



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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<b>Bill Number:</b>	H. 3459	Introduced on January 12, 2021
<b>Author:</b>	Robinson	
<b>Subject:</b>	Teachers	
<b>Requestor:</b>	House Ways and Means	
<b>RFA Analyst(s):</b>	Wren	
<b>Impact Date:</b>	February 23, 2021	

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### **Fiscal Impact Summary**

This bill allows a teacher who graduated from an accredited South Carolina four-year college or university to apply for student loan forgiveness after five consecutive years of employment with a school district in this state. The State Department of Education (SDE) must promulgate regulations and establish the guidelines necessary to carry out the provisions of this bill.

This bill will increase expenses of SDE by \$222,780 for three FTE's beginning in FY 2021-22 if the agency is required to facilitate the student loan forgiveness program.

The bill states that the General Assembly must appropriate funds from the General Fund as necessary each year to fund the student loan forgiveness, creating an open-ended account that is an obligation of the General Fund. This will reduce the amount of funds otherwise available for appropriation by an undetermined amount.

The overall expenditure impact on the General Fund is undetermined since the number of eligible teachers in the state that will apply for the student loan forgiveness and the actual amount of student loan debt are unknown. However, we anticipate that this bill could increase expenditures of the General Fund by an amount up to \$31,524,000 per 1,000 teachers in the first year of the program, or FY 2021-22. We anticipate that the initial expenditure impact will be significant because we expect all eligible teachers will apply for the student loan forgiveness in the first year of the program. Further, we anticipate a reduced impact in the second and subsequent years since the number of eligible teachers that may apply for the student loan forgiveness will be much less than in the initial year of the program.

Teacher participation in loan forgiveness programs through the South Carolina Student Loan Corporation and the United States Department of Education may mitigate this impact; however, without the guidelines that SDE is required to establish pursuant to this bill, it is unclear how the requirements would overlap and whether teachers would choose to pursue forgiveness via the program established by this bill rather than one of the existing programs. We will update this impact statement if we receive more precise information on outstanding student loan debt for teachers in the state or if we receive more information on how the existing teacher loan forgiveness programs will impact this new student loan forgiveness program.

## Explanation of Fiscal Impact

**Introduced on January 12, 2021**

### **State Expenditure**

This bill allows a teacher who graduated from an accredited South Carolina four-year college or university to apply for student loan forgiveness after five consecutive years of employment with a school district in this state. SDE must promulgate regulations and establish the guidelines necessary to carry out the provisions of this bill. Also, SDE must publish the guidelines on its website.

**State Department of Education.** SDE indicates that if the agency is required to facilitate the student loan forgiveness program, expenditures of the agency will increase by \$222,780 beginning in FY 2021-22. These increased expenditures are for three FTE's, including fringe, and will be needed to manage the student loan forgiveness program for teachers. There would be no additional impact for SDE to promulgate regulations pursuant to the provisions of the bill.

The General Fund expenditures of SDE would also increase in the amount necessary to pay off student loan for teachers pursuant to this bill. The bill states that the General Assembly must appropriate funds from the General Fund as necessary each year to fund the student loan forgiveness, creating an open-ended account that is an obligation of the General Fund. This will reduce the amount of funds otherwise available for appropriation by an undetermined amount.

The overall expenditure impact on the General Fund is undetermined since the number of eligible teachers in the state that will apply for the student loan forgiveness and the actual amount of student loan debt are unknown. However, SDE indicates that there are currently 51,906 employed and certified teachers this school year, and 21,217 of these teachers have five to fifteen years of experience. For the first part of this analysis, which is an estimate on the expenditure impact for the first year, or FY 2021-22, we used the number of teachers with five to fifteen years of experience as we assume that teachers with more than fifteen years of experience will no longer have outstanding student loan debt. The number of teachers includes position codes for special education, prekindergarten, kindergarten, classroom teachers, and retired teachers. The Institute for College Access and Success reports that the average student loan debt for South Carolina graduates in 2019 was \$31,524 and that about 60 percent of graduates have student loan debt. Based upon this information, we estimate that the student loan forgiveness program pursuant to the provisions of this bill could increase expenses of the General Fund by an amount up to \$31,524,000 per 1,000 teachers taking advantage of this program. Further, the South Carolina Teacher Loan Program Annual Report for FY 2018-19, published by the South Carolina Education Oversight Committee, reports that 61 percent of the current Teacher Loan recipients attended South Carolina institutions. As a further illustration, if the percentage of the general teacher population attending in state institutions is similar to those participating in the Teacher Loan Program, the potential expenditure impact to the General Fund would be \$244,797,163 (assuming 60 percent of the teachers with five to fifteen years of experience have student loan debt and 61 percent of these teachers obtained their degree in the state). We anticipate that the initial expenditure impact will be significant because we expect all eligible teachers will apply for the student loan forgiveness in the first year of the program.

For the second part of this analysis, which is an estimate on the expenditure impact on the General Fund for the second and subsequent years beginning in FY 2022-23, we used the number of teachers with four years of experience as we assume those teachers would apply for the student loan forgiveness in the second year of the program. SDE indicates that there are 2,321 teachers with four years of experience. As a further illustration, if the percentage of the teacher population attending in state institutions is similar to those participating in the Teacher Loan Program, the potential expenditure impact to the General Fund would be \$26,779,196 (assuming 60 percent of the teachers with four years of experience have student loan debt and 61 percent of these teachers obtained their degree in the state) beginning in FY 2022-23. Therefore, we anticipate a reduced impact in the second and subsequent years since the number of eligible teachers that may apply for the student loan forgiveness will be much less than in the initial year of the program.

The South Carolina Student Loan Corporation and the United States Department of Education currently offer teacher loan forgiveness programs. Based upon South Carolina Code of Laws Section 59-26-20, the forgiveness program through the South Carolina Student Loan Corporation offers cancellation at a rate of 20 percent or \$3,000 per year, whichever is greater, for each complete year of teaching service in either an academic critical need area or a geographic need area. The cancellation rate increases to a rate of 33.3 percent or \$5,000, whichever is greater, for each complete year of teaching service in both an academic critical need area and a geographic need area. The United States Department of Education teacher loan forgiveness program cancels student loan debt in an amount up to \$17,500. To be eligible for this program, a teacher must have been employed for five complete and consecutive academic years and must have been employed at an elementary school, secondary school, or educational service agency that serves low-income students.

Since the bill requires SDE to establish guidelines for this student loan forgiveness program, it is unclear at this time whether or how the existing student loan forgiveness programs through the South Carolina Student Loan Corporation and the United States Department of Education would offset a portion of the impact calculated above.

We will update this impact statement if we receive more precise information on outstanding student loan debt for teachers in the state or if we receive more information on how the existing teacher loan forgiveness programs will impact this new student loan forgiveness program.

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director