This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number:	S. 0002	Introduced on January 10, 2023
Author:	Setzler	
Subject:	Quasi-State Agencies	
Requestor:	Senate Finance	
RFA Analyst(s):	Miller	
Impact Date:	February 8, 2023	

Fiscal Impact Summary

This bill requires the Sente Finance Committee and the House Ways and Means Committee to provide fiscal accountability of each quasi-state agency and review each quasi-state agency at least every two years. This bill lists twelve quasi-state agencies. These agencies must submit financial and other agency related information to the committees every two years, or as often as the committees' request to assist in the reviews. The committees will provide a report based on findings from the reviews to the Senate Legislative Oversight Committee and the House Legislative Oversight Committee. Any concerns that arise may be forwarded to the State Inspector General for investigation after a vote of either committee. The Inspector General is granted the authority to complete an investigation. Additionally, if a quasi-state agency is authorized to issue revenue bonds, this bill requires that once outstanding revenue debt meets or exceeds 60 percent of debt capacity, any new issuance of debt must be reviewed by the Joint Bond Review Committee and the State Fiscal Accountability Authority (SFAA). SFAA must provide an annual report of all outstanding bonded indebtedness for each quasi-state agency to the General Assembly and the Joint Bond Review Committee.

The General Assembly, the Inspector General, and SFAA anticipate being able to manage any additional responsibilities of this bill within the normal course of business. Therefore, this bill will have no expenditure impact for the legislative bodies or these agencies.

The Revenue and Fiscal Affairs Office (RFA) contacted each of the quasi-state agency included in this bill. Based on the agencies' responses, the following anticipate being able to manage any additional reporting responsibilities with existing staff and within existing budgets and therefore will have no expenditure impact:

- the Charleston Naval Complex Redevelopment Authority,
- the Myrtle Beach Air Force Base Redevelopment Authority,
- the South Carolina Public Railways,
- the South Carolina Research Authority,
- the South Carolina Jobs-Economic Development Authority,
- the South Carolina Transportation Infrastructure Bank,
- The South Carolina State Ports Authority, and
- The South Carolina Lottery Commission.

However, the South Carolina Transportation Infrastructure Bank noted it may need to reallocate staff time in order to meet the reporting requirements of this bill. The agency may have to move some Other Funds expenses from operating expenses to personnel expenses, which may require an Other Funds authorization, depending on the amount that must be reallocated. The South Carolina State Ports Authority also noted that while it does not anticipate an immediate impact due to the increased oversight requirements of this bill, it may need to add an additional FTE to manage these additional responsibilities in the future.

Further, the South Carolina State Housing Finance and Development Authority anticipates needing to hire a part-time underwriter to assist with the reporting duties relative to bond issuance. The agency anticipates needing 0.5 FTE for an Accounting Fiscal Manager I with a salary of $26,180 and fringe of $15,084. Therefore, the agency anticipates this bill will increase expenses by $41,264 beginning in FY 2023-24. The agency indicated it will request an Other Funds authorization increase to cover these expenses.

Additionally, The South Carolina Public Service Authority (Santee Cooper) also anticipates an annual cost of $23,726 to manage the additional responsibilities of this bill, including $13,446 in labor costs and $10,280 for expenses associated with the Santee Cooper Bond Council and travel.

This fiscal impact on the remaining quasi-state agencies is pending, contingent upon a response from the Patriots Point Development Authority and the South Carolina Education Assistance Authority.

Further, the South Carolina Jobs-Economic Development Authority (JEDA) anticipates, based on prior experience, the process of reviewing bond issuance through SFAA will take longer and reduce the number of bonds issued annually; thereby, reducing the agency’s revenue. Before Act 80 of 2017, SFAA was tasked with oversight of bond issuances for JEDA, which was moved to the SC Coordinating Council for Economic Development by the act. The agency reports that issues with timing, interest rate risk, and increased issuance costs to borrowers impacted JEDA’s bond issuances under the prior oversight process. Bond issuances increased significantly following the act, from 14 bonds totaling approximately $396,000,000 annually for the 5 years prior to an average of 22 bonds totaling approximately $867,000,000 annually after the change. As JEDA primarily operates on fees from bond issuances, they anticipate that their operating revenues will decline by over $300,000 due to issuing fewer bonds.

Explanation of Fiscal Impact

Introduced on January 10, 2023
State Expenditure
This bill requires the Sente Finance Committee and the House Ways and Means Committee to provide fiscal accountability of each quasi-state agency and review each quasi-state agency at least every two years. Quasi-state agencies are defined as:

1. the Charleston Naval Complex Redevelopment Authority,
2. the Myrtle Beach Air Force Base Redevelopment Authority,

3. the Patriots Point Development Authority,
4. the South Carolina Education Assistance Authority,
5. the South Carolina State Housing Finance and Development Authority,
6. the South Carolina Jobs-Economic Development Authority,
7. the South Carolina Lottery Commission,
8. the South Carolina Public Railways,
9. the South Carolina Public Service Authority,
10. the South Carolina Research Authority,
11. the South Carolina State Ports Authority, and
12. the South Carolina Transportation Infrastructure Bank.

