

What are School Vouchers?

School vouchers are a method of diverting education tax dollars from public schools to subsidize tuition at private schools. Some voucher programs also pay for educational expenses such as tutoring, technology, and other items – depending on the specific program rules. School voucher programs exist in a number of states, and each has specific requirements and restrictions. North Carolina currently has two voucher programs administered by the North Carolina State Education Assistance Authority ([NCSEAA](#)).

- 1) The **Opportunity Scholarship (OS) Grant Program** is the state’s largest voucher program. It transfers tuition funds in an amount up to 100% of the average state per pupil allocation (e.g., \$6,492 in 2023-24) directly to the private school. This program was initially designed for low-income families to opt out of their local public school, but starting with the 2024-25 school year, there are no income-eligibility requirements. Since its launch, funding for the program has steadily increased although demand fell short of available funds until 2021 when \$500,000/year was designated to market the program and assist parents in applying.
- 2) The second program, titled the **Personal Education Student Accounts for Children with Disabilities (PESA, also referred to as ESA+)** provides \$9,000 in funds for students with documented disabilities to pay for tuition and fees for eligible private schools and for expenses such as speech therapy, tutoring services, and educational technology. Students with specific disabilities (e.g., autism) may be eligible to receive up to \$17,000/year.

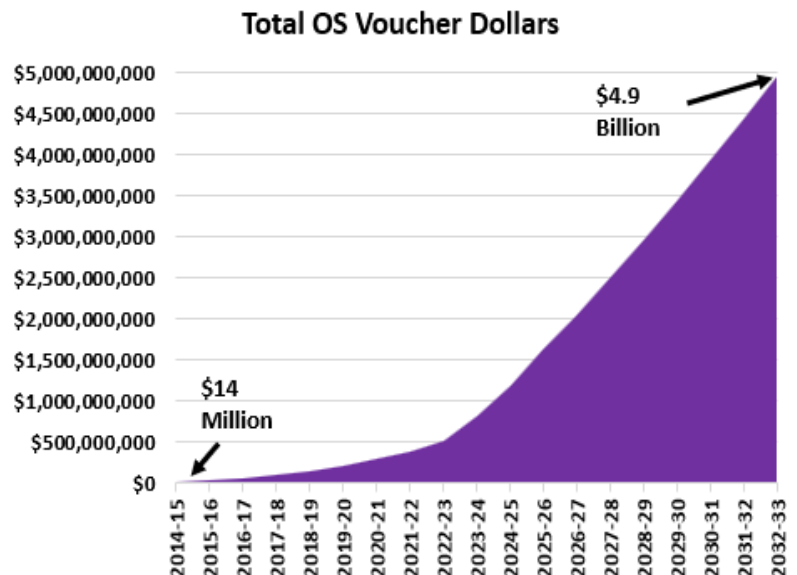
North Carolina Opportunity Scholarships

The North Carolina OS voucher program became [law in 2013](#) and was launched in the 2014-15 school year with an initial budget of \$14 million. Its stated purpose was to enable qualifying low-income students currently enrolled in a public school to attend a participating private school. The state awarded up to \$4,200/year to eligible families for private school tuition.

After a lawsuit challenging the use of tax dollars to fund private schools the NC Supreme Court upheld the constitutionality of the program in July 2015. The next year the NCGA established an Opportunity Scholarship Grant Fund Reserve to be increased by \$10 million/year until 2027-28 when it was set to plateau at \$144.8 million/year even though the NCGA refused to fully fund Leandro or pay teachers at the national average.

Expanded Voucher Funding. Voucher funding expanded steadily despite under-enrollments. The OS program got a boost in the [2021-23 budget](#), which raised the annual funding increase to \$15 million. The [2022 budget adjustments](#) added \$56 million to the base allocation bringing the funds available in 2022-23 to nearly \$140 million.

The [2023-25 budget](#) further expanded voucher funding, adding millions of dollars annually. By 2031-32, more than \$500 million will be allocated to vouchers each year; nearly **\$5 billion will be spent on private school vouchers by 2032-33.**



