Public Dollars for Private Schools: 6 Recommendations to Bring Accountability and Transparency to North Carolina’s School Voucher Program

POLICY BRIEF
PUBLIC SCHOOL FORUM OF NORTH CAROLINA
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What is a private school voucher? What is a universal voucher program?

A voucher describes taxpayer funding provided to families to send their children to private or parochial schools. Historically, most voucher programs have required students and families to meet certain criteria in order to qualify to receive a school voucher, such as falling below a certain household income threshold. Under universal vouchers, public dollars would be available to any family who wants to enroll in a private school, regardless of need.

History of school vouchers in North Carolina

In 2013, the North Carolina General Assembly (NCGA) passed its first private school voucher legislation with the introduction of the Opportunity Scholarship Program. The program was designed to provide private school tuition assistance to income-eligible families who chose to withdraw their child from public school.

During its initial year in 2014, the NCGA allotted over $10 million in recurring funds to the Opportunity Scholarship Program. Each voucher was worth up to $4,200 per year, and included initial eligibility requirements (such as a family income cap). The NCGA expanded the program quickly. Over subsequent years, changes to the program increased both the family income qualification level and the amount that each voucher could be worth. Appropriations significantly increased as well; by the 2022-23 school year, nearly $95 million was appropriated to fund private school vouchers. Consistently, more funds have been appropriated to the program than have been spent.
Proposed Expansion of the Opportunity Scholarship Program

In the 2023 legislative session, the NCGA proposed dramatic changes to and expansion of the Opportunity Scholarship Program that would mean a marked departure from the original scope and stated intention of the program. Companion bills SB 406 and HB 823 would eliminate income requirements to receive vouchers, making all students, including those from wealthy families and those who are already attending private schools, eligible to receive public funds to subsidize tuition at private schools.

The bills would significantly increase taxpayer dollars going towards vouchers each year, from about $94 million in 2022-23 to $176.5 million in 2023-24 and reaching more than $500 million annually by 2032 - more than five times the current year’s appropriations. Despite this drastic proposed expansion, neither bill includes provisions for additional accountability, reporting, or oversight.

The proposed voucher expansion has not yet passed into law, but all members of the majority party in the NC House and Senate have signed onto the bills in their respective chambers, and funding for the expansion was included in the Senate’s proposed budget. The final North Carolina state budget is still being negotiated at time of publishing.

A private school voucher expansion of this magnitude would significantly impact the education landscape in North Carolina. A recent analysis by the North Carolina Office of State Budget and Management (OSBM) examined the potential fiscal impact of the proposed expansion of the Opportunity Scholarships Program on public school systems, which are already under-funded by the state. The report predicts that public schools could lose anywhere from $101.9 to $305.7 million, and some counties, particularly rural and low-wealth counties, could see as much as an 8% decline in state funding for their public schools.

**Projected Voucher Spending**

Appropriations could increase from $94 million in 2022 to more than $500 million annually by 2032.

**OSBM’s recent analysis** predicts that public schools would lose from $101.9 to $305.7 million with some rural and low-wealth counties seeing up to an 8% decline in state funding for public schools.
While proponents argue that a universal private school voucher program would provide North Carolina families with more school choice options, the financial impact is just one of many consequences to consider [more details available here](#). The current bills to expand the Opportunity Scholarship Program also do not include meaningful transparency and accountability requirements for North Carolina parents, students, and taxpayers.

### Senate Proposes an Additional $1.3 Billion for School Vouchers over 7 Years
![Graph showing proposed appropriations](Image)

Source: NCGA

### Accountability and Reporting Requirements for Private Schools Receiving Vouchers in North Carolina and Other States
Throughout the nearly ten-year history of this program, very few regulations or accountability measures for these private schools have been enacted, making it very difficult for policymakers, parents, and taxpayers to evaluate their performance. At present, the proposed expansion of the program does not include any further requirements.

Current, the program has two minimal requirements for accountability. First, all private schools receiving voucher funds must administer a nationally-normed standardized test to students in grades three or higher enrolled in the program. However, private schools are permitted to select their own test and are prohibited by law from administering the state End-of-Grade tests. Moreover, schools are not required to report data by grade, race/ethnicity, socioeconomic status, or sex, nor do they have to report whether individual students are making progress over time.

Consequently, it is impossible to make reliable comparisons of test score outcomes between voucher-receiving private schools or between public and private schools.

While the SEAA is required by law to issue an annual report documenting the learning gains or losses of voucher students, comparisons with public school students, and the impact of the voucher program on public school performance, this cannot be done due to the lack of data reporting.
Second, only voucher schools receiving at least $300,000 annually in taxpayer funds are required to undergo a financial review with a CPA, which is public record. In 2018-2019, only five percent of schools participating in the Opportunity Scholarship Program were required to complete a financial review. It should be noted that in these cases a review is required, not an audit, which is more rigorous and informative.

