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South Carolina House of Representatives

# Legislative Update & Research Reports

Ramon Schwartz, Jr., Speaker of the House

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# Legislative Update

## Prefiled Bills: Part II

In the first issue of the *Update* summaries of prefiled bills were published. The following summaries briefly examine some more of the proposed legislation prefiled with the Clerk of the House. This list is by no means complete, but represents those bills which seem likely to be of the most interest to the general public.

### Financial

Increase in tax deductions (H.2044). Presently federal civil service retirees, veterans with 20 years of service drawing pensions and retirees over 65 drawing from pensions or annuities are allowed to exclude \$1,200 from their gross income. This bill would increase that amount to \$12,000. It would also strike the 20 year requirement for veterans and the 65 year old requirement for retirees. Survivors of any persons included in this bill could also take the \$12,000 deduction.

### Justice

First degree sexual conduct: increase penalty (H.2035). First degree sexual conduct currently carries a maximum punishment of imprisonment for up to 30 years, at the discretion of the court. This bill would require the following sentences:

For first offense, 25 years without no parole;  
For second offense, life imprisonment with no parole  
until the prisoner is 100 years old.

"First degree sexual conduct" is defined in the Code as sexual battery accomplished through the use of aggravated force, or sexual battery which occurs along with crimes such as kidnapping, robbery, and burglary.

A similar Senate bill (S.52) is basically the same, except that it does not have the "no parole before 100" sentence.

### Government

Reapportionment (H.2040). This bill proposes amending the state Constitution to handle possible reapportionment problems. The "South Carolina Reapportionment Commission" would be created to carry out reapportionment plans should the General Assembly fail to act on the matter within a specified time frame.

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It should be noted that, according to this bill, "The General Assembly may at any time arrange the various counties into judicial circuits, and into congressional districts, including the County of Saluda." Why is Saluda County singled out? Answers to this week's question should be submitted to the Research Office before midnight, January 21, 1985.

Limit term on state boards (H.2054). Under this bill persons who serve on state boards, committees and commissions would be limited to two successive terms or twelve years, whichever is longer. After a break of two years the person could once again serve on the board. The provisions would apply both to persons appointed by the Governor and elected by the General Assembly. The bill would not apply to persons receiving an annual salary from the state for their service, or to members of the Clemson University Board of Trustees who are elected for life.

Health

Qualifications of State Commissioner of Mental Health (H.2033). At present the State Commissioner of Mental Health must be a licensed medical doctor and have experience in the field of psychiatry. This bill would keep the MD requirement, replace "psychiatry" with "the field of mental illness treatment," and add "proven executive and administrative ability" as a requirement.

Prohibit utility terminations during winter (H.2036). This bill would forbid utility companies from shutting off the power from December 1 through March 31--that is, during the winter months.

"Death with dignity" (H.2041). This legislation would give terminally ill patients the option of refusing or discontinuing life sustaining procedures. A signed, witnessed and dated declaration is included in the bill; this declaration expresses the wish of the person to be allowed to die a natural death. A physician acting in accordance with such a declaration would be immune from civil or criminal liability. On the other hand, a physician disregarding the declaration would be engaging in unprofessional conduct.

A person could revoke the declaration at any time, and signing such a statement cannot be a requirement for insurance coverage.

Finally, the bill states that it does not authorize or approve of mercy killing or deliberate omissions or acts that end life other than to permit the natural process of dying.

S.46 is the companion Senate legislation.

Such "death with dignity" or "right to die" legislation has been a topic of considerable interest throughout the country. A future research report in the *Update* will discuss the issue in more detail.

Include psychologists under health insurance (H.2055). This bill would allow duly licensed psychologists to join duly licensed podiatrists and duly licensed oral surgeons as being entitled to payment in accordance to health insurance provisions. The bill states that it recognizes an additional type of health care provider for services already included in insurance--it does not mandate additional coverage.

Education

No "strip search" of students (H.2058). This bill would make it illegal for teachers or school officials to conduct "strip searches" of children--frisking them or having them remove some or all of their clothes. The only exception would be in a case where a student threatened immediate physical harm to others. The penalty for conducting an illegal strip search would be a fine up to \$200 or thirty days in jail.

