

REFERENCE TITLE: ESAs; expenditures; enrollment; limitations.

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

HB 4132

Introduced by
Representatives Abeytia: Aguilar, Austin, Caverro, Contreras P, Crews, De
Los Santos, Garcia, Gutierrez, Hernandez C, Liguori, Márquez, Sandoval,
Simacek, Villegas, Volk

AN ACT

AMENDING SECTIONS 15-2401.01, 15-2402 AND 15-2403, 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 15-2401.01, Arizona Revised Statutes, is amended
3 to read:

4 15-2401.01. Arizona empowerment scholarship accounts
5 expansion; eligibility; definitions

6 A. Notwithstanding section 15-2401, ~~beginning in the 2022-2023~~
7 ~~school year,~~ in this chapter, unless the context otherwise requires,
8 "qualified student" includes a resident of this state who ~~both~~ MEETS ALL
9 OF THE FOLLOWING REQUIREMENTS:

10 1. Is eligible to enroll in a public school in this state in any of
11 the following:

12 (a) A preschool program for children with disabilities.

13 (b) A kindergarten program.

14 (c) Any of grades one through twelve.

15 2. Does not otherwise qualify for an Arizona empowerment
16 scholarship account pursuant to this chapter.

17 3. BEGINNING JULY 1, 2027, EITHER:

18 (a) ATTENDED A PUBLIC SCHOOL IN THIS STATE AS A FULL-TIME STUDENT
19 AS DEFINED IN SECTION 15-901 FOR THE MAJORITY OF THE CURRENT OR
20 IMMEDIATELY PRECEDING SCHOOL YEAR AND TRANSFERRED FROM THE PUBLIC SCHOOL
21 UNDER A CONTRACT TO PARTICIPATE IN AN ARIZONA EMPOWERMENT SCHOLARSHIP
22 ACCOUNT.

23 (b) PROVIDES SATISFACTORY EVIDENCE THAT THE RESIDENT'S FAMILY DOES
24 NOT HAVE A HIGH ANNUAL INCOME.

25 B. FOR THE PURPOSES OF THIS SECTION:

26 1. "HIGH ANNUAL INCOME" MEANS \$200,000, ADJUSTED FOR INFLATION EACH
27 YEAR AFTER FISCAL YEAR 2027-2028.

28 2. "SATISFACTORY EVIDENCE" MEANS ONE OF THE FOLLOWING:

29 (a) A COPY OF THE MOST RECENT STATE OR FEDERAL INCOME TAX RETURN
30 FOR EACH OF THE RESIDENT'S PARENTS WHOSE PARENTAL RIGHTS HAVE NOT BEEN
31 TERMINATED. IF A PARENT WHO SUBMITS A COPY OF AN INCOME TAX RETURN
32 PURSUANT TO THIS SUBDIVISION IS A MARRIED PERSON AND THE MARRIED COUPLE
33 FILES SEPARATE TAX RETURNS, A COPY OF THE MOST RECENT STATE OR FEDERAL
34 INCOME TAX RETURN FOR THE PARENT'S SPOUSE IS REQUIRED.

35 (b) A COPY OF THE MOST RECENT STATE OR FEDERAL INCOME TAX RETURN
36 FOR THE RESIDENT'S CUSTODIAL PARENT AND THE CUSTODIAL PARENT'S SPOUSE, IF
37 APPLICABLE, AND DOCUMENTATION SHOWING THAT THE NONCUSTODIAL PARENT DOES
38 NOT PROVIDE CHILD SUPPORT OR OTHER FINANCIAL ASSISTANCE TO THE
39 NONCUSTODIAL PARENT'S HOUSEHOLD.

40 (c) A COPY OF OFFICIAL DOCUMENTATION THAT SHOWS THE RESIDENT OR THE
41 RESIDENT'S CUSTODIAL PARENT IS ENROLLED IN A PROGRAM THAT IS ADMINISTERED
42 BY THIS STATE AND THAT REQUIRES PROGRAM PARTICIPANTS TO HAVE AN INCOME
43 THAT IS LESS THAN A HIGH ANNUAL INCOME.

