



**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.*

**Bill Number:** S. 0062 Amended by House Education and Public Works on February 20, 2025  
**Subject:** Education Scholarship Trust Fund  
**Requestor:** House Education and Public Works  
**RFA Analyst(s):** Wren  
**Impact Date:** February 25, 2025

**Fiscal Impact Summary**

This bill as amended makes changes to the Education Scholarship Trust Fund (ESTF) program to expand the students who may participate in the program, change the scholarship amount that students may receive, and change eligible expenses. The bill also requires the Superintendent of Education to appoint a Trustee of the ESTF. Additionally, the bill requires the SC Department of Education (SCDE) to develop a model interdistrict policy for student transfers and requires school districts to enact an interdistrict policy that is consistent with the model policy.

The scholarship allocation is currently \$6,000 per student unless an increase or decrease is authorized in the annual appropriations act. The amended bill changes the scholarship amount per student beginning in school year 2026-27 to an amount that is equivalent to the allocation used in the previous year, increased by the percentage increase in the State Aid to Classrooms funding for the current fiscal year, if any. Additionally, beginning in school year 2027-28, the program is no longer limited to 15,000 students. Instead, SCDE must submit an annual budget request based on the number of current scholarship recipients and previously unmet demand for scholarships as evidenced by the prior year’s applications. The following table outlines the change in the maximum scholarship per student and maximum total funding. The estimated new scholarship amount for FY 2026-27 is based on the increase in the total State Aid to Classrooms appropriation from FY 2023-24 to FY 2024-25 for illustration purposes and subject to change with actual funding.

School Year	Number of Students	Current Allocation per Student	Current Maximum Scholarship Funding	Proposed Allocation per Student	Proposed Est. Maximum Scholarship Funding	Difference
2025-26	10,000	\$6,000	\$60,000,000	\$6,000	\$60,000,000	\$0
2026-27	15,000	\$6,000	\$90,000,000	\$6,392	\$95,886,000	\$5,886,000

Note: Proposed scholarship amount for 2026-27 subject to change based on actual appropriations.

Beginning in 2027-28, the program will depend on the number of students who wish to participate and the amount of funding appropriated. The bill also expands the program so that eligible students may be current public school, home school, or private school students. Based on

the changes to the requirements for participating in the program, we estimate that there may be up to 194,000 students who may wish to participate in the program beginning in school year 2027-28 when the program is no longer limited. This includes all private and home school students and 12 percent of the current public school students. The estimate of students who may come from public schools is based on the experience in similar programs enacted in Arizona in 2022 and Florida in 2023. Given the significant number of students who will be eligible and the wide range of eligible expenses, we anticipate that program participation will likely be limited only by funding in 2027-28. At an estimated allocation of \$6,810 per student, each 10,000 students would require \$68,100,000 in funding beginning in school year 2027-28.

SCDE indicates that vendor costs for licensure and an electronic system to manage the program will increase from \$90 per student to \$135 per student in FY 2025-26. The table below provides the total ongoing vendor costs by year.

<b>School Year</b>	<b>Number of Students</b>	<b>Vendor Cost per Student of \$135</b>
2025-26	10,000	\$1,350,000
2026-27	15,000	\$2,025,000

SCDE anticipates being able to manage any expenses associated with the application process, developing the model interdistrict policy for student transfers, and the appointed ESTF Trustee with the 7 percent of scholarship funding the department can retain for administrative costs.

This bill increases the amount SCDE may deduct from the ESTF to cover the costs to administer the program from 2 percent to 7 percent. The amount that SCDE will be able to retain beginning in school year 2027-28 will depend on program funding.

<b>School Year</b>	<b>Current 2% for SCDE</b>	<b>Proposed 7% for SCDE</b>	<b>Difference</b>
2025-26	\$1,200,000	\$4,200,000	\$3,000,000
2026-27	\$1,800,000	\$6,712,020	\$4,912,020

This bill further requires an education service provider that is not an accredited or licensed school to submit a completed background check to SCDE as part of their initial application. The State Law Enforcement Division (SLED) indicates that it can manage any increase in name-based searches and checks within existing appropriations. SLED further indicates that the bill does not authorize fingerprint-based federal background checks.

When participation in the program is unlimited beginning in school year 2027-28, but dependent on funding, the bill may have a greater impact on local districts. Potential savings in future years will depend largely on the number of participants and actions taken by school districts in response to changes in enrollment. Similarly, the actual reduction in local revenue will depend upon the number of students leaving the district and participating in the program and the district's actual state funding amount that is reduced due to the decrease in enrollment. Further, the bill requires districts to enact an interdistrict policy for student transfers that is consistent with the model policy developed by SCDE, which may change enrollment for specific districts

or schools and have an impact on expenses and revenues for those districts. SCDE previously surveyed the local school districts regarding the expenditure impact of the interdistrict transfer policy. While responses from the districts were limited, RFA anticipates that this portion of the bill may have a minimal impact on district expenses to adopt and implement an interdistrict policy for student transfers.

## **Explanation of Fiscal Impact**

### **Amended by House Education and Public Works on February 20, 2025**

#### **State Expenditure**

This bill as amended makes changes to the ESTF program to expand the students who may participate in the program and changes the scholarship amount that students may receive and eligible expenses. Monies deposited in the ESTF may not revert to the General Fund or be appropriated by the General Assembly for any other purpose. If the ESTF program ceases, the money in the fund must be directed to an educational purpose designated by the General Assembly. The bill deletes the requirement that an eligible student must have attended a public school in this state in the during the previous school year. The bill also deletes the household income requirement beginning with school year 2027-28. The bill further makes changes to the scholarship amount for eligible students. Currently, the amount is \$6,000 per eligible student. The bill changes this amount beginning in school year 2026-27 to an amount that is equivalent to the allocation used in the previous year, increased by the percentage increase in the State Aid to Classrooms funding for the current fiscal year, if any. The bill also increases the amount that SCDE may retain for administrative costs from 2 percent to 7 percent.

