

State House News: April 24th – 28th

April 28, 2017

Senate Approves Gas Tax with Many Additions

After days of lengthy floor debate and numerous floor amendments, the Senate [approved its version of the gas tax](#) late Wednesday evening. The Senate's plan increases the gas tax incrementally by 2 cents per gallon over six years for a total increase of 12 cents per gallon, which will raise approximately \$200 million more than the approved House plan. But the Senate's increased revenue will be offset by the numerous tax credits they included in the plan. Senators who supported including tax relief in the plan believe it's important to make South Carolinians whole while still capturing out of state funds to help pay for the road maintenance and improvements.

The Senate plan includes a plethora of tax relief including college tuition rebates, earned income tax credits, commercial property tax cuts for manufacturers, and vehicle maintenance and gas tax rebates. These rebates and credits are estimated to reduce the raised revenue by up to \$150 million, even though the bill includes caps for the amount of tax relief allowed. Additional money to cover some of the tax credits may also be pulled from the general fund and the capital reserve fund, if necessary.

The state's 16.75 cent-a-gallon gas tax is one of the lowest in the country and has not been raised in the last 30 years, nor indexed for inflation. The approved Senate version includes a provision that authorizes inflation adjustments after the increase is fully implemented, and mandates that the inflation adjustment must not raise the state's gas tax above a gas tax in any bordering county in North Carolina or Georgia.

Sen. **Larry Grooms** (R-Berkeley) championed the compromise amendments, which ultimately received a 30-9 vote for third reading on Thursday, but some Senators remained unconvinced. As expected, Sen. **Tom Davis** (R-Beaufort) filibustered the bill late Wednesday just before the full bill was approved. House members also woke up on Thursday morning with questions about what exactly the Senate had done the night before.

The bill will now return to the House, who has the opportunity to accept the Senate's amendments, but will not likely accept the full tax relief package. Expect the bill to head to conference quickly next week, as the dwindling number of legislative days applies pressure to legislators to get a bill to the governor.

On multiple occasions, Gov. **Henry McMaster** (R) has expressed his dislike of the gas tax proposal, stating that it should be a "[last resort](#)" for infrastructure maintenance and improvement funding and that he will [veto](#) the legislation if it makes it to his desk.

Budget Conference Upcoming

On April 26, the House returned the budget to the Senate, who immediately non-concurred with the House amendments. Early next week, the House and Senate will appoint three members from each body to the conference committee on the budget package, [H. 3720](#) and [H. 3721](#). The conference committee will likely begin their work before the end of the week.

The House's [bond proposal](#) for the state's capital improvement needs, which Gov. **Henry McMaster** (R) urged the legislature to [utilize for infrastructure funding instead](#) of capital improvement, remains in the House with requests for floor debate.

Governor Signs Pension Systems Fix

On April 25, Gov. **Henry McMaster** (R) [signed the legislation authorizing the plan to fix the state's ailing retirement system](#). Despite approving the plan, Gov. McMaster stated that "The bill does not address the single most important measure which would ensure the long-term financial stability and viability of the state's retirement system." He believes the state needs a deferred compensation, or 401k-style, plan to offer to state employees, as opposed to the current defined-benefit plan, which promises the state's employees an exact monthly payment based on length of service and salary.

The approved plan, which went into effective immediately upon the governor's signature, decouples and raises the employer and employee contribution percentages. The employer contribution will be raised 2% to 13.56% on Jul. 1 for FY2018, and will then increase by 1% each year until FY2024, for a total of 7% over the course of the plan. By the end of the plan, the employer contribution will be 18.56%. The employee contribution will also be increased on Jul. 1 from 8.66% to 9%, but will be capped at 9% for the following years.

The Joint Committee on Pension Systems Review, who crafted the plan, will meet again on [May 9](#) to map out their continued study and discussion on improving the system, which will likely include looking into deferred compensation plans for future state employees.

S.C. Media Sues House GOP for Records in Ongoing Ethics Probe

A coalition of S.C. media outlets have come together to [sue the House Republican Caucus](#) for financial records recently turned over to the S.C. Law Enforcement Division (SLED) during the long-running corruption investigation. The media coalition argues that the caucus is subject to the state's Freedom of Information Act for both its records and meetings, which have been closed this year. The lawsuit comes after The State newspaper's Freedom of Information Act request to view the records submitted to SLED was denied by the caucus.

Governor Asks for Additional Federal Dollars for Flood and Hurricane Relief

On April 27, Gov. **Henry McMaster** (R) formally asked Congress for [\\$220 million in additional disaster aid](#) to help cover the expenses from the historic 2015 flood and 2016's Hurricane Matthew. Currently, a federal disaster recovery grant program is expected to bring \$222 million in aid to the state for the disasters, but Gov. McMaster pointed to the state's dire need for safe housing, saying that all those funds have already been committed to some 2,300 S.C. families who need help replacing or renovating their homes. Gov. McMaster noted that there are still 2,700 families of low to moderate means that will go without disaster relief, and if received, the additional \$220 million will help meet their needs.

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