



This Bill Analysis reflects the contents of the bill as it was presented in committee.

# SENATE BILL 671: Changes to the K-12 Scholarship Programs.

2021-2022 General Assembly

<b>Committee:</b>	Senate Education/Higher Education.	<b>If Date:</b>	April 28, 2021
	favorable, re-refer to Rules and Operations of the Senate		
<b>Introduced by:</b>	Sens. Lee, Ballard, Galey	<b>Prepared by:</b>	Samantha Yarborough
<b>Analysis of:</b>	First Edition		Staff Attorney

**OVERVIEW:** Senate Bill 671 would make the following changes to kindergarten-12 (K-12) scholarship programs:

- For Opportunity Scholarships, make modifications to the eligibility requirements, establish a new scholarship amount, authorize the use of a nonprofit for family outreach, and adjust the administrative funds allocated to the State Education Assistance Authority (SEAA).
- Merge the Special Education Scholarships for Children with Disabilities and Personal Education Savings Accounts into the Personal Education Student Accounts for Children with Disabilities and establish new scholarship amounts.

**CURRENT LAW:** G.S. 115C-364 establishes the requirements for admission of students to public school, beginning at age 5. A student may be admitted before the age of 5 if the student meets certain requirements, including a determination by the school principal that the child is gifted and has the maturity to justify admission to the school, based on standards established by the State Board of Education (SBE).

G.S. 115C-366 establishes the domicile requirements for assignment of students to public school.

There are 3 scholarship programs for K-12 students.

1. **Opportunity Scholarship** – This scholarship provides \$4,200 annually to a qualifying student who meets certain income requirements to be used for tuition and fees at nonpublic schools that receive those scholarships. To qualify, a student must meet all of the following requirements:
  - a. Reside in a household with an income level not in excess of 150% of the amount required for the student to qualify for the federal free or reduced-price lunch program.
  - b. Reside in the State.
  - c. Has not been enrolled in a postsecondary institution as a full-time student or received a high school diploma.
  - d. Meet at least one of the following requirements:
    - i. Was enrolled in a North Carolina public school (public school) or a Department of Defense (DoD) school during the previous semester.
    - ii. Was approved for a scholarship for the previous semester.
    - iii. Is entering either kindergarten or first grade.
    - iv. Is a child whose parent or legal guardian is on full-time duty active status in the military.
    - v. Is a child in foster care.

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- vi. Is a child whose adoption decree was entered not more than one year prior to submission of the scholarship application.
2. **Special Education Scholarship for Children with Disabilities (CWD Scholarship)** – This scholarship provides \$8,000 annually to a qualifying student with a disability to be used for tuition and reimbursement of special education, related services, and educational technology. The scholarship may be used in any nonpublic school, including a home school, to provide for special education and related expenses. To qualify, a student must meet all of the following requirements:
- a. Be a child with a disability for special education purposes who has not been placed in a private setting by a public agency at public expense.
  - b. Be eligible to attend a public school under G.S. 115C-366.
  - c. Has not been enrolled in a postsecondary institution as a full time student or received a high school diploma.
  - d. Meets at least one of the following requirements:
    - i. Was enrolled in a public or DoD school during the previous semester.
    - ii. Received special education or related services through the public schools as a preschool child with a disability during the previous semester.
    - iii. Was approved for a scholarship for the previous semester.
    - iv. Is identified as a child with a disability prior to the end of the year of initial enrollment in kindergarten or first grade.
    - v. Is a child whose parent or legal guardian is on full-time active duty status in the military.
    - vi. Is a child who has been domiciled in the State for at least six months.
    - vii. Is a child in foster care.
    - viii. Is a child whose adoption decree was entered not more than one year prior to submission of the scholarship application.
    - ix. Is a child enrolled in a nonpublic school when applying who was enrolled in a public or DoD school in the prior school year.

Priority in award of these scholarships is given first to prior year recipients, then to other qualifying students, other than those qualifying on the basis of 6 months' domicile, and finally to those students who qualify on the basis of 6 months' domicile.

3. **Personal Education Savings Account (PESA)** - This scholarship provides \$9,000 annually to a qualifying student with a disability to be used by parents for qualifying education expenses through funds provided to the parent in an electronic account or debit card. To qualify, a student must meet all of the following requirements:
- a. Be a child with a disability for special education purposes who has not been placed in a private setting by a public agency at public expense.
  - b. Be eligible to attend a NC public school under G.S. 115C-366.
  - c. Has not been enrolled in a postsecondary institution as a full time student or received a high school diploma.

