~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

February 28, 2018

**S. 11**

Introduced by Senators Davis and Campsen

S. Printed 2/28/18--S.

Read the first time January 10, 2017.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 11) to amend Section 38‑75‑485, Code of Laws of South Carolina, 1976, relating to the South Carolina Hurricane Damage Mitigation Program, so as to expand the, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass with amendment:

Amend the bill, as and if amended, by striking SECTION 1 and inserting:

/ SECTION 1. Section 38‑75‑485 of the 1976 Code is amended to read:

“Section 38‑75‑485. (A) There is established within the Department of Insurance, the South Carolina Hurricane and Flood Damage Mitigation Program. The advisory committee, established pursuant to Section 38‑75‑470, shall provide advice and assistance to the program administrator with regard to his administration of the program.

(B) This section does not create an entitlement for property owners or obligate the State in any way to fund the inspection or retrofitting of residential property in this State. Implementation of this program is subject to annual legislative appropriations.

(C) The program shall develop and implement a comprehensive and coordinated approach for hurricane and flood damage mitigation that includes the following:

(1) The program may award matching or nonmatching grants based upon the availability of funds. The program administrator also shall apply for financial grants to be used to assist single‑family, site‑built or manufactured or modular, owner‑occupied, residential property owners to retrofit their primary legal residence to make them less vulnerable to hurricane or flood damage.

(a) To be eligible for a matching grant, a residential property must:

(i) be the applicant’s primary legal residence;

(ii) be actually owned and occupied by the applicant;

(iii) be the owner’s legal residence as described in Section 12‑43‑220(c);

(iv) be a single family, site‑built, manufactured, or modular, owner‑occupied residential property;

(v) be a residential property covered by a current homeowners or dwelling insurance policy that:

(A) is issued by an insurer licensed in this State or a surplus lines insurer, where the policy is lawfully placed by a broker authorized to do business in this State; and

(B) provides insurance coverage of the residential property equal to or greater than the fair market value of the residential property as defined in Section 12‑37‑3135(a)(2) and reflected in the county records;

(vi) have undergone an acceptable wind certification and hurricane mitigation inspection or flood inspection in accordance with program requirements.

(b) All matching grants must be matched on a dollar‑for‑dollar basis for a total of ten thousand dollars for the mitigation project. No grant issued by the program for any mitigation project for a residential property may exceed five thousand dollars.

(c) The program must create a process in which mitigation contractors agree to participate and seek reimbursement from the State and homeowners selected from a list of participating contractors. All mitigation projects must be based upon the securing of all required local permits and inspections. Mitigation projects are subject to random reinspection. The program may reinspect up to ten percent of all projects.

(d) Matching fund grants also must be made available to local governments and nonprofit entities, on a first‑come, first‑served basis, for projects that reduce hurricane damage to single‑family, site‑built or manufactured or modular owner‑occupied, residential property, provided that:

(i) no matching grant for any one local government or nonprofit entity may exceed fifty thousand dollars in any fiscal year;

(ii) the total amount of matching grants awarded to all local governments and nonprofit entities combined may not exceed two hundred fifty thousand dollars in any fiscal year; and

(iii) the difference between two hundred fifty thousand dollars and the total amount of grants awarded to all local governments and nonprofit entities combined in any fiscal year may be applied to grants to individual homeowners who meet the qualifications for a grant described in subitems (a) through (d) or in subitem (g).

(e) Grants may be used for the following improvements:

(i) roof deck attachment;

(ii) secondary water barrier;

(iii) roof covering;

(iv) brace gable ends;

(v) reinforce roof‑to‑wall connections;

(vi) opening protection;

(vii) exterior doors, including garage doors;

(viii) tie downs;

(ix) problems associated with weakened trusses, studs, and other structural components;

(x) inspection and repair or replacement of manufactured home piers, anchors, and tiedown straps; ~~and~~

(xi) raise the dwelling above the minimum required elevation standards;

(xii) add vents to enclosures;

(xiii) install breakaway walls;

(xiv) relocate the dwelling further from the flood source, if possible; and

(xv) any other mitigation techniques approved by the advisory committee.

