

The SC Educational Opportunity Act will make school choice available, on a limited and phased-in basis, for qualifying students through scholarships and individual family income tax credits.

Initially, students 'qualifying' to receive scholarships or family tax credits must be either beginning kindergartners (5K) or transfers from public to independent schools.

STUDENT SCHOLARSHIP ORGANIZATIONS

Student Scholarship Organizations will provide scholarships for choice to qualifying low-income students through donations from corporations and individuals.

Students eligible for participation in a subsidized school lunch program and, or Medicaid benefits will be considered "low-income" for purposes of SSO tuition scholarship eligibility. The size of tuition scholarships issued by SSOs will not exceed either half of the total state funding projected to be received by the traditional public school district the student is zoned to attend, divided by the number of students projected to be enrolled in that district, or the total projected statewide base student cost, whichever is greater.

.These organizations must be IRS-recognized 501(c)3 nonprofit corporations registered in the State of South Carolina. Each year, the Student Scholarship Organizations must distribute 95 percent of their revenues for the benefit of low-income students in the form of K12 tuition scholarships and spend no more than 5 percent of donations for which a credit is claimed on administrative functions. Any money collected by an SSO that is not spent in this manner within one fiscal year will be deposited in the State's General Fund. An SSO may not restrict scholarships to students attending any single distinct independent school.

Individuals and corporations may claim a state income tax credit for donations made to Student Scholarship Organizations (SSOs). The credit will not exceed 95 percent of the actual value of the donation made to an SSO.

INDIVIDUAL CREDIT

Families with qualifying children enrolled at an independent K12 school in the State of South Carolina may claim a state income tax credit for a portion of tuition and other allowable expenses.

The size of the credit will not exceed either half of the total state funding projected to be received by the traditional public school district the student is zoned to attend, divided by the number of students projected to be enrolled in that district, or the projected statewide base student cost, whichever is greater.

The credit claimed under this program will be available to the families of the qualifying student for each successive year in which that student continues in an independent school. As regards beginning kindergartners, this results in a 13 year phase-in.

HOMESCHOOL CREDIT

Families with qualifying children enrolled in a State- or district-recognized homeschooling program may claim a tax credit of up to \$1,000 per-child for actual out-of-pocket expenses incurred in the course of student instruction.

INDEPENDENT SCHOOL ACCOUNTABILITY

The Independent K12 schools attended by students whose family claims a credit or whose tuition is paid by Student Scholarship Organization must comply with all relevant state and federal provisions governing independent school operations, accreditation, and safety as well as state and federal non-discrimination laws. These schools must annually administer a nationally recognized standardized assessment to all students in those grades in which students participating in this program are enrolled. Participating schools may use either a norm-referenced test or a criterion-referenced test, including the PASS test, Stanford 9 or 10, the Iowa Test of Basic Skills, and Terra Nova or any other test that is used to meet public school testing requirements under federal law. Results of the test must be provided annually to the authors of the joint EOC and DOR accountability report.

Eligible schools must be included on a list published annually by the EOC. They must be members in good standing of one of the recognized independent school associations. The eligible schools must verify a student's eligibility to receive a scholarship or a family tax credit. The schools must also agree to annual auditing and business practice assessment if they receive more than \$100,000 annually from scholarships.

No independent school is required to accept a scholarship or tax credited student. Currently lawful admissions requirements are preserved. Any school not wishing to adopt the required accountability measures is not required to participate in the choice programs.

STUDENT SCHOLARSHIP ORGANIZATION ACCOUNTABILITY

SSO's are required to participate in financial oversight of eligible independent schools who receive more than \$100,000 in scholarship funds. The SSO providing the majority of a school's funding through scholarship is assigned the oversight coordination for that school.

An SSO must verify the eligibility of students receiving scholarships. They may not have an owner or operator who is also the owner or operator of an independent school.

They are required to provide an annual financial and compliance audit to the EOC.

REPORTING

A report will be published annually detailing the scope and impact of the K12 educational tax credit programs. The report will cover both economic and academic indicators as well as participant characteristics and satisfaction.

The research and publication efforts will be coordinated by the Education Oversight Committee (EOC) in partnership with the Budget and Control Board and/or the Legislative Audit Council, and with additional support and engagement as requested from the State Department of Education and the State Board of Education, as well as relevant higher educational and research organizations.

