

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2021

H.B. 32  
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH40029-MKfa-1B

Short Title: Equity in Opportunity Act. (Public)

Sponsors: Representatives Arp, Blackwell, Lambeth, and Saine (Primary Sponsors).

Referred to:

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:  
34 I. Was enrolled in a nonpublic school that meets the  
35 requirements of Part 1 and Part 2 of this Article during



1 the spring semester prior to the school year for which  
2 the student is applying.

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

7 A. A North Carolina public school.

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

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

12 "(b) Scholarship grants awarded to eligible students residing in households with an income  
13 level not in excess of the amount required for the student to qualify for the federal free or  
14 reduced-price lunch program shall ~~be for amounts of up to four thousand two hundred dollars~~  
15 ~~(\$4,200) per year.~~ be, per year per eligible student, in an amount of up to seventy percent (70%)  
16 of the average State per pupil allocation in the prior fiscal year. Scholarship grants awarded to  
17 eligible students residing in households with an income level in excess of the amount required  
18 for the student to qualify for the federal free or reduced-price lunch program shall be for amounts  
19 of not more than ninety percent (90%) of the required tuition and fees for the nonpublic school  
20 the eligible child will attend. Tuition and fees for a nonpublic school may include tuition and fees  
21 for books, transportation, equipment, or other items required by the nonpublic school. No  
22 scholarship grant shall ~~exceed four thousand two hundred dollars (\$4,200) exceed,~~ per year per  
23 eligible student, an amount equal to seventy percent (70%) of the average State per pupil  
24 allocation in the prior fiscal year and no scholarship grant shall exceed the required tuition and  
25 fees for the nonpublic school the eligible student will attend."

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

27 **"§ 115C-562.3. Verification of eligibility-eligibility; information from other State agencies.**

28 ...

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

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

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

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

43 "(b) Scholarship grants awarded to eligible students residing in households with an income  
44 level not in excess of the amount required for the student to qualify for the federal free or  
45 reduced-price lunch program shall be, per year per eligible student, in an amount of up to ~~seventy~~  
46 ~~percent (70%)~~ eighty percent (80%) of the average State per pupil allocation in the prior fiscal  
47 year. Scholarship grants awarded to eligible students residing in households with an income level  
48 in excess of the amount required for the student to qualify for the federal free or reduced-price  
49 lunch program shall be for amounts of not more than ninety percent (90%) of the required tuition  
50 and fees for the nonpublic school the eligible child will attend. Tuition and fees for a nonpublic  
51 school may include tuition and fees for books, transportation, equipment, or other items required

1 by the nonpublic school. No scholarship grant shall exceed, per year per eligible student, an  
2 amount equal to ~~seventy percent (70%)~~ eighty percent (80%) of the average State per pupil  
3 allocation in the prior fiscal year and no scholarship grant shall exceed the required tuition and  
4 fees for the nonpublic school the eligible student will attend."

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

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

8 "**§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.**

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

25 ...

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

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

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

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

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

36 "**§ 115C-567.1. Outreach and assistance for parents and students.**

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

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

47 (2) Employ sufficient staff who have demonstrated a capacity of direct parent and  
48 family outreach, program promotion, and procedural knowledge to assist  
49 parents through scholarship application processes and implement a  
50 scholarship grant program, including by doing the following:

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



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

32 **"§ 115C-592. Award of scholarship funds for a personal education ~~savings~~ student account.**

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

- 40 (1) First priority shall be given to eligible students who were awarded scholarship  
 41 funds for a PESA during the previous school year ~~if those students have~~  
 42 ~~applied by March 1 year.~~
- 43 (2) After funds have been awarded to prior recipients as provided in subdivision  
 44 (1) of this subsection, any remaining funds shall be used to award scholarship  
 45 funds for a PESA for all other eligible students.

46 (b) Scholarship Awards. – ~~Scholarships~~ Except for eligible students who qualify for  
 47 scholarship funds pursuant to subsection (b1) of this section, scholarships shall be awarded each  
 48 year for an amount not to exceed nine thousand dollars (\$9,000) per eligible student in an amount,  
 49 per year per eligible student, of up to the sum of the following from the prior fiscal year: the State  
 50 allocation per funded child with disabilities plus eighty-five percent (85%) of the average State  
 51 per pupil allocation, except for the allocation for children with disabilities, for the fiscal school

1 year ~~in for~~ which the application is received, except for eligible part-time students, who shall be  
2 awarded scholarships each year for an amount not to exceed ~~four thousand five hundred dollars~~  
3 ~~(\$4,500)~~ fifty percent (50%) of the sum from the prior fiscal year as described in this subsection  
4 per eligible student for the ~~fiscal school year in for~~ which the application is received. Any funds  
5 remaining on a debit card or in an electronic account provided under subsection (b2) of this  
6 section at the end of a school year for eligible students who qualify only under this subsection  
7 shall be returned to the Authority.

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

- 12 (1) Autism.
- 13 (2) Hearing impairment.
- 14 (3) Moderate or severe intellectual or developmental disability.
- 15 (4) Multiple, permanent orthopedic impairments.
- 16 (5) Visual impairment.

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

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

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

- 43 (1) An eligible student under this Article may receive, in addition to a PESA, a  
44 scholarship under Part 2A of Article 39 of this Chapter.
- 45 (2) An eligible student under this Article may receive, in addition to a PESA and  
46 a scholarship under Part 2A of Article 39 of this Chapter, a scholarship under  
47 the special education scholarship program for children with disabilities  
48 pursuant to Part 1H of Article 9 of this Chapter, only if that student has one or  
49 more of the following disabilities:
  - 50 a. Autism.
  - 51 b. Developmental disability.

