**South Carolina General Assembly**

125th Session, 2023-2024

**A5, R1, S381**

**STATUS INFORMATION**

General Bill

Sponsors: Senators Peeler, Verdin, Alexander, Martin and Malloy

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Introduced in the Senate on January 12, 2023

Introduced in the House on January 25, 2023

Currently residing in the Senate

Summary: Ratification of Constitutional amendment

**HISTORY OF LEGISLATIVE ACTIONS**

 Date Body Action Description with journal page number

 1/12/2023 Senate Introduced and read first time (Senate Journal‑page 5)

 1/12/2023 Senate Referred to Committee on **Finance** (Senate Journal‑page 5)

 1/18/2023 Senate Committee report: Favorable **Finance** (Senate Journal‑page 9)

 1/19/2023 Scrivener's error corrected

 1/19/2023 Senate Read second time (Senate Journal‑page 9)

 1/19/2023 Senate Roll call Ayes-37 Nays-0 (Senate Journal‑page 9)

 1/24/2023 Senate Read third time and sent to House (Senate Journal‑page 13)

 1/24/2023 Senate Roll call Ayes-42 Nays-0 (Senate Journal‑page 13)

 1/25/2023 House Introduced and read first time (House Journal‑page 16)

 1/25/2023 House Referred to Committee on **Ways and Means** (House Journal‑page 16)

 1/31/2023 House Recalled from Committee on **Ways and Means** (House Journal‑page 29)

 2/1/2023 House Read second time (House Journal‑page 18)

 2/1/2023 House Roll call Yeas-111 Nays-1 (House Journal‑page 19)

 2/2/2023 House Read third time and enrolled (House Journal‑page 13)

 2/28/2023 Ratified R 1

 2/28/2023 No signature required

 2/28/2023 Effective date 02/28/23

 3/23/2023 Act No. 5

View the latest  [legislative information](https://www.scstatehouse.gov/billsearch.php?billnumbers=381&session=125&summary=B)  at the website

**VERSIONS OF THIS BILL**

[01/12/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/381_20230112.docx)

[01/31/2023](https://www.scstatehouse.gov/sess125_2023-2024/prever/381_20230131.docx)

(A5, R1, S381)

AN ACT TO RATIFY AN AMENDMENT TO SECTION 36(A), ARTICLE III OF THE CONSTITUTION OF SOUTH CAROLINA, 1895, RELATING TO THE GENERAL RESERVE FUND, SO AS TO INCREASE FROM FIVE TO SEVEN 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, SO AS to INCREASE FROM TWO TO THREE PERCENT THE AMOUNT OF STATE GENERAL FUND REVENUE IN THE LATEST COMPLETED FISCAL YEAR REQUIRED TO BE HELD IN THE CAPITAL RESERVE FUND AND TO PROVIDE THAT THE FIRST USE OF THE CAPITAL RESERVE FUND MUST BE TO OFFSET MIDYEAR BUDGET REDUCTIONS.

Be it enacted by the General Assembly of the State of South Carolina:

General Reserve Fund and Capital Reserve Fund revised

SECTION 1.A. The amendment to Section 36(A), Article III of the Constitution of South Carolina, 1895, prepared under the terms of Joint Resolution 1106 of 2022, having been submitted to the qualified electors at the General Election of 2022 as prescribed in Section 1, Article XVI of the Constitution of South Carolina, 1895, and a favorable vote having been received on the amendment, is ratified and declared to be a part of the Constitution so that Section 36(A), Article III is amended to read:

 (A) The General Assembly shall provide for a General Reserve Fund of seven percent of the general fund revenue of the latest completed fiscal year. The seven percent requirement shall be achieved by increasing the percentage requirement by a cumulative one-half of one percent of general fund revenue in each fiscal year succeeding the last fiscal year to which the five percent requirement applied until the percentage of revenue in the General Reserve Fund equals the seven percent requirement, which shall thereafter be maintained. Funds may be withdrawn from the reserve only for the purpose of covering operating deficits of state government. The General Assembly must provide for the orderly restoration of funds withdrawn from the reserve from future revenues and out of funds accumulating in excess of annual operating expenditures.

 (1) The General Assembly shall provide by law for a procedure to survey the progress of the collection of revenue and the expenditure of funds and to authorize and direct reduction of appropriations as may be necessary to prevent a deficit.

 (2) In the event of a year-end operating deficit, so much of the reserve fund as may be necessary must be used to cover the deficit; and the amount must be restored to the reserve fund within five fiscal years out of future revenues until the seven percent, or the applicable percentage amount required to be transferred to the General Reserve Fund, is again reached and maintained. Provided that a minimum of one percent of the general fund revenue of the latest completed fiscal year, if so much is necessary, must be restored to the reserve fund each year following the deficit until the seven percent, or the applicable percentage amount required by general law to be transferred to the General Reserve Fund, is restored.

B. The amendment to Section 36(B), Article III of the Constitution of South Carolina, 1895, prepared under the terms of Joint Resolution 1106 of 2022, having been submitted to the qualified electors at the General Election of 2022 as prescribed in Section 1, Article XVI of the Constitution of South Carolina, 1895, and a favorable vote having been received on the amendment, is ratified and declared to be a part of the Constitution so that Section 36(B), Article III is amended to read:

 (B) The General Assembly, in the annual general appropriations act, shall appropriate, out of the estimated revenue of the general fund for the fiscal year for which the appropriations are made, into a Capital Reserve Fund, which is separate and distinct from the General Reserve Fund, an amount equal to three percent of the general fund revenue of the latest completed fiscal year.

 (1) The General Assembly must provide by law that if before March first the revenue forecast for the current fiscal year projects that revenues at the end of the fiscal year will be less than expenditures authorized by appropriation for that year, then the current year’s appropriation to the Capital Reserve Fund first must be reduced to the extent necessary before mandating any reductions in operating appropriations.

 (2) After March first of a fiscal year, monies from the Capital Reserve Fund may be appropriated by the General Assembly in separate legislation upon an affirmative vote in each branch of the General Assembly by two-thirds of the members present and voting, but not less than three-fifths of the total membership in each branch 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 improvements or other nonrecurring purposes.

 (3)(a) Any appropriation of monies from the Capital Reserve Fund as provided in this subsection must be ranked in priority of expenditure and is effective thirty days after completion of the fiscal year. If it is determined that the fiscal year has ended with an operating deficit, then the monies appropriated from the Capital Reserve Fund must be reduced based on the rank of priority, beginning with the lowest priority, to the extent necessary and applied to the year-end operating deficit before withdrawing monies from the General Reserve Fund.

 (b) At the end of the fiscal year, any monies in the Capital Reserve Fund that are not appropriated as provided in this subsection or any appropriation for a particular project or item which has been reduced due to application of the monies to a year-end deficit must lapse and be credited to the general fund.

Ratified the 28th day of February, 2023.

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