

A photograph of a man and a young boy sitting outdoors, looking at a tablet together. The man is on the left, and the boy is on the right. They are both smiling and looking at the screen. The background is a blurred green and yellow, suggesting a park or garden setting. The lighting is warm and natural, indicating it might be late afternoon or early morning.

Jonathan Butcher

# A CULTURE OF PERSONALIZED LEARNING

**NORTH CAROLINA'S PERSONAL  
EDUCATION SAVINGS ACCOUNTS**

**locke** 

AUGUST 2021



# **A Culture of Personalized Learning**

North Carolina's Personal Education Savings Accounts

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# Acknowledgements

The author would like to thank the John Locke Foundation for help with this report.

# Executive Summary

In 2017, North Carolina lawmakers made their state the sixth to enact education savings accounts since 2011, following the design pioneered in Arizona. With an account, the state deposits a portion of a child's K-12 education spending from the state formula in a private account that parents use to buy education products and services.

This study of parent spending patterns in the first two academic years of North Carolina's education savings accounts (called Personal Education Savings Accounts) is the first to describe account holder spending in North Carolina and compare the spending to education savings account participation in other states.

The most significant finding from this report is that more account holders (64%) are using their child's account to make multiple purchases of different items and services than account holders using their accounts to pay for only one item or service. This figure is significantly greater than in any previous studies of education savings accounts, but account holders' access to additional grants for private K-12 learning expenses may affect participating families' spending patterns.





# Foreword

In 2017, North Carolina joined a handful of pioneering states in passing legislation to create Education Savings Accounts (ESAs) for special-needs children. Ten states have approved ESA legislation, including Arizona, Florida, Tennessee, Mississippi, North Carolina, New Hampshire, Kentucky, Missouri, West Virginia, and Indiana. The North Carolina ESA program provides parents with up to \$9,000 a year to pay the educational expenses of students with disabilities who are enrolled in a participating home school or nonpublic school.

Parents can use the money to cover tuition, fees, tutoring, therapies, or other expenses related to educating a child with a disability. Funds can also be used for expenses such as tutoring services, educational technology, or speech and occupational therapy.

ESAs are state-authorized accounts that empower parents to decide how and where their child is educated. As such, ESAs are one of the best tools for expanding educational opportunity.

Although still in its early years, the North Carolina ESA program has experienced steady growth. In its first year of operation 2018-19, enrollment totaled 277 students. Since then, enrollment has climbed to 332 students in 2020-21.

As interest in the ESA program has grown, so too have the questions. How are North Carolina parents spending ESA funds? Are parents using funds to “customize” an education or educational services for their child? How does ESA spending by North Carolina parents compare with ESA spending by parents in other states?

These are questions that caught the attention of Jonathan Butcher. Butcher, one of the early architects of Arizona’s first-in-the-nation ESA program and Will Skillman Fellow in Education at the Heritage Foundation, sought to answer those questions in a new study published by the John Locke Foundation, *A Culture of Personalized Learning: North Carolina’s Personal Education Savings Accounts*.

Butcher studied parent spending patterns in the first two years of the ESA program and compared them with ESA spending patterns in Florida and Arizona, two states with larger and more established ESA programs. What did he find?

- ▶ Parents of North Carolina ESA recipients spent about \$2,600 more per child in 2018-19 and about \$2,300 more per child in 2019-20 than ESA recipients in Florida and Arizona.
- ▶ Nearly two-thirds (64%) of parents of North Carolina ESA recipients used their child’s account to pay for more than one item or service in 2018-19 and 2019-20 school years. That proportion was nearly double the proportion of ESA families in Arizona and Florida purchasing more than one item or service during the first two years of operation of their programs.
- ▶ Like parents in other states with ESA programs, North Carolina parents spent most of their funds on private school tuition and fees. However, the study also found that in the first two years of

the program, Tar Heel parents spent nearly double the money to customize their education than ESA parents in Arizona or Florida.

Education Savings Accounts are a popular and efficient way to allow parents to customize their child's education. Butcher's study of North Carolina's ESA program not only provides policymakers with helpful information about how parents use the program, but also suggests ways to spotlight how much money ESA parents are saving versus other educational alternatives.

The coronavirus pandemic has fueled record interest in school choice and the ability of schools to provide customizable education. Anyone interested in learning more about what many consider to be the future of education will want to read Butcher's study, thank him for his good work, and thank him once again for helping to point the way forward.

Best,

A handwritten signature in black ink, appearing to read "R. Luebke". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert Luebke  
Senior Fellow  
Center for Effective Education  
John Locke Foundation



# Introduction

In 2017, North Carolina lawmakers made their state the sixth to enact education savings accounts for K-12 students since 2011, following the design pioneered in Arizona.<sup>1</sup> In account systems, the state deposits a portion of a child's K-12 education spending from the state formula or a separate appropriation in a private account that parents use to buy education products and services.<sup>2</sup> Following Arizona's law, Florida lawmakers enacted accounts (now called Gardiner Scholarships) in 2014, followed by Nevada, Mississippi, and Tennessee officials in 2015.<sup>3</sup> Today, five of the six savings account programs are operational, with the Nevada legislature refusing to fund the accounts after the law's passage.<sup>4</sup>

In Arizona and Florida, the oldest and largest account programs, respectively, researchers have studied the accounts' unique feature that allows families to customize a child's education through the purchase of several learning services simultaneously.<sup>5</sup> To date, no other private learning option allows parents to use traditional state education formula spending — or even a separate appropriation — that is otherwise designated for their child to purchase more than one learning option at a time.

**"Providing more quality learning options for students from all walks of life is essential, then, for state policymakers."**

With a K-12 voucher or private school scholarship, parents can use taxpayer spending to pay for private school tuition. This freedom offers hundreds of thousands of children each year across some two dozen states the opportunity to attend a school of choice. Yet in the 21<sup>st</sup> century, students can access learning options from several different sources at the same time, including on-line schools and tutors, as well as education therapists who are essential to helping children with special needs, which means parents could customize their child's education and should not be limited to paying for only private school tuition as an alternative to an assigned school, charter school, or home school.

