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South Carolina House of Representatives

Legislative Update & Research Reports

Robert J. Sheheen, Speaker of the House

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OFFICE OF RESEARCH

Room 324, Blatt Building, P.O. Box 11867, Columbia, S.C. 29211, (803)734-3230

Legislative Update

The Week in the House

Following the week-long session hammering out the General Appropriation Bill, the South Carolina House moved briskly through a shortened legislative week during March 24 through 27.

Bills sent to the Senate

Foremost among the legislation given third reading in the House and sent to the Senate was H.2590, the General Appropriation Bill. The House dispatched this on Tuesday the 24th, gave a collective sigh of relief (at least temporary) and moved on to other matters.

The House also gave approval to H.2409 (Rep. T. M. Burriss), concerning nurses and nursing, and sent the bill on to the Senate on Wednesday. Also that day, the body gave third reading to the bill increasing bingo license fees (H.2085, Rep. J. Rogers) with the proceeds being used for local recreational programs. (See *Update* 10, March 17, for more explanation of this measure.)

A measure forbidding drivers of motor vehicles to wear earphones (H.2274, Rep. Winstead) was also approved by the House and sent over to the Senate.

Workers' Compensation bills debated

H.2482 (Labor, Commerce and Industry Committee) is a bill which would set a 30-day time period for holding hearings on payment of Workers' Compensation claims. (See *Update* number 8, March 3.) The bill was up for debate on Wednesday the 25th, and was still under discussion when the House and Senate went into joint assembly at noon. (To be continued)

Election of Judges; Speech by National Commander

The terms of two judges of the Court of Appeals come to an end on June 30: John Gardner (Seat 1) and Curtis Shaw (Seat 2). On Wednesday the joint assembly re-elected the judges to their positions by acclamation—there were no other candidates.

Having disposed of its judicial duty, the assembled solons listened to an address by James P. Dean, the National Commander of the American Legion. Dean was introduced by Governor Campbell.

In his remarks Dean commented on the service to the United States of its many veterans, and of the need to repay that service through a strong, well-funded Veterans' Administration, with benefits and services to veterans uncut. He also discussed the threat posed to the United States by events in Central America.

Bills ratified

"Ratification of Acts," is one of those legislative transmutations so necessary to the passage of laws. During the week some notable bills received this step. They included the "Chop shop" bill (H.2015, Rep. McLellan), changes in definition of residence for divorce proceedings (H.2234, Rep. McElveen), and providing procedures for collecting delinquent municipal property tax (H.2118, Rep. Kirsh).

House Passes General Appropriation Bill

Background

During the week of March 16 through 20 the House of Representatives debated, amended and finally gave second reading to the General Appropriation Bill for fiscal year 1987-88.

The entire bill goes into considerable detail on South Carolina's fiscal operations, but some of the more relevant portions can be summarized here. These figures were provided by the staff of the House Ways and Means Committee.

Additions, deletions

In general, once the Ways and Means version of the bill reached the floor of the House, the bill remained pretty much intact. There were some alterations, but most of them cuts in spending. The House added a total of \$1,320,977 in certain sections of the bill. At the same time, however, it cut \$10,192,019—a total reduction of \$8,871,042 from the Committee recommendation.

There was a cut of \$1.5 million in employer contributions to employee benefits; a proviso was added, however, restoring this money on an agency-by-agency basis, with a corresponding reduction in travel funds. In essence, then, the employer contributions remained intact.

Other notable changes included: an additional \$1 million in nursing home provider services; and a cut of \$1 million from the DSS residential care facilities line item.

Revenue enhancements

The House debated a number of methods to enhance, or increase, the amount of state revenues. Some of the proposals, such as adding more taxes on tobacco products, were rejected. In a few areas, a new tax was adopted--for example, the three cents per ounce or package to be charged to powered soft drinks. In a number of cases, however, the revenue enhancements were not the result of additional taxes, but from sources such as departmental revenues, or increased revenues for PRT caused by advertising.

A list of the revenue enhancements approved by the House can be found in Figure 2 on the next page.

Education

Close attention was given during the discussion in the House over the amount of funds provided for the state's education efforts.

For the EIA (Education Improvement Act), House members earmarked a certain portion of the revenue enhancement funds: a total of \$3,360,000 from those funds. The chief source would be \$2.2 million from the telephone access charges.

