Fiscal Impacts of Legislation
Affecting Revenue Collections
Fiscal Year 2017-18

General Fund Revenue
Education Improvement Act Fund
Homestead Exemption Fund
Other State Funds
Local Property Tax Revenue

September 25, 2017

State of South Carolina
South Carolina Revenue and Fiscal Affairs Office
Board of Economic Advisors
www.rfa.sc.gov
(803)734-2265

Status of Legislation Affecting Revenue Collections
Fiscal Years 2017-18 to 2021-22

Line No	Bill Number	Primary Sponsor	Description	Estimated General Fund Revenue Impact FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	Line No
3	**279**	Alexander	Enact the Appraisal Management Company Registration Act; definitions; require registration of entity acting as appraisal comp	5,499	5,117	5,117	5,117	5,117	3
4	**3041**	Huggins	Conduct criminal background checks for initial licensing of Real Estate Commission	9,935	9,195	9,195	9,195	9,195	4
5	**3516**	Simrill	Enact the S.C. Infrastructure and Economic Development Reform Act; increase gas tax, motor vehicle caps; fees	0	(36,158,000)	(53,176,000)	(67,765,000)	(80,449,000)	5
6	**3720**	Proviso 34.54	EMS Civil Monetary Penalty Retention	(5,000)					6
7	**3720**	Proviso 53.1	Deed Recording Fee Suspension	16,975,000					7
8	**3720**	Proviso 109.11	Exceptional Needs Children Tax Credit	(1,000,000)					8
9									9
10		**Total General Fund Revenue**		**15,985,434**	**(36,143,688)**	**(53,161,688)**	**(67,750,688)**	**(80,434,688)**	10
11									11
12									12

Line No	Bill Number	Primary Sponsor	Description	Estimated Other Funds Revenue Impact FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	Line No
13									13
14	**Total Net Impact on Other Funds Revenue of Legislation Signed By the Governor**								14
15									15
16	**279**	Alexander	Enact the Appraisal Management Company Registration Act; definitions; require registration of entity acting as appraisal comp	Undetermined					16
17	**325**	Sheehan	Relating to the functions of Advocacy for Handicapped Citizens, Inc.; name change; definitions	(166,360)					17
18	**366**	Cromer	Relating to mortgage lending definition, applications, fingerprinting, background checks	473,500					18
19	**3041**	Huggins	Conduct criminal background checks for initial licensing of Real Estate Commission	99,346					19
20	**3247**	Crosby	Operation of mopeds; registration, licensing, property taxes	1,698,000					20
21	**3516**	Simrill	Enact the S.C. Infrastructure and Economic Development Reform Act; increase gas tax, motor vehicle caps; fees	176,721,000	270,794,000	346,967,000	420,726,000	496,636,000	21
22	**3559**	Pitts	Permit fees from growers of industrial hemp cultivation	3,750					22
23	**3726**	Herbkersman	Change S.C. Retirement System employer and employee contribution rates	278,800,000	354,600,000	472,800,000	591,000,000	709,200,000	23
24									24
25		**Total Other Funds Revenue**		**457,629,236**	**625,394,000**	**819,767,000**	**1,011,726,000**	**1,205,836,000**	25
26									26
27									27

Line No	Bill Number	Primary Sponsor	Description	Estimated Local Funds Revenue Impact FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	Line No
28									28
29	**Total Net Impact on Local Funds Revenue of Legislation Signed By the Governor**								29
30									30
31	**3247**	Crosby	Operation of mopeds; registration, licensing, property taxes	Undetermined					31
32	**3516**	Simrill	Enact the S.C. Infrastructure and Economic Development Reform Act; increase gas tax, motor vehicle caps; fees	0	12,821,000	765,000	0	0	32
33	**3969**	Felder	Allows the Revenue & Fiscal Affairs Office, Dept. of Education, and others to develop a longitudinal data system	1,500,000					33
34									34
35		**Total Local Funds Revenue**		**1,500,000**	**12,821,000**	**765,000**	**0**	**0**	35

Sources: South Carolina Board of Economic Advisors; Legislative Printing and Information Technology Resources.

BEA/RWM/09/22/17

Status of Legislation Affecting Revenue Collections
Fiscal Years 2017-18 to 2021-22

Line No	Bill Number	Primary Sponsor	Description	Estimated General Fund Revenue Impact FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	Line No
1	**Total Net Impact on General Fund Revenue of Legislation Signed By the Governor**								1
2									2
3			**Departmental Revenue**						3
4	**279**	Alexander	Enact the Appraisal Management Company Registration Act; definitions; require registration of appraisal company (LLR)	5,499	5,117	5,117	5,117	5,117	4
5	**3041**	Huggins	Conduct criminal background checks for initial licensing of Real Estate Commission (LLR)	9,935	9,195	9,195	9,195	9,195	5
6	**3720**	Proviso 34.54	EMS Civil Monetary Penalty Retention (DHEC)	(5,000)					6
7									7
8			**Documentary Stamp Tax**						8
9	**3720**	Proviso 53.1	Deed Recording Fee Suspension	16,975,000					9
10									10
11			**Individual Income Tax**						11
12	**3516**	Simrill	Enact the S.C. Infrastructure and Economic Development Reform Act; increase gas tax, motor vehicle caps; fees	0	(36,158,000)	(53,176,000)	(67,765,000)	(80,449,000)	12
13	**3720**	Proviso 109.11	Exceptional Needs Children Tax Credit	(1,000,000)					13
14									14
15			**Total Net Impact on General Fund Revenue**	**15,985,434**	**(36,143,688)**	**(53,161,688)**	**(67,750,688)**	**(80,434,688)**	15

Sources: South Carolina Board of Economic Advisors; Legislative Printing and Information Technology Resources.

BEA/RWM/09/22/17

SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT

(803)734-0640 ▪ RFA.SC.GOV/IMPACTS

Bill Number:	S. 279 Signed by Governor on May 10, 2017
Author:	Alexander
Subject:	Appraisal Management Company Registration Act
Requestor:	Senate
RFA Analyst(s):	Shuford, Gardner, Heineman, and Stein
Impact Date:	June 15, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	$0	$0
Other and Federal	$54,986	$51,166
Full-Time Equivalent Position(s)	1.00	0.00
State Revenue		
General Fund	$5,499	$5,117
Other and Federal	Undetermined	$0
Local Expenditure	$0	$0
Local Revenue	$0	$0

Fiscal Impact Summary

This bill is expected to increase Other Fund expenditures of the South Carolina Real Estate Appraisers Board from the expanded licensure and regulatory duties mandated in the bill in the amount of $54,986 beginning in FY 2017-18 and $51,166 each year thereafter. Other Funds revenue collected by LLR from additional licensure and application fees is expected to increase by $450,000 in FY 2017-18 and every other year subsequently from biennial license revenue. Remittances to the General Fund from the Department of Labor, Licensing and Regulation should increase by $5,499 in the first year and $5,117 each year thereafter based on ten percent of the increased expenditures from this bill. Other Funds revenue generated from fines for violations of provisions of this bill are undetermined, since information is not available to estimate the number of offenses. Additionally, the amount of the fine is discretionary within prescribed limits.

Explanation of Fiscal Impact

Signed by Governor on May 10, 2017

State Expenditure

This bill amends the regulations and requirements for appraisal management companies (AMC) by enacting the Appraisal Management Company Registration Act. The bill requires registration and fees for an entity acting as an AMC, adding definitions, specifying registration requirements, and expanding the Department of Labor, Licensing and Regulation's (LLR) regulatory activities for AMCs. The bill sets penalties and disciplinary actions for violations of the requirements for AMCs, including civil actions through the Administrative Law Court. The bill also requires the South Carolina Real Estate Appraisers Board to collect and transfer national registry fees to a subcommittee of a federal intergovernmental body charged with prescribing uniform standards and reports for federal examination of financial institutions.

Department of Labor, Licensing and Regulation (LLR). LLR indicates this legislation will increase Other Funds expenditures of the South Carolina Real Estate Appraisers Board related to the licensure and regulation of AMCs. The department reports that one program coordinator is necessary to support program operations. Salaries and employer contributions are estimated at $51,166. Operating expenses would be minimal. A one-time expenditure for office equipment is estimated at $3,820. Therefore, first year Other Funds expenditures are estimated at $54,986 in FY 2017-18 and $51,166 in Other Funds each year thereafter.

Administrative Law Court. The agency indicates that the implementation of this bill may cause additional cases to be filed for violations of the provisions of this bill. However, the agency can manage any expenses the agency might incur without any further appropriation of funds. Therefore, the bill will have no impact on the General Fund, Other Funds, or Federal Fund.

State Revenue

Section 40-1-50 specifies that Professional and Occupational Licensing programs set fees to cover the operational expenses of their boards. Based on data obtained from neighboring states, LLR expects to receive 150 applications for licensure with an initial application fee of $3,000 and a biennial renewal fee of $3,000. Therefore, Other Funds revenue collected by LLR is expected to be $450,000 in FY 2017-18 and subsequently $450,000 every other year.

Pursuant to Proviso 81.3 of the FY 2016-17 Appropriations Act, the Department of Labor, Licensing and Regulation is required to remit an amount equal to ten percent of expenditures to the General Fund. Since expenditures for this program are estimated at $54,986 in the first year of operation, remittances to the General Fund should increase by $5,499 in the first year and $5,117 each year thereafter from this program.

In addition, the bill authorizes the South Carolina Real Estate Appraisers Board to impose a fine in addition to other sanctions when grounds for disciplinary action exist. The fine may not exceed $10,000 for an initial violation and $20,000 for subsequent violations. Additionally, when LLR institutes a civil action through the Administrative Law Court (ALC), the ALC may impose a fine in addition to that assessed by the LLR Board for the same violation. The fine the ALC may impose is limited to not more than $10,000 for each violation. The revenue generated by these fines would be deposited in a special fund established for the LLR to defray administrative costs associated with investigations and hearings. The amount of revenue that would be generated from fines is undetermined, because information is not available to estimate the number of violations for which a fine would be imposed. Also, the amount of the fine is discretionary within prescribed limits.

Local Expenditure and Revenue

N/A

Frank A Rainwater

Frank A. Rainwater, Executive Director

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

Bill Number:	S. 0325 Introduced on January 31, 2017
Author:	Sheheen
Subject:	Disabilities
Requestor:	Senate Medical Affairs
RFA Analyst(s):	Kokolis
Impact Date:	February 14, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	$0	$0
Other and Federal	($166,360)	$0
Full-Time Equivalent Position(s)	(2.00)	0.00
State Revenue		
General Fund	$0	$0
Other and Federal	($166,360)	$0
Local Expenditure	$0	$0
Local Revenue	$0	$0

Fiscal Impact Summary
This bill will reduce Federal Funds expenditures and revenues for the Department of Administration by $166,360 in FY 2017-18 for transferring two FTEs and expenditures of the Client Assistance Program to Protection and Advocacy of People with Disabilities, Inc.

Explanation of Fiscal Impact

Introduced on January 31, 2017
State Expenditure
This bill transfers the Client Assistance Program (CAP) from the Department of Administration to Protection and Advocacy for People with Disabilities, Inc. Authorized appropriations, assets, and liabilities of the CAP are transferred to and become part of Protection and Advocacy for People with Disabilities, Inc. The CAP is funded by a federal grant from the Department of Education – Office of Special Education and Rehabilitative Services.

Department of Administration. This bill transfers the two FTEs and associated expenditures of $166,360 for the CAP to Protection and Advocacy of People with Disabilities, Inc., reducing the agency's federal funds expenditures by this amount in FY 2017-18. The department indicates this bill will have minor administrative expenditures associated with transferring the CAP that can be absorbed within its existing budget.

State Revenue
Federal funds revenues for the Department of Administration will be reduced by $166,360 in FY 2017-18 for transferring the CAP to Protection and Advocacy of People with Disabilities, Inc.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director

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

Bill Number:	S. 366 Introduced on February 7, 2017
Author:	Cromer
Subject:	Mortgage Lending and Licensing
Requestor:	Senate Banking and Insurance
RFA Analyst(s):	Heineman
Impact Date:	February 24, 2017 - Updated for Revised Agency Response

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	$0	$0
Other and Federal	$153,600	$0
Full-Time Equivalent Position(s)	2.00	0.00
State Revenue		
General Fund	$0	$0
Other and Federal	$473,500	$0
Local Expenditure	$0	$0
Local Revenue	$0	$0

Fiscal Impact Summary
This bill will increase Other Fund expenditures by $153,600 in FY 2017-18 for the South Carolina Department of Consumer Affairs (DCA). There will be no expenditure impact on Other Funds from the Board of Financial Institutions (BOFI) Consumer Finance Division. This bill will increase Other Fund revenues by $375,900 in FY 2017-18 for the DCA and $97,600 for BOFI. The Other Fund revenue projection has been revised based on revised data provided by BOFI subsequent to the fiscal impact dated February 23, 2017.

There will be no expenditure or revenue impacts to the General Fund or Federal Funds from this bill.

Explanation of Fiscal Impact

Introduced on February 7, 2017
Updated for Revised Agency Response
State Expenditure
This bill amends the Mortgage Lending Act, the Mortgage Broker Act, and related laws. The bill conforms these statutes to federal law changes. The bill allows out-of-state mortgage brokers to do business in South Carolina and adds license requirements for mortgage lenders who also act as mortgage brokers on the majority of their mortgage loans. Additionally, the bill allows for personal residences to be licensed as a mortgage lender if the residence is located more than seventy five miles from a commercial branch office location. Finally, the bill adds transitional licenses for mortgage lenders that will be granted as authorized by and pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act). Requirements for applicants to

obtain criminal background checks from South Carolina Law Enforcement Division (SLED) are deleted. In general, the DCA regulates mortgage brokers and BOFI regulates mortgage lenders.

South Carolina Department of Consumer Affairs. The department anticipates the number of applications received for additional mortgage broker companies and mortgage loan originator licenses will increase by 30 percent due to the new private residence and out-of-state license applications. The additional applications will increase Other Fund expenditures by $153,600 and two FTE positions in FY 2017-18. The expenditures include $55,200 for an additional licensing examiner and $73,400 for an investigator to assist with compliance reviews. The expenditure includes salary, employer fringe, and administrative costs including an estimated $25,000 non-recurring expenditure for a vehicle for the investigator. Section 40-58-110(C) requires DCA to use funds collected for licensing of mortgage brokers to support implementation of rules and regulations. There will be no expenditure impact to the General Fund or Federal Funds.

Board of Financial Institutions Consumer Finance Division. The board anticipates a similar increase of approximately 30 percent in loan originator applications. However, the additional license applications will not materially affect licensure and regulatory activities of the board. Therefore, there will be no expenditure impact on the General Fund, Other Funds, or Federal Funds for BOFI.

State Revenue

South Carolina Department of Consumer Affairs. The department expects there will be a minimum of a 30 percent increase in mortgage broker company and mortgage loan originator license applications. Based on the DCA 2016 license applications data and expectations of a 30 percent increase in mortgage broker company and mortgage loan originator license applications, we expect the Other Fund license fee revenue to increase by $375,900 for the projected 350 mortgage broker company applications and 815 loan originator applications. Section 40-58-110(C) requires DCA to use funds collected for licensing of mortgage brokers to support implementation of rules and regulations. There will be no General Fund or Federal Funds revenue impact.

Board of Financial Institutions Consumer Finance Division. According to data provided by the board subsequent to the fiscal impact dated February 23, 2017, the board anticipates an increase of approximately 30 percent for loan originator applications only and no increase for mortgage lender company applications. Therefore, we expect Other Fund license fee revenue to increase by $97,600 for the projected 1952 loan originator applications. Proviso 79.1 requires BOFI to use mortgage lender license fee revenue to fund the board's oversight and regulatory activities. There will be no impact on revenue to the General Fund or Federal Funds.

Local Expenditure

N/A

Local Revenue

N/A

Introduced on February 7, 2017
State Expenditure
This bill amends the Mortgage Lending Act, the Mortgage Broker Act, and related laws. The bill conforms these statutes to federal law changes. The bill allows out-of-state mortgage brokers to do business in South Carolina and adds license requirements for mortgage lenders who also act as mortgage brokers on the majority of their mortgage loans. Additionally, the bill allows for personal residences to be licensed as a mortgage lender if the residence is located more than seventy five miles from a commercial branch office location. Finally, the bill adds transitional licenses for mortgage lenders that will be granted as authorized by and pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act). Requirements for applicants to obtain criminal background checks from South Carolina Law Enforcement Division (SLED) are deleted. In general, the DCA regulates mortgage brokers and BOFI regulates mortgage lenders.

South Carolina Department of Consumer Affairs. The department anticipates the number of applications received for additional mortgage broker companies and mortgage loan originator licenses will increase by 30 percent due to the new private residence and out-of-state license applications. The additional applications will increase Other Fund expenditures by $153,600 and two FTE positions in FY 2017-18. The expenditures include $55,200 for an additional licensing examiner and $73,400 for an investigator to assist with compliance reviews. The expenditure includes salary, employer fringe, and administrative costs including an estimated $25,000 non-recurring expenditure for a vehicle for the investigator. Section 40-58-110(C) requires DCA to use funds collected for licensing of mortgage brokers to support implementation of rules and regulations. There will be no expenditure impact to the General Fund or Federal Funds.

