

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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HOUSE BILL 32

Short Title: Equity in Opportunity Act. (Public)

Sponsors: Representatives Arp, Blackwell, Lambeth, and Saine (Primary Sponsors).
For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Education - K-12, if favorable, Appropriations, Education, if favorable, Rules,
Calendar, and Operations of the House

February 2, 2021

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE EQUITY IN OPPORTUNITY ACT.
3 The General Assembly of North Carolina enacts:

4
5 **PART I. OPPORTUNITY SCHOLARSHIP GRANT PROGRAM**

6 **SECTION 1.1.(a)** G.S. 115C-562.1(3)a.3. reads as rewritten:

7 "3. ~~Is entering either kindergarten or the~~ eligible to enter
8 kindergarten, first grade, or second grade pursuant to
9 Article 25 of this Chapter. A child who is the age of four on or
10 before April 16 is eligible to attend the following school year
11 if the principal, or equivalent, of the school in which the child
12 seeks to enroll finds that the student meets the requirements of
13 G.S. 115C-364(d) and those findings are submitted to the
14 Authority with the child's application."

15 **SECTION 1.1.(b)** Subsection (a) of this section applies beginning with applications
16 for scholarship funds for the spring semester of the 2021-2022 school year.

17 **SECTION 1.1.(c)** Any student who meets the following requirements shall qualify
18 as an eligible student and shall be eligible to receive a scholarship for the 2021-2022 school year
19 pursuant to Part 2A of Article 39 of Chapter 115C of the General Statutes:

- 20 (1) Was enrolled in a North Carolina public school or a Department of Defense
21 Elementary and Secondary School located in North Carolina for the fall
22 semester of the 2019-2020 school year.
23 (2) Was enrolled in a nonpublic school that meets the requirements of Part 1, 2,
24 or 3 of Article 39 of this Chapter for the spring semester of the 2019-2020
25 school year and the entire 2020-2021 school year.
26 (3) Meets the eligibility requirements of G.S. 115C-562.1(3)a1. and b.
27 (4) Submits a scholarship application for the 2021-2022 school year.

28 A student who becomes eligible for a scholarship in the 2021-2022 school year solely
29 due to this subsection shall receive first priority in award of scholarships in the same manner as
30 those previously awarded scholarships.

31 **SECTION 1.2.(a)** G.S. 115C-562.1(3)a. is amended by adding a new
32 sub-sub-subdivision to read:

33 "7. Is a child who meets both of the following:



I. Was enrolled in a nonpublic school that meets the requirements of Part 1 and Part 2 of this Article during the spring semester prior to the school year for which the student is applying.

II. Was enrolled for the fall semester prior to the spring semester of the school year in which the student enrolled in the nonpublic school in one of the following:

A. A North Carolina public school.

B. A Department of Defense Elementary and Secondary School established pursuant to 10 U.S.C. § 2164 and located in North Carolina."

SECTION 1.2.(b) G.S. 115C-562.2(b) reads as rewritten:

"(b) Scholarship grants awarded to eligible students residing in households with an income level not in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program shall ~~be for amounts of up to four thousand two hundred dollars (\$4,200) per year.~~ be, per year per eligible student, in an amount of up to seventy percent (70%) of the average State per pupil allocation in the prior fiscal year. Scholarship grants awarded to eligible students residing in households with an income level in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program shall be for amounts of not more than ninety percent (90%) of the required tuition and fees for the nonpublic school the eligible child will attend. Tuition and fees for a nonpublic school may include tuition and fees for books, transportation, equipment, or other items required by the nonpublic school. No scholarship grant shall ~~exceed four thousand two hundred dollars (\$4,200) exceed,~~ per year per eligible student, an amount equal to seventy percent (70%) of the average State per pupil allocation in the prior fiscal year and no scholarship grant shall exceed the required tuition and fees for the nonpublic school the eligible student will attend."

SECTION 1.2.(c) G.S. 115C-562.3 reads as rewritten:

"§ 115C-562.3. Verification of ~~eligibility.~~eligibility; information from other State agencies.

...

(b) Household members of applicants for scholarship grants shall authorize the Authority to access information needed for verification efforts held by other State agencies, including the Department of Revenue, the Department of Health and Human Services, and the Department of Public Instruction. The Department of Public Instruction shall provide the Authority with public school enrollment information to establish eligibility pursuant to G.S. 115C-562.1(3)a. as needed.

(c) By December 1 of each year, the Department of Public Instruction shall provide the Authority the average State per pupil allocation for that fiscal year to determine the maximum scholarship amount for eligible students to be awarded in the following fiscal year in accordance with G.S. 115C-562.2(b)."

SECTION 1.2.(d) Subsections (a), (b), and (c) of this section apply beginning with applications for scholarship funds for the 2022-2023 school year.

SECTION 1.3.(a) G.S. 115C-562.2(b), as amended by Section 1.2(a) of this section, reads as rewritten:

"(b) Scholarship grants awarded to eligible students residing in households with an income level not in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program shall be, per year per eligible student, in an amount of up to ~~seventy percent (70%)~~ eighty percent (80%) of the average State per pupil allocation in the prior fiscal year. Scholarship grants awarded to eligible students residing in households with an income level in excess of the amount required for the student to qualify for the federal free or reduced-price lunch program shall be for amounts of not more than ninety percent (90%) of the required tuition

1 and fees for the nonpublic school the eligible child will attend. Tuition and fees for a nonpublic
2 school may include tuition and fees for books, transportation, equipment, or other items required
3 by the nonpublic school. No scholarship grant shall exceed, per year per eligible student, an
4 amount equal to ~~seventy percent (70%)~~ eighty percent (80%) of the average State per pupil
5 allocation in the prior fiscal year and no scholarship grant shall exceed the required tuition and
6 fees for the nonpublic school the eligible student will attend."

7 **SECTION 1.3.(b)** This section applies beginning with applications for scholarship
8 funds for the 2023-2024 school year.