- e. ~~Hearing impairment.~~
- d. ~~Moderate or severe intellectual disability.~~
- e. ~~Multiple, permanent orthopedic impairments.~~
- f. ~~Visual impairment.~~

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

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

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

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

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

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

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

(a) Verification of Information. – The Authority may seek verification of information on any application for the award of scholarship funds for a personal education ~~savings~~-student account. ~~The Authority shall select and verify six percent (6%) of applications annually, including those with apparent errors on the face of the application.~~ The Authority shall establish rules for the verification process. If a household fails to cooperate with verification efforts, the Authority shall revoke the award of scholarship funds for a PESA for the eligible student.

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

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

9 **"§ 115C-595. Parental agreement; use of funds.**

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

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



- 1 j. Educational technology defined by the Authority as approved for use  
2 pursuant to ~~Part 1H of Article 9 of this Chapter~~. G.S. 115C-591(2a).  
3 k. Student transportation, pursuant to a contract with an entity that  
4 regularly provides student transportation, to and from (i) a provider of  
5 education or related services or (ii) an education activity.  
6 l. Transaction or merchant fees charged to the account holder, not to  
7 exceed two and one-half percent (2.5%) of the cost of the item or  
8 service.

9 (3a) Use of scholarship funds for reimbursement of tuition. – Notwithstanding  
10 sub-subdivision a. of subdivision (3) of this subsection, a parent of an eligible  
11 student may pay tuition to certain schools with funds other than funds  
12 available in the personal education student account and then request  
13 reimbursement from the Authority from scholarship funds if the parent  
14 complies with the provisions of subdivision (2) of subsection (a1) of this  
15 section.

- 16 (4) Not use scholarship funds for any of the following purposes:  
17 a. Computer hardware or other technological devices not defined by the  
18 Authority as educational technology approved for use pursuant to ~~Part~~  
19 ~~1H of Article 9 of this Chapter~~. G.S. 115C-591(2a).  
20 b. Consumable educational supplies, including paper, pen, or markers.  
21 c. Tuition and fees at an institution of higher education, as defined in  
22 G.S. 116-143.1, or a private postsecondary institution.  
23 d. Tuition and fees for a nonpublic school that meets the requirements of  
24 Part 3 of Article 39 of this Chapter.

25 (a1) Disbursement of Funds for Tuition. – The Authority shall disburse scholarship funds  
26 awarded to eligible students for tuition at a nonpublic school based upon whether the nonpublic  
27 school elects scholarship endorsement for tuition or reimbursement for tuition. Reimbursement  
28 for tuition is only available as an option to nonpublic schools that choose not to be subject to  
29 G.S. 115C-562.5 and do not enroll students receiving scholarships pursuant to Part 2A of Article  
30 39 of this Chapter. Scholarship funds for tuition shall be disbursed as follows:

31 (1) Scholarship endorsement for tuition. – The Authority shall remit, at least two  
32 times each school year, scholarship funds from the personal education student  
33 account for eligible students who attend nonpublic schools who meet the  
34 requirements of sub-subdivision a. of subdivision (3) of subsection (a) of this  
35 section to the nonpublic school for endorsement by at least one of the student's  
36 parents or guardians. The parent or guardian shall restrictively endorse the  
37 scholarship funds awarded to the eligible student for deposit into the account  
38 of the nonpublic school to the credit of the eligible student. The parent or  
39 guardian shall not designate any entity or individual associated with the school  
40 as the parent's attorney-in-fact to endorse the scholarship funds. A parent's or  
41 guardian's failure to comply with this subdivision shall result in forfeiture of  
42 the scholarship funds for tuition. Scholarship funds forfeited for failure to  
43 comply with this subdivision shall be returned to the Authority to be awarded  
44 to another student.

45 (2) Reimbursement for tuition. – The parent or guardian of an eligible student  
46 who enrolls in a school that is (i) a North Carolina public school other than  
47 the public school to which that student would have been assigned as provided  
48 in G.S. 115C-366 or (ii) a nonpublic school that meets the requirements of  
49 Part 1 or Part 2 of Article 39 of this Chapter and is identified and deemed  
50 eligible by the Division but elects not to be subject to G.S. 115C-562.5, may  
51 pay tuition directly to the school with funds other than scholarship funds and

1                   request reimbursement with funds available in the personal education student  
2                   account under subdivision (4) of subsection (a) of this section. However, the  
3                   Authority shall not reimburse the parent or guardian prior to the midpoint of  
4                   each semester. A parent or guardian may only receive reimbursement for  
5                   tuition if the parent or guardian provides documentation to the Authority that  
6                   the student is enrolled in the school.

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

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

13 **"§ 115C-596. Identification of nonpublic schools and distribution of personal education**  
14 **savings student account information.**

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

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

21 **"§ 115C-597. Administration.**

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

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

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

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

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

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

45 **"§ 115C-598. Reporting requirements.**

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

- 48                   (1) Total number, grade level, race, ethnicity, and sex of eligible students  
49                   receiving scholarship funds.
- 50                   (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> |
|--------------------|----------------------|
| 2022-2023          | \$17,043,166         |
| 2023-2024          | \$18,043,166         |
| 2024-2025          | \$19,043,166         |

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

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

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

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

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

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

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

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

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

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