



March 4, 2011

No. 8

Senate Continues Exploring UI Scenarios, House Begins Work

Senate Labor, Commerce and Industry (LCI) subcommittee meetings were held again this week as the Senate continued discussions on the new unemployment insurance (UI) tax rate structure. Senator Kevin Bryant (Anderson) chairs the LCI subcommittee.

Several new scenarios were examined this week, but a new "Scenario 15," which was proposed by the South Carolina Association of Personnel and Staffing, received the most discussion and was ultimately adopted by the subcommittee. The South Carolina Chamber of Commerce met with the National Federation of Independent Business (NFIB), South Carolina Manufacturers Alliance (SCMA) and the South Carolina Farm Bureau to discuss possible support of the staffing industry's "Scenario 15."

"Scenario 15" extends repayment of the more than \$900 million debt to the federal government to 2016, one year later than the plan the General Assembly passed last year. This extension would result in higher

interest costs and leave the UI Trust Fund balance at zero in 2016 rather than with a \$200 million surplus under the current rate structure. Therefore, the UI Trust Fund will essentially be in the same state the General Assembly found it in at the beginning of the last recession.

"Scenario 15" would provide savings of roughly \$146 million immediately to Rate Classes 13-20, those who used the system the most, in the form of reduced rates for 2011 and 2012, nearly a 20 percent reduction. A surcharge would be placed on Classes 13-20 to cover the increased FUTA costs for all rate classes, including holding Rate Classes 1-12 harmless.

The South Carolina Department of Employment and Workforce (DEW) did express two main concerns to "Scenario 15." The primary concern is that recessions typically occur every seven years on average. If "Scenario 15" is adopted, the UI Trust Fund would have no surplus heading into the next likely recession. The other concern expressed by the DEW

THUMBS UP THUMBS DOWN

Thumbs Down: To Lieutenant Governor Ken Ard for breaking with longstanding Senate tradition by failing to recognize Senate Rules Chairman Larry Martin (Pickens) to set tort reform for special order and instead calling on a senator from the minority party to set the Senate schedule.

Thumbs Up: To Senators Greg Ryberg (Aiken) and Kevin Bryant (Anderson), who are holding multiple hearings each week and showing great patience and willingness to work with employers impacted by high unemployment insurance tax bills.

Thumbs Up: To the 12 senators who want to see tort reform advance this year: Senators Thomas Alexander (Oconee), Kevin Bryant (Anderson), Ronnie Cromer (Newberry), Mike Fair (Greenville), Larry Grooms (Berkeley), Wes Hayes (York), Larry Martin (Pickens), Shane Martin (Spartanburg), Shane Massey (Edgefield), Harvey Peeler (Cherokee), Mike Rose (Dorchester) and Greg Ryberg (Aiken).

COMPETITIVENESS AGENDA

Description	Bill No.	Position	Status
Angel Investment Act	H.3044/ 3270	Support	In House Ways and Means
Business License Fees	H.3472	Support	In House Ways and Means
Charter Schools	H.3241	Support	Passed House; In Senate Education Committee
Department of Administration	H.3066	Support	Passed House; In Senate Judiciary Committee (H.3066)
Gov. Restructuring – Jointly electing Gov./Lieut. Gov.	H.3152	Support	Passed House; In Senate Judiciary Committee
Gov. Restructuring – Superintendent of Education	H.3070	Support	Passed House; In Senate Judiciary Committee
Highway Funding	S.37/S.101	Support	In Senate Finance Committee
Regulatory Relief	S.420	Support	In Senate Judiciary Committee
Spending Limits	H.3368	Support	On House Calendar
Tort Reform	H.3375	Oppose as amended	Passed House; On Senate Floor
WorkKeys Certificate	H.3043	Support	In House Education and Public Works Committee

is the difficulty of accurately counting employees in each rate class, making it tough to calculate the surcharges on Classes 13-20 in order to hold Classes 1-12 harmless.

The staffing industry is now pushing for "Scenario 12," which would reduce their rates by as much as 40 percent, but force the state to borrow nearly \$250 million more from the federal government. Rates would then spike for all rate classes in 2016, right around the time the next recession is anticipated.

The Senate LCI subcommittee continues to examine reforms that reduce benefit payouts, including a provision disqualifying anyone who fails a drug test or does not show up for a DEW coordinated interview matching his or her skill sets. The South Carolina Chamber supports both of these reform efforts.

