

## SENATE BILL 1106

S. 1106 -- Senators Peeler, Alexander, Scott and Campsen: A JOINT RESOLUTION PROPOSING AN AMENDMENT TO SECTION 36, ARTICLE III OF THE CONSTITUTION OF SOUTH CAROLINA, 1895, RELATING TO THE GENERAL RESERVE FUND AND THE CAPITAL RESERVE FUND, SO AS TO INCREASE FROM FIVE TO SEVEN PERCENT IN INCREMENTS OF ONE-HALF OF ONE PERCENT OVER FOUR FISCAL YEARS THE AMOUNT OF STATE GENERAL FUND REVENUE IN THE LATEST COMPLETED FISCAL YEAR REQUIRED TO BE HELD IN THE GENERAL RESERVE FUND AND THE MANNER THE SEVEN PERCENT REQUIREMENT MUST BE MAINTAINED; AND PROPOSING ANOTHER AMENDMENT TO SECTION 36, ARTICLE III OF THE CONSTITUTION OF THIS STATE, RELATING TO THE GENERAL RESERVE FUND AND 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

***Received by Ways and Means:*** 3/29/2022

***Summary of Bill:*** The joint resolution allows for a statewide advisory referendum to be conducted on a yes or no question to decide if the General Reserve Fund shall increase from 5% to no less than 8% of the general fund revenue of the latest completed fiscal year. The General Reserve Fund will be increased one-half of one percent per year until it has reached at least 8%. It also allows for a second yes or no question on if the Capital Reserve Fund shall first be used to offset midyear budget reductions prior to mandating any reductions in operating appropriations.

***Estimated Revenue Impact:*** This joint resolution will have no revenue impact as additional enacting legislation will be necessary after the constitutional amendment before any revenue impact will occur.

***Other Notes/Comments:*** The House of Representatives passed H.3347 unanimously which is a similar Joint Resolution to S.1106. It places statutory changes proposed in H.3346 on the ballot for the next general election.

The Senate amended H. 3346 to their language to mirror S.1106 and sent it back to the House. It sits on the House calendar in adjourned debate status until May 3, 2022.



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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<b>Bill Number:</b>	S. 1106	Introduced on March 1, 2022
<b>Author:</b>	Peeler	
<b>Subject:</b>	Reserve Funds	
<b>Requestor:</b>	Senate Finance	
<b>RFA Analyst(s):</b>	Miller	
<b>Impact Date:</b>	March 8, 2022	

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### **Fiscal Impact Summary**

This joint resolution proposes an amendment to the State Constitution to increase the General Reserve Fund from 5 percent to 7 percent of the general fund revenue of the last complete fiscal year. Additionally, the resolution proposes a second amendment to increase the Capital Reserve Fund from 2 percent to 3 percent and to allow the Capital Reserve Fund to be used to offset a revenue shortfall before mandating a reduction in appropriations. The proposed amendments must appear on the ballot at the next general election.

This joint resolution will have no expenditure impact. The State Election Commission can manage any additional responsibilities to add this proposed constitutional change to the ballots within existing appropriations.

This joint resolution will have no revenue impact as additional enacting legislation will be necessary after the constitutional amendment before any revenue impact will occur.

### **Explanation of Fiscal Impact**

#### **Introduced on March 1, 2022**

#### **State Expenditure**

This joint resolution proposes an amendment to the State Constitution to increase the General Reserve Fund from 5 percent to 7 percent of the general fund revenue of the last complete fiscal year. Additionally, the resolution proposes a second amendment to increase the Capital Reserve Fund from 2 percent to 3 percent and to allow the Capital Reserve Fund to be used to offset a revenue shortfall before mandating a reduction in appropriations. Currently, the Capital Reserve Fund must be used to replenish the General Reserve Fund and must not be used to offset a midyear budget reduction. The proposed amendments must appear on the ballot at the next general election.

The State Election Commission will ensure that the proposed amendments appear on the ballots at the next general election and produce handouts and posters related to this proposal. The agency anticipates the cost associated with the additional responsibilities from this joint resolution will be minimal and can be managed with existing staff and within existing

appropriations. Therefore, this bill will have no expenditure impact for the State Election Commission.

**State Revenue**

This joint resolution proposes an amendment to the State Constitution to increase the General Reserve Fund from 5 percent to 7 percent of the general fund revenue of the last complete fiscal year. Further, the resolution proposes a second amendment to increase the Capital Reserve Fund from 2 percent to 3 percent and to allow the Capital Reserve Fund to be used to offset a revenue shortfall before mandating a reduction in appropriations. Additional legislation will be necessary after the constitutional amendments before any revenue impact may occur. Therefore, this joint resolution will have no revenue impact.

