appointed by the Governor with advice and consent of the Senate:

John de la Howe School

Appointed by the Governor and Legislative Delegations

State Board of Technical and Comprehensive Education

Appointed by the General Assembly:

Clemson University
The Citadel
Higher Education Tuition Grant Committee
Medical University of South Carolina
Wil Lou Gray Opportunity School
State College
Winthrop College
State College Board of Trustees
College of Charleston
Francis Marion
Landen
University of South Carolina
USC Regional Campuses
Board of Education
Governor with legislative delegations

Natural Resources

Agencies that have their boards or commissions appointed by the Governor:

Forestry
Land Resources Conservation Commission
Pesticide Advisory Committee
Water Resources
Clark Hill Authority
New Horizons Development Authority*
Patriot's Point Development Authority*
Bushy Park Authority

*These could be grouped under Economic Development also.
Appointed by the Governor with advise and consent of the Senate:

Wildlife and Marine Resources
Public Service Authority*
Parks, Recreation and Tourism*

Appointed by the General Assembly:

Clemson University - State Crop Pest Control
Clemson University - Fertilizer Board of Control

Appointed by Governor and Legislative Delegations:

Agriculture Commission - Department of Agriculture

Economic Development

Agencies that have their boards or commissions appointed by the Governor with advice and consent of the Senate:

Parks, Recreation and Tourism**
State Development Board Geological Survey
Ports Authority
Public Service Authority**

Appointed by the Governor:

New Horizons Development Authority
Patriots Point Development Authority**
State Rural Electrification Authority**

*These could be grouped under Economic Development also.
**Also grouped under Natural Resources
Public Safety

Agencies that have their boards and commissions appointed by the Governor:

Disaster Preparedness Advisory Council
Disaster Preparedness Agency
South Carolina Law Enforcement Division (Director and agents)
South Carolina Enforcement Training Council

Corrections

Appointed by the Governor with advice and consent of the Senate:

Department and Board of Youth Services
Department of Corrections
Probation, Parole and Pardon Board
Department of Juvenile Placement and Aftercare

Cultural Affairs

Agencies that have their boards and commissions appointed by the Governor:

Museum Commission
South Carolina State Library
Governor's Mansion and Lace House Commission

Appointed by Governor with advice and consent of the Senate:

Archives and History
Arts Commission
Appointed by the General Assembly:

Confederate Relic Room
Old Exchange Building Commission

Appointed by the Governor with advice and consent of the Senate:

Public Railway Commission
Aeronautics Commission

Appointed in part by the Governor and Legislative Delegations:

Highway Department

Regulatory and Licensing Agencies

Agencies that have their boards or commissions appointed by the Governor:

Architectural Examiners
Board of Accounting
Board of Nursing
Board of Occupational Therapy
Cemetary Board
Chiropractic Examiners
Cosmetic Art Examiners
Dentistry
Engineering Examiners
Environmental Systems Operators
Financial Institutions (advise and consent)
Funeral Service
Licensing Board of Contractors
Manufactured Housing Board
Medical Examiners
Nursing Home Administrators
Optometry - Opticianry
Pharmaceutical Examiners
Physical Therapists
Podiatry Examiners
Psychology
Registered Sanitarians
Registration of Foresters
Social Worker Registration
Speech Pathology and Audiology Board
Dairy Commission
Board of Barrier Free Design
Veterinary Medicine Examiners
ABC Commission (advise and consent)
Commission on Charitable Organizations
Council of Advisors on Consumer Credit
State Election Commission
Patient's Compensation Fund
South Carolina Reinsurance Facility
Appointed by the Governor with advice and consent of the Senate:

Barber Examiners
Residential Home Builders
Industrial Commission
Workmen's Compensation Fund
Insurance Commission
Commission on Consumer Affairs
Department of Labor (Director only)
Tax Commission
Tax Board of Review

Appointed by General Assembly:

Public Service Commission
Employment Security Commission

Appointed by Governor and General Assembly:

State Ethics Commission (advice and consent)

Appointed by Legislative Delegations:

Real Estate Commission

Legislative

Appointed by General Assembly:

Legislative Council
Legislative Audit Council
Appointed by the Governor and General Assembly:

Reorganization Commission

Judicial

County Courts
Circuit Courts
Family Courts
Municipal Courts
Judicial Council
Probate Courts
Supreme Court

Constitutional and Statewide Elected Officers

Adjutant General
Attorney General
Comptroller General
Local Boards of Assessors
County Boards of Equalization
Governor
Lieutenant Governor
Secretary of State
State Treasurer
Commissioner of Agriculture
Superintendent of Education
Probably the most well known board in South Carolina is the Budget and Control Board composed of the Governor, Comptroller General, Treasurer, and legislative chairmen of the Senate Finance Committee and the House Ways and Means Committee. The responsibilities of this board are executive in nature and include oversight of the preparation of the state budget and state appropriations, auditing, personnel administration, retirement, purchasing, research and statistics, computer services, motor vehicles and on and on.

The reasons for considering reorganization and modernization in South Carolina are similar to those listed earlier in this report for general state reorganization. Particular reasons specific to this state, however, center in large part upon the extensive use of boards exercising executive authority. These issues are dealt with in more detail throughout this report and at the conclusion of this report.

As one scans the various degrees of structural change or reorganization which could occur in South Carolina there appears to be an unlimited number of variations which could be used. To catalog them all would be exceedingly costly in time and effort for all parties involved. Hence, we narrow the variations to three types, which seem to include the basic options for structural reorganization of state government. These types are:

TYPE I: Limited Structural Change Model

TYPE II: Strong Legislative Model

TYPE III: Strong Executive Model

Each of these models is discussed briefly in the following pages.
A note of caution is worthwhile, however. The models posed here are general and intended to focus attention upon the major viable options open to decision makers regarding reorganization. They are not intended as blueprints for action, but rather as guides. Thus, once a model is agreed upon the actors in the reorganization effort must negotiate the details of a specific plan.
TYPE I

Limited Structural Change Model

Structural changes in state government do not have to be drastic or involve huge amounts of money. Thus, one option is to initiate somewhat limited structural changes (i.e., without total state reorganization) which may or may not lead to further changes at future dates. We can identify at least three major variations of such changes. These are:

1. Internal structural reorganization within existing agencies to increase efficiency, program effectiveness, and accountability.

2. The transfer of one or more functions, activities, or programs from one state agency to another agency having a similar mission.

