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More Opportunity Scholarships Needed – Not Fewer

by Paul Stam

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Legislators ask whether Opportunity Scholarships are over funded. Could the extra money be used elsewhere in a time of crisis? Let me explain why the answer is no.

Opportunity Scholarships provide up to \$4,200 per year for lower income parents of eligible students to attend a private school. In 2014 the Supreme Court gave the green light to this program. There have been persistent claims that the program is overfunded.

Partially unspent appropriations are not unusual. Partially unused appropriations for Opportunity Scholarships are not due to lack of demand. In 2019-20 there are over 750 kindergarten or first grade (K-1) students who applied and were eligible but could not receive a scholarship because of a 40% cap on K-1 students. North Carolina State Education Assistance Authority (NCSEAA) reports that the wait list is not a complete measure of public demand since sometimes eligible applicants don't use scholarships, such as when families are unable or unwilling to separate siblings. If Johnny can't go to 1st grade with a scholarship, then parents won't send Sally to 3rd grade, since transportation becomes a problem. Removing this arbitrary cap would mean that virtually all of the money available this fiscal year would have been spent on Opportunity Scholarships. **(Footnote 1)**

Critics of the program countered that the money “is sitting in a state bank account collecting dust” to describe unused funds. Scholarship appropriations, if not used, appear in general fund balances in the fiscal year after one year of rollover, and are available for appropriation for any purpose. That money is not wasted, lost, or “collecting dust.” The State Treasurer collects interest and dividends until the money is appropriated for another purpose. Appropriating revisions in state government is not unusual. It is essential.

The argument that “this money could be used by the public school system” is not true. Even if Opportunity Scholarships funding were derailed, it would not mean that there would be any more money for public schools. Students from lower income families who would not otherwise be funded for a scholarship would then show up in the ADM (average daily membership) in the public schools. The cost to the state to educate a child in the public school system now averages over \$6,479 while the average scholarship is \$3,936. County cost,

averaging now \$2,410, would go up as well. These Opportunity Scholarships save taxpayers money ($\$6479 + \$2410 - \$3936 = \4953) \$4953 per child.

If the scholarships are rolled back, as Governor Roy Cooper has repeatedly demanded, the result is that public school systems will enroll more students but will have less money per student to educate them.

Critics complain that the Opportunity Scholarship's "forward-funding" allows the NCSEAA to award scholarships for the following semester. Before that change was made, NCSEAA could only award scholarships tentatively. Parents did not know if they would receive scholarships for their child for the Fall until after the budget was passed, usually in mid-summer. The change to "forward funding" was a great improvement in budgeting for families and for the state. In 2015 this "forward funding" mechanism (already used for college scholarships for the 16 campuses of the University of North Carolina) was applied to Opportunity Scholarships. It allows the NCSEAA to actually award Opportunity Scholarships in the Spring for use in the Fall semester based on appropriations from the prior fiscal year. Parents then can make appropriate plans in the Spring for their child's education in the Fall. **(Footnote 2)**

The "forward funding" mechanism for Opportunity Scholarships works. It deprives the public schools of nothing. Unspent money is not wasted. To the extent that demand for Opportunity Scholarships continues to grow, this saves the public schools even more money at the state and local level. It does not cost them anything and actually saves them a lot. Demand is there. The next task is to eliminate arbitrary eligibility requirements.

Demand continues to grow! Applications for the 2020-21 school year opened on February 1, 2020 with 7,373 new applications already submitted. New applicants and recipients have increased each year, resulting in 12,283 students enjoying their Opportunity Scholarship this school year (2019-20). There is now a waiting list of 750 eligible applicants. Ending the arbitrary quota on our youngest students would completely do away with arguments about "unused funds." This program is in demand and serving low-income parents across our state. It empowers them with a real choice for their child's education – many for the first time ever.

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Footnote 1: Who insisted on this arbitrary K-1 cap? Ironically, none other than Kris Nordstrom who was a fiscal analyst at the General Assembly when this quota was imposed. Since leaving the Assembly he has been a perennial critic of the program, claiming that the program is over funded.

Footnote 2: North Carolina's Opportunity Scholarships are always under attack by the Left. Last year, former legislator-turned-public school lobbyist, Charles Jeter, published incorrect figures in an effort to diminish legislative support for the program. Recently, "Progressive Pulse" blogger, Kris Nordstrom, posted a graph titled "Unused Opportunity Scholarship Funds" with virtually the same incorrect figures, followed by a similar narrative and some identical language used by Mr. Jeter last year.