9 **SECTION 1.4.(a)** G.S. 115C-562.8 reads as rewritten:

10 **"§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.**

11 (a) The Opportunity Scholarship Grant Fund Reserve is established as a reserve to be
12 administered by the Board of Governors of The University of North Carolina for the purpose of
13 allocating funds to the Authority for the award of scholarship grants in accordance with this Part.
14 The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the
15 General Assembly and any interest accrued to it thereon. These funds shall be used to award
16 scholarship grants to eligible students for the school year that begins in the fiscal year following
17 the fiscal year in which the appropriation is made to the Reserve. The Board of Governors shall
18 only use monies in the Reserve in accordance with the purposes set forth in this section. Funds
19 appropriated in a particular fiscal year to be used for the award of scholarships in the following
20 fiscal year that are unexpended at the end of the fiscal year after the fiscal year in which the funds
21 were appropriated shall be carried forward for one fiscal year and may be used for the purposes
22 set forth in this section. The Authority shall not expend funds that are carried forward for a fiscal
23 year until the funds from the prior year appropriation to be used to award scholarships are
24 expended. Funds carried forward pursuant to this section that have not been spent within one
25 fiscal year shall ~~revert to the General Fund~~ be used in accordance with subsection (d) of this
26 section.

27 ...

28 (d) Any unexpended funds at the end of a fiscal year from the funds carried forward for
29 one fiscal year pursuant to subsection (a) of this section shall be used as follows:

30 (1) Up to five hundred thousand dollars (\$500,000) shall be used by the Authority
31 to contract with a nonprofit corporation representing parents and families for
32 outreach and scholarship education and application assistance for parents and
33 students pursuant to Part 5 of this Article.

34 (2) Any remaining funds shall revert to the General Fund."

35 **SECTION 1.4.(b)** Article 39 of Chapter 115C of the General Statutes is amended by
36 adding a new Part to read:

37 "Part 5. Information for Parents and Students on Nonpublic School Scholarship Programs.

38 **"§ 115C-567.1. Outreach and assistance for parents and students.**

39 (a) The State Education Assistance Authority, in its administration of scholarship
40 programs for eligible students pursuant to Part 2A of this Article, Article 41 of this Chapter, and
41 Part 1H of Article 9 of this Chapter may contract with a nonprofit corporation representing
42 parents and families for outreach and scholarship education, program promotion, and application
43 assistance for parents and students. The Authority shall issue a request for proposals in order to
44 enter into a contract with a nonprofit corporation that meets the following requirements during
45 the term of the contract:

46 (1) Be a nonprofit corporation organized pursuant to Chapter 55A of the General
47 Statutes and comply at all times with the provisions of section 501(c)(3) of the
48 Internal Revenue Code.

49 (2) Employ sufficient staff who have demonstrated a capacity of direct parent and
50 family outreach, program promotion, and procedural knowledge to assist

1 parents through scholarship application processes and implement a
 2 scholarship grant program, including by doing the following:

3 a. One-on-one parent and family engagement.

4 b. Scholarship education and public awareness.

5 (3) Comply with the limitations on lobbying set forth in section 501(c)(3) of the
 6 Internal Revenue Code.

7 (4) Have no State officer or employee serving on the board of the nonprofit.

8 (5) Conduct at least quarterly meetings of the board of directors of the nonprofit
 9 at the call of its chair.

10 (b) The terms of the contract between the Authority and a nonprofit corporation shall
 11 require that the nonprofit (i) maintain the confidentiality of any information provided by the
 12 Authority for parents and students as directed by the Authority and (ii) not disseminate
 13 information to third parties without written parental consent. During the term of the contract
 14 provided for in this section, the Authority shall include on scholarship applications a statement
 15 for parents to indicate nonconsent for sharing information with a nonprofit corporation.

16 (c) Notwithstanding any other provision of law, during the term of the contract provided
 17 for in this section, the Authority may share the name, address, e-mail, and telephone number of
 18 the parent of any student applicant, unless the parent indicates that the information should not be
 19 shared."

20 **SECTION 1.4.(c)** Subsection (a) of this section becomes effective June 30, 2021.

21 **SECTION 1.5.** G.S. 115C-562.8(c) reads as rewritten:

22 "(c) Of the funds allocated to the Authority to award scholarship grants under this Part,
 23 the Authority may retain ~~the lesser of up to four two and one-half percent (4%)-(2.5%)~~ of the
 24 funds appropriated ~~or one million five hundred thousand dollars (\$1,500,000)~~ each fiscal year
 25 for administrative costs associated with the scholarship grant program."
 26

27 **PART II. PERSONAL EDUCATION STUDENT ACCOUNTS FOR CHILDREN WITH** 28 **DISABILITIES**

29 **SECTION 2.1.(a)** Article 41 of Chapter 115C of the General Statutes reads as
 30 rewritten:

31 "Article 41.

32 "Personal Education ~~Savings Accounts~~ Student Accounts for Children with Disabilities.

33 "**§ 115C-590. North Carolina Personal Education Savings Account-Student Accounts for**
 34 **Children with Disabilities Program established.**

35 There is established the North Carolina Personal Education ~~Savings-Student Accounts for~~
 36 Children with Disabilities Program to provide the option for a parent to better meet the individual
 37 educational needs of the parent's child.

38 "**§ 115C-591. Definitions.**

39 The following definitions apply in this Article:

40 (1) Authority. – Defined in G.S. 116-201.

41 (1a) Child with a disability. – Meets at least one of the following criteria:

42 a. A child who meets the definition in G.S. 115C-106.3(1).

43 b. A child who was enrolled in a public school during the previous
 44 semester and was provided a section 504 (29 U.S.C. § 794) plan by the
 45 public school. The Authority shall not count actual days of attendance
 46 to determine whether a child was enrolled in a public school for the
 47 previous semester for the purposes of eligibility under sub-subdivision
 48 c. of subdivision (3) of this section.

49 (2) Division. – The Division of Nonpublic Education, Department of
 50 Administration.

