

Journal of Political Science

Volume 3
Number 3 (*Summer*)

Article 15

July 1976

Fiscal Aspects of Home Rule

Robert Mauney

Follow this and additional works at: <https://digitalcommons.coastal.edu/jops>



Part of the [Political Science Commons](#)

Recommended Citation

Mauney, Robert (1976) "Fiscal Aspects of Home Rule," *Journal of Political Science*: Vol. 3 : No. 3 , Article 15.

Available at: <https://digitalcommons.coastal.edu/jops/vol3/iss3/15>

This Article is brought to you for free and open access by the Politics at CCU Digital Commons. It has been accepted for inclusion in Journal of Political Science by an authorized editor of CCU Digital Commons. For more information, please contact commons@coastal.edu.

Fiscal Aspects of Home Rule

by

ROBERT G. MAUNEY*

There appeared on a billboard one day a sign saying, "It's coming!" People wondered what was coming and then the following week the sign was changed to read, "It will be here soon!" Curiosity increased and the following week the sign was changed to read, "It will be here Friday at 8:00 PM, High School Auditorium!" Almost everyone bought a ticket and 8:00 PM passed with the curtain still closed. Finally, the curtain opened at 8:05 and there was a sign saying, "It's gone!"

Trying to interpret the fiscal aspects of the Home Rule Act may be like that.

Fiscal Aspects

The function of local government — both cities and counties — is to provide for its citizens public services which are needed to protect and promote their health, safety, convenience, prosperity, morals, and welfare. The services include police protection, fire protection, health programs, recreation, garbage collection, water and sewer service, and many others.

These services cost money to produce. Each year, more money is needed to pay this cost. The need for money is caused in part by inflation and in part by the increases in the amount of services which must be supplied. Need is made more urgent as citizens demand new and better services and the law permits governments to undertake more services. Home Rule is a change in law which permits local governments to undertake more services.

It is growing more difficult to find money needed to maintain the level of current services. It is even more difficult to find additional money to produce new and better services. Efforts to solve the money problem are complicated by two factors: first, the sources from which a local government can obtain money are limited; second, efforts to obtain additional money from the sources which are available are being resisted by those who must supply the money.

*County Manager, Richland County, South Carolina.

Faced with the need for more money and handicapped in its efforts to obtain this money, local governments must find ways to better manage its limited money resources.

The fiscal aspects of home rule in our South Carolina of 1975 must meet the test of these challenges and conditions if our people are to benefit from this important juncture in local government.

WHAT ARE SOME OF THE FISCAL ASPECTS OF HOME RULE FOR COUNTY AND CITY GOVERNMENTS?

County Councils have the following general powers:

- A. Broad powers of taxation are given to Council — for almost any and every type of service.
 1. The long-time restriction of taxation for ordinary county purposes only and the many doubtful areas related thereto are removed.
- B. Taxing of areas according to services rendered is permitted — especially when services benefit only a certain segment of the county.
 1. Many restrictions are placed on the Council; however, in special tax districts:
 - (a) Freeholders' rights are protected — a new concept for counties;
 - (b) An election is generally required, except where 75% of the freeholders sign a petition;
 - (c) Service to all unincorporated areas can be provided;
 - (d) A county-wide tax cannot be used to defray costs of something now done by a municipality without its consent;
 - (e) The duties of existing special districts cannot be assumed unless the General Assembly grants authority by law and unless approved in a referendum;
 - (f) At the present, existing districts, as Richland Recreation Commission and the Airport Commission, remain intact. In the future, such special districts can be avoided by having a special tax district but with county performing the function.
- C. Service charges may be made by Council, giving the county a new source of revenue which can possibly be applied to garbage, sewer, water and many other types of services. In many states

courts have ruled that service charges are not the same kind of money sources as taxation. The unanswered question is whether a service charge can be made by council which can be a source of money to carry out sewer, water, and other types of services which would not conflict with taxation limitations in the Home Rule Act. If it is permissible to levy service charges to provide services and this is not classed as taxes, then this could open a wide range of revenue sources for both cities and counties.

D. A business license similar to the license now used by municipalities may be imposed by Council. This has the possibility of producing much revenue, but also much political clamor and should be carefully considered from numerous angles, such as:

- (a) Rates to be used and method of calculations as applied to different businesses;
- (b) Effect on municipal license collection; and
- (c) Relationship to property tax.

Fortunately, our Home Rule Act places very few restrictions on this source of money. Thus this will probably be one of the first areas to be explored by counties.

