

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**Session 2015**

**Legislative Fiscal Note**

**BILL NUMBER:** House Bill 133 (First Edition)

**SHORT TITLE:** Modify Special Education Scholarships.

**SPONSOR(S):** Representatives Jordan, Jones, Brockman, and Stam

**FISCAL IMPACT**

(\$ in millions)

**Yes**

**No**

**No Estimate Available**

<b>State Impact</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>FY 2019-20</b>
General Fund Revenues:	\$0.0 to \$0.0	\$0.0 to \$0.0	\$0.0 to \$0.0	\$0.0 to \$0.0	\$0.0 to \$0.0
General Fund Expenditures:	\$0.0 to \$0.0	\$1.0 to \$1.1	\$0.9 to \$1.0	\$0.7 to \$0.8	\$0.5 to \$0.7
State Positions:	0.0 to 0.0	0.0 to 0.0	0.0 to 0.0	0.0 to 0.0	0.0 to 0.0
<b>NET STATE IMPACT</b>	<b>\$0.0 to \$0.0</b>	<b>(\$1.0) to (\$1.1)</b>	<b>(\$0.9) to (\$1.0)</b>	<b>(\$0.7) to (\$0.8)</b>	<b>(\$0.5) to (\$0.7)</b>

<b>Local Impact</b>					
Revenues:	\$0.0 to \$0.0	\$0.0 to \$0.0	\$0.0 to \$0.0	\$0.0 to \$0.0	\$0.0 to \$0.0
Expenditures:	\$0.0 to \$0.0	\$0.2 to \$0.3	\$0.2 to \$0.2	\$0.2 to \$0.2	\$0.1 to \$0.2
<b>NET LOCAL IMPACT</b>	<b>\$0.0 to \$0.0</b>	<b>(\$0.2) to (\$0.3)</b>	<b>(\$0.2) to (\$0.2)</b>	<b>(\$0.2) to (\$0.2)</b>	<b>(\$0.1) to (\$0.2)</b>

**PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:**

State Education Assistance Authority, Department of Public Instruction, Local Education Agencies

**EFFECTIVE DATE:** July 1, 2015

**TECHNICAL CONSIDERATIONS:**

Yes - See Technical Considerations Section

**BILL SUMMARY:**

This bill would make two changes to the Special Education Scholarship Grants for Children With Disabilities program (“the Program”) found in Part 1H of G.S. 115C:

1. Maximum scholarship size: This bill would increase the maximum allowable scholarship size from \$3,000 per semester to \$4,000 per semester. There would be a fiscal impact resulting from this change to the Program.

2. Treatment of tuition payments: Under current law, payments are provided to parents to reimburse parents or guardians for incurred expenses. This bill would authorize the North Carolina State Education Assistance Authority (“the Authority”) to make up-front disbursements related to tuition. This analysis assumes there would be *no* fiscal impact related to this change to the Program.

#### **ASSUMPTIONS AND METHODOLOGY:**

Estimating the fiscal impact of this proposal requires comparing the estimated impact of the Program in its current incarnation (“Existing Program Estimate”), and comparing to the estimated fiscal impact of the Program if the maximum scholarship size is increased to \$8,000 per year (“Proposed Estimate”). In both cases, developing the estimated impact requires the following variables:

1. Elasticity of demand for private education;
2. Average scholarship size;
3. Projected average private school tuition costs in North Carolina;
4. Projected enrollment at North Carolina’s private schools, absent the Program;
5. Projected expenditures (State and local) per student in North Carolina’s public schools;
6. Estimate of the number of students (public and private) meeting the Program’s eligibility requirements;
7. Private school demand for scholarships;
8. Turnover rate of scholarship students; and
9. Cost of Individualized Education Plan (IEP) Reevaluations.

It is important to note that the same values are used for each variable in both the Existing Program Estimate and the Proposed Estimate.

#### *1. Elasticity of Demand for Private Education*

The elasticity of demand for private education versus public education answers the question: as the price for private schools goes down, how many students would be expected to leave public schools and enter private schools?

This analysis assumes an elasticity of demand for private education of 0.146. Elasticity of demand tells you what sort of change in demand one would expect, given a percentage change in price in that good. For example, an elasticity of 0.50 means that for every 10% decrease in the cost of private education, one would expect a 5% increase in the number of children attending private schools.

