

# NORTH CAROLINA

Overall Market Rating: **Growth Possible—Some Challenges Persist**

North Carolina has recently improved both policy and funding conditions for its school choice programs. The Opportunity Scholarship Program's funding cap and subsequent waitlists may inhibit network expansion, but smaller schools and models reliant on fewer scholarships can probably operate manageably. Increased per-pupil amounts should especially be amenable for new schools that plan to have a mixed-income student body.

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## Market Overview:

North Carolina is beginning to trend toward sustainability for operators in both of the state's private school choice programs. The past two state budget bills increased the maximum value of an Opportunity Scholarship to nearly \$6,200 (from \$4,200 two years ago) and raised the scheduled annual increase in available scholarship funds from \$10 million to \$15 million. In 2023-24, the available funds will exceed \$120 million, which is nearly double the amount that was available in 2019-20. An earlier requirement for prior public-school enrollment was adjusted, and the income limitations were expanded from 150% of the threshold for free/reduced lunch to 200%, thus increasing access.

The state budget allocated \$500,000 for a nonprofit which has "demonstrated a capacity of direct parent and family outreach, program promotion, and procedural knowledge" to market the scholarship programs to this dramatically expanded eligible pool of families.

North Carolina also consolidated existing special needs programs and instituted a forward funding mechanism to address the existing demand that culminated in waiting lists of several hundred families. The scholarship amount of up to \$9,000 annually also provides for students with certain disabilities to be eligible for up to \$17,000.

The regulatory climate is fairly flexible, and while there are some limits and requirements on private schools, they do not appear to be inhibitive to school development or autonomy. Schools also have flexibility to adopt a variety of standards and assessments, and while they must report results, they do so in a way that informs parents as opposed to within the structure of a broader accountability system.

# Demographic Analysis:

## ENROLLMENT FIGURES BY SECTOR

North Carolina (2019-20)	
Total Public School Enrollment (Including Charter Schools)	1,513,677
K-12 Private School Enrollment	121,525
Charter School Enrollment	117,348

## ELIGIBILITY BY PROGRAM (NUMBERS MAY BE DUPLICATIVE)

Program	% Eligible Students	Current Enrollment (2021-22)	Eligibility Requirements
Opportunity Scholarship	42% of families statewide	16,042 participating students  480 participating schools	<ul style="list-style-type: none"> <li>Household income at or below 200% FRL (\$102,676 for a family of four)</li> <li>Entering K, 1<sup>st</sup> or 2<sup>nd</sup> grade, or attended a public school the previous 2 years before attending private school.</li> <li>Children in foster care, adopted children and children of active duty military personnel (or honorably discharged within 18 months) are eligible immediately.</li> </ul>
ESA+ Personal Education Student Account (for children with disabilities)	Approx. 10% of students statewide	Approx. 4,250 participating students  Approx. 250 participating schools	<ul style="list-style-type: none"> <li>Students must have an IEP and be identified as having special needs under the IDEA definition of a “child with disabilities.”</li> <li>These include autism, a learning disability, a hearing, visual, speech, language, or other health impairment, or a serious emotional disturbance.</li> </ul>

			<ul style="list-style-type: none"> <li>Students with an IEP and: enrolled in a public school the previous semester, entering kindergarten or 1<sup>st</sup> grade, receiving SPED services in preschool, or enrolled in the program the year before.</li> </ul>
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Even with the expansion to 200% FRL, the income limits on the Opportunity Scholarship limit the pool of available students, and there is a requirement that students be “switchers” after kindergarten, 1<sup>st</sup> or 2<sup>nd</sup> grade.

## Funding:

Assessment: Inadequate but improving

### Assets:

- Overall program funding for both scholarship programs is currently set to increase each year through the 2032-33 school year, increasing the number of available scholarships. There is improvement with the implementation of a forward-funding schedule for the special needs scholarship program.
- Payments are made to schools directly two times each year and require parent endorsement.
- Students with specific special needs qualify for additional funding.

### Considerations:

- Enrollment increases brought on by the increased scholarship amounts and expanded eligibility provisions may bump up against program funding caps, despite the recent program funding increases.

