



South Carolina House of Representatives

Legislative Update

ROBERT W. HARRELL, JR., Speaker of the House

Vol. 29

July 3, 2012

No. 22

CONTENTS

HOUSE WEEK IN REVIEW	02
----------------------------	----

NOTE: THESE SUMMARIES ARE PREPARED BY THE STAFF OF THE SOUTH CAROLINA HOUSE OF REPRESENTATIVES AND ARE NOT THE EXPRESSION OF THE LEGISLATION'S SPONSOR(S) OR THE HOUSE OF REPRESENTATIVES. THEY ARE STRICTLY FOR THE INTERNAL USE AND BENEFIT OF MEMBERS OF THE HOUSE OF REPRESENTATIVES AND ARE NOT TO BE CONSTRUED BY A COURT OF LAW AS AN EXPRESSION OF LEGISLATIVE INTENT.

HOUSE WEEK IN REVIEW

The House of Representatives and the Senate adopted the conference reports on H.4813, the General Appropriations Bill, and H.4814, the joint resolution appropriating Capital Reserve funds, which together comprise the \$6.7 billion **STATE GOVERNMENT BUDGET** for fiscal year 2012-2013. The legislation was ratified and submitted to the Governor for consideration of possible full or partial vetoes.

The budget provides small business tax relief by initiating a gradual reduction of the tax rate for income derived from pass-through trade and business arrangements, such as sole proprietorships, partnerships, and "S" corporations. The first of three \$20 million installments is included in order to reduce this income tax rate from 5% to 3% over the course of three years.

\$77 million is devoted towards paying off the unemployment insurance loan that the state had to obtain from the federal government when South Carolina's jobless benefit fund became insolvent. This State Unemployment Tax Authority (SUTA) debt funding is provided to reduce the unemployment insurance taxes that all the state's businesses pay for their employees, amounting to an average savings of 12.3% or \$51.11 for each worker.

The Harbor Deepening Reserve Fund is created within the State Ports Authority and \$300 million is provided to cover the full cost of deepening the Charleston Harbor so that South Carolina can remain competitive in maritime shipping with a port capable of accommodating the larger vessels that will pass through the newly-expanded Panama Canal. The amount provided is sufficient to cover the entire cost of the project even if federal funds do not become available.

An additional \$30 million is included for the state's counties and municipalities through the Local Government Fund. A flexibility provision is included that allows a political subdivision to reduce its support of any state mandated program or requirement by up to a percentage equal to the reduction in the Local Government Fund below its prescribed level. Local governments may not, however, reduce support for solicitors, public defenders, or any judicial functions.

The budget provides for a 3% state employee pay raise and fully funds the increases needed for the Employee Health Insurance Program in order to avoid an increase in premiums or a reduction in coverage. Full funding is provided for the employer share of the increases needed for the state's retirement systems.

An additional 2% pay raise is provided for Class One law enforcement officers at the Department of Public Safety, The Department of Probation, Pardon, and Parole Services, and the Department of Natural Resources who earn less than \$50,000 a year. When combined with the general 3% state employee pay raise, this amounts to a 5% salary increase for these employees.

An additional \$152 million in Education Finance Act funding is included for K-12 education, allowing for an increase in the Base Student Cost to \$2,012 per student. An additional \$48 million is included in the Education Improvement Act salary supplement to

Legislative Update, July 3, 2012

guarantee a 2% state-funded pay raise for all teachers. A Joint Teacher Salary Study Committee is created to examine potential changes to the state's teacher salary schedule and related issues including a pay for performance model, step increases, frozen salary schedules, and National Board Certification Incentive.

\$36 million is included for the education of students with special needs to replace the possible loss of federal Individuals with Disabilities Education Act (IDEA) funds.

An additional \$5 million is provided for the state's Public Charter School District.

\$6.2 million is provided for purchasing school buses.

Full funding is provided for the LIFE, HOPE, and Palmetto Fellows higher education scholarship programs.

Capital Reserve funds are included for deferred maintenance projects at the state's universities, colleges, and technical schools.

Over \$19 million is devoted to worker training through the Ready SC Program at the state's technical colleges.

An additional \$15 million is provided for the Deal Closing Fund that the Department of Commerce uses to recruit new business to the state. The budget legislation also provides that this economic development fund is to receive \$10 million from South Carolina's share of the multi-state mortgage settlement reached with the nation's major lending institutions.

The budget provides for the full funding of the General Reserve Fund and the Capital Reserve Fund, the financial reserve accounts that the state draws upon to cope with budget shortfalls. \$549 million goes to the state's residential property tax relief fund.

