SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S. 0244 Amended by the Senate on March 27, 2025
Subject:	Tort Reform
Requestor:	Senate
RFA Analyst(s):	Bryant
Impact Date:	October 13, 2025

Fiscal Impact Summary

Liquor Liability
This bill makes changes to Chapter 38, Title 15, which is the South Carolina Contribution Among Tortfeasors Act. The bill also makes various changes in several code sections regarding civil liability, civil action, and damages, and changes to various definitions. Additionally, this bill creates new penalties for a licensee who violates any provision of Section 61-4-580 regarding prohibited acts by the holder of a permit authorizing the sale of beer or wine.

The bill also adds Chapter 3 to Title 61 to require an individual employed as an alcohol server or manager to complete alcohol server training and to obtain an alcohol server certificate. The bill tasks the Department of Revenue (DOR) with the responsibility to approve alcohol server training programs offered by providers and specifies that DOR may collaborate with the Department of Alcohol and Other Drug Abuse Services (DAODAS), which merged into the Department of Behavioral Health and Developmental Disabilities (DBHDD) in FY 2024-25, and the South Carolina Law Enforcement Division (SLED) to determine appropriate providers. DOR must also issue an alcohol server certificate to each applicant who completes an approved program or recertification program. Additionally, the bill specifies that SLED and DOR are responsible for enforcing the provisions of the bill, and DOR is responsible for bringing administrative actions for any violations. Contested case hearings arising under these provisions will be heard by the Administrative Law Court (ALC).

DOR indicates the potential need to hire 4.0 FTEs (one supervisor and three staff) at a cost of $300,000 per year for salary and fringe benefits to administer the alcohol server training program. The department will also need to make system changes and updates to implement and manage the program. However, DOR anticipates that any costs associated with the additional positions and system changes will be managed with existing appropriations.

DBHDD previously indicated that the alcohol server training program may increase demand for alcohol retailer and server education programs. However, the department anticipated that any increase in costs as a result of increased demand could be managed with Federal Funds.

SLED reports that any additional duties arising under the alcohol server training program will be managed with existing appropriations. Therefore, this bill will have no expenditure impact on SLED.

This bill may increase the caseload of the ALC. The ALC reports that due to a lack of historical data, the court cannot adequately estimate the increase in the number of contested hearings that may arise. The ALC anticipates that the initial impact of the bill on the court's caseload will likely be minimal and can be managed with existing resources. However, the ALC reports that if there is a significant increase in the number of contested hearings, the court will require a General Fund appropriations increase.

Judicial reports that it is unable to estimate the impact that the changes to civil litigation proposed in the bill will have on the circuit court's caseloads. For reference, Judicial estimates that from July 1, 2023, to June 30, 2024, approximately 14,000 civil cases filed in courts would have been impacted by these changes. However, Judicial anticipates that any increase in the court's caseload as a result of this bill will be managed within existing appropriations.

This bill also requires the director of the Department of Insurance (DOI) to prepare and submit a report regarding the status of commercial general liability and liquor liability markets by January 31st of each year. The bill further requires a person licensed or permitted to sell alcoholic beverages for on-premises consumption, except for a 501(c)(3) nonprofit corporation, to maintain a liquor liability insurance policy or a general liability insurance policy with a liquor liability endorsement with an annual aggregate limit of at least $500,000 during the period of the biennial permit or license. A 501(c)(3) nonprofit corporation licensed or permitted to sell alcoholic beverages for on-premises consumption must maintain a liquor liability insurance policy or a general liability insurance policy with a liquor liability endorsement with an annual aggregate limit of at least $300,000 during the period of the biennial permit or license. The bill also increases certain minimum coverage requirements related to automobile insurance coverage.

DOI indicates that Section 7 of the bill, which requires the director of DOI to prepare and submit a report regarding the status of commercial general liability and liquor liability markets, will require 1.0 FTE, a Statistician II, with salary and fringe of $100,529. DOI will request a General Fund appropriations increase to cover the cost of the new FTE.

