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Summary: Limit on State Spending

**HISTORY OF LEGISLATIVE ACTIONS**

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**VERSIONS OF THIS BILL**

[12/3/2014](file:///p:\pprever\2015-16\61_20141203.docx)

**A** **BILL**

TO AMEND SECTION 11‑11‑410 OF THE 1976 CODE, RELATING TO IMPLEMENTATION OF THE LIMIT ON STATE SPENDING IMPOSED PURSUANT TO SECTION 7(C), ARTICLE X OF THE CONSTITUTION OF SOUTH CAROLINA, 1895, TO IMPOSE AN ANNUAL LIMIT ON THE STATE GENERAL FUND REVENUES AVAILABLE FOR APPROPRIATION BY RESTRICTING ANY INCREASE TO A PERCENTAGE THAT IS EQUAL TO THE AVERAGE ANNUAL PERCENTAGE CHANGE FROM THE PREVIOUS TEN COMPLETED STATE FISCAL YEARS; TO CREATE A SEPARATE BUDGET STABILIZATION FUND IN THE STATE TREASURY TO WHICH MUST BE CREDITED ALL GENERAL FUND REVENUES IN EXCESS OF THE ANNUAL LIMIT; TO PROVIDE FOR DISBURSEMENTS FROM THE BUDGET STABILIZATION FUND; TO DEFINE EMERGENCIES AND TO PROVIDE FOR SUSPENSION OF THIS APPROPRIATIONS LIMIT IN EMERGENCIES; AND TO PROVIDE FOR DISBURSEMENTS OF SURPLUS FUNDS.

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

SECTION 1. Section 11‑11‑410 of the 1976 Code is amended to read:

“Section 11‑11‑410. (A) ~~State appropriations in any fiscal year may not exceed appropriations authorized by the spending limitation prescribed in this section. State appropriations subject to the spending limitation are those appropriations authorized annually in the State General Appropriation Act and acts supplemental thereto which fund general, school, and highway purposes. A statement of total ‘General, School, and Highway Revenues’ must be included in each annual General Appropriation Act. As used in this section the appropriations so limited as defined above must be those funded by ‘General, School, and Highway Revenues’ that must be defined as such in the 1985‑86 General Appropriation Act; it being the intent of this section that all additional nonfederal and nonuser fee revenue items must be included in that category as they may be created by act of the General Assembly.~~

~~(B)~~ ~~The limitation on state appropriations prescribed in subsection (A) is an amount equal to either those state appropriations authorized by the spending limit for the previous fiscal year increased by the average percentage rate of growth in state personal income for the previous three completed calendar years or nine and one‑half percent of the total personal income of the State for the calendar year ending before the fiscal year under consideration, whichever is greater. As used in this section, ‘state personal income’ means total personal income for a calendar year as determined by the Budget and Control Board or its successor based on the most recent data of the United States Department of Commerce or its successors. During the initial year this spending limit is in effect, the actual state appropriations for general, school, and highway purposes for the fiscal year 1985‑1986 must be used as the base figure for computation of the spending limitation if the average rate of growth method is used.~~

~~(C)~~ ~~The Comptroller General, or any other authorized agency, commission, or officer, may not approve or issue warrants which would allow disbursements above the amount appropriated for general fund purposes unless and until the General Assembly authorizes expenditures in excess of the limitation through procedures provided for in this article. This subsection may not apply to funds transferred from the reserve fund to the general fund.~~

~~(D)~~ ~~The Division of Research and Statistical Services of the Budget and Control Board shall annually compute and certify to the General Assembly a current figure to limit appropriations as provided in subsection (B) of this section prior to the Budget and Control Board’s submission of its recommended budget to the House Ways and Means Committee.~~

~~(E)~~ ~~Notwithstanding the provisions of subsection (A) of this section, the General Assembly may declare a financial emergency and suspend the spending limitation for any one fiscal year for a specific amount by a special vote as provided in this subsection by enactment of legislation which relates only to that matter. The authorized state appropriations for the fiscal year following the suspension must be determined as if the suspension had not occurred and, for purposes of determining subsequent limits, must be presumed to have been the maximum limit which could have been authorized if such limitation had not been suspended.~~

