State of Arizona
Senate
Fifty-fourth Legislature
Second Regular Session
2020

CHAPTER 12

SENATE BILL 1224

AN ACT

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

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 15-2401, Arizona Revised Statutes, is amended to read:

15-2401. Definitions
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 OR RECOMMENDED by the curriculum, approved by the department.
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, STEPPARENT 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 OR, FOR QUALIFIED STUDENTS WHO RESIDE WITHIN THE BOUNDARIES OF AN INDIAN RESERVATION IN THIS STATE, THAT IS LOCATED IN AN ADJACENT STATE AND THAT IS WITHIN TWO MILES OF THE BORDER OF THE STATE IN WHICH THE QUALIFIED STUDENT RESIDES, 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.
      (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 AN ARIZONA empowerment scholarship ACCOUNT.

(x) A child who resides within the boundaries of an Indian reservation in this state as determined by the department of education 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 receive five hundred hours of logged instruction to be eligible pursuant to this item.

(ii) Previously participated in the AN 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 \textit{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. 2. Section 15-2402, 

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.

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 \textit{MONIES} deposited in the qualified student's Arizona empowerment scholarship account only for the following expenses of the qualified student:
Tuition or fees at a qualified school.

Textbooks required by a qualified school.

If the qualified student meets any of the criteria specified in section 15-2401, paragraph 6, 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 department.

(iv) Associated goods and services that include educational and psychological evaluations, assistive technology rentals and braille translation goods and services approved by the department.

(d) Tutoring or teaching services provided by an individual or facility accredited by a state, regional or national accrediting organization.

(e) Curricula and supplementary materials.

(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 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 for management of the ARIZONA empowerment scholarship account.

(l) Services provided by a public school, including individual classes and extracurricular programs.

(m) Insurance or surety bond payments.

(m) Uniforms purchased from or through a qualified school.

(n) 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 prior to 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 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 on or before July 31. The written report submitted by the independent evaluation team is valid for one year. If the department 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 decision pursuant to title 41, chapter 6, article 10. As an addendum to a qualified student's final-year contract, the department 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 department 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, EXCEPT AS OTHERWISE ALLOWED UNDER PARAGRAPH 4, SUBDIVISION (c) OF THIS SUBSECTION.

(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 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 determines would otherwise be allocated to a recipient's expected school district of attendance, to the treasurer for 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 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 empowerment scholarship account for deposit in the department of education empowerment scholarship account fund established in 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 APPROPRIATED BY THE LEGISLATURE. 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 ARIZONA 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 ARIZONA empowerment scholarship accounts significantly increases after fiscal year 2012-2013 2020-2021, 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. THE DEPARTMENT SHALL LIST MONIES IN THE FUND AS A SEPARATE LINE ITEM IN ITS BUDGET ESTIMATE.

E. The state treasurer empowerment scholarship account fund is established consisting of monies transferred by the department to the state treasurer pursuant to subsection C of this section APPROPRIATED BY THE LEGISLATURE. 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 2020-2021, 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. THE STATE TREASURER SHALL LIST MONIES IN THE FUND AS A SEPARATE LINE ITEM IN ITS BUDGET ESTIMATE.

F. A parent must renew the qualified student's ARIZONA empowerment scholarship account on an annual basis.

G. 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.

H. IF A PARENT DOES NOT RENEW THE QUALIFIED STUDENT'S ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT FOR A PERIOD OF THREE ACADEMIC YEARS, THE
DEPARTMENT SHALL NOTIFY THE PARENT THAT THE QUALIFIED STUDENT'S ACCOUNT WILL BE CLOSED IN SIXTY CALENDAR DAYS. THE NOTIFICATION MUST BE SENT THROUGH CERTIFIED MAIL, EMAIL AND TELEPHONE, IF APPLICABLE. THE PARENT HAS SIXTY CALENDAR DAYS TO RENEW THE QUALIFIED STUDENT'S ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT. IF THE PARENT Chooses NOT TO RENEW OR DOES NOT RESPOND IN SIXTY CALENDAR DAYS, THE DEPARTMENT SHALL CLOSE THE ACCOUNT AND ANY REMAINING MONIES SHALL BE RETURNED TO THE STATE.

H. I. A signed agreement under this section constitutes school attendance required by section 15-802.

H. J. 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.

H. K. 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 MONIES shall be returned to the state.

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

Sec. 3. Section 15-2403, Arizona Revised Statutes, is amended to read:

15-2403. Arizona empowerment scholarship accounts; administration; appeals; audit; rules; policy handbook

A. The treasurer may contract with private financial management firms to manage Arizona empowerment scholarship accounts.

B. The department 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 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 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 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. If the parent or qualified student refuses or fails to contact the department, furnish any information or make any report that may be required for reinstatement within the ten-day period, the department may remove the parent or qualified student pursuant to this subsection.

