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Memo. No. 5

To: Committee on Constitutional Revision

FROM: Robert H. Stoudemire, Staff Consultant.

1. Enclosed is Working Paper Number 5. on Finance and Taxation. This study was prepared by Doctor James Larson of the Political Science Department of the University of South Carolina. Please note that the indebtedness question is considered in a separate paper.
2. Enclosed is Working Paper Number 6. on Bonded Indebtedness prepared by the Staff Consultant.

October 2, 1967

FINANCE AND TAXATION

The central constitutional issues of state finance can be stated briefly as:

- 1) limitations and restrictions on legislative taxing power;
- 2) inclusion of uniformity rules;
- 3) earmarking of revenues;
- 4) the budgetary system;
- 5) debt authorization and control.

Existing provisions of the South Carolina Constitution include rather elaborate and detailed sections concerning taxation, tax exemptions, and debt. Considerable attention is given to the property tax as it was the major source of public funds at the time the Constitution was drafted. Tax neutrality, or equity, and state solvency are emphasised in the Constitution of 1895.

The trend in Constitution writing has been toward an unshackled legislature. The Model State Constitution provides quite simply:

ARTICLE VII

Finance

Section 7.01. *State Debt*. No debt shall be contracted by or in behalf of this state unless such debt shall be authorized by law for projects or objects distinctly specified therein.

Section 7.02. *The Budget*. The governor shall submit to the legislature, at a time fixed by law, a budget estimate for the next fiscal year setting forth all proposed expenditures and anticipated income of all departments and agencies of the state, as well as a general appropriation bill to authorize the proposed expenditures and a bill or bills covering recommendations in the budget for new or additional revenues.

- legislative function

(continued on page 2)

Section 7.03. Expenditure of Money.

(a) No money shall be withdrawn from the treasury except in accordance with appropriations made by law, nor shall any obligation for the payment of money be incurred except as authorized by law. The appropriation for each department, office or agency of the state, for which appropriation is made, shall be for a specific sum of money and no appropriation shall allocate to any object the proceeds of any particular tax or fund or a part or percentage thereof, except when required by the federal government for participation in federal programs.

(b) All state and local expenditures, including salaries paid by the legislative, executive and judicial branches of government, shall be matters of public record.

SOUTH CAROLINA CONSTITUTION**Article I, Section 6.**

Section 6. Taxation.—All property subject to taxation shall be taxed in proportion to its value.

See Const. 1868, I, 36.

This section, although not entirely inappropriate to a bill of rights, might better be removed to Article X, Finance and Taxation. The same thought is incorporated under Article III, Section 29, and under Article X, Section 1. Retention of the provision is of doubtful value.

**Article I,
Section 7.**

Section 7. No tax without consent.—No tax, subsidy, charge, impost tax or duties shall be established, fixed, laid or levied, under any pretext whatsoever, without the consent of the people or their representatives lawfully assembled.

See Const. 1868, I, 37.

An unneeded provision in that Section 5 of Article I guarantees "due process" and "equal protection" of the laws to all citizens, as does the federal constitution. Also, Article X, Section 3, prohibits a levy except in pursuance of law.

Article III, Section 29.

Section 29. Taxes laid upon actual value.—All taxes upon property, real and personal, shall be laid upon the actual value of the property taxed, as the same shall be ascertained by an assessment made for the purpose of laying such tax.

See Const. 1868, II, 33.

For consistency in the internal organization of the Constitution this section would seem to belong in Article X, Finance and Taxation. The section calls for assessments of property at "actual" or full value. In practice this provision has been proven unenforceable, but if retained it might well be consolidated with Section 13, Article X, which provides that all property taxes -- state, county, township, school, municipal -- shall be levied on the assessment which shall be made for State taxes. (Currently, the State does not levy a property tax and assessments are made locally on a county basis, except for certain types of property: public utilities, etc.)

Article VIII, Section 3.

Section 3. Taxes.—The General Assembly shall restrict the powers of cities and towns to levy taxes and assessments, to borrow money and to contract debts, and no tax or assessment shall be levied or debt contracted except in pursuance of law, for public purposes specified by law.

It is well established that local units of government possess only those powers expressly granted through constitutional or statutory provisions. This section makes mandatory legislative action to restrict the fiscal powers of cities and towns, which has been accomplished by means of specific tax authorizations granted by the legislature. The section is not a restriction on the taxing powers of the State; it is designed to limit local taxes and local debt. At issue is the method for providing for the financial needs of local government. The historic method among the states has been to deny a local unit any financial power not specifically granted. Recently there has been a trend toward loosening the restrictions to the point of permitting a local unit to make any levy not specifically denied by law. This tends to encourage local fiscal independence.

The new Michigan constitution makes this kind of provision as to cities: "... is granted power to levy other taxes for public purposes, subject to limitations and prohibitions provided by this constitution or by law." Counties benefit from an identical provision.

Article VIII, Section 6.

Section 6. Corporate taxes must be uniform—license.—The corporate authorities of cities and towns in this State shall be vested with power to assess and collect taxes for corporate purposes, said taxes to be uniform in respect to persons and property within the jurisdiction of the body composing the same; and all the property, except such as is exempt by law, within the limits of cities and towns shall be taxed for the payment of debts contracted under authority of law. License or privileged taxes imposed shall be graduated so as to secure a just imposition of such tax upon the classes subject thereto.

The uniformity rule is imposed upon municipal taxes on property or persons, license and privilege taxes excepted. The section is duplicative in large part of Article X, Section 5.

In general, the section is subject to the criticism of containing statutory material, although a broad grant of taxing and other powers should be included in any constitutional article dealing with municipal and other local governments. For example, the municipalities of South Carolina are subject to many statutory regulations in the exercise of their constitutional power to levy license and privilege taxes.

What are corporate purposes?

ARTICLE X

Finance and Taxation

Section 1. Taxation and assessment.—The General Assembly shall provide by law for a uniform and equal rate of assessment and taxation, and shall prescribe regulations to secure a just valuation for taxation of all property, real, personal and possessory, except mines and mining claims, the products of which alone shall be taxed; and also excepting such property as may be exempted by law for municipal, educational, literary, scientific, religious or charitable purposes: *Provided, however*, That the General Assembly may impose a capitation tax upon such domestic animals as from their nature and habits are destructive of other property: *And provided, further*, That the General Assembly may provide for a graduated tax on incomes, and for a graduated license on occupations and business. *Provided, further*, That the General Assembly may provide by law for the assessment of all intangible personal property, including moneys, credits, bank deposits, corporate stocks, and bonds, at its true value for taxation for State, County and municipal purposes or either thereof: *Provided*, That the total rate of taxation imposed thereon shall never exceed one-half of one per centum of the actual value of such intangible property: *Provided, further*, That such intangible personal property shall not be subject to the three mill levy provided by Section 10, Article '11, of this instrument or to any other general or special tax levy, except such as is especially provided by the General Assembly by the authority and within the limitation of this provision; nor shall such intangible personal property be considered a part of 'taxable property,' as such term is used in this instrument, of the State or any subdivision thereof.

See Const. 1868, IX, 1.

1930 (36) 1349; 1932 (37) 1126.

The purpose of this section is to provide for uniformity in property taxation, uniformity to be considered as the means of providing tax equity. The wording of the first sentence of the section, "The General Assembly shall provide by law for a uniform and equal rate of assessment and taxation...", suggests that the Legislature may have power to set an assessment rate at a level below "actual value" as provided in Article III, Section 29.

Uniformity and Classification

It is popularly believed that uniformity insures neutrality of treatment or tax equity, a generally desirable goal, and consequently uniformity clauses were written into many state constitutions. Experience with the property tax had indicated that uniformity clauses do not gain this objective because of substantial differences among types of properties. Consequently, most states

allow some degree of property classification which permits different treatment for different types of property. For example, the South Carolina Constitution permits classification to the extent of giving special consideration to all tangible personal property. Minnesota has one of the most comprehensive property classification systems for tax purposes of any state. The system is based largely on varying ratios of assessed to true value: iron at 50 percent, household goods at 25 percent, platted urban land at 40 percent, and so forth. The case for property classification rests on the assumptions that careful adjustments through classification will alleviate many of the inequities of the general property tax; that it makes easier the administration of the tax; and that the tax can become a more flexible tool for attaining social objectives. Opponents of property classification for tax purposes claim that the system is open to political pressure and abuse.

Property classification is secured in Minnesota through the following constitutional provision:

...(T)axes shall be uniform upon the same class of subjects, and shall be levied and collected for public purposes

Classification has been used in Kentucky and the recently proposed new constitution contained the following:

...(A)n ad valorem tax shall be at a uniform rate upon all property of the same class within the taxing district unless the General Assembly provides for reasonable differences in the rate within areas of the taxing district....

(2) Nothing in this Constitution shall prevent the General Assembly from imposing additional forms of taxation, from providing for taxes in place of an ad valorem tax on one or more classes of property, from making reasonable classifications of property and setting the rate of ad valorem taxation thereupon, or from delegating parts of the taxing power to units of local government. The principle of taxation that there be uniformity and equality within reasonable classifications shall be saved inviolate.

Income Tax

In a few states, uniformity clauses have been interpreted as prohibiting the legislature from enacting graduated income taxes. In South Carolina the

General Assembly is specifically granted this power and has, with a majority (36) of other states, imposed by statute a tax on corporate and personal incomes. Rates, deductions, exemptions, and payment schedules are regulated by law.

