



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

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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. 3768 Introduced on January 16, 2025
Subject: Highway System Construction
Requestor: House Education and Public Works
RFA Analyst(s): Wren
Impact Date: February 5, 2025

Fiscal Impact Summary

This bill extends the sunset date from July 1, 2026, to July 1, 2031, pursuant to Section 2 of Act 36 of 2019, which references Section 57-5-880 of the S.C. Code of Laws. Section 57-5-880 specifies that an entity undertaking a transportation improvement project must bear the full cost to relocate water and sewer lines for small public water or sewer utilities and up to 4 percent of the original construction bid amount for a large public water or sewer utilities as outlined in the section. If this provision expired, public water and sewer utilities would be responsible for assuming these costs beginning July 1, 2026. By extending the sunset, transportation improvement projects will continue to bear these costs until July 1, 2031.

The Department of Transportation (DOT) estimates that the cost of extending the sunset provision is approximately \$34,000,000 based on historical data from an estimated 280 large and small utility relocations. However, DOT anticipates that it can manage these expenses with existing appropriations.

The Revenue and Fiscal Affairs Office (RFA) contacted all county governments and the Municipal Association of South Carolina (MASC) regarding the expenditure impact of extending the sunset provision. Based on these responses, the impact on local governments will vary widely. Some local governments will experience a significant increase in costs as they will bear the costs of the utility relocations in planned transportation projects, whereas other local governments that run water and/or sewer utilities will either see a reduction in expenses or transportation projects that could not be funded by the small utility will continue as the utility will not be responsible for the costs. For reference, Charleston County indicates that the bill will increase its expenses by approximately \$24,500,000 based upon anticipated transportation projects. Florence County indicates that the bill will have no expenditure impact since the county does not own or operate water or sewer utilities. Horry County indicates that the bill will increase its expenses by approximately \$100,000,000 based upon planned road construction projects. MASC indicates that since the majority of municipal water and sewer utilities are considered small utilities, the extension of the sunset date will likely enable the completion of more transportation improvement projects that will impact municipal governments.

Explanation of Fiscal Impact

Introduced on January 16, 2025

State Expenditure

This bill extends the sunset date pursuant to Section 2 of Act 36 of 2019, which references Section 57-5-880, from July 1, 2026, to July 1, 2031. Section 57-5-880 specifies that an entity undertaking a transportation improvement project must bear the costs to relocate water and sewer lines up to 4 percent of the original construction bid amount for a large public water utility or large public sewer utility. If than one large public water or sewer utility is required to relocate a single project, the total cost share of up to 4 percent must be divided pro rata among the large public water or sewer utilities required to relocate the project. Further, for projects that impact both a large public utility and a small utility, the entity undertaking the project must pay all of the small public utility's costs of the project.

If this provision expired, public water and sewer utilities would be responsible for assuming these costs beginning July 1, 2026. By extending the sunset, transportation improvement projects will continue to bear these costs until July 1, 2031. DOT estimates that the cost of extending the sunset provision is approximately \$34,000,000 based on historical data from an estimated 280 large and small utility relocations. However, DOT anticipates that it can manage these expenses with existing appropriations.

State Revenue

N/A

Local Expenditure

This bill extends the sunset date pursuant to Section 2 of Act 36 of 2019, which is Section 57-5-880, from July 1, 2026, to July 1, 2031. Section 57-5-880 specifies that an entity undertaking a transportation improvement project must bear the costs to relocate water and sewer lines up to 4 percent of the original construction bid amount for a large public water utility or large public sewer utility. If more than one large public water or sewer utility is required to relocate a single project, the total cost share of up to 4 percent must be divided pro rata among the large public water or sewer utilities required to relocate the project. Further, for projects that impact both a large public utility and a small utility, the entity undertaking the project must pay all of the small public utility's costs of the project.

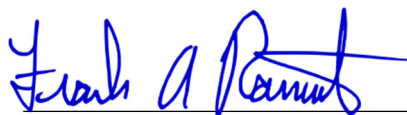
RFA contacted all county governments and the Municipal Association of South Carolina (MASC) regarding the fiscal impact of extending the sunset provision and received responses from Charleton, Florence, and Horry Counties and MASC. Based on these responses, the impact on local governments will vary widely. Some local governments will experience a significant increase in costs as they will bear the costs of the utility relocations in planned transportation projects, whereas other local governments that run water and/or sewer utilities will either see a reduction in expenses or transportation projects that could not be funded by the small utility will continue as the utility will not be responsible for the costs. The individual responses received are detailed below.

Charleston County anticipates advertising many infrastructure improvement projects that total approximately \$611,000,000 over the next five years that would be impacted by extending the sunset provision. Although more than one public utility may be impacted by these projects, 4 percent of these costs would have an expenditure impact of approximately \$24,500,000 on Charleston County. Florence County indicates that the bill will have no expenditure impact on the county since it does not own or operate water or sewer utilities. Horry County indicates that extending the sunset provision will increase its expenses by approximately \$100,000,000.

MASC indicates that passage of Act 36 of 2019 has enabled the completion of many transportation improvement projects throughout the state that impact municipal water and sewer utilities. MASC also indicates that there are over 160 municipal affiliated water systems with approximately 21 of these utilities serving populations of 30,000 or greater. Since the majority of municipal water and sewer utilities are considered small utilities, the extension of the sunset date will likely enable the completion of more transportation improvement projects that will impact municipal governments.

Local Revenue

N/A



Frank A. Rainwater, Executive Director