

South Carolina Board of Economic Advisors

Statement of Estimated State Revenue Impact

Date: February 10, 2010 (As amended January 27, 2010 by the Senate Finance Committee)

Bill Number: H.B. 3395

Authors: Harrell; Thompson; Cooper; Erickson; Bingham, *et. al.*

Committee Requesting Impact: Senate

Bill Summary

A bill to amend Section 11-11-310, as amended, of the Code of Laws of South Carolina, 1976, relating to the General Reserve Fund, so as to make conforming amendments to reflect any change in the amount required to be held in the General Reserve Fund pursuant to the Constitution of this state and the rate of replenishment of that amount.

REVENUE IMPACT ^{1/}

Because this bill does not change any taxes or fees, and the earliest the Constitutional amendment could be put before the qualified electors of the state is November 2010 and ratified by the General Assembly in 2011, this bill is not expected to have an impact on General Fund revenue in FY2009-10. This bill would reduce the amount of General Fund revenue available for appropriations by an estimated \$25,427,953 and appropriate these revenues to the General Reserve Fund in FY2011-12.

Explanation of Amendment (January 27, 2010) – By the Senate Finance Committee

This bill was amended by striking all after the enacting words and adding the language contained in S.B.1085 as follows:

Section 1. This bill is the enabling legislation to H.B.4526 conditional upon passage of a Constitutional amendment that would provide for an increase in the percentage to be set aside to fund the General Reserve Fund from three percent to five percent. This bill would amend Section 11-11-310 to allow the transfer of funds to the General Reserve Fund until the accumulated total in the fund reaches an amount equal to five percent out of future revenues as provided in Section 36, Article III of the Constitution of this State, and out of funds in excess of annual operating expenditures. If there is a year-end operating deficit, the General Reserve Fund may be used to cover the deficit. The fund must be restored within five fiscal years, using a minimum of one percent of the General Fund revenue of the latest completed fiscal year, until the five percent limitation is reached and maintained. Alternatively, the five percent threshold may also be achieved by adding a cumulative one-half of one percent each fiscal year until the General Reserve Fund is fully funded.

Section 2. This bill would amend Section 11-11-320(C) to not allow the Capital Reserve Fund to be used to offset a mid-year budget reduction. This section would also change the date of when the Capital Reserve Fund may be used for appropriations by the General Assembly from “After March first of a fiscal year” to “Subsequent to appropriations”.

Section 3. This bill would amend Section 11-9-890(B) to require that the actual quarterly

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revenues in a fiscal year must be two percent or more below projections by the Board of Economic Advisors before the Budget and Control Board must take action to avoid a year-end deficit. This section also reduces the number of days that the Budget and Control Board has to act to avoid a year-end deficit from fifteen days to seven days. If the Budget and Control Board does not act within seven days to avoid a year-end deficit, the Director of the Office of State Budget must apply a reduction of rate of expenditures as uniformly as shall be practicable. This reduction; however, is subject to any bill or resolution enacted by the General Assembly.

Explanation of Bill Filed January 29, 2009

This bill is the enabling legislation to H.B.3396 conditional upon passage of a Constitutional amendment that would provide for an increase in the percentage to be set aside to fund the General Reserve Fund from three percent to five percent. This bill would amend Section 11-11-310 to allow the transfer of funds to the General Reserve Fund until the accumulated total in the fund reaches an amount equal to three percent, "or such other percentage as may be required pursuant to Section 36, Article III of the Constitution of this State," of the general fund revenue of the latest completed fiscal year. Because this bill does not change any taxes or fees, and the earliest the Constitutional amendment could be put before the qualified electors of the state is November 2010, this bill is not expected to have an impact on General Fund revenue in FY2009-10.

/s/ WILLIAM C. GILLESPIE, PH.D.

William C. Gillespie, Ph.D.
Chief Economist

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^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.