This bill may increase General Fund revenue due to the creation of a new $2,500 penalty for the first violation of any provision of Section 61-4-580 regarding prohibited acts by the holder of a permit authorizing the sale of beer or wine by a licensee. The amount of the increase will depend upon the number of violations and is therefore undetermined.

This bill may also increase the ALC Other Funds revenue due to an increase in filing fees collected in court. Currently, a request for a contested hearing regarding an alcoholic beverage license violation must be accompanied by a non-refundable filing fee of $150. However, the amount of the increase will depend upon the number of requests for a contested hearing filed with the court. Due to a lack of historical data, the overall Other Funds revenue impact from filing fees for a contested hearing is, therefore, undetermined.

Additionally, this bill may result in a change 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

Revenue and Fiscal Affairs Office (RFA) anticipates this bill may result in a change to General Fund, Other Funds, and local funds revenue due to the change in fines and fees collections in court.

This bill allows providers to charge individuals a maximum of $50 to participate in an alcohol server training program. Providers may see revenues increase as more individuals will be required to participate in a training program. The amount of the increase will depend upon the amounts that providers choose to charge participants, and the number of servers that will be required to participate in a training program. Therefore, this bill will have an undetermined revenue impact on local authorities.

South Carolina Torts Claims Act
This bill increases the liability limits in Chapter 78, Title 15, the South Carolina Torts Claims Act, to $500,000 for a single person's loss from a single occurrence and $1,000,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence. The bill also increases the liability limits of a licensed physician or dentist employed by a governmental entity to $2,000,000 for a single person's loss from a single occurrence and $2,000,000 total for a single occurrence.

This bill will increase expenditures for state agencies due to the increases in losses paid for insured liability claims and associated insurance premiums for higher tort liability limits. State agencies and local entities purchase liability insurance through the Insurance Reserve Fund (IRF), a division of the State Fiscal Accountability Authority (SFAA), local associations, or private insurance companies.

This bill will increase the IRF's Trust Fund expenditures for the increase in liability losses paid by approximately $37,551,000, $24,005,000 related to coverages paid for state agencies and $13,546,000 from local entities, beginning in FY 2026-27. To offset the increase in liability losses through the IRF, state expenditures for liability insurance premiums through the IRF are expected to increase by a total of $24,005,000 from either General Funds or Other Funds, depending upon each agency's funding structure. Further, local expenditures for entities insured through the IRF will increase by $13,546,000. The timing of the expenditure impact for all entities will depend on the timing of the premium increases.

This bill increases the liability limits under the South Carolina Torts Claims Act. As discussed above, state agencies and local entities who choose to purchase insurance with the IRF will pay an increase in premiums that will offset the increase in losses paid due to the increase in the liability limits. The IRF anticipates premiums collected from state agencies and local entities to increase by $24,005,000 and $13,546,000, respectively, for a total Other Funds increase of collected premiums by the IRF of $37,551,000. It is expected that the increase in premium revenue for the IRF will offset the increase in losses paid due to the increase in the liability limits.

Further, this bill will increase premiums for those entities that purchase insurance through the private sector due to the increased liability limits within the South Carolina Torts Claims Act.

This bill will also increase auto insurance premiums due to the increased minimum coverages. An increase in premiums would increase premium tax revenue. The 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 Volunteer Strategic Assistance and Fire Equipment (V-SAFE) program within the Division of the State Fire Marshall, 0.25 percent to the aid to emergency medical services regional councils within the Department of Public Health (DPH), and the remaining 97.75 percent to the General Fund. As the total increase to premiums is unknown, the increase to premium tax revenue is undetermined.

This bill will result in an increase in local expenditures due to the increased liabilities limits under the South Carolina Torts Claims Act. Local expenditures for entities insured through the IRF will increase by $13,546,000. Additionally, based on the anticipated increase in premiums for local entities insured through SFAA, we anticipate that all other local entities will also likely experience an increase in premiums between 13 percent and 51 percent. The timing of the expenditure impact for all entities will depend on the timing of the premium increases.

