

REFERENCE TITLE: ESAs; micro-schools; ADE; reporting requirements.

State of Arizona  
House of Representatives  
Fifty-seventh Legislature  
Second Regular Session  
2026

## **HB 2703**

Introduced by  
Representatives Garcia: Abeytia, Austin, Gutierrez, Sandoval, Simacek,  
Villegas

AN ACT

AMENDING SECTIONS 15-2401, 15-2402, 15-2403, 15-2405 AND 15-2406, ARIZONA  
REVISED STATUTES; RELATING TO ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 15-2401, Arizona Revised Statutes, is amended to  
3 read:  
4 15-2401. Definitions  
5 In this chapter, unless the context otherwise requires:  
6 1. "Annual education plan" means an initial individualized  
7 evaluation and subsequent annual reviews that are developed for a  
8 qualified student who meets the criteria specified in paragraph ~~7~~ 8,  
9 subdivision (a), item (i), (ii) or (iii) of this section to determine  
10 ongoing annual eligibility through the school year in which the qualified  
11 student reaches twenty-two years of age and whether the student may be  
12 eligible pursuant to ~~section 36-2981~~ TITLE 36, CHAPTER 29, ARTICLE 4 and  
13 should be referred for eligibility determination.  
14 2. "Curriculum" means a course of study for content areas or grade  
15 levels, including any supplemental materials required or recommended by  
16 the curriculum, approved by the department.  
17 3. "Department" means the department of education.  
18 4. "Eligible postsecondary institution" means a community college  
19 as defined in section 15-1401, a university under the jurisdiction of the  
20 Arizona board of regents or an accredited private postsecondary  
21 institution.  
22 5. "MICRO-SCHOOL":  
23 (a) MEANS ANY PERSON THAT BOTH:  
24 (i) CHARGES TUITION OR FEES TO ONE OR MORE QUALIFIED STUDENTS.  
25 (ii) EMPLOYS, INCLUDING EMPLOYMENT THROUGH A THIRD-PARTY  
26 CONTRACTOR, ONE OR MORE INDIVIDUALS TO PROVIDE INSTRUCTION IN THE SUBJECTS  
27 DESCRIBED IN SECTION 15-2402, SUBSECTION B, PARAGRAPH 1.  
28 (b) DOES NOT INCLUDE A PUBLIC SCHOOL, PRIVATE SCHOOL OR QUALIFIED  
29 SCHOOL.  
30 ~~5-~~ 6. "Parent" means a resident of this state who is the parent,  
31 stepparent or legal guardian of a qualified student.  
32 ~~6-~~ 7. "Qualified school" means a nongovernmental primary or  
33 secondary school or a preschool for pupils with disabilities that is  
34 located in this state or, for qualified students who reside within the  
35 boundaries of an Indian reservation in this state, that is located in an  
36 adjacent state and that is within two miles of the border of the state in  
37 which the qualified student resides, and that does not discriminate on the  
38 basis of race, color or national origin.  
39 ~~7-~~ 8. "Qualified student" means a resident of this state who:  
40 (a) Is any of the following:  
41 (i) Identified as having a disability under section 504 of the  
42 rehabilitation act of 1973 (29 United States Code section 794).

1 (ii) Identified by a school district or by an independent third  
2 party pursuant to section 15-2403, subsection J as a child with a  
3 disability as defined in section 15-731 or 15-761.

4 (iii) A child with a disability who is eligible to receive services  
5 from a school district under section 15-763.

6 (iv) Attending a school or school district that was assigned a  
7 letter grade of D or F pursuant to section 15-241 for the most recent year  
8 in which letter grades were assigned or is currently eligible to attend  
9 kindergarten and resides within the attendance boundary of a school that  
10 was assigned a letter grade of D or F pursuant to section 15-241 for the  
11 most recent year in which letter grades were assigned. A child who meets  
12 the requirements of this item and who meets the income eligibility  
13 requirements for free and reduced-price lunches under the national school  
14 lunch and child nutrition acts (42 United States Code sections 1751  
15 through 1793) is not subject to subdivision (b) of this paragraph.