(f) To be eligible for a nonmatching grant, a residential property must comply with the requirements set forth in subsection (C)(1)(a), (c), and (e).

(i) For nonmatching grants, applicants who otherwise meet the requirements of subitems (a), (c), and (e) may be eligible for a grant of up to five thousand dollars and may not be required to provide a matching amount to receive the grant. These grants must be used to retrofit single‑family, site‑built or manufactured or modular, owner‑occupied, residential properties in order to make them less vulnerable to hurricane or flood damage. The grant must be used for the retrofitting measures set forth in Section 38‑75‑485(C)(1)(e).

(ii) Nonmatching grant award amounts will be determined based on the cost of the mitigation project and a percentage of the total adjusted household income of the applicant according to the most recent federal income tax return. Those applicants with a total annual adjusted gross household income of which does not exceed eighty percent of the median annual adjusted gross income for households within the county in which the person or family resides may be eligible for the maximum grant award amount of five thousand dollars. Applicants with a higher total annual adjusted household income may be awarded a lower amount. The director or his designee shall issue a bulletin annually that sets forth the maximum grant award amounts based on the total annual adjusted gross household income of the applicant adjusted for family size relative to the county area median income or the state median family income, whichever is higher, as published annually by the United States Department of Housing and Urban Development. If the cost of the mitigation project exceeds the amount of the grant award, the remaining cost is the applicant’s responsibility. No grant award may exceed five thousand dollars.

(2) The department shall define by regulation the details of the mitigation measures necessary to qualify for the grants described in this section.

(3) Multimedia public education, awareness, and advertising efforts designed to specifically address mitigation techniques must be employed, as well as a component to support ongoing consumer resources and referral services.

(4) The department shall use its best efforts to obtain grants or funds from the federal government to supplement the financial resources of the program. In addition to state appropriations, if any, this program must be implemented by the department through the use of the premium taxes due to this State by the South Carolina Wind and Hail Underwriting Association, and one percent of the premium taxes collected annually and remitted to the Department of Insurance. On July 1, 2018, and July 1, 2019, the amount of remitted premium tax the department may use to implement this program is increased by one percent so that when fully phased-in on July 1, 2019, the department may use three percent of the remitted premium taxes to implement this program.

(5) The director or his designee may promulgate regulations necessary to implement the provisions of this article.” /

Renumber sections to conform.

Amend title to conform.

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Introduced on January 10, 2017**

**State Expenditure**

The bill adds flood mitigation to the SC Hurricane Damage Mitigation Program that exists within the Department of Insurance (DOI) pursuant to §38-75-485. Presently, the program administrator applies for grants to be used to assist single family, residential property owners to retrofit their properties to make those properties less vulnerable to hurricane damage. The bill adds actions that may be taken to retrofit a property to make it less vulnerable to flood damage.

The program is currently funded through premium taxes from the South Carolina Wind and Hail Underwriting Association and one percent of the premium taxes allocated to DOI. The bill

changes the percentage of premium taxes allocated to DOI from one percent to three percent. This allocation will shift funds from general fund premium tax revenue to other funds for DOI.

DOI anticipates the majority of the funds will be used to fund additional grants. Also, anticipated non-recurring expenditures are expected associated with training staff and training contractors and inspectors working with the new flood program. Recurring expenditures include increased dedication of staff time to the program. Based on the Board of Economic Advisors forecast, two percent of the premium tax is $3,287,237 for FY 2017-18, and DOI other funds expenditures will increase by this amount.

**State Revenue**

This bill adds flood mitigation to the S.C. Hurricane Mitigation Program. To cover the additional costs associated with adding flood mitigation to the program, the bill increases the percentage of premium taxes attributed to DOI from one percent to three percent. The change in allocation will decrease general fund revenue and increase other funds for DOI. Based on the Board of Economic Advisors forecast, DOI will receive additional funds in the amount of $3,287,237, resulting in a decrease in general fund premium tax revenue of $3,287,237 for FY 2017-18.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 38‑75‑485, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE SOUTH CAROLINA HURRICANE DAMAGE MITIGATION PROGRAM, SO AS TO EXPAND THE PROGRAM TO INCLUDE FLOOD DAMAGE.

