

House Engrossed

STO scholarships; foster care students

State of Arizona
House of Representatives
Fifty-sixth Legislature
First Regular Session
2023

HOUSE BILL 2504

AN ACT

AMENDING SECTIONS 43-1504 AND 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 43-1504, Arizona Revised Statutes, is amended to
3 read:

4 43-1504. Special provisions; corporate donations for
5 low-income scholarships; rules

6 A. A school tuition organization that receives contributions from a
7 corporation for the purposes of section 20-224.06 or 43-1183 must use at
8 least ninety percent of those contributions to provide educational
9 scholarships or tuition grants only to children 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
13 through 1793) and to whom any of the following applies:

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

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

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

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

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

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

30 7. ARE PLACED IN FOSTER CARE PURSUANT TO TITLE 8, CHAPTER 4 AT ANY
31 TIME BEFORE THE STUDENT GRADUATES FROM HIGH SCHOOL OR OBTAINS A GENERAL
32 EQUIVALENCY DIPLOMA.

33 ~~7.~~ 8. Received an educational scholarship or tuition grant under
34 paragraph 1, 2, 3, 4, 5, ~~or~~ 6 OR 7 of this subsection or chapter 16,
35 article 1 of this title if the children continue to attend a qualified
36 school in a subsequent year.

37 B. A child is eligible to receive an educational scholarship or
38 tuition grant under subsection A of this section if the child meets the
39 criteria to receive a reduced-price lunch but does not actually claim that
40 benefit.

41 C. In 2021, a school tuition organization shall not issue an
42 educational scholarship or a tuition grant for the purposes of section
43 20-224.06 or 43-1183 in an amount that exceeds \$5,600 for students who are
44 in a kindergarten program, a preschool program that offers services to
45 students with disabilities or grades one through eight or \$7,500 for

1 students who are in grades nine through twelve. In each year after 2021,
2 the limit amount for a scholarship or a grant under this subsection shall
3 be increased by \$200.

4 D. A school tuition organization shall require that student
5 beneficiaries use the educational scholarships or tuition grants on a
6 full-time basis. If a child leaves the school before completing an entire
7 school year, the school shall refund a prorated amount of the educational
8 scholarship or tuition grant to the school tuition organization that
9 issued the scholarship or grant. The school tuition organization shall
10 allocate any refunds it receives under this subsection for educational
11 scholarships or tuition grants.

12 E. Students who receive an educational scholarship or tuition grant
13 under this section shall be allowed to attend any qualified school of
14 their parents' choice.

15 F. The department of revenue, with the cooperation of the
16 department of insurance and financial institutions, shall adopt rules and
17 publish and prescribe forms and procedures necessary to administer this
18 section.

19 Sec. 2. Section 43-1603, Arizona Revised Statutes, is amended to
20 read:

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

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

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

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

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

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

38 4. Shall not allow donors to designate student beneficiaries as a
39 condition of any contribution to the organization, or facilitate,
40 encourage or knowingly allow the exchange of beneficiary student
41 designations in violation of section 43-1089, subsection F, section
42 43-1089.03, subsection F and section 43-1089.04, subsection E.

43 5. Shall include on the organization's website, if one exists, the
44 percentage and total dollar amount of educational scholarships and tuition
45 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.

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

- 1 5. Moved to this state from out of state before enrolling in a
2 qualified school.
- 3 6. Participated in an Arizona empowerment scholarship account and
4 did not renew the account or accept the scholarship in order to accept a
5 scholarship or tuition grant under this section.
- 6 7. ARE PLACED IN FOSTER CARE PURSUANT TO TITLE 8, CHAPTER 4 AT ANY
7 TIME BEFORE THE STUDENT GRADUATES FROM HIGH SCHOOL OR OBTAINS A GENERAL
8 EQUIVALENCY DIPLOMA.
- 9 ~~7.~~ 8. Received an educational scholarship or tuition grant under
10 paragraph 1, 2, 3, 4, 5, ~~OR~~ 6 OR 7 of this subsection or under chapter 15
11 of this title if the student continues to attend a qualified school in a
12 subsequent year.
- 13 F. In awarding educational scholarships or tuition grants from
14 contributions made pursuant to section 43-1089.03, a school tuition
15 organization shall give priority to students and siblings of students on a
16 waiting list for scholarships if the school tuition organization maintains
17 a waiting list.
- 18 G. If an individual educational scholarship or tuition grant
19 exceeds the school's tuition, the amount in excess shall be returned to
20 the school tuition organization that made the award or grant. The school
21 tuition organization may allocate the returned monies as a multiyear award
22 for that student and report the award pursuant to section 43-1604,
23 subsection A, paragraph 5, subdivision (b) or may allocate the returned
24 monies for educational scholarships or tuition grants for other students.