E. Franchises may be required which usually carry the right to make a charge —

1. Telephone and electric utilities are exempt, hence not very much is left to franchise except TV cables. Cable TV franchises generally yield four to six percent on gross receipts. One of the problems with not being able to franchise and use that as a money source is that the power to create regulatory rules and regulations that go with franchising is usually not available to county governments.

F. Audit of annual operational and capital budgets is just a continuation and nothing really new.

1. Some details of the budget are given; however, sources of revenue must be given and enough taxes levied to make sure the budget is balanced.

G. Provision is made for an annual audit — this is an actual requirement.

H. Provision is made for centralized purchasing — this function could be assigned to some officials.

In addition to the matters outlined above, each form of government

spells out who shall have the responsibility for preparation of the budget, reporting of financial information to Council, and supervising the expenditure of funds. Presently, in many counties no specific authority is given to any official to prepare a budget. The officials responsible under the Home Rule Act are the supervisor, the administrator, and the manager, depending upon the form of government.

The Auditor and Treasurer shall be elected in the general election, except Council may choose to appoint them under the Council-Manager Form. (This might be compared with winner of the primary being appointed by the Governor. Because of the two-party politics, some counties already have changed to direct election).

An innovation for South Carolina permits the voters to initiate action to vote on a bond issue previously approved by Council. The voters can cancel the action of the Council. This may be democratic, but it could play havoc with plans for the county, especially if bond funds are to be used to match federal monies available, but on a fixed time limit. (14-3791).

WHAT DOES THE NEW LAW DO?

1. It demands a system of order — budgets, audits, centralized purchasing.
2. It allows the county to finance a broad range of activities.
3. It permits the levying of taxes and the fixing of service charges according to benefit received.
4. It permits new sources of revenue: business licenses and service charges.
5. It provides for citizen participation:
 - (a) Budget hearing
 - (b) Initiative on bond questions
 - (c) Setting up of tax districts
 - (d) Election of Auditor and Treasurer in most situations.
6. It leaves open some major decisions on the final control of school taxes in some areas — these must be analyzed county by county.
7. It leaves open the basic philosophy of law to construct a business license program so that a fair yield is required from the various types of businesses.

Two things that will probably come from home rule are:

1. Historically, whenever home rule has come into being in the respective states there has been a trend for the state legislature to begin to withdraw itself as a fund source. We may already be seeing some of this in South Carolina. Last year the shared revenue sources which are available to both cities and counties were frozen at the previous year levels by the state legislature. Already there is talk of unfreezing it and lowering the levels.
2. Local governments will probably be eligible for more federal funds because of the legal base which now permits those funds to be tapped.

CITY COUNCIL CAN:

- A. It is expressly provided in the new law that municipalities adopting the Council-Manager or Mayor-Council format have an annual formalized budget. The intent of the law would seem to require budgets for all towns, but that is not clearly stated in the law.
 1. Following standard budgetary processes should:
 - (a) Aid in better analyzing benefits received from expenditures;
 - (b) Assist in planning future demands; and
 - (c) Let citizens see how tax dollar is spent.

Home rule is the vehicle that is going to open the door to more citizen participation in local government in South Carolina. These legal requirements about budgeting, public hearings, and so on make it certain that there will be greater citizen involvement in the processes of fiscal affairs.

- B. The articles and chapters dealing with the general and special forms of government and fiscal aspects relating thereto are repealed. This is still a murky area for counties.
- C. Municipal courts may fix fines not to exceed \$200.00 (increase of \$100.00).
- D. An annual audit shall be made and the Auditor may be appointed for a period not to exceed four (4) years (one (1) year maximum in counties).
- E. Business licensing provides for the licensing of wholesale dealers located outside the municipality.

Here is a provision that allows cities to go beyond their boundaries and impose a license fee on wholesale businesses located in the county. This will become a serious problem as counties also get into the business of licensing, and no doubt the County and Municipal Association leaders will get together to work on this one.

HOW DO OUR CITIES AND COUNTIES UNDER HOME RULE MEASURE-UP TO THE LONG-STANDING NATIONAL MODELS ON LOCAL GOVERNMENT FINANCE?

