

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

S

D

SENATE BILL 671
PROPOSED COMMITTEE SUBSTITUTE S671-PCS35270-BN-6

Short Title: Changes to the K-12 Scholarship Programs.

(Public)

Sponsors:

Referred to:

April 8, 2021

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE CHANGES TO THE KINDERGARTEN THROUGH TWELFTH
3 GRADE SCHOLARSHIP PROGRAMS.

4 The General Assembly of North Carolina enacts:

5
6 **PART I. OPPORTUNITY SCHOLARSHIP GRANT PROGRAM**

7 **SECTION 1.1.(a)** G.S. 115C-562.1(3) reads as rewritten:

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

11 a. Meets one of the following criteria:

- 12 1. Was a full-time student (i) assigned to and attending a public
13 school pursuant to G.S. 115C-366 or (ii) enrolled in a
14 Department of Defense Elementary and Secondary School,
15 established pursuant to 10 U.S.C. § 2164 and located in North
16 Carolina, during the spring semester prior to the school year
17 for which the student is applying.
- 18 2. Received a scholarship grant for the school year prior to the
19 school year for which the student is applying.
- 20 3. Is entering-eligible to enter either kindergarten or the first
21 grade-grade pursuant to Article 25 of this Chapter. A child who
22 is the age of 4 on or before April 16 is eligible to attend the
23 following school year if the principal, or equivalent, of the
24 school in which the child seeks to enroll finds that the student
25 meets the requirements of G.S. 115C-364(d) and those
26 findings are submitted to the Authority with the child's
27 application.
- 28 4. Is a child in foster care as defined in G.S. 131D-10.2(9).
- 29 5. Is a child whose adoption decree was entered not more than
30 one year prior to submission of the scholarship grant
31 application.
- 32 6. Is a child whose parent or legal guardian is on full-time duty
33 status in the active uniformed service of the United States,
34 including members of the National Guard and Reserve on
35 active duty orders pursuant to 10 U.S.C. § 12301, et seq., and
36 10 U.S.C. § 12401, et seq.



* S 6 7 1 - P C S 3 5 2 7 0 - B N - 6 *

- 7. Is a child who meets both of the following:
 - I. Was enrolled in a nonpublic school that meets the requirements of Part 1 and Part 2 of this Article during the spring semester prior to the school year for which the student is applying.
 - II. Was enrolled for the entire school year immediately prior to the school year in which the student enrolled in the nonpublic school in one of the following:
 - A. A North Carolina public school.
 - B. A Department of Defense Elementary and Secondary School, established pursuant to 10 U.S.C. § 2164 and located in North Carolina.
- a1. Has not enrolled in a postsecondary institution in a matriculated status eligible for enrollment for 12 hours of academic credit.
- b. Meets one of the following criteria:
 - 1. Resides in a household with an income level not in excess of one hundred ~~fifty-seventy-five percent (150%)-(175%)~~ of the amount required for the student to qualify for the federal free or reduced-price lunch program. The Authority shall not count any distribution from the estate of a decedent in calculating the income level of the applicant's household for the purposes of determining eligibility for a scholarship under this ~~sub-subdivision~~.sub-sub-subdivision.
 - 2. Is a child in foster care as defined in G.S. 131D-10.2. The Authority shall not consider the household income of the foster parent, as defined in G.S. 131D-10.2, in determining the eligibility of the foster care child."

SECTION 1.1.(b) G.S. 115C-562.2 reads as rewritten:

"§ 115C-562.2. Scholarship grants.

...

(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 for amounts of up to four thousand two hundred dollars (\$4,200) per year.~~ be, per year per eligible student, in an amount up to ninety percent (90%) 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 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 four thousand two hundred dollars (\$4,200) exceed, per year per eligible student, an amount equal to ninety percent (90%) 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) Beginning with the 2017-2018 school year, within the funds appropriated by the General Assembly to award scholarship grants to eligible students under this Part, the Authority may award scholarship grants to at least 2,000 more eligible students each school year than were served in the prior school year.~~

...."