How the Other Half Legislates: Senate Prefiled Bills

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As noted above, certain Senate bills are companion bills (or at least similar to) legislation introduced into the House. For a brief review of some other bills prefiled in the Senate, read on:

Budget and Financial

Property tax rollback (S.30). This would amend Article V of the state Constitution to roll back property tax millage by 20% in 1988. After that property tax could be not be increased in even-numbered years except to meet emergency, non-recurring expenses, and could not be increased in odd-numbered years except by popular referendum.

Justice

Bail denied in certain cases (S.20). This proposes amending the State Constitution so that bail must be denied to persons in the following categories:

1. Those charged with capital offenses or offenses punishable by life imprisonment;
2. Those charged with violent crimes where "the proof is evident or the presumption great;"
3. Those charged with violent crimes committed when the person is already out on bail for a separate charge of violent crime; and
4. Those charged with violent crime poses a "substantial" danger to other persons or the community.

No parole for murderers with life sentences (S.35). Means just that.

Popular election of circuit court judges (S.34). This would amend Article V, Section 13 of the Constitution to provide for the popular election of circuit court judges for six year terms.

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S.C. Judicial Nominating Commission (S.42). This bill would create a Commission to screen candidates for judicial offices. The 18 members would come from the following areas: 6 practicing attorneys (not members of the General Assembly) with five year's experience; six private citizens (again, not members of the General Assembly); and six members of the General Assembly. The three Senators and three Representatives would be chosen by their respective chamber; the civilians would be appointed by the President of the S.C. Bar. The terms of members would be six years. Basically the Commission would act as a screening body to help ensure quality candidates for the judicial benches.

Drug paraphernalia (S.47). Makes dealing in drug paraphernalia (pipes, papers, the almost extinct "bong," etc.) a crime, with a penalty up to one year incarceration or \$5,000 or both.

Commerce and Industry

Appeals of PSC rulings (S.12). This bill would require that any appeals of PSC rulings on utility rates be made to the South Carolina Supreme Court.

Popular election of PSC (S.28). This would change the selection of Public Service Commissioners by having them elected, one from each Congressional District, by popular vote.

The "Spa Act" (S.45). Puts spas, health clubs, figure salons, tanning parlours, et. alia., under the regulation of the Department of Consumer Affairs. Provides protection for consumers against strangely-worded and often endless contracts.

Transportation & Safety

Eliminate vehicle inspections (S.51). This would repeal the section of the Code that requires annual vehicle inspections.

Government

No more "bullet" ballots (S.11). The practice of straight party voting by pulling a single lever or marking a single block would be ended if this bill is passed.

State hiring "outside" lawyers (S.48). This bill would require that only the Attorney General and lawyers of the Attorney General's office could represent the state during reapportionment legal proceedings.

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Environment & Energy

Hazardous Waste Management (S.54). This bill would regulate landfills containing hazardous waste. No landfill could have a capacity over 3.4 million cubic yards, nor could it be larger than 10 square miles. A buffer zone would be required around the landfill to protect nearby areas. There could be no more than one landfill per county receiving "offsite" waste (waste brought in from elsewhere) unless the county gave its approval.

*Legislative Update* expects to publish a research report on the subject of hazardous waste management in South Carolina in the near future.

Health

Community services for older persons (S.42). This would fund a program operated by the state Commission on Aging and area Commissions to Aging to help older persons in such areas as homemaker services, personal care, health maintenance services, adult day care, medical transportation and home-delivered meals. The bill calls for \$2.5 million to be allocated for these activities.

To Be Continued

Legislative Pay Around the Nation

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How much legislators make can be an issue among the press, the public, and legislators themselves. During the organizational meeting of the House the question of pay, perks and per diem was discussed. More recently, the Legislative Pay and Expense Committee (a citizens' panel studying legislative pay and expenses) decided that current salary and expenses are adequate.

Members of the House might be interested in knowing the comparative pay for their counterparts across the country, and also the per diem allowances.

The table on the next page shows the salaries paid to lawmakers across the United States. Ten states do not pay annual salaries, but pay members a daily rate while the legislature is in session: Montana, Rhode Island, Nevada, Utah, Vermont, North Dakota, Kansas, Kentucky, New Mexico and Wyoming. This table represents only the base salary, and not the additional benefits available for legislators.