Copies of the report will be provided to the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the chairman of the Senate Finance Committee, the chairman of the House Ways and Means Committee, the State Superintendent of Education, and the Governor. Copies will also be made available to the media and general public.

In order to gauge the economic impact of the tax credit programs, the report will at a minimum include: 1. Details of the annual savings to the state for each student attending independent school with assistance from the program (including the difference between the size of a tax credit claimed and the portion of the average state spending calculated per student in that school district that is in any way related to the number of students enrolled in a public school district); 2. Savings to the individual districts as evidenced by higher local, state and federal revenues calculated per student resulting from students attending independent school with assistance from the program; and 3. Other ways in which the actual or possible participation of students in the program impacts the per-pupil revenues collected by school districts, with appropriate consideration of changes to funding policies, district demographics and other relevant factors. Each year the annual report will include details of both the savings realized by state government and local school district in the last financial year, as well as the aggregate total savings realized at both levels since the implementation of the credit program.

The Legislative Audit Council (LAC) will publish a report after the fifth year of the program, and every five years thereafter, examining the operations, characteristics and impact of the Student Scholarship Organizations.

TRANSITIONAL INCUMBENT CREDITS

Only after the savings to the state's general fund are measured by the Budget and Control Board after year three of the program, will credits for 'incumbent' independent school students begin to be phased in; and then, only to the extent of savings to the state budget as certified by the Department of Revenue.

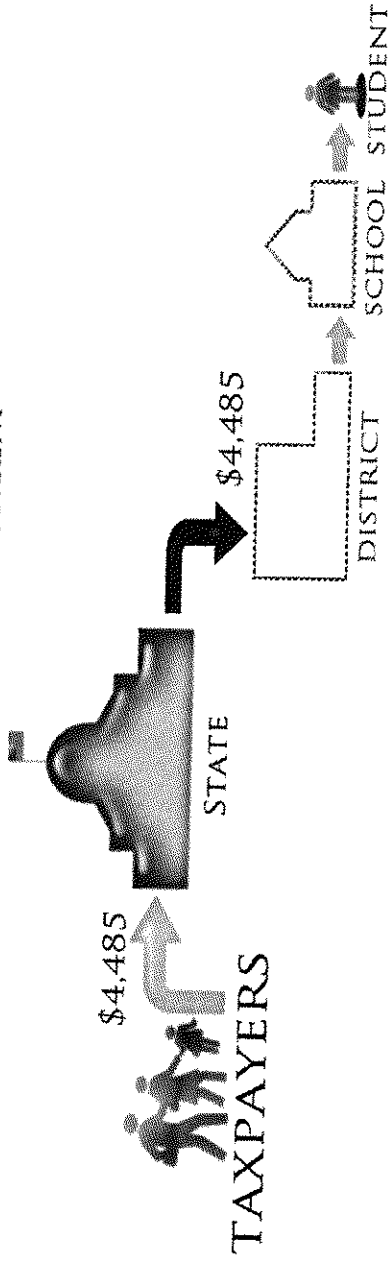
After completion of the third school year following initiation of the tax credit programs, a transitional eligibility for tax credits will be extended to families paying for incumbent students at independent schools not covered under the public-to-private transfer or phase-in provisions. This transitional eligibility will also be extended to families homeschooling their children. The

minimum size of the credit offered to families of these incumbent independent school and homeschool students will be determined by dividing 80 percent of the total savings to the state, as measured by the annual Budget and Control Bd/EOC report, in the previous fiscal year, by the total number of students eligible to claim the transitional incumbent credit.

