

# South Carolina Board of Economic Advisors

## Statement of Estimated Revenue Impact

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**Date:** January 15, 2009

**Bill Number:** S. 2

**Author:** McConnell, Peeler, Leatherman, Sheheen, Rose, Courson, et al.

**Committee Requesting Impact:** Finance

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### Bill Summary

A bill to amend Section 11-11-410, Code of Laws of South Carolina, 1976, relating to implementation of the limit on state spending imposed pursuant to Section 7(c), Article X of the Constitution of South Carolina, 1895, so as to revise this limit by imposing an annual limit on the appropriation of state General Fund revenues by adjusting such revenues by a rolling ten-year average in annual changes in General Fund revenues and the creation of a separate Budget Stabilization Fund in the state treasury to which must be credited all General Fund revenues in excess of the annual limit, the revenues of which must first be used to stabilize General Fund revenues available for appropriation, to provide for suspension of this appropriations limit in emergencies and define emergencies, to provide that a cash balance in the Budget Stabilization Fund in excess of fifteen percent of General Fund revenues of the most recent completed fiscal year may be appropriated in separate legislation for various nonrecurring purposes, and to define surplus General Fund revenues.

### REVENUE IMPACT <sup>1/</sup>

This bill would have no effect on state General Fund revenue. Cyclical economic conditions will require allocations to or from the proposed Budget Stabilization Fund depending on whether growth in the General Fund is above or below the annual average percentage change in revenue collections during the previous ten fiscal years.

### Explanation

This bill, upon ratification of an amendment to Section 7(c), Article X of the Constitution of South Carolina, provides that General Fund revenue available for appropriations is limited to the prior year's revenue increased by the average of the percentage growth in revenue collections during the previous ten fiscal years. Revenue collections above this limit shall be allocated to a Budget Stabilization Fund. The bill provides for withdrawals from the Fund in years when revenue collections fall below the ten-year annual average growth rate. Additionally, the bill establishes that the maximum balance in the Fund shall not exceed 15% of the prior year's General Fund collections. Withdrawals for emergencies declared by the General Assembly or appropriation of Fund balances greater than fifteen percent of the prior year's collections shall be by majority vote. Any other withdrawals will require a two-thirds vote in each branch of the General Assembly.

/s/WILLIAM GILLESPIE

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**Analyst:** Shuford

<sup>1/</sup> 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.