These agencies must submit financial and other agency related information to the committees every two years, or as often as the committees' request to assist in the reviews. The committees will provide a report based on findings from the reviews to the Senate Legislative Oversight Committee and the House Legislative Oversight Committee. Any concerns that arise may be forwarded to the State Inspector General for investigation after a vote of either committee. The Inspector General is granted the authority to complete an investigation.

Additionally, if a quasi-state agency is authorized to issue revenue bonds, this bill requires that once outstanding revenue debt meets or exceeds 60 percent of debt capacity, any new issuance of debt must be reviewed by the Joint Bond Review Committee and SFAA. SFAA must provide an annual report of all outstanding bonded indebtedness for each quasi-state agency to the General Assembly and the Joint Bond Review Committee.

House of Representatives and Senate. This bill requires the Sente Finance Committee and the House Ways and Means Committee to provide fiscal accountability of each quasi-state agency and review each quasi-state agency at least every two years. The committees will provide a report based on findings from the reviews to the Senate Legislative Oversight Committee and the House Legislative Oversight Committee. Additionally, if a quasi-state agency is authorized to issue revenue bonds, this bill requires that once outstanding revenue debt meets or exceeds 60 percent of debt capacity, any new issuance of debt must be reviewed by the Joint Bond Review Committee and SFAA. Both the House of Representatives and the Senate anticipate these additional oversight responsibilities can be managed with existing staff and within existing appropriations.

Inspector General. This bill grants the Inspector General the authority to complete an investigation on any quasi-state agency, based on concerns that may arise during legislative review. The agency anticipates being able to manage this responsibility within the normal course of business, and therefore, this bill will have no impact for the Inspector General.

State Fiscal Accountability Authority. This bill specifies that if a quasi-state agency is authorized to issue revenue bonds, once outstanding revenue debt meets or exceeds 60 percent of debt capacity, any new issuance of debt must be reviewed by the Joint Bond Review Committee and SFAA. SFAA must provide an annual report of all outstanding bonded indebtedness for each quasi-state agency to the General Assembly and the Joint Bond Review Committee. SFAA anticipates being able to manage these additional responsibilities within the normal course of business. Therefore, this bill will have no expenditure impact for SFAA.

Quasi-state Agencies. RFA contacted each of the quasi-state agency included in this bill. Based on the agencies' responses, the following anticipate being able to manage any additional reporting responsibilities with existing staff and within existing budgets and therefore will have no expenditure impact:

- the Charleston Naval Complex Redevelopment Authority,
- the Myrtle Beach Air Force Base Redevelopment Authority,
- the South Carolina Public Railways,
- the South Carolina Research Authority,
- the South Carolina Jobs-Economic Development Authority,
- the South Carolina Transportation Infrastructure Bank,
- The South Carolina State Ports Authority, and
- The South Carolina Lottery Commission.

However, the South Carolina Transportation Infrastructure Bank noted it may need to reallocate staff time to meet the reporting requirements of this bill. The agency may have to move some Other Funds expenses from operating expenses to personnel expenses, which may require an Other Funds authorization, depending on the amount that must be reallocated. The South Carolina State Ports Authority also noted that while it does not anticipate an immediate impact due to the increased oversight requirements of this bill, it may need to add an additional FTE to manage these additional responsibilities in the future.

Further, two agencies anticipate that this bill will have an expenditure impact. The South Carolina State Housing Finance and Development Authority anticipates needing to hire a part-time underwriter to assist with the reporting duties relative to bond issuance. The agency anticipates needing 0.5 FTE for an Accounting Fiscal Manager I with a salary of $26,180 and fringe of $15,084. Therefore, the agency anticipates this bill will increase expenses by $41,264 beginning in FY 2023-24. The agency indicated it will request an Other Funds authorization increase to cover these expenses. Additionally, Santee Cooper also anticipates an annual cost of $23,726 to manage the additional responsibilities of this bill, including $13,446 in labor costs and $10,280 for associated with the Santee Cooper Bond Council and travel.

This fiscal impact for the remaining quasi-state agencies is pending, contingent upon a response from the Patriots Point Development Authority and the South Carolina Education Assistance Authority.

State Revenue

This bill specifies that if a quasi-state agency is authorized to issue revenue bonds, once outstanding revenue debt meets or exceeds 60 percent of debt capacity, any new issuance of debt must be reviewed by the Joint Bond Review Committee and SFAA. JEDA anticipates this bill could have a significant impact on its revenues. Based on prior experience, the process of reviewing bond issuance through SFAA will take longer and reduce the number of bonds issued annually; thereby, reducing the agency's revenue. Before Act 80 of 2017, SFAA was tasked with oversight of bond issuances for JEDA, which was moved to the SC Coordinating Council for Economic Development by the act. The agency reports that issues with timing, interest rate risk, and increased issuance costs to borrowers impacted JEDA's bond issuances under the prior oversight process. Bond issuances increased significantly following the act, from 14 bonds totaling approximately $396,000,000 annually for the 5 years prior to an average of 22 bonds totaling approximately $867,000,000 annually after the change. As JEDA primarily operates on fees from bond issuances, they anticipate that their operating revenues will decline by over $300,000 due to issuing fewer bonds.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director

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