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SOUTH CAROLINA  
A STATE ANALYSIS

A. Preface

South Carolina has a population of 3,133,814. South Carolina's economy relies heavily on the manufacturing industry and to a lesser degree agriculture and aquaculture. The State's employment in manufacturing is close to 30%, second highest in the United States. For this reason, the General Assembly is business oriented with a conservative bent.

B. State Overview

1. Economic Condition and Outlook

If unemployment rates are an indication of a state's economic health, then South Carolina is in fair shape with a 5.7% rate ... a rate lower than 29 of the 50 states. West Virginia has the highest rate (11.6)% and Massachusetts the lowest rate of (3.4%).

However, unemployment rates do not necessarily indicate fiscal problems. As long as these conditions are reflected in state fiscal planning, no revenue shortfalls should result from it. What can cause windfall or shortfall revenues is a sharp change in the unemployment rate, one not anticipated in fiscal planning.

Considering that from May 1984 to May 1985 South Carolina's employment rate increased by 5.1% (5th best in the country), the state's short-term revenue trend should be favorable.

When other economic indicators for South Carolina are taken into consideration, it appears that the state legislature should not be under pressure to raise taxes in the near future.

On November 5, the State Budget and Control Board proposed and sent to the General Assembly a \$3 billion budget for fiscal year 1986-87. This represents a \$181 million increase over the current fiscal year's \$2.82 billion budget.

Part of this increase - \$27 million - will go toward pay increases for state employees. In addition, the budget board endorsed an Education Improvement Act Budget of \$243 million, up \$17 over 1985.

This budget increase will be funded by a general sales tax increase from 4% to 5% (effective July 1, 1985) and increases in various license fees such as for driver licenses, auto tags, beer licenses and licence fees for Sunday sales of alcoholic beverages. These increases were enacted in the 1985 legislative session.

There should be little need to consider raising other taxes during the 1986 legislative session.

## 2. Political Situation: Current and Outlook

Democratic Governor Dick Riley, a moderate, will begin the fourth year of his second and last term as governor in January. One of his major accomplishments during his second term was the passage of the Education Improvement Act of 1984.

The legislative debate on this issue centered not so much on the need for improving the state's educational opportunities, but on how to fund this comprehensive package proposed by Governor Riley. Riley succeeded in convincing the legislature to pass an increase from 4% to 5% in the general sales tax to fund this program.

While there has been only one Republican governor since Reconstruction - James Edwards from 1975 to 1979 - the Republicans are putting together a strong team to regain this office as well as the office of Lt. Governor. Fourth District Congressman Carroll Campbell is the front-runner for the Republican nomination for Governor since Thomas Harnett, the 1st District Congressman, withdrew from this race to seek the party's nomination for Lt. Governor.

A front-runner for the Democratic nomination for Governor has yet to emerge.

The South Carolina legislature is overwhelmingly Democratic with only 20 Republicans out of 124 members in the House and 6 out of 46 members in the Senate.

Republicans primarily come from the more populous areas of the state such as Charleston, Columbia, Greenville and Spartanburg.

As a whole, the legislature could be considered conservative to moderate in political philosophy.

A breakdown of the legislature is as follows:

	Total	Demo.	Rep.	Women	Blacks
House	124	104	20	9	16
Senate	46	40	6	2	3
Total	<u>170</u>	<u>144</u>	<u>26</u>	<u>11</u>	<u>19</u>

### 3. Significant State Problems

A major problem was addressed with the passage of the Education Improvement Act of 1984 as South Carolina took a step forward in improving its low-ranking public education program as well as its future economic growth. A study by the Rand Corporation of the educational plans of all states ranked South Carolina as the most comprehensive.

South Carolina is a much poorer state than is commonly recognized. Residents are taxed at a high level compared to their ability to pay. In terms of per capita personal income, South Carolina is one of the poorest states in the country.

Most of the recent economic and industrial growth in the state has been concentrated in 20 counties, leaving the remaining, mostly rural, 26 counties in bad economic health.

Several legislative decisions made in 1984 should help boost the development efforts in these 26 counties, such as a rural jobs tax credit and after 1986, the deletion of the inventory tax.

Other issues to be addressed will be disposal of hazardous waste, more effective law enforcement, the cost of state government, repeal of the so-called "Blue Laws" which prohibit Sunday operation of retail stores, and enabling legislation for the consolidation of political subdivisions.

### C. Resources: Strengths/Weaknesses

#### 1. Tobacco Segments

A major tobacco producing state, South Carolina has a strong coalition of agriculture-related organizations which have maintained an active role in opposing smoking restriction and tax increase legislation.

The South Carolina Farm Bureau Federation has been our strongest ally in legislative battles at the state, local and federal levels. It is a source for strong grass roots involvement, with members in every county in the state.

Another important source of legislative support comes from Commissioner of Agriculture Les Tindal who has opposed cigarette tax increase efforts and public smoking restriction legislation.