For the Education Finance Act the House approved General Funds in the following amounts:

Figure 1: Education

| | |
|----------------------|-------------------|
| Ways and Means Base | \$641,486,709 |
| 4.8% cut restored | 32,343,868 |
| Additional increases | <u>12,700,000</u> |
| EFA subtotal | 686,530,577 |

In the operating budget for the Department of Education, the House agreed to a grand total of \$946,521,602. Notable in this figure were a \$1 million addition to adult education, a cut of \$5 million in the building fund, (but the building fund remained at the same level because of the availability of \$5 million in the EIA fund) and an increase of \$8.52 million in public school employee fringe benefits (insurance, social security, and dental insurance).

Figure 2: Revenue enhancements

| Amount | Source |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 25,000 | Indirect cost recoveries |
| 40,000 | Earned in investments |
| 157,000 | Motor transport fee--motor safety program |
| 264,445 | Public Service assessment--restored the 4.8%, which therefore increased revenue |
| 327,337 | Revenue cap adjustment |
| 500,000 | Casual sales tax--on wrecked cars acquired by insurance companies in settlement of claims |
| 650,000 | Corporation license tax--Increase annual license fee from \$5 to \$15; raise minimum annual fee from \$15 to \$25 |
| 700,000 | Sales tax cap, modular homes--raised from \$300 to \$500 |
| 800,000 | Sales tax exemption, modular homes--deleted the ad- ditional 1% tax on sales price over \$6,000 |
| 1,250,000 | Beer and wine tax--increased retail license fee from \$125 to \$200 |
| 1,500,000 | PRT revenues--estimated revenues generated from increase in PRT advertising |
| 1,800,000 | Powder-base soft drinks--adds 3¢ per ounce/package |
| 2,000,000 | Public Service Authority--increased assessment |
| 2,600,000 | Radioactive waste surcharge--doubled tax from \$4.00 per cubic foot to \$8.00 per cubic foot |
| 3,000,000 | Corporate income tax--imposed a minimum tax of \$100 for each corporate return filed imposed |
| 3,250,000 | Insurance tax--increased fire insurance tax |
| 3,445,610 | Coin-operated device tax--increase in license fees; from \$365 to \$550 on non-pay-out machine from \$1,000 to following in number of machines: \$2,000 up to 25 machines 4,000 for 26-50 machines 8,000 for 51 to 100 machines 12,000 for over 101 machines |
| 4,000,000 | Non-recurring S&L--accelerate collections of timely declarations of estimated tax payments (one time) |
| 4,600,000 | Documentary tax--increase "instruments of conveyance" of realty (such as deeds) by 35¢ for each \$500 of property value |
| 5,012,495 | Department revenues--Medicaid reimbursements, in- spection fees, regulatory agency remittance to the general fund the annual cost for indirect services |
| 6,925,000 | Tax commission enhancement--retail sales tax, corporate and individual income taxes |
| 11,000,000 | Telephone access charges--repealed sales tax exemption of carrier access charges and customer access lines charges |
| <u>17,534,877</u> | Alcoholic liquors tax--increased tax on 8 oz. container from 12¢ to 15¢; increased tax per liter from 50.7¢ to 63.5¢; increased minibottle tax from 25¢ to 50¢ |
| <u>71,381,364</u> | TOTAL |

Required spending

Finally, it should be noted that some items in the state's appropriations are required, either by state law, the constitution, or federal mandates. The capital expenditure fund and the reserve fund, for example, have established levels which need to be met. The reverse side of this coin might be the homestead exemption and the inventory tax phase-out--two measures that reduce state revenues.

Federal mandates, such as solving over-crowding in the correctional system, also set requirements for the state's budget.

And one of the biggest costs is still ahead. The bill passed by the House approved \$200,000 to cover lab fee charges and implement asbestos training that will be needed to conduct a survey of asbestos in state buildings. Asbestos, now shown to be a cause of cancer and other respiratory diseases in humans, will have to be removed from the approximately 6,000 buildings owned by the state. Total cost? No one can say for sure now, but estimates range from \$300 to \$500 million.