1 Sec. 2. Section 15-2402, Arizona Revised Statutes, is amended to
2 read:

3 15-2402. Arizona empowerment scholarship accounts; funds;
4 transfer

5 A. Arizona empowerment scholarship accounts are established to
6 provide options for the education of students in this state.

7 B. To enroll a qualified student for an Arizona empowerment
8 scholarship account, the parent of the qualified student must sign an
9 agreement to do all of the following:

10 1. Use a ~~portion~~ MAJORITY of the Arizona empowerment scholarship
11 account monies THAT ARE allocated annually to provide an education for the
12 qualified student in at least the subjects of reading, grammar,
13 mathematics, social studies and science, ~~unless the Arizona empowerment~~
14 ~~scholarship account is allocated monies according to a transfer schedule~~
15 ~~other than quarterly transfers pursuant to section 15-2403, subsection G.~~
16 MONIES THAT ARE USED FOR ADDITIONAL SERVICES DESCRIBED IN PARAGRAPH 4,
17 SUBDIVISION (c) OF THIS SUBSECTION ARE CONSIDERED MONIES THAT ARE USED TO
18 PROVIDE AN EDUCATION FOR THE QUALIFIED STUDENT IN THE SUBJECTS REQUIRED BY
19 THIS PARAGRAPH.

20 2. Not enroll the qualified student in a school district or charter
21 school and release the school district from all obligations to educate the
22 qualified student. This paragraph does not:

23 (a) Relieve the school district or charter school that the
24 qualified student previously attended from the obligation to conduct an
25 evaluation pursuant to section 15-766.

26 (b) Require the qualified student to withdraw from a school
27 district or charter school before enrolling for an Arizona empowerment
28 scholarship account if the qualified student withdraws from the school
29 district or charter school before receiving any monies in the qualified
30 student's Arizona empowerment scholarship account.

31 (c) Prevent the qualified student from applying in advance for an
32 Arizona empowerment scholarship account to be funded beginning the
33 following school year, subject to section 15-2403, subsection H.

34 3. Not accept a scholarship from a school tuition organization
35 pursuant to title 43 concurrently with an Arizona empowerment scholarship
36 account for the qualified student in the same year a parent signs the
37 agreement pursuant to this section.

38 4. Use monies deposited in the qualified student's Arizona
39 empowerment scholarship account only for the following expenses of the
40 qualified student:

41 (a) Tuition or fees at a qualified school that requires all
42 teaching staff and SCHOOL personnel who have unsupervised contact with
43 students to be fingerprinted.

44 (b) Textbooks required by a qualified school.

(c) If the qualified student meets any of the criteria specified in section 15-2401, paragraph 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 J, the qualified student may use the following additional services:

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

(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 who is not subject to disciplinary action by the state board of education for immoral or unprofessional conduct pursuant to section 15-505 or 15-534.04 or a facility that is accredited by a state, regional or national accrediting organization. The department shall ensure THAT any individual who provides tutoring or teaching services to one or more qualified students pursuant to this subdivision is not subject to disciplinary action by the state board of education. The department shall also remove any individual who is subject to disciplinary action by the state board of education from all platforms that the department provides to parents and qualified students for the purchase of goods or educational services using account monies. A QUALIFIED STUDENT MAY NOT USE MORE THAN \$2,000 FOR SERVICES PROVIDED PURSUANT TO THIS SUBDIVISION IN A SINGLE SCHOOL YEAR.

(e) Curricula and supplementary materials. A QUALIFIED STUDENT MAY NOT USE MORE THAN \$2,000 FOR ALL CURRICULA AND SUPPLEMENTARY MATERIALS ACQUIRED PURSUANT TO THIS SUBDIVISION IN A SINGLE SCHOOL YEAR.