Board of Financial Institutions Consumer Finance Division. The board anticipates a similar increase of approximately 30 percent in mortgage lender and loan originator applications. However, the additional license applications will not materially affect licensure and regulatory activities of the board. Therefore, there will be no expenditure impact on the General Fund, Other Funds, or Federal Funds for BOFI.

State Revenue
South Carolina Department of Consumer Affairs. The department expects there will be a minimum of a 30 percent increase in mortgage broker company and mortgage loan originator license applications. Based on the DCA 2016 license applications data and expectations of a 30 percent increase in mortgage broker company and mortgage loan originator license applications, we expect the Other Fund license fee revenue to increase by $375,900 for the projected 350 mortgage broker company applications and 815 loan originator applications. Section 40-58-110(C) requires DCA to use funds collected for licensing of mortgage brokers to support implementation of rules and regulations. There will be no General Fund or Federal Funds revenue impact.

Board of Financial Institutions Consumer Finance Division. Based on the board's 2016 license applications data and factoring in the expectation that there will be a 30 percent increase in mortgage lender company and loan originator license applications we expect Other Fund license fee revenue to increase by $1,435,000 for the projected 679 mortgage lender company applications and 8,456 lender loan originator applications. Proviso 79.1 requires BOFI to use mortgage lender license fee revenue to fund the board's oversight and regulatory activities. There will be no impact on revenue to the General Fund or Federal Funds.

Local Expenditure
N/A

Local Revenue
N/A

Frank A Rainwater

Frank A. Rainwater, Executive Director

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

Bill Number:	S. 462 Signed by Governor on May 19, 2017
Author:	Hembree
Subject:	Uniform High School Diploma
Requestor:	Senate
RFA Analyst(s):	Shuford, Heineman, and Kokolis
Impact Date:	June 26, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2021-22
State Expenditure		
General Fund	$0	$0
Other and Federal	$0	$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	$0	$0
Other and Federal	$0	$0
Local Expenditure	$0	$30,100
Local Revenue	$0	$0

Fiscal Impact Summary
The Department of Education, Department of Employment and Workforce, and Vocational Rehabilitation Department indicate their additional responsibilities will be managed with existing staff and existing appropriations. Therefore, the bill will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

In school year 2021-2022, local school district expenditures will increase by $30,100 from providing seals to a student's uniform diploma to recognize endorsements earned through their course of study.

Explanation of Fiscal Impact

Signed by Governor on May 19, 2017
State Expenditure
This bill requires the Department of Education to provide students with personalized pathways for earning the uniform diploma upon graduation from high school. Endorsements to the diploma may be earned based on the student's course of study, which may be represented by seals added to the uniform diploma. The State Board of Education shall promulgate regulations on the procedures to approve courses for the personalized diploma pathways based on students' postsecondary plans. Approved courses must be updated annually and be listed in a manual.

The State Board of Education, through the Department of Education, the Vocational Rehabilitation Department, the Department of Employment and Workforce, and other stakeholders, shall develop a uniform employability credential that is aligned to the program of study for students with disabilities whose Individualized Education Program team determines that a diploma pathway will not provide a free appropriate public education. This bill takes effect for students entering ninth grade beginning with the 2018-2019 school year. The Department of Education shall monitor the number of diplomas and employability credentials and report to the State Board of Education and the General Assembly biannually beginning February 15, 2020.

Department of Education. The bill requires the department to determine personalized pathways for the uniform diploma and new course study endorsements, align coursework with a student's personalized diploma pathway, and develop a uniform employability credential in collaboration with other agencies and stakeholders. The department indicates that meeting expenses for travel and food reimbursements will total approximately $54,200 in FY 2017-18. However, these expenses will be managed within the department's current budget appropriations. Therefore, the bill will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds of the department.

Department of Employment and Workforce. The department indicates their participation in developing criteria for a uniform state-recognized employability credential will be managed with existing staff and existing appropriations. Therefore, the bill will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds of the department.

Vocational Rehabilitation Department. The department indicates their participation in developing criteria for a uniform state-recognized employability credential will be managed with existing staff and existing appropriations. Therefore, the bill will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds of the department.

State Revenue
N/A

Local Expenditure
This bill allows local school districts to provide seals for a student's uniform diploma to recognize endorsements earned through their course of study. Based on the 43,000 diplomas issued in school year 2016-2017 and a cost of $0.70 per seal, we anticipate that local school district expenditures will increase by $30,100 in school year 2021-2022. This is when students in the ninth grade beginning with the 2018-2019 school year will graduate.

Local Revenue
N/A

Frank A Rainwater

Frank A. Rainwater, Executive Director

Bill Number:	H. 3041 Amended by the House of Representatives on March 30, 2017
Author:	Huggins
Subject:	Criminal Background Check Required for Real Estate License Renewals
Requestor:	Senate Labor, Commerce, and Industry
RFA Analyst(s):	Stein
Impact Date:	April 13, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	$0	$0
Other and Federal	$99,346	$91,946
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	$9,935	$9,195
Other and Federal	$99,346	$91,946
Local Expenditure	$0	$0
Local Revenue	$0	$0

Fiscal Impact Summary
This bill will not have an expenditure impact on the General Fund or Federal Funds, but will have an expenditure impact on Other Funds in the amount of $99,346 beginning in FY 2017-18 and $91,946 each year thereafter. However, license, investigation, and examination fees collected by the Real Estate Commission administered by the Department of Labor, Licensing and Regulation (LLR) are expected to offset the estimated expenditures.

This bill will have a revenue impact on the General Fund, as Proviso 81.3 of the FY 2016-17 Appropriations Act requires LLR to remit ten percent of expenditures annually to the General Fund. This amounts to revenue of $9,935 in FY 2017-18 and $9,195 each year thereafter.

Explanation of Fiscal Impact

Amended by the House of Representatives on March 30, 2017
State Expenditure
This bill as amended requires both initial license applicants and renewal applicants to submit to a fingerprint-based criminal records check performed by the State Law Enforcement Division (SLED) and the Federal Bureau of Investigation (FBI) as a condition of licensure by the Real Estate Commission. This provision applies to all applicants seeking licensure as a salesman, broker, broker-in-charge, property manager, and property manager-in-charge. Costs associated with these record checks are to be borne by the applicant. Applicants for the broker, salesperson, and broker-in-charge licenses are required to submit to state and national criminal background checks every third renewal (every sixth year). A broker or salesperson who fails to submit to the

required records checks must be placed on inactive status, but may be reactivated after submitting to the records checks and by paying applicable fees.

Department of Labor, Licensing and Regulation. This bill significantly increases the number of fingerprint-based criminal records checks the Real Estate Commission would be required to process, review, and match to license renewal requests. The department estimates that this bill would require two additional staff (program coordinator, administrative assistant) to accommodate the additional workload. In the first year of operation, Other Funds expenditures are estimated at $99,346 including $91,706 for salaries and employer contributions, $240 for operating expenses, and $7,400 as a one-time expenditure for computers and office equipment. Each year thereafter, Other Funds expenditures are estimated at $91,946.

State Revenue

The Department of Labor, Licensing and Regulation is required, pursuant to Section 40-1-50(D) to adjust fees biennially to ensure that fee revenue is sufficient, but not excessive, to cover expenses of each respective board. Therefore, the Other Funds expenditure estimates of $99,346 in the first year of operation, and $91,946 each year thereafter will be offset by subsequent Other Funds fee adjustments made to cover any shortfalls in revenue collections from real estate license, investigation, and examination fees.

Pursuant to Proviso 81.3 of the FY 2016-17 Appropriations Act, the Department of Labor, Licensing and Regulation is required to remit annually to the General Fund an amount equal to ten percent of expenditures. Consequently, remittances to the General Fund by the Real Estate Commission are expected to increase by $9,935 in FY 2017-18 and by $9,195 each year thereafter.

Local Expenditure

N/A

Local Revenue

N/A

Frank A Rainwater

Frank A. Rainwater, Executive Director

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

Bill Number:	H. 3247 Amended by the House of Representatives on March 7, 2017
Author:	Crosby
Subject:	Mopeds
Requestor:	House Education and Public Works
RFA Analyst(s):	Wren and Gable
Impact Date:	March 30, 2017 - Updated for revised agency response

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	See Below	$0
Other and Federal	$0	$0
Full-Time Equivalent Position(s)	See Below	0.00
State Revenue		
General Fund	$0	$0
Other and Federal	See Below	$0
Local Expenditure	$0	$0
Local Revenue	See Below	$0

Fiscal Impact Summary
The amended bill would increase non-recurring General Fund expenses of the Department of Motor Vehicles (DMV) by $117,000 for IT expenses, programming, and development of a template for the moped license plate. Recurring expenses of DMV will increase by $428,000 for materials and for personnel costs for two additional FTEs. The amended bill would have no local expenditure impact. Since the effective date of the bill is twelve months after approval by the Governor, timing of the increase in expenses is undetermined.

Revenue of the State Non-Federal Aid Highway Fund is expected to increase by $240,000 for moped operator license fees. Other Funds revenue of the State Infrastructure Bank is expected to increase by $240,000 for the new moped biennial registration fee and an additional $1,218,000 for the $10 increase in the current motorcycle biennial registration fee. Other Funds revenue estimates are dependent upon the number of moped operator licenses, the number of biennial moped registrations issued, and the number of motorcycle and motorcycle three-wheel vehicle registrations issued. The increase in revenue for local governments from fines related to new misdemeanor offenses is undetermined. Since the effective date of the bill is twelve months after approval by the Governor, timing of the increase in revenue is undetermined.

This fiscal impact statement has been updated to include a revised response from DMV regarding current biennial registration fees for motorcycles and motorcycle three-wheel vehicles.

Explanation of Fiscal Impact

Amended by the House of Representatives on March 7, 2017
Updated for Revised Agency Response
State Expenditure
The amended bill requires a moped operated on a public road or highway to be registered and licensed with DMV. The amended bill expands the definition of motor vehicle to include mopeds for the purpose of uninsured and underinsured motorist insurance coverage. In addition to the current $2 fee pursuant to Section 56-1-1740, the amended bill allows DMV to charge a $20 moped operator license fee. This $20 fee must be credited to the Department of Transportation's State Non-Federal Aid Highway Fund. The amended bill also authorizes DMV to charge a $20 biennial registration fee for every motorcycle, motorcycle three-wheel vehicle, or moped. DMV currently collects a $10 biennial registration fee for motorcycles and motorcycle three-wheel vehicles.

Department of Motor Vehicles. The agency indicates that expenses associated with this bill will total $545,000. Of this amount, $117,000 for IT expenses, system testing, and the design and production of a template is non-recurring. Recurring expenses for two additional employees and registration materials is estimated to be $428,000. Since the effective date of the bill is twelve months after approval by the Governor, timing of the increase in expenses is undetermined.

State Transportation Infrastructure Bank. Based upon previous correspondence with the department, the amended bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

Department of Insurance. This bill expands the definition of motor vehicle to include mopeds for the purpose of uninsured and underinsured motorist coverage. Underinsured and uninsured motorist coverage is currently a requirement for the State's drivers. Therefore, the amended bill does not operationally affect the agency and will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue
The amended bill requires a moped operated on a public road or highway to be registered and licensed with DMV. The amended bill expands the definition of motor vehicle to include mopeds for the purpose of uninsured and underinsured motorist insurance coverage. In addition to the current $2 fee pursuant to Section 56-1-1740, the amended bill allows DMV to charge a $20 moped operator license fee. This $20 fee must be credited to the Department of Transportation's State Non-Federal Aid Highway Fund. The amended bill also authorizes DMV to charge a $20 biennial registration fee for every motorcycle, motorcycle three-wheel vehicle, or moped. DMV currently collects a $10 biennial registration fee for motorcycles and motorcycle three-wheel vehicles.

Based upon data provided by DMV, there are approximately 12,000 moped operator licenses currently. Since the $20 moped operator license fee must be credited to the State Non-Federal Aid Highway Fund, revenue of the State Non-Federal Aid Highway Fund will increase by

$240,000. This analysis assumes that all moped operator licenses will renew once this bill is implemented. Since the effective date of the bill is twelve months after approval by the Governor, timing of the increase in revenue is undetermined.

Since mopeds are currently not required to be registered in South Carolina, we used the number of moped operator licenses as a proxy for the number of mopeds on South Carolina roads for this analysis. Therefore, it is estimated that revenue generated from the $20 biennial registration fee for mopeds will total $240,000. Revenue derived from the moped biennial registration fee must be allocated to the State Transportation Infrastructure Bank. Please note that the number of mopeds on South Carolina roads is most likely greater than 12,000, since a moped may also be operated with a Class D driver's license. Therefore, the revenue generated by this section is likely to be higher than estimated. Since the effective date of the bill is twelve months after approval by the Governor, timing of the increase in revenue is undetermined.

Additionally, the bill increases the biennial registration fee for motorcycles and motorcycle three-wheel vehicles from $10 to $20. Based upon data from DMV's monthly Registrations by County-Plate Class-Vehicle Type report, we expect approximately 122,000 motorcycle and motorcycle three-wheel vehicle registrations beginning in FY 2017-18. Increasing the biennial registration fee to $20 will increase revenue to the State Transportation Infrastructure Bank by $1,220,000 over the two-year registration period. Since the effective date of the bill is twelve months after approval by the Governor, timing of the increase in revenue is undetermined. This section of the fiscal impact statement has been updated to include a revised response from DMV regarding the current biennial registration fee for motorcycles and motorcycle three-wheel vehicles.

The amended bill expands the definition of motor vehicle to include mopeds for the purpose of uninsured and underinsured motorist coverage. Since underinsured and uninsured motorist coverage is currently a requirement for the state's drivers, this bill would have no revenue impact on the General Fund.

Local Expenditure
Since this bill creates a new criminal offense, data is not available to project a change in law enforcement activity or detention in local facilities. However, any increase resulting specifically from this bill is expected to be minimal and could managed within existing resources.

Local Revenue
Since this bill creates a new misdemeanor for which there is no historical data, the revenue impact on local governments is undetermined. Existing law provides for the retention of part or all of the revenue generated from fines, assessments, and surcharges by the local jurisdiction processing the case.

Amended by House Education and Public Works on February 14, 2017
State Expenditure
The amended bill requires a moped operated on a public road or highway to be registered and licensed with DMV in the same manner as passenger vehicles. The amended bill expands the definition of motor vehicle to include mopeds for the purpose of uninsured and underinsured

motorist insurance coverage. In addition to the current $2 fee pursuant to Section 56-1-1740, the amended bill allows DMV to charge a $20 moped operator license fee. This fee must be credited to DMV to offset costs of administering and producing the moped operator license. Any fees collected in excess of the costs must be credited to the Department of Transportation's State Non-Federal Aid Highway Fund. The amended bill also authorizes DMV to charge a $20 biennial registration fee for every motorcycle, motorcycle three-wheel vehicle, or moped. DMV currently collects a $20 biennial registration fee for motorcycles and motorcycle three-wheel vehicles.

Department of Motor Vehicles. The agency indicates that expenses associated with this bill will total $545,000. Of this amount, $117,000 for IT expenses, system testing, and the design and production of a template is non-recurring. Recurring expenses for two additional employees and registration materials is estimated to be $428,000. Since the effective date of the bill is twelve months after approval by the Governor, timing of the increase in expenses is undetermined.

State Transportation Infrastructure Bank. Based upon previous correspondence with the department, the amended bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

Department of Insurance. This bill expands the definition of motor vehicle to include mopeds for the purpose of uninsured and underinsured motorist coverage. Underinsured and uninsured motorist coverage is currently a requirement for the State's drivers. Therefore, the amended bill does not operationally affect the agency and will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

The amended bill requires a moped operated on a public road or highway to be registered and licensed with DMV in the same manner as passenger vehicles. The amended bill expands the definition of motor vehicle to include mopeds for the purpose of uninsured and underinsured motorist insurance coverage. In addition to the current $2 fee pursuant to Section 56-1-1740, the amended bill allows DMV to charge a $20 moped operator license fee. This $20 fee must be credited to DMV to offset costs of administering and producing the moped operator license. Any fees collected in excess of the costs to administer and produce the moped operator license fee must be credited to the Department of Transportation's State Non-Federal Aid Highway Fund. The amended bill also authorizes DMV to charge a $20 biennial registration fee for every motorcycle, motorcycle three-wheel vehicle, or moped. DMV currently collects a $20 biennial registration fee for motorcycles and motorcycle three-wheel vehicles.

Based upon data provided by DMV, there are approximately 12,000 moped operator licenses currently, and it costs the agency $17.79 to produce and issue each license. Since DMV is allowed to retain a portion of the $20 moped operator license fee to offset costs, revenue of DMV will increase by $213,000. The remaining $27,000 generated from the moped operator license fee must be credited to the State Non-Federal Aid Highway Fund. This analysis assumes that all moped operator licenses will renew once this bill is implemented. Since the effective date of the bill is twelve months after approval by the Governor, timing of the increase in revenue is undetermined.