Legislation Introduced

Education

Student-School Nurse Ratio (H.2709, Rep. Harvin). This bill would require school districts to reach certain ratios in schools between registered school nurses and students. The ratio would go up at the following rates.

| <u>Fiscal Year</u> | <u>Student-Nurse Ratio</u> |
|--------------------|----------------------------|
| 1987 | 1:2,000 |
| 1988 | 1:1,500 |
| 1989 | 1:1,000 |
| 1990 and beyond | 1:750 |

Reimbursement for state employees (H.2717, Rep. J. C. Johnson). This bill would provide reimbursement for state employees who attend graduate school at a state-supported college or university. The employees would have to be full-time, and would have to continue to work with the state for a three-year period. During this time they would be reimbursed for any special matriculation or upfront fees they had to pay during enrolling.

If the employee quit working for the state within this three-year period, he or she would have to pay back all the reimbursement they had received.

Citadel faculty (H.2724, Rep. J. Bradley). This bill aims at keeping the Citadel a "teaching institution," by mandating that published research by faculty members is not to be considered when merit pay or promotions are awarded.

Comprehensive health education in schools (H.2734, Rep. Keyserling). A bill that would provide for health education in South Carolina schools.

Kinds of health education included

The subject matter would include traditional health education, "family life education," and "reproductive health education," which, in the words of the legislation, "does not include instruction concerning sexual practices unrelated to reproduction except within the context of the risk of disease." The bill goes on to add that "abstinence and the risks associated with teenage sexual activity must be strongly emphasized."

Pregnancy prevention education

"Pregnancy prevention education" would be an aspect of the program, and would be instruction aiming at three objectives: 1) stressing the importance of postponing sexual activity among youth; 2) helping students learn to resist peer pressure to have sex early; and 3) explaining methods of contraception, including the risks and benefits of each method. The language of the bill specifically notes that "abortion must not be included as a method of contraception."

Implementation of programs at local level

Implementation of the program would be handled by the local school boards, which would cooperate with the State Board in selecting or preparing the instructional unit dealing with the topics listed above. Reproductive health education would begin with grade six (unless the local board wanted it to start earlier). During junior high and high school (grades 9 through 12) each student would receive at least one course in reproductive health education. The local school boards could also include family life education and/or pregnancy prevention education.

The materials used would be either those provided by the State Board, or ones selected by the local board. Each local board would appoint an eleven member advisory committee. This committee would consist of two parents, two clergy, two health professionals, two teachers, and three persons not working for the school district.

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Parents could have their children exempted from these programs by sending in a written statement. School principals would have to make sure that parents knew about the programs before they went into effect, so the option of keeping children out of the classes was available. No student could be penalized because of exemption.

Families

Divorce (H.2715, Rep. Hodges). This measure proposes amending the state constitution to permit another grounds for divorce in South Carolina: continuous separation because of incurable insanity for a period of three years." Should the change be approved by the General Assembly and the voters, this condition would join the other reasons which permit divorce in our state: 1) adultery, 2) desertion, 3) cruelty, 4) continuous separation for at least one year, and 5) habitual drunkenness.

Fiscal

PTA sales exempt from tax (H.2705, Rep. M.D. Burriss). This bill would add an exemption to the sales tax--specifically, the gross proceeds of sales of personal property items sold by PTA groups to benefit their school.

Government Operations

Alcohol permits for non-profit organizations (H.2695, Rep. Wilkins). Non-profit organizations can be granted temporary permits by the Alcoholic Beverage Commission to possess and consume alcohol on their premises. This bill would allow them to sell it as well.

Alcohol retailers: signs to post (H.2696, Rep. Wilkins). Every retailer selling beer, wine or liquor would be required to post the following sign in their establishment:

The possession of beer, wine, or liquor, by anyone under twenty-one years of age, is a criminal offense under the laws of this State, and it is also unlawful for any person to knowingly give false information concerning his age for the purpose of purchasing beer, wine, or liquor.

Penalty for failure to post the signs would be \$100 or up to thirty days.

Alcohol sales: Relationship between wholesalers and retailers (H.2698, Rep. Wilkins). This bill would prohibit a manufacturer, brewer, importer, or beer wholesaler from giving free beer or services to retailers--except for low-cost draft beer equipment replacement parts--the washers, gaskets, hoses and connectors needed for kegs. Also allowed, party wagons for temporary use. Retailers are also prohibited from accepting free brews.

The bill would establish tiers for the beer business. A manufacturer, brewer, or beer importer are in business on one tier, a wholesaler on a second tier, and a retailer on a third. Any person or business on one tier would be forbidden to have any ownership or financial interest in a beer business operating on another tier.

Defense of indigents (H.2714, Rep. Wilkins). State funds up to \$50,000 per year are allotted to pay for the defense of indigent persons in courts. This bill would put a limit of \$2,000 to be spent from that fund on any one case.