16 (v) A previous recipient of a scholarship issued pursuant to this  
17 section, unless the qualified student's parent has been removed from  
18 eligibility in the program for failure to comply pursuant to section  
19 15-2403, subsection C.

20 (vi) A child of a parent who is a member of the armed forces of the  
21 United States and who is on active duty or was killed in the line of duty.  
22 A child who meets the requirements of this item is not subject to  
23 subdivision (b) of this paragraph.

24 (vii) A child who is a ward of the juvenile court and who is  
25 residing with a prospective permanent placement pursuant to section 8-862  
26 and the case plan is adoption or permanent guardianship.

27 (viii) A child who was a ward of the juvenile court and who  
28 achieved permanency through adoption or permanent guardianship.

29 (ix) A child who is the sibling of a current or previous Arizona  
30 empowerment scholarship account recipient or of an eligible qualified  
31 student who accepts the terms of and enrolls in an Arizona empowerment  
32 scholarship account.

33 (x) A child who resides within the boundaries of an Indian  
34 reservation in this state as determined by the department of education or  
35 a tribal government.

36 (xi) A child of a parent who is legally blind or deaf or hard of  
37 hearing as defined in section 36-1941.

38 (b) And, except as provided in subdivision (a), items (iv) and (vi)  
39 of this paragraph, who meets any of the following requirements:

40 (i) Attended a governmental primary or secondary school as a  
41 full-time student as defined in section 15-901 for at least forty-five  
42 days of the current or prior fiscal year and who transferred from a  
43 governmental primary or secondary school under a contract to participate  
44 in an Arizona empowerment scholarship account. Kindergarten students who  
45 are enrolled in Arizona online instruction must receive one hundred hours

1 of logged instruction to be eligible pursuant to this item. First, second  
2 and third grade students who are enrolled in Arizona online instruction  
3 must receive two hundred hours of logged instruction to be eligible  
4 pursuant to this item. Fourth, fifth and sixth grade students who are  
5 enrolled in Arizona online instruction must receive two hundred fifty  
6 hours of logged instruction to be eligible pursuant to this item. Seventh  
7 and eighth grade students who are enrolled in Arizona online instruction  
8 must receive two hundred seventy-five hours of logged instruction to be  
9 eligible pursuant to this item. High school students who are enrolled in  
10 Arizona online instruction must receive two hundred fifty hours of logged  
11 instruction to be eligible pursuant to this item.

12 (ii) Previously participated in an Arizona empowerment scholarship  
13 account.

14 (iii) Received a scholarship under section 43-1505 and who  
15 continues to attend a qualified school if the student attended a  
16 governmental primary or secondary school as a full-time student as defined  
17 in section 15-901 for at least ninety days of the prior fiscal year or one  
18 full semester before attending a qualified school.

19 (iv) Was eligible for an Arizona scholarship for pupils with  
20 disabilities and received monies from a school tuition organization  
21 pursuant to section 43-1505 or received an Arizona scholarship for pupils  
22 with disabilities but did not receive monies from a school tuition  
23 organization pursuant to section 43-1505 and who continues to attend a  
24 qualified school if the student attended a governmental primary or  
25 secondary school as a full-time student as defined in section 15-901 for  
26 at least ninety days of the prior fiscal year or one full semester before  
27 attending a qualified school.

28 (v) Attended a nonpublic school for pupils with disabilities in the  
29 prior year if placement at the school was approved by the department of  
30 education and contracted for by a public school district.

31 (vi) Has not previously attended a governmental primary or  
32 secondary school but is currently eligible to enroll in a kindergarten  
33 program in a school district or charter school in this state or attended a  
34 program for preschool children with disabilities. For the purposes of  
35 this item, a child is eligible to enroll in a kindergarten program if the  
36 child is at least five years of age on January 1 of the current school  
37 year, is under seven years of age, has not already completed a  
38 kindergarten program and is not enrolled in grade one of a private or  
39 governmental school in the current year.

