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South Carolina House of Representatives

Legislative Update & Research Reports

Robert J. Sheheen, Speaker of the House

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Legislative Update

Federal Tax Reforms Could Affect S.C. Finances

Tax reform: what next?

The "tax reform package" has been hailed as making the US tax system fair at last, and decried as the legislative equivalent of purchasing a pig in a poke. All commentators generally agree that the changes will have considerable impact—but few are bold enough to predict what sort of changes will result.

South Carolina State Treasurer Grady Patterson has gazed into his crystal ball, and sees some cloudy days ahead for South Carolina and South Carolina tax payers because of the new legislation. Mr. Patterson expressed his concerns recently in a letter to the *Greenville News*, and in his letter he raised some interesting objections to the tax bill as it currently stands.

The letter—and this report—are concerned with the impact the reform package will have on governmental bonds, an impact which seems likely to reach the average citizen in a round-about fashion. The more direct results on the individual tax payer will be addressed later.

Effect of tax reform on state government bonds

One of Patterson's chief concerns is the negative impact tax reform will have on bonds issued by state and local governments. He writes that the act "will have a disastrous and devastating effect on states, counties, municipalities and local governments in the financing of desirable, essential and worthwhile public projects ..." He points out four ways this will happen.

First, "the minimum tax which taxes interest earned on state and municipal bonds is unconstitutional. This will increase the cost of issuing bonds."

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Second, the act puts a tax on "amounts used to pay debt service on the issue" of bonds. Patterson notes that many governments adopt a user tax or fee, such as water and sewer tap fees, and the proceeds from this fee goes to pay principal and interest on the tax-exempt bonds. Typically these funds are invested until a payment on the debt comes due. The "tax reform" package, however, would require that arbitrage earnings on any such investments must go to the federal government if those earnings are more than \$100,000. "This provision will increase the taxes of every taxpayer in this country at the state and local level," Treasurer Patterson writes. "It is unconstitutional."

(Note: "arbitrage" is the financial practice of simultaneous purchase and sale of securities--either the same or equivalent security. The purpose is to profit by taking advantage of price discrepancies. The underlying maxim is "buy cheap and sell dear.")

Third, another aspect of the reform bill is that it limits the time for such arbitrage--from three years to six months. That means, according to Patterson, that the proceeds from a bond sale must be spent within six months, or any money earned on the proceeds must be turned over to the federal government.

Fourth, and finally, Patterson says the bill "adversely affects lease purchase arrangements for state and local governments." Since there is growing interest in the use of such arrangements, a negative effect on them at this time would be doubly hard on governments trying to use the methods to keep costs low.

The costs are passed on

As much as these changes will hurt the governments who issue bonds, Patterson feels they will harm taxpayers even more. "My chief objection to the tax bill is the additional taxes it will cost taxpayers in this state and all over the country in the financing of state, county, municipal and political subdivision projects such as roads, schools, water and sewer projects, etc."

The tax exempt bonds currently issues to finance such projects are hard hit by the "tax reform" package, in large part because of the loss of tax exemption on their earned interest. Increased costs to the state and local governments seems the inevitable result--and these costs might well be passed on to taxpayers.

The constitutional issue

Patterson also claims that the "tax reform" package is in large part unconstitutional, since it goes against the sovereign rights of states in these areas. As he puts it:

The institutional design was to divide sovereignty between two different levels of political entities, the nation and the states....

Tax exemption of state and local government bonds exists and results from this constitutional design.

Thus, the Congress has no right or authority to tax our bonds and by the same token, we have no right to tax United States government securities--two levels of sovereignty.

Support for the Treasurer's position

The latest edition of *The Fiscal Letter*, published by the National Conference of State Legislatures, addresses some of the issues raised for states because of the federal "tax reform" movement. When the *Letter* looks at bonds, it has some sobering comments to make: "Federal tax reform causes particular problems for state and local governments in the area of municipal bonds, the interest from which has always been exempt from federal taxation."

The NCSL publication goes on to point out four ways the new tax law hits the government bond market:

1) The definition of a "governmental purpose" bond is tightened. If more than 10% of bond proceeds are used for private purposes (or more than 10% of the principal is secured by private business) the bond is now considered "private purpose."