All of these options — vouchers, assigned schools, charter schools, and home schools — are viable choices for millions of families. There are limitations to each, however: some families may not live near a private school, or private school tuition may be unaffordable; charter schools also cannot be found in all areas of the country; and some families have two working parents or otherwise choose not to homeschool. Providing more quality learning options for students from all walks of life is essential, then, for state policymakers.

Furthermore, prior to the U.S. Supreme Court ruling in *Espinoza vs. Montana Department of Revenue*, some state constitutional provisions prohibited the operation of K-12 private school vouchers (the *Espinoza* ruling provided federal case law in support of state proposals that create private school scholarships).<sup>6</sup> For this reason, advocates for parent choice in education in states such as Arizona, where the state supreme court had ruled against private school vouchers, considered education savings accounts as a policy solution for students in need of additional learning options. State supreme court opinions in Arizona and Nevada have ruled that education savings accounts are different from private school

vouchers, critical legal findings that distinguish the two education options (private school scholarships and education savings accounts) from each other.<sup>7</sup> Research conducted on Arizona's accounts and Florida's Gardiner Scholarships have demonstrated the degree to which parents use accounts differently from private school scholarships.<sup>8</sup>

North Carolina's Personal Education Savings Accounts are different from the North Carolina scholarship grants for children with special needs, enacted in 2013 (called the "Disabilities Grant" program).<sup>9</sup> These publicly funded scholarships used to be an individual tax credit system that allowed parents of eligible children to receive a tax credit for learning expenses, but lawmakers converted the program to a multiuse voucher.<sup>10</sup> These scholarships are similar to K-12 private school vouchers, but students can use the scholarships for select additional services. The scholarships are worth up to \$8,000, and eligible students are children with special needs, children entering kindergarten or 1st grade, foster children or children who were adopted within the last year, and children from active-duty military families and who had attended a public school the year prior to applying for a grant.

North Carolina's Personal Education Savings Accounts are also different from the state's Opportunity Scholarships, a voucher program for children from low-income families that provides up to \$4,200 per scholarship for private school tuition or the cost of tuition, whichever is less.<sup>11</sup> Again, the Opportunity Scholarships' eligibility requirements are different from education savings accounts and the grants described above.

Relevant to this analysis, though, Personal Education Savings Account students can also use a Disabilities Grant and an Opportunity Scholarship, and the combination of the three learning options may have an effect on the spending patterns of savings account students. As explained in the "Analysis" section that follows, a small percentage of account holders used all three options during the period for which data were provided, but more than 70% of account holders also used a Disabilities Grant during both school years. One final distinction between these learning options is that the accounts are the most recent addition to North

Carolina's private learning opportunities. The families participating in the accounts' first two years of operation are early adopters, to use a term from E.M. Rogers' "Diffusion of Innovation" model from 1962.<sup>12</sup> While the student-level data provided offer few descriptive statistics about the students beyond grade level, special need category, and ZIP code, which allows us to estimate their household income (see Figure 11), we can hypothesize about students' family characteristics because they are early adopters.

According to Rogers' widely cited research, when compared with later adopters, early adopters have more years of education, a higher social status, a higher degree of upward social mobility, more favorable attitude toward change, ability to cope with uncertainty and risk better, and higher aspirations.<sup>13</sup> These characteristics likely influence account holders' decisions and purchasing patterns, so the results included in this report should be considered with the understanding that these account holders represent a distinct category in the spectrum of potential and actual participants.

This study of parent spending patterns in the first two years of North Carolina's accounts is the first to describe account holder spending in the Tar Heel state and compare their spending with that of education savings account participants' in other states.<sup>14</sup> This report finds:

- ▶ Account holders spent approximately \$3,000 less per child in the 2018-19 school year (\$6,881.35) than the average per-student spending by North Carolina public schools (\$9,865.04).
- ▶ In the 2019-20 school year, account holders spent nearly \$2,400 less per student (\$7,582.39) than the public school average (\$9,950.63).
- ▶ Sixty-four percent of account holders used their child's account to pay for more than one item or service in the 2018-19 and 2019-20 school years, which was nearly double the same figure for families in Arizona and Florida using ESAs in the first years of account operations in those states.



