

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

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SENATE BILL 406
Education/Higher Education Committee Substitute Adopted 4/26/23

Short Title: Choose Your School, Choose Your Future. (Public)

Sponsors:

Referred to:

March 30, 2023

1 A BILL TO BE ENTITLED
2 AN ACT TO EXPAND ELIGIBILITY FOR OPPORTUNITY SCHOLARSHIPS, TO
3 REQUIRE A SEQUENCE OF COURSES FOR EARLY HIGH SCHOOL GRADUATION,
4 AND TO ESTABLISH THE EARLY GRADUATE SCHOLARSHIP PROGRAM.

5 The General Assembly of North Carolina enacts:

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7 **PART I. EXPAND ELIGIBILITY FOR OPPORTUNITY SCHOLARSHIPS**

8 **SECTION 1.(a)** G.S. 115C-562.1(3), (3c), (5c), and (5e) are repealed.

9 **SECTION 1.(b)** G.S. 115C-562.1 is amended by adding a new subdivision to read:

10 "(3a) Eligible student. – A student residing in North Carolina who has not yet
11 received a high school diploma and who meets all of the following
12 requirements:

13 a. Is eligible to attend a North Carolina public school pursuant to Article
14 25 of this Chapter. A child who is the age of 4 on or before April 16 is
15 eligible to attend the following school year if the principal, or
16 equivalent, of the school in which the child seeks to enroll finds that
17 the student meets the requirements established by the Authority
18 pursuant to G.S. 115C-562.2(d) and those findings are submitted to the
19 Authority.

20 b. Has not been enrolled in a postsecondary institution as a full-time
21 student taking at least 12 hours of academic credit.

22 c. Has not been placed in a nonpublic school or facility by a public
23 agency at public expense."

24 **SECTION 1.(c)** G.S. 115C-562.2 reads as rewritten:

25 **"§ 115C-562.2. Scholarship grants.**

26 (a) The Authority shall make available no later than February 1 annually applications to
27 eligible students for the award of scholarship grants to attend any nonpublic ~~school~~. school on a
28 full- or part-time basis. Information about scholarship grants and the application process shall be
29 made available on the Authority's Web site. Beginning March 15, the Authority shall begin
30 awarding scholarship grants according to the following criteria:

31 (1) First priority shall be given to eligible students who received a scholarship
32 grant for the school year prior to the school year for which the students are
33 applying if those students have applied by March 1.

34 (2) After scholarship grants have been awarded to prior recipients as provided in
35 subdivision (1) of this subsection, scholarships shall be awarded with
36 remaining funds as follows:



- a. At least fifty percent (50%) of the remaining funds shall be used to award scholarship grants 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.
- b. Repealed by Session Laws 2020-97, s. 3.3(a), effective September 4, 2020.
- c. Any remaining funds shall be used to award scholarship grants to all other eligible students.

~~(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 ninety percent (90%) as a full-time student or up to forty-five percent (45%) as a part-time student of the average State per pupil allocation for average daily membership 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 as a full-time student or forty-five percent (45%) of the required tuition and fees as a part-time student 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, per year per eligible student, an amount equal to ninety percent (90%) for a full-time student or forty-five percent (45%) for a part-time student of the average State per pupil allocation for average daily membership 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.~~

(b1) Repealed by Session Laws 2021-180, s. 8A.3(e), effective July 1, 2021.

(b2) Beginning with the 2024-2025 school year, scholarship grants shall be awarded to eligible students as follows:

- (1) For 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, per year per eligible student, an amount of up to one hundred percent (100%) of the average State per pupil allocation for average daily membership in the prior fiscal year.
- (2) For students residing in households with an income level between the amount required for the student to qualify for the federal free or reduced-price lunch program and not in excess of two hundred percent (200%) of that amount, per year per eligible student, an amount of up to ninety percent (90%) of the average State per pupil allocation for average daily membership in the prior fiscal year.
- (3) For students residing in households with an income level of between two hundred percent (200%) of the amount required for the student to qualify for the federal free or reduced-price lunch program and not in excess of four hundred and fifty percent (450%) of that amount, per year per eligible student, an amount of up to sixty percent (60%) of the average State per pupil allocation for average daily membership in the prior fiscal year.
- (4) For all students, per year per eligible student, an amount of up to forty-five percent (45%) of the average State per pupil allocation for average daily membership in the prior fiscal year, unless the student qualifies for a higher amount under this subsection.

