

THE STATE
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years

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In anticipation of the 125th anniversary, the Palmetto section each day is recounting how The State covered news makers and events vital to South Carolina's history.

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The friendship that helped create Bank of America

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The friendship between Hugh McColl and Hootie Johnson, a pair of banker's sons from small South Carolina cities, would spark the mergers that created the country's largest bank – Bank of America.

Johnson, a former University of South Carolina running back from Greenwood, learned about developing relationships from his father, who worked to build a statewide bank in South Carolina. McColl's father had traded farming in Bennettsville for banking but told his son before he went to college and the Marines, "You don't have the brains to be a farmer. You better be a banker."

After getting to know each other after taking over banks across the Carolinas state line, the pair talked about going nationwide. "He'd travel down here and we'd talk about it, dream about it," Johnson said.

Johnson merged his Bankers Trust with McColl's North Carolina National Bank in



Hootie Johnson



Hugh McColl

1985. McColl would lead the charge in creating what has become the Charlotte-based power bank with Johnson serving as his confidant on the company's executive committee.

While McColl became a major financial and community player in North Carolina, Johnson stuck around South Carolina to

lead committees to desegregate colleges, run state ports and raise money for USC. He became a national figure as chairman of the Augusta National Golf Club.

"I have observed this state's history and been fortunate to be part of it," Johnson said.

— ANDREW SHAIN



Palmetto

HISTORY

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CINDI ROSS SCOPPE
ASSOCIATE EDITOR

The link between state revenue forecast and politicians' plans is ... missing

LAST WEEK, budget prognosticators projected that the state would have what politicians are calling an "extra" \$1.2 billion to spend next year.

That prompted Gov. Nikki Haley to declare, despite new and mounting financial obligations, that she will continue insisting on an already-unaffordable \$1.4 billion-per-year income tax cut "until they give me reason to go below that."

Some Republican legislators said they'd keep pushing for a higher gas tax and a lower income tax. Others vowed to keep pushing for no tax increase and lower income taxes.

And Senate Democratic Leader Nikki Setzler rolled out a plan to borrow up to \$500 million to help pay for flood damage.

I don't mean to imply that the politicians' proposals have any rational connection to the projections. Oh, they want you to think there is a relationship, but in fact what they are saying is wholly unhinged from the amount of money South Carolina might collect. Or the amount of money needed for those things the state needs to pay for. Or how high or low our taxes are.

In that sense, last week was

but to add. Slashing income taxes by \$1.4 billion a year is a particularly bad idea when you pair it with a \$400 million-per-year increase in the gas tax and try to sell it as a plan to fix our roads. It's not. It's a plan to slash our taxes.

Contrary to what the governor implies, our income taxes are not high: Once you factor in the different starting points and exemptions, South Carolinians who pay those taxes actually pay on average just 3.1 percent of our income in state income taxes; that's lower than what people pay in 32 states. Overall, according to the anti-tax Tax Foundation, South Carolinians pay 8.3 percent of our total income in state and local taxes, the ninth lowest rate in the nation.

New revenue

Now, let's talk about that \$1.2 billion in new money. What legislators would have us believe is that it's a windfall. That if our revenue goes up \$1.2 billion next year, then of course we can afford the governor's tax cut, which would be phased in over two decades. That if our revenue goes up \$1.2 billion next year, then of course we can afford the \$1 billion a year

es will go up by \$560 million next year. That's a lot of money, but it's just half of the \$1.2 billion that isn't really \$1.2 billion.

Another \$460 million in projected new revenue is one-time money, mostly the result of those same prognosticators underestimating how much money the state would collect last year and this year. That's a lot of money too, but here's the important point: It simply replaces the \$460 million in one-time money the state is spending this year. And it is money that no responsible person would spend to pay for ongoing obligations — like tax cuts or pay raises or new employees.

There is another \$210 million in new recurring revenue, but for tedious-to-explain reasons, it can't be used in guessing how much we can expect revenue to grow each year.

Ongoing obligations

What the budget prognosticators did not say — because it's not their job to say this — is that legislators would have to use all \$560 million of that new revenue, plus much of the other \$210 million in recurring funds, just to meet the obligations they already have made.

The biggest obligation is to

\$500

the student population grows. And that doesn't include any additional funding to comply with a state Supreme Court order that legislators meet their constitutional duty to provide a decent education to all students, which legislative leaders consider one of their top priorities.

The other big obligation is \$129 million to keep providing the current level of Medicaid benefits. The cost is actually higher, but the state Medicaid agency says cost-saving measures will offset part of it.

State law also requires lawmakers to give cities and counties an additional \$82 million to help pay for those services that state law requires them to provide — another law everyone expects lawmakers to keep breaking.

In the not-required-but-promised category is \$33 million that the Department of Social Services says it needs to hire 157 more employees to protect vulnerable children and adults. And the money the Department of Health and Environmental Control says it needs so it can maybe inspect all those earthen dams and keep them from breaching and flooding our communities.

For his part, Mr. Setzler showed no signs of letting up on