SECTION 1.1.(c) G.S. 115C-562.3 reads as rewritten:

1 **"§ 115C-562.3. Verification of ~~eligibility~~eligibility; information from other State agencies.**

2 ...

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

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

13 **SECTION 1.1.(d)** Subsections (a), (b), and (c) of this section apply beginning with
14 applications for scholarship funds for the 2022-2023 school year.

15 **SECTION 1.1.(e)** Any student who meets the following requirements shall qualify
16 as an eligible student and shall be eligible to receive a scholarship for the 2021-2022 school year
17 pursuant to Part 2A of Article 39 of Chapter 115C of the General Statutes:

- 18 (1) Was enrolled in a North Carolina public school or a Department of Defense
19 Elementary and Secondary School located in North Carolina for the fall
20 semester of the 2019-2020 school year.
- 21 (2) Was enrolled in a nonpublic school that meets the requirements of Part 1, 2,
22 or 3 of Article 39 of this Chapter for the spring semester of the 2019-2020
23 school year and the entire 2020-2021 school year.
- 24 (3) Meets the eligibility requirements of G.S. 115C-562.1(3)a1. and b.
- 25 (4) Submits a scholarship application for the 2021-2022 school year.

26 A student who becomes eligible for a scholarship in the 2021-2022 school year solely
27 due to this subsection shall receive first priority in award of scholarships in the same manner as
28 those previously awarded scholarships.

29 **SECTION 1.2.(a)** G.S. 115C-562.8 reads as rewritten:

30 **"§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.**

31 (a) The Opportunity Scholarship Grant Fund Reserve is established as a reserve to be
32 administered by the Board of Governors of The University of North Carolina for the purpose of
33 allocating funds to the Authority for the award of scholarship grants in accordance with this Part.
34 The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the
35 General Assembly and any interest accrued to it thereon. These funds shall be used to award
36 scholarship grants to eligible students for the school year that begins in the fiscal year following
37 the fiscal year in which the appropriation is made to the Reserve. The Board of Governors shall
38 only use monies in the Reserve in accordance with the purposes set forth in this section. Funds
39 appropriated in a particular fiscal year to be used for the award of scholarships in the following
40 fiscal year that are unexpended at the end of the fiscal year after the fiscal year in which the funds
41 were appropriated shall be first used for the purpose set forth in subdivision (1) of subsection (d)
42 of this section. After funds are used for this purpose, any unexpended funds from the funds
43 appropriated in a particular fiscal year to be used for the award of scholarships in the following
44 fiscal year shall be carried forward for one fiscal year and may be used for the purposes set forth
45 in this section. Funds carried forward pursuant to this section that have not been spent within one
46 fiscal year shall revert to the General Fund.

47 ...

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

1 (1) Up to five hundred thousand dollars (\$500,000) may be used by the Authority
2 to contract with a nonprofit corporation representing parents and families for
3 marketing, outreach, and scholarship application assistance for parents and
4 students pursuant to Part 5 of this Article.

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

7 **SECTION 1.2.(b)** Article 39 of Chapter 115C of the General Statutes is amended by
8 adding a new Part to read:

9 "Part 4A. Information for Parents and Students on Nonpublic School Scholarship Programs.

10 **§ 115C-567.1. Outreach and assistance for parents and students.**

11 (a) The State Education Assistance Authority, in its administration of scholarship
12 programs for eligible students pursuant to Part 2A of this Article, Article 41 of this Chapter, and
13 Part 1H of Article 9 of this Chapter, may contract with a nonprofit corporation representing
14 parents and families for marketing, outreach, and scholarship application assistance for parents
15 and students. The Authority shall issue a request for proposals in order to enter into a contract
16 with a nonprofit corporation that meets the following requirements during the term of the
17 contract:

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

21 (2) Employ sufficient staff who have demonstrated a capacity to market and
22 implement a scholarship grant program, including by doing the following:

23 a. Direct mail marketing.

24 b. Radio advertising.

25 c. Targeted digital advertising.

26 d. One-on-one parent and family engagement.

