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South Carolina House of Representatives

# Legislative Update & Research Reports

Ramon Schwartz, Jr., Speaker of the House

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STATE DOCUMENTS

## Legislative Update

### Where Are They Now? Status of Bills Sent to the Senate

This section presents the status of House Bills which have been sent over to the Senate--where they are, what actions have been taken on them, and other pertinent information. Bills are presented numerically.

#### Ratified

H. 3304 Rep. Hughston et. al.--Extends the due date for report of the Sentencing Guidelines Commission to December 31, 1984. Act 268, January 27, 1984.

#### Committee Consideration

H.2623 Rep. Anderson et. al.--The Attorney General must be notified of law suits concerning water rights, and has the authority to intervene in such cases. Sent to Committee on Judiciary, January 26, 1984.

H.2777 Rep. Gulledge et. al.--Exempts carnival equipment that is out of the State for 6 months or more a year from the ad valorem property tax. Committee on Finance, favorable report, February 8, 1984.

H.2845 and H.2846 Rep. Schwartz et. al.--The first allows towns and cities to create redevelopment authorities to rebuild rundown neighborhoods; H.2846 allows bond issues to support these activities. Referred to Committee on Finance, January 19, 1984.

H.2941 Rep. Gordon--Requires that funeral vaults be at least ten inches under the surface of the earth. General Committee, favorable report, February 8, 1984.

H.3285 Rep. Evatt et. al.--The Department of Youth Services to establish and operate reception and evaluation centers. Committee on Corrections and Penology, favorable report, February 2, 1984.

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Action On the Way: Probate Code  
Uniform Commercial Code

S. 704, currently in a Senate Judiciary subcommittee, is a major revision of the Probate Code, relating to practices and procedures. The proposed changes incorporate substantial changes in the S.C. Probate Code. The draft version, over 500 pages long, is expected back from the printer later this week.

Title 36, Chapter 9 of the Uniform Commercial Code is also under discussion by the Senate Committee on the Judiciary. The proposed changes will incorporate revisions in the model uniform commercial code prepared in the early 1970's and already adopted by a number of states. The section of the Code deals with Secured Transactions.

Prison Overcrowding in Some Other States

In light of the recent events concerning the S.C. Correctional System, these items might be of interest.

Alaska will build a \$65 million medium-maximum security prison to house 700 inmates.

Kansas has authorized \$2.7 million to ease overcrowded conditions by this summer. The state will create space for 300 minimum security inmates in pre-release centers by renovating vacant buildings at Topeka State Hospital and Winfield State Hospital.

In Missouri, Governor Bond signed into law an \$8 million package of supplemental appropriations, including \$1.9 million to hire an additional 257 corrections officers.

Arizona Governor Babbitt has signed a bill that will raise \$163 million for prison expansion through new and increased taxes over the next four years. Taxed are cigarettes, liquor, and person-to-person sales of vehicles. The state will also reduce its contributions to the public employees' pension fund.

Revenue will add space for 2,412 adult inmates and 295 juveniles. Almost \$8.8 million annually is allocated for probation, parole, and child-abuse programs. There is a \$72 million ceiling on construction costs; plans to hire 25 new probation officers and expand the State Board of Pardons and Paroles, and establish an "intensive probation program" for up to 800 adult offenders.

In Michigan, the state and the U.S. Department of Justice have reached a first-of-its-kind settlement over prison conditions.

The agreement was obtained by the Justice Department under the Civil Rights of Institutionalized Persons Act of 1980. This act gave the U.S. Attorney General authority to take legal steps against unconstitutional conditions in state and local prisons and hospitals.

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According to federal officials, Michigan violated the U.S. Constitution in four areas: physical facilities, medical services, inmate protection, and inmate access to the courts. The Department termed the conditions "egregious and flagrant."

The long-standing prison problem in Alabama may be close to settlement. Prison Commissioner Freddie Smith has devised a plan to end overcrowding through 1985 and improve inmate living conditions.

The plan would double the number of inmates in the Supervised Intensive Restitution program, expand inmate labor programs, add more bed space for mental patients, and develop new inmate educational programs.