Since mopeds are currently not required to be registered in South Carolina, we used the number of moped operator licenses as a proxy for the number of mopeds on South Carolina roads for this analysis. Therefore, it is estimated that revenue generated from the $20 biennial registration fee for mopeds will total $240,000. Revenue derived from the moped biennial registration fee must be allocated to the State Transportation Infrastructure Bank. Please note that the number of mopeds on South Carolina roads is most likely greater than 12,000, since a moped may also be operated with a Class D driver's license. Therefore, the revenue figures mentioned in this section are likely to be higher than estimated. Since the effective date of the bill is twelve months after approval by the Governor, timing of the increase in revenue is undetermined.

The amended bill expands the definition of motor vehicle to include mopeds for the purpose of uninsured and underinsured motorist coverage. Since underinsured and uninsured motorist coverage is currently a requirement for the state's drivers, this bill would have no revenue impact on the General Fund.

Local Expenditure
Since this bill creates a new criminal offense, data is not available to project a change in law enforcement activity or detention in local facilities. However, any increase resulting specifically from this bill is expected to be minimal and could managed within existing resources.

Local Revenue
Since this bill creates a new misdemeanor for which there is no historical data, the revenue impact on local governments is undetermined. Existing law provides for the retention of part or all of the revenue generated from fines, assessments, and surcharges by the local jurisdiction processing the case.

Introduced on January 10, 2017
State Expenditure
This bill requires that a moped operated on a public road or highway, beginning in July 1, 2019, must be registered and licensed with the Department of Motor Vehicles (DMV) in the same manner as passenger vehicles and must be insured subject to the same insurance requirements applicable to an individual private passenger automobile pursuant to Title 38. However, mopeds are not required to be titled. DMV must charge an appropriate fee not to exceed $10 for each complete examination or reexamination for moped operator licenses. The bill authorizes DMV to retain the fee to defray the expenses associated with the examination of moped operator licenses. Further, this bill authorizes DMV to charge a $10 biennial registration fee for mopeds. The bill also requires a seller to attach a metal identification plate to each moped without pedals identifying the vehicle as a moped. The plate must be designed by DMV and must display information necessary for enforcement.

Department of Motor Vehicles. The agency indicates that FY 2018-19 expenses associated with this bill will total $545,000. Of this amount, $117,000 for IT expenses, system testing, and the design and production of a template is non-recurring and is expected to occur in FY 2018-19.

Recurring expenses for two additional employees and registration materials is estimated to be $428,000, beginning in FY 2018-19. These expenses will be incurred before DMV receives a revenue stream from the operator licensing fees. Once revenue is generated from operator licensing fees, DMV will be able to cover $120,000 of its recurring expenses from Other Funds. The remaining $308,000 in expenses will have an expenditure impact on the General Fund. This estimate assumes all moped operator licenses renew in FY 2019-20. A change in the number of renewals will change the source of funds to defray DMV expenses.

State Transportation Infrastructure Bank. The department indicates that the bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

Department of Transportation. The department indicates that this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

State Revenue

This bill requires that a moped operated on a public road or highway, beginning in July 1, 2019, must be registered and licensed with the Department of Motor Vehicles (DMV) in the same manner as passenger vehicles and must be insured subject to the same insurance requirements applicable to an individual private passenger automobile pursuant to Title 38. This bill authorizes DMV to charge a $10 biennial registration fee for mopeds. However, mopeds are not required to be titled.

Based upon the current number of moped operator licenses provided by DMV, it is estimated that revenue generated from the $10 biennial registration fee will total $120,000 in FY 2019-20. Revenue derived from the moped biennial registration fee will be allocated to the State Transportation Infrastructure Bank. Please note that the number of mopeds on South Carolina roads is most likely greater than 12,000, since a moped may also be operated with a Class D driver's license. Therefore, the revenue figures mentioned in this section are likely to be higher than estimated in FY 2019-20.

DMV must charge an appropriate fee not to exceed $10 for each complete examination or reexamination for moped operator licenses. The bill authorizes DMV to retain the fee to defray the expenses associated with the examination of moped operator licenses. The current fee for a moped operator license is $2 with the expiration and renewal in accordance with Sections 56-1-210, 56-1-220, and 56-1-225. Currently, the moped operator license is allocated to the State Highway Fund. The bill allows a driver who holds a conditional driver's license or a special restricted driver's license to operate a moped during daylight hours only. Additionally, DMV may not issue a beginner's permit or special restricted license to any person convicted of a second or subsequent violation of operating a moped on public highways while under age or without a license, until the person is at least fifteen and one-half years of age. The bill also prohibits the operation of mopeds on public roads with speed limits in excess of fifty-five miles per hour and prohibits the operation of a moped at a speed in excess of thirty-five miles per hour.

Based upon data provided by DMV, there are approximately 12,000 moped operator licenses to date. Increasing the current $2 moped operator license fee up to an amount not to exceed $10 will generate an additional $96,000 in license fees, for a total of $120,000. This amount will be allocated to DMV to defray expenses associated with the production and administration of the moped operator license. Currently the existing $2 moped operator license fee is allocated to the State Highway Fund. Since this bill allocates DMV all the revenue generated from moped license fees, the current $2 fee and the $8 increase, anticipated revenue of the State Highway Fund will decline by $24,000 in FY 2019-20. This analysis assumes that all moped operator licenses will renew in FY 2019-20.

Based upon data from the Department of Insurance (DOI), this bill will have no fiscal impact on the agency itself. The bill does require moped drivers to be insured subject to the same insurance requirements applicable to individual private passenger automobiles pursuant to Title 38. DOI indicates that premiums are difficult to determine, as they are dependent upon a number of factors such as the driver's credit report, driving history, adding the moped to a policy, or creating a new policy. Further, DOI indicates that a policy premium could range from $100 to $1000 a year. The insurance premium tax rate is 1.25 percent pursuant to Section 38-7-20(A). Due to the range in policy premiums, the increase in General Fund revenue is undetermined for FY 2019-20.

Local Expenditure
Since this bill creates a new criminal offense, data is not available to project a change in law enforcement activity or detention in local facilities. However, any increase resulting specifically from this bill is expected to be minimal and could managed within existing resources.

Local Revenue
Since this bill creates a new misdemeanor for which there is no historical data, the revenue impact on local governments is undetermined. Existing law provides for the retention of part or all of the revenue generated from fines, assessments, and surcharges by the local jurisdiction processing the case.

Frank A Rainwater

Frank A. Rainwater, Executive Director

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

Bill Number:	H. 3516 Veto Overridden on May 10, 2017
Author:	Simrill
Subject:	SC Infrastructure and Economic Development Reform Act
Requestor:	House of Representatives
RFA Analyst(s):	Wren, Gable, Jolliff, and Martin
Impact Date:	May 31, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19	FY 2019-20 to FY 2021-22
State Expenditure			
General Fund	See Below	See Below	See Below
Other and Federal	See Below	See Below	See Below
Full-Time Equivalent Position(s)	0.00	4.00	
State Revenue			
General Fund	$0	See Below	See Below
Other and Federal	See Below	See Below	See Below
Local Expenditure	$0	$0	$0
Local Revenue	See Below	See Below	See Below

Fiscal Impact Summary
This bill will increase non-recurring expenses for the Department of Motor Vehicles (DMV) by $191,000 in FY 2017-18 for fee increases beginning January 1, 2018, and an additional $388,000 over FY 2017-18 and FY 2018-19 to implement the motor carrier road use fee system by January 1, 2019. Total recurring Other Fund expenses for DMV include $220,500 for four new FTEs to administer the motor carrier road use fee system. The bill will increase recurring Other Fund expenses for the Department of Transportation by $9,000 for an additional commission member. The bill will have an Other Funds cost savings of up to $95,000 based upon only having six DOT commission meetings in a year compared to eleven meetings or more in previous years. To the extent that meetings are held in excess of six, the cost savings will be reduced by approximately $16,000 per commission meeting.

The bill will reduce General Fund revenue by $36,158,000 in FY 2018-19, $53,176,000 in FY 2019-20, $67,765,000 in FY 2020-21, $80,449,000 in FY 2021-22, and $92,689,000 in FY 2022-23, and $104,690,000 in FY 2023-24.

This bill will increase Other Funds revenue by $176,721,000 in FY 2017-18, $280,515,000 in FY 2018-19, $366,566,000 in FY 2019-20, $450,397,000 in FY 2020-21, $536,511,000 in FY 2021-22, $622,013,000 in FY 2022-23, and $624,627,000 in FY 2023-24 from increases in fees. However, current State Highway Fund revenue will be reduced by increases in the allocation of the motor fuel fee on gasoline to local "C" Funds. Section 13 increases the allocation of gasoline fee revenue to "C" Funds from $0.0266 per gallon to a total of $0.0399 per gallon for the state highway system. Total "C" Fund revenue will increase by $9,721,000 in FY 2018-19,

$19,599,000 in FY 2019-20, $29,671,000 in FY 2020-21, and $39,875,000 in FY 2021-22 and thereafter, reducing State Highway Fund revenue by these amounts.

Other Funds revenue of DMV is expected to increase by $448,000 in FY 2018-19 and $97,000 in FY 2019-20 for motor carrier road use fees retained by DMV. Other Funds revenue of the Department of Revenue (DOR) will decrease by $48,000 in FY 2018-19 and $97,000 in FY 2019-20 as motor carrier fees are transferred to DMV. Other Funds revenue for environmental and inspection fees to the Department of Transportation (DOT) and the Department of Health and Environmental Control (DHEC) is expected to be reduced by $47,000 in FY 2017-18, $97,000 in FY 2018-19, and an additional $44,000 each year until FY 2022-23, when the reduction totals $272,000. Other Funds revenue of the Department of Agriculture for inspection fees will decrease by $952,000 beginning in FY 2017-18 as this revenue is transferred to the State Non-Federal Aid Highway Fund. This amount increases to $975,000 in FY 2018-19, $989,000 in FY 2019-20, $1,003,000 in FY 2020-21, and $1,016,000 in FY 2021-22.

Four of forty-six counties surveyed responded that the bill is expected to have minimal to no impact on local expenditures to administer the hybrid and alternative fuel vehicle biennial fee. Local revenue distributed to counties for motor carrier road use fees is expected to increase by $12,821,000 in FY 2018-19 for a one-time acceleration of fee payments and $765,000 in FY 2019-20.

Explanation of Fiscal Impact

Veto Overridden on May 10, 2017
State Expenditure
The following sections would affect state expenditures as follows:

Section 4. This section increases current biennial registration fees by $16. DMV indicates non-recurring expenditures for this section will total $14,000 in FY 2017-18 for programming and system testing.

Section 5. This bill adds an infrastructure maintenance fee for in-state and out-of-state residents that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56. DMV expects non-recurring expenditures of $53,000 for programming, system updates, and system testing in FY 2017-18.

Section 6. This section adds a biennial road use fee of $120 for alternative fuel vehicles and a $60 biennial road use fee for hybrid vehicles. DMV indicates non-recurring expenditures for this section will total $124,000 in FY 2017-18 for programming, system updates, and system testing.

Section 8. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019. DOR currently administers the property tax for in-state motor carriers. This bill would add out-of-state large commercial motor carriers to the road use fee and transfer the program to DMV. Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $12 of the fee is retained by DOR for operating costs. This bill would change the distribution by sending the $12 fee to DMV.

Department of Motor Vehicles. The agency expects to hire four FTE's to administer the program with estimated personnel expenditures of $220,500 per year including fringe benefits. DMV expects non-recurring expenditures for implementation of the motor carrier fee to total $388,000 over FY 2017-18 and FY 2018-19 based upon estimates for the required programing, testing, and project management to set up this system within the agency. The systems changes must be in place for the required January 1, 2019, start date, and expenditures are expected to begin in FY 2017-18 to meet this deadline. These expenditures include $57,600 for modification and testing of the Celtic system to add the motor carrier road use fee calculations, user interface updates, and updates to the interface with Phoenix for payments. Modifications to the Phoenix system at an estimated expenditure of $224,800 include changes to technical specifications, coding, and testing to implement the motor carrier fee system, updates to interfaces with county systems for county collections of payments, and modifications for online quarterly payments, payment tracking, and renewal notifications. DMV expects an additional $105,600 for development of rules and requirements implementing this legislation across business segments and to transition business processes and procedures from DOR to DMV.

Department of Revenue. DOR does not anticipate a reduction in personnel expenditures from moving the administration of the motor carrier fee to DMV because the staff who administer the motor carrier property tax have additional responsibilities for administration of other property tax assessments that remain with the agency.

Section 12. This section requires DOT to prepare a Transportation Asset Management Plan, which must include objectives and performance measures for the preservation and improvement of the state highway system. Additionally, the Transportation Asset Management Plan must include objectives, performance measures, and innovative approaches to address high-risk rural roads that are functionally classified as rural primary or federal aid secondary roads. The Transportation Asset Management Plan must be approved by the Commission and is to establish fiscally constrained performance goals, including $50,000,000 for high risk rural roads, for transportation infrastructure assets such as pavements and bridges. DOT indicates that this section of the bill will have no expenditure impact to the agency.

Section 15. This section allows a resident taxpayer to claim a refundable income tax credit for preventive vehicle maintenance on private passenger motor vehicles as defined in Section 56-3-630, including motorcycles, registered in this state. The credit may not exceed the lesser of the resident's actual motor fuel user fee increase incurred as a result of the increase imposed in Section 12-28-310(D) or the amount the resident pays for vehicle maintenance. Vehicle maintenance includes, but is not limited to, costs incurred for new tires, oil changes, and regular vehicle maintenance. A taxpayer may claim the credit for up to two qualifying vehicles. The Revenue and Fiscal Affairs Office is required to estimate the number of taxpayers expected to claim the credit for the current tax year and the total amount expected to be claimed annually on or before September 30th. In the event that RFA estimates that the total credits claimed will exceed the maximum amount of the aggregate credit allowed, RFA shall certify to DOR the pro rata adjustment to the credit.

Department of Revenue. The department intends to manage the increased responsibilities with existing resources and staff. This section will require the DOR to amend tax return forms and instructions to allow taxpayers to claim the credit and work with the Revenue and Fiscal Affairs

Office in determining any pro rata adjustment of the credit for each tax year. This can be accomplished with existing staff who are responsible for the development and annual updates of tax forms. DOR anticipates using existing staff to conduct any additional audits and also working with DMV to establish a check on the number of cars registered to each taxpayer.

Revenue and Fiscal Affairs Office. RFA does not anticipate that this will impact agency expenditures. Providing the required estimates is within the normal scope of agency work and can be accomplished with existing staff and resources.

Section 16. This section will require DOR to produce forms and instructions for the new Earned Income Tax credit. This is expected to have a minimal impact on expenditures that can be managed within existing appropriations.

Section 17. This section changes the amount of the two-wage earner credit. This change can be accomplished during DOR's annual update to tax forms and is expected to have a minimal impact on expenditures that can be managed within existing appropriations.

Section 18. This section increases the refundable tuition tax credit for students attending four-year and two-year institutions. RFA is required to annually estimate the maximum credit that may be permitted under this section for each taxable year based on the number of taxpayers expected to claim the credit and the expected amount claimed. RFA must certify to DOR the maximum credit for the applicable year. If the estimate exceeds the aggregate allowed by this section, the credit amounts allowed must be reduced proportionally based upon the amount by which the estimate exceeds the allowed amount.

Department of Revenue. This section will require DOR to modify forms and instructions for the changes to the tuition tax credit. This change can be accomplished during DOR's annual update to tax forms and is expected to have a minimal impact on expenditures that can be managed within existing appropriations.

Revenue and Fiscal Affairs Office. RFA does not anticipate that this will impact agency expenditures. Providing the required estimates is within the normal scope of agency work and can be accomplished with existing staff and resources.

Commission on Higher Education, State Board for Technical and Comprehensive Education, and Public Institutions of Higher Learning. The section also requires the Commission on Higher Education, the State Board for Technical and Comprehensive Education, and each public institution of higher learning to develop a plan to notify each student of the tax credit allowed by this section. As it is up to the discretion of each agency and institution as to how to accomplish this requirement, we do not expect that this will result in significant expenditures.

Section 19. This section provides an assessed value exemption for manufacturing property. The exemption will reduce local property taxes and local jurisdictions are to be reimbursed from the Trust Fund for Tax Relief. Reimbursement of the exemption is limited to a total of $85,000,000 per tax year. RFA must estimate total reimbursements for each tax year, and the value exemption percentage must be reduced if the estimate exceeds the $85,000,000 limit.

Department of Revenue. The value exemption will be administered by DOR. Manufacturing property is assessed by DOR, and the assessed values are provided to counties for assessment of property taxes. DOR does not expect this section to impact expenditures. Changing programing to include the property tax value exemption can be handled during the construction of the new manufacturing property component of DOR's tax system

Revenue and Fiscal Affairs. RFA does not anticipate that this will impact agency expenditures. Providing the required estimates is within the normal scope of agency work and can be accomplished with existing staff and resources.

Sections 20 and 21. These sections repeal Sections 57-1-460 and 57-1-470, which provide that the Secretary of Transportation must evaluate and approve the routine operation and maintenance requests or emergency repairs that are needed for existing roads and bridges that are not included in the Statewide Transportation Improvement Program. Additionally, these sections provide that the secretary must provide a report on requests for routine operation and maintenance or emergency repairs, and deletes the requirement that the commission must approve these reports. The Department of Transportation (DOT) indicates that this bill deletes the reporting requirements and the approval of specific reports by the DOT Commission. Further, the bill does not eliminate the department's responsibility to perform routine operation and maintenance functions or emergency repairs. Repealing these sections will have no expenditure impact on DOT.

