



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	H. 4287	Amended by House Ways and Means on March 27, 2019
Author:	Lucas	
Subject:	Offers to Purchase Assets	
Requestor:	House Ways and Means	
RFA Analyst(s):	Gallagher and Miller	
Impact Date:	April 3, 2019	

Fiscal Impact Summary

This bill will increase General Fund expenditures by \$2,500,000 for the General Assembly in FY 2019-20, as a result of hiring legal and technical experts to evaluate, negotiate, and receive a best price offer for the sale of the Public Service Authority (PSA).

This fiscal impact is pending, contingent upon a response from PSA.

Explanation of Fiscal Impact

Amended by House Ways and Means on March 27, 2019

State Expenditure

The Public Service Authority Evaluation and Recommendation Committee (Committee), through the February 27, 2019 vote, is authorized to receive necessary information to evaluate current bids and receive a final written contractual offer for the purchase of part or all of PSA. This final offer must be determined to be in the best interest of the State and its taxpayers and ratepayers. Further, the Committee is tasked with submitting this offer to the General Assembly for approval. This bill recommends that any offer the Committee provides to the General Assembly include that:

- final approval of the contract is contingent upon approval by the General Assembly;
- the State and purchaser will comply with the obligations and covenants enumerated in Section 58-31-360, which dictate rate and charge obligations of PSA as well as protection provisions of those acquiring notes, bonds, and evidences of indebtedness of PSA;
- the purchaser agrees to provide long term resource planning and a diversified generation portfolio to prevent long term rate fluctuations;
- the purchaser agrees to provide suitable and reasonable protections to PSA employees and retirees;
- the proposed location for the purchaser's headquarters;
- the purchaser agrees to comply with federal and state environmental protections regarding the recreational assets of PSA, and maintain their present condition, quality, and accessibility; and
- the purchaser agrees to partner with the State for future economic development projects.

This bill permits the Committee to hire professional services to evaluate and negotiate on behalf of the Committee with qualified bidders. The evaluation of bids is required to include the following criteria:

- how the purchaser intends to resolve the debt repayment of the two abandoned reactors and how this proposed resolution would impact rates;
- how the aforementioned proposal may impact PSA's contract with Central Energy;
- the coordination with PSA for the provision of necessary documents so that the Committee can effectively evaluate proposals; and
- an assessment of the impact of these proposals on PSA bond covenants, as well as a recommendation as to whether bond counsel should be retained to analyze those bond covenants.

Following these negotiations and the Committee's determination of a best and final offer, the co-chairmen of the Committee will submit an estimate of the expenses associated with hiring the necessary experts to carry out the obligations of this bill to the Chairman of the House Ways and Means Committee and the Chairman of the Senate Finance Committee. The co-chairmen is also tasked with notifying the Speaker of the House of Representatives and the President of the Senate of their decision in writing, along with a copy of the contract and all supporting documents. If the General Assembly is in regular session when this notification is provided, it is required to remain in session until a decision regarding the contract has been made. If the General Assembly is not in regular session, the General Assembly is required to return in statewide session at the call of the Governor upon receipt of the Committees recommendation.

If the contract is approved by both bodies, the Governor and any other appropriate officials will sign the contract of sale on behalf of the State and execute the deeds and any other necessary documents upon the closing of the sale. Net proceeds from the sale will be deposited in the General Fund, pending further action by the General Assembly.

The House of Representatives and the Senate. The Committee, consisting of 4 members from the House of Representatives, 4 members from the Senate, and 1 member appointed by the Governor, is authorized to receive the information needed to evaluate the current bids and receive a best and final written contractual offer to purchase assets and assume or satisfy all liabilities of PSA upon those terms and conditions as the Committee considers in the best interest of the State, and its taxpayers and ratepayers, after considering all other offers.

The bill outlines what the Committee should consider when reviewing offers. The Committee shall hire expert legal and technical experts to negotiate with qualified bidders on behalf of the Committee. The Clerk of the House of Representatives estimates the General Assembly's expenditures will increase by at least \$2,500,000 for the Committee to evaluate, negotiate, and receive a best and final written contractual offer. Therefore, this bill will increase non-recurring General Fund expenditures by \$2,500,000 for the General Assembly in FY 2019-20.

Public Service Authority. This bill would require PSA to provide necessary information and documentation to the Committee, for the effective evaluation of proposals. PSA has indicated this will result in an expenditure increase to the agency due to the technical nature of the

information, however PSA needs additional time to determine the fiscal impact. As such, the expenditure impact is pending, contingent upon a response from PSA.

State Revenue

This bill permits the Committee to negotiate, evaluate, and propose a contract of sale for PSA. Following approval by the Senate and House of Representatives, the Governor and any other appropriate officials will sign the contract of sale on behalf of the State and execute the deeds and any other necessary documents upon the closing of the sale. Net proceeds from the sale will be deposited in the General Fund, pending further action by the General Assembly.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director