(b3) Tuition and fees for a nonpublic school may include tuition and fees for books, transportation, equipment, or other items required by the nonpublic school.

(b4) No scholarship grant shall exceed, per year per eligible student, an amount equal to one hundred percent (100%) of the average State per pupil allocation for average daily membership 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.(d) G.S. 115C-562.3 reads as rewritten:

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

(a) To verify that the domicile requirements of G.S. 115C-366 are met for State residency, the Authority shall establish a domicile determination system and shall establish rules for determination of domicile within the State in accordance with this subsection. The Division of Motor Vehicles of the Department of Transportation, the Department of Public Instruction, the Department of Commerce, the Department of Health and Human Services, the Department of Revenue, the State Board of Elections, and the State Chief Information Officer each shall expeditiously cooperate with the Authority in verifying electronically, or by other similarly effective and efficient means, evidence submitted to the Authority for the purposes of establishing the domicile required by G.S. 115C-366 for State residency. The Authority shall accept any of the following as evidence of domicile within the State:

(1) Verified State drivers license or State identification card.

(2) Verified State voter registration.

(3) Verified receipt of public benefits from a State agency.

(4) Verified filing of State income taxes for the year prior to application.

(5) Verified enrollment in a North Carolina public school at the time of application.

(6) An electronically submitted copy of one of the following current documents that show the name of the parent and an address within the State:

a. A utility bill.

b. A bank statement.

c. A government check.

d. A paycheck.

e. Any other government document.

(a1) ~~The~~ In addition to the requirements of subsection (a) of this section, the Authority may seek verification of information on any application for scholarship grants from eligible students. The Authority shall select and verify six percent (6%) four percent (4%) of applications for scholarship grant funds awarded under G.S. 115C-562.2(b2)(1) through (b2)(3) annually, including those with apparent errors on the face of the application. The Authority shall establish rules for the verification process and may use the federal verification requirements process for free and reduced-price lunch applications as guidance for those rules. If a household fails to cooperate with verification efforts, the Authority shall revoke the award of the scholarship grant to the eligible student.

(b) Household members of applicants for scholarship grants shall authorize the Authority to access information needed for verification efforts conducted under this section 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.(e) G.S. 115C-562.8 reads as rewritten:

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

(a) The Opportunity Scholarship Grant Fund 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 grants in accordance with this Part. 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 to award scholarship grants to eligible students for the school year that begins in the fiscal year following the fiscal year in which the appropriation is made to the Reserve. The Board of Governors shall only use monies in the Reserve in accordance with the purposes set forth in this section. Funds appropriated in a particular fiscal year to be used for the award of scholarships in the following fiscal year that are unexpended at the end of the fiscal year after the fiscal year in which the funds were appropriated shall be first used for the purpose set forth in subdivision (1) of subsection (d) of this section, if applicable. After funds are used for this purpose, any unexpended funds from the funds appropriated in a particular fiscal year to be used for the award of scholarships in the following fiscal year shall be carried forward for one fiscal year and may be used for the purposes set forth in this section. Funds carried forward pursuant to this section that have not been spent within one fiscal year shall revert to the General Fund.

(b) The General Assembly finds that, due to the critical need in this State to provide opportunity for school choice for North Carolina students, it is imperative that the State provide an increase of funds for 15 years to the Opportunity Scholarship Grant Fund Reserve. Therefore, there is appropriated from the General Fund to the Reserve the following amounts for each fiscal year to be used for the purposes set forth in this section:

Fiscal Year	Appropriation
2017-2018	\$44,840,000
2018-2019	\$54,840,000
2019-2020	\$64,840,000
2020-2021	\$74,840,000
2021-2022	\$84,840,000
2022-2023	\$94,840,000
2023-2024	\$176,540,000
2024-2025	\$191,540,000
2025-2026	\$206,540,000 \$415,540,000
2026-2027	\$221,540,000 \$430,540,000
2027-2028	\$236,540,000 \$445,540,000
2028-2029	\$251,540,000 \$460,540,000
2029-2030	\$266,540,000 \$475,540,000
2030-2031	\$281,540,000 \$490,540,000
2031-2032	\$296,540,000 \$505,540,000

For the 2032-2033 fiscal year and each fiscal year thereafter, there is appropriated from the General Fund to the Reserve the sum of ~~three hundred eleven million five hundred forty thousand dollars (\$311,540,000)~~ five hundred twenty million five hundred forty thousand dollars (\$520,540,000) to be used for the purposes set forth in this section. When developing the base budget, as defined by G.S. 143C-1-1, for each fiscal year specified in this subsection, the Director of the Budget shall include the appropriated amount specified in this subsection for that fiscal year.

(c) Of the funds allocated to the Authority to award scholarship grants under this Part, the Authority may retain up to two and one-half percent (2.5%) of the funds appropriated each fiscal year for administrative costs associated with the scholarship grant program.

(d) Any unexpended funds at the end of a fiscal year from the funds appropriated in a particular fiscal year to be used for the award of scholarships in the following fiscal year shall be used as follows:

(1) Up to five hundred thousand dollars (\$500,000) may be used by the Authority to contract with a nonprofit corporation representing parents and families for outreach and scholarship education and application assistance for parents and students pursuant to Part 4A of this Article.

(2) Any remaining funds shall be carried forward for one fiscal year pursuant to subsection (a) of this section."

SECTION 1.(f) Notwithstanding G.S. 115C-562.3(a), as enacted by this act, as part of a student's application for a scholarship grant pursuant to Part 2A of Article 39 of Chapter 115C of the General Statutes for the 2024-2025 school year, a parent shall certify to the State Education Assistance Authority that the domicile requirements of G.S. 115C-562.1(3a), as enacted by this act, are met for eligibility purposes in lieu of submitting evidence electronically to the State Education Assistance Authority through a domicile determination system. The State Education Assistance Authority shall select six percent (6%) of the applications for the 2024-2025 school year to verify the domicile requirements are met for the award of a scholarship grant to an eligible student. As evidence of domicile, the State Education Assistance Authority may accept the submission of any of the documents set forth under G.S. 115C-562.3(a). If a parent fails to cooperate with verification efforts under this section, the State Education Assistance Authority shall revoke the award of the scholarship grant to the eligible student. In addition, if the State Education Assistance Authority determines that the certification of the parent contains falsified information, the parent may be subject to administrative, civil, or criminal penalties. The State Education Assistance Authority shall include a notice of the potential for the imposition of penalties when requesting certification as part of the application process.

SECTION 1.(g) There is appropriated from the General Fund to the Opportunity Scholarship Grant Fund Reserve the sum of eighty-seven million dollars (\$87,000,000) in nonrecurring funds for the 2023-2024 fiscal year. There is appropriated from the General Fund to the Opportunity Scholarship Grant Fund Reserve the sum of one hundred sixty-three million dollars (\$163,000,000) in nonrecurring funds for the 2024-2025 fiscal year.

SECTION 1.(h) This section is effective July 1, 2023, and applies to applications for scholarship grants beginning with the 2024-2025 school year.

PART II. SEQUENCE OF COURSES FOR EARLY HIGH SCHOOL GRADUATION

SECTION 2.(a) G.S. 115C-12(9d)a. reads as rewritten:

"a. The Board may develop exit standards that shall be required for high school graduation. The Board shall develop a sequence of courses that shall be available in all public school units to allow a student to complete the credits required for graduation in a three-year period. The Board shall indicate on a student's transcript if the student graduates from a public high school within three years of entering the ninth grade. A governing body of a public school unit shall not require any additional credits beyond those mandated by the Board for high school graduation. The Board shall require the following for high school graduation:

1. Successful completion of instruction in cardiopulmonary resuscitation as provided in G.S. 115C-81.25(c)(10).
2. A passing grade in the semester course on the Founding Principles of the United States of America and the State of North Carolina described in G.S. 115C-81.45(d)(1)."

