

What are School Vouchers?

School vouchers are a way for the government to pay a student's tuition at a private school. Instead of the tax-payer funds going to a public school that the student would be able to attend free, the funds are used to pay for the student to attend a private school. In other words, school vouchers are tax dollars paid directly to private schools as tuition for students who opt out of public schools. School voucher programs exist in a number of states and each has specific requirements and restrictions.

In North Carolina, the largest voucher program, started in 2013 is titled the **Opportunity Scholarship Grant Program**. This program was initially designed for low-income families to opt out of their local public school. To qualify for a voucher, a student had to first attend a public school for at least one year. Since the program started, funding for it has steadily increased even though each year there is less demand for vouchers than funding allocated for the program.

Until the November 2021 budget combined them, there were two other voucher programs that diverted public funds from public education.

- 1) **Special Education Scholarship for Students with Disabilities** was a traditional voucher program covering up to \$8,000 per year for students with disabilities.
- 2) **Personal Education Savings Accounts** gave parents of qualifying children a debit card with \$9,000 to spend on education-related expenses.

The **November 2021 budget combined these two programs** into the Personal Education Student Accounts for Children with Disabilities (PESA, also referred to as ESA+) Program and increased their total allocation to \$31.6 million in FY 2022-23.

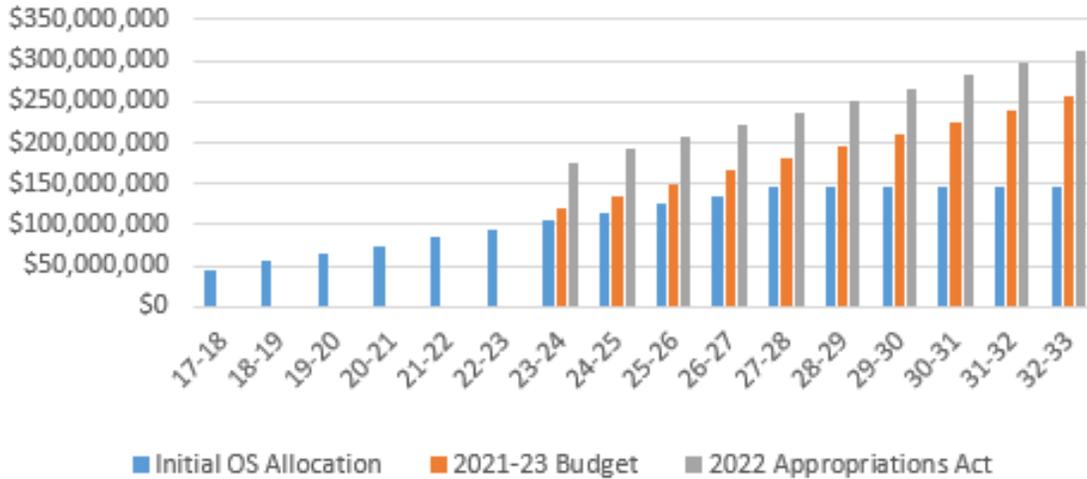
North Carolina Opportunity Scholarships

The North Carolina Opportunity Scholarship program initially awarded up to \$4,200 per year for qualifying students to attend participating nonpublic schools. The state issued tax money to private schools for the first time in the 2014-2015 school year. After a lawsuit, the NC Supreme Court upheld the constitutionality of the program in July 2015. In 2016, the NCGA greatly expanded the program as part of the budget passed in the short session. The budget raised the percentage of funding available to K-1st grade students and it established an Opportunity Scholarship Grant Fund Reserve to be augmented by \$10 million every year until 2027-28 when it was set to plateau at \$144.8 million in annual funding.

Expanded Overall Voucher Funding. The [2021-23 budget](#) passed by the General Assembly in November 2021 increased funding and raised the annual augmentation to \$15 million, bringing annual funding to \$255,540,000 for 2032-33 and each year thereafter. In the summer of 2022, [House Bill 103, Current Operations Appropriations Act of 2022](#) **added \$56 million** to the Opportunity Scholarship Grant Fund Reserve and continues the \$15 million increase each year until 2032-2033 when the annual allocation will be set at \$311,540,000 and each year thereafter.