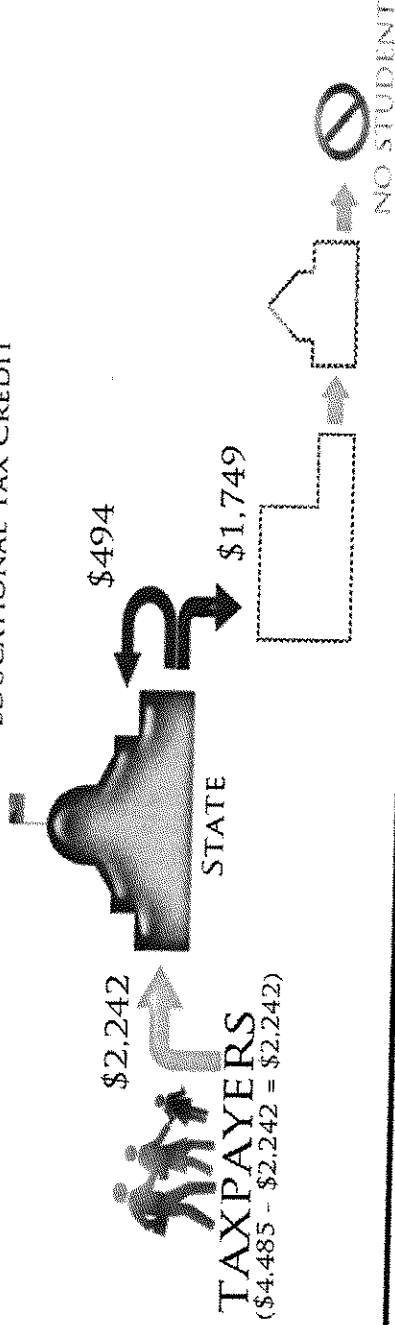
In no case will the size of the credit extended to parents of these incumbent private school students exceed either half of the total per pupil state funding to the public school district the student is zoned to attend, divided by the number of students projected to be enrolled in that district, or the statewide base student cost, whichever is greater. In no case will the size of the transitional credits awarded to parents of these incumbent home school students exceed \$1,000. In no case will transition credits be extended if there is not a demonstration of savings to the state as measured by the annual joint EOC and DOR report.

Savings to the State

CURRENT



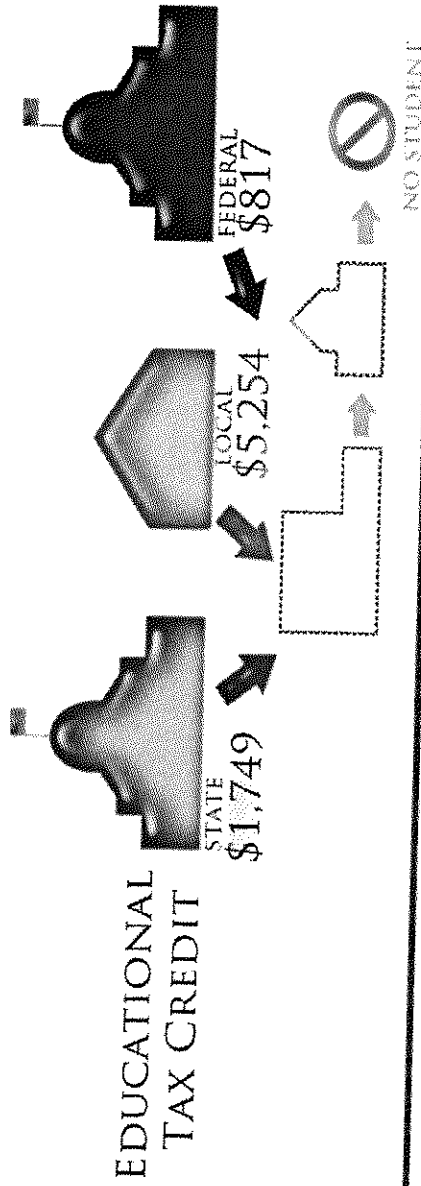
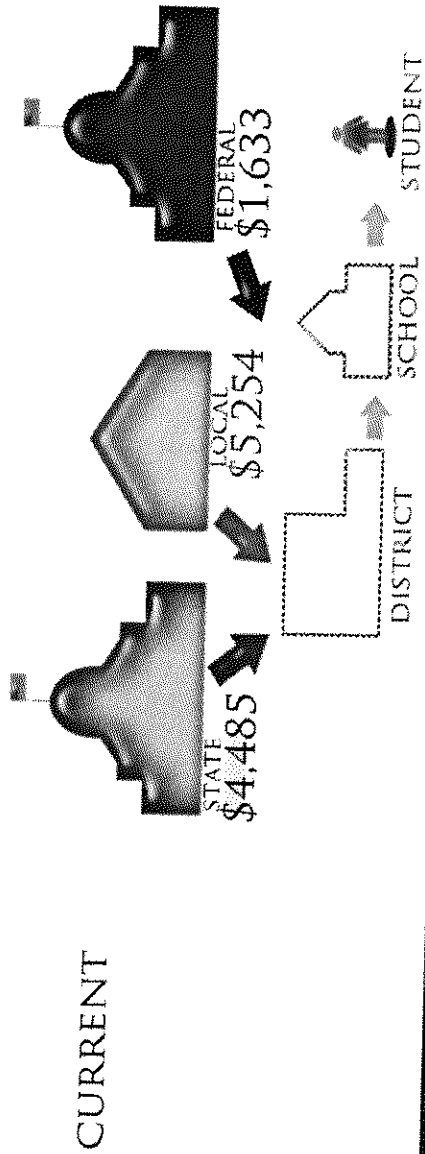
EDUCATIONAL TAX CREDIT