27 (3) Comply with the limitations on lobbying set forth in section 501(c)(3) of the
28 Internal Revenue Code.

29 (4) Have no State officer or employee serving on the board of the nonprofit.

30 (5) Conduct at least quarterly meetings of the board of directors of the nonprofit
31 at the call of its chair.

32 (b) The terms of the contract between the Authority and a nonprofit corporation shall
33 require that the nonprofit (i) maintain the confidentiality of any information provided by the
34 Authority for parents and students as directed by the Authority and (ii) not disseminate
35 information to third parties without written parental consent. During the term of the contract
36 provided for in this section, the Authority shall include on scholarship applications a statement
37 for parents to indicate nonconsent for sharing information with a nonprofit corporation.

38 (c) Notwithstanding any other provision of law, during the term of the contract provided
39 for in this section, the Authority may share the name, address, email, and telephone number of
40 the parent of any student applicant, unless the parent indicates that the information should not be
41 shared."

42 **SECTION 1.2.(c)** Subsection (a) of this section becomes effective June 30, 2021.

43 **SECTION 1.3.** G.S. 115C-562.8(c) reads as rewritten:

44 "(c) Of the funds allocated to the Authority to award scholarship grants under this Part,
45 the Authority may retain the lesser of ~~up to~~ four percent (4%) of the funds appropriated or ~~one~~
46 ~~two million five hundred thousand~~ dollars ~~(\$1,500,000) (\$2,000,000)~~ each fiscal year for
47 administrative costs associated with the scholarship grant program."

49 **PART II. COMBINE K-12 SCHOLARSHIP PROGRAMS FOR CHILDREN WITH**
50 **DISABILITIES**

1 SECTION 2.1.(a) Article 41 of Chapter 115C of the General Statutes reads as
2 rewritten:

3 "Article 41.

4 "Personal Education ~~Savings Accounts~~. Student Accounts for Children with Disabilities.

5 "**§ 115C-590. North Carolina Personal Education Savings Account ~~Student Accounts for~~**
6 **Children with Disabilities Program established.**

7 There is established the North Carolina Personal Education ~~Savings~~ Student Accounts for
8 Children with Disabilities Program to provide the option for a parent to better meet the individual
9 educational needs of the parent's child.

10 "**§ 115C-591. Definitions.**

11 The following definitions apply in this Article:

- 12 (1) Authority. – Defined in G.S. 116-201.
- 13 (2) Division. – The Division of Nonpublic Education, Department of
14 Administration.
- 15 (2a) Educational technology. – As defined annually by the Authority, an item,
16 piece of equipment, material, product, or system which may be purchased
17 commercially off the shelf, modified, or customized and that is used primarily
18 for educational purposes for a child with a disability.
- 19 (3) Eligible student. – A student residing in North Carolina who has not yet
20 received a high school diploma and who meets all of the following
21 requirements:
- 22 a. Is eligible to attend a North Carolina public school pursuant to
23 G.S. 115C-366. Article 25 of this Chapter. A child who is the age of 4
24 on or before April 16 is eligible to attend the following school year if
25 the principal, or equivalent, of the school in which the child seeks to
26 enroll finds that the student meets the requirements of
27 G.S. 115C-364(d) and those findings are submitted to the Authority
28 with the child's application.
- 29 b. Has not been enrolled in a postsecondary institution ~~in a matriculated~~
30 ~~status eligible for enrollment for~~ as a full-time student taking at least
31 12 hours of academic credit.
- 32 c. Is a child with a disability, as defined in ~~G.S. 115C-106.3(1),~~
33 ~~including, for example, intellectual disability, hearing impairment,~~
34 ~~speech or language impairment, visual impairment, serious emotional~~
35 ~~disturbance, orthopedic impairment, autism, traumatic brain injury,~~
36 ~~other health impairments, specific learning disability, or disability as~~
37 ~~may be required to be included under IDEA. G.S. 115C-106.3(1).~~
- 38 d. Has not been placed in a nonpublic school or facility by a public
39 agency at public expense.
- 40 (3a) G.S. 115C-562.5 compliant school. – A Part 1 or Part 2 nonpublic school that
41 consents to comply with the requirements of G.S. 115C-562.5.
- 42 (4) Nonpublic school. – A school that meets the requirements of Part 1, 2, or 3 of
43 Article 39 of this Chapter, as identified by the Division.
- 44 (5) Parent. – A parent, legal guardian, or legal custodian of an eligible student.
- 45 (5a) Part 1 or Part 2 nonpublic school. – A nonpublic school that meets the
46 requirements of Part 1 or Part 2 of Article 39 of this Chapter, as identified by
47 and deemed eligible by the Division.
- 48 ~~(5a)~~(5b) Part-time student. – A child enrolled part time in a public school and part
49 time in a nonpublic school that exclusively provides services for children with
50 disabilities.