3. The consolidation of two or more state agencies having common missions and programs.

Illustrations of areas in which limited structural changes could occur include the following:

1. Regulatory agencies
2. Professional and occupational licensing agencies or boards
3. Natural resource agencies
4. Human services agencies
5. Economic resource agencies

The Reorganization Commission is investigating most of these areas and will make appropriate recommendations.
TYPE II

Strong Legislative Model

Another option is to strengthen the state legislature, as opposed to the governor, as a result of structural changes. Specific alternatives which could be used include:

1. Increasing the number of legislative appointees on agencies and boards.

2. Decreasing or eliminating gubernatorial appointees on agency boards.

3. Specifying that executive officials could not be terminated without legislative approval.

There are other actions which would strengthen the legislature, of course, but they tend not to reflect structural concerns. Such would include more intensive legislative oversight of state agencies and programs through hearings and investigations, increased committee staffing, and improved access to timely, useful evaluative and technical information to improve legislative policy making. These changes should not be confused with structural changes, however, discussed under this model.

The major difficulty with this model is that it fails to confront many of the reasons for reorganization—i.e., the need to focus authority and simplify organizational structures, lines of communications, and chains of command.
TYPE III

Strong Chief Executive Model

The final model presented here to structurally reorganize state government is to strengthen the chief executive. Structurally this could be done on a statewide basis by grouping state agencies into fewer organizational units with the Governor appointing the head of each agency. This is frequently referred to as a cabinet-type of government and is a very strong form of the executive model. Other variations could be used, however, including:

1. The Governor could appoint agency heads with the advice and consent of the Senate, House of Representatives, or the entire General Assembly.

2. The Governor could appoint agency heads with the advice of a legislative council with the officials serving at the pleasure of the Governor and the council.

3. The Governor could appoint all agency heads with the legislature appointing all or some of any boards overseeing the agencies.

There are other issues raised in this model for South Carolina not discussed heretofore, though. They involve the role of boards and commissions. Variations exist regarding how to deal with them. They could be abolished, made advisory in nature, or be appointed in their entirety by the Governor.

The chart provided here is one illustration of how this model could be structured. (See Figure I.)
FIGURE I

STRUCTURAL REORGANIZATION; EXECUTIVE CABINET FORM
III. CENTRAL MANAGEMENT FUNCTIONS

The Current Organization of State Government

The central management functions of South Carolina state government are presently found primarily under the State Budget and Control Board. These involve the activities of personnel, finance, planning, general services and their related activities. (See Figure II.)

Central management and planning are necessary in state government because so many state programs, services, investments, and regulations are in existence. Since no single state agency or program dominates state activities, the absence of consistent policy breeds decisions which are random with respect to state growth, development, and administrative management. The object of management and planning is to get everyone pulling in the same direction together so they do not cancel each other out. To manage effectively and engage in necessary planning several things are necessary. These include: definition, credibility, realism, and accountability. Management must be clearly defined and communicated to assure consistency of purpose and direction. It must have credibility, i.e., those in authority must participate in and sanction decisions so that others see their involvement and support.

Management must be realistic; it must attempt to accomplish what is feasible and reject launching into advocating ideal situations which have little or no chance of implementation. Too often management guidelines and directives are issued which imply that state bureaucracy is a well-oiled machine, willing and capable of executing precise maneuvers upon command. State government, however, is not that precise. Rather, it is an assortment of semi-autonomous agencies woven together in a
fabric of checks and balances, saturated with the interests of public and private constituencies that are often in competition with each other. The political facts of life require that these constituencies be appraised, cajoled, and persuaded to follow standard policies. One must not forget that altering the behavior of bureaucracy requires a great deal of patience, persistence and diplomacy.

Finally, management requires accountability so that following planning and policy formulation the implementation of policy can be assessed and evaluated. Two potent means of establishing and monitoring accountability are found in control over personnel administration and financial administration. The fact that management policies are executed by state employees requires some control over the entry, development and evaluation of public employees. Also, since a large portion of state expenditures cover personnel salaries and benefits, it is vital that some control be exerted to restrain random, uncontrolled growth. Financial Administration is also a key issue in assuring accountability. The budget document should be arranged so that expenditures along major policy themes can be identified. State programs should be identified and supported with firmly administered planning and evaluation surveillance by both the legislature and the executive. Other functions such as purchasing and general administrative support services should also be monitored to assure accountability and efficient management of public revenues.

In sum, central management functions involve the following processes: personnel and financial administration, planning, and general administrative
support services. Throughout these management processes there exists a need for consistency of purpose, attitude, and technique in state government if we are to approach realization of such values as responsive and responsible government which delivers efficient and effective services to its citizens.

**The Problem**

The question that is raised concerning central management functions is how they should be organized and who is responsible. At present the Budget and Control Board is the "administrative core of South Carolina State government." Created in 1950, the Board has expanded its duties and functions to include state finances, planning, personnel, employee benefits, retirement, motor vehicle management, general services, and research and statistical services. Literally dozens of statutes prescribe its duties and functions. A sampling of these include functions such as:

- To arbitrate grievances between the state and its employees.
- To carry insurance on all State, School, and county public buildings.
- To select the State Auditor
- To select the State Engineer and Electrician.
- To regulate the acquisition, use and distribution of Federal surplus property.
- To direct the Board for Barrier-Free Design.
- To authorize emergency loans for disaster and recovery operations to local governments when the legislature is out of session.
- To direct the office of the State Fire Marshall.
- To approve the purchase or disposition of real property by
  the Department of Parks, Recreation and Tourism Commission.
- To submit a proposed annual budget to the legislature.

For a more thorough listing of the duties and functions of the Budget
and Control Board see Appendix II of this report.

Currently, the effective administration by the Budget and Control
Board of its many day-to-day functions is a key concern in reorganizing
central management functions. The constitutionality of the Board was
upheld in 1977 by the State Supreme Court in its ruling that the composi-
tion of the Board was legal. It is noteworthy, however, that the Court
did not address the issue of the Board exercising executive functions
and duties and increasing reliance upon the Board. Thus, it is possible
that in future litigation the Board could be declared to be encroaching
upon the authority of the executive branch when it performs duties of an
executive nature. Nevertheless, it is clear that the present Board is
sanctioned as long as executive officials on the Board outnumber the
legislative members.

Several options exist for reorganizing central management functions
in the state. These include the following:

TYPE I: Strengthened Legislative Control Model
TYPE II: Strengthened Budget and Control Board Model
TYPE III: Strengthened Governor with the Budget and Control
         Board Model
TYPE IV: Strengthened Governor Model

As will be seen, three of these models are potentially workable.
The importance of improving central management functions should not become associated with any one model for reform, however, but should be seen as a transferable concept which can be adapted to several particular reform approaches.
TYPE I

**Strengthened Legislative Control Model**

One option would be, of course, to strengthen the control of the legislature over central management in the state. This should not be confused with legislative oversight, however. Rather, the option viewed here is to increase legislative involvement in management or executive functions.