(f) Tuition or fees for a nonpublic online learning program. A QUALIFIED STUDENT MAY NOT USE MORE THAN \$2,000 FOR A NONPUBLIC ONLINE LEARNING PROGRAM PURSUANT TO THIS SUBDIVISION IN A SINGLE SCHOOL YEAR.

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

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

(i) Textbooks required by an eligible postsecondary institution.

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

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

(l) Insurance or surety bond payments.

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

1 (n) If the qualified student meets the criteria specified in
2 section 15-2401, paragraph 7, subdivision (a), item (i), (ii) or (iii) and
3 if the qualified student is in the second year prior to the final year of
4 a contract executed pursuant to this article, costs associated with an
5 annual education plan conducted by an independent evaluation team. The
6 department shall prescribe minimum qualifications for independent
7 evaluation teams pursuant to this subdivision and factors that teams must
8 use to determine whether the qualified student shall be eligible to
9 continue to receive monies pursuant to this article through the school
10 year in which the qualified student reaches twenty-two years of age. An
11 independent evaluation team that provides an annual education plan
12 pursuant to this subdivision shall submit a written report that summarizes
13 the results of the evaluation to the parent of the qualified student and
14 to the department on or before July 31. The written report submitted by
15 the independent evaluation team is valid for one year. If the department
16 determines that the qualified student meets the eligibility criteria
17 prescribed in the annual education plan, the qualified student is eligible
18 to continue to receive monies pursuant to this article until the qualified
19 student reaches twenty-two years of age, subject to annual review. A
20 parent may appeal the department's decision pursuant to title 41, chapter
21 6, article 10. As an addendum to a qualified student's final-year
22 contract, the department shall provide the following written information
23 to the parent of the qualified student:

24 (i) That the qualified student will not be eligible to continue to
25 receive monies pursuant to this article unless the results of an annual
26 education plan conducted pursuant to this subdivision demonstrate that the
27 qualified student meets the eligibility criteria prescribed in the annual
28 education plan.

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

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

34 (o) Public transportation services in this state, including a
35 commuter pass for the qualified student, or transportation network
36 services as defined in section 28-9551 between the qualified student's
37 residence and a qualified school in which the qualified student is
38 enrolled.

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

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

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

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

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

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

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

13 (c) LUXURY GOODS OR NONEDUCATIONAL GOODS OR SERVICES, INCLUDING
14 HOUSEHOLD ITEMS, HOUSEHOLD APPLIANCES, COMMERCIAL APPLIANCES, MACHINERY,
15 HOUSEHOLD FURNITURE, HOUSEHOLD FIXTURES, HOME IMPROVEMENTS, REAL ESTATE
16 IMPROVEMENTS, JEWELRY, LINGERIE, ADMISSION FEES FOR WATER PARKS, ADMISSION
17 FEES FOR AMUSEMENT PARKS, HOME SWIMMING POOLS, HOT TUBS, SAUNAS, GIFT
18 CARDS, GIFT CERTIFICATES, GOODS OR SERVICES THAT ARE PROVIDED OUTSIDE OF
19 THIS STATE, CHILD CARE, DINING, LODGING, BOUNCE HOUSES, WATER SLIDES,
20 MOTOR VEHICLES OR WATERCRAFTS.

21 (d) GOODS OR SERVICES PROVIDED BY A PERSON WHO IS A MEMBER OF THE
22 FAMILY AS DEFINED IN SECTION 15-1871 OF THE QUALIFIED STUDENT'S PARENT.
23 FOR THE PURPOSES OF THIS SUBDIVISION, A GOOD OR SERVICE IS PROVIDED BY ANY
24 PERSON WHO EITHER:

25 (i) DIRECTLY SELLS THE GOOD OR PROVIDES THE SERVICE TO THE
26 QUALIFIED STUDENT.