- 1 (2a) Educational technology. – As defined annually by the Authority, an item,
 2 piece of equipment, material, product, or system which may be purchased
 3 commercially off the shelf, modified, or customized and that is used primarily
 4 for educational purposes for a child with a disability.
- 5 (3) Eligible student. – A student residing in North Carolina who has not yet
 6 received a high school diploma and who meets all of the following
 7 requirements:
- 8 a. Is eligible to attend a North Carolina public school pursuant to
 9 ~~G.S. 115C-366.~~ Article 25 of this Chapter. A child who is the age of
 10 four on or before April 16 is eligible to attend the following school
 11 year if the principal, or equivalent, of the school in which the child
 12 seeks to enroll finds that the student meets the requirements of
 13 G.S. 115C-364(d) and those findings are submitted to the Authority
 14 with the child's application.
- 15 b. Has not been enrolled in a postsecondary institution ~~in a matriculated~~
 16 ~~status eligible for enrollment for~~ as a full-time student taking at least
 17 12 hours of academic credit.
- 18 c. Is a child with a ~~disability, as defined in G.S. 115C-106.3(1),~~
 19 ~~including, for example, intellectual disability, hearing impairment,~~
 20 ~~speech or language impairment, visual impairment, serious emotional~~
 21 ~~disturbance, orthopedic impairment, autism, traumatic brain injury,~~
 22 ~~other health impairments, specific learning disability, or disability as~~
 23 ~~may be required to be included under IDEA.~~ disability.
- 24 d. Has not been placed in a nonpublic school or facility by a public
 25 agency at public expense.
- 26 (4) Nonpublic school. – A school that meets the requirements of Part 1, 2, or 3 of
 27 Article 39 of this Chapter, as identified by the Division.
- 28 (5) Parent. – A parent, legal guardian, or legal custodian of an eligible student.
- 29 (5a) Part-time student. – A child enrolled part time in a public school and part time
 30 in a nonpublic school that exclusively provides services for children with
 31 disabilities.
- 32 (6) Personal Education ~~Savings~~ Student Account or PESA. – ~~A bank~~ An
 33 electronic account provided to a parent for the purpose of holding scholarship
 34 funds awarded by the Authority for an eligible student to be used for
 35 qualifying education expenses under G.S. 115C-595.

36 **"§ 115C-592. Award of scholarship funds for a personal education ~~savings~~ student account.**

37 (a) Application Selection. – The Authority shall make available no later than February 1
 38 of each year applications to eligible students for the award of scholarship funds for a personal
 39 education ~~savings~~ student account to be used for qualifying education expenses to attend a
 40 nonpublic school. Information about scholarship funds and the application process shall be made
 41 available on the Authority's Web site. Applications shall be submitted electronically. ~~Beginning~~
 42 ~~March 15, the~~ The Authority shall begin selecting recipients for award scholarships according to
 43 the following ~~criteria:~~ criteria for applications received by March 1 of each year:

- 44 (1) First priority shall be given to eligible students who were awarded scholarship
 45 funds for a PESA during the previous school year ~~if those students have~~
 46 ~~applied by March 1, year.~~
- 47 (2) After funds have been awarded to prior recipients as provided in subdivision
 48 (1) of this subsection, any remaining funds shall be used to award scholarship
 49 funds for a PESA for all other eligible students.
- 50 (b) Scholarship Awards. – ~~Scholarships~~ Except for eligible students who qualify for
 51 scholarship funds pursuant to subsection (b1) of this section, scholarships shall be awarded each

1 ~~year for an amount not to exceed nine thousand dollars (\$9,000) per eligible student in an amount,~~
 2 ~~per year per eligible student, of up to the sum of the following from the prior fiscal year: the State~~
 3 ~~allocation per funded child with disabilities plus eighty-five percent (85%) of the average State~~
 4 ~~per pupil allocation, except for the allocation for children with disabilities, for the fiscal school~~
 5 ~~year in for which the application is received, except for eligible part-time students, who shall be~~
 6 ~~awarded scholarships each year for an amount not to exceed four thousand five hundred dollars~~
 7 ~~(\$4,500) fifty percent (50%) of the sum from the prior fiscal year as described in this subsection~~
 8 ~~per eligible student for the fiscal school year in for which the application is received. Any funds~~
 9 ~~remaining on a debit card or in an electronic account provided under subsection (b2) of this~~
 10 ~~section at the end of a school year for eligible students who qualify only under this subsection~~
 11 ~~shall be returned to the Authority.~~

12 (b1) Scholarship Awards for Students with Certain Disabilities. – An eligible student may
 13 be awarded scholarship funds in an amount of up to seventeen thousand dollars (\$17,000) for
 14 each school year only if the student has been determined to have one or more of the following
 15 disabilities as a primary or secondary disability at the time of application for scholarship funds:

- 16 (1) Autism.
- 17 (2) Hearing impairment.
- 18 (3) Moderate or severe intellectual or developmental disability.
- 19 (4) Multiple, permanent orthopedic impairments.
- 20 (5) Visual impairment.

21 For eligible students who qualify for scholarship funds under this subsection, no more than
 22 four thousand five hundred dollars (\$4,500) of funds remaining on a debit card or in an electronic
 23 account at the end of a school year shall be carried forward until expended for each school year
 24 upon renewal of the account under subsection (b2) of this section. In no event shall the total
 25 amount of funds carried forward for an eligible student in a personal education student account
 26 exceed ten thousand dollars (\$10,000). Any funds remaining on the card or in the electronic
 27 account if an agreement is not renewed under G.S. 115C-595 shall be returned to the Authority.

28 (b2) Disbursement and Deposit of Awards. – Scholarship funds shall be used only for
 29 tuition and qualifying education expenses as provided in G.S. 115C-595. Recipients shall receive
 30 the scholarship funds deposited in two equal amounts to a PESA in amounts, one-half in each
 31 quarter-semester of the fiscal school year. The first deposit of funds to a PESA shall be subject
 32 to the execution of the parental agreement required by G.S. 115C-595. The parent shall then
 33 receive a debit card or an electronic account with the prepaid funds loaded on the card or in the
 34 electronic account at the beginning of the fiscal school year. After the initial disbursement of
 35 funds, each subsequent, quarterly-semester disbursement of funds shall be subject to the
 36 submission by the parent of an expense report. The expense report shall be submitted
 37 electronically and shall include documentation that the student received an education, as
 38 described in G.S. 115C-595(a)(1), for no less than 35-70 days of the applicable quarter-semester.
 39 The debit card or the electronic account shall be renewed upon the receipt of the parental
 40 agreement under G.S. 115C-595 for recipients awarded scholarship funds in subsequent fiscal
 41 school years. Any funds remaining on the card or in the electronic account at the end of the fiscal
 42 year may be carried forward to the next fiscal year if the card or electronic account is renewed.
 43 Any funds remaining on the card or in the electronic account if an agreement is not renewed shall
 44 be returned to the Authority.