This option is not a viable one if we follow the rationale of the recent test of the constitutionality of the Budget and Control Board. The Court ruled that the Board was legal so long as legislative involvement was in the minority in relation to executive officials. Thus, one could conclude that any movement to strengthen legislative direction of management or executive functions would be construed as unconstitutional and abridging the concept of separation of powers. This model, therefore, is not considered to be a viable option.
TYPE II

Strengthened Budget and Control Board Model

A second option would be to strengthen the State Budget and
Control Board in order to focus responsibility for management direction
and authority in the state. The figure provided here is an illustration
of how this approach could be structured. This model does two things:
(See Figure III)

1. An Executive Director is created to oversee the management
   functions of the Board and provide day-to-day oversight.
2. The key management processes of planning, personnel, finance,
   and general services are focused and authority clearly defined
   regarding management control.

This model is not a new suggestion. It has been recommended on
previous occasions, such as in July, 1976 by EJB Associates in the
"Limited Reconnaissance Review of Functions Under the Budget and Control
Board," and in 1972 by Governor West's "Governor's Management Review
Commission: Survey Report and Recommendations." Both of these reports
noted the lack of day-to-day operational control by the Board. They also
reflect a recognition that the Board, as it exists now, fails to focus
management responsibility in state government. Instead, it facilitates
confusion and ambiguity concerning management responsibility between the
Board and the Governor and state agencies.

Should this option be used there are variations for selecting
an Executive Director. These include:

1. Appointment by the Board serving at its will and pleasure.
This poses some problems, however, by seeming to establish a competing actor for the Governor via-a-vis executive responsibility and could be subject to legal challenge.

2. Appointment by the Governor with the advice and consent of the Board and serving at the will and pleasure of the Governor.

3. Appointment by the Governor alone.

Other issues raised by this model are common to the models which follow as well. Thus, they are deferred for discussion.
TYPE III

Strengthened Governor and Budget and Control Board Model

The key to this approach is the centralization of management processes in a decentralized governmental structure. A key assumption made is that core management functions in government should be focused clearly upon an executive in order to assure accountability and responsible government. Moreover, this option recognizes that structural change without change in management processes is likely to accomplish little or nothing. Thus, the focus here is upon designating the Governor as the executive who is responsible for core state management functions, i.e., personnel and financial administration, planning, and general administrative support services. This could be done by the State Budget and Control Board specifying that the Governor act as its agent as well as the state's chief executive in managing state government with the Board retaining policy oversight. In addition, the following key changes could be considered in order to modernize management styles and approaches in South Carolina (See Figure IV.)

1. Create executive divisions for the four core management functions headed by an appointee of either the Governor or the Budget and Control Board. Such divisions would provide coordination and policy direction for their management process throughout state government. (This model could include the Executive Director position outlined in Type II.)

2. Create executive offices to coordinate all management functions in state agencies falling within similar functional groupings. These offices would be composed of what is now variously called the Division of Administration and some additional personnel.
FIGURE IV

STRENGTHENED GOVERNOR AND BUDGET AND CONTROL BOARD
The managers of these offices could be gubernatorial appointees. The offices would coordinate and assist state agencies in their functional area by assuring the use of standardized financial and personnel policies, adequate planning procedures, and administrative support services through their linkages with functional area staff teams within the executive divisions. This would enable some economy in many agencies through economies of scale for some management services.

This model does not reorganize state agencies but rather attempts to group them into manageable functional groupings for the purpose of centralizing certain common management processes to assure responsible policy management by state agencies in accord with executive and legislative guidelines. This option also recognizes the decentralized nature of state agency management, however, by placing the core central management processes also in several offices organized along functional lines which in turn deal with individual agencies. It is felt that once agencies are grouped together for certain administrative and reporting purposes that some reorganization would become self-evident and be generated by the offices and agencies themselves.

As a result of creating larger offices which oversee key management processes on a functional basis, one could expect several additional improvements to be made since a staff is created which can emphasize processes of management and not day-to-day operations. Such include:

1. Budget format and process improvements could be made which would provide more useful and informative information to policy makers by which to make their decisions.
2. Preparation of an administrative manual which would compile standard operating procedures established by the relevant central management division and adjusted as necessary on the office level to reflect unique functional problems. These would include policies on personnel, employee benefits, contracting and bid procedures, and travel and purchasing guidelines.

3. Relevant functional plans could be prepared by the offices in response to overall state policies and goals. A state development plan could also be generated from the executive division outlining state priorities and objectives, with needed guidelines and coordinating mechanisms implemented through the executive offices.

4. Preparing organization charts to describe the structure of state government and its agencies to public officials and the citizenry.
TYPE IV

Strengthened Governor Model

The final model proposed here is the strengthened Governor by focusing authority and responsibility clearly upon him. The Budget and Control Board could be either abolished or relegated to an advisory role which does not involve executive decisions or day-to-day administration. (See Figure V.)

Many states have in recent history sought to strengthen their chief executive by revitalizing the Governor in order to improve policy coordination and administrative management. It is felt by some that accountability and efficiency are better achieved when authority is lodged in a single executive who is responsible to the legislature and the voters for his stewardship.

The South Carolina State Constitution states that the "supreme executive authority of this State shall be vested in a chief Magistrate, who shall be styled 'The Governor of the State of South Carolina.'" (Art.IV. Sec.1) Unfortunately, further specification of the executive powers of the Governor are not forthcoming. The citizens of this states, however, perceive the Governor as the responsible executive official for the administration and enforcement of our laws, and the coordination of the many executive departments, boards, and commissions. This is a misperception, however. The Governor is only one of several statewide elected executive officials. Although he possesses ex officio membership on some boards and commissions, he really has little or no power to control or direct most of the state's executive and administrative
activities. The power of the Governor derives from his ability to influence others by appointing some board and commission members of state agencies, and through his powers of persuasion and his political following.

The model posed here could be used to alter this situation. Management functions would be clearly designated as falling under the control of the Governor. These functions would include the four functions shown on the accompanying chart—personnel, finance, planning, and general services. Some structural changes would also be needed though in order to effectuate the management changes. These changes would resemble those posed under the strong executive model discussed under structural changes.