Students with certain disabilities may qualify to receive both a PESA and CWD Scholarship.

**BILL ANALYSIS:** SB 671 would make the following changes to the K-12 scholarship programs:

## Part I: Opportunity Scholarships

- Beginning with applications for scholarship funds for the 2022-2023 school year:

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- Allow a student who is at least 4 years old to be eligible for the scholarship when otherwise meeting the income requirements if the student is found by the principal, or equivalent, of the nonpublic school to meet the same requirements for admission as for a gifted and mature 4 year-old admitted to a local school administrative unit.
- Allow a student who otherwise meets the income requirements to qualify if the student (i) is enrolled in a nonpublic school in the spring semester of the year prior to the year for which the scholarship is requested and (ii) was enrolled in a public school or DoD school the full year before enrolling in the nonpublic school.
- Adjust the household income level for eligibility to a maximum of 175% of the amount required to qualify for the federal free or reduced-price lunch program.
- Scholarship grant awards would be in an amount up to the amount allocated to a charter school by the SBE plus the allocation for children with limited English proficiency and the allocation for children with disabilities.
- Adjust the number of additional eligible students that the SEAA may grant scholarships to each year from at least 2,000 to at least 1,500.
- Require the Department of Public Instruction (DPI) to provide the SEAA with public school enrollment information to establish a student's eligibility as needed.
- The SEAA would be authorized to contract with a nonprofit representing parents and families for outreach and scholarship education, program promotion, and scholarship application assistance for parents and students with up to \$500,000 from the funds remaining at the end of the fiscal year. The nonprofit must meet certain requirements, including employing sufficient staff with a demonstrated capacity to market and implement a scholarship grant program through direct mail marketing, radio advertising, targeted digital advertising, and one-on-one parent and family engagement. SEAA could share contact information of the parent of any student applicant with the nonprofit unless the parent indicates that the information should not be shared. The nonprofit would be required to maintain the confidentiality of any information provided by SEAA and not share the information with third parties without written consent.
- Rather than the lesser of up to 4% of the appropriated funds or \$1.5 million, the SEAA could retain the lesser of 4% of the appropriated funds or \$2 million for administrative costs associated with the scholarship program.

## **Part II: Personal Education Student Accounts for Children with Disabilities**

- Beginning with awards for the 2022-2023 school year, the Special Education Scholarships for Children with Disabilities and the Personal Education Savings Accounts would be merged into a new program – the Personal Education Student Accounts for Children with Disabilities (PESA-CWD), as follows:
  - A student would qualify for a PESA-CWD if the student has been identified as a student with a disability who is eligible to attend public school (including qualifying 4 year-olds) and has not (i) yet received a high school diploma, (ii) enrolled full-time in postsecondary education, or (iii) been placed in a nonpublic school or facility by a public agency at public expense.
  - Applications for PESA-CWD would be available February 1 and awards would begin March 1. First priority would be given to prior PESA-CWD recipients.
  - PESA-CWDs would be awarded in the following amounts:

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- Students with certain disabilities (autism, hearing impairment, moderate or severe intellectual or developmental disability, multiple permanent orthopedic impairments, and visual impairments) would be eligible for scholarship funds up to \$17,000 for each school year. Up to \$4,500 could be carried forward each year, with a maximum of \$30,000 in carryforward in the account.
- All other eligible students would be eligible for scholarship funds of up to \$8,000. Part-time students would be eligible for scholarship funds of up to \$4,000. No carryforward would be allowed.
- PESA-CWDs would be deposited into an account in two installments (one for each semester) and could be used for tuition and qualifying education expenses. Parents must complete semester expense reports, including verification that the child received education at least 70 days of the semester.
- The SEAA could directly disburse tuition from funds to nonpublic schools that agree to meet the requirements for participation in the Opportunity Scholarship program. Tuition reimbursement could also be provided to parents for students attending a nonpublic school that does not meet the Opportunity Scholarship requirements or a public school other than the public school to which the student would have been assigned.
- The SEAA would provide recipients of scholarship funds with the annual list of defined educational technology for which scholarship funds may be used.
- The SEAA would be allowed to retain up to 4% of the funds appropriated for the program each fiscal year for administrative costs.
- For awards for the 2022-2023 school year, prior recipients of the scholarship grant programs merged into the PESA-CWDs in 2021-2022 would receive priority in awards for applications made by March 1, 2022.

**EFFECTIVE DATE:** Except as otherwise provided, SB 671 would be effective when it becomes law.

*\* Staff Attorneys Leslie Karkanawi and Kara McCraw substantially contributed to this summary.*