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

SECTION 1. Section 38‑75‑485 of the 1976 Code is amended to read:

“Section 38‑75‑485. (A) There is established within the Department of Insurance, the South Carolina Hurricane and Flood Damage Mitigation Program. The advisory council, established pursuant to Section 38‑75‑470, shall provide advice and assistance to the program administrator with regard to his administration of the program.

(B) This section does not create an entitlement for property owners or obligate the State in any way to fund the inspection or retrofitting of residential property in this State. Implementation of this program is subject to annual legislative appropriations.

(C) The program shall develop and implement a comprehensive and coordinated approach for hurricane and flood damage mitigation that includes the following:

(1) The program administrator shall apply for financial grants to be used to assist single‑family, site‑built or manufactured or modular, owner‑occupied, residential property owners to retrofit their properties to make them less vulnerable to hurricane or flood damage.

(a) To be eligible for a grant, a residential property must:

(i) have been granted a homestead exemption;

(ii) be a dwelling with an insured value of three hundred thousand dollars or less; and

(iii) have undergone an acceptable wind certification and hurricane mitigation inspection or flood inspection.

(b) All grants must be matched on a dollar‑for‑dollar basis for a total of ten thousand dollars for the mitigation project with the state’s contribution not to exceed five thousand dollars.

(c) The program must create a process in which mitigation contractors agree to participate and seek reimbursement from the State and homeowners selected from a list of participating contractors. All mitigation must be based upon the securing of all required local permits and inspections. Mitigation projects are subject to random reinspection of up to at least ten percent of all projects.

(d) Matching fund grants also must be made available to local governments and nonprofit entities for projects that reduce hurricane or flood damage to single‑family, site‑built or manufactured or modular owner‑occupied, residential property.

(e) Grants may be used for the following improvements:

(i) roof deck attachment;

(ii) secondary water barrier;

(iii) roof covering;

(iv) brace gable ends;

(v) reinforce roof‑to‑wall connections;

(vi) opening protection;

(vii) exterior doors, including garage doors;

(viii) tie downs;

(ix) problems associated with weakened trusses, studs, and other structural components;

(x) inspection and repair or replacement of manufactured home piers, anchors, and tiedown straps; ~~and~~

(xi) raise the dwelling above the minimum required elevation standards;

(xii) add vents to enclosures;

(xiii) install breakaway walls;

(xiv) relocate the dwelling further from the flood source, if possible; and

(xv) any other mitigation techniques approved by the advisory committee.

(f)(i) Low‑income homeowners, who otherwise meet the requirements of subitems (a) and (c) are eligible for a grant of up to five thousand dollars and are not required to provide a matching amount to receive the grant. These grants must be used to retrofit single‑family, site‑built or manufactured or modular, owner‑occupied, residential properties, valued at one hundred fifty thousand dollars or less, in order to make them less vulnerable to hurricane or flood damage.

(ii) For purposes of this item, ‘low‑income persons’ means one or more natural persons or a family, the total annual adjusted gross household income of which does not exceed eighty percent of the median annual adjusted gross income for households within the county in which the person or family resides, whichever is greater.

(2) The department shall define by regulation the details of the mitigation measures necessary to qualify for the grants or public assistance described in this section.

(3) Multimedia public education, awareness, and advertising efforts designed to specifically address mitigation techniques must be employed, as well as a component to support ongoing consumer resources and referral services.

(4) The department shall use its best efforts to obtain grants or funds from the federal government to supplement the financial resources of the program. In addition to state appropriations, if any, this program must be implemented by the department through the use of the premium taxes due to this State by the South Carolina Wind and Hail Underwriting Association, and ~~one~~ three percent of the premium taxes collected annually and remitted to the Department of Insurance.

(5) The director or his designee may promulgate regulations necessary to implement the provisions of this article.”

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

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