This model would require legislative changes as well as potential constitutional revision to establish the Governor as the sole executive authority in South Carolina.
IV. ANALYSIS AND RECOMMENDATIONS

The issue at hand in this report can be clearly stated: state government modernization. We have attempted to outline in a few pages the options which exist, as well as provide a framework for discussing state government modernization. In so doing we have not provided a lot of detail concerning the various options. There is a reason for this. It is because the options posed here reflect general models which can incorporate varied arrangements concerning the election or appointment of key officials and the status of agency boards and commissions. This is not to imply that these issues are not important—they are very important. But, before one becomes entangled in these issues—and loses sight of the forest because of the trees—it is necessary to establish some general direction or orientation to guide the discussion of those issues. This is the intent of this report. Briefly, let us restate the concern which guides this report and leads us to some recommendations.

The Problem

State government in South Carolina, as elsewhere, is a booming enterprise. The past 10 to 15 years have seen rapid growth in spending, taxation, and expansion of government programs. Increasingly, however, we are discovering that our resources are not adequate to do all we would like to do. As a result choices must be made. The problem is how to make these choices in order to balance our resources with the objectives we seek to achieve. The situation is complicated by the fact that in South Carolina the state is ill-equipped to make these choices due to the presence of traditions, management styles, and operative
skills that are more appropriate to by-gone eras than to the 1970s and 1980s. Our first task must be to establish new management styles and approaches to managing state government.

The Need for New Management Styles

As indicated earlier in this report, two approaches can be taken to reorganization. One involves structural change and the other centers upon management changes. The two are not mutually exclusive, however, but differ instead in emphasis. We argue that organizational structure is only one factor (and not necessarily the most significant one) in determining organizational effectiveness. Our interest, therefore, has been to uncover what else must be done in order to improve the chances of reorganization accomplishing its objectives. Hence our focus upon improved management styles and approaches. Indeed, it is important that the concept of "reorganization" not be overemphasized in this report, or by political leaders, or the mass media. The term "reorganization", in fact, may divert attention from the real issues. This is because to most people "reorganization" implies some sudden changes in which agencies are abolished, merged, or transferred and government is streamlined to make it more efficient and responsive to the voters. As a result, jobs may be terminated, employees demoted, and established routines disrupted. The usual reaction to this, of course, among state employees and officials is anxiety, caution, and timidity. And one can not realistically expect otherwise. But, this is precisely the point. This is what we do not need. Rather, we need an atmosphere in which state officials and employees are involved
and participate in improving the management of state government. Thus the need for new management styles and approaches as a first step. Structural changes occur second.

The Need for State Policy Planning

We have identified three key management processes in this report which need attention: planning, financial management, and personnel administration. Of these planning is probably the most important because the presence or absence of it can condition the successful use of the other two processes. This is because government tends to centralize a great deal of decisions and involve top level policy officials in making unnecessarily detailed decisions. Policy officials should set policy and not become hopelessly tangled in day-to-day management of programs. They should set policies, review and approve plans, and use information systems to monitor the implementation of plans and programs. This involves planning. It means our officials must establish management processes to set objectives, to budget money on the basis of objectives where possible, and to motivate and train employees to be goal oriented. Thus, South Carolina needs to firmly establish planning as an integral part of state management. Next, it must update its budget process to provide more than just uninformative detail to managers, executives, and legislators. Finally, it must provide a personnel system which rewards initiative and imagination and searches for talented new employees for all state programs.

Recommendations

To begin to move toward modernizing South Carolina state government it is recommended that improved management styles and approaches be
given top priority. We therefore propose that the Governor, as the chief executive of the state, be strengthened in order to focus attention upon the need for management improvement with this as one of his most important charges. Accordingly, we suggest the creation of new offices which cover the various functional areas of state government activity. All existing state agencies would be assigned to one of these offices. The administrator in charge of each office should be someone responsible to the Governor and indirectly to the Budget and Control Board. These offices would be responsible for management improvement in their functional area and would study and recommend changes in planning, finance, and personnel administration. At the central level of government in the state, divisions of planning, finance, personnel, and general services would exist in order to provide coordination and central policy guidance to the offices from the Governor, Legislature, and Budget and Control Board. The Legislature, in mandating a strong central management structure, would help assure all citizens that the intent of legislative policies, programs and appropriations would be implemented in the most effective and efficient manner.

This proposal could cost the state some additional money, and would require certain statutory changes and personnel transfers. It is felt, however, that unless management styles and approaches are addressed forthrightly in this state, structural reorganization will have little meaning. Should management issues be addressed first, structural changes will follow, but will be the result of more informed, realistic decisions. The key to South Carolina's future is management.
## APPENDIX I

