

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact (Section 2-7-71)

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**Date:** May 8, 2007

**Bill Number:** H.B. 3615

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**Committee Requesting Impact:** House Ways and Means

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### Bill Summary

A bill to amend the Code of Laws of South Carolina, 1976, so as to enact the "Local Government Fiscal Accountability and Fairness Act" by adding Section [6-1-317](#) imposing a limit on annual spending increases for operating purposes for political subdivisions and school districts equal to annual increases in the consumer price index and the jurisdiction's population and to provide exceptions; and to amend Sections [11-11-155](#) and [11-11-156](#), relating to the Homestead Exemption Fund and reimbursements to school districts therefrom, so as to rollback by one year the base year for purposes of a portion of these reimbursements and to make other technical and clarifying amendments with respect to these reimbursements, their schedule of payment, and the operation of the tax credit for county operating millage if any unexpended balance remains in the homestead exemption fund.

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

State reimbursements from the Homestead Exemption Fund to School Districts are expected to decrease \$52.9 million in Fiscal Year 2007-08 and become available to fund the additional county exemption the following year.

### Explanation

The following Sections of the bill have an impact on State or local revenue.

Section 3 11-11-155(B) This section of the bill changes the year from 2006-07 to 2005-06 as the base year for reimbursements from the \$50,000 Homestead Exemption currently given to persons 65+, blind or disabled. Moving the date back one year will reduce reimbursements from the Homestead Exemption Fund to school districts by \$3.8 million in Fiscal Year 2007-08.

Section 4 11-11-156(A)(1) This section of the bill changes the base year for reimbursements from the additional penny sales tax from the amount that would have been collected for school operations on owner-occupied homes in Fiscal Year 2007-08 to the amount actually collected in Fiscal Year 2005-06. We estimate school districts would have received \$489.4 million in Fiscal Year 2007-08. We estimate school districts will receive \$400.9 million in Fiscal Year 2005-06. Moving the base year back to Fiscal Year 2005-06 will decrease State reimbursements from the Homestead Exemption Fund to school districts by \$88.5 million.

Section 4 11-11-156(A)(3) This section states beginning with Fiscal Year 2007-08 reimbursements from the additional penny sales tax will be increased by the Consumer Price Index, Southeast Region and the State population. The increase of the CPI, Southeast Region from calendar year 2005 to 2006 was 3.4%. We project the State population will increase 1.4% per year. Adding these components together yields a growth factor of 4.8% per year. Applying this growth rate to the Fiscal Year 2005-06 base reimbursement will increase reimbursements to school districts from the Homestead Exemption Fund by \$39.4 million in Fiscal Year 2007-08.

11-11-155(B) and Section 11-11-156(A)(1) reduces reimbursements to school districts by \$3.8 million and \$88.5 million. Section 11-11-156(A)(3) increases reimbursements to school districts by \$39.4 million. Netting these amounts, this bill is expected to decrease State reimbursements to school districts from the Homestead Exemption Fund by \$52.9 million in Fiscal Year 2007-08 and become available to fund the additional county exemption the following year.

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

William C. Gillespie, Ph.D.  
Chief Economist

**Analyst:** Gibson

<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact, Section 2-7-76 for a local revenue impact, and Section 6-1-85(B) for an estimate of the shift in local property tax incidence.