2) Interest on private purpose bonds issued after August 7 of this year is now subject to personal and corporation minimum income taxes. "This implies that ... some municipal bond interest will be taxed, making the bonds less attractive."

3) Limitations are put on Industrial Development Bonds.

4) Restrictions are placed on advanced funding and arbitrage, just as Treasurer Patterson noted in his letter.

The *Fiscal Letter* concludes that the net effect of the reforms "definitely restricts the ability of state and local governments to issue certain popular kinds of bonds and, by reducing the attractiveness of the bonds, may increase the interest rate that is paid on them."

So what does this mean? According to NCSL experts, it means that it raises "major problems" for state policy-makers, namely, "finding new ways to finance infrastructure and perhaps developing new tools to promote economic development."

Conclusion

Legislative Update contacted Mr. Patterson's office to see if there was additional information to pass on to House members. After a conference with the Treasurer, the staff replied that the article was fairly complete, and that future effects of the "tax reform" package just couldn't be predicted at this time--there simply isn't enough information to go on.

If Treasurer Patterson is correct in his concerns about government bonds, members of the General Assembly may find drafting the state's budget and meeting its needs even more difficult in the years ahead.

State Fish

States have a variety of official symbols: animals, rocks, beverages, sea shells, even dances. Those states with seacoasts, or large enough inland lakes and rivers, also tend to have state fish.

Most popular fish by far is the trout, claimed by nine states. The wily trout adopts a number of disguises: in California it is known as the Golden Trout; in Pennsylvania, Vermont and West Virginia it is the Brook Trout. New Mexico claims the Cutthroat Trout, but Montana makes the finer distinction of honoring the Blackspotted Cutthroat Trout. In Michigan and New York, however, a Trout is just a Trout.

Second on the list is the Bass, the favorite of five states. Again, there are varieties: Large Mouth Bass in both Florida and Georgia (whoa--a little regional rivalry there!); Striped Bass in Maryland, Channel Bass in North Carolina, and White Bass in Oklahoma.

Some state fish are inevitable: the King Salmon for Alaska and the Chinook Salmon for Oregon, for example. Those states are prime breeding waters for the chosen fish. And Massachusetts obviously had no alternative fish to the historic Cod.

Florida and Vermont both claim two state fish; Florida has one for saltwater (Atlantic Sailfish) and one for freshwater (Large Mouth Bass). Vermont has the Brook Trout and Walleye Pike, no distinctions made, no questions asked.

And in Hawaii, the state fish is the Humuhumunukunuuapuaa, a variety of Triggerfish. Triggerfish are found mostly in warm seas, and, according to the dictionary, include "edible forms and others that are distinctly poisonous." Our research has not indicated whether it is safe to enjoy a heaping plate of hush puppies and Humuhumunukunuuapuaa.

Loss of Federal Funding Strikes State Health Agencies

Background: Federal health policy

The National Health Planning and Resources Development Act of 1974 funded and regulated state health planning and development activities. The Act required three activities from states in the area of health:

1. The creation of health system agencies (known as HSA's);
2. The designation of an agency to be the state health planning and development agency;
3. Creation of a state health coordinating council to oversee the health planning process and review the state health plan.

The Reagan administration has dropped many federal requirements and mandates (along with eliminating many federal dollars). The administration and provider groups have steadfastly urged Congress to drop the health planning requirements. Since 1981 Congress has refused to enact legislation reauthorizing the health planning program, and instead, has funded the program on a temporary, year-to-year basis.

In 1982, Congress eliminated federal penalties against states which didn't follow federal guidelines. The result was that states have developed a wide range of planning programs, meaning that "certificate of need" programs and the role of local health system agencies vary from state to state.

A more dramatic event took place on September 30, 1986, when both federal requirements and federal funds expired. A last minute attempt to fund the health planning program for another six months was rejected 75 to 23 on the Senate floor. It is possible, but unlikely, that Congress may again temporarily fund the program in the future.

Impact on South Carolina

DHEC was originally designated as the state health planning and development agency. When the Health and Human Services Finance Commission was created (1982) it assumed the role of state health planning and development agency, but was required to contract with DHEC for the development of the medical facilities plan. DHEC also retained the administration of the "certification of need program."