Agency Groupings by Function as Shown in 1977-78 General Appropriations Bill

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<tr>
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<th>Agency</th>
<th>State Funds</th>
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<tr>
<td>65.</td>
<td>Clemson University (Pub. Serv. Act.)</td>
<td>14,637,565.00</td>
<td></td>
</tr>
<tr>
<td>66.</td>
<td>Wildlife and Marine Resources Department</td>
<td>5,832,388.00</td>
<td>668</td>
</tr>
<tr>
<td>67.</td>
<td>Department of Parks, Recreation and Tourism</td>
<td>5,005,699.00</td>
<td>426</td>
</tr>
<tr>
<td>68.</td>
<td>State Development Board</td>
<td>2,564,606.00</td>
<td>84</td>
</tr>
<tr>
<td>69.</td>
<td>Patriot's Point Development Authority</td>
<td>378,240.00</td>
<td>52</td>
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<tr>
<td>70.</td>
<td>Clark Hill Authority of S.C.</td>
<td>87,288.00</td>
<td>3</td>
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<tr>
<td>71.</td>
<td>New Horizons Development Authority</td>
<td>48,597.00</td>
<td>2</td>
</tr>
<tr>
<td>Section</td>
<td>Agency</td>
<td>State Funds</td>
<td>No. Personnel</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------------------</td>
<td>---------------</td>
<td>---------------</td>
</tr>
<tr>
<td>72.</td>
<td>Public Service Commission</td>
<td>2,410,729.00</td>
<td>139</td>
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<tr>
<td>73.</td>
<td>Industrial Commission</td>
<td>1,131,391.00</td>
<td>62</td>
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<tr>
<td>74.</td>
<td>State Workmen's Compensation Fund</td>
<td>327,913.00</td>
<td>19</td>
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<tr>
<td>75.</td>
<td>Second Injury Fund</td>
<td>66,610.00</td>
<td>3</td>
</tr>
<tr>
<td>76.</td>
<td>Insurance Department</td>
<td>2,758,230.00</td>
<td>119</td>
</tr>
<tr>
<td>77.</td>
<td>Board of Financial Institution</td>
<td>754,478.00</td>
<td>36</td>
</tr>
<tr>
<td>78.</td>
<td>Commission on Consumer Affairs</td>
<td>375,170.00</td>
<td>23</td>
</tr>
<tr>
<td>79.</td>
<td>State Dairy Commission</td>
<td>184,366.00</td>
<td>9</td>
</tr>
<tr>
<td>80.</td>
<td>Department of Labor</td>
<td>1,613,839.00</td>
<td>127</td>
</tr>
<tr>
<td>81.</td>
<td>Contractors Licensing Board</td>
<td>124,442.00</td>
<td>7</td>
</tr>
<tr>
<td>82.</td>
<td>State Tax Commission</td>
<td>11,013,730.00</td>
<td>599</td>
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<tr>
<td>83.</td>
<td>Alcoholic Beverage Control Commission</td>
<td>942,259.00</td>
<td>50</td>
</tr>
<tr>
<td>84.</td>
<td>Ethics Commission</td>
<td>66,610.00</td>
<td>3</td>
</tr>
<tr>
<td>85.</td>
<td>Disaster Preparedness Agency</td>
<td>329,920.00</td>
<td>43</td>
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<td>86.</td>
<td>Employment Security Commission</td>
<td>59,305.00</td>
<td>1264</td>
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<tr>
<td>87.</td>
<td>Board of Accountancy</td>
<td>60,283.00</td>
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</tr>
<tr>
<td>88.</td>
<td>Board of Architectural Examiners</td>
<td>40,850.00</td>
<td>1</td>
</tr>
<tr>
<td>89.</td>
<td>Board of Barber Examiners</td>
<td>79,800.00</td>
<td>5</td>
</tr>
<tr>
<td>90.</td>
<td>Cemetery Board</td>
<td>2,425.00</td>
<td>1</td>
</tr>
<tr>
<td>Section</td>
<td>Agency</td>
<td>State Funds</td>
<td>No. Personnel</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------------------------</td>
<td>-------------</td>
<td>---------------</td>
</tr>
<tr>
<td>91.</td>
<td>Board of Chiropractic Examiners</td>
<td>$9,722.00</td>
<td>1</td>
</tr>
<tr>
<td>92.</td>
<td>Board of Cosmetic Art Examiners</td>
<td>$191,102.00</td>
<td>8</td>
</tr>
<tr>
<td>93.</td>
<td>Board of Dentistry</td>
<td>$56,623.00</td>
<td>5</td>
</tr>
<tr>
<td>94.</td>
<td>Board of Engineering Examiners</td>
<td>$134,125.00</td>
<td>5</td>
</tr>
<tr>
<td>95.</td>
<td>Board of Certification of Environmental Systems Operators</td>
<td>$42,862.00</td>
<td>2</td>
</tr>
<tr>
<td>96.</td>
<td>Board of Registration of Foresters</td>
<td>$2,448.00</td>
<td></td>
</tr>
<tr>
<td>97.</td>
<td>Board of Funeral Service</td>
<td>$41,665.00</td>
<td>3</td>
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<tr>
<td>98.</td>
<td>Board of Medical Examiners</td>
<td>$233,148.00</td>
<td>10</td>
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<tr>
<td>99.</td>
<td>Board of Nursing</td>
<td>$331,277.00</td>
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</tr>
<tr>
<td>100.</td>
<td>Board of Examiners of Nursing Home Administrators</td>
<td>$16,204.00</td>
<td>1</td>
</tr>
<tr>
<td>101.</td>
<td>Board of Examiners in Optometry and Opticianry</td>
<td>$16,238.00</td>
<td>1</td>
</tr>
<tr>
<td>102.</td>
<td>Board of Pharmaceutical Examiners</td>
<td>$63,439.00</td>
<td>2</td>
</tr>
<tr>
<td>103.</td>
<td>Board of Examiners and Registration of Physical Therapists</td>
<td>$7,278.00</td>
<td>1</td>
</tr>
<tr>
<td>104.</td>
<td>Board of Podiatry Examiners</td>
<td>$980.00</td>
<td></td>
</tr>
<tr>
<td>105.</td>
<td>Board of Examiners in Psychology</td>
<td>$6,360.00</td>
<td>1</td>
</tr>
<tr>
<td>106.</td>
<td>Real Estate Commission</td>
<td>$279,947.00</td>
<td>13</td>
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<tr>
<td>107.</td>
<td>Residential Home Builders Commission</td>
<td>$150,123.00</td>
<td>6</td>
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<tr>
<td>108.</td>
<td>Board of Examiners for Registered Sanitarians</td>
<td>$3,875.00</td>
<td></td>
</tr>
<tr>
<td>109.</td>
<td>Board of Social Workers Registration</td>
<td>$3,033.00</td>
<td></td>
</tr>
<tr>
<td>Section</td>
<td>Agency</td>
<td>State Funds</td>
<td>No. Personnel</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------------------</td>
<td>---------------</td>
<td>---------------</td>
</tr>
<tr>
<td>110.</td>
<td>Board of Examiners for Speech Pathology and Audiology</td>
<td>6,215.00</td>
<td>1</td>
</tr>
<tr>
<td>111.</td>
<td>Board of Veterinary Medical Examiners</td>
<td>7,382.00</td>
<td>1</td>
</tr>
<tr>
<td>112.</td>
<td>Aeronautics Commission</td>
<td>1,138,383.00</td>
<td>27</td>
</tr>
<tr>
<td>113.</td>
<td>Public Railways Commission</td>
<td>315,540.00</td>
<td>28</td>
</tr>
<tr>
<td>114.</td>
<td>Debt Service</td>
<td>82,202,719.00</td>
<td>—</td>
</tr>
</tbody>
</table>

**Miscellaneous Division**

<table>
<thead>
<tr>
<th>Section</th>
<th>Agency</th>
<th>State Funds</th>
<th>No. Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>115.</td>
<td>Miscellaneous Appropriations</td>
<td>651,732.00</td>
<td>—</td>
</tr>
<tr>
<td>116.</td>
<td>Contributions</td>
<td>467,093.00</td>
<td>—</td>
</tr>
<tr>
<td>117.</td>
<td>Aid to Subdivisions</td>
<td>71,077,894.00</td>
<td>—</td>
</tr>
<tr>
<td>118.</td>
<td>Highway Department</td>
<td>152,359,000.00</td>
<td>7069</td>
</tr>
</tbody>
</table>
APPENDIX II


In 1950, the General Assembly adopted the Reorganization Commission's Reorganization Plans No. 2 and No. 3 by concurrent resolution. 46 STAT. 3605; 46 STAT. 3608 (1950). Plan No. 2 consolidated eight State executive agencies into one agency to be known as the State Budget and Control Board. The functions devolved upon the Budget and Control Board were to be exercised by it through three divisions, to wit: the Finance Division (embracing the work of the State Auditor, the State Budget Commission, the State Finance Committee and the Board of Claims for the State of South Carolina), the purchasing and Property Division (embracing the work of the Commissioners of the Sinking Fund, the Board of Phosphate Commissioners, the State Electrician and Engineer, the Commission on State House and State House Grounds, the central purchasing functions and the Property Custodian) and the Division of Personnel Administration (embracing the work of the South Carolina Retirement System and the administration of all personnel laws).\(^1\) The structure and functions of the eight predecessor agencies to the Budget and Control Board are outlined in the following pages.

