



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

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<b>Bill Number:</b>	H. 3021	Amended by Senate Judiciary on April 29, 2026
<b>Subject:</b>	Small Business Regulatory Freedom Act	
<b>Requestor:</b>	Senate Judiciary Subcommittee	
<b>RFA Analyst(s):</b>	Daigle	
<b>Impact Date:</b>	May 5, 2026	

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### Fiscal Impact Summary

This bill establishes the Small Business Regulatory Freedom Act, which creates a role for the Legislative Audit Council (LAC) within the existing regulatory review process. This bill requires the LAC to create a schedule in which each state agency must conduct a formal review of all regulations for which it has promulgated or for which it has been transferred the responsibility of administering by July 1, 2027, and every five to eight years thereafter. Currently, agencies are required to conduct a formal review of all regulations every five years and submit a report that identifies regulations for which the agency intends to begin the process to repeal or amend or to maintain the existing regulations to the Code Commissioner. This bill requires that this report also be submitted to the Director of the LAC. Annually, beginning January 1, 2028, the LAC must deliver a report of its findings and recommendations from the formal reviews to the standing committees of the Senate and House of Representatives that have jurisdiction over each respective agency's statutory authority.

Revenue and Fiscal Affairs (RFA) surveyed 18 regulation-promulgating agencies that have previously reported that changes to the regulatory review process may increase expenses in order to ascertain the fiscal impact of this bill as amended and received a response from 15 agencies. The Commission on Higher Education (CHE), the Department of Commerce (Commerce), the Department of Environmental Services (DES), the SC Department of Education (SCDE), the Department of Employment and Workforce (DEW), the Department of Labor, Licensing, and Regulation (LLR), the Department of Natural Resources (DNR), the Department of Public Health (DPH), the Department of Public Safety (DPS), the Department of Veterans' Affairs (DVA), the Election Commission, the Forestry Commission, the Jobs Economic Development Authority (JEDA), the Public Service Commission (PSC), and the Worker's Compensation Commission (WCC) indicate that any increase in workload due to this bill can be managed within existing resources and appropriations. Based on these responses, RFA anticipates that all regulation-promulgating agencies will be able to manage the requirements of this bill within existing resources and appropriations.

This bill creates new responsibilities for the LAC in order to conduct formal reviews of regulations. The LAC does not anticipate incurring costs associated with implementation of the bill in FY 2026-27. However, the LAC may need to hire additional staff to conduct the reviews and, therefore, may request additional General Fund appropriations in FY 2027-28 to cover such

personnel needs. LAC indicates that the potential increase in expenses for additional staff and personnel needs will depend on the increase in workload, which is unknown at the time.

Legislative Council (LC) indicates that this bill will increase expenses by at least approximately \$350,000 starting in FY 2026-27, including \$180,000 for salary and fringe for 1.0 FTE (Attorney), \$120,000 for salary and fringe for 2.0 FTEs (Administrative Professionals), and \$50,000 for additional printing and processing costs. Depending on the schedule established by the LAC, this bill could increase the number of regulations handled by Council. Assuming that Council would be involved in working considerably more closely with committee staff and with the staff of the LAC to ensure publication, deadlines, and other requirements of the APA and this bill are met, the bill would result in the need for additional FTEs, associated fringe benefits, and increased printing and processing costs as detailed under the State Expenditure Section below.

RFA anticipates that this bill may increase the number of final assessment reports that must be completed by the office and, therefore, increase expenses in order to either hire additional FTEs or contract for services to complete the required analyses. While this bill does not change the final assessment report requirements for the office, due to the expanded oversight by the LAC under this bill, RFA expects an increase in the number of final assessment reports requested by regulation-promulgating agencies, the General Assembly, and potentially, by the LAC. RFA does not currently conduct such assessment reports as none have been requested from RFA since 2011. Further, RFA does not regularly conduct analyses within the scope that may be required for final assessment reports and anticipates that the increase in workload required to produce these reports within the expected timeframe will require significant new investment in additional staff and resources. RFA currently has 11.0 FTEs who work on an average of 350 fiscal impact statements per year, additional analyses requested by local governments and state agencies, and state revenue forecasts under the direction of the Board of Economic Advisors. Therefore, in order to manage an increase in requested final assessment reports without affecting other job duties, RFA may need to hire additional staff and acquire additional software, data subscriptions, and/or consulting services. The potential increase in expenses is currently unknown, but is likely to be significant, and will depend on the number of requests for final assessment reports as determined by the regulatory review schedule created by the LAC and the number of new and existing regulations with a substantial economic impact that require assessment reports.

