



# COMPETITIVENESS UPDATE

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No. 13

## Senate Finance Committee Tackles Budget

With the state of South Carolina already facing a more than \$1.1 billion budget deficit this fiscal year, the Senate Finance Committee, led by Chairman Hugh Leatherman (Florence), spent the week hammering out a 2009-10 state budget. Much of the discussion in committee revolved around whether Governor Mark Sanford would request nearly \$700 million in federal stimulus money to help stabilize the budget. Thursday evening, the Senate Finance Committee passed a \$5.7 billion budget. It now moves to the full Senate for debate.

Senator Greg Ryberg (Aiken) offered an alternative budget to the Senate Finance Committee proposal that would “unlock” the stimulus dollars and find common ground on the impasse the General Assembly and governor currently find themselves in.

Senator Ryberg’s budget calls for South Carolina to pay down \$200 million in debt to the state’s unemployment trust fund, which is currently in a deficit situation amounting to nearly a billion dollars

by the end of the calendar year. The alternative budget makes a number of cuts to state agencies, including \$2.9 million to the Education and Economic Development Act (EEDA), an initiative within the State Department of Education the Chamber supports. If the budget were to pass, Governor Sanford would then draw down \$350 million of federal stimulus dollars for FY 2009-10, with the first \$200 million going to state budget cuts, and the other \$150 million going towards K-12 education.

With the Senate in perfunctory session on Thursday, and many senators devoting the day to deliberations on the budget, the Senate Finance Committee adopted Chairman Leatherman’s budget proposal. The proposal does not include federal stimulus dollars, but it will have a separate section of the budget left open to spend the \$350 million in stimulus funds for FY 2009-10 if the General Assembly is given approval to do so.

On Thursday, Casey Edwards, an 18-year-old



**Thumbs Down:** To the Southern Environmental Law Center, which filed suit on behalf of the Coastal Conservation League, Sierra Club, South Carolina Wildlife Federation, Environmental Defense Fund and League of Women Voters against the South Carolina Department of Health and Environmental Control concerning the Pee Dee Energy Campus.

senior at Chapin High School, filed suit against the State of South Carolina, asking the State Supreme Court to “issue a declaratory judgment that affirms the legislature’s unique responsibility to appropriate funds provided by Congress under the terms of the recently passed federal stimulus legislation.”

## COMPETITIVENESS AGENDA

Description	Bill No.	Position	Status
Budget Reform	S.219	Support	In Senate Finance Committee
Cigarette Tax	H.3584	Support	Passed House; In Senate Finance Committee
Creation of Dept. of Workforce	H.3442 S.391	Support	Passed House Judiciary Committee (H.3442) Passed Senate LCI Committee (S.391)
Port Restructuring	S.351	Support with modifications	Passed Senate; In House Judiciary Committee
Repeal TERI Program	H.3009	Support	In House Ways and Means Committee
Retail Sales Restrictions	H.3671	Support	In House Ways and Means Committee
Right to Secret Ballot	H.3222 H.3305 S.316	Support	Passed House; In Senate LCI Committee (H.3222) Passed House; In Senate Judiciary Committee (H.3305) In Senate Judiciary Committee (S.316)
Sales Tax on Vehicles	S.101	Support	In Senate Finance Committee
State Spending Limits	H.3037 S.1 S.2	Support	In House Ways and Means Committee (H.3037) Passed Senate Judiciary Committee (S.1) In Senate Finance Committee (S.2)
Tax Realignment Commission	S.12 H.3415	Support with modifications	On House Floor
Tort Reform	S.350 H.3489	Support	In Senate Judiciary Subcommittee (S.350) In House Judiciary Committee (H.3489)

## House to Return, Needs to Move Forward on Reforms

The House will return to Columbia Tuesday from a two-week furlough. With possibly only a little more than a month remaining in the legislative session, the South Carolina Chamber of Commerce urges the House to move forward on needed reform bills, including comprehensive tax reform (H.3415/S.12) and Department of Workforce (H.3442) legislation. Over the past month, politics between the General Assembly and Governor Mark Sanford have delayed consideration of these bills, which are top priority reforms for the business community this legislative session.

Business leaders across the state have been clear on the need for comprehensive tax reform and are fearful of more piecemeal approaches like Act 388 (residential property tax relief) that will negatively impact the state’s business climate. The business community supports nothing less than true, comprehensive tax reform, which includes examination of all aspects of the tax system with one report back to the General Assembly.