40 (vii) Has not previously attended a governmental primary or  
41 secondary school but is currently eligible to enroll in a program for  
42 preschool children with disabilities in this state.

43 ~~8.~~ 9. "Treasurer" means the office of the state treasurer.



1 (b) Textbooks required by a qualified school OR MICRO-SCHOOL.

2 (c) If the qualified student meets any of the criteria specified in  
3 section 15-2401, paragraph ~~7~~ 8, subdivision (a), item (i), (ii) or (iii)  
4 as determined by a school district or by an independent third party  
5 pursuant to section 15-2403, subsection J, the qualified student may use  
6 the following additional services:

7 (i) Educational therapies from a licensed or accredited  
8 practitioner or provider, including and up to any amount not covered by  
9 insurance if the expense is partially paid by a health insurance policy  
10 for the qualified student.

11 (ii) A licensed or accredited paraprofessional or educational aide.

12 (iii) Tuition for vocational and life skills education approved by  
13 the department.

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

17 (d) Tutoring or teaching services provided by an individual who is  
18 not subject to disciplinary action by the state board of education for  
19 immoral or unprofessional conduct pursuant to section 15-505 or 15-534.04  
20 or a facility that is accredited by a state, regional or national  
21 accrediting organization. The department shall ensure THAT any individual  
22 who provides tutoring or teaching services to one or more qualified  
23 students pursuant to this subdivision is not subject to disciplinary  
24 action by the state board of education. The department shall also remove  
25 any individual who is subject to disciplinary action by the state board of  
26 education from all platforms that the department provides to parents and  
27 qualified students for the purchase of goods or educational services using  
28 account monies.

29 (e) Curricula and supplementary materials.

30 (f) Tuition or fees for a nonpublic online learning program.

31 (g) Fees for a nationally standardized norm-referenced achievement  
32 test, an advanced placement examination or any exams related to college or  
33 university admission.

34 (h) Tuition or fees at an eligible postsecondary institution.

35 (i) Textbooks required by an eligible postsecondary institution.

36 (j) Fees to manage the Arizona empowerment scholarship account.

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

39 (l) Insurance or surety bond payments.

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

41 (n) If the qualified student meets the criteria specified in  
42 section 15-2401, paragraph ~~7~~ 8, subdivision (a), item (i), (ii) or (iii)  
43 and if the qualified student is in the second year prior to the final year  
44 of a contract executed pursuant to this article, costs associated with an  
45 annual education plan conducted by an independent evaluation team. The

1 department shall prescribe minimum qualifications for independent  
2 evaluation teams pursuant to this subdivision and factors that teams must  
3 use to determine whether the qualified student shall be eligible to  
4 continue to receive monies pursuant to this article through the school  
5 year in which the qualified student reaches twenty-two years of age. An  
6 independent evaluation team that provides an annual education plan  
7 pursuant to this subdivision shall submit a written report that summarizes  
8 the results of the evaluation to the parent of the qualified student and  
9 to the department on or before July 31. The written report submitted by  
10 the independent evaluation team is valid for one year. If the department  
11 determines that the qualified student meets the eligibility criteria  
12 prescribed in the annual education plan, the qualified student is eligible  
13 to continue to receive monies pursuant to this article until the qualified  
14 student reaches twenty-two years of age, subject to annual review. A  
15 parent may appeal the department's decision pursuant to title 41, chapter  
16 6, article 10. As an addendum to a qualified student's final-year  
17 contract, the department shall provide the following written information  
18 to the parent of the qualified student:

19 (i) That the qualified student will not be eligible to continue to  
20 receive monies pursuant to this article unless the results of an annual  
21 education plan conducted pursuant to this subdivision demonstrate that the  
22 qualified student meets the eligibility criteria prescribed in the annual  
23 education plan.

