



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 3583 Amended by House Education and Public Works on January 27, 2017  
**Author:** Norrell  
**Subject:** Palmetto Fellows  
**Requestor:** House Education and Public Works  
**RFA Analyst(s):** Walling  
**Impact Date:** February 15, 2017

**Estimate of Fiscal Impact**

	<b>FY 2017-18</b>	<b>FY 2018-19</b>
<b>State Expenditure</b>		
General Fund	See below	See below
Other and Federal	See below	See below
Full-Time Equivalent Position(s)	0.00	0.00
<b>State Revenue</b>		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
<b>Local Expenditure</b>	\$0	\$0
<b>Local Revenue</b>	\$0	\$0

**Fiscal Impact Summary**

This bill may increase expenditures related to the Palmetto Fellows Scholarship by \$5,100 in FY 2018-19; and an additional \$7,500 each year from FY 2019-20 to FY 2021-22 for a total of \$27,600. This amount would increase if more than 3 students a year who are eligible for the Palmetto Fellows Scholarship defer college. The General Assembly determines whether state scholarships will be funded using the General Fund or Other Funds. This bill will not impact Federal Fund expenditures.

**Explanation of Fiscal Impact**

**Amended by House Education and Public Works on January 27, 2017**

**State Expenditure**

Currently, students eligible for the Palmetto Fellows Scholarship must enroll in college during the fall term following their high school graduation or decline the award. Students declining the award are not eligible for the Palmetto Fellows Scholarship if they enroll later. This bill enables students eligible for the Palmetto Fellows Scholarship to delay college enrollment for a year without losing the scholarship.

The Palmetto Fellows Scholarship award is \$6,700 for a student in the first year of college and \$7,500 beginning the second year. If a Palmetto Fellows Scholarship recipient majors in a Science, Technology, Engineering, and Math (STEM) course of study, the student may receive an additional \$2,500 beginning the second year of college. The awards are available for not

more than eight semesters for a baccalaureate program and up to ten semesters for a five-year baccalaureate program.

Currently, students who defer college enrollment past the fall term after their high school graduation may still receive the Life Scholarship. The Life Scholarship criteria is less stringent than the Palmetto Fellows Scholarship, so it is anticipated that students eligible for the Palmetto Fellows Scholarship would be eligible for the Life Scholarship.

The Life Scholarship award is up to \$5,000 for the first and subsequent years of college. Students enrolling in eligible STEM majors may receive up to an additional \$2,500 a year. Therefore, students declining the Palmetto Fellows Scholarship to defer college entrance, who enroll later and receive the Life Scholarship, receive \$1,700 less in awards the first year of college and \$2,500 less in the second and subsequent years.

The bill takes effect upon approval of the Governor, so the first students who would be able to take advantage of its provisions could defer college enrollment from the 2017-18 school year until the 2018-19 school year. A student who defers the Palmetto Fellows Scholarship until FY 2017-18 would receive \$1,700 more than the Life Scholarship in FY 2018-19, with the award increased another \$800 over the Life Scholarship in FY 2019-20, for a total of \$2,500 more in FY 2019-20.

The additional scholarship award constitutes an expense to the state. After the second year, the state's full cost for a particular student is factored into its base expenditures. This pattern repeats for each additional student taking advantage of the bill's provisions in subsequent years, adding \$1,700 to the state's costs for the student's first year of college and an additional \$800 the second year. This pattern continues for four years, until FY 2021-22, when students taking advantage of this legislation are enrolled in each of the four years of college. Therefore, the increase in expenditures for the state is \$1,700 per student in FY 2018-19, and then \$2,500 (\$1,700 for a new first year student plus the additional \$800 increase for a student in his second year) for each additional student from FY 2019-20 through FY 2021-22.

**South Carolina Commission on Higher Education.** According to the Gap Year Association, the association does not have any formal numbers as to how many students take time off between high school and college. We were unable to locate any other sources with nationwide data on the numbers or percentage of students who defer college.

The Commission on Higher Education (CHE) indicated 390 students declined the Palmetto Fellows Scholarship award during FY 2016-17. Based on informal data collections in past years, CHE previously indicated 3 students a year on average defer college to take time off from their education.

The United States Department of Education reports that on average 13.7% of high school students attend college out-of-state. If 13.7% is applied to the total number of students eligible for the Palmetto Fellows Scholarship in FY 2016-17 (2,856), South Carolina would have 391 students who were eligible for the Palmetto Fellows Scholarship attend college out-of-state. This number is nearly identical to the number of South Carolina students eligible for the Palmetto

Fellows Scholarship, who declined the scholarship in FY 2016-17. Therefore, we anticipate 3 students declining the scholarship because they were deferring college is a reasonable expectation.

Assuming that the majority of South Carolina students are declining the award to attend college out-of-state as opposed to deferring, the expected annual base increase in Palmetto Fellows Scholarship expenditures for 3 students for four school years is as follows:

FY 2018-19: \$5,100  
FY 2019-20: \$7,500  
FY 2020-21: \$7,500  
FY 2021-22: \$7,500

If 3 students defer college for a year and receive the Palmetto Fellows Scholarship instead of the Life Scholarship, the total increase in expenditures in FY 2021-22, when beneficiaries of this bill would be in each of the four years of college, would be \$27,600. This amount would increase if more than 3 students a year who are eligible for the Palmetto Fellows Scholarship defer college. The General Assembly determines whether state scholarships will be funded using the General Fund or Other Funds. This bill will not impact Federal Fund expenditures.

**State Revenue**

N/A

**Local Expenditure**

N/A

**Local Revenue**

N/A



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Frank A. Rainwater, Executive Director