REFERENCE TITLE: empowerment scholarships; oversight; state treasurer

State of Arizona Senate Fifty-fourth Legislature First Regular Session 2019

SB 1320

Introduced by Senator Livingston

AN ACT

AMENDING SECTIONS 15-802, 15-2401, 15-2402 AND 15-2403, ARIZONA REVISED STATUTES; RELATING TO ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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Be it enacted by the Legislature of the State of Arizona: Section 1. Section 15-802, Arizona Revised Statutes, is amended to read:

15-802. <u>School instruction; exceptions; violations;</u> <u>classification; definitions</u>

- A. Every child between the ages of six and sixteen years shall attend a school and shall be provided instruction in at least the subjects of reading, grammar, mathematics, social studies and science. The person who has custody of the child shall choose a public, private or charter school or a homeschool as defined in this section to provide instruction or shall sign a contract to participate in an Arizona empowerment scholarship account pursuant to section 15-2402.
 - B. The parent or person who has custody shall do the following:
- 1. If the child will attend a public, private or charter school, enroll the child in and ensure that the child attends a THE public, private or charter school for the full time school is in session. In accordance with guidelines adopted by the department of education, school districts and charter schools shall require and maintain verifiable documentation of residency in this state for pupils who enroll in the school district or charter school. If a child attends a school that is operated on a year-round basis, the child shall regularly attend during school sessions that total not less than AT LEAST one hundred eighty school days or two hundred school days, as applicable, or the equivalent as approved by the superintendent of public instruction.
- 2. If the child will attend a private school or homeschool, file an affidavit of intent with the county school superintendent stating that the child is attending a regularly organized private school or is being provided with instruction in a homeschool. The affidavit of intent shall include:
 - (a) The child's name.
 - (b) The child's date of birth.
 - (c) The current address of the school the child is attending.
- (d) The names, telephone numbers and addresses of the persons who currently have custody of the child.
- 3. If the child will attend homeschool, the child has not reached eight years of age by September 1 of the school year and the person who has custody of the child does not desire to begin home instruction until the child has reached eight years of age, file an affidavit of intent pursuant to paragraph 2 of this subsection stating that the person who has custody of the child does not desire to begin homeschool instruction.
- C. An affidavit of intent shall be filed within thirty days from AFTER the time the child begins to attend a private school or homeschool and is not required thereafter unless the private school or the homeschool instruction is terminated and then resumed. The person who has custody of the child shall notify the county school superintendent within thirty days of AFTER the termination that the child is no longer being instructed at a

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private school or a homeschool. If the private school or homeschool instruction is resumed, the person who has custody of the child shall file another affidavit of intent with the county school superintendent within thirty days.

- D. A person is excused from the duties prescribed by subsection A or B of this section if any of the following is shown to the satisfaction of the school principal or the school principal's designee:
- 1. The child is in such physical or mental condition that instruction is inexpedient or impracticable.
- 2. The child has completed the high school course of study necessary for completion of TENTH grade $\frac{1}{1}$ as prescribed by the state board of education.
- 3. The child has presented reasons for nonattendance at a public school that are satisfactory to the school principal or the school principal's designee. For the purposes of this paragraph, the principal's designee may be the school district governing board.
- 4. The child is over fourteen years of age and is employed, with the consent of the person who has custody of the child, at some lawful wage earning occupation.
- 5. The child is enrolled in a work training, career education, career and technical education, vocational education or manual training program that meets the educational standards established and approved by the department of education.
 - 6. The child was either:
- (a) Suspended and not directed to participate in an alternative education program.
- (b) Expelled from a public school as provided in article 3 of this chapter.
- 7. The child is enrolled in an education program provided by a state educational or other institution.
- E. Unless otherwise exempted in this section or section 15-803, a parent of a child between six and sixteen years of age or a person who has custody of a child, who does not provide instruction in a homeschool and who fails to enroll or fails to ensure that the child attends a public, private or charter school pursuant to this section or fails to sign a contract to participate in an empowerment scholarship account pursuant to section 15-2402 is guilty of a class 3 misdemeanor. A parent who fails to comply with the duty to file an affidavit of intent to provide instruction in a homeschool is guilty of a petty offense.
- F. If a child will be educated pursuant to an ARIZONA empowerment scholarship account pursuant to section 15-2402, the department of education STATE TREASURER shall provide a list of students participating in ARIZONA empowerment scholarship accounts to the school superintendent of the county where the pupil resides.