A comparison of major powers shows the following pattern:

	COUNTY		CITY	
	Nat'l. Model	Home Rule	Nat'l. Model	Home Rule
1. To levy taxes and make appropriations for broad as opposed to ordinary purposes.....	X	X	X	X
2. To provide a uniform <i>ad valorem</i> property tax assessment system	X	X	X	X
3. To provide for collection, receipt, taking care of, allocation, and spending of funds	X	X ⁰	X	X
4. To borrow money in anticipation of taxes	X	X ¹	X	X
5. To issue bonds	X	X ²	X	X
6. To prescribe methods of budgeting, reporting, and accounting for County officers, agencies, departments, commissions, boards, etc.	X	X ³	X	X
7. To establish policies and procedures for both revenue and general bonded indebtedness and the management thereof	X	X	X	X
8. To provide for special assessments for service districts	X	X ⁴	X	—
9. To enter into bilateral or multilateral contracts with other governments to perform authorized services and/or activities and pay costs incurred	X	X	X	X

	COUNTY		CITY	
	Nat'l. Model	Home Rule	Nat'l. Model	Home Rule
10. To provide for an independent audit	X	X ⁵	X	X
11. To provide for centralized purchasing and storage system	X	X	X	X
12. To provide for the fiscal year (July 1 thru June 30)	X	X	X	X ¹
13. To provide for lapse funds and policies and procedures relating thereto	X	—	X	—
14. To provide a system of fees and service charges for the performance of ordinary services	X	X	X	X
15. To provide for payment of past debts	X	X ⁶	X	X
16. To approve budget requests for boards, agencies, commissions, subject to general tax levy	X	X ⁷	X	—
17. To provide for bonding of officers	X	X ⁸	X	X
18. To provide for compensation of elected or appointed officials	X	X ⁹	X	X
19. To provide for occupational (business) licenses	X	X	X	X
20. To provide for franchises including making of charges.....	X	X	X	X
21. To permit voter initiation of action on bond issues previously approved	—	X	—	X
22. To provide for citizen participation in various financial activities	X	X	X	X
23. To provide monetary penalties for ordinance violations	X	X ¹⁰	X	X ²
24. To provide payment by state for use of local government personnel, facilities or equipment	—	X	—	X

	COUNTY		CITY	
	Nat'l. Model	Home Rule	Nat'l. Model	Home Rule
25. To require a balanced budget	X	X	X	-
26. To require system of fund allotments	X	-	X	-
27. To set debt limits	X	-	X	-

Source of Material:

National Model:

City — National Municipal League
 County — Nat'l. Assoc. of Counties

⁰Unclear

¹Unclear

²Limited

³Limited

⁴Limited

⁵Limited

⁶Limited

⁷Limited

⁸Limited

⁹Limited

¹⁰\$100.00 max.

¹Optional

²\$200 max.

Home Rule:

Act to amend Title 47, Code of Laws of South Carolina approved June 25, 1975

NOTE: The Board of Commissioners Form has too many financial exceptions to mention.

Our legislature did an outstanding job, for the first round. There is a tremendous number of questions remaining about the fund sources, the structuring of those sources, overlapping areas, but at least the key functions in the area of finance were addressed in our Home Rule bill.

Counties are generally given more control in the finance area, but not anywhere near the degree of that given to cities. In most of the key finance areas, there are still purse-string restrictions on the counties which hamstring the carrying out of full financial operations. For instance, one basic provision of financial control is the authority of a governing body to levy and collect taxes, make provision for investment of those funds and account for them. In many instances that authority is still divided between an elected treasurer and a county council which is the budget-making and spending body. Less than perfect cooperation between these two parties will cause financial problems for a county.

FINALLY, HOW DO OUR LOCAL GOVERNMENTS IN THE CENTRAL MIDLANDS AREA OF SOUTH CAROLINA COMPARE IN THE BASIC TOOLS OF FINANCIAL MANAGEMENT UNDER HOME RULE?

COUNTIES

	Budget	Audit	Rules	Book- Keep.	Mo. Rept.	Cap. Imp.	Finan. Ofcr.
Lexington.....	Yes	Yes	No	Yes	Yes	No	Yes
Fairfield.....	Yes	Yes	No	Yes	Yes	No	No
Newberry.....	Yes	Yes	No	Yes	Yes	No	No
Richland.....	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Columbia.....	Yes	Yes	Yes	Yes	Yes	Yes	Yes
W. Columbia.....	No	Yes	No	Yes	Yes	No	Yes
Forest Acres.....	Yes	Yes	Yes	Yes	No	No	Yes
Newberry.....	Yes	Yes	No	Yes	Yes	Yes	Yes
Batesburg.....	Yes	Yes	No	Yes	No	No	Yes
Winnsboro.....	Yes	Yes	No	Yes	Yes	Yes	Yes
Cayce.....	Yes	Yes	Yes	Yes	Yes	Yes	Yes

HOW FAR MUST YOUR LOCAL GOVERNMENT TRAVEL TO CATCH-UP WITH HOME RULE IN 1975?