More than \$3.5 billion will be spent on the program over the next 15 years. The enormous funding increases represented in the 2021-23 budget and 2022 Appropriations Act are shown by the orange and grey bars in the figure below.

Opportunity Scholarship Allocations by Year and Budget



Expanding Eligibility. Along with huge funding increases, the 2021 budget and 2022 Appropriations Act expanded eligibility for the vouchers to the point where they are **no longer targeted to low-income households as originally designed**. The income limit started at 133% of the federal free lunch cutoff with the original program, increased to 150% in 2016 (about \$73,000/year) and then to 175% (nearly \$85,000/year) with the 2021 budget. The 2022 Appropriations Act abandoned all pretense of Opportunity Scholarships being a program for low-income families by increasing the income eligibility cap to 200% of the federal free lunch cutoff (nearly \$103,000/year).

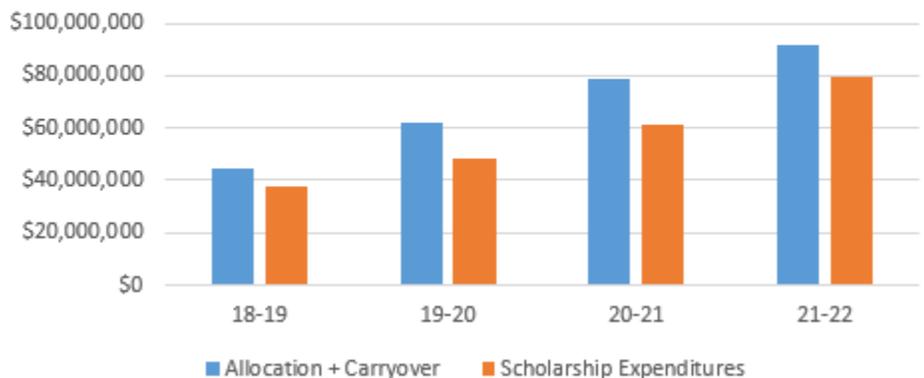
Increasing Individual Voucher Cap. In the 2021-23 budget, the \$4,200 annual cap for each voucher was raised to 90% of what the state spends per pupil at traditional public schools across the state. The 90% was equal to \$5,850 in the 2021- school year and will increase when state per pupil funding increases.

Marketing Vouchers. Because demand for the Opportunity Scholarships has lagged behind the funds allocated for them, the 2021-23 budget designated up to \$500,000/year in unspent Opportunity Scholarship funds to be spent by a nonprofit organization to publicize the program.

This decision effectively **directs taxpayer funds to be spent marketing a program that directly harms public schools** in an effort to bolster an underutilized program. Data from the [North Carolina State Education Assistance Authority](#) shows that each year, fewer scholarships are awarded than the funds available.

Future legislatures can change the increased voucher funding and eligibility provisions of the recent budgets.

Opportunity Scholarship Funding (includes unspent funds from the previous year) and Expenditures



However, the current landscape represents the legislature’s commitment to dramatically expanding this program ***without reviewing academic outcomes for students or ensuring accountability for the taxpayers who fund it.*** In sharp contrast to public school accountability requirements, there are no accountability measures in place to ensure that the private schools receiving vouchers are providing a sound, basic, education and are not discriminating against any student groups.

Personal Education Student Accounts for Children with Disabilities (ESA+) Program

The ESA+ Program combines two programs: Special Education Scholarship for Students with Disabilities and Personal Education Savings Accounts. In addition to combining these programs under their new name, other key changes were made:

- The annual scholarship amount increased to \$9,000 per eligible student. In previous years, the maximum amount for Special Education Scholarship for Students with Disabilities was \$8,000.
- For students with specific disabilities, the annual scholarship amount increased to \$17,000 per student. In previous years, Personal Education Savings Accounts had a maximum of \$9,000 per year to spend on education-related expenses. The qualifying disabilities include (1) Autism, (2) Hearing impairment, (3) Moderate or severe intellectual or developmental disability, (4) Multiple, permanent orthopedic impairments, and (5) Visual impairment.