Actual data from the 2014-15 school year, the first full year of Program implementation, reveals an implied elasticity for Special Education Scholarship Grants in North Carolina. For FY 2014-15, the Authority estimates 786 eligible applications for Special Education Scholarship Grants. If the estimated figures for FY 2014-15 average private school tuition (\$9,666) and percent of public school students meeting the eligibility criteria (9%) are accurate, that implies an elasticity of demand for private education of 0.146.

2. Average Scholarship Size

Two different average scholarship sizes are utilized in this analysis.

For the purposes of determining how many students would be expected to leave public schools and enter private schools, the maximum scholarship amount is used (\$6,000 in the Existing Program Estimate; \$8,000 in the Proposed Estimate). That is because when considering the range of private schools available, scholarship awardees could potentially reduce their private school costs by as much the maximum scholarship amount.

For the purposes of calculating the fiscal impact of actual scholarships issued, the estimated average scholarship size is used (\$5,700 in the Existing Program Estimate; \$7,600 in the Proposed Estimate). According to data from Florida's Tax Credit Scholarship Program, average awards have approximated 95% of the maximum award amount. As a result, this analysis assumes that the average scholarship size of issued scholarships will be 95% of the maximum scholarship amount.

3. Estimating Average Private School Tuition Costs in North Carolina

There are no organizations that comprehensively track current tuition prices in North Carolina. The most comprehensive source for national data appears to be the US Department of Education's National Center for Education Statistics. Their most recent data from the 2011-12 school year indicates that private school tuitions across the country averaged \$10,740 per year.<sup>1</sup>

This analysis estimates that average private school tuition in North Carolina is \$9,666 for the 2014-15 school year. Given the slow economic recovery, it is unlikely that private school tuitions have risen significantly since the 2011-12 school year. This number is then adjusted to account for North Carolina's below-average cost of living. Analysis from the South Carolina Department of Commerce indicates that North Carolina's cost of living is approximately 90% of the national average.<sup>2</sup> Therefore, to estimate the private school tuition in North Carolina for the 2014-15 school year, this analysis multiplies \$10,740 by 90%. To estimate how tuitions will increase in future years, this analysis utilizes forecasted inflation numbers for Salaries & Wages from Moody's economy.com.<sup>3</sup>

4. Projected Enrollment at North Carolina's Private Schools

This analysis assumes that – absent the Program proposed by this bill – private school enrollments will grow at a rate of 0.5% per year based on the actual enrollments over the last ten years. The North Carolina Division of Non-Public Education does not project enrollment at North Carolina's private schools. This analysis projects private school enrollment based on the historic growth rate in private school enrollment from 2003-04 to 2013-14. Over this

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<sup>1</sup> National Center for Education Statistics, *Digest of Education Statistics: 2013 Tables and Figures*, Table 205.50, as found at: [http://nces.ed.gov/programs/digest/d13/tables/dt13\\_205.50.asp](http://nces.ed.gov/programs/digest/d13/tables/dt13_205.50.asp).

<sup>2</sup> Wang, Masoudie, and Gunlaugsson, "Annual Cost of Living Index Applied to South Carolina Sub-State Areas," South Carolina Department of Commerce – Division of Research, p. 3, January 2009. As found at: [http://greenwoodpartnershipalliance.com/site/wp-content/themes/golden\\_essence\\_261/images/pdf/Cost%20of%20Living%20SCDOC2009.pdf](http://greenwoodpartnershipalliance.com/site/wp-content/themes/golden_essence_261/images/pdf/Cost%20of%20Living%20SCDOC2009.pdf).

<sup>3</sup> April 2014 projections found at: <http://www.economy.com/default.asp>.

period, private school enrollment in North Carolina has grown at an average rate of 0.5% per year.<sup>4</sup>

5. Projected Expenditures per Student in North Carolina's Public Schools

This analysis estimates that State expenditures in FY 2014-15 will be approximately \$8,595 per student. This figure is based off of the FY 2014-15 per-student appropriation for charter schools of \$4,789 per student, plus an additional \$38 per student to account for estimated expenditures related to Limited English Proficiency, and an additional \$3,768 per student to account for estimated expenditures for Children with Disabilities.

While the per-student appropriation for charter schools only increased by 0.2% this past year, this analysis assumes that expenditures per student in North Carolina public schools will increase at an average rate of 1% per year over the next five fiscal years in order to approximate historical trends.

