



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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<b>Bill Number:</b>	S. 1071	Amended by Senate Banking and Insurance on March 11, 2020
<b>Author:</b>	Alexander	
<b>Subject:</b>	Firefighter Cancer Health Care Benefit Plan	
<b>Requestor:</b>	Senate Banking and Insurance	
<b>RFA Analyst(s):</b>	Griffith and Miller	
<b>Impact Date:</b>	March 18, 2020	

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### **Fiscal Impact Summary**

This bill as amended will increase Other Funds expenditures of the Department of Labor, Licensing and Regulation (LLR) by \$3,500,000 in FY 2020-21 for the procurement and administration of the South Carolina Firefighter Cancer Health Care Benefit Plan. Other Funds expenditures will also increase by \$284,000 in FY 2020-21 to be used only for other expenses of the agency's Division of Fire and Life Safety. In total, Other Funds expenditures of LLR will increase by \$3,784,000 in FY 2020-21.

This bill as amended will decrease General Fund revenue by \$3,784,000 in FY 2020-21 and will increase Other Funds revenue of LLR by the same amount in FY 2020-21.

### **Explanation of Fiscal Impact**

#### **Amended by Senate Banking and Insurance on March 11, 2020**

##### **State Expenditure**

This bill establishes the South Carolina Firefighter Cancer Health Care Benefit Plan, which provides a supplemental insurance policy when a firefighter is diagnosed with cancer. The program must be established by and administered through the Office of the State Fire Marshal (OSFM), which is under the administration of LLR's Division of Fire and Life Safety (division).

Currently, the division receives 50 percent of the one percent fire insurance premium tax and an additional \$175,000 to be used for training, certification, and continuing education. The bill as amended directs 75 percent of the one percent fire insurance premium tax to the division. Based on the revenue impact explained below, LLR will receive \$3,784,000 in Other Funds revenue that is currently directed to the General Fund. Of the money received, LLR must use \$3,500,000 for the Firefighter Cancer Health Care Benefit Plan. The department plans to administer the program via a vendor. The department indicates that when it issues a request for proposal, it plans to request bidders include the educational and administrative services associated with the program within the \$3,500,000 allocated for this purpose. The agency will use the remaining \$284,000 only for expenses of the division. Therefore, in total, Other Funds expenditure of LLR will increase by \$3,784,000 in FY 2020-21.

##### **State Revenue**

This bill as amended requires the 75 percent of the one percent fire insurance premium taxes to be directed to LLR's Division of Fire and Life Safety. Currently, the division receives 50 percent of the revenue from the one percent fire insurance premium tax and an additional

\$175,000, while the remaining amount is allocated to the General Fund. This bill will result in a shift in revenue from the General Fund to the Division of Fire and Life Safety.

The Department of Insurance collects the one percent fire insurance premium tax and distributes the revenue in quarterly payments. The following table shows a three-year history of the distribution of the one percent fire insurance premium tax.

	Other Funds	General Funds	Total
FY 2017-18	\$6,601,000	\$6,250,000	\$12,851,000
FY 2018-19	\$7,021,000	\$6,672,000	\$13,693,000
FY 2019-20	\$7,341,000	\$6,990,000	\$14,331,000

Using a growth rate of 5.6 percent calculated from the past three fiscal years of data, the total revenue will be \$15,134,000 in FY 2020-21. Currently, this means \$7,567,000 plus the additional \$175,000 is distributed to Other Funds of LLR, while the remainder, \$7,392,000, is transferred to the General Fund.

This bill requires 75 percent of the one percent fire insurance premium tax to be directed to Other Funds revenue of the Division of Fire and Life Safety. This results in a shift of \$3,784,000 of the tax revenue from the General Fund to Other Funds. Therefore, this bill will decrease General Fund revenue by \$3,784,000 and increase Other Funds revenue of LLR by \$3,784,000 in FY 2020-21.

**Local Expenditure**

N/A

**Local Revenue**

N/A

**Amended by Senate Banking and Insurance, Insurance Subcommittee on February 12, 2020**

**State Expenditure**

This bill establishes the South Carolina Firefighter Cancer Health Care Benefit Plan, which provides a supplemental insurance policy when a firefighter is diagnosed with cancer. The program must be established by and administered through the Office of the State Fire Marshal (OSFM), which is under the administration of LLR’s Division of Fire and Life Safety (division).

Currently, the division receives 50 percent of the one percent fire insurance premium tax and an additional \$175,000 to be used for training, certification, and continuing education. The bill directs all of the one percent fire insurance premium tax to the division. Based on the revenue impact explained below, LLR will receive \$7,392,000 in Other Funds revenue that is currently directed to the General Fund. Of the money received, LLR must use \$3,500,000 for the Firefighter Cancer Health Care Benefit Plan. The department plans to administer the program via a vendor. The department indicates that when it issues a request for proposal, it plans to request bidders include the educational and administrative services associated with the program within the \$3,500,000 allocated for this purpose. The agency will use the remaining \$3,892,000

only for expenses of the division. Therefore, in total, Other Funds expenditure of LLR will increase by \$7,392,000 in FY 2020-21.

**State Revenue**

This bill requires the total amount of the one percent fire insurance premium taxes to be directed to LLR’s Division of Fire and Life Safety. Currently, the division receives 50 percent of the revenue from the one percent fire insurance premium tax and an additional \$175,000, while the remaining amount is allocated to the General Fund. This bill will result in a shift in revenue from the General Fund to the Division of Fire and Life Safety.

The Department of Insurance collects the one percent fire insurance premium tax and distributes the revenue in quarterly payments. The following table shows a three-year history of the distribution of the one percent fire insurance premium tax.

	Other Funds	General Funds	Total
FY 2017-18	\$6,601,000	\$6,250,000	\$12,851,000
FY 2018-19	\$7,021,000	\$6,672,000	\$13,693,000
FY 2019-20	\$7,341,000	\$6,990,000	\$14,331,000

Using a growth rate of 5.6 percent calculated from the past three fiscal years of data, the total revenue will be \$15,134,000 in FY 2020-21. Currently, this means \$7,567,000 plus the additional \$175,000 is distributed to Other Funds of LLR, while the remainder, \$7,392,000, is transferred to the General Fund.

This bill requires the total amount to be directed to Other Funds revenue of the Division of Fire and Life Safety. This results in a shift of \$7,392,000 of the one percent fire insurance premium tax revenue from the General Fund to Other Funds. Therefore, this bill will decrease General Fund revenue by \$7,392,000 and increase Other Funds revenue of LLR by \$7,392,000 in FY 2020-21.

**Local Expenditure**

N/A

**Local Revenue**

N/A



Frank A. Rainwater, Executive Director