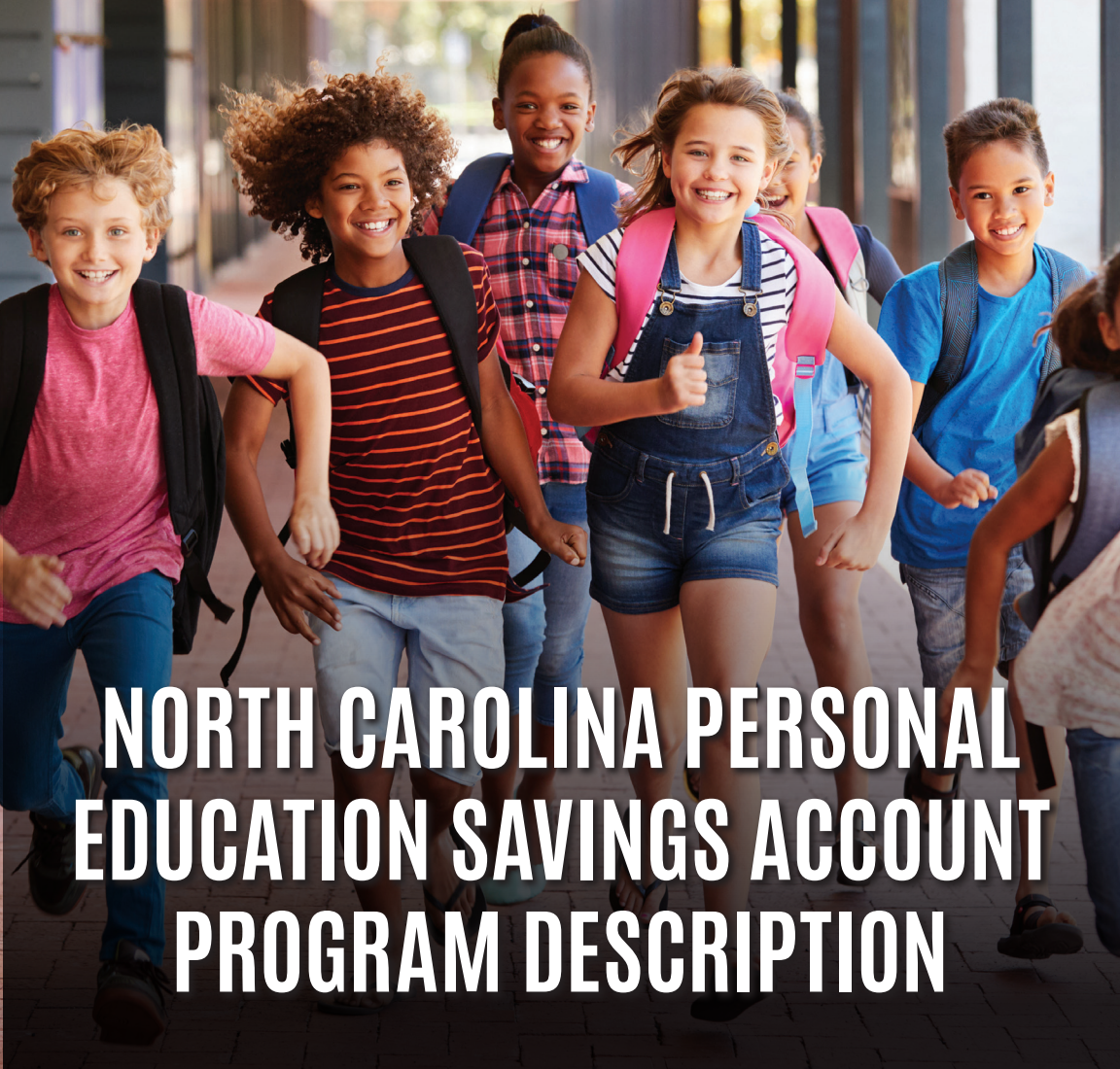
- ▶ Similar to other account programs, account holders spent the most money (62% of all spending) on private school tuition and fees. That proportion, however, is relatively low and shows that more parents use spending for multiple purchases to customize their child's education. By way of comparison, account holder spending in North Carolina was 23 percentage points lower than what account holders in Arizona spent in their program's first two years of operation, and 21 percentage points lower than what they spent in years three and four. It was also 15 percentage points lower than what account holders in Florida spent in 2014-15 and 10 percentage points lower than what they spent in 2015-16.
- ▶ In total, families who customized their child's education with more than one education product or service — including tuition, in some cases — spent more (\$2.6 million) than account holders who spent account funds only on tuition (\$1.5 million). We note, however, that account holders being able to also access Disabilities Grants or Opportunity Scholarships (or both), which can also be used for tuition costs, could affect those spending patterns.

The use of more than one scholarship or grant did not prevent account holders from making more than one purchase with an account. Most account holders who used one of these other two scholarship options used Disabilities Grants, and over the two school years in the data set, 138 account holders who were also using a Disabilities Grant purchased more than one unique item or service with an account (again, for more discussion of overlapping usage, see the "Analysis" section).

- ▶ Sixty-seven percent of account holders lived in ZIP code areas where the median household income was greater than the statewide median (\$52,413); however, if we narrow the comparison to those living in ZIP codes where the median household income is \$10,000 greater than the statewide household median, 53% of account holders live in ZIP codes where the median household income is greater than \$62,413. Thus, approximately half

of account holders live in ZIP codes where the median household income is within \$10,000 of the state median income figure.

Broadening the comparison group by \$10,000 in household median income allows us to compare students from families who are just on the edge of the statewide median. In this way, we can acknowledge that more than two-thirds of participating students live in ZIP codes where the median income is greater than the statewide median, while also recognizing that researchers can increase this figure by a modest amount and capture nearly half of all participating students. That is, we can be reasonably certain that most of these students in ZIP codes above the statewide median are not from homes earning more than \$100,000, for example.



# NORTH CAROLINA PERSONAL EDUCATION SAVINGS ACCOUNT PROGRAM DESCRIPTION



**N**orth Carolina Personal Education Savings Accounts are modeled after similar account programs in Arizona, Florida, Mississippi, and Tennessee.

## Eligibility

Eligible students are children with specific special needs:

- ▶ Intellectual disability
- ▶ Hearing impairment
- ▶ Speech or language impairment
- ▶ Serious emotional disturbance
- ▶ Orthopedic impairment
- ▶ Autism

- ▶ Traumatic brain injury
- ▶ Other health impairments
- ▶ Specific learning disability
- ▶ A disability “as may be required to be included under IDEA” [the federal Individuals with Disabilities Education Act]<sup>15</sup>

In Arizona, all children eligible for an Individualized Education Plan (IEP) are eligible for an account, along with children assigned to failing schools, Native American children living on tribal lands, adopted children, and children in active-duty military families.<sup>16</sup> Arizona participants must attend a public school in the year prior to accessing an account, while North Carolina participants are no longer subject to this requirement (the original law required applicants to be switching from a public school). In Florida and Tennessee, children with specific special needs are eligible, similar to North Carolina, but Florida students also do not have to attend a public school in the year prior to accessing a Gardiner Scholarship.<sup>17</sup> In Mississippi, all children eligible for an IEP can apply, but enrollment is capped according to state appropriations (approximately 695 accounts were available in the 2019-20 school year).<sup>18</sup>