24 (ii) That the parent is entitled to obtain an annual education plan  
25 pursuant to this subdivision to determine whether the qualified student  
26 meets the eligibility criteria prescribed in the annual education plan.

27 (iii) A list of independent evaluation teams that meet the minimum  
28 qualifications prescribed by the department pursuant to this subdivision.

29 (o) Public transportation services in this state, including a  
30 commuter pass for the qualified student, or transportation network  
31 services as defined in section 28-9551 between the qualified student's  
32 residence and a qualified school OR MICRO-SCHOOL in which the qualified  
33 student is enrolled.

34 (p) Computer hardware and technological devices primarily used for  
35 an educational purpose. For the purposes of this subdivision, "computer  
36 hardware and technological devices":

37 (i) Includes calculators, personal computers, laptops, tablet  
38 devices, microscopes, telescopes and printers.

39 (ii) Does not include entertainment and other primarily  
40 noneducational devices, including televisions, telephones, video game  
41 consoles and accessories, and home theatre and audio equipment.

42 5. Not file an affidavit of intent to homeschool pursuant to  
43 section 15-802, subsection B, paragraph 2 or 3.

44 6. Not use monies deposited in the qualified student's account for  
45 any of the following:

1 (a) Computer hardware or other technological devices, except as  
2 otherwise allowed under paragraph 4, subdivision (c) or (p) of this  
3 subsection.

4 (b) Transportation of the pupil, except for transportation services  
5 described in paragraph 4, subdivision (o) of this subsection.

6 C. In exchange for the parent's agreement pursuant to subsection B  
7 of this section, the department shall transfer from the monies that would  
8 otherwise be allocated to a recipient's prior school district, or if the  
9 child is currently eligible to attend a preschool program for children  
10 with disabilities, a kindergarten program or any of grades one through  
11 twelve, the monies that the department determines would otherwise be  
12 allocated to a recipient's expected school district of attendance, to the  
13 treasurer for deposit into an Arizona empowerment scholarship account an  
14 amount that is equivalent to ninety percent of the sum of the base support  
15 level and additional assistance prescribed in sections 15-185 and 15-943  
16 for that particular student if that student were attending a charter  
17 school.

18 D. The department of education empowerment scholarship account fund  
19 is established consisting of monies appropriated by the legislature. The  
20 department shall administer the fund. Monies in the fund are subject to  
21 legislative appropriation. Monies in the fund shall be used for the  
22 department's costs in administering Arizona empowerment scholarship  
23 accounts under this chapter. Monies in the fund are exempt from the  
24 provisions of section 35-190 relating to lapsing of appropriations. If  
25 the number of Arizona empowerment scholarship accounts significantly  
26 increases after fiscal year 2020-2021, the department may request an  
27 increase in the amount appropriated to the fund in any subsequent fiscal  
28 year in the budget estimate submitted pursuant to section 35-113. The  
29 department shall list monies in the fund as a separate line item in its  
30 budget estimate.

31 E. The state treasurer empowerment scholarship account fund is  
32 established consisting of monies appropriated by the legislature. The  
33 state treasurer shall administer the fund. Monies in the fund shall be  
34 used for the state treasurer's costs in administering the Arizona  
35 empowerment scholarship accounts under this chapter. If the number of  
36 Arizona empowerment scholarship accounts significantly increases after  
37 fiscal year 2020-2021, the state treasurer may request an increase in the  
38 amount appropriated to the fund in any subsequent fiscal year in the  
39 budget estimate submitted pursuant to section 35-113. Monies in the fund  
40 are subject to legislative appropriation. Monies in the fund are exempt  
41 from the provisions of section 35-190 relating to lapsing of  
42 appropriations. The state treasurer shall list monies in the fund as a  
43 separate line item in its budget estimate.

