

REPORT OF THE REVENUE POLICY SUBCOMMITTEE

(White, Limehouse, Bingham, Pitts & Herbkersman - Staff Contact: Rena N. Grant)

HOUSE BILL 5077

H. 5077 -- Rep. White: A BILL TO AMEND SECTION 6-25-113, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE PAYMENT OF BONDS BY A JOINT AUTHORITY WATER AND SEWER SYSTEM, SO AS TO ALLOW A LIEN TO BE PLACED ON THE AUTHORITY'S PROPERTY IN ACCORDANCE WITH THE REVENUE BOND ACT FOR UTILITIES.

Summary of Bill:

This bill revises the law to allow for a lien to be placed on the joint authority's property. Current law does not allow for a joint authority water or sewer system to pledge the property of the authority as security for a loan.

Estimated Revenue Impact:

This bill has the potential to lower the interest rates and subsequent interest expense for revenue bonds issued by local governments for joint authority water and sewer systems due to expanded statutory protections for bondholders. However, the exact impact on local expenditures will depend upon future bond issuances and is undetermined.

Subcommittee Recommendation:

Favorable as amended:

Amendment No. 1:

- a.) allows for a lien to be placed on a joint water/sewer system
- b.) removes the \$250 m cap on research universities
- c.) deletes Paragraph 2 of Section 11-27-30 of the 1976 Code (essentially antiquated code references)

Full Committee Recommendation:

Pending

Other Notes/Comments:



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: H. 5077
Author: White
Subject: Joint authority water and sewer system
Requestor: House Ways and Means
RFA Analyst(s): Jolliff and Wren
Impact Date: April 18, 2016

Estimate of Fiscal Impact

	FY 2016-17	FY 2017-18
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	Undetermined	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill would potentially lower the interest rates and subsequent interest expense for revenue bonds issued by local governments for joint authority water and sewer systems due to expanded statutory protections for bondholders. However, the exact impact on local expenditures will depend upon future bond issuances and is undetermined.

Explanation of Fiscal Impact

State Expenditure

N/A

State Revenue

N/A

Local Expenditure

This bill amends Section 6-25-113 by allowing bondholders to place liens against property owned by joint authority water and sewer systems as permitted under Sections 6-21-330 through 6-21-360 of the Revenue Bond Act for Utilities. Joint authority water and sewer systems authorized under the Joint Authority Water and Sewer Systems Act are those established by two governing bodies joining together in order to provide service to the areas of the two governing bodies. This bill would amend Section 6-25-113 by extending the provisions of the Revenue Bond Act for Utilities to apply to bond issuances of joint systems. This would allow for statutory enforcement of a lien by a bondholder including allowing for lawsuits and actions to compel the system to fulfil obligations including setting of sufficient rates and collecting revenues to pay the obligations. The impact on local governments would be to potentially lower

the interest rates required by bondholders due to expanded statutory provisions for recompense against default. This may lower interest expense for local governments. However, the exact impact on local expenditures will depend upon future bond issuances and is undetermined.

Local Revenue

N/A



Frank A. Rainwater, Executive Director

South Carolina General Assembly
121st Session, 2015-2016

H. 5077

STATUS INFORMATION

General Bill

Sponsors: Rep. White

Document Path: l:\council\bill\bbm\9460dg16.docx

Companion/Similar bill(s): 682

Introduced in the House on March 9, 2016

Currently residing in the House Committee on **Ways and Means**

Summary: Joint authority water and sewer system

HISTORY OF LEGISLATIVE ACTIONS

<u>Date</u>	<u>Body</u>	<u>Action Description with journal page number</u>
3/9/2016	House	Introduced and read first time (<u>House Journal-page 33</u>)
3/9/2016	House	Referred to Committee on Ways and Means (<u>House Journal-page 33</u>)

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VERSIONS OF THIS BILL

3/9/2016

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A BILL

11 TO AMEND SECTION 6-25-113, AS AMENDED, CODE OF
12 LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE
13 PAYMENT OF BONDS BY A JOINT AUTHORITY WATER
14 AND SEWER SYSTEM, SO AS TO ALLOW A LIEN TO BE
15 PLACED ON THE AUTHORITY'S PROPERTY IN
16 ACCORDANCE WITH THE REVENUE BOND ACT FOR
17 UTILITIES.

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19 Be it enacted by the General Assembly of the State of South
20 Carolina:

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22 SECTION 1. Section 6-25-113 of the 1976 Code, as last amended
23 by Act 59 of 2007, is further amended to read:

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25 "Section 6-25-113. The bonds are special obligations of the joint
26 system issuing them. The principal of, premium, if any, and interest
27 on the bonds are not payable from the general funds of the joint
28 system, nor do they constitute a legal or equitable pledge, charge,
29 lien, or encumbrance upon any of its property, except as permitted
30 by Sections 6-21-330 through 6-21-360 of the Revenue Bond Act
31 for Utilities, or upon any of its income, receipts, or revenues, except
32 the funds which are pledged under the resolution authorizing the
33 bonds or the trust agreement securing the bonds. Neither the faith
34 and credit nor the taxing power of the State or an authority is, or
35 may be, pledged for the payment of the principal of or interest on
36 the bonds, and no holder of the bonds has the right to compel the
37 exercise of the taxing power by the State or an authority or the
38 forfeiture of any of its property in connection with any default.
39 However, the provisions of this section do not affect the ability of
40 any member county or authority from providing a pledge of all or
41 part of any revenues derived as payments in lieu of taxes with
42 respect to a project. Every bond must recite in substance that the

1 principal of and interest on the bond is payable solely from the
2 revenues and other funds pledged to its payment and that the joint
3 system is not obligated to pay the principal or interest except from
4 such revenues and funds so pledged.”

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6 SECTION 2. This act takes effect upon approval by the Governor.

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