Table One: Legislative Salaries

<u>RANK</u>	<u>STATE</u>	<u>AMOUNT</u>	<u>RANK</u>	<u>STATE</u>	<u>AMOUNT</u>
1	Alaska	\$46,800	21	Washington	\$12,000
2	Michigan	33,150	21	Florida	12,000
3	New York	32,950	23	Connecticut	10,500
4	Massachusetts	30,000	24	SOUTH CAROLINA	10,000
5	Pennsylvania	30,000	24	North Carolina	10,000
6	California	28,100	26	Indiana	9,600
7	Illinois	28,000	27	Tennessee	8,300
8	New Jersey	25,000	28	Mississippi	8,100
9	Wisconsin	22,650	29	Virginia	8,000
10	Ohio	22,500	30	Oregon	7,850
11	Maryland	21,000	31	Arkansas	7,800
12	Oklahoma	20,000	32	Texas	7,200
13	Minnesota	18,750	32	Alabama	7,200
14	Missouri	18,000	32	Georgia	7,200
15	Louisiana	16,800	35	West Virginia	5,150
16	Arizona	15,000	36	Maine	5,000
17	Colorado	14,000	36	Nebraska	4,800
18	Iowa	13,700	37	Idaho	4,200
19	Hawaii	13,650	38	South Dakota	3,000
20	Delaware	12,200	40	New Hampshire	100

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Source: State Policy Reports, June 11, 1984

"But what about per diem and all those other perks? I'll bet they add up to thousands of dollars." That inevitable comment needs some examination. Just what are the per diem values from state to state? The table below provides a summary of how much lawmakers can claim. The symbol (U) means that the per diem is unvouchered, unlike South Carolina where receipts must be provided. Several states have special rates that do not fit easily into a chart; these are explained in the notes at the bottom of the chart.

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Table Two: Legislative Per Diem

<u>STATE</u>	<u>AMOUNT</u>	<u>STATE</u>	<u>AMOUNT</u>
Alabama	\$65	Montana	\$45 (U)
Alaska	None	Nebraska	None
Arizona	\$40 (\$20 for those living in capital)	Nevada	\$56
Arkansas	Up to \$350/week	New Hampshire	None
California	\$62	New Jersey	None
Colorado	\$40 if outside Denver	New Mexico	None
Connecticut	None	New York	\$55
Delaware	None	North Carolina	\$55 (U)
Florida	\$60	North Dakota	(a)
Georgia	\$59	Ohio	None
Hawaii	\$20 (U)	Oklahoma	\$35
Idaho	\$44 out-of-town, \$25 if from Boise	Oregon	\$44 (U)
Illinois	\$36 (U)	Pennsylvania	Up to \$75 (U)
Indiana	\$65 (U)	Rhode Island	None
Iowa	\$30	SOUTH CAROLINA	\$68
Kansas	\$50 (U)	South Dakota	\$75
Kentucky	\$75 (U)	Tennessee	\$66.47 (U)
Louisiana	\$16,800 per year	Texas	None
Maine	\$45 lodging and meals or \$21 meals only	Utah	\$25 (b)
Maryland	\$68	Vermont	(c)
Massachusetts	\$5 to \$50, based on distance from Boston	Virginia	\$75 (U)
Michigan	\$6,700/year	Washington	\$44 (U)
Minnesota	\$36 outstate, \$23 metro	West Virginia	\$20 meals (U)
Mississippi	\$44	Wisconsin	\$30 lodging (d)
Missouri	\$35	Wyoming	\$60

Notes:

- (a) Legislators whose tax home is in Bismarck receive \$90 a day and no expenses; those outside Bismarck get \$40/day plus \$50/day expenses.
- (b) \$25 subsistence. Everyone who lives outside of Salt Lake or Davis receives \$35 or mileage but not both.

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- (c) \$22.50 for room and \$22.50 for meals if renting room in Montpelier; \$18.75 if living in Montpelier.
- (d) \$41.64 when legislator must establish temporary residence at state capital; otherwise, \$20.81 (U).

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Source: *The Book of the States, 1984-85*

As noted, several states have no per diem. This does not necessarily mean that legislators are completely without reimbursement for their expenses. Connecticut and Delaware, for example, give \$2,500 per year in expense allowances. New Mexico provides stationery, postage, telephone and telegraph expenses on an unvouchered basis. Texas is by far the most generous, providing "all reasonable and necessary office expenses," including staff payrolls. For the Texas Senate this means up to \$13,500 a month during the session, \$12,500 during the interim. The House can claim up to \$6,500 a month during the session; \$5,500 a month during the interim. (For those who are interested, there are 31 Senators and 150 Representatives in the Texas Legislature.)