- (6) ~~Personal Education Savings—Student Account~~ or PESA. – ~~A bank—An electronic~~ account provided to a parent for the purpose of holding scholarship funds awarded by the Authority for an eligible student to be used for qualifying education expenses under G.S. 115C-595.

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

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

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

(b) Scholarship Awards. – ~~Scholarships—~~ Except for eligible students who qualify for scholarship funds pursuant to subsection (b1) of this section, scholarships shall be awarded each year for an amount not to exceed (i) nine thousand dollars (\$9,000) per eligible student for the fiscal school year in for which the application is received, except received or (ii) for eligible part-time students, who shall be awarded scholarships each year for an amount not to exceed four thousand five hundred dollars (\$4,500) per eligible student for the fiscal school year in for which the application is received. Any funds remaining in an electronic account provided under subsection (b2) of this section at the end of a school year for eligible students who qualify only under this subsection shall be returned to the Authority.

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

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

For eligible students who qualify for scholarship funds under this subsection, no more than four thousand five hundred dollars (\$4,500) of funds remaining in an electronic account at the end of a school year shall be carried forward until expended for each school year upon renewal of the account under subsection (b2) of this section. In no event shall the total amount of funds carried forward for an eligible student in a personal education student account exceed thirty thousand dollars (\$30,000). Any funds remaining in the electronic account if an agreement is not renewed under G.S. 115C-595 shall be returned to the Authority.

(b2) Disbursement and Deposit of Awards. – Scholarship funds shall be used only for tuition and qualifying education expenses as provided in G.S. 115C-595. Recipients shall receive the scholarship funds deposited in two equal amounts to a PESA in amounts, one-half in each quarter semester of the fiscal school year. The first deposit of funds to a PESA shall be subject to the execution of the parental agreement required by G.S. 115C-595. The parent shall then receive a debit card or an electronic account with the prepaid funds loaded on the card or in the electronic account at the beginning of the fiscal school year. After the initial disbursement of funds, each subsequent, quarterly—semester disbursement of funds shall be subject to the

1 submission by the parent of an expense report. The expense report shall be submitted
 2 electronically and shall include documentation that the student received an education, as
 3 described in G.S. 115C-595(a)(1), for no less than ~~35-70~~ days of the applicable ~~quarter-semester~~.
 4 The ~~debit card or the~~ electronic account shall be renewed upon the receipt of the parental
 5 agreement under G.S. 115C-595 for recipients awarded scholarship funds in subsequent ~~fiscal~~
 6 ~~school~~ years. ~~Any funds remaining on the card or in the electronic account at the end of the fiscal~~
 7 ~~year may be carried forward to the next fiscal year if the card or electronic account is renewed.~~
 8 ~~Any funds remaining on the card or in the electronic account if an agreement is not renewed shall~~
 9 ~~be returned to the Authority.~~

10 (c) ~~Eligibility for the other scholarship programs is provided for as follows:~~ Eligibility for
 11 Other Scholarship Programs. –

12 (1) An eligible student under this Article may receive, in addition to a PESA, a
 13 scholarship under Part 2A of Article 39 of this Chapter.

