COMMITTEE REPORT

April 23, 2015

**H. 3152**

Introduced by Rep. G.R. Smith

S. Printed 4/23/15--H.

Read the first time January 13, 2015.

**THE COMMITTEE ON WAYS AND MEANS**

To whom was referred a Bill (H. 3152) to amend the Code of Laws of South Carolina, 1976, by adding Section 11‑11‑415 so as to provide that the limit on general fund appropriations for a fiscal year, etc., respectfully

**REPORT:**

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

W. BRIAN WHITE for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

This bill would have no expenditure or revenue impact on the general fund, other funds, or federal funds. Annual appropriations would be limited to the lessor of the current limitations contained in Section 11-11-410, the adjusted base-year estimate increased by six percent, or the adjusted base-year estimate increased by the percentage growth in population and the consumer price index.

**Explanation of Fiscal Impact**

**State Expenditure**

This bill provides that general fund revenue available for appropriations is limited to the lessor of the current limitations pursuant to Section 11-11-410, the adjusted base-year estimate increased by six percent, or the adjusted base-year estimate increased by the percentage growth in population and the consumer price index. The adjusted base-year estimate is defined as the Board of Economic Advisors February 15, 2015 general fund estimate for FY 2015-16 including recurring and nonrecurring revenues. The General Assembly may declare a financial emergency and suspend the limitations for any one fiscal year by a specific amount by enactment of legislation relating only to this matter. All general fund revenue collections in excess of the appropriations limit are allocated to the newly created Spending Limit Reserve Fund. Revenues from this fund must first replenish the General Reserve Fund if necessary. Remaining balances may be appropriated for temporary tax reductions, infrastructure improvements, school buildings, school buses, and expenses because of a natural disaster. This act would take effect for appropriations made for FY 2016-17.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA, 1976, BY ADDING SECTION 11‑11‑415 SO AS TO PROVIDE THAT THE LIMIT ON GENERAL FUND APPROPRIATIONS FOR A FISCAL YEAR IS THE TOTAL AMOUNT OF THE GENERAL FUND REVENUE ESTIMATE AS OF FEBRUARY 15, 2015, FOR FISCAL YEAR 2015‑2016, INCREASED ANNUALLY AND CUMULATIVELY BY A PERCENTAGE DETERMINED BY POPULATION INCREASES AND INCREASES IN THE CONSUMER PRICE INDEX, TO EXCLUDE FROM THIS LIMIT CONSTITUTIONAL AND STATUTORY REQUIREMENTS, TO PROVIDE FOR THE LIMITATION TO BE SUSPENDED FOR A FISCAL YEAR FOR A SPECIFIC AMOUNT UPON A SPECIAL VOTE OF THE GENERAL ASSEMBLY AND TO DEFINE THIS SPECIAL VOTE, TO ESTABLISH THE SPENDING LIMIT RESERVE FUND TO WHICH ALL SURPLUS GENERAL FUND REVENUES MUST BE CREDITED, TO PROVIDE FOR THE PRIORITY USES OF THE REVENUES OF THIS FUND, TO PROVIDE FOR THE APPROPRIATION OF FUND REVENUES AFTER THESE PRIORITIES ARE MET, TO REQUIRE THAT APPROPRIATION OF REVENUES OF THIS FUND MUST BE BY A JOINT RESOLUTION ORIGINATING IN THE HOUSE OF REPRESENTATIVES, AND TO PROVIDE THAT THIS LIMIT FIRST APPLIES FOR FISCAL YEAR 2016‑2017.