Transfer of alcohol to minors (H.2716, Rep. Evatt). This bill would make it illegal to give alcohol to persons under 21 years. The only exceptions would be spouses or parents of persons under 21 giving them alcohol at home, or persons participating in religious ceremonies. Violations otherwise could be punished by a fine up to \$200 or 30 days.

Abolish ABC (H.2726, Rep. Aydlette). This measure would scrape the state's Alcoholic Beverage Commission and transfer its powers and duties to a division of the state Tax Commission. The new division would be the Division of Alcoholic Beverage Control, and would come into existence on July 1, 1988. Terms would be terminated for present ABC Commissioners. The bill would also change references in the statutes from the present ABC to the new ABC Division.

County DSS Directors (H.2728, Rep. R. Brown). This bill would give county DSS Boards the authority to terminate the county DSS director.

State grand jury--constitutional amendment (H.2735, Rep. Huff). This bill proposes a constitutional amendment to create a state-wide grand jury, consisting of 18 members. The jury would be selected according to procedures established by the General Assembly (and proposed in H.2736, below) and would have the authority to return indictments "irrespective of the county where the crime has been committed."

The state grand jury concept is one which has been vigorously supported by Attorney General Travis Medlock, who says that it would be an important tool in combatting drug trafficking in the state.

State grand jury--selection, operation (H.2736, Rep. Huff). Should the constitutional amendment be approved creating a state grand jury, this bill would provide a method of selecting its members and guiding their activities.

Creation of state grand jury

A state grand jury could be ordered impaneled by the Chief Justice of the State Supreme Court, acting upon a petition from the Attorney General. The petition would have to specify the type of offenses involved, and that they are multi-county in nature. The grand jury would have a term of twelve months, and could be extended up to two years.

The Chief Justice would appoint a circuit court judge to preside over the jury. The Attorney General would be the legal advisor for the grand jury, examine witnesses and present evidence.

Selection of jury members

The members of the grand jury would be selected in the following fashion. Each January, county jury commissioners would randomly select from their jury boxes one name for each 1,000 persons in the county. They would send this list to the clerk of the state grand jury (a person appointed by the Chief Justice). The clerk of the state grand jury would randomly select a list of 700 eligible persons--the "master list."

Each person on the master list would be mailed a juror qualification form to determine whether they should be considered unqualified, exempted, or excused from jury service. Those surviving this cut would be put on the qualified state grand jury list.

When the Supreme Court ordered a term of the state grand jury, a random drawing would be held to select 60 potential jurors from the state grand jury list. Out of this number, a state grand jury would be selected of 18 members and four alternates. The procedure would be the same as that used in county grand juries.

Expenses of state grand jury

Jurors would be paid per diem, mileage and subsistence at the same rate as members of state boards and commissions. The funds for this--and other state grand jury expenses--would have to be appropriated by the General Assembly to the state Judicial Department in the General Appropriation bill.

Operations of state grand jury

State grand jury operations would be essentially the same as county grand juries, except that the state grand jury could return indictments for crimes committed anywhere in South Carolina. The indictments would be sent to the county where the offense was committed for prosecution.

Health

Abortions and minors (H.2710, Rep. Hayes). This bill would define female minors as those under 17, and provide standards by which those minors could obtain an abortion. To get the abortion, the minor would have to have written consent from her parent or guardian, or be emancipated (married or freed from parental custody by court order), or petition the court for an order granting the abortion.

The bill sets up the procedures for the petition. Proceedings would have to move quickly--the court would have to rule within 72 hours--and would be kept anonymous.

DHEC would write regulations to ensure that women wanting an abortion would have to furnish proof of age. Failure to comply with these regulations could lead to a hospital or other facility losing its certification; physicians and others who failed to abide by them could be fined up to \$2,000 and imprisoned for up to two years, or both.

Comprehensive health education in schools (H.2734, Rep. Keyserling). A bill that would include, among other topics, "reproductive health education." See under Education.

Highways and Byways

Driving 55 and above (H.2708, Rep. Harvin). This measure would change the speed limit on South Carolina highways when the federal government changes the national speed limit. Specifically, when the federal government allows traffic on the interstates to go faster than 55, then the speed limit in our state would be the higher limit.