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- G. For the purposes of this section:
- 1. "Educated pursuant to an ARIZONA empowerment scholarship account" means a child whose parent has signed a contract pursuant to section 15-2402 to educate the child outside of any school district or charter school and in which the parent may but is not required to enroll the child in a private school or to educate the child through any of the methods specified in section 15-2402.
- 2. "Homeschool" means a nonpublic school conducted primarily by the parent, guardian or other person who has custody of the child or nonpublic instruction provided in the child's home.
- 3. "Private school" means a nonpublic institution, other than the child's home, where academic instruction is provided for at least the same number of days and hours each year as a public school.
- Sec. 2. Section 15-2401, Arizona Revised Statutes, is amended to read:

15-2401. <u>Definitions</u>

In this chapter, unless the context otherwise requires:

- 1. "Annual education plan" means an initial individualized evaluation and subsequent annual reviews that are developed for a qualified student who meets the criteria specified in paragraph 7, subdivision (a), item (i), (ii) or (iii) of this section to determine ongoing annual eligibility through the school year in which the qualified student reaches twenty-two years of age and whether the student may be eligible pursuant to section 36-2981 and should be referred for eligibility determination.
- 2. "Curriculum" means a complete course of study for content areas or grade levels, including any supplemental materials required by the curriculum, THAT IS approved by the department TREASURER.
 - 3. "Department" means the department of education.
- 4. "Eligible postsecondary institution" means a community college as defined in section 15-1401, a university under the jurisdiction of the Arizona board of regents or an accredited private postsecondary institution.
- 5. "Parent" means a resident of this state who is the parent or legal guardian of a qualified student.
- 6. "Qualified school" means a nongovernmental primary or secondary school or a preschool for pupils with disabilities that is located in this state and that does not discriminate on the basis of race, color or national origin.
 - 7. "Qualified student" means a resident of this state who:
 - (a) Is any of the following:
- (i) Identified as having a disability under section 504 of the rehabilitation act of 1973 (29 United States Code section 794).
- (ii) Identified by a school district or by an independent third party pursuant to section 15-2403, subsection I as a child with a disability as defined in section 15-731 or 15-761.

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- (iii) A child with a disability who is eligible to receive services from a school district under section 15-763.
- (iv) Attending a school or school district that has been assigned a letter grade of D or F pursuant to section 15-241 or who is currently eligible to attend kindergarten and who resides within the attendance boundary of a school that has been assigned a letter grade of D or F pursuant to section 15-241.
- (v) A previous recipient of a scholarship issued pursuant to section 15-891 or this section, unless the qualified student's parent has been removed from eligibility in the program for failure to comply pursuant to section 15-2403, subsection C.
- (vi) A child of a parent who is a member of the armed forces of the United States and who is on active duty or was killed in the line of duty. A child who meets the requirements of this item is not subject to subdivision (b) of this paragraph.
- (vii) A child who is a ward of the juvenile court and who is residing with a prospective permanent placement pursuant to section 8-862 and the case plan is adoption or permanent guardianship.
- (viii) A child who was a ward of the juvenile court and who achieved permanency through adoption or permanent guardianship.
- (ix) A child who is the sibling of a current or previous ARIZONA empowerment scholarship account recipient or of an eligible qualified student who accepts the terms of and enrolls in the ARIZONA empowerment scholarship program.
- (x) A child who resides within the boundaries of an Indian reservation in this state as determined by the $\frac{\text{department of education}}{\text{TREASURER}}$ or a tribal government.
- (xi) A child of a parent who is legally blind pursuant to section 41-1973, subsection C or deaf or hard of hearing pursuant to AS DEFINED IN section 36-1941.
- (b) And, except as provided in subdivision (a), item (vi) of this paragraph, who meets any of the following requirements:
- (i) Attended a governmental primary or secondary school as a full-time student as defined in section 15-901 for at least the first one hundred days of the prior fiscal year and who transferred from a governmental primary or secondary school under a contract to participate in an ARIZONA empowerment scholarship account. First, second and third grade students who are enrolled in Arizona online instruction must receive four hundred hours of logged instruction to be eligible pursuant to this item. Fourth, fifth and sixth grade students who are enrolled in Arizona online instruction must receive five hundred hours of logged instruction to be eligible pursuant to this item. Seventh and eighth grade students who are enrolled in Arizona online instruction must receive five hundred fifty hours of logged instruction to be eligible pursuant to this item. High school students who are enrolled in Arizona online instruction must

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 receive five hundred hours of logged instruction to be eligible pursuant to this item.

