South Carolina House of Representatives

Legislative Update & Research Reports

Ramon Schwartz, Jr., Speaker of the House

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Legislative Update

The Long and Winding Road: The Education Plan as the House Passed It

The "Education Improvement Act" recently passed by the House is one of the most discussed pieces of legislation in many years. The following brief outline has been prepared to help House members explain the legislation to their constituents, answer questions, and respond to other public concerns.

Update & Reports gratefully acknowledges the valuable assistance from the staff of the Education & Public Works Committee in preparing this report; without them this summary would not have been possible.

Funding levels are included; the total amount for the first year is $192,912,289.

RAISING STUDENT PERFORMANCE BY INCREASING ACADEMIC STANDARDS

I. Increase academic standards $5,020,449

Graduation requirements will increase from 18 to 20 credits. Students must have a passing grade in at least 4 academic courses to participate in other activities. Secondary schools must have college prep programs. Schools must offer regular courses in black studies. In FY 84-85 funds will go to school districts on a per-pupil basis.

II. Strengthen student discipline and attendance

The State Board of Education will set minimum standards of conduct and a system to enforce them. Local boards can set additional standards. School officials must take action on unlawful student absences (3 in a row or 5 altogether) and any absences over 10 days per year.

III. Provide more effective use of class time $1,800,000

The instructional day is set at 6 hours.

Kindergartens will be established, but parents may elect not to have their children participate. Provisions are made for early entry into kindergarten and first grade. School Boards have the option of running 4-year old child development programs.

Saturdays may not be used for make-up days, but can be used for remedial instructions in grades 7-12.

Funds for kindergartens are distributed through the formula in the "Education Finance Act."

IV. Provide programs for talented students

Schools will provide advanced placement courses $669,000 if they have enough students for them (as determined by the State Board).

Programs for gifted and talented students $3,700,000 must be in place by August 15, 1987.

In FY 84-85 funds are to be distributed on a proportional basis.

V. Provide relevant Vocational Training $7,000,000

School districts must provide Vocational Training programs that lead to a 50% job placement rate. Programs will be monitored and plans made for future training.

VI. Provide for handicapped students $1,000,000

Programs for handicapped students will be provided; in FY 84-85 funds can be used only for educational services.

STRENGTHEN THE TEACHING AND TESTING OF BASIC SKILLS

VII. Require exit exam for graduation $140,000

Students in the 10th grade will take an exit exam; those who fail must take remedial courses. Starting in 89-90 students must pass the test to graduate.

VIII. Enact a promotion policy

The State Board will set minimum standards for students to meet to be promoted. Those who fail must take remedial courses.

IX. Improve basic skills

The State Board will provide half-day $2,400,000 programs for 4-year olds with learning deficiencies.

There will also be remedial programs for $59,000,000 students who do not meet basic skills requirements for the first grade.

Basic skills in science will be stressed $203,000 statewide.

X. Pupil-teacher ratios

Pupil-teacher ratios must be 25:1 or less for school districts to receive funds.

XI. Drugs in schools

SLED will have 5 extra agents per congressional district to enforce drug laws in schools.

ELEVATE TEACHER PROFESSION BY STRENGTHENING TEACHER TRAINING, EVALUATION, AND COMPENSATION

XII. More teachers

Secondary schools will emphasize teaching $40,000 as a career; so will colleges and universities.

The Commission on Higher Education will $1,500,000 operate a loan program for students becoming teachers in areas with critical shortages. For each year of teaching in that area, the teacher has 1/5 of the loan forgiven.

People with BA degrees from accredited colleges $2,400 may get a provisional teaching certificate if they pass a teacher's exam. This certificate can be renewed up to three years.

XIII. Raise teachers' salaries $59,500,000
In FY 85 the base pay will be $14,172. (fringe) $ 8,900,000
The state will try to keep teacher pay at the Southeastern average. Local salary supplements cannot drop below 83-84 dollar level. Starting in FY 86 only teachers showing at least minimum knowledge proficiency will be employed.

A teacher incentive program will be developed by the State Board in 84-85; pilot-tested in 85-86; implemented statewide in 86-87. $624,000

State agencies which employ teachers will adjust their salaries to the new pay scale, based on school districts in their area. $550,000

XIV. Improve teacher training

Raise standards for teacher education programs. $50,000

The Commission on Higher Education will select colleges for centers of excellence in education. $150,000

The State Department of Education will improve teacher in-service training, to be put in place by school districts by the 86-87 school year. $1,250,000

XV. Maximize teaching time

Increase the school year from 185 to 190 days, and use the 5 new days for in-service.