Section 22. This section increases the number of at-large members of the Commission of DOT from one to two members. The number of members from each transportation district is unchanged. DOT indicates that adding an additional commission member will increase recurring Other Funds expenses by $9,000 annually.

Additionally, this section repeals Article 7, Chapter 1, Title 57, which establishes the responsibilities of the Joint Transportation Review Committee. The Joint Transportation Review Committee is comprised of ten members, five from the House and five from the Senate, who are responsible for screening appointments to the DOT Commission. The committee is supported by the General Assembly's staff. Each of the House and Senate members serving on the committee receive subsistence of $195.53 per day and per diem of $35 plus mileage for non-session days, resulting in an expense of $1,152.65 plus mileage per meeting on non-session days for each legislative body. However, based upon information provided by staff, the committee typically holds two meetings per year on days the members are in session. Therefore, eliminating the committee would not significantly reduce expenditures for the House or Senate. Also, any time savings for the General Assembly's staff would be reallocated to other responsibilities.

Section 23. This section requires the Commission of DOT to hold a minimum of six regular meetings annually. Other meetings may be called by the chair. The commission may not enter into the day-to-day operations of DOT, except in an oversight role with the secretary. Additionally, a member of the commission may not have an interest, direct or indirect, in any contract, franchise, privilege, or other benefit granted or awarded by DOT during his appointment and for one year after the termination of the appointment. DOT indicates that there are eleven regularly scheduled commission meetings annually at a cost of approximately $16,000 each. The commission chair calls an average of three to six additional meetings annually. The expense associated with the meetings at the call of the chair is minimal, and the agency indicates that expenses for these meetings usually total the expense for one regularly scheduled meeting. If only six meetings are held per year, the cost savings would total approximately $95,000 per year. However, if more than the six required meetings are held, the cost savings would be reduced by approximately $16,000 for each additional meeting.

Section 24. This section requires DOT final audit reports to be published on DOT's and the State Auditor's websites. We do not expect this requirement to impact expenditures.

Section 25. This section requires the Secretary of DOT to prepare annual reports outlining DOT annual expenditures by county and a list of all companies doing business with DOT and the amount spent on the contracts. The reports must be published on DOT's website. DOT indicates that this section of the bill will have no expenditure impact on the agency.

State Revenue
The following sections would affect state revenue as follows:

Section 1. This section of the bill as amended creates the Infrastructure Maintenance Trust Fund to be used exclusively for the repairs, maintenance, and improvements to the existing transportation system. All interest income of the Infrastructure Maintenance Trust Fund must be credited to the fund.

Section 2. The bill increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for six years for a total increase of $0.12 per gallon of fuel. The first increase will take effect July 1, 2017. The increased revenue as a result of this section must be credited to the Infrastructure Maintenance Trust Fund. Based on the latest information from the U.S. Department of Energy, increasing the current user fee from $0.16 to $0.18 would generate an additional $68,857,000 in FY 2017-18. The increase begins in July, and revenue is first remitted in August. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year. The estimated annual revenue to the Infrastructure Maintenance Trust Fund by fiscal year for FY 2017-18 to FY 2023-24 is provided in the table below.

As the user fee is increased in the first six years, we expect the demand for motor fuel to decline due to an increase in the relative overall price of motor fuel, which reduces the estimated number of gallons. Based upon an analysis of several academic studies, the demand elasticity for gasoline averages -0.2 in the short-run for the United States. The studies suggest that the long-run demand changes will be slightly more sensitive to price changes in gasoline as consumers seek out alternatives. Because we are estimating revenue for the shorter term of six years, we used an elasticity of -0.2 in this analysis, meaning that a one percent increase in the price of gasoline would reduce the amount purchased by 0.2 percent.

Fiscal Year	Motor Fuel Fee Increase ($0.02 per year for a total of $0.12)
FY 2017-18	$68,857,000
FY 2018-19	$153,958,000
FY 2019-20	$234,338,000
FY 2020-21	$316,881,000
FY 2021-22	$401,669,000
FY 2022-23	$485,807,000
FY 2023-24	$487,013,000

Pursuant to Section 12-28-2355, an inspection and environmental impact fee of $0.0075 per gallon is imposed on motor fuels. Currently revenue from the inspection fee of $0.0025 is divided between the Department of Agriculture and the State Non-Federal Aid Highway Fund. The Department of Agriculture receives 10 percent of the fee, and the State Non-Federal Aid Highway Fund receives 90 percent. Section 9 of this bill redirects the Department of Agriculture's share of the inspection fee to the State Non-Federal Aid Highway Fund so that the Fund receives 100 percent of the inspection fee. The Department of Health and Environmental Control (DHEC) receives the revenue generated by the $0.0050 environmental inspection fee. The table below estimates the effect of a reduction in demand for motor fuel on DHEC and on the State Non-Federal Aid Highway Fund, based on the Fund receiving 100 percent of the inspection fee. The motor fuel fee increase begins July 1, 2017. Therefore, the FY 2017-18 estimate represents eleven months of a full fiscal year.

Environmental and Inspection Fees ($0.0075)			
Fiscal Year	Department of Health and Environmental Control $0.0050 Environmental Fee	Department of Transportation (State Non-Federal Aid Highway Fund) $0.0025 Inspection Fee	Net Impact on $0.0075 Environmental and Inspection Fee Revenue
FY 2017-18	($31,000)	($16,000)	($47,000)
FY 2018-19	($65,000)	($32,000)	($97,000)
FY 2019-20	($95,000)	($48,000)	($142,000)
FY 2020-21	($124,000)	($62,000)	($186,000)
FY 2021-22	($153,000)	($77,000)	($230,000)
FY 2022-23	($181,000)	($91,000)	($272,000)
FY 2023-24	($181,000)	($91,000)	($272,000)

Section 4. The biennial registration fee for every passenger vehicle and every property-carrying vehicle with a gross weight of 6,000 pounds or less is increased by $16. The increase will apply to all individuals, including individuals 65 years of age or older and individuals who are handicapped as defined by Section 56-3-1950. Based upon DMV data, there will be approximately 3,179,000 vehicles subject to this additional fee in FY 2017-18. The estimated additional revenue from this fee increase is $12,731,000 for FY 2017-18. The fee increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full

fiscal year. From each biennial registration fee collected pursuant to this section, $16 must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2023-24 is provided in the table below.

Fiscal Year	Biennial Vehicle Registration Fee Increase Total Additional Revenue
FY 2017-18	$12,731,000
FY 2018-19	$26,090,000
FY 2019-20	$26,732,000
FY 2020-21	$27,391,000
FY 2021-22	$28,065,000
FY 2022-23	$28,757,000
FY 2023-24	$29,465,000

Section 5. This section creates a new infrastructure maintenance fee that must be paid upon first registering any vehicle or item required to be registered pursuant to Chapter 3 of Title 56 beginning July 1, 2017. The fee is 5 percent of the sales price up to $500 for a vehicle or item first registered in this state and $250 for new residents registering an out-of-state vehicle in South Carolina that was previously registered in another state. This fee replaces the current 5 percent sales tax up to $300 for vehicles and items purchased in South Carolina required to be registered under Chapter 3 of Section 56. We assume that the majority of trailers are exempt under Section 56-3-120 and are captured under the permanent fee in Section 12-37-2860 instead. These trailers would remain subject to the sales tax.

Based on our current estimates for motor vehicles, motorcycles, motor carriers, and recreational vehicles, increasing the maximum fee for these items to $500 will generate $72,722,000 in additional revenue to the Infrastructure Maintenance Trust Fund in FY 2017-18.

Item	Current Sales Tax ($300 cap)	Infrastructure Fee ($500 cap)	Revenue Increase
Motor vehicle	$183,000,000	$253,300,000	$70,300,000
Motorcycle	$2,208,000	$2,760,000	$552,000
Heavy duty trucks	$1,119,000	$1,866,000	$747,000
Recreational Vehicle	$1,684,000	$2,807,000	$1,123,000
Total	$188,011,000	$260,733,000	$72,722,000

Currently, 80 percent of the $300 sales tax is distributed to the State Highway Fund, with the remaining 20 percent credited to the EIA Fund. The bill directs DMV to send 20 percent of every fee collected up to $60 to the EIA Fund. As such, the EIA fund would receive the same $37,600,000 in revenue from the Infrastructure Maintenance Fee that is currently received from sales tax. DMV is directed to transfer 80 percent of every fee up to $240 to the state-funded resurfacing program so that it also would continue to receive the current level of funding from the sales tax.

The bill as amended also extends the current sales tax exemption on motor vehicles purchased by active duty members of the United States Armed Forces who are residents of another state to exempt these purchases from the Infrastructure Maintenance Fee. These purchases are currently exempt and therefore, are not included in the projected revenue from the Infrastructure Maintenance Fee. As such, the bill does not alter our analysis of the revenue generated by the fee.

Individuals registering a vehicle in South Carolina that was previously registered out-of-state will be subject to a $250 fee beginning in FY 2017-18. The bill exempts active duty military from this fee. DMV indicates that they cannot isolate the number of registrations occurring as a result of new residents moving into the state and registering an out-of-state vehicle for the first time. Data provided by DMV would include cars that were registered in another state, purchased by a dealer, and then sold in South Carolina. Therefore, we used the U.S. Census Bureau's migration data as a proxy. The Census Bureau estimates annual in-migration for people moving into South Carolina to be 99,919. This is based upon the number of personal exemptions claimed on the 52,710 income tax records for people moving into South Carolina from 2014 to 2015. Reducing this figure by 19.7% to account for individuals under age 16 who would not be likely to register a vehicle, we expect 80,235 vehicles to be subject to the out-of-state $250 fee in FY 2017-18. The revenue generated from the infrastructure maintenance fee on out-of-state transfers must be credited to the newly established Safety Maintenance Account until December 31, 2022, after which the revenue is credited to the Infrastructure Maintenance Trust Fund. The Safety Maintenance fee is discussed in Section 15.

This analysis is based upon income tax returns for individuals who have changed their state of residence for income tax purposes. The estimate may include a small number of active duty military who changed their state of residence to South Carolina and would be exempt from the fee. However, this is not expected to have a significant impact on the revenue estimate. The estimated annual revenue increase for FY 2017-18 to FY 2023-24 is provided in the table below.

	Revenue from Out-of-State Transfers	
Fiscal Year	Safety Maintenance Account	Infrastructure Maintenance Trust Fund
FY 2017-18	$20,059,000	$0
FY 2018-19	$20,340,000	$0
FY 2019-20	$20,624,000	$0
FY 2020-21	$20,913,000	$0
FY 2021-22	$21,206,000	$0
FY 2022-23	$10,751,500	$10,751,500
FY 2023-24	$0	$21,804,000

Section 6. This section creates a new registration fee for alternative fuel vehicles that are powered by fuels other than those subject to the motor fuel user fee. For vehicles powered exclusively by electricity, hydrogen, or another fuel not subject to the user fee, a biennial road user fee of $120 is added. Based upon data from DMV, we estimate 460 vehicles powered exclusively by alternate fuels will be subject to the $120 fee. The increase begins January 1, 2018. Therefore, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $14,000.

For vehicles that use a combination of a motor fuel subject to the motor fuel user fee and another fuel source, the biennial road user fee is $60. We estimate that in FY 2017-18 there will be 44,000 vehicles that use a combination of fuels subject to the $60 fee. Since the increase begins January 1, 2018, the FY 2017-18 estimate represents six months of a full fiscal year. For FY 2017-18, one-half of these biennial registration fees will be $660,000. The proposed biennial alternative fuel and hybrid vehicle fees will total $674,000 in FY 2017-18.

All of the fees collected pursuant to this section must be credited to the Infrastructure Maintenance Trust Fund. The estimated annual revenue increase for FY 2017-18 to FY 2023-24 is provided in the table below.

Fiscal Year	Hybrid and Alternative Fuel Vehicle Fee Total Additional Revenue
FY 2017-18	$674,000
FY 2018-19	$1,453,000
FY 2019-20	$1,566,000
FY 2020-21	$1,689,000
FY 2021-22	$1,820,000
FY 2022-23	$1,962,000
FY 2023-24	$2,115,000

Section 7. This section increases the maximum sales and use tax limitation on enumerated items from the current $300 per item to $500 per item beginning July 1, 2017. The additional revenue must be credited to the Infrastructure Maintenance Trust Fund.

Motor vehicles, motorcycles, motor carriers, recreational vehicles, and trailers subject to the new infrastructure maintenance fee are exempt from the sales and use tax. The revenue increase attributable to the remaining items subject to the maximum sales and use tax cap is included in the table below. The increase in the sales and use tax cap per item would increase revenue to the Infrastructure Maintenance Trust Fund by an estimated $1,678,000 in FY 2017-18.

Item	Current $300 Max Cap	Proposed $500 Max Cap	Estimated Revenue Increase
Aircraft	$21,000	$35,000	$13,000
Boat	$3,846,000	$4,807,000	$961,000
Self-propelled light construction equipment	$663,000	$1,105,000	$442,000
Trailers	$1,312,000	$1,574,000	$262,000
Total	$5,842,000	$7,521,000	$1,678,000

Section 8. This section directs DMV to collect a road use fee on all large commercial motor vehicles beginning on January 1, 2019. The valuation of the large commercial motor vehicles for the road use fee is to be determined in the same manner as currently prescribed for motor

carrier property taxes. This section adds out-of-state apportioned carriers that currently do not pay property taxes to the road use fee.

In order to estimate the road use fee on out-of-state carriers, we calculate full-time equivalent (FTE) vehicles based upon the average in-state registration fee of $706 and the total out-of-state registration fees collected. This accounts for the apportionment of out-of-state vehicles based on mileage. For FY 2015-16, DMV reported total out-of-state vehicle registration collections of $7,802,991. Dividing the total fees by the estimated average fee results in an estimated 11,047 FTE out-of-state vehicles in FY 2015-16. We estimate that this will increase to approximately 12,012 out-of-state vehicles by FY 2018-19 based upon recent growth in fee collections. Using an approximate new vehicle value of $120,000 and multiplying this value by the estimated 12,012 vehicles results in a total value of $1,441,416,000. Based upon an average vehicle age of 6 years, the average value at the depreciated rate of 0.25 would be $360,354,000. As outlined in Section 12-43-220(g), this depreciated vehicle value is then assessed at 9.5 percent and multiplied by an equalization factor currently set at 80 percent by DOR.

Because the new fee is paid at the time of registration and may be paid quarterly, the actual distribution of the calendar year 2019 revenue may vary depending upon registration timing. Since the fee begins January 1, 2019, we assume for this analysis that the registrations will be evenly distributed across the year and that one-half of the full year's fees will be paid from January through June of FY 2018-19. Additionally, the payment schedule will accelerate fee collections for in-state carriers by six months and into an earlier fiscal year compared to the current timing for payment of the property taxes. Using an estimated statewide millage of 338.4, we estimate that one-half of total collections for road use fees will be $4,634,000 for out-of-state carriers. Based upon our latest analysis of collections for in-state motor carriers through the end of 2016, we estimate that total fees for in-state carriers will be approximately $25,115,000 for calendar year 2019. One-half of these fees will total approximately $12,558,000 in FY 2018-19. Total motor carrier fees for new collections and the one-time acceleration of in state fees will be approximately $17,192,000 in FY 2018-19.

Additionally, motor carriers pay a one-time fee of $87 to register a trailer or semi-trailer. Currently, $75 of the fee is distributed to local jurisdictions under Section 12-27-2870, and $12 is retained by DOR. This bill would change the distribution by sending the $12 fee currently retained by DOR to DMV. The remaining $75 is to be combined with the revenue generated by the road use fee on large commercial motor vehicles and distributed based upon Sections 12-37-2865 and 12-37-2870. Based upon fee collections through calendar year 2016, we estimate total one-time registration fees will be approximately $703,000 in calendar year 2019. One-half of one-time registration fees will total approximately $352,000 in FY 2018-19. Of this amount, $48,000 will be reallocated from DOR to DMV for operations and $303,000 will be distributed based upon Section 12-37-2865 as outlined below.

Combining the projected motor carrier road use fees and one-time registration fee revenue for FY 2018-19 yields total revenue of $17,495,000 to be distributed under Section 12-37-2865. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Additionally, Subitem L(2) of Section 10 directs DMV to retain $400,000 in the first calendar year to offset programming costs. This leaves $17,095,000 for distribution under Section 122-37-2865. Counties will receive $12,821,000 in FY 2018-19 above the fees collected under our current property tax due to the fee acceleration. The remaining $4,274,000 will be credited to the Infrastructure Maintenance Trust Fund. These amount may vary, however, depending upon registration timing.

Revenue for FY 2019-20 will comprise a full year of fees. Based upon collections through calendar year 2016, we estimate that total motor carrier road use fees will be $25,343,000 for in-state carriers and $9,670,000 for out-of-state carriers, for a total of $35,013,000 in FY 2019-20. Fees for one-time registrations will yield an additional $606,000 to be distributed, while $97,000 will be retained by DMV. Adding the motor carrier fee amounts together yields total revenue of $35,619,000 to be distributed based upon Section 12-37-2865. Counties will receive $26,714,000 under the current distribution formula in Section 12-37-2870, and the remaining $8,905,000 will be credited to the Infrastructure Maintenance Trust Fund. This will increase county revenue by approximately $765,000 for FY 2019-20.

