

Senate Bill 406/House Bill 823 Impact Analysis

Statewide Impact

The Opportunity Scholarship Program is an income-based program that provides public funding to partially pay for private school tuition and fees.

[S406/H823](#) would increase statutory appropriations to the program, with the largest increase in FY 2025-26, affecting scholarships awarded the following year. Accordingly, this analysis focuses on FY 2026-27.

S406/H823 would also increase the number of Opportunity Scholarship (OS) recipients by opening eligibility to all students, regardless of income level and removing the requirement that new OS recipients – with some exceptions – must have previously attended public school.

- For a student who previously attended public school:
 - The local education agency (LEA) would no longer receive state funding for that student (\$7,684 estimated per-student average across LEAs).
 - Instead, the State would provide a scholarship for that student to attend private school (\$5,321 estimated average across income levels).
 - The amount of state funding provided for the education of that student would decrease from \$7,684 to \$5,321.
- For a student already attending a private school, but newly eligible to receive an award:
 - The State would provide a scholarship for that student to attend private school (\$5,321).
 - The amount of state funding provided for the education of that student would increase from \$0 to \$5,321.

The fiscal impact of S406/H823 depends on the percentage of new OS recipients who previously attended public school, but the eligibility expansion makes that percentage difficult to predict with certainty. S406/H823 directs that at least 50% of new scholarship funds must go to students who qualify for free or reduced-price lunch. The analysis summarized in Table 1 uses that 50% requirement to estimate the percentage of new OS recipients who previously attended public school.

Table 1.

		S406/H823 Impact FY 2026-27
<i>% New OS Recipients from Public Schools</i>		50%
1	# New OS Recipients from Public Schools	26,522
2	Change in Total State Funding to LEAs	-\$203.8 M
3	Change in Total State Funding as % of LEA Budgets	-1.9%
4	New OS Funds for Previous Public School Students	\$138.7 M
5	Net State Appropriations Change for Previous Public School Students (2+4)	-\$65.1 M
6	New OS Funds for Previous Private School Students	\$138.7 M
7	Total Impact on State Appropriations (5+6)	\$73.7 M
8	Total New OS tuition (4+6)	\$277.5 M

Due to the uncertainty above, Table 2 shows additional scenarios, with the percentage of new OS recipients who previously attended public school ranging from 25% to 75%. The proposed OS expansion in S406/H823 would provide public funding to students who are already attending a private school (and therefore not currently receiving any state funds for their K-12 education).

Total state funding for public schools would decrease by \$203.8 million (line 2) if 50% of new OS recipients previously attended public school. However, due to the proposed expansion to students currently attending private school, S406/H823 would increase total state appropriations by \$73.7 million (line 7, which includes both public school and private school funding). The total cost of S406/H823 will exceed current state appropriations for K-12 education, unless more than 68.1% of all new OS enrollees previously attended public schools.

Table 2.

		S406/H823 Impact FY 2026-27		
		25%	50%	75%
<i>% New OS Recipients from Public Schools</i>				
1	# New OS Recipients from Public Schools	13,261	26,522	39,782
2	Change in Total State Funding to LEAs	-\$101.9 M	-\$203.8 M	-\$305.7 M
3	Change in Total State Funding as % of LEA Budgets	-1.0%	-1.9%	-2.9%
4	New OS Funds for Previous Public School Students	\$69.4 M	\$138.7 M	\$208.1 M
5	Net State Appropriations Change for Previous Public School Students (2+4)	-\$32.5 M	-\$65.1 M	-\$97.6 M
6	New OS Funds for Previous Private School Students	\$208.1 M	\$138.7 M	\$69.4 M
7	Total Impact on State Appropriations (5+6)	\$175.6 M	\$73.7 M	-\$28.2 M
8	Total New OS tuition (4+6)	\$277.5 M	\$277.5 M	\$277.5 M

