



**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 Prefiled on December 11, 2024
Subject: Education Scholarship Trust Fund
Requestor: Senate Education
RFA Analyst(s): Wren
Impact Date: January 7, 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. The bill further 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.

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 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 the average per pupil funding amount from state sources for the regular districts and the charter districts to be \$8,756 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	\$8,756	\$87,560,000	\$27,560,000
2026-27 forward	15,000	\$6,000	\$90,000,000	\$8,756	\$131,340,000	\$41,340,000

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 creating the model interdistrict policy for student transfers with existing appropriations.

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	\$1,751,200	\$551,200
2026-27 forward	\$1,800,000	\$2,626,800	\$826,800

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

Prefiled on December 11, 2024

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 back 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 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 the average per pupil funding amount from state sources for the regular districts and the charter districts to be \$8,756 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	\$8,756	\$87,560,000	\$27,560,000
2026-27 forward	15,000	\$6,000	\$90,000,000	\$8,756	\$131,340,000	\$41,340,000

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. Additionally, the bill deletes the provision that specifies that an eligible school does not include a charter school. Further, the bill requires SCDE to create a model interdistrict policy for student transfers.

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 personnel costs of \$9,000 to develop the model interdistrict policy. However, the department anticipates being able to manage this expense with existing appropriations.

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	\$1,751,200	\$551,200
2026-27 forward	\$1,800,000	\$2,626,800	\$826,800

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. 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