~~Indicates Matter Stricken~~

Indicates New Matter

COMMITTEE REPORT

February 16, 2017

**H. 3583**

Introduced by Rep. Norrell

S. Printed 2/16/17--H.

Read the first time January 25, 2017.

**THE COMMITTEE ON EDUCATION AND PUBLIC WORKS**

To whom was referred a Bill (H. 3583) to amend Section 59‑104‑20, as amended, Code of Laws of South Carolina, 1976, relating to the Palmetto Fellows Scholarship Program, 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 deleting all after the enacting words and inserting:

/ SECTION 1. Section 59‑104‑20(H) of the 1976 Code, as added by Act 162 of 2005, is amended to read:

“(H) Notwithstanding another provision of law, a student who met the initial eligibility requirements to receive a Palmetto Fellows Scholarship Award as a senior in high school and has met the continuing eligibility requirements shall receive the award. A student selected as a Palmetto Fellow may elect to defer post‑secondary enrollment for one year, until the fall term of the year immediately following the year of graduation, without declining the award. A student who received a Palmetto Fellows Scholarship Award as a senior in high school but declined the award is eligible to reapply for the annual scholarship, providing he meets all of the initial and continuing academic eligibility requirements of the Palmetto Fellows program, if he transfers to ~~a qualifying~~ an eligible South Carolina institution of higher learning. The number of semesters or academic years a student attended an out‑of‑state institution are to be deducted from the number of semesters or academic years a student is eligible for the scholarship. All funding provided for Palmetto Fellows Scholarships regardless of its source or allocation must be used to implement the provisions of this subsection.”

SECTION . This act takes effect upon approval of the Governor. /

Renumber sections to conform.

Amend title to conform.

MERITA A. ALLISON for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Amended by House Education and Public Works on January 27, 2017**

**State Expenditure**

Currently, students eligible for the Palmetto Fellows Scholarship must enroll in college during the fall term following their high school graduation or decline the award. Students declining the award are not eligible for the Palmetto Fellows Scholarship if they enroll later. This bill enables students eligible for the Palmetto Fellows Scholarship to delay college enrollment for a year without losing the scholarship.

The Palmetto Fellows Scholarship award is $6,700 for a student in the first year of college and $7,500 beginning the second year. If a Palmetto Fellows Scholarship recipient majors in a Science, Technology, Engineering, and Math (STEM) course of study, the student may receive an additional $2,500 beginning the second year of college. The awards are available for not more than eight semesters for a baccalaureate program and up to ten semesters for a five-year baccalaureate program.

Currently, students who defer college enrollment past the fall term after their high school graduation may still receive the Life Scholarship. The Life Scholarship criteria is less stringent than the Palmetto Fellows Scholarship, so it is anticipated that students eligible for the Palmetto Fellows Scholarship would be eligible for the Life Scholarship.

The Life Scholarship award is up to $5,000 for the first and subsequent years of college. Students enrolling in eligible STEM majors may receive up to an additional $2,500 a year. Therefore, students declining the Palmetto Fellows Scholarship to defer college entrance, who enroll later and receive the Life Scholarship, receive $1,700 less in awards the first year of college and $2,500 less in the second and subsequent years.

The bill takes effect upon approval of the Governor, so the first students who would be able to take advantage of its provisions could defer college enrollment from the 2017-18 school year until the 2018-19 school year. A student who defers the Palmetto Fellows Scholarship until FY 2017-18 would receive $1,700 more than the Life Scholarship in FY 2018-19, with the award increased another $800 over the Life Scholarship in FY 2019-20, for a total of $2,500 more in FY 2019-20.

The additional scholarship award constitutes an expense to the state. After the second year, the state’s full cost for a particular student is factored into its base expenditures. This pattern repeats for each additional student taking advantage of the bill’s provisions in subsequent years, adding $1,700 to the state’s costs for the student’s first year of college and an additional $800 the second year. This pattern continues for four years, until FY 2021-22, when students taking advantage of this legislation are enrolled in each of the four years of college. Therefore, the increase in expenditures for the state is $1,700 per student in FY 2018-19, and then $2,500 ($1,700 for a new first year student plus the additional $800 increase for a student in his second year) for each additional student from FY 2019-20 through FY 2021-22.