SECTION 2.(b) G.S. 115C-12(9d)b.2. reads as rewritten:

- "2. The Board shall not require any student to prepare a high school graduation project as a condition of graduation from

high school; local boards of education may, however, require their students to complete a high school graduation as provided in G.S. 115C-47(54a)-school."

SECTION 2.(c) G.S. 115C-47(54a) is repealed.

SECTION 2.(d) G.S. 115C-12(32) reads as rewritten:

"(32) Duty to Encourage Early Entry of Motivated Students into Four-Year College Programs. –

- a. The State Board of Education, in cooperation with the Education Cabinet, shall work with local school administrative units, the constituent institutions of The University of North Carolina, local community colleges, and private colleges and universities to (i) encourage early entry of motivated students into two-year or four-year college-postsecondary programs and to (ii) ensure that there are opportunities at two-year and four-year institutions for academically talented high school students to get an early start on college coursework, either at nearby institutions or through distance learning.
- b. The State Board of Education shall also adopt policies directing school guidance counselors in all public school units to make ninth grade students aware of the potential to complete the high school courses required for college entry in a three-year period and for the availability of early graduate scholarships under Part 7 of Article 23 of Chapter 116 of the General Statutes for those students."

SECTION 2.(e) G.S. 115C-47 is amended by adding a new subdivision to read:

"(53a) To Encourage Early High School Graduation. – Local boards of education shall offer a sequence of courses in accordance with G.S. 115C-12(9d) and to advise students using this sequence to graduate within three years of entering the ninth grade of the availability of early graduate scholarships under Part 7 of Article 23 of Chapter 116 of the General Statutes."

SECTION 2.(f) G.S. 115C-218.85(a) is amended by adding a new subdivision to

read:

"(6) A charter school shall offer a sequence of courses in accordance with G.S. 115C-12(9d) and shall advise students using this sequence to graduate within three years of entering the ninth grade of the availability of early graduate scholarships under Part 7 of Article 23 of Chapter 116 of the General Statutes."

SECTION 2.(g) G.S. 115C-238.66(1) is amended by adding a new sub-subdivision

to read:

- "f. The board of directors shall offer a sequence of courses in accordance with G.S. 115C-12(9d) and shall advise students using this sequence to graduate within three years of entering the ninth grade of the availability of early graduate scholarships under Part 7 of Article 23 of Chapter 116 of the General Statutes."

SECTION 2.(h) The governing body of a public school unit shall report to the Department of Public Instruction on the number of rising eleventh graders utilizing the sequence of courses to complete the credits required for graduation in a three-year period by May 15, 2025, and May 15, 2026. The Department of Public Instruction shall report the total number of rising eleventh graders utilizing the sequence of courses to complete the credits required for graduation in a three-year period by public school unit to the Fiscal Research Division by June 1, 2025, and June 1, 2026.

SECTION 2.(i) The State Board of Education shall adopt an emergency rule no later than August 1, 2023, to establish the graduation requirements and sequence of courses required

by this section. Governing bodies of public school units shall advise students beginning with the 2023-2024 school year of this sequence, the option to graduate within three years of entering the ninth grade, and the availability of early graduate scholarships. Students enrolled in the tenth grade during the 2023-2024 school year who complete the sequence of courses required for graduation in a three-year period shall be eligible to graduate in the 2024-2025 school year.

SECTION 2.(j) This section is effective when it becomes law.

PART III. EARLY GRADUATE SCHOLARSHIPS

SECTION 3.(a) Article 23 of Chapter 116 of the General Statutes is amended by adding a new Part to read:

"Part 6. The Early Graduate Scholarship Program.

"§ 116-209.100. Definitions.

