COMMITTEE REPORT

April 6, 2016

**S. 1166**

Introduced by Senators Leatherman, Setzler, Allen, J. Matthews, Jackson, M.B. Matthews, Malloy, Lourie, Williams, Sheheen, Nicholson, Johnson, Scott, Sabb, Hutto and Kimpson

S. Printed 4/6/16--S.

Read the first time March 10, 2016.

**THE COMMITTEE ON FINANCE**

To whom was referred a Joint Resolution (S. 1166) to provide for annual installment payments by South Carolina State University on outstanding loans made to the University by the State of South Carolina and liabilities, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Fiscal Impact Summary**

This bill potentially reduces South Carolina State University’s current outstanding debt service obligations of $6,280,934 by up to $3,434,400 total if the university operates without an operating budget deficit every year through FY 2019-20. Simultaneously, this bill potentially reduces revenue to the State, by the same $3,434,400, for the debt repayment obligations relieved pursuant to this bill. Additionally, this bill would reduce general fund expenditures by $1,362,290 and other fund expenditures by $937,710 each year beginning FY 2016-17 and ending FY 2021-22 if South Carolina State University institutes a twenty day mandatory employee furlough program. This fiscal impact statement is updated to reflect a revised analysis based on information provided subsequent to our original statement dated March 24, 2016.

**Explanation of Fiscal Impact**

**State Expenditure**

This bill relieves $1,000,000 of South Carolina State University’s (SCSU) outstanding debt for each year the university operates without an operating budget deficit. In years in which loan principal is forgiven, the next year’s installment payment shall be proportionately reduced. The new payment amount will be calculated by the Executive Budget Office and provided to SCSU on or before July 30th each year. Additionally, this bill allows the institution to implement a mandatory employee furlough of up to twenty days in each fiscal year. The furlough option is available beginning with FY 2016-17 and ending with FY 2021-22.

**South Carolina State University.** A review of the university’s current outstanding debt obligations referenced in Section 1 of this bill indicates accrued debt from indirect cost recoveries, pursuant to Section 2-65-70, will total $741,778 at the end of FY 2015-16. Outstanding debt obligations also include an interagency loan of $6,000,000 approved by the Budget and Control Board on April, 30 2014. A loan repayment schedule extends the due date of this loan to June 30, 2020, and requires the first annual payment of $355,036 be made by June 30, 2016. Total principal and interest payments by SCSU based on this schedule would total $6,280,934 by June 30, 2020, before any reduction specified in this bill.

This bill does not affect the transfer of up to $12,000,000 that was certified by the South Carolina State Blue Ribbon Advisory Committee, approved by the Joint Bond Review Committee, and subsequently sourced from the Contingency Reserve Fund by the Budget and Control Board at a meeting on December 8, 2014. Since the funds were transferred from the Contingency Reserve Fund without any repayment requirements, these transferred funds are not considered a debt service obligation for this analysis.

Given that Section 3 of this legislation allows a proportional reduction of outstanding debt obligations for each fiscal year that the university ends without an operating deficit, the annual repayment obligations for the $6,000,000 loan and the indirect cost recoveries may be reduced over time. A preliminary analysis provided by Senate Finance Committee staff and SCSU suggests that up to $3,434,400 of outstanding principal and interest obligations may be relieved through this legislation if SCSU ends each fiscal year without an operating budget deficit. This will reduce SCSU debt service repayment obligations to the State.

Furthermore, the university indicates this bill will result in a savings of $115,000 per day of a mandatory employee furlough. These savings would decrease general fund expenditures by $69,000 and other fund expenditures by $46,000 for each day a furlough is instituted. The furlough will allow the university to reduce general fund and other fund personnel expenditures by a maximum of $1,362,290 and $937,710 per year, respectively, for a total of $2,300,000 if the furlough is implemented for the maximum twenty days.

**The Department of Administration.** The Department of Administration indicates this bill will have no expenditure impact on the general fund, federal funds, or other funds.

