

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2023

H.B. 420
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HOUSE PRINCIPAL CLERK

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HOUSE BILL DRH40217-MTa-3

Short Title: Expand & Consolidate K-12 Scholarships. (Public)

Sponsors: Representative Loftis.

Referred to:

A BILL TO BE ENTITLED
AN ACT TO EXPAND ELIGIBILITY FOR PERSONAL EDUCATION STUDENT
ACCOUNTS AND TO CONSOLIDATE PERSONAL EDUCATION STUDENT
ACCOUNTS AND OPPORTUNITY SCHOLARSHIPS AFTER TWO YEARS.

The General Assembly of North Carolina enacts:

**PART I. EXPAND ELIGIBILITY FOR PERSONAL EDUCATION STUDENT
ACCOUNTS**

SECTION 1.(a) Expand PESA Eligibility in 2024-2025. – Effective July 1, 2023,
Article 41 of Chapter 115C of the General Statutes reads as rewritten:

"Article 41.

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

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

There is established the North Carolina Personal Education Student ~~Accounts for Children with Disabilities~~ Accounts 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.

(1a) Child with a disability. – As defined in G.S. 115C-106.3(1).

(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~~ an eligible student receiving scholarship funds.

(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 Article 25 of this Chapter. A child who is the age of four on or before April 16 is eligible to attend the following school year if the principal, or equivalent, of the school in which the child seeks to enroll finds that the student meets the requirements established by the Authority



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- 1 pursuant to G.S. 115C-562.2(d) and those findings are submitted to the
2 Authority with the child's application.
- 3 b. Has not been enrolled in a postsecondary institution as a full-time
4 student taking at least 12 hours of academic credit.
- 5 ~~e. Is a child with a disability, as defined in G.S. 115C-106.3(1).~~
- 6 d. Has not been placed in a nonpublic school or facility by a public
7 agency at public expense.
- 8 (3a) Eligible institution of higher education. – Either of the following:
9 a. An institution of higher education, as defined in G.S. 116-143.1.
10 b. An eligible private postsecondary institution, as defined in
11 G.S. 116-280(3).
- 12 ~~(3a)(3b)~~ G.S. 115C-562.5 compliant school. – A Part 1 or 2 nonpublic school that
13 consents to comply with the requirements of G.S. 115C-562.5.
- 14 (4) Nonpublic school. – A school that meets the requirements of Part 1, 2, or 3 of
15 Article 39 of this Chapter, as identified by the Division.
- 16 (5) Parent. – A parent, legal guardian, or legal custodian of an eligible student.
- 17 (5a) Part 1 or 2 nonpublic school. – A nonpublic school that meets the requirements
18 of Part 1 or Part 2 of Article 39 of this Chapter, as identified by and deemed
19 eligible by the Division.
- 20 (5b) Part-time student. – A child enrolled part time in a public school and part time
21 in a nonpublic school.
- 22 (6) Personal Education Student Account or PESA. – An electronic account
23 provided to a parent for the purpose of holding scholarship funds awarded by
24 the Authority for an eligible student to be used for qualifying education
25 expenses under G.S. 115C-595.

26 **"§ 115C-592. Award of scholarship funds for a personal education student account.**

27 (a) Application Selection. – The Authority shall make available no later than February 1
28 of each year applications to eligible students for the award of scholarship funds for a personal
29 education student account to be used for qualifying education expenses to (i) attend a nonpublic
30 school, school and (ii) enroll in courses at an eligible institution of higher education prior to
31 obtaining a high school diploma. Information about scholarship funds and the application process
32 shall be made available on the Authority's website. Applications shall be submitted
33 electronically. The Authority shall award scholarships according to the following criteria for
34 applications received by March 1 of each year:

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

40 (b) Scholarship Awards. – ~~Except as provided in for eligible students who elect to receive~~
41 a scholarship under subsection (b1) of this section, scholarships for eligible students shall be
42 awarded each year for an amount not to exceed (i) nine thousand dollars (\$9,000) per eligible
43 student for the school year for which the application is received or (ii) for eligible part time
44 students, four thousand five hundred dollars (\$4,500) per eligible student for the school year for
45 which the application is received. Any funds remaining in an electronic account provided under
46 subsection (b2) of this section at the end of a school year for eligible students who qualify only
47 under this subsection shall be returned to the Authority as a percentage of the average State per
48 pupil allocation for average daily membership in the prior fiscal year, as follows:

- 49 (1) For eligible students who attend home school, an amount up to twenty-eight
50 percent (28%).