These funds can be used to cover expenses related to educating a child with a disability in a participating nonpublic (private or home) school and are provided to families through an electronic debit account. The funds can also be used for expenses such as speech or occupational therapy, tutoring services, curriculum, and educational technology.

Note that in NC for fiscal year 2022-2023, public schools received ***only \$4,549.88 additional funds per eligible special education student*** for up to 13% of the 2022-2023 allocated average daily membership amount received by the district. The funding amount is the same regardless of disability.

Why are Vouchers for Private Education a Problem?

- *Loss of Funds for Public Schools.* The loss of tax dollars may reduce academic programs and teaching staff at traditional public schools.
- *Student Success.* There is no evidence that private or religious schools offer a higher quality education for students than public schools. There are no metrics in place to ensure that students are receiving a sound, basic education in private schools.
- *Teacher Quality.* Private school teachers do not have to be licensed. Research shows that a high-quality educator is one of the most important predictors of student success.
- *Student Safety.* Private schools do not have to conduct background checks on employees and volunteers the way public schools do.
- *Financial Accountability.* Voucher programs divert tax dollars to largely unregulated private entities that run private schools. Taxpayers do not see how students are performing or how the money is spent.
- *Academic Accountability.* Private schools do not have to hire licensed teachers and are not subject to the academic standards imposed on public schools.
- *Admissions.* Private schools are not required to serve free/reduced lunch, offer transportation, or provide special education services—and they can select the students they admit.
- *Tuition Gap.* Even with a taxpayer-funded subsidy, most middle-class families cannot afford to pay the difference between the subsidy and the high cost of a private school education.
- *Enrollment.* The vast majority of our students (about 1.43 million) are educated in our public schools. Private school enrollment for the 2021-2022 school term was 115,311 students.
- *Oversight.* The use of public tax dollars to fund private school education demands careful monitoring to ensure standards for schools accepting voucher funds are met. The price to develop and administer such standards is significant and is an additional cost to taxpayers.

Current Qualification Criteria

To [qualify for an Opportunity Scholarship](#), a student must meet ALL of the following criteria:

- The student's household must meet the Household Income Eligibility Guidelines (students in foster care are automatically eligible regardless of the household income of their foster family) The 2022 Appropriations Act set the new income eligibility cap at 200% of the federal free lunch cutoff (nearly \$103,000/year).
- Student must be at least 5 years old by August 31 or at least 4 by April 16 with private school administrator approval for kindergarten.
- Student must live in NC and not be a high school graduate.
- Student must not have not enrolled in a post-secondary institution full-time (12 or more credit hours in a given semester).

In addition, the student must meet ONE of the following requirements:

- Received and used an Opportunity Scholarship in the previous school year.
- Attended an NC public school or Department of Defense school in NC as a full-time student in the previous spring semester or in the prior two years with private school attendance between.
- Is entering kindergarten, 1st grade, or 2nd grade.
- Is in foster care or adopted within the last year.
- Has a parent on full-time active military duty, or a parent who received an honorable discharge within the last year.

To [qualify for ESA+](#) a student must meet ALL of the following criteria:

- The student must be a child with a disability who requires special education, as documented by an NC public school IEP Eligibility Determination.
- Student must be at least 5 years old by August 31 or at least 4 by April 16 with private school administrator approval for kindergarten.
- Student must live in NC, not be a high school graduate, and must be eligible to attend public school in NC.
- Student must not have not enrolled in a post-secondary institution full-time (12 or more credit hours in a given semester).

Students who meet the criteria outlined above and have one of the following designated as the primary or secondary disability on the IEP Eligibility Determination may be eligible for a higher scholarship award (up to \$17,000/year) than full-time students without these designated disabilities.

- Autism (Autism)
- Hearing Impairment (Hearing Impairment, Deafness, Deaf-Blindness)
- Moderate or Severe Intellectual or Developmental Disability (Intellectual Disability, Moderate or Severe)
- Multiple, Permanent Orthopedic Impairments (Orthopedic Impairment)
- Visual Impairment (Visual Impairment, Deaf-Blindness)

The NCSEAA relies on applicants to report all income. Only "a percentage" of applicants are "randomly selected to be verified, requiring families to provide documentation for items such as income, school enrollment, and household members." In other words, only applicants selected for verification have to submit tax returns as proof of income.