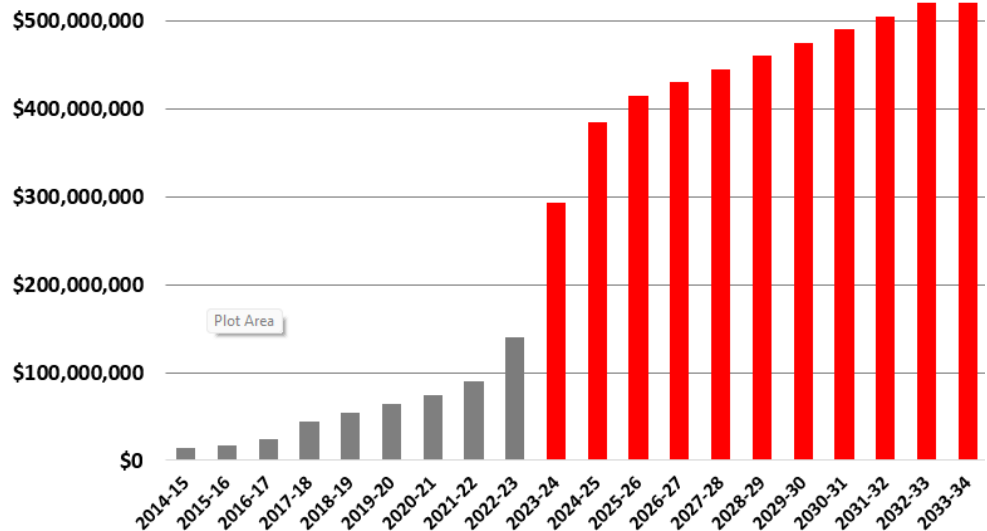


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Expanded Eligibility.

Along with the huge annual funding increases shown in the chart, voucher eligibility has expanded to the point where vouchers are **no longer targeted to low-income households as originally designed**. The original program income limit was 133% of the federal free lunch cutoff. This limit was steadily raised until the 2023 budget **removed all income limits**. Now even wealthy families are eligible to receive vouchers.

OS Voucher Allocations with 2023 Budget Additions (red)
Data Source: NCGA Budget Documents



Increased Voucher Amount. When first introduced, the maximum voucher was \$4,200/year toward private school tuition. Families earning between 100% and 133% of the federal free/reduced price lunch eligible income received 90% of the maximum.

The 2021-23 budget tied voucher distributions to a percentage of the average state per pupil expenditure for the previous year. In 2023-24, the maximum voucher was \$6,492. As state per pupil expenditure increases, voucher dollars increase.

Family Income as Percent F/RL Eligibility	Annual Family Income Eligibility (2023-24) Family of 4	Voucher as % of Average Annual Per Pupil Allocation
100% and Below	\$55,500 and Below	100%
100% - 200%	\$55,500 to \$111,000	90%
200% - 450%	\$111,000 to \$249,750	60%
450% and Above	\$249,750 and Above	45%

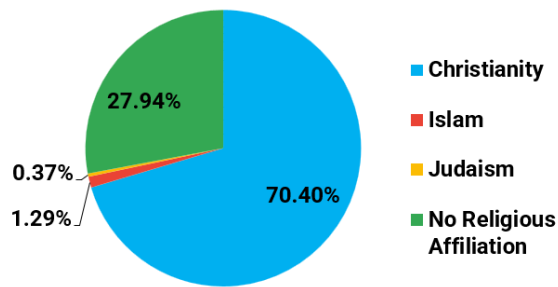
The sliding scale used to allocate voucher funds as determined by the federal reduced-price meals [eligibility guidelines](#) allows the wealthiest families to receive 45% of the state PP allocation.

Marketing Vouchers to Recruit Students. Because demand for the OS vouchers lagged behind the funds allocated for them, the 2021-23 budget designated up to \$500,000/year in unspent OS funds to be spent to publicize the program and help parents apply. **In 2023, this marketing budget was increased to \$1,000,000 per year.**

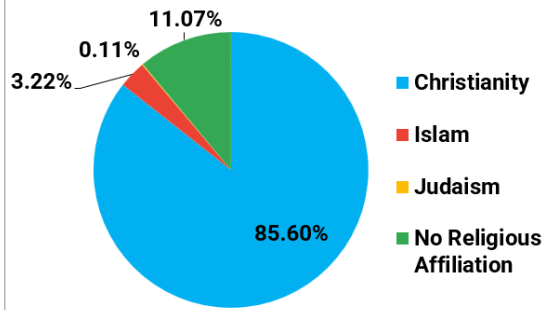
In **2022-23** North Carolina had 544 voucher-receiving private schools that enrolled 25,568 voucher recipients at a total cost of more than \$134 million. The largest cohort of voucher recipients attended Grace Christian School in Sanford, garnering the school \$2,261,497 in state dollars.

More than 72% of the state's voucher schools are religious schools; 97% of the religious schools (70.4% of total schools) are affiliated with Christianity. A total of 88.93% of voucher dollars went to religious schools in 2022-23; Christian schools received 85.6% of total voucher dollars.