(2) For eligible students who attend all other nonpublic schools, an amount up to thirty-three percent (33%) as a full-time student or up to seventeen percent (17%) as a part-time student.

(b1) ~~Scholarship Awards for Students with Certain who are Children with Disabilities. – A student who~~ An eligible student who is a child with a disability may elect to receive one of the following scholarship awards for the school year for which his or her application is received:

(1) An amount of up to (i) nine thousand dollars (\$9,000) per eligible student who is a full-time student or (ii) four thousand five hundred dollars (\$4,500) per eligible student who is a part-time student.

(2) If the eligible student has one or more of the following disabilities listed as a primary or secondary disability on the student's eligibility determination form submitted as required by subsection (e) of this section G.S. 115C-593(a) at the time of application for scholarship funds, he or she may be awarded scholarship funds for each school year in receive an amount of up to (i) seventeen thousand dollars (\$17,000) for an eligible student who is a full-time student or (ii) eight thousand five hundred dollars (\$8,500) for an eligible part-time student: student who is a part-time student:

~~(1)~~a. Autism.

~~(2)~~b. Hearing impairment.

~~(3)~~c. Moderate or severe intellectual disability.

~~(4)~~d. Orthopedic impairment.

~~(5)~~e. Visual impairment.

(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 in two equal amounts, one-half in each semester of the 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 an electronic account with the prepaid funds loaded in the electronic account at the beginning of the school year. After the initial disbursement of funds, each subsequent, semester disbursement of funds shall be subject to the submission by the parent of an expense report. The expense report shall be submitted electronically and shall include documentation that the student received an education, as described in G.S. 115C-595(a)(1), for no less than 70 days of the applicable semester. The electronic account shall be renewed upon the receipt of the parental agreement under G.S. 115C-595 for recipients awarded scholarship funds in subsequent school years.

(b3) Funds awarded pursuant to this section shall be carried forward as follows:

(1) For eligible students who qualify for scholarship funds under this subsection, funds awarded to eligible students with certain disabilities pursuant to subdivision (2) of subsection (b1) of this section, 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.

(2) For all other funds awarded pursuant to this section, any funds remaining in an electronic account provided under subsection (b2) of this section at the end of a school year shall be returned to the Authority.

(c) Eligibility for Other Scholarship Programs. – An eligible student under this Article who is a child with a disability may receive, in addition to a PESA, an award pursuant to subsection (b1) of this section, a scholarship under Part 2A of Article 39 of this Chapter. All

other eligible students who receive an award pursuant to this Article shall not qualify for a scholarship under Part 2A of Article 39 of this Chapter.

...

~~(e) Establishment of Initial Eligibility. — An applicant shall demonstrate for initial eligibility that the applicant is a child with a disability, as required by G.S. 115C-591(3)c., by having the child assessed by a local education agency and the local education agency determining the child to be a child with a disability with that outcome verified by the local education agency on an eligibility determination form provided to the Authority.~~

"§ 115C-593. Student continuing eligibility. Eligibility for a child with a disability.

(a) Establishment of Initial Eligibility. — In order to receive a scholarship pursuant to G.S. 115C-592(b1), an applicant shall demonstrate that the applicant is a child with a disability by completing an assessment through a local education agency. The local education agency shall determine that the child is a child with a disability and verify this information on an eligibility determination form provided to the Authority.

(b) Continuing Eligibility. — After the initial disbursement of funds, funds pursuant to G.S. 115C-592(b1), the Authority shall ensure that the student's continuing eligibility as a child with a disability is assessed at least every three years by one of the following:

- (1) The local education agency. — The local education agency shall assess if the student continues to be a child with a disability and verify the outcome on a form to be provided to the Authority.
- (2) A licensed psychologist with a school psychology focus or a psychiatrist. — Except for eligible students whose primary disability is developmental delay, the psychologist or psychiatrist shall assess, after review of appropriate medical and educational records, if the education and related services received by the student in the nonpublic school setting have improved the child's educational performance and if the student would continue to benefit from placement in the nonpublic school setting. The psychologist or psychiatrist shall verify the outcome of the assessment on a form to be provided to the Authority.

...

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

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

...