D. A parent may appeal the department's decision to the State Board of Education. The department makes pursuant to title 41, chapter 6, this article, including determinations of allowable expenses, removal from the program or enrollment eligibility. The department shall notify the parent in writing that the parent may appeal any administrative decision under this article and the process by which the parent may appeal at the same time the department notifies the parent of an administrative decision under this article. The State Board of Education shall establish an appeals process, and the department shall post this information on the department's website in the same location as the policy handbook developed pursuant to subsection J of this section.

E. The department 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 obtains evidence of fraudulent use of an account.

F. The department shall make quarterly transfers of the amount calculated pursuant to section 15-2402, subsection C to the treasurer for deposit into the Arizona empowerment scholarship account of each qualified student, except the department may make transfers according to another transfer schedule if the department determines a transfer schedule other than quarterly transfers is necessary for the operation of the Arizona empowerment scholarship account.

G. The department shall accept applications between July 1 and June 30 of each year. The department 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 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 shall include in its budget request for the following fiscal year the amount estimated pursuant to section 15-2402, subsection C for each qualified student.

H. The department may adopt rules and policies necessary for the administration of the Arizona empowerment scholarship accounts, including rules and policies:

1. For establishing an appeals process pursuant to subsection D of this section.

2. Policies for conducting or contracting for examinations of the use of account monies.
2. 3. FOR conducting or contracting for random, quarterly and annual reviews of accounts.

4. FOR establishing or contracting for the establishment of an online anonymous fraud reporting service.

5. FOR establishing an anonymous telephone hotline for fraud reporting.

6. Policies That require a surety bond or insurance for account holders.

I. The department shall contract with an independent third party for the purposes of determining WHETHER a qualified student is eligible to receive educational therapies or services pursuant to section 15-2402, subsection B, paragraph 4, subdivision (c).

J. ON OR BEFORE JULY 1 OF EACH YEAR, THE DEPARTMENT SHALL DEVELOP AN APPLICANT AND PARTICIPANT HANDBOOK THAT INCLUDES INFORMATION RELATING TO POLICIES AND PROCESSES OF ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNTS. THE POLICY HANDBOOK SHALL COMPLY WITH THE RULES ADOPTED BY THE STATE BOARD OF EDUCATION PURSUANT TO THIS SECTION. THE DEPARTMENT SHALL POST THE HANDBOOK ON ITS WEBSITE.

Sec. 4. Appropriations; department of education empowerment scholarship account fund; department of education; state board of education; Arizona empowerment scholarship accounts; exemption

A. The following sums are appropriated from the state general fund in fiscal year 2020-2021 to the department of education empowerment scholarship account fund established by section 15-2402, Arizona Revised Statutes, as amended by this act, and are appropriated from the department of education empowerment scholarship account fund to the department of education:

1. $276,000 and five FTE positions to establish a dedicated call center for exclusive use for the Arizona empowerment scholarship account program at the department of education that works in conjunction with the exceptional student services division or its successor division.

2. $388,000 and six FTE positions for case managers to review and approve Arizona empowerment scholarship account applications at the department of education. In addition to hiring new case managers pursuant to this paragraph, the department of education shall transition existing employees who review and approve applications out of their existing roles to employ a case management approach to serving applicants to the Arizona empowerment scholarship account program in which an applicant has a main point of contact.

3. $136,000 and two FTE positions for accounting staff to support the administrative responsibilities pertaining to a system provided by a third-party private financial management company.

B. The sum of $150,000 is appropriated from the state general fund in fiscal year 2020-2021 to the department of education to conduct
statewide seminars and trainings for applicants for Arizona empowerment scholarship accounts and for staff professional development, marketing and community outreach activities relating to Arizona empowerment scholarship accounts, particularly in rural communities.

C. The sum of $100,000 and one FTE position are appropriated from the state general fund in fiscal year 2020-2021 to the state board of education to provide administrative support for the rulemaking process and for the purposes of appeals that are brought to the state board of education under title 15, chapter 19, Arizona Revised Statutes, as amended by this act.

D. The sum of $50,000 is appropriated from the state general fund in fiscal year 2020-2021 to the state board of education for attorney general legal services for the appeals program under title 15, chapter 19, Arizona Revised Statutes, as amended by this act.

E. The appropriations made in this section are exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations.

Sec. 5. State board of education; Arizona empowerment scholarship accounts; rulemaking

On or before November 1, 2020, the state board of education shall adopt rules necessary to administer Arizona empowerment scholarship accounts pursuant to section 15-2403, subsection H, Arizona Revised Statutes, as amended by this act. In adopting rules, the state board of education shall work in cooperation with the department of education and may use existing resources and policy documents to guide the rulemaking process.

Sec. 6. Attorney general; written guidance; Arizona empowerment scholarship accounts information; public records

On or before August 1, 2020, the attorney general shall provide written guidance to the department of education and the state board of education regarding what types of information that is collected under title 15, chapter 19, Arizona Revised Statutes, as amended by this act, are subject to public records requests under state and federal law, including the family educational rights and privacy act of 1974 (P.L. 93-380; 88 Stat. 57).

Sec. 7. Retroactivity

Sections 4 and 5 of this act apply retroactively to from and after the date on which this act is filed with the secretary of state.