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director

**South Carolina General Assembly**  
124th Session, 2021-2022

**S. 1106**

**STATUS INFORMATION**

Joint Resolution

Sponsors: Senators Peeler, Alexander, Scott and Campsen

Document Path: I:\council\bill\ncbd\11337dg22.docx

Companion/Similar bill(s): 3347

Introduced in the Senate on March 1, 2022

Introduced in the House on March 29, 2022

Last Amended on March 17, 2022

Currently residing in the House Committee on **Ways and Means**

Summary: Reserve funds

**HISTORY OF LEGISLATIVE ACTIONS**

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
3/1/2022	Senate	Introduced and read first time ( <a href="#">Senate Journal-page 7</a> )
3/1/2022	Senate	Referred to Committee on <b>Finance</b> ( <a href="#">Senate Journal-page 7</a> )
3/9/2022	Senate	Committee report: Favorable with amendment <b>Finance</b> ( <a href="#">Senate Journal-page 11</a> )
3/10/2022		Scrivener's error corrected
3/15/2022	Senate	Committee Amendment Adopted ( <a href="#">Senate Journal-page 31</a> )
3/17/2022	Senate	Amended ( <a href="#">Senate Journal-page 12</a> )
3/17/2022	Senate	Read second time ( <a href="#">Senate Journal-page 12</a> )
3/17/2022	Senate	Roll call Ayes-43 Nays-0 ( <a href="#">Senate Journal-page 12</a> )
3/22/2022	Senate	Read third time and sent to House ( <a href="#">Senate Journal-page 5</a> )
3/29/2022	House	Introduced and read first time ( <a href="#">House Journal-page 39</a> )
3/29/2022	House	Referred to Committee on <b>Ways and Means</b> ( <a href="#">House Journal-page 39</a> )

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**VERSIONS OF THIS BILL**

[3/1/2022](#)

[3/9/2022](#)

[3/10/2022](#)

[3/15/2022](#)

[3/17/2022](#)

1 ~~Indicates Matter Stricken~~

2 Indicates New Matter

3

4 AMENDED

5 March 17, 2022

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7

## **S. 1106**

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9 Introduced by Senators Peeler, Alexander, Campsen and Scott

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11 S. Printed 3/17/22--S.

12 Read the first time March 1, 2022.

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**A JOINT RESOLUTION**

11 PROPOSING AN AMENDMENT TO SECTION 36, ARTICLE III  
12 OF THE CONSTITUTION OF SOUTH CAROLINA, 1895,  
13 RELATING TO THE GENERAL RESERVE FUND AND THE  
14 CAPITAL RESERVE FUND, SO AS TO INCREASE FROM  
15 FIVE TO SEVEN PERCENT IN INCREMENTS OF ONE-HALF  
16 OF ONE PERCENT OVER FOUR FISCAL YEARS THE  
17 AMOUNT OF STATE GENERAL FUND REVENUE IN THE  
18 LATEST COMPLETED FISCAL YEAR REQUIRED TO BE  
19 HELD IN THE GENERAL RESERVE FUND AND THE  
20 MANNER THE SEVEN PERCENT REQUIREMENT MUST BE  
21 MAINTAINED; AND PROPOSING ANOTHER AMENDMENT  
22 TO SECTION 36, ARTICLE III OF THE CONSTITUTION OF  
23 THIS STATE, RELATING TO THE GENERAL RESERVE  
24 FUND AND THE CAPITAL RESERVE FUND, SO AS TO  
25 INCREASE FROM TWO TO THREE PERCENT THE AMOUNT  
26 OF STATE GENERAL FUND REVENUE IN THE LATEST  
27 COMPLETED FISCAL YEAR REQUIRED TO BE HELD IN  
28 THE CAPITAL RESERVE FUND AND TO PROVIDE THAT  
29 THE FIRST USE OF THE CAPITAL RESERVE FUND MUST BE  
30 TO OFFSET MIDYEAR BUDGET REDUCTIONS.