Obviously the range of legislative compensation, both direct and indirect, is great. It should be clear, however, that the South Carolina General Assembly is by no means excessively generous with itself when it comes to pay and perks.

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In all political regulations, good cannot be complete,  
it can only be predominant.

--Samuel Johnson

He that goeth about to persuade a multitude, that they  
are not so well governed as they ought to be, shall never  
lack attentive and favorable hearers.

--Richard Hooker

Government is a trust, and the officers  
of the government are trustees; and both  
the trust and the trustees are created for  
the benefit of the people.

--Henry Clay

He that will not apply new remedies must expect new evils,  
for time is the great innovator.

--Sir Francis Bacon

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# Indigent Health Care and South Carolina \*

## Background

The problem of indigent health care has become a priority issue in South Carolina, and one which is likely to demand considerable attention from the General Assembly this session. There are a number of factors to consider: the poor who need health care, the hospitals and medical facilities who provide that care but need funds to operate, the governmental bodies that might provide some of the funding, the tax payers who fund the government. This is a complex issue for the Legislature.

A plan to address the indigent health care problem has been proposed this session. The plan is the result of cooperative efforts by House and Senate members and staff, with some input from the Governor's Office. The following special *Research Report* gives a brief but comprehensive overview of the indigent health care question, and its possible answers.

## What is the bottom line on the medically indigent problem?

The bottom line is based on the answer to this question: "Do we, as a state, want to guarantee that every citizen will receive necessary medical care regardless of his or her ability to pay for such care?" If the answer is yes, then someone must pay for those citizens who cannot pay on their own. In the past, hospitals have 'cost-shifted' their losses to paying patients; however, due to changes in market forces this method of paying for indigent care will no longer work. If the state intends to continue to guarantee citizens needed medical care, another way of paying for indigent care must be found.

## What is 'cost-shifting'?

When most businesses set prices for goods or services, they charge a little extra to cover losses due to those customers who do not pay their bills. To keep their prices competitive, most businesses try to minimize the amount of these losses by dealing only with customers who can afford to pay their bill. However, our society has resisted the idea of limiting health care to those customers who can afford to pay. So hospitals, and some other health care providers, provide medical care regardless of a customer's ability to pay, covering their losses by raising the price of goods and services. "Cost-shifting" refers to the extent to which a paying

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\* By Dave Murday, Research Director of the Medical, Military Public and Municipal Affairs Committee

customer's bill is inflated to cover losses due to nonpayment of bills. In a business which can choose its customers, losses due to nonpayment of bills are classified as bad debt. Since hospitals cannot choose which customers to serve, losses due to nonpayment of bills are divided into two categories: losses due to nonpayment of bills by patients who can afford to pay but simply refuse to, are classified as bad debt; losses due to nonpayment of bills by patients who cannot afford to pay are classified as indigent care.

I thought Medicaid covered the cost of medical services for the poor.

There are approximately 500,000 South Carolinians below the federal poverty guidelines, e.g., a family of four with an income of less than \$10,200. Of these, only about 23% (118,980 persons) are covered under our current AFDC/Medicaid program (under our present Medicaid standards, \$2,748 net income after deducting taxes and work-related child care expenses is the maximum a family of four can make per year and still qualify for AFDC/Medicaid coverage). So that leaves 381,383 people in South Carolina who fall below the federal poverty guidelines but who do not qualify for Medicaid. If a person in this income range does not have health insurance, and most do not, then the person probably would not have sufficient income to cover necessary medical expenses.

In addition to these families whose income is so low that they are unable to pay much if any of their medical bills, there are also families whose income is sufficient to meet ordinary financial burdens, but whose income is not sufficient to cover exceptionally high medical bills. Currently there is not sufficient data to estimate the number of families whose income is above the federal poverty guidelines, but who have medical bills so large that they cannot afford to pay them all.

Why can't we keep cost-shifting like we have been doing?

Price competition limits the amount of losses most industries feel they can shift to paying customers. For many years the health care industry was not price competitive, so the size of the cost shift attributed to indigent care was not very important. Due to recent extraordinary increases in health care costs, consumers (including businesses, health insurance companies, and governments) have become more concerned about prices, introducing price competition into the health care system. Understandably, health care providers who do not lose money serving indigent patients can offer a better price to paying patients. As more providers refuse to offer unreimbursed indigent care, those providers who offer such care become locked into a vicious circle: as paying patients transfer their business to less expensive providers, those losing money on indigent care will be forced to raise prices even higher, which in turn will drive more paying patients away. Without some type of intervention, providers will be forced to choose between refusing to serve indigent patients and bankruptcy.