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The South Carolina Statewide Health Coordinating Council was established in 1977 as a result of the federal law. It has a central office in Columbia, and there are health system agencies operating out of Columbia, Greenville, Florence and Charleston. A major function of the Council is to forecast statewide health needs, such as the number of nursing home beds and hospital beds that will be required, or the priorities the state should pursue in health care activities. Loss of federal funding could cause the Council to close.

Efforts were run through a combination of state and federal funds, and included planning, activities of the State Health Coordinating Council and local health system agencies. In 1986-87 appropriations for these activities were:

	State	Federal	Total
HHS Finance Commission	\$ 76,696	\$ 133,868	\$ 210,564
DHEC		101,556	101,556
SHCC	10,725	2,176	12,901
Health System Agencies	<u>190,180</u>	<u>851,040</u>	<u>1,041,220</u>
TOTAL	227,601	1,088,640	1,366,241

Farewell to federal funds...Goodbye federal regs

Expiration of the federal planning act has two related effects: loss of federal planning funds, and removal of federal regulation of the planning process. Accordingly, South Carolina must make two decisions: what health planning process does the state want? And: how much is the state willing to pay for the planning process?

Certain aspects of the federal requirements have been written into state law--most notably in the "State Health Planning and Development Act" and the "State Hospital Construction and Franchising Act." With federal mandates gone, either or both of these laws could be modified--perhaps considerably. A major item to be considered will be state funding: Should there be any? To whom? and How much?

Information for this report came from Dr. Dave Murday, research director of the Joint Legislative Planning and Oversight Committee.

Illiteracy in the Southeast:
Best Effort by South Carolina

Once again, it turns out that South Carolina is leading the region in its commitment to education. Recently released information from the United States Department of Education shows that our state outspends all the others in the Southeast in adult illiteracy programs.

Background

According to many observers, illiteracy is one of the major social problems in our nation today. Some sources claim a literacy rate of 99% for the United States, but in the September issue of *State Legislatures*, James Duffy of ABC Television says that "more than 20 million adults--about 13 percent of the population--are functionally illiterate, lacking basic skills beyond a fourth grade level."

In the same issue--on the page next to Duffy's essay, in fact--an advertisement from the Coalition for Literacy claims that 27 million Americans are functionally illiterate. If that is correct, then approximately one out of every five Americans is unable to read or write well enough to function properly in the modern world.

Literacy and illiteracy: what do we mean?

Illiteracy can be measured in several fashions. In terms of persons who can read and write to any degree, the rate of literacy in the US is extremely high--99% as noted above, and 98% for the Southeast as a region. The standard used by the US Census to declare a person illiterate is simple: "Persons unable to read and write in any language...."

There is another way of looking at literacy, however. The Coalition for Literacy counts the number of persons it terms "functionally illiterate," that is, who can read and write to some extent, but not beyond the level of an average fourth grade student. Fourth grade ability is generally considered by educational experts to be the cutoff point at which reading and writing skills are truly useful in everyday life, especially employment.

"Functional illiteracy" is a relatively new concept, however, and figures are not readily available for the present, and historical statistics are simply not available at all. For this reason, the number of years of school completed is the figure most often used to analyze educational achievement, including literacy.

The situation in the Southeast

To determine the number of years of school completed, the most accessible data is found in the US Census. There is a problem here, however: instead of giving the figures for each year of school, the Census groups them together. For example, it tells how many people completed grades one through eight as a group, but not how many finished first grade and stopped; how many went through second grade and quit, and so forth.

Because of this, the eighth grade becomes the cutoff point for a comparison of education and literacy. This assumes that a person who did not attend high school at all is likely to become a functional illiterate in today's society.

According to recently published reports, the U.S. Census Bureau has estimated the percentage of functionally illiterate adults in South Carolina (see map on page X). The figures range from a low of 15-20 percent of the total population to a high of up to 40 percent of the residents.