## OPPORTUNITY SCHOLARSHIP

Maximum	Average (2020-21)	Program Cap	Disbursement
Up to 90% of state per pupil funding for public schools, or \$6,168	\$3,832	\$84.8M (rising to \$120.5M in FY24)	- Payments are made directly to schools in two installments – one per semester.

**Trend:** Overall program funding will increase by roughly \$15 million per year for nearly the next decade, a signal that there is a commitment to funding the program at a sustainable, consistent level. It is unclear whether the additional funding will meet the demand likely to result from expanded family eligibility combined with a larger maximum voucher per pupil.

ESA+ PERSONAL EDUCATION STUDENT ACCOUNT  
(FOR CHILDREN WITH DISABILITIES)

Maximum	Average (2020-21)	Program Cap	Disbursement
Up to 85% of state per-pupil funding for public schools plus the state allocation per funded child with disabilities (approx. \$9,000), with students with certain disabilities eligible for \$17,000	\$8,844	\$47.9M, with \$1M scheduled annual increases planned through 2032-33	- Funds are deposited into the student’s account in equal amounts once per semester for qualified educational expenses.

**Trend:** The consolidation and simplification of the special-needs program could lead to higher participation statewide.

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**Policy & Regulatory Environment:**

Assessment: Acceptable.

Assets:

- Accreditation is optional and not required to receive scholarship funds.
- Schools are not required to confirm family eligibility.
- School eligibility requirements are clear and easily executable.

Considerations:

- Schools must operate for a school term of at least nine calendar months on a regular schedule excluding reasonable holidays and vacations (preferably, 180 school days at least 5 1/2 hours in length, with typical class periods for grade 9-12 students of 50 minutes each).

**Summary:** The policy and regulatory climate in North Carolina is quite good. Private schools that participate in choice programs are treated the same as private schools that do not, with the exception of some financial reporting requirements. There are no restrictions on talent, and there is flexibility on testing except for a required standardized test in 11<sup>th</sup> grade.

There is some ambiguity around the accreditation requirement. The letter of the law indicates that accreditation is required to receive any public funds, but scholarship funds

are not deemed public under this section, so many schools opt not to pursue accreditation. Given this, it does not seem to be a barrier to new entrants.

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## Human Capital:

Assessment: Acceptable

Assets:

- Schools have total discretion on hiring of teachers and staff.
- Only the most senior decision-maker must be background-checked.
- There is a large number of Teach for America alumni in North Carolina.

Considerations:

- As North Carolina is an emerging market for talent in the charter sector as well, there is not enough great talent in the region, and schools are competing for people.

**Summary:** Schools have a great deal of flexibility to staff North Carolina schools. As in most markets, private school choice advocates and stakeholders are not thinking about or engaged in conversations about talent strategies.

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## Local Champions & Climate:

Assessment: Consistent

Assets:

- The pandemic—and the education establishment’s handling thereof—highlighted the need for educational options, exercised through parental autonomy. Increasingly, there are multiple groups and constituencies engaged in support of choice.
- Political and legislative support for choice programs continues, trending toward bipartisanship.
- Parent organizing work occurs regularly, although more coordination is necessary.

Considerations:

- Traditional district leaders are vocally opposed to these programs.

**Summary:** Private school choice advocacy has been relatively successful in North Carolina, and local advocates have built the capacity to engage with legislators to improve and expand programs despite opposition from a Democratic governor. Political support for private school choice and a variety of parent options is steady, and there is the advocacy and political capacity to sustain that support. Barring a major shift in partisan political leadership in the state, program support in the legislature should remain steady.

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## Facilities:

## Assessment: Acceptable, but under-developed

### Assets:

- Facilities are relatively affordable; operators report spending 6% to 8% of operating expenses on facilities costs.
- The zoning process across most jurisdictions is straightforward and typically requires administrative permits as opposed to discretionary approvals by local government.
- Local advocates and the Carolina Small Business Development Fund entered into a partnership to make \$5 million available to support building school capacity in the state's rural and underserved areas, as well as additional community facilities projects. This is available to both charter and private schools.

### Considerations:

- There are no public resources available to private schools for facilities.
- There is no organized initiative to improve the private school facility climate in North Carolina.

**Summary:** Facilities acquisition and development is affordable and does not require significant zoning approvals. There is emerging discussion of school facilities in some areas.