Percentage of Voucher Schools by Religious Affiliation 2022-23

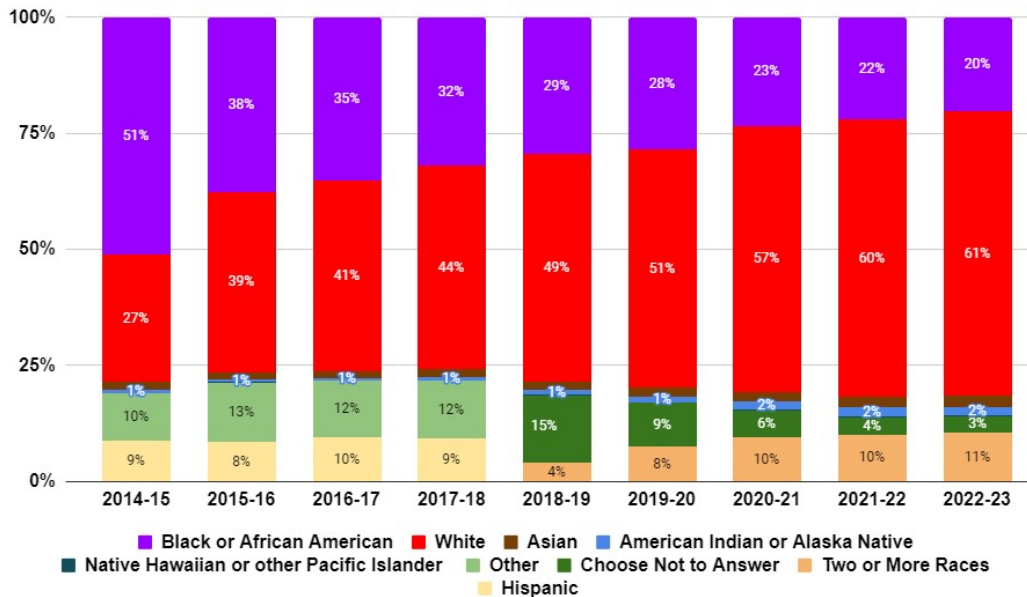


Percentage of Voucher Dollars by Religious Affiliation 2022-23



The race/ethnicity of voucher recipients has changed sharply since they were first introduced. The proportion of Black or African American students has steadily dropped while the proportion of white students has grown. In the first year, the program had 51% Black or African American recipients (purple in the chart below) and 27% White recipients (red). By 2022-23, the percentages had reversed, and the gap had widened. Black or African American students made up 20% of the voucher recipients while 61% were White.

OS Voucher Recipients by Race 2014 - 2023



Hispanic student data has been categorized differently across the years. In the years 2014-15 through 2017-18 when Hispanic students were included as a separate race category, they made up 8% to 10% of the voucher students.

In the years 2018-19 and beyond when Hispanic students were counted in a separate ethnicity category, their numbers grew from 12% to 15% of total voucher recipients.

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

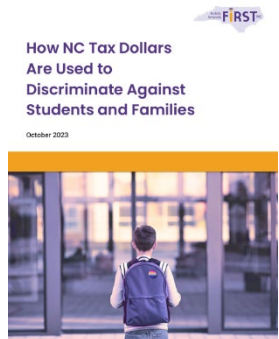
The [ESA+ voucher program](#) is much smaller than the Opportunity Scholarship voucher program. In 2023-24 \$48.9 million was appropriated for ESA+. Each year the appropriation increases by \$1 million and is set to reach \$56.9 million by 2031-32. Funds are disbursed directly to approved providers (e.g. private school) or directly to families through an electronic debit account (ClassWallet).

The annual scholarship amount is up to \$9,000 per [eligible student](#) and up to \$17,000 per student with specific disabilities: (1) Autism, (2) Hearing impairment, (3) Moderate or severe intellectual or developmental disability, (4) Multiple, permanent orthopedic impairments, and (5) Visual impairment.

Note that in [fiscal year 2022-2023](#), North Carolina 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 for the district. The funds provided to the district are the same regardless of the severity of their students' disabilities.

The Problem with Vouchers for Private Education

- Private Schools Allowed to Discriminate.** North Carolina law requires private schools to follow the provisions of the Civil Rights Act of 1964 that prohibit discrimination based on race, color, and national origin. However, other forms of discrimination are not expressly prohibited in state laws guiding private schools. As a result, many private schools have policies that discriminate against groups based on religion, disability, gender, LGBTQ+, academics, and lifestyle. PSFNC reviewed the admissions policies and practices of schools receiving more than \$100,000 in OS voucher funds in 2022-23. Eighty-eight percent had at least one of the six types of discriminatory policies examined. Read [our report](#) for more information.



