



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

WWW.RFA.SC.GOV • (803)734-3793

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. 3974	Amended by House Education and Public Works on April 30, 2025
Subject:	Private Providers	
Requestor:	House Education and Public Works	
RFA Analyst(s):	Bryant, Boggs, and Vesely	
Impact Date:	May 2, 2025	

Fiscal Impact Summary

This bill requires local school districts to consider on a case-by-case basis a request from a parent or legal guardian of a student for a private provider to provide medically necessary services authorized by an independent third-party payor to a student at a public school during school hours. The bill also requires the State Board of Education to develop and adopt a model policy setting parameters for private providers to observe and evaluate a student or provide medically necessary services during the school day, including during instructional time, and provides requirements. School districts must adopt the model policy or develop their own policy that meets the minimum requirements of the model policy.

This bill will have no expenditure impact on the S.C. Department of Education (SCDE) or the Department of Disabilities and Special Needs (DDSN). The agencies indicate that they can manage the provisions of the bill with existing appropriations.

The Department of Health and Human Services (DHHS) operates South Carolina's Medicaid program, which pays medical bills for eligible low-income families and individuals. If the same services currently provided in schools were extended to private providers, DHHS estimates the number of individuals served in a school setting will increase by 5 percent. Assuming these new individuals would receive the same average number of services as the current population and based on current utilization data, the agency estimates this would increase expenses by \$1,300,000, of which \$385,000 would be General Funds and \$915,000 would be Federal Funds.

This bill will have no expenditure impact on the Department of Mental Health (DMH) because it does not impact the agency's normal business operations.

The Governor's School for Agriculture at John de la Howe, the Governor's School for the Arts and Humanities, the Governor's School for Science and Mathematics, and the Wil Lou Gray Opportunity School indicate that this bill will have no expenditure impact since they can manage the provisions of the bill with existing appropriations. The School for the Deaf and the Blind previously indicated that the bill as introduced may impact expenditures due to the potential loss of instructional time, a decrease in reimbursable services previously provided by the district, and expenses associated with the district having to provide services that were previously covered by

an outside entity. However, the School for the Deaf and the Blind reported that the cost was currently undetermined based on the bill as introduced.

The Department of Insurance (DOI) indicates that this bill is not expected to have a significant impact and any changes to workload will be managed within existing resources. Therefore, the bill will have no impact on DOI expenditures.

The State Board of Education will provide a model policy regarding the appropriate amount of professional liability insurance coverage for private providers. Liability insurance premiums are taxed at a 1.25 percent rate as insurance premiums revenue, and 97.75 percent of this revenue is distributed to the General Fund. The remaining 2.25 percent is allocated to Other Funds of the SC Forestry Commission, Aid to Fire Districts and the VSAFE program, and Aid to Emergency Medical Services regional councils under the Department of Public Health. The amount of liability insurance coverage that will be written for private providers as a result of this bill is unknown. Therefore, the impact to General Fund and Other Funds revenue for potential additional insurance coverage is undetermined.

The overall expenditure impact of this bill on local school districts will vary. SCDE surveyed the seventy-two regular school districts and three charter school districts and received responses from eleven districts. Three of the responding districts indicate that the bill will have no expenditure impact. Three districts anticipate the need to provide new facilities for providers and spend additional staff time conducting case evaluations, but report that the cost is currently undetermined. Three districts indicate that implementing the provisions of the bill will increase expenses by an amount ranging from \$500 to \$673,000 to conduct case evaluations, perform background checks, and accommodate private providers. One district reports it will cost approximately \$2,500 per pupil to conduct comprehensive case evaluations and estimates that it may need to conduct up to 2,583 evaluations based on the current number of students with Individualized Education Programs (IEPs) and Section 504 plans. Additionally, one district believes it would be best practices to provide separate facilities for private providers to ensure privacy and compliance with the Health Insurance Portability and Accountability Act (HIPAA) and the Family Educational Rights and Privacy Act (FERPA). This district also notes that it may need to offset the cost of Medicaid non-reimbursable services for private providers. Several districts also anticipate the need to hire additional staff due to an increase in demand for services.

Explanation of Fiscal Impact

Amended by House Education and Public Works on April 30, 2025

State Expenditure

This bill requires local school districts to consider on a case-by-case basis a request from a parent or legal guardian of a student for a private provider to provide medically necessary services authorized by an independent third-party payor to a student at a public school during school hours. The bill also requires the State Board of Education to develop and adopt a model policy setting parameters for private providers to observe and evaluate a student or provide medically necessary services during the school day, including during instructional time. At a minimum, the model policy must:

- require districts to adopt a case-by-case review process for requests made by parents or guardians for a private provider to serve a child at a school during school hours;
- set forth a process for evaluating a request for medically necessary, disability-based services and supports pursuant to the Americans with Disabilities Act (ADA);
- require private providers to submit documentation of completed background checks to the district prior to entering a school building;
- determine the appropriate amount of professional liability insurance coverage for private providers and require them to maintain professional liability insurance coverage;
- allow for services to be provided during instructional time if the team, committee, or group convened to review the ADA request determines those services appropriate at that time, and services can be provided in a manner that does not interfere with the delivery of instruction to other students or otherwise prevent a classroom teacher from effectively managing and implementing classroom policies and procedures;
- require the parent or legal guardian of a student receiving a service from a private provider to execute and submit to the district a written confirmation of the funding source for services provided by the private provider; a parent or guardian authorization for the provision of services at school during the school day; and a consent to release information form between the private provider and the school district;
- require private providers to complete a written agreement with a school district that satisfies certain specified conditions; and
- provide procedures for a school district to establish sanctions, including termination of the authorization to provide services on any school campus, against a private provider for failure to comply with the policies of the district.

The State Board of Education must finalize its model policy by January 6, 2026. Districts must adopt the model policy or develop their own policy that meets the minimum requirements of the model policy, subject to department approval, by July 1, 2026.

S.C. Department of Education. This bill will have no expenditure impact on SCDE. The department indicates that it can manage the provisions of the bill with existing appropriations.

State Agency Schools. The Governor's School for Agriculture at John de la Howe, the Governor's School for the Arts and Humanities, the Governor's School for Science and Mathematics, and the Wil Lou Gray Opportunity School indicate that this bill will have no expenditure impact since they can manage the provisions of the bill with existing appropriations. The School for the Deaf and the Blind previously indicated that the bill as introduced may impact expenditures due to the potential loss of instructional time, a decrease in reimbursable services previously provided by the district, and expenses associated with the district having to provide services that were previously covered by an outside entity. However, the School for the Deaf and the Blind reported that the cost was currently undetermined based on the bill as introduced.

Department of Disabilities and Special Needs. This bill will have no expenditure impact on DDSN. The agency indicates that it can manage the provisions of the bill with existing appropriations.

Department of Health and Human Services. DHHS operates South Carolina's Medicaid program, which pays medical bills for eligible low-income families and individuals. If the same services currently provided in schools were extended to private providers, DHHS estimates the number of individuals served in a school setting will increase by 5 percent. Assuming these new individuals would receive the same average number of services as the current population and based on current utilization data, the agency estimates this would increase expenses by \$1,300,000, of which \$385,000 would be General Funds and \$915,000 would be Federal Funds.

Department of Mental Health. This bill will have no expenditure impact on DMH because it does not impact the agency's normal business operations.

Department of Insurance. DOI indicates that this bill is not expected to have a significant impact and any changes to workload will be managed within existing resources. Therefore, the bill will have no impact on DOI expenditures.

State Revenue

The State Board of Education will provide a model policy regarding the appropriate amount of professional liability insurance coverage for private providers. Liability insurance premiums are taxed at a 1.25 percent rate as insurance premiums revenue and 97.75 percent of this revenue is distributed to the General Fund. The remaining 2.25 percent is allocated to Other Funds of the SC Forestry Commission, Aid to Fire Districts and the VSAFE program, and Aid to Emergency Medical Services regional councils under the Department of Public Health. The amount of liability insurance coverage that will be written for private providers as a result of this bill is unknown. Therefore, the impact to General Fund and Other Funds revenue for potential additional insurance coverage is undetermined.

Local Expenditure

This bill requires local school districts to consider on a case-by-case basis a request from a parent or legal guardian of a student for a private provider to provide medically necessary services authorized by an independent third-party payor to a student at a public school during school hours. The bill also requires the State Board of Education to develop and adopt a model policy setting parameters for private providers to observe and evaluate a student or provide medically necessary services during the school day, including during instructional time. provision of The State Board of Education must finalize its model policy by January 6, 2026. Districts must adopt the model policy or develop their own policy that meets the minimum requirements of the model policy, subject to department approval, by July 1, 2026.

The overall expenditure impact of this bill on local school districts will vary. SCDE surveyed the seventy-two regular school districts and three charter school districts and received responses from eleven districts. Three of the responding districts indicate that the bill will have no expenditure impact. Three districts anticipate the need to provide new facilities for providers and spend additional staff time conducting case evaluations, but report that the cost is currently undetermined. Three districts indicate that implementing the provisions of the bill will increase expenses by an amount ranging from \$500 to \$673,000 to conduct case evaluations, perform background checks, and accommodate private providers. One district reports it will cost

approximately \$2,500 per pupil to conduct comprehensive case evaluations and estimates that it may need to conduct up to 2,583 evaluations based on the current number of students with IEPs and Section 504 plans. Additionally, one district believes it would be best practices to provide separate facilities for private providers to ensure privacy and compliance with HIPAA and FERPA. This district also notes that it may need to offset the cost of Medicaid non-reimbursable services for private providers. Several districts also anticipate the need to hire additional staff due to an increase in demand for services.

Local Revenue

N/A



Frank A. Rainwater, Executive Director