



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: H. 4700 Amended by House Judiciary on January 23, 2024
Author: W. Newton
Subject: South Carolina Social Media Regulation
Requestor: House Judiciary
RFA Analyst(s): Gardner and Bryant
Impact Date: January 30, 2024 - Updated for Revised Agency Response

Fiscal Impact Summary

This bill, as amended, establishes requirements for social media companies with regard to South Carolina minor accounts. The bill authorizes the Attorney General to investigate and enforce these requirements, requires the Attorney General to develop an annual report accounting for the use of related administrative fines and fees collected during a given year, provides for a civil cause of action against persons non-compliant with the provisions of the bill. Further, the bill requires the S.C. Department of Education (SCDE) to develop model programs for educating students about online safety. Local districts may incorporate these programs into their curriculum.

Judicial reports that implementation of the bill may result in an increase in common pleas court caseloads, which can be managed using existing staff and appropriations. Therefore, the bill will result in no expenditure impact for Judicial.

The Attorney General must compile an annual report that contains an accounting of all the administrative fines and civil penalties assessed and collected during the year, as well as the use of the funds that were collected during the year. This report must be published and maintained on the Attorney General's website. The bill requires the department to perform activities that will be conducted within the normal course of agency business. As such, it will have no expenditure impact.

This bill will have no expenditure impact for the State Law Enforcement Division (SLED) as it requires the division to perform activities that will be conducted within the normal course of agency business.

SCDE indicates that the bill, as amended, will increase the department's expenses by approximately \$750,000 per year beginning in FY 2024-25 to develop and implement the curriculum internally. Of this amount, \$250,000 is for 2.0 FTEs to develop and manage the program. This amount includes annual salary and fringe benefits. The department anticipates that \$500,000 per year will be needed for operating costs for the curriculum development. *This impact statement has been updated to include a revised response for SCDE.*

This bill is not expected to have an expenditure impact on the state agency schools. The Governor's School for Agriculture at John de la Howe, the Governor's School for the Arts and Humanities, and the Governor's School for Science and Mathematics indicate that they can manage the provisions of the bill within existing appropriations. Based upon these responses, we do not anticipate that this bill will have an expenditure impact on the School for the Deaf and Blind and the Wil Lou Gray Opportunity School. We will update this impact statement if the schools provide a different response.

The overall expenditure impact of this bill on local school districts is undetermined. The bill specifies that districts may incorporate new programs on internet safety into school curriculum, and the impact will depend on which districts choose to implement the new content. SCDE surveyed the seventy-three regular school districts and the three charter districts regarding the expenditure impact of this bill and received responses from seventeen districts. Twelve of the responding districts indicate that the bill will have no expenditure impact, as any expenses will be minimal and can be managed with existing resources and staff. The five remaining responding districts report that the bill may increase costs by an amount ranging from \$15,000 to \$120,500 for training, professional development, revising curricula, and purchasing or developing new instructional materials, although the cost will depend upon the model programs adopted by SCDE and the districts. Two of the districts also note the potential need to hire additional staff.

Explanation of Fiscal Impact

Updated for Revised Agency Response on January 30, 2024

Amended by House Judiciary on January 23, 2024

State Expenditure

This bill, as amended, requires social media companies to make commercially reasonable efforts to verify the age of South Carolina account holders and prohibits such companies from allowing South Carolina minors to be account holders without the express consent of a parent or guardian. The bill also establishes the methods by which parental or guardian consent may be issued. For South Carolina minor account holders, a social media company must prohibit adults who were not previously connected to a minor through the service from directly messaging the minor, prohibit the display of advertising in the minor's account based on his personal information (except age and location), prohibit the collection or use of the minor's personal information beyond that which is reasonably necessary, and make reasonable efforts to develop a means to prevent access by minors to content advocating the use of force, self-harm, or the destruction of personal or public property in a school setting in South Carolina. Social media companies must also provide a parent or guardian who has issued consent for a minor account or the minor himself a means to initiate account supervision.

