



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 1166
Author: Leatherman
Subject: SC State University
Requestor: Senate Finance
RFA Analyst(s): Walling, Kokolis, and Shuford
Impact Date: April 5, 2016 - Updated for revised analysis and fiscal impact

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
State Expenditure		
General Fund	See Below	See Below
Other and Federal	See Below	See Below
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	See Below	See Below
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill potentially reduces South Carolina State University’s current outstanding debt service obligations of \$6,280,934 by up to \$3,434,400 total if the university operates without an operating budget deficit every year through FY 2019-20. Simultaneously, this bill potentially reduces revenue to the State, by the same \$3,434,400, for the debt repayment obligations relieved pursuant to this bill. Additionally, this bill would reduce General Fund expenditures by \$1,362,290 and Other Fund expenditures by \$937,710 each year beginning FY 2016-17 and ending FY 2021-22 if South Carolina State University institutes a twenty day mandatory employee furlough program. This fiscal impact statement is updated to reflect a revised analysis based on information provided subsequent to our original statement dated March 24, 2016.

Explanation of Fiscal Impact

State Expenditure

This bill relieves \$1,000,000 of South Carolina State University’s (SCSU) outstanding debt for each year the university operates without an operating budget deficit. In years in which loan principal is forgiven, the next year’s installment payment shall be proportionately reduced. The new payment amount will be calculated by the Executive Budget Office and provided to SCSU on or before July 30th each year. Additionally, this bill allows the institution to implement a mandatory employee furlough of up to twenty days in each fiscal year. The furlough option is available beginning with FY 2016-17 and ending with FY 2021-22.

South Carolina State University. A review of the university’s current outstanding debt obligations referenced in Section 1 of this bill indicates accrued debt from indirect cost

recoveries, pursuant to Section 2-65-70, will total \$741,778 at the end of FY 2015-16. Outstanding debt obligations also include an interagency loan of \$6,000,000 approved by the Budget and Control Board on April, 30 2014. A loan repayment schedule extends the due date of this loan to June 30, 2020, and requires the first annual payment of \$355,036 be made by June 30, 2016. Total principal and interest payments by SCSU based on this schedule would total \$6,280,934 by June 30, 2020, before any reduction specified in this bill.

This bill does not affect the transfer of up to \$12,000,000 that was certified by the South Carolina State Blue Ribbon Advisory Committee, approved by the Joint Bond Review Committee, and subsequently sourced from the Contingency Reserve Fund by the Budget and Control Board at a meeting on December 8, 2014. Since the funds were transferred from the Contingency Reserve Fund without any repayment requirements, these transferred funds are not considered a debt service obligation for this analysis.

Given that Section 3 of this legislation allows a proportional reduction of outstanding debt obligations for each fiscal year that the university ends without an operating deficit, the annual repayment obligations for the \$6,000,000 loan and the indirect cost recoveries may be reduced over time. A preliminary analysis provided by Senate Finance Committee staff and SCSU suggests that up to \$3,434,400 of outstanding principal and interest obligations may be relieved through this legislation if SCSU ends each fiscal year without an operating budget deficit. This will reduce SCSU debt service repayment obligations to the State.

Furthermore, the university indicates this bill will result in a savings of \$115,000 per day of a mandatory employee furlough. These savings would decrease General Fund expenditures by \$69,000 and Other Fund expenditures by \$46,000 for each day a furlough is instituted. The furlough will allow the university to reduce General Fund and Other Fund personnel expenditures by a maximum of \$1,362,290 and \$937,710 per year, respectively, for a total of \$2,300,000 if the furlough is implemented for the maximum twenty days.

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

State Revenue

This bill will reduce SCSU's debt repayment obligations to the State for the \$6,000,000 loan and the indirect cost recoveries. The reduction in principal and interest payments to the State by SCSU may total up to \$3,434,400 through FY 2019-20 if SCSU ends each fiscal year without an operating budget deficit.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director