## Allowable Uses

Families apply for an account through the North Carolina State Education Assistance Authority (NCSEAA). The family of a student who meets the eligibility requirements is awarded an account and can make purchases through the ClassWallet online system, the payment processing vendor for North Carolina’s accounts. To prevent misuse, the ClassWallet system allows account holders to make purchases at approved learning providers, and ClassWallet can add vendors to its list of options.<sup>19</sup> As in the other states with accounts, parents can pay for several products and services simultaneously, distinguishing the accounts from K-12 private

school scholarships or vouchers. North Carolina Personal Education Savings Account parents and students can pay for such educational needs and services as:

- ▶ Private school tuition
- ▶ Textbooks
- ▶ Personal tutors
- ▶ Curricula
- ▶ Fees for standardized tests
- ▶ Public school services
- ▶ Surety bonds required by the NCSEAA
- ▶ Education therapies
- ▶ Education technology, such as computer equipment
- ▶ Transportation expenses “pursuant to a contract with an entity that regularly provides student transportation, to and from (i) a provider of education or related services or (ii) an education activity.”<sup>20</sup>

## Transactions

North Carolina’s accounts are unique in that the state agency implementing the accounts, the NCSEAA, facilitated a contract with the payment processing provider mentioned above (ClassWallet) to administer the accounts from the launch of the account system.<sup>21</sup> Arizona’s state department of education and treasurer administered its accounts from 2011 to 2019, when state officials also contracted with ClassWallet.<sup>22</sup> Tennessee has a similar contract with ClassWallet.<sup>23</sup> In Mississippi, state officials administer the accounts, but in Florida, private school scholarship organizations operate the accounts.<sup>24</sup>

North Carolina’s account participation is limited by student eligibility

requirements and state appropriations.<sup>25</sup> Each account can be worth up to \$9,000, and students can attend a public school part time and still have access to an account worth up to \$4,500. In other states with education savings accounts, students can access public school services but also cannot be enrolled full time in a public school.<sup>26</sup> Similar to other states with accounts, the NCSEAA makes quarterly disbursements into the accounts.<sup>27</sup>

## Data

Data for this report were provided by the NCSEAA. NCSEAA provided student-level data showing transactions by account holder beginning in 2018 Q1 (according to the school year, not calendar year) and ending in 2020 Q4 (in total, the 2018-19 and 2019-20 school years). Unless otherwise noted, all of the data that follow are for account holders who made transactions with an account.

Please note that when “0” or “N/A” appears in the charts that follow, it signifies fewer than 10 students unless otherwise noted.



A young woman with curly hair is smiling and hugging a blonde student in a school hallway. She is holding up a white card. Other students are visible in the background.

# **NORTH CAROLINA PERSONAL EDUCATION SAVINGS ACCOUNT FINDINGS**

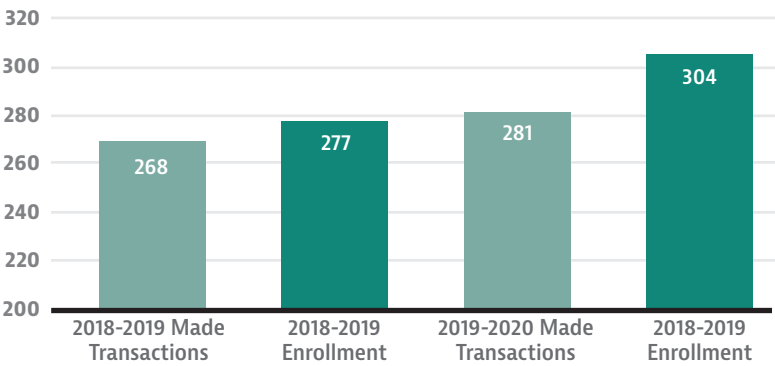


## Descriptive Statistics

**N**orth Carolina's Personal Education Savings Account enrollment was similar in its first years to enrollment in Arizona in that state's account program during its first years of operation. According to the NCSEAA, 277 students were enrolled in the accounts, and 268 account holders made transactions (Figure 1).<sup>28</sup> Most students were full-time account participants, and the number of part-time students who made transactions in the data is too small to be reported and still protect the identity of participating students.<sup>29</sup>

For comparison, in Arizona, 75 students were enrolled in the accounts in the first half of the 2011-12 school year, and participation doubled to 150 students by the end of that school year. The program doubled again in 2012-2013 to 302 students, then more than doubled in 2013-14 to 761 students.<sup>30</sup> In FY 2019, 6,423 students were using accounts.<sup>31</sup> Florida student participation started at 1,560 and was reported at 13,884 in 2020.<sup>32</sup>

**Figure 1: Total Accounts vs. Accounts that Made Transactions**



**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.

Most of North Carolina’s participating students were children diagnosed with autism (see Tables 1 and 2 and Figures 2 and 3).

**Table 1: Diagnosis of Participating Students**

Eligibility Category	Total, 2018-19 School Year
Autism	191
Deafness & Hearing Impairment	N/A*
Developmental Delay	37
Intellectual Disability	14
Multiple Disabilities	N/A*
Other Health Impairment	N/A*
Specific Learning Disability	N/A*
Visual Impairment	N/A*

**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.

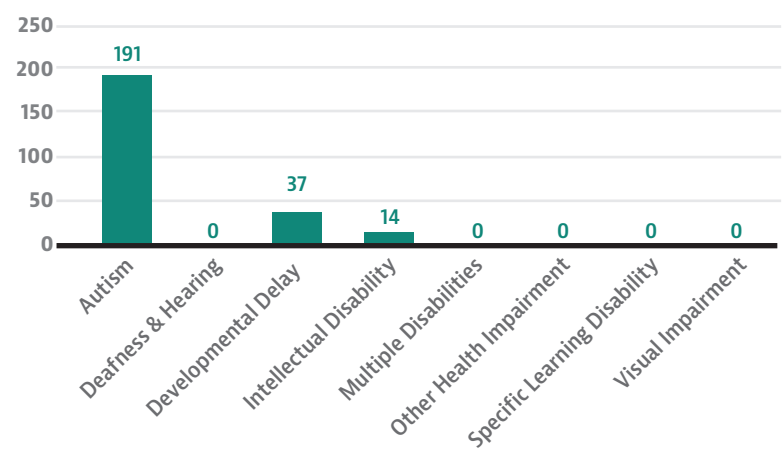
\*FEWER THAN 10 PARTICIPANTS.