By 1985 the state prison system would hold 670 fewer inmates than its capacity of 11,000. Funds of \$6 million would be used to build new prisons and provide 2,460 extra beds in existing facilities by 1985.

If the plan is accepted by a court-appointed Prison Oversight Committee, Judge Robert Varner would probably lift his contempt of court citation against Smith and Alabama Attorney General Charles Graddick. The citation carries a price tag of \$7,000 a day.

[Source: From the State Capitals]

## Tax & Revenue Figures--Who's Counting on What

### Summary

In any debate over taxes, revenues and appropriations, statistics are sure to be included. Sometimes it is difficult to understand just what the bewildering array of numbers means, or if it does mean anything at all. Both the source and interpretation of revenue statistics must be carefully examined.

This Research Report provides an overview of three sets of fiscal statistics currently available for the nation in general and for the southeast in particular. The numbers are all from reputable sources--and they all vary. The variances are caused by such differences as data gathering techniques, years from which information was taken, and basic assumptions of the investigators.

This Report provides additional information for members considering possible tax changes and appropriations--and illustrates the need for care in using statistics.

The three fiscal studies to be reviewed are by 1) Southern Legislative Conference of the Council of State Governments; 2) State Policy Reports; 3) Advisory Commission on Intergovernmental Relations.

Fiscal Affairs and Government Operations Committee  
Southern Legislative Conference of  
The Council of State Governments  
Report on Comparative Revenues - 1978 through 1982

This information was gathered by the Arkansas Bureau of Legislative Research for the Southern Legislative Conference of the Council of State Governments. The data collected is the standard information traditionally used for revenue studies: taxes per capita and per \$1,000 of personal income, chief sources of tax revenue for states, etc.

Figures such as these are used by states across the nation in their fiscal considerations. However, as noted above, figures--especially comparative figures--can be deceptive and should be used with considerable caution.

Figure 1

TOTAL TAX COLLECTIONS PER CAPITA  
AND PER CAPITA TAX AS A PERCENTAGE OF PER CAPITA INCOME  
 FY 78 - FY 82

<u>State</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Alabama	\$424.57	\$463.61	\$492.65	\$552.19	\$563.90
% of income	7.6 %	7.4	7.1	7.4	6.9
Arkansas	423.72	456.22	532.46	520.35	552.82
% of income	7.6	7.6	7.7	7.2	6.9
Florida	438.01	484.31	542.25	545.59	570.07
% of income	6.6	6.4	6.3	6.1	5.6
Georgia	430.60	478.43	533.31	552.71	600.60
% of income	7.2	7.1	7.0	6.8	6.7
Louisiana	499.30	556.41	595.34	667.22	743.52
% of income	8.4	8.3	7.9	7.9	7.8
Mississippi	455.14	497.29	517.88	554.15	580.04
% of income	9.0	9.0	8.4	8.4	7.8
No. Carolina	467.71	519.99	573.55	584.10	644.34
% of income	7.9	7.9	7.8	7.5	7.5
So. Carolina	467.60	519.43	572.32	585.44	627.55
% of income	8.3	8.3	8.1	8.1	7.8
Tennessee	391.08	420.98	430.82	426.49	467.49
% of income	6.8	6.4	5.9	5.5	5.5
Virginia	453.29	493.31	527.87	566.22	605.17
% of income	6.6	6.4	6.1	6.0	5.9

Using these figures, one could gauge the relative amount of tax revenue paid by each person in the southeast. This ranking could shed light on one of the central issues that arises concerning taxes--is South Carolina a high tax or a low tax state? The percentage of per capita income could be important in deciding this question. For example the percentage has fallen every year since 1979 in South Carolina--but remains relatively high compared to other states in the region.

Statistics give information; people give interpretations.