14 (2) ~~An eligible student under this Article may receive, in addition to a PESA and~~
 15 ~~a scholarship under Part 2A of Article 39 of this Chapter, a scholarship under~~
 16 ~~the special education scholarship program for children with disabilities~~
 17 ~~pursuant to Part 1H of Article 9 of this Chapter, only if that student has one or~~
 18 ~~more of the following disabilities:~~

19 a. ~~Autism.~~

20 b. ~~Developmental disability.~~

21 c. ~~Hearing impairment.~~

22 d. ~~Moderate or severe intellectual disability.~~

23 e. ~~Multiple, permanent orthopedic impairments.~~

24 f. ~~Visual impairment.~~

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

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

35 (1) ~~The by having the child has been~~ assessed by a local education agency and
 36 ~~determined the local education agency determining the child~~ to be a child with
 37 a disability ~~and with~~ that outcome is verified by the local education agency on
 38 a form provided to the Authority.

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

46 **"§ 115C-593. Student continuing eligibility.**

47 After the initial disbursement of funds, the Authority shall ensure that the student's continuing
 48 eligibility is assessed at least every three years by one of the following:

49 (1) The local education agency. – The local education agency shall assess if the
 50 student continues to be a child with a disability and verify the outcome on a
 51 form to be provided to the Authority.

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

9 **"§ 115C-594. Verification of eligibility.**

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

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

20 **"§ 115C-595. Parental agreement; use of funds.**

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

- 29 (1) Use at least a portion of the scholarship funds to provide an education to the
30 eligible student in, at a minimum, the subjects of English language arts,
31 mathematics, social studies, and science.
- 32 (2) Unless the student is a part-time eligible student, release a local education
33 agency in which the student is eligible to attend under G.S. 115C-366 of all
34 obligations to educate the eligible student while the eligible student is
35 receiving scholarship funds under this Article. A parent of a student, other
36 than a part-time eligible student, who decides to enroll the student into the
37 local education agency or other North Carolina public school during the term
38 of the agreement shall notify the Authority to request a release from the
39 agreement and shall return any unexpended funds to the Authority.
- 40 (3) Use the scholarship funds deposited into a personal education ~~savings~~ student
41 account only for the following qualifying education expenses of the eligible
42 student:
- 43 a. Tuition and fees for a ~~nonpublic school that meets the requirements of~~
44 ~~Part 1 or Part 2 of Article 39 of this Chapter and is subject to the~~
45 ~~requirements of G.S. 115C-562.5.~~ G.S. 115C-562.5 compliant school,
46 disbursed as provided in subdivision (1) of subsection (a1) of this
47 section.
- 48 b. Textbooks required by a nonpublic school.
- 49 c. Tutoring and teaching services provided by an individual or facility
50 accredited by a State, regional, or national accrediting organization.
- 51 d. Curricula.

- 1 e. Fees for nationally standardized norm-referenced achievement tests,
2 advanced placement tests, or nationally recognized college entrance
3 exams.
4 f. Fees charged to the account holder for the management of the PESA.
5 g. Fees for services provided by a public school, including individual
6 classes and extracurricular programs.
7 h. Premiums charged to the account holder for any insurance or surety
8 bonds required by the Authority.
9 i. Educational therapies from a licensed or accredited practitioner or
10 provider.
11 j. Educational technology defined by the Authority as approved for use
12 pursuant to ~~Part 1H of Article 9 of this Chapter~~. G.S. 115C-591(2a).
13 k. Student transportation, pursuant to a contract with an entity that
14 regularly provides student transportation, to and from (i) a provider of
15 education or related services or (ii) an education activity.

16 (3a) Use of scholarship funds for reimbursement of tuition. – Notwithstanding
17 sub-subdivision a. of subdivision (3) of this subsection, a parent of an
18 eligible student may pay tuition to Part 1 or Part 2 nonpublic schools that are
19 not G.S. 115C-562.5 compliant schools with funds other than funds
20 available in the personal education student account and then request
21 reimbursement from the Authority from scholarship funds if the parent
22 complies with the provisions of subdivision (2) of subsection (a1) of this
23 section.