DUI--and "ignition interlock" pilot program (H.2739, Rep. Snow). This measure would create a pilot program running from July 1, 1987 through July 1, 1990, to see if an "ignition interlock" device could reduce alcohol-related traffic deaths and injuries in South Carolina. The program would operate in Greenville, Charleston and Richland counties. Persons convicted of second offense DUI would be required to install an "ignition interlock" device in their car if they wanted to keep their license.

An "ignition interlock" device measures the blood alcohol content of a driver before allowing the motor vehicle to be started. The driver blows into the device, which then checks for the alcohol content in the breath. If the alcohol content in the breath exceeds a certain predetermined level, the engine will not start.

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Some other states have already begun using the method to combat DUI problems. California passed legislation last fall setting up a two-year pilot program using the ignition interlock devices. Judges can order selected drunken driving offenders to have the devices installed in their vehicles. Other states with programs using the technology are Colorado, Maryland, Michigan, Ohio and Texas.

Labor, Commerce and Industry

Changes in health and medical insurance coverage (H.2699, Rep. Clyborne). This measure would require health and medical insurers writing group and individual policies to notify the policy holders in advance of any changes in coverage that are going to be made.

Second Injury Fund (H.2718, Rep. Toal). Employers operating in violation of 42-1-310 of the Code would not be eligible for reimbursement from the state's Second Injury Fund, if this bill passes.

In the Code, 42-1-310 is the section which states that employers and employees accept the provisions of the Workers' Compensation Law and agree to be bound by it--unless prior notice to the contrary is given before any injury or death.

Second Injury Fund: Assessments (H.2719, Rep. Toal). Assessments made by the Second Injury Fund on employers or insurance carriers would be considered personal debts under the terms of this legislation. Failure to pay the assessment could lead to a penalty fine of 10% of the unpaid assessment. In addition, failure to pay within thirty days could lead to a complaint for collection being filed in court. At the same time of this filing, the state Insurance Commission and Workers' Compensation Commission would be notified so they could take "appropriate legal and administrative action immediately."

Natural Resources

Temporary fishing licenses (S.445, Sen. Land). Currently, non-residents can purchase a temporary, 10-day fishing license for \$20.50. This bill would reduce the time of that license to 5 days, and charge the out-of-state anglers \$11.00.

Shrimp baiting (H.2742, Agriculture and Natural Resources Committee). This bill would set guidelines for the practice of shrimp baiting--spreading bait, such as dog food or other materials, to cause shrimp to gather in one area, therefore making it easier to catch them.

There would be a 45 day season for shrimp baiting, between September 1 and November 1 of each year. The Wildlife and Marine Resources Department would establish the exact dates of the season.

To engage in shrimp baiting, a person would have to get a permit and tags from the Wildlife Department. Residents would have to pay \$25.00, non-residents \$100.00. Persons would get five tags. These would be attached to poles marking the bait deposits. There would be a five pole limit per boat per day, and persons would not be allowed to tow additional boats in order to increase their limit.

Poles and bait drops would have to be fifty yards apart, and the person shrimping would have to remain in "the immediate vicinity." The Wildlife Department can confiscate poles if no one is around.

When taking shrimp over bait the daily catch limit for the set of poles would be 48 quarts of whole shrimp, or 29 quarts of headed shrimp. This limit would include ice.

Punishment for offenses are provided for in the bill--shrimp baiting out of season, or without a permit, or over the catch limit, for example--and include both monetary fines, jail terms, and confiscation of boats and equipment.

These provisions would not apply to persons shrimping from docks, piers or other permanent structures attached to the land.

Other States Consider Bills Similar to those in S.C.

Excise taxes on illegal drugs, credit card interest rates and a possible state lottery are three issues which have aroused the interest of legislators in South Carolina. The Palmetto solons are not the only lawmakers to consider these issues.

Tax illegal drugs? Why not?

Take taxes on illegal drugs. Such a bill was introduced earlier this session by Rep. Pearce (H.2416--see *Legislative Update* Number 6, February 17, 1987).

Similar bills are up in the Kansas House of Representatives, and the Missouri General Assembly. The Kansas measure would put a tax on marijuana and other illegal drugs. The bill is modeled after an existing Minnesota law which slaps an excise tax on illegal substances in that state--and requires payment of the tax to the government. The amounts charged are similar to those proposed by H.2416: \$3.50 per gram of marijuana; \$200 per gram of other controlled substances. The Kansas bill would exact a tax of \$200 per

50 dose units of controlled substances not sold by weight, while the South Carolina legislation would put a hefty \$2,000 tax per 50 dose units.