If the state takes no action, what will happen?

In the short term, all parties involved will suffer: indigent patients will find access to medical care severely restricted; hospitals which provide the bulk of the indigent care will struggle to stay open by raising rates to paying customers; and consumers (including businesses, insurance companies, and governments) will be faced with increased health care bills. However, consumers already unhappy with the cost of health care will begin to shift their health care business to less expensive providers, i.e. those who do not provide much indigent care. The resulting gradual abandonment of hospitals providing indigent care will have major long term consequences:

Hospitals. County hospitals (including regional referral centers) will limit unreimbursed nonemergency indigent care to county residents. (Some county hospitals have already done this.) Any hospital which is forced to provide unreimbursed care to too many indigents will lose its competitive edge, will lose paying patients, and eventually may be forced to reduce services or close.

Patients. Since most unreimbursed indigent care will only be provided on an emergency basis, patients will be more seriously ill before receiving treatment. Also, as hospitals try to avoid the financial losses of providing unreimbursed indigent care, patients may be shuffled from facility to facility. Both of these consequences may endanger the patient's health.

Counties. County governments will have to appropriate more local funds to pay for medical care provided to indigent county residents. If a county does not pay for such care, it is deciding that indigent county residents will not receive nonemergency hospital care and will have some difficulty obtaining emergency hospital care.

Consumers (including businesses, insurers, and governments). To the extent that consumers are able to avoid the more expensive hospitals, they may be protected. However, since the regional referral hospitals in South Carolina are public hospitals which already provide the majority of indigent care, any consumer who is referred to one of the regional hospitals due to the severity or type of illness will face exceptionally high health care costs.

So, to repeat the bottom line: Indigent care will have to be paid for, or it will not be provided. The hidden 'cost-shift' to paying patients which has subsidized such care in the past is no longer viable, price competition will not allow the cost-shift to continue. A new method of subsidizing indigent care will have to be developed, or medical care will no longer be available for persons who cannot afford it.

How does the proposed legislative package attempt to solve this problem?

The package proposes a comprehensive approach to not only the issue of who pays for indigent care, but also addresses the issue of health care cost containment and calls for a thorough study of South Carolina's health care system:

Paying for indigent care. In an attempt to maximize federal matching dollars, the proposal expands the state's Medicaid program. This would be accomplished by:

- 1) roughly doubling the maximum amount of income families are allowed to earn and still qualify for AFDC/Medicaid; and
- 2) by expanding AFDC/Medicaid coverage to two-parent families in which the primary wage-earner is temporarily unemployed.

To assist those families who would still not qualify for Medicaid, the package creates a pool of county and hospital money to cover all hospital costs for families below the poverty guidelines, and cover some hospital costs for families just above the poverty guidelines.

Cost containment. To limit hospital costs under the state Medicaid program and the SC Medically Indigent Assistance Fund, the bill mandates the implementation of a prospective payment system which would set a fixed price for hospital services. Other cost containment provisions include pre-admission certification and a mandatory outpatient surgery list. As a further incentive, hospitals will risk sanctions if the industry continues to increase charges above a specified measure of growth.

Study of state health care system. The legislation requires studies of catastrophic medical costs, the state employee health insurance program, private health insurance plans and coverage, health education in schools, and the development of a competitive model for the state health care system. These studies, in conjunction with the hospital data collected pursuant to the bill, should clarify the extent of the indigent problem and suggest new ways of containing health care costs.

If this package is designed to help the medically indigent, why is so much money going into AFDC payments?

To maximize the use of federal dollars for health care and to provide maximum access to the full range of health care services (not just hospital care), the proposal intends to make about 42,600 additional people (primarily children) eligible for Medicaid. Since the federal government links Medicaid eligibility standards with AFDC eligibility standards, it is impossible to effectively expand the Medicaid program without increasing the number of persons eligible for AFDC. Therefore, in addition to covering the increased Medicaid costs, the package must provide funds to pay for the AFDC benefits for the 42,500 persons who are added to the AFDC/Medicaid program.

Exactly how much money is this going to cost, and who is paying for it?