State average local expenditure per child for operational expenses is \$2,085. Per the reasons above, this number is also anticipated to grow at an average annual rate of 1% over the period covered by this fiscal analysis.

6. Number of Public School Children Meeting Eligibility Requirements

Under normal circumstances, an elasticity of 0.50 would mean that for every 10% decrease in the cost of private education, you would expect a 5% increase in the number of children attending private schools. This relationship, however, assumes that the lower cost of private schools would be available to all public school students. Because of the Program's eligibility requirements, only a certain subset of public school students (see [G.S. 115C-112.5\(2\)](#) for a complete list of Program eligibility requirements) will be able to take advantage of the tax credit.

As a result of the eligibility requirements, it is necessary to discount the expected increase in private school enrollment. Consider the above example, where elasticity is still 0.50, but now only 50% of public school children are eligible for the tax credit. Under this situation, a 10% decrease in the cost of private education would be associated with a 2.5% increase in the number of children attending private schools. The new equation is as follows:

$$\% \text{ increase in private school enrollment} = \frac{\% \text{ change in private school costs}}{\text{times elasticity}} \times \text{times \% of children eligible for the tax credit}$$

This analysis assumes 9% of public school students would be eligible to apply for Special Education Scholarship Grants. The Department of Public Instruction (DPI) estimates that somewhere between 120,000 and 140,000 students could potentially meet the definition of "eligible dependent child" under this Program. This equates to approximately 9% of public

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<sup>4</sup> Private School Statewide Statistical History as found at: <http://www.ncdnp.org/documents/2013EnrollmentHistoryByYear.pdf>.

school students. As such, the elasticity is discounted by 9% when estimating increases in private school enrollment.

7. Private School Demand for Scholarships

No data is available indicating the number of private school students meeting the eligibility requirements of this Program. As a result, this analysis presents a range of possibilities for this variable, showing the impact assuming eligibility in private schools ranges from 2% to 8%.

If all other variables remain constant, a low estimate for this figure will have a more positive impact on the estimated fiscal impact of the Program, while a high estimate for this figure will have a more negative impact on the estimated fiscal impact. Therefore, the “Low-Range” estimate assumes that 8% of private school students would be eligible for the Program, and the “High-Range” estimate assumes that 2% of private school students would be eligible for the Program.

8. Turnover Rate for Scholarship Students

This analysis requires examining how cohorts of each type of scholarship student advance through school from year-to-year. As a result, one must estimate how many scholarship students will continue receiving their scholarship in subsequent years, and how many will choose not to participate in the Program again.

This analysis assumes that those students who are incentivized by the Program scholarship to transfer from a public school to a private school will re-apply 85% of the time, while those who would have attended a private school even in the absence of this Program will re-apply 90% of the time. Unfortunately, there is no existing data from which to form these estimates. However, it seems likely that those who would have attended a private school even in the absence of the Program are likely to persist at a higher rate than those who only chose to attend a private school as a result of the scholarship.

9. Cost of Individualized Education Plan (IEP) Reevaluations

The Program requires the Authority to ensure that each scholarship student is reevaluated at least every three years by a local educational agency (LEA) in order to verify that the student continues to be a child with a disability. Each reevaluation costs approximately \$1,500. The amount required for reevaluations is transferred from the Authority to DPI each year for distribution to the LEAs.

The annual figure varies under each scenario, as it is dependent upon the number of new scholarships issued in a given year. Based on actual data provided by the Authority, all scenarios assume that 286 new scholarships were issued in FY 13-14 and 528 new scholarships issued in FY 14-15. Per information provided by the Authority, this analysis assumes that one third of each cohort would require a reevaluation in each fiscal year.

## **Estimated Program Fiscal Impact**

### ***State Impact – Scholarships & Changes in Public School Expenditures***

Applying all of the above estimated variables allows us to produce an estimate of potential annualized costs/savings to State and local governments for both the Existing Program Estimate scenario as well as the Proposed Estimate scenario. The difference between the two scenarios provides the ultimate fiscal impact of this bill.

In general the State saves money for each public school student who transfers to a private school as a result of receiving the Program scholarship. The State saves the difference between the average public school expenditure per student (\$8,595 in FY 2014-15) and the average scholarship amount (\$5,700 in the Existing Program scenario), for total savings of \$2,895 per student for each student who uses the scholarship to transfer from a public school to a private school.

