



HOUSE BILL 944: Opportunity Scholarship Act

2013-2014 General Assembly

Committee:	House Education, if favorable, Appropriations	Date:	May 21, 2013
Introduced by:	Reps. Bryan, B. Brown, Brandon, Hanes	Prepared by:	Kara McCraw and Drupti Chauhan
Analysis of:	PCS to First Edition H944-CSTC-17		Committee Counsel

SUMMARY: *House Bill 944 would create scholarship grants of \$4,200 per year for eligible students to attend nonpublic schools.*

The Proposed Committee Substitute (PCS) would make changes to the first edition of the bill that include the following:

- *Removing children of active duty military members as a category for qualification as an eligible student.*
- *Changing income eligibility from children who live in households not in excess of 300% of the federal poverty level to those in households not in excess of 133% of the amount required to qualify for the federal free or reduced priced lunch program.*
- *Specifying the priority order in which the grants would be distributed.*
- *Implementing a phase-in process for the scholarship grants, including the amount of State appropriations.*

BILL ANALYSIS:

Section 1—Specific Provisions Applicable Only to the 2013-2014 School Year.

The PCS would require the State Education Assistance Authority (SEAA) to award the scholarship grants for the 2013-2014 school year with applications available August 1, 2013, and would award grants by August 15, 2013. Information on grants and applications would be available on the SEAA's website.

For the 2013-2014 school year, a student must meet the following criteria:

- Reside in a household 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 (185% of federal poverty guidelines) and
- Be a full-time student assigned to and attending a NC public school during the 2013 spring semester.

The SEAA would be required to establish temporary rules for the administration and awarding of grants for 2013-2014 which could include a process for awarded grants through a lottery system.

The provisions on amounts for scholarships, transferability, verification of eligibility, identification of nonpublic schools and distribution of grant information, obligations of nonpublic schools accepting eligible students receiving grants, scholarship endorsement, and SEAA reporting requirements discussed further in this summary all apply to grants awarded for the 2013-2014 school year.

O. Walker Reagan
Director



* H 9 4 4 - S M R Q - 3 6 C S T C - 1 7 - V 4 *

Research Division
(919) 733-2578

Section 2

Eligibility—In order to be eligible for a scholarship grants in year 2 of the program (2014-2015) and after, a student must meet the following criteria:

- Reside in a household with an income level not in excess of 133% of the amount required for the student to qualify for the federal free or reduced price lunch program. (240.6% of the federal poverty guidelines).
- Have not yet received a high school diploma and meets **one** of the following:
 - Was a full-time student in a NC public school the prior semester;
 - Received a scholarship grant the prior year;
 - Is entering kindergarten or first grade;
 - Is in foster care; or
 - Was adopted within the year prior to submission of the grant application.

Applications and Awards—The SEAA must make applications available no later than February 1 of each year with information about the grants and the application process made available on its website. The SEAA must begin awarding grants by March 1 of each year.

Award Priority—Scholarships would be awarded using the following priority criteria:

- First priority would be for grant recipients who received a grant during the previous school year if those students apply by March 1.
- Second priority for the remaining funds would be as follows:
 - 50% of the funds must be used for grants to students who qualify for free or reduced lunch;
 - No more than 35% of the funds may be used to award grants to students entering either kindergarten or first grade;
 - Any remaining funds must be used to award grants to other eligible students.

Amount—The grants would be for up to \$4200 per year and cannot exceed the required tuition and fees for the nonpublic school any eligible student would attend.

For eligible students who reside 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, the grants cannot be for more than 90% of the required tuition and fees of the nonpublic school the student will attend with an absolute cap of \$4200.

Transferability—The SEAA would be required to allow eligible students who receive a grant to transfer it to a different nonpublic school with the student receiving a pro rata share of any unexpended portion of the grant for tuition and fees at the new nonpublic school.

Lottery—The SEAA would have to establish rules for the administration and awarding of grants and may include a lottery process for the selection of grant recipients with the criteria set out in the bill.

Verification of Eligibility—The SEAA would be allowed to seek verification of information on any application for a grant and must select and verify a random sample of no less than 6% of applications on an annual basis. Rules must be established for the verification process. If a household fails to cooperate with verification efforts, the SEAA would be required to revoke the award of the grant. Household

members of applicants for the grants must authorize the SEAA to access information needed for verification efforts held by other State agencies including the Department of Revenue, the Department of Health and Human Services and the Department of Public Instruction.

