



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 the Senate on January 30, 2025
Subject: Education Scholarship Trust Fund
Requestor: House Education and Public Works
RFA Analyst(s): Wren
Impact Date: February 13, 2025

Fiscal Impact Summary

This bill changes the Education Scholarship Trust Fund (ESTF) to the K-12 Education Lottery Scholarship program and specifies that funds for the program must come from the SC Education Lottery Account. The bill also makes changes to student eligibility requirements and changes the scholarship amount for eligible students. Additionally, the bill requires the SC Department of Education (SCDE) to create a model interdistrict policy for student transfers and requires school districts to enact an interdistrict policy that is consistent with the model policy. Lastly, the bill adds additional reporting requirements for SCDE.

The scholarship allocation is currently \$6,000 per student unless an increase or decrease is authorized in the annual appropriations act. The bill changes the scholarship amount per student to an amount that is equal to 90 percent of the average per pupil funding amount from state sources for the prior academic year as provided by the Revenue and Fiscal Affairs Office (RFA). Based upon RFA’s current Revenue Per Pupil Report by School District, we estimate that 90 percent of the average per pupil funding amount from state sources for the regular districts and the charter districts is approximately \$7,880 for FY 2024-25. However, the actual average per pupil amount will depend on final state payments to districts and the final student counts for a given year. The following table outlines the change in the maximum scholarship per student and maximum total 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 | \$7,880 | \$78,800,000 | \$18,800,000 |
| 2026-27 forward | 15,000 | \$6,000 | \$90,000,000 | \$7,880 | \$118,200,000 | \$28,200,000 |

For reference, based upon information provided by SCDE, the program funded approximately 1,500 student accounts in the 2024-25 school year, which was the first year of the program.

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.

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

Further, SCDE anticipates being able to manage any expenses associated with the application process, creating the model interdistrict policy for student transfers, and the additional reporting requirements with the 2 percent of scholarship funding the department can retain for administrative costs.

This bill allows SCDE to continue to deduct 2 percent of the K-12 Education Lottery Scholarship Fund to cover the costs to administer the program. The change in the per student scholarship amount will increase the amount that SCDE may retain for administrative purposes. The projected funds from the 2 percent for administration are sufficient to cover the estimated maximum vendor cost of \$135 per student noted above.

| School Year | Current 2% for SCDE | Proposed 2% for SCDE | Difference |
|-----------------|---------------------|----------------------|------------|
| 2025-26 | \$1,200,000 | \$1,576,000 | \$376,000 |
| 2026-27 forward | \$1,800,000 | \$2,364,000 | \$564,000 |

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.

Since the bill does not change the number of students allowed to participate in the program, it is not expected to have an additional impact on school district expenses or revenues overall due to students leaving the public school system. However, 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. Further, SCDE surveyed the local school districts regarding the expenditure impact of this bill. 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 the Senate on January 30, 2025

State Expenditure

This bill changes the ESTF program to the K-12 Education Lottery Scholarship program and specifies that funds for the program must come from the SC Education Lottery Account. Monies deposited in the K-12 Education Lottery Scholarship program may not revert to the General

Fund or be appropriated by the General Assembly for any other purpose. If the K-12 Education Lottery Scholarship program ceases, the money in the fund will revert to the SC Education Lottery Account. The bill further makes changes to the scholarship amount for eligible students. Currently, the amount is \$6,000 per eligible student. The bill specifies that the amount will be equal to 90 percent of the average per pupil funding amount from state sources for the prior academic year as provided by RFA. Based upon RFA’s current Revenue Per Pupil Report by School District, we estimate that 90 percent of the average per pupil funding amount from state sources for the regular districts and the charter districts to be \$7,880 for FY 2024-25. However, the actual average per pupil amount will depend on final state payments to districts and the final student counts for a given year. 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.

| 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 | \$7,880 | \$78,800,000 | \$18,800,000 |
| 2026-27 forward | 15,000 | \$6,000 | \$90,000,000 | \$7,880 | \$118,200,000 | \$28,200,000 |

The bill also eliminates the requirement that an eligible student must have attended a public school in this state during the previous school year and adds that an eligible student’s household income must not exceed 600 percent of the federal poverty guidelines beginning with the 2027-28 school year. The bill deletes the provision that specifies that an eligible school does not include a charter school. Additionally, the bill requires SCDE to create a model interdistrict policy for student transfers. The bill further requires SCDE to provide an annual report to the General Assembly on the number of applications denied or not accepted and makes changes to the application process.

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. SCDE is allowed to retain 2 percent of the scholarship funding for administrative costs.

| School Year | Number of Students | Vendor Cost per Student of \$135 |
|-----------------|--------------------|----------------------------------|
| 2025-26 | 10,000 | \$1,350,000 |
| 2026-27 forward | 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 with the 2 percent of the scholarship funding the department can retain for administrative costs.

State Law Enforcement Division. This bill 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 changes all references to the ESTF program to the K-12 Education Lottery Scholarship program and specifies that funds for the program must come from the SC Education Lottery Account. Under this bill, SCDE will continue to deduct 2 percent of the K-12 Education Lottery Scholarship Fund to cover the costs to administer the program. Since this bill changes the scholarship amount for eligible students from \$6,000 to the average per pupil funding from state sources for the prior academic year, the amount that SCDE may deduct from the program will increase. Please see the table below for the estimated amount that SCDE may retain for administrative purposes.

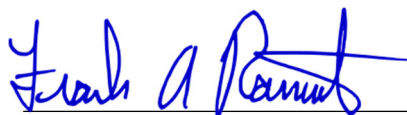
| School Year | Current 2% for SCDE | Proposed 2% for SCDE | Difference |
|-----------------|---------------------|----------------------|------------|
| 2025-26 | \$1,200,000 | \$1,576,000 | \$376,000 |
| 2026-27 forward | \$1,800,000 | \$2,364,000 | \$564,000 |

Local Expenditure

This bill changes all references to the ESTF program to the K-12 Education Lottery Scholarship program and specifies that funds for the program must come from the SC Education Lottery Account. Since the bill does not change the number of students allowed to participate in the program, it is not expected to have an additional impact on school district expenses overall due to students leaving the public school system. 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 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 changes all references to the ESTF program to the K-12 Education Lottery Scholarship program and specifies that funds for the program must come from the SC Education Lottery Account. Since the bill does not change the number of students allowed to participate in the program, it is not expected to have an additional impact on school district revenues overall. There may be some changes in revenues allocated on a per pupil basis for specific districts if enrollment changes due to the new interdistrict policy.



Frank A. Rainwater, Executive Director