44 F. A parent must renew the qualified student's Arizona empowerment  
45 scholarship account on an annual basis. The department of education shall

1 verify that the parent's child is a qualified student as defined in  
2 section 15-2401 or 15-2401.01 in the year for which the parent seeks to  
3 renew the Arizona empowerment scholarship account. This subsection does  
4 not require the department to annually verify the child's disability for  
5 the purpose of section 15-2401, paragraph ~~7~~ 8, subdivision (a), item (i),  
6 (ii) or (iii), if applicable.

7 G. Notwithstanding any changes to the student's multidisciplinary  
8 evaluation team plan, a student who has previously qualified for an  
9 Arizona empowerment scholarship account remains eligible to apply for  
10 renewal until the student finishes high school.

11 H. If a parent does not renew the qualified student's Arizona  
12 empowerment scholarship account for a period of three academic years, the  
13 department shall notify the parent that the qualified student's account  
14 will be closed in sixty calendar days. The notification must be sent  
15 ~~through~~ BY certified mail, email and telephone, if applicable. The parent  
16 has sixty calendar days to renew the qualified student's Arizona  
17 empowerment scholarship account. If the parent chooses not to renew or  
18 does not respond ~~in~~ WITHIN sixty calendar days, the department shall close  
19 the account and any remaining monies shall be returned to ~~the~~ THIS state.

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

22 J. A qualified school, A MICRO-SCHOOL or a provider of services  
23 purchased pursuant to subsection B, paragraph 4 of this section may not  
24 share, refund or rebate any Arizona empowerment scholarship account monies  
25 with the parent or qualified student in any manner. A MICRO-SCHOOL MAY  
26 NOT DO EITHER OF THE FOLLOWING:

27 1. ALLOW ANY EMPLOYEE OF THE MICRO-SCHOOL TO PROVIDE INSTRUCTION,  
28 TUTORING OR TEACHING SERVICES TO A QUALIFIED STUDENT IF ALL OF THE  
29 FOLLOWING APPLY:

30 (a) THE EMPLOYEE IS PROVIDING INSTRUCTION, TUTORING OR TEACHING  
31 SERVICES IN THE EMPLOYEE'S OFFICIAL CAPACITY.

32 (b) THE EMPLOYEE IS A MEMBER OF THE FAMILY AS DEFINED IN SECTION  
33 15-1871 OF THE QUALIFIED STUDENT'S PARENT.

34 (c) THE MICRO-SCHOOL CHARGES THE QUALIFIED STUDENT FOR TUITION OR  
35 FEES.

36 2. CHARGE TUITION OR FEES TO A QUALIFIED STUDENT IF THE  
37 MICRO-SCHOOL IS OWNED OR CONTROLLED BY A MEMBER OF THE FAMILY AS DEFINED  
38 IN SECTION 15-1871 OF THE QUALIFIED STUDENT'S PARENT.

39 K. Notwithstanding subsection H of this section, on the qualified  
40 student's graduation from a postsecondary institution or after any period  
41 of four consecutive years after high school graduation in which the  
42 student is not enrolled in an eligible postsecondary institution, but not  
43 before this time as long as the account holder continues using a portion  
44 of account monies for allowable expenses each year and is in good

1 standing, the qualified student's Arizona empowerment scholarship account  
2 shall be closed and any remaining monies shall be returned to the state.

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

5 M. THE ATTORNEY GENERAL SHALL ENFORCE THIS ARTICLE. THE DEPARTMENT  
6 OF EDUCATION AND THE TREASURER SHALL PROMPTLY PROVIDE ANY INFORMATION AND  
7 RECORDS REQUESTED BY THE OFFICE OF THE ATTORNEY GENERAL FOR THE PURPOSES  
8 OF THIS SUBSECTION.