- (ii) Previously participated in the ARIZONA empowerment scholarship account program.
- (iii) Received a scholarship under section 43-1505 and who continues to attend a qualified school if the student attended a governmental primary or secondary school as a full-time student as defined in section 15-901 for at least ninety days of the prior fiscal year or one full semester prior to BEFORE attending a qualified school.
- (iv) Was eligible for an Arizona scholarship for pupils with disabilities and received monies from a school tuition organization pursuant to section 43-1505 or received an Arizona scholarship for pupils with disabilities but did not receive monies from a school tuition organization pursuant to section 43-1505 and who continues to attend a qualified school if the student attended a governmental primary or secondary school as a full-time student as defined in section 15-901 for at least ninety days of the prior fiscal year or one full semester prior to attending a qualified school.
- (v) Has not previously attended a governmental primary or secondary school but is currently eligible to enroll in a kindergarten program in a school district or charter school in this state or attended a program for preschool children with disabilities.
- (vi) Has not previously attended a governmental primary or secondary school but is currently eligible to enroll in a program for preschool children with disabilities in this state.
 - 8. "Treasurer" means the office of the state treasurer.
- Sec. 3. Section 15-2402, Arizona Revised Statutes, is amended to read:

15-2402. Arizona empowerment scholarship accounts; fund

- A. Arizona empowerment scholarship accounts are established to provide options for the education of students in this state.
- B. To enroll a qualified student for an ARIZONA empowerment scholarship account, the parent of the qualified student must sign an agreement to do all of the following:
- 1. Use a portion of the ARIZONA empowerment scholarship account monies allocated annually to provide an education for the qualified student in at least the subjects of reading, grammar, mathematics, social studies and science, unless the ARIZONA empowerment scholarship account is allocated monies according to a transfer schedule other than quarterly transfers pursuant to section 15-2403, subsection F.
- 2. Not enroll the qualified student in a school district or charter school and release the school district from all obligations to educate the qualified student. This paragraph does not relieve the school district or charter school that the qualified student previously attended from the obligation to conduct an evaluation pursuant to section 15-766.

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- 3. Not accept a scholarship from a school tuition organization pursuant to title 43 concurrently with an ARIZONA empowerment scholarship account for the qualified student in the same year a parent signs the agreement pursuant to this section.
- 4. Use the money MONIES deposited in the qualified student's Arizona empowerment scholarship account only for the following expenses of the qualified student:
 - (a) Tuition or fees at a qualified school.
 - (b) Textbooks required by a qualified school.
- (c) If the qualified student meets any of the criteria specified in section 15-2401, paragraph 6-7, subdivision (a), item (i), (ii) or (iii) as determined by a school district or by an independent third party pursuant to section 15-2403, subsection I, the qualified student may use the following additional services:
- (i) Educational therapies from a licensed or accredited practitioner or provider.
 - (ii) A licensed or accredited paraprofessional or educational aide.
- (iii) Tuition for vocational and life skills education approved by the $\frac{department}{department}$ TREASURER.
- (iv) Associated services that include educational and psychological evaluations, assistive technology rentals and braille translation services approved by the department TREASURER.
- (d) Tutoring or teaching services provided by an individual or facility accredited by a state, regional or national accrediting organization.
 - (e) Curricula.
 - (f) Tuition or fees for a nonpublic online learning program.
- (g) Fees for a nationally standardized norm-referenced achievement test, an advanced placement examination or any exams related to college or university admission.
- (h) Contributions to a Coverdell education savings account established pursuant to 26 United States Code section 530 for the benefit of the qualified student, except that money MONIES used for elementary or secondary education expenses must be for expenses otherwise allowed under this section.
 - (i) Tuition or fees at an eligible postsecondary institution.
 - (j) Textbooks required by an eligible postsecondary institution.
- (k) Fees $\frac{\text{for management of}}{\text{management of}}$ TO MANAGE the ARIZONA empowerment scholarship account.
- (1) Services provided by a public school, including individual classes and extracurricular programs.
 - (m) Insurance or surety bond payments.
 - (n) Uniforms purchased from or through a qualified school.
- (o) Beginning January 1, 2017, if the qualified student meets the criteria specified in section 15-2401, paragraph 7, subdivision (a), item (i), (ii) or (iii) and if the qualified student is in the second year