Use computers and other methods to reduce teacher paperwork load. $500,000

State Board will develop grants to improve teaching practices. $200,000

Evaluate teachers on a regular basis and weed out unsatisfactory ones.

IMPROVE LEADERSHIP, MANAGEMENT, AND FISCAL EFFICIENCY

XVI. Recruit able principals and administrators

Starting in 85-86 principals will be assessed by the Assessment Center of the Department of Education. $236,500

Starting in 85-86 colleges will increase requirements for admission to School Administration graduate programs.

School administrators will participate in Department of Education seminars every two years. $100,000

The State Board will set minimum standards for principals, with evaluation and training procedures. Unsatisfactory principals will not be rehired. $161,000

Department of Education Leadership Academy will develop training programs for effective instructional leadership. $44,000

The State Board will operate a principal incentive program. It will be developed in 85-86, tested in 86-87, and implemented statewide in 87-88. $182,800

XVII. Improve administrator training and evaluation

The State Board will set guidelines for school administrator apprenticeships. $500,000

IMPLEMENT QUALITY CONTROLS AND REWARD PRODUCTIVITY

XVIII. Reward schools for performance and progress

State Board will establish an incentive grant program for schools, with criteria of: achievement gains, student and teacher attendance, better student attitude and greater parent participation. Funds will be allocated on a per-pupil basis. $100,000

The State Board will establish a competitive grant program to encourage schools to develop new methods of improving instruction. $250,000

XIX. Focus on better planning

The school advisory report becomes the school improvement report, while the school advisory councils become the school improvement councils. $5,000 $100,000

XX. Monitor the program

The 5-year phase-in program will be monitored by a select committee, chaired by a member of the General Assembly. The State Board will assess the program annually.

XXI. Evaluate remedial program

The remedial education portion will be reviewed and any problems corrected.

CREATING PARTNERSHIPS BETWEEN SCHOOLS, PARENTS COMMUNITY AND BUSINESS

XXII. Partnerships in education

The Department of Education will develop policies to bring education closer to parents, business and the community.

PROVIDING SCHOOL BUILDINGS

XXIII. School building aid

Funds will go to school districts on a per-pupil basis for school buildings. If the district has had a major capital improvement program in the last 5 years, 50% of the funds must be used to reduce millage. The other 50% can be used to reduce millage, construct new buildings or repair existing ones--but not for operating costs or instructional costs. $36,400,000

FUNDING

XXIV. Where the money comes from

The state sales tax goes from 4% to 5%--except for those 85 years and older. $22 comes back as a personal income tax credit.

The Nuclear Waste Tax goes up from $4 to $8 per cubic foot on waste brought into the state.

There is a transfer of $33,812,289 from the General Fund to the Educational Improvement Act Fund. Any earnings on investments of funds in the Act Fund remain part of the Fund.

Candidates for Citadel Board of Visitors

Election of members of the Board of Visitors of the Citadel will be held on Wednesday, April 4, 1984, immediately following the presentation of the State Easter Seal Representatives and their parents.

This election was originally scheduled for February 15, but the date was changed under H.3450.

There are two positions on the Board, and three candidates. The candidates are:

Leonard C. Fulghum, President of Ferguson-Fulghum, Inc., a paint company. He lives in Mount Pleasant. Mr. Fulghum has served on the Board of Visitors as a representative of the Citadel Alumni.

William C. Mills, a Security Investments Consultant, lives in Charleston. Mr. Mills has no previous service on the Board of Visitors.

Charles L. "Buddy" Terry, a Life Insurance agent, lives in Columbia. He is currently a member of the Board of Visitors.

Spending Limitation Action in Utah and New Jersey

In last week's Research Report on spending limitations, we reported that 19 states had enacted such measures. The House Research Office has just received information from the National Conference of State Legislatures (NCSL) that updates this situation.

In Utah the limitation has never gone into effect. Under the limitation, government growth in Utah was linked to the growth of per capita income and total population increase. One section of the Utah legislation required that the legislature annually set the estimated personal income level and the state population level to be used for calculating the percentage of allowed government growth. The Utah legislature has never established these figures--and so the "driving mechanism" of the spending limit has never been available.

New Jersey lawmakers established a statutory spending limit in 1976, linked to the growth of personal income per capita. There was a five year "sunset" provision on the law. In 1981 the legislature renewed the limitation for two additional years. However, when this two year period expired in June, 1983, the spending limitation was not renewed.