	<u>Federal</u>	<u>State</u>	<u>County</u>	<u>Hospital</u>
AFDC/Medicaid Expansion				
Medicaid Benefits	\$16,524,206	\$ 4,263,998	\$ 1,690,650	
AFDC Benefits	\$27,474,506	\$ 9,900,689		
Administrative Costs	\$ 1,079,531	\$ 755,140	\$ 324,392	
Prospective Payment				
Medicaid Benefits	\$ 9,556,300		\$ 3,443,700	
Administrative Costs	\$ 360,000		\$ 40,000	
Data Collection	\$ 42,500	\$ 42,500		
Medically Indigent Assistance Fund			\$ 7,500,000	\$ 7,500,000
TOTAL PACKAGE COST	\$55,037,043	\$14,962,327	\$12,998,742	\$ 7,500,000

Why does this package focus on hospitals, don't other health care providers serve indigents?

Yes, other health care providers do serve indigent patients, and they too must cost-shift their losses to their paying patients. The package will help these providers since it increases the number of persons eligible for the full range of Medicaid services, which includes services provided by physicians, pharmacists, optometrists, and podiatrists.

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House Research Office, 1/85/5517

Many observers expect a slow down in state revenues--but an increase in expenditures. Table 1 shows the projected growth rates of general fund revenues and expenditures for states in the southeast.

TABLE 1

## Comparison of Projected Growth in State Revenues and Expenses

State	Projected FY 1984 to FY 1985	
	<u>Revenue</u>	<u>Appropriations</u>
Alabama	6.4	19.6
Arkansas	9.1	11.3
Florida	9.7	7.7
Georgia	9.3	8.6
Kentucky	5.5	2.7
Louisiana	19.0	14.1
Mississippi	1.2	.2
North Carolina	9.4	20.7
SOUTH CAROLINA	5.8	10.8
Tennessee	18.4	20.7
Virginia	10.1	10.4
West Virginia	.8	10.9

State Tax Actions

Tax actions taken during 1984 were a mixed lot. Nearly half the states took no significant action at all; 11 states reduced taxes while 7 states increased them. When income taxes were changed they went down; sales taxes went up. Total tax increases were \$2.8 billion; tax decreases were \$1.9 billion--a net increase nation-wide of \$0.9 billion.

Tax decreases were enacted largely in the Great Lakes states--but these actions followed a wave of tax increases during 82/83. The Sunbelt saw most tax increases, including all sales tax increases. As the NCSL report states, a factor in this was "that states in the Southeast have placed a particularly high priority on improving their school systems, which has intensified their need for additional revenue." (More on this below)

After the legislative year the personal income tax was lower in 9 states. Rhode Island, Delaware, Michigan, Ohio, Minnesota, Wisconsin and Nebraska lowered their taxes; Pennsylvania and Illinois allowed temporary increases to expire. Only Vermont raised the personal income tax.

The sales tax was raised in five states: Louisiana, South Carolina, Tennessee, Oklahoma and Texas. Temporary increases were made permanent in Mississippi, Arizona and Utah. Sales taxes went down in Nebraska, Colorado and Idaho.

Corporate Income Tax balanced out--four states increased them, four states lowered them. Two states in our region raised these taxes: Mississippi and Louisiana.

Cigarette Taxes were raised in six states, including Alabama and Louisiana.

Motor fuel tax were higher in eight states. Alcoholic beverages were raised in four states.

Major tax actions taken by states in the southeast are summarized in Table 2.

TABLE 2

## Major Tax Actions in Southeast States, 1984

<u>State</u>	<u>Tax and Effective Date</u>	<u>Revenue Raised/Lost</u> (millions)
Alabama	Cigarette tax from 16¢/pack to 16.5¢/pack (5/84)	FY84 = \$ 0.5 FY85 = 2.0
Arkansas	No major action in 1984, but sales tax increased from 3% to 4% (11/17/84)	FY84 = 84.0 FY85 = 163.0
Florida	Took off sales tax on prescription drugs (7/1/84)	FY85 = (12)
Kentucky	Corporate income tax--reduction of depreciation rates Legal process tax on certain documents up from \$1 to \$3	FY85 = 105 FY85 = 1.2
Louisiana	Sales tax up 3% to 4% (7/1/84) Corporate franchise tax increased from \$1.50/\$1,000 of capital stock to \$3.00/\$1,000 (7/1/84) Cigarette tax 11¢/pack to 16¢/pack (7/1/84) Increased motor fuel tax from 8¢/gal. to 16¢/gal. (7/1/84) Increased alcoholic beverage tax of 5% on retail sales (7/1/84) Insurance tax increase Severance tax on sand/gravel Hazardous waste tax	FY85 = 310 FY85 83 FY85 28.3 FY85 193 FY85 42.8 FY85 51.3 FY85 2.6 FY85 9.7
Mississippi	Made permanent sales tax increase from 5 1/2% to 6%	FY85 56