Occupation and Business License

In Colonial America the taxing of the personal abilities of an individual, skills and education, was considered a part of the property tax. Later this feature of the tax was abandoned. Whether or not the lineage of occupation and business license taxes in South Carolina runs back to the general property tax is not clear but is suggested by its inclusion in this Article which is mainly concerned with the property tax. In any event, the General Assembly is granted authority to levy a non-uniform or graduated tax on occupations and businesses. The adoption of a classification system would probably obviate the need for these specific tax authorizations.

Section 2. Expenses of state government.—The General Assembly shall provide for an annual tax sufficient to defray the estimated expenses of the State for each year, and whenever it shall happen that the ordinary expenses of the State for any year shall exceed the income of the State for such year the General Assembly shall provide for levying a tax for the ensuing year sufficient, with other sources of income, to pay the deficiency of the preceding year together with the estimated expenses of the ensuing year.

See Const. 1868, IX, 3.

on
Look into
limitations on
continuing approp.

The intent of this section is to prevent the accumulation of a "floating" debt. Expenditures for ordinary state expenses must not exceed revenues over a two-year period. It is essentially a "balanced budget" provision. Deficit financing is ruled out and considerations of fiscal policy (use of financial powers to offset variations in the economy) are excluded in favor of a balance between revenues and expenditures.

It is doubtful whether the section is legally enforceable, but self-restraint by the legislature and the democratic process of the ballot box provide adequately for compliance with its provisions.

Section 3. Tax shall be levied in pursuance of law.—No tax shall be levied except in pursuance of a law which shall distinctly state the ~~object~~ ^{public purpose} of the same; to which ~~object~~ ^{purpose} the tax shall be applied.

See Const. 1868, IX, 4.

A tax has been defined as a compulsory payment for a public purpose. In a democracy compulsion is the prerogative only of the state, and public purpose is established by law. This section indicates that taxes must be levied by law and the object of the tax stated. The point here is not to earmark taxes for specific purposes but to assure that tax levies are open, not secretive and hidden. Many state constitutions contain similar provisions. Their usefulness is open to some question, however.

Section 4. Property exempt from taxation—household goods and furniture.—There shall be exempted from taxation all County, township and municipal property used exclusively for public purposes and not for revenue, and the property of all schools, colleges and institutions of learning, all charitable institutions in the nature of asylums for the infirm, deaf and dumb, blind, idiotic and indigent persons; except where the profits of such institutions are applied to private uses; all public libraries, churches, parsonages and burying grounds; but property of associations and societies although connected with charitable objects, shall not be exempt from State, County or municipal taxation: Provided, That as to real estate this exemption shall not extend beyond the buildings and premises actually occupied by such schools, colleges, institutions of learning, asylums, libraries, churches, parsonages and burial grounds, although connected with charitable objects.

Provided, further, The General Assembly may by Act exempt from taxation household goods and furniture used in the home of the owner thereof.

1946 (44) 1745; 1947 (45) 136.

See Const. 1868, IX, 5.

This section cites exemptions from the property tax other than those included in Section 1. There is some ambiguity and possible conflict between the two sections in that Section 1 provides for exemptions at the discretion of the legislature and Section 4 lists types of property where exemption is constitutionally granted, or denied, or made permissible as with household goods. Exemption, of course, involves classification and might well be given over entirely to the discretion of the General Assembly. However, most state constitutions make provision for exemption of non-profit, educational, religious and charitable institutions.

Under Section 1, exemptions from taxation include mines and mining claims, and other property which may be exempt by law "for municipal, educational, literary, scientific, religious or charitable purposes." Dr. Paul Alyea, in a study of the South Carolina property tax in 1965, noted that there were 50 general exemptions and 138 specific property exemptions listed in the 1962 Code. Since tax exemption amounts to an indirect subsidy, the entire question should be carefully studied. The exemption accorded mines and mining claims by this section is of little significance as is the provision permitting a capitation tax on domestic animals.

Section 5. Taxes may be levied for corporate purposes—share of stockholders—limit of bonded debt.—The corporate authorities of counties, townships, school districts, cities, towns and villages may be vested with power to assess and collect taxes for corporate purposes; such taxes to be uniform in respect to persons and property within the jurisdiction of the body imposing the same. All shares of stockholders in any bank or banking association located in this State, whether now or hereafter incorporated, or organized under the laws of this State or of the United States, shall be listed at their true value in money, and taxed for municipal purposes in the city, ward, town or incorporated village, where such bank is located, and not elsewhere: *Provided*, That the words "true value in money" as used in line 12 of this Section shall be so construed as to mean and include all surplus or extra moneys, capital, and every species of personal property of value owned or in possession of any such bank: *Provided*, A like rule of taxation shall apply to the stockholders of all corporations other than banking institutions. And the General Assembly shall require that all the property, except that herein permitted to be exempted within the limits of municipal corporations, shall be taxed for corporate purposes and for the payment of debts contracted under authority of law.

question
for

Uniformity Clause

This section authorizes the legislature to delegate taxing power to the subunits of the state... "such taxes to be uniform in respect to persons and property within the jurisdiction of the body imposing the same." Several problems arise here. First, taxes may be levied and collected only for corporate purposes. Not infrequently questions arise as to the authority of a local unit to tax and spend for a particular purpose -- Aiken County's interest in a joint planning venture with a neighboring Georgia county can be cited. (The powers of local units of government is to be studied separately by the committee, however). The uniformity rule presents another problem, as, for example, where the citizens of one section of a county, usually an urbanized section, desire a particular service from the county. The county may be willing to provide the service but cannot do so without imposing a tax uniform within the county. This would result in the obvious inequity of requiring many citizens to support a service from which they receive no benefits. The proposed new constitution for Kentucky met this problem with the following:

...(A)n ad valorem tax shall be at a uniform rate upon all property of the same class within the taxing district unless the General Assembly provides for reasonable differences in the rate within areas of the taxing district. Those reasonable differences shall relate directly to differences between governmental services and benefits giving land urban character which are furnished in all of any area in contrast to other areas of the taxing district. (emphasis supplied)

Share of Stockholders. This is another piece of property classification and probably should be stricken, giving the legislature discretion over the matter. The intent is to give equal treatment to state banks and national banks as required under federal law. Also, the tax is earmarked as a municipal tax. Included for similar treatment as bank stockholders are the stockholders of all other corporations, an inducement for corporations to locate beyond municipal boundaries.

or of its political subdivisions

Section 6. Credit of State—for what purposes tax levied or bonds issued—proviso.—The credit of the State shall not be pledged or loaned for the benefit of any individual, company, association or corporation; and the State shall not become a joint owner of or stockholder in any company, association or corporation. The General Assembly shall not have power to authorize any county or township to levy a tax or issue bonds for any purpose except for educational purposes, to build and repair public roads, buildings and bridges, to maintain and support prisoners, pay jurors, County officers, and for litigation, quarantine and court expenses and for ordinary County purposes, to support paupers, and pay past indebtedness

*Transfer to local govt
incl placing burden on municipalities*

Credit of State. The section prohibits the legislature from engaging in financial support of individuals or businesses through extension of credit or purchases of stock. A common provision in state constitutions since the canal-and railroad-building era with its misuse of state funds, this prohibition could probably be eliminated and the matter regulated by state law.

County Taxes and Bonds. The provision is excessively limiting on the legislature, and on counties, and ought to be repealed as outdated. The phrase "ordinary county purposes" has required much litigation and court interpretation. (This section will receive further discussion later when the broad topic of Local Government is considered.)

Section 7. Scrip, certificate, or evidence of state debt.—No scrip, certificate or other evidence of State indebtedness shall be issued except for the redemption of stock, bonds or other evidences of indebtedness previously issued, or for such debts as are expressly authorized in this Constitution.

See Const. 1868, IX, 10.

Relating to debt, this section simply protects the credit of the state against unauthorized issues. Provision could be combined with Section 11.

Section 8. Receipts and expenditures.—An accurate statement of the receipts and expenditures of the public money shall be published with the ~~laws of each regular session of the General Assembly~~, in such manner as may by law be directed. *annually*

See Const. 1868, IX, 11. *? is this done*

Tantamount to a requirement for an annual audit of state finances, this provision makes state finances a matter of public record.

Section 9. Money.—Money shall be drawn from the Treasury only in pursuance of appropriations made by law. *OK - combine with Sect. 3.*

See Const. 1868, II, 22 and IX, 12.

A time-honored requirement safeguarding public funds against unlawful expenditure.

Section 10. Fiscal year.—The fiscal year shall commence on the First day of July in each year: *Provided*, That the General Assembly at its first regular session after the passage of this amendment, shall be authorized and empowered to make appropriations for governmental purposes for not exceeding eighteen (18) months, and to make such other changes and provisions in law as may be necessary to effectively make the foregoing provision operative: *Provided, further*, That should this Constitution be amended so as to provide for biennial sessions, then the General Assembly shall have power at the first session after the adoption of such an amendment to make appropriations for a period not exceeding two and one-half ($2\frac{1}{2}$) years and thereafter for each succeeding biennium. *[See Sect. 2]*

1932 (37) 1402; 1933 (37) 591.

The Constitution of 1868 provided that the fiscal year begin on the first day of November. In 1895, the section was changed to provide for a fiscal year beginning January first of each year. In 1932 this was amended to provide for the current fiscal year. Determination of the fiscal year is hardly a constitutional issue and ought to be fixed by law, thus making easier any change needed to meet new conditions. The period for which the legislature may make appropriations should coincide with the fiscal year, but state

constitutions do not usually limit state legislatures as to the duration of appropriations. (The federal constitution bars military appropriations beyond a two-year period.)