Explanation of Fiscal Impact

Amended by the Senate on March 27, 2025
State Expenditure
<u>Liquor Liability</u>
This bill makes changes to Chapter 38, Title 15, which is the South Carolina Contribution Among Tortfeasors Act. The bill also makes various changes in several code sections regarding civil liability, civil action, and damages, and changes to various definitions. Additionally, this bill creates new penalties for a permittee or licensee entitled to sell alcohol in the state who violates any provision of Section 61-4-580 regarding prohibited acts by the holder of a permit. For the first offense, the permittee or licensee will be fined $2,500 by DOR. For a second offense within two years of the first offense, the permittee or licensee shall have its alcohol license or permit suspended for up to fourteen days as determined by DOR. For a third offense within three years of the first offense, the licensee or permittee shall have its alcohol license or permit revoked.

The bill also adds Chapter 3 to Title 61 to require an individual employed as an alcohol server or manager to complete alcohol server training and to obtain an alcohol server certificate. A permittee or licensee must maintain copies of the alcohol server certificates for its managers and alcohol servers for the duration of their employment, and the certificates must be made available to DOR, SLED, or their agents and employees upon request. The bill tasks DOR with the responsibility to approve alcohol server training programs offered by providers and specifies that DOR may collaborate with DAODAS, which merged into DBHDD in FY 2024-25, and SLED to determine appropriate providers. DOR, in collaboration with DBHDD and SLED, may also suspend or revoke the authorization of a provider that violates the provisions of this Chapter.

DOR must issue an alcohol server certificate to each applicant who completes an approved program or recertification program and who provides other information as may be required by DOR in an application form that must be made available on the department's website. Alcohol server certificates are valid for a period of three years from the date the certificate is issued. After the three-year period, a new or recertified alcohol server certificate must be obtained. DOR may not charge a fee to issue and renew alcohol server certificates for qualifying applicants. Additionally, the bill specifies that SLED and DOR are responsible for enforcing the provisions of the bill, and DOR is responsible for bringing administrative actions for any violations. Contested case hearings arising under these provisions will be heard by the ALC.

Department of Revenue. DOR indicates the potential need to hire 4.0 FTEs (one supervisor and three staff) at a cost of $300,000 per year for salary and fringe benefits to administer the alcohol server training program. The department will also need to make system changes and updates to implement and manage the program. However, DOR anticipates that any costs associated with the additional positions and system changes will be managed with existing appropriations.

Department of Behavioral Health and Developmental Disabilities. DBHDD approves alcohol retailer and server education programs in South Carolina, including PREP, which is delivered through a community-based system of county alcohol and drug abuse authorities. The department provides these county alcohol and drug abuse authorities with resources to facilitate these trainings, including but not limited to training manuals, state affiliated trainers, marketing materials, certificates, and personnel funding. The department previously indicated that the costs are approximately $10,000 annually and are funded through the federal SAPT Block Grant. The department reported that the alcohol server training program may increase demand for these education programs. However, the department anticipated that any increase in costs as a result of increased demand could be managed with Federal Funds.

State Law Enforcement Division. SLED reports that any additional duties arising under the alcohol server training program will be managed with existing appropriations. Therefore, this bill will have no expenditure impact on SLED.

Administrative Law Court. According to the ALC, this bill provides for additional circumstances under which a party may request a contested hearing with the court. Under the provisions of the bill, a party may request a contested hearing to review decisions regarding licensing or permitting of the premises and violations by the person licensed or permitted to sell alcohol. A contested hearing may also be requested if an applicant seeking to run an alcohol server training program is denied approval; if an alcohol server training program has its authorization suspended or revoked; or if a licensee for on-premises consumption allows its liability policy to lapse or terminate. This bill may increase the caseload of the ALC. The ALC reports that due to a lack of historical data, the court cannot adequately estimate the increase in the number of contested hearings that may arise. The ALC anticipates that the initial impact of the bill on the court's caseload will likely be minimal and can be managed with existing resources. However, the ALC reports that if there is a significant increase in the number of contested hearings, the court will require a General Fund appropriations increase.