As might be expected, the richer counties such as Charleston, Richland, and Lexington fall into the low end of the spectrum. Counties registered as having high rates of adult functional illiteracy are the counties who have been hit by economic hard times: Chesterfield, Marlboro, Clarendon and Fairfield. (It will be significant to see what changes occur in Fairfield because of the arrival of the Mack Truck plant and the state's commitment to train residents for employment. A sharp drop in functional illiteracy should result.)

To compare rates of functional illiteracy, a measurement often used is years of school completed. As noted above, less than a high school education is generally considered a sign of functional illiteracy in someone 25 years or older. The table below gives the ranking of states in this respect. Figures come from the 1980 Census, and are therefore slightly out of date; the comparative rankings should remain valid, however. States in the Southeast are CAPITALIZED.

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Percentage of Adults 25 Years and Older
8 Years or Less of Education

<u>State</u>	<u>Percentage</u>	<u>State</u>	<u>Percentage</u>
Utah	7	Maryland	17
Alaska	9	FLORIDA	17
Nevada	10	New Mexico	18
Wyoming	10	Oklahoma	18
Colorado	11	Wisconsin	18
Washington	11	Pennsylvania	18
Oregon	12	New Jersey	18
California	14	New York	18
Idaho	14	Illinois	19
Montana	14	Rhode Island	21
Massachusetts	14	Texas	22
Nebraska	14	Virginia	22
Ohio	15	South Dakota	22
Michigan	15	Missouri	22
New Hampshire	15	LOUISIANA	24
Kansas	15	ALABAMA	24
Delaware	15	GEORGIA	24
Arizona	15	NORTH CAROLINA	24
Hawaii	16	North Dakota	25
District of Columbia	16	SOUTH CAROLINA	25
Connecticut	16	ARKANSAS	27
Maine	17	MISSISSIPPI	27
Vermont	17	TENNESSEE	28
Indiana	17	West Virginia	28
Minnesota	17	Kentucky	33
Iowa	17	NATIONAL AVERAGE	18