45 (c) Eligibility for the other scholarship programs is provided for as follows: Eligibility for
 46 Other Scholarship Programs. –

- 47 (1) An eligible student under this Article may receive, in addition to a PESA, a
 48 scholarship under Part 2A of Article 39 of this Chapter.
- 49 (2) An eligible student under this Article may receive, in addition to a PESA and
 50 a scholarship under Part 2A of Article 39 of this Chapter, a scholarship under
 51 the special education scholarship program for children with disabilities

1 pursuant to Part 1H of Article 9 of this Chapter, only if that student has one or
2 more of the following disabilities:

- 3 a. ~~Autism.~~
- 4 b. ~~Developmental disability.~~
- 5 c. ~~Hearing impairment.~~
- 6 d. ~~Moderate or severe intellectual disability.~~
- 7 e. ~~Multiple, permanent orthopedic impairments.~~
- 8 f. ~~Visual impairment.~~

9 (d) Applications Not Public Records. – Applications for scholarship funds and personally
10 identifiable information related to eligible students receiving funds shall not be a public record
11 under Chapter 132 of the General Statutes. For the purposes of this section, personally
12 identifiable information means any information directly related to a student or members of a
13 student's household, including the name, birthdate, address, Social Security number, telephone
14 number, e-mail address, or any other information or identification number that would provide
15 information about a specific student or members of a specific student's household.

16 (e) Establishment of Initial Eligibility. – An applicant may demonstrate for initial
17 eligibility that the applicant is a child with a disability, as required by G.S. 115C-591(3)c., ~~in~~
18 ~~either of the following ways:~~

- 19 (1) ~~The by having the child has been assessed by a local education agency and~~
20 ~~determined the local education agency determining the child to be a child with~~
21 ~~a disability and with that outcome is verified by the local education agency on~~
22 ~~a form provided to the Authority.~~
- 23 (2) ~~The child was initially assessed by a local education agency and determined~~
24 ~~to be a child with a disability and, following receipt of a scholarship awarded~~
25 ~~pursuant to Part 1H of Article 9 of this Chapter, was determined to have~~
26 ~~continuing eligibility, as provided in G.S. 115C-112.6(c)(2), by the assessing~~
27 ~~psychologist or psychiatrist. Both the initial verification from the local~~
28 ~~education agency and the continuing verification by the assessing~~
29 ~~psychologist or psychiatrist shall be provided on a form to the Authority.~~

30 **"§ 115C-593. Student continuing eligibility.**

31 After the initial disbursement of funds, the Authority shall ensure that the student's continuing
32 eligibility is assessed at least every three ~~years.~~ years. If the student is a child with a section 504
33 (29 U.S.C. § 794) plan, the local education agency shall assess if the student continues to be a
34 child with a disability and verify the outcome on a form to be provided to the Authority. If the
35 student is a child who meets the definition in G.S. 115C-106.3(1), the student shall be assessed
36 by one of the following:

- 37 (1) The local education agency. – The local education agency shall assess if the
38 student continues to be a child with a disability and verify the outcome on a
39 form to be provided to the Authority.
- 40 (2) A licensed psychologist with a school psychology focus or a psychiatrist. –
41 The psychologist or psychiatrist shall assess, after review of appropriate
42 medical and educational records, if the education and related services received
43 by the student in the nonpublic school setting have improved the child's
44 educational performance and if the student would continue to benefit from
45 placement in the nonpublic school setting. The psychologist or psychiatrist
46 shall verify the outcome of the assessment on a form to be provided to the
47 Authority.

48 **"§ 115C-594. Verification of ~~eligibility.~~ eligibility; information from other State agencies.**

49 (a) Verification of Information. – The Authority may seek verification of information on
50 any application for the award of scholarship funds for a personal education ~~savings~~ student
51 ~~account. The Authority shall select and verify six percent (6%) of applications annually,~~

1 including those with apparent errors on the face of the application. The Authority shall establish
2 rules for the verification process. If a household fails to cooperate with verification efforts, the
3 Authority shall revoke the award of scholarship funds for a PESA for the eligible student.

4 (b) Access to Information. – ~~Household members of applicants~~ Applicants for the award
5 of scholarship funds for a PESA shall authorize the Authority to access information needed for
6 verification efforts held by other State agencies, including the Department of Health and Human
7 Services and the Department of Public Instruction.

8 (c) By December 1 of each year, the Department of Public Instruction shall provide the
9 Authority the State allocation per funded child with disabilities and the average State per pupil
10 allocation for that fiscal year to determine the maximum scholarship amount for eligible students
11 to be awarded in the following fiscal year in accordance with G.S. 115C-592(b).

12 **"§ 115C-595. Parental agreement; use of funds.**

13 (a) Parental Agreement. – The Authority shall provide the parent of a scholarship
14 recipient with a written agreement, applicable for each year the eligible student receives
15 scholarship funds under this Article, to be signed and returned to the Authority prior to receiving
16 the scholarship funds. The agreement shall be submitted to the Authority electronically. The
17 parent shall not designate any entity or individual to execute the agreement on the parent's behalf.
18 A parent or eligible student's failure to comply with this section shall result in a forfeit of
19 scholarship funds and those funds may be awarded to another eligible student. The parent shall
20 agree to the following conditions in order to receive scholarship funds under this Article:

- 21 (1) Use at least a portion of the scholarship funds to provide an education to the
22 eligible student in, at a minimum, the subjects of English language arts,
23 mathematics, social studies, and science.
- 24 (2) Unless the student is a part-time eligible student, release a local education
25 agency in which the student is eligible to attend under G.S. 115C-366 of all
26 obligations to educate the eligible student while the eligible student is
27 receiving scholarship funds under this Article. A parent of a student, other
28 than a part-time eligible student, who decides to enroll the student into the
29 local education agency or other North Carolina public school during the term
30 of the agreement shall notify the Authority to request a release from the
31 agreement and shall return any unexpended funds to the Authority.
- 32 (3) Use the scholarship funds deposited into a personal education ~~savings~~ student
33 account only for the following qualifying education expenses of the eligible
34 student:
 - 35 a. Tuition and fees for a nonpublic school that meets the requirements of
36 Part 1 or Part 2 of Article 39 of this Chapter and is subject to the
37 requirements of G.S. 115C-562.5. Tuition and fees may only be
38 disbursed to the nonpublic school as provided in subdivision (1) of
39 subsection (a1) of this section.
 - 40 b. Textbooks required by a nonpublic school.
 - 41 c. Tutoring and teaching services provided by an individual or facility
42 accredited by a State, regional, or national accrediting organization.
 - 43 d. Curricula.
 - 44 e. Fees for nationally standardized norm-referenced achievement tests,
45 advanced placement tests, or nationally recognized college entrance
46 exams.
 - 47 f. Fees charged to the account holder for the management of the PESA.
 - 48 g. Fees for services provided by a public school, including individual
49 classes and extracurricular programs.
 - 50 h. Premiums charged to the account holder for any insurance or surety
51 bonds required by the Authority.

