

REFERENCE TITLE: STOs; scholarship reporting; identification numbers

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SB 1726

Introduced by
Senator Epstein

AN ACT

AMENDING SECTION 15-1041, ARIZONA REVISED STATUTES; AMENDING TITLE 15, CHAPTER 9, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 15-1047; AMENDING SECTIONS 43-1503, 43-1506, 43-1603 AND 43-1604, ARIZONA REVISED STATUTES; RELATING TO SCHOOL TUITION ORGANIZATIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 15-1041, Arizona Revised Statutes, is amended to
3 read:

4 15-1041. Student accountability information system

5 The student accountability information system is established to
6 enable school districts, career technical education districts, ~~and~~ charter
7 schools AND CERTIFIED SCHOOL TUITION ORGANIZATIONS to transmit student
8 level data and school finance data electronically through the internet to
9 the department of education for the purposes of complying with the
10 statutory obligations of the department of education and the state board
11 of education.

12 Sec. 2. Title 15, chapter 9, article 8, Arizona Revised Statutes,
13 is amended by adding section 15-1047, to read:

14 15-1047. Student data; school tuition organizations

15 THE DEPARTMENT SHALL ASSIGN A STUDENT IDENTIFIER TO ANY STUDENT WHO
16 IS NOT ALREADY INCLUDED IN THE STUDENT ACCOUNTABILITY INFORMATION SYSTEM
17 AND WHO IS IDENTIFIED BY A CERTIFIED SCHOOL TUITION ORGANIZATION AS A
18 RECIPIENT OF AN EDUCATIONAL SCHOLARSHIP OR TUITION GRANT PURSUANT TO
19 SECTION 43-1503 OR 43-1603.

20 Sec. 3. Section 43-1503, Arizona Revised Statutes, is amended to
21 read:

22 43-1503. Operational requirements for school tuition
23 organizations

24 A. A certified school tuition organization must be established to
25 receive contributions from taxpayers for the purposes of income tax
26 credits under sections 43-1183 and 43-1184 and insurance premium tax
27 credits under sections 20-224.06 and 20-224.07 and to pay educational
28 scholarships or tuition grants to allow students to attend any qualified
29 school of their parents' or custodians' choice.

30 B. To be eligible for certification and retain certification, the
31 school tuition organization:

32 1. Must allocate at least ninety percent of its annual revenue from
33 contributions made for the purposes of sections 20-224.06, 20-224.07,
34 43-1183 and 43-1184 for educational scholarships or tuition grants.

35 2. Shall not limit the availability of educational scholarships or
36 tuition grants to only students of one school.

37 3. Must allow the department of revenue to verify that the
38 educational scholarships and tuition grants that are issued are awarded to
39 students who attend a qualified school.

40 4. Must not knowingly collude with any other school tuition
41 organization to circumvent the limits of section 43-1504, subsection C.

42 5. Must not award educational scholarships or tuition grants to
43 students who are simultaneously enrolled in a district school or charter
44 school and a qualified school.

1 6. Shall include on the organization's website, if one exists, the
2 percentage and total dollar amount of educational scholarships and tuition
3 grants awarded during the previous fiscal year to:

4 (a) Students whose family income meets the economic eligibility
5 requirements established under the national school lunch and child
6 nutrition acts (42 United States Code sections 1751 through ~~1785~~ 1793) for
7 free or reduced-price lunches.

8 (b) Students whose family income exceeds the threshold prescribed
9 by subdivision (a) of this paragraph but does not exceed one hundred
10 eighty-five percent of the economic eligibility requirements established
11 under the national school lunch and child nutrition acts (42 United States
12 Code sections 1751 through ~~1785~~ 1793) for free or reduced-price lunches.

13 C. A CERTIFIED SCHOOL TUITION ORGANIZATION SHALL SUBMIT THE
14 FOLLOWING STUDENT DATA ELECTRONICALLY TO THE DEPARTMENT OF EDUCATION ON OR
15 BEFORE JULY 1 OF EACH YEAR:

16 1. THE STUDENT'S NAME.

17 2. THE AMOUNT OF ANY EDUCATIONAL SCHOLARSHIP OR TUITION GRANT THE
18 STUDENT RECEIVED FOR THE PRECEDING FISCAL YEAR.

19 3. THE NAME OF THE QUALIFIED SCHOOL THE STUDENT ATTENDS.

20 Sec. 4. Section 43-1506, Arizona Revised Statutes, is amended to
21 read:

22 43-1506. Annual report; posting

23 A. On or before September 30 of each year, each school tuition
24 organization shall report electronically to the department, in a form
25 prescribed by the department, the following information, separately
26 compiled and identified for the purposes of sections 20-224.06, 20-224.07,
27 43-1183 and 43-1184:

28 1. The name, address and contact person of the school tuition
29 organization.