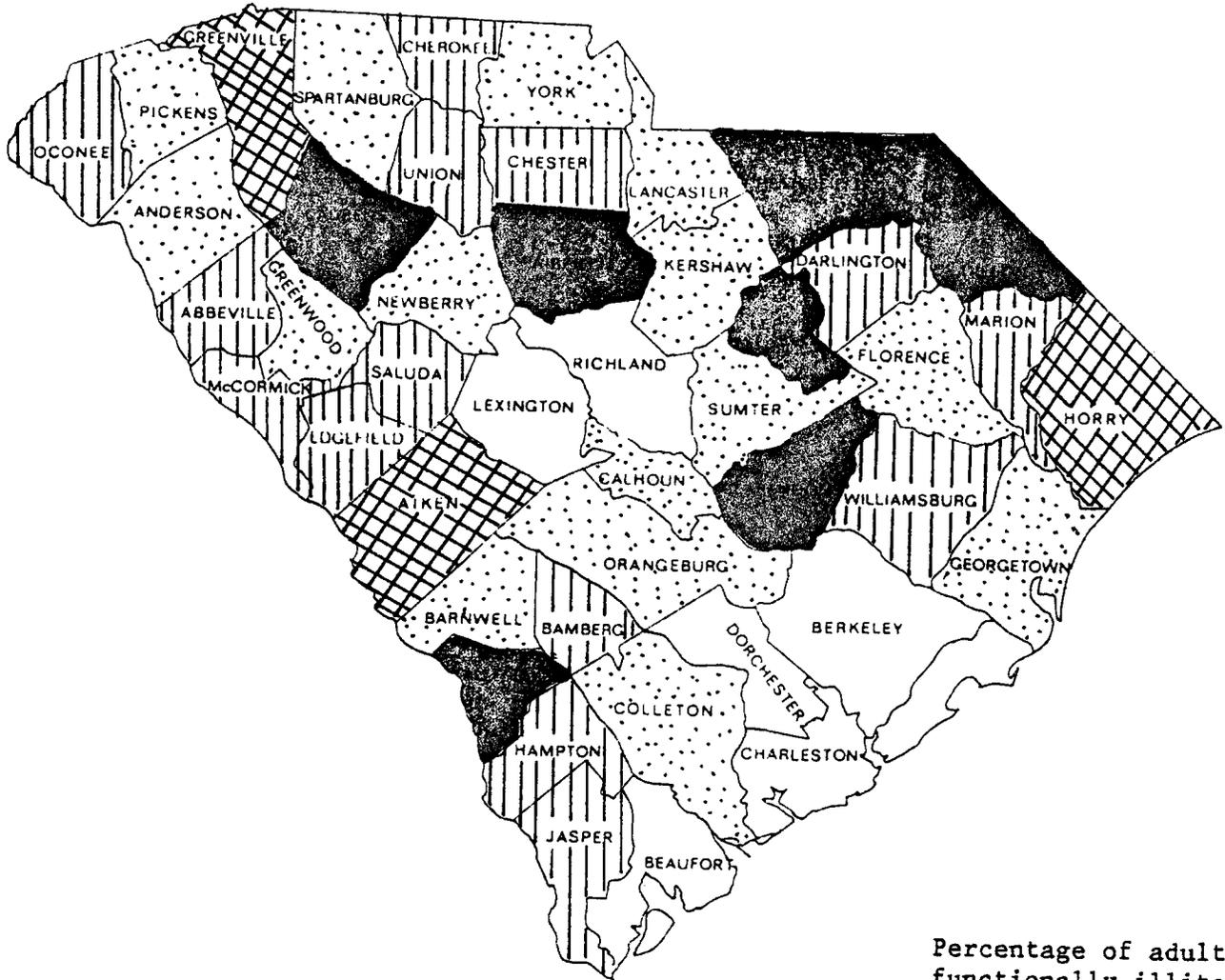
Money spent fighting illiteracy

According to information from the federal Department of Education, among states in the Southeast, South Carolina is spending the most money per person to fight adult illiteracy. The comparisons are, in some cases, astounding. South Carolina is spending approximately six times more per person on fighting illiteracy than Mississippi is--and yet the problem is roughly the same in both states.

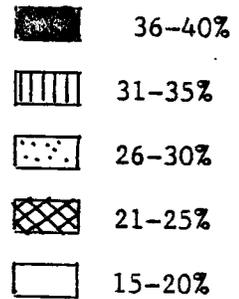
The state next to South Carolina in effort is Florida--but here it must be remembered that Florida is, comparatively speaking, a much wealthier state than South Carolina. Because of that, the relative effort of South Carolina is greater.

The graph below gives the comparison among the Southeastern states; figures are for fiscal year 1984.

SOUTH CAROLINA



Percentage of adults functionally illiterate



Source:
U.S. Census Bureau

Research Report: Upcoming Issues, 1987

Background

The second Tuesday in January approaches: time for the South Carolina General Assembly to begin another two-year session. This is an election year, and no bills can be pre-filed until the voting is over and certification is complete, but already certain issues are emerging.

What will top the agenda of House members during 1987? *Legislative Update* sent out survey forms in October to determine just that. The results are still coming in, and the final tallies will be presented in the November issue. In the meantime, however, this research report presents a rapid overview of potential and probable issues.

Money, money, money...

The General Appropriation bill is always a winner when it comes to drawing the attention of lawmakers and public. There's just something magnetically attractive about three plus billion dollars. Inevitable discussions center over who gets how much, but this time around look for the following issues as well:

--How much revenue is coming in, anyway? Estimates of state revenues make more changes than the weather report. Last year the House version of the budget was based on a lower estimate than the Senate--a move many House members felt to be the only realistic stand to take, based on past gaps between prediction and reality. Are there better ways to predict revenues before the budget is written?

--Infrastructure funding: bridges, roads, sewers and water projects are important to the people back home--therefore, they are important to members of the House. South Carolina is growing, so it needs to build new infrastructure and repair what already exists. But--where's the money coming from? One proposed solution is an "infrastructure bank," run by the state, which can loan out money to local governments for construction or repair. What details need to be worked out? How could it be

set up to begin with? These are the sorts of questions the General Assembly might have to grapple with.

--Taxes: What can you say about taxes that hasn't been said before? This is where members of the General Assembly put in their hardest work, because nobody likes taxes but just about everybody wants the services taxes pay for.