The following definitions apply to this Part:

- (1) Eligible postsecondary institution. – A school that is:
 - a. A constituent institution of The University of North Carolina as defined in G.S. 116-2(4).
 - b. A community college as defined in G.S. 115D-2(2).
 - c. A nonprofit postsecondary institution as defined in G.S. 116-280(3).
- (2) Matriculated status. – Being recognized as a student in a defined program of study leading to a degree, diploma, or certificate at an eligible postsecondary institution.
- (3) Program. – The Early Graduate Scholarship Program.
- (4) Reserve Fund. – Reserve Fund for Early Graduate Scholarships.
- (5) Scholarship. – An Early Graduate Scholarship for education awarded under this Part.

"§ 116-209.101. Eligibility requirements for a scholarship and duration of scholarship.

(a) In order to be eligible to receive a scholarship under this Part, a student seeking a degree, diploma, or certificate at an eligible postsecondary institution must meet all of the following requirements:

- (1) Graduate from a State public high school within three years of entering the ninth grade. The Department of Public Instruction shall indicate on a student's transcript provided to the Authority that the student is an early graduate pursuant to this section.
- (2) Qualify as a resident for tuition purposes under the criteria set forth in G.S. 116-143.1 and in accordance with the coordinated and centralized residency determination process administered by the Authority.
- (3) Meet enrollment standards by being admitted, enrolled, and classified as a student in a matriculated status at an eligible postsecondary institution.
- (4) Submit a Free Application for Federal Student Aid (FAFSA).

(b) A student is eligible to receive the scholarship for no more than two semesters in the two academic years immediately following the student's graduation from high school.

"§ 116-209.102. Scholarship amounts; amounts dependent on availability of funds.

(a) The amount of a scholarship awarded under this Part to a student at an eligible postsecondary institution shall be determined annually by the Authority using a payment schedule that is based upon a corresponding value of student financial need as defined by federal methodology to the income eligibility for a scholarship grant awarded under G.S. 115C-562.2. The Authority shall publish the payment schedule for the Program in an easily accessible and understandable format. No scholarship awarded to a student under this Part shall exceed the cost of attendance at the eligible postsecondary institution in which the student is enrolled.

(b) If a student who is eligible for a scholarship under this Part also receives a scholarship or other grant covering the cost of attendance at the eligible postsecondary institution for which

the scholarship is awarded, then the amount of the scholarship shall be reduced by an appropriate amount determined by the Authority so that the total amount of scholarships and grants received by the student does not exceed the cost of attendance for the institution. The cost of attendance shall be determined by the Authority for each eligible postsecondary institution.

(c) In the event there are not sufficient funds to provide each eligible student who has applied in accordance with the application process and the schedule established by the Authority with a full scholarship as provided by this Part, the Authority shall first award scholarships to those students whose student financial need as defined by federal methodology corresponds to those eligible to be awarded scholarship grants in accordance with G.S. 115C-562.2(b2)(1) and (2).

"§ 116-209.103. Scholarship administration; reporting requirements.

(a) The scholarships provided for in this Part shall be administered by the Authority under rules adopted by the Authority in accordance with the provisions of this Part. The rules shall include an application process and schedule, notification and disbursement procedures, and standards for reporting.

(b) The Authority shall report no later than December 1, 2026, and annually thereafter to the Joint Legislative Education Oversight Committee. The report shall contain, for the previous academic year, the dollar amount of awards disbursed, the number of eligible students receiving funds, and a breakdown of the eligible postsecondary institutions that received the funds.

(c) Scholarship funds unexpended shall remain available for future scholarships to be awarded under this Part.

"§ 116-209.104. Reserve Fund for Early Graduate Scholarships.

(a) There is established the Reserve Fund for Early Graduate Scholarships as a reserve consisting of the following monies:

(1) Funds appropriated by the General Assembly for the Program from the General Fund in the Current Operations Appropriations Act for a fiscal year.

(2) All interest earned on these funds.

(b) Monies in the Reserve Fund shall not revert at the end of each fiscal year but shall remain available until expended for the purposes of this Part.

(c) The Authority may use up to one and one-half percent (1.5%) of the funds available in the Reserve Fund each fiscal year for administrative costs related to the Program."

SECTION 3.(b) This section is effective when it becomes law and shall award scholarships for use in the 2025-2026 school year.

PART IV. EFFECTIVE DATE

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