County Impact

S406/H823 would impact counties differently based on their estimated number of OS enrollees. Under the assumption that 50% of new OS scholarships would go to previous public school students:

- Northampton and Bertie counties would see an 8% and 7% decline, respectively, in total state funding for K-12 public education.
- Eight counties (Alamance, Craven, Cumberland, Madison, Mitchell, Pamlico, Pasquotank, and Warren) would see a 5% decline in total state funding for K-12 public education.
- Six counties (Alexander, Hertford, Hoke, Lee, McDowell, and Onslow) would see a 4% decline in total state funding for K-12 public education.
- 15 counties (Buncombe, Durham, Gaston, Harnett, Hyde, Jones, Montgomery, Nash, Richmond, Rutherford, Sampson, Scotland, Washington, Wayne, and Wilson) would see a 3% decline in total state funding for K-12 public education.

Table 3 shows the public school budget reductions in all 100 counties if 50% of new scholarships go to previous public school students.

Table 3.

	County ADM	Opportunity Scholarship Recipients			Impact on ADM and Funding FY 26-27		
		50% of New OS Recipients from Public Schools					
County	FY 22-23 (#)	FY 22-23 (% of total OS)	FY 23-24 (# Est)	FY 26- 27 (# Est)	Public School ADM Change from New OS	\$ Change in Total State Funding	% Change in Total State Funding
Alamance	10,946	2.2%	653	1,804	-576	-\$4,423,301	-5%
Alexander	4,404	0.7%	216	596	-190	-\$1,461,126	-4%
Alleghany	1,327	0.0%	4	10	-3	-\$23,953	0%
Anson	2,944	0.1%	21	59	-19	-\$143,717	-1%
Ashe	2,692	0.1%	19	52	-17	-\$127,749	-1%
Avery	1,810	0.1%	24	65	-21	-\$159,686	-1%
Beaufort	5,762	0.4%	134	371	-118	-\$910,210	-2%
Bertie	1,703	0.4%	131	361	-115	-\$886,257	-7%
Bladen	3,782	0.3%	85	234	-75	-\$574,869	-2%
Brunswick	12,844	0.9%	273	756	-241	-\$1,852,357	-2%
Buncombe	25,944	2.7%	823	2,273	-725	-\$5,573,040	-3%
Burke	11,353	0.5%	165	456	-145	-\$1,117,802	-1%
Cabarrus	36,947	1.5%	438	1,211	-387	-\$2,970,159	-1%
Caldwell	10,491	0.4%	114	316	-101	-\$774,477	-1%
Camden	1,895	0.1%	16	46	-15	-\$111,780	-1%
Carteret	7,952	0.5%	164	453	-144	-\$1,109,817	-2%
Caswell	2,164	0.1%	21	59	-19	-\$143,717	-1%
Catawba	21,937	1.4%	411	1,137	-363	-\$2,786,520	-2%
Chatham	8,909	0.3%	99	274	-87	-\$670,681	-1%
Cherokee	3,036	0.1%	35	98	-31	-\$239,529	-1%
Chowan	1,810	0.1%	34	94	-30	-\$231,545	-2%
Clay	1,242	0.1%	32	88	-28	-\$215,576	-2%
Cleveland	13,872	0.7%	216	596	-190	-\$1,461,126	-1%
Columbus	7,121	0.2%	72	199	-63	-\$487,042	-1%
Craven	12,499	2.3%	706	1,951	-622	-\$4,782,594	-5%
Cumberland	47,879	8.4%	2,535	7,005	-2,235	-\$17,174,224	-5%
Currituck	4,445	0.2%	46	127	-41	-\$311,388	-1%
Dare	5,022	0.1%	44	120	-38	-\$295,419	-1%
Davidson	22,726	1.8%	551	1,524	-486	-\$3,736,651	-2%
Davie	5,954	0.2%	53	147	-47	-\$359,293	-1%
Duplin	9,510	0.6%	166	459	-147	-\$1,125,786	-2%
Durham	30,577	3.1%	945	2,612	-833	-\$6,403,406	-3%
Edgecombe	12,268	0.2%	62	173	-55	-\$423,168	0%
Forsyth	51,325	4.1%	1,241	3,429	-1,094	-\$8,407,465	-2%

