



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:	H. 3017	Introduced on January 12, 2021
Author:	Davis	
Subject:	Palmetto Fellows Scholarship	
Requestor:	House Education and Public Works	
RFA Analyst(s):	A. Martin	
Impact Date:	February 5, 2021	

Fiscal Impact Summary

This bill would expand the Palmetto Fellows Scholarship program by extending eligibility to students attending a two-year institution. This bill may increase scholarship disbursements by as much as \$19,518 annually beginning as early as FY 2021-22 for increases in Palmetto Fellows Scholarship disbursements for an estimated seven students. This increase would first be funded by excess Lottery proceeds, above the amount appropriated in the Appropriations Act for Palmetto Fellows Scholarships. Any amount in excess would become an obligation of the General Fund. Over the last five years, no General Funds have been used to cover scholarship expenses.

Explanation of Fiscal Impact

Introduced on January 12, 2021

State Expenditure

This bill expands the Palmetto Fellows Scholarship program by awarding scholarships to students attending a two-year institution of higher learning (IHL). Currently, the Palmetto Fellows Scholarship is available only to students attending an eligible four-year institution in South Carolina. A student who is awarded the Palmetto Fellows Scholarship, referred to as a Palmetto Fellow, has eight continuous semesters of scholarship eligibility beginning with their first semester of college enrollment. A Palmetto Fellow may not use the scholarship to attend an out-of-state school. However, if the student transfers to an eligible four-year institution in South Carolina, he may reapply for the scholarship to be used for the remainder of his eligibility. For example, a student who is awarded the Palmetto Fellows Scholarship, but declines the award to attend an out-of-state institution his first two semesters, may then enroll in an eligible in-state institution, reapply for the scholarship and utilize the scholarship for his remaining six semesters.

Palmetto Fellows Scholarship recipients may receive up to \$6,700 in their first academic year and \$7,500 each year for the next three years. Students majoring in science or mathematics may receive an additional scholarship enhancement of up to \$2,500 beginning their second year. Therefore, the maximum award for the second, third, and fourth year is \$10,000 per year. The actual award is limited to the cost of attendance after all other scholarships and grants received by the student have been applied. Cost of attendance is defined by federal regulation and may include tuition, fees, books, room and board, other expenses related to transportation, disability,

and dependent care. The average Palmetto Fellows Scholarship awarded during FY 2019-20 was \$8,045.

The Palmetto Fellows Scholarship program is funded in part by the Children's Education Endowment Fund, which provides \$12 million of scholarships each year. The remainder of the scholarships awarded are funded by proceeds from the South Carolina Education Lottery (SCEL). After these funds are expended, should CHE require additional funds to provide Palmetto Fellows Scholarships to all students meeting the requirements, the additional funds are appropriated from the General Fund. Over the last five years, no General Funds have been used to cover scholarship expenses.

Recipients of the Palmetto Fellows Scholarship who chose to attend a two-year institution must forfeit their award. Furthermore, such a student may not reapply for the Palmetto Fellows Scholarship if he later transfers to an eligible four-year institution. Students attending a two-year institution are eligible for other need-based grants and merit scholarships available to students attending a four-year institution, such as the LIFE and HOPE scholarships. In addition, the Lottery Tuition Assistance Program (LTAP) provides scholarships only to students attending two-year institutions. However, a student may not receive LTAP if he is a recipient of either the LIFE or HOPE Scholarships. LTAP is funded through the SCEL, and the award amount varies each year based on appropriations of lottery funds and the number of eligible recipients. The average LTAP awarded during FY 2019-20 was \$1,388.

Presently, when a student declines his Palmetto Fellows Scholarship to attend a two-year institution, he automatically qualifies for the LIFE Scholarship. LIFE Scholarship recipients may receive up to \$5,000 each academic year for a maximum of eight semesters. Students majoring in science or mathematics may receive an additional scholarship enhancement of up to \$2,500 beginning their second year. The actual award is limited to the cost of attendance after all other scholarships and grants awarded to the student have been applied. Cost of attendance is defined by federal regulation and may include tuition, fees, books, room and board, other expenses related to transportation, disability, and dependent care. The average LIFE Scholarship awarded at a two-year institution in FY 2019-20 was \$4,319. The average tuition at a four-year institution is greater than the average tuition at a two-year institution. Therefore, when a student transfers from a two-year institution to a four-year institution, his LIFE Scholarship award could increase. The average LIFE Scholarship awarded at a four-year institution during FY 2019-20 was \$5,257.

For this analysis, we compared the average amount awarded to LIFE recipients at two-year and four-year institutions and the average amount awarded to Palmetto Fellows recipients at four-year institutions during FY 2019-20. The average LIFE Scholarship amount awarded at a two-year institution was \$4,319. Because all other gift aid must be applied to the cost of attendance before the LIFE Scholarship, the difference in the average award and the maximum LIFE award may be attributed to other scholarships and grants received by the students. The Palmetto Fellows Scholarship award is calculated in the same manner as the LIFE Scholarship. Hence, a student attending a two-year institution would receive, on average, the same amount for a Palmetto Fellows Scholarship as he would for a LIFE Scholarship. Therefore, this bill will have

no net impact on scholarship disbursement during the years in which the student attends a two-year institution.

The average Palmetto Fellows Scholarship awarded at a four-year institution was \$8,045. The impact of this bill is the difference between what the transfer student is currently receiving in LIFE Scholarship and the amount the student would receive in Palmetto Fellows Scholarship pursuant to this change. Therefore, this bill may increase net scholarship distributions by \$2,788 each year for each Palmetto Fellow that transfers from a two-year to a four-year institution.

CHE was consulted concerning the fiscal impact of a similar bill in February or 2019. At that time, CHE reported that over the previous two years thirteen recipients had declined the Palmetto Fellows Scholarship for the purpose of attending a two-year institution. If this trend holds, we estimate an average of seven students per year would select this option. Therefore, this bill could increase scholarship distributions by as much as \$19,518 each year. The timing of the impact is dependent upon the implementation of this policy change. If this change will only affect students entering college after this change becomes effective, the state would not experience an expenditure increase due to this bill until FY 2022-23. If students that previously declined the award are able to reapply for the Palmetto Fellows Scholarship, the impact may be seen as early as FY 2021-22. This increase would first be funded by excess Lottery proceeds, above the amount appropriated in the Appropriations Act for Palmetto Fellows Scholarships. Any amounts in excess would become an obligation of the General Fund. Over the last five years, no General Funds have been used to cover scholarship expenses.

This analysis uses the most recent data published by CHE on tuition, enrollment, and scholarship distribution. This bill may incentivize more Palmetto Fellows to choose a two-year institution for their initial college enrollment, which could result in a minimal decrease in Palmetto Fellows Scholarship expenditures. However, we are currently unable to quantify the impact that may result from a change in student behavior.

State Revenue

N/A

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director