Figure 2

SALES AND USE TAX COLLECTIONS PER CAPITA  
AND  
ON THE BASIS OF DOLLARS PER \$1,000 OF PERSONAL INCOME

FY 78 - 82

<u>State</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Alabama	\$132.55	\$145.13	\$153.09	\$152.96	\$161.53
Tax/\$1,000	23.91	23.24	21.99	20.38	19.54
Arkansas	144.10	158.71	170.64	174.62	183.29
Tax/\$1,000	26.52	26.52	24.56	23.96	22.69
Florida	191.41	219.75	254.18	261.09	285.66
Tax/\$1,000	29.12	29.92	29.74	28.68	26.90
Georgia	156.77	174.71	182.14	184.66	199.16
Tax/\$1,000	26.25	26.23	23.87	22.82	21.85
Louisiana	142.71	168.16	183.92	204.33	220.40
Tax/\$1,000	24.41	25.41	24.26	24.10	22.61
Mississippi	226.71	250.62	276.25	287.19	304.24
Tax/\$1,000	45.34	45.37	44.71	43.55	40.91
No. Carolina	104.00	115.59	123.80	125.81	132.61
Tax/\$1,000	17.69	17.67	16.76	16.05	15.15
So. Carolina	161.41	179.40	196.45	197.50	207.24
Tax/\$1,000	29.10	28.67	27.84	27.11	25.42
Tennessee	191.65	215.30	224.20	227.40	243.52
Tax/\$1,000	33.58	33.06	30.53	29.39	28.70
Virginia	94.99	102.94	114.49	120.65	125.49
Tax/\$1,000	13.87	13.55	13.33	12.81	11.94

This is similar to Table 1, except that it concentrates on sales and use taxes. With sales tax, additional questions need to be explored. For example, the number of dollars per \$1,000 collected has fallen over the past few years, but the total revenue for sales taxes has risen. Economic conditions obviously have affected the tax revenue. What will those conditions probably be like next year, three years from now, or five years down the road?

Figure 3

TOTAL OF INCOME TAX COLLECTIONS PER CAPITA  
AND  
INDIVIDUAL INCOME TAX COLLECTIONS  
ON THE BASIS OF DOLLARS PER \$1,000 PERSONAL INCOME

<u>State</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Alabama	\$107.16	\$123.11	\$134.25	\$158.10	\$155.11
Tax/\$1,000	15.33	15.42	15.13	17.67	14.94
Arkansas	131.29	143.12	183.49	171.99	194.66
Tax/\$1,000	17.09	17.55	20.93	18.74	19.17
Florida*	29.79	35.44	41.87	41.27	39.40
Tax/\$1,000	NA	NA	NA	NA	NA
Georgia	166.60	186.83	217.31	235.72	265.42
Tax/\$1,000	21.18	21.39	22.33	23.43	23.76
Louisiana	95.56	113.02	123.69	107.52	121.73
Tax/\$1,000	8.28	9.05	8.11	5.22	5.37
Mississippi	87.77	104.74	88.51	101.15	94.80
Tax/\$1,000	13.15	14.60	10.00	11.49	8.96
No. Carolina	193.29	223.15	262.58	269.49	293.61
Tax/\$1,000	25.86	27.16	28.53	28.32	28.14
So. Carolina	162.44	189.63	221.01	232.13	247.60
Tax/\$1,000	21.69	22.68	23.92	25.13	25.22
Tennessee	44.99	48.40	52.28	50.32	54.67
Tax/\$1,000	1.01	.91	.96	1.01	1.13
Virginia	202.02	224.17	249.57	275.16	303.53
Tax/\$1,000	24.83	24.49	24.72	25.61	25.73

The personal income tax in South Carolina (according to these figures) has moved in an opposite fashion to the sales tax--the ratio of dollars paid per \$1,000 in personal income has increased over the years, from \$21.69 to \$25.22.

#### State Policy Reports

State Policy Reports is published by State Policy Research, Inc., a non-partisan study group in Arlington, Virginia. SPR gathers and compares information concerning state operations on a national basis. The January 26, 1984 issue concentrated on state and local finances, including tax revenues.



Some of the figures taken from SPR differ from those found in the Council of State Governments report. One reason is that the SPR figures contain both state and local revenues, while the COG statistics concentrate on state revenues. Second, the SPR figures are more recent, which would account for some changes. On the whole, however, the ratios between states generally remains consistent between the COG and SPR statistics.