For example: the Highway Department wanted a higher gasoline tax last year. You can bet they'll want it again this year. You can also bet a lot of legislators will want to know what happens to the money if the Department gets it.

For example: local governments want the power to levy taxes on their own. They made a try at it last session and it's likely that the issue is coming back. The local government finance act naturally attracts support from municipalities and counties; the Advisory Commission on Intergovernmental Relations (ACIR) has also endorsed the idea. Traditionally, however, the state jealously preserves its treasured power to tax.

For example: changes in federal tax laws are bound to affect SC taxes and taxpayers. What results can we expect? What measures should the General Assembly take? So far, no one seems to agree on the answers. At the time this summary was written, Congress was still in the process of resolving differences between House and Senate versions of the reform measure. In addition, the package phases in over a three-year period, making prediction difficult.

Some projected expenses

Policy decisions help determine the size of the state budget and where the money is allocated. Example: when the legislature sets aside a certain percentage for the General Fund Reserve, that policy decision will require some money to be expended in that fashion, and in no other. It becomes an on-going expense to be taken into account when the General Appropriation bill is written.

Example: when the legislature sets up a formula funding program, and then allocates 100% of the formula, that amount can be fairly accurately estimated, given a ballpark estimate of revenues--unless the legislature changes its policy decision, either by reducing the percentage or scrapping the formula.

Example: when the state agrees to settle a law suit out of court, it can find itself obligated to spend large amounts of money over a period of time--say for the construction of new correctional facilities. These expenses can be estimated and considered as projected budget increases.

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In 1987-1988 the General Assembly will have to consider budget increases such as these when the General Appropriation Bill is drafted. The House Ways and Means Committee staff has been compiling some figures on these budget increases. It must be kept in mind that these are estimates, based on available information. These figures could change, either because of actual revenue collections, or other economic conditions. Also (as noted above) these expenses are based on policy decisions by the legislature. Changes in those decisions would affect the expenses.

1987-88 Projected Budget Increases (millions)

Debt Service	10	
General Fund Reserve 1% payback	25	
Capital Fund at 1.5%	14	
Homestead Exemption	4	
Inventory Tax reimbursement	25	
Total of statutory increases		78
EFA at 100% funding	38	
Higher Education at 100% funding	50	
TEC at 100% funding	9	
Aid to subdivisions at 100% funding	31	
Employer contribution rate increases	20	
Total of formula increases		148
Corrections (preliminary estimates)	15	
Mental Health	13	
Mental Retardation	5	
Total of lawsuit settlements		<u>33</u>
GRAND TOTAL OF INCREASES		259

In addition to these expenses, there are others to consider: school bus liability, for example, should check in at around \$3.3 million, while expenses for rents and moving costs (such as the Robert Mills House, the State Museum, the AT&T Building) will add around a few million more.

All these expenses will have to be considered by lawmakers when it comes budget time.

Money? What money?

Speaking of money--just where is it going to come from next year? The national economic situation is slowing, and that's bound to have an effect on South Carolina, as on all other states. New plants are coming in and going up (Mack Truck et. al.) but it's probably too soon to count on a massive impact from them just yet.

So we're back to the sources of revenue used last year--except that:

--The long-range damage from the worst drought in a century will be around next year, affecting farm production and income.

--The national administration has still not done anything substantial in reducing foreign textile imports.

--"Tax reform" is going to have some impact on state government revenues--and our State Treasurer says it's going to be a negative impact (see story on page 2).

Factor those items into the revenue equation, and then be ready for developments which haven't occurred yet. The General Appropriation bill is going to be harder than ever to write this time around, and the balancing act between needs and resources rivals anything performed under Barnum & Bailey's big top.

What about new sources of revenues? Lotteries? Pari-mutuel betting? Interest in these seem to be waning among the public and the news media. The economic impact seems more debatable than ever: if you can't count on taxes, which people must pay, how reliable are lotteries where people choose to play or not? State-sponsored gambling could be an issue in 1987, but it doesn't seem to rank very highly at the moment.

Reading, writing and funding...