~~The special vote referred to in this subsection means 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.~~

As used in this section:

(1) ‘Annual limit’ means the total of general fund revenues that may be appropriated in the immediately upcoming fiscal year for which the General Assembly is considering the annual appropriations bill. The annual limit shall be calculated by adjusting general fund revenues available for appropriations in the current fiscal year by an increased amount that shall be equal to the average annual percentage change of the total general fund revenues from the previous ten completed fiscal years. The Board of Economic Advisors shall calculate the ten‑year average percentage based on its data of each year’s general fund revenues. The general fund revenues that are available for appropriations in a current year may include transfers from the Budget Stabilization Fund, as provided in this section.

(2) ‘Board of Economic Advisors’ or ‘BEA’ means the Board of Economic Advisors established pursuant to Article 9, Chapter 9 of Title 11, or any successor agency performing similar functions.

(3) ‘Budget Stabilization Fund’ or ‘BSF’ means a fund established in the State Treasury separate and distinct from the general fund of the State and all other funds to which must be credited automatically applicable general fund revenues that accrue in a fiscal year in excess of the annual limit. The amount that must be credited to the BSF is not subject to mid‑year cuts. If there is no increase in recurring general fund revenues, no funds shall be credited to the BSF within that fiscal year. Earnings on the BSF must be credited to it, and balances in the BSF must be allowed to be carried forward in subsequent fiscal years.

(4) ‘Emergency’ means:

(a) the existence of an operating deficit in the general fund of the State for a completed fiscal year after the exhaustion of the Capital Reserve Fund as made by a finding of the Budget and Control Board upon sequestering the Capital Reserve Fund;

(b) a catastrophic event outside the control of the General Assembly including, but not limited to, a natural disaster, severe weather event, act of God, or act of terrorism, fire, war, or riot;

(c) compliance with an order or decree entered by a court of competent jurisdiction; or

(d) compliance with a federal statute or regulation imposing a nonfunded mandate on this State.

(5) ‘General fund revenues’ means the revenues of state‑imposed taxes and fees, earnings on investments, and miscellaneous revenues to the State accruing in the applicable fiscal year, all of which by law must be credited to the general fund of the State and used for the general operation of state government, but not including any amounts credited to the BSF. General fund revenues also include those revenues credited to the general fund of the State but which by law are required to be appropriated from the general fund of the State for a specific purpose or purposes, such as sales taxes allocated for educational purposes. Revenues that are not general fund revenues are those revenues required by law to be credited to funds in the State Treasury separate and distinct from the general fund of the State and which by law must be appropriated for some special use or uses, whether or not those uses include the general operation of state government. By way of illustration but not limitation, revenues credited to the following separate funds in the State Treasury are not general fund revenues:

(a) the General Reserve Fund and the Capital Reserve Fund established, respectively, pursuant to Section 36(A) and (B), Article III of the Constitution of this State and Sections 11‑11‑310 and 11‑11‑320;

(b) the State Highway Fund and the State Non‑Federal Aid State Highway Fund established pursuant to Section 57‑11‑20;

(c) the Education Improvement Act of 1984 Fund established pursuant to Section 59‑21‑1010(B);

(d) the Trust Fund for Tax Relief established pursuant to Section 11‑11‑150(B);

(e) the Homestead Exemption Fund established pursuant to Section 11‑11‑155; and

(f) the State Institution Bonds and State Highway Bonds Debt Service Fund established pursuant to Section 11‑11‑340.

(6) ‘Office of State Budget’ or ‘OSB’ means the Office of State Budget of the South Carolina Budget and Control Board, or a successor agency performing similar functions.

(B) Except as provided in subsection (D) of this section, the General Assembly shall not appropriate general fund revenues for the immediately upcoming fiscal year in an amount that totals more than the annual limit. The annual limit applies in all stages of the budget process, including the Governor’s proposed budget, and this compliance must be certified by the OSB in an addendum to the Governor’s proposed budget, the House Ways and Means Committee’s report on the annual general appropriations bill, the appropriations bill as it passes out of the House of Representatives, the Senate Finance Committee’s report on the appropriations bill, the appropriations bill as it passes out of the Senate, and the report of a conference or free conference committee on the appropriations bill. The same certification must accompany any other bill or joint resolution appropriating general fund revenues.