Figure 4

STATE AND LOCAL TAXES AS A PERCENT OF PERSONAL INCOME, 1981-1982

<u>State</u>	<u>%</u>	<u>National Ranking</u>	<u>State</u>	<u>%</u>	<u>National Ranking</u>
Louisiana	11.3	17	Virginia	9.8	40
Georgia	10.4	28	Alabama	9.2	44
So. Carolina	10.3	31	Tennessee	9.1	46
No. Carolina	10.1	36	Arkansas	9.0	48
Mississippi	10.1	37	Florida	8.9	49

Note that the figures given here are higher than those in the Council of Governments report. These figures include state and local taxes, rather than only state revenues. It is important to remember, however, that the taxpayers generally lump all taxes together.

Figure 5

STATE AND LOCAL TAXES PER CAPITA, 1981-1982

<u>State</u>	<u>Amount</u>	<u>National Ranking</u>	<u>State</u>	<u>Amount</u>	<u>National Ranking</u>
Louisiana	\$1,101	27	So. Carolina	\$ 842	46
Virginia	1,030	32	Tennessee	772	47
Florida	946	37	Alabama	764	48
Georgia	946	38	Mississippi	751	49
No. Carolina	885	41	Arkansas	729	50

Figure 6

STATE SHARE OF TOTAL STATE AND LOCAL GENERAL REVENUES, 1981-1982

<u>State</u>	<u>%</u>	<u>National Ranking</u>	<u>State</u>	<u>%</u>	<u>National Ranking</u>
So. Carolina	70	12	Louisiana	65	18
Mississippi	69	13	Virginia	63	21
Arkansas	69	14	Tennessee	59	36
Alabama	69	15	Georgia	55	45
No. Carolina	68	16	Florida	51	50

This chart should be especially interesting to state-level policy makers, since it gives an idea of how states in our region divide the total tax pool. By extension, one can get a fair idea of the division of responsibility between local and state operations.

### ACIR

The Advisory Commission on Intergovernmental Relations (ACIR) was created by the Congress in 1959 to monitor the operation of the American federal system and to recommend improvements. ACIR is a permanent national bipartisan body representing the executive and legislative branches of Federal, state and local government and the public.

As a continuing body, the Commission approaches its work by addressing itself to specific issues and problems, the resolution of which would produce improved cooperation among the levels of government and more effective functioning of the federal system. In addition to dealing with the all important functional and structural relationships among the various governments, the Commission has also extensively studied critical stresses currently being placed on traditional governmental taxing practices.

1981 Tax Capacity of the Fifty States explores this issue by providing a system to examine relative tax capacities of the states. As far back as 1962 ACIR expressed serious doubts about traditional measurements:

The Commission finds that the use of a single index, resident per capita income, to measure fiscal capacity, seriously misrepresents the actual ability of many governments to raise revenue. Because states tax a wide range of economic activities, other than the income of their residents, the per capita income measure fails to account for sources of revenue to which revenue is only related in part.

ACIR developed what it calls the Representative Tax System," a sophisticated yardstick for measuring the relative tax capacity of each of the 50 state-local systems." RTS ranks each of the 50 states on a tax productivity scale assuming each state taxed according to 26 commonly used tax bases. Examples of tax bases are general sales, selected sales, license taxes, income taxes, property taxes, etc.

ACIR develops two indices from the economic information it gathers. The first is tax capacity. This is a measure of "the amount of revenue each state would raise if it applied a nationally uniform set of tax rates." RTS takes the state tax capacity, and divides it by the average for all states. This gives the national rankings--with 100 being set as the given average.

Thus, if South Carolina has a ranking of 95, it means that it has the economic resources to tax at a lower level than the national average. The tax capacity is a measure of a state's tax base, or the state's economic resources.