30 2. The total number of contributions received during the previous
31 fiscal year.

32 3. The total dollar amount of contributions received during the
33 previous fiscal year.

34 4. The total number of children awarded educational scholarships or
35 tuition grants during the previous fiscal year.

36 5. The total dollar amount of:

37 (a) Educational scholarships and tuition grants distributed during
38 the previous fiscal year.

39 (b) Monies being held for identified students' scholarships and
40 tuition grants in future years.

41 6. The cost of audits pursuant to section 43-1507 paid during the
42 fiscal year.

1 7. The percentage and total dollar amount of educational
2 scholarships and tuition grants awarded during the previous fiscal year
3 to:

4 (a) Students whose family income meets the economic eligibility
5 requirements established under the national school lunch and child
6 nutrition acts (42 United States Code sections 1751 through 1793) for free
7 or reduced-price lunches.

8 (b) Students whose family income exceeds the threshold prescribed
9 by subdivision (a) of this paragraph but does not exceed one hundred
10 eighty-five percent of the economic eligibility requirements established
11 under the national school lunch and child nutrition acts (42 United States
12 Code sections 1751 through 1793) for free or reduced-price lunches.

13 8. For each school to which educational scholarships or tuition
14 grants were awarded:

15 (a) The name and address of the school.

16 (b) The number of educational scholarships and tuition grants
17 awarded during the previous fiscal year, INCLUDING THE NUMBER OF STUDENTS
18 WHO RECEIVED AN EDUCATIONAL SCHOLARSHIP AND TUITION GRANT IN THE AMOUNT
19 OF:

20 (i) LESS THAN \$5,000.

21 (ii) \$5,000 OR MORE BUT LESS THAN \$10,000.

22 (iii) \$10,000 OR MORE BUT LESS THAN \$20,000.

23 (iv) \$20,000 OR MORE BUT LESS THAN \$30,000.

24 (v) \$30,000 OR MORE BUT LESS THAN \$40,000.

25 (vi) \$40,000 OR MORE BUT LESS THAN \$50,000.

26 (vii) \$50,000 OR MORE BUT LESS THAN \$60,000.

27 (viii) \$60,000 OR MORE.

28 (c) The total dollar amount of educational scholarships and tuition
29 grants awarded during the previous fiscal year.

30 (d) THE MEAN AND MEDIAN DOLLAR AMOUNT OF EDUCATIONAL SCHOLARSHIPS
31 AND TUITION GRANTS AWARDED DURING THE PREVIOUS FISCAL YEAR.

32 9. The names, job titles and annual salaries of the three employees
33 who receive the highest annual salaries from the school tuition
34 organization.

35 10. THE NAME, STUDENT IDENTIFIER ASSIGNED PURSUANT TO SECTION
36 15-1047 AND EDUCATIONAL SCHOLARSHIP OR TUITION GRANT AMOUNT OF EACH
37 STUDENT WHO WAS AWARDED AN EDUCATIONAL SCHOLARSHIP OR TUITION GRANT FROM
38 THE SCHOOL TUITION ORGANIZATION DURING THE PREVIOUS FISCAL YEAR. THE
39 DEPARTMENT SHALL USE THE INFORMATION PROVIDED PURSUANT TO THIS PARAGRAPH
40 TO DETERMINE THE AMOUNT OF EDUCATIONAL SCHOLARSHIP OR TUITION GRANT MONIES
41 EACH STUDENT RECEIVES. THIS PARAGRAPH DOES NOT AUTHORIZE THE DEPARTMENT
42 TO RELEASE INFORMATION THAT WOULD VIOLATE THE FAMILY EDUCATIONAL RIGHTS
43 AND PRIVACY ACT OF 1974 (20 UNITED STATES CODE SECTION 1232g).

1 B. The department shall post on its website a report of the
2 information it receives pursuant to subsection A of this section on or
3 before March 31 of the calendar year following the year in which the
4 information is received. THE REPORT MUST ALSO INCLUDE:

5 1. THE TOTAL DOLLAR AMOUNT AWARDED TO STUDENTS FROM EACH SCHOOL
6 TUITION ORGANIZATION.

7 2. THE TOTAL DOLLAR AMOUNT OF EDUCATIONAL SCHOLARSHIPS AND TUITION
8 GRANTS AWARDED TO EACH INDIVIDUAL STUDENT FROM SCHOOL TUITION
9 ORGANIZATIONS AS IDENTIFIED BY THE STUDENT IDENTIFIER ASSIGNED PURSUANT TO
10 SECTION 15-1047.

