

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2021

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SENATE BILL 671  
Education/Higher Education Committee Substitute Adopted 4/28/21

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 - V - 2 \*

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

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

29    "**§ 115C-562.2. Scholarship grants.**

30                    ...

31                   (b)    Scholarship grants awarded to eligible students residing in households with an income  
32                   level not in excess of the amount required for the student to qualify for the federal free or  
33                   reduced-price lunch program shall ~~be for amounts of up to four thousand two hundred dollars~~  
34                   ~~(\$4,200) per year. be, per year per eligible student, in an amount up to ninety percent (90%) of~~  
35                   the average State per pupil allocation for average daily membership in the prior fiscal year.  
36                   Scholarship grants awarded to eligible students residing in households with an income level in  
37                   excess of the amount required for the student to qualify for the federal free or reduced-price lunch  
38                   program shall be for amounts of not more than ninety percent (90%) of the required tuition and  
39                   fees for the nonpublic school the eligible child will attend. Tuition and fees for a nonpublic school  
40                   may include tuition and fees for books, transportation, equipment, or other items required by the  
41                   nonpublic school. No scholarship grant shall ~~exceed four thousand two hundred dollars (\$4,200)~~  
42                   exceed, per year per eligible student, an amount equal to ninety percent (90%) of the average  
43                   State per pupil allocation for average daily membership in the prior fiscal year and no scholarship  
44                   grant shall exceed the required tuition and fees for the nonpublic school the eligible student will  
45                   attend.

46                   ~~(b1)    Beginning with the 2017-2018 school year, within the funds appropriated by the~~  
47                   ~~General Assembly to award scholarship grants to eligible students under this Part, the Authority~~  
48                   ~~may award scholarship grants to at least 2,000 more eligible students each school year than were~~  
49                   ~~served in the prior school year.~~

50                    ...."

51                   **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."

48  
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.

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

5 **"§ 115C-592. Award of scholarship funds for a personal education ~~savings~~ student account.**

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

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

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

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

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

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

44 (b2) Disbursement and Deposit of Awards. – Scholarship funds shall be used only for  
45 tuition and qualifying education expenses as provided in G.S. 115C-595. Recipients shall receive  
46 the scholarship funds deposited in two equal amounts to a PESA in amounts, one-half in each  
47 quarter semester of the fiscal school year. The first deposit of funds to a PESA shall be subject  
48 to the execution of the parental agreement required by G.S. 115C-595. The parent shall then  
49 receive a debit card or an electronic account with the prepaid funds loaded on the card or in the  
50 electronic account at the beginning of the fiscal school year. After the initial disbursement of  
51 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