Judicial. Judicial reports that this bill makes numerous changes to civil litigation, particularly with regard to the procedures for adding non-party tortfeasors to verdict forms, right of contribution among defendants, and calculating damages and allocation among defendants.

Judicial reports that it is unable to estimate the impact that the changes to civil litigation proposed in the bill will have on the circuit court's caseload. For reference, Judicial estimates that from July 1, 2023 to June 30, 2024, approximately 14,000 civil cases filed in circuit court would have been impacted by these changes. However, Judicial anticipates that any increases in the court's caseload as a result of this bill will be managed within existing appropriations.

Additionally, this bill requires the director of DOI to prepare and submit a report regarding the status of commercial general liability and liquor liability markets by January 31st of each year. The bill also requires a person licensed or permitted to sell alcoholic beverages for on-premises consumption, except for a 501(c)(3) nonprofit corporation, to maintain a liquor liability insurance policy or a general liability insurance policy with a liquor liability endorsement with an annual aggregate limit of at least $500,000 during the period of the biennial permit or license. A 501(c)(3) nonprofit corporation licensed or permitted to sell alcoholic beverages for on-premises consumption must maintain a liquor liability insurance policy or a general liability insurance policy with a liquor liability endorsement with an annual aggregate limit of at least $300,000 during the period of the biennial permit or license. The bill also increases certain minimum requirements for automobile insurance coverage.

Department of Insurance. DOI indicates that Section 7 of the bill, which requires the director of DOI to prepare and submit a report regarding the status of commercial general liability and liquor liability markets, will require 1.0 FTE, a Statistician II, with salary and fringe of $100,529, to assist with obtaining data and providing the required report. DOI will request a General Fund appropriations increase to cover the cost of the new FTE. DOI further indicates that Sections 11, 12, 14, and 19 of the bill will require all insurers offering personal or commercial automobile insurance to submit filings, which will require form and rate revisions. However, the department anticipates that this will be a one-time adjustment and not an annual increase in the number of filing submissions. Therefore, DOI reports that these provisions of the bill will require a temporary increase in workloads that can be handled by existing staff and resources.

South Carolina Torts Claims Act

This bill increases the liability limits in Chapter 78, Title 15, the South Carolina Torts Claims Act, to $500,000 for a single person's loss from a single occurrence and $1,000,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence. The bill also increases the liability limits of a licensed physician or dentist employed by a governmental entity to $2,000,000 for a single person's loss from a single occurrence and $2,000,000 total for a single occurrence. Currently, the four liability limits under the South Carolina Torts Claims Act, in Section 15-78-120(a)(1) through (4), are as follows:

- $300,000 for a single person for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence,
- $600,000 total for a single occurrence, regardless of the number of agencies or subdivisions involved in the occurrence,
- $1,200,000 per person, for a single occurrence arising from an incident with a doctor or dentist, regardless of the number of agencies or subdivisions involved in the occurrence, and

- $1,200,000 total for a single occurrence arising from an incident with a doctor or dentist, regardless of the number of agencies or subdivisions involved in the occurrence.

This bill will increase all state agencies' expenditures through an increase in premiums to cover the increased amount of losses paid for claims due to the increased limits. The IRF, a division of SFAA, provides insurance coverage for these liabilities, among others. The IRF insures all state agencies, including the Medical University of South Carolina (MUSC). Counties, political subdivisions, school districts, special purpose districts, and other governmental entities may also choose to purchase insurance from the IRF. An actuarial analysis was performed to determine the expenditure impact for the liability policies. Based on the actuarial analysis, the IRF anticipates the increase in losses paid for claims brought against governmental entities, including state and local entities, to total $30,447,000. The following is the increase in loss by insurance type:

