

REPORT OF THE GENERAL GOVERNMENT, PERSONNEL, AND BENEFITS SUBCOMMITTEE

(Herbkersman, White, J.H. Neal, Pitts & Umphlett - Staff Contact: Katie Owen)

HOUSE BILL 3368

H. 3368 -- Reps. G.R. Smith, Harrell, Bingham, Harrison, Cooper, Huggins, Bowen, Brady, Atwater, Parker, Clemmons, Crawford, D.C. Moss, Pinson, Loftis, Lowe, Allison, Bedingfield, Owens, Frye, Hardwick, Lucas, Quinn, Hamilton, Toole, Bannister, Whitmire, Stringer, Ballentine, Henderson, Nanney, Hearn, Bikas, V.S. Moss, Sottile, Gambrell, J.R. Smith, Corbin, Brannon, McCoy, Crosby, Barfield, Cole, Daning, Delleney, Hixon, Horne, Long, Murphy, Sandifer, G.M. Smith and Spires: 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, 2010 FOR FISCAL YEAR 2010-2011, INCREASED ANNUALLY AND CUMULATIVELY BY A PERCENTAGE DETERMINED BY POPULATION INCREASES AND INCREASES IN THE CONSUMER PRICE INDEX, 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 2011-2012.

Summary of Bill:

This bill provides that the limit on state general fund appropriations for a fiscal year is the total amount of the general fund revenue estimate as of February 15, 2010 for fiscal year 2010-2011, increased annually and cumulatively by a percentage determined by population increases and increases in inflation as measured by the consumer price index. The legislation allows the spending limitation to be suspended for a fiscal year for a specific amount upon a special vote of the General Assembly. The legislation created the Spending Limit Reserve Fund to which all surplus general fund revenues must be credited. The legislation provides for the priority uses of the revenues of this fund, and provides for the appropriation of fund revenues after these priorities are met. The legislation requires that appropriation of Spending Limit Reserve Fund revenues must be made by a joint resolution originating in the House of Representatives. The legislation provides that these spending limits first apply for fiscal year 2011-2012.

Introduced: 1/19/2011

Received by Ways and Means: 1/20/2011

THE BELOW CONSTITUTED SUMMARY IS PREPARED BY THE STAFF OF THE SC HOUSE OF REPRESENTATIVES AND IS NOT THE EXPRESSION OF THE LEGISLATION'S SPONSOR(S) OR THE HOUSE OF REPRESENTATIVES. IT IS STRICTLY FOR THE INTERNAL USE AND BENEFITS OF MEMBERS OF THE HOUSE OF REPRESENTATIVES AND IS NOT TO BE CONSTRUCTED BY A COURT OF LAW AS AN EXPRESSION OF LEGISLATIVE INTENT.

Estimated Fiscal Impact:

This bill would have no impact on state General Fund revenue. Annual appropriation would be limited to the lesser 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.

Subcommittee Recommendation:

Favorable with amendment

Full Committee Recommendation:

Pending

Other Notes/Comments:

[CLICK HERE to Edit Notes/Comments](#)

South Carolina Board of Economic Advisors

Statement of Estimated Revenue Impact

Date: February 9, 2011

Bill Number: H. 3368

Author: G.R. Smith, Harrell, Bingham, Harrison, Cooper, Huggins, Bowens, *et al.*

Committee Requesting Impact: Ways and Means

Bill Summary


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, 2010 for fiscal year 2010-2011, increased annually and cumulatively by a percentage determined by population increases and increases in the consumer price index, 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 2011-2012.

REVENUE IMPACT ^{1/}

This bill would have no impact on state General Fund revenue. 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

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, 2010 General Fund estimate including recurring and nonrecurring revenues. The General Assembly may declare an 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 as a result of a natural disaster. This act would take effect for appropriations made for FY 2001-12.


William C. Gillespie, Ph.D.
Chief Economist

Analyst: Shuford

^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact, or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

HOUSE
AMENDMENT

THIS AMENDMENT
ADOPTED

CONE/MELTON
FEBRUARY 15, 2011

CLERK OF THE HOUSE

REP. PROPOSES THE FOLLOWING AMENDMENT
No. TO H. 3368 (COUNCIL\BBM\10084HTC11):

REFERENCE IS TO THE BILL AS INTRODUCED.

AMEND THE BILL, AS AND IF AMENDED, IN SECTION 11-11-415(A), AS CONTAINED IN SECTION 1, BEGINNING ON PAGE 1, BY STRIKING ITEM (1) AND INSERTING:

/ (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. /**

RENUMBER SECTIONS TO CONFORM.

AMEND TITLE TO CONFORM.