Funding is provided for additional Circuit Court and Family Court judges to cope with increased caseloads.

Full funding is provided for the Medicaid program's Maintenance of Effort which allows the program to continue to offer services at the current level. Full funding is provided for Medicaid express lane eligibility for children to allow the state's health insurance program for low-income residents to accommodate the inclusion of around 70,000 children who already qualify for participation in the program, but had not yet been enrolled.

The Department of Health and Environmental Control is provided \$1 million for the AIDS Drug Assistance Program, \$1 million for child immunizations, \$1.8 million for community health centers, an additional \$800,000 for local health departments, and \$500,000 for the Rural Physician Program.

Over \$18 million in funding is restored for the Department of Mental Health.

\$3.6 million is provided to Vocational Rehabilitation for a nearly complete match of available federal funds.

Legislative Update, July 3, 2012

Funding is increased by \$8 million for the destination-specific tourism advertising program at the Department of Parks, Recreation, and Tourism.

\$2 million is provided to the Department of Agriculture for the marketing and branding of South Carolina produce. \$50,000 in Capital Reserve funds are included for an appraisal regarding proposed land purchases at the State Farmer's Market.

Funding is increased for the Forestry Commission to enhance the state's capabilities in fighting forest fires.

The budget legislation continues the funding strategy that eliminates all general funds for South Carolina Educational Television, but allows SCETV to retain revenue derived from the use of its broadcast towers, signal spectrum, and contracts for other facilities and services in order to fund its operations.

The House and the Senate approved joint resolution **H.5418** which includes provisions to make the **SMALL BUSINESS INCOME TAX RELIEF** initiative that is included in the appropriations bill a part of permanent law. The legislation provides for the gradual reduction from 5% to 3% of the tax rate for income derived from pass-through trade and business arrangements, such as sole proprietorships, partnerships, and "S" corporations. The reduction is to be phased in over the course of three years so that the rate will be set at 3% after 2013. The legislation also provides for the continuing authority to pay the expenses of state government if the 2012-2013 fiscal year begins without an effective general appropriations act by extending the current year's funding levels into the upcoming fiscal year.

The House sustained the Governor's veto on **H.4497**, the "**CERVICAL CANCER PREVENTION ACT**". The legislation provided new authority for the Department of Health and Environmental Control to offer the cervical cancer vaccination to adolescent students on a voluntary basis and directed DHEC to disseminate information on this human papillomavirus vaccination series as well as other vaccines for adolescents.

The House and Senate approved concurrent resolution **H.5410**, legislation revising the terms for the **EXTENSION OF THIS YEAR'S LEGISLATIVE SESSION** by allowing consideration of an additional list of legislative items.

The House concurred in Senate amendments to **H.4494**, a bill relating to the **SALE OF FIREARMS**, and enrolled the bill for ratification. The legislation revises provisions authorizing purchases of rifles or shotguns in contiguous states under certain conditions by expanding the provisions so that they apply not only to contiguous states, but all other states. Additionally, the legislation repeals certain state-level provisions relating to the regulation of pistols, including state licensing of retail dealers, that have existed alongside pertinent federal provisions.

The House concurred in Senate amendments to **H.3508** and enrolled the bill for ratification. The legislation incorporates into the state's regulatory framework **GOVERNMENT-OWNED COMMUNICATIONS SERVICE PROVIDERS** that have been organized as a result of a federal program that offers grants to local governments for providing broadband service to residents who live in rural areas lacking options for high-speed connections to telecommunications networks. The State Regulation of Public

Legislative Update, July 3, 2012

Utilities Review Committee must submit a report to the General Assembly every five years that examines the effect that these provisions accommodating government-owned communications service providers have had on residential and business consumers and assesses their impact on the availability of communications services to the state's rural counties.

The *Legislative Update* is on the Worldwide Web. Visit the South Carolina General Assembly Home Page (<http://www.scstatehouse.gov>) and click on "*Publications*," then click on "*Legislative Updates*." This will list all of the *Legislative Updates* by date. Click on the date you need. Also available on the website is a bill summary index, where bills referenced in one or more issues of the *Legislative Update* are listed in numeric order. Links to the specific text of the *Legislative Update* issue are provided in the bill summary index.

NOTE: THE LEGISLATIVE UPDATE IS AVAILABLE TO LEGISLATIVE TRACKING SUBSCRIBERS. YOU MAY REGISTER FOR THIS FREE SERVICE ON THE SOUTH CAROLINA GENERAL ASSEMBLY HOME PAGE BY CLICKING ON "TRACK LEGISLATION" (ON THE VERTICAL MENU BAR).