- General Tort: $11,027,000
- Commercial Auto: $5,669,000
- School Bus: $719,000
- Professional Medical Liability: $13,032,000

In addition to the total $30,447,000 increase due to the amended tort liability limits, the IRF will have an increase in expenditures to increase the policy limits for certain insureds from a limit of $600,000 to $1,000,000. Currently, the IRF offers insurance policies with limits of $600,000 or $1,000,000. All agencies that currently have an insurance policy with a limit of $600,000 will have to change to a policy with a limit of $1,000,000. The IRF estimates switching all insureds from a $600,000 policy to a $1,000,000 policy will result in an increase of expenditures by $7,104,000. The following is the increase in premiums for the policy shift from $600,000 to $1,000,000:

- General/Tort: $5,191,000
- Commercial Auto: $1,913,000
- School Bus: $0
- Professional Medical Liability: $0

Overall, the expenditure impact to the IRF may be as much as $37,551,000 for the increase in losses paid across all liability policies impacted. The following is the total increase in premiums by insurance type:

- General/Tort: $16,218,000
- Commercial Auto: $7,582,000
- School Bus: $719,000
- Professional Medical Liability: $13,032,000

Based upon an actuarial review of the impact of raising the liability limits, the IRF anticipates that overall insurance premiums will increase per policy by the following percentages:

- General/Tort: 13 percent for amended tort limits plus 7 percent for change in policy coverage limits

- Commercial Auto: 15 percent for amended tort limits plus 5 percent for change in policy coverage limits
- School Bus: 14 percent for amended tort limits plus 0 percent for change in policy coverage limits
- Professional Medical Liability: 39 percent for amended tort limits plus 0 percent for change in policy coverage limits

The estimated increase in losses is based upon historical data, specific loss data, and other relevant information to project potential risk of future loss. However, the actuarial analysis did not capture the potential impact that the modified limits would have on behavioral effects such as the potential increase in frequency of claims filed, potential increased time for negotiation, and the potential increased number of claims going to trial rather than settling in negotiation. Therefore, the actual impact of the modified liability limits may vary from the estimate.

Additionally, the IRF proposes that the language in the bill provide that the increased liability limits apply only to claims with a date of loss one year after the approval by the Governor in order to allow for sufficient time to develop adequate rates, receive SFAA approval for the new rates, provide advance notice to the insured state agencies and local entities so that they may prepare their budgets, and implement the new policies. The IRF reports that if the bill becomes effective immediately upon approval by the Governor, the impact to the IRF is difficult to quantify because all policies would be inadequately rated until the rates could be approved and the premiums adjusted.

In summary, the IRF anticipates that the increase in premium costs will total $37,551,000, which consists of $24,005,000 for all state agencies and $13,546,000 for all local entities covered by the IRF. The total $24,005,000 increase in costs for state agencies consists of $18,372,000 due to the increase in tort limit liability and $5,633,000 for the increase in policy coverage limits. Included in the $24,005,000 is a $8,082,885 expenditure impact to MUSC, the only state-owned hospital. The expenditure impact on the General Fund and Other Funds due to the increase in premiums for each state agency will depend upon the agency's funding structure. The IRF anticipates the premiums collected from its insureds will offset the increase in losses paid due to the increase in the liability limits.

State Revenue

This bill may increase General Fund revenue due to the creation of a new $2,500 penalty for the first violation of any provision of Section 61-4-580 regarding prohibited acts by the holder of a permit authorizing the sale of beer or wine by a licensee. The amount of the increase will depend upon the number of violations and is therefore undetermined.

This bill may also increase the ALC Other Funds revenue due to an increase in filing fees collected in court. Currently, a request for a contested hearing regarding an alcoholic beverage license violation must be accompanied by a non-refundable filing fee of $150. However, the amount of the increase will depend upon the number of requests for a contested hearing filed with the court. Due to a lack of historical data, the overall Other Funds revenue impact from filing fees for a contested case hearing is, therefore, undetermined.