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

SECTION 1. Article 5, Chapter 11, Title 11 of the 1976 Code is amended by adding:

“Section 11‑11‑415. (A)(1) In addition to all other applicable constitutional and statutory limitations on general fund appropriations, notwithstanding any other provisions of law, and only to the extent that the limit on general fund appropriations for a fiscal year imposed by this subsection is lower than the annual limit imposed pursuant to Section 7(c) of the Constitution of this State and Section 11‑11‑410, total general fund appropriations for the fiscal year, excluding the constitutional and statutory requirements of the State, may not exceed the lesser of:

(a) one hundred six percent of the adjusted base‑year estimate; or

(b) the adjusted base‑year estimate increased by a percentage equal to the state’s growth in population applied ratably over the period of the decennial United States census assuming a rate of increase equal to the rate in the most recently completed United States census for which population figures are available over the next preceding census and a percentage equal to the increase, if any, in the consumer price index in the most recently ended federal fiscal year, as determined by the Bureau of Labor Statistics of the United States Department of Labor.

(2) As used in this subsection, the ‘adjusted base‑year estimate’ is the general fund revenue estimate made by the Board of Economic Advisors on February 15, 2015, for Fiscal Year 2015‑2016, including both recurring and nonrecurring revenues from whatever source derived as adjusted annually and cumulatively as provided in item (1).

(3) The Revenue and Fiscal Affairs Office shall calculate and provide the appropriate percentages for population and consumer price index growth to the Ways and Means Committee of the House of Representatives and the Senate Finance Committee no later than November tenth of each year.

(4) Before the Governor may submit the proposed budget for these fiscal years, the proposal must include the certificate of the Revenue and Fiscal Affairs Office that the proposed budget conforms to the limitation imposed by this subsection. The annual general appropriations bill may not be given third reading in the House of Representatives and Senate unless a similar certificate is received by the presiding officer in each house from the Revenue and Fiscal Affairs Office before the bill is given third reading.

(B)(1) Notwithstanding the provisions of subsection (A), the General Assembly may declare a financial emergency and suspend the spending limitation imposed pursuant to subsection (A) for any one fiscal year for a specific amount by a special vote as provided in this item by enactment of legislation which relates only to that matter. The state general fund 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 the limitation imposed pursuant to subsection (A) had not been suspended.

(2) The special vote referred to in this item means an affirmative recorded roll‑call 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.

(C)(1) There is created in the State Treasury a fund separate and distinct from the General Fund of the State, the Capital Reserve Fund, and all other funds entitled the Spending Limit Reserve Fund. Notwithstanding any other provision of law providing for the use of surplus general fund revenue, all general fund revenues accumulated in a fiscal year in excess of the limit on appropriations provided pursuant to subsection (A) must be credited to this fund. Revenues credited to this fund in a fiscal year may be appropriated by the General Assembly in its regular session in the year following the close of the applicable fiscal year. Revenues in this fund may be appropriated only for the purposes provided in item (2) of this subsection.

(2)(a) If the balance in the general reserve fund established pursuant to Section 36, Article III of the Constitution of this State and Section 11‑11‑310 is less than the required balance, there must be transferred to it all amounts in the Spending Limit Reserve Fund up to the total necessary to replenish the general reserve fund. This amount does not replace or supplant the minimum replenishment amounts otherwise required to be made to the General Reserve Fund but this transfer must be made before the replenishment required pursuant to Section 36(B)(1), Article III of the Constitution of this State.

(b) After the transfer of amounts required pursuant to subitem (a) of this item, any remaining balance may be appropriated for or used to offset revenue reductions for:

(i) temporary tax reductions;

(ii) infrastructure improvements; and for purposes of this item, infrastructure includes, but is not limited to, fixed transportation facilities, to include highway, rail, water, and air, and the basic facilities, services, and installations needed for the functioning of government, to include water, sewer, and public sector communications;

(iii) school buildings;

(iv) school buses; and

(v) expenses incurred by this State as a result of natural or other disasters declared by the President of the United States.

(c) The total state share of a capital project funding for which is derived in whole or in part from the Spending Limit Reserve Fund, must be appropriated from the Spending Limit Reserve Fund in one installment.

(d) Appropriations from the Spending Limit Reserve Fund must be made by means of a joint resolution originating in the House of Representatives.”

SECTION 2. This act takes effect upon approval by the Governor, and first applies for general fund appropriations made for and surplus general fund revenues accruing in Fiscal Year 2016‑2017.

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