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prior to BEFORE the final year of a contract executed pursuant to this article, costs associated with an annual education plan conducted by an independent evaluation team. The department TREASURER shall prescribe minimum qualifications for independent evaluation teams pursuant to this subdivision and factors that teams must use to determine whether the qualified student shall be eligible to continue to receive monies pursuant to this article through the school year in which the qualified student reaches twenty-two years of age. An independent evaluation team that provides an annual education plan pursuant to this subdivision shall submit a written report that summarizes the results of the evaluation to the parent of the qualified student and to the department TREASURER on or before July 31. The written report submitted by the independent evaluation team is valid for one year. If the department TREASURER determines that the qualified student meets the eligibility criteria prescribed in the annual education plan, the qualified student is eligible to continue to receive monies pursuant to this article until the qualified student reaches twenty-two years of age, subject to annual review. A parent may appeal the department's TREASURER'S decision pursuant to title 41, chapter 6, article 10. As an addendum to a qualified student's final-year contract, the department TREASURER shall provide the following written information to the parent of the qualified student:

- (i) That the qualified student will not be eligible to continue to receive monies pursuant to this article unless the results of an annual education plan conducted pursuant to this subdivision demonstrate that the qualified student meets the eligibility criteria prescribed in the annual education plan.
- (ii) That the parent is entitled to obtain an annual education plan pursuant to this subdivision to determine whether the qualified student meets the eligibility criteria prescribed in the annual education plan.
- (iii) A list of independent evaluation teams that meet the minimum qualifications prescribed by the $\frac{\text{department}}{\text{department}}$ TREASURER pursuant to this subdivision.
- 5. Not file an affidavit of intent to homeschool pursuant to section 15-802, subsection B, paragraph 2 or 3.
- 6. Not use monies deposited in the qualified student's account for any of the following:
 - (a) Computer hardware or other technological devices.
 - (b) Transportation of the pupil.
- (c) Consumable educational supplies, including paper, pens or markers.
- C. In exchange for the parent's agreement pursuant to subsection B of this section, the department TREASURER shall transfer from the monies that would otherwise be allocated to a recipient's prior school district, or if the child is currently eligible to attend kindergarten, the monies that the department TREASURER determines would otherwise be allocated to a recipient's expected school district of attendance, to the treasurer for

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deposit into an Arizona empowerment scholarship account an amount that is equivalent to ninety percent of the sum of the base support level and additional assistance prescribed in sections 15-185 and 15-943 for that particular student if that student were attending a charter school. The department TREASURER may retain up to five percent of the sum of the base support level and additional assistance prescribed in sections 15-185 and 15-943 for each student with an ARIZONA empowerment scholarship account for deposit in the department of education STATE TREASURER empowerment scholarship account fund established in BY subsection D of this section, out of which the department shall transfer one percent of the sum of the base support level and additional assistance prescribed in sections 15-185 and 15-943 for each student with an empowerment scholarship account to the state treasurer for deposit in the state treasurer empowerment scholarship account fund established in subsection E of this section.

D. The department of education empowerment scholarship account fund is established consisting of monies retained by the department pursuant to subsection C of this section. The department shall administer the fund. Monies in the fund are subject to legislative appropriation. Monies in the fund shall be used for the department's costs in administering empowerment scholarship accounts under this chapter. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations. If the number of empowerment scholarship accounts significantly increases after fiscal year 2012-2013, the department may request an increase in the amount appropriated to the fund in any subsequent fiscal year in the budget estimate submitted pursuant to section 35-113.

E. D. The state treasurer empowerment scholarship account fund is established consisting of monies transferred RETAINED by the department to the state treasurer pursuant to subsection C of this section. The state treasurer shall administer the fund. Monies in the fund shall be used for the state treasurer's costs in administering the ARIZONA empowerment scholarship accounts under this chapter. If the number of ARIZONA empowerment scholarship accounts significantly increases after fiscal year 2013-2014, the state treasurer may request an increase in the amount appropriated to the fund in any subsequent fiscal year in the budget estimate submitted pursuant to section 35-113. Monies in the fund are subject to legislative appropriation. Monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

F. E. A parent must renew the qualified student's ARIZONA empowerment scholarship account on an annual basis. Notwithstanding any changes to the student's multidisciplinary evaluation team plan, a student who has previously qualified for an ARIZONA empowerment scholarship account shall remain REMAINS eligible to apply for renewal until the student finishes high school.

