

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** January 12, 2011

**Bill Number:** S.B. 6

**Authors:** Leatherman, McGill, Rose, and McConnell

**Committee Requesting Impact:** Senate Finance Committee

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### Bill Summary

A bill to ratify an amendment to Section 36(A), Article III of the Constitution of South Carolina, 1895, relating to the General Reserve Fund, to increase from three to five percent the amount of state General Fund revenue in the latest completed fiscal year required to be held in the General Reserve Fund; and to ratify an amendment to Section 36(B) of Article III, relating to the Capital Reserve Fund, to provide that monies in the Capital Reserve Fund, in any year the General Reserve Fund does not have the required percentage of General Fund revenue, first must be used to fully replenish the applicable percentage amount in the General Reserve Fund before being used for other authorized purposes which do not include offsetting midyear budget reductions.

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

This bill, upon ratification of a Constitutional amendment, would reduce the amount of General Fund revenue available for appropriations by an estimated \$17,141,169 and appropriate these revenues to the General Reserve Fund in FY2011-12.

### Explanation

**Section 1(A).** This bill would ratify an amendment to Section 36(A), Article III of the Constitution of South Carolina, 1895, prepared under the terms of Joint Resolution 296 of 2010, and affirmatively received by the qualified electors of the State by a vote of 71% in the affirmative to 29% in the negative, to allow 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 out of future revenues until the accumulated total in the fund reaches an amount equal to five percent of the latest completed fiscal year revenue 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. Based upon General Fund revenue collections from the latest completed fiscal year and verified with the Office of State Budget, an additional one-half of one percentage point would equate to an estimated \$17,141,169 in FY2011-12.

**Section 1(B).** This bill would ratify an amendment to Section 36(B), Article III of the Constitution of South Carolina, 1895, prepared under the terms of Joint Resolution 296 of

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2010, and affirmatively received by the qualified electors of the State by a vote of 73% in the affirmative to 27% in the negative, to appropriate out of the estimated revenue of the General Fund for the current fiscal year an amount equal to two percent of the General Fund revenue of the latest completed fiscal year. 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. Also, according to Joint Resolution 296 of 2010, this section would 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". Monies from the Capital Reserve Fund may be appropriated for the following purposes, (a), to finance in cash previously authorized capital improvement bond projects, (b), to retire interest or principal on bonds previously issued, (c) for capital improvement or other nonrecurring purposes. Monies must be ranked in priority order of expenditure and are effective for thirty days after completion of the fiscal year. If the fiscal year ends with an operating deficit, the monies appropriated to the Capital Reserve Fund must be reduced by the lowest ranking priority expenditure and applied to the year end deficit before withdrawing monies from the General Reserve Fund. At the end of a fiscal year, any monies not applied to a particular project or applied to a year end deficit must lapse to the General Fund.



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**Analyst: Martin**

<sup>1/</sup> This statement meets the requirement of Section 27-71 for a state revenue impact by the BEA, or Section 27-76 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.