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

11 15-2403. Arizona empowerment scholarship accounts;  
12 administration; appeals; risk-based audits; rules;  
13 policy handbook

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

16 B. The department shall conduct or contract for annual audits of  
17 Arizona empowerment scholarship accounts to ensure compliance with section  
18 15-2402, subsection B, paragraph 4. The department shall also conduct or  
19 contract for random, quarterly and annual audits of Arizona empowerment  
20 scholarship accounts as needed to ensure compliance with section 15-2402,  
21 subsection B, paragraph 4. The department, in consultation with the  
22 office of the auditor general, shall develop risk-based auditing  
23 procedures for audits conducted pursuant to this subsection.

24 C. The department shall annually review a sample of Arizona  
25 empowerment scholarship accounts, selected at random, to determine whether  
26 the parent or qualified student is in compliance with the terms of the  
27 contract, applicable laws, rules and orders relating to the Arizona  
28 empowerment scholarship accounts program. The Arizona empowerment  
29 scholarship account of a parent or qualified student who is in good  
30 standing may be randomly selected pursuant to this subsection only one  
31 time during any five-year period. The department may remove any parent or  
32 qualified student from eligibility for an Arizona empowerment scholarship  
33 account if the parent or qualified student fails to comply with the terms  
34 of the contract or applicable laws, rules or orders or knowingly misuses  
35 monies or knowingly fails to comply with the terms of the contract with  
36 intent to defraud and shall notify the treasurer. The department shall  
37 notify the treasurer to suspend the account of a parent or qualified  
38 student and shall notify the parent or qualified student in writing that  
39 the account has been suspended and that no further transactions will be  
40 allowed or disbursements made. The notification shall specify the reason  
41 for the suspension and state that the parent or qualified student has  
42 fifteen days, not including weekends, to respond and take corrective  
43 action. If the parent or qualified student refuses or fails to contact  
44 the department, furnish any information or make any report that may be

1 required for reinstatement within the fifteen-day period, the department  
2 may remove the parent or qualified student pursuant to this subsection.

3 D. A parent may appeal to the state board of education any  
4 administrative decision the department makes pursuant to this article,  
5 including determinations of allowable expenses, removal from the program  
6 or enrollment eligibility. The department shall notify the parent in  
7 writing that the parent may appeal any administrative decision under this  
8 article and the process by which the parent may appeal at the same time  
9 the department notifies the parent of an administrative decision under  
10 this article. The state board of education shall establish an appeals  
11 process, and the department shall post this information on the  
12 department's website in the same location as the policy handbook developed  
13 pursuant to subsection K of this section.

14 E. A parent may represent himself or herself or designate a  
15 representative, not necessarily an attorney, before any appeals hearing  
16 held pursuant to this section. Any designated representative who is not  
17 an attorney admitted to practice may not charge for any services rendered  
18 in connection with the hearing. The fact that a representative  
19 participated in the hearing or assisted the account holder is not grounds  
20 for reversing any administrative decision or order if the evidence  
21 supporting the decision or order is substantial, reliable and probative.

22 F. The state board of education may refer cases of substantial  
23 misuse of monies to the attorney general for the purpose of collection or  
24 for the purpose of a criminal investigation if the state board of  
25 education obtains evidence of fraudulent use of an account.

26 G. The department shall make quarterly transfers of the amount  
27 calculated pursuant to section 15-2402, subsection C to the treasurer for  
28 deposit in the Arizona empowerment scholarship account of each qualified  
29 student, except the department may make transfers according to another  
30 transfer schedule if the department determines a transfer schedule other  
31 than quarterly transfers is necessary to operate the Arizona empowerment  
32 scholarship account.

