



# COMPETITIVENESS UPDATE

February 26, 2010

No. 7

## Senate Passes ESC Reform

Late Wednesday, the Senate passed S.391/H.3442, legislation to restructure and reform the South Carolina Employment Security Commission (ESC). The legislation passed on a voice vote. Sens. Greg Ryberg (Aiken), Nikki Setzler (Lexington) and Joel Lourie (Richland) led the reform efforts on the Senate floor to ensure the new ESC executive director becomes an at-will position under the governor's control. That amendment had already passed the full Senate Labor, Commerce and Industry (LCI) Committee unanimously, with 17 senators serving on that committee.

The legislation nearly stalled Wednesday evening when an amendment offered by Senate President Pro Tempore Glenn McConnell (Charleston) and Sens.

Luke Rankin (Horry) and Jake Knotts (Lexington) attempted to create a joint legislative screening committee and strip the gubernatorial at-will powers. Their amendment failed by a close vote of 23-18 but nearly derailed the reform legislation. To move forward, Sens. Ryberg and Setzler worked diligently on a reform compromise with Sen. McConnell that ultimately passed the full body.

H.3442 now moves back to the House where there are some differences on structural reforms and who will hear future appeals, the current panel or an administrative law judge. There are significant reforms in both pieces of legislation that limit commissioner discretion and reduce future benefit payouts for employees fired for misconduct, among others.



**Thumbs Up:** To Sens. Greg Ryberg (Aiken), Nikki Setzler (Lexington) and Joel Lourie (Richland) for their work across party lines to pass much needed Employment Security Commission reforms.

**Thumbs Up:** To House Ways and Means Committee Chairman Dan Cooper (Anderson) for including a review of all property taxes in H.4585, a joint resolution extending the length of time the Tax Realignment Commission has to make recommendations.

## Spending Limits Should Move Forward

With overwhelming support for S.1, a state spending limit and budget stabilization fund, the Senate should set it for special order. The bill has already received second reading by a wide and bipartisan margin of 33-2.

The economic downturn, coupled with the severe decline in revenue the state has seen over the last 18 months, continues to illustrate the need for true spending reform that will put dollars aside to protect

programs and services that South Carolinians rely on everyday. As special order slots come open in the next several weeks, the South Carolina Chamber of Commerce asks that senators prioritize needed reforms and set spending limits for special debate. It is imperative the Senate send the House this important legislation, which would allow voters to decide how much of their tax dollars are spent in Columbia.

## ESC Report Increases Costs on Businesses

This week, the Lucas Group, a Boston-based research firm hired by the South Carolina Department of Commerce to make financial recommendations to help make the state's unemployment fund solvent again, released their findings in *South Carolina Unemployment Insurance Benefits: Financing the System*. The detailed report presents two tax options the state could implement to repay the federal government loans and restore the solvency of the Unemployment Insurance (UI) Trust Fund.

The South Carolina Chamber believes that while the actuarial data provided in the report is a good first step, many questions still remain about how to implement a new tax system without further damaging businesses' ability to create and maintain employment levels. The report's tax options are "front loaded," meaning employers would be taxed more heavily in 2010 and less in future years. The Chamber has strong concerns about this method given the tough economic times the state currently faces. It would be irresponsible not to spread potential tax increases over a longer period of time. In addition, the report does not consider cost saving measures currently being debated by the General Assembly that include limiting payouts for those fired for misconduct.

The Chamber looks forward to working with both House and Senate leadership in crafting a tax structure for the UI Trust Fund that will be sufficient for paying benefits, while not overburdening employers and employees with massive tax increases.