- (3) Use the scholarship funds deposited into a personal education student account only for the following qualifying education expenses of the eligible student:
 - a. Tuition and fees for a G.S. 115C-562.5 compliant school, disbursed as provided in subdivision (1) of subsection (a1) of this section.
 - a1. Tuition and fees at an eligible institution of higher education for courses taken prior to obtaining a high school diploma.
 - b. Textbooks required by a nonpublic school.
 - b1. Textbooks required by an eligible institution of higher education for courses taken prior to obtaining a high school diploma.
 - b2. Consumable educational supplies, including paper, pens, and markers.

- 1 b3. Uniforms purchased from or through a G.S. 115C-562.5 compliant
2 school.
3 c. Tutoring and teaching services provided by an individual or facility
4 accredited by a State, regional, or national accrediting organization.
5 d. Curricula.
6 e. Fees for nationally standardized norm-referenced achievement tests,
7 advanced placement tests, or nationally recognized college entrance
8 exams.
9 f. Fees charged to the account holder for the management of the PESA.
10 g. Fees for services provided by a public school, including individual
11 classes and extracurricular programs.
12 h. Premiums charged to the account holder for any insurance or surety
13 bonds required by the Authority.
14 i. Educational ~~therapies~~ therapy for an eligible student who is a child
15 with a disability from a licensed or accredited practitioner or provider.
16 j. Educational technology defined by the Authority as approved for use
17 pursuant to G.S. 115C-591(2a).
18 k. ~~Student transportation.~~ Either of the following student transportation
19 services provided to and from a provider of education or related
20 services or an education activity:
21 1. Transportation pursuant to a contract with an entity that
22 regularly provides student ~~transportation, to and from (i) a~~
23 ~~provider of education or related services or (ii) an education~~
24 ~~activity.~~ transportation.
25 2. Public transportation services in the State, including public
26 transportation services as defined in G.S. 160A-576,
27 transportation network company services, and taxicab services.
28 l. Transaction or merchant fees charged to the account holder, not to
29 exceed two and one-half percent (2.5%) of the cost of the item or
30 service.
- 31 (3a) Use of scholarship funds for reimbursement of tuition. – Notwithstanding
32 sub-subdivision a. of subdivision (3) of this subsection, a parent of an eligible
33 student who is a child with a disability may pay tuition to Part 1 or 2 nonpublic
34 schools that are not G.S. 115C-562.5 compliant schools with funds other than
35 funds available in the personal education student account and then request
36 reimbursement from the Authority from scholarship funds if the parent
37 complies with the provisions of subdivision (2) of subsection (a1) of this
38 section.
- 39 (4) Not use scholarship funds for any of the following purposes:
40 a. Computer hardware or other technological devices not defined by the
41 Authority as educational technology approved for use pursuant to
42 G.S. 115C-591(2a).
43 ~~b. Consumable educational supplies, including paper, pen, or markers.~~
44 ~~c. Tuition and fees at an institution of higher education, as defined in~~
45 ~~G.S. 116-143.1, or a private postsecondary institution.~~
46 d. Tuition and fees for a nonpublic school that meets the requirements of
47 Part 3 of Article 39 of this Chapter.
- 48 (a1) Disbursement of Funds for Tuition. – ~~The method by which the Authority shall~~
49 ~~disburse scholarship funds awarded to eligible students for tuition at a nonpublic school shall be~~
50 ~~based upon whether the nonpublic school is a G.S. 115C-562.5 compliant school.~~ Scholarship
51 funds for tuition shall be disbursed as follows:

- (1) Scholarship endorsement for tuition. – The Authority shall remit, at least two times each school year, scholarship funds from the personal education student account for eligible students who attend G.S. 115C-562.5 compliant ~~schools~~ schools or eligible institutions of higher education. The funds shall be remitted to the G.S. 115C-562.5 compliant school or eligible institution of higher education for endorsement by at least one of the student's parents. The parent shall restrictively endorse the scholarship funds awarded to the eligible student for deposit into the account of the G.S. 115C-562.5 compliant school or eligible institution of higher education to the credit of the eligible student. The parent shall not designate any entity or individual associated with the school or institution as the parent's attorney-in-fact to endorse the scholarship funds. A parent's failure to comply with this subdivision shall result in forfeiture of the scholarship funds for tuition. Scholarship funds forfeited for failure to comply with this subdivision shall be returned to the Authority to be awarded to another student.
- (2) Reimbursement for tuition. – The parent of an eligible student who is a child with a disability who enrolls in a school that is (i) a North Carolina public school other than the public school to which that student would have been assigned as provided in G.S. 115C-366 or (ii) a Part 1 or 2 nonpublic school that is not a G.S. 115C-562.5 compliant school may pay tuition directly to the school with funds other than scholarship funds and request reimbursement with funds available in the personal education student account under subdivision (3a) of subsection (a) of this section. However, the Authority shall not reimburse the parent prior to the midpoint of each semester. A parent may only receive reimbursement for tuition if the parent provides documentation to the Authority that the student is enrolled in the school.

