



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 4145    Introduced on March 14, 2023  
**Author:** Murphy  
**Subject:** Redevelopment Fees  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Tipton  
**Impact Date:** April 27, 2023

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### **Fiscal Impact Summary**

This bill removes the provision limiting redevelopment fees remitted by the Department of Revenue (DOR) to redevelopment authorities of closed or realigned federal installations, which are currently limited to the amount remitted in FY 2014-15, and removes the January 1, 2028, sunset provision. The bill also eliminates a revenue sharing requirement of the Charleston Naval Complex Redevelopment Authority.

This bill will have no expenditure impact on DOR, as the agency indicates the requirements of the bill can be accomplished with existing staff and resources.

This bill will decrease General Fund withholding tax revenue by approximately \$3,275,000 beginning in FY 2023-24 through FY 2026-27 due to the elimination of the cap. The bill will also decrease revenue by approximately \$8,617,000 in FY 2027-28 and \$13,960,000 in each year thereafter by eliminating the sunset provision.

Additionally, this bill will decrease Other Funds revenue by approximately \$1,137,000 for the Palmetto Railways Division of the Department of Commerce (Commerce) and by \$17,300 for the SC State Ports Authority (SPA) beginning in FY 2023-24, as a result of the removal of the revenue sharing requirement and allow the Charleston Naval Complex Redevelopment Authority to retain the total estimated fees of \$9,415,000.

### **Explanation of Fiscal Impact**

#### **Introduced on March 14, 2023**

#### **State Expenditure**

This bill removes the provision limiting redevelopment fees remitted by DOR to redevelopment authorities of closed or realigned federal installations, which are currently limited to the amount remitted in FY 2014-15, and removes the January 1, 2028, sunset provision. The bill also eliminates a revenue sharing requirement of the Charleston Naval Complex Redevelopment Authority.

DOR indicates that the requirements of this bill will be handled with existing staff and resources. Therefore, this bill will have no expenditure impact on the agency.

## State Revenue

This bill removes the provision limiting redevelopment fees remitted by DOR to redevelopment authorities of closed or realigned federal installations, which are currently limited to the amount remitted in FY 2014-15, and removes the January 1, 2028, sunset provision. Under Section 12-10-88, redevelopment fees are state individual income tax withholdings revenue equal to 5 percent of all South Carolina wages paid to federal employees at the applicable closed or realigned installation and are to be remitted by DOR to the applicable redevelopment authority quarterly. Currently, these fees are capped at the amount remitted by DOR in FY 2014-15. The following table contains federal employee wage information provided by DOR for each applicable closed or realigned federal installation since FY 2019-20.

**Total Federal Wages Paid at Each Applicable Installation**

<b>Closed or Realigned Federal Installation</b>	<b>FY 2019-20</b>	<b>2020-21</b>	<b>FY 2021-22</b>
Charleston Naval Complex	\$197,543,001	\$193,773,352	\$184,703,619
Savannah River Site	\$38,158,619	\$43,488,599	\$51,353,015
Myrtle Beach Air Force Base	\$18,510,201	\$19,835,655	\$21,958,740

Source: Department of Revenue, April 21, 2023

Redevelopment authorities received redevelopment fees from General Fund withholdings revenue equal to 5 percent of these annual wages each year, subject to the existing cap. According to data provided by DOR, allocations to the redevelopment authorities located at the Charleston Naval Complex, the Savannah River Site, and the Myrtle Beach Air Force Base totaled \$10,685,120 in FY 2014-15, the basis for the statutory cap. Specifically, the Charleston Naval Complex received \$8,097,497, the Savannah River Site received \$1,925,713, and the Myrtle Beach Air Force Base received \$661,910. Since then, the total fees have reached the cap in every year except FY 2018-19 and FY 2019-20, when the fees totaled \$10,678,722 and \$10,667,339 respectively.

Based on this information as well as wage data from the first two quarters of FY 2022-23, we have estimated total federal wages for each location in FY 2023-24, upon which redevelopment fees will be calculated. Federal wages are estimated to total approximately \$188,300,000 at the Charleston Naval Complex, \$64,300,000 at the Savannah River Site, and \$26,600,000 at the Myrtle Beach Air Force Base in FY 2023-24. These wages are contingent upon the operational activities of federal agencies at each location, and may vary depending upon these operations. Redevelopment fees, equal to 5 percent of the total expected wages, absent the existing cap, will total approximately \$9,415,000 for the Charleston Naval Complex, \$3,215,000 for the Savannah River Site, and \$1,330,000 for the Myrtle Beach Air Force Base, for total fees of approximately \$13,960,000 in FY 2023-24. This represents a \$3,274,880 increase over the existing cap of \$10,685,120. Therefore, this bill will reduce General Fund withholding tax revenue by approximately \$3,275,000 beginning in FY 2023-24.

The bill will further decrease General Fund withholdings revenue beginning in FY 2027-28 as a result of the removal of the existing sunset provision. Under the existing sunset provision and

redevelopment fee cap, General Fund withholdings revenue of \$5,342,560 in FY 2027-28 for the period from January 1, 2028, to June 30, 2028, and \$10,685,120 in each fiscal year thereafter would become available. By removing the sunset provision along with the cap, this bill will further decrease General Fund withholding tax revenue by approximately \$8,617,000 in FY 2027-28 and \$13,960,000 in each year thereafter. This revenue reduction is contingent upon the total federal wages paid in a given year and may vary.

The bill also eliminates a revenue sharing requirement of the Charleston Naval Complex Redevelopment Authority. Currently, the authority is required to share the redevelopment fee revenue with other entities that own or control property in the Charleston Naval Complex on which federal employees work. The amount shared is based on the amount of property the entity owns in relation to the entirety of the complex on which federal wages are paid. These entities have included or currently include the City of North Charleston, the Palmetto Railways division of Commerce, and the SPA. The following table contains the revenue sharing expenditures of the Charleston Naval Complex Redevelopment Authority over the last three completed fiscal years, and to which entity the funds were allocated.

**Charleston Naval Complex RDA Revenue Sharing**

<b>Entity</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>
Palmetto Railways	\$941,629	\$991,735	\$1,060,555
State Ports Authority	\$25,682	\$25,615	\$16,333
City of North Charleston	\$2,982	-	-
<b>Total</b>	<b>\$970,293</b>	<b>\$1,017,350</b>	<b>\$1,076,888</b>

Source: Charleston Naval Complex Redevelopment Authority, April 25, 2023

Based on the data provided by the authority, revenue sharing expenditures have increased by 3.5 percent on average since FY 2019-20. By projecting this growth into FY 2023-24, we estimate approximately \$1,154,000 would be shared by the authority to the applicable entities in FY 2023-24 under current law. In FY 2021-22, approximately 98.5 percent of the revenue shared was remitted to the Palmetto Railways Division of Commerce and approximately 1.5 percent was remitted to the SPA. Therefore, this bill will reduce Other Funds revenue by approximately \$1,137,000 for the Palmetto Railways Division of Commerce and \$17,300 for the SPA beginning in FY 2023-24 and allow the Charleston Naval Complex Redevelopment Authority to retain the entirety of the redevelopment fees allocated to the authority, estimated to be \$9,415,000 beginning in FY 2023-24.

**Local Expenditure**

N/A

**Local Revenue**

N/A

Frank A. Rainwater, Executive Director