



# SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

## STATEMENT OF ESTIMATED FISCAL IMPACT

[WWW.RFA.SC.GOV](http://WWW.RFA.SC.GOV) • (803)734-3793

*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.*

---

|                        |  |                                |
|------------------------|--|--------------------------------|
| <b>Bill Number:</b>    | S. 0026  | Introduced on January 14, 2025 |
| <b>Subject:</b>        | Watercraft Liability Insurance                             |                                |
| <b>Requestor:</b>      | Senate Fish, Game, and Forestry                            |                                |
| <b>RFA Analyst(s):</b> | Vesely   |                                |
| <b>Impact Date:</b>    | February 10, 2025 - Updated for Additional Agency Response |                                |

---

### Fiscal Impact Summary

This bill specifies it is unlawful for an owner of a watercraft of more than seventy horsepower, a personal watercraft, or a specialty propcraft titled in South Carolina or documented by the United States Coast Guard (USCG) with a hailing port in South Carolina to allow the operation of the watercraft without a liability insurance policy with a minimum of \$50,000 combined liability coverage for bodily injury or property damage for any one occurrence. A person in violation of this requirement is guilty of a misdemeanor and subject to fines.

The Department of Natural Resources (DNR) enforces state and federal laws related to boating and South Carolina's waterways. DNR indicates that there would be a nonrecurring cost of \$125,000 in FY 2025-26 to update online systems, forms and train staff for compliance with this bill. DNR also indicates that there will be recurring costs of \$136,000 beginning of FY 2025-26, in order to hire 2.0 FTEs and maintain their resources as part of increase in workload for the watercraft title and renewal processing section. Therefore, the expenditure impact to DNR is expected to be \$261,000 in FY 2025-26 and \$125,000 annually thereafter. The agency will request General Fund appropriations for these expenses.

This bill will have no expenditure impact for the Department of Insurance (DOI) as the agency anticipates that any additional responsibility as a result of this bill will be managed by existing appropriations and staff. This bill also will result in no expenditure impact for Judicial as Judicial anticipates that any increase in the number of court cases due to this bill can be managed using existing staff and appropriations.

This bill may result in a minimal increase in insurance premium tax revenue beginning in FY 2025-26. DOI anticipates that any increase to premiums, and thereby, insurance premium taxes due to this bill will not be significant.

This bill may result in an increase in court fines and fees due to the newly created misdemeanor. This bill requires all fines prescribed as a result of operating a watercraft that requires liability insurance without coverage must be used by DNR for the purpose of a boater training and safety program.

DNR has indicated that counties process some registration renewals and would need to make changes as to the information they collect and how it is passed along to DNR. Further, the

agency expects that the counties may be responsible for verifying watercraft insurance. Based on the responses received from counties, the bill may increase local expenses by varying amounts depending on current staffing and resources.

*This fiscal impact has been updated to include a response from DNR and from counties.*

## **Explanation of Fiscal Impact**

**Updated for Additional Agency Response on February 10, 2025  
Introduced on January 14, 2025**

### **State Expenditure**

This bill specifies it is unlawful for an owner of a watercraft of more than seventy horsepower, a personal watercraft, or a specialty propcraft titled in South Carolina or documented by the USCG with a hailing port in South Carolina to allow the operation of the watercraft without a liability insurance policy with a minimum of \$50,000 combined liability coverage for bodily injury or property damage for any one occurrence.

**Department of Natural Resources.** DNR enforces state and federal laws related to boating and South Carolina's waterways. Currently, owners of boats are not required to have insurance. Owners of boats in South Carolina are required to title and register their boats if they have an inboard motor and not already documented by the USCG. An owner must also title all outboard motors with five horsepower or more. This bill would require DNR to train staff and inform customers on the insurance requirements of this bill. Forms and the DNR website will need to be updated to take the changes of this bill into account. DNR anticipates a nonrecurring expenditure impact of \$125,000 in FY 2025-26 to make these changes.

Additionally, both initial titling and subsequent annual renewal processes will need to be changed to determine if a specific watercraft is required to carry insurance and record information. DNR has indicated that changing the initial title processes will not be difficult, but the multiple ways watercraft are renewed annually, as well as the current lack of insurance records and the lack of information on horsepower to determine insurance requirements on already titled watercraft does increase the workload of the agency. DNR has indicated that these aspects of the bill would increase expenses by \$136,000 beginning in FY 2025-26. Of this amount, \$116,000 is for the salary and fringe benefits of hiring 2.0 additional Admin Spec II FTEs, and \$20,000 for equipment costs related to these FTEs. In total, the bill is expected to increase expenses by \$261,000 in FY 2025-26 for recurring and nonrecurring expenses and \$125,000 thereafter. The agency will request General Fund appropriations for these expenses.

However, DNR has also expressed that as the number of watercraft that would be required to have insurance as a result of this bill is unknown, and the workload necessary to obtain information on USCG-documented vessels is undetermined, so there may be additional costs. DNR has also indicated that while the renewal processes can be modified to collect and record insurance information as stipulated in this bill, if DNR is required to verify proof of insurance, they indicated that they will need to contract an outside vendor to provide this service.

**Department of Insurance.** DOI anticipates that the additional responsibilities as a result of this bill will be managed by existing appropriations and staff. Therefore, there will be no expenditure impact to the agency.

**Judicial.** This bill creates a misdemeanor related to boat insurance and establishes fines. The fine for the first and second offenses range from \$50 to \$500. The penalty for the third and subsequent offenses includes a fine and imprisonment up to one year. Judicial reports that implementation of this bill may increase caseloads in circuit court. While the increase in the number of course cases due to this bill is unknown, Judicial anticipates that any increase in caseload can be managed using existing staff and appropriations. Therefore, this bill will result in no expenditure impact for Judicial.

### **State Revenue**

This bill provides that a person in violation of the specified liability for watercraft is guilty of a misdemeanor and subject to fines.

DOI currently collects taxes on insurance premiums written on the liability policies of watercraft that are currently voluntary. The cost of insurance varies on policy limit, type of boat, location of boat, driver history, and other factors. In addition to these risk characteristics determining policy costs, DOI has also expressed that the impact of this bill on the price of insurance is undetermined. While this bill will likely increase the total value of premiums of watercraft liability policies collected and therefore increase revenue, DOI has expressed that \$50,000 in liability insurance without any other required coverages, such as uninsured boater or permissive use, is relatively low coverage and should be obtained with relatively low premiums. Therefore, DOI anticipates the amount of insurance premium tax revenue that may be generated beginning in FY 2025-26 as a result of this bill will be positive, but not significant.

This bill may result in an increase in court fines and fees due to the newly created misdemeanor. This bill requires all fines prescribed as a result of operating a watercraft that requires liability insurance without coverage must be used by DNR for the purpose of a boater training and safety program.

### **Local Expenditure**

DNR has indicated that counties process some registration renewals, and they would need to make changes as to the information they collect and how it is passed along to DNR. Additionally, the agency indicates that the counties may be responsible for verifying watercraft insurance.

We have contacted the 46 counties for additional information regarding the potential impact. Chesterfield County has reported that the county auditor's office would need to hire additional staff to meet the requirements imposed by this bill and estimates that the total compensation costs of these staff members would be \$59,000, not including furniture or equipment supplies for additional personnel. Florence County has indicated that this would create additional workload for county auditor staff. Verifying watercraft insurance would increase the workload for county

staff and generate an expenditure impact to counties. Overall, the local expenditure impact is likely to vary by location depending on current staff and resources.

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director