11 3. THE AVERAGE DOLLAR AMOUNT OF EDUCATIONAL SCHOLARSHIPS AND
12 TUITION GRANTS AWARDED PER STUDENT FROM SCHOOL TUITION ORGANIZATIONS
13 COMPARED TO THE AVERAGE SUM OF THE CHARTER ADDITIONAL ASSISTANCE AND BASE
14 SUPPORT LEVEL PRESCRIBED IN SECTIONS 15-185 AND 15-943, RESPECTFULLY, PER
15 STUDENT BY GRADE LEVEL. EACH YEAR THE DEPARTMENT SHALL PROVIDE THIS
16 INFORMATION TO THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR INCLUSION IN THE
17 HISTORICAL SPENDING REPORTS FOR K-12 EDUCATION.

18 Sec. 5. Section 43-1603, Arizona Revised Statutes, is amended to
19 read:

20 43-1603. Operational requirements for school tuition
21 organizations; notice; qualified schools

22 A. A certified school tuition organization must be established to
23 receive contributions from taxpayers for the purposes of income tax
24 credits under sections 43-1089 and 43-1089.03 and to pay educational
25 scholarships or tuition grants to allow students to attend any qualified
26 school of their parents' choice.

27 B. To be eligible for certification and retain certification, the
28 school tuition organization:

29 1. Must allocate at least ninety percent of its annual revenue from
30 contributions made for the purposes of sections 43-1089 and 43-1089.03 for
31 educational scholarships or tuition grants.

32 2. Shall not limit the availability of educational scholarships or
33 tuition grants to only students of one school.

34 3. May allow donors to recommend student beneficiaries, but shall
35 not award, designate or reserve scholarships solely on the basis of donor
36 recommendations.

37 4. Shall not allow donors to designate student beneficiaries as a
38 condition of any contribution to the organization, or facilitate,
39 encourage or knowingly allow the exchange of beneficiary student
40 designations in violation of section 43-1089, subsection F, section
41 43-1089.03, subsection F and section 43-1089.04, subsection E.

42 5. Shall include on the organization's website, if one exists, the
43 percentage and total dollar amount of educational scholarships and tuition
44 grants awarded during the previous fiscal year to:

1 (a) Students whose family income meets the economic eligibility
2 requirements established under the national school lunch and child
3 nutrition acts (42 United States Code sections 1751 through 1793) for free
4 or reduced-price lunches.

5 (b) Students whose family income exceeds the threshold prescribed
6 by subdivision (a) of this paragraph but does not exceed one hundred
7 eighty-five percent of the economic eligibility requirements established
8 under the national school lunch and child nutrition acts (42 United States
9 Code sections 1751 through 1793) for free or reduced-price lunches.

10 6. Must not award educational scholarships or tuition grants to
11 students who are simultaneously enrolled in a district school or charter
12 school and a qualified school.

13 C. A school tuition organization shall include the following notice
14 in any printed materials soliciting donations, in applications for
15 scholarships and on its website, if one exists:

16 Notice

17 A school tuition organization cannot award, restrict or
18 reserve scholarships solely on the basis of a donor's
19 recommendation.

20 A taxpayer may not claim a tax credit if the taxpayer
21 agrees to swap donations with another taxpayer to benefit
22 either taxpayer's own dependent.

23 D. In evaluating applications and awarding, designating or
24 reserving scholarships, a school tuition organization:

25 1. Shall not award, designate or reserve a scholarship solely on
26 the recommendation of any person contributing money to the organization,
27 but may consider the recommendation among other factors.

28 2. Shall consider the financial need of applicants.

29 E. A taxpayer's contribution to a school tuition organization that
30 exceeds the amount of the credit allowed by section 43-1089 but does not
31 exceed the amount of the credit allowed by section 43-1089.03 is
32 considered a contribution pursuant to section 43-1089.03. A school
33 tuition organization must use at least ninety percent of contributions
34 made pursuant to section 43-1089.03 for educational scholarships or
35 tuition grants for students to whom any of the following applies:

36 1. Attended a governmental primary or secondary school as a
37 full-time student as defined in section 15-901 or attended a preschool
38 program that offers services to students with disabilities at a
39 governmental school for at least ninety days of the prior fiscal year and
40 transferred from a governmental school to a qualified school.

41 2. Enroll in a qualified school in a kindergarten program or a
42 preschool program that offers services to students with disabilities.

43 3. Are the dependent of a member of the armed forces of the United
44 States who is stationed in this state pursuant to military orders.

