

REFERENCE TITLE: **STO scholarships; student transfers**

State of Arizona  
House of Representatives  
Fifty-fifth Legislature  
Second Regular Session  
2022

## **HB 2763**

Introduced by  
Representatives Mathis: Abraham, Cano, Hernandez M, Liguori, Schwiebert,  
Solorio

**AN ACT**

**AMENDING SECTION 43-1603, 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 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 solely 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 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

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

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

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

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

2. Shall consider the financial need of applicants.

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

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

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

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

4. Are homeschooled before enrolling in a qualified school.

5. Moved to this state from out of state before enrolling in a qualified school.

6. Participated in an Arizona empowerment scholarship account and did not renew the account or accept the scholarship in order to accept a scholarship or tuition grant under this section.

~~7. Received an educational scholarship or tuition grant under paragraph 1, 2, 3, 4, 5 or 6 of this subsection or under chapter 15 of this title if the student continues to attend a qualified school in a subsequent year.~~

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

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