



South Carolina House of Representatives

# Legislative Update

Robert W. Harrell, Jr., Speaker of the House

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## HOUSE WEEK IN REVIEW

The House of Representatives devoted the week to consideration of the **STATE GOVERNMENT BUDGET** proposed for the upcoming fiscal year. The House approved and sent to the Senate **H.3650**, the fiscal year 2009-2010 general appropriation bill, which includes \$5.9 billion in recurring general fund base and \$335 million in new recurring general fund revenue.

The proposed budget reduces most state agencies to fiscal year 2005-2006 funding levels, if they were not already functioning at such levels. Agency travel budgets received targeted reductions.

The budget legislation officially accepts and incorporates federal stimulus funds available for use by South Carolina through the State Fiscal Stabilization Fund of the American Recovery and Reinvestment Act of 2009 (A.R.R.A).

In order for the state to be eligible to receive the federal stimulus dollars, 81.8% of the funds must be used to restore funding through the state's primary and secondary education formula. The remaining 18.2% may be used for other education or government services. The proposed budget utilizes federal funds to restore funding for the Education Finance Act, four-year-old kindergarten, and institutions of higher learning to required levels. Remaining federal funds are devoted to school bus fuel, education assessments needed to comply with federal No Child Left Behind requirements, items related to teacher salaries, the deficit at the Department of Juvenile Justice, and a portion of the deficit at the Department of Corrections.

As part of its economic stimulus efforts, the federal government is temporarily increasing its financial commitment within the Medicaid program that it offers in collaboration with the states. With the enhanced federal Medicaid match rates, the proposed budget allows for the restoration of Medicaid reductions made in October's rescission bill and the avoidance of proposed reductions in Medicaid coverage that were, at one point, scheduled to take effect on February 1 of this year. Federal provisions also allow for enhanced Medicaid match rates to apply on a retroactive basis through October of 2008. The budget includes a one-time transfer of funds from the Department of Health and Human Services to allow the funds realized through the retroactively enhanced federal Medicaid match rates to be redistributed to other budget needs.

Since restoring K-12 and higher education funding levels is a condition for receiving federal stimulus money and since new federal Medicaid match provisions effectively prevent reductions in Department of Health and Human Services programs, the categories of education and health, which together comprise the vast majority of the state's budget, are shielded from reductions beyond a certain level. Remaining eligible to receive federal stimulus funds requires the budget cuts needed to cope with current revenue shortfalls to be concentrated in the relatively small portion of the budget that remains after the categories of education and health are removed. To avoid drastic state agency budget cuts within this remaining sector, a \$49.9 million base reduction is authorized for the Local Government Fund and these funds are redirected to other budget needs. This reduces the Local Government Fund to fiscal year 2005-2006 levels. To allow for the redistribution, the budget legislation suspends the statutory

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requirement that guarantees the state's counties and municipalities an annual increase of 4.5% in state aid to political subdivisions in order to accommodate growth. A transfer from the Insurance Reserve Fund is also authorized whereby the State Employee Health Insurance Plan is allowed to reduce reserves to the level necessary to pay claims with no increase in enrollee rates.

\$63.9 million is included to restore the General Reserve Fund to the level required by the South Carolina Constitution.

The Education Finance Act formula is funded at the 2005-06 level; this is a reduction in General Funds of \$92,997,824. \$166,626,600 of the A.R.R.A. funds from the State Fiscal Stabilization Fund are directed for EFA funding. This will result a base student cost of \$2,342 with teacher salaries held at the Fiscal Year 2008-09 average.

School buses, parts, fuel, and other school transportation items are funded at \$17.5 million.

The Child Development Education Pilot Program is extended for another year.

Education Improvement Act funding is reduced by \$34 million to comply with the sales tax revenue estimate.

The LIFE, HOPE, and Palmetto Fellows Scholarship programs are funded.

Higher education institutions received funds through A.R.R.A allocated to the institutions in proportion to their reductions and according to the state funding formula.

