~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

March 9, 2022

**S. 1106**

Introduced by Senators Peeler and Alexander

S. Printed 3/9/22--S. [SEC 3/10/22 1:51 PM]

Read the first time March 1, 2022.

**THE COMMITTEE ON FINANCE**

To whom was referred a Joint Resolution (S. 1106) 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 joint resolution, as and if amended, by striking SECTION 1 and inserting:

/ 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 ~~five~~ seven percent of the general fund revenue of the latest completed fiscal year. The ~~five~~ seven 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~~ five percent requirement applied until the percentage of revenue in the General Reserve Fund equals the ~~five~~ seven percent requirement, which shall thereafter be maintained. Funds may be withdrawn from the reserve only for the purpose of covering operating deficits of state government. The General Assembly must provide for the orderly restoration of funds withdrawn from the reserve from future revenues and out of funds accumulating in excess of annual operating expenditures.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 five fiscal years out of future revenues until the ~~five~~ seven 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 ~~five~~ seven percent, or the applicable percentage amount required by general law to be transferred to the General Reserve Fund is restored.” /

Amend the joint resolution further, by striking SECTIONS 3 and 4 and inserting:

/ 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~~ three percent of the general fund revenue of the latest completed fiscal year. The three percent requirement shall be achieved by increasing the percentage requirement by a cumulative one‑quarter of one percent of general fund revenue in each fiscal year succeeding the last fiscal year to which the two percent requirement applied until the percentage of revenue in the Capital Reserve Fund equals the three percent requirement, which shall thereafter be maintained.

(1) ~~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 midyear budget reduction~~ 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.

(2) ~~Subsequent to appropriations required by item (1) of this subsection~~ After March first of a fiscal year, 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 increase from two to three percent in increments of one-quarter of one percent over four years 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?

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.

HARVEY S. PEELER, JR. 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 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.

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 ~~five~~ seven percent of the general fund revenue of the latest completed fiscal year. The ~~five~~ seven 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~~ five percent requirement applied until the percentage of revenue in the General Reserve Fund equals the ~~five~~ seven percent requirement, which shall thereafter be maintained. 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 ~~five~~ seven fiscal years out of future revenues until the ~~five~~ seven 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 ~~five~~ seven 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 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?

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~~ three percent of the general fund revenue of the latest completed fiscal year.

(1) ~~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 midyear budget reduction~~ 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.

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

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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