27 (ii) OWNS OR CONTROLS THE BUSINESS THAT SELLS THE GOOD OR PROVIDES
28 THE SERVICE TO THE QUALIFIED STUDENT.

29 (iii) EMPLOYS A MEMBER OF THE FAMILY AS DEFINED IN SECTION 15-1871
30 OF THE QUALIFIED STUDENT'S PARENT AND THE MEMBER OF THE FAMILY AS DEFINED
31 IN SECTION 15-1871 SELLS THE GOOD OR PROVIDES THE SERVICE TO THE QUALIFIED
32 STUDENT.

33 C. In exchange for the parent's agreement pursuant to subsection B
34 of this section, the department shall transfer from the monies that would
35 otherwise be allocated to a recipient's prior school district, or if the
36 child is currently eligible to attend a preschool program for children
37 with disabilities, a kindergarten program or any of grades one through
38 twelve, the monies that the department determines would otherwise be
39 allocated to a recipient's expected school district of attendance, to the
40 treasurer for deposit into an Arizona empowerment scholarship account an
41 amount that is equivalent to ninety percent of the sum of the base support
42 level and additional assistance prescribed in sections 15-185 and 15-943
43 for that particular student if that student were attending a charter
44 school.

1 D. The department of education empowerment scholarship account fund
2 is established consisting of monies appropriated by the legislature. The
3 department shall administer the fund. Monies in the fund are subject to
4 legislative appropriation. Monies in the fund shall be used for the
5 department's costs in administering Arizona empowerment scholarship
6 accounts under this chapter. Monies in the fund are exempt from the
7 provisions of section 35-190 relating to lapsing of appropriations. If
8 the number of Arizona empowerment scholarship accounts significantly
9 increases after fiscal year 2020-2021, the department may request an
10 increase in the amount appropriated to the fund in any subsequent fiscal
11 year in the budget estimate submitted pursuant to section 35-113. The
12 department shall list monies in the fund as a separate line item in its
13 budget estimate.

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

27 F. A parent must renew the qualified student's Arizona empowerment
28 scholarship account on an annual basis. The department of education shall
29 verify that the parent's child is a qualified student as defined in
30 section 15-2401 or 15-2401.01 in the year for which the parent seeks to
31 renew the Arizona empowerment scholarship account. This subsection does
32 not require the department to annually verify the child's disability for
33 the purpose of section 15-2401, paragraph 7, subdivision (a), item (i),
34 (ii) or (iii), if applicable.

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

39 H. If a parent does not renew the qualified student's Arizona
40 empowerment scholarship account for a period of ~~three~~ ONE academic ~~years~~
41 YEAR, the department shall notify the parent that the qualified student's
42 account will be closed in sixty calendar days. The notification must be
43 sent ~~through~~ BY certified mail, email and telephone, if applicable. The
44 parent has sixty calendar days to renew the qualified student's Arizona
45 empowerment scholarship account. If the parent chooses not to renew or

1 does not respond ~~in~~ **WITHIN** sixty calendar days, the department shall close
 2 the account and any remaining monies shall be returned to ~~the~~ **THIS** state.

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

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

9 K. Notwithstanding subsection H of this section, on the qualified
 10 student's ~~graduation from a postsecondary institution or after any period~~
 11 ~~of four consecutive years after~~ high school graduation ~~in which the~~
 12 ~~student is not enrolled in an eligible postsecondary institution, but not~~
 13 ~~before this time as long as the account holder continues using a portion~~
 14 ~~of account monies for allowable expenses each year and is in good~~
 15 ~~standing~~, the qualified student's Arizona empowerment scholarship account
 16 shall be closed and any remaining monies shall be returned to the state.