A couple of years ago, education suddenly became a "hot" item for much of the news media. Attention was focused on "a nation at risk" because our school kids weren't learning to read and write well enough. Since then, attention has gone on to new stories, leaving legislators and educators with the hard task of making educational improvements stick. On the positive side, the interest in education was long overdue, and helped those in South Carolina who were working to upgrade our school system.

The needs of education, unlike public or media attention to it, don't come and go so easily, and this upcoming year the General Assembly is likely to wrestle with some difficult problems in this area. Inevitably, it seems, most are connected with funding.

The EIA has a special tax dedicated to it--that famous penny. Now there's some worry that the penny won't be enough. Both legislators and educators are watching revenue estimates; should the penny peter out, there may be attempts made to swing over money from the general fund.

Higher education is one of those areas which receives allocations based largely on "formula funding," which is fine when revenues are rising, but not so easy to maintain when revenues

drop. In the past few years the General Assembly has consistently supplied the money to keep the higher education formula right around 97 or 98 per cent--an impressive accomplishment during uncertain economic times.

Already, however, higher educators are complaining that they haven't been receiving enough from the legislature. Some state colleges and universities are saying they'll have to raise tuition and fees (again!) to make up for lost funds. At the same time, there's a move afoot to get money allocated to a consortium of universities for research to stimulate economic development in South Carolina.

Summary on education (higher, middle and lower): look for the major issues to revolve around concerns over money, rather than program content.

Health, welfare and environment

This is a catch-all title perhaps, but with some important issues included in it. As with education, there is likely to be broad agreement on what needs to be done, but a falling out over which programs should receive priority for funding.

Issues concerning the elderly are most likely to deal with long term health care, especially nursing and boarding home care. The basic question here is how much of this care is needed, and how can it be paid for?

But then, what about community services for the elderly? In-home meals and visits, for example, or meeting sites and centers for community groups fit into this category. Most would probably agree these are good ideas; all would want to know where the money is going to come from.

On the other end of the age spectrum, babies will receive attention in 1987. There is the continuing tragedy of South Carolina's high infant mortality rate, and what to do about it. There is the related issue of teenage pregnancy and what to do about that. During the summer of 1986 there was talk about a state-wide sex-education program for the schools--an idea that really stirred up the citizenry, with people having very definite opinions for and against such a program. It's one of those emotionally-charged topics, like gun control, or capital punishment, that can cause such headaches for legislators.

Medical malpractice could be another headache for members of the General Assembly, mainly because it's an issue that tends to pit doctors against lawyers. The core of the problem: is it true that the awards given by juries in malpractice cases are too high? Are the awards driving insurance rates up and doctors out of practice? But--what about the rights of the plaintiffs who have been injured, sometimes severely and for life? There's a lot to be said on both

sides, and legislators are likely to hear it all. When two such powerful groups clash, the best advice is take two aspirin and call me next session.

Hazardous waste seems to be with us to stay, in more senses than one. The transportation, storage and treatment of potentially deadly substances is of growing importance to the people of South Carolina, and the legislature has already focused much attention on the topic. Of particular interest: the Pinewood site near Sumter. Already two separate studies have been made to analyze possible environmental damage. The suggestion has been made that the state simply buy the site from its present owners--that's one method to insure compliance with state law. Look for this, and other environmental issues to be discussed during 1987.

Agriculture remains South Carolina's backbone, but it can be threatened by a variety of dangers. The recent drought was only the latest of these, which include farm mortgage foreclosures, falling farm prices and rising farm costs, concern over the use of certain herbicides and pesticides, and the international trade situation. The General Assembly might not be able to address all of these--but some sort of crop insurance protection might be on the agenda.

We mean business...

Attracting new business to South Carolina continues to be a popular topic: What sort of business do we want? How do we interest them? What do they need? What will they bring us? Some commentators want to add on some more tax breaks and other, similar incentives; others say the state has dished out enough fiscal breaks, and it's time to play some other cards--like our excellent TEC system, favorable geographical location, and good work force.

The major debate about economic development seems to be over methods, not ends, so it should stay friendly. Concerning the topic of liability insurance predictions are less sanguine--or perhaps they're more sanguinary.

