

NORTH CAROLINA

Overall Market Rating: Growth Ready

Legislation passed in the past two years greatly expanded North Carolina’s Education Savings Account program, creating a favorable environment for the creation and growth of private schools.

Market Overview

The state enacted a major expansion of its Opportunity Scholarship program in fall 2023. All K-12 students are now eligible to apply for the scholarships, with scholarship amounts tiered by household income. Additionally, the annual budget for scholarships will gradually grow to \$520 million by 2032 (from about \$125 million in FY23).

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 are not 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.

Enrollment

NORTH CAROLINA 2022-23			
Total PK-12	Public District	Public Charter	Private
1,624,746	1,358,003 (83%)	139,985 (9%)	126,758 (8%)

Choice Programs

Program	Eligibility	Participants (2022-23)	Amount
Opportunity Scholarship	Universal (amounts tiered by HH income)	24,077 students 539 schools	\$7,213 max (At or below \$55,500 for a HH of four) \$3,246 min. (no income limit)
Education Student Account (ESA+)	Students with specific learning challenges or disabilities	3,355 students 328 schools	\$6,989 average (up to \$9,000 max)

Trend: Overall program funding will increase by roughly \$45 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.

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

Funding

Assessment: Strong and 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 in the near term.

Policy & Regulatory Environment

Assessment: Strong and improving

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 11th 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.

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.

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.

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.