\(^1\)Plan No. 2 also transferred to the Budget and Control Board the functions of each State department, institution or agency with respect to the purchase or supply of personal property for its use and purposes. Plan No. 3 abolished the Surplus Property Procurement Division of the South Carolina Research, Planning and Development Board [45 STAT. 194 (1947)] and devolved its functions upon the Budget and Control Board. 46 STAT. 3608 (1950).
<table>
<thead>
<tr>
<th>Agency</th>
<th>Membership</th>
<th>Functions and Duties*</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Budget Commission</td>
<td>Governor, Senate Finance Committee Chairman, House Ways and Means Committee Chairman</td>
<td>Preparation of annual State budget for submission to General Assembly; investigations of State departments' accounting procedures, properties and functionings. 46 STAT. 645 at 746 (1949); §§ 3213-3222.1, 1942 Code of Laws of South Carolina.</td>
</tr>
<tr>
<td>Commissioners of the Sinking Fund</td>
<td>Governor, Treasurer, Comptroller General, Attorney General, Senate Finance Committee Chairman, House Ways and Means Committee Chairman</td>
<td>Receipt and management of incomes and revenues set apart and applied to State Sinking Fund; sale of State real property not in actual use; lending of Sinking Fund at not less than 4 1/2 per cent; lending of Sinking Fund money to counties; assistance in handling finances of State's political subdivisions; enforcement of all debts due the State by institution of legal proceedings; collection of State taxes by execution and sale; disposition of lands forfeited and sold to the State; collection of unpaid school taxes; insuring of public buildings of the State, of State supported institutions, of counties and of schools. §§ 2136-2195, 1942 Code of Laws of South Carolina.</td>
</tr>
<tr>
<td>Board of Phosphate Commissioners</td>
<td>Governor, Attorney General, Comptroller General, two citizens appointed by Governor, Attorney General and Comptroller General</td>
<td>Exclusive control and protection of the State's interests and rights in phosphate rocks and phosphatic deposits in navigable streams and marshes. §§ 2208-2230, 1942 Code of Laws of South Carolina.</td>
</tr>
<tr>
<td>State Finance Committee</td>
<td>Governor, Treasurer, Comptroller General</td>
<td>Borrowing of surplus funds from any State department for use of the State; borrowing of funds for school purposes and in anticipation of revenue, and to pay operating expenses of State; issuance and sale of notes or other State obligations; issuance of bonds and notes in small denominations. §§ 2196-2207, 1942 Code of Laws of South Carolina.</td>
</tr>
<tr>
<td>Agency</td>
<td>Membership</td>
<td>Functions and Duties*</td>
</tr>
<tr>
<td>--------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Board of Claims for the State of South Carolina</td>
<td>Comptroller General, Attorney General, Secretary of State</td>
<td>Handling of all claims for tax refunds and for services rendered or supplies furnished the State; approval of such claims and submittal thereof to House Ways and Means Committee for final action. §§ 2071-2073, 1942 Code of Laws of South Carolina.</td>
</tr>
<tr>
<td>Commission on State House and State House Grounds</td>
<td>Comptroller General, Secretary of State, State Librarian</td>
<td>Maintenance, beautification and policing of State House and State House grounds. §§ 2242-2243, 1942 Code of Laws of South Carolina.</td>
</tr>
<tr>
<td>Joint Committee on Printing</td>
<td>Two Senate members appointed by Senate President, two House members appointed by House Speaker</td>
<td>Control of all public printing for the State and for all departments thereof. §§ 2084-2104, 1942 Code of Laws of South Carolina.</td>
</tr>
<tr>
<td>Retirement Board known as South Carolina Retirement System</td>
<td>Governor, Treasurer, Comptroller General, Superintendent of Education, Attorney General, Senate Finance Committee Chairman, House Ways and Means Committee Chairman</td>
<td>Administration of retirement system for teachers, State employees and employees of State's political subdivisions. 44 STAT. 212 (1945).</td>
</tr>
</tbody>
</table>

* Not all of the agencies' respective functions and duties are listed hereunder; for a complete compilation of their functions and duties, references to the 1942 Code of Laws of South Carolina and to certain uncodified acts of the General Assembly appear after each listing.
YEAR

DUTIES AND FUNCTIONS ADDED TO THE BUDGET AND CONTROL BOARD*

1951

Handling of all negotiations for purchases of school bus equipment through Purchasing and Property Division. 47 STAT. 546 at 672 (1951).

Supervision of payment of electrical energy generating and sales tax on electricity sold to Savannah River plant of Atomic Energy Commission when deemed in State's best interest. 47 STAT. 710 at 718 (1951).

1952

Specification of paper or cloth on which to issue hunting licenses. 47 STAT. 1685 (1952).

1953

Purchase of supplies for counties by Purchasing and Property Division. 48 STAT. 401 (1953).

1954

Use of General Fund Reserve to cover or apply to any annual deficit occurring by virtue of General Fund expenditures plus other outstanding appropriation liabilities that exceed revenues. 48 STAT. 1566 at 1676 (1954).

Determination annually of amount by which State revenues exceed expenditures, unexpended balances of continuing appropriations outstanding and General Fund Reserve contribution and disbursement of excess to counties. 48 STAT. 1566 at 1676 (1954).