Section 11. Public debt—state bonds.—To the end that the public debt of South Carolina may not hereafter be increased without the due consideration and free consent of the people of the State, the General Assembly is hereby forbidden to create any further debt of obligation, either by the loan of the credit of the State, by guaranty, endorsement or otherwise, except for the ordinary and current business of the State, without first submitting the question as to the creation of such new debt, guaranty, endorsement or loan of its credit to the qualified electors of this State at a general State election; and unless two-thirds of the qualified electors of this State, voting on the question, shall be in favor of increasing the debt, guaranty, endorsement, or loan of its credit, none shall be created or made. And any debt contracted by the State shall be by loan on State bonds, of amounts not less than fifty dollars each, bearing interest, payable not more than forty years after final passage of the law authorizing such debt. A correct registry of all such bonds shall be kept by the Treasurer in numerical order, so as to always exhibit the number and amount unpaid, and to whom severally made payable. And the General Assembly shall levy an annual tax sufficient to pay the annual interest on said bonds.

See 16th amend. to Const. 1868.

*Consider
map "debt"*

A severe restriction on debt incurrence by the legislature, this section will be reserved for discussion at a later time.

Section 12. Safe-keeping of public funds—embezzlement of, felony—General Assembly may remove.—Suitable laws shall be passed by the General Assembly for the safe-keeping, transfer and disbursement of the State, County and school funds; and all officers and other persons charged with the same shall keep an accurate entry of each sum received, and of each payment and transfer, and shall give such security for the faithful discharge of such duties as the General Assembly may provide. And it shall be the duty of the General Assembly to pass laws making embezzlement of such funds a felony, punishable by fine and imprisonment, proportioned to the amount of the deficiency or embezzlement, and the party convicted of such felony shall be disqualified from ever holding any office of honor or emolument in this State: *Provided, however,* That the General Assembly, by a two-thirds vote, may remove the disability upon payment in full of the principal and interest of the sum embezzled.

See Const. 1868, art. IX, § 15.

This section is statutory material and the matter it takes up is dependent ultimately upon legislative action. It would improve Article X if the section were eliminated.

Section 13. One assessment for all taxes.—The General Assembly shall provide for the assessment of all property for taxation; and State, county, township, school, municipal and all other taxes shall be levied on the same assessment ~~which shall be that made for State taxes~~; and the taxes for the subdivisions of the State shall be levied and collected by the respective fiscal authorities thereof.

OK 14 principle

Let this be vehicle for statewide assessment

This section is rooted in the golden age of the property tax. It applies now only to local taxes, and property is assessed locally with few exceptions. The provision that state, county, township, school, municipal and all other taxes (emphasis supplied) shall be levied on the same assessment reinforces the uniformity rule. The uniformity rule, incidentally, has been the cause of a series of amendments (Sections 13a-22) to permit the levying of special assessments for property abutting various types of public works among the counties and cities of the State. The rule should be eliminated from the Constitution and placed under legislative discretion.

FEDERAL AID

In a few states constitutional attention is being given to the problem of federal aid. The Model State Constitution in prohibiting the general practice of earmarking revenues makes an exception "when required by the federal government for participation in federal programs." Several areas of friction have arisen, namely, the by-passing of the state in federal aid to localities, statewide planning and coordinating difficulties, and budgetary control problems. Solutions to these problems are not clear but include such courses of action as bringing all federal funds to local units under state control, or declaring grants to be state funds to be expended under state provisions. The overall problem is a difficult one which perhaps is not amenable to a constitutional solution.

BUDGETING

The preparation of the budget has become central to the entire state fiscal process. The answer to the question of who shall prepare the budget has been met in a number of ways among the states; the majority (40) lodge this responsibility with the governor, but some make use of boards or commissions. The principal arguments favoring the so-called executive budget are:

- Responsibility for the preparation of the budget is centralized
- The governor is in the best position to know of the needs of state agencies and effect coordination between them
- The budget is an indispensable tool for administrative control of the executive branch

The arguments for boards and commissions tend to be:

- The governor is only one member of the executive department
- A board provides a better opportunity for a balanced viewpoint on agency requests
- A budget has improved chances in the legislature if legislative members are involved in its preparation.

Whether or not a budgetary provision should be included in a constitution involves the lively and delicate question of balance of power between the legislative and executive branches. Clearly a governor who has constitutional control over the preparation of the budget is in a much stronger position, politically and administratively, than one who has not. If no provision is made the ultimate authority lies with the legislature, of course, for it may bestow power or take it away. The present budgetary system in South Carolina rests on statutory provisions which establish the State Board of Budget and Control and defines its powers.

The rationale of the executive budget is based essentially upon a concept which views the preparation of the budget as a truly executive function. and the review and consideration of the budget as a legislative function.

A typical state constitutional provision is that of Michigan which states:

"The governor shall submit to the legislature at a time fixed by law, a budget for the ensuing fiscal period setting forth in detail, for all operating funds, the proposed expenditures and estimated revenue of the state. Proposed expenditures from any fund shall not exceed the estimated revenue thereof. On the same date, the governor shall submit to the legislature general appropriation bills to embody the proposed expenditures and any necessary bill or bills to provide new or additional revenues to meet proposed expenditures. The amount of any surplus created or deficit incurred in any fund during the last preceding fiscal period shall be entered as an item in the budget and in one of the appropriation bills. The governor may submit amendments to appropriation bills to be offered in either house during consideration of the bill by that house, and shall submit bills to meet deficiencies in current appropriations."



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October 24, 1967

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MRS. SADYE B. DAVIS
SECRETARY - LAW CLERK

Mr. Robert Stoudemire
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Lieber College
University of South Carolina
Columbia, South Carolina

Dear Mr. Stoudemire:

Reference is made to the request of the Committee that this office consider the constitutional provisions that relate to taxation and to comment thereon. The provisions that relate primarily to ad valorem taxation are Article 1, Section 6, that requires property to be taxed in proportion to its value, Article 3, Section 29, that requires the tax to be laid upon the actual value of the property that is ascertained by an assessment made for such purposes and Article 10, Section 1, that requires the tax and assessment to be uniform and equal.

The South Carolina Supreme Court, in the case of State v. Cheraw & D. R. Co., 54 S. C. 564, 32 S. E. 691, held a valid assessment must exist before there could be a liability for a tax. The United States Supreme Court, in the case of Sioux City Bridge Co. v. Dakota County, Nebraska, 260 U. S. 441, 67 L. Ed. 340, 43 S. Ct. 190, 28 A. L. R. 979, held that the mandate for uniformity and equality took precedent over those requiring the tax on property to be in proportion to value and that the value be the actual value of such property.

Except for the classification as provided for in Article 10, Section 1, all properties within the State should be assessed and taxed equally. The statutes however require the Tax Commission to value certain classes of property, such as that of manufacturers, merchants, rail-road companies, etc., while requiring the County Boards of Assessors to value other classes of property. The ratios as used by the Tax Commission and by the local Boards of Assessors may vary from

Mr. Robert Stoudemire

- 2 -

October 24, 1967

county to county or among the classes of property within the county. The effect of such is to classify property for tax purposes and the Committee may wish to grant that authority to the General Assembly.

Additional consideration should be given to the use of a ratio in fixing the value of property. The need for such is evident because of the other constitutional limitations upon the bonded indebtedness of cities and counties, the same being limited to a percentage of the assessed values of properties within the respective cities or counties. If the assessed values were the actual values as required in Article 3, Section 29, the limits of the bonded indebtedness would be materially broadened, possibly creating an added tax upon property.

It is noted that in Article 10, Section 5, there is a provision that relates to the tax on State and national banks. This provision in all probability conflicts with the provisions of the Federal statutes that limit the method of taxing national banks. 12 U.S.C.A. 531. The General Assembly has also in Chapter 7 of Title 65 provided for a tax on banks and it may therefore be advisable to exclude this provision from the Constitution.

The fact that many of our senior citizens live on fixed incomes creates a need to review exemptions. Because of the increase in the costs of government and inflation such persons could be faced with the necessity of disposing of their property. It may be advisable to provide for a homestead exemption so as to give this group some protection.

Article 10, Section 1, provides constitutional authority to impose a tax on intangibles and came about by an amendment in 1932. The Supreme Court, in the case of Francis Marion Life Insurance Co. v. Columbia, 237 S. C. 162, 115 S. E. 2d 796, has held that there are no statutes that levy this tax. Additionally, the Section provides that the products of mines and mining claims are to be taxed, which, however, is not being done today. Those are examples of provisions under which the grant to tax is not exercised or where limitations are not followed.

The Constitution could provide a grant to the General Assembly authorizing taxation as was needed to raise revenue with a limitation only as the same applied to ad valorem taxation to assure equality and uniformity. Under such a provision the General Assembly would

Confidential

Mr. Robert Stoudemire

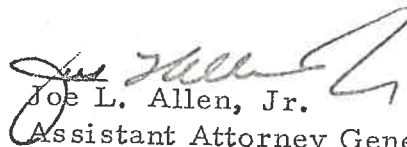
- 3 -

October 24, 1967

be empowered to enact statutes that provide for taxation without constitutional limitations except for the uniformity and equality for ad valorem tax purposes.

We hope that this information will be of some benefit and if we can be of additional help, please let us know.

Yours very truly,



Joe L. Allen, Jr.
Assistant Attorney General
SOUTH CAROLINA TAX COMMISSION

JLAJr:ns

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THE SOUTH CAROLINA NATIONAL BANK

223 North Clemson Avenue
Clemson, South Carolina
October 22, 1967

DR. GEORGE H. AULL
CONSULTING ECONOMIST

Prof. Robert H. Stoudemire
University of South Carolina
Columbia, South Carolina

Dear Bob;

My office has been undergoing a bit of remodeling and refurbishing which accounts in part for the delay in answering your letter.