...

"§ 115C-597. Administration.

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

- ...
- (4) Monitoring and control of spending scholarship funds deposited in a personal education ~~savings~~ student account.

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

...

(d) Administration Costs. – Of the funds allocated to the Authority to award scholarship funds under this Article, the Authority may retain the lesser of ~~four~~ two and one-half percent ~~(4%) (2.5%)~~ of the funds appropriated or ~~two~~ ten million dollars ~~(\$2,000,000) (\$10,000,000)~~ each fiscal year for administrative costs associated with the program, including contracting with non-State entities for administration of certain components of the program.

(e) Program Outreach. – Of the funds allocated to the Authority to award scholarship funds under this Article, the Authority shall use the lesser of one percent (1%) of the funds appropriated or five million dollars (\$5,000,000) each fiscal year to contract with a third-party entity to conduct direct parent and family outreach related to the Program. Outreach shall include promotions through scholarship application processes, guidance on scholarship grant applications, one-on-one parent and family engagement, and scholarship education and awareness.

...

"§ 115C-600. Funds for Personal Education Student Accounts.

The General Assembly finds that due to the continued growth and ongoing need in this State to provide opportunity for school choice for ~~children with disabilities, all children~~, it is imperative that the State provide an increase in funds of ~~at least one million dollars (\$1,000,000)~~ each fiscal year for 10 years for the Personal Education Student Accounts for ~~Children with Disabilities~~ Program. To that end, there is appropriated from the General Fund to the Board of Governors of The University of North Carolina the following amounts each fiscal year to be allocated to the Authority for the Program in accordance with this Article:

Fiscal Year	Appropriation
2023-2024	\$48,943,166
2024-2025	\$49,943,166 \$326,239,959
2025-2026	\$50,943,166 \$708,659,393
2026-2027	\$51,943,166 \$1,307,881,817
2027-2028	\$52,943,166 \$1,536,178,159
2028-2029	\$53,943,166 \$1,537,178,159
2029-2030	\$54,943,166 \$1,538,178,159
2030-2031	\$55,943,166 \$1,539,178,159
2031-2032	\$56,943,166 \$1,540,178,159
2032-2033 and each subsequent fiscal year thereafter	\$57,943,166 \$1,541,178,159

When developing the base budget, as defined by G.S. 143C-1-1, for each fiscal year specified in this section, the Director of the Budget shall include the appropriated amount specified in this section for that fiscal year."

SECTION 1.(b) Increase Certain PESA Awards in 2025-2026. – Effective July 1, 2025, G.S. 115C-592(b), as amended by subsection (a) of this section, reads as rewritten:

"(b) Scholarship Awards. – Except for eligible students who elect to receive a scholarship under subsection (b1) of this section, scholarships for eligible students shall be awarded each year as a percentage of the average State per pupil allocation for average daily membership in the prior fiscal year, as follows:

- (1) For eligible students who attend homeschool, an amount up to twenty-eight percent (28%).
- (2) For eligible students who attend all other nonpublic schools, an amount up to ~~thirty three percent (33%)~~ sixty-six percent (66%) as a full-time student or up to ~~seventeen percent (17%)~~ thirty-three percent (33%) as a part-time student."

PART II. CONSOLIDATE EDUCATION SCHOLARSHIP PROGRAMS

SECTION 2.(a) Repeal Opportunity Scholarship Grant Fund Reserve in 2025-2026. – Effective July 1, 2025, G.S. 115C-562.1(5e) and G.S. 115C-562.8 are repealed. In accordance with this subsection, when developing the base budget, as defined by G.S. 143C-1-1, the Director of the Budget shall not include the amount appropriated in G.S. 115C-562.8(b) in the base budget for the 2026-2027 fiscal year. No later than November 1, 2026, all funds in the Opportunity Scholarship Grant Fund Reserve established pursuant to G.S. 115C-562.8 shall revert to the General Fund.