31 Amend Title To Conform

32

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

35

36 SECTION 1. It is proposed that Section 36(A), Article III of the  
37 Constitution of this State be amended to read:

38

39 “(A)The General Assembly shall provide for a General Reserve  
40 Fund of ~~five~~ no less than eight percent of the general fund revenue  
41 of the latest completed fiscal year. ~~The five percent~~ This  
42 requirement shall be achieved by increasing the percentage

1 requirement by a cumulative one-half of one percent of general fund  
2 revenue in each fiscal year succeeding the last fiscal year to which  
3 the ~~three~~ five percent requirement applied until the percentage of  
4 revenue in the General Reserve Fund equals at least the five eight  
5 percent requirement, which shall thereafter be maintained. Funds  
6 may be withdrawn from the reserve only for the purpose of covering  
7 operating deficits of state government. The General Assembly must  
8 provide for the orderly restoration of funds withdrawn from the  
9 reserve from future revenues and out of funds accumulating in  
10 excess of annual operating expenditures.

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

15 (2) In the event of a year-end operating deficit, so much of the  
16 reserve fund as may be necessary must be used to cover the deficit;  
17 and the amount must be restored to the reserve fund within five  
18 fiscal years out of future revenues until ~~the five~~ at least eight percent,  
19 or the applicable percentage amount required to be transferred to the  
20 General Reserve Fund, is again reached and maintained. Provided  
21 that a minimum of one percent of the general fund revenue of the  
22 latest completed fiscal year, if so much is necessary, must be  
23 restored to the reserve fund each year following the deficit until the  
24 five at least eight percent, or the applicable percentage amount  
25 required by general law to be transferred to the General Reserve  
26 Fund is restored.

27 SECTION 2. The proposed amendment must be submitted to the  
28 qualified electors at the next general election for representatives.  
29 Ballots must be provided at the various voting precincts with the  
30 following words printed or written on the ballot:

31  
32 "Must Section 36(A), Article III of the Constitution of this State  
33 be amended so as to increase from five to at least eight percent in  
34 increments of one-half of one percent over six fiscal years the  
35 amount of state general fund revenue in the latest completed fiscal  
36 year required to be held in the General Reserve Fund?

37  
38 Yes

39  
40 No

41  
42 Those voting in favor of the question shall deposit a ballot with a  
43 check or cross mark in the square after the word 'Yes', and those

1 voting against the question shall deposit a ballot with a check or  
2 cross mark in the square after the word 'No'."

3

4 SECTION 3. It is proposed that Section 36(B), Article III of the  
5 Constitution of this State be amended to read:

6

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

13 (1) ~~In any fiscal year in which the General Reserve Fund does~~  
14 ~~not maintain the required percentage of general fund revenue,~~  
15 ~~monies from the Capital Reserve Fund first must be used, to the~~  
16 ~~extent necessary, to fully replenish the General Reserve Fund. The~~  
17 ~~Capital Reserve Fund's replenishment of the General Reserve Fund~~  
18 ~~is in addition to the replenishment requirement provided in~~  
19 ~~subsection (A)(2) of this section. After the General Reserve Fund is~~  
20 ~~fully replenished to the required percentage, the monies in the~~  
21 ~~Capital Reserve Fund may be appropriated, except that the Capital~~  
22 ~~Reserve Fund must not be used to offset a midyear budget reduction~~  
23 The General Assembly must provide by law that if before March  
24 first the revenue forecast for the current fiscal year projects that  
25 revenues at the end of the fiscal year will be less than expenditures  
26 authorized by appropriation for that year, then the current year's  
27 appropriation to the Capital Reserve Fund first must be reduced to  
28 the extent necessary before mandating any reductions in operating  
29 appropriations.

30 (2) ~~Subsequent to appropriations required by item (1) of this~~  
31 ~~subsection After March first of a fiscal year,~~ monies from the  
32 Capital Reserve Fund may be appropriated by the General Assembly  
33 in separate legislation upon an affirmative vote in each branch of the  
34 General Assembly by two-thirds of the members present and voting,  
35 but not less than three-fifths of the total membership in each branch  
36 for the following purposes:

37 (a) to finance in cash previously authorized capital  
38 improvement bond projects;

39 (b) to retire interest or principal on bonds previously  
40 issued;

41 (c) for capital improvements or other nonrecurring  
42 purposes.



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

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

15  
16 SECTION 4. The proposed amendment must be submitted to the  
17 qualified electors at the next general election for representatives.  
18 Ballots must be provided at the various voting precincts with the  
19 following words printed or written on the ballot:

20  
21 “Must Section 36(B), Article III of the Constitution of this State  
22 be amended so as to provide that the first use of the Capital Reserve  
23 Fund must be to offset midyear budget reductions?

24  
25 Yes

26  
27 No

28  
29  
30 Those voting in favor of the question shall deposit a ballot with a  
31 check or cross mark in the square after the word ‘Yes’, and those  
32 voting against the question shall deposit a ballot with a check or  
33 cross mark in the square after the word ‘No’.”

34 ----XX----  
35