- 24 (4) Not use scholarship funds for any of the following purposes:
25 a. Computer hardware or other technological devices not defined by the
26 Authority as educational technology approved for use pursuant to ~~Part~~
27 ~~1H of Article 9 of this Chapter~~. G.S. 115C-591(2a).
28 b. Consumable educational supplies, including paper, pen, or markers.
29 c. Tuition and fees at an institution of higher education, as defined in
30 G.S. 116-143.1, or a private postsecondary institution.
31 d. Tuition and fees for a nonpublic school that meets the requirements of
32 Part 3 of Article 39 of this Chapter.

33 (a1) Disbursement of Funds for Tuition. – The method by which the Authority shall
34 disburse scholarship funds awarded to eligible students for tuition at a nonpublic school shall be
35 based upon whether the nonpublic school is a G.S. 115C-562.5 compliant school. Scholarship
36 funds for tuition shall be disbursed as follows:

- 37 (1) Scholarship endorsement for tuition. – The Authority shall remit, at least two
38 times each school year, scholarship funds from the personal education student
39 account for eligible students who attend G.S. 115C-562.5 compliant schools.
40 The funds shall be remitted to the G.S. 115C-562.5 compliant school for
41 endorsement by at least one of the student's parents or guardians. The parent
42 or guardian shall restrictively endorse the scholarship funds awarded to the
43 eligible student for deposit into the account of the G.S. 115C-562.5 compliant
44 school to the credit of the eligible student. The parent or guardian shall not
45 designate any entity or individual associated with the school as the parent's
46 attorney-in-fact to endorse the scholarship funds. A parent's or guardian's
47 failure to comply with this subdivision shall result in forfeiture of the
48 scholarship funds for tuition. Scholarship funds forfeited for failure to comply
49 with this subdivision shall be returned to the Authority to be awarded to
50 another student.

1 (2) Reimbursement for tuition. – The parent or guardian of an eligible student
2 who enrolls in a school that is (i) a North Carolina public school other than
3 the public school to which that student would have been assigned as provided
4 in G.S. 115C-366 or (ii) a Part 1 or Part 2 nonpublic school that is not a
5 G.S. 115C-562.5 compliant school may pay tuition directly to the school with
6 funds other than scholarship funds and request reimbursement with funds
7 available in the personal education student account under subdivision (3a) of
8 subsection (a) of this section. However, the Authority shall not reimburse the
9 parent or guardian prior to the midpoint of each semester. A parent or guardian
10 may only receive reimbursement for tuition if the parent or guardian provides
11 documentation to the Authority that the student is enrolled in the school.

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

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

18 **"§ 115C-596. Identification of nonpublic schools and distribution of personal education**
19 **savings student account information.**

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

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

26 **"§ 115C-597. Administration.**

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

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

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

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

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

46 (d) Administration Costs. – Of the funds allocated to the Authority to award scholarship
47 funds under this Article, the Authority may retain ~~up to two hundred fifty thousand dollars~~
48 ~~(\$250,000) the lesser of four percent (4%) of the funds appropriated or two million dollars~~
49 ~~(\$2,000,000) each fiscal year for administrative costs associated with the program, including~~
50 ~~contracting with non-State entities for administration of certain components of the program.~~

51 **"§ 115C-598. Reporting requirements.**

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

- 3 (1) Total number, grade level, race, ethnicity, and sex of eligible students
4 receiving scholarship funds.
- 5 (2) Total amount of scholarship funding awarded.
- 6 (3) Number of students previously enrolled in public schools in the prior semester
7 by the previously attended local education agency.
- 8 (4) Nonpublic schools in which scholarship recipients are enrolled, including
9 numbers of scholarship recipients at each nonpublic school.
- 10 (5) The number of substantiated cases of fraud by recipients and the number of
11 parents or students removed from the program for noncompliance with the
12 provisions of this Article.