The bill eliminates the 15,000-student cap beginning in school year 2027-28 and specifies that SCDE must submit an annual budget request based on the number of current scholarship recipients and previously unmet demand for scholarships as evidenced by the prior year's applications. The program would then be limited only by the amount of funding appropriated beginning in school year 2027-28.

Please see the table below for the estimated change in the maximum scholarship funding due to the change in the scholarship amount per eligible student and the change in the number of eligible students. The estimated amount per student for FY 2026-27 is based on growth of 6.54 percent in State Aid to Classrooms appropriations for FY 2024-25.<sup>1</sup> The estimates are for illustration purposes and subject to change with actual funding.

<sup>1</sup> The growth figure for State Aid to Classrooms (SAC) is based on growth in SAC appropriations from FY 2023-24 to FY 2024-25. Based on discussions with SCDE, the department currently anticipates that the growth will be based on the increase in the amount specified in the Appropriations Act, which does not include health insurance allocations that are included in district payments.

School Year	Number of Students	Current Allocation per Student	Current Maximum Scholarship Funding	Proposed Allocation per Student	Proposed Est. Maximum Scholarship Funding	Difference
2025-26	10,000	\$6,000	\$60,000,000	\$6,000	\$60,000,000	\$0
2026-27	15,000	\$6,000	\$90,000,000	\$6,392	\$95,886,000	\$5,886,000

Note: Proposed scholarship amount for 2026-27 subject to change based on actual appropriations.

The bill also requires SCDE to create a model interdistrict policy for student transfers. Further, the bill requires the State Superintendent of Education to appoint the Trustee of the ESTF to serve at will. The Trustee must make payments to the individual scholarship student's account on a quarterly basis. SCDE must establish reasonable fees for the Trustee.

**SC Department of Education.** SCDE indicates that vendor costs for licensure and an electronic system to manage the program will increase from \$90 to \$135 per student in FY 2025-26. The table below provides the total ongoing vendor costs by year. The bill increases the amount that SCDE is allowed to retain from the scholarship funding for administrative costs from 2 percent to 7 percent.

School Year	Number of Students	Vendor Cost per Student of \$135
2025-26	10,000	\$1,350,000
2026-27	15,000	\$2,025,000

Additionally, SCDE anticipates expenses for the model interdistrict policy to total \$29,000. Of this amount, \$9,000 is for personnel costs and \$20,000 will be needed for a vendor or additional temporary staff for data collection and survey analysis. SCDE also expects expenses to increase by an additional \$120,000 annually for the application system. However, SCDE anticipates being able to manage these expenses, along with any expenses associated with the Trustee, with the 7 percent of the scholarship funding the department can retain for administrative costs.

**State Law Enforcement Division.** This bill as amended requires an education service provider that is not an accredited or licensed school to submit a completed background check to SCDE as part of their initial application. SLED indicates that it can manage any increase in name-based searches and checks within existing appropriations. SLED further indicates that the bill does not authorize fingerprint-based federal background checks.

### State Revenue

This bill as amended makes changes to the ESTF program to expand the students who may participate in the program and changes the scholarship amount that students may receive and eligible expenses. The bill also increases the amount that SCDE may deduct from the ESTF for administrative costs from 2 percent to 7 percent. Additionally, beginning in school year 2026-27, the bill changes the scholarship amount for eligible students from \$6,000 to an amount that is equivalent to the allocation used in the previous year, increased by the percentage increase in the

State Aid to Classrooms funding for the current fiscal year, if any. Please see the table below for the estimated amount that SCDE may retain for administrative purposes.

<b>School Year</b>	<b>Current 2% for SCDE</b>	<b>Proposed 7% for SCDE</b>	<b>Difference</b>
2025-26	\$1,200,000	\$4,200,000	\$3,000,000
2026-27	\$1,800,000	\$6,712,020	\$4,912,020

**Local Expenditure**

This bill as amended makes changes to the ESTF program to expand the students who may participate in the program and changes the scholarship amount that students may receive and eligible expenses. When participation in the program is unlimited beginning in school year 2027-28, but dependent on funding, the bill may have a greater impact on local districts. Potential savings in future years will depend largely on the number of participants and actions taken by school districts in response to changes in enrollment.

The bill also requires school districts to enact an interdistrict policy for student transfers that is consistent with the model policy developed by SCDE and to post the policy on the district website. RFA anticipates that the interdistrict policy may result in additional changes in student enrollment and expenses for specific districts or schools. SCDE previously surveyed the local school districts regarding the expenditure impact of this bill. While responses from the districts were limited, RFA anticipates that there may be a minimal impact on district expenses to adopt and implement an interdistrict policy for student transfers.

**Local Revenue**

This bill as amended makes changes to the ESTF program to expand the students who may participate in the program and changes the scholarship amount that students may receive and eligible expenses. When participation in the program is unlimited beginning in school year 2027-28, but dependent on funding, the bill may have a greater impact on local districts. The actual reduction in local revenue will depend upon the number of students leaving the district and participating in the program and the district’s actual state funding amount that is reduced due to the decrease in enrollment.

Frank A. Rainwater, Executive Director