North Carolina is one of a number of states that now offer financial support for students to attend private schools, funded by public tax dollars. These take many forms, including savings accounts, scholarships, tax credits, and vouchers. Some are available to specific student populations (for example, students with disabilities or students from low-income families), but increasingly, more and more states are offering “universal” access to private school vouchers. While the specific structure and format of these universal private school voucher programs vary, it is quite common for them to incorporate meaningful measures to address accountability and reporting.

The chart below highlights accountability requirements that are in place in three states - Florida, Ohio, and Iowa - that have recently passed universal private school voucher or Education Savings Account (ESA) laws.

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<th>State</th>
<th>Accreditation and school requirements</th>
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<th>Testing requirements</th>
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<td>Florida (ESA)</td>
<td>Participating private schools must meet an extensive set of eligibility requirements, including: compliance with national anti discrimination provisions, demonstration of fiscal soundness and accountability.</td>
<td>Participating schools must employ or contract with teachers who hold baccalaureate or higher degrees and have at least 3 years of teaching experience or special skills/knowledge that qualifies them to provide instruction, as outlined in Florida state statute. Teachers and staff who work with scholarship recipients must undergo background checks.</td>
<td>Participating private schools must administer a state approved, nationally normed test. Data are reported to an independent research organization and limited comparisons are made to income-eligible non-participating public school students to the extent possible. Sample reports are available here and here.</td>
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<td>Ohio (voucher)</td>
<td>Schools must hold a valid charter, issued by the Ohio State Board of Education. Schools must have sufficient recordkeeping that is accessible to the state, and may be assessed/visited by the Ohio DOE. Nondiscrimination, health, and safety codes must be met.</td>
<td>Teachers and staff at voucher-receiving schools must undergo background checks, and the Ohio DOE may monitor compliance/request records as necessary.</td>
<td>Nationally-normed, state-selected tests are required for students receiving vouchers. Test scores are published and can be compared with student performance in public schools.</td>
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<td>Iowa (ESA)</td>
<td>Participating schools must be accredited by the state of Iowa, or by an approved agency.</td>
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<td>Students participating in the ESA program must take all applicable state and federally required student assessments. The Iowa DOE will analyze and publish test results, along with other measures (such as graduation rates).</td>
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North Carolina stands out among other states and jurisdictions with school voucher programs due to its lack of accountability and reporting requirements for schools receiving voucher funding. North Carolina does not require participating non-public schools to be accredited, nor to have state approval of any kind. NC also has no requirements around curriculum, teacher preparation or certification, state testing programs, or instructional hours.
Even voucher programs that are not universally accessible tend to incorporate significant measures of accountability. The Louisiana Scholarship Program, for example, requires that participating non-public schools be approved by the state board and utilize a curriculum that meets certain standards. Indiana’s Choice Scholarship Program requires participating schools to administer all state-wide assessments and background checks for all employees. Wisconsin’s Parental Choice Program requires participating schools to employ administrators and teachers with at least a bachelor’s degree from an accredited institution, to administer state tests and publicly report aggregate scores, provide a minimum number of hours of direct instruction between grades 1-12, and to allow students to opt out of religious programming.

Policy Recommendations

The Opportunity Scholarships program in its current or expanded form represents significant investment of taxpayer dollars to support private and parochial schools. Similar to public schools and public charter schools, private schools that receive public dollars must be held accountable to the taxpayers who fund them. Additionally, parents must have access to accurate and reliable information when making school choice decisions, and state leaders must have the data needed to effectively evaluate how private schools receiving public funds are performing and to ensure that all children are receiving a sound basic education.

The Public School Forum of North Carolina recommends the following policy requirements to bring accountability and transparency for private schools receiving public funds:

1. Participating schools must be accredited by the North Carolina State Board of Education or by a third-party accreditation agency from an approved list. Accreditation ensures that a number of baseline requirements are met, such as: tuition and fee transparency, admissions policy, and inclusion of a non-discrimination policy.

2. Participating schools must administer and publicly report data on all applicable state assessments as required by the State Board of Education. Test results must be disaggregated according to federal requirements in order to compare across student subgroups. Test scores of students receiving vouchers must also be compared to public and non-scholarship receiving students.
Policy Recommendations (continued)

3. Participating schools must utilize a curriculum that aligns with the North Carolina Standard Course of Study and provide the same amount of instructional time that is required of public schools.

4. Employees of participating schools must meet a set of baseline requirements, including 1) All employees must undergo a federal background check and 2) All administrators and classroom teachers must meet state certification and/or education requirements.

5. Participating private schools must accurately gather and report data on student enrollment and any mid-year changes to school enrollment (including transfers, early graduation, second-semester starts, and school closure) in accordance with public school reporting protocols. Proper reporting will ensure that public funds remain with or are redirected to the appropriate accounts in a timely manner.

6. All schools receiving voucher funds must be subject to financial review and held to the same financial reporting requirements as other taxpayer-funded schools.