

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2021

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SENATE BILL 671

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

Sponsors: Senators Lee, Ballard, and Galey (Primary Sponsors).

Referred to: Rules and Operations of the Senate

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 four 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.



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- 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. Resides in a household with an income level not in excess of one hundred ~~forty~~ ~~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."

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 the amount the State Board of Education allocated to a charter school pursuant to G.S. 115C-218.105(a)(1), plus the allocation for children with limited English proficiency and the allocation for children with disabilities, 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 the amount the State Board of Education allocated to a charter school pursuant to G.S. 115C-218.105(a)(1), plus the allocation for children with limited English proficiency and the allocation for children with disabilities, 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 ~~2017-2018-2022-2023~~ 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~~ 1,500 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:

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

...

(b) Household members of applicants for scholarship grants shall authorize the Authority to access information needed for verification efforts held by other State agencies, including the

1 Department of Revenue, the Department of Health and Human Services, and the Department of
2 Public Instruction. The Department of Public Instruction shall provide the Authority with public
3 school enrollment information to establish eligibility pursuant to G.S. 115C-562.1(3)a. as
4 needed.

5"

6 **SECTION 1.1.(d)** This section applies beginning with applications for scholarship
7 funds for the 2022-2023 school year.

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

9 **"§ 115C-562.8. The Opportunity Scholarship Grant Fund Reserve.**

10 (a) The Opportunity Scholarship Grant Fund Reserve is established as a reserve to be
11 administered by the Board of Governors of The University of North Carolina for the purpose of
12 allocating funds to the Authority for the award of scholarship grants in accordance with this Part.
13 The Reserve shall consist of monies appropriated from the General Fund to the Reserve by the
14 General Assembly and any interest accrued to it thereon. These funds shall be used to award
15 scholarship grants to eligible students for the school year that begins in the fiscal year following
16 the fiscal year in which the appropriation is made to the Reserve. The Board of Governors shall
17 only use monies in the Reserve in accordance with the purposes set forth in this section. Funds
18 appropriated in a particular fiscal year to be used for the award of scholarships in the following
19 fiscal year that are unexpended at the end of the fiscal year after the fiscal year in which the funds
20 were appropriated shall be first used for the purpose set forth in subdivision (1) of subsection (d)
21 of this section. After funds are used for this purpose, any unexpended funds from the funds
22 appropriated in a particular fiscal year to be used for the award of scholarships in the following
23 fiscal year shall be carried forward for one fiscal year and may be used for the purposes set forth
24 in this section. Funds carried forward pursuant to this section that have not been spent within one
25 fiscal year shall revert to the General Fund.

26 ...

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

- 30 (1) Up to five hundred thousand dollars (\$500,000) may be used by the Authority
31 to contract with a nonprofit corporation representing parents and families for
32 marketing, outreach, and scholarship application assistance for parents and
33 students pursuant to Part 5 of this Article.
34 (2) Any remaining funds shall be carried forward for one fiscal year pursuant to
35 subsection (a) of this section."

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

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

39 **"§ 115C-567.1. Outreach and assistance for parents and students.**

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

- 47 (1) Be a nonprofit corporation organized pursuant to Chapter 55A of the General
48 Statutes and comply at all times with the provisions of section 501(c)(3) of the
49 Internal Revenue Code.
50 (2) Employ sufficient staff who have demonstrated a capacity to market and
51 implement a scholarship grant program, including by doing the following:

- a. Direct mail marketing.
- b. Radio advertising.
- c. Targeted digital advertising.
- d. One-on-one parent and family engagement.
- (3) Comply with the limitations on lobbying set forth in section 501(c)(3) of the Internal Revenue Code.
- (4) Have no State officer or employee serving on the board of the nonprofit.
- (5) Conduct at least quarterly meetings of the board of directors of the nonprofit at the call of its chair.

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

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

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

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

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

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

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

"Article 41.

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

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

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

"§ 115C-591. Definitions.

The following definitions apply in this Article:

- (1) Authority. – Defined in G.S. 116-201.
- (2) Division. – The Division of Nonpublic Education, Department of Administration.
- (2a) Educational technology. – As defined annually by the Authority, an item, piece of equipment, material, product, or system which may be purchased commercially off the shelf, modified, or customized and that is used primarily for educational purposes for a child with a disability.
- (3) Eligible student. – A student residing in North Carolina who has not yet received a high school diploma and who meets all of the following requirements:
 - a. Is eligible to attend a North Carolina public school pursuant to ~~G.S. 115C-366.~~Article 25 of this Chapter. A child who is the age of

1 four on or before April 16 is eligible to attend the following school
 2 year if the principal, or equivalent, of the school in which the child
 3 seeks to enroll finds that the student meets the requirements of
 4 G.S. 115C-364(d) and those findings are submitted to the Authority
 5 with the child's application.

