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COMMITTEE REPORT

January 27, 2010

**H. 3396**

Introduced by Reps. Harrell, Thompson, Scott, Cooper, Erickson, Bingham, A.D. Young, Edge, J.R. Smith, G.R. Smith, Bedingfield, Whitmire, Hiott, D.C. Smith, Bannister, Brady, Cato, Chalk, Forrester, Gambrell, Hamilton, Horne, Long, Nanney, Parker, E.H. Pitts, Rice, Sottile, Stewart, Viers, White, Willis, Toole, Neilson, Bales, T.R. Young and Wylie

S. Printed 1/27/10--S.

Read the first time April 14, 2009.

**THE COMMITTEE ON JUDICIARY**

To whom was referred a Joint Resolution (H. 3396) 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, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill as and if amended, by striking all after the enacting language and inserting therein the following:

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

“(A) The General Assembly shall provide for a General Reserve Fund of ~~three~~ five percent of the general fund revenue of the latest completed fiscal year. The five 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 three percent requirement applied until the percentage of revenue in the General Reserve Fund equals the five percent requirement, which shall thereafter be maintained unless adjusted as provided in this subsection. The percentage of general fund revenue maintained in the General Reserve Fund may be increased or decreased by legislative enactment passed by a two‑thirds vote of the total membership of the Senate and a two‑thirds vote of the total membership of the House of Representatives, with the yeas and nays recorded in the respective journal of each house. The legislation must be separate and enacted solely for the purpose of increasing or decreasing the percentage amount. Funds may be withdrawn from the reserve only for the purpose of covering operating deficits of state government. The General Assembly must provide for the orderly restoration of funds withdrawn from the reserve from future revenues and out of funds accumulating in excess of annual operating expenditures.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 ~~three~~ five fiscal years out of future revenues until the ~~three~~ five 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 ~~three~~ five percent, or the applicable percentage amount required by general law to be transferred to the General Reserve Fund is restored.”

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

“Must Section 36(A), Article III of the Constitution of this State be amended so as to increase from three to five 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 to allow the percentage amount to be subsequently increased or decreased by separate legislative enactment passed by a two‑thirds vote of the total membership of the Senate and a two‑thirds vote of the total membership of the House of Representatives?

Yes 

No 

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

SECTION 3. It is proposed that Section 36(B), Article III of the Constitution of this State be 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 two 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~~ In any fiscal year in which the General Reserve Fund does not maintain the required percentage of general fund revenue, monies from the Capital Reserve Fund first must be used, to the extent necessary, to fully replenish the General Reserve Fund. The Capital Reserve Fund’s replenishment of the General Reserve Fund is in addition to the replenishment requirement provided in subsection (A)(2) of this section. After the General Reserve Fund is fully replenished to the required percentage, the monies in the Capital Reserve Fund may be appropriated, except that the Capital Reserve Fund must not be used to offset a mid‑year budget reduction.

(2) ~~After March first of a fiscal year,~~ Subsequent to appropriations required by item (1) of this subsection, 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.”

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

“Must Section 36(B), Article III of the Constitution of this State be amended so as to provide that monies from the Capital Reserve Fund first must be used, to the extent necessary, to fully replenish the applicable percentage amount in the General Reserve Fund?

Yes 

No 

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

Renumber sections to conform.

Amend title to conform.

LARRY A. MARTIN for Committee.

**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 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.

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

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

“(A) The General Assembly shall provide for a General Reserve Fund of ~~three~~ five percent of the general fund revenue of the latest completed fiscal year. 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 three fiscal years out of future revenues until the ~~three~~ five percent 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 ~~three~~ five percent General Reserve Fund is restored.”

SECTION 2. Must Section 36, Article III of the Constitution of this State be amended so as 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?

Yes 

No 

Those voting in favor of the question shall deposit a ballot with a check or cross mark in the square after the word “Yes” and those voting against the question shall deposit a ballot with a check or cross mark in the square after the word “No”.

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