- Vouchers Do Not Improve Student Outcomes.** There is no evidence that private schools offer a higher quality education for voucher students than public schools, and no publicly reported metrics are required in North Carolina to ensure students receive a sound, basic education in private schools. Where metrics are in place in other states, research shows *negative effects on student learning* comparable to the negative effects of the [COVID-19 pandemic](#). For example, an evaluation of [Ohio's EdChoice Voucher Program](#) showed *negative effects on math achievement as large as -0.50 standard deviations* for students who moved from public to private school. In [Indiana](#), voucher students experienced an average achievement loss of 0.15 standard deviations in math during their first year attending a private school compared to matched students who stayed in public school. This loss persisted over multiple years in the private schools. Other large-scale studies such as the [Evaluation of the DC Opportunity Scholarship Program](#) have shown *no significant impact* on student learning. **North Carolina requires no accountability for student achievement**, so there is no data with which to conduct studies like those in IN, OH, or DC.

A comprehensive study of voucher effects by the [Economic Policy Institute](#) concluded that giving parents choice within their public schools with proven programs and policies **would produce much higher gains** for students than voucher programs. These programs include early childhood education, after-school and summer programs, teacher pre-service training and improved student health and nutrition programs.



The Facts on NC School Vouchers

- Essential Funds Lost to Public Schools.** The loss of tax dollars impacts academic programs, operating costs, and teacher allotments at traditional public schools. In states with greatly expanded voucher programs the majority of voucher recipients previously attended private schools and were never enrolled in a public school. In these cases, the voucher program shifts taxpayer dollars from public schools to private schools and adds the private education subsidy for families that don't need it. All the while, scarce tax dollars are being removed from already underfunded public schools, degrading their programs which are open and free to the public.

In [New Hampshire](#), 89% and in [Wisconsin](#) 77% of voucher recipients were already in private schools. In [Arizona](#), 80% had never attended public school. Program costs [have skyrocketed](#) as estimates based on public school students failed to account for the massive enrollments from private school students. The public is shouldering more tax burden with no improved academic results for students.

- Lack of Teacher Quality and Safety Standards.** In North Carolina, 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. Unlike public schools where all staff must pass a criminal background check, in North Carolina only **one** person at a private school is required to pass a criminal background check—the person with the highest decision-making responsibility.

- Lack of Accountability.** Voucher programs divert tax dollars to largely unregulated private entities that are not required to make their financial records public. Financial review by a CPA is required only for schools with [70+ voucher-receiving students](#). Even compared to other states, (see chart from [School Vouchers in NC 2014-2020](#)) private schools in North Carolina are subjected to fewer accountability standards. They have no curriculum requirements and do not participate in the state testing program. As a result, there is no way to meaningfully evaluate the academic impact of vouchers. In addition, only 6% of voucher applicants are audited each year, leaving many opportunities for fraud.

REQUIREMENTS FOR PRIVATE SCHOOLS PARTICIPATING IN SCHOOL VOUCHER PROGRAMS IN OTHER JURISDICTIONS												
	AZ	CLE	D.C.	IN	LA	ME	MD	MIL	OH	VT	WI	NC
Accreditation or State Approval		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Regulated Curriculum	✓ ¹	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Certified Teachers		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
State Testing Program		✓	✓	✓	✓	✓ ²		✓	✓ ³	✓	✓	
Regulated hours/days of school	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

¹ Any student with a voucher must be educated in reading, grammar, math, social studies, and science.
² If 60% of students are publicly funded, school must participate in the state testing program.
³ For all high schools and for any school in which 65% of students are getting vouchers.

- Reduced Services Provided to Students.** Private schools are not required to serve free/reduced lunch, offer transportation, or provide English Language instruction or special education services. By limiting services, private schools become inaccessible to low-income families and those whose students require extra support.
- Private Schools Serve Few Students.** The vast majority of North Carolina's students ([about 1.43 million](#)) are educated in our public schools. [Private school enrollment](#) for the 2022-2023 school year was just 126,768 students. Shifting funds from the public educational system to a selective private school system is damaging to communities across the state.



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Overview of School Vouchers

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 a means for minority and low-income children to opt out of their local, high-poverty, under-resourced schools. But data show the reality is that as voucher programs expand, fewer minority and low-income families use vouchers; conversely more white and wealthy families use them.

In contrast to pro-privatization messaging about failing public schools, traditional public schools consistently get high marks from parents. According to a [2023 Gallup poll](#), 76 percent of parents surveyed are completely or somewhat satisfied with their child's school. A [2022 Pew survey](#) found that over 90% of parents were at least somewhat satisfied with the quality of their child's education.

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, Superior Court Justice 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](#). PSFNC's 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, and the system that educates the vast majority of North Carolina's children.



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