The budget legislation authorizes the Department of Commerce to transfer available funds in other areas to allow for the continued operation of the Deal Closing Fund that is used in attracting employers to the state.

Since more than fifty percent of agencies receive cuts in the proposed budget, statutory requirements provide for revenues normally designated for the Conservation Land Bank to revert back to the General Fund. The Conservation Land Bank does, however, receive funding for basic administrative costs.

The Department of Corrections receives \$45.6 million to restore their base budget to levels that would allow them to avoid declaring an operating deficit. This restoration is partially accomplished with A.R.R.A funds.

The Department of Juvenile Justice receives \$7.6 million from A.R.R.A. funds to restore their base budget to levels that would allow them to avoid declaring an operating deficit.

The Home and Community Based Services Program, which provides for the delivery of meals to seniors' homes, is funded at \$1,000,000. In addition, this program is expected to receive funds through A.R.R.A.

The budget legislation closes the Teacher and Employee Retention Incentive (TERI) Program to new participants effective July 1, 2009.

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A Joint Study Committee on the Consolidation of State Agencies is established to review the feasibility and cost savings related to the consolidation of certain state agencies. Recommendations for elimination of duplication within state agencies and cost-saving measures shall be reported to the General Assembly by January 15, 2010.

The University of South Carolina is required to complete a study on the fiscal impact of potential closing of the branch campuses and report its findings to the General Assembly by January 1, 2010.

The Department of Health and Human Services, the Department of Health and Environmental Control, the Department of Mental Health, the Department of Disabilities and Special Needs, the Department of Alcohol and Other Drug Abuse Services, the Department of Social Services, Vocational Rehabilitation, and the Commission for the Blind are directed to explore the feasibility of a “one-stop” healthcare information system for the populations they serve. The cost and time saving one-stop software system for businesses developed by the state, through the Department of Revenue, is to be considered as a possible model.

Various requirements for printed reports are suspended for the year, allowing agencies and other state government organizations to issue these reports exclusively in electronic form.

Each state agency is required to provide on its website a report of all aggregate amounts of fines and fees that are charged and collected.

State agencies are required to publish on their websites a listing of all programs funded during the current fiscal year with funds from the American Recovery and Reinvestment Act of 2009 to include program name, location, starting date, and funding level. This listing must be updated monthly to allow the public to easily identify how these federal stimulus funds are being used.

The State Treasurer is assigned the responsibility of collecting information associated with funds received by state agencies, school districts, and local government from the American Recovery and Reinvestment Act of 2009 and providing the public with an account of how federal stimulus funds are spent throughout the state.

## **HOUSE COMMITTEE ACTION**

There were no full committee meetings that addressed legislation, which is covered by the *Legislative Update*, this week.

## **BILLS INTRODUCED IN THE HOUSE THIS WEEK**

### **AGRICULTURE, NATURAL RESOURCES, AND**

## ENVIRONMENTAL AFFAIRS

### **H.3681 "ALL-TERRAIN VEHICLE SAFETY ACT" - "CHANDLER'S LAW"**

**Rep. Ott**

The legislation provides that it is unlawful for a parent or legal guardian to knowingly permit his child or ward six years of age or younger to operate an all-terrain vehicle (ATV). A person fifteen years old or younger may not operate an ATV within this State unless the person possesses a safety certificate indicating successful completion of an ATV safety course approved by the ATV Safety Institute. The legislation provides that vehicles meeting specific standards only may only be operated by persons of a certain age. The legislation further provides that a person fifteen years of age or younger must wear a safety helmet and eye protection while operating an ATV. The legislation outlines restrictions for the operation of an ATV on those lands open to the public. The legislation provides that ATVs are exempt from *ad valorem* personal property taxes beginning with calendar year 2009. Violations of this legislation, unless otherwise specified, are misdemeanors punishable by a fine of not less than \$50 dollars nor more than \$200 dollars. The legislation also provides for the titling of ATVs through the Department of Motor Vehicles.