I wish very much that time permitted me opportunity for a full discussion of our out-moded Constitution or even a re-examination of comments along this line which I have made over the years. Yours is an extremely important assignment and my best wishes go out to you. I sincerely hope that the current efforts will bear more fruit than previous ones. It does appear that you are off to a more auspicious start with more legislative support than ever before.

You ask me in particular about the provisions relating to property tax assessments. While I have not taken time to look it up, I am on record somewhere as suggesting that the Constitution provide simply that "The General Assembly Shall provide by law for a fair and equitable system of taxing property." Perhaps this isn't quite enough. Maybe the Constitution should provide that "property may be classified" and that a different rate of taxation may be applied to the different classes. (I prefer that ALL property be assessed at its market value, with distinctions, if any, being shown in the rate applied to the different classes).

(the same classification to hold throughout the state)

I would go so far as to say that ALL property should be ASSESSED -- including any which might be subject to exemptions. (Definitely, the public should be made painfully aware of the magnitude of property legally exempt from taxation). This might raise some problems of assessment, for example, of a church and some measure other than market value might have to apply. For practical purposes, exempt classes might be assessed less frequently than others, etc., etc., and it may be found necessary to SHOW intangibles in totals -- or they might HAVE to be omitted altogether.

I agree with you that the Constitution should touch on only the basic things with the details to be worked out through legislation. The Constitution, however, MIGHT require the same LEVEL of assessments throughout the State. (Of course, this would be the case if it used such term as Market Value -- and enforced it. It seems, also, that Counties should be uniform in the nature and extent of exemptions -- even for such things as new industries; in fact, I am almost willing to see this prohibited by State Constitution.

description of "class" and the

Perhaps we can discuss some of these things at a time when I feel less pressure of other duties.

Sincerely,

I have no desire to be quoted but certainly it is not necessary to be my view from the Com. George

was low because we are to do it.

State of South Carolina
South Carolina Tax Commission

ROBERT C. WASSON
CHAIRMAN



Columbia

JAMES A. CALHOUN, JR.
WYATT E. DURHAM
ROBERT C. WASSON
COMMISSIONERS

October 20, 1967

Mr. Robert H. Stoudemire, Staff Consultant
Committee To Study The Constitution
of South Carolina, 1895
C/O Bureau of Governmental Research
The University of South Carolina
Columbia, South Carolina

Dear Mr. Stoudemire:

The following comments are made for the consideration of the Committee to Study the Constitution of South Carolina, 1895. They are not for quotation by any news media. I am not speaking for the South Carolina Tax Commission but I am expressing my personal opinion based upon experience and study as concerns the property tax.

I do not advocate any change in the present wording of the Constitution as to Article I, Section 6, which states, "All property subject to taxation shall be taxed in proportion to its value" and as to Article III, Section 29, "All taxes upon property real and personal shall be laid upon the actual value of the property taxed, as the same shall be ascertained by an assessment made for the purpose of laying such a tax."

I suggest that Article X, Section 4 of the Constitution be amended to provide, further, the General Assembly may by act exempt from taxation up to an actual value of \$10,000.00 the homestead of any taxpayer living in said house. I believe Article X, Section 1 gives the General Assembly enough authority to legislate some of the cures for the present ills of our property tax situation.

Needless to tell this Committee that the State assessed property is assessed at a far higher percentage of value than locally assessed property. State assessed property is almost all business property, while locally assessed

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Mr. Robert H. Stoudemire, Staff Consultant
Committee To Study The Constitution
of South Carolina, 1895

October 20, 1967

property includes all property of individuals, farms, homes and personal property. Even property assessed by the State is assessed in varying ratios. The ratio for manufacturers now varies from 5-1/2% to 18%. The ratio for autos is 13%. The ratio for merchants inventory now is 13% and by legislation will be 10% in 1970. Assessments made by County authorities are as low as 2% in some instances. The ratio varies from county to county and from property to property.


I have made two suggestions which, of course, would not require a Constitutional amendment. One would be the enactment of legislation requiring a fixed ratio to the true value of all properties, therefore requiring the same ratio to be applied in every county. Once the ratio has been set, a true market value must be determined.

Second, I think an immediate step should be taken to appraise all manufacturing plants in the State. Reassessment of all plants will require considerable time and qualified personnel. The reevaluation of all plants in the State of South Carolina could be accomplished by a competent commercial appraisal firm. Once this re-appraisal was made then our present field forces of the Reassessment Unit of the Property Tax Division could maintain and up-date assessed values in the future.

The courts have ruled in states which have similar constitutional provisions as our State that uniformity in ad valorem assessment taxation throughout the state must exist. "All taxable property in the State by whomever owned must for ad valorem tax purposes be taxed uniformly and equally at the same rate and the same ratio of assessment." We cannot delay any longer steps that must be taken to achieve uniformity among all taxpayers in our State whether centrally or locally assessed.

I appreciate your giving me the opportunity to make some comments to your Committee and I shall be glad to further discuss this matter with you if you so desire.

Sincerely,


Robert C. Wasson, Chairman
South Carolina Tax Commission

RCW:ml

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All real property and all personal tangible property shall be subject to ad valorem taxes unless exempt by this Constitution or by law. All property subject to taxation shall be ^{assessed} treated uniformly throughout the State and all assessments shall be determined from the ^{actual} ~~market~~ value. The General Assembly may classify property and provide for assessments of varying ratios of market value if the assessments shall be uniform and equal upon all property of the same class.

Exemptions from taxation may be granted only by general laws. Exemptions may be altered or repealed except those exempting real property and tangible personal property used exclusively for public purposes of political entities within the State and for religious, educational, or charitable purposes as defined by law and owned by a corporation or association organized or conducted exclusively for one or more such purposes and not operating for profit. (Property which may be exempt shall not extend beyond the buildings and premises devoted to a religious, educational, or charitable purposes.)

STATE AND LOCAL INDEBTEDNESS

Primarily Article VIII, Section 7 and Article X, Section 5

Other Sections Also Involved Are:

Article II, section 13
Article VIII, section 5
Article VIII, section 13
Article X, section 6
Article X, section 7
Article X, section 11
Article X, section 13A, 14, 14A, 15, 15(1), 15(1)(a), 15A, 16--includes 4 sections
Article X, section 17
Article X, section 18
Article X, section 19
Article X, section 20
Article X, section 21
Article X, section 22
Others may be discovered in the section by section analysis.

Article II, Section 13

Section 13. Bonded debt in municipalities.—In authorizing a special election in any incorporated city or town in this State for the purpose of bonding the same, the General Assembly shall prescribe as a condition precedent to the holding of said election a petition from a majority of the freeholders of said city or town as shown by its tax books, and at such elections all electors of such city or town who are duly qualified for voting under Section 12 of this Article, and who have paid all taxes, State, County and municipal, for the previous year, shall be allowed to vote; and the vote of a majority of those voting in said election shall be necessary to authorize the issue of said bonds.

(amendments omitted)

Article VIII, Section 5

Section 5. Waterworks systems—plants furnish lights and ice.—Cities and towns may acquire, by construction or purchase, and may operate, waterworks systems and plants for furnishing lights and ice manufacturing plants and may furnish water and lights and ice, to individuals, firms and private corporations for a reasonable compensation: *Provided*, That no such construction or purchase shall be made except upon a majority vote of the electors in said cities or towns who are qualified to vote on the bonded indebtedness of said cities or towns.

1920 (31) 1707; 1921 (32) 273.

Article VIII, Section 7

Section 7. Bonded debt—certificates of indebtedness—sinking fund—refunding bonded debt—provisos as to certain cities added by amendment. No city or town in this State shall hereafter incur any bonded debt which, including existing bonded indebtedness, shall exceed eight per centum of the assessed value of the taxable property therein, and no such debt shall be created without submitting the question as to the creation thereof to the qualified electors of such city or town, as provided in this Constitution for such special elections; and unless a majority of such electors voting on the question shall be in favor of creating such further bonded debt, none shall be created: *Provided*, That this Section shall not be construed to prevent the issuing of certificates of indebtedness in anticipation of the collection of taxes for amounts actually contained or to be contained in the taxes for the year when such certificates are issued and payable out of such taxes: *And provided, further*, That such cities and towns shall on the issuing of such bonds create a sinking fund for the redemption thereof at maturity. Nothing herein contained shall prevent the issuing of bonds to an amount sufficient to refund bonded indebtedness existing at the time of the adoption of this Constitution: *Provided*, That the limitation imposed by this Section

(amendments omitted)

Article VIII, Section 13

Section 13. Municipal ice plants.—Cities and towns may acquire, by construction or purchase and may operate manufactories or plants for making ice, and may furnish ice at wholesale or retail to individuals, firms and private corporations for reasonable compensation: *Provided*, That the purchase or construction of any such ice plant by any city or town heretofore made is ratified and confirmed: *And provided, further*, That no such construction or purchase shall be made hereafter except upon a majority vote of the electors in said cities or towns who are qualified to vote on the bonded indebtedness of said cities or towns: *Provided, further*, The provisions hereof shall not apply to the counties of Aiken, Calhoun, Marion, Barnwell and Marlboro.

1920 (31) 1708; 1921 (32) 272.