Why is there an "insurance crunch?" Why is liability insurance so hard to get? Why are the rates so high? And why do insurance companies want to cancel policies in mid-term? Some lay the blame on the insurance industry itself; others cite the problem of juries giving excessive awards to plaintiffs; while still others call the economy the culprit. This issue affects people where they feel it most keenly, in the wallet, so popular interest could be high, the issue hot, and debates long.

Workers' compensation stirred some heads during the summer, but has subsided since then. Will it stay quiet? Will it come back in 1987? If the issue does revive, legislators may want to scrutinize a number of areas: how claims are filed, how awards are made, how fair are payments into and from the system in general. One study that might be very interesting: how does the South Carolina system compare to those in other states?

Crime, vice and folly

For the past three sessions crime has remained a fairly steady issue for the General Assembly: settlement of the *Nelson* lawsuit by building new prisons; a crackdown on second-story men with the tough burglary bill; and general reform through the Omnibus Crime Bill. Are there crime-related issues left? You better believe there are.

The "Drug Problem" is currently topping the crime charts nation-wide, and certainly attracts interest here in South Carolina. The question for the Legislature would be: what's to be done? Our state laws on drug-pushing are already among the stiffest in the country. The most likely route seems to be more money for anti-drug activity. But where? Some favor increasing law enforcement efforts, stopping supplies of drugs from coming into the state, and cracking down on pushers in-state. Others want increased education efforts to keep kids off drugs.

Pornography could be another topic during 1987. It drew its share of notice during the spring and summer of 1986, but may have already peaked with the publication of the Attorney General's report on the subject (two thick volumes, plenty of explicit descriptions of pornographic books, magazines and films, but no pictures). The classic problems with pornography legislation are drafting a definition of porn, and not abridging free speech as protected by the Constitution.

The wheels of government...

Annexation, eminent domain, primary elections--the nuts and bolts of making state and local governments operate better. Important issues, but what can you say about them to interest the public? Could you spice up the descriptions? For example--

Annexation: A compelling saga, filled with rich and complex characters who transcend time and place, capturing the full range of human emotion.

You could say these things, but you'd miss some of the finer points of the debate--and these are serious issues, which will have a profound impact on government and taxpayers.

Annexation procedures, for example, caused great debate during the past two years. South Carolina municipalities have grown at a much slower rate than towns and cities in North Carolina and Georgia; one reason seems to be the cumbersome process required for annexation. Some changes were made in 1986: lowering the percentage of residents who had to call for annexation elections, for example. Still, supporters of eased annexation regulations may be back in 1987.

So might those fighting "too easy" annexation. One major problem raised by them: the issue of forcing persons into a city and increasing their taxes. Resolution of this conflict is essential to passage of any new annexation legislation.

Eminent domain, also known as "condemnation" is the process by which the state or other governments take over private property for public use. Last session, a bill was proposed to consolidate the South Carolina condemnation process into the "Eminent Domain Procedure Code." Agreed to by the Senate, the bill was not reported out of the House Judiciary Committee. The legislation is likely to come up again in 1987.

Under the proposal, a land owner would be offered "just compensation" for the property to be taken. If the landowner was unhappy with the figure offered, an appraisal panel could decide the conflict.

Should the state run primary elections? At present, the parties conduct the primaries themselves. Some think that this situation presents the opportunity for unfair elections which hurt both candidates and voters. The State Election Commission has been suggested as the proper agency to run the primaries, because it could conduct them in a nonpartisan, unbiased fashion.

A measure to put the Commission in charge of primaries came up in 1986, but was defeated, mainly because the question of funding could not be worked out to everyone's satisfaction. The issue is likely to return in 1987, with funding remaining the key sticking point.

Conclusion

Money matters seem to be destined to dominate discussion during the 1987 session, but after the pie has been distributed, there should be time for debates on a number of topics important to South Carolina.

Some of these topics have been touched upon in this research report. Because of limitations of time and space, other topics, also important, were omitted. And then there are issues, as yet unknown, which will be raised during 1987--perhaps because of some dramatic event, perhaps because of a letter or telephone call to a member of the House.

If you would like more information on these, or other topics, please consult the House Research Office, or the appropriate committee staff persons. During the 1987 session, *Legislative Update* will publish research reports on many of these topics as they come up for debate.