 ${\tt G.}$ F. A signed agreement under this section constitutes school attendance required by section 15-802.

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H. G. A qualified school or a provider of services purchased pursuant to subsection B, paragraph 4 of this section may not share, refund or rebate any Arizona empowerment scholarship account monies with the parent or qualified student in any manner.

I. H. On the qualified student's graduation from a postsecondary institution or after any period of four consecutive years after high school graduation in which the student is not enrolled in an eligible postsecondary institution, the qualified student's Arizona empowerment scholarship account shall be closed and any remaining funds MONIES shall be returned to the state.

J. I. Monies received pursuant to this article do not constitute taxable income to the parent of the qualified student.

Sec. 4. Section 15-2403, Arizona Revised Statutes, is amended to read:

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15-2403. <u>Arizona empowerment scholarship accounts;</u> administration; audit; rules
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- A. The treasurer may contract with private financial management firms to manage Arizona empowerment scholarship accounts.
- B. The department TREASURER shall conduct or contract for annual audits of ARIZONA empowerment scholarship accounts to ensure compliance with section 15-2402, subsection B, paragraph 4. The department TREASURER shall also conduct or contract for random, quarterly and annual audits of ARIZONA empowerment scholarship accounts as needed to ensure compliance with section 15-2402, subsection B, paragraph 4.
- C. The department TREASURER may remove any parent or qualified student from eligibility for an Arizona empowerment scholarship account if the parent or qualified student fails to comply with the terms of the contract or applicable laws, rules or orders or knowingly misuses monies or knowingly fails to comply with the terms of the contract with intent to defraud and shall notify the treasurer. The department TREASURER shall notify the treasurer to suspend the account of a parent or qualified student and shall notify the parent or qualified student in writing that the account has been suspended and that no further transactions will be allowed or disbursements made. The notification shall specify the reason for the suspension and state that the parent or qualified student has ten days, not including weekends, to respond and take corrective action. the parent or qualified student refuses or fails to contact the department TREASURER, furnish any information or make any report that may be required for reinstatement within the ten-day period, the department TREASURER may remove the parent or qualified student pursuant to this subsection.
- D. A parent may appeal the department's TREASURER'S decision pursuant to title 41, chapter 6, article 10.
- E. The department TREASURER may refer cases of substantial misuse of monies to the attorney general for the purpose of collection or for the purpose of a criminal investigation if the department TREASURER obtains evidence of fraudulent use of an account.

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- F. The department TREASURER shall make quarterly transfers of the amount calculated pursuant to section 15-2402, subsection C to the treasurer for deposit into IN the ARIZONA empowerment scholarship account of each qualified student, except the department TREASURER may make transfers according to another transfer schedule if the department TREASURER determines a transfer schedule other than quarterly transfers is necessary for the operation of the ARIZONA empowerment scholarship account.
- G. The department TREASURER shall accept applications between July 1 and June 30 of each year. The department TREASURER shall enroll and issue an award letter to eligible applicants within forty-five days after receipt of a completed application and all required documentation. On or before May 30 of each year, the department TREASURER shall furnish to the joint legislative budget committee an estimate of the amount required to fund ARIZONA empowerment scholarship accounts for the following fiscal year. The department TREASURER shall include in its budget request for the following fiscal year the amount estimated in PURSUANT TO section 15-2402, subsection C for each qualified student. THE TREASURER MAY REQUEST INFORMATION FROM THE DEPARTMENT FOR THE PURPOSES OF CALCULATING THESE ESTIMATES.
- H. The department TREASURER may adopt rules and policies necessary for the administration of TO ADMINISTER ARIZONA empowerment scholarship accounts, including RULES AND POLICIES:
- 1. Policies For conducting or contracting for examinations of the use of account monies.
- 2. FOR conducting or contracting for random, quarterly and annual reviews of accounts.
- 3. FOR establishing or contracting for the establishment of an online anonymous fraud reporting service.
- 4. FOR establishing an anonymous telephone hotline for fraud reporting.
- 5. Policies That require a surety bond or insurance for account holders.
- I. The department TREASURER shall contract with an independent third party for the purposes of determining if WHETHER a qualified student is eligible to receive educational therapies or services pursuant to section 15-2402, subsection B, paragraph 4, subdivision (c).

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