In contrast, the State loses money for each scholarship student who would have attended a private school in the absence of the Program. Each student who would have attended a private school in the absence of the Program costs the State \$5,700 per student in the Existing Program Estimate and \$7,600 per student in the Proposed Estimate.

In determining the distribution of scholarships in a given year, one must look at the relative demand for scholarships between two different types of students:

1. Students who are incentivized by the Program to transfer from a public school to a private school (demand estimated based on elasticity calculations); and
2. Students who would have attended a private school in the absence of the Program.

Because eligible scholarship students can carry their scholarship forward to the next year, this analysis examines how cohorts of each type of scholarship student advance through school from year-to-year. As explained above, the different types of students are expected to persist in the program at differing rates. Once it has been determined how many students will be carrying their scholarship forward to the subsequent fiscal year, remaining available funds are distributed based on the residual relative demand for scholarships between the two student types listed above.

Increasing the maximum annual scholarship size from \$6,000 to \$8,000 impacts the fiscal estimate in two competing ways:

1. It increases the demand for scholarships from students who would have attended a public school in the absence of the Program. This has a positive impact on the fiscal impact.
2. It decreases the savings realized when a student uses the scholarship to transfer from a public school to a private school. Increasing the scholarship to \$8,000 decreases the per-student savings from approximately \$2,895 to \$1,081.

As shown in the tables below, the changes proposed by this bill are likely to have a slightly negative fiscal impact for the State, as the decrease in per-student savings would be expected to be greater than the increase in demand from public school students.

### ***LEA Impact***

LEAs experience a decrease in local expenditure requirements related to each student who is incentivized by the Program to transfer from a public school to a private school. There is no LEA fiscal impact related to those students who would have attended a private school in the absence of the Program.

It is important to note that LEAs will not necessarily decrease expenditures or provide tax relief to citizens as enrollments decrease in their public schools. The amounts shown as “Potential Change in LEA Expenditures” indicate the amount by which LEAs could *potentially* decrease their local expenditures, and still provide the same per student local support for public schools as currently provided.

### ***Fiscal Impact Summary***

The tables below summarize the total fiscal impact of the Program, utilizing the data described above. The final table compares the Existing Program Estimate to the Proposed Estimate to derive the ultimate estimate of the fiscal impact of the proposed changes to the Program.

**Estimated Fiscal Impact - CWD Scholarship Grants**  
**Existing Program Estimate: Low-Range**

	2015-16	2016-17	2017-18	2018-19	2019-20
Appropriation	\$4,341,000	\$4,341,000	\$4,341,000	\$4,341,000	\$4,341,000
Admin Costs	(\$86,820)	(\$86,820)	(\$86,820)	(\$86,820)	(\$86,820)
IEP Reevaluations (prior cohorts)	(\$679,500)	(\$606,000)	(\$526,000)	(\$483,000)	(\$410,500)
Carried Over from Prior Year	\$702,680	\$99,260	\$42,440	\$124,900	\$161,212
Available for Existing Scholarships	\$4,277,360	\$3,747,440	\$3,770,620	\$3,896,080	\$4,004,892
Cost of Existing Scholarships	\$3,803,325	\$3,568,485	\$3,170,340	\$3,136,938	\$3,231,991
Existing Private School Awardees	0	54	67	120	181
Existing Public School Awardees	667	572	490	430	386
Available Dollars for New Scholarships	\$475,460	\$179,240	\$598,000	\$759,712	\$772,331
Cost of Pvt Education	\$9,732	\$9,819	\$9,944	\$10,089	\$10,207
Maximum Scholarship Amount	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Average Scholarship Granted	\$5,700	\$5,700	\$5,700	\$5,700	\$5,700
Tuition Discount	62%	61%	60%	59%	59%
Elasticity of Demand	0.15	0.15	0.15	0.15	0.15
Percent of Public School Students Eligible	9%	9%	9%	9%	9%
% Change in Pvt. School Demand	0.81%	0.80%	0.79%	0.78%	0.77%
Expected Pvt. School Population (absent this bill)	96,728	97,212	97,698	98,186	98,677
Private K-1 Students	16,261	16,342	16,424	16,506	16,589
Private School Demand for New Scholarships	1,171	1,148	1,173	1,156	1,156
Public School Demand for New Scholarships	117	209	285	337	376
Total Demand for New Scholarships	1,287	1,357	1,458	1,494	1,532
Value of New Scholarships Demanded	\$9,269,267	\$9,767,535	\$10,494,682	\$10,755,195	\$11,029,984
New Scholarships Granted	66	24	83	105	107
% of New Scholarships to Pvt School Students	91%	85%	80%	77%	75%
New Private School Awardees	60	20	67	81	81
New Public School Awardees	6	4	16	24	26
IEP Reevaluations (new scholarships)	(\$33,000)	(\$12,000)	(\$41,500)	(\$52,500)	(\$53,500)
Total IEP Reevaluation Transfer	(\$712,500)	(\$618,000)	(\$567,500)	(\$535,500)	(\$464,000)
Avg. Public School Exp. Per Child (charter \$)	\$8,681	\$8,768	\$8,856	\$8,944	\$9,034
Change in Public School Expenditures	(\$6,814,633)	(\$5,900,778)	(\$5,100,797)	(\$4,525,718)	(\$4,101,230)
<b>Net Change State General Fund Expenditures</b>	<b>(\$2,473,633)</b>	<b>(\$1,559,778)</b>	<b>(\$759,797)</b>	<b>(\$184,718)</b>	<b>\$239,770</b>
LEA Exp. Per Eligible Student	\$2,106	\$2,127	\$2,148	\$2,170	\$2,191
<b>Potential Change in LEA Expenditures</b>	<b>(\$1,583,300)</b>	<b>(\$1,370,977)</b>	<b>(\$1,185,110)</b>	<b>(\$1,051,497)</b>	<b>(\$952,873)</b>

