



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S. 0125 Amended by House Education and Public Works Higher Education Subcommittee on April 16, 2024
Author: Hembree
Subject: Scholarship Stipend
Requestor: House Education and Public Works
RFA Analyst(s): Tipton
Impact Date: April 22, 2024

Fiscal Impact Summary

This bill as amended expands the LIFE and Palmetto Fellows Scholarship stipend currently offered to students attending state public or private institutions of higher learning whose major is in math or science to those whose major is in education and also adds accounting majors to those that qualify for the additional math or science stipend. The bill requires the Commission on Higher Education (CHE) to define what constitutes an education major and create eligibility requirements for each scholarship stipend, provided that the education major scholarship recipient works in a public school for one year for every year the additional stipend is received. The amended bill further requires CHE to adjust the minimum test scores required to obtain the LIFE Scholarship in the event that standardized test scoring methods change to maintain the functional equivalent to the minimum scores required in the 2024-25 academic year. The bill also amends code relating to the use of Palmetto Fellows Scholarship at a state two-year institution.

This bill as amended will increase annual LIFE Scholarship disbursements by approximately \$6,922,500 and Palmetto Fellows Scholarship disbursements by approximately \$1,275,500, for a total increase in scholarship outlays of approximately \$8,198,000 beginning in FY 2024-25 based on data provided by CHE on the number of qualified students majoring in education or accounting. However, we anticipate that the number of LIFE and Palmetto Fellows Scholarship recipients majoring in accounting will increase due to the additional stipend provided by the bill. If the number of students majoring in accounting who would qualify for the stipend doubled as a result, LIFE and Palmetto Fellows Scholarship disbursements would further increase by approximately \$1,398,000. CHE indicates that this bill could also encourage more students to major in education, which would also increase scholarship disbursements in future years. The additional scholarship outlays would be funded by Lottery proceeds if available, and remaining amounts would become an obligation of the General Fund.

This bill will have no impact on CHE, as the agency's management of the scholarship and standardized test scoring requirements established by the bill will take place under normal agency operations.

Explanation of Fiscal Impact

Amended by House Education and Public Works Higher Education Subcommittee on April 16, 2024

State Expenditure

This bill as amended expands the LIFE and Palmetto Fellows Scholarship stipend currently offered to students attending state public or private institutions of higher learning whose major is in math or science to those whose major is in education and also adds accounting majors to those that qualify for the additional math or science stipend. Under the provisions of the bill, eligible LIFE scholarship recipients majoring in accounting or education will receive an additional stipend of no more than \$2,500 each year for three years of a four-year program or four years of a five-year program, and Palmetto Fellows Scholarship recipients majoring in accounting or education will be eligible to receive an additional stipend of no more than \$3,300 each eligible year. CHE indicates that this statutory stipend level was established while the base yearly award for the Palmetto Fellows Scholarship was \$6,700. Regulation 62-330 increased the base Palmetto Fellows Scholarship award to \$7,500 per eligible year and reduced all enhancement stipends to \$2,500 per eligible year. CHE further indicates that current practice conforms to the base scholarship and additional stipend amounts set forth in regulation and does not conform to the statute. Therefore, the implementation of this bill will result in an additional Palmetto Fellows Scholarship stipend for accounting or education majors of no more than \$2,500 each year for three years of a four-year program or four years of a five-year program. Students in the first year of an accounting or education major are not eligible to receive the stipend under the bill.

The amended bill also requires CHE to adjust the minimum test scores required to obtain the LIFE Scholarship in the event that standardized test scoring metrics change in order to maintain the functional equivalent to the minimum scores required in the 2024-25 academic year. The bill also limits the use of the Palmetto Fellows Scholarship at a two-year state institution to four continuous semesters, not including future semesters at an applicable four-year institution.

LIFE and Palmetto Fellows Scholarships. According to data provided by CHE, there were approximately 2,769 students on average majoring in accounting or education in their second academic year or higher receiving the LIFE Scholarship from FY 2017-18 to FY 2021-22 across all qualifying public and private institutions of higher learning in the state. Therefore, at the stipend level of \$2,500 per scholarship recipient, this bill will increase LIFE Scholarship disbursements by approximately \$6,922,500 beginning in FY 2024-25 if the number of qualified students majoring in accounting or education does not significantly change. CHE further reports that there were 510 students on average majoring in accounting or education in their second academic year or higher receiving the Palmetto Fellows Scholarship from FY 2017-18 to FY 2022-23 across all qualifying public and private institutions of higher learning. Therefore, at the level set by regulation of \$2,500 per scholarship recipient, this bill will increase Palmetto Fellows Scholarship disbursements by approximately \$1,275,500 beginning in FY 2024-25 if the number of students majoring in accounting or education does not significantly change. In total, this amended bill will increase scholarship disbursements by approximately \$8,198,000 beginning in FY 2024-25.

However, we anticipate that the number of scholarship recipients majoring in accounting will increase as a result of the additional stipend provided by the bill, which would further increase scholarship outlays in future years. For reference, according to metrics from the University of South Carolina's Darla Moore School of Business, 157 accounting graduates made up 7.9 percent of 1,998 total business school graduates in FY 2022-23. If the stipend provided by this bill causes the number of students majoring in accounting to double, LIFE and Palmetto Fellows Scholarship disbursements would increase by an additional \$1,398,000 beginning in FY 2024-25. CHE indicates that this bill could also encourage more students to major in education, which would further increase scholarship outlays in future years.