## **Explanation of Fiscal Impact**

### **Amended by Senate Judiciary on April 29, 2026**

#### **State Expenditure**

This bill establishes the Small Business Regulatory Freedom Act, which creates a role for the LAC within the existing regulatory review process. This bill requires the LAC to create a schedule in which each state agency must conduct a formal review of all regulations for which it has promulgated or for which it has been transferred the responsibility of administering by July 1, 2027, and every five to eight years thereafter. Currently, agencies are required to conduct a formal review of all regulations every five years and submit a report which identifies regulations for which the agency intends to begin the process to repeal or amend or to maintain to the Code Commissioner. This bill requires that this report also be submitted to the Director of the LAC.

In addition, this bill requires that, based on their established schedule, the LAC must conduct a formal review of all regulations promulgated by state agencies in order to determine whether the regulations are within the scope of the statutory authority for their promulgation, continue to operate under their statutory authority, or are obsolete. In addition to the aforementioned report provided by agencies and any reports and recommendations from the Small Business Regulatory Review Committee, the LAC may request any other information from state agencies to complete its formal reviews. Annually, beginning January 1, 2028, the LAC must deliver a report of its findings and recommendations from the formal reviews to the standing committees of the Senate and House of Representatives that have jurisdiction over each respective agency's statutory authority. The report by the LAC must include agency-submitted plans for each regulation an agency intends to amend or repeal and the timeline for taking action on the regulations.

This bill requires that if an agency fails to complete the formal review in accordance with the schedule, within thirty days of the missed deadline, the LAC must notify the agency of noncompliance. Moreover, within thirty days of receipt of this notice, the agency must submit written certification of noncompliance to the President of the Senate and the Speaker of the House. If an agency fails to complete the formal review within ninety days of the missed deadline, the agency will be prohibited to file any proposed new regulations until the formal review is complete, subject to some exceptions. The General Assembly may waive the prohibition for not more than one hundred eighty days.

In addition, this bill requires final assessment reports by RFA to be forwarded to the Code Commissioner. RFA is currently required to complete final assessment reports on regulations that are deemed to have a substantial economic impact either by the regulation promulgating agency or by the General Assembly. Final assessment reports are currently required to be published and forwarded to the promulgating agency. Further, if the final assessment report indicates that the regulation's economic impact is estimated to equal or exceed \$10 million over five years, then the Senate and House are required to approve the regulations by a joint resolution.

This bill also states that in interpreting a statute or regulation, the court shall not defer to the agency's interpretation of the statute or regulation and instead shall interpret the statute or regulation de novo. Furthermore, after applying all customary tools of interpretation, the court shall resolve any remaining ambiguity against increased agency authority.

RFA surveyed 18 regulation-promulgating agencies that have previously reported that changes to the regulatory review process may increase expenses to ascertain the fiscal impact of this bill and received a response from 15 agencies. Fifteen agencies indicate that any increase in workload due to this bill can be managed within existing resources and appropriations, including the CHE, Commerce, DES, SCDE, DEW, LLR, DNR, DPH, DPS, DVA, the Election Commission, the Forestry Commission, JEDA, PSC, and WCC. Based on these responses, RFA anticipates that all regulation promulgating agencies will be able to manage the requirements of this bill within existing resources and appropriations.

**Legislative Audit Council.** This bill creates new responsibilities for the LAC in order to conduct formal reviews of regulations. This bill requires the LAC to conduct a review of regulations promulgated by state agencies on a five-to-eight-year basis starting in July 2027. As the bill provides a full fiscal years' time to develop the process by which the LAC will conduct the review, the agency does not anticipate incurring costs associated with implementation of the bill in FY 2026-27. However, the LAC may need to hire additional staff to conduct the reviews and, therefore, may request additional General Fund appropriations in FY 2027-28 to cover such personnel needs. The LAC indicates that the potential increase in expenses for additional staff and personnel needs beginning in FY 2027-28 will depend on the increase in workload, which is unknown at the time.