According to the Kansas bill's sponsor, Representative Robert Miller, the measure is two-fold. First, it would provide an additional criminal charge for persons arrested dealing in illegal drugs; second, it would bring in money for the state for those dealers who paid the tax. According to *From the State Capitals*, Miller's bill contains a "confidentiality clause" that would allow tax to be paid to the revenue department without the law enforcement division learning of the names. "It seems to be working in Minnesota," Miller is quoted as saying, "There are over 100 stamps and people are being prosecuted for not having these stamps."

Credit card interest rates

Another legislative item in South Carolina—credit card interest rates—has come up in some other states as well. The South Carolina legislation (H.2390, Rep. Pearce) would have tied the rates to fluctuations in the prime rate; it was tabled in the Labor, Commerce and Industry Committee.

In West Virginia the Governor has recently signed a bill which gives banks more flexibility in setting those rates, specifically in raising rates.

Before the new bill was passed, banks were allowed to lower credit card interest rates as much as they liked. Once their rates were lowered, however, the banks could not increase the rates on outstanding balances of customers—even if other interest rates rose. The law now allows the banks to raise rates after given two months' notice to customers. A top limit of 18 percent remains on bank card interest.

Opponents of the change say that customers will end up buying goods at one interest rate, only to find themselves paying the debt off at a higher rate. Supporters maintain the flexibility will lead to a "rate war" among banks as they look for new customers.

Indiana considers capping rates

Legislation has been filed in the Indiana House to lower the annual interest on credit card rates from the current 21 percent to 18 percent—for accounts with balances over \$500. Persons with smaller balances—under \$500—would get a bigger break, since the top rate would fall to 16 percent.

Consumer groups in the Hoosier state generally favor the move, although some would like to see the rates set even lower. Banking industry lobbyists, on the other hand, would prefer to see all ceilings on interest rates eliminated.

Lottery goes to voters

In Wisconsin voters will have a chance in April to decide if they want a state lottery. The Legislature has approved the needed amendments to the state constitution which would allow a lottery (and parimutuel betting, as well); the changes must now be submitted to the general voters.

Supporters of lottery legislation say it should bring in between \$52 million and \$59 million each year to the state. Opponents say the games will bring in organized crime and illegal drugs. One Senator is quoted as calling parimutuel betting "a sick industry," one that will cause problems for the state. Now it's up to the voters of the Badger State to decide.

And in Virginia, the House approved a referendum by state voters on the issue of a state-run lottery. Since the Senate has already passed the measure, a conference committee will meet to iron out differences caused by amendments made in each chamber. If a final version is approved, voters will decide the issue in November.

Adventures in the South Carolina Code

Swindling

16-13-320

"Swindling" is defined as any action undertake to: (a) inveigle or entice by any arts or devices any person to play at cards, dice or any other game of chance ... (b) sell, barter or expose to sale any kind of property which has been before sold...(c) overreach, cheat, or defraud by any other cunning, swindling arts and devices, so that the ignorant and unwary, who are deluded thereby, lose their money or other property..."

The Case Note section reveals that "Selling a blind horse as a sound horse is not indictable under this section."

Fortunetelling

16-17-690

It is unlawful to engage in "fortunetelling, palmistry, phrenology, clairvoyance or the prediction of future events by cards" in order to promote another business or trade.

Prison Industries: What Sort of Future?

Background

In a previous article (*Update* number 8, March 3, 1987), the state of prison industries nationwide was examined. The consensus was that the states nationwide fall short in prison industry productivity. However, in a study done by the Law Enforcement Assistance Association, it was not coincidental that South Carolina was chosen as one of the six most successful states in this area. This paper will try to show why.

While the South Carolina Department of Corrections has reason to be proud of their creation, many observers feel that changes in the future would be necessary if both reintegration of prisoners into society and profit are to be simultaneous goals.

The recommendations of former Governor Riley's Task Force on Prison Industries will follow a look at the constitution of South Carolina's system and some reflections from John Carullo, the Director of South Carolina Prison Industries.

A variety of industry involvements

The variety of state industry involvement is very great. The largest operation in the state is found at the Central Correctional Institution, in Columbia. The most notable product to come from there is, of course, the license plate. Fifty inmates are employed in that area of production. Besides the license plates, there is also a huge metal products shop. This is where the steel office furniture found statewide is manufactured.