6 b. Has not been enrolled in a postsecondary institution ~~in a matriculated~~
 7 ~~status eligible for enrollment for~~ as a full-time student taking at least
 8 12 hours of academic credit.

9 c. Is a child with a disability, as defined in ~~G.S. 115C-106.3(1),~~
 10 ~~including, for example, intellectual disability, hearing impairment,~~
 11 ~~speech or language impairment, visual impairment, serious emotional~~
 12 ~~disturbance, orthopedic impairment, autism, traumatic brain injury,~~
 13 ~~other health impairments, specific learning disability, or disability as~~
 14 ~~may be required to be included under IDEA.~~ G.S. 115C-106.3(1).

15 d. Has not been placed in a nonpublic school or facility by a public
 16 agency at public expense.

17 (3a) G.S. 115C-562.5 compliant school. – A Part 1 or Part 2 nonpublic school that
 18 consents to comply with the requirements of G.S. 115C-562.5.

19 (4) Nonpublic school. – A school that meets the requirements of Part 1, 2, or 3 of
 20 Article 39 of this Chapter, as identified by the Division.

21 (5) Parent. – A parent, legal guardian, or legal custodian of an eligible student.

22 (5a) Part 1 or Part 2 nonpublic school. – A nonpublic school that meets the
 23 requirements of Part 1 or Part 2 of Article 39 of this Chapter, as identified by
 24 and deemed eligible by the Division.

25 ~~(5a)~~(5b) Part-time student. – A child enrolled part time in a public school and part
 26 time in a nonpublic school that exclusively provides services for children with
 27 disabilities.

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

32 **"§ 115C-592. Award of scholarship funds for a personal education ~~savings~~student account.**

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

40 (1) First priority shall be given to eligible students who were awarded scholarship
 41 funds for a PESA during the previous school year ~~if those students have~~
 42 ~~applied by March 1 year.~~

43 (2) After funds have been awarded to prior recipients as provided in subdivision
 44 (1) of this subsection, any remaining funds shall be used to award scholarship
 45 funds for a PESA for all other eligible students.

46 (b) Scholarship Awards. – ~~Scholarships~~Except for eligible students who qualify for
 47 scholarship funds pursuant to subsection (b1) of this section, scholarships shall be awarded each
 48 year for an amount not to exceed ~~nine~~ (i) eight thousand dollars ~~(\$9,000)~~ (\$8,000) per eligible
 49 student for the ~~fiscal school year in for which the application is received, except received or~~ (ii)
 50 for eligible part-time students, who shall be awarded scholarships each year for an amount not to
 51 exceed ~~students, four thousand five hundred dollars (\$4,500)~~ (\$4,000) per eligible student for the

1 ~~fiscal school year in for~~ which the application is received. Any funds remaining on a debit card
2 or in an electronic account provided under subsection (b2) of this section at the end of a school
3 year for eligible students who qualify only under this subsection shall be returned to the
4 Authority.

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

9 (1) Autism.

10 (2) Hearing impairment.

11 (3) Moderate or severe intellectual or developmental disability.

12 (4) Multiple, permanent orthopedic impairments.

13 (5) Visual impairment.

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

21 (b2) Disbursement and Deposit of Awards. – Scholarship funds shall be used only for
22 tuition and qualifying education expenses as provided in G.S. 115C-595. Recipients shall receive
23 the scholarship funds deposited in two equal amounts to a PESA in amounts, one-half in each
24 quarter-semester of the fiscal school year. The first deposit of funds to a PESA shall be subject
25 to the execution of the parental agreement required by G.S. 115C-595. The parent shall then
26 receive a debit card or an electronic account with the prepaid funds loaded on the card or in the
27 electronic account at the beginning of the fiscal school year. After the initial disbursement of
28 funds, each subsequent, quarterly-semester disbursement of funds shall be subject to the
29 submission by the parent of an expense report. The expense report shall be submitted
30 electronically and shall include documentation that the student received an education, as
31 described in G.S. 115C-595(a)(1), for no less than 35-70 days of the applicable quarter-semester.
32 The debit card or the electronic account shall be renewed upon the receipt of the parental
33 agreement under G.S. 115C-595 for recipients awarded scholarship funds in subsequent fiscal
34 school years. Any funds remaining on the card or in the electronic account at the end of the fiscal
35 year may be carried forward to the next fiscal year if the card or electronic account is renewed.
36 Any funds remaining on the card or in the electronic account if an agreement is not renewed shall
37 be returned to the Authority.