In FY 2024-25, disbursements for the LIFE Scholarship are expected to total approximately \$210,341,200 and disbursements for the Palmetto Fellows Scholarship are expected to total approximately \$75,259,900. Therefore, this bill as amended would increase disbursements by approximately 3.3 percent for the LIFE Scholarship and 1.7 percent for the Palmetto Fellows Scholarship in FY 2024-25. This increase would be funded by Lottery proceeds if available, and remaining amounts would become an obligation of the General Fund.

Commission on Higher Education. This bill requires CHE to define through regulation what constitutes an education major and develop conforming eligibility criteria for the purposes of providing the eligible students with the additional LIFE or Palmetto Fellows scholarship stipend and must include that the education student work in a public school for one year for every year the stipend is received. In addition, CHE must adjust the minimum test scores required to receive the LIFE Scholarship to reflect any changes in standardized scoring metrics. CHE indicates that these requirements will take place under normal agency operations. Therefore, this bill will have no expenditure impact on CHE.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A

Introduced on January 10, 2023

State Expenditure

This bill expands the additional scholarship stipend currently offered to students attending state public or private institutions of higher learning whose major is in math or science to those whose major is in education. Under the provisions of this bill, eligible LIFE scholarship recipients majoring in education will receive an additional stipend of no more than \$2,500 each year for three years of a four-year program or four years of a five-year program. This bill also allows Palmetto Fellows Scholarship recipients majoring in education with eligibility to receive an additional stipend of no more than \$3,300 each eligible year. CHE indicates that this statutory stipend level was established while the base yearly award for the Palmetto Fellows Scholarship

was \$6,700. Regulation 62-330 increased the base Palmetto Fellows Scholarship award to \$7,500 per eligible year and reduced all enhancement stipends to \$2,500 per eligible year. CHE further indicates that current practice conforms to the base scholarship and additional stipend amounts set forth in regulation and does not conform to the statute. Therefore, the implementation of this bill will result in an additional Palmetto Fellows Scholarship stipend for education majors of no more than \$2,500 each year for three years of a four-year program or four years of a five-year program. Students in the first year of an education major are not eligible to receive the stipend under this bill. The bill also requires CHE to define what constitutes an education major and create eligibility requirements for each scholarship stipend and must include a requirement that the education student work in a public school for one year for every year the stipend is received. The provisions of this bill are effective beginning with the 2024-25 academic term.

The bill further amends statutory eligibility requirements for the LIFE Scholarship, to include as an option for eligibility obtaining a score of at least 22 on the ACT. The bill also limits the use of the Palmetto Fellows Scholarship at a two-year state institution to four continuous semesters, not including future semesters at an applicable four-year institution.

Commission on Higher Education. This bill requires CHE to define through regulation what constitutes an education major and develop conforming eligibility criteria for the purposes of providing the eligible students with the additional LIFE or Palmetto Fellows scholarship stipend, and must include that the education student work in a public school for one year for every year the stipend is received. In addition, CHE must adjust the scoring requirements set by the bill to reflect any changes in SAT or ACT scoring metrics. CHE indicates that the agency's requirements under the bill will be managed with existing appropriations and therefore this bill will have no expenditure impact on CHE.

LIFE and Palmetto Fellows Scholarships. CHE provided data on the number of students enrolled in education programs receiving state scholarships from 2018 to 2022. During this time, the number of education majors receiving the LIFE Scholarship that would be eligible for the additional stipend under this bill declined from 2,488 to 2,088, an average decrease of approximately 4.3 percent. Eligible students majoring in education receiving the Palmetto Fellows Scholarship during this time declined from 344 to 305, an average decrease of approximately 3 percent. Based on these trends, the Revenue and Fiscal Affairs Office (RFA) estimates that there will be approximately 1,900 LIFE Scholarship recipients and 300 Palmetto Fellows Scholarship recipients majoring in education in the 2024-25 academic year that will be eligible for the additional stipend. At the level of \$2,500 per LIFE and Palmetto Fellows Scholarship recipient, this bill will increase disbursements of the LIFE Scholarship by approximately \$4,750,000 and the Palmetto Fellows Scholarship by approximately \$750,000 beginning in FY 2024-25. CHE indicates that this bill could encourage more students to major in education, which would further increase scholarship expenses in future years.

Based upon our current estimates, RFA anticipates that FY 2024-25 disbursements for the LIFE Scholarship to be approximately \$211,274,000 and the Palmetto Fellows Scholarship to be approximately \$81,763,000 based on average scholarship disbursement growth rates from

FY 2017-18 to FY 2021-22. Therefore, this bill would increase disbursements by approximately 2.2 percent for the LIFE Scholarship and 0.9 percent for the Palmetto Fellows Scholarship in FY 2024-25. This increase would be funded by Lottery proceeds if available, and remaining amounts would become an obligation of the General Fund.

State Revenue

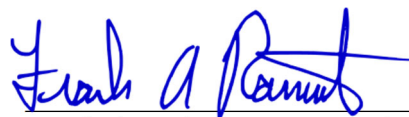
N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director