At CCI, other significant duties include the rebinding of books for state libraries and the construction of highway and other signs, such as those found in state hospitals and educational facilities giving warnings and directions. For the consumption of the Departments of Corrections and of Mental Health, "suicide" mattresses and pillows are stitched together. (These special mattresses are indestructable and will not burn, and thus are useless in a suicide attempt.)

This research report was written by Edward Ryan, a student at the University of South Carolina and a legislative intern with the House Research Office.

But there are many significant industries operating at institutions other than CCI, the state's highest security and best known prison.

At the Kirkland Correctional Institution in Columbia, there is a large wooden furniture and refurbishing shop. Close to 15% of the 892 inmates are employed in the production.

The Aiken wood-refinishing center is a major supplier to the South Carolina public schools. There is a quick turnaround in the restoration of students' desks.

Did you ever wonder where the state does its laundry? Look no farther than the Manning Center in Columbia. One-fourth of the 500 inmates are involved in processing five million pounds of state garments every year.

There is a large chemical works at Dutchman Correctional Institution. Though only eighteen people are employed there, a large percentage of the janitorial products used in South Carolina schools and other buildings are made there.

A few figures

Sales of South Carolina's prison industries in 1986 were about \$6 million. The three largest customers of these industries were:

1. SC Department of Corrections. Many of the purchases were of office equipment, agricultural products, garments produced at the Columbia Women's Center and janitorial products used by the inmate maintenance staff. The average annual figure is about \$2.5 million.

2. The SC Department of Highways and Public Transportation was the second largest consumer of prison products. Its average annual purchases over the last five years have been nearly \$1.5 million. This of course, is due to the massive purchases of license plates and signs which affect every driver in the state.

3. The Department of Mental Health was the third major buyer. The products involved here are the garments used to dress patients and the "suicide" mattresses and pillows. This involves \$700,000 annually.

One of the most promising examples of success in these programs is the wood refinishing program at the Aiken Youth Center. A used school desk covered with graffiti and scratches from years of students' abuse would cost \$50 to be replaced by a new one. To get it redone at Aiken costs only \$19.

The view from the top

Legislative Update spoke with John Carullo, head of South Carolina prison industries about the possibilities for expansion of the system in the future. The kind of growth Mr. Carullo is forecasting would be good in the public or the private sector. By 1990 the goal is to have 2500 prisoners employed with sales of \$25 million. Those figures would represent a 300% increase from present sales and a 200% rise in the employment level which now stands at about 825. Though this may seem like a lot to accomplish in four years, a few variables make it seem realistic:

1. For the growth required across the prison industry system, new industries will have to be explored. Common sense deems that products from Kirkland should never be in competition with those from CCI. There are a variety of ways of executing such an expansion.

a) Workers in the private sector often shun tedious or very menial tasks. This is a line of work for which the prisons could set up contracts. An example of such work might be the reupholstering of bus seats or the heavy labor duties that will be required when construction is begun on the eventual replacement for CCI.

b) Prison industries should look into the production of secondary instead of primary products. If there is an established market for a certain product, risky full production costs could be saved by making only necessary replacement parts. For example, if the metal shop at CCI ever lost their office furniture sales to an outside company, perhaps they could negotiate to manufacture the cushions for the company's chairs, instead of the complete product.

c) The substantial US trade deficit could be reduced if prison products could compete directly with foreign businesses. Maybe one day, prison garments could put a dent in the imports from the Far East.

2. The market within the state of South Carolina is quite substantial, but to fulfill expectations it will be necessary to expand outside the state's borders. A workforce is certainly available: there are thousands more willing workers than there is work available. In order to sell prison products outside one's borders, a state must join the Private Sector/Prison Industries Enhancement Certification Program. For South Carolina to participate, the following changes would have to be instituted:

a) The Board of Corrections would have to contribute "an amount of not less than 5 percent, nor more than 20 percent of gross wages paid to inmate workers in this program to a special account to support crime victims."

b) Inmates must be paid enough "in a realistic work and training environment" to partially support themselves and their families as well as to make restitution to their victims. This would require a large increase in wages, something approaching the national minimum wage. Though this could be an initial cost of \$5 million or more in additional wages, the growth implications of interstate sales, in conjunction with "the fact that the prisoners would be taxpayers, pay room and board, support their families, and pay restitution, the advantages to the state far outweigh any disadvantages."

c) Participation by the prisoners is to be voluntary and it must be specified that those who seek such employment are not state employees.