- 1 i. Educational therapies from a licensed or accredited practitioner or
2 provider.
- 3 j. Educational technology defined by the Authority as approved for use
4 pursuant to ~~Part 1H of Article 9 of this Chapter~~. G.S. 115C-591(2a).
- 5 k. Student transportation, pursuant to a contract with an entity that
6 regularly provides student transportation, to and from (i) a provider of
7 education or related services or (ii) an education activity.
- 8 l. Transaction or merchant fees charged to the account holder, not to
9 exceed two and one-half percent (2.5%) of the cost of the item or
10 service.
- 11 (3a) Use of scholarship funds for reimbursement of tuition. – Notwithstanding
12 sub-subdivision a. of subdivision (3) of this subsection, a parent of an eligible
13 student may pay tuition to certain schools with funds other than funds
14 available in the personal education student account and then request
15 reimbursement from the Authority from scholarship funds if the parent
16 complies with the provisions of subdivision (2) of subsection (a1) of this
17 section.
- 18 (4) Not use scholarship funds for any of the following purposes:
- 19 a. Computer hardware or other technological devices not defined by the
20 Authority as educational technology approved for use pursuant to ~~Part~~
21 ~~1H of Article 9 of this Chapter~~. G.S. 115C-591(2a).
- 22 b. Consumable educational supplies, including paper, pen, or markers.
- 23 c. Tuition and fees at an institution of higher education, as defined in
24 G.S. 116-143.1, or a private postsecondary institution.
- 25 d. Tuition and fees for a nonpublic school that meets the requirements of
26 Part 3 of Article 39 of this Chapter.
- 27 (a1) Disbursement of Funds for Tuition. – The Authority shall disburse scholarship funds
28 awarded to eligible students for tuition at a nonpublic school based upon whether the nonpublic
29 school elects scholarship endorsement for tuition or reimbursement for tuition. Reimbursement
30 for tuition is only available as an option to nonpublic schools that choose not to be subject to
31 G.S. 115C-562.5 and do not enroll students receiving scholarships pursuant to Part 2A of Article
32 39 of this Chapter. Scholarship funds for tuition shall be disbursed as follows:
- 33 (1) Scholarship endorsement for tuition. – The Authority shall remit, at least two
34 times each school year, scholarship funds from the personal education student
35 account for eligible students who attend nonpublic schools who meet the
36 requirements of sub-subdivision a. of subdivision (3) of subsection (a) of this
37 section to the nonpublic school for endorsement by at least one of the student's
38 parents or guardians. The parent or guardian shall restrictively endorse the
39 scholarship funds awarded to the eligible student for deposit into the account
40 of the nonpublic school to the credit of the eligible student. The parent or
41 guardian shall not designate any entity or individual associated with the school
42 as the parent's attorney-in-fact to endorse the scholarship funds. A parent's or
43 guardian's failure to comply with this subdivision shall result in forfeiture of
44 the scholarship funds for tuition. Scholarship funds forfeited for failure to
45 comply with this subdivision shall be returned to the Authority to be awarded
46 to another student.
- 47 (2) Reimbursement for tuition. – The parent or guardian of an eligible student
48 who enrolls in a school that is (i) a North Carolina public school other than
49 the public school to which that student would have been assigned as provided
50 in G.S. 115C-366 or (ii) a nonpublic school that meets the requirements of
51 Part 1 or Part 2 of Article 39 of this Chapter and is identified and deemed

1 eligible by the Division but elects not to be subject to G.S. 115C-562.5, may
2 pay tuition directly to the school with funds other than scholarship funds and
3 request reimbursement with funds available in the personal education student
4 account under subdivision (4) of subsection (a) of this section. However, the
5 Authority shall not reimburse the parent or guardian prior to the midpoint of
6 each semester. A parent or guardian may only receive reimbursement for
7 tuition if the parent or guardian provides documentation to the Authority that
8 the student is enrolled in the school.

9 (b) No Refunds to an Account Holder. – A nonpublic school or a provider of services
10 purchased under subsection (a) of this section shall not refund or rebate any scholarship funds to
11 a parent or eligible student in any manner. The parent shall notify the Authority if such a refund
12 is required.

13 (c) Repealed by Session Laws 2018-5, s. 38.10(m), effective for taxable years beginning
14 on or after January 1, 2018.

15 **"§ 115C-596. Identification of nonpublic schools and distribution of personal education**
16 **savings-student account information.**

17 (a) List of Nonpublic Schools. – The Division shall provide annually by February 1 to
18 the Authority a list of all nonpublic schools operating in the State that meet the requirements of
19 Part 1, 2, or 3 of Article 39 of this Chapter.

20 (b) Information on PESAs to the Division. – The Authority shall provide information
21 about personal education ~~savings-student~~ accounts to the Division. The Division shall provide
22 information about PESAs to all qualified nonpublic schools on an annual basis.

23 **"§ 115C-597. Administration.**

24 (a) Rules and Regulations. – The Authority shall establish rules and regulations for the
25 administration of the program, including the following:

- 26 (1) The administration and awarding of scholarship funds, including a lottery
27 process for the selection of recipients within the criteria established by
28 G.S. 115C-592(a), if necessary.
- 29 (2) Requiring a surety bond or insurance to be held by account holders.
- 30 (3) Use of the funds and the reporting of expenditures.
- 31 (4) Monitoring and control of spending scholarship funds deposited in a personal
32 education savings account.

33 The Authority shall provide recipients of scholarship funds with the annual list of defined
34 educational technology for which scholarship funds may be used.

35 (b) Contract for Management of PESAs. – The Authority may contract with a private
36 financial management firm or institution to manage PESAs in accordance with this Article.