**State Reve**n**ue**

This bill will reduce SCSU’s debt repayment obligations to the State for the $6,000,000 loan and the indirect cost recoveries. The reduction in principal and interest payments to the State by SCSU may total up to $3,434,400 through FY 2019-20 if SCSU ends each fiscal year without an operating budget deficit.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **JOINT RESOLUTION**

TO PROVIDE FOR ANNUAL INSTALLMENT PAYMENTS BY SOUTH CAROLINA STATE UNIVERSITY ON OUTSTANDING LOANS MADE TO THE UNIVERSITY BY THE STATE OF SOUTH CAROLINA AND LIABILITIES INCURRED PURSUANT TO SECTION 2‑65‑70, TO PROVIDE FOR WHEN THE INSTALLMENT PAYMENTS ARE DUE, TO PROVIDE FOR THE AMOUNT OF THE INSTALLMENT PAYMENTS, TO PROVIDE FOR A PROCESS THROUGH WHICH THE DEBT INCURRED MAY BE RELIEVED, AND TO EXTEND FLEXIBILITY RELATED TO FURLOUGHS AS PROVIDED IN ACT 120 OF 2015.

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

PART I

Debt Restructuring

SECTION 1. South Carolina State University shall make annual installment payments to the State of South Carolina to retire the debt incurred by the university pursuant to Proviso 19.2, Part IB, of Act 286 of 2014, Proviso 19.4, Part IB, of Act 91 of 2015, the Budget and Control Board April 30, 2014 loan, and outstanding liabilities incurred by the University pursuant to Section 2‑65‑70 as of December 31, 2015. Any repayment terms on any of the debt identified in this SECTION contrary to the provisions in this act are null and void.

SECTION 2. Installment payments shall be due on June 30th each year, beginning June 30, 2016, until the outstanding debt is satisfied.

SECTION 3. The installment payment due on June 30, 2016 shall be $355,036.00. Subsequent installment payments shall be $355,036.00 unless the outstanding principal amount of the debt is reduced pursuant to SECTION 4. In the event of a reduction in the outstanding principal amount, the preceding year’s installment payment shall be proportionately reduced. The Executive Budget Office shall calculate the amount of each installment payment and provide the University with that amount on or before July 30th each year.

SECTION 4. The State of South Carolina shall relieve one million dollars of the university’s outstanding debt identified in SECTION 1 for each fiscal year that the university ends without an operating budget deficit as certified by the Executive Budget Office.

PART II

Furlough Authority Extension

SECTION 5. (A) Notwithstanding any other provision of law, beginning in Fiscal Year 2016‑2017 and ending Fiscal Year 2021‑2022, the agency head of South Carolina State University may institute a mandatory employee furlough program of not more than twenty working days in each fiscal year. The program must meet the requirements provided in subsection (B).

(B) The furlough must be inclusive of all employees of the university or within a designated department or program regardless of source of funds, place of work, or tenure status, and must include employees in classified positions and unclassified positions in the designated area. A furlough program also may be implemented by pay band for classified employees and by pay rate for unclassified employees. Law enforcement employees, employees who provide direct patient or client care, and front‑line employees who deliver direct customer services may be exempted from a mandatory furlough. If the furlough includes the entire university, the furlough must include the agency head. Scheduling of furlough days, or portions of days, shall be at the discretion of the university, but under no circumstances shall the university close completely. If an employee participates in a voluntary furlough program from Fiscal Year 2016‑2017 through Fiscal Year 2021‑2022, the furlough days taken voluntarily must count toward the furlough days required by the mandatory furlough authorized in this section. During this furlough, affected employees shall be entitled to participate in the same state benefits as otherwise available to them except for receiving their salaries. As to those benefits which require employer and employee contributions, including, but not limited to, contributions to the South Carolina Retirement System or the optional retirement program, the university will be responsible for making both employer and employee contributions during the time of the furlough if coverage would otherwise be interrupted; and as to those benefits which require only employee contributions, the employee remains solely responsible for making those contributions. Placement of an employee on furlough under this provision does not constitute a grievance or appeal under the State Employee Grievance Procedure Act. The university may allocate the employee’s reduction in pay over the balance of the fiscal year for payroll purposes regardless of the pay period within which the furlough occurs. The university is encouraged to consult the State Division of Human Resources of the Budget and Control Board in the development of the furlough plan to ensure that the plan meets the requirements of this section. The university shall report information regarding furloughs to the State Division of Human Resources as requested.

SECTION 6. This joint resolution takes effect upon approval by the Governor.

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