



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
**(803)734-3780 • RFA.SC.GOV/IMPACTS**

---

*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.*

---

**Bill Number:** H. 4879 Amended by House Ways and Means on February 10, 2022  
**Author:** G.M. Smith  
**Subject:** Parental Choice in Education Act Fund  
**Requestor:** House Ways and Means  
**RFA Analyst(s):** Wren  
**Impact Date:** February 18, 2022

---

### **Fiscal Impact Summary**

This joint resolution enacts the “Parental Choice in Education Act” and creates the “Parental Choice in Education Scholarship Fund” (Fund) to cover the cost for qualifying students to attend an eligible public or independent school that chooses to participate in the program. The resolution appropriates \$75,000,000 from the Contingency Reserve Fund to the Parental Choice in Education Fund to be used pursuant to the provisions of this resolution. The State Department of Education (SCDE) must manage the program, and the Education Oversight Committee (EOC) must develop an application to approve schools for participation in the program and must maintain a comprehensive list of eligible schools on its website.

This resolution will increase expenses of SCDE by \$2,228,700 in FY 2022-23 for 4.0 FTEs to manage the Fund, a new operating system to maintain student accounts, and licensing for the new system. Expenses will decrease to \$978,700 thereafter for the FTEs and annual licensing for the student accounts system. The resolution does not specify if SCDE may use the Fund for expenses. The funding for these expenses will depend on appropriations.

This resolution will increase expenses of the EOC by \$89,000 in FY 2022-23 for 1.0 FTE to manage the additional responsibilities required in the resolution and for computer equipment and software for the new FTE. Expenses will decrease to \$87,000 each year thereafter for the FTE. EOC currently receives only Other Funds from the EIA. The type of funds for these expenses will depend on appropriations.

The expenditure impact on local school districts is undetermined. The potential reduction in school district expenditures due to students enrolling in the program will vary depending on the degree to which districts can consolidate resources by reducing the number of teachers or classrooms. Assuming the students are spread throughout the state, each school district would see only a reduction in the variable costs per student. School districts may be able to realign resources to realize savings, but this will take time to implement. Since the resolution provides a limited number of eligible students in the first year, we anticipate only marginal expenditure reductions for teachers, school classrooms, and buildings during initial implementation. Savings on counseling, libraries, and school administration would be similarly minimal. Therefore, we do not anticipate significant local expenditure savings from this program in the first year. Potential savings in future years will be largely dependent on the number of participants and

actions taken by school districts in response to changes in enrollment and any resulting changes in funding from the state as a result.

The revenue impact on local school districts is undetermined. The revenue impact will depend upon the number of students participating in the program.

## **Explanation of Fiscal Impact**

### **Amended by House Ways and Means on February 10, 2022**

#### **State Expenditure**

This joint resolution enacts the “Parental Choice in Education Act” and creates the “Parental Choice in Education Scholarship Fund” (Fund) to cover the cost of attendance for qualifying students to attend an eligible public or independent school that chooses to participate in the program. An eligible school does not include charter schools. A qualifying student must be a resident of this state that has not earned a high school diploma and is between kindergarten and fifth grade. Additionally, a qualifying student must have a family income equal to or less than Medicaid eligibility as set forth by the Medically Indigent Assistance Program and:

- is entering kindergarten or first grade; or
- was previously enrolled in and attended a S.C. elementary public school during one of the three school years immediately preceding the school year in which the student would be enrolled under this program.

Students participating in the Educational Credit for Exceptional Needs Children’s Fund program pursuant to Section 12-6-3790 are not considered qualifying students pursuant to the provisions of this resolution. A qualifying student also includes up to 500 students whose parents are an active duty member of the U.S. Armed Forces. Additionally, a qualifying student includes up to 500 students that are entering kindergarten and were enrolled in the S.C. Early Reading Development and Education program in the immediately previous school year.

Monies received in the Fund must be held by the Office of the State Treasurer. SCDE must administer the Fund and is responsible for keeping records, managing accounts, and disbursing scholarships awarded pursuant to the resolution. The resolution also appropriates \$75,000,000 from the Contingency Reserve Fund to the Fund to be used pursuant to the provisions of this resolution. Additionally, the resolution requires SCDE to provide an annual report on specific details of the program to the General Assembly.

In the first year in which the account is funded, scholarships may be awarded in an amount not exceeding \$5,000 or the cost of attendance, whichever is lower, to a qualifying student at an eligible school. Additionally, SCDE may award up to 5,000 scholarships for eligible students. Therefore, the program is expected to award up to \$25,000,000 in scholarships in the first year of implementation.

The resolution also requires the EOC to approve independent schools for participation in the program and to develop an application to be completed by the independent schools. The EOC must publish a comprehensive list of eligible independent and public schools on its website.

Further, the resolution requires the EOC and SCDE to develop and administer an annual program survey for all parents of qualifying students regarding the effectiveness of the Fund. The results must be provided to the General Assembly annually.

**State Department of Education.** SCDE indicates that this bill will increase recurring expenses of the agency by \$978,700 in FY 2022-23. Of this amount, \$353,700 is for 4.0 FTEs to manage the new responsibilities related to the Fund, and \$625,000 is for annual licensing for a system to maintain student accounts. The agency also anticipates a non-recurring expense of \$1,250,000 in FY 2022-23 to procure a new system to maintain student accounts. In total, this bill will increase expenses of SCDE by \$2,228,700 in FY 2022-23. Expenses will decrease to \$978,700 each year thereafter. The resolution does not specify if SCDE may use the Fund for expenses. The funding for these expenses will depend on appropriations.

**Education Oversight Committee.** EOC indicates that this resolution will increase expenses of the agency by \$89,000 in FY 2022-23 for 1.0 FTE, an Education Scholarship Fund Program Director, to manage the additional requirements set forth in the resolution and for computer equipment and software for the new FTE. Expenses will decrease to \$87,000 each year thereafter for the FTE. EOC currently receives only Other Funds from the EIA. The type of funds for these expenses will depend on appropriations.

#### **State Revenue**

N/A

#### **Local Expenditure**

The overall expenditure impact of this resolution on local school districts is undetermined. The potential reduction in school district expenditures due to students enrolling in the program will vary depending on the degree to which districts can consolidate resources by reducing the number of teachers or classrooms. Assuming the students are spread throughout the state, each school district would see only a reduction in the variable costs per student. School districts may be able to realign resources to realize savings, but this will take time to implement. Since the resolution provides a limited number of eligible students in the first year, we anticipate only marginal expenditure reductions for teachers, school classrooms, and buildings during initial implementation. Savings on counseling, libraries, and school administration would be similarly minimal. Therefore, we do not anticipate significant local expenditure savings from this program in the first year. Potential savings in future years will be largely dependent on the number of participants and actions taken by school districts in response to changes in enrollment.

#### **Local Revenue**

The overall impact on local revenues is undetermined. The resolution provides a limit on the amount of each scholarship for the program in the first year of implementation. The revenue impact will vary by district and will depend upon the number of students participating in the program and any resulting changes in state funding allocations as a result of the change in students.



Frank A. Rainwater, Executive Director