

Trends in School Choice Funding: South Carolina

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School Choice Programs in South Carolina

Exceptional Needs Scholarship

Exceptional Needs Tax Credits

- Parental Refundable Tax Credits
- Nonrefundable Tax Credits for Exceptional SC Donations

Education Scholarship Trust Fund Program

Exceptional Needs Scholarship (Act 247 of 2018)

- ▶ Exceptional SC is a 501(c)(3) charity that accepts donations for the purpose of providing scholarships to exceptional needs K-12 students to attend independent educational institutions.
- ▶ Eligibility is for students with disabilities either medically verified or school verified (ex: IEP)
- ▶ Scholarships are payments made by Exceptional SC to eligible schools on behalf of exceptional needs students. Scholarships can cover tuition, transportation, and textbook costs, up to \$11,000.
- ▶ To apply for the Exceptional SC scholarship, exceptional needs students must meet eligibility requirements, be a South Carolina resident, and be eligible to enroll in a secondary or elementary public school for the applicable school year.
- ▶ Program is funded by donations made to Exceptional SC (501(c)(3))

Exceptional Needs Tax Credits – Parent Refundable

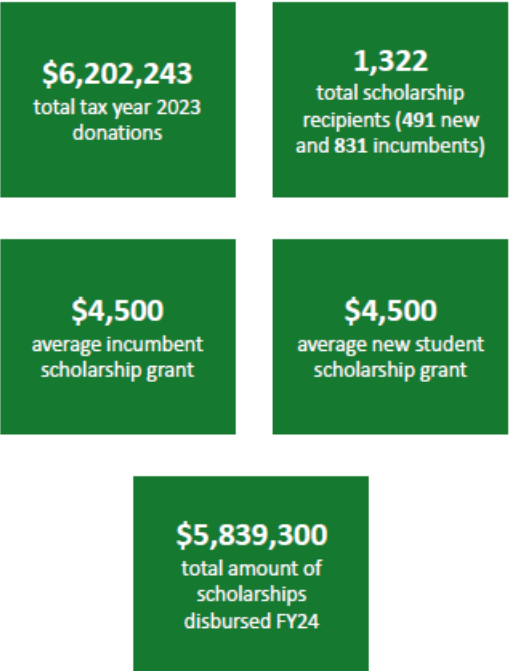
- ▶ Parents or guardians of exceptional needs children who attend eligible schools may claim a refundable South Carolina income tax credit for out-of-pocket spending on tuition.
- ▶ There is an annual statewide cap of \$2 million for the refundable credit program, available on a first-come first-served basis. After tuition is paid for the school year, parents can apply for the credit through the South Carolina Department of Revenue before the \$2 million cap is met.
- ▶ If Exceptional SC receives less than \$12 million in donations, then the Parental Refundable Credit cap of \$2 million may be increased by up to \$3 million. The combined credit cap cannot exceed the authorized total of \$14 million. The credit cap for the Parental Refundable Credit for tax year 2024 was raised to \$5 million.
- ▶ The maximum amount of Parental Refundable Credit that can be requested for each qualifying student is \$11,000 or the amount paid for tuition, whichever is less, minus the amount of scholarship the qualifying student received from Exceptional SC (if applicable).

