



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0497	Introduced on February 12, 2019
Author:	Rice	
Subject:	Local Fee Imposition	
Requestor:	Senate Finance	
RFA Analyst(s):	Miller	
Impact Date:	January 28, 2020	

Fiscal Impact Summary

This bill will result in an undetermined loss of local stormwater fee revenue because the loss will vary for each local governing body. For those local governing bodies that currently do not collect stormwater fees, there is no expected impact. Based on responses provided by three municipalities, those local governing bodies that collect stormwater fees, either a flat fee or a fee based on stormwater system usage, the loss will range from less than 12 percent to more than 50 percent of total stormwater fees, or from \$223,103 to \$1,805,841. This loss ranges from less than 1 percent to 3 percent of total local revenues for those three entities. However, a local governing body may offset losses with an increase in millage rate, within the parameters of the millage rate increase limitations.

Explanation of Fiscal Impact

Introduced on February 12, 2019

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

This bill limits a local governing body's ability to charge a stormwater fee on a parcel of real property to fifteen percent of the amount of ad valorem taxes levied in the prior year by that local governing body.

Currently, §6-1-330 outlines the rights and limitations of local fees including a limitation that local governing bodies of counties may not charge a fee for a stormwater control program on agricultural lands, forestlands, or undeveloped lands unless allowed to do so by the Stormwater Management and Sediment Reduction Act. Additionally, Regulation 72-310 outlines the criteria for implementing stormwater utilities. This includes a criterion that charges must be reasonable and equitable so that each user of the stormwater system pays relative to the usage of the stormwater system, and that the charges bear a substantial relationship to the cost of the service.

This bill will require stormwater fees to be set based on ad valorem taxes levied in the prior year by the local governing body.

Revenue and Fiscal Affairs contacted the South Carolina Association of Counties (SCAC) and the Municipal Association of South Carolina (MASC) to determine the various counties and municipalities in the state that currently charge stormwater fees. The three most common stormwater utility charges are an additional millage rate, a flat fee, and a fee based on stormwater system usage. Based on the responses provided, those entities that collect stormwater fee revenue through a millage will not be impacted. However, those entities that apply a flat fee and those that apply a fee based on stormwater system usage will experience a loss of stormwater fee revenue because of this bill. This loss may be offset by an increase in millage rates, to the extent available within the millage rate increase limitations. The largest loss of revenue is expected to stem from tax exempt properties such as schools and churches, especially for those entities that currently use a methodology for the fee related to the stormwater system usage.

Additionally, of the nineteen counties that responded to SCAC's survey, the following counties charge non-residential properties based on the amount of impervious surface: Aiken, Charleston, Dorchester, Georgetown, Greenville, Horry, Lancaster, and Sumter. This calculation does not always correlate to the assessed value of the property, and therefore, is more likely to result in a loss of revenue due to this bill. However, the revenue loss is undetermined, due to the various stormwater fees charged in each county.

Additionally, municipalities that charge stormwater fees anticipate a loss of revenue due to the inability to charge fees for tax exempt properties and from non-residential properties with high levels of impervious surface. The revenue loss will vary among the municipalities. Only a few municipalities were able to estimate the loss at this time. The revenue loss ranges from 52.19 percent to 12.23 percent of total stormwater fees or 0.37 percent to 3.24 percent of total local revenues. The following are specific responses from some of the municipalities. The city of Greenville estimated a loss of \$1,805,841 or 29 percent of its total stormwater fees. Port Royal estimates a loss of \$223,103 or 52 percent of its total stormwater fees. Hilton Head Island estimates a loss of \$627,426, or 12 percent of its total stormwater fees. The stormwater fee revenue loss totals 1 percent, 3 percent, and less than 1 percent of total local revenues for Greenville, Port Royal, and Hilton Head Island, respectively.

Also, Mount Pleasant expressed concern that the loss of revenue could result in an inability to receive funding from the State Revolving Fund (SRF). SRF is a program that provides low interest rate loans for building and repairing wastewater and drinking water plants. Without stormwater fee revenue, the town may not have sufficient revenue to maintain the required debt ratios to receive SRF. Therefore, this bill could result in additional revenue loss for the municipality.

Not all local governing bodies currently charge a stormwater fee. However, this bill may preclude those municipalities and special purpose districts that currently do not collect ad valorem tax from implementing a stormwater fee. Revenue and Fiscal Affairs is not aware of any local governing body that currently charges a stormwater fee but does not charge property taxes.

In summary, this bill is expected to result in the loss of fee revenue for those local governing bodies that currently have a stormwater fee. The loss will vary, dependent upon how current stormwater fees are undetermined. However, a local governing body may offset losses with an increase in millage rate, within the parameters of the millage rate increase limitations.



Frank A. Rainwater, Executive Director