



## Less Talk. More Jobs.

South Carolina's rich natural resources, hardworking families, and innovative small businesses have long been the envy of other states. We need to maximize the opportunities in South Carolina to strengthen our state's businesses, create jobs, and cut our unemployment rate.

### **South Carolina Tax Structure**

While the Department of Revenue administers 32 taxes, only three of those taxes generate over 90% of General Fund revenue: the individual income tax, the corporate income tax, and the sales and use taxes. The remaining taxes add layers of bureaucracy, while garnering little revenue for the state. Complex taxes with dozens of exemptions based on hundreds of rules do not benefit workers and small businesses - they do not have the time or resources to sift through them. Simplifying the tax structure will help businesses understand and comply with tax codes, while simultaneously shrinking South Carolina's tax bureaucracy.

*The Haley Administration will:*

- ***Enact Comprehensive Tax Reform***

*Our tax system is overly complex. We need tax reform that is effective, efficient and works for the people and businesses of our state – not reform that simply sounds good. Following the final South Carolina Tax Realignment Commission report, we will study their recommendations and evaluate every tax and fee in South Carolina to determine the effectiveness of each - proposing truly comprehensive tax reform that makes taxes lower, fairer and flatter.*

- ***Prioritize the elimination of business income taxes, starting with eliminating the corporate income tax***

*Annually, South Carolina collects just over \$260 million in corporate income taxes, representing only about 4.5% of the General Fund. Our tax system has been band-aided to saddle some business with a greater burden than others. By leaving a quarter of a billion dollars in the private sector, we will enable South Carolina's businesses to grow, and we will create an economic development tool that will help us recruit good, quality companies to South Carolina that brings new jobs and benefits the businesses already here.*

### **Cutting Red Tape**

Our agencies need to operate from the premise that they exist to serve the people and businesses of South Carolina, rather than the other way around. Time is money, and far too many of our agencies impose onerous and unnecessary regulations that make it more difficult and costly to operate a business in our state. Research by the Kauffman Foundation ranks South Carolina 45<sup>th</sup> out of 50 states for entrepreneurial activity. To foster home-grown economic development, government should create an environment of certainty by applying regulations consistently and efficiently.

The Haley Administration will:

- **Move basic business permitting processes to an expedited system focused on business facilitation, not punitive enforcement**

*Permitting processes at state agencies should be designed to help South Carolinians quickly start and operate a business. South Carolina Business One-Stop (SCBOS) is a good start for state-level business licensure, but this system does not connect with the cities and counties where businesses operate. With over 200 different local and county permits available for issue, the task of licensure is difficult on small businesses and can lead to lost revenue. For example, an independent plumber or electrician with a 50 mile work radius may spend up to a week each year just working on permitting, often forced to travel in-person to reapply at offices in county after county.*

*Many of these permits and forms could be harmonized and the corresponding application processes simplified. It is not sufficient to manage only state level permits – businesses should have “one-stop” that covers all layers of permitting in South Carolina. For example, the state of Massachusetts had great success in giving business owners a single point of contact for permitting and a guaranteed time frame for a quick decision. This type of certainty and simplification will help South Carolina businesses get off the ground and grow.*

- **Establish limits on fine and fee collection by every cabinet-level agency and push for legislation that does the same for agencies not under the governor’s direct authority**

*During budget cuts, some agencies have the option to supplement their revenue by expanding their use of fines and fees. First, this should never occur without an on-the-record vote so that taxpayers know exactly who made the decision to increase a fee and why. Second, while some fees make sense, South Carolina’s annual provision for “Other Funds” has increased \$1.3 billion dollars since 2004—growth more than 2.5 times that of the General Fund. Increased fines and fees are back-door tax increases on South Carolinians – these increases must be more transparent, better regulated, and far less frequent.*

- **Appoint industry leaders to boards and councils that impact South Carolina’s industries**

*The Haley Administration will have the opportunity to appoint over a dozen members to key state boards in its first year with a focus on balancing state boards so agencies better serve the businesses they regulate. For example, in order to operate a business in South Carolina, DHEC requires a permit to ensure protection of natural resources surrounding that business, which is of course a worthy goal. However, while permit appeals give third parties the ability to voice concern after a permit has been issued, too often, these appeals are used by special interest groups as road blocks and delay tactics to stall development. Companies must be assured that if they meet the criteria for a permit, then it will be issued in a fair and reasonable time frame. Appointing members of the business community to these boards will ensure that the businesses served by our agencies are involved in their operation.*

## **Workers’ Compensation and Tort Reform**

At its core, the workers’ compensation issue is one of insurance that protects workers, employers, and taxpayers by streamlining the processing of injured workers’ claims in a fair manner. From 2004 to 2007, workers’ compensation premiums increased almost 50 percent, which is not surprising considering that disability ratings issued by the South Carolina Workers’ Compensation Commission (WCC) are on average more than 80 percent higher than if the WCC used objective standards. South Carolina’s Workers’ Compensation Commissioners are appointed by the governor and altering the composition of the Commission will be among the Haley

Administration's first priorities. In addition, our medical-malpractice system must be reformed. Frivolous lawsuits and out-of-control punitive damages drive up the cost of doing business and drive down the quality of healthcare in South Carolina.