Senator Chip Campsen (Charleston) expressed concerns about Rate Class 1, which under the current plan does not pay insurance premiums. The Chamber opposed a zero rate class last year when

see UI Scenarios page 2

UI Scenarios from page 1

the General Assembly was debating the issue, but the legislature almost unanimously adopted it. If the 45,000 businesses in Rate Class 1 were returned to paying \$86.80, it would only lower the top rate by about \$25. Will the General Assembly reverse course and add premiums back onto Rate Class 1 when it has been so unwilling to revisit Act 388 and insist homeowners pay some portion of school operating property taxes?

On the House side, House Ways and Means Chairman Dan Cooper (Anderson) introduced H.3762, legislation extending the loan repayment period to eight years from the current five-year payback plan. Because South Carolina began borrowing a year ahead of most states, it has recently been revealed the state's payback period is limited to seven years at most.

House Majority Leader Kenny Bingham (Lexington) led the first House subcommittee hearing on UI tax rates for 2011. Others serving on the subcommittee are: Chairman Dan Cooper (Anderson), House Minority Leader Harry Ott (Calhoun) and Representatives Gilda Cobb-Hunter (Orangeburg) and Brian White (Anderson). The subcommittee was presented an overview of the overall tax rate structure, and the DEW provided an update on "Scenario 15."

Continued to be lost in the debate is the fact that even employers with positive cash balances in Rate Classes 2-12 received tax increases as high as 300 percent.

In related news, the SC DEW has developed an online portal for temporary staffing agencies to electronically submit information on claimants who have failed to maintain weekly contact with former employers. Visit www.dew.sc.gov/emp-content-online.asp.

Senate Leaders Must Stand Up for Tort Reform

As the immigration debate is anticipated to conclude next week, the Chamber is asking senators to set tort reform for Special Order so it may be considered before the session ends. The Senate Judiciary Committee has studied tort reform in great detail over the last four years, but the full Senate has not had an opportunity to debate the issue. There are many senators who do not serve on the Senate Judiciary Committee, but want an opportunity to be heard on the issue and see tort reform efforts advance in South Carolina.

Last week, the full Senate Judiciary Committee gutted key pieces of tort reform legislation supported by the business community, rendering the legislation business negative as it stands now.

The bill's current form includes watered down punitive damage caps as well as unreasonable monetary thresholds for the admissibility of the non-use of seatbelts. Senator Brad Hutto (Orangeburg) also tacked on a business negative amendment that reverses the *Branham vs. Ford* decision regarding product liability issues. This amendment is very harmful to

the state's economic development efforts, especially related to the automotive industry cluster.

The business community will insist the legislation return to its original version, which was authored by House Speaker Bobby Harrell (Charleston), Senate Majority Leader Harvey Peeler (Cherokee) and Senator Larry Martin (Pickens). In addition, on Thursday the House Constitutional Laws Subcommittee passed H.3669, also sponsored by Speaker Harrell and Chairman Jim Harrison (Richland), which requires solicitors to seek approval from the attorney general before filing a civil action.

Meanwhile, the South Carolina Civil Justice Coalition began a targeted direct mail campaign to educate voters about the \$20 million spent annually by T.V. trial lawyers and its negative impact on South Carolina's business climate. The Civil Justice Coalition will continue to hold senators accountable by mailing more direct mail pieces in the coming weeks to keep employers and their employees updated on which senators are helping to advance tort reform efforts in South Carolina and which senators continue to serve as roadblocks.

House Passes Three Government Restructuring Bills

This week, the House approved three government restructuring bills. One bill allows the governor to appoint the state superintendent of education. Another enables the governor and lieutenant governor to run on the same ticket, and a third bill creates a Department of Administration under the governor's office.

The Chamber has supported all three government restructuring bills over a long period of time in an effort to better streamline state government and provide more accountability in government processes.

House Speaker Bobby Harrell (Charleston) said, "These government restructuring bills will streamline operations, make government more efficient and will save taxpayers money. It is time for our system of government to be updated and reformed, and the government restructuring bills the House passed today represent a major step in getting real reform accomplished."

In Other News...

This week, the Senate debated S.20, a law enforcement style **immigration** bill that would allow state and local law enforcement to enforce federal and state immigration laws and enable officers to check immigration status while stopping someone for another violation. The Chamber is neutral on the legislation because it does not put any additional burden on employers in the verification process.