Overview of School Vouchers

While Opportunity Scholarships have been presented as providing "equity" for students, they are really about funding religious schools and the privatization of education. Taking money from our public schools is harmful to current and future students. Vouchers drain much-needed resources from our

“free, open to all students” public schools. School vouchers are tax dollars paid directly to private schools as tuition for students who opt out of public schools. Traditional public schools consistently get high marks from parents. According to the 2019 PDK report, 76 percent of parents surveyed [give their own child’s school an A or B grade](#), up a slight 6 percentage points from the previous year. A more recent PDK report asked about pandemic response and [63% of parents gave their child’s school an A or B rating](#) for how well their school responded.

Vouchers were originally [created in response to desegregation efforts prior to and following Brown v. Board of Education](#). White families who wanted to keep their children in segregated schools were granted vouchers to attend private schools. Today, vouchers are often sold as means for minority and low income children to opt out of their local, high-poverty, under-resourced schools. Voucher programs siphon money from local public schools and exacerbate existing problems with school performance and funding. In many areas of the country, this has resulted in school closures.

In the [2021-2022 school year](#), 20,377 students received Opportunity Scholarships. There were 503 private schools with recipients enrolled. The total cost of these scholarships was over \$79 million. The largest cohort of Opportunity Scholarship recipients attended a single religious school in Fayetteville, Trinity Christian School, with those 357 students making up more than half of its student population. Trinity Christian School received more than \$1.4 million in disbursements during the 2020-2021 school year.

Of the top [20 schools with the largest number of Opportunity Scholarship recipients, 19 were religious schools](#).

[Recipients by race and ethnicity in 2021-22](#) Recipients were 60% White, 22% Black or African American, 10% two or more Races, 2% American Indian or Alaskan Native, 2% Asian, and 0.2% Native Hawaiian or other Pacific Islander. The remaining 4% chose not to answer. Opportunity Scholarship Program recipients by ethnicity were 14% Hispanic, 74% Not Hispanic. The remaining 12% chose not to answer.

The [NC State Education Assistance Authority](#) administers NC’s voucher program. Funding for the Program is contingent each year upon appropriations made available to the Authority by the General Assembly. The voucher can be used for “tuition and fees for books, transportation, equipment, or other items required” by the private school. Other provisions of the legislation include:

- Aggregated standardized test performance data of voucher recipients is not part of the public record. It is only reported if a private school has more than 25 students receiving vouchers.
- The only measure of student learning gains or losses required for voucher recipients is aggregated standardized test performance.
- Only the highest decision-making staff member at a participating private school is subject to a background check.
- A private school is only required to conduct a financial review if it receives more than \$300,000 in scholarship grants. [In 2021-2022, 76 of the 503 schools](#) (15%) receiving voucher funds met this requirement.

Legal History of North Carolina’s Voucher Program

In December 2013, two lawsuits challenging the constitutionality of the voucher program were filed. The NC Association of Educators and the NC Justice Center filed a suit on behalf of 25 plaintiffs. The NC School Boards Association filed the second lawsuit on behalf of four individual plaintiffs; 72 of North Carolina’s 115 school districts adopted resolutions supporting the second suit.

In August 2014, Judge Hobgood found school vouchers to be unconstitutional “beyond a reasonable doubt.” Further, he stated: “The General Assembly fails the children of North Carolina when they are sent with public, taxpayer money to private schools that have no legal obligation to teach them anything.”

On July 23, 2015, the NC Supreme Court ruled in a rare partisan split that the voucher program is constitutional. Our press release read, “Today is a very sad day in the history of our state. Our long-standing tradition of commitment to excellence in public education has made North Carolina a jewel among southern states.” Many believe that this decision does not uphold North Carolina’s constitutional promise that all children receive a sound, basic education within the public school system.

The steady expansion of North Carolina’s voucher program is cause for alarm among public school advocates. Each dollar spent on vouchers is one less dollar that can be spent on students in the public school system, the system constitutionally charged with providing a sound basic education for ALL students.

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