<u>State</u>	<u>Tax and Effective Date</u>	<u>Revenue Raised/Lost</u> <u>(millions)</u>	
South Carolina	Sales tax increase 4% to 5%	FY85	216
	Accommodations tax of 2%	FY85	8
Tennessee	Sales tax up from 4.5% to 5.5%	FY84	4.5
	(4/1/84)	FY85	281
	Added "amusements" to sales tax	FY85	22
	Increase franchise tax (3/15/84)	FY85	40
	Increase insurance company pre- mium tax from 2% to 2.5% of premiums	FY85	7
Virginia	Repealed inventory tax (1/1/85)	FY85	(11.3)
		FY86	(11.9)

A frequently asked question is how much tax are the citizens paying? While there are a number of ways to approach this question, one of the most informative is to compare the amount of tax revenue to personal income. The October, 1984 issue of *The Fiscal Letter* (NCSL publication) gives us a comparison of state tax revenue per \$100 of personal income. The figures are taken from the U.S. Census Bureau. Tax revenue figures are for calendar year 1983; personal income figures are for calendar year 1982.

The highest total tax burden is in Alaska, at \$26.68 per \$100 of personal income; lowest taxes are paid by the thrifty residents of New Hampshire: \$3.59 per \$100. Table 4 gives the comparative statistics for the southeastern states.

TABLE 4

State Tax Revenue Per \$100 of Personal Income

<u>State</u>	<u>Total</u>	<u>Sales Tax</u>	<u>Personal Income</u>
Alabama	7.03	1.98	1.65
Arkansas	7.09	2.36	2.09
Florida	5.82	3.20	.00
Georgia	6.80	2.33	2.57
Kentucky	8.27	2.20	2.06
Louisiana	6.38	1.91	.50
Mississippi	7.88	3.96	1.09
North Carolina	7.83	1.66	3.04
SOUTH CAROLINA	8.17	2.73	2.80
Tennessee	5.59	2.97	.13
Virginia	6.14	1.27	2.71
West Virginia	9.20	4.41	2.12

Since South Carolina is a relatively poor state it is also instructive to consider the per capita tax amount paid and the percentage of personal income paid in taxes. These two factors give a picture on how much of their individual resources South Carolinians keep--no matter how limited those resources might be. Table 5 below gives the per capita figures for area states; Table 6 shows the percentage.

TABLE 5

## Per Capita Amounts of State and Local Taxes

State	Sales	Income
Alabama	277	164
Arkansas	185	195
Florida	286	39
Georgia	249	265
Kentucky	187	265
Louisiana	415	122
Mississippi	304	95
North Carolina	171	294
SOUTH CAROLINA	207	248
Tennessee	318	55
Virginia	169	304
West Virginia	401	174

TABLE 6

## State and Local Taxes as Percentage of Personal Income

<u>State</u>	<u>Sales</u>	<u>Income</u>
Alabama	2.7	2.0
Arkansas	2.3	2.4
Florida	2.7	0.4
Georgia	2.7	2.9
Kentucky	2.2	3.1
Louisiana	4.3	1.2
Mississippi	4.1	1.3
North Carolina	2.0	3.4
SOUTH CAROLINA	2.5	3.0
Tennessee	3.7	0.6
Virginia	1.6	2.9
West Virginia	4.8	2.1

[Source: 1984 State Policy Data Book, State Policy Research Inc.]

State Spending Policies

As the NCSL notes, "Support for education was the leading budget issue in the states in 1984." A number of very large increases were put through in 1984, with the largest increases in Maryland (17.5%), Alabama (18.3%), Arkansas (17.5%), North Carolina (18.4%), South Carolina (33.3%), Tennessee (22.8%), West Virginia (15.6%), Texas (24.5%), Idaho (15.3%), Wyoming (16.2%) and California (14.5%).