*This listing of statutes relating to the Budget and Control Board, like the listing of Code Sections in the Complaint [Complaint ¶10], does not purport to be complete due to the extremely difficult task of isolating all legislation in which the Budget and Control Board or any of its divisions is involved.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>DUTIES AND FUNCTIONS ADDED TO THE BUDGET AND CONTROL BOARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1955</td>
<td>Approval of conditions and terms of notes up to $1,000,000.00 for permanent improvements to Whitten Village and John G. Richards Industrial School. 49 STAT. 329 at 453 (1955).</td>
</tr>
<tr>
<td>1956</td>
<td>Approval of private placing of State school bonds whose proceeds go to purchase of school bus equipment. 49 STAT. 1773 (1956). Determination of conditions and terms of notes for deaf and blind schools and for summer camp for vocational agricultural training. 49 STAT. 1841 at 1953 (1956). Determination of special nuclear material so as to be developed and regulated for peaceful use. 49 STAT. 1989 (1956). Issuance and sale of bonds or notes for establishment of school of dentistry. 49 STAT. 2184 (1956). Lending of $850,000.00 to Busby Park Authority through Division of Sinking Funds and Property. 49 STAT. 2198 (1956).</td>
</tr>
<tr>
<td>1958</td>
<td>Negotiation of leases of oil, gas and other mineral rights on all State lands and waters. 50 STAT. 1553 (1958).</td>
</tr>
</tbody>
</table>
YEAR

1959

DUTIES AND FUNCTIONS ADDED TO THE BUDGET AND CONTROL BOARD

Designation (together with State Highway Department) of public parking places for parking facilities, alleys and driveways around public buildings. 51 STAT. 60 (1959).

Purchase, sale, assignment and disposition of securities and other investments of State Sinking Fund. 51 STAT. 126 (1959).

Approval of issuance of notes for Whitten Village and for State Hospital. 51 STAT. 144 at 280 (1959).

Approval of personnel, expenses and salaries used for enforcement of regulations relating to ownership and operation of boats. 51 STAT. 409 (1959).

Approval of consolidation of positions and adjustment of salaries for Wildlife Resources Commission personnel. 51 STAT. 439 (1959).

Lending of money to Educational Finance Commission from funds managed by Budget and Control Board. 51 STAT. 599 (1959).

1960

Adoption of regulations for renovations, additions or construction of armories by Adjutant General. 51 STAT. 2059 (1960).

Adoption of regulations for construction of laundry facility at State Penitentiary and approval of conditions and terms of notes therefor. 51 STAT. 2073 (1960).

Approval of conditions and terms of notes for additional facilities at Whitten Village and State Hospital. 51 STAT. 2078 (1960).
DUTIES AND FUNCTIONS ADDED TO THE BUDGET AND CONTROL BOARD

1961

- Direction of payment of State Ports bonds from net annual operational revenues of Ports Authority. 52 STAT. 288 at 401 (1961).
- Taking of deed to Camp Henry Daniels. 52 STAT. 751 (1961).
- Sale of certain property in Aiken and Edgefield Counties. 52 STAT. 752 (1961).

1962

- Administration of South Carolina Police Officers' Retirement System. 52 STAT. 1933 (1962).
- Lending of $560,000.00 to Clemson for construction of sewage treatment plant. 52 STAT. 2350 (1962).

1963

- Grant of easements for roads, highways, power or pipelines, water or sewage lines, and railroad facilities over State vacant lands and marshlands and approval of similar grants by other boards and agencies vis-a-vis property under their control. 53 STAT. 177 (1963).
- Grant of licenses to dig, mine and remove phosphate rocks or deposits. 53 STAT. 204 (1963).
- Approval of agreement to sell Porter Academy site to medical school. 53 STAT. 358 at 479 (1963).
DUTIES AND FUNCTIONS ADDED TO THE BUDGET AND CONTROL BOARD

1964

Purchase of supplies for school districts through Purchasing and Property Division. 53 STAT. 1883 (1964).

Determination of rent to be paid by all State or Federal agencies housed in new State office building. 53 STAT. 1918 at 2045 (1964).

Purchase of supplies for State's political subdivisions through Purchasing and Property Division. 53 STAT. 2207 (1964).

Lending of additional $160,000.00 to Clemson for construction of sewage treatment plant. 53 STAT. 2466 (1964).

Submission of findings to Governor and Treasurer concerning issuance of bonds for mental health facilities by Mental Health Commission and/or Whitten Village Board of Trustees. 53 STAT. 2474 (1964).

Extension of phosphate leases in Jasper County. 53 STAT. 2988 (1964).

1965

Granting and reporting of all phosphate leases or licenses. 54 STAT. 279 (1965).

Administration of permanent and continuing revolving fund for purchase of office supplies or other commodities. 54 STAT. 330 at 454 (1965).

Acquisition of surplus property from the U. S. Government through Division of General Services and requiring of bond of any person receiving or distributing such property. 54 STAT. 538 (1965).

Conveyance of land to Altrusa Club of Florence. 54 STAT. 832 (1965).
DUTIES AND FUNCTIONS ADDED TO THE BUDGET AND CONTROL BOARD

1966

Issuance of permit to U. S. Army Engineers for spoil area in Beaufort County. 54 STAT. 2844 (1966).

Exchange of property near Richland-Lexington Airport with any person or political subdivision. 54 STAT. 2844 (1966).

1967
Approval of compensation of officers and employees of State Agency of Vocational Rehabilitation. 55 STAT. 719 at 843 (1967).

1968
Execution of certificates of exemption from taxation to State's political subdivisions necessary for federal tax purposes through Division of General Services. 55 STAT. 2697 (1968).

Acquisition of property in State's name by gift, purchase or condemnation and of property for capitol complex mall in Columbia by use of public works eminent domain law. 55 STAT. 3067 (1968).

Custody of anything of value on sea bottom unclaimed for ten years (other than shipwrecks, vessels, cargoes, tackle and underwater archaeological artifacts). 55 STAT. 3077 (1968).

Conveyance of land to Georgetown County. 55 STAT. 3523 (1968).
YEAR

DUTIES AND FUNCTIONS ADDED TO THE BUDGET AND CONTROL BOARD

1969

Administration of Educational Facilities Authority Act for Private, Non-profit Institutions of Higher Learning through Authority (composed of Budget and Control Board members ex officio). 56 STAT. 444 at 603 (1969).

1970

Approval of more than seven per cent rate of interest on obligations of State or its political subdivisions. 56 STAT. 1978 (1970).

Purchase of supplies and equipment for any independent college or school district through Purchasing and Property Division. 56 STAT. 2084 (1970).

Approval of terms and conditions of loan of $300,000.00 from Insurance Sinking Fund to renovate building for State offices. 56 STAT. 2703 (1970).

1971

Imposition of regulations on expenditures of additional capital improvement bond funds and approval of contractawards for specified projects financed by capital improvement bonds. 57 STAT. 551 at 739 (1971).

Transfer of funds from one State department to another when personnel thereof are transferred by legislation to perform same functions. 57 STAT. 551 at 741 (1971).

1972

Approval of lettings of State Highway Department construction contracts if reserves for such contracts not provided for. 57 STAT. 2380 (1972).

Approval of modifications in capital improvement bond amounts specified in 1970 Legislation, within total amounts specified. 57 STAT. 2837 at 3018 (1972).