### **S.9 ENERGY EFFICIENCY AND RENEWABLE ENERGY GOALS FOR STATE GOVERNMENT** Sen. McConnell

This bill outlines that every state agency shall establish a goal to reduce energy consumption by at least one percent each year beginning July 1, 2009, with an ultimate goal of reducing energy consumption by twenty percent by 2020. In reaching these goals, each state agency shall implement all cost-effective, energy efficiency measures. These provisions do not apply to the provisions in the Energy Independence and Sustainable Construction Act of 2007. The bill also directs state agencies to procure energy efficient products and directs every state agency head to require the replacement of all incandescent light bulbs with compact fluorescent light bulbs in each state agency by July 1, 2011.

### **H.3707 MOTOR FUEL TERMINALS TO OFFER FOR SALE PRODUCTS THAT ARE SUITABLE SUBSEQUENT BLENDING EITHER WITH ETHANOL OR BIODIESEL** Rep. T. R. Young

This bill requires motor fuel terminals to offer for sale products that are suitable for subsequent blending either with ethanol or biodiesel. A person or entity is prohibited from taking an action to deny a motor fuel distributor or retailer from being the blender of record. In addition, motor fuel distributors, retailers, and refiners must utilize the renewable identification number. The legislation also declares violations as an unfair trade practice.

## EDUCATION AND PUBLIC WORKS

### **S.16 HONORARY DIPLOMAS FOR CERTAIN VETERANS** Sen. Lourie

Subject to appropriations by the General Assembly and notwithstanding all other eligibility requirements for high school diplomas, upon request, this bill provides that an honorary high school diploma shall be awarded to any honorably discharged veteran who served in the United States Armed Forces during a war period as defined by the United States Department of Veterans Affairs, who was enrolled in, but did not graduate

from, a high school located in South Carolina prior to being inducted into the United States Armed Forces, and was unable to resume his secondary education upon returning to civilian life. The request must be made by the veteran or, in the case of a posthumous request for a deceased veteran, a member of the veteran's immediate family. The diplomas must be issued in the name of the high school last attended by the veteran prior to his induction into the United States Armed Forces regardless of the current operational status of the high school. The South Carolina Board of Education, in consultation with the South Carolina Department of Veterans' Affairs, shall promulgate administrative regulations to establish the procedures for awarding these diplomas.

**S.97 CENTRAL CAROLINA TECHNICAL COLLEGE COMMISSION**

**Sen. Leventis**

This bill increases membership of the Central Carolina Technical College Commission from nine members to eleven members. The bill provides for an additional member from Clarendon County and an additional member from Kershaw County.

**H.3678 GROSS WEIGHTS OF VEHICLES Rep. Moss**

Relating to the maximum allowable gross weights of vehicles that may be operated along the State's highways, this legislation makes a technical change.

**H.3679 NOTIFICATION OF DRIVER'S LICENSE SUSPENSION FOR FAILURE TO MAINTAIN INSURANCE Rep. Loftis**

Before a person's driver's license is suspended for failure to maintain insurance on a motor vehicle or operating an uninsured motor vehicle, this bill requires the Department of Motor Vehicles to notify the person by certified mail that his driver's license will be suspended.

**H.3682 ISSUANCE OF COMMERCIAL DRIVER'S LICENSES TO CERTAIN VETERANS Rep. Rutherford**

This bill provides that the Department of Motor Vehicles may issue a commercial driver's license to honorably discharged members of the United States military, South Carolina National Guard, and military reserves who apply for the license within 90 days of their discharge from military service. The bill outlines the conditions that an applicant for this driver's license must fulfill.

## JUDICIARY

**S.110 SALE OF LOTTERY TICKETS Sen. Malloy**

This bill permits the sale of lottery tickets on general or primary election days

**S.118 WARRANTS Sen. Knotts**

Relating to endorsement and execution of warrants issued in other counties or by municipal authorities, this bill provides a warrant is not required to be endorsed by a magistrate in the county where a person charged with a crime resides or where he is located. The bill includes provisions for serving the warrant under these circumstances.