Other agricultural-related organizations which have played a role in defending the industry are the South Carolina Tobacco Warehouse Association, Pee Dee Tobacco Warehouse Association and Women Involved in Farm Economics, (WIFE).

Member company sales representatives have assisted in legislative contacts mainly in the more populous areas such as Columbia, Charleston, Greenville and Spartanburg.

There are no wholesale distributors associations in the state.

While the tobacco producing area is geographically large, the population, and as a result, the number of legislators representing the area, is small compared to the remainder of the state. In any event, the legislature can be looked upon as a resource for strong tobacco allies. In the House, there are 25 members representing tobacco producing areas and in the Senate, 10 members.

## 2. Business

The South Carolina Restaurant Association has been the most outspoken ally in opposing smoking restriction legislation affecting restaurants. However, as soon as restaurants are dropped from such legislation, the group disappears.

Other business-related associations which can be relied on for assistance are the South Carolina Bankers Association and the Chamber of Commerce.

In the past, the business community has taken a backseat to farm groups in opposing anti-tobacco legislation. Farmers tend to get the "sympathy vote" because of the hard times they have experienced in recent years.

3. Labor

Very limited impact in South Carolina.

4. Fire Groups

Very limited impact in South Carolina.

5. T.I. Resources

T. I. economic impact studies on tobacco have been the major issue-related resource requested and used by tobacco area legislators in their efforts to debate anti-tobacco legislation. The Farm Bureau and the Department of Agriculture rely heavily on T. I. for this type of support material as well.

Also playing an important part in our efforts are T. I. campaign contributions and financial support for agriculture-related functions, such as the annual Salute to Agriculture and Aquaculture attended by most legislators.

D. Anti-Tobacco Forces

This year, voluntary health groups including the South Carolina Lung Association, South Carolina Heart Association and the American Cancer Society began to take a more active role in efforts to restrict smoking in public places.

As a result of their combined efforts, legislation was introduced in both the House and Senate to restrict public smoking. In addition, an ordinance patterned after the state bills was considered by the Richland County Council in 1985.

Another factor in the upsurge of this activity is the new South Carolina Lung Association executive director, who came from the West Virginia Lung Association and was actively involved there in attempting to pass the West Virginia Clean Indoor Air Act.

Also supporting passage of anti-smoking bills: Blue-Cross and Blue Shield as well as two state agencies, the South Carolina Commission on Alcohol and Drug Abuse and the Department of Health and Environmental Control. The last agency has banned smoking in all its offices across the state.

Representatives from each of the above-mentioned groups testified in support of public smoking legislation at hearings held by a Senate subcommittee and by the Richland County Council.

The danger from these groups is not their legislative influence, which is lacking, but the publicity they have generated on the public smoking issue.

## E. Tobacco Industry

### 1. Brief History of Successes and Problems

The last successful attempt to raise the cigarette tax was in 1977 when the legislature passed a one-cent increase to seven-cents per pack. The extra penny was to fund agriculture research in the state and was supported by former Commissioner of Agriculture Bryan Patrick.

In recent years there have been several attempts in the House, through amendments to appropriations bills, to raise the tax, but none has passed.

In the 1983-84 session, a bill to increase the tax to nine-cents per pack was reported favorably from the House Ways and Means Committee, but was sent to the Agriculture Committee for further study and died with adjournment.

During 1985, several attempts to raise the tax were turned back at the discussion stage.

Prior to 1985, three efforts to restrict smoking were attempted. The first came in 1977 when the Senate Medical Affairs Committee favorably reported a public smoking bill sponsored by former Senator Dewey Wise of Charleston. After a long debate on the Senate floor, the bill was referred back to the committee for further study.

In 1979, a public smoking bill was introduced in the House by Phil Rigdon of Greenville. The bill received a hearing in a Medical Affairs Subcommittee, but there was no vote. Rigdon has not reintroduced his bill due mainly to the efforts of Farm Bureau lobbyist Pete Gustafson. A bill introduced in 1983 was never given serious consideration.

### 2. Major Issues - State and Local

Should the Richland County public smoking ordinance pass, look for similar activity in Charleston, Greenville and Spartanburg. At this point, chances are that Richland County Council will not pass an ordinance.

In 1986, cigarette tax increases will not be a major concern in the legislature, but public smoking restriction bills will be.

A Senate subcommittee of the Medical Affairs Committee has held an interim hearing on carryover legislation, but we expect no further action will be taken.

In the House, the smoking restriction bill is in a committee chaired by an industry friend, David Hawkins. Hawkins has said the bill will not see the light of day.

### 3. Outlook

With respect to state bills to restrict smoking or increase the cigarette tax, the prognosis is excellent for the industry.

Our major concern is the Richland County Council ordinance, but our chances to defeat it have improved considerably since the last Council meeting on November 5.

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