Article X, Section 5

Section 5. Taxes may be levied for corporate purposes—share of stockholders—limit of bonded debt.—The corporate authorities of counties, townships, school districts, cities, towns and villages may be vested with power to assess and collect taxes for corporate purposes; such taxes to be uniform in respect to persons and property within the jurisdiction of the body imposing the same. All shares of stockholders in any bank or banking association located in this State, whether now or hereafter incorporated, or organized under the laws of this State or of the United States, shall be listed at their true value in money, and taxed for municipal purposes in the city, ward, town or incorporated village, where such bank is located, and not elsewhere: *Provided*, That the words "true value in money" as used in line 12 of this Section shall be so construed as to mean and include all surplus or extra moneys, capital, and every species of personal property of value owned or in possession of any such bank: *Provided*, A like rule of taxation shall apply to the stockholders of all corporations other than banking institutions. And the General Assembly shall require that all the property, except that herein permitted to be exempted within the limits of municipal corporations, shall be taxed for corporate purposes and for the payment of debts contracted under authority of law. The bonded debt of any county, township, school district, municipal corporation or political division or subdivision of this State shall never exceed eight per centum of the assessed value of all the taxable property therein. And no county, township, municipal corporation or other political division of this State shall hereafter be authorized to increase its bonded indebtedness if at the time of any proposed increase thereof the aggregate amount of its already existing bonded debt amounts to eight per centum of the value of all taxable property therein as valued for State taxation. And wherever there shall be several political divisions or municipal corporations covering or extending over the territory, or portions thereof, possessing a power to levy a tax or contract a debt, then each of such political divisions or municipal corporations shall so exercise its power to increase its debt under the foregoing eight per cent limitation that the aggregate debt over and upon any territory of this State shall never exceed fifteen per centum of the value of all taxable property in such territory as valued for taxation by the State: *Provided*, That nothing herein shall prevent the issue of bonds for the purpose of paying or refunding any valid municipal debt heretofore contracted in excess of eight per centum of the assessed value of all the taxable property therein.

See Const. 1868, IX, 8.

(amendments omitted)

Article X, Section 6

Section 6. Credit of State—for what purposes tax levied or bonds issued—proviso.—The credit of the State shall not be pledged or loaned for the benefit of any individual, company, association or corporation; and the State shall not become a joint owner of or stockholder in any company, association or corporation. The General Assembly shall not have power to authorize any county or township to levy a tax or issue bonds for any purpose except for educational purposes, to build and repair public roads, buildings and bridges, to maintain and support prisoners, pay jurors, County officers, and for litigation, quarantine and court expenses and for ordinary County purposes, to support paupers, and pay past indebtedness: *Provided*, That the limitation imposed by this Section shall not apply to any township in the County of Greenwood, nor to any township in the County of Saluda, through which in whole or in part, the line of railroad of Greenwood and Saluda Railroad shall be located and constructed, nor to the County of Saluda, such said townships in Greenwood County and Saluda County, and the County of Saluda, being hereby expressly authorized to vote bonds in aid of the construction of the said proposed railroad under such restrictions and limitations as the General Assembly may prescribe hereinafter: *Provided*, That the amount of such bonds shall not exceed eight per centum of the assessed valuation of the taxable property of such townships.

*Renewal
applicable
9-7-1902*

(other amendments omitted)

Article X, Section 7

Section 7. Scrip, certificate, or evidence of state debt.—No scrip, certificate or other evidence of State indebtedness shall be issued except for the redemption of stock, bonds or other evidences of indebtedness previously issued, or for such debts as are expressly authorized in this Constitution.

See Const. 1868, IX, 10.

Article X, Section 11

Section 11. Public debt—state bonds.—To the end that the public debt of South Carolina may not hereafter be increased without the due consideration and free consent of the people of the State, the General Assembly is hereby forbidden to create any further debt of obligation, either by the loan of the credit of the State, by guaranty, endorsement or otherwise, except for the ordinary and current business of the State, without first submitting the question as to the creation of such new debt, guaranty, endorsement or loan of its credit to the qualified electors of this State at a general State election; and unless two-thirds of the qualified electors of this State, voting on the question, shall be in favor of increasing the debt, guaranty, endorsement, or loan of its credit, none shall be created or made. And any debt contracted by the State shall be by loan on State bonds, of amounts not less than fifty dollars each, bearing interest, payable not more than forty years after final passage of the law authorizing such debt. A correct registry of all such bonds shall be kept by the Treasurer in numerical order, so as to always exhibit the number and amount unpaid, and to whom severally made payable. And the General Assembly shall levy an annual tax sufficient to pay the annual interest on said bonds.

See 16th amend. to Const. 1868.

30 (1. 12. 1868)

Article X, Section 14

Section 14. Certain cities may levy assessment on abutting property—proviso.—The General Assembly may authorize the corporate authorities of the City of Greenville, Spartanburg and Columbia, and the Town of Manning, to levy an assessment upon abutting property for the purpose of paying for permanent improvements on streets and sidewalks immediately abutting such property: *Provided*, That said improvements be ordered only upon the written consent of two-thirds of the owners of the property abutting upon the street, sidewalk or part of either proposed to be improved, and upon condition that said corporate authorities shall pay at least one-half of the costs of such improvements.

1910 (26) 1065; 1911 (27) 225.

Transfer ✓
to 1911
1065
225

(there are many other sections in the constitution of a similar nature, listed generally as sections 14-22)

STATE AND LOCAL INDEBTEDNESS

Thinking in terms of bonded indebtedness for the state and local units of government, the N. Y. study reviewed almost all the possibilities showing the advantages and disadvantages of each. The study, however, does not make any specific recommendations to the Convention, leaving the decision to the delegates. The various possibilities reviewed in the N. Y. study are listed in the following paragraphs.

1. Retain Referendum Approval for General State Debt. Only debt authorized by the people at a general election would be permitted. In accord with current provisions, exceptions would be continued for short-term and certain emergency borrowing.

2. Extend the Referendum Requirement to Bonds Issued by Public Authorities. A major portion of the debt issued by state instrumentalities is not controlled by the referendum requirement. This proposal would require referendum approval of debt incurred by state-created public authorities.

3. Establish a Debt Limitation Based on the Tax Resources of the State. Under this proposal, the state would be subject to the kind of debt limitation currently applicable to local governments. The total amount of state borrowing might be limited to the average tax yield of a three- or five-year period.

4. Establish a Ceiling Approved by the Legislature (and, Alternatively, by the People Also) on Allowable State Debt.

This would permit the state to borrow for all purposes provided that the total debt outstanding did not exceed the debt ceiling.

5. Permit the State to Issue General Debt. While the Constitution currently limits each debt proposition to a single work or purpose, this proposal would enable the state to float general debt for a variety of purposes.

6. Remove the Referendum Requirement, but Establish Special Legislative Requirements for Debt Authorization.

The borrowing power would be vested in the Legislature, but the authorization of a debt issue would require approval by an extraordinary majority of the

Legislature or at two legislative sessions, subject to the Governor's approval.

7. Eliminate All Constitutional Controls on the Authorization of State Debt.

This proposal would give the Legislature power to create state debt without approval by the people or any special procedure. Under such an arrangement, the creation of debt would be treated in the same fashion as other statutory powers of the Legislature.

Some Observations on Bonded Indebtedness in South Carolina.

(1) The constitutional restriction on bonded indebtedness for the State as listed in Section 11, Article X, and which requires a 2/3 approval of those voting on the question before the issue may be made has not been followed. Under the State Supreme Court decision which allows the pledging of gasoline, sales, and other taxes as security for bonds issued, thereby avoiding the approval of the electorate, the General Assembly has had, in effect, full authority to regulate the State's bonded indebtedness. It can well be argued that practically the full faith of the state of South Carolina is involved, even though a highway bond is paid solely from the gasoline taxes. The point to be remembered, however, is this: Under the court decision, S. C. has had no effective constitutional debt limit and the General Assembly has had full authority to issue bonds by merely placing each issue in a certain category. Secondly, the evidence is that the General Assembly and state administrators have acted conservatively over the years and have not abused this freedom given to them under the court opinion. Thirdly, this absence of abuse is especially noteworthy, when it is remembered that the General Assembly has had this freedom during periods of great need and change: the depression, World War II and the years which followed (resisting a veterans' bonus), and the educational crises of 1954 and the present.

(2) Under current practices, much of the full taxing power of the State of South Carolina is pledged to bond payments, even though only certain taxes are involved. Gasoline, sales, and income taxes are involved; hence, the big income producer under the state tax structure are included -- even though the full

collections are not nearly needed to retire bonds.

(3) Through the use of revenue bonds, many localities have avoided the restrictions placed on the issuance of general obligation bonds. In effect, many municipal councils automatically look toward revenue bonds, rather than go through the red tape of general obligation issues.

(4) Within existing debt limits, many localities have issued general obligation bonds without having a vote of the people.

(5) The requirement for having a referendum has been removed in recent years by the approval of the voters in at least two areas: Beaufort and Spartanburg city.

(6) The Constitutional debt limits in Article VIII, Section 7, and Article X, Section 5, have not been really effective. In all of the many amendments in the years 1900-1964 inclusive, which have been submitted to the voters changing the debt limits and other constitutional requirements involved in these two articles, not a single amendment has been voted down by the electorate except in the landslide of opposition in 1924. Sometimes the local area involved, but not often, has rejected the amendment, but normally the statewide vote has been positive. In effect, these restrictions have been more in the nature of red tape than actual restraint.

(7) The debt limitations now in the Constitution for local areas could be much more serious under the 1966 amendment whereby electors in the county concerned will be the only ones voting on the change. This may cause many more people to take the trouble to vote on the issue, since the ballot will be much shorter. The principle, however, of having only one county vote on a state constitutional change is about as great a nonconstitutional principle as can be devised. The state could be headed toward a potentially dangerous practice whereby a locality changes the state constitution, even if it is only a local issue. This seems to prove the point that a State Constitution should deal only with constitutional questions.

