



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
(803)734-0640 • RFA.SC.GOV/IMPACTS

Bill Number: H. 4332 Introduced on March 27, 2019
Author: G.M. Smith
Subject: General Obligation Economic Development Bond Act
Requestor: House Ways and Means
RFA Analyst(s): Gallagher and Shuford
Impact Date: April 10, 2019 Updated for Revised Information

Fiscal Impact Summary

Revenue and Fiscal Affairs anticipates that the expansion of the definition of economic development project for the purpose of issuing economic development bonds to include strategic infrastructure projects will have an undetermined expenditure impact on the General Fund that will be based on projects deemed eligible by the Secretary of the Department of Commerce (Secretary) and approvals by the Joint Bond Review Committee and the State Fiscal Accountability Authority. While this bill does not increase the constitutional limit for these bonds, it does expand eligible uses and may increase the frequency of bond issuance. This fiscal impact has been updated for revised information.

Explanation of Fiscal Impact

Updated for Revised Information on April 10, 2019

Introduced on March 27, 2019

State Expenditure

This bill expands the definition of an economic development project for the purpose of issuing economic development bonds to include a strategic infrastructure project. These projects provide public infrastructure that is owned, operated, and maintained by a State entity or political subdivision and includes land acquisition, site preparation, road, highway and freight transportation improvement, rail spur construction, water service, or wastewater treatment.

Further, in the case of a strategic infrastructure project, the Secretary must provide:

- a determination that the infrastructure to be financed by the project consists of a strategic infrastructure project;
- that the State entity or political subdivision that will own, operate, and maintain the infrastructure has provided a written resolution that describes an immediate need for the infrastructure based on factual findings; and
- a determination that the Coordinating Council for Economic Development has found that the project will assist the department in promoting economic development in the state by providing infrastructure that aids industrial development.

In the case of land acquisition or site preparation infrastructure, the Secretary also must provide that the acquisition or site preparation is intended for industrial development and that the site is

located in a county designated as Tier III or Tier IV at the time of the Secretary's written determination.

A strategic infrastructure project is not subject to the \$400,000,000 investment and 400 new jobs threshold required of economic development projects, the \$1,100,000,000 investment and 2,000 new jobs threshold for an enhanced economic development project, or the \$100,000,000 investment and 200 new jobs threshold required of a life science facility. The requirement that the maximum annual debt service limitation on this debt must not exceed 0.5 percent of General Fund revenues, pursuant to Section 11-41-60, is unaffected. At the end of June 2018, the total amount of economic development bond debt outstanding was \$36,645,000, and the associated annual debt service was \$4,489,300, which was 0.06 percent of the prior year's total General Fund revenues. Under the 0.5 percent constitutional debt limitation, the debt service can increase by \$33,367,800 to support additional bonds.

Revenue and Fiscal Affairs anticipates that the expansion of the definition of economic development project to include strategic infrastructure projects will have an undetermined expenditure impact on the General Fund that will be based on projects deemed eligible by the Secretary and approvals by the Joint Bond Review Committee and the State Fiscal Accountability Authority. This expenditure impact has been updated for revised information.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A

Introduced on March 27, 2019

State Expenditure

This bill expands the definition of an economic development project for the purpose of issuing economic development bonds to include a strategic infrastructure project. These projects provide public infrastructure that is owned, operated, and maintained by a State entity or political subdivision and includes land acquisition, site preparation, road, highway and freight transportation improvement, rail spur construction, water service, or wastewater treatment.

Further, in the case of a strategic infrastructure project, the Secretary must provide:

- a determination that the infrastructure to be financed by the project consists of a strategic infrastructure project;
- that the state entity or political subdivision that will own, operate, and maintain the infrastructure has provided a written resolution that describes an immediate need for the infrastructure based on factual findings; and

- a determination that the Coordinating Council for Economic Development has found that the project will assist the department in promoting economic development in the state by providing infrastructure that aids industrial development.

In the case of land acquisition or site preparation infrastructure, the Secretary also must provide that the acquisition or site preparation is intended for industrial development and that the site is located in a county designated as Tier III or Tier IV at the time of the Secretary's written determination.

A strategic infrastructure project is not subject to the \$400,000,000 investment and 400 new jobs thresholds required of economic development projects or the \$100,000,000 investment and 200 new jobs thresholds required of a life science facility. The requirement that the maximum annual debt service limitation on this debt must not exceed one-half of one percent of General Fund revenues, pursuant to Section 11-41-10, is unaffected. At the end of June 2018, the total amount of economic development bond debt outstanding was \$36,645,000, and the associated annual debt service was \$4,489,300, which was 0.06 percent of the prior year's total General Fund revenues. Under the 0.05 percent constitutional debt limitation, the debt service can increase by \$33,367,800 to support additional bonds.

Revenue and Fiscal Affairs anticipates that the expansion of the definition of economic development project to include strategic infrastructure projects will have an undetermined expenditure impact on the General Fund that will be based on projects deemed eligible by the Secretary and approvals by the Joint Bond Review Committee and the State Fiscal Accountability Authority.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director