<b>Private School Population Meeting Eligibility</b>	<b>8%</b>
<b>Public School Population Meeting Eligibility</b>	<b>9%</b>
<b>Private School Turnover</b>	<b>10%</b>
<b>Public School Turnover</b>	<b>15%</b>



**Estimated Fiscal Impact - CWD Scholarship Grants**  
**Existing Program Estimate: High-Range**

	2015-16	2016-17	2017-18	2018-19	2019-20
Appropriation	\$4,341,000	\$4,341,000	\$4,341,000	\$4,341,000	\$4,341,000
Admin Costs	(\$86,820)	(\$86,820)	(\$86,820)	(\$86,820)	(\$86,820)
IEP Reevaluations	(\$679,500)	(\$606,000)	(\$526,500)	(\$483,500)	(\$411,000)
Carried Over from Prior Year	\$702,680	\$99,260	\$40,730	\$127,991	\$163,444
Available for Existing Scholarships	\$4,277,360	\$3,747,440	\$3,768,410	\$3,898,671	\$4,006,624
Cost of Existing Scholarships	\$3,803,325	\$3,564,780	\$3,166,749	\$3,121,052	\$3,213,504
Existing Private School Awardees	0	42	51	84	122
Existing Public School Awardees	667	583	505	463	442
Available Dollars for New Scholarships	\$475,460	\$183,230	\$601,091	\$779,044	\$793,120
Cost of Pvt Education	\$9,732	\$9,819	\$9,944	\$10,089	\$10,207
Maximum Scholarship Amount	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
Average Scholarship Granted	\$5,700	\$5,700	\$5,700	\$5,700	\$5,700
Tuition Discount	62%	61%	60%	59%	59%
Elasticity of Demand	0.15	0.15	0.15	0.15	0.15
Percent of Public School Students Eligible	9%	9%	9%	9%	9%
% Change in Pvt. School Demand	0.81%	0.80%	0.79%	0.78%	0.77%
Expected Pvt. School Population (absent this bill)	96,728	97,212	97,698	98,186	98,677
Private K-1 Students	16,261	16,342	16,424	16,506	16,589
Private School Demand for New Scholarships	293	272	289	277	274
Public School Demand for New Scholarships	117	198	270	304	320
Total Demand for New Scholarships	409	469	559	581	594
Value of New Scholarships Demanded	\$2,947,029	\$3,379,133	\$4,021,670	\$4,182,474	\$4,280,182
New Scholarships Granted	66	25	83	108	110
% of New Scholarships to Pvt School Students	72%	58%	52%	48%	46%
New Private School Awardees	47	14	43	51	51
New Public School Awardees	19	11	40	57	59
IEP Reevaluations (new scholarships)	(\$33,000)	(\$12,500)	(\$41,500)	(\$54,000)	(\$55,000)
Total IEP Reevaluation Transfer	(\$712,500)	(\$618,500)	(\$568,000)	(\$537,500)	(\$466,000)
Avg. Public School Exp. Per Child (charter \$)	\$8,681	\$8,768	\$8,856	\$8,944	\$9,034
Change in Public School Expenditures	(\$6,814,633)	(\$6,014,760)	(\$5,260,197)	(\$4,874,538)	(\$4,697,444)
<b>Net Change State General Fund Expenditures</b>	<b>(\$2,473,633)</b>	<b>(\$1,673,760)</b>	<b>(\$919,197)</b>	<b>(\$533,538)</b>	<b>(\$356,444)</b>
LEA Exp. Per Eligible Student	\$2,106	\$2,127	\$2,148	\$2,170	\$2,191
<b>Potential Change in LEA Expenditures</b>	<b>(\$1,583,300)</b>	<b>(\$1,397,459)</b>	<b>(\$1,222,145)</b>	<b>(\$1,132,542)</b>	<b>(\$1,091,396)</b>
<b>Private School Population Meeting Eligibility</b>	<b>2%</b>				
<b>Public School Population Meeting Eligibility</b>	<b>9%</b>				
<b>Private School Turnover</b>	<b>10%</b>				
<b>Public School Turnover</b>	<b>15%</b>				

