



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.

Bill Number:	S. 0381	Introduced on January 12, 2023
Author:	Peeler	
Subject:	Ratification of Constitutional Amendment	
Requestor:	Senate Finance	
RFA Analyst(s):	Miller	
Impact Date:	January 17, 2023	

Fiscal Impact Summary

This bill implements the changes to the State Constitution as approved by the qualified electors in November 2022. This increases the required General Reserve Fund contribution percentage beginning FY 2023-24 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. Additionally, the bill increases the Capital Reserve Fund from 2 percent of General Fund revenue to 3 percent.

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. Beginning in FY 2023-24, the General Reserve Fund contribution will increase by \$65.0 million and an additional \$55 to \$70 million annually, for total additional funding of \$241.4 million when the 7 percent threshold is reached. The Capital Reserve Fund will increase by an additional \$130.0 million in FY 2023-24. The annual detailed funding changes are also noted below based upon the revenue estimates as of November 16, 2022.

Explanation of Fiscal Impact

Introduced on January 12, 2023

State Expenditure

This bill implements the change to the State Constitution as approved by the qualified electors in November 2022. The change increases the required General Reserve Fund contribution percentage beginning FY 2023-24 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 beginning in FY 2023-24. 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 nonrecurring expenditures. Additionally, if before March first the revenue forecast for the current fiscal year projects that year-end revenues will be less than expenditures, then the current year's appropriation to the Capital Reserve Fund first must be reduced before reducing operating appropriations.

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 the Capital Reserve Fund appear in the tables below.

Capital Reserve Fund

	Revenue Base (millions)	Percent	Capital Reserve Fund	Increase from 2%
FY 2023-24	\$13,044.4	3.0%	\$391.3	\$130.4

General Reserve Fund

	Revenue Base (millions)	Required Percent	General Reserve Fund	Normal Growth at 5%	Total Appropriations Increase
FY 2022-23	\$10,459.7	5.0%	\$575.3	\$63.9	\$116.3*
FY 2023-24	\$13,004.4	5.5%	\$715.2	\$74.9	\$139.9
FY 2024-25	\$11,691.6	6.0%	\$701.4	(\$65.6)	(\$13.8)
FY 2025-26	\$11,504.0	6.5%	\$747.7	(\$9.4)	\$46.3
FY 2026-27	\$12,081.0	7.0%	\$845.6	\$28.9	\$97.9

*The General Reserve Fund contribution for FY 2022-23 is 5.5 percent, 0.5 percentage points above the minimum required 5.0 percent.

Revenue estimates for FY 24 through FY 27 are from the BEA Long Range Forecast as of 11/16/22.

State Revenue

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 the Capital Reserve Fund appear in the tables above.

Local Expenditure

N/A

Local Revenue

N/A

Frank A. Rainwater, Executive Director