37 (c) Annual Audits. – The Authority shall conduct annual audits of PESAs and may audit
38 a random sampling of PESAs as needed to ensure compliance with the requirements of this
39 Article. The Authority may contract with an independent entity to conduct these audits. The
40 Authority may remove a parent or eligible student from the program and close a personal
41 education ~~savings-student~~ account for failure to comply with the terms of the parental agreement,
42 for failure to comply with applicable laws, or because the student is no longer an eligible student.

43 ~~(d) Administration Costs.—Of the funds allocated to the Authority to award scholarship~~
44 ~~funds under this Article, the Authority may retain up to two hundred fifty thousand dollars~~
45 ~~(\$250,000) each fiscal year for administrative costs associated with the program, including~~
46 ~~contracting with non-State entities for administration of certain components of the program.~~

47 **"§ 115C-598. Reporting requirements.**

48 The Authority shall report annually, no later than October 15, to the Joint Legislative
49 Education Oversight Committee on the following information from the prior school year:

- 50 (1) Total number, grade level, race, ethnicity, and sex of eligible students
51 receiving scholarship funds.

- (2) Total amount of scholarship funding awarded.
- (3) Number of students previously enrolled in public schools in the prior semester by the previously attended local education agency.
- (4) Nonpublic schools in which scholarship recipients are enrolled, including numbers of scholarship recipients at each nonpublic school.
- (5) The number of substantiated cases of fraud by recipients and the number of parents or students removed from the program for noncompliance with the provisions of this Article.

"§ 115C-599. Duties of State agencies.

(a) The State Board, as part of its duty to monitor all local education agencies to determine compliance with this Article and the Individuals with Disabilities Education Act (IDEA), 20 U.S.C. § 1400, et seq., (2004), as amended, and federal regulations adopted under this act, as provided in G.S. 115C-107.4, shall ensure that local education agencies do the following:

- (1) Conduct evaluations requested by a child's parent or guardian of suspected children with disabilities in a timely manner.
- (2) Provide assessments for continuing eligibility to identified children with disabilities receiving scholarship funds at the request of the parent or guardian to ensure compliance with G.S. 115C-593.

(b) The Authority shall analyze, in conjunction with the Department of Public Instruction, past trends in scholarship data on an annual basis to ensure that the amount of funds transferred each fiscal year by the Authority to the Department for reevaluations by local school administrative units of eligible students under G.S. 115C-593 are sufficient and based on actual annual cost requirements.

"§ 115C-600. Personal Education Student Account Fund Reserve.

(a) The Personal Education Student Account Fund Reserve (Reserve) is established as a reserve to be administered by the Board of Governors of The University of North Carolina for the purpose of allocating funds to the Authority for the award of scholarship funds in accordance with this Article. The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the General Assembly and any interest accrued to it thereon. These funds shall be used in the fiscal year following the fiscal year in which the funds were appropriated to the Reserve (i) to award scholarship funds to eligible students for the school year that begins in the fiscal year following the fiscal year in which the funds were appropriated, (ii) for administrative costs, and (iii) for reevaluations by local school administrative units of eligible students under G.S. 115C-599. The Board of Governors shall only use monies in the Reserve in accordance with the purposes set forth in this Article. Funds appropriated in a particular fiscal year to be used in the following fiscal year that are unexpended at the end of the fiscal year following the fiscal year in which the funds were appropriated shall be carried forward for one fiscal year and may be used for the purposes set forth in this Article. Funds carried forward pursuant to this section that have not been spent within one fiscal year shall revert to the General Fund.

(b) Appropriations. – The General Assembly finds that due to the continued growth and ongoing need in this State to provide opportunity for school choice for children with disabilities, it is imperative that the State provide an increase in funds of at least one million dollars (\$1,000,000) each fiscal year to the Reserve for 10 years for the Personal Education Student Accounts for Children with Disabilities Program. To that end, there is appropriated from the General Fund to the Board of Governors of The University of North Carolina the following amounts each fiscal year to be allocated to the Authority for the program in accordance with this Article:

<u>Fiscal Year</u>	<u>Appropriation</u>
<u>2022-2023</u>	<u>\$17,043,166</u>
<u>2023-2024</u>	<u>\$18,043,166</u>

1	<u>2024-2025</u>	\$19,043,166
2	<u>2025-2026</u>	\$20,043,166
3	<u>2026-2027</u>	\$21,043,166
4	<u>2027-2028</u>	\$22,043,166
5	<u>2028-2029</u>	\$23,043,166
6	<u>2029-2030</u>	\$24,043,166
7	<u>2030-2031</u>	\$25,043,166
8	<u>2031-2032 and each subsequent fiscal year thereafter</u>	\$26,043,166

9 When developing the base budget, as defined by G.S. 143C-1-1, for each fiscal year specified
 10 in this subsection, the Director of the Budget shall include the appropriated amount specified in
 11 this subsection for that fiscal year.

12 (c) Administrative Funds. – Of the funds allocated to the Authority to award scholarships
 13 pursuant to this section, the Authority may retain up to four percent (4%) of the funds
 14 appropriated each fiscal year for administrative costs associated with the program, including
 15 contracting with non-State entities for administration of certain components of the program."

16 **SECTION 2.1.(b)** It is the intent of the General Assembly to move the Special
 17 Education Scholarships for Children with Disabilities and the Personal Education Savings
 18 Account program funding, in addition to any other funds appropriated by the General Assembly
 19 for the Personal Education Student Accounts for Children with Disabilities Program, into the
 20 Personal Education Student Account Fund Reserve established under G.S. 115C-600, as enacted
 21 by this section, so that funds appropriated for scholarships in a fiscal year are awarded to students
 22 for the school year in the following fiscal year.

23 **SECTION 2.1.(c)** There is appropriated from the General Fund to the Personal
 24 Education Student Account Fund Reserve, established pursuant to G.S. 115C-600, as enacted by
 25 subsection (a) of this section, the sum of sixteen million forty-three thousand one hundred
 26 sixty-six dollars (\$16,043,166) in nonrecurring funds for the 2021-2022 fiscal year to be used for
 27 the award of scholarship funds to students and administration of the Personal Education Student
 28 Accounts for Children with Disabilities Program for the 2022-2023 school year.

