



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
(803)734-0640 • RFA.SC.GOV/IMPACTS

| | | |
|------------------------|----------------|--------------------------------------------|
| Bill Number: | S. 0678 | Amended by Senate Finance on April 2, 2019 |
| Author: | Peeler | |
| Subject: | Santee Cooper | |
| Requestor: | Senate Finance | |
| RFA Analyst(s): | Gallagher | |
| Impact Date: | April 3, 2019 | |

Fiscal Impact Summary

This bill will not have a fiscal impact on the State Fiscal Accountability Authority's (SFAA) General Fund, Other Funds, or Federal Funds, as it does not operationally or fiscally impact the agency.

The implementation of this bill will increase General Fund expenditures by an undetermined amount for the Department of Administration (Admin) in FY 2019-20. As a result of this bill, Admin will need to procure professional services, which will likely be a significant expense. However, Admin is unable to estimate these expenses due to the complex nature of the transaction required by this bill and multiple undetermined cost variables.

This fiscal impact is pending, contingent upon a response from the Public Service Authority (PSA).

Explanation of Fiscal Impact

Amended by Senate Finance on April 2, 2019

State Expenditure

This bill requires Admin to conduct a competitive bidding process for the sale of part or all of PSA. The department is permitted to procure professional services as needed to conduct the sale, with the assistance of SFAA's Procurement Services Division. PSA is required to provide any resources necessary to conduct the bidding process and evaluation of bids, including the Evaluation and Recommendation Committee's work product. Admin is tasked with completing a thorough evaluation of all bids received through the competitive bidding process. When evaluating each bid, Admin must consider the bidders:

- financial capability;
- complete defeasement of PSA's bonds and other debts;
- agreement to provide short and long term rate relief to customers;
- provision of reasonable protections to PSA employees and retirees, in a manner that would not impact the state's pension system liability or retiree health insurance coverage liability;
- proposed location for its headquarters;

- agreement to comply with federal and state environmental protections regarding the recreational assets of PSA, and maintain their present condition, quality, and accessibility; and
- agreement to partner with the State for future economic development projects.

Following the evaluation of bids, Admin is required to present the Chairman of the Senate Finance Committee and the House of Representatives Ways and Means Committee with its full evaluation of each bid and recommendation for a proposed purchaser. Admin must also provide justification for its recommendation, a proposed contract to execute the sale, and any supporting documents.

Upon receipt of Admin's recommendation, the Finance Committee and the Ways and Means Committee will meet to review and make a recommendation regarding the proposed sale. The President of the Senate and the Speaker of the House of Representatives will then convene their respective bodies to consider any legislation concerning the sale. Following a Joint Resolution approving the sale, Admin is tasked with executing the proposed contract. Net proceeds from the sale will be deposited in the State Retirement Systems Group Trust.

This bill will not have an expenditure impact on SFAA, as this bill does not operationally or fiscally impact the agency. The bill will result in an expenditure increase to Admin's General Fund in FY 2019-20. As a result of this bill, Admin will procure consultants across numerous fields, including financial, legal, and industry specific. The cumulative cost for these consultants is likely to be significant, with Admin anticipating that it may be several million dollars. However, due to the complex nature of the transaction required by this bill the estimate is undetermined. Further, there are multiple undetermined cost variables present, such as the potential for real estate transaction costs and fees, as well as the potential for additional legal costs due to lawsuits arising from the sale of PSA. The department assumes that any entity hired for the primary responsibility of selling PSA will collect their fees from sales proceeds.

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

State Revenue

This bill requires Admin to conduct a competitive bidding process for the sale of part or all of PSA. Following a Joint Resolution approving the sale and the execution of the proposed contract, any net proceeds will be deposited in the State Retirement Systems Group Trust.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director