Fiscal Year	Motor Carrier Road Use Fee Revenue	County Distribution	Infrastructure Maintenance Trust Fund
FY 2018-19	$17,495,000	$12,821,000	$4,274,000
FY 2019-20	$35,619,000	$26,714,000	$8,905,000
FY 2020-21	$36,498,000	$27,374,000	$9,124,000
FY 2021-22	$37,404,000	$28,053,000	$9,351,000
FY 2022-23	$38,337,000	$28,753,000	$9,584,000
FY 2023-24	$39,292,000	$29,469,000	$9,823,000

Section 9. This section reallocates 10 percent of the $0.0025 motor fuel inspection fee that is currently allocated to the Department of Agriculture to the State Non-Federal Aid Highway Fund. Pursuant to Section 39-41-70, the revenue from the 10 percent of the $0.0025 motor fuel inspection fee is currently used as necessary under the direction of the Commissioner of Agriculture to make all necessary regulations for the inspection of petroleum products, employ all necessary chemists, and enforce standards as to safety, purity, and value for power and heating purposes. Therefore, in FY 2017-18, revenue of the Department of Agriculture will decline by $952,000, and revenue of the State Non-Federal Aid Highway Fund will increase by $952,000. The estimated reallocation of revenue for FY 2017-18 to FY 2023-24 is provided in the table below.

Fiscal Year	Reduction in Revenue to the Department of Agriculture	Increase in Revenue to the State Non-Federal Aid Highway Fund
FY 2017-18	($952,000)	$952,000
FY 2018-19	($975,000)	$975,000
FY 2019-20	($989,000)	$989,000
FY 2020-21	($1,003,000)	$1,003,000
FY 2021-22	($1,016,000)	$1,016,000
FY 2022-23	($1,024,000)	$1,024,000
FY 2023-24	($1,027,000)	$1,027,000

Section 10. This section repeals Section 12-28-530. The Department of Revenue indicates that this section is a simplification of requirements that would have been imposed on all retailers and distributors. Repealing the section will have no effect on the agency.

Section 11. This section requires DOT to transfer $17,000,000, instead of $9,500,000 of "C" funds annually to the donor counties in the ratio of the individual donor county's contribution in excess of "C" fund revenue allocated to the county. The section also provides that a county is eligible for an additional allocation from DOT if the county contributed to the "C" fund an amount in excess of what it receives under the base allocation and as a donor county. DOT must annually transfer to the eligible counties an amount up to $3,500,000 in the ratio of the individual eligible county's contribution to the "C" fund in excess of the eligible county's total allocations. Allocations made to eligible counties pursuant to this section may not be in excess of what the county contributed to the "C" fund. This does not change the amount of revenue, but rather, changes allocation of existing revenue.

Section 13. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed as "C" funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" funds revenue will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee allocation. This increase must be used for repairs, maintenance, and improvements to the state highway system. The estimated "C" fund increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750. Therefore, the increase in "C" funds would constitute a shift from the State Highway Fund to county transportation committees.

Fiscal Year	Increase in Estimated "C" Funds Revenue
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Section 14. This section allows DOT to reduce the allocation to the state-funded resurfacing program in order to fund repairs, maintenance, and improvements to the exiting transportation system. This does not change total revenue and any reallocation will be up to the discretion of DOT.

Additionally, this section repeals Section 11-43-165, which requires DOT to transfer $50,000,000 from non-tax sources to the South Carolina Transportation Infrastructure Bank (SCTIB). The transferred funds were to be used solely by the SCTIB to finance bridge replacement, rehabilitation projects, and expansion and improvements to existing mainline interstates. Section 5 of the bill requires that $50,000,000 of non-tax revenue utilized by the SCTIB be used solely to finance bridge replacement, rehabilitation projects, and expansion and improvements to existing roads in the State Highway System. Therefore, repealing this section is not expected to alter SCTIB funding.

Section 15. This section allows a resident taxpayer to claim a refundable income tax credit for preventive vehicle maintenance on private passenger motor vehicles as defined in Section 56-3-630, including motorcycles, registered in this state. The credit may not exceed the lesser of the resident's actual motor fuel user fee increase incurred as a result of the increase imposed in Section 12-28-310(D) or the amount the resident pays for vehicle maintenance. Vehicle maintenance includes, but is not limited to, costs incurred for new tires, oil changes, and regular vehicle maintenance. A taxpayer may claim the credit for up to two qualifying vehicles. Total credits are limited by tax year to a maximum as outlined in this section. The Revenue and Fiscal Affairs Office is required to estimate the number of taxpayers expected to claim the credit for each tax year and the total amount expected to be claimed annually on or before September 30th. In the event that RFA estimates that the total credits claimed will exceed the maximum amount of the aggregate credit allowed, RFA shall certify to DOR the pro rata adjustment to the credit.

The credit may not exceed the actual motor fuel user fee increase incurred as a result of the increase in Section 12-28-310(D). Section 12-28-310(D) increases the current $0.16 per gallon motor fuel user fee by $0.02 per gallon per year for six years for a total increase of $0.12 per gallon of fuel. The increase will take effect July 1, 2017, and each July 1 thereafter until July 1, 2023. However, the credit must be claimed for increases incurred on a tax year basis beginning for tax year 2018 and continuing until tax year 2022. Therefore, we have estimated the motor fuel increase based upon one-half of the increase for each fiscal year as outlined below.

Months	Calendar Year	Motor Fuel Fee Increase	Tax Year	Motor Fuel Fee Increase Tax Year Average
Jul-Dec	2017	$0.02	TY 2017	N/A
Jan-Jun	2018	$0.02	TY 2018	$0.03
Jul-Dec	2018	$0.04		
Jan-Jun	2019	$0.04	TY 2019	$0.05
Jul-Dec	2019	$0.06		
Jan-Jun	2020	$0.06	TY 2020	$0.07
Jul-Dec	2020	$0.08		
Jan-Jun	2021	$0.08	TY 2021	$0.09
Jul-Dec	2021	$0.10		
Jan-Jun	2022	$0.10	TY 2022	$0.11
Jul-Dec	2022	$0.12		

To estimate motor fuel purchases, we have used the U.S. Department of Transportation, Federal Highway Administration, Highway Statistics 2012 to 2015 reports. The average annual gallons of motor fuel used for light duty vehicles was reported at 529 for 2012, 524 for 2013, 527 for 2014, and 521 for 2015. While usage moved up and down, the average declined by 0.5 percent over the period. Based upon federal regulations requiring improvements in fuel economy under Corporate Average Fuel Economy (CAFE) standards, we expect the trend toward improvements in fuel efficiency will continue to reduce average usage long-term and have used this growth rate to project future average gasoline gallons used. Projected average fuel usage by year is included in the table below. The average credit by year is calculated by multiplying the tax year average motor fuel fee increase times the average annual gallons purchased times 100 percent.

Tax Year	Average Tax Year Motor Fuel Fee Increase	Average Annual Gallons Purchased	Average Credit
TY 2018	$0.03	513	$15
TY 2019	$0.05	511	$26
TY 2020	$0.07	508	$36
TY 2021	$0.09	505	$45
TY 2022	$0.11	503	$55

Private passenger motor vehicle as defined in Section 56-3-630 includes every motor vehicle designed, used, and maintained for the transportation of ten or fewer persons and trucks with an empty weight of nine thousand pounds or less and a gross weight of elven thousand pounds or less. This credit also specifically includes motorcycles. Based upon data from DMV on registered vehicles, we have estimated the number of motor vehicles expected to qualify. We have excluded vehicles owned by governments that would not pay taxes and not be eligible for the credit, trucks that are over the weight limitations, buses, and trailers.

Further, each taxpayer may claim the credit for up to two vehicles. We have assumed based upon discussions with DOR that a joint return includes two taxpayers who may each claim the credit for two vehicles, for a total of four vehicles. Single and separate filers will be limited to a credit for two vehicles each. To account for households with more vehicles than can be claimed, we used the U.S. Census Bureau's 2015 American Community Survey data on the number of household vehicles by household size to estimate the percentage of vehicles that will be ineligible for the credit. Based upon this data, approximately 4.3 percent of vehicles will be ineligible. In determining this estimate, we assume that for households with 2 or more occupants and 4 or more cars, one-half will have 5 vehicles and not be able to claim the credit for the extra vehicle. For households with one occupant, we assume those with 3 cars will have one vehicle ineligible and those with 4 or more cars will have two vehicles ineligible. We have reduced our estimate of the number of vehicles by 4.3 percent to account for the two car per taxpayer limit.

Multiplying the average credit amount by the estimated number of vehicles yields total credits. Based upon these projections, the credit amounts will be reduced to limit the total credits to the maximum allowed by tax year. These projections are included in the table below.

Tax Year	Estimated Vehicles	Average Credit	Estimated Total Credits	Maximum Total Credits Allowed	Average Allowed Credit Per Vehicle	Pro Rata Adjustment
TY 2018	3,961,248	$15	$60,978,000	$40,000,000	$10	65.6%
TY 2019	4,060,279	$26	$103,643,000	$65,000,000	$16	62.7%
TY 2020	4,161,786	$36	$147,974,000	$85,000,000	$20	57.4%
TY 2021	4,265,831	$45	$194,021,000	$110,000,000	$26	56.7%
TY 2022	4,372,476	$55	$241,833,000	$114,000,000	$26	47.1%

The section requires that on or before January 31, 2019 and by January 31 of each year thereafter, an amount of funds necessary to offset the estimated credit must be transferred from the Safety Maintenance Account to DOR. If the amount transferred is insufficient to offset the credit, DOT shall transfer to DOR an amount equal to the total credits estimated by RFA less the amount transferred from the Safety Maintenance Account. The estimated transfers from the Safety Maintenance Account and DOT by fiscal year are included below. Out-of-state transfer fees are credited to the Safety Maintenance Account beginning July 1, 2017, and will accumulate until the first transfer on January 31, 2019. The estimated amounts below assume that the out-of-state vehicle transfer fees credited to the Safety Maintenance Account are evenly distributed throughout the year. If this is not the case, the transfers from DOT would be impacted by any shift in timing of revenues to the Safety Maintenance Account.

Tax Year	Estimated Total Credits	Transfer Date	Safety Maintenance Account Transfer to DOR	DOT Transfer to DOR
TY 2018	$40,000,000	January 31, 2019	$30,229,000	$9,771,000
TY 2019	$65,000,000	January 31, 2020	$20,482,000	$44,518,000
TY 2020	$85,000,000	January 31, 2021	$20,768,500	$64,231,500
TY 2021	$110,000,000	January 31, 2022	$21,059,500	$88,940,500
TY 2022	$114,000,000	January 31, 2023	$21,354,500	$92,645,500

Section 16. This section allows individual income tax filers to claim a non-refundable state individual income tax credit equal to 125 percent of the federal earned income tax credit (EITC). The credit is phased-in over six tax years beginning in tax year 2018 at 20.83 percent per year. For our analysis, we used a sample file from the Department of Revenue that contains federal income tax returns matched to the state returns for 87 percent of state filers. We recalculated the 2014 individual income tax returns to account for the amount of the credit per return that would not be taken for tax filers with insufficient tax liability to claim the full non-refundable credit amount. This figure was then inflated to estimate the remaining 13 percent of returns for which we do not have federal data. The table below includes the estimated total credits to be claimed annually and the reduction in the General Fund by fiscal year.

Fiscal Year	Percentage of Federal EITC	General Fund Income Tax Reduction
FY 2018-19	20.83%	($20,441,000)
FY 2019-20	41.67%	($27,785,000)
FY 2020-21	62.50%	($33,076,000)
FY 2021-22	83.33%	($36,478,000)
FY 2022-23	104.17%	($39,648,000)
FY 2023-24	125.00%	($42,717,000)

Section 17. This section increases the wage limit for the two wage earner income tax credit. Currently, the two wage earner credit in Section 12-6-3330(B)(1) is a non-refundable credit of 0.7 percent of earned income up to $30,000. In order to qualify, taxpayers must file a married joint return, and both spouses must have earned income. This section increases the income limit to $50,000 in six installments of $3,333 per year beginning in tax year 2018. This would increase the maximum credit from $210 to $350 by tax year 2023. Because the credit is non-refundable, we estimated the revenue impact by re-calculating tax year 2014 returns currently claiming the credit with the increased income limitation. The estimated General Fund individual income tax reduction by fiscal year is listed in the table below.

Fiscal Year	Maximum Earned Income Applicable to Credit	Maximum Two Wage Earner Credit	General Fund Income Tax Reduction
FY 2018-19	$33,333	$233	($3,275,000)
FY 2019-20	$36,667	$257	($6,710,000)
FY 2020-21	$40,000	$280	($9,954,000)
FY 2021-22	$43,333	$303	($13,158,000)
FY 2022-23	$46,667	$327	($16,232,000)
FY 2023-24	$50,000	$350	($19,245,000)

Section 18. This section increases the refundable tuition tax credit for tuition paid to both four-year and two-year institutions. Currently, students are allowed a refundable credit equal to 25 percent of tuition paid up to $850 for four-year institutions and $350 for two-year institutions. The credit may be claimed by the student or an individual eligible to claim the student as a dependent on his federal income tax return. The credit amount is increased beginning in tax year 2018 to 50 percent of tuition up to $1,500. The aggregate amount of all credits is limited to $40,000,000 in tax year 2018. RFA must estimate the maximum credit that may be permitted under this section for a taxable year based on the number of taxpayers expected to claim the credit and the expected amount claimed. If RFA estimates that the credits will exceed the aggregate limitation, the credit amounts allowed per student must be reduced by the pro-rata amount by which the estimate exceeds the limitation. The aggregate amount is increased annually by the increase in the Higher Education Price Index, not to exceed three percent a year. Based upon the Commonfund Higher Education Price Index 2016 Report, the index increased 1.8 percent in 2016. We have used this percentage to estimate the projected increase in the credit maximum annually.

We have estimated the additional tax credits to be claimed under these assumptions for each year based upon tax year 2014 returns. The estimated General Fund individual income tax reduction is listed in the table below by fiscal year.

Fiscal Year	Estimated Current Tuition Credits	Estimated Additional Tuition Credits	Estimated Total Tuition Credits	Estimated Maximum Tuition Credits Allowed	General Fund Income Tax Reduction
FY 2018-19	$5,303,000	$6,157,000	$11,460,000	$40,000,000	($6,157,000)
FY 2019-20	$5,431,000	$6,304,000	$11,735,000	$40,720,000	($6,304,000)
FY 2020-21	$5,561,000	$6,456,000	$12,017,000	$41,452,960	($6,456,000)
FY 2021-22	$5,694,000	$6,611,000	$12,305,000	$42,199,113	($6,611,000)
FY 2022-23	$5,831,000	$6,769,000	$12,600,000	$42,958,697	($6,769,000)
FY 2023-24	$5,971,000	$6,932,000	$12,903,000	$43,731,954	($6,932,000)

Section 19. This section would provide a local property tax exemption of 14.2857 percent of the value of manufacturing property, which would be reimbursed by the State. The exemption is implemented in six equal installments beginning in tax year 2018. Currently manufacturing

property is assessed at 10.5 percent of the value of the property. This value exemption would have the same effect as reducing the assessment ratio to 9 percent.

The property tax reduction resulting from the exemption will be reimbursed by the State and will increase the transfer of individual income tax and corporate income tax revenue to the Trust Fund for Tax Relief, reducing the General Fund. The total reimbursement is limited to $85,000,000 per year. If in any year the reimbursements are projected by RFA to exceed the cap, the exemption percentage is proportionally reduced so as not to exceed the cap. Based upon the current trend, we anticipate the exemption amounts will decline in upcoming years as assessed value in manufacturing property is expected to decline. The exemption is not expected to exceed the reimbursement cap over the next six years. The estimated General Fund revenue impact by fiscal year is included below.

Fiscal Year	Manufacturing Property Value Exemption	General Fund Reduction
FY 2018-19	2.3810%	($6,285,000)
FY 2019-20	4.7619%	($12,377,000)
FY 2020-21	7.1429%	($18,279,000)
FY 2021-22	9.5238%	($24,202,000)
FY 2022-23	11.9048%	($30,040,000)
FY 2023-24	14.2857%	($35,796,000)

Local Expenditure
Section 6. This section adds a biennial road use fee for hybrid and alternative fuel vehicles. The Revenue and Fiscal Affairs Office contacted all forty-six county governments regarding the expenditure impact of this section of the bill. Florence and Horry Counties indicate that this bill will have no expenditure impact on their localities. Clarendon and Lancaster Counties indicate that this bill will have a minimal expenditure impact on their localities.

Local Revenue
Section 8. This section creates the motor carrier road use fee to replace the current motor carrier property tax beginning January 1, 2019. Section 12-37-2865 directs that 75 percent of revenue per fiscal year is distributed to counties based upon the current distribution formula in Section 12-37-2870, and the remaining revenue is credited to the Infrastructure Maintenance Trust Fund. Due to a change in timing for fee payments, this will increase local funding to counties by $12,821,000 in FY 2018-19. This amount may vary, however, depending upon registration timing. For FY 2019-20 county revenue will increase by approximately $765,000 for FY 2019-20 over the current estimate for motor carrier property tax revenue. For additional explanation of the revenue determination, see Section 8 under State Revenue.