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County	FY 22-23 (#)	FY 22-23 (% of total OS)	FY 23-24 (# Est)	FY 26- 27 (# Est)			
Franklin	7,685	0.5%	159	440	-140	-\$1,077,880	-2%
Gaston	29,445	2.9%	859	2,374	-757	-\$5,820,553	-3%
Gates	1,455	0.0%	14	39	-12	-\$95,812	-1%
Graham	1,094	0.0%	-	-	0	\$0	0%
Granville	6,555	0.5%	140	388	-124	-\$950,131	-2%
Greene	2,649	0.2%	71	195	-62	-\$479,058	-2%
Guilford	77,223	5.5%	1,665	4,601	-1,468	-\$11,281,812	-2%
Halifax	5,281	0.4%	123	339	-108	-\$830,367	-2%
Harnett	19,627	1.9%	567	1566	-500	-\$3,840,447	-3%
Haywood	6,472	0.3%	105	290	-92	-\$710,602	-1%
Henderson	12,773	1.0%	310	856	-273	-\$2,099,870	-2%
Hertford	2,297	0.3%	98	270	-86	-\$662,697	-4%
Hoke	8,496	1.2%	364	1,006	-321	-\$2,467,148	-4%
Hyde	448	0.1%	15	42	-14	-\$103,796	-3%
Iredell	26,199	1.3%	379	1,049	-335	-\$2,570,944	-1%
Jackson	3,432	0.3%	85	234	-75	-\$574,869	-2%
Johnston	36,410	1.6%	494	1,364	-435	-\$3,345,421	-1%
Jones	993	0.1%	35	98	-31	-\$239,529	-3%
Lee	9,005	1.3%	379	1,049	-335	-\$2,570,944	-4%
Lenoir	8,154	0.6%	185	511	-163	-\$1,253,535	-2%
Lincoln	11,368	0.4%	115	319	-102	-\$782,461	-1%
Macon	4,384	0.4%	108	300	-96	-\$734,555	-2%
Madison	2,107	0.4%	123	339	-108	-\$830,367	-5%
Martin	2,493	0.0%	14	39	-12	-\$95,812	-1%
McDowell	5,543	0.9%	265	733	-234	-\$1,796,467	-4%
Mecklenburg	139,590	6.7%	2,007	5,546	-1,770	-\$13,597,258	-1%
Mitchell	1,717	0.3%	93	257	-82	-\$630,759	-5%
Montgomery	3,475	0.4%	120	332	-106	-\$814,398	-3%
Moore	12,845	0.7%	225	622	-198	-\$1,525,001	-2%
Nash	7,039	0.8%	255	703	-224	-\$1,724,608	-3%
New Hanover	24,903	0.9%	276	762	-243	-\$1,868,326	-1%
Northampton	1,185	0.3%	101	280	-89	-\$686,650	-8%
Onslow	27,533	4.1%	1,240	3,426	-1,093	-\$8,399,481	-4%
Orange	18,411	0.6%	166	459	-147	-\$1,125,786	-1%