(8) Constitutional debt limits have not really served their purpose.

The Current Trend. The Alaska Constitution and the Michigan Constitution retain definite constitutional restrictions on the issuance of debt. The Alaska provision reads: "No state debt shall be contracted unless authorized by law for capital improvements and ratified by a majority of the qualified voters of the State who vote on the question."

On local government it states that: "No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvements by its governing body and ratified by a majority vote of those qualified to vote and voting on the questions."

Michigan provides that: "The state may borrow money for specific purposes in amounts as may be provided by acts of the legislature adopted by a vote of two-thirds of the members elected to and serving in each house, and approved by a majority of the electors voting thereon at any general election."

On local debt the Michigan Constitution states that: "No county shall incur any indebtedness which shall increase its total debt beyond 10 per cent of its assessed valuation." It also provides that municipalities may issue bonds according to regulations granted by the General Assembly.

In Maryland, Kentucky, and the Model, basically regulation of indebtedness is left to the General Assembly. The N. Y. Study makes no concrete recommendation.

Kentucky's present constitution has no serious restrictions on the state's power to borrow money. The proposed draft continued this philosophy by recommending: "Every law authorizing the borrowing of money by and on behalf of the Commonwealth or any unit or agency of local government shall specify the purposes for which the money is to be used, and the money so borrowed shall be used for no other purpose."

The existing Kentucky Constitution places debt limits on local governments,

based upon a percentage of the assessed values. The proposed draft reverses this and recommends: "The General Assembly shall regulate the powers of units of local government to borrow money and contract indebtedness regardless of whether the full faith and credit of such unit of local government is pledged to the repayment of this indebtedness. The General Assembly may provide for the supervision of such indebtedness by the Executive Department of the Commonwealth."

The Maryland Commission proposes the following:

The State shall have the power to incur indebtedness for any public purpose in the manner and upon the terms and conditions as the General Assembly may prescribe by law. All such indebtedness shall be secured by an irrevocable pledge of the full faith and credit and unlimited taxing power of the State. Unless the law authorizing the creation of an obligation includes such an irrevocable pledge, the obligation shall not be considered an indebtedness of the State. If at any time the General Assembly shall fail to appropriate sufficient funds to provide for the timely payment of the interest upon and installments of principal of all state indebtedness, there shall be set apart from the first revenues thereafter received applicable to the general funds of the State a sum sufficient to pay such interest and installments of principal. All state indebtedness shall mature within twenty-five years from the time when such indebtedness is incurred.

On local indebtedness, the Maryland Commission makes no statement whatsoever except that a public purpose must be served when credit of unit is given.

The Model Constitution has only this simple statement: "No debt shall be contracted by or in behalf of this state unless such debt shall be authorized by law for projects or objects distinctly specified therein."

The Proposed Draft of the Nine-man Committee

The draft provision on bonded indebtedness which had been the basis for discussion on part of the Committee and on which two public hearings have been held is submitted here as pages 14-18. Please note the following principles included within this draft which tend to combine all debt limitations and statements in the present constitution into a single statement.

1. Revenue bonds, state or local, are left as they are now regulated under state law. No constitutional provisions are involved or suggested.

2. The General Assembly may continue to regulate the issuance of bonds for which the gasoline tax or other vehicular fuel tax is pledged, but with a constitutional limitation.

3. The same is true for bonds issued against the sales tax.

4. Other bonds may also be issued against additional revenues (dormitory fees, etc.) but without a constitutional fixed limit.

5. All debt limitations are removed for the state, counties, municipalities, schools, and any other political districts but all general obligation bonds issued must be approved by the voters in the district issuing the bonds.

6. Bonds issued to pay for municipal-type services outside of incorporate limits of municipalities must require citizens receiving the benefits to pay the cost (in effect a protection for the municipal taxpayer).

7. Concrete definitions of each type of bond and indebtedness is spelled out in the amendment.

Recommendations From the Public Hearing

1. Even though a number of specific invitations were mailed, only the South Carolina Municipal Association and the S. C. Highway Department appeared.

A. The Municipal Association endorsed the proposal which removes debt limits, and all the other complicated provisions pertaining to some types of bond issues but which requires approval in a municipal referendum.

B. The Highway Department endorsed the proposal on bonds issued against the Gasoline tax but with two recommendations: (1) that the wording be broad enough to cover whatever may be used as fuel in future years and (2) that the limitation be stated in terms of a ratio-based on annual or periodic collections.

2. School officials were requested to appear at a second hearing. Some 6 or 7 school authorities attended and expressed their views in a session disturbed by Senate quorum calls. School officials were not opposed to some type

of restriction being placed in the Constitution in so far as school bond issues were concerned, but strongly desired the right to issue some bonds without a referendum. They did not formulate a policy on how this amount should be determined, but from the general discussion they indicated that it should be more than just a petty sum. These officials were asked to file a written proposal, but our records do not show that this was done.

Problem Now Before the Committee

1. Shall ^{State} ~~revenue~~ bonds be left as they are: under control of the General Assembly and outside of any constitutional debt limit which might be enacted.
2. Shall the issuance of bonds in the name of the state of South Carolina be left to the General Assembly as is now being done? Shall some type of limitation be placed on bonds issues currently being issued under law, but where specific revenues only are pledged for payment.
3. Shall full faith and credit bonds be regulated by the General Assembly or shall some type of restriction be placed on this process such as a maximum or a referendum?
4. Shall all state bonds be left solely to the General Assembly without any categorization whatsoever?
5. Shall some type of guarantee be stated that the first funds collected must be used for bond payment if not paid or a time limit placed on the maturity?
6. Shall bonds issued by local governments be constitutionally regulated or essentially left to the General Assembly?
7. If regulated in the Constitution, shall all units be treated alike or shall regulations vary according to the unit of government concerned?
8. If some type of restriction is placed in the Constitution for local indebtedness, what is needed? Shall it be through some type of limitation on the amount which may be issued? Shall it be through a referendum? Shall it be through an extraordinary vote of the governing body? Shall a certain amount be allowed to be issued without major regulation and fixed regulations beyond this amount?

9. Shall any of the terms used be defined in the Constitution or leave this to the court in case any questions arise?

10. What are the real values of having constitutional limitations of some kind? Better acceptance by the people? Better acceptance by the bond market?

11. Can limitations be stated so that they do not become obsolete or unrealistic because of the measuring device as is currently the case? Can limitation be stated so they will not be by-passed as is now done through the Supreme Court case on pledged revenues or by units of government using revenue bonds because of the regulations?

It is suggested that the Committee, through consensus, establish a policy on bonded indebtedness. This policy or philosophy may be the same for all units or may vary -- one for the state; another for local units.

When policies are agreed upon, then the detail wording of the section(s) on indebtedness may be worked out by the Committee.

[Handwritten signature]

Proposed Constitutional Provision on Indebtedness
(To be known as Article X, section 7)

Original Committee Draft

Section 1. The State, any Municipal Corporation, any County and any Other Political Unit may issue Revenue Bonds, Tax Anticipation Notes, Bond Anticipation Notes, and Refunding Bonds in such manner as may now and hereafter be provided by law.

Section 2. Any School District may issue Tax Anticipation Notes, Bond Anticipation Notes and Refunding Bonds in such manner as may now or hereafter be provided by law.

Section 3. The General Assembly may authorize Municipal Corporations, Counties, and Other Political Units to levy assessments upon abutting property for benefits to be specially derived from public improvements and Municipal Corporations, Counties and Other Political Units may issue Special Assessment Bonds.

Section 4. Except as hereinafter specifically authorized, no Bonded Indebtedness shall be incurred by the State, any County, any Municipality, any School District, or any Other Political Unit, except for public purposes permitted by law and under the conditions prescribed by law now existing or hereafter enacted, and unless the question on incurring such Bonded Indebtedness shall be submitted to a vote of the qualified electors of the governmental jurisdiction issuing the bonds at any general election or ~~at~~ any special election called for such purpose, and a majority of those voting on the question shall be in favor of incurring such Bonded Indebtedness.

Section 5. Notwithstanding the provisions of Section 4, Bonded Indebtedness of the State may be incurred without the question being submitted to the qualified electors of the State for the following purposes and within the limitations set forth below:

(2) For road, street, and highway purposes in instances where revenues derived from motor vehicle licenses and gasoline taxes sufficient to provide debt service are additionally pledged, in the aggregate principal amount of not exceeding \$100,000,000, or 3 times the average annual revenues produced from such licenses and taxes during the three preceding fiscal years, whichever is greater;

(b) For educational purposes, where revenues derived from sales and use taxes sufficient to provide debt service are additionally pledged, in the aggregate principal amount of not exceeding \$150,000,000, or 3 times the average annual revenues produced from such sales and use taxes during the three preceding fiscal years, whichever is greater, and

(c) For all other purposes in the aggregate principal amount of not exceeding \$100,000,000.

(d) In computing the limitations set forth in paragraphs (a), (b), and (c) of this section, bonds hereafter authorized by a vote as hereinabove provided shall not be taken into account regardless of the purpose for which such bonds may have been issued, but general obligation State Bonds outstanding at the time of the effective date of this section issued for each of the several purposes enumerated above shall be taken into account in computing the debt limitation applicable to bonds to be issued for such purpose.

Section 6. No school district shall incur Bonded Indebtedness except for educational purposes.

Section 7. No law shall be enacted permitting the incurring of Bonded Indebtedness by any County for sewerage disposal or treatment, fire protection, street lighting, garbage collection and disposal, water service or any other service or facility benefiting only a particular geographical section of the County unless the General Assembly shall prescribe that a special assessment, tax, or service charge in an amount designed to provide debt service on Bonded Indebtedness or Revenue Bonds incurred for such purposes shall be imposed upon the area or persons receiving the benefit therefrom.