3. Not only must prison industries avoid competition with divisions in their own state, they must be careful not to be charged with having an unfair advantage by the private sector. This problem was discussed in the first part of this report. In general, the private sector is more concerned with the prospects of interstate sales than those limited by states' borders. South Carolina, by statute, is prevented from selling products on the open market, but is allowed to be paid for services rendered to outside firms. Vehicle and furniture refurbishing are such services, for example. Mr. Carullo counters this fear in the private sector with a few points:

1. Jobs will not necessarily be taken away from the private sector, because as prison industries grow, there will be a greater demand placed on the outside service sector. This will come with larger needs for distribution and the procurement of raw materials. Of the \$6 million South Carolina prison industries receives in sales annually, half is immediately spent on raw materials.

2. Interstate sales could easily result in the close cooperation of the public and private sectors. There is reason to believe that large conglomerates such as General Motors could open positions for inmates. The present Federal program for interstate sales mentioned above has a stipulation that private workers are not to be displaced by inmates; overall, the program is well monitored.

3. The total annual purchases by South Carolina state government comes to \$500 million. At present therefore, sales of prison industries represent just over 1% of that total. Among prison representatives, there is the feeling that with a little marketing expertise, prison industries could drastically increase their profitability—even if the figure only rose to 5%. That figure in fact represents the goal to be reached by 1990.

Task Force Report

Possibly the best insight into South Carolina's prison industries can be obtained with a look at some presentations from the Governor's Task Force on Prison Industries and the First Governor's Conference on Prison Industries held in Columbia on September 30, 1986. It was an important event in former Governor Riley's last term.

Mr. Peter Elliman, General Manager of Lucas-CAV Industries in Greenville, was the Chairman of the Task Force. He is definitely "bullish" on our prison industries:

He made a comparison to North Carolina's prison industries that could spur some competition on our part. Last year, their sales of prison goods were over \$20 million—that is 200+% more than ours. "I'm not too sure what \$20 million represents in the overall scheme of things, but to me \$20 million is money that we, you and I are paying, in some form or another that I'd like them to pay," said Elliman.

Elliman made it clear that we need not be second to North Carolina, because only 825 of South Carolina's 12,000 prisoners are in industry. Granted, other inmates are in clerical and prison maintenance positions, but the vast majority are idle. This huge liability could become a boon to employment with some of the suggestions mentioned earlier.

The short term goals of the Task Force mirror those of Mr. Carullo: 2500 employed with \$25 million in sales within the next three years. This "is not unrealistic when one considers that annual purchases by state and local governments in South Carolina presently exceed \$500 million."

The Report's business angle

So far, you have looked at the components of our prison industries and heard about their potentials from the man behind them. But what is it really going to take to achieve the sort of growth enjoyed by our northern neighbors? A field study of our prison industries done by USC business graduate students gave concrete answers to the questions posed by the Task Force.

1. The study recommended the revision of the industries' sales catalogue. Although this may seem like a minor point, it "is an outward representation of the image that Prison Industries wishes to portray." It may also be the first contact buyers have—and you know what they say about first impressions.

2. The prison industries' sales force drew attention. Weekly sales logs were suggested, because when "each person works on a straight salary, management reserves the right to have full accountability of each salesperson's time." The study group also devised a sales incentive plan to benefit those who perform well.

3. Though a catalogue is certainly a marketing tool, it is quite passive compared to other methods. Recognizing this, the group recommended organizing a telemarketing staff. "The salesforce could redirect their efforts to searching out new customers and promoting familiarity." Such a move would involve keeping files on contacts in the Department's computer system. This is exactly the kind of direct marketing approach that is the hallmark of any successful business.

4. The last idea could prove controversial, but rewarding if accepted. Sales of chemical products from Dutchman would rise dramatically if the governor and the Budget and Control Board "were to recommend that agencies make at least 20% of their janitorial products purchases from Prison Industries."

Conclusion

Possibly the most important point to keep in mind is that our prison industries are only seeking a relatively small market share. Like any other business that operates on economic principles, the prison industries are moving in a controlled direction. Suggestions such as the ones from the USC School of Business could lead to a more profitable position.

In the end this may require people to revise their opinions of the goals of prison industries. Not only are they vocational and therapeutic in nature, but now they are economic actors. And this state's role may one day be the biggest of all.