**Estimated Fiscal Impact - CWD Scholarship Grants**  
**Proposed Estimate: Low-Range**

	2015-16	2016-17	2017-18	2018-19	2019-20
Appropriation	\$4,341,000	\$4,341,000	\$4,341,000	\$4,341,000	\$4,341,000
Admin Costs	(\$86,820)	(\$86,820)	(\$86,820)	(\$86,820)	(\$86,820)
IEP Reevaluations	(\$679,500)	(\$578,000)	(\$494,000)	(\$450,000)	(\$383,000)
Carried Over from Prior Year	\$702,680	\$6,160	\$11,540	\$110,800	\$131,472
Available for Existing Scholarships	\$4,277,360	\$3,682,340	\$3,771,720	\$3,914,980	\$4,002,652
Cost of Existing Scholarships	\$5,071,100	\$3,630,520	\$3,121,320	\$3,130,288	\$3,253,537
Existing Private School Awardees	0	0	3	44	89
Existing Public School Awardees	562	478	408	368	339
Available Dollars for New Scholarships	\$6,160	\$49,540	\$650,400	\$785,072	\$750,255
Cost of Pvt Education	\$9,732	\$9,819	\$9,944	\$10,089	\$10,207
Maximum Scholarship Amount	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Average Scholarship Granted	\$7,600	\$7,600	\$7,600	\$7,600	\$7,600
Tuition Discount	82%	81%	80%	79%	78%
Elasticity of Demand	0.15	0.15	0.15	0.15	0.15
Percent of Public School Students Eligible	9%	9%	9%	9%	9%
% Change in Pvt. School Demand	1.08%	1.07%	1.06%	1.04%	1.03%
Expected Pvt. School Population (absent this bill)	96,728	97,212	97,698	98,186	98,677
Private K-1 Students	16,261	16,342	16,424	16,506	16,589
Private School Demand for New Scholarships	1,171	1,177	1,181	1,166	1,168
Public School Demand for New Scholarships	483	563	625	655	677
Total Demand for New Scholarships	1,654	1,739	1,806	1,822	1,845
Value of New Scholarships Demanded	\$15,047,784	\$15,828,690	\$16,433,762	\$16,576,208	\$16,793,248
New Scholarships Granted	0	5	71	86	82
% of New Scholarships to Pvt School Students	71%	68%	65%	64%	63%
New Private School Awardees	0	3	46	55	52
New Public School Awardees	0	2	25	31	30
IEP Reevaluations (new scholarships)	\$0	(\$2,500)	(\$35,500)	(\$43,000)	(\$41,000)
Total IEP Reevaluation Transfer	(\$679,500)	(\$580,500)	(\$529,500)	(\$493,000)	(\$424,000)
Avg. Public School Exp. Per Child (charter \$)	\$8,681	\$8,768	\$8,856	\$8,944	\$9,034
Change in Public School Expenditures	(\$6,814,633)	(\$4,927,544)	(\$4,250,664)	(\$3,872,798)	(\$3,604,385)
<b>Net Change State General Fund Expenditures</b>	<b>(\$2,473,633)</b>	<b>(\$586,544)</b>	<b>\$90,336</b>	<b>\$468,202</b>	<b>\$736,615</b>
LEA Exp. Per Eligible Student	\$2,106	\$2,127	\$2,148	\$2,170	\$2,191
<b>Potential Change in LEA Expenditures</b>	<b>(\$1,583,300)</b>	<b>(\$1,144,857)</b>	<b>(\$987,592)</b>	<b>(\$899,799)</b>	<b>(\$837,437)</b>