33 H. The department shall accept applications between July 1 and June  
34 30 of each year. The department shall issue an award letter to eligible  
35 applicants within thirty days after receipt of a completed application and  
36 all required documentation. If an eligible applicant completes an  
37 application in advance for an Arizona empowerment scholarship account to  
38 be funded beginning on a later date, the department may enroll the  
39 eligible applicant on the later date, except that the department may not  
40 enroll the applicant more than two fiscal quarters after the fiscal  
41 quarter in which the application is completed or on a date that is after  
42 March 31 and before July 1. If an eligible applicant completes an  
43 application after March 31 and before July 1, the department shall enroll  
44 the applicant on or after July 1. The department shall enroll all other  
45 eligible applicants when the department issues an award letter pursuant to

1 this subsection. ON AN APPLICANT'S ENROLLMENT PURSUANT TO THIS  
2 SUBSECTION, THE DEPARTMENT SHALL ASSIGN A STUDENT IDENTIFIER TO ANY  
3 APPLICANT WHO IS NOT ALREADY INCLUDED IN THE STUDENT ACCOUNTABILITY  
4 INFORMATION SYSTEM PURSUANT TO CHAPTER 9, ARTICLE 8 OF THIS TITLE AND,  
5 NOTWITHSTANDING SECTION 15-1043, SUBSECTION B, SHALL UPDATE THE STUDENT  
6 LEVEL DATA IN THE STUDENT ACCOUNTABILITY INFORMATION SYSTEM TO REFLECT  
7 EACH APPLICANT'S ENROLLMENT. This subsection does not allow a qualified  
8 student to receive monies in an Arizona empowerment scholarship account  
9 while the qualified student is enrolled in a school district or charter  
10 school. On or before September 1 and November 1 of each year, the  
11 department shall furnish to the joint legislative budget committee and the  
12 governor's office of strategic planning and budgeting an estimate of the  
13 amount required to fund Arizona empowerment scholarship accounts for the  
14 following fiscal year. The department shall include in its budget request  
15 for the following fiscal year the amount estimated pursuant to section  
16 15-2402, subsection C for each qualified student.

17 I. The state board of education may adopt rules and policies  
18 necessary to administer Arizona empowerment scholarship accounts,  
19 including rules and policies:

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

22 2. For conducting or contracting for examinations of the use of  
23 account monies, consistent with subsection L of this section.

24 3. For conducting or contracting for random, quarterly and annual  
25 reviews of accounts.

26 4. For establishing or contracting for the establishment of an  
27 online anonymous fraud reporting service.

28 5. For establishing an anonymous telephone hotline for fraud  
29 reporting.

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

31 J. The department shall contract with an independent third party  
32 for the purposes of determining whether a qualified student is eligible to  
33 receive educational therapies or services pursuant to section 15-2402,  
34 subsection B, paragraph 4, subdivision (c). If during any period on or  
35 after January 1, 2023 the department fails to ensure that a contract with  
36 an independent third party is in effect, during that period:

37 1. The county school superintendent of each county may approve a  
38 list of independent third parties within the county whose evaluation may  
39 be used to determine whether a qualified student who resides within the  
40 county is eligible to receive educational therapies or services pursuant  
41 to section 15-2402, subsection B, paragraph 4, subdivision (c).

42 2. If the county school superintendent of a county does not provide  
43 a list of approved independent third parties within ninety days after the  
44 beginning of any period during which the department does not have a  
45 contract with an independent third party in effect as described in this

1 subsection, the parent of a qualified student who resides within the  
2 county has the right to obtain an independent educational evaluation from  
3 a qualified examiner to determine whether the qualified student is  
4 eligible to receive educational therapies or services pursuant to section  
5 15-2402, subsection B, paragraph 4, subdivision (c). The expense for an  
6 educational evaluation undertaken pursuant to this paragraph shall be  
7 provided by the school district within which the qualified student resides  
8 and that serves the grade level of the qualified student. For the  
9 purposes of this paragraph, "qualified examiner" means a licensed  
10 physician, psychiatrist or psychologist.

11 K. On or before July 1 of each year, the department shall develop  
12 an applicant and participant handbook that includes information relating  
13 to policies and processes of Arizona empowerment scholarship accounts.  
14 The policy handbook shall comply with the rules adopted by the state board  
15 of education pursuant to this section. The department shall post the  
16 handbook on the department's website.