Source: "State Tax Increases Of 1983: Prelude to Another Tax Revolt?" Legislative Finance Paper #40, Published by the National Conference of State Legislatures, Denver, Colorado

Spending Limitations Legislation
Part Two: The South Carolina Situation

(NOTE: For general background on spending limits legislation, see Part one of this research report published on page 2-1 of issue #11.)

Background

While called "the spending limit package," this legislation (H.2151 and H.2152) is more far-reaching than that cognomen suggests. It includes material to establish:

* A balanced budget provision.
* The spending limit on state appropriations.
* A limit on the number of state employees.
* Reduction of the reserve fund.
* A limit on state debt service and therefore debt.
* Restraints on the passage of new taxes.
* A tax credit for new jobs created in designated counties.
* Special vote provisions to protect portions of this law.

These parts reflect various compromises which have occurred over the last few years as this matter has been debated.

The package which indeed started as a "spending limit" is supposed to control government growth while fostering economic growth. Proponents argue that if government grows too large therefore requiring higher taxes, those taxes will discourage new private investment. While some research suggests that excessive taxation may discourage economic growth, it is uncertain at what level taxes become excessive and therefore a disincentive.

Opponents feel a limit creates an arbitrary restraint on the ability of government to respond to legitimate future needs, needs which as yet are unknown. They point to the fact that the growth of state government to date has been responsible and not excessive.

Legislative history

South Carolina adopted a statutory spending limitation in 1980 which ties the growth of state government expenditures to the growth in personal income. Its adoption followed concerted pushes both in the House and the Senate for adoption of a detailed constitutional spending limit. The constitutional provision fell seven votes short of the necessary two-thirds of the members of the House required for passage of a joint resolution proposing a constitutional amendment and five votes short in the Senate. The call for the limitation came initially from various statewide business organizations.

After the defeat of the proposed constitutional amendments in both the House and the Senate, the spending limit provisions were enacted as statutory law in the permanent provisions of the 1980-81 Appropriations Act. Also adopted were various other constraints on government growth including establishment of a limit on the number of state government employees, establishment of five percent of general revenues as the maximum annual debt service on all general obligation bonds of the state, and establishment of a policy that no general tax increase or new general taxes would be enacted in appropriations acts.

In 1981, there were renewed efforts to incorporate the spending limit provisions into the constitution. A revised constitutional amendment was introduced in the Senate along with companion legislation detailing implementation procedures. This approach of having a package of two bills resulted from criticism that the 1980 proposal would have put too much detail in the constitution. Both parts of the package finally passed the Senate with the constitutional amendment getting the necessary two-thirds vote in that body. Being received in the House in late May, the package was routinely introduced and referred to committee.

In April 1982, shortly after completing debate on the Appropriations Bill, an attempt was made in the House to recall the spending limit package from committee. The attempt was successful with respect to the statutory portion but unsuccessful with respect to the constitutional amendment. Regardless, within two weeks the constitutional amendment was reported out favorably with amendments although there was a minority unfavorable report. Subsequently several objections were put on the statutory proposal. Because of this opposition and the length of the calendar combined with the inability of the proponents to get the package set for special order, both measures died on the calendar at the end of the session.

H.2151 reintroducing the statutory material and H.2152 reintroducing the proposed constitutional amendments received first reading in the House on January 11, 1983. Both were reported out of committee favorably with amendments in May of last year. On January 10, 1984, both were set for special order consideration immediately following the Appropriation Bill

Meanwhile, back at the Senate, a spending limit package to amend the existing statute was introduced in March 1983. But in early February 1984, bills proposing the constitutional amendments and the enabling legislation were introduced. Both measures were adopted as committee bills by the Finance Committee and reintroduced as S.823 and S.824 in late February. Both were made Special Orders for March 14 but were then referred to Judiciary Committee. Subsequently both pieces of legislation were returned from committee "by previous agreement" and debate adjourned.

The elements of the package

In this section, key elements of the "spending limit" package are discussed. Following the heading to each paragraph is an indication in parentheses as to whether the issue is addressed in the statute or the constitution and the bill number.

The BALANCED BUDGET (const. - H.2152): While it is commonly believed that South Carolina now has a balanced budget provision in its constitution, there has been some question. The current provision directs that whenever ordinary expenses exceed revenues, the General Assembly shall in the ensuing year levy a tax such that it with other sources of income will pay the deficiency. Court cases arising out of the Depression era concerning delay by the state in repaying some of its debt cast some doubt on just what the effect of that provision is. The current proposal directs that there be a budget process to ensure that expenditures not exceed revenue. There appears to be little controversy over this proposal since identical language was adopted by the House earlier this year as part of another package (H. 2281 which has received no action by the Senate). The vote was 87-0 fulfilling the requirement of a two-thirds majority of the membership for a constitutional amendment.