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Pamlico	1,197	0.2%	72	199	-63	-\$487,042	-5%
Pasquotank	4,650	0.8%	252	697	-222	-\$1,708,640	-5%
Pender	10,681	0.2%	70	192	-61	-\$471,074	-1%
Perquimans	1,623	0.1%	37	101	-32	-\$247,513	-2%
Person	4,289	0.3%	105	290	-92	-\$710,602	-2%
Pitt	23,364	1.2%	354	977	-312	-\$2,395,289	-1%
Polk	2,043	0.1%	18	49	-16	-\$119,764	-1%
Randolph	19,483	1.8%	548	1,514	-483	-\$3,712,698	-2%
Richmond	6,456	0.7%	198	547	-175	-\$1,341,362	-3%
Robeson	20,493	1.3%	396	1,094	-349	-\$2,682,724	-2%
Rockingham	10,906	1.0%	286	791	-252	-\$1,940,184	-2%
Rowan	20,390	1.9%	563	1,557	-497	-\$3,816,494	-2%
Rutherford	7,221	0.9%	258	713	-228	-\$1,748,561	-3%
Sampson	10,578	1.2%	369	1,019	-325	-\$2,499,085	-3%
Scotland	5,380	0.7%	213	589	-188	-\$1,445,158	-3%
Stanly	8,554	0.7%	212	586	-187	-\$1,437,174	-2%
Stokes	5,494	0.4%	123	339	-108	-\$830,367	-2%
Surry	9,389	0.3%	97	267	-85	-\$654,712	-1%
Swain	1,811	0.0%	11	29	-9	-\$71,859	-1%
Transylvania	3,178	0.3%	82	228	-73	-\$558,901	-2%
Tyrrell	477	0.0%	-	-	0	\$0	0%
Union	40,994	2.5%	749	2,071	-661	-\$5,078,013	-2%
Vance	4,853	0.4%	108	300	-96	-\$734,555	-2%
Wake	156,101	6.3%	1,883	5,204	-1,660	-\$12,758,907	-1%
Warren	1,700	0.3%	87	241	-77	-\$590,838	-5%
Washington	1,024	0.1%	34	94	-30	-\$231,545	-3%
Watauga	4,623	0.1%	42	117	-37	-\$287,435	-1%
Wayne	17,102	2.1%	628	1,736	-554	-\$4,255,630	-3%
Wilkes	8,918	0.5%	151	417	-133	-\$1,021,990	-1%
Wilson	10,067	1.2%	369	1,019	-325	-\$2,499,085	-3%
Yadkin	4,997	0.1%	21	59	-19	-\$143,717	0%
Yancey	1,986	0.1%	37	101	-32	-\$247,513	-2%
TOTAL	1,363,399	100.0%	30,077	83,120	-26,522	-\$203,791,206	-2%

Notes and Assumptions

1. \$5,231 average OS amount for 2026-27 from the Fiscal Research Division (FRD).
2. \$7,684 state average per pupil expenditures was calculated using data from the [NCDPI 2023 Highlights of the North Carolina Public School Budget](#): Total State Public School Fund Requirements (p.8) divided by the number of Allotted Students (p.1).
3. Opportunity Scholarship (OS) historical data from the [State Education Assistance Authority](#).
4. Estimated number of OS recipients calculated by allocating FRD's estimated number of Opportunity Scholarships in 2023-24 (30,077), 2024-25 (55,421), 2025-26 (70,930), and 2026-27 (83,120) proportionally by county based the proportion of 2022-23 Opportunity Scholarship recipients by county.
5. Average Daily Membership (ADM) numbers from 2022-23 March 22, 2023 "Average Daily Membership and Membership Last Day by LEA (ADM & MLD)" report on dpi.gov.nc. ADM distribution for districts that cross counties is simplified for the purpose of this model. Charter schools are not included in the analysis.
6. Change in total state funding to LEAs (line 2) is calculated as \$7,684 per pupil times the difference between estimated OS recipients in 2026-27 under S406 and the estimated OS recipients in 2023-24, times the percentage listed for each scenario.
7. Per pupil funding increased irregularly over the past several years, in part due to the lack of teacher raises in FY19-21 without a comprehensive appropriations act. For this reason, no growth factor is applied to the \$7,684 per pupil rate. Note that S406 ties scholarship amounts to the per pupil rate, so while absolute dollar amounts might change, the percentage of school budgets and directional impact on the state budget will hold if per pupil rates change.