Section 11. This section requires DOT to transfer $17,000,000, instead of $9,500,000 annually to the donor counties in the ratio of the individual donor county's contribution in excess of "C" fund revenue allocated to the county. A county is eligible for an additional allocation from DOT if the county contributed to the "C" fund an amount in excess of what it receives under the base allocation and as a donor county. DOT must annually transfer to the eligible counties an amount up to $3,500,000 in the ratio of the individual eligible county's contribution to the "C" fund in excess of the eligible county's total allocations. Allocations made to eligible counties pursuant to this section may not be in excess of what the county contributed to the "C" fund. This does not change the amount of revenue, but rather, changes allocation of existing revenue.

Section 13. This section increases the current $0.0266 per gallon user fee on gasoline that is distributed to "C" funds by $0.003325 per gallon each year beginning July 1, 2018, until the total amount equals $0.0399. Based on the projected number of gasoline gallons after adjusting for demand, "C" funds will increase by $9,721,000 in FY 2018-19, which is the first year of the $0.003325 increase in the gasoline user fee. The "C" funds allocated to county transportation committees must be expended pursuant to the provisions in Section 12-28-2740. The increase in "C" funds would be shifted from the State Highway Fund to county transportation committees. The estimated increase for FY 2018-19 to FY 2021-22 is provided in the table below. Since Section 12-28-310 specifies the motor fuel user fee increase must be credited to the Infrastructure Maintenance Trust Fund, we assume the increase in "C" funds will reduce the remainder of the proceeds of the current motor fuel user fee remitted to the State Highway Fund under Section 12-28-2750.

Fiscal Year	Increase in Estimated "C" Funds Revenue
FY 2018-19	$9,721,000
FY 2019-20	$19,599,000
FY 2020-21	$29,671,000
FY 2021-22	$39,875,000

Frank A. Rainwater

Frank A. Rainwater, Executive Director

H. 3516 FISCAL IMPACT - MAY 31, 2017
Fee Revenue
(Millions of Dollars)

Fiscal Year	Motor Fuel Fee Increase (Total of $0.12 over 6 years)	Increased Vehicle Registration Fee Revenue	Hybrid and Alternative Fuel Vehicle Fee Revenue	Maintenance Fee/Sales Tax	Out-of-State Transfers	Motor Carrier Fee Revenue	Total Additional Road Funding
1	2	3	4	5	6	7	8
FY 2017-18	$68.9	$12.7	$0.7	$74.4	$20.1	$0.0	$176.7
FY 2018-19	$154.0	$26.1	$1.5	$74.4	$20.3	$4.3	$280.5
FY 2019-20	$234.3	$26.7	$1.6	$74.4	$20.6	$8.9	$366.6
FY 2020-21	$316.9	$27.4	$1.7	$74.4	$20.9	$9.1	$450.4
FY 2021-22	$401.7	$28.1	$1.8	$74.4	$21.2	$9.4	$536.5
FY 2022-23	$485.8	$28.8	$2.0	$74.4	$21.5	$9.6	$622.0
FY 2023-24	$487.0	$29.5	$2.1	$74.4	$21.8	$9.8	$624.6
FY 2024-25	$488.1	$30.2	$2.3	$74.4	$22.1	$10.1	$627.2
FY 2025-26	$489.3	$30.9	$2.5	$74.4	$22.4	$10.3	$629.8
FY 2026-27	$490.7	$31.7	$2.6	$74.4	$22.7	$10.6	$632.7

Notes:
2 - Beginning July 1, 2017, fee increase of $0.02 per year for 6 years, for a total of $0.12. FY 2017-18 represents eleven months of a fiscal year.
3 - Effective date is January 1, 2018. FY 2017-18 represents six months of a fiscal year. Additional revenue is based upon growth rate of 2.46% from DMVs monthly Active Registration by County Plate Class and Vehicle Type report.
4 - Effective date is January 1, 2018. FY 2017-18 represents six months of a fiscal year. Additional revenue for FY 2017-18 to FY 2023-24 based upon DMV data. Additional revenue for hybrid vehicles for FY 2024-25 to FY 2026-27 based on 7.73% growth rate. Additional revenue for alternative fuel vehicles for FY 2024-25 to FY 2026-27 based on growth rate of 10.7%.
5 - Effective date is July 1, 2017. Projections based upon base year revenue adjusted for increased maximum tax. Maximum increased to $500.
6 - Effective date is July 1, 2017. Additional revenue for FY 2017-18 is based on U.S. Census Bureau's migration data. Additional revenue for FY 2018-19 to FY 2026-27 based upon growth rate of 1.4% for S.C. population growth. Out-of-State fee is $250.
7 - Effective date is January 1, 2019. Additional revenue projected based upon historical long-range average growth of 2.5%. FY 2018-19 reflects a partial year.
8 - Total additional road funding.

Source: SC Revenue and Fiscal Affairs Office - lpw - 5/31/17

H. 3516 FISCAL IMPACT - MAY 31, 2017
Tax Credits and Exemptions
(Millions of Dollars)

	Motor Fuel Income Tax Credit				General Fund Reductions				
Fiscal Year	Estimated Total Motor Fuel Income Tax Credits	Safety Maintenance Account Balance	Safety Maintenance Account Transfer to DOR	DOT Transfer to DOR	Earned Income Tax Credit	Two Wage Earner Credit	Tuition Tax Credit	Manufacturing Property Value Exemption	Total
1	2	3	4	5	6	7	8	9	10
FY 2017-18	$0.0	$20.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
FY 2018-19	$40.0	$20.3	$30.2	$9.8	$20.4	$3.3	$6.2	$6.3	$36.2
FY 2019-20	$65.0	$20.6	$20.5	$44.5	$27.8	$6.7	$6.3	$12.4	$53.2
FY 2020-21	$85.0	$20.9	$20.8	$64.2	$33.1	$10.0	$6.5	$18.3	$67.8
FY 2021-22	$110.0	$21.2	$21.1	$88.9	$36.5	$13.2	$6.6	$24.2	$80.4
FY 2022-23	$114.0	$10.8	$21.4	$92.6	$39.6	$16.2	$6.8	$30.0	$92.7
FY 2023-24					$42.7	$19.2	$6.9	$35.8	$104.7
FY 2024-25					$44.6	$19.7	$7.1	$35.5	$106.9
FY 2025-26					$46.5	$20.1	$7.3	$35.3	$109.1
FY 2026-27					$48.5	$20.5	$7.4	$35.0	$111.5

Notes:

2-Refundable private passenger motor vehicle maintenance income tax credit of up to 100% of increase in the motor fuel user fee. Projections based upon vehicle growth of 2.5% and average fuel consumption growth of -0.5%. Subject to annual limitation on total credits. Ends after tax year 2022.

3- Infrastructure maintenance fees on out-of-state transfers are credited to the Safety Maintenance Account until December 31, 2022.

4-Safety Maintenance Account transfer occurs each January 31st beginning in 2019 and ending 2023.

5-DOT transfer to DOR for credits in excess of Safety Maintenance Account transfer

6-Non-refundable credit of 125% of federal Earned Income Tax Credit (EITC) phased-in at 20.833% per year. Additional years based upon growth of 4.3% from federal EITC growth in I.R.S. Statistics of Income.

7-Increase two-wage earner credit wage maximum from $30,000 to $50,000 phased in at $3,333 per year. Additional years based upon growth of 2.2%.

8-Increase tuition credit to 50% of tuition up to $1,500 per student. Additional years based upon growth of 2.4%.

9-Exempt 14.29% of manufacturing property value from property taxes phased in over 6 years at 2.382% per year beginning TY 2018.

10-Total General Fund reductions - sum of columns 6 to 9

Source: SC Revenue and Fiscal Affairs Office - lhj - 5/31/17

TAX YEAR 2023 ESTIMATED EARNED INCOME TAX CREDIT
(125% of Federal Credit)

Tax Liability After Credits Range (TY 2014 Base)	Total Estimated Returns (TY 2023)	Percent of Total	Est. Returns with Federal Earned Income Credits (TY 2023)	Percent of Returns by Range	Est. Returns Claiming Credit (TY 2023)	Percent of Returns by Range	Est. Total Credits Claimed (TY 2023 Amount)	Average Credit Claimed
1	2	3	4	5	6	7	8	9
$0	1,103,253	42.2%	485,517	44%	0	0.0%	$0	$0
$1-$500	468,351	17.9%	121,895	26%	121,895	26.0%	$25,402,588	$208
$501-$1,000	204,194	7.8%	26,180	13%	26,180	12.8%	$16,685,245	$637
$1,001-$1,500	156,019	6.0%	1,078	1%	1,078	0.7%	$480,300	$446
$1,501-$2,000	122,240	4.7%	39	0%	39	0.0%	$49,586	$1,271
$2,001-$2,500	97,017	3.7%	13	0%	13	0.0%	$29,431	$2,264
$2,501-$3,000	77,372	3.0%	7	0%	7	0.0%	$12,572	$1,796
$3,001-$3,500	62,152	2.4%	4	0%	4	0.0%	$6,602	$1,650
$3,501-$4,000	50,782	1.9%	3	0%	3	0.0%	$8,753	$2,918
$4,001-$4,500	42,176	1.6%	4	0%	4	0.0%	$15,152	$3,788
$4,501-$5,000	34,860	1.3%	-	0%	0	0.0%	$0	$0
$5,001-$5,500	28,002	1.1%	3	0%	3	0.0%	$7,005	$2,335
$5,501-$6,000	23,128	0.9%	1	0%	1	0.0%	$111	$111
$6,001-$6,500	18,686	0.7%	-	0%	0	0.0%	$0	$0
$6,501-$7,000	15,535	0.6%	-	0%	0	0.0%	$0	$0
$7,001-$7,500	13,028	0.5%	1	0%	1	0.0%	$1,043	$1,043
$7,501-$8,000	10,784	0.4%	-	0%	0	0.0%	$0	$0
$8,001-$9,000	16,766	0.6%	1	0%	1	0.0%	$3,805	$3,805
$9,001-$10,000	12,435	0.5%	1	0%	1	0.0%	$6,953	$6,953
Over $10,000	56,901	2.2%	4	0%	4	0.0%	$7,392	$1,848
Total	2,613,681	100.0%	634,752	24%	149,234	5.7%	$42,716,538	$286

Note: Non-refundable credit equal to 125% of federal earned income tax credit

Source: Revenue and Fiscal Affairs; Analysis of 2014 federal and state matched income tax return 87% sample

LJ-05/08/17

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

Bill Number:	H. 3559	Amended by House Agriculture, Natural Resources, and Environmental Affairs on March 23, 2017
Author:	Pitts	
Subject:	Industrial Hemp Cultivation and Regulation	
Requestor:	House Agriculture, Natural Resources, and Environmental Affairs	
RFA Analyst(s):	Stein, Gardner, and Walling	
Impact Date:	March 28, 2017	

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	$52,433	$0
Other and Federal	$3,750	$0
Full-Time Equivalent Position(s)	1.00	0.00
State Revenue		
General Fund	$0	$0
Other and Federal	$3,750	$0
Local Expenditure	$0	$0
Local Revenue	$0	$0

Fiscal Impact Summary
This bill would have an expenditure impact of $52,433 on the General Fund and $3,750 on Other Funds in FY 2017-18 and each fiscal year thereafter. Permit fees collected from growers of industrial hemp are anticipated to generate $3,750 in Other Funds revenue, beginning in FY 2017-18 and continuing each fiscal year thereafter. The revenue must be appropriated to the Department of Agriculture to pay costs of administering the South Carolina Industrial Hemp Program.

Explanation of Fiscal Impact

Amended by the House Agriculture, Natural Resources, and Environmental Affairs on March 23, 2017
State Expenditure
This bill creates the industrial hemp program. The bill clarifies definitions to distinguish industrial hemp from marijuana. The bill allows land grant universities or research universities in the state to conduct research, contingent upon funding. Universities may conduct pilot programs to cultivate hemp as an agricultural commodity, and work with growers in South Carolina. Once engaged in research, universities must work in conjunction with the Department of Agriculture to identify applications, applicants, and new market opportunities for industrial hemp growers.

The bill authorizes the Department of Agriculture to issue up to fifteen grower permits annually to initiate a three-year pilot program pursuant to 7 USC 5940. Applicants must submit to state and national criminal record checks supported by fingerprints. Growers must be registered with the department and must show proof of buyer contracts. Growers must provide global positioning coordinates, contact information, written consent allowing SLED to enter cultivation areas, as well as any other information required by the department. The department may charge growers application, registration, and renewal fees not to exceed $250 annually per registrant. Monies from these fees must be continuously appropriated to the department to carry out the duties of this program.

The bill provides guidelines for growers and states that industrial hemp products intended for human consumption (i.e., ingested or topically applied) must be tested by an independent testing laboratory. Additional testing guidelines are provided.

Anyone who manufactures, distributes, or purchases marijuana in a manner intended to disguise it as hemp is guilty of a misdemeanor and upon conviction may be imprisoned for up to three years or fined up to three thousand dollars, or both. This provision is unchanged from existing law, and therefore, does not have an expenditure impact.

Department of Agriculture. This bill requires the department to regulate the registration of hemp growers and explore new market opportunities for industrial hemp products. The department reports that this bill would have an expenditure impact of $56,183 on the General Fund. Expenditures include $40,383 for salary and employer contributions for one marketing specialist and $15,800 for operating expenses.

Clemson—Public Service Activities. Since the bill does not mandate that land grant universities engage in research or extension activities, this bill should have no expenditure impact on the General Fund, Federal Funds, or Other Funds. However, with the authorization of a pilot program, there could be expenditures incurred by the agency or assessed to program participants.

SC State University—Public Service Activities. Since the bill does not mandate that land grant universities engage in research or extension activities, this bill should have no expenditure impact on the General Fund, Federal Funds, or Other Funds. Any participation in the authorized pilot program would be contingent upon funding.

Public Institutions of Higher Education. The Commission on Higher Education surveyed the state's research institutions (Medical University of South Carolina, Clemson University, SC State University, and the University of South Carolina) for the impact the amended bill would have on expenditures. Clemson University and the University of South Carolina indicated any expenditures associated with authorized pilot programs would be covered by fees collected from program participants. Therefore, this bill is not expected to have any expenditure impact on the General Fund or Federal Funds. Other Funds may be impacted once cannabinoid research programs are established.

State Revenue
The bill authorizes the Department of Agriculture to permit up to fifteen growers per year and charge permit fees of up to $250. Consequently, the Department of Agriculture will be able to collect a maximum of $3,750 in application and registration fees annually to offset expenditures of $56,183.

Local Expenditure
N/A

Local Revenue
N/A

Frank A. Rainwater, Executive Director

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

Bill Number:	H. 3726 Signed by Governor on April 25, 2017
Author:	Herbkersman
Subject:	Retirement System Funding and Administration
Requestor:	House of Representatives
RFA Analyst(s):	Shuford
Impact Date:	July 27, 2017 - Updated to correct a typographical error

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19	FY 2022-23 Totals
State Expenditure			
General Fund	$73,600,000	$110,400,000	$257,600,000
Other and Federal	$95,400,000	$144,550,000	$335,450,000
Full-Time Equivalent Position(s)	0.00	0.00	0.00
State Revenue			
General Fund	$0	$0	$0
Other and Federal	$278,800,000	$354,600,000	$869,800,000
Local Expenditure	$67,400,000	$101,100,000	$235,800,000
Local Revenue	$0	$0	$0

Fiscal Impact Summary
This bill will increase General Fund employer contributions by $73,600,000 in FY 2017-18 and by an additional $36,800,000 each year in FY 2018-19 through FY 2022-23, for a total of $257,600,000 for the six fiscal years. Federal Funds and Other Funds employer contribution expenditures will increase by $95,400,000 in FY 2017-18 and by an additional $47,700,000 each year in FY 2018-19 through FY 2022-23 for a total of $334,000,000 for the six fiscal years. Local government employer contributions will increase by $67,400,000 in FY 2017-18 and by an additional $33,700,000 each year in FY 2018-19 through FY 2022-23 for a total of $235,800,000 for the six fiscal years. These amounts are reported also in the enclosed Table 1, which provides a further breakout of these amounts between the two retirement systems.

These increased General Fund, Federal Funds, Other Funds, and local government employer contributions expenditures, totaling $236,800,000 in FY 2017-18, are a corresponding increase in Other Fund revenue for the SCRS and PORS retirement funds. In addition, member contributions will increase by $42,400,000 in FY 2017-18, resulting in a total of $278,800,000 in Other Fund revenue for the SCRS and PORS retirement systems in FY 2017-18. Other Fund revenue from the increased employer and employee contributions for the SCRS and PORS retirement funds will increase by a total of $869,800,000 in the next six fiscal years through FY 2022-23. This fiscal impact statement is updated to correct a typographical error in the summary table above for Other and Federal revenue in FY 2017-18.

Other Funds expenditures in FY 2018-19 for the South Carolina Public Employee Benefit Authority and the Retirement System Investment Commission fiduciary audits will increase by $1,450,000 as administrative costs of these boards must be paid from the earnings of the retirement system.