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

19 **M. IF A QUALIFIED STUDENT MEETS ANY CRITERION SPECIFIED IN SECTION**
 20 **15-2401, PARAGRAPH 7, SUBDIVISION (a), ITEM (i), (ii) OR (iii), ALL**
 21 **UNEXPENDED AND UNENCUMBERED MONIES REMAINING IN THE QUALIFIED STUDENT'S**
 22 **ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT ON SEPTEMBER 30 ARE TRANSFERRED TO**
 23 **THE CLASSROOM SITE FUND ESTABLISHED BY SECTION 15-977 ON OCTOBER 1 OF EACH**
 24 **YEAR. ALL UNEXPENDED AND UNENCUMBERED MONIES REMAINING IN THE ARIZONA**
 25 **EMPOWERMENT SCHOLARSHIP ACCOUNT FOR ALL OTHER QUALIFIED STUDENTS ON JUNE**
 26 **30 ARE TRANSFERRED TO THE CLASSROOM SITE FUND ESTABLISHED BY SECTION**
 27 **15-977 ON SEPTEMBER 1 OF EACH YEAR.**

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

30 **15-2403. Arizona empowerment scholarship accounts;**
 31 **administration; appeals; risk-based audits; rules;**
 32 **policy handbook**

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

35 B. The department shall conduct or contract for annual audits of
 36 Arizona empowerment scholarship accounts to ensure compliance with section
 37 15-2402, subsection B, paragraph 4. The department shall also conduct or
 38 contract for random, quarterly and annual audits of Arizona empowerment
 39 scholarship accounts as needed to ensure compliance with section 15-2402,
 40 subsection B, paragraph 4. The department, in consultation with the
 41 office of the auditor general, shall develop risk-based auditing
 42 procedures for audits conducted pursuant to this subsection.

43 C. The department shall annually review a sample of Arizona
 44 empowerment scholarship accounts, selected at random, to determine whether
 45 the parent or qualified student is in compliance with the terms of the

1 contract, applicable laws, rules and orders relating to the Arizona
2 empowerment scholarship accounts program. The Arizona empowerment
3 scholarship account of a parent or qualified student who is in good
4 standing may be randomly selected pursuant to this subsection only one
5 time during any five-year period. The department may remove any parent or
6 qualified student from eligibility for an Arizona empowerment scholarship
7 account if the parent or qualified student fails to comply with the terms
8 of the contract or applicable laws, rules or orders or knowingly misuses
9 monies or knowingly fails to comply with the terms of the contract with
10 intent to defraud and shall notify the treasurer. The department shall
11 notify the treasurer to suspend the account of a parent or qualified
12 student and shall notify the parent or qualified student in writing that
13 the account has been suspended and that no further transactions will be
14 allowed or disbursements made. The notification shall specify the reason
15 for the suspension and state that the parent or qualified student has
16 fifteen days, not including weekends, to respond and take corrective
17 action. If the parent or qualified student refuses or fails to contact
18 the department, furnish any information or make any report that may be
19 required for reinstatement within the fifteen-day period, the department
20 may remove the parent or qualified student pursuant to this subsection.

21 D. A parent may appeal to the state board of education any
22 administrative decision the department makes pursuant to this article,
23 including determinations of allowable expenses, removal from the program
24 or enrollment eligibility. The department shall notify the parent in
25 writing that the parent may appeal any administrative decision under this
26 article and the process by which the parent may appeal at the same time
27 the department notifies the parent of an administrative decision under
28 this article. The state board of education shall establish an appeals
29 process, and the department shall post this information on the
30 department's website in the same location as the policy handbook developed
31 pursuant to subsection K of this section.

32 E. A parent may represent himself or herself or designate a
33 representative, not necessarily an attorney, before any appeals hearing
34 held pursuant to this section. Any designated representative who is not
35 an attorney admitted to practice may not charge for any services rendered
36 in connection with the hearing. The fact that a representative
37 participated in the hearing or assisted the account holder is not grounds
38 for reversing any administrative decision or order if the evidence
39 supporting the decision or order is substantial, reliable and probative.

