

REFERENCE TITLE: **STO scholarships; beneficiary recommendations**

State of Arizona
House of Representatives
Fifty-fifth Legislature
First Regular Session
2021

HB 2147

Introduced by
Representative Friese

AN ACT

**AMENDING SECTION 43-1603, ARIZONA REVISED STATUTES; RELATING TO SCHOOL
TUITION ORGANIZATION SCHOLARSHIPS.**

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 43-1603, Arizona Revised Statutes, is amended to
3 read:
4 43-1603. Operational requirements for school tuition
5 organizations; notice; qualified schools
6 A. A certified school tuition organization must be established to
7 receive contributions from taxpayers for the purposes of income tax
8 credits under sections 43-1089 and 43-1089.03 and to pay educational
9 scholarships or tuition grants to allow students to attend any qualified
10 school of their parents' choice.
11 B. To be eligible for certification and retain certification, the
12 school tuition organization:
13 1. Must allocate at least ninety percent of its annual revenue from
14 contributions made for the purposes of sections 43-1089 and 43-1089.03 for
15 educational scholarships or tuition grants.
16 2. Shall not limit the availability of educational scholarships or
17 tuition grants to only students of one school.
18 3. May ~~allow donors to recommend student beneficiaries, but shall~~
19 not award, designate or reserve scholarships ~~society~~ on the basis of donor
20 recommendations.
21 4. Shall not allow donors to designate student beneficiaries as a
22 condition of any contribution to the organization, or facilitate,
23 encourage or knowingly ~~permit~~ ALLOW the exchange of beneficiary student
24 designations in violation of section 43-1089, subsection F, section
25 43-1089.03, subsection F and section 43-1089.04, subsection E.
26 5. Shall include on the organization's website, if one exists, the
27 percentage and total dollar amount of educational scholarships and tuition
28 grants awarded during the previous fiscal year to:
29 (a) Students whose family income meets the economic eligibility
30 requirements established under the national school lunch and child
31 nutrition acts (42 United States Code sections 1751 through 1793) for free
32 or reduced-price lunches.
33 (b) Students whose family income exceeds the threshold prescribed
34 by subdivision (a) of this paragraph but does not exceed one hundred
35 eighty-five percent of the economic eligibility requirements established
36 under the national school lunch and child nutrition acts (42 United States
37 Code sections 1751 through 1793) for free or reduced-price lunches.
38 6. Must not award educational scholarships or tuition grants to
39 students who are simultaneously enrolled in a district school or charter
40 school and a qualified school.
41 C. A school tuition organization shall include the following notice
42 in any printed materials soliciting donations, in applications for
43 scholarships and on its website, if one exists:

Notice

1
2 A school tuition organization cannot award, restrict or
3 reserve scholarships solely on the basis of a donor's
4 recommendation.

5 A taxpayer may not claim a tax credit if the taxpayer
6 agrees to swap donations with another taxpayer to benefit
7 either taxpayer's own dependent.

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

10 1. Shall not award, designate or reserve ~~a scholarship solely~~
11 **SCHOLARSHIPS** on the ~~recommendation of any person contributing money to the~~
12 ~~organization, but may consider the recommendation among other~~
13 ~~factors~~ **BASIS OF DONOR RECOMMENDATIONS.**

14 2. Shall consider the financial need of applicants.

15 E. A taxpayer's contribution to a school tuition organization that
16 exceeds the amount of the credit allowed by section 43-1089 but does not
17 exceed the amount of the credit allowed by section 43-1089.03 is
18 considered a contribution pursuant to section 43-1089.03. A school
19 tuition organization must use at least ninety percent of contributions
20 made pursuant to section 43-1089.03 for educational scholarships or
21 tuition grants for students to whom any of the following applies:

22 1. Attended a governmental primary or secondary school as **A**
23 full-time ~~students~~ **STUDENT** as defined in section 15-901 or attended a
24 preschool program that offers services to students with disabilities at a
25 governmental school for at least ninety days of the prior fiscal year and
26 transferred from a governmental school to a qualified school.

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

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

31 4. Received an educational scholarship or tuition grant under
32 paragraph 1, 2 or 3 of this subsection or under chapter 15 of this title
33 if the student continues to attend a qualified school in a subsequent
34 year.

35 F. In awarding educational scholarships or tuition grants from
36 contributions made pursuant to section 43-1089.03, a school tuition
37 organization shall give priority to students and siblings of students on a
38 waiting list for scholarships if the school tuition organization maintains
39 a waiting list.

40 G. If an individual educational scholarship or tuition grant
41 exceeds the school's tuition, the amount in excess shall be returned to
42 the school tuition organization that made the award or grant. The school
43 tuition organization may allocate the returned monies as a multiyear award
44 for that student and report the award pursuant to section 43-1604,
45 subsection A, paragraph 5, subdivision (b) or may allocate the returned
46 monies for educational scholarships or tuition grants for other students.