Explanation of Fiscal Impact

Signed by Governor on April 25, 2017
State Expenditure
This bill modifies many aspects of the South Carolina Retirement System. This fiscal impact statement analyzes the following sections that may affect state and local expenditures and revenue.

Section 1. This section increases the employer and employee contribution rates for the South Carolina Retirement System (SCRS) beginning in FY 2017-18. Employer contributions for SCRS will increase by 2 percent in FY 2017-18 from the current 11.56 percent to 13.56 percent. The rate will increase further by 1 percent per year in FY 2018-19 for five years until it reaches 18.56 percent in FY 2022-23. The member contribution rate will increase by thirty-four basis points in FY 2017-18 from the current 8.66 percent to 9 percent. The member contribution rate is capped at 9 percent and the 2.9 percent statutorily prescribed differential between the employer and member contribution rates is eliminated.

Beginning in FY 2027-28, the Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA) may increase the employer contribution rate based on actuarial valuation. If the annual actuarial valuation of the system reports a funded ratio (ratio of the actuarial valuation of the assets to the actuarial accrued liability) of 85 percent or higher, then PEBA may decrease employer and employee contribution rates. Conversely, if the funded ratio is less than 85 percent, then PEBA may increase the contribution rates in amounts not to exceed one-half of one percent per year, and the member rate may not exceed 9 percent. The SCRS funded ratio is presently 60 percent and is expected to be 67 percent by FY 2027-28 with the changes prescribed in this bill. The bill requires amortization of the unfunded actuarial accrued liability over a thirty-year period in FY 2017-18, decreasing to a twenty-year period by FY 2027-28. If these funding periods are not met, PEBA may increase the employer contribution rate.

Section 2. This section similarly increases the employer and member contribution rates for the Police Officers Retirement System (PORS). Employer contributions for PORS will increase by 2 percent in FY 2017-18 from the current 14.24 percent to 16.24 percent. The rate will increase further by 1 percent per year in FY 2018-19 for five years until it reaches 21.24 percent in FY 2022-23. The member contribution rate will increase by fifty-one basis points in FY 2017-18 from the current 9.24 percent to 9.75 percent. The member contribution rate is capped at 9.75 percent, and the 5.0 percent statutorily prescribed differential between the employer and member contribution rates is eliminated.

Beginning in FY 2027-28, PEBA may increase the employer contribution rate based on actuarial valuation. If the annual actuarial valuation of the system reports a funded ratio (ratio of the actuarial valuation of the assets to the actuarial accrued liability) of 85 percent or higher, then PEBA may decrease employer and employee contribution rates. Conversely, if the funded ratio is less than 85 percent, then PEBA may increase the contribution rates in amounts not to exceed one-half of one percent per year, and the member rate may not exceed 9.75 percent. The PORS funded ratio is presently 66 percent and is expected to be 76 percent by FY 2027-28 with the changes prescribed in this bill. The bill requires amortization of the unfunded actuarial accrued liability over a thirty-year period in FY 2017-18, decreasing to a twenty-year period by FY 2027-28. If these funding periods are not met, PEBA may increase the employer contribution rate.

The combined expenditure impact from the increased employer contributions in Sections 1 and 2 for SCRS and PORS is based on personal service expenditures by funding source provided by the Revenue and Fiscal Affairs Office and actuarial valuation reports of the retirement system by PEBA consultants and actuaries. The enclosed Table 1 reports the additional expenditures by funding source and retirement system for FY 2017-18 through FY 2022-23. The increased employer contributions expense to the General Fund, Federal Funds, Other Funds, and local governments will increase by $236,400,000 in FY 2017-18. The increased General Fund expenditure estimate of $73,600,000 includes school district employees funded through Education Improvement Act (EIA) allocations.

Beginning in FY 2018-19, additional employer contributions from the proposed annual rate changes will increase total expenditures by an additional $118,200,000 from all funding sources. General Fund expenditures will increase by $36,800,000, Federal Funds and Other Funds will increase by $47,700,000, and local government expenditures will increase by $33,700,000.

The member contribution rate increase in FY 2017-18 to 9 percent for SCRS and 9.75 percent for PORS will increase employee contributions by a total of $42,400,000. General Fund employees' contributions will increase by $13,000,000. Federal Funds and Other Funds employees' contributions will increase by $16,400,000, and local government employee's contributions will increase by $13,000,000. Table 1 reports the additional employee contributions by funding source and retirement system. Member contributions will not affect General Fund, Federal Funds, or Other Funds expenditures.

Section 5. This section requires a completed fiduciary audit of PEBA every four years beginning January 15, 2019, by a private audit firm chosen by the State Auditor. This section deletes the requirement that the General Assembly appropriate sufficient funds to the Office of the State Inspector General for this annual audit. In past years, earnings of the retirement system funded this audit, which cost $700,000 when last performed in 2015. The audit requirement has been suspended by temporary budget provisos through FY 2017-18. Given the audit suspensions in recent years, this section will have no General Fund, Federal Funds, or Other Funds expenditure impact until FY 2018-19 when the audit is required. In FY 2018-19, Other Fund expenditures will increase by $700,000 as administrative costs of PEBA must be paid from the earnings of the retirement system.

Section 10. This section increases the number of Retirement System Investment Commission (RISC) board members from seven to eight. In addition, the section requires the State Treasurer appoint an RSIC member rather than serve on the board himself. RISC indicates that the two additional paid board members will increase Other Fund expenditures by $52,880 in FY 2017-18. These expenditures include $20,000 in salary, federal FICA taxes of $1,240, and travel expenses of $5,200 per board member. The RSIC indicates that these additional expenditures will be managed within current allocations to the board. Therefore, this section will not have an expenditure impact on the General Fund, Federal Funds, or Other Funds. Administrative costs of the RSIC are paid from the earnings of the retirement system.

Section 12. This section requires a completed fiduciary audit every four years beginning January 15, 2019, on the RSIC by a private audit firm chosen by the State Auditor. This section deletes the requirement that the General Assembly appropriate sufficient funds to the Office of the State Inspector General for this annual audit. In past years, earnings of the retirement system funded this audit, which cost $750,000 when last performed in 2014. The audit requirement has been suspended by temporary budget provisos through FY 2017-18. Given the audit suspensions in recent years, this section will have no General Fund, Federal Funds, or Other Funds expenditure impact until FY 2018-19 when the audit is required. In FY 2018-19, Other Fund expenditures will increase by $750,000 as administrative costs of the RSIC must be paid from the earnings of the retirement system.

Sections 15 and 17. These two sections shift the custodial responsibility of all retirement system funds or assets from the State Treasurer to the PEBA board. The RSIC is assigned the exclusive authority to select the custodial bank provided that PEBA is a third-party beneficiary of the contract with the custodial bank with full information rights. The bill does not mandate a change in the custodial bank.

As current custodian of the funds, the State Treasurer and the Bank of New York Mellon have negotiated a ten-year custody and securities lending agreement for the $40 billion in assets held by the five defined benefit pension systems and other public funds of the state. The State Treasurer indicates that approximately $68,000,000 in securities lending deficits exist under these accounts, which primarily result from the financial crisis beginning in 2007. While the State Treasurer has stated concerns that this deficit is noted in the state financial reports and changing the current custodial contract will have an immediate financial impact, PEBA and RSIC indicate that this issue is unclear and unsettled and will be addressed in any negotiations to amend or terminate the current contract. The Treasurer also expressed concern about the impact on the custody and securities lending contracts for other public funds. If separate custody agreements are negotiated, the Treasurer suggests that service fees on public funds may be affected.

Given the permissive aspect of this bill in regards to selection of the custodial bank and the unknown outcome of future negotiations, the expenditure impact on the General Fund, Federal Funds, or Other Funds from Sections 15 and 17 is undetermined and will depend on how or if the custodial agreement is modified.

State Revenue

The increased General Fund, Federal Funds, Other Funds, and local government employer contributions expenditures, totaling $236,800,000 in FY 2017-18, are a corresponding increase in Other Fund revenue for the SCRS and PORS retirement funds. In addition, member contributions will increase by $42,400,000 in FY 2017-18, resulting in a total of $278,800,000 in Other Fund revenue for the SCRS and PORS retirement systems in FY 2017-18. Other Fund revenue from the increased employer and employee contributions for the SCRS and PORS retirement funds will increase by a total of $869,800,000 in the next six fiscal years through FY 2022-23.

Local Expenditure
Local government employer contributions to the two retirement funds will increase by $67,400,000 in FY 2017-18 and by an additional $33,700,000 each year in FY 2018-19 through FY 2022-23 for a total of $235,800,000 for the six fiscal years.

Local Revenue
N/A

Table 1.
Annual Impact of Retirement Contribution Increases
(Millions of Dollars)

Employer Impact

			General Fund			Local Government			Federal/Other Funds			
July 1,	SCRS Employer Rate Increase	PORS Employer Rate Increase	SCRS	PORS	Total	SCRS	PORS	Total	SCRS	PORS	Total	Total All Funding Sources
2017	2.00%	2.00%	$66.8	$6.8	$73.6	$49.2	$18.2	$67.4	$94.0	$1.4	$95.4	$236.4
2018	1.00%	1.00%	33.4	3.4	36.8	24.6	9.1	33.7	47.0	0.7	$47.7	$118.2
2019	1.00%	1.00%	33.4	3.4	36.8	24.6	9.1	33.7	47.0	0.7	$47.7	$118.2
2020	1.00%	1.00%	33.4	3.4	36.8	24.6	9.1	33.7	47.0	0.7	$47.7	$118.2
2021	1.00%	1.00%	33.4	3.4	36.8	24.6	9.1	33.7	47.0	0.7	$47.7	$118.2
2022	1.00%	1.00%	33.4	3.4	36.8	24.6	9.1	33.7	47.0	0.7	$47.7	$118.2
Total			$233.8	$23.8	$257.6	$172.2	$63.6	$235.8	$329.0	$5.0	$334.0	$827.4

Employee Impact

			General Fund Employees			Local Government Employees			Federal/Other Funds Employees			
July 1,	SCRS Employee Rate Increase	PORS Employee Rate Increase	SCRS	PORS	Total	SCRS	PORS	Total	SCRS	PORS	Total	Total All Funding Sources
2017	0.34%	0.51%	$11.3	$1.7	$13.0	$8.4	$4.6	$13.0	$16.0	$0.4	$16.4	$42.4

Based on SCRS and PORS Scenarios 5b Alt 1 prepared by GRS (PEBA actuarial consultants) on January 19, 2017
Funding source impact based on RFA analysis of January 2017

Frank A. Rainwater

Frank A. Rainwater, Executive Director

Bill Number:	H. 3969 Signed by Governor on June 10, 2017
Author:	Felder
Subject:	Longitudinal Data System
Requestor:	House of Representatives
RFA Analyst(s):	Shuford, Heineman, Jolliff, and Walling
Impact Date:	June 27, 2017

Estimate of Fiscal Impact

	FY 2017-18	FY 2018-19
State Expenditure		
General Fund	$2,534,820	$0
Other and Federal	$1,500,000	$0
Full-Time Equivalent Position(s)	3.00	0.00
State Revenue		
General Fund	$0	$0
Other and Federal	$0	$0
Local Expenditure	$0	$0
Local Revenue	$1,500,000	$0

Fiscal Impact Summary
This bill will increase General Fund expenditures by $2,534,820 in FY 2017-18 as described in the section-by-section analysis that follows. The Revenue and Fiscal Affairs Office and the Commission on Higher Education indicate that 3.00 FTEs are necessary to fulfill the requirements of the bill, which will increase General Fund expenditures by $197,700 and $87,120, respectively. The Department of Education indicates that the value-added system used to calculate student progress or growth will increase General Fund expenditures by $1,400,000. The teacher evaluation component of the system will increase expenditures by an additional $1,600,000 in FY 2017-18. Finally, General Fund expenditures will increase by $750,000 in FY 2017-18 for expenditures on a student engagement survey for the accountability report card. Changes in the grades that science and social studies assessments are required will reduce General Fund expenditures by $1,500,000 in FY 2017-18.

EIA Other Fund expenditures will increase by $1,500,000 in FY 2017-18 for formative assessments. Correspondingly, local revenue will increase by $1,500,000 from allocated funds to the school districts for formative assessments.

Explanation of Fiscal Impact

Signed by Governor on June 10, 2017
State Expenditure
This bill amends the South Carolina Education Accountability Act. The following is a section-by-section analysis of the statutes modified by the bill that may affect state expenditures.

Section 1. The Department of Education, with the Education Oversight Committee, is required to design and pilot district accountability models focusing on competency-based education and regional economic initiatives to improve postsecondary student success. The agencies indicate that the duties and responsibilities specified by the bill are consistent with current duties and responsibilities. As a result, this bill will not have an expenditure impact on the General Fund, Other Funds, or Federal Funds.

Section 2. The Revenue and Fiscal Affairs Office, working with a number of state agencies and institutions of higher education, shall develop, implement, and maintain a universal identification system for measuring the continuous improvement of the public education system.

Revenue and Fiscal Affairs. The bill requires the Revenue and Fiscal Affairs Office (RFA) to develop, implement, and maintain a universal identification system. Of the data elements required, RFA currently maintains data regarding employment for South Carolina high school graduates and standardized test scores and participation in talented and gifted programs. Additional data necessary to meet the requirements of the bill include data on students who enter postsecondary education without the need for remediation and working-aged adults who possess a postsecondary degree or industry credential. Assistance from the Commission on Higher Education and the State Technical College Board should provide this information. Providing outcome data regarding student achievement and student growth will require further delineation as the measures to be evaluated are determined.

In order to develop and deploy the required data system, RFA will require two additional FTEs. One position is for a statistician to develop the data system, data linkages, and statistical analysis of outcome measures. Total recurring costs for salary and fringe benefits are estimated at $77,000. The language is unclear as to the delivery mechanism for the data system. As such, RFA anticipates developing a secured, web-accessible portal to allow stakeholder access to the longitudinal data system. The development of this system will require an applications analyst at a total expenditure of $91,000 for salary and fringe benefits. Additional operating costs for equipment, software, office supplies, and rent are estimated at $29,700, for a total General Fund expenditure of $197,700 in FY 2017-18.

Department of Education. The bill requires the department to provide the Revenue and Fiscal Affairs Office with information needed to maintain a data system designed to measure the continuous improvement of the state public education system and the success of its graduates. The department indicates any additional expenditures from these activities will be managed within existing resources and not impact General Fund, Federal Funds, or Other Funds expenditures.

The Commission on Higher Education. The bill requires the commission to provide the Revenue and Fiscal Affairs Office with data needed to maintain a data system designed to measure the continuous improvement of the state public education system and the success of its graduates. The commission expects this bill to increase General Fund expenditures by $87,120 for the salary and employer fringe of a Program Coordinator position to coordinate the tracking of the Student Unique Numbering System used by the State Department of Education from K-12 until the individual is employed in the workforce.

Public Institutions of Higher Education. The bill requires public institutions of higher education to provide the Revenue and Fiscal Affairs Office with information needed to maintain a data system designed to measure the continuous improvement of the state public education system and the success of its graduates. Clemson University, the University of South Carolina system, the Medical University of South Carolina, the Citadel, the College of Charleston, Francis Marion University, and Lander University indicate this bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds. Coastal Carolina University, Winthrop University, and the South Carolina Technical System indicate any expenditures from this bill will be managed within existing resources and will have no expenditure impact on the General Fund, Other Funds, or Federal Funds. While South Carolina State has not responded to our information request dated March 12, 2017, RFA expects that any additional expenditures by this agency will be managed within existing resources and will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

Department of Commerce. The department indicates establishing and maintaining a data system that provides information for measuring the continuous improvement of the state public education system and the college and career readiness and subsequent success of its graduates is not expected to require additional staffing or expenses. Therefore, the bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

Department of Employment and Workforce. The department can provide the information required in this bill using data from the department's business intelligence data and statistics section. Therefore, the bill will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

Office of First Steps to School Readiness. This bill requires the agency to provide the Revenue and Fiscal Affairs Office with information needed to maintain a data system designed to measure the continuous improvement of the state public education system and the success of its graduates. The Office of First Steps to School Readiness has not responded to our information request dated March 13, 2017. However, RFA expects any additional expenditures will be managed within existing resources and will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

Department of Social Services. This bill requires the agency to provide the Revenue and Fiscal Affairs Office with information needed to maintain a data system designed to measure the continuous improvement of the state public education system and the success of its graduates. While the department has not responded to our information request dated March 12, 2017, RFA expects that any additional expenditures by the Department of Social Services will be managed within existing resources and will have no expenditure impact on the General Fund, Other Funds, or Federal Funds.

Section 3. In measuring annual school growth, the bill requires the use of a value-added system that calculates student progress or growth. Student progress or growth from the value-added system may be used also to evaluate classroom teachers, subject to confidentiality restrictions. The Department of Education indicates that the value-added system used to calculate student progress or growth will increase expenditures by $1,400,000 in FY 2017-18 for payments to a contracted assessment system vendor annually. The Department of Education received $1,400,000 in EIA funding to offset these additional expenditures in the FY 2017-18 General Appropriations Act.