(C)(1) When the BEA makes or adjusts a forecast of state revenues, that forecast or adjustment must include a forecast or adjustment of general fund revenues, not including a BSF transfer and not including the then applicable annual limit. If the forecast or adjustment of the general fund revenues is less than the annual limit, and the Budget and Control Board authorizes mid‑year cuts after the appropriation to the Capital Reserve Fund is exhausted, the Comptroller General shall transfer from the available BSF balance an amount to each agency to offset each agency’s mid‑year cut. If the balance of the BSF is not sufficient to fully restore each agency to its appropriation prior to the mid‑year cut, the Comptroller General shall restore each agency as uniformly as possible. The amount transferred from the BSF shall not be more than the amount of the mid‑year cut. No amount shall be transferred from the BSF that, when added to the forecast, exceeds the annual limit.

(2) If revenues in the General Reserve Fund, established pursuant to Section 36(A), Article III of the Constitution of this State and Section 11‑11‑310, are used to offset a year‑end operating deficit, and a balance then exists in the BSF, the Comptroller General shall transfer an amount from the available BSF balance to the General Reserve Fund to replace revenues used from the General Reserve Fund to off‑set the operating deficit. This transfer does not replace or supersede the minimum replenishment amount otherwise required to be made to the General Reserve Fund.

(3)(a) Cash balances in the BSF not exceeding fifteen percent of general fund revenues for the last completed fiscal year as certified by OSB may be appropriated by the General Assembly in separate legislation upon an affirmative recorded vote in the House of Representatives and the Senate by two‑thirds of the members present and voting in each body, but not less than three‑fifths of the total membership of the House of Representatives and the Senate.

(b) Cash balances in the BSF in excess of fifteen percent of general fund revenues for the last completed fiscal year as certified by the OSB may be appropriated by the General Assembly for capital improvements, retirement of debt, non‑recurring tax rebates, and other non‑recurring purposes by separate legislation introduced solely for that purpose and enacted after receiving an affirmative majority vote in the House of Representatives and the Senate.

(D) If there is a finding of an emergency, the annual limit may be exceeded for the fiscal year, and transfers may be made from the BSF to the general fund of the State for that fiscal year up to the amount by which the annual limit is exceeded. General fund revenue appropriations above the annual limit and transfers from the BSF pursuant to a finding of an emergency shall not be included in the calculation of the annual limit in subsequent years. An emergency exists if the General Assembly makes a finding, enacted as part of the annual general appropriations act or other act or joint resolution appropriating general fund revenues, that:

(1) specifies the emergency; and

(2) is adopted by a majority affirmative recorded vote in the House of Representatives and the Senate.

~~(F)~~(E) In ~~any~~ a year when surplus ~~funds~~ general fund revenues are collected, ~~such revenue~~ this surplus may be appropriated by the General Assembly ~~to match funds for public education, public welfare, public health, road and highway construction, rehabilitation, replacement, or maintenance financed in part with federal participation funding or federal grants or tolls, or to accelerate the retirement of bonded indebtedness~~ in the manner, for the purposes, and at the times provided by law, or transferred to the general fund reserve~~, or tax relief or for avoiding the issuance of bonds for projects that are authorized but not issued or any combination of these purposes~~ without regard to the ~~spending~~ limitation imposed by this section. For the purposes of this section, surplus ~~funds~~ general fund revenues mean that portion of such revenues, as defined in subsection (A)(6) of this section, ~~over and above revenues authorized for appropriation in subsection (B)~~ which are available for appropriation, have not been appropriated, and are not required to be credited to the BSF.”

SECTION 2. This act becomes effective after the ratification of an amendment to Section 7(c), Article X of the Constitution of this State authorizing its terms and is to be implemented for appropriations for the fiscal year 2015-16. Prior to this act becoming effective, the unamended version of Section 11‑11‑410 of the 1976 Code continues to apply.

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