STATE SAVINGS FROM EDUCATIONAL TAX CREDIT

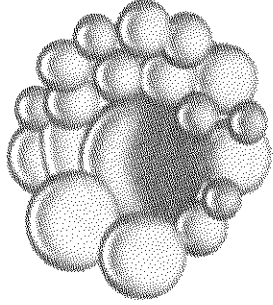
$$\begin{aligned}
 & \$2,242 \text{ (REVENUE)} - \$1,749 \text{ (FUNDING)} = \$494 \text{ (SAVINGS)}
 \end{aligned}$$

Savings to the District

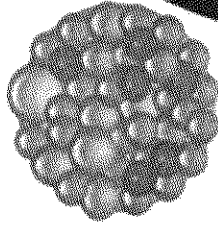


TOTAL SAVINGS TO DISTRICT

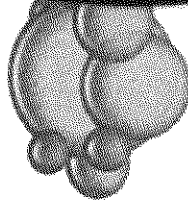
$$\$1,749 + \$5,254 + \$817 = \$7,820 \text{ PER STUDENT}$$



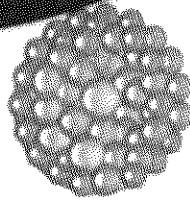
EFA



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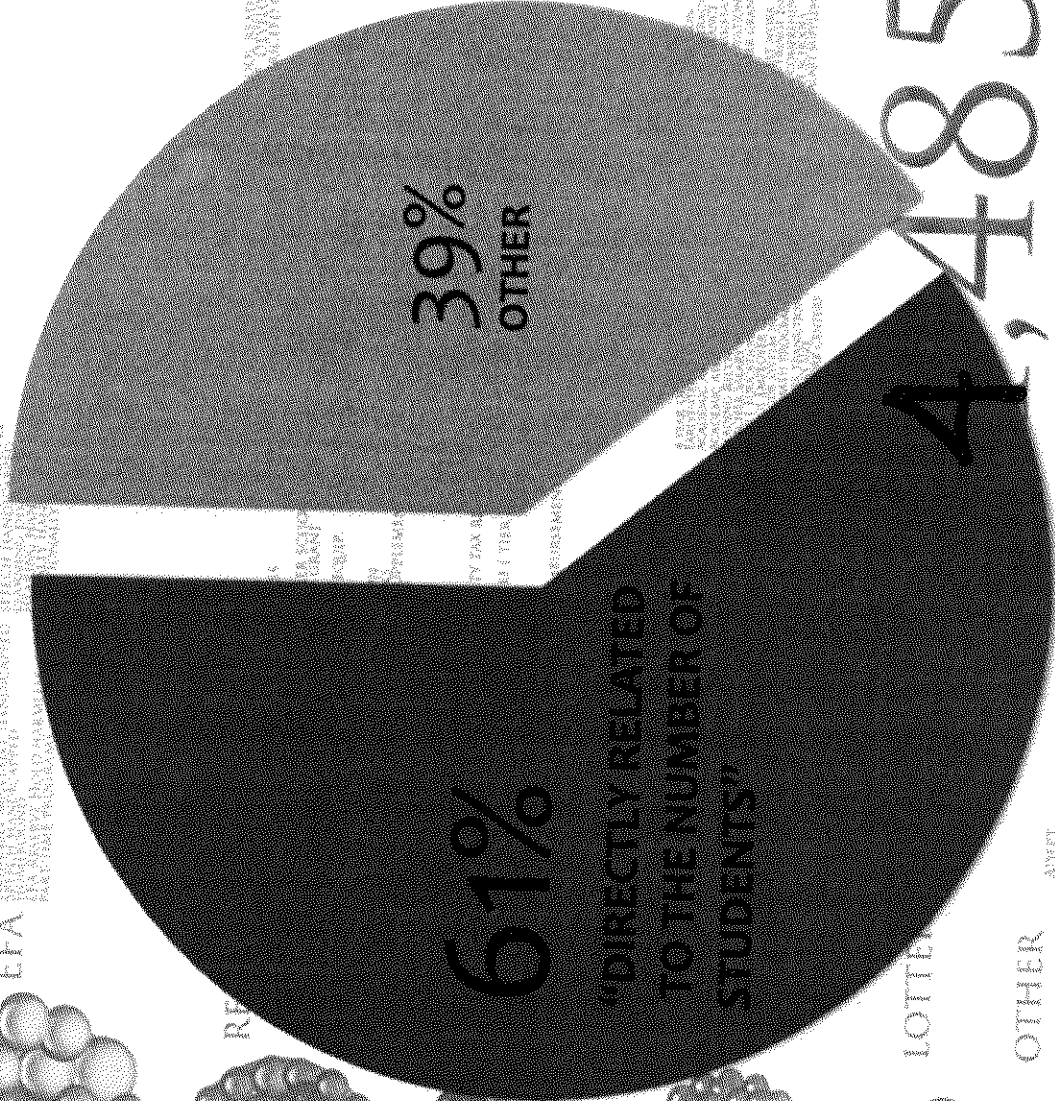
LOTTERY