**Table 2: Diagnosis of Participating Students in More Detail**

Eligibility Category	Count of 2019-20 Grade
Autism Spectrum Disorder	177
Developmental Disability	34
Hearing Impairment	N/A*
Intellectual Disability (moderate or severe)	14
Multiple, permanent or orthopedic impairments	N/A*
Other Health Impairment	23
Serious Emotional Disability	N/A*
Specific Learning Disability	17
Speech and/or Language Impairment	N/A*
Visual Impairment	N/A*

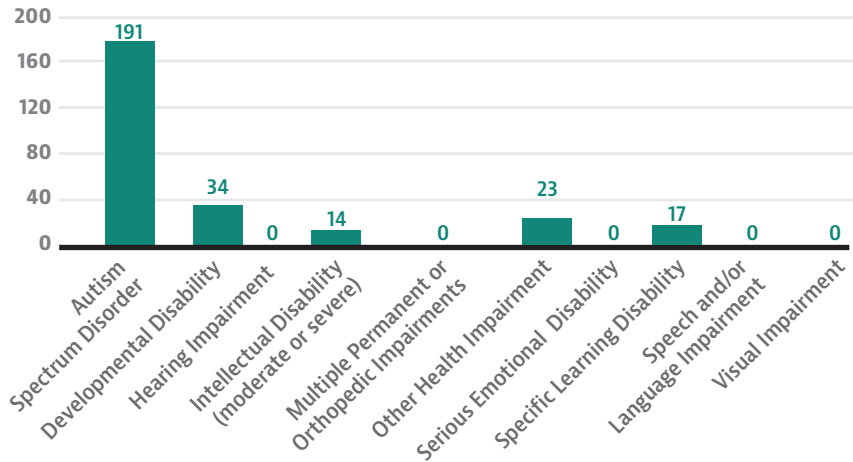
**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.  
\*FEWER THAN 10 PARTICIPANTS.

**Figure 2: 2018-2019 Special Need Categories**



**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.

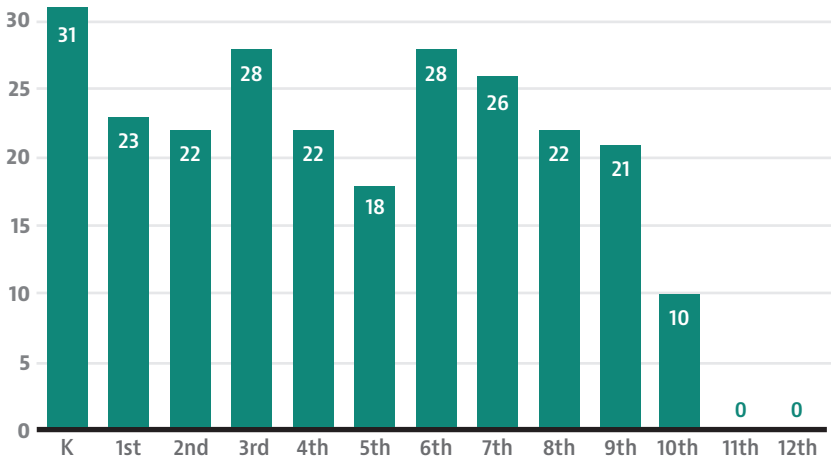
**Figure 3: 2019-2020 Special Need Categories**



**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.

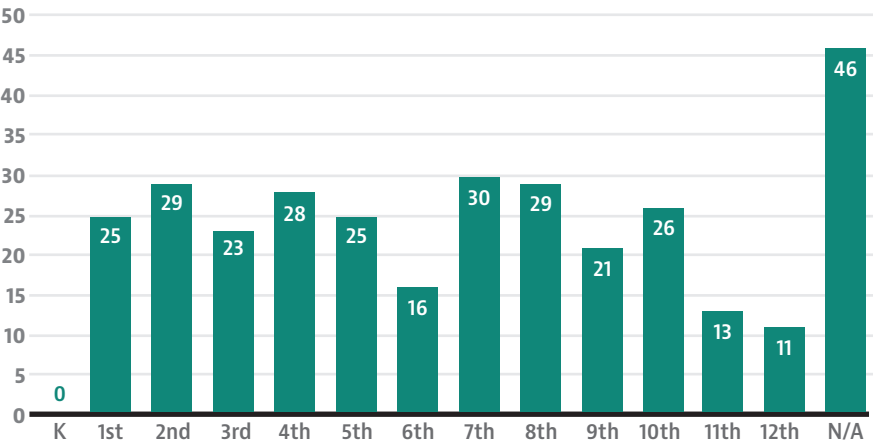
Figures 4 and 5 chart the participation of account holders by grade level and school year (“0” means fewer than 10 students).

**Figure 4: North Carolina Personal Education Savings Accounts By Grade, 2018-2019**



**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.

**Figure 5: North Carolina Personal Education Savings Accounts By Grade, 2019-2020**



**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.

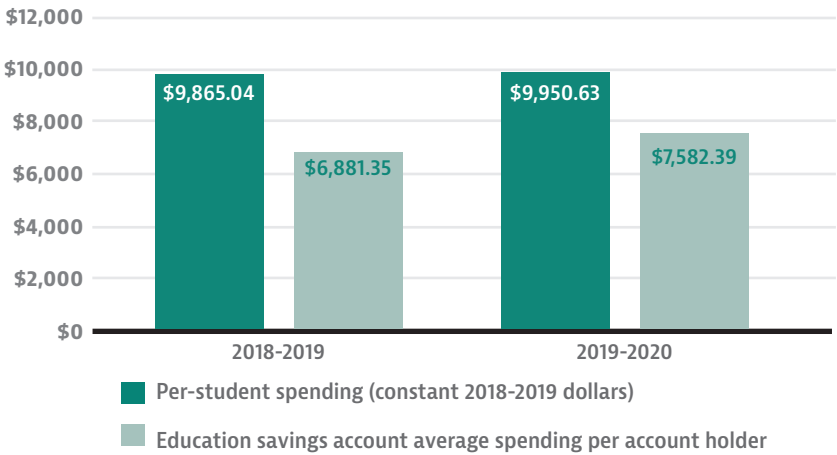
## Transactions

The data provided by NCSEAA included the date of each transaction, allowing for the transactions to be sorted in a variety of different ways (annually, by quarter, etc.).