Exceptional Needs Tax Credits - Donations

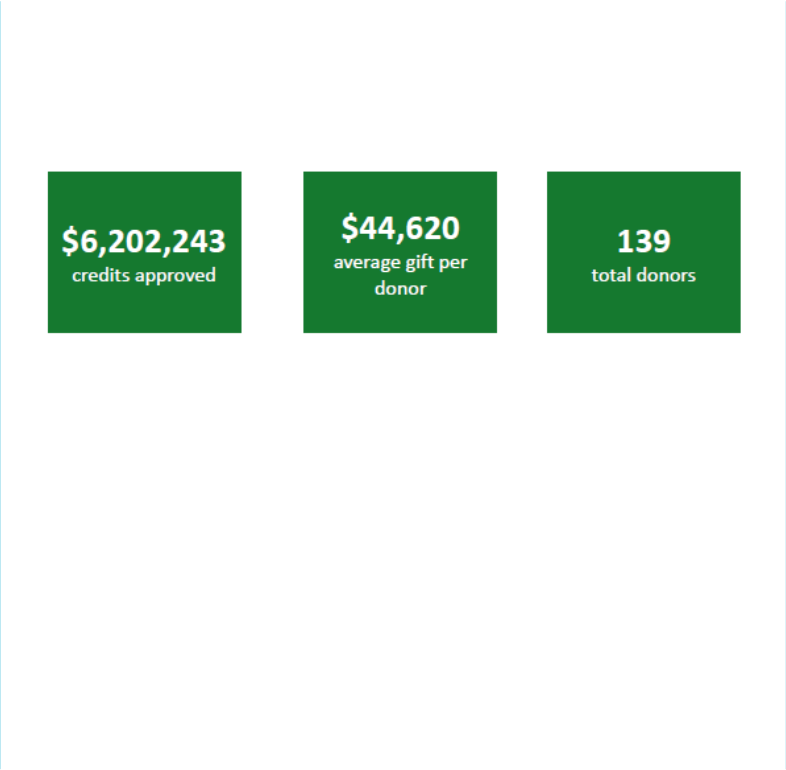
- ▶ Anyone can donate to the Exceptional SC 501(c)(3) scholarship fund. Individuals and corporations who pay South Carolina taxes can make a donation to Exceptional SC and claim a dollar for dollar tax credit against their South Carolina Individual Income Tax or Corporate Income Tax liability.
- ▶ §12-6-3790 provides that South Carolina tax credits for donations to Exceptional SC may not exceed \$12 million for each tax year. However, Exceptional SC may carry forward up to \$5 million of donations into the next year to provide credits in the next year.
- ▶ 95% of all donations go directly to student scholarships and 5% supports program administrative costs.

Educational Credit for Exceptional Needs Children (ECENC) – By the numbers for Tax Year 2023

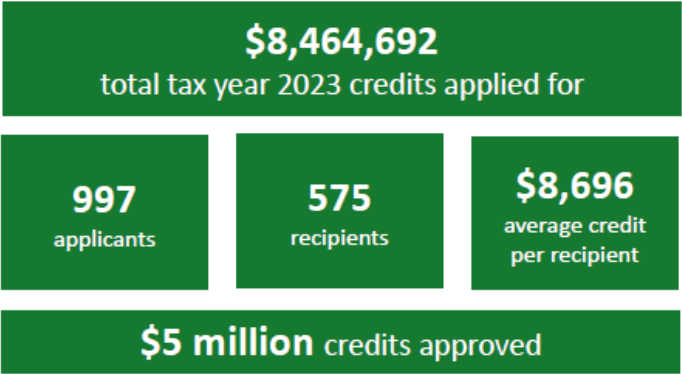
Exceptional Needs Scholarship



Donor Tax Credit



Parental Tax Credit



Education Scholarship Trust Fund Program (Act 11 of 2025)

- ▶ The Education Scholarship Trust Fund Program is administered by the South Carolina Department of Education and allows qualifying South Carolina families to apply for a scholarship of \$7,500 per student, per year.
- ▶ To qualify for the 2025-2026 school year, the student must:
 - ▶ Be a resident of South Carolina AND
 - ▶ Must be a K-12 student, has not graduated and has not reached the age of 22; AND
 - ▶ Have a household income that does not exceed 300% of the federal poverty guidelines OR be a confirmed Medicaid recipient (by individual student) AND
 - ▶ Cannot attend their resident public school for the 2025-2026 school year.

Education Scholarship Trust Fund Program

- ▶ How many scholarships per year?
 - ▶ In School Year 2025-2026, the program is limited to ten thousand scholarship students.
 - ▶ In School Year 2026-2027, and for all subsequent school years, the program shall be made available to at least fifteen thousand scholarship students but may be increased through an allocation in the general appropriations act at the direction of the General Assembly, based upon previously unmet demand for scholarships as evidenced by the prior year's applications.

Education Scholarship Trust Fund Program

► FY2025-2026 Budget:

Source	Amount
General Fund Recurring	\$60,000,000
General Fund Nonrecurring	\$15,000,000
Lottery	\$20,000,000
TOTAL	\$95,000,000

- The \$60m appropriated in FY2026 represents 1.4% of Department of Education General Fund recurring appropriations
- Future budgets will require a minimum of \$112,500,000 (15,000 scholarships X \$7,500) plus administrative costs