*The Haley Administration will:*

- ***Restructure the Workers' Compensation Commission (WCC) into the Department of Insurance***

*The initial goal of the WCC was to streamline claims processing and keep workers' compensation claims out of trial courts. Instead, it has evolved into an increasingly expensive, subjective judicial process. Given that over half of this Commission's members are attorneys, this is not altogether surprising. Instead of stacking the Commission with political insiders, former legislators and attorneys, the Haley Administration will ensure that the Commission is balanced with accomplished and respected members of the business community.*

*In addition, those appointed by the Haley Administration will have committed to awarding damages consistent with the American Medical Association (AMA) guidelines. Once the board has been balanced through gubernatorial appointments, the WCC should be folded into the Department of Insurance to ensure greater accountability in the process and remove the political obstacles to a business-friendly WCC.*

*Texas has consolidated its workers' compensation commission and enacted reforms using AMA guidelines, which has led to a 30% reduction in premiums over five years. If we were able to achieve similar results from implementing these reforms in South Carolina, we could see an annual savings of \$215 million for employers statewide.*

- ***Enact Medical Malpractice Tort Reform***

*Frivolous lawsuits and out-of-control punitive damages drive up the cost of doing business and drive down the quality of healthcare in South Carolina. Our legal system must be reformed to include mandatory, non-binding arbitration and a "loser pays" component to all medical malpractice suits. Most importantly, we must institute a cap on the amount of non-medical damages that can be awarded in a lawsuit. Again, Texas has made strides following tort reform efforts, with studies showing 5.3% economic growth attributable to these reforms. As an added benefit, there has been greater access to care as doctors in high-risk specialties, like obstetrics-gynecology and neurosurgery, have relocated to Texas to take advantage of the improved legal environment.*

## **Workforce Development**

In order to get South Carolina working again, government and business leaders must partner to identify open positions and emerging industries and then direct efforts that ensure South Carolina's workforce is ready to support them.

*The Haley Administration will:*

- ***Privatize community Workforce Centers***

*Using the private sector to find and fill private sector employment needs simply makes sense. Pilot programs in the Upstate show early promise in this effort, and we must expand this effort through the newly-created Department of Workforce and Employment. Privatizing "One-Stops" will incentivize success for the operating vendors while helping more of our unemployed residents find suitable jobs.*

- ***Enhance Accountability in Workforce Development Process***

*The recent problems with the Employment Security Commission and its numerous failures are well-documented, and significant steps to address them were made last year with the creation of the Department of Employment and Workforce (DEW). However, additional changes can and should be made.*

*Shifting the DEW's focus away from check writing and toward job placement requires that beneficiaries of the program be held accountable for finding employment. Eligibility for state benefits must be contingent upon:*

- *Verified completion of all pre-screening requirements.*
- *Persistent use of SC – One Stop to find employment.*
- *Passing drug tests.*

*Improved accountability will reduce benefits abuse and allow the Department of Employment and Workforce staff to focus on South Carolinians who are actively seeking employment.*

## **Economic Development**

With unemployment mired in double-digits, economic development and job creation is the most important issue facing our next governor. As we saw with the recent investment by Boeing, our state has all the assets needed to recruit businesses. We are a right-to-work state and have a Ports Authority that can and should lead the Southeast. But out-of-state businesses interested in relocating often focus on a few distinct areas where we need significant improvement - namely competitive tax, tort, and workers' compensation systems and an improved infrastructure system.

*The Haley Administration will:*

- ***Strengthen the Department of Commerce***

*The Department of Commerce's mission to drive business development in South Carolina needs to be organized and focused. The agency must be supplied with the resources it needs to get this job done.*

- *The governor, as the chief ambassador of the state, will team up with key, high-profile regional leaders, legislators, and technical college leadership to develop and recruit new businesses to South Carolina.*
- *The governor will appoint Regional Economic Development Ambassadors from every region of the state to encourage statewide cooperation, not regional competition.*
- *South Carolina's technical colleges are the workforce producers for this state. In order to shape curriculum and adequately determine the resources needed to educate South Carolina's workforce, they need a seat at the business recruiting table.*
- *To guarantee project execution, relevant regulatory authorities must be brought into the recruiting process early. While the composition of the regulatory members may change, it will almost always include DHEC, LLR, and municipal authorities. This must be done in a way that fosters cooperation, developing a single team for South Carolina that is focused on developing the state for all citizens.*

- ***Focus on Infrastructure***

*South Carolina needs a strong physical framework to move the state forward and this can be done by giving those interests a seat at the economic development table. With the Charleston Port poised to take advantage of the 2014 expansion of the Panama Canal, South Carolina can and must be in a position to capitalize on the influx of commerce that will be coming to our state. That means – within the constraints of the coming budget years –we need to prioritize infrastructure needs, like road, rail, and air and to continue to strengthen our ports.*

- ***Focus on Education***

*The Haley Administration’s emphasis on primary and secondary education represents a long term commitment to South Carolina’s future. However, the greatest short-term impact on our workforce will come from advancing and expanding technical education programs.*

- *The recent funding math on this is simple: technical colleges educate 52% of South Carolina’s undergraduates with about 20% of total higher education dollars. With 57,000 advertised job positions left unpaired with South Carolina’s workers, programs like Ready SC must be expanded to match businesses with trained workers. Without this effort, South Carolina’s businesses will continue to look out of state and out of country for workers and leave our own in the ranks of the unemployed.*