- 1 4. Are homeschooled before enrolling in a qualified school.
2 5. Moved to this state from out of state before enrolling in a
3 qualified school.
4 6. Participated in an Arizona empowerment scholarship account and
5 did not renew the account or accept the scholarship in order to accept a
6 scholarship or tuition grant under this section.
7 7. Subject to subsection H of this section, are placed in foster
8 care pursuant to title 8, chapter 4 at any time before the student
9 graduates from high school or obtains a general equivalency diploma and
10 who meet all of the following criteria:
11 (a) Are unable to attend a governmental primary or secondary school
12 as a full-time student as defined in section 15-901. For the purposes of
13 this subdivision, "unable to attend" means the student has been expelled
14 or asked not to return due to the student's behavior or the school is not
15 able to provide necessary services to the student.
16 (b) Have not attended a governmental primary or secondary school as
17 a full-time student as defined in section 15-901 for at least ninety days
18 of the prior fiscal year or one full semester before enrolling in a
19 qualified school.
20 (c) The qualified school in which the students are enrolling is
21 only considered because a governmental primary or secondary school cannot
22 meet the students' unique needs, such as severe medical or behavioral
23 needs that require specialized programs.
24 (d) Are unable to receive other scholarships or tuition grants
25 under this chapter or chapter 15 of this title in an amount that is equal
26 to the cost of tuition to attend the qualified school.
27 8. Received an educational scholarship or tuition grant under
28 paragraph 1, 2, 3, 4, 5, 6 or 7 of this subsection or under chapter 15 of
29 this title if the student continues to attend a qualified school in a
30 subsequent year.
31 F. In awarding educational scholarships or tuition grants from
32 contributions made pursuant to section 43-1089.03, a school tuition
33 organization shall give priority to students and siblings of students on a
34 waiting list for scholarships if the school tuition organization maintains
35 a waiting list.
36 G. If an individual educational scholarship or tuition grant
37 exceeds the school's tuition, the amount in excess shall be returned to
38 the school tuition organization that made the award or grant. The school
39 tuition organization may allocate the returned monies as a multiyear award
40 for that student and report the award pursuant to section 43-1604,
41 subsection A, paragraph 5, subdivision (b) or may allocate the returned
42 monies for educational scholarships or tuition grants for other students.
43 H. If a court of competent jurisdiction issues a final judgment
44 that the aggregate tax credit limit prescribed in section 43-1183,

1 subsection C, paragraph 1 is unenforceable and that judgment is no longer
2 subject to further appeal or review, a school tuition organization shall
3 not issue an educational scholarship or a tuition grant under subsection
4 E, paragraph 7 or 8 of this section for children who received an
5 educational scholarship or a tuition grant under subsection E, paragraph 7
6 of this section.

7 I. A CERTIFIED SCHOOL TUITION ORGANIZATION SHALL SUBMIT THE
8 FOLLOWING STUDENT DATA ELECTRONICALLY TO THE DEPARTMENT OF EDUCATION ON OR
9 BEFORE JULY 1 OF EACH YEAR:

10 1. THE STUDENT'S NAME AND THE STUDENT IDENTIFIER ASSIGNED TO THE
11 STUDENT PURSUANT TO SECTION 15-1047.

12 2. THE AMOUNT OF ANY EDUCATIONAL SCHOLARSHIP OR TUITION GRANT THE
13 STUDENT RECEIVED FOR THE PRECEDING FISCAL YEAR.

14 3. THE NAME OF THE QUALIFIED SCHOOL THE STUDENT ATTENDS.

15 Sec. 6. Section 43-1604, Arizona Revised Statutes, is amended to
16 read:

17 43-1604. Annual report; posting

18 A. On or before September 30 of each year, each school tuition
19 organization shall report electronically to the department, in a form
20 prescribed by the department, the following information, separately
21 compiled and identified for the purposes of sections 43-1089 and
22 43-1089.03:

23 1. The name, address and contact person of the school tuition
24 organization.

25 2. The total number of contributions received during the previous
26 fiscal year.

27 3. The total dollar amount of contributions received during the
28 previous fiscal year.

29 4. The total number of children awarded educational scholarships or
30 tuition grants during the previous fiscal year.

31 5. The total dollar amount of:

32 (a) Educational scholarships and tuition grants distributed during
33 the previous fiscal year.

34 (b) ~~Money~~ MONIES being held for identified students' scholarships
35 and tuition grants in future years.

36 6. The cost of audits pursuant to section 43-1605 paid during the
37 fiscal year.

