



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

WWW.RFA.SC.GOV • (803)734-3793

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: H. 4386 Introduced on April 23, 2025
Subject: Consideration for Public Utility Acquiring Certain Water or Sewer Property or Assets
Requestor: House Labor, Commerce, and Industry
RFA Analyst(s): Manic
Impact Date: January 14, 2026

Fiscal Impact Summary

This bill requires the Public Service Commission (PSC) to make considerations when evaluating an application for a public utility to acquire property or assets used to provide water, sewerage collection, or sewerage disposal owned by a county, municipality, or special purpose district. The bill requires PSC to consider two independent appraisals of the property or assets to be acquired that are provided by two independent utility-valuation experts to be mutually selected by the public utility and the county, municipality, or special purpose district. Further, the bill stipulates that the Office or Regulatory Staff (ORS) may also, at its discretion, provide an appraisal of the property or assets.

PSC indicates that the bill will have no expenditure impact as the agency can manage the requirements with existing staff and resources. The Public Service Authority (PSA) indicates that the bill will have no expenditure impact as it does not alter the duties or responsibilities of PSA.

ORS indicates that it will need to hire 2.0 FTEs (a Legal Specialist and an Analyst) to manage the new responsibilities of the bill. Recurring expenses for salary and fringe for the new FTEs are expected to total approximately \$385,900. Additionally, recurring administrative expenses are expected to total \$5,500. Therefore, this bill is expected to increase Other Funds expenses of ORS by approximately \$391,400 beginning in FY 2026-27. The agency will request an increase in Other Funds authorization for these expenses. Since ORS is an Other Funds agency, its revenues are derived from the gross receipts assessments made to regulated utilities. As a result, the agency indicates that its request to increase Other Funds authorization in the form of gross receipts billed to the regulated utilities will offset the recurring annual expense for its additional staffing requirement.

The Revenue and Fiscal Affairs Office (RFA) contacted all counties and the Municipal Association of South Carolina (MASC) to determine the expenditure impact of the bill on local governments. We received responses from Fairfield, Florence, Lancaster, and Charleston Counties. All four counties note that the bill will have no expenditure impact because they do not own, operate, or maintain water, sewerage collection, or sewerage disposal assets.

MASC indicates that the bill is not expected to have a significant fiscal impact on municipal governments. MASC further indicates that any impact will be due to the potential loss of

successful asset sales when the appraisals may overstate the fair market value of systems requiring significant repairs, upgrades, or development of new compatible infrastructure to interconnect with the buyers' systems.

Explanation of Fiscal Impact

Introduced on April 23, 2025

State Expenditure

This bill requires PSC to make considerations when evaluating an application for a public utility to acquire property or assets used to provide water, sewerage collection, or sewerage disposal owned by a county, municipality, or special purpose district. The bill requires PSC to consider two independent appraisals of the property or assets to be acquired that are provided by two independent utility-valuation experts to be mutually selected by the public utility and the county, municipality, or special purpose district. The bill also requires that each appraisal must be carried out in accordance with the Unified Standards of Professional Appraisal Practice.

Further, the bill stipulates that ORS may also, at its discretion, provide an appraisal of the property or assets. PSC must take the average of the appraisals, including the appraisal provided by ORS, if applicable, when determining the fair market value of the property or assets used to provide water, sewerage collection, or sewerage disposal. In addition, the bill requires PSC to schedule a public hearing to review the applications no earlier than 60 days and not later than 90 days after receiving the application, and it must complete the hearing and issue an order within 180 days of receiving the complete application.

Finally, the bill requires that the lesser of the purchase price or fair market value must become part of the rate base in the public utility's next general rate case subject to PSC finding that the acquisition is in the public interest and that the costs are just and reasonable. Also, reasonable transaction and closing costs are allowed to be treated as capital costs that may be recovered by the acquiring public utility.

PSC indicates that the bill will have no expenditure impact as the agency can manage the requirements with existing staff and resources. PSA indicates that the bill will have no expenditure impact as it does not alter the duties or responsibilities of PSA.

ORS indicates that it will need to hire 2.0 FTEs (a Legal Specialist and an Analyst) to manage the new responsibilities of the bill. Recurring expenses for salary and fringe for the new FTEs are expected to total approximately \$385,900. Additionally, recurring administrative expenses are expected to total \$5,500. Therefore, this bill is expected to increase Other Funds expenses of ORS by approximately \$391,400 beginning in FY 2026-27. The agency will request an increase in Other Funds authorization for these expenses.

State Revenue

The bill requires PSC to consider two independent appraisals of the property or assets to be acquired. Further, the bill stipulates that ORS may also, at its discretion, provide an appraisal of the property or assets.

ORS indicates it will need to increase gross receipts assessments from its regulated utilities to cover its expense for hiring additional staff who will prepare fair market value appraisals for property or assets used to provide water, sewerage collection, or sewerage disposal to be acquired by a public utility. Since ORS is and Other Funds agency, its revenues are derived from the gross receipts assessments made to regulated utilities. As a result, the requested authorization to increase gross receipts billed to the regulated utilities will offset the recurring annual expense for its additional staffing requirement.

Local Expenditure

RFA contacted all counties and MASC to determine the expenditure impact of the bill on local governments. We received responses from Fairfield, Florence, Lancaster, and Charleston Counties. All four counties indicate that the bill will have no expenditure impact because they do not own, operate, or maintain water, sewerage collection, or sewerage disposal assets.

MASC indicates that the bill is not expected to have a significant fiscal impact on municipal governments. MASC further indicates that any impact will be due to the potential loss of successful asset sales when the appraisals may overstate the fair market value of systems requiring significant repairs, upgrades, or development of new compatible infrastructure to interconnect with the buyers' systems. Thus, MASC anticipates that appraisals may not capture these additional hidden costs which could drive away potential buyers who may be interested in acquiring the assets at lower prices and investing in repairs, upgrades, or interconnecting infrastructure.

Local Revenue

N/A



Frank A. Rainwater, Executive Director