Much of this spending represents an attempt to provide rapid improvement in state educational systems. Particularly in the southeastern states there was the perceived need to upgrade dramatically school systems that lagged behind national standards. After this infusion of funds the issue of education is likely to receive less attention during the next sessions.

Other budget issues included corrections, aid to local governments, taxation changes, and employee compensation. These issues are likely to remain high on the agenda because of their recurring expenses.

Given the relatively strong economic situation in 1984 and consequent increased revenues, a number of states took the opportunity to raise employee salaries. Table 5 shows the salary increases for state employees in the southeast region.

TABLE 5

## State Employee Raises in 1984

<u>State</u>	<u>Across the Board</u>	<u>Merit</u>	<u>Other</u>
Alabama	10% state employees 15% education		
Arkansas		5.5% avg.	
Florida	4.29% to 8%		
Georgia	4% (\$360 minimum)		
Kentucky	2%		
North Carolina	10% COLA	Frozen	
SOUTH CAROLINA	6%	2% avg.	
Tennessee	10%		
Virginia	8.6%	Eliminated	10% for agency heads, cabinet secretaries, and judges

Conclusion

In the words of the NCSL report, "state finances have been on a rollercoaster during the past decade." They have been hurt by the recession, then helped by the recovery; federal funds were increased during the early part of the decade, then sharply cut in the early 1980's. The "tax revolt" phenomena reduced revenues at the same time states had to take on additional services and responsibilities. New taxes have often been specifically tagged for certain areas, such as education, rather than the General Fund.

As South Carolina legislators struggle with the upcoming appropriation bill, they can take wry comfort in the knowledge that they are not alone in facing great difficulties.

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Prepared by House Research Office, 1/85/5490

# Around the House

## House Staff Listing

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### *Speaker's Office*

Sandra McKinney - Executive Secretary  
Michael Bryant - Assistant  
Jan Maynard - Executive Secretary to Speaker Emeritus  
Sidney Varn - Reading Clerk  
Richard Padgett - Sergeant-At-Arms  
Leroy Cain - Assistant Sergeant-At-Arms  
Rev. Dr. Alton Clark - Chaplain  
Magdalene Rigby - Chief Amendment Clerk  
Tommy Haygood - Assistant Amendment Clerk  
Ronald Benjamin - Porter  
Jerry M. Greene - Porter for Speaker Emeritus

### *Clerk and Desk Staff*

Lois Shealy - Clerk of the House  
Anne Foster - Information Services Clerk  
Lori Zander - General Desk Clerk  
Debbie Parker - General Desk Clerk  
Julia Oliphant - Calendar & General Desk Clerk  
Sophia Floyd - Index & General Clerk  
Juanita Levy - Staff Assistant  
Lorene W. Arledge - Recording Clerk  
Carol Caskey - Act & General Clerk  
Bonnie Playfair - Assistant Act & General Clerk

### *House Bookkeeping*

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Shirley Black - Assistant Bookkeeper  
Gail Rentz - General Clerk  
Ann Sanders - Assistant Bookkeeper II

*Blatt Building Staff*

Ann Martin - Chief Receptionist, Building Manager  
Lem Harper - Assistant Building Manager  
Ruth Chambers - Receptionist, Switchboard  
Jeanne Douglas - Receptionist, 3rd Floor  
Clarence Watkins, Jr. - Receptionist, Switchboard  
Paulette Young, Receptionist, 4th Floor

*Word Processing*

Ruby Leverette - Supervisor  
Shirley Robinson - Assistant Supervisor  
Lynn Robertson  
Mildred Rogers  
Rosetta Ross  
Rebecca Rush

*Mail Room & Supplies*

Roosevelt Cummings - Chief Mail & Supply Clerk  
Linda K. Taylor - Assistant Chief Mail & Supply Clerk

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Michael Witkoski - Research Assistant

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Hank Stallworth - Director  
Lindsay Crawford - Research Assistant  
Cathy Dreher - Executive Secretary

*Education & Public Works Committee*

Steve Elliott - Director & Staff Counselor  
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*Ethics Committee*

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Mary Denis Clark - Research Assistant  
Juli Cox - Research Assistant  
Rosalyn Frierson - Research Assistant  
Van Hegler - Research Assistant  
Jonathan Nason - Research Assistant  
Debbie Harvin - Secretary  
Jean Tilley - Administrative Assistant

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House Research Office, 1/85/5518

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