Section 8. As used in this Section the following terms shall have the meanings hereinafter given.

(a) The term State shall mean the State of South Carolina and any agency, department, authority or institution thereof.

(b) The term "Municipal Corporation" shall mean incorporated cities and towns and any agency, department, authority or institution thereof.

(c) The term "County" shall mean the several counties of the State and any agency, department, authority or institution thereof.

(d) The term "School District" shall mean the several School Districts of the State as they are now or may hereafter from time to time be constituted, irrespective of whether the School Districts are located in one or more counties.

(e) The term "Other Political Units" shall include all special purpose districts, townships and/or other governmental districts or units now existing or hereafter created, whether or not located in one or more counties. It shall likewise include all agencies, departments, authorities or institutions thereof.

(f) The term "Bonded Indebtedness" shall mean any direct obligation of the State, of any Municipal Corporation, of ~~any County~~, of any School District or of any Other Political Unit payable from the proceeds of any license or tax, ad valorem or otherwise.

(g) "Revenue Bonds" shall mean obligations of the State, any Municipal Corporation, any County or any Other Political Unit, payable solely from the revenues derived from any revenue producing facility, enterprise or undertaking, including obligations issued by or on behalf of state institutions payable solely from any fee or charge imposed upon those in attendance at such institutions.

(h) "Tax Anticipation Notes" shall mean obligations of the State, of any Municipal Corporation, of any County, of any School District, or of any Other

Political Unit, issued in anticipation of the collection of taxes then levied and payable solely from the proceeds thereof and falling due not more than twelve months from their issuance.

(i) "Bond Anticipation Notes" shall mean indebtedness incurred in anticipation of the incurring of Bonded Indebtedness or in anticipation of the issuance of Revenue Bonds and renewals thereof which shall fall due not more than three years from the date of their issuance.

(j) "Refunding Bonds" shall include Bonded Indebtedness incurred to refund outstanding Bonded Indebtedness or to refund outstanding Revenue Bonds.

(k) "Special Assessment Bonds" shall mean bonds for which the full faith, credit and taxing power are pledged, but which are normally payable from assessments levied against abutting property specially benefited by public improvements adjacent to such property.

Section 9. The following sections of The Constitution of 1895 are hereby repealed: Article II, section 13; Article VIII, section 5; Article VIII, section 7; Article VIII, section 13; Article X, section 7; Article X, section 11; Article X, section 13-A; Article X, section 14; Article X, section 14a; Article X, section 15, Article X, section 15(1); Article X, section 15(1) (a); Article X, section 15a; the four sections listed as Article X, section 16, pp. 285-287 of the Code of Laws, 1962, Vol. XVI; Article X, section 17; Article X, section 18; Article X, section 19; Article X, section 20; Article X, section 21; and Article X, section 22.

Section 10. Article X, section 5, of the Constitution shall be amended so that the amended section shall read as follows:

The corporate authorities of counties, townships, school districts, cities, towns and villages may be vested with power to assess and collect taxes for corporate purposes; such taxes to be uniform in respect to persons and property within the jurisdiction of the body imposing the same. All shares of stockholders

in any bank or banking association located in this State, whether now or hereafter incorporated, or organized under the laws of this State or of the United States, shall be listed at their true value in money, and taxed for municipal purposes in the city, ward, town or incorporated village, where such bank is located and not elsewhere: Provided, That the words "true value in money" as used in line 12 (line 12 of the original and line 8 as herein printed) of this Section shall be so construed as to mean and include all surplus or extra moneys, capital, and every species of personal property of value owned or in possession of any such bank: Provided, A like rule of taxation shall apply to the stockholders of all corporations other than banking institutions. And the General Assembly shall require that all the property, except that herein permitted to be excepted within the limits of municipal corporations, shall be taxed for corporate purposes and for the payment of debts contracted under authority of law.

Section 11. Article X, section 6, of the Constitution shall be amended so that the amended section shall read as follows:

The credit of the State shall not be pledged or loaned for the benefit of any individual, company, association or corporation; and the State shall not become a joint owner of or stockholder in any company, association, or corporation.

Section 12. In the Constitution of 1895 the following sections in force before the ratification of this amendment shall be identified by the word "repealed"; thusly,

Article II, section 13 - repealed

Article VIII, section 5 - repealed

Article VIII, section 7 - repealed

Article VIII, section 13 - repealed

Article X, section 11 - repealed

Indebtedness

Working Paper #6

Table I. State Tax Collections and Indebtedness

1965 - 1966

	<u>Taxes</u>	<u>Nontaxes</u>
General Fund	\$ 284,415,042	\$ 6,259,514
Highway Fund	57,622,586	12,486,942
Total	\$ 342,037,628	\$ 18,746,456

Indebtedness, Outstanding, June 30, 1966 - \$162,567,000

1964 - 1965

General Fund	\$ 240,189,786	\$ 5,897,787
Highway	53,454,991	12,000,778
Total	\$ 293,644,777	\$ 17,898,565

Indebtedness, Outstanding, June 30, 1965 - \$173,235,000

1963 - 1964

General Fund	\$ 217,261,324	\$ 2,056,400
Highway	50,640,981	10,569,661
Total	\$ 267,902,305	\$ 12,625,061

Indebtedness, Outstanding, June 30, 1964 - \$180,182,800

Table II. County Taxes and Indebtedness

<u>Counties</u> <u>Under 20,000</u>	<u>Bonds Outstanding</u> <u>June 30, 1966</u>	<u>Notes</u> <u>June 30, 1966</u>	<u>Taxes Collected</u> <u>1965 - 1966</u>
Allendale	—	\$ 82,000.	\$ 82,029.63
Bamberg	—	—	49,652.56
Barnwell	—	122,500.	72,485.39
Calhoun	—	—	33,805.86
Edgefield	—	—	85,337.48
Hampton	\$ 220,000.	20,000.	76,801.37
Jasper	—	37,500.	102,906.63
McCormick	—	—	23,366.15
Saluda	—	86,625.22	69,432.67
<u>20,000 - 30,000</u>			
Abbeville	\$ 485,000.	25,000.	129,599.61
Clarendon	—	24,000.	240,546.02
Colleton	230,000.	210,400.	458,602.21
Dorchester	716,000.	328, 000.	209,841.47
Fairfield	—	94,620.	183,096.18
Georgetown	—	80,000.	229,885.94
Lee	30,000.	—	116,679.28
Marlboro	—	—	134,125.46
Newberry	556,000.	40,000.	181,635.12

Indebtedness

Working Paper #6

Table II. County Taxes and Indebtedness

<u>Counties</u>	<u>Bonds Outstanding</u> <u>June 30, 1966</u>	<u>Notes</u> <u>June 30, 1966</u>	<u>Taxes Collected</u> <u>1965 - 1966</u>
<u>30,000 - 40,000</u>			
Berkeley	\$ 458,000.	\$ —	\$ 440,015.91
Chester	400,000.	30,000.	444,449.40
Chesterfield	242,000.	22,500	255,466.35
Dillon	425,000.	173,264.17	166,856.06
Kershaw	755,000.	100,000.	345,346.42
Lancaster	210,000.	120,000.	210,466.66
Marion	75,000.	128,000.	158,252.30
Union	766,000.	38,800.	425,500.92
<u>40,000 - 50,000</u>			
Beaufort	1,593,000.	—	371,237.49
Cherokee	260,000.	—	334,720.61
Greenwood	2,848,000.	190,168.06	711,234.41
Laurens	908,000.	50,000.	463,473.45
Oconee	1,205,000.	40,000.	634,434.61
Pickens	700,000.	110,000.	406,080.41
Williamsburg	558,000.	65,000.	220,782.46
<u>50,000 - 60,000</u>			
Darlington	959,000.	23,000.	489,071.88

Indebtedness

Working Paper #6

Table II. County Taxes and Indebtedness

<u>Counties</u> <u>60,000 - 70,000</u>	<u>Bonds Outstanding</u> <u>June 30, 1966</u>	<u>Notes</u> <u>June 30, 1966</u>	<u>Taxes Collected</u> <u>1965 - 1966</u>
Horry	\$ 567,000.	—	\$ 436,495.03
Lexington	—	\$ 524,000.	534,176.67
Orangeburg	—	108,000.	198,661.40
Sumter	1,500,000.	—	426,888.47
<u>Over 70,000</u>			
Aiken	1,236,000.	—	742,140.42
Anderson	1,966,000.	—	1,045,129.26
Charleston	5,190,000.	250,000.	5,089,375.92
Florence	705,000.	133,920.	478,868.50
Greenville	3,156,000.	870,000.	4,728,318.66
Richland	3,061,000.	683,700.80	1,500,610.33
Spartanburg	4,287,000.	3,600.	3,242,164.64
York	3,508,000.	100,000.	842,958.59

Table III. Municipal Tax Collections
(Property and Business Licenses), 1963

<u>Over 50,000</u>	
Charleston	3,128,883.
Columbia	3,154,705.
Greenville	3,381,634.
<u>25,000 - 50,000</u>	
Anderson	725,615.
Rock Hill	680,082.
Spartanburg	1,539,195.
<u>10,000 - 25,000</u>	
Aiken	1,997,214.
Florence	864,952.
Gaffney	364,688.
Georgetown	210,935.
Greenwood	513,662.
N. Augusta	155,687.
Orangeburg	337,029.
Sumter	710,938.
Union	261,870.
<u>5,000 - 10,000</u>	
Abbeville	156,524.
Belton	157,078.
Camden	191,000.

