



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**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 19, 2019 Updated for Additional Agency Response

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### **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.

Depending on the number of bidders and financial scale of the sale, this bill will increase the Public Service Authority's (PSA) expenses by a range of \$1,175,000 - \$1,800,000 to provide necessary resources to Admin for the sale of PSA. Subsequent to a sale, PSA anticipates they will also expend an additional \$5,00,000 - \$10,000,000 in relation to the Board of Directors fulfilling their fiduciary duties. This fiscal impact has been updated, following a response from PSA.

### **Explanation of Fiscal Impact**

**Updated for Additional Agency Response on April 19, 2019**  
**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. 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.

**State Fiscal Accountability Authority.** This bill tasks SFAA with assisting Admin in procuring professional services to conduct the sale of PSA. This bill will not have an expenditure impact on SFAA, as this bill does not operationally or fiscally impact the agency.

**Department of Administration.** 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.

**Public Service Authority.** This bill requires PSA to provide any resources necessary to conduct the bidding process and evaluation of bids, including the Evaluation and Recommendation Committee's work product. This bill will result in an expenditure increase for PSA. Depending on the number of bidders and the financial scale of the sale, PSA anticipates it will expend between \$1,175,000 and \$1,800,000 to provide necessary resources to Admin. Of these funds, \$200,000 will be used to maintain a data room for prospective bidders to utilize, between \$675,000 and \$1,000,000 will be utilized for financial consultancy and legal counsel when answering technical questions and providing technical documentation, and between \$300,000 and \$600,000 will be used for a utility consultant. This estimate assumes PSA will assist in the initial bid process, similar to its role in the Request for Expressions of Interest study by ICF, that PSA will meet with prospective buyers and provide extensive information so that they can formulate their bid, and that four bids are evaluated with full bond defeasance.

Subsequent to a sale, PSA anticipates they will also expend between \$5,000,000 and \$10,000,000 for the Board of Directors to adequately fulfill their fiduciary duties. These duties will include the fulfillment of contractual obligations and bond holder agreements, in an effort to meet best interest obligations. This fiscal impact has been updated, following 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

**Amended by Senate Finance on April 2, 2019**

**State Expenditure**

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- 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.

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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



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Frank A. Rainwater, Executive Director