The bill also authorizes the Attorney General to receive complaints regarding violations of these provisions and to conduct ensuing investigations. Except for a private right of action allowed for under the bill, only the Attorney General has the authority to administer and enforce these provisions. The Attorney General must compile an annual report that contains an accounting of all the administrative fines and civil penalties assessed and collected during the year, as well as

the use of the funds that were collected during the year. This report must be published and maintained on the Attorney General's website.

The bill also enables a person to bring an action in civil court against another person who has been non-compliant with the provisions of the bill. If the court finds in favor of the plaintiff, the plaintiff is entitled to recoup reasonable attorneys' fees and court costs, as well as an amount equal to the greater of \$2,500 for each incident of violation, or actual damages for financial, physical, and emotional harm incurred by the plaintiff, if the court determines the harm is a direct consequence of the violation.

In addition, the bill requires SCDE to develop model programs for educating students regarding online safety by reviewing educational topics on this subject that have been developed by other states, education experts, child psychologists, and technology companies that promote child online safety issues. The newly developed model programs for students in grades 6 through 12 must include specific information regarding the benefits and the risks of the use of social media. SCDE must update these programs periodically and publish on its website information related to the model programs. Local education boards may also incorporate this type of programming into curriculum.

Judicial. Judicial reports that implementation of the bill may result in an increase in common pleas court caseloads, which can be managed using existing staff and appropriations. Therefore, the bill will result in no expenditure impact for Judicial.

Office of the Attorney General. The Attorney General must compile an annual report that contains an accounting of all the administrative fines and civil penalties assessed and collected during the year, as well as the use of the funds that were collected during the year. This report must be published and maintained on the Attorney General's website. The bill requires the department to perform activities that will be conducted within the normal course of agency business. As such, it will have no expenditure impact.

State Law Enforcement Division. This bill will have no expenditure impact for SLED as it requires the division to perform activities that will be conducted within the normal course of agency business.

S.C. Department of Education. SCDE indicates that the bill, as amended, will increase the department's expenses by approximately \$750,000 per year beginning in FY 2024-25 to develop and implement the curriculum internally. Of this amount, \$250,000 is for 2.0 FTEs to develop and manage the program. This amount includes annual salary and fringe benefits. The department anticipates that \$500,000 per year will be needed for operating costs for the curriculum development. *This section of the impact statement has been updated to include a revised response from SCDE.*

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State Revenue

This bill may result in an increase in the fines and fees collected in court. Court fines and fees are distributed to the General Fund, Other Funds, and local funds. Therefore, the RFA anticipates this bill may result in an undetermined impact to General Fund and Other Funds revenue due to the increase in fines and fees collections in court.

Local Expenditure

This bill specifies that each local board of education may incorporate a component on online internet safety, including social media safety, into its instructional program. The overall expenditure impact of this bill on local school districts is undetermined and will depend on if districts choose to update curriculum. SCDE surveyed the seventy-three regular school districts and the three charter districts regarding the expenditure impact of this bill and received responses from seventeen districts. Twelve of the responding districts indicate that the bill will have no expenditure impact, as any expenses will be minimal and can be managed with existing resources and staff. The five remaining responding districts report that the bill may increase costs by an amount ranging from \$15,000 to \$120,500 for training, professional development, revising curricula, and purchasing or developing new instructional materials, although the cost will depend upon the model program adopted by SCDE and the districts. Two of the districts also note the potential need to hire additional staff.

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S.C. Department of Education. This bill will increase expenses for SCDE by \$3,500,000 per year beginning in FY 2024-25 to develop, update, and publish on its website information related to model programs for educating students regarding online safety. The department reports that it

is currently contracted with a vendor providing a comparable curriculum at an annual expense of approximately \$3,500,000.

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Frank A. Rainwater, Executive Director