OTHER STATE



OTHER



\$2,736 Student Based + \$1,749 Programmatic = \$4,485

MAIL

STUDENT SCHOLARSHIP ORGANIZATIONS SOUTH CAROLINA

In order to assist children whose parents have little or no tax liability, the South Carolina Education Opportunity Act proposes the creation of Student Scholarship Organizations (SSO), which would award scholarships to children who qualify for subsidized lunches or Medicaid. These scholarships may be used by students across South Carolina to pay for tuition costs, including transportation. The bill would allow individuals and businesses to reduce their tax liability by contributing to these non-profit organizations that disperse funds to families to help them pay for their children's education. With minor differences between districts, these scholarships would be approximately \$2,500. The South Carolina Education Opportunity Act follows the model of Arizona, Florida and Pennsylvania in the creation of these student scholarship organizations. By law, these SSO's would have to distribute 95% of their receipts as scholarships to low-income children.

Arizona -The state of Arizona provides tax credits for individuals and corporations that make contributions to School Tuition Organizations (STO). Individual contributors may claim a dollar-for-dollar credit of up to \$500, and married couples filing jointly may claim up to \$1,000. The average tuition scholarship from the corporate tax credit program is \$2,533, while the average scholarship amount from the individual tax credit program is \$1,908. As of 2009, individuals and corporations in Arizona contributed over \$64 million for 31,291 students to attend the school of their choice. For more information, visit www.azdor.gov/TaxCredits/CorporateTuitionTaxCredits.aspx

Florida - As of 2009, Florida's "Step Up for Students Corporate Tax Credit Scholarship Program" was providing school choice to more than 23,000 students. This program allows corporations to receive a dollar-for-dollar credit for up to 75 percent of its total tax liability for donations to scholarship funding organizations. In 2009, corporations donated \$118 million for low-income scholarships. The maximum tuition scholarship provided to students is \$3,950. For more information, visit www.stepupforstudents.org

Pennsylvania - In 2009, Pennsylvania's "Educational Improvement Tax Credit" provided scholarships for over 38,000 low-income students. The average size of each of these scholarships is \$1,022. A company that contributes to the program may claim a tax credit worth 75 percent of its contribution. If a company commits to a two year contribution, it may claim a tax credit worth 90 percent of the donation, with a maximum contribution of \$300,000.

LEARN MORE ABOUT SCHOOL CHOICE IN SOUTH CAROLINA - www.scrgov.org