Additionally, this bill may result in a change in the fines and fees collected in court. Court fines and fees are distributed to the General Fund, Other Funds, and local funds. Therefore, RFA anticipates this bill may result in a change to General Fund and Other Funds revenue due to the change in fines and fees collections in court.

This bill increases the liability limits under the South Carolina Torts Claims Act. As discussed above, state agencies and local entities who choose to purchase insurance with the IRF will pay an increase in premiums that will offset the increase in losses paid due to the increase in the liability limits. The IRF anticipates premiums collected from state agencies and local entities to increase by $24,005,000 and $13,546,000, respectively, for a total increase in collected premiums by the IRF of $37,551,000. It is expected that the increase in premium revenue for the IRF will offset the increase in losses paid due to the increase in the liability limits.

Further, this bill will increase premiums for those entities that purchase insurance through the private sector, both for the increase in liability limits under the South Carolina Tort Claims Act and the increased minimums for automobile liability insurance. An increase in premiums would increase premium tax revenue. The 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 V-SAFE program within the Division of the State Fire Marshall, 0.25 percent to the aid to emergency medical services regional councils within DPH, and the remaining 97.75 percent to the General Fund. As the total increase to premiums is unknown, the increase to premium tax revenue is undetermined.

Local Expenditure

This bill increases the liability limits under the South Carolina Torts Claims Act. As discussed above, the total increase of local entities premiums is estimated at $13,546,000. The increase is a combination of an increase to cover the increased liability limits of $12,075,000 and an increase to cover the change in the policy coverage limits of $1,471,000. The IRF provides insurance coverage to the following local entities:

- 80 counties and county entities;
- 15 school districts and school entities;
- 116 municipalities and municipal entities; and
- 316 political subdivisions, including special purpose districts.

The table below provides the anticipated increase in premiums for local entities covered by the IRF.

	Increased Tort Liability Limits	Policy Coverage Limit Update	Total Premium Increase
Counties	$5,268,000	$621,000	$5,889,000
School Districts	$501,000	$33,000	$534,000
Municipalities	$1,745,000	$610,000	$2,355,000
Political Subdivisions	$4,561,000	$207,000	$4,768,000
Total	$12,075,000	$1,471,000	$13,546,000

In addition to the IRF, various state associations have established trusts to assist local entities with the purchase of insurance. The South Carolina School Boards Association (SCSBA) provides the South Carolina Boards Insurance Trust (SCBIT), which provides tort liability coverage for school districts. The South Carolina Association of Counties (SCAC) provides tort liability coverage through the South Carolina Counties Property and Liability Trust (SCCP&LT). and the Municipal Association of South Carolina (MASC) provides tort liability coverage through the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF). Further, local hospitals in South Carolina, other than MUSC as a state entity, may purchase insurance from the Palmetto Health Trust or from the private market.

Based on the analysis provided by SFAA, premiums for hospitals due to the modified liability limits will increase by 13 to 26 percent. The expenditure impact to each local hospital will depend on current insurance coverage premiums. Additionally, school districts may see an increase in premiums ranging from 13 to 17 percent.

All local governing entities in the state will likely see an increase in premiums because of the increased liability limits. Local governing entities that purchase liability coverage from the IRF are included in the totals above. Based on the impact to the IRF, we anticipate that counties, municipalities, and special purpose districts will experience a premium increase of approximately 13 to 49 percent due to the increase in the liability limits, if the private market and other established trusts follows the same trends as projected for the IRF. The actual local expenditure impact will depend upon the amount and type of coverage needed by that district.

Local Revenue

This bill allows providers to charge individuals a maximum of $50 to participate in an alcohol server training program. Providers may see revenues increase as more individuals will be required to participate in a training program. The amount of the increase will depend upon the amounts that providers choose to charge participants, and the number of servers that will be required to participate in a training program. Therefore, RFA anticipates this bill will have an undetermined revenue impact on local authorities.

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

Frank A. Rainwater, Executive Director