



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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**Bill Number:** H. 4322 Introduced on May 10, 2017  
**Author:** Bradley  
**Subject:** Charter Schools  
**Requestor:** House Education and Public Works  
**RFA Analyst(s):** Powell  
**Impact Date:** March 6, 2018

**Estimate of Fiscal Impact**

	FY 2018-19	FY 2019-20
<b>State Expenditure</b>		
General Fund	\$0	\$0
Other and Federal	See Below	\$0
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>	See Below	\$0

**Fiscal Impact Summary**

This bill authorizes the establishment of charter schools in the workplace when established by a corporate partner, provided that the corporate partner donates the land on which the school is built, the school building or the space the school occupies, or major improvements to existing school buildings. Because this bill allows for preferential enrollment at a rate that may make these schools ineligible for federal planning and implementation funds, existing charter schools that choose to convert to a charter school in the workplace during their initial three years of operation would become ineligible to receive the remainder of their planning and implementation grant, valued at \$600,000 to \$800,000 per year. This could reduce the Federal Funds expenditures of the Department of Education (Department) and reduce the Federal Funds revenues of school districts. However, as participating schools would also be receiving assistance from the corporate partner, this in-kind assistance may decrease school expenditures and offset the reduced federal revenues. New schools chartering as workplace charter schools would be ineligible to receive federal planning and implementation funds, but such grants would remain available for charter schools not using this model.

**Explanation of Fiscal Impact**

**Introduced on May 10, 2017**

**State Expenditure**

This bill authorizes the establishment of charter schools in the workplace when established by a corporate partner, provided that the corporate partner donates the land on which the school is built, the school building or the space the school occupies, or major improvements to existing

school buildings. These improvements to existing school buildings can include major renovations, major technology investments, or other capital improvements.

Charter schools in the workplace may give enrollment priority, limited to no more than fifty percent of the school's total enrollment, to children of permanent employees of the corporate partner. If the number of applications from these children exceeds fifty percent of the school's total enrollment, these children only may be accepted by a separate lottery. Each year that such enrollment priority is provided, the charter school and corporate partner must enter into a memorandum of understanding that specifies the duration of priority enrollment and the methods by which the corporate partner shall support the charter school, including internships for students, career counseling, academic tutoring, or enrichment activities. If an existing school converts to this model, the provision for enrollment priority may not be implemented in such a way that it displaces existing students.

The bill also allows boards of trustees or area commissions to consider the school's recruitment efforts and the racial composition of the applicant pool when determining whether such schools are operating in a nondiscriminatory manner.

**State Department of Education.** This bill would not change the Department's duties relating to charter schools or charter school applications. However, it may impact the Department's ability to distribute federal grant funds for planning and implementation to schools that choose to adopt this model. The Department receives a federal grant to support charter schools during their first three years of operation. These funds are distributed to eligible charter schools as sub-awards, ranging from \$600,000 to \$800,000 per year. Guidance published by the United States Department of Education (USDOE) in 2014<sup>1</sup> allows for preferential admission policies in work site charter schools, so long as the total number of students admitted under this exemption constitutes a small percentage of the school's enrollment. As part of the Department's grant application and proposed sub-award process, USDOE's examined of the state's statutes for compliance with this requirement, specifically Section 59-40-50(b)(8) of the South Carolina Code of Laws, which limits preferential admissions to no more than twenty percent of the charter school's population in most circumstances. It is the Department's opinion that USDOE will not consider fifty percent a small percentage of the school's enrollment, which would make charter schools in the workplace ineligible to receive funding under this grant. This could reduce the Department's Federal Funds expenditures by \$600,000 to \$800,000 per year for each charter school that converts to this model during the grant period. The Department indicates that new charter schools in the workplaces established under this section would likely be ineligible to receive these grants.

#### **State Revenue**

N/A

#### **Local Expenditure**

N/A

#### **Local Revenue**

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<sup>1</sup> <https://www2.ed.gov/programs/charter/fy14cspnonregguidance.doc>

Charter schools are currently eligible to receive a three year sub-grant from the Department for planning and implementation in their first three years of operation. These grants vary from \$600,000 to \$800,000 per year per school. Guidance published by the United States Department of Education (USDOE) in 2014 allows for preferential admission policies in work site charter schools, so long as the total number of students admitted under this exemption constitutes a small percentage of the school's enrollment. As part of the Department's grant application and proposed sub-award process, USDOE's examined of the state's statutes for compliance with this requirement, specifically Section 59-40-50(b)(8) of the South Carolina Code of Laws, which limits preferential admissions to no more than twenty percent of the charter school's population in most circumstances. It is the Department's opinion that USDOE will not consider fifty percent a small percentage of the school's enrollment, which would make charter schools in the workplace ineligible to receive funding under this grant. This could reduce the revenues of any school which converts to a charter school in the workplace during the three year planning and implementation period by \$600,000 to \$800,000 per year for the remaining duration of the grant. New schools chartering as workplace charter schools would be ineligible to receive federal planning and implementation funds. However, as participating schools would also be receiving assistance from the corporate partner, this in-kind assistance may decrease school expenditures and offset the reduced federal revenues.



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