## COMPETITIVENESS AGENDA

Description	Bill No.	Position	Status
Cigarette Tax	H.3584	Support	Passed House; Passed Senate Finance Committee
Economic Development Competitiveness Act	H.4478	Support	Passed House Ways and Means Committee
Employment Security Commission Reform	H.3442	Support	Passed House; Passed Senate
General Reserve Fund	H.3396	Support	Passed House; Passed Senate (H.3396)
	H.3395		Passed House; Passed Senate (H.3395)
	S.1085		Passed Senate; In House Ways and Means Committee (S.1085)
Right to Secret Ballot	H.3305	Support	Passed House; On Senate Floor
State Spending Limits	S.1	Support	Received Second Reading in Senate
Tort Reform	H.3489	Support	Passed House Judiciary Committee (H.3489)
	S.350		In Senate Judiciary Subcommittee (S.350)

# Senate Moves Closer to Protecting Workers

On Thursday, the Senate began debate on H.3305, a constitutional amendment to protect the rights of workers to cast a secret ballot in union elections. Sens. Harvey Peeler (Cherokee) and Larry Martin (Pickens), along with Rep. Eric Bedingfield (Greenville), continue to make a strong push for the legislation. As a constitutional amendment, the bill needs two-thirds vote of the Senate to pass and be placed on the November general election ballot for voters to ultimately decide.

The Senate sent a strong message Thursday when a bipartisan group of senators voted 32-1 to adopt the Senate Judiciary Committee's amendment to the legislation. Only Sen. Robert Ford (Charleston) voted against the measure. Unfortunately, the common sense legislation is being blocked by Sens. Ford and Brad Hutto (Orangeburg) even though current labor election practice is to cast a secret ballot in union elections. The misnamed federal Employee Free Choice Act continues to loom in Congress, necessitating the

need to protect South Carolina workers through a state constitutional amendment.

Eighteen other states are in the process of adopting similar legislation to protect their workers, with Utah having already adopted language to allow their voters to decide on secret ballots in the November 2010 elections.

# Tort Reform Moves to House Floor

Led by Rep. Jim Harrison (Richland), the House Judiciary Committee passed H.3489, legislation continuing reforms to the state's tort system. House Speaker Bobby Harrell (Charleston), the chief sponsor of the legislation, offered a joint amendment with Rep. Harrison last week that passed during the committee process on a voice vote.

H.3489 now moves to the House floor and provides language for limits on punitive damages, addresses attorneys' fees, establishes a cap for businesses on the amount of bond a business must post to file an appeal, addresses the statute of repose for building code violations and repeals the prohibition on the admissibility of failure to use a seat belt.

Meanwhile, the Senate continues to delay action on tort reform while the House is poised to pass it next week. The Chamber encourages the Senate Judiciary Subcommittee to resume meetings and pass tort reform legislation.

# House Finalizes Budget, Clears Calendar

The House Ways and Means Committee met most of the week to draft the 2010-2011 **state budget**. Committee members are faced with difficult choices as revenue statements indicate South Carolina will only collect around \$5.3 billion this fiscal year. To put that into perspective, the South Carolina Department of Commerce's funding was cut 18 percent to \$3.9 million, a level not seen since the mid-1980s. Also, the House Ways and Means Committee adopted an amendment to the budget that would raise the **cigarette tax** by 30-cents to fund Medicaid shortfalls.

Meanwhile, the full House passed a number of significant pieces of legislation this week. H.4585, a joint resolution to extend the **Tax Realignment Commission's** (TRAC) recommendation deadline to November 15, 2010, passed. The current deadline is

March 15, 2010. Also included in the joint resolution is the ability for the TRAC to study all property taxes, including the negative impacts of **Act 388**.

H.4445, a joint resolution **extending permits**, passed the House this week. The legislation is designed to allow projects, which may have been put on hold because of the economic downturn, to move forward without having to go through the permitting process again. The Chamber supports the legislation.

H.4343, legislation to establish the **South Carolina Air Service Incentive and Development Fund**, passed the House. The economic development tool is designed to attract low-cost airlines to the state. The Chamber supports the legislation.

The state budget should be debated on the House floor in two weeks. In the meantime, House leadership

will likely try to pass H.3489, legislation furthering **tort reforms**, and H.4478, an **economic development package** for the state. The Chamber strongly supports both pieces of legislation.

H.3192, legislation to establish the **South Carolina Sunset Commission** by Rep. Rex Rice (Pickens), passed the House by a vote of 108-0. The commission would be responsible for reviewing all agencies and programs every 12 years. The Chamber supports the legislation.

By a vote of 85-30, the House gave second reading to H.4475, legislation making the South Carolina **Secretary of State's office** a cabinet position instead of an elected office. The Chamber supports the legislation.