29 **SECTION 2.1.(d)** Notwithstanding G.S. 115C-592, as amended by this section, a
 30 student who was awarded scholarship funds for a PESA pursuant to Article 41 of Chapter 115C
 31 of the General Statutes for the 2021-2022 school year or a student who received a scholarship
 32 pursuant to Part 1H of Article 9 of Chapter 115C of the General Statutes for the 2021-2022 school
 33 year shall receive priority in the award of scholarship funds under G.S. 115C-592 for a personal
 34 education student account for the 2022-2023 school year if the student applies by March 1, 2022.

35 **SECTION 2.1.(e)** This section becomes effective July 1, 2021, and applies to
 36 applications for scholarship funds beginning with the 2022-2023 school year.

37 **SECTION 2.2.(a)** Notwithstanding any other provision of law, beginning with the
 38 2022-2023 fiscal year, of the funds appropriated from the General Fund to the Board of
 39 Governors of The University of North Carolina, the sum of (i) thirteen million forty-three
 40 thousand one hundred sixty-six dollars (\$13,043,166) in recurring funds for the Special
 41 Education Scholarship Program for Children with Disabilities established pursuant to Part 1H of
 42 Article 9 of Chapter 115C of the General Statutes and (ii) three million dollars (\$3,000,000) in
 43 recurring funds for the Personal Education Savings Account program shall instead be
 44 appropriated to the Personal Education Student Account Fund Reserve, as enacted by Section 2.1
 45 of this act.

46 **SECTION 2.2.(b)** Part 1H of Article 9 of Chapter 115C of the General Statutes is
 47 repealed.

48 **SECTION 2.2.(c)** G.S. 115C-555(4) reads as rewritten:
 49 "(4) It receives no funding from the State of North Carolina. For the purposes of
 50 this Article, scholarship funds awarded pursuant to Part 2A of this ~~Article,~~
 51 ~~Article or Article 41 of this Chapter, or Part 1H of Article 9 of this Chapter~~ to

1 eligible students attending a nonpublic school shall not be considered funding
2 from the State of North Carolina."

3 **SECTION 2.2.(d)** G.S. 115C-567.1(a), as enacted by Section 1.4 of this act, reads
4 as rewritten:

5 "(a) The State Education Assistance Authority, in its administration of scholarship
6 programs for eligible students pursuant to Part 2A of this ~~Article, Article and Article~~ 41 of this
7 ~~Chapter, and Part 1H of Article 9 of this Chapter~~ may contract with a nonprofit corporation
8 representing parents and families, for outreach and scholarship education, program promotion,
9 and application assistance for parents and students. The Authority shall issue a request for
10 proposals in order to enter into a contract with a nonprofit corporation that meets the following
11 requirements during the term of the contract:

- 12 (1) Be a nonprofit corporation organized pursuant to Chapter 55A of the General
13 Statutes and comply at all times with the provisions of section 501(c)(3) of the
14 Internal Revenue Code.
- 15 (2) Employ sufficient staff who have demonstrated a capacity of direct parent and
16 family outreach, program promotion, procedural knowledge to assist parents
17 through scholarship application process and implement a scholarship grant
18 program, including by doing the following:
 - 19 a. One-on-one parent and family engagement.
 - 20 b. Scholarship education and public awareness.
- 21 (3) Comply with the limitations on lobbying set forth in section 501(c)(3) of the
22 Internal Revenue Code.
- 23 (4) Have no State officer or employee serving on the board of the nonprofit.
- 24 (5) Conduct at least quarterly meetings of the board of directors of the nonprofit
25 at the call of its chair."

26 **SECTION 2.2.(e)** Section 5(b) of S.L. 2013-364, as rewritten by Section 3.2 of S.L.
27 2013-363 and as amended by Section 11.18 of S.L. 2015-241, is repealed.

28 **SECTION 2.2.(f)** This section becomes effective July 1, 2022.

29 **SECTION 2.3.(a)** G.S. 105-153.5(b)(12) reads as rewritten:

30 "(12) The amount deposited during the taxable year to a personal education ~~savings~~
31 student account under Article 41 of Chapter 115C of the General Statutes."

32 **SECTION 2.3.(b)** This section does not affect the rights or liabilities of the State, a
33 taxpayer, or another person arising under a statute amended by this section before the effective
34 date of its amendment, nor does it affect the right to any refund or credit of a tax that accrued
35 under the amended statute before the effective date of its amendment.

36 **SECTION 2.3.(c)** This section applies to taxable years beginning on or after January
37 1, 2022.

38 39 **PART III. AUTHORIZE COUNTIES TO USE LOCAL FUNDS TO SUPPLEMENT K-12** 40 **SCHOLARSHIPS**

41 **SECTION 3.1.** G.S. 153A-149(c) is amended by adding a new subdivision to read:

42 "(17a) K-12 Scholarship Programs. – To provide supplemental funds for students
43 receiving K-12 scholarships for educational purposes as authorized by
44 G.S. 153A-460."

45 **SECTION 3.2.** Article 23 of Chapter 153A of the General Statutes is amended by
46 adding a new section to read:

47 "**§ 153A-460. K-12 scholarship programs.**

48 (a) Each county is authorized to appropriate funds in a fiscal year in accordance with
49 subsection (b) of this section to provide an amount of up to one thousand dollars (\$1,000) per
50 child residing in the county who meets all of the following requirements to supplement
51 scholarship funds provided by the State for educational purposes:

1 (1) The child has received scholarship funds for the school year through one or
2 more of the programs funded by State funds for that fiscal year pursuant to
3 Part 1H of Article 9, Part 2A of Article 39, or Article 41 of Chapter 115C of
4 the General Statutes.

5 (2) The child is enrolled in a nonpublic school located within the county for the
6 school year.

7 (b) A county that is providing scholarship funds pursuant to subsection (a) of this section
8 shall determine the amount of funds to appropriate in a fiscal year based on the number of
9 children residing in the county who received scholarship funds for the school year immediately
10 preceding the school year for which the appropriation is being made through one or more of the
11 following programs funded by State funds: Part 1H of Article 9, Part 2A of Article 39, or Article
12 41 of Chapter 115C of the General Statutes. The county may provide supplemental funds for
13 eligible students receiving scholarships under one or more of these programs. The county shall
14 request de-identified data from the State Education Assistance Authority on the number of
15 students receiving scholarship funds for the prior school year to determine the amount of funds
16 to appropriate for that fiscal year.