Figure 7

1981 RTS Estimates of Tax Capacity  
Compared to the Per Capita Income Measure

<u>State</u>	<u>RTS Tax Capacity Per Capita</u>	<u>RTS Tax Capacity Index</u>	<u>Income Per Capita</u>	<u>Income Based Tax Capacity Index</u>
Alabama	\$ 766	74.5	\$ 8,219	78.3
Arkansas	839	81.6	8,044	76.7
Florida	1,040	101.1	10,165	96.9
Georgia	838	81.4	8,934	85.2
Louisiana	1,200	116.6	9,518	90.7
Mississippi	737	71.6	7,408	70.6
No. Carolina	818	79.5	8,649	82.4
So. Carolina	774	75.2	8,039	76.6
Tennessee	812	79.0	8,447	80.5
Virginia	969	94.1	10,349	98.6

Figure 8

RTS TAX EFFORT INDICES FOR 1981 AND SELECTED PRIOR YEARS

<u>State</u>	<u>1977</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Alabama	79	86	85	91
Arkansas	78	81	86	79
Florida	73	78	74	73
Georgia	89	96	96	97
Louisiana	79	82	78	77
Mississippi	94	97	96	95
No. Carolina	87	91	97	95
So. Carolina	86	91	95	95
Tennessee	82	87	84	87
Virginia	88	88	88	90

The low tax effort of Tennessee, for example, jibes with the low percentage of taxes per capita in Figures 1 and 3.

Figure 9

SPECIFIC TAX CAPACITIES FOR SOUTH CAROLINA

<u>Tax Source</u>	<u>Tax Capacity Per Capita</u>	<u>Tax Capacity Index</u>	<u>Tax Capacity</u>	<u>Tax Revenue</u>	<u>Revenue Per Capita</u>	<u>Tax Effort Index</u>	<u>Revenue Less Capacity</u>
Genl Sales	201.64	83.4	638,578	616,080	194.53	96.5	- 22,497
Seic Sales	115.15	94.2	364,684	375,142	118.45	102.9	10,458
License Tax	32.16	87.8	101,840	53,661	16.94	52.7	- 48,178
Ind Income	129.83	65.6	411,181	571,000	180.30	138.9	159,819
Corp. Income	47.96	76.6	151,886	152,673	48.21	100.5	787
Property	242.70	74.4	768,624	555,069	175.27	72.2	-213,554
Estate/Gift	4.18	42.8	13,247	12,147	3.84	91.7	- 1,099
Severance	0.57	1.8	1,814	0	0.00	0.0	- 1,814
TOTAL TAXES	774.19	75.2	2,451,857	2,335,778	737.54	95.3	-116,079

The use a state makes of its base is measured by ACIR as its tax effort. This is the "ratio of a state's actual tax collections to its tax capacity." The ACIR ranks each state on a national basis, with 100 as the average; thus, an index of 115 indicates that a state has a tax effort 15% above the national average.

#### Definitions

Capacity per capita: population divided into the revenue that could be collected from the tax base when the representative (average) tax rate is applied.

Tax capacity index: compares each state's capacity per capita to national average.

Tax capacity: the yield of the representative tax rate applied to the tax base of the state.

Tax revenue: the amount the state actually collected with the type of tax.

Revenue per capita: tax revenue divided by population.

Thus we see that South Carolina, according to the ACIR study, collected less than it could have in general sales, license taxes, and property taxes. The State collected more than the national average predicts in selective sales and personal income.

#### Conclusion

In reviewing these three different sources of information it is apparent that using just one resource can lead to deceptive results; one measure might suggest South Carolina is a relatively high tax state while another shows it to be a low tax state. In truth, the couching of the question may be misleading; is South Carolina just a low income state? If that is true the issue then becomes what governmental strategies are appropriate to bring about some improvement?

Is the answer "low taxes to bring in industry," thereby improving the tax base so we can afford better services and education. Or is the solution "higher taxes to educate our young people," thereby making us more attractive to industry.

Fortunately researchers such as those who prepared this report don't have to answer the questions we pose. These are value calls where there may be more "facts" than "truth." Unfortunately for our readers, you are elected to find the answers.

Hopefully comparative analysis of complex information such as these statistics will help define the underlying and less popularized aspects of complicated issues. These aspects are frequently masked as difficult issues are simplified in public debate--a debate that may be limited to 30 second spots on T.V.

When it comes to revenue figures and statistics, everyone should keep in mind the words of the late Sgt. Phil Esterhaus: "Let's be careful out there."