38 7. The total dollar amount of educational scholarships and tuition
39 grants awarded during the previous fiscal year to:

40 (a) Students whose family income meets the economic eligibility
41 requirements established under the national school lunch and child
42 nutrition acts (42 United States Code sections 1751 through 1793) for free
43 or reduced-price lunches.

1 (b) Students whose family income exceeds the threshold prescribed
2 by subdivision (a) of this paragraph but does not exceed one hundred
3 eighty-five percent of the economic eligibility requirements established
4 under the national school lunch and child nutrition acts (42 United States
5 Code sections 1751 through 1793) for free or reduced-price lunches.

6 8. For each school to which educational scholarships or tuition
7 grants were awarded:

8 (a) The name and address of the school.

9 (b) The number of educational scholarships and tuition grants
10 awarded during the previous fiscal year, INCLUDING THE NUMBER OF STUDENTS
11 WHO RECEIVED AN EDUCATIONAL SCHOLARSHIP AND TUITION GRANT IN THE AMOUNT
12 OF:

13 (i) LESS THAN \$5,000.

14 (ii) \$5,000 OR MORE BUT LESS THAN \$10,000.

15 (iii) \$10,000 OR MORE BUT LESS THAN \$20,000.

16 (iv) \$20,000 OR MORE BUT LESS THAN \$30,000.

17 (v) \$30,000 OR MORE BUT LESS THAN \$40,000.

18 (vi) \$40,000 OR MORE BUT LESS THAN \$50,000.

19 (vii) \$50,000 OR MORE BUT LESS THAN \$60,000.

20 (viii) \$60,000 OR MORE.

21 (c) The total dollar amount of educational scholarships and tuition
22 grants awarded during the previous fiscal year.

23 (d) THE MEAN AND MEDIAN DOLLAR AMOUNT OF EDUCATIONAL SCHOLARSHIPS
24 AND TUITION GRANTS AWARDED DURING THE PREVIOUS FISCAL YEAR.

25 9. The names, job titles and annual salaries of the three employees
26 who receive the highest annual salaries from the school tuition
27 organization.

28 10. THE NAME AND EDUCATIONAL SCHOLARSHIP OR TUITION GRANT AMOUNT OF
29 EACH STUDENT WHO WAS AWARDED AN EDUCATIONAL SCHOLARSHIP OR TUITION GRANT
30 FROM THE SCHOOL TUITION ORGANIZATION DURING THE PREVIOUS FISCAL YEAR. THE
31 DEPARTMENT SHALL USE THE INFORMATION PROVIDED PURSUANT TO THIS PARAGRAPH
32 TO DETERMINE HOW MANY STUDENTS ARE RECEIVING MORE THAN ONE EDUCATIONAL
33 SCHOLARSHIP OR TUITION GRANT. THIS PARAGRAPH DOES NOT AUTHORIZE THE
34 DEPARTMENT TO RELEASE INFORMATION THAT WOULD VIOLATE THE FAMILY
35 EDUCATIONAL RIGHTS AND PRIVACY ACT OF 1974 (20 UNITED STATES CODE SECTION
36 1232g).

37 B. The department shall post on its website a report of the
38 information it receives pursuant to subsection A of this section on or
39 before March 31 of the calendar year following the year in which the
40 information is received. THE REPORT MUST ALSO INCLUDE:

41 1. THE TOTAL DOLLAR AMOUNT AWARDED TO STUDENTS FROM EACH SCHOOL
42 TUITION ORGANIZATION.

1 2. THE TOTAL DOLLAR AMOUNT OF EDUCATIONAL SCHOLARSHIPS AND TUITION
2 GRANTS AWARDED TO EACH INDIVIDUAL STUDENT FROM SCHOOL TUITION
3 ORGANIZATIONS AS IDENTIFIED BY THE STUDENT IDENTIFIER ASSIGNED PURSUANT TO
4 SECTION 15-1047.
5 3. THE AVERAGE DOLLAR AMOUNT OF EDUCATIONAL SCHOLARSHIPS AND
6 TUITION GRANTS AWARDED PER STUDENT FROM SCHOOL TUITION ORGANIZATIONS
7 COMPARED TO THE AVERAGE SUM OF THE CHARTER ADDITIONAL ASSISTANCE AND BASE
8 SUPPORT LEVEL PRESCRIBED IN SECTIONS 15-185 AND 15-943, RESPECTFULLY, PER
9 STUDENT BY GRADE LEVEL. EACH YEAR THE DEPARTMENT SHALL PROVIDE THIS
10 INFORMATION TO THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR INCLUSION IN THE
11 HISTORICAL SPENDING REPORTS FOR K-12 EDUCATION.