40 F. The state board of education may refer cases of substantial
41 misuse of monies to the attorney general for the purpose of collection or
42 for the purpose of a criminal investigation if the state board of
43 education obtains evidence of fraudulent use of an account.

1 G. The department shall make quarterly transfers of the amount
2 calculated pursuant to section 15-2402, subsection C to the treasurer for
3 deposit in the Arizona empowerment scholarship account of each qualified
4 student, except the department may make transfers according to another
5 transfer schedule if the department determines a transfer schedule other
6 than quarterly transfers is necessary to operate the Arizona empowerment
7 scholarship account.

8 H. The department shall accept applications between July 1 and June
9 30 of each year. The department shall issue an award letter to eligible
10 applicants within thirty days after receipt of a completed application and
11 all required documentation. If an eligible applicant completes an
12 application in advance for an Arizona empowerment scholarship account to
13 be funded beginning on a later date, the department may enroll the
14 eligible applicant on the later date, except that the department may not
15 enroll the applicant more than two fiscal quarters after the fiscal
16 quarter in which the application is completed or on a date that is after
17 March 31 and before July 1. If an eligible applicant completes an
18 application after March 31 and before July 1, the department shall enroll
19 the applicant on or after July 1. The department shall enroll all other
20 eligible applicants when the department issues an award letter pursuant to
21 this subsection. This subsection does not allow a qualified student to
22 receive monies in an Arizona empowerment scholarship account while the
23 qualified student is enrolled in a school district or charter school. On
24 or before September 1 and November 1 of each year, the department shall
25 furnish to the joint legislative budget committee and the governor's
26 office of strategic planning and budgeting an estimate of the amount
27 required to fund Arizona empowerment scholarship accounts for the
28 following fiscal year. The department shall include in its budget request
29 for the following fiscal year the amount estimated pursuant to section
30 15-2402, subsection C for each qualified student.

31 I. The state board of education may adopt rules and policies
32 necessary to administer Arizona empowerment scholarship accounts,
33 including rules and policies:

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

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

38 3. For conducting or contracting for random, quarterly and annual
39 reviews of accounts.

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

42 5. For establishing an anonymous telephone hotline for fraud
43 reporting.

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

J. 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). If during any period on or after January 1, 2023 the department fails to ensure that a contract with an independent third party is in effect, during that period:

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

2. If the county school superintendent of a county does not provide a list of approved independent third parties within ninety days after the beginning of any period during which the department does not have a contract with an independent third party in effect as described in this subsection, the parent of a qualified student who resides within the county has the right to obtain an independent educational evaluation from a qualified examiner to determine whether the qualified student is eligible to receive educational therapies or services pursuant to section 15-2402, subsection B, paragraph 4, subdivision (c). The expense for an educational evaluation undertaken pursuant to this paragraph shall be provided by the school district within which the qualified student resides and that serves the grade level of the qualified student. For the purposes of this paragraph, "qualified examiner" means a licensed physician, psychiatrist or psychologist.

K. 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 the department's website.

L. The department shall:

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

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

3. REQUIRE THE PARENT OF EACH QUALIFIED STUDENT TO SUBMIT A RECORD OF ALL EXPENDITURES OF ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT MONIES TO THE DEPARTMENT IN A FORM AND MANNER PRESCRIBED BY THE DEPARTMENT.

4. REVIEW THE RECORD FOR EACH EXPENDITURE SUBMITTED PURSUANT TO PARAGRAPH 3 OF THIS SUBSECTION AND DETERMINE WHETHER THE EXPENDITURE IS AN ALLOWABLE EXPENSE PURSUANT TO SECTION 15-2402.

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

8 N. If, in response to an appeal of an administrative decision made
9 by the department, the state board of education issues a stay of an
10 Arizona empowerment scholarship account suspension pursuant to rules
11 adopted by the board, the department may not withhold funding or contract
12 renewal for the account holder because of the appealed administrative
13 decision during the stay unless directed by the board to do so.