The SPENDING LIMIT (both): The proposed constitutional amendment directs that there shall be a limitation on spending provided by law. The mechanics of the limitation are detailed in the proposed statute. Proponents of the limit seek to protect the statutory material by inserting in the constitution a provision whereby the statute could only be changed through a special vote requiring a super-majority. The driving mechanism for the limits as proposed fall basically into two categories:

1) where a previous year appropriation figure (either the amount actually appropriated or the maximum that could be appropriated under the limit) is increased by the average rate of growth in state personal income for the preceding three years; or
2) state personal income for the preceding calendar year multiplied by a fixed rate.

The current law (S. C. Code, Sec. 11-33-40) provides that the limit shall be calculated by the first method using the average rate of growth of personal income over the prior three years. H.2151 includes both mechanisms providing that whichever results in the higher figure for any particular year may be used. The base year and the definition of exactly what funds are to be limited are issues to be addressed. Also at issue is who, or what agency, should be responsible for computing and certifying the limit.

(Historical data on appropriations, personal income, percentage growth in state personal income and appropriations as a percent of personal income appear in the table on the last page of this Report.)

The EMPLOYEE LIMIT (both): The proposed constitutional amendment directs that there will be a limit on the growth of the number of state employees with the proposed statute again providing the implementing detail. The proposed statute mandates that the ratio of FTE employees to total resident population remain constant therefore insuring that employee growth will not exceed population growth. (FTE=Full Time Equivalent, that is, the number of employees the State would have if all of them worked full time.) This proposed language would continue what is currently in the statute (S. C. Code, Sec. 11-33-50); that limit started with the 1981-82 fiscal year. Expressed in percentage, the relationship of employees to population was 1.1962% for that base year. Applying this percentage to the 1984-85 Appropriations Bill as just passed by the House, 35,232.75 FTE's were approved although 41,105.02 FTE's would be allowed under the limit.

GENERAL FUND RESERVE reduction (const., H.2152): The recommendation has been made that if the fiscal constraints included in this package are adopted, the reserve fund should be reduced. The general fund reserve is currently set at 5% of general fund revenue for the last completed fiscal year. (S. C. Const., Art. III, Sec. 36.) Recommendations vary but seem to focus on resetting it at 3% or 4% if it is to be retained. Some opponents have argued for abolishment of the fund. A further change would allow the General Assembly to establish a repayment schedule by statute when it becomes necessary to use money from the reserve. The existing constitutional provision mandates a repayment schedule with full restoration being accomplished within three fiscal years. It is argued that the existing provision might cause difficulties if there were an extended recession with the state being forced into restoring the reserve while foregoing needed services in a period of decreased revenues.

The DEBT SERVICE LIMIT (both): The purpose here is to limit the issuance of general obligation bonds by setting a limit on annual debt service. The current constitutional limit is 7%; this has been reduced to 5% by statute. There are various proposals for different limits here. Earlier this session, the House adopted a joint resolution (H.2281) which proposes that the constitutional limit be dropped to 5%. The same measure provided that the General Assembly voting in joint session and with a two-thirds vote of each body could increase that percentage up to 7%. There has been no action by the Senate on that measure.

NEW and INCREASED GENERAL TAXES (stat. - H.2151): This restates the existing statutory prohibition on new general taxes or tax increases in the appropriation bills. At issue is defining the concept of "general" as well as the question of whether one General Assembly can bind another merely by statute.

TAX CREDITS (stat. - H.2151): Similar to legislation passed last year by the House (H.2331), this provision would make available tax credits to employers who create new jobs under specified conditions in designated counties. Differences occur in the language determining which counties would be affected. The earlier House passed bill is in the Committee on Finance in the Senate.

The SPECIAL VOTE (const. - H.2152): The elements of the package are distributed between the proposed constitutional amendment (H.2152) and the proposed enabling legislation (H.2151). The decision as to what details should be where is value laden. Proponents feel strongly, however, that the detail mechanism of the spending limit itself along with certain other constraints need to be protected from being changed too easily in the future if that material isn't in the constitution. Therefore, proponents of the package would include a special provision in the constitutional amendment requiring the vote of a super-majority of legislators in future General Assemblies to amend what they see as key portions of companion statute. In earlier versions of the package, the proposed super-majority has ranged from a high of two-thirds of the total membership of each house (the vote required for passage of a constitutional amendment) to an absolute majority (an absolute majority being one over half of the total membership of a body as opposed to a simple majority which is merely half of those present and voting). The current proposal calls for a "two-thirds vote of those members present and voting, but not less than three-fifths of the total membership in each branch." This reflects a compromise reached during Senate debate in 1981. Opponents say no special vote is required arguing that a super-majority could foster control by a narrow minority thwarting the will of the majority. Assuming all 124 House seats and 46 Senate seats are filled, the actual minimum number of votes each variation would require for passage are:

	Sen.	Hse.
2/3 of the total membership	31	83
2/3 of those present and voting but at least 3/5 of the total membership of each house	28	75
Absolute majority (also a quorum)	24	63
2/3 of those present and voting	16	42
Simple majority	13	32

A related matter; limiting expenditures to 95% of revenue

In January 1984, the House approved a proposed constitutional amendment (H.2881) which provides that after 1990, the General Assembly would not be able to appropriate more than 95% of anticipated general fund revenues. Furthermore, it provides for a phase in period beginning in 1986 the General Assembly would "reduce the annual General Fund Operating Budget by one percent until the annual General Fund Operating Budget is not in excess of ninety-five percent of the annual official revenue estimate." This is essentially the same provision adopted as a permanent provision in the 1983-84 Appropriations Act and now found in Sec. 11-11-120 of the S. C Code of Laws.

H.2881 also proposes that the general fund reserve be reduced from the current 5% to 3%. While H.2881 passed the House by a vote of 89 to 4, it is still in committee in the Senate.

Conclusion

The so-called "spending limitation" package includes not only a spending limit provision, but provisions relating to a number of other matter which proponents believe are important as restraints on the growth state government and as inducements to enhance economic growth in South Carolina. The package proposes both constitutional and statutory measures addressing in addition to the spending limit, an employee limit, a limit on debt service, restraints on new general taxes, a reduction of the reserve fund, special vote requirements restricting change in the package by future General Assemblies, and a tax credit for the creation of new jobs in designated poor counties. Proponents see the package as a boon to economic development while opponents feel it could hamstring state government in the future when called on to meet new challenges. From the "spending limit" seed which germinated in 1980 has grown a plant onto which many branches have been grafted; proponents would say it is a plant about to bloom, while opponents would call it a weed.

APPROPRIATIONS, PERSONAL INCOME, % GROWTH IN PERSONAL INCOME
AND APPROPRIATIONS AS % OF PERSONAL INCOME

Fiscal Year	General Appn's.	Highway Trust Fund	Supplemental Appropriations	Total	Calender Year	S.C. Pers. Income (Millions)	Growth in Personal Income	Expenditures as a Percent of (previous year) Personal Income
73-74	757,319,416	139,846,000	31,996,650	929,162,066	1972	9,488	12.5%	9.8%
74-75	938,952,072	151,405,100	3,527,250	1,093,884,422	1973	10,831	14.2%	10.1%
75-76	1,063,770,630	152,859,500	672,623	1,217,302,753	1974	12,240	13.0%	9.9%
76-77	1,115,372,588	154,985,000	9,962,486	1,280,320,074	1975	13,140	7.4%	9.7%
77-78	1,217,485,465	159,779,201	20,176,034	1,397,440,700	1976	14,701	11.9%	9.5%
78-79	1,379,287,243	182,335,926	42,303,499	1,603,926,668	1977	16,251	10.5%	9.9%
79-80	1,556,722,589	199,477,000	46,920,885	1,803,120,474	1978	18,274	12.4%	9.9%
80-81	1,727,025,707	201,850,000	351,321	1,929,227,028	1979	20,548	12.4%	9.4%
81-82	1,918,174,826	210,153,000		2,128,327,826	1980	22,822	11.1%	9.3%
82-83	2,047,753,736	247,847,917	13,957,781	2,309,559,434	1981	25,765	12.9%	9.0%
83-84	2,121,900,556	246,844,000	24,162,059	2,392,906,608	1982	27,231	5.7%	8.8%
84-85	2,334,377,624	249,492,404		2,589,121,515 *	1983	29,351	7.5%	8.8%

* If expenditures for the Education Improvement Act of 1984 as passed by the House are included, the total would be $2,782,033,804, which would represent 9.5% of state personal income for the preceeding year.

SOURCES: State Budget Division, Research and Statistical Services Division and Ways and Means Committee Staff.

Around the House

Dwight Hayes

Over the weekend Dwight Hayes, staff Counsel for the Labor, Commerce and Industry Committee was involved in a household accident which resulted in a badly broken leg.

Dwight is now in the Baptist Hospital in Columbia. Doctors plan to operate on his leg this week, possibly on Wednesday. He may be away from work for two or more weeks. Dwight is in Room 291; the telephone number is 771-5914.