



# SENATE BILL 257: Appropriations Act of 2017, Sec. 10A.4: Personal Education Savings Account Program

2017-2018 General Assembly

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<b>Committee:</b>		<b>Date:</b>	September 5, 2017
<b>Introduced by:</b>		<b>Prepared by:</b>	Kara McCraw Staff Attorney
<b>Analysis of:</b>	Sec. 10A.4 of S.L. 2017-57		

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**OVERVIEW:** *S.L. 2017-57, Sec. 10A.4 establishes the North Carolina Personal Education Savings Account Program (PESA). A PESA is a bank account provided to a parent for the purpose of holding scholarship funds awarded by the State Education Assistance Authority (SEAA) for an eligible student to be used for certain qualifying education expenses. To be eligible for the scholarship, a student must reside in North Carolina, have not yet received a high school diploma and meet all three of the following requirements:*

- *Meet one of the following criteria:*
  - *Was a full time student (i) assigned to and attending a public school pursuant to State law or (ii) enrolled in a Department of Defense Elementary and Secondary School located in North Carolina, during the previous semester.*
  - *Received scholarship funds for a PESA during the previous school year.*
  - *Is entering either kindergarten or the first grade.*
  - *Is a child in foster care.*
  - *Is a child whose adoption decree was entered not more than one year prior to submission of the scholarship application.*
  - *Is a child whose parent or legal guardian is on full time duty status in the active uniformed service of the United States.*
  - *Is a child enrolled part time in a public school and part time in a nonpublic school that exclusively provides services for children with disabilities.*
- *Has not enrolled in a postsecondary institution in a matriculated status eligible for enrollment for 12 hours of academic credit.*
- *Is a child with a disability.*
- *The SEAA must annually make applications available and select recipients for scholarships according to the following criteria:*
  - *First priority must be given to eligible students who were awarded scholarship funds for a PESA during the previous school year if applications are made by March 1.*
  - *After funds have been awarded to prior recipients, any remaining funds can be used to award scholarship funds for a PESA for all other eligible students.*

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*The SEAA may verify information on any application for the award of a PESA, and household members of applicants must authorize access information needed for verification efforts held by other State agencies.*

*Scholarships will be awarded each year for up to \$9,000 per eligible student, deposited in quarterly installments, subject to execution of a parental agreement. Funds will be accessible to the parent on a debit card with the prepaid funds loaded on the card, and parents will be required to submit quarterly expense reports. Parents of a PESA recipient must complete an annual written agreement to use at least a portion of the scholarship to provide an education to the eligible student in, at a minimum, the subjects of English language arts, mathematics, social studies, and science. The parent must also agree to release the local education agency the student is eligible to attend of all obligations to educate the student while the student is receiving the PESA. PESA funds do not constitute taxable income to the parent, legal guardian, or legal custodian of an eligible student or to the eligible student.*

*Students who receive the PESA are also to receive an Opportunity Scholarship. Students who receive the PESA and an Opportunity Scholarship are also eligible to receive a Students with Disabilities Scholarship if the student has one or more of the following disabilities:*

- *Autism.*
- *Developmental disability.*
- *Hearing impairment.*
- *Moderate or severe intellectual disability.*
- *Multiple, permanent orthopedic impairments.*
- *Visual impairment.*

*A student's continuing eligibility for the scholarship must be assessed every three years by either the local education agency or a licensed psychologist with a school psychology focus or a psychiatrist.*

*PESA funds may only be used for the following qualifying education expenses of the eligible student:*

- *Tuition and fees for a nonpublic school that meets certain requirements.*
- *Textbooks required by a nonpublic school.*
- *Tutoring and teaching services provided by an individual or facility accredited by a State, regional, or national accrediting organization.*
- *Curricula.*
- *Fees for nationally standardized norm referenced achievement tests, advanced placement tests, or nationally recognized college entrance exams.*
- *Fees charged to the account holder for the management of the PESA.*
- *Fees for services provided by a public school, including individual classes and extracurricular programs.*
- *Premiums charged to the account holder for any insurance or surety bonds required by the SEAA.*
- *Educational therapies from a licensed or accredited practitioner or provider.*
- *Educational technology defined by the SEAA as approved for use.*

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- *Student transportation, pursuant to a contract with an entity that regularly provides student transportation, to and from (i) a provider of education or related services or (ii) an education activity.*

*PESA funds may not be used for any of the following purposes:*

- *Computer hardware or other technological devices not defined by the Authority as educational technology approved for use.*
- *Consumable educational supplies, including paper, pen, or markers.*
- *Tuition and fees at an institution of higher education or a private postsecondary institution.*
- *Tuition and fees for a home school.*

*The SEAA is responsible for administration of the PESA program, including providing notifications to various State agencies, establishing rules and regulations for the administration of the program, including a lottery process for the selection of recipients within the criteria if necessary, contracting in the SEAA's discretion with a private financial management firm or institution to manage PESAs, and conducting annual audits of PESAs.*

*The SEAA must report annually by September 1 to the Joint Legislative Education Oversight Committee on the following:*

- *Total number, grade level, race, ethnicity, and sex of eligible students receiving scholarship funds.*
- *Total amount of scholarship funding awarded.*
- *Number of students previously enrolled in public schools in the prior semester by the previously attended local education agency.*
- *Nonpublic schools in which scholarship recipients are enrolled, including numbers of scholarship recipients at each nonpublic school.*
- *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.*

*EFFECTIVE DATE: This section became effective July 1, 2017. The PESA program applies beginning with the 2018-2019 school year. Changes to laws related to income tax are effective for taxable years beginning on or after January 1, 2018.*