SECTION 2.(b) Repeal Opportunity Scholarship Program in 2026-2027. – Effective July 1, 2026, Part 2A of Article 39 of Chapter 115C of the General Statutes is repealed.

SECTION 2.(c) Consolidate PESA Program and Opportunity Scholarship Program in 2026-2027. – Effective July 1, 2025, Article 41 of Chapter 115C of the General Statutes, as amended by Section 1 of this act, reads as rewritten:

"Article 41.

"Personal Education Student Accounts.

...

"§ 115C-591. Definitions.

The following definitions apply in this Article:

...
(1b) Compliant school. – A Part 1 or 2 nonpublic school that complies with the requirements of G.S. 115C-596.5.

...

(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 Article 25 of this Chapter. A child who is the age of four on or before April 16 is eligible to attend the following school year if the principal, or equivalent, of the school in which the child seeks to enroll finds that the student meets the requirements established by the Authority pursuant to ~~G.S. 115C-562.2(d)~~ G.S. 115C-597(a)(5) and those findings are submitted to the Authority with the child's application.
- b. Has not been enrolled in a postsecondary institution as a full-time student taking at least 12 hours of academic credit.
- c. Repealed.
- d. Has not been placed in a nonpublic school or facility by a public agency at public expense.

...

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

...

"§ 115C-592. Award of scholarship funds for a personal education 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 student account to be used for qualifying education expenses to (i) attend a nonpublic school and (ii) enroll in courses at an eligible institution of higher education prior to obtaining a high school diploma. Information about scholarship funds and the application process shall be made available on the Authority's website. Applications shall be submitted electronically. The Authority shall award scholarships according to the following 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.
- (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. – Except for eligible students who elect to receive a scholarship under subsection (b1) of this section, scholarships for eligible students shall be awarded each year as a percentage of the average State per pupil allocation for average daily membership in the prior fiscal year, as follows:

- (1) For eligible students who attend home school, an amount up to twenty-eight percent (28%).
- (2) For eligible students who attend all other nonpublic schools, an amount up to ~~sixty-six percent (66%)~~ one hundred percent (100%) as a full-time student or up to ~~thirty-three percent (33%)~~ fifty percent (50%) as a part-time student.

(b1) Scholarship Awards for Students who are Children with Disabilities. – An eligible student who is a child with a disability may elect to receive one of the following scholarship awards for the school year for which his or her application is received:

- (1) An amount of up to (i) nine thousand dollars (\$9,000) per eligible student who is a full-time student or (ii) four thousand five hundred dollars (\$4,500) per eligible student who is a part-time student.
- (2) If the eligible student has one or more of the following disabilities listed as a primary or secondary disability on the student's eligibility determination form submitted as required by G.S. 115C-593(a) at the time of application for scholarship funds, he or she may receive an amount of up to (i) seventeen thousand dollars (\$17,000) for an eligible student who is a full-time student or (ii) eight thousand five hundred dollars (\$8,500) for an eligible student who is a part-time student:
- a. Autism.
 - b. Hearing impairment.
 - c. Moderate or severe intellectual disability.
 - d. Orthopedic impairment.
 - e. Visual impairment.

...

(c) ~~Eligibility for Other Scholarship Programs. Multiple Scholarships. – An eligible student under this Article who is a child with a disability may receive, in addition to an award pursuant to subsection (b1) of this section, a scholarship under Part 2A of Article 39 of this Chapter.~~ an award pursuant to subsection (b) of this section. All other eligible students who receive an award pursuant to this Article shall not qualify for a scholarship under Part 2A of Article 39 of this Chapter. an award pursuant to both subsection (b1) and subsection (b) of this section.

...

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

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

- ...
- (3) Use the scholarship funds deposited into a personal education student account only for the following qualifying education expenses of the eligible student:
- a. Tuition and fees for a ~~G.S. 115C-562.5~~-compliant school, disbursed as provided in subdivision (1) of subsection (a1) of this section.
 - a1. Tuition and fees at an eligible institution of higher education for courses taken prior to obtaining a high school diploma.
 - b. Textbooks required by a nonpublic school.
 - b1. Textbooks required by an eligible institution of higher education for courses taken prior to obtaining a high school diploma.
 - b2. Consumable educational supplies, including paper, pens, and markers.
 - b3. Uniforms purchased from or through a ~~G.S. 115C-562.5~~-compliant school.
 - c. Tutoring and teaching services provided by an individual or facility accredited by a State, regional, or national accrediting organization.
 - d. Curricula.