38 (c) Eligibility for the other scholarship programs is provided for as follows: Eligibility for
39 Other Scholarship Programs. –

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

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

47 a. Autism.

48 b. Developmental disability.

49 e. Hearing impairment.

50 d. Moderate or severe intellectual disability.

51 e. Multiple, permanent orthopedic impairments.

1 ~~f. Visual impairment.~~

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

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

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

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

23 **"§ 115C-593. Student continuing eligibility.**

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

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

29 (2) A licensed psychologist with a school psychology focus or a psychiatrist. –
30 The psychologist or psychiatrist shall assess, after review of appropriate
31 medical and educational records, if the education and related services received
32 by the student in the nonpublic school setting have improved the child's
33 educational performance and if the student would continue to benefit from
34 placement in the nonpublic school setting. The psychologist or psychiatrist
35 shall verify the outcome of the assessment on a form to be provided to the
36 Authority.

37 **"§ 115C-594. Verification of eligibility.**

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

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

48 **"§ 115C-595. Parental agreement; use of funds.**

49 (a) Parental Agreement. – The Authority shall provide the parent of a scholarship
50 recipient with a written agreement, applicable for each year the eligible student receives
51 scholarship funds under this Article, to be signed and returned to the Authority prior to receiving

1 the scholarship funds. The agreement shall be submitted to the Authority electronically. The
2 parent shall not designate any entity or individual to execute the agreement on the parent's behalf.
3 A parent or eligible student's failure to comply with this section shall result in a forfeit of
4 scholarship funds and those funds may be awarded to another eligible student. The parent shall
5 agree to the following conditions in order to receive scholarship funds under this Article:

- 6 (1) Use at least a portion of the scholarship funds to provide an education to the
7 eligible student in, at a minimum, the subjects of English language arts,
8 mathematics, social studies, and science.
- 9 (2) Unless the student is a part-time eligible student, release a local education
10 agency in which the student is eligible to attend under G.S. 115C-366 of all
11 obligations to educate the eligible student while the eligible student is
12 receiving scholarship funds under this Article. A parent of a student, other
13 than a part-time eligible student, who decides to enroll the student into the
14 local education agency or other North Carolina public school during the term
15 of the agreement shall notify the Authority to request a release from the
16 agreement and shall return any unexpended funds to the Authority.
- 17 (3) Use the scholarship funds deposited into a personal education ~~savings~~-student
18 account only for the following qualifying education expenses of the eligible
19 student:
 - 20 a. Tuition and fees for a ~~nonpublic school that meets the requirements of~~
21 ~~Part 1 or Part 2 of Article 39 of this Chapter and is subject to the~~
22 ~~requirements of G.S. 115C-562.5.~~G.S. 115C-562.5 compliant school,
23 disbursed as provided in subdivision (1) of subsection (a1) of this
24 section.
 - 25 b. Textbooks required by a nonpublic school.
 - 26 c. Tutoring and teaching services provided by an individual or facility
27 accredited by a State, regional, or national accrediting organization.
 - 28 d. Curricula.
 - 29 e. Fees for nationally standardized norm-referenced achievement tests,
30 advanced placement tests, or nationally recognized college entrance
31 exams.
 - 32 f. Fees charged to the account holder for the management of the PESA.
 - 33 g. Fees for services provided by a public school, including individual
34 classes and extracurricular programs.
 - 35 h. Premiums charged to the account holder for any insurance or surety
36 bonds required by the Authority.
 - 37 i. Educational therapies from a licensed or accredited practitioner or
38 provider.
 - 39 j. Educational technology defined by the Authority as approved for use
40 pursuant to ~~Part 1H of Article 9 of this Chapter.~~G.S. 115C-591(2a).
 - 41 k. Student transportation, pursuant to a contract with an entity that
42 regularly provides student transportation, to and from (i) a provider of
43 education or related services or (ii) an education activity.

44 (3a) Use of scholarship funds for reimbursement of tuition. – Notwithstanding
45 sub-subdivision a. of subdivision (3) of this subsection, a parent of an
46 eligible student may pay tuition to Part 1 or Part 2 nonpublic schools that are
47 not G.S. 115C-562.5 compliant schools with funds other than funds
48 available in the personal education student account and then request
49 reimbursement from the Authority from scholarship funds if the parent
50 complies with the provisions of subdivision (2) of subsection (a1) of this
51 section.