The teacher evaluation component of the value-added system will increase expenditures by $1,600,000 in FY 2017-18 for annual payments to an assessment system vendor annually. The agency received non-recurring funds for these expenses in fiscal year 2016-17 and will require appropriations for annual licensing fees to the vendor to maintain the system in FY 2017-18.

Section 6. Formative assessments for grades kindergarten through nine are required in Section 59-18-310 and must include, among other requirements, end-of-course tests as selected by the State Board of Education and approved by the Education Oversight Committee for federal accountability. Formative assessment funding for grades one, two, and nine has been suspended in recent years through proviso, most recently in Proviso 1.28 for FY 2016-17. The Department of Education indicates that formative assessments for the additional grades will increase EIA Other Fund expenditures by $1,500,000 in FY 2017-18. These funds are allocated to the school districts.

Section 8. Assessments for science and social studies are required currently for all grades four through eight. The bill changes the requirements for the Department of Education to procure and administer the standards-based assessments in science to grades four, six, and eight. Similarly, requirements to procure and administer the standards-based assessments in social studies are changed to grades five and seven. This will reduce General Fund expenditures by $1,500,000 in FY 2017-18. Current expenditures for these assessments total approximately $6,000,000 annually.

For the current school year through 2018-2019, the Department of Education is responsible for procuring and administering the ACT Plus Writing assessment and WorkKeys to eleventh grade students. Beginning with the 2019-2020 school year, public high schools and career centers shall administer a college entrance and/or career readiness assessment to all eleventh grade students. The Department of Education will continue to reimburse districts for these assessments.

Section 12. The Education Oversight Committee, with the Board of Education, is directed to establish a comprehensive web-based annual report card for the state and individual schools, career centers, and school districts. The Department of Education received $1,696,000 in non-recurring appropriations in FY 2016-17 for this purpose, which will fund this requirement. Therefore, the web-based annual report card will have no additional expenditure impact.

This section includes a requirement that the comprehensive annual report card include indicators that meet federal law requirements. The recently reauthorized Every Student Succeeds Act directs states to build success criteria on factors such as student engagement. The Education Oversight Committee and the Department of Education recommend a student engagement survey for the accountability report card. This recommendation will increase General Fund expenditures by $750,000 in FY 2017-18. This survey will also represent an indicator used to classify school performance as defined in Section 59-18-120(7).

State Revenue
N/A

Local Expenditure
N/A

Local Revenue
Formative assessments for grades kindergarten through nine are required in Section 59-18-310. Formative assessment funding for grades one, two, and nine has been suspended in recent years through proviso, most recently in Proviso 1.28 for FY 2016-17. The Department of Education indicates that formative assessments for the additional grades will increase EIA Other Fund expenditures by $1,500,000 in FY 2017-18. These funds are allocated to the school districts.

Frank A. Rainwater

Frank A. Rainwater, Executive Director

Provisos Contained in the FY2017-18 Appropriations Act

The following provisions of law were ratified in the FY2017-18 Appropriations Act. The listing contains the proviso section and title, the estimated revenue impact on General Fund revenue in FY2017-18, and the text of the proviso.

Section / Title: 34.54. (DHEC: EMS Monetary Penalties)

Revenue Impact: ($5,000) in FY2017-18

Proviso Text: In the course of regulating Emergency Medical Services (EMS) agencies and personnel, the Bureau of EMS assesses civil monetary penalties against nonconforming providers. The Bureau of EMS shall retain up to the first $40,000 of civil monetary penalties collected each fiscal year and these funds shall be utilized solely to carry out and enforce the provisions of regulations applicable to that bureau. These funds shall be separately accounted for in the department's fiscal records. The agency shall provide a report on how these funds are expended to the Governor, the Chairman of the Senate Finance Committee and the Chairman of the House Ways and Means Committee.

Section / Title: 53.1. (CB: Conservation Bank Trust Fund)

Revenue Impact: $16,975,000 in FY2017-18

Proviso Text: For Fiscal Year 2017-18, the provisions of Section 12-24-95 of the 1976 Code are suspended.

Section / Title: 109.11. (DOR: Educational Credit for Exceptional Needs Children)

Revenue Impact: ($1,000,000) in FY2017-18

Proviso Text: (A) As used in this proviso:

(1) "Eligible school" means an independent school including those religious in nature, other than a public school, at which the compulsory attendance requirements of Section 59-65-10 may be met, that:

(a) offers a general education to primary or secondary school students;

(b) does not discriminate on the basis of race, color, or national origin;

(c) is located in this State;

(d) has an educational curriculum that includes courses set forth in the state's diploma requirements, graduation certificate requirements (for special needs children), and where the students attending are administered national achievement or state standardized tests, or both, at progressive grade levels to determine student progress;

(e) has school facilities that are subject to applicable federal, state, and local laws;

(f) is a member in good standing of the Southern Association of Colleges and Schools, the South Carolina Association of Christian Schools, the South Carolina Independent Schools Association, or Palmetto Association of Independent Schools; and

(g) provides a specially designed program or learning resource center to provide needed accommodations based on the needs of exceptional needs students or provides onsite educational services or supports to meet the needs of exceptional needs students, or is a school specifically existing to meet the needs of only exceptional needs students with documented disabilities.

(2) "Exceptional needs child" means a child:

(a) who has been evaluated in accordance with this state's evaluation criteria, as set forth in S.C. Code Ann. Regs. 43-243.1, and determined eligible as a child with a disability who needs special education and related services, in accordance with the requirements of Section 300.8 of the Individuals with Disabilities Education Act; or

(b) who has been diagnosed within the last three years by a licensed speech-language pathologist, psychiatrist, or medical, mental health, psychoeducational, or other comparable licensed health care provider as having a neurodevelopmental disorder, a substantial sensory or physical impairment such as deaf, blind, or orthopedic disability, or some other disability or acute or chronic condition that significantly impedes the student's ability to learn and succeed in school without specialized instructional and associated supports and services tailored to the child's unique needs.

(3) "Independent school" means a school, other than a public school, at which the compulsory attendance requirements of Section 59-65-10 may be met and that does not discriminate based on the grounds of race, color, religion, or national origin.

(4) "Parent" means the natural or adoptive parent or legal guardian of a child.

(5) "Qualifying student" means a student who is an exceptional needs child, a South Carolina resident, and who is eligible to be enrolled in a South Carolina secondary or elementary public school at the kindergarten or later year level for the applicable school year.

(6) "Resident public school district" means the public school district in which a student resides, or in the case of dependents of active military personnel, the public school district which the student may attend.

(7) "Transportation" means transportation to and from school only.

(8) "Tuition" means the total amount of money charged for the cost of a qualifying student to attend an independent school including, but not limited to, fees for attending the school, textbook fees, and school-related transportation.

(9) "Department" means the Department of Revenue.

(B) (1) There is created the Educational Credit for Exceptional Needs Children Fund that is separate and distinct from the State general fund. The fund shall be organized by the department as a public charity as defined by the Internal Revenue Code under sections 509(a)(1) through 509(a)(4) and consist solely of contributions made to the fund. The fund may not receive an appropriation of public funds. The fund shall receive and hold all contributions intended for it as well as all earnings until disbursed as provided in this chapter. Monies received in the fund shall be used to provide scholarships to exceptional needs children attending eligible schools.

(2) The amounts on deposit in the fund do not constitute public funds nor are the deposits property of the State. Amounts on deposit in the fund must not be commingled with public funds and the State shall have no claim to or interest in the amounts on deposit. Agreements or contracts entered into by or on behalf of the fund do not constitute a debt or obligation of the State.

(3) The public charity shall be governed by five directors, two appointed by the Chairman of the House Ways and Means Committee, one of which is based upon the recommendation of the South Carolina Association of Christian Schools and one which is based upon the recommendation of the Diocese of Charleston, two appointed by the Chairman of the Senate Finance Committee based upon the recommendations of the South Carolina Independent Schools Association and one appointed by the Governor based upon the recommendation of the Palmetto Association of Independent Schools. The directors of the public charity, along with the Director of the Department of Revenue, shall designate an executive director of the public charity.

(4) In concert with the public charity directors, the Department of Revenue shall administer the public charity, including, but not limited to, the keeping of records, the management of accounts, and disbursement of the grants awarded pursuant to this proviso. The public charity may expend up to two percent of the fund for administration and related costs. Neither the department or the public charity may expend public funds to administer the program.

(5) By June thirtieth of the current fiscal year, the Department of Revenue must report to the Chairman of the Senate Finance Committee, the Chairman of the House Ways and Means Committee and the Governor:

(a) the number and total amount of grants issued to eligible schools in the fiscal year;

(b) for each grant issued to an eligible school in the fiscal year, the identity of the school and the amount of the grant;

(c) an itemization and detailed explanation of any fees or other revenues obtained from or on behalf of any eligible schools;

(d) a copy of a compilation, review, or audit of the fund's financial statements, conducted by a certified public accounting firm and;

(e) the criteria and eligibility requirements for scholarship awards.

(C) (1) Grants may be awarded in an amount not exceeding eleven thousand dollars or the total annual cost of tuition, whichever is less, to a qualifying student at an eligible school.

(2) Before awarding any grant, the public charity must receive written documentation from the qualifying student's parent or guardian documenting that the

qualifying student is an exceptional needs child. Upon approving the application, the public charity must issue a check to the eligible school in the name of the qualifying student within either thirty days upon approval of the application or thirty days of the start of the school's semester.

(3) In the event that the qualifying student leaves or withdraws from the school for any reason before the end of the semester or school year and does not reenroll within thirty days, then the eligible school must return a prorated amount of the grant to the public charity based on the number of days the qualifying student was enrolled in the school during the semester or school year within sixty days of the qualifying student's departure.

(4) The public charity may not award grants solely for the benefit of one school.

(5) The department or the public charity may not release any personally identifiable information pertaining to students or donors or use information collected about donors, students, or schools for financial gain.

(6) The public charity shall develop a process to prioritize the awarding of grants to eligible incumbent grant recipients at eligible schools.

(D) (1) (a) Tax credits authorized by subsection (H)(1) and subsection (I) of this proviso annually may not exceed cumulatively a total of eleven million dollars for contributions to the Educational Credit for Exceptional Needs Children Fund.

(b) Tax credits authorized pursuant to subsection (H)(2) of this proviso annually may not exceed cumulatively a total of two million dollars for tuition payments made on behalf of qualifying students.

(c) If the department determines that the total of the credits claimed by all taxpayers exceeds either limit amount as contained in items (a) or (b), it shall allow credits only up to those amounts on a first come, first served basis.

(2) (a) The department shall establish an application process to determine the amount of credit available to be claimed. The receipt of the application by the department shall determine priority for the credit. Subject to the provisions of subitem (e), contributions must be made annually on or before June thirtieth, in order to claim the credit. The credit must be claimed on the return for the tax year that the contribution is made.

(b) A taxpayer may not claim more than sixty percent of his total tax liability for the year in contribution toward the tax credit authorized by subsection (H)(1) or subsection (I). This credit is not refundable.

(c) If a taxpayer deducts the amount of the contribution on his federal return and claims the credit allowed by subsection (H)(1) or subsection (I), then he must add back the amount of the deduction for purposes of South Carolina income taxes.

(d) The department shall prescribe the form and manner of proof required to obtain the credit authorized by subsection (H)(1) or subsection (I). The department shall also develop a method of informing taxpayers if the credit limit is met at any time during the fiscal year.

(e) A taxpayer only may claim a credit pursuant to subsection (H)(1) and subsection (I) for contributions made during the fiscal year.

(3) A corporation or entity entitled to a credit under subsection (H)(1) and

subsection (I) may not convey, assign, or transfer the credit authorized by this proviso to another entity unless all of the assets of the entity are conveyed, assigned, or transferred in the same transaction.

(E) (1) On or before August 1, of the current fiscal year an independent school who participated in the program in the prior fiscal year and who desires to participate in the program in the current fiscal year must reapply to the Education Oversight Committee. The independent school must certify to the Education Oversight Committee that it continues to meet all program requirements and must provide to the committee student test score data from the prior school year by December 31. If student test score data are not submitted by December 31, then the Education Oversight Committee must remove the school from the program. The Education Oversight Committee must consult with the Southern Association of Colleges and Schools, the South Carolina Association of Christian Schools, the South Carolina Independent Schools Association, Palmetto Association of Independent Schools, or the Diocese of Charleston to verify that the school is still a member in good standing and that the school continues to serve exceptional needs children. An independent school who did not participate in the program in the prior fiscal year but desires to participate in the program in the current fiscal year must apply to the Education Oversight Committee. The Education Oversight Committee shall develop an application to be completed by the independent schools which must contain at least:

(a) the number and total amount of grants received in the preceding fiscal year;

(b) student test scores, by category, on national achievement or state standardized tests, or both, for all grades tested and administered by the school receiving or entitled to receive scholarship grants pursuant to this chapter in the previous fiscal year;

(c) a copy of a compilation, review, or compliance audit of the organization's financial statements as relating to the grants received, conducted by a certified public accounting firm; and

(d) a certification by the independent school that it meets the definition of an eligible school as that term is defined in subsection (A)(1) and that the report is true, accurate, and complete under penalty of perjury in accordance with Section 16-9-10.

(2) (a) The Education Oversight Committee may waive the August first deadline contained in subsection (E) upon good cause shown by an independent school.

(b) The Education Oversight Committee may waive some or all of the curriculum requirements contained in subsection (A)(1)(d) following consultation with the advisory committee.

(3) (a) By September 1, 2016 the Education Oversight Committee shall publish on its website a comprehensive list of independent schools certified as eligible institutions. The list shall include for each eligible institution:

(i) the institution's name, addresses, telephone numbers, and, if available, website addresses; and

(ii) the score reports and compliance audits received by the committee pursuant to subsection (E)(1)(b) and (c).

(b) The Education Oversight Committee shall summarize or redact the score reports identified in item (3)(a)(ii) if necessary to prevent the disclosure of personally identifiable information.

(4) An independent school that does not apply for certification pursuant to this subsection must not be included on the list of eligible schools and contributions to that school shall not be allowed for purposes of the tax credits permitted by this proviso.

(5) An independent school that is denied certification pursuant to this section may seek review by filing a request for a contested case hearing with the Administrative Law Court in accordance with the court's rules of procedure.

(F) (1) The Education Oversight Committee shall establish an advisory committee made up of not more than nine members, including parents, and representatives of independent schools and independent school associations.

(2) The advisory committee shall:

(a) consult with the Education Oversight Committee concerning requests for exemptions from curriculum requirements; and

(b) provide recommendations on other matters requested by the Education Oversight Committee.

(G) Except as otherwise provided, the Department of Education, the Education Oversight Committee, and the Department of Revenue, nor any other state agency may regulate the educational program of an independent school that accepts students receiving scholarship grants pursuant to this chapter."

(H) (1) A taxpayer is entitled to a tax credit against income taxes imposed pursuant to Chapter 6, Title 12 for the amount of cash and the monetary value of any publicly traded securities the taxpayer contributes to the Educational Credit for Exceptional Needs Children Fund up to the limits contained in subsection (D)(1)(a) of this proviso if:

(a) the contribution is used to provide grants for tuition to exceptional needs children enrolled in eligible schools who qualify for these grants under the provisions of this proviso; and

(b) the taxpayer does not designate a specific child or school as the beneficiary of the contribution.

(2) (a) A taxpayer is entitled to a refundable tax credit against income taxes imposed pursuant to Chapter 6, Title 12 for the amount of cash and the monetary value of any publicly traded securities, not exceeding eleven thousand dollars per child, for tuition payments to an eligible school for an exceptional needs child within his custody or care who would be eligible for a grant pursuant to this proviso up to the limits contained in subsection (D)(1)(b) of this proviso.

(b) If a child within the care and custody of taxpayer claiming a tax credit pursuant to this item also receives a grant from the Educational Credit for Exceptional Needs Children Fund, then the taxpayer may only claim a credit equal to the difference of eleven thousand dollars or the cost of tuition, whichever is lower, and the amount of the grant.

(I) A taxpayer is entitled to a tax credit against income taxes imposed pursuant to Chapter 11, Title 12 for the amount of cash and the monetary value of any publicly traded securities the taxpayer contributes to the Educational Credit for Exceptional Needs Children Fund up to the limits contained in subsection (D)(1)(a) of this proviso if:

(1) the contribution is used to provide grants for tuition to exceptional needs children enrolled in eligible schools who qualify for these grants under the provisions of this proviso; and

(2) the taxpayer does not designate a specific child or school as the beneficiary of the contribution.

(J) The department shall conduct a comprehensive study of the Exceptional Needs Tax Credit program. The study shall examine the following:

(1) whether or not the students participating in the program have experienced measurable improvement as a result of participation;

(2) the allocation of scholarship funds and tax credits among students, including the effect of funding limitations on the addition of new participants; the demographic and socio-economic data of the participants and their families; and the geographical distribution of the participants;

(3) the distribution of scholarship funds among all eligible schools;

(4) identification of the schools in which the most measurable improvement has occurred among students, with an analysis of the types of schools achieving the best results and best practices implemented by those schools; and

(5) any other aspect of the program that the department determines would be relevant and useful in making future policy decisions in regard to the program and its continued existence or expansion.

The department shall submit a report of its study to the General Assembly no later than January 15, 2018.