South Carolina General Assembly
119th Session, 2011-2012

H. 3368

STATUS INFORMATION

General Bill

Sponsors: Reps. G.R. Smith, Harrell, Bingham, Harrison, Cooper, Huggins, Bowen, Brady, Atwater, Parker, Clemmons, Crawford, D.C. Moss, Pinson, Loftis, Lowe, Allison, Bedingfield, Owens, Frye, Hardwick, Lucas, Quinn, Hamilton, Toole, Bannister, Whitmire, Stringer, Ballentine, Henderson, Nanney, Hearn, Bikas, V.S. Moss, Sottile, Gambrell, J.R. Smith, Corbin, Brannon, McCoy, Crosby, Barfield, Cole, Daning, Delleney, Hixon, Horne, Long, Murphy, Sandifer, G.M. Smith, Spires and Taylor
Document Path: I:\council\bill\nbd\11014htc11.docx

Introduced in the House on January 19, 2011

Currently residing in the House Committee on **Ways and Means**

Summary: General fund appropriations

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
1/19/2011	House	Introduced and read first time (<u>House Journal-page 10</u>)
1/19/2011	House	Referred to Committee on Ways and Means (<u>House Journal-page 10</u>)
2/2/2011	House	Member(s) request name added as sponsor: Taylor

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VERSIONS OF THIS BILL

1/19/2011

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A BILL

11 TO AMEND THE CODE OF LAWS OF SOUTH CAROLINA,
12 1976, BY ADDING SECTION 11-11-415 SO AS TO PROVIDE
13 THAT THE LIMIT ON GENERAL FUND APPROPRIATIONS
14 FOR A FISCAL YEAR IS THE TOTAL AMOUNT OF THE
15 GENERAL FUND REVENUE ESTIMATE AS OF FEBRUARY
16 15, 2010 FOR FISCAL YEAR 2010-2011, INCREASED
17 ANNUALLY AND CUMULATIVELY BY A PERCENTAGE
18 DETERMINED BY POPULATION INCREASES AND
19 INCREASES IN THE CONSUMER PRICE INDEX, TO
20 PROVIDE FOR THE LIMITATION TO BE SUSPENDED FOR
21 A FISCAL YEAR FOR A SPECIFIC AMOUNT UPON A
22 SPECIAL VOTE OF THE GENERAL ASSEMBLY AND TO
23 DEFINE THIS SPECIAL VOTE, TO ESTABLISH THE
24 SPENDING LIMIT RESERVE FUND TO WHICH ALL
25 SURPLUS GENERAL FUND REVENUES MUST BE
26 CREDITED, TO PROVIDE FOR THE PRIORITY USES OF
27 THE REVENUES OF THIS FUND, TO PROVIDE FOR THE
28 APPROPRIATION OF FUND REVENUES AFTER THESE
29 PRIORITIES ARE MET, TO REQUIRE THAT
30 APPROPRIATION OF REVENUES OF THIS FUND MUST BE
31 BY A JOINT RESOLUTION ORIGINATING IN THE HOUSE
32 OF REPRESENTATIVES, AND TO PROVIDE THAT THIS
33 LIMIT FIRST APPLIES FOR FISCAL YEAR 2011-2012.

34
35 Be it enacted by the General Assembly of the State of South
36 Carolina:

37
38 SECTION 1. Article 5, Chapter 11, Title 11 of the 1976 Code is
39 amended by adding:

40
41 "Section 11-11-415. (A)(1) In addition to all other applicable
42 constitutional and statutory limitations on general fund

1 appropriations, notwithstanding any other provisions of law, and
2 only to the extent that the limit on general fund appropriations for
3 a fiscal year imposed by this subsection is lower than the annual
4 limit imposed pursuant to Section 7(c) of the Constitution of this
5 State and Section 11-11-410, total general fund appropriations for
6 the fiscal year may not exceed the lesser of:

7 (a) one hundred six percent of the adjusted base-year
8 estimate; or

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

18 (2) As used in this subsection, the 'adjusted base-year
19 estimate' is the general fund revenue estimate made by the Board
20 of Economic Advisors on February 15, 2010, for fiscal year
21 2010-2011, including both recurring and nonrecurring revenues
22 from whatever source derived as adjusted annually and
23 cumulatively as provided in item (1) of this subsection.

24 (3) The Office of Research and Statistics of the State Budget
25 and Control Board, upon approval by the State Economist and in
26 consultation with the director of the board's Office of State
27 Budget, shall calculate and provide the appropriate percentages for
28 population and consumer price index growth to the Ways and
29 Means Committee of the House of Representatives and the Senate
30 Finance Committee no later than November tenth of each year.

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

39 (B)(1) Notwithstanding the provisions of subsection (A) of this
40 section, the General Assembly may declare a financial emergency
41 and suspend the spending limitation imposed pursuant to
42 subsection (A) for any one fiscal year for a specific amount by a
43 special vote as provided in this item by enactment of legislation

1 which relates only to that matter. The state general fund
2 appropriations for the fiscal year following the suspension must be
3 determined as if the suspension had not occurred and, for purposes
4 of determining subsequent limits, must be presumed to have been
5 the maximum limit which could have been authorized if the
6 limitation imposed pursuant to subsection (A) had not been
7 suspended.

8 (2) The special vote referred to in this item means an
9 affirmative recorded roll-call vote in each branch of the General
10 Assembly by two-thirds of the members present and voting but not
11 less than three-fifths of the total membership in each branch.

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

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

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

37 (i) temporary tax reductions;

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

1 (iii) school buildings;
2 (iv) school buses; and
3 (v) expenses incurred by this State as a result of natural
4 or other disasters declared by the President of the United States.

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

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

12
13 SECTION 2. This act takes effect upon approval by the Governor,
14 and first applies for general fund appropriations made for and
15 surplus general fund revenues accruing in fiscal year 2011-2012.

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