Account holders spent approximately \$3,000 less per account in the 2018-19 school year than North Carolina public schools spent per student, on average (Figure 6). In the 2019-20 school year, that difference was nearly \$2,400.

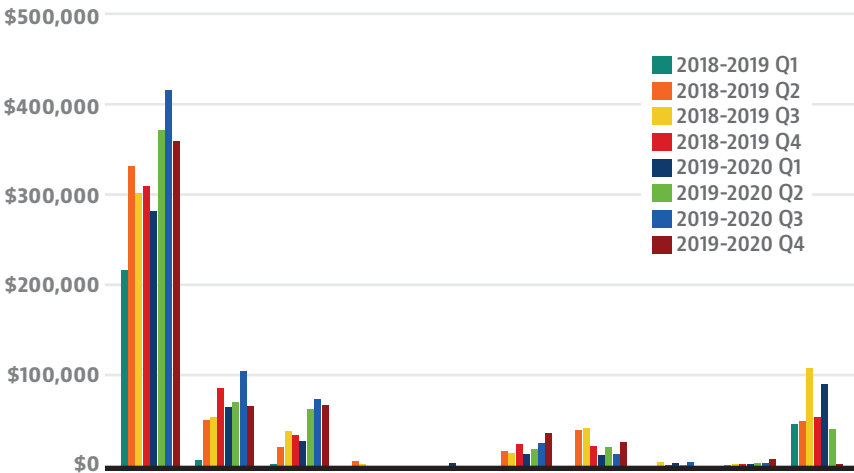
North Carolina account holders spent the most money on private school tuition and fees across all school quarters (Figure 7). Research found that account holders in Arizona and Florida did the same. As explained later, parents often purchased tuition and fees and other learning services or items at the same time.

**Figure 6: Per-Student Spending, North Carolina Public Schools vs. Personal Education Savings Accounts**



**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY. FOR PUBLIC SCHOOL PER-STUDENT SPENDING FIGURES, SEE NORTH CAROLINA DEPARTMENT OF PUBLIC INSTRUCTION, "STATISTICAL PROFILE: TABLE 23 – COMPARISON OF PER PUPIL EXPENDITURES CURRENT EXPENSE EXPENDITURES ONLY," [HTTP://APPS.SCHOOLS.NC.GOV/ORDS/F?P=145:33::NO::](http://apps.schools.nc.gov/ORDS/F?P=145:33::NO::)

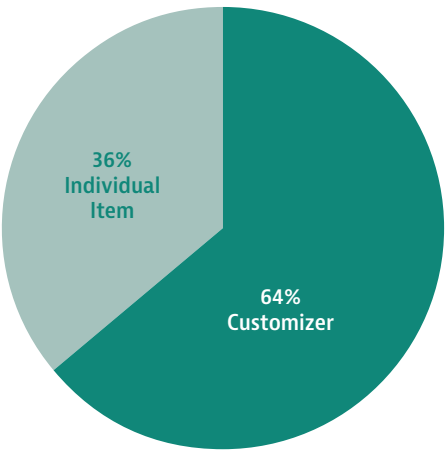
**Figure 7: North Carolina Personal Education Savings Account Spending By Category and Quarter**



**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY. THE DATA DISPLAYED ARE FOR SCHOOL QUARTERS. SEE APPENDIX FOR TABLE.



**Figure 8: Customizers vs. Single Item Purchasers**



**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.

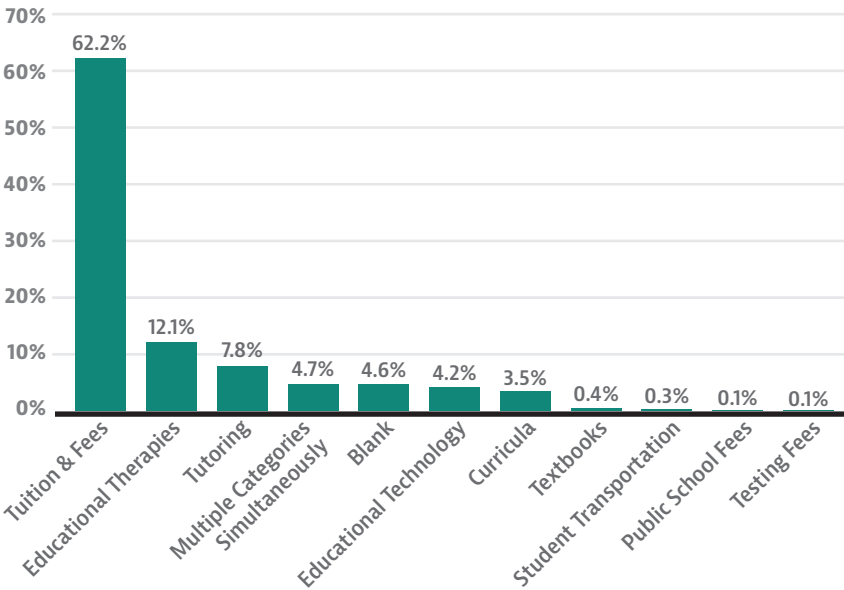
One of the most notable findings from North Carolina’s accounts is that 64% of account holders purchased more than one different item or service (a “customizer”) during the period described in these data (Figure 8). That level of customizing was significantly greater than what was seen during the first two years of Arizona’s account operation. From September 2011 to March 2013, 34.5% of Arizona account holders purchased multiple items, while 28% of account holders used an account for multiple uses between FY 2013, Q4 and FY 2015, Q4.<sup>33</sup> In Florida, 35.4% of Gardiner Scholarship participants “customized” their child’s education in 2014-15, as did 41.7% of participants from 2015-16.<sup>34</sup>

**"That level of customizing was significantly greater than what was seen during the first two years of Arizona’s account operation. "**

Similar to account holders in other states’ programs, North Carolina account holders spent more on private school tuition than on any other single expense (Figure 9). The proportion of spending on private school tuition, however, was notably lower than seen in other states. In Arizona’s first two years with operational accounts, parents and students spent 85% of account monies on private school tuition; in the next two years, families spent 83% of account monies on tuition. In Florida’s first two years, account holders spent 77% and 72%, respectively, on private school tuition.