17 L. The department shall:

18 1. Establish and maintain an online database of allowable and  
19 disallowed categories of expenses and provide a link to the database on  
20 the department's website.

21 2. Allow the use of account monies to reimburse the parent of a  
22 qualified student or a qualified student for the purchase of a good or  
23 educational service that is an allowable expense pursuant to section  
24 15-2402, subsection B.

25 M. Except for cases in which the attorney general determines that a  
26 parent or account holder has committed fraud, any expenditure from an  
27 Arizona empowerment scholarship account for a purchase that the department  
28 determines is not an allowable expense pursuant to section 15-2402 and  
29 that is subsequently repaid by the parent or account holder shall be  
30 credited back to the Arizona empowerment scholarship account balance  
31 within thirty days after the receipt of payment.

32 N. If, in response to an appeal of an administrative decision made  
33 by the department, the state board of education issues a stay of an  
34 Arizona empowerment scholarship account suspension pursuant to rules  
35 adopted by the board, the department may not withhold funding or contract  
36 renewal for the account holder because of the appealed administrative  
37 decision during the stay unless directed by the board to do so.

38 Sec. 4. Section 15-2405, Arizona Revised Statutes, is amended to  
39 read:

40 15-2405. Arizona empowerment scholarship accounts parent  
41 oversight committee; membership; duties

42 A. The Arizona empowerment scholarship accounts parent oversight  
43 committee is established consisting of six members who are parents of  
44 qualified students who receive Arizona empowerment scholarship account  
45 monies under this chapter. The members shall be appointed as follows:

- 1           1. One member who is appointed by the president of the senate.
- 2           2. One member who is appointed by the speaker of the house of
- 3           representatives.
- 4           3. One member who is appointed by the minority leader of the
- 5           senate.
- 6           4. One member who is appointed by the minority leader of the house
- 7           of representatives.
- 8           5. Two members who are appointed by the governor.
- 9           B. At a minimum, the members appointed pursuant to subsection A,
- 10          paragraphs 1, 2, 3 and 4 of this section shall be parents of qualified
- 11          students who both:
- 12           1. Meet any of the criteria specified in section 15-2401, paragraph
- 13          ~~7~~ 8, subdivision (a), item (i), (ii) or (iii) as determined by an
- 14          independent third party pursuant to section 15-2403, subsection ~~I~~ J.
- 15           2. Use monies deposited in the qualified student's Arizona
- 16          empowerment scholarship account for expenses as prescribed in section
- 17          15-2402, subsection B, paragraph 4, subdivision (c).
- 18          C. The members of the committee shall annually elect a chairperson
- 19          from among its members.
- 20          D. The committee shall meet at least once each calendar quarter. A
- 21          majority of the membership constitutes a quorum for the transaction of
- 22          business.
- 23          E. The committee shall collaborate and interact with the
- 24          department, the state board of education, the attorney general and, as
- 25          appropriate, the auditor general to review all of the following:
- 26           1. The implementation of policies and procedures relating to the
- 27          Arizona empowerment scholarship account program under this chapter and the
- 28          program's effectiveness.
- 29           2. The concerns of parents of qualified students who receive
- 30          Arizona empowerment scholarship account monies under this chapter.
- 31           3. The work of the ombudsman-citizens aide on complaints associated
- 32          with administering the Arizona empowerment scholarship account program.
- 33          F. A parent may not serve on the committee if any of the following
- 34          applies:
- 35           1. The parent is an employee or the relative of an employee of the
- 36          department.
- 37           2. The parent receives monies or compensation from or is otherwise
- 38          associated in any manner with a lobbyist organization, a school choice
- 39          advocacy group or a private financial management firm that manages Arizona
- 40          empowerment scholarship accounts pursuant to section 15-2403,
- 41          subsection A.
- 42           3. The parent provides goods or services to qualified students that
- 43          are purchased pursuant to section 15-2402, subsection B, paragraph 4.