**S.146 "FAMILY COURT FINANCIAL PRIVACY ACT" Sen. Campsen**

This bill provides that financial declarations in family court proceedings are confidential, except between the parties, their attorneys, the judge and the judge's staff, the clerk and the clerk's staff, and Department of Social Services Child Support Enforcement Division

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personnel. No other individuals have access to the financial records, except as ordered by the court upon good cause shown.

**H.3683 PENALTIES FOR DRIVING A MOTOR VEHICLE WITH A CANCELED, SUSPENDED, OR REVOKED DRIVER'S LICENSE Rep. Rutherford**

Under this bill, the penalty for a third and subsequent offense of driving a motor vehicle with a canceled, suspended, or revoked driver's license is a fine of \$1,000 dollars or imprisonment for not less than 90 days nor more than six months, or both, no portion of which may be suspended by the trial judge.

**H.3684 LAW ENFORCEMENT BADGES Rep. Rutherford**

This bill requires a law enforcement officer to wear an official badge issued by the agency in which he is employed at all times while on duty, except when he is performing undercover law enforcement duties.

**H.3693 MICROBREWERIES Rep. Herbkersman**

This legislation allows a microbrewery or manufacturer to conduct beer samplings or tastings under certain conditions; the legislation includes provisions for the payment of appropriate taxes.

**H.3712 JOINT CUSTODY Rep. Funderburk**

This bill defines joint custody of minor children for purposes of separation and divorce.

**WAYS AND MEANS**

**H.3676 INCOME TAX CREDIT FOR ENERGY EFFICIENT CONSTRUCTION  
AND JOBS TAX CREDIT FOR KNOWLEDGE-INTENSIVE**

**BUSINESSES**

**Rep. Herbkersman**

This bill provides for income tax credits for costs incurred for new construction, renovation, or other building project that meets certain Green Globes or LEED standards for energy efficiency. The legislation revises provisions for the jobs tax credit, so as to include a knowledge-intensive business as a qualifying facility. The legislation also revises jobs tax credit provisions to provide for the designation of county rankings by using the unemployment rate and either the per capita income or the average regional wage rate. The legislation revises provisions for the corporate income tax credit for corporate headquarters, so as to modify the requirement of a certain number of new full-time jobs to ten percent of the corporate payroll.

**H.3680 SALES TAX EXEMPTION FOR CERTAIN FIRE SPRINKLER  
SYSTEMS**

**INSTALLED IN MANUFACTURED HOMES Rep. Limehouse**

This bill provides a sales tax exemption for a fire sprinkler system installed by a fire sprinkler contractor licensed by the South Carolina Contractor's Licensing Board pursuant to the Fire Protection Sprinkler Systems Act in a manufactured home whose Manufacturer's Statement of Origin or original title is dated prior to January 1, 1985.

**H.3709 USE OF LOCAL HOSPITALITY TAX REVENUES FOR COUNTY  
TRANSPORTATION NEEDS Rep. McEachern**

This bill revises provisions establishing the uses allowed for local hospitality tax revenues, so as to allow the governing body of a county, by ordinance, to use not more than one-half of the revenues of the local hospitality tax imposed by the county for county transportation needs.

**H.3711 PARTICIPATION IN THE STATE HEALTH AND DENTAL INSURANCE PLANS AS A COUNTY COUNCIL MEMBER OR SPOUSE OF A COVERED EMPLOYEE/ RETIREE Rep. Jennings**

This bill revises provisions establishing the entities whose employees and retirees are eligible for coverage under state health and dental insurance plans, so as to allow a person who is eligible to participate in the state health and dental insurance plans as a county council member of a participating county, and who is also eligible to elect coverage as the spouse of a covered employee or retiree, to participate in the insurance plans as either an employee or a spouse, but not both.

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