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

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

14 (1) Scholarship endorsement for tuition. – The Authority shall remit, at least two
15 times each school year, scholarship funds from the personal education student
16 account for eligible students who attend G.S. 115C-562.5 compliant schools.
17 The funds shall be remitted to the G.S. 115C-562.5 compliant school for
18 endorsement by at least one of the student's parents or guardians. The parent
19 or guardian shall restrictively endorse the scholarship funds awarded to the
20 eligible student for deposit into the account of the G.S. 115C-562.5 compliant
21 school to the credit of the eligible student. The parent or guardian shall not
22 designate any entity or individual associated with the school as the parent's
23 attorney-in-fact to endorse the scholarship funds. A parent's or guardian's
24 failure to comply with this subdivision shall result in forfeiture of the
25 scholarship funds for tuition. Scholarship funds forfeited for failure to comply
26 with this subdivision shall be returned to the Authority to be awarded to
27 another student.

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

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

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

45 **"§ 115C-596. Identification of nonpublic schools and distribution of personal education**
46 **savings student account information.**

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

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

4 **"§ 115C-597. Administration.**

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

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

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

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

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

24 (d) Administration Costs. – Of the funds allocated to the Authority to award scholarship
25 funds under this Article, the Authority may retain up to ~~two hundred fifty thousand dollars~~
26 ~~(\$250,000)~~ four percent (4%) of the funds appropriated for the program each fiscal year for
27 administrative costs associated with the program, including contracting with non-State entities
28 for administration of certain components of the program.

29 **"§ 115C-598. Reporting requirements.**

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

- 32 (1) Total number, grade level, race, ethnicity, and sex of eligible students
33 receiving scholarship funds.
- 34 (2) Total amount of scholarship funding awarded.
- 35 (3) Number of students previously enrolled in public schools in the prior semester
36 by the previously attended local education agency.
- 37 (4) Nonpublic schools in which scholarship recipients are enrolled, including
38 numbers of scholarship recipients at each nonpublic school.
- 39 (5) The number of substantiated cases of fraud by recipients and the number of
40 parents or students removed from the program for noncompliance with the
41 provisions of this Article.

42 **"§ 115C-599. Duties of State agencies.**

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

- 48 (1) Conduct evaluations requested by a child's parent or guardian of suspected
49 children with disabilities, as defined in G.S. 115C-107.3, in a timely manner
50 as required by IDEA.

1 (2) Provide assessments for continuing eligibility to identified children with
2 disabilities receiving scholarship funds at the request of the parent or guardian
3 to ensure compliance with G.S. 115C-593.

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

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

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

17 **SECTION 2.2.(a)** Notwithstanding any other provision of law, beginning with the
18 2022-2023 fiscal year, of the funds appropriated from the General Fund to the Board of
19 Governors of The University of North Carolina, the sum of (i) thirteen million forty-three
20 thousand one hundred sixty-six dollars (\$13,043,166) in recurring funds for the Special
21 Education Scholarship Program for Children with Disabilities established pursuant to Part 1H of
22 Article 9 of Chapter 115C of the General Statutes and (ii) three million dollars (\$3,000,000) in
23 recurring funds for the Personal Education Savings Account program shall instead be
24 appropriated to the Personal Education Student Account Fund Reserve, as enacted by Section 2.1
25 of this act.

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

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

29 "(4) It receives no funding from the State of North Carolina. For the purposes of
30 this Article, scholarship funds awarded pursuant to Part 2A of this ~~Article,~~
31 ~~Article or Article 41 of this Chapter, or Part 1H of Article 9 of this Chapter~~ to
32 eligible students attending a nonpublic school shall not be considered funding
33 from the State of North Carolina."

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

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

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

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

48 a. Direct mail marketing.

49 b. Radio advertising.

50 c. Targeted digital advertising.

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

- 1 (3) Comply with the limitations on lobbying set forth in section 501(c)(3) of the
- 2 Internal Revenue Code.
- 3 (4) Have no State officer or employee serving on the board of the nonprofit.
- 4 (5) Conduct at least quarterly meetings of the board of directors of the nonprofit
- 5 at the call of its chair."

6 **SECTION 2.2.(e)** Section 5(b) of S.L. 2013-364, as rewritten by Section 3.2 of S.L.
7 2013-363 and as amended by Section 11.18 of S.L. 2015-241, is repealed.

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

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

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

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

16 **SECTION 2.3.(c)** This section applies to taxable years beginning on or after January
17 1, 2022.

18
19 **PART III. EFFECTIVE DATE**

20 **SECTION 3.** Except as otherwise provided, this act is effective when it becomes
21 law.