Private School Population Meeting Eligibility	8%
Public School Population Meeting Eligibility	9%
Private School Turnover	10%
Public School Turnover	15%

**Estimated Fiscal Impact - CWD Scholarship Grants**  
**Proposed Estimate: High-Range**

	2015-16	2016-17	2017-18	2018-19	2019-20
Appropriation	\$4,341,000	\$4,341,000	\$4,341,000	\$4,341,000	\$4,341,000
Admin Costs	(\$86,820)	(\$86,820)	(\$86,820)	(\$86,820)	(\$86,820)
IEP Reevaluations	(\$679,500)	(\$578,000)	(\$494,000)	(\$450,000)	(\$383,000)
Carried Over from Prior Year	\$702,680	\$6,160	\$11,540	\$110,040	\$134,588
Available for Existing Scholarships	\$4,277,360	\$3,682,340	\$3,771,720	\$3,914,220	\$4,005,768
Cost of Existing Scholarships	\$5,071,100	\$3,630,520	\$3,120,940	\$3,121,852	\$3,231,429
Existing Private School Awardees	0	0	2	22	44
Existing Public School Awardees	562	478	409	388	381
Available Dollars for New Scholarships	\$6,160	\$49,540	\$649,640	\$795,788	\$772,819
Cost of Pvt Education	\$9,732	\$9,819	\$9,944	\$10,089	\$10,207
Maximum Scholarship Amount	\$8,000	\$8,000	\$8,000	\$8,000	\$8,000
Average Scholarship Granted	\$7,600	\$7,600	\$7,600	\$7,600	\$7,600
Tuition Discount	82%	81%	80%	79%	78%
Elasticity of Demand	0.15	0.15	0.15	0.15	0.15
Percent of Public School Students Eligible	9%	9%	9%	9%	9%
% Change in Pvt. School Demand	1.08%	1.07%	1.06%	1.04%	1.03%
Expected Pvt. School Population (absent this bill)	96,728	97,212	97,698	98,186	98,677
Private K-1 Students	16,261	16,342	16,424	16,506	16,589
Private School Demand for New Scholarships	293	294	295	286	286
Public School Demand for New Scholarships	483	563	624	635	635
Total Demand for New Scholarships	776	857	918	921	921
Value of New Scholarships Demanded	\$7,057,178	\$7,798,131	\$8,358,291	\$8,382,978	\$8,380,966
New Scholarships Granted	0	5	71	87	84
% of New Scholarships to Pvt School Students	38%	34%	32%	31%	31%
New Private School Awardees	0	2	23	27	26
New Public School Awardees	0	3	48	60	58
IEP Reevaluations (new scholarships)	\$0	(\$2,500)	(\$35,500)	(\$43,500)	(\$42,000)
Total IEP Reevaluation Transfer	(\$679,500)	(\$580,500)	(\$529,500)	(\$493,500)	(\$425,000)
Avg. Public School Exp. Per Child (charter \$)	\$8,681	\$8,768	\$8,856	\$8,944	\$9,034
Change in Public School Expenditures	(\$6,814,633)	(\$4,927,544)	(\$4,259,520)	(\$4,087,456)	(\$4,047,029)
<b>Net Change State General Fund Expenditures</b>	<b>(\$2,473,633)</b>	<b>(\$586,544)</b>	<b>\$81,480</b>	<b>\$253,544</b>	<b>\$293,971</b>
LEA Exp. Per Eligible Student	\$2,106	\$2,127	\$2,148	\$2,170	\$2,191
<b>Potential Change in LEA Expenditures</b>	<b>(\$1,583,300)</b>	<b>(\$1,144,857)</b>	<b>(\$989,649)</b>	<b>(\$949,673)</b>	<b>(\$940,280)</b>