Identification of Nonpublic Schools and Grant Information—The Division of Nonpublic Education must provide to the SEAA by June 1 of each year a list of all nonpublic schools in the State and the Division must notify the SEAA of any nonpublic schools included in that list that Division determines to be ineligible within 5 business days of that determination. The SEAA must provide information about the grant program to the Division including the applications and obligations of nonpublic schools accepting eligible students receiving grants as well as ensuring that information about the grant program is provided to all qualified nonpublic schools annually.

Obligations of Nonpublic Schools with Eligible Students Receiving the Grants—A nonpublic school that accepts eligible students receiving grants must comply with all of the following:

- Provide the SEAA with information on the required tuition and fees charged to the eligible student.
- Conduct a criminal background check for the staff person with the highest decision making authority at the nonpublic schools.
- Provide parents of the students receiving the grants with annual written explanations of the student's progress including scores on standardized tests.
- Submit annually by July 15 to the SEAA the test scores of any standardized tests administered to any student receiving a grant. This data is not a public record.
- Provide to the SEAA graduation rates of the students receiving grants.
- Contract with a CPA to perform a financial review for each school year in which the nonpublic school accepts students receiving more than \$300,000 in grants. The first financial review would not be required until the 2014-2015 school year.
- Not require any additional fees based on the student's status as a grant recipient.

If a nonpublic school enrolls more than 25 students who tuition and fees are paid in whole or in part by a grant, then the nonpublic school must report to the SEAA on the aggregate standardized test performance of those students. Aggregate data that does not contain personally identifiable student data would be a public record. Aggregate data may be shared with public or private institutions of higher education located in the State and must be provided to an independent research organization selected by the SEAA for research purposes.

A nonpublic school that fails to comply with these requirements would be ineligible to receive future grants if the SEAA determines that the nonpublic school is not in compliance. The nonpublic school would have to notify the parents of any enrolled students receiving a grant that the nonpublic school is no longer eligible. The ineligibility determination may be appealed to the SEAA after one year.

Scholarship Endorsement—The SEAA must remit grant funds at least two times each school year to the nonpublic school for endorsement by at least one of the student's parents or guardians. The parent or guardian must restrictively endorse the grant to the nonpublic school for deposit into the account of the nonpublic school. The parent or guardian would not be able to designate any entity or individual associated with the nonpublic school as the parent's attorney-in-fact to endorse the grant but must endorse grant in person at the site of the nonpublic school. Failure to comply with this requirement would result in forfeiture of the grant and the funds must be returned to the SEAA to be awarded to another student.

House PCS 944

Page 4

Reporting Requirements for the SEAA—the SEAA must report annually to the Department of Public Instruction (DPI) by August 1 on the number of students awarded grants who were previously enrolled in public schools to allow for funding adjustments. The DPI must adjust the allotments of the local school administrative units (LEAs) and charter schools based on the number of students awarded grants with the adjustment equaling the average per pupil allocation for average daily membership.

The SEAA must also report to the Joint Legislative Education Oversight Committee (JLEOC) by March 1 of each year on the following:

- Total number, grade, level, race, ethnicity, and sex of students receiving grants.
- Total amount of grant funding awarded.
- Number of students previously enrolled in LEAs or charter schools in the prior semester.
- Nonpublic schools in which grant recipients are enrolled, including the numbers of grant students at each nonpublic school.
- Nonpublic schools deemed ineligible to receive grants.

By December 1 of each year, the SEAA must report to the JLEOC and the DPI on the learning gains made by grant students using analysis by an independent research organization selected by the SEAA. The report must include learning gains of the students on a Statewide basis and must compare to the extent possible, the learning gains of the grant students by nonpublic school to the Statewide learning gains of public school students with similar socioeconomic backgrounds. The SEAA must select the research organization beginning with the 2016-2017 school year with the first report due on December 1, 2017.

Sections 3 and 4 make conforming changes in other statutes and provide that nonpublic schools can be accredited by national or regional accrediting agencies and not just the Southern Association of Colleges and Schools.

Section 5—Appropriations

Year 1 (2013-2014): \$10 million

Year 2 (2014-2015 and after): \$40 million in recurring funds with the intent to appropriate \$50 million in recurring funds in subsequent years beginning with the 2015-2016 fiscal year.

The SEAA would be able to retain up to 1% annually for administrative costs.

The PCS provides that it is also the intent of the General Assembly to appropriate funds to the public schools for assistance with at-risk students enrolled in the public schools beginning in the 2014-2015 fiscal year in an amount equal to the cost savings created by the awarding of the grants.

The appropriation would only become effective if it is authorized by the General Assembly in the Current Operations and Capital Improvements Appropriations Act of 2013.

EFFECTIVE DATE: The act would be effective when it becomes law and applies beginning with the 2013-2014 school year.