Indebtedness

Working Paper #6

Cheraw	114,609.
Clinton	104,348.
Darlington	247,789.
Easley	157,748.
Hartsville	298,240.
Lancaster	205,718.
Marion	148,823.
Mullins	132,006.
Newberry	237,913.
Walterboro	131,539.
<u>2,500 - 5,000</u>	
Allendale	53,091.
Bamberg	53,221.
Calhoun Falls	44,616.
Denmark	53,477.
Forest Acres	30,670.
Honea Path	53,805.
Liberty	55,947.
Summerville	80,243.
Whitmire	60,860.
Winnsboro	56,927.
York	90,725.

Indebtedness

Working Paper #6

<u>1,000 - 2,500</u>	
Blacksburg	54,361.
Bowman	8,940.
Central	34,191.
Chesterfield	48,337.
Cowpens	19,157.
Duncan	15,495.
Estill	21,899.
Fountain Inn	49,932.
Inman	45,946.
Johnston	47,772.
Kershaw	36,790.
Landrum	17,954.
Leesville	26,026.
Loris	39,412.
McColl	0
Moncks Corner	37,818.
Ninety-Six	23,245.
Pacolet	16,520.
Pageland	36,789.
Pickens	40,996..
St. George	46,366.
St. Stephen	16,801.
Sullivan's Island	35,582.

Indebtedness

Working Paper #6

Timmons ville	60,736.
Varnville	14,467.
Westminster	54,468.
<u>Under 500 - 999</u>	
Aynor	10,260.
Goose Creek	0
Greeleyville	5,916.
Harleyville	3,751.
Lake View	9,227.
McBee	7,959.
Nichols	0
Norway	5,290.
Pamplico	16,428.
Prosperity	13,810.
Ridgeville	1,337.
Scranton	4,900.
Springfield	7,665.
Wagener	6,806.
<u>Under 500</u>	
Chapin	1,432.
Cordova	244.
Donalds	3,924.
Furman	842.
Hollywood	543.

Indebtedness

Working Paper #6

Kline	201.
Meggett	383.
Patrick	675.
Pelzer	0
Rowesville	1,134.
Six Mile	42.
Trenton	4,367.
West Union	1,628.

Note: 1963 is latest year complete information available.
Taxes have perhaps increased by 10 per cent since
that time.

Indebtedness

Working Paper #6

Table IV. Local School Taxes and Indebtedness, 1965-66.

	<u>Tax Collections</u>	<u>Indebtedness June 30, 1966</u>
Abbeville	\$ 426,251.	\$ 652,100.
Aiken	1,399,659.	3,393,420.
Allendale	227,638	19,300.
Anderson		
#1	417,106.	
#2	208,411.	
#3	82,465.	
#4	99,803.	
General	983,806.	
Total	\$ 2,731,114.	\$ 5,193,000.
Bamberg		
#1	80,452.	
#2	116,896.	
#3	19,904.	
Total	\$ 219,748.	\$ 803,500.
Barnwell		
#19	98,811.	
#29	51,765.	
#45	180,213.	
Total	\$ 330,780.	\$ 92,000.

Indebtedness

Working Paper #6

Beaufort

#1	\$ 350,633.	
#2	103,335.	
General	67,552.	
Total	\$ 521,520.	\$ 65,000.

Berkeley	337,055.	1,180,000.
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Calhoun

#1	103,148.	
#2	68,919.	
Total	\$ 172,067.	

Charleston	\$ 3,350,735.	2,682,000.
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Cherokee	656,881.	753,000.
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Chester	561,419.	802,700.
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Chesterfield

#1	104,535.	
#2	186,274.	
#3	46,154.	
#4	102,097.	
#5	27,304.	
#6	16,504.	
General	99,737	\$ 609,000.
Total	\$ 582,605.	

Clarendon

#1	\$ 47,970.	
#2	95,373.	
#3	45,616.	
Total	\$ 188,959.	\$ 71,400.

Indebtedness

Working Paper #6

Colleton	\$ 300,138.	\$ 408,000.
Darlington	1,217,062.	1,792,000.
Dillon		
#1	120,946.	
#2	316,157.	
#3	146,671.	
General	81,043.	
Total	\$ 664,817.	\$ 647,361.
Dorchester		
#1	\$ 90,135.	
#2	170,000.	
#3	126,356.	
Total	\$ 386,491.	\$ 684,000.
Edgefield	\$ 170,304.	\$ 250,000.
Fairfield	394,253.	173,000.
Florence		
#1	1,387,129.	
#2	86,274.	
#3	227,220.	
#4	90,464.	
#5	67,956.	
General	101,620.	
Total	\$ 1,960,663.	\$ 554,400.
Georgetown	\$ 899,279.	335,000.
Greenville	5,531,871.	14,537,000.

Indebtedness

Working Paper #6

Greenwood

#50	\$ 807,568.	
#51	168,505.	
#52	239,344.	
Total	\$ 1,215,417.	\$ 632,000.

Hampton

#1	\$ 243,042.	
#2	116,308.	
General	21,698.	
Total	\$ 381,048	\$ 148,000.

Horry	\$ 1,197,571.	27,551.
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Jasper	265,641.	905,000.
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Kershaw	1,172,809.	2,537,000.
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Lancaster	836,689.	2,694,000.
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Laurens

#55	355,399.	
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#56	280,194.	
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General	44,873.	
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Total	\$ 680,466.	\$580,000.
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Lee	253,634.	1,000.
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Lexington

#1	276,491.	
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#2	690,550.	
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#3	201,545.	
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#4	86,432.	
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#5	298,851.	
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Indebtedness

Working Paper #6

Total	\$ 1,553,869.	\$ 2,991,895.
McCormick	. 73,253.	
Marion		
#1	194,875.	
#2	155,926.	
#3	40,599.	
#4	28,503.	
General	128,681.	457,200.
Total	\$ 548,584.	
Marlboro	\$ 584,810.	\$ 605,000.
Newberry	438,410.	828,400.
Oconee	642,068.	1,122,000.
Orangeburg		
#1	97,003.	
#2	52,714.	
#3	117,977.	
#4	79,315.	
#5	795,322.	
#6	75,239.	
#7	57,630.	
#8	41,837.	
Total	\$ 1,317,037.	\$ 1,517,000.
Pickens	891,316.	3,127,300.
Richland		
#1	3,134,239.	
#2	180,082.	

Indebtedness

Working Paper #6

#5 274,702.

#6 21,314.

General 1,402,818.

Total \$ 5,013,155

\$ 10,973,000.

Saluda

#1 115,311.

#2 47,872.

#3 21,370.

General 23,436.

Total \$ 207,989.

Spartanburg

#1 252,006.

#2 231,656.

#3 241,516.

#4 235,927.

#5 392,902.

#6 557,744.

#7 1,714,176.

General 1,027,546.

Total \$ 4,653,473.

\$ 5,393,000.

Sumter

#2 257,385.

#17 743,686.

General 200,616.

Total \$ 1,201,687.

\$ 168,000.

Indebtedness

Working Paper #6

Union	\$ 460,680.	\$ 379,000.
Williamsburg	390,625.	560,000.
York		
#1	217,003.	
#2	152,695.	
#3	1,287,256.	
#4	227,670.	
Total	\$ 1,884,624.	\$ 2,716,000.
State Total	\$49,102,670.	\$ 74,060,634.

Note: Based on the 1965-66 report of the State Superintendent of Education.

The State shall have the power to incur indebtedness for any public purpose in the manner and upon the terms and conditions as the General Assembly may prescribe by law, provided that all state indebtedness shall mature within 30 years from the time when such indebtedness is incurred. All such indebtedness shall be secured by an irrevocable pledge of the full faith and credit and unlimited taxing power of the State. If at any time the General Assembly shall fail to provide for the timely payment of the interest and principal of any such indebtedness, the state treasurer shall immediately impose a statewide property tax levy sufficient to meet the payments due.

The General Assembly may provide for the issuance of such indebtedness not to exceed ^{Two} ~~three~~ (7) times the average of the total amount of tax collections received by the State in the three preceding years. The General Assembly may authorize indebtedness in excess of this amount if approved by two-thirds of the members of each house of the General Assembly. All indebtedness incurred by the State for any agency or for any purpose supported in whole or part by the taxing resources of the State shall be issued within the authorization and limitations of this section. The provisions of this section do not apply to ~~indebtedness now existing or to~~ indebtedness incurred in anticipation of current tax collections.

Counties, municipalities, school districts, special districts, and any other political ^{subdivi}unit of the State may incur indebtedness for public purposes now or hereafter authorized by law upon the terms and conditions as the General Assembly may prescribe. All such indebtedness shall be secured by an irrevocable pledge of the full faith and credit and unlimited taxing power of the ^{subdi}unit of government issuing the indebtedness. Counties, municipalities, school districts, special districts, and any other political unit may incur such indebtedness upon the approval of the governing body when such indebtedness does not exceed ~~times the average~~ ¹ of the total amount of taxes and licenses collected locally in the three preceding years by the ^{subdivi}unit of government ^{incurring} ~~issuing~~ the indebtedness. Such ²indebtedness in excess of this limitation shall be ^{incurring} ~~issued~~ only upon approval of the qualified electors within the unit of government ⁱⁿissuing the bonds. The provisions of this section shall not ^{apply} ~~apply to obligations now outstanding,~~ to indebtedness incurred in anticipation of current tax collections, or to revenue ^{producing} bonds now or hereafter authorized by law.

Should a provision pertaining to indebtedness which benefits only a special part of a unit of government be included here?

The provisi. shall not apply
to bonds for sewage etc.