17 (c) A county appropriating funds pursuant to this section shall remit the appropriated
18 funds to the State Education Assistance Authority for expenditure in that fiscal year. The State
19 Education Assistance Authority shall act as the fiscal agent for the county in the disbursement of
20 funds to eligible students pursuant to G.S. 115C-112.6(f), 115C-562.2(f), or 115C-592(f), as
21 applicable."

22 **SECTION 3.3.** G.S. 115C-112.6 is amended by adding a new subsection to read:

23 "(f) Supplemental Local Scholarship Funds. – A county may provide supplemental
24 scholarship funds to eligible students residing within the county pursuant to G.S. 153A-460 for
25 a school year. At its request, the Authority shall provide de-identified data to a county on the
26 number of students who in the prior school year (i) received scholarships pursuant to this Part,
27 (ii) resided in the county, and (iii) were enrolled in a nonpublic school located in the county. If a
28 county appropriates funds for supplemental scholarship funds for eligible students in a school
29 year pursuant to G.S. 153A-460, the Authority shall disburse up to one thousand dollars (\$1,000)
30 in scholarship funds for that school year to each eligible student residing in that county who is
31 enrolled in a nonpublic school located in the county to supplement the scholarship funds awarded
32 pursuant to this Part. Scholarship funds disbursed to eligible students under this subsection shall
33 be subject to the same limitations and requirements as scholarship funds provided with State
34 funds under this Part. The Authority shall return to the county any unused funds at the end of
35 each fiscal year. The Authority may adopt rules for the disbursement of funds pursuant to this
36 subsection."

37 **SECTION 3.4.** G.S. 115C-562.2 is amended by adding a new subsection to read:

38 "(f) A county may provide supplemental scholarship funds to eligible students residing
39 within the county pursuant to G.S. 153A-460 for a school year. At its request, the Authority shall
40 provide de-identified data to a county on the number of students who in the prior school year (i)
41 received scholarship grants pursuant to this Part, (ii) resided in the county, and (iii) were enrolled
42 in a nonpublic school located in the county. If a county appropriates funds for supplemental
43 scholarship funds for eligible students in a school year pursuant to G.S. 153A-460, the Authority
44 shall disburse up to one thousand dollars (\$1,000) in scholarship funds for that school year to
45 each eligible student residing in that county who is enrolled in a nonpublic school located in the
46 county to supplement the scholarship grants awarded pursuant to this Part. Scholarship funds
47 disbursed to eligible students under this subsection shall be subject to the same limitations and
48 requirements as scholarship grants provided with State funds under this Part. The Authority shall
49 return to the county any unused funds at the end of each fiscal year. The Authority may adopt
50 rules for the disbursement of funds pursuant to this subsection."

51 **SECTION 3.5.** G.S. 115C-592 is amended by adding a new subsection to read:

1 "(f) Supplemental Local Scholarship Funds. – A county may provide supplemental
2 scholarship funds to eligible students residing within the county pursuant to G.S. 153A-460 for
3 a school year. At its request, the Authority shall provide de-identified data to a county on the
4 number of students who in the prior school year (i) received scholarships pursuant to this Article,
5 (ii) resided in the county, and (iii) were enrolled in a nonpublic school located in the county. If a
6 county appropriates funds for supplemental scholarship funds for eligible students in a school
7 year pursuant to G.S. 153A-460, the Authority shall disburse up to one thousand dollars (\$1,000)
8 in scholarship funds for that school year to each eligible student residing in that county who is
9 enrolled in a nonpublic school located in the county to supplement the scholarship funds awarded
10 pursuant to this Article. Scholarship funds disbursed to eligible students under this subsection
11 shall be subject to the same limitations and requirements as scholarship funds provided with State
12 funds under this Article. The Authority shall return to the county any unused funds at the end of
13 each fiscal year. The Authority may adopt rules for the disbursement of funds pursuant to this
14 subsection."

15 **SECTION 3.6.** Effective July 1, 2022, G.S. 153A-460 reads as rewritten:

16 "**§ 153A-460. K-12 scholarship programs.**

17 (a) Each county is authorized to appropriate funds in a fiscal year in accordance with
18 subsection (b) of this section to provide an amount of up to one thousand dollars (\$1,000) per
19 child residing in the county who meets all of the following requirements to supplement
20 scholarship funds provided by the State for educational purposes:

21 (1) The child has received scholarship funds for the school year through one or
22 more of the programs funded by State funds for that fiscal year pursuant to
23 ~~Part 1H of Article 9, Part 2A of Article 39, 39~~ or Article 41 of Chapter 115C
24 of the General Statutes.

25 (2) The child is enrolled in a nonpublic school located within the county for the
26 school year.

27 (b) A county that is providing scholarship funds pursuant to subsection (a) of this section
28 shall determine the amount of funds to appropriate in a fiscal year based on the number of
29 children residing in the county who received scholarship funds for the school year immediately
30 preceding the school year for which the appropriation is being made through one or more of the
31 following programs funded by State funds: ~~Part 1H of Article 9, Part 2A of Article 39, 39~~ or
32 Article 41 of Chapter 115C of the General Statutes. The county may provide supplemental funds
33 for eligible students receiving scholarships under one or more of these programs. The county
34 shall request de-identified data from the State Education Assistance Authority on the number of
35 students receiving scholarship funds for the prior school year to determine the amount of funds
36 to appropriate for that fiscal year.

37 (c) A county appropriating funds pursuant to this section shall remit the appropriated
38 funds to the State Education Assistance Authority for expenditure in that fiscal year. The State
39 Education Assistance Authority shall act as the fiscal agent for the county in the disbursement of
40 funds to eligible students pursuant to ~~G.S. 115C-112.6(f), G.S. 115C-562.2(f),~~
41 G.S. 115C-562.2(f) or G.S. 115C-592(f), as applicable."

42 **SECTION 3.7.** This Part applies beginning with county budget ordinances adopted
43 for the 2021-2022 fiscal year that provide funds for students receiving scholarship funds for the
44 2021-2022 school year.

45 **PART IV. EFFECTIVE DATE**

46 **SECTION 4.** Except as otherwise provided, this act is effective when it becomes
47 law.
48