13 **"§ 115C-599. Duties of State agencies.**

14 (a) The State Board, as part of its duty to monitor all local education agencies to
15 determine compliance with this Article and the Individuals with Disabilities Education Act
16 (IDEA), 20 U.S.C. § 1400, et seq., (2004), as amended, and federal regulations adopted under
17 this act, as provided in G.S. 115C-107.4, shall ensure that local education agencies do the
18 following:

- 19 (1) Conduct evaluations requested by a child's parent or guardian of suspected
20 children with disabilities, as defined in G.S. 115C-107.3, in a timely manner
21 as required by IDEA.
- 22 (2) Provide assessments for continuing eligibility to identified children with
23 disabilities receiving scholarship funds at the request of the parent or guardian
24 to ensure compliance with G.S. 115C-593.

25 (b) The Authority shall analyze, in conjunction with the Department of Public Instruction,
26 past trends in scholarship data on an annual basis to ensure that the amount of funds transferred
27 each fiscal year by the Authority to the Department for reevaluations by local school
28 administrative units of eligible students under G.S. 115C-593 are sufficient and based on actual
29 annual cost requirements."

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

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

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

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

49 **SECTION 2.2.(c)** G.S. 115C-555(4) reads as rewritten:

- 50 "(4) It receives no funding from the State of North Carolina. For the purposes of
51 this Article, scholarship funds awarded pursuant to Part 2A of this Article,

1 ~~Article or Article 41 of this Chapter, or Part 1H of Article 9 of this Chapter to~~
2 eligible students attending a nonpublic school shall not be considered funding
3 from the State of North Carolina."

4 **SECTION 2.2.(d)** G.S. 115C-567.1(a), as enacted by Section 1.2 of this act, reads
5 as rewritten:

6 "(a) The State Education Assistance Authority, in its administration of scholarship
7 programs for eligible students pursuant to Part 2A of this ~~Article, Article and Article 41 of this~~
8 ~~Chapter, and Part 1H of Article 9 of this Chapter, Chapter~~ may contract with a nonprofit
9 corporation representing parents and families, for marketing, outreach, and scholarship
10 application assistance for parents and students. The Authority shall issue a request for proposals
11 in order to enter into a contract with a nonprofit corporation that meets the following
12 requirements during the term of the contract:

- 13 (1) Be a nonprofit corporation organized pursuant to Chapter 55A of the General
14 Statutes and comply at all times with the provisions of section 501(c)(3) of the
15 Internal Revenue Code.
- 16 (2) Employ sufficient staff who have demonstrated a capacity to market and
17 implement a scholarship grant program, including by doing the following:
 - 18 a. Direct mail marketing.
 - 19 b. Radio advertising.
 - 20 c. Targeted digital advertising.
 - 21 d. One-on-one parent and family engagement.
- 22 (3) Comply with the limitations on lobbying set forth in section 501(c)(3) of the
23 Internal Revenue Code.
- 24 (4) Have no State officer or employee serving on the board of the nonprofit.
- 25 (5) Conduct at least quarterly meetings of the board of directors of the nonprofit
26 at the call of its chair."

27 **SECTION 2.2.(e)** Section 5(b) of S.L. 2013-364, as rewritten by Section 3.2 of S.L.
28 2013-363 and as amended by Section 11.18 of S.L. 2015-241, is repealed.

29 **SECTION 2.2.(f)** This section becomes effective July 1, 2022.

30 **SECTION 2.3.(a)** G.S. 105-153.5(b)(12) reads as rewritten:

31 "(12) The amount deposited during the taxable year to a personal education ~~savings~~
32 ~~student~~ account under Article 41 of Chapter 115C of the General Statutes."

33 **SECTION 2.3.(b)** This section does not affect the rights or liabilities of the State, a
34 taxpayer, or another person arising under a statute amended by this section before the effective
35 date of its amendment, nor does it affect the right to any refund or credit of a tax that accrued
36 under the amended statute before the effective date of its amendment.

37 **SECTION 2.3.(c)** This section applies to taxable years beginning on or after January
38 1, 2022.

39 **PART III. EFFECTIVE DATE**

40 **SECTION 3.** Except as otherwise provided, this act is effective when it becomes
41 law.
42