



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: S. 0029 Amended by Senate Fish, Game, and Forestry on March 31, 2021
Author: Hutto
Subject: Watercraft
Requestor: Senate Fish, Game, and Forestry
RFA Analyst(s): Miller
Impact Date: April 6, 2021

Fiscal Impact Summary

This bill will result in no expenditure impact for the Department of Insurance and the Judicial Department as any additional responsibilities can be managed with existing staff and within existing appropriations. The expenditure impact for the Department of Natural Resources is pending, contingent upon a response from the agency.

This bill will result in an undetermined increase in General Fund and Other Funds revenue beginning in FY 2022-23 due to the potential increase in insurance premiums and insurance premium taxes. This bill will also result in an undetermined increase to Other Fund revenue for the Department of Natural Resources due to the newly created fines for uninsured and underinsured watercraft, beginning in FY 2022-23. Any Other Funds revenue collected will be used to offset the cost of establishing, maintaining, and operating a boat safety course.

Explanation of Fiscal Impact

Amended by Senate Fish, Game, and Forestry on March 31, 2021 **State Expenditure**

This bill requires certain watercraft to have liability insurance with minimum coverage of \$50,000. Failure to provide proof of insurance meeting the minimum standard may result in a fine, incurred in court. All revenue collected due to these fines will be allocated to offset the cost of establishing, maintaining, and operating a boat safety course. This bill takes effect January 1, 2022. Currently, watercraft is not required to have liability insurance.

Department of Insurance. This bill requires certain watercraft to have liability insurance. This may result in more insurance companies offering watercraft liability insurance in the state. This will result in an increase in the number of filings received and reviewed by DOI. However, DOI anticipates being able to manage any additional filings with current staff and within current appropriations. Therefore, this bill will result in no increase in expenditures for DOI.

Department of Natural Resources. This bill requires the establishment, maintenance, and operation of a boat safety course. Currently, according to DNR's website, a boater education course is available. We do not know if the boater education course will qualify as a boat safety

course as required by this bill. The expenditure impact of this bill is pending, contingent upon a response from DNR.

Judicial Department. This bill creates the offense of unlawful operation of an uninsured watercraft, and provides penalties. The department indicates that the bill will impact general sessions, magistrate, and municipal courts, but since there is no data with which to estimate the number of new filings, hearings, or trials, the expenditure impact cannot be determined. As such, the department intends to use existing General Fund resources to manage additional costs resulting from increased caseloads. Therefore, this bill will have no expenditure impact on the Judicial Department.

State Revenue

This bill requires all watercraft with more than 50 horsepower to have liability insurance with minimum coverage of \$50,000. Currently, there is no requirement for boat insurance in the state; however, boat owners may purchase insurance at their discretion. This bill may result in an increase in insurance premium tax revenue due to the potential increase in liability policies purchased to cover currently uninsured or underinsured boats.

Insurance premium tax is 1.25 percent. Premium taxes are paid quarterly and are allocated as follows: 1 percent to the South Carolina Forestry Commission, 1 percent to the aid to fire district account within the State Treasury, 0.25 percent to the aid to emergency medical services regional councils within the Department of Health and Environmental Control (DHEC), and the remaining 97.75 percent to the General Fund. Premium taxes are paid quarterly. The first three payments, paid in June, September, and December of the current year, are estimated using the prior year's actual tax liability. The final payment is made in March of the following year and is the difference between the actual premium tax liability owed in that year and the prior payments made. Insurance companies may choose to pay more than their estimated quarterly payments to offset any anticipated increase in premium tax liability in the current year. RFA assumes no insurance company will choose to pay more than their estimated quarterly payments due to increased premiums from this bill. As the total increase to premiums is unknown, the increase to premium tax revenue is undetermined, beginning in FY 2022-23.

Additionally, this bill establishes a misdemeanor fine for uninsured watercraft involved in an accident and required to be insured by this bill. The fines are established as follows:

- First offense – between \$50 and \$250
- Second offense – between \$250 and \$500
- Third or subsequent offense – between \$500 and \$1,000, imprisonment for up to one year, or both.

All revenue collected due to these fines will be allocated to offset the cost of establishing, maintaining, and operating a boat safety course. This bill will result in an increase in Other Fund revenue for DNR. However, as this is a newly established misdemeanor, the number of fines likely to be incurred is unknown, and therefore, the increase of Other Fund revenue is undetermined beginning in FY 2022-23.

Local Expenditure

N/A

Local Revenue

N/A



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