Approval of revision of College of Charleston bond amounts specified in 1971 Legislation. 57 STAT. 2837 at 3018 (1972).
YEAR                DUTIES AND FUNCTIONS ADDED TO THE BUDGET AND CONTROL BOARD

1972
Loan of $4,500,000.00 from Insurance Sinking Fund for new State office building. 57 STAT. 2837 at 3025 (1972).
Sale of surplus property of State on terms most advantageous to State. 57 STAT. 2837 at 3025 (1972).
Execution of quit claim deed to church in Sumter County. 57 STAT. 3210 (1972).

1973
Insurance of public municipal buildings upon request of governing body thereof. 58 STAT. 222 (1973).
Approval of revision of capital improvement bond amounts specified in 1972 legislation. 58 STAT. 437 at 627 (1973).

1974
Appointment of members of State Employee Grievance Committee and final review of any actions taken with respect to State employees' grievances by that Committee. 58 STAT. 2203 (1974).
Approval of architectural and engineering firms selected by State departments and agencies. 58 STAT. 2402 at 2615 (1974).
Provision of tort liability insurance for State personnel through Division of General Services and promulgation of regulations relating thereto. 58 STAT. 2638 (1974).
YEAR

1974

Loan of $2,800,000.00 to construct new laboratory at DHEC from Insurance Sinking Fund. 58 STAT. 3034 (1974).


Conveyance of property in Beaufort County. 58 STAT. 3163 (1974).

1975

Supervision of State Personnel Division created hereunder to administer comprehensive personnel system essential to efficient operation of State government; establishment of procedures for compensation and classification of State employees; operation of recruitment and applicant referral system; development of fair employment policies; coordination of training and career development programs; agreement with political subdivisions to furnish services and facilities for administration of their respective personnel programs. 59 STAT. 212 (1975).

Disposition of surplus funds in General Fund above school expenditures and unexpended appropriations carried over, one-fourth to General Fund Stabilization Reserve and three-fourths to General Fund Reserve. 59 STAT. 333 at 552 (1975).

Loan of $1,500,000.00 to construct new laboratory at DHEC from Insurance Sinking Fund. 59 STAT. 855 (1975).
DUTIES AND FUNCTIONS ADDED TO THE BUDGET AND CONTROL BOARD

1976

Maintenance of revolving account with funds adequate to finance inventories and accounts receivable for goods and services rendered by General Services Division on reimbursement basis. 59 STAT. 1623 (1976).

Acquisition of real property for use by State as investment of any reserve or sinking fund not otherwise pledged. 59 STAT. 1664 (1976).

Lease of real property of State agencies as State's single central broker therefore. 59 STAT. 1907 (1976).

Authorization to delay progress of specific projects financed by capital improvement bonds if determined that condition of bond market is such that issuance of bonds is undesirable. 59 STAT. 2238 (1976).

1977

The Budget and Control Board shall continually monitor the activities of the various state agencies to insure that...where expenditures of state funds are reimbursed by federal or other funds, except those received by the South Carolina Department of Highways and Public Transportation, such reimbursements shall be returned to the General Fund of the State. The reimbursements referred to shall include, but shall not be limited to, those received under the provisions of the Federal Title XX program, various indirect and overhead cost recoveries and certain "earned" funds. (S.567-Concurrent Resolution)

**In addition, the Budget and Control Board is authorized to perform myriad functions and to exercise innumerable powers pursuant to each annual appropriations act. See, e.g., 59 STAT. 1913 at 1960 (1976) (empowering the Budget and Control Board to select group health, life, accidental death and dismemberment and disability insurance plans for State employees and public school employees). One of the most important of these is its power to reduce appropriations as may be necessary to prevent a deficit. See, e.g., 59 STAT. 1913 at 2141 (1976).

***Not included in the court brief.
APPENDIX III

List of State Government Officials Interviewed


2. Dr. James W. Meredith, Administrative Assistant, Officer of the Governor.

3. Chester W. Bain, Ph.D. Dean, College of Humanities and Social Sciences, University of South Carolina.

4. William A. McInnis, Assistant to State Auditor (former Division of Administrator; State Planning and Grants Division; State Development Board.)


6. Furman E. McEachern, Jr. Director, Division of General Services.

7. James H. Barnes, State Purchasing Officer, Division of General Services.


9. Dr. Jack S. Mullins, State Director, Personnel Division.


12. C. Tolbert Goolsby, Deputy Attorney General.

13. Honorable Robert E. McNair, former Governor.


15. Dr. Eugene A. Laurent, Director, Research and Statistical Services Division.

16. Honorable Grady L. Patterson, Jr., State Treasurer.

17. James Konduris, former Executive Assistant, Honorable Robert E. McNair.


APPENDIX IV

Composite of Responses
to Interview Questions

During the months of July and August, 1977, the persons listed in Appendix III, who represented current and past members of the Budget and Control Board and their staff members as well as employees of divisions of the Board, were interviewed with reference to many questions which included the following examples:

1. What is the nature of executive authority in South Carolina.

2. What improvements could be made within the structure and operations of the divisions of the Budget and Control Board to more effectively manage State government in South Carolina on a daily basis.

3. What types of systems processes should be developed in order to streamline and coordinate information required for policy and management decisions.

With reference to executive authority, many of the persons interviewed agreed that the meaning of "chief executive authority" has never been legally defined in South Carolina because the courts have not been specifically asked the question. Essentially, government in South Carolina is managed on a daily basis by "committee" which many felt was a system "unique and workable" in South Carolina, and inherently provided the secure feeling of "continuity in government" assuring minimal impact on government operations resulting from the "transition periods" occurring during the periods of changes in elected officials.

Boards and commissions were viewed as responsible entities who "manage government at very little direct cost to government". Many felt that an individual Governor's power was directly related to his ability to "influence" members of Boards and Commission by appoint-
ment, "force of personality" and well-informed staff members.

In terms of structural and operational improvements within the divisions of the Budget and Control Board the following items were most often mentioned:

1. Need to develop separate budget and finance offices from the auditor's office currently overburdened by the mechanics of the budget process.

2. Need for division directors to meet regularly as a group with the full Budget and Control Board for policy and management review and evaluation, in addition to existing individual meetings to handle unresolved division matters which occur on an ad hoc basis.

3. Need for an executive director or administrative officer for the Board, as long as the hierarchy was not excessively formalized.

With reference to management systems processes which should be implemented, the most frequently mentioned include:

1. Need for short and long-range state development plan.

2. Possible development of an administrative manual.

3. Standardized agency forms and information/data gathering mechanisms.


5. Planning and Budget linkage coordinated with a evaluation system.
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