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COMMITTEE REPORT

March 7, 2019

**H. 3936**

Introduced by Reps. Davis, Daning, Chellis, Pendarvis and Thigpen

S. Printed 3/7/19--H. [SEC 3/8/19 1:06 PM]

Read the first time February 12, 2019.

**THE COMMITTEE ON EDUCATION AND PUBLIC WORKS**

To whom was referred a Bill (H. 3936) to amend Section 59‑104‑20, Code of Laws of South Carolina, 1976, relating to eligibility for Palmetto Fellows Scholarships, etc., respectfully

**REPORT:**

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

MERITA A. ALLISON for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Introduced on February 12, 2019**

**State Expenditure**

This bill includes two-year institutions of higher learning and technical schools among the category of institutions whose students may be eligible for the Palmetto Fellows Scholarship. Currently, only students attending eligible four-year institutions may utilize the Palmetto Fellows Scholarship. Recipients of the Palmetto Fellows Scholarship who chose to attend a two-year institution must forfeit their award. Furthermore, such a student may not reapply for the Palmetto Fellows Scholarship if he later transfers to an eligible four-year institution. Palmetto Fellows Scholarship recipients may receive up to $6,700 for the first academic year and up to $10,000 beginning their second academic year. The actual award is limited to the cost of attendance minus all other scholarships and grants received by the student.

Presently, a Palmetto Fellows Scholarship recipient who chooses to attend a two-year institution must forfeit their award, but such a student will automatically qualify for the LIFE Scholarship. LIFE Scholarship recipients may receive up to $5,000 their first academic year and up to $7,500 beginning their second academic year. The actual award amount is limited to the cost of attendance minus all other scholarships and grants received by the student.

Adjusting for student population, the weighted average cost of attendance at a two-year in-state institution in FY 2017-18 was approximately $4,600. The average LIFE scholarship award for recipients attending a two-year institution was $4,200 in FY 2017-18. All other scholarships and grants are applied to a student’s cost of attendance before determining the amount of his LIFE Scholarship award. Therefore, the difference between the average cost of attendance and average scholarship amount awarded may be attributed to other scholarships and grants received by the student. The Palmetto Fellows Scholarship award amount is calculated in the same manner as the LIFE Scholarship. Hence, a student attending a two-year institution would receive, on average, the same amount for the Palmetto Fellows Scholarship as he would for the LIFE Scholarship. Therefore, this bill will have no net impact on scholarship disbursement during the years in which the student attends a two-year institution.

If a student continues his education at a four-year institution, his scholarship amount would increase. The average Palmetto Fellows Scholarship award, excluding recipients at the Medical University of South Carolina (MUSC), was $7,700 for FY 2017-18. This amount is $3,500 more than the student received at his two-year institution. Therefore, this bill will increase net scholarship distributions by $3,500 for each student that moves his Palmetto Fellows Scholarship from a two-year to a four-year institution. CHE reports that over the past two years 13 recipients have declined the Palmetto Fellows Scholarship for the purpose of attending a two-year institution. If this trend holds, we estimate an average of 7 students per year that would select this option beginning in FY 2020-21. Therefore, this bill would increase scholarship distributions by as much as $24,500 each year beginning in FY 2020-21. This increase would first be funded by excess Lottery proceeds, above the amount appropriated in the Appropriations Act for Palmetto Fellows Scholarships. Any amounts in excess would become an obligation of the general fund.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTION 59‑104‑20, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO ELIGIBILITY FOR PALMETTO FELLOWS SCHOLARSHIPS, SO AS TO INCLUDE TWO‑YEAR INSTITUTIONS OF HIGHER LEARNING AND TECHNICAL COLLEGES AMONG INSTITUTIONS OF HIGHER LEARNING WHOSE STUDENTS MAY BE ELIGIBLE FOR THE SCHOLARSHIPS.

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

SECTION 1. Section 59‑104‑20(E), (F), and (H) of the 1976 Code is amended to read:

“(E) A Palmetto Fellows Scholarship is available to an eligible resident student who attends or will attend an eligible ~~four‑year~~ public or independent institution.

(F) For purposes of subsection (E):

(1) ‘Public or independent Institution’ means a:

(a) South Carolina public institution defined in Section 59‑103‑5, ~~excluding a public two‑year or technical institution,~~ and an independent institution as defined in Section 59‑113‑50~~,~~ ~~excluding an eleemosynary junior or independent two‑year institution~~; or

(b) public or independent bachelor’s level institution chartered before 1962 whose major campus and headquarters are located within South Carolina.

(2) ‘Resident student’ means a:

(a) student who is either a member of a class graduating from a high school located in this State, a home school student who has successfully completed a high school home school program in this State in the manner required by law, or a student graduating from a preparatory high school outside this State, while a dependent of a parent or guardian who is a legal resident of this State and has custody of the dependent; and

(b) student classified as a resident of South Carolina for in‑state tuition purposes under Chapter 112 of this title at the time of enrollment at the institution.

(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 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 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. A student who uses a Palmetto Fellows Scholarship to attend an eligible two‑year institution shall receive a maximum of four continuous semesters, and may continue to use the scholarship to attend an eligible four‑year institution, subject to maximum number of semesters for which the student may be eligible for the scholarship.”

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

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