In addition, legislation to consolidate the state Employment Security Commission (ESC) and workforce development functions of the South

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Carolina Department of Commerce also remains in the House. With the latest state unemployment numbers surpassing 11 percent, a consolidated system needs to be established to better match displaced workers with available jobs.

Many business leaders have called and e-mailed their House members encouraging support of comprehensive tax reform. The South Carolina Chamber of Commerce asks business leaders to continue to make contact on this important issue one more time before the House reconvenes on Tuesday.

## New Unemployment Numbers Released

Today the South Carolina Employment Security Commission (ESC) released the March unemployment rate, at 11.4 percent, up from a revised February rate of 10.9 percent. The number of unemployed South Carolinians jumped 10,221 in March. Allendale County has the highest unemployment rate in the state at 22.3 percent followed by Marion County at 21.1 percent. Lexington County has the lowest unemployment rate at 7.9 percent. The national March unemployment rate is 8.5 percent.

The ESC has distributed more than \$415 million in unemployment compensation this year, and as the weeks an individual can receive unemployment compensation rises to 72, the estimated total economic impact to the state is projected at \$1.5 billion.

## EFCA, Stimulus, Nuclear Power Hot Topics at Washington Night

On Tuesday evening, more than 350 business leaders from across the state joined South Carolina's congressional delegation for a lively Washington Night in South Carolina. Discussion began with the Employee Free Choice Act (EFCA), misnamed federal legislation that would severely impact businesses across the nation and eliminate an employee's right to vote by secret ballot in union elections. U.S. Senator Lindsey Graham, who is opposed to the bill, told business leaders he does not believe there are enough votes in the Senate for the EFCA to pass. U.S. House Majority Whip Jim Clyburn disagreed telling the group the Senate will pass something, and the House will follow the Senate's lead.

On the emotional subject of federal stimulus dollars, Congressman John Spratt said the clear intent of the stimulus, currently being refused by Governor Mark Sanford, is to back up states in education and public safety with projects that are shovel ready. He and Rep. Clyburn agree that Congress needs to step in so South Carolina does not miss out to another state.

## In Other News...

Some environmental groups have filed suit against the South Carolina Department of Health and Environmental Control (DHEC) over the proposed **Pee Dee Energy Campus** in Florence County. The coal-fired plant will bridge the gap for nuclear power, which is slated to come online in the next decade. Projections point to an increase of one million to South Carolina's population between now and 2025, making the case for expanded energy capacity.

Legislation to allow counties that collect \$14 million in accommodation taxes to add an additional 1-cent to their sales tax for **destination marketing** became law without the governor's signature. Currently, only Horry County qualifies.

Senate Majority Leader Harvey Peeler (Cherokee) introduced legislation this week to provide a \$100 tax

credit for businesses that hire an **unemployed** South Carolinian. The tax credit would be available for a maximum of 24-months (\$2400). The South Carolina Chamber of Commerce's Tax Committee is currently reviewing this proposal.

Sen. Jim DeMint took an opposing view and feels South Carolina is fortunate to have a governor who is willing to look long term. Sen. Demint told the audience, "We are addicted to government money."

Senator Graham, who feels Governor Sanford should accept the \$700 million portion in question, also cautioned against Congress sidestepping certain governors for decisions they disagree with. "I have a real problem with Congress picking and choosing who they want to do business with. We can't run South Carolina from Washington," he said.

Rep. Clyburn voiced his support for nuclear energy. Senator Jim DeMint echoed that sentiment, reminding business leaders that South Carolina was one of the first states to apply for a nuclear plant. Congressman Joe Wilson told business leaders he supports offshore drilling for natural gas at 25 miles off the coast of South Carolina, well past the sight line of 12-14 miles.

The South Carolina Chamber of Commerce thanks South Carolina's congressional delegation for their continued support of Washington Night. Only Congressmen Henry Brown and Gresham Barrett were not in attendance Tuesday evening.

The National Council on Compensation Insurance (NCCI) has been approved for a 0.3 percent **workers' compensation rate** decrease. In response, the Department of Consumer Affairs filed suit to contest the decrease because they feel it should be larger.

On Tuesday, a Senate Agricultural and Natural Resources subcommittee carried over S.452, the **Surface Water Withdrawal, Reporting and Permitting Act**. The subcommittee will meet again next Tuesday.