<b>Private School Population Meeting Eligibility</b>	<b>2%</b>
<b>Public School Population Meeting Eligibility</b>	<b>9%</b>
<b>Private School Turnover</b>	<b>10%</b>
<b>Public School Turnover</b>	<b>15%</b>

## Estimated Fiscal Impact - CWD Scholarships Expanding Max Scholarship Size to \$8,000

	2015-16		2016-17		2017-18		2018-19		2019-20	
	Low	High	Low	High	Low	High	Low	High	Low	High
General Fund Revenue - Budget Estimate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
General Fund Revenue - Proposed Estimate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Net Impact - General Fund Revenues</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
State Expenditures - Budget Estimate	(\$2.47)	(\$2.47)	(\$1.56)	(\$1.67)	(\$0.76)	(\$0.92)	(\$0.18)	(\$0.53)	\$0.24	(\$0.36)
State Expenditures - Proposed Estimate	(\$2.47)	(\$2.47)	(\$0.59)	(\$0.59)	\$0.09	\$0.08	\$0.47	\$0.25	\$0.74	\$0.29
<b>Net Impact - State Expenditures</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.97</b>	<b>\$1.09</b>	<b>\$0.85</b>	<b>\$1.00</b>	<b>\$0.65</b>	<b>\$0.79</b>	<b>\$0.50</b>	<b>\$0.65</b>
<b>Net Fiscal Impact on State</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$0.97)</b>	<b>(\$1.09)</b>	<b>(\$0.85)</b>	<b>(\$1.00)</b>	<b>(\$0.65)</b>	<b>(\$0.79)</b>	<b>(\$0.50)</b>	<b>(\$0.65)</b>
LEA Expenditures - Budget Estimate	(\$1.58)	(\$1.58)	(\$1.37)	(\$1.40)	(\$1.19)	(\$1.22)	(\$1.05)	(\$1.13)	(\$0.95)	(\$1.09)
LEA Expenditures - Proposed Estimate	(\$1.58)	(\$1.58)	(\$1.14)	(\$1.14)	(\$0.99)	(\$0.99)	(\$0.90)	(\$0.95)	(\$0.84)	(\$0.94)
<b>Net Fiscal Impact on LEA</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.23</b>	<b>\$0.25</b>	<b>\$0.20</b>	<b>\$0.23</b>	<b>\$0.15</b>	<b>\$0.18</b>	<b>\$0.12</b>	<b>\$0.15</b>

# GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

## Legislative Fiscal Note

### SOURCES OF DATA:

- Moody's Analytics *Economy.com* inflationary rate estimates for salaries & wages
- North Carolina Department of Public Instruction (DPI)
- National Center for Education Statistics, Digest of Education Statistics: Advance Release of Selected 2013 Tables.
- Wang, Masoudie, and Gunnlaugsson, "Annual Cost of Living Index Applied to South Carolina Sub-State Areas," South Carolina Department of Commerce – Division of Research, p. 3, January 2009
- North Carolina Division of Non-Public Education
- Florida Department of Education

### TECHNICAL CONSIDERATIONS:

G.S. 115C-112.6.(c) states that "the Authority shall ensure that the student is reevaluated at least every three years by the local educational agency in order to verify that the student continues to be a child with a disability." For the 2013-15 biennium, S.L. 2013-364 specified the specific dollar amount that the Authority was required to transfer to DPI in order to comply with this Statute. However, no specific dollar amounts are specified for future fiscal years. The bill sponsor might consider including language that would explicitly authorize the Authority and DPI to work together each year to determine the appropriate dollar amount required for reevaluations each year. Without specific authorization, the Authority might interpret existing law as requiring continued transfer of \$1,341,000 per year, as was required in FY 14-15.<sup>5</sup> Existing data indicates that actual costs of reevaluations will vary from year-to-year and are unlikely to approach \$1,341,000 in future years. Dollars set aside for reevaluations are dollars unavailable for scholarships.

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**Fiscal Research Division**

**DATE:** March 8, 2015



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<sup>5</sup> This analysis assumes that the Authority and DPI will indeed collaborate to determine the actual annual cost of reevaluations.