- e. Fees for nationally standardized norm-referenced achievement tests, advanced placement tests, or nationally recognized college entrance exams.
 - f. Fees charged to the account holder for the management of the PESA.
 - g. Fees for services provided by a public school, including individual classes and extracurricular programs.
 - h. Premiums charged to the account holder for any insurance or surety bonds required by the Authority.
 - i. Educational therapy for an eligible student who is a child with a disability from a licensed or accredited practitioner or provider.
 - j. Educational technology defined by the Authority as approved for use pursuant to G.S. 115C-591(2a).
 - k. Either of the following student transportation services provided to and from a provider of education or related services or an education activity:
 1. Transportation pursuant to a contract with an entity that regularly provides student transportation.
 2. Public transportation services in the State, including public transportation services as defined in G.S. 160A-576, transportation network company services, and taxicab services.
 - l. Transaction or merchant fees charged to the account holder, not to exceed two and one-half percent (2.5%) of the cost of the item or service.
- (3a) Use of scholarship funds for reimbursement of tuition. – Notwithstanding sub-subdivision a. of subdivision (3) of this subsection, a parent of an eligible student who is a child with a disability may pay tuition to Part 1 or 2 nonpublic schools that are not ~~G.S. 115C-562.5~~-compliant schools with funds other than funds available in the personal education student account and then request reimbursement from the Authority from scholarship funds if the parent complies with the provisions of subdivision (2) of subsection (a1) of this section.
- ...
- (a1) Disbursement of Funds for Tuition. – Scholarship funds for tuition shall be disbursed as follows:
- (1) Scholarship endorsement for tuition. – The Authority shall remit, at least two times each school year, scholarship funds from the personal education student account for eligible students who attend ~~G.S. 115C-562.5~~-compliant schools or eligible institutions of higher education. The funds shall be remitted to the ~~G.S. 115C-562.5~~-compliant school or eligible institution of higher education for endorsement by at least one of the student's parents. The parent shall restrictively endorse the scholarship funds awarded to the eligible student for deposit into the account of the ~~G.S. 115C-562.5~~-compliant school or eligible institution of higher education to the credit of the eligible student. The parent shall not designate any entity or individual associated with the school or institution as the parent's attorney-in-fact to endorse the scholarship funds. A parent's failure to comply with this subdivision shall result in forfeiture of the scholarship funds for tuition. Scholarship funds forfeited for failure to comply with this subdivision shall be returned to the Authority to be awarded to another student.
 - (2) Reimbursement for tuition. – The parent of an eligible student who is a child with a disability who enrolls in a school that is (i) a North Carolina public

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

10 ...
11 **"§ 115C-596.5. Obligations of nonpublic schools accepting eligible students receiving**
12 **scholarship funds.**

13 (a) A Part 1 or 2 nonpublic school that accepts eligible students receiving scholarship
14 funds shall comply with the following:

- 15 (1) Provide to the Authority documentation for required tuition and fees charged
16 to the student by the school.
17 (2) Provide to the Authority a criminal background check conducted for the staff
18 member with the highest decision-making authority, as defined by the bylaws,
19 articles of incorporation, or other governing document. Information provided
20 to the Authority in accordance with this subdivision is privileged information
21 and is not a public record but is for the exclusive use of the Authority.
22 (3) Provide to the parent or guardian of an eligible student, whose tuition and fees
23 are paid in whole or in part with scholarship funds, an annual written
24 explanation of the student's progress, including the student's scores on
25 standardized achievement tests.
26 (4) Administer, at least once in each school year, a nationally standardized test or
27 other nationally standardized equivalent measurement selected by the chief
28 administrative officer of the Part 1 or 2 nonpublic school to all eligible
29 students whose tuition and fees are paid in whole or in part with scholarship
30 funds enrolled in grades three and higher. For grades three through eight, the
31 nationally standardized test or other equivalent measurement selected must
32 measure achievement in the areas of English grammar, reading, spelling, and
33 mathematics. For grades nine through 12, the nationally standardized test or
34 other equivalent measurement selected must measure either (i) achievement
35 in the areas of English grammar, reading, spelling, and mathematics or (ii)
36 competencies in the verbal and quantitative areas. Test performance data shall
37 be submitted to the Authority by July 15 of each year. Test performance data
38 reported to the Authority under this subdivision is not a public record under
39 Chapter 132 of the General Statutes.
40 (5) Provide to the Authority graduation rates of the students receiving scholarship
41 funds in a manner consistent with nationally recognized standards.
42 (6) Contract with a certified public accountant to perform a financial review,
43 consistent with generally accepted accounting principles, for each school year
44 in which the school enrolls 70 or more students receiving scholarship funds
45 awarded by the Authority.

