



**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>	H. 3346	Introduced on January 12, 2021
<b>Author:</b>	Cox	
<b>Subject:</b>	General Reserve Fund and Capital Reserve Fund	
<b>Requestor:</b>	House Ways and Means	
<b>RFA Analyst(s):</b>	Coomer	
<b>Impact Date:</b>	January 5, 2022	

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### **Fiscal Impact Summary**

This bill increases the General Reserve Fund from 5 percent of General Fund revenue to 7 percent by 0.5 percent each fiscal year. Additionally, the bill increases the Capital Reserve Fund from 2 percent of General Fund revenue to 3 percent. A constitutional amendment will be required in order for the changes to take effect.

This bill is not expected to impact expenditures for any agency to implement the change to the reserve fund contribution amounts. We anticipate that this change can be accomplished with existing resources.

This bill will affect the amount of General Fund revenue available for appropriation by increasing the required reserve fund contributions. Starting in FY 2023-24, the General Reserve Fund contribution will increase by \$51.3 million and an additional \$50 to \$60 million annually, for total additional funding of \$222.6 million when the 7 percent threshold is reached. The Capital Reserve Fund will increase by an additional \$104.6 million in FY 2023-24. The annual detailed funding changes are also noted below based upon the revenue estimates as of November 10, 2021.

### **Explanation of Fiscal Impact**

#### **Introduced on January 12, 2021**

##### **State Expenditure**

This bill increases the required General Reserve Fund contribution percentage from 5 percent of General Fund revenue of the most recently completed fiscal year by 0.5 percentage points each applicable fiscal year until it reaches 7 percent. The General Reserve Fund may be used to cover a year-end operating deficit.

Additionally, the bill increases the Capital Reserve Fund percentage from 2 percent of General Fund revenue of the most recently completed fiscal year to 3 percent in the next applicable fiscal year and each year thereafter. The Capital Reserve Fund may be used to offset a fiscal year-end shortfall in General Fund revenue collections or, if no shortfall is realized, to fund capital or non-recurring expenditures.

This bill is not expected to have an expenditure impact for agencies to enact these changes. RFA anticipates agencies will be able to implement these provisions with existing resources.

This bill will affect the amount of General Fund revenue available for appropriation annually by increasing the required reserve fund contributions. A summary of the changes in the level of funding for the General Reserve Fund and Capital Reserve Fund appears below in Figure 1 and Figure 2, respectively. In order to take effect, a constitutional amendment will be required. For this analysis, we have assumed that the ratification of the relevant statewide constitutional amendment will occur in November 2022.

**Figure 1. Summary of Changes to General Reserve Fund**

Fiscal Year	Revenue Basis (millions)	Percent	Total (millions)	Normal Growth (millions)	Additional Funds (millions)	Incremental Increase (millions)
FY 2020-21	\$10,459.7	5.0%	\$440.2			
FY 2021-22e	\$10,257.3	5.0%	\$459.0			
FY 2022-23e	\$10,257.8	5.0%	\$523.0			
FY 2023-24e	\$10,620.4	5.5%	\$512.9	-\$10.1	\$51.3	\$51.3
FY 2024-25e	\$11,127.9	6.0%	\$512.9	\$0.0	\$102.6	\$51.3
FY 2025-26e	\$11,573.1	6.5%	\$531.0	\$18.1	\$159.3	\$56.7
FY 2026-27e	\$12,036.0	7.0%	\$556.4	\$25.4	\$222.6	\$63.3
FY 2027-28e	\$12,517.4	7.0%	\$578.7	\$22.3	\$231.5	\$8.9
FY 2028-29e	\$13,018.1	7.0%	\$601.8	\$23.1	\$240.7	\$9.3
FY 2029-30e	\$13,538.8	7.0%	\$625.9	\$24.1	\$250.3	\$9.6

**Figure 2. Summary of Changes to Capital Reserve Fund**

Fiscal Year	Revenue Basis (millions)	Percent	Total (millions)	Normal Growth (millions)	Additional Funds (millions)	Incremental Increase (millions)
FY 2020-21	\$9,179.2	2.0%	\$176.1			
FY 2021-22e	\$10,459.7	2.0%	\$176.1			
FY 2022-23e	\$10,257.3	2.0%	\$183.6			
FY 2023-24e	\$10,257.8	3.0%	\$209.2	\$25.6	\$104.6	\$104.6
FY 2024-25e	\$10,620.4	3.0%	\$205.1	-\$4.0	\$102.6	-\$2.0
FY 2025-26e	\$11,127.9	3.0%	\$205.2	\$0.0	\$102.6	\$0.0
FY 2026-27e	\$11,573.1	3.0%	\$212.4	\$7.3	\$106.2	\$3.6
FY 2027-28e	\$12,036.0	3.0%	\$222.6	\$10.2	\$111.3	\$5.1
FY 2028-29e	\$12,517.4	3.0%	\$231.5	\$8.9	\$115.7	\$4.5
FY 2029-30e	\$13,018.1	3.0%	\$240.7	\$9.3	\$120.4	\$4.6

Note: Revenue estimates for FY 22 through FY 25 are from the BEA Long Range Forecast as of 11/10/2021. Thereafter, estimates are based on annual growth of 4%.

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director