Figure 9 also shows the spending on transactions that included multiple services or items simultaneously. Some families purchased more than one item or service during the same quarter, year, or over time, but some individual transactions included several items or services at once (a confusing element in the data). Overall, the total spending on multiple items in the same transaction was small (\$388,679.73) in comparison

**Figure 9: ESA Spending By Category (Percent), 2018-2020**



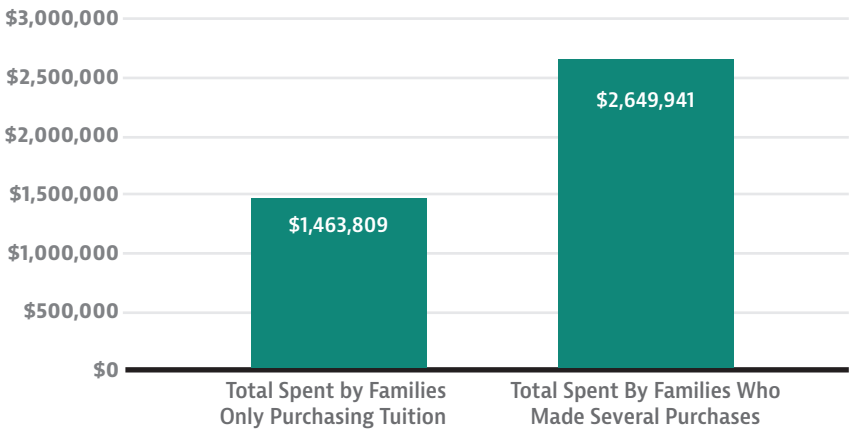
**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.

with the other categories and totals. Nevertheless, because some families were able to obtain multiple items with only a single transaction, and because that “single purchase” could have been the only transaction those families made, it means that the total number of families purchasing more than one item during the total period would be undercounted.

Among families who customized their child’s education, regardless of whether they spent account funds on tuition and fees, account holders spent more than \$2.6 million. This finding means that families who purchased more than one item or service, including tuition, accounted for more spending than families who purchased only tuition (\$1.5 million) (Figure 10).

**"This finding means that families who purchased more than one item or service, including tuition, accounted for more spending than families who purchased only tuition (\$1.5 million)."**

**Figure 10: "Customizers" Total Spending vs. Tuition and Fees**



**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.

**"Four categories of spending appeared the most often: education therapies, tuition and fees, curricula, and tutoring."**

These customizers — families who paid for more than one distinct product or service, including tuition, during the period for which data were provided — used an account for many different purposes. Four categories of spending appeared

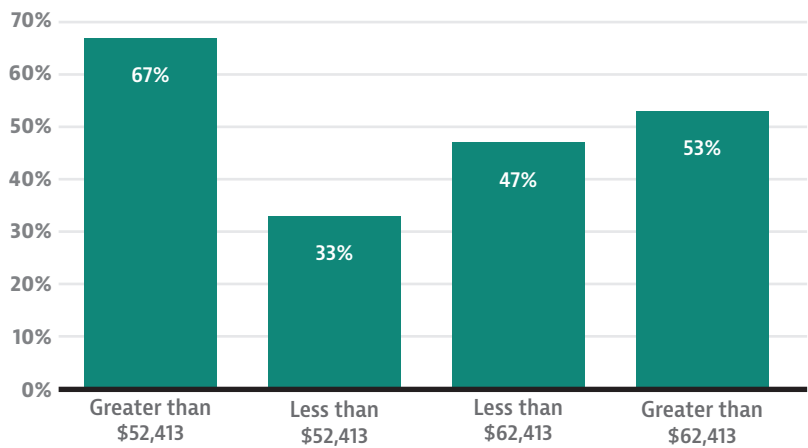
the most often: education therapies, tuition and fees, curricula, and tutoring. Nearly 31 percent of all transactions among customizing families were for education therapies, 21 percent were for tuition, 18 percent were for curricula, and nearly 13 percent were for tutoring.

In 2016, the *Arizona Republic* reported that Arizona families using education savings accounts were from wealthier districts based on the percent of all students in specific districts who were eligible for the federal free and reduced-priced lunch (FRL) program and the number of account holders from those districts compared with the state average.<sup>35</sup> FRL eligibility is not an eligibility provision in that state's education savings account law, nor has Arizona student account eligibility ever been contingent on a student's family income level. The paper's analysis did not use family income by ZIP code or use data on account holder family income, but those measures are more accurate than FRL due to changes in federal law enacted in 2010 governing school meals.<sup>36</sup> Also, two of Arizona's three largest school districts, Mesa and Tucson, accounted for most account holders, so more analysis is needed to determine whether attendance patterns are related to income or that account holders were simply coming from more populous areas.

The NCSEAA provided account holder ZIP codes, which allowed for a comparison of median household income for those ZIP codes between participating student families. In Figure 11, more students were from ZIP codes where the median household income was greater than the statewide median (67%), but approximately half of account holders were from ZIP codes where the median household income was greater than

\$10,000 more than the statewide median (53%). As explained previously, broadening the comparison group by \$10,000 in household median income allows us to compare students from families who are just on the edge of the statewide median.