**Legislative Council.** Legislative Council indicates that this bill will increase expenses by at least approximately \$350,000 starting in FY 2026-27 including \$180,000 for salary and fringe for 1.0 FTE (Attorney), \$120,000 for salary and fringe for 2.0 FTEs (Administrative Professionals), and \$50,000 for additional printing and processing costs. Council's role in regulations includes, but is not limited to, the following responsibilities: the monthly publication of the State Register, which includes the processing, formatting, editing, and printing and binding of Executive Orders, Notices of General Public Interest, Notices of Drafting, Proposed Regulations, Emergency Regulations, Final Regulations, and Final Regulations exempt from General Assembly review, in addition to the maintenance of the list of pending regulations submitted for General Assembly review; the processing and editing of regulations for General Assembly review, including facilitation of the delivery of regulations and required documentation to the Clerks of the House and Senate; advising and instructing agencies, legislative members, and staff on administrative procedures as outlined in the APA process; maintenance of diverse training documentation and templates including the *Standards Manual for Drafting and Filing Regulations* and the flow chart for the regulatory process; providing guidance and answering inquiries pertaining to the APA process and research regarding past and present regulations; maintenance of the computer database of regulations; ensuring the legislative website is up to date on current regulations and pending regulations; maintenance of regulations as published in the Code of Regulations; maintenance of records for the State Archives; drafting and delivery of Joint Resolutions to approve and disapprove regulations; and coordination with committees and agencies for the withdrawal and resubmission of regulations as requested, including additional editing, processing and updating of various databases to reflect changes.

Currently, LC handles an average of 73 regulations for General Assembly review each year. This figure excludes all other documents managed by LC as listed above. Depending on the schedule established by the LAC, this bill could increase the number of regulations handled by LC annually. The current budget provides 1.0 FTE Editor for the development and printing of the State Register, although 1.0 FTE Assistant Editor has been allocated from the Unclassified FTEs of the agency in order to meet existing responsibilities. As noted, an increase in the number of regulations handled by LC, and assuming that Council would be involved in working considerably more closely with committee staff and with the staff of the LAC to ensure publication, deadlines, and other requirements of the APA and this bill are met, would result in the need for additional FTEs, associated fringe benefits, and increased printing and processing costs. Additionally, it is important to note that Council is currently at maximum capacity for its

allocated office space in the Rembert Dennis Building, and provisions would need to be made to add office space to accommodate additional staff. Council will request General Fund appropriations for the expected increase in expenses.

**Revenue and Fiscal Affairs.** RFA anticipates this bill will increase the agency's workload within the regulatory review framework and expenses, which cannot be absorbed with existing staff and appropriations. Currently, RFA is required to prepare a final assessment report on regulations for which a preliminary assessment report has been prepared by a regulation promulgating agency. An agency must submit a preliminary assessment report for regulations determined to have a substantial economic impact prior to promulgating, amending, or repealing a regulation. Preliminary assessment reports may also be requested by the General Assembly. However, RFA does not currently conduct such assessment reports as none have been requested from RFA since 2011.

This bill requires RFA to submit final assessment reports on regulations to the Code Commissioner. Based on the requirements in this bill, RFA anticipates that final assessment reports will also be submitted to the LAC. Therefore, while this bill does not change the final assessment report requirements for the office, due to the expanded oversight by the LAC within the regulatory review process created by this bill, RFA anticipates an increase in the number of final assessment reports requested by regulation promulgating agencies, the General Assembly, and potentially by the LAC. Legislative Council estimates that on average, approximately 73 new regulations are proposed for promulgation each year. As part of the research regarding this bill, and the Department of Commerce previously estimated that over 80,000 regulations will be subject to review over five to eight years. Although RFA has not independently verified this estimate and not all these regulations would require an economic impact, a review of the regulations currently published indicates that the number requiring an analysis may be significant. Further, while the timing of the new review process is unknown and will be based upon a schedule to be created by LAC, if only 20 percent of the estimated new and existing regulations require assessment reports each year, RFA would be responsible for approximately 168 to 268 per month.

RFA anticipates the time and effort required to produce final assessment reports within the expected timeframe, if possible, will require significant new investment in staff and resources. Currently, RFA has 11.0 FTEs who work on an average of 350 fiscal impact statements per year, additional analyses requested by local governments and state agencies, and state revenue forecasts under the direction of the Board of Economic Advisors. For reference, a fiscal impact generally focuses on the direct effects of legislation on the state budget while an assessment report may consist of direct and indirect effects on the general public, businesses, or other entities and government agencies. Depending on the subject matter and scope of an analysis, an assessment report may be significantly more involved than a fiscal impact analysis.

Therefore, in order to manage an increase in final assessment reports required to be completed by the office without affecting other job duties, RFA may need to hire additional staff and acquire additional software, data subscriptions, and/or consulting services. The potential increase in expenses is currently unknown and will depend on the number of requests for final assessment

reports as determined by the regulatory review schedule created by the LAC and the number of new and existing regulations that are determined to have a substantial economic impact and require assessment reports each year. Therefore, an increase in expenses due to the increase in workload is expected and likely significant, but unknown.

**State Revenue**

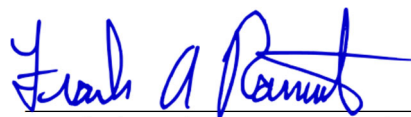
N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A



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