

REFERENCE TITLE: STO scholarships; low-income requirements

State of Arizona  
Senate  
Fifty-fifth Legislature  
Second Regular Session  
2022

## **SB 1294**

Introduced by  
Senators Marsh: Alston, Gabaldon, Gonzales, Otundo, Quezada, Stahl  
Hamilton; Representatives Andrade, Dalessandro, Hernandez M, Liguori,  
Pawlik

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 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 **WHOSE FAMILY INCOME DOES**  
10 **NOT EXCEED ONE HUNDRED EIGHTY-FIVE PERCENT OF THE INCOME LIMIT REQUIRED TO**  
11 **QUALIFY A CHILD FOR REDUCED-PRICE LUNCHES UNDER THE NATIONAL SCHOOL LUNCH**  
12 **AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH**  
13 **1793)** to attend any qualified school of their parents' choice.

14       B. To be eligible for certification and retain certification, the  
15 school tuition organization:

16           1. Must allocate at least ninety percent of its annual revenue from  
17 contributions made for the purposes of sections 43-1089 and 43-1089.03 for  
18 educational scholarships or tuition grants **TO STUDENTS WHOSE FAMILY INCOME**  
19 **DOES NOT EXCEED ONE HUNDRED EIGHTY-FIVE PERCENT OF THE INCOME LIMIT**  
20 **REQUIRED TO QUALIFY A CHILD FOR REDUCED-PRICE LUNCHES UNDER THE NATIONAL**  
21 **SCHOOL LUNCH AND CHILD NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751**  
22 **THROUGH 1793).**

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

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

28           4. Shall not allow donors to designate student beneficiaries as a  
29 condition of any contribution to the organization, or facilitate,  
30 encourage or knowingly allow the exchange of beneficiary student  
31 designations in violation of section 43-1089, subsection F, section  
32 43-1089.03, subsection F and section 43-1089.04, subsection E.

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

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

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

1       6. Must not award educational scholarships or tuition grants to  
2 students who are simultaneously enrolled in a district school or charter  
3 school and a qualified school.

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

7              Notice

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

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

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

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

19           2. Shall consider the financial need of applicants.

20          E. A taxpayer's contribution to a school tuition organization that  
21 exceeds the amount of the credit allowed by section 43-1089 but does not  
22 exceed the amount of the credit allowed by section 43-1089.03 is  
23 considered a contribution pursuant to section 43-1089.03. A school  
24 tuition organization must use at least ninety percent of contributions  
25 made pursuant to section 43-1089.03 for educational scholarships or  
26 tuition grants for students WHOSE FAMILY INCOME DOES NOT EXCEED ONE  
27 HUNDRED EIGHTY-FIVE PERCENT OF THE INCOME LIMIT REQUIRED TO QUALIFY A  
28 CHILD FOR REDUCED-PRICE LUNCHES UNDER THE NATIONAL SCHOOL LUNCH AND CHILD  
29 NUTRITION ACTS (42 UNITED STATES CODE SECTIONS 1751 THROUGH 1793) AND to  
30 whom any of the following applies:

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

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

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

40           4. Are homeschooled before enrolling in a qualified school.

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

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

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

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

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

17      H. A STUDENT IS ELIGIBLE TO RECEIVE AN EDUCATIONAL SCHOLARSHIP OR  
18 TUITION GRANT UNDER THIS SECTION IF THE STUDENT MEETS THE CRITERIA TO  
19 RECEIVE REDUCED-PRICE LUNCHES BUT DOES NOT ACTUALLY CLAIM THAT BENEFIT.