**Figure 11: ESA Participation, Median Household Income By ZIP Code**



**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY. MEDIAN HOUSEHOLD INCOME CAN BE FOUND AT U.S. CENSUS BUREAU, "QUICKFACTS: NORTH CAROLINA," [HTTPS://WWW.CENSUS.GOV/QUICKFACTS/NC](https://www.census.gov/quickfacts/nc) AND INCOME BY ZIP CODE, WHICH USES CENSUS FIGURES, AVAILABLE AT [HTTPS://WWW.INCOMEBYZIPCODE.COM](https://www.incomebyzipcode.com).





# ANALYSIS





Since families could combine different scholarship opportunities, their spending patterns could be affected by this ability to use more than one scholarship or grant. We can only speculate about parents' intent without conducting a survey of participating families and asking about their spending choices. The NCSEAA provided student-level data on the number of account families (PESA) who also used a Disabilities Grant (DG) or Opportunity Scholarship or both, and those data showed that a nontrivial number of account holders were accessing DGs, giving them additional resources for tuition expenses (Table 3). Disability Grants would allow account holders to spend less account funds, potentially, on tuition and more on other student needs.

In the 2018-19 school year, 225 of the 277 account holders used a Disabilities Grant and an account. In 2019-20, 216 account holders also used a Disabilities Grant. Fewer account holders used an account and an Opportunity Scholarship; 41 in 2018-19 and 47 in 2019-20. Thirty-two account holders used all three options in the first year of the data collection, and 33 did in the second year.

**Table 3: Vehicles Used By Participating Students**

Scholarship Combination	2018-19	Percent of PESA Enrollment	2019-20	Percent of PESA Enrollment
PESA and Disability Grant	225	81%	216	71%
PESA and Opportunity Scholarship	41	15%	47	15%
PESA, Disability Grant, and Opportunity Scholarship	32	12%	33	11%

**SOURCE:** DATA PROVIDED BY THE NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.

The use of more than one scholarship or grant did not preclude account holders from making more than one purchase with an account. Over the two school years in the data set, 138 account holders who were also using a Disabilities Grant purchased more than one unique item or service with an account. Notably, among account holders who also used a Disabilities Grant for both years in the data set, account families spent more than \$1.8 million in account funds on tuition. Thus these grants did not prevent families from spending account funds on tuition, nor did it result in families spending account funds only on products and services other than tuition.

The access to other private K-12 scholarships and grants does not mean we should consider account holders to be less willing to be customizers than account holders from other states, just that account holders in North Carolina are more fortunate to have those additional options. In fact, because account holders must also choose to access a Disability Grant or an Opportunity Scholarship as well as make decisions regarding their child’s needs with an account, these families are customizing

as much if not more than account holders in Arizona, Florida, and other states with account options. Account holders in North Carolina proactively chose to apply for and use additional scholarship or grant opportunities.





**CONCLUSION**



**N**orth Carolina Personal Education Savings Accounts allow account holders to pay for multiple products and services simultaneously and for parents to customize their child's K-12 education. The accounts are similar to the savings account systems in Arizona, Florida, Mississippi, and Tennessee, but the spending patterns in the first two years of North Carolina's program showed significantly more customization among its participants than seen in the first two years of Arizona and Florida's programs.

Data from the North Carolina State Education Assistance Authority also allowed for a general income comparison among participating students using the median household

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**"For future research, student-level data for each participant and how much money was awarded to each participant would allow for better comparison with account holders in other states."**

income figures from account holders' ZIP codes (account holders who made transactions). While more participants are from ZIP codes where the median household income is greater than the statewide median, this income disparity narrows when we review the percentage of students from areas where the median income is \$10,000 greater than the statewide median.

For future research, student-level data for each participant and how much money was awarded to each participant would allow for better comparison with account holders in other states. Researchers could compare total participation as well as estimate cost savings from one quarter or one school year to the next. In addition, specific information on family incomes of account holders would allow for a more direct comparison with the family incomes of public and private school students in the same geographic areas.



# Appendix

## North Carolina Personal Education Savings Account Spending By Category and Quarter

Item	2018-19 Q1	2018-19 Q2	2018-19 Q3	2018-19 Q4	2019-20 Q1	2019-20 Q2	2019-20 Q3	2019-20 Q4
Tuition and Fees	\$216,740.95	\$331,172.49	\$301,467.18	\$309,779.80	\$281,785.47	\$371,131.10	\$415,523.80	\$359,696.19
Educational Therapies	\$6,543.50	\$50,321.96	\$54,074.10	\$85,423.46	\$64,815.86	\$70,348.40	\$104,547.75	\$65,859.59
Tutoring	\$1,842.00	\$20,963.56	\$38,595.48	\$33,772.26	\$26,705.08	\$62,486.07	\$73,816.54	\$66,820.77
Public School Fees	\$333.00	\$4,500.00	\$1,115.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Testing fees	\$100.00	\$400.00	\$0.00	\$137.00	\$2,693.13	\$0.00	\$135.00	\$0.00
Curricula	\$0.00	\$16,537.07	\$13,690.54	\$23,392.59	\$13,020.68	\$18,334.91	\$24,986.53	\$35,599.42
Educational Technology	\$0.00	\$39,543.16	\$41,882.68	\$21,075.01	\$11,763.62	\$20,329.23	\$13,089.74	\$25,810.68
Student Transportation	\$0.00	\$146.81	\$3,646.75	\$525.00	\$2,300.00	\$955.50	\$3,841.28	\$0.00
Textbooks	\$0.00	\$945.65	\$1,602.65	\$1,433.06	\$2,083.75	\$2,284.02	\$2,457.86	\$7,304.94
Multiple/None	\$45,936.81	\$49,588.42	\$107,790.53	\$53,590.30	\$90,541.81	\$40,031.86	\$1,200.00	\$0.00

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Jonathan Butcher is the Will Skillman Fellow in Education at The Heritage Foundation. He has researched and testified on education policy around the U.S. He is currently writing a book for Post Hill

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