46 (b) A Part 1 or 2 nonpublic school that accepts students receiving scholarship funds shall
47 not require any additional fees based on the status of the student as a recipient of scholarship
48 funds.

49 (c) A Part 1 or 2 nonpublic school enrolling more than 25 students whose tuition and fees
50 are paid in whole or in part with scholarship funds shall report to the Authority on the aggregate
51 standardized test performance of eligible students. Aggregate test performance data reported to

the Authority which does not contain personally identifiable student data shall be a public record under Chapter 132 of the General Statutes. Test performance data may be shared with public or private institutions of higher education located in North Carolina and shall be provided to an independent research organization selected by the Authority for research purposes as permitted by the Federal Education Rights and Privacy Act, 20 U.S.C. § 1232g.

(d) A Part 1 or 2 nonpublic school shall not discriminate with respect to the categories listed in 42 U.S.C. § 2000d, as that statute read on January 1, 2014.

(e) If the Authority determines that a Part 1 or 2 nonpublic school is not in compliance with the requirements of this section, the school shall be ineligible to receive future scholarship funds. The school shall notify the parent or guardian of any enrolled student receiving scholarship funds that the school is no longer eligible to receive future scholarship funds. The Authority shall establish by rule a process for a Part 1 or 2 nonpublic school to appeal for reconsideration of eligibility after one year. To ensure compliance, the Board of Directors of the Authority shall review the criminal history provided under subdivision (2) of subsection (a) of this section to ensure that the person has not been convicted of any crime listed in G.S. 115C-332. The Board shall determine through this review whether the Part 1 or 2 nonpublic school is noncompliant with this section. The Board shall make written findings with regard to how the criminal history information was used when making the compliance determination. The Board of Directors may delegate any of the duties in this subsection to the Executive Director of the Authority. As part of its review, the Board shall determine whether the results indicate that the staff member has any of the following disqualifying characteristics:

(1) Poses a threat to the physical safety of students or personnel.

(2) Demonstrates that he or she does not have the integrity or honesty to fulfill his or her duties in overseeing State funds and the requirements of the scholarship grant program.

(3) Has not fully satisfied the criminal sentencing obligations imposed following his or her conviction by a court of competent jurisdiction.

"§ 115C-597. Administration.

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

(1) The administration and awarding of scholarship funds, including a lottery process for the selection of recipients within the criteria established by G.S. 115C-592(a), if necessary.

(2) Requiring a surety bond or insurance to be held by account holders.

(3) Use of the funds and the reporting of expenditures.

(4) Monitoring and control of spending scholarship funds deposited in a personal education student account.

(5) A rule regarding the early admission of 4 year old children that establishes the same factors for eligibility as the rule adopted by the State Board of Education pursuant to G.S. 115C-364(d).

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

...."

SECTION 2.(d) Effective July 1, 2025, notwithstanding G.S. 115C-592(a), as amended by Section 1 of this act, for timely applications for the award of scholarship funds for the 2026-2027 school year, the Authority shall give second priority to eligible students who were awarded scholarship funds pursuant to Part 2A of Article 39 of Chapter 115C of the General Statutes during the 2025-2026 school year.

SECTION 2.(e) Of the funds allocated to the State Education Assistance Authority for the 2023-2024 fiscal year and subsequent fiscal years for program outreach, the Authority

1 shall contract with Parents for Educational Freedom in North Carolina, Inc., to provide the
2 services described in G.S. 115C-597(e), as enacted by this act.

3
4 **PART III. ELIMINATE MIDYEAR ADM ADJUSTMENT FOR LOCAL SCHOOL**
5 **ADMINISTRATIVE UNITS**

6 **SECTION 3.** Section 7.15(b) of S.L. 2007-323 is repealed.

7
8 **PART IV. EFFECTIVE DATE**

9 **SECTION 4.** Subsection (a) of Section 1 of this act applies to applications for the
10 award of scholarship funds for the 2024-2025 school year. Subsection (c) of Section 2 of this act
11 applies to applications for the award of scholarship funds for the 2026-2027 school year. Except
12 as otherwise provided, this act is effective when it becomes law.