



SENATE BILL 406: Choose Your School, Choose Your Future.

2023-2024 General Assembly

Committee: Senate Education/Higher Education. **If Date:** April 26, 2023
favorable, re-refer to Appropriations/Base
Budget. If favorable, re-refer to Rules and
Operations of the Senate

Introduced by: Sens. Lee, Barnes, Galey **Prepared by:** Kara McCraw
Analysis of: PCS to First Edition **Staff Attorney**
S406-CSTC-25

OVERVIEW: *SB 406 would make the following changes:*

- *Make all NC K-12 students eligible for opportunity scholarships, with grant amounts based on household income.*
- *Provide students the option to complete all high school requirements within 3 years, and offer a 2 semester scholarship to students graduating within 3 years that would be equal to the amount the student would have received in an opportunity scholarship.*

PART I. EXPAND ELIGIBILITY FOR OPPORTUNITY SCHOLARSHIPS

CURRENT LAW: Part 2A of Article 39 of Chapter 115C establishes a needs-based scholarship grant program. A North Carolina student eligible to attend public school who has not yet graduated from high school, enrolled in college full-time, or been placed in private school at State expense qualifies for an scholarship grant if the student meets both of the following requirements:

- Public school enrollment or alternative. This is established by any of the following:
 - Enrollment in a public school in the spring semester of the school year before receiving the scholarship.
 - Current receipt of an opportunity scholarship.
 - Entering kindergarten, first grade, or second grade.
 - Currently in foster care.
 - Adopted in the prior year.
 - Parent is active duty or recently honorably discharged from the armed services.
- Financial eligibility. – The student either:
 - Resides in a household with an income level not in excess of two hundred percent (200%) of the amount required for the student to qualify for the federal free or reduced price lunch program (FRL standard), or
 - Is a child in foster care.

Jeffrey Hudson
Director



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Legislative Analysis
Division
919-733-2578

Senate 406 PCS

Page 2

Awards for scholarships grants are based on the average State per pupil allocation for average daily membership in the prior year (ADM) as follows:

- 90% of ADM for a full-time student.
- 45% of ADM for a part-time student.
- No student is awarded more than the required tuition and fees of the school the student attends.

The State Education Assistance Authority (Authority) administers the scholarship grant program, and must verify 6% of applicants annually.

The scholarship grants are funded through the Opportunity Scholarship Grant Fund Reserve, which includes annual appropriations from the General Assembly. Those funds are used to award scholarship grants for the school year that begins in the fiscal year following the fiscal year in which the General Assembly's appropriation is made.

BILL ANALYSIS: SB 400 would make the following changes to scholarship grants:

- Students would no longer need to demonstrate public school enrollment or an alternative to qualify for a scholarship grant. Students and their families would have to demonstrate domicile in North Carolina through a system established by the State Education Assistance Authority that allows verification using various government documents, utility bills, bank statements, or paychecks.
- Students would be awarded a scholarship grant in the following amount, regardless of whether the student's attendance was full or part time:
 - 100% of ADM for students with household incomes not in excess of the FRL standard.
 - 90% of ADM for students with household incomes between the FRL standard and 200% of that standard.
 - 60% of ADM for students with household incomes between 200% and 450% of the FRL standard.
 - 45% of ADM for all other students.
- The State Education Assistance Authority (Authority) would only be required to verify income for students receiving more than 45% of ADM and would only be required to verify 4% of applicants annually.
- Additional funds would be appropriated for scholarship grants beginning with the 2023-2024 school year.

This Part would be effective June 30, 2023, and would apply to applications for scholarship grants beginning with the 2024-2025 school year.

PART II: SEQUENCE OF COURSES FOR EARLY HIGH SCHOOL GRADUATION

CURRENT LAW: The State Board of Education is required to establish exit standards for high school graduation for local boards of education. Local boards of education may add additional requirements, including graduation projects. The State Board must also adopt policies directing guidance counselors to make ninth-grade students aware of the potential to complete high school courses within three years.

BILL ANALYSIS: Part II would require the State Board to develop a sequence of courses for high school graduation for all public school units that can be completed within three years. The State Board

Senate 406 PCS

Page 3

would also be required to indicate on a student's transcript if a student completes high school within three years. Public school units would be prohibited from requiring any additional credits for high school graduation.

Governing bodies of a public school unit would report to the Department of Public Instruction (DPI) on students projected to complete high school within three years in 2025 and 2026, and DPI would report that information to the Fiscal Research Division.

This section would become effective when it becomes law, and the State Board would adopt an emergency rule by August 1, 2023 to establish graduation requirement and course sequences and notify students of early graduation options and related scholarships.

PART III: EARLY GRADUATE SCHOLARSHIPS

BILL ANALYSIS: Part III would create a new scholarship for students who graduate from high school within three years as follows:

- The scholarship could be used at community colleges, UNC constituent institutions, and private colleges and universities located in North Carolina.
- The scholarship could be used for any 2 semesters in the 2 academic years immediately following the student's graduation from high school.
- The amount of the scholarship would correspond to the amount a student would receive in a scholarship grant based on that student's financial need. The scholarship could not exceed the student's cost of attendance and would be reduced by other scholarships and grants received by the student. In the event there are insufficient funds, scholarships would be prioritized to the students with the greatest financial need.

The scholarships would be administered by the Authority, who would report annually beginning December 1, 2026, on scholarships awarded. A Reserve Fund for Early Graduate Scholarships would be established and used to fund the Early Graduate Scholarships. Monies in the Reserve Fund would not revert and remain available for scholarships. The Authority could retain 1.5% of funds available for administrative costs annually.

Part III would be effective when it becomes law and be used to award scholarships for use in the 2025-2026 school year.

EFFECTIVE DATE: Except as otherwise provided, SB 406 would become effective when it becomes law.