**South Carolina Commission on Higher Education.** According to the Gap Year Association, the association does not have any formal numbers as to how many students take time off between high school and college. We were unable to locate any other sources with nationwide data on the numbers or percentage of students who defer college.

The Commission on Higher Education (CHE) indicated 390 students declined the Palmetto Fellows Scholarship award during FY 2016-17. Based on informal data collections in past years, CHE previously indicated 3 students a year on average defer college to take time off from their education.

The United States Department of Education reports that on average 13.7% of high school students attend college out-of-state. If 13.7% is applied to the total number of students eligible for the Palmetto Fellows Scholarship in FY 2016-17 (2,856), South Carolina would have 391 students who were eligible for the Palmetto Fellows Scholarship attend college out-of-state. This number is nearly identical to the number of South Carolina students eligible for the Palmetto Fellows Scholarship, who declined the scholarship in FY 2016-17. Therefore, we anticipate 3 students declining the scholarship because they were deferring college is a reasonable expectation.

Assuming that the majority of South Carolina students are declining the award to attend college out-of-state as opposed to deferring, the expected annual base increase in Palmetto Fellows Scholarship expenditures for 3 students for four school years is as follows:

FY 2018-19: $5,100

FY 2019-20: $7,500

FY 2020-21: $7,500

FY 2021-22: $7,500

If 3 students defer college for a year and receive the Palmetto Fellows Scholarship instead of the Life Scholarship, the total increase in expenditures in FY 2021-22, when beneficiaries of this bill would be in each of the four years of college, would be $27,600. This amount would increase if more than 3 students a year who are eligible for the Palmetto Fellows Scholarship defer college. The General Assembly determines whether state scholarships will be funded using the general fund or other funds. This bill will not impact federal fund expenditures.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 59‑104‑20, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE PALMETTO FELLOWS SCHOLARSHIP PROGRAM, SO AS TO PROVIDE STUDENTS ELIGIBLE FOR THE AWARD MAY ELECT TO DEFER ENROLLMENT IN AN ELIGIBLE FOUR‑YEAR INSTITUTION FOR TWO ACADEMIC YEARS AFTER GRADUATION, WITHOUT DECLINING THE AWARD; AND TO PROVIDE THAT THE PROVISIONS OF THIS ACT, REGARDLESS OF ITS EFFECTIVE DATE, MUST BE CONSTRUED TO APPLY TO STUDENTS WHO GRADUATE IN THE SPRING OF 2017.

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

SECTION 1. Section 59‑104‑20(H) of the 1976 Code, as added by Act 162 of 2005, is amended to read:

“(H) Notwithstanding another provision of law, a student who met the initial eligibility requirements to receive a Palmetto Fellows Scholarship Award as a senior in high school and has met the continuing eligibility requirements shall receive the award. A student selected as a Palmetto Fellow may, without declining the award, elect to defer post‑secondary enrollment for two academic years after graduating from high school, to begin no later than the full term of the second year following the year of graduation. A student who received a Palmetto Fellows Scholarship Award as a senior in high school but declined the award is eligible to reapply for the annual scholarship, providing he meets all of the initial and continuing academic eligibility requirements of the Palmetto Fellows program, if he transfers to ~~a qualifying~~ an eligible South Carolina institution of higher learning. The number of semesters or academic years a student attended an out‑of‑state institution are to be deducted from the number of semesters or academic years a student is eligible for the scholarship. All funding provided for Palmetto Fellows Scholarships regardless of its source or allocation must be used to implement the provisions of this subsection.”

SECTION 2. The provisions of this act, regardless of its effective date, must be construed to apply to students who graduate in the spring of 2017, as well as prospectively.

SECTION 3. This act takes effect upon approval of the Governor.

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