



STATE OF ARIZONA  
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY  
GOVERNOR

EXECUTIVE OFFICE

April 7, 2017

The Honorable Michele Reagan  
Secretary of State  
1700 W. Washington, 7<sup>th</sup> Floor  
Phoenix, AZ 85007

Dear Secretary Reagan:

I am transmitting to you the following bill from the Fifty-third Legislature, 1<sup>st</sup> Regular Session, which I signed on April 6, 2017:

SB 1431 - empowerment scholarships; expansion; phase-in

Sincerely,

A handwritten signature in black ink that reads "Douglas A. Ducey".

Douglas A. Ducey  
Governor  
State of Arizona

cc: Senate Secretary  
Chief Clerk of the House of Representatives  
Arizona News Service

Senate Engrossed

**FILED**

**MICHELE REAGAN  
SECRETARY OF STATE**

State of Arizona  
Senate  
Fifty-third Legislature  
First Regular Session  
2017

**CHAPTER 139  
SENATE BILL 1431**

AN ACT

AMENDING SECTIONS 15-2401, 15-2402, 15-2403 AND 42-2003, ARIZONA REVISED STATUTES; AMENDING LAWS 2013, CHAPTER 250, SECTION 3; RELATING TO EMPOWERMENT SCHOLARSHIP ACCOUNTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 15-2401, Arizona Revised Statutes, is amended to  
3 read:

4 15-2401. Definitions

5 In this chapter, unless the context otherwise requires:

6 ~~1. "Annual education plan" means an initial individualized~~  
7 ~~evaluation and subsequent annual reviews that are developed for a~~  
8 ~~qualified student who meets the criteria specified in paragraph 7,~~  
9 ~~subdivision (a), item (i), (ii) or (iii) of this section to determine~~  
10 ~~ongoing annual eligibility through the school year in which the qualified~~  
11 ~~student reaches twenty-two years of age and whether the student may be~~  
12 ~~eligible pursuant to section 36-2981 and should be referred for~~  
13 ~~eligibility determination.~~

14 ~~2.~~ 1. "Curriculum" means a complete course of study for content  
15 areas or grade levels, including any supplemental materials required by  
16 the curriculum, approved by the department.

17 ~~3.~~ 2. "Department" means the department of education.

18 ~~4.~~ 3. "Eligible postsecondary institution" means a community  
19 college as defined in section 15-1401, a university under the jurisdiction  
20 of the Arizona board of regents or an accredited private postsecondary  
21 institution.

22 4. "LOW-INCOME STUDENT" MEANS A CHILD WHO IS OR WAS A WARD OF THE  
23 JUVENILE COURT PURSUANT TO PARAGRAPH 7, SUBDIVISION (a), ITEM (viii) OR  
24 (ix) OF THIS SECTION OR A CHILD WHO IS A DEPENDENT OF A FAMILY WHOSE  
25 FEDERAL ADJUSTED GROSS INCOME AS REFLECTED ON THE LAST STATE INCOME TAX  
26 RETURN THAT WAS REQUIRED TO BE FILED DOES NOT EXCEED TWO HUNDRED FIFTY  
27 PERCENT OF THE FEDERAL POVERTY GUIDELINES FOR THAT SAME YEAR.

28 5. "Parent" means a resident of this state who is the parent or  
29 legal guardian of a qualified student.

30 6. "Qualified school" means a nongovernmental primary or secondary  
31 school or a preschool for pupils with disabilities that is located in this  
32 state and that does not discriminate on the basis of race, color or  
33 national origin.

34 7. "Qualified student" means a resident of this state who:

35 (a) Is any of the following:

36 (i) Identified as having a disability under section 504 of the  
37 rehabilitation act of 1973 (29 United States Code section 794).

38 (ii) Identified by a school district or by an independent third  
39 party pursuant to section 15-2403, subsection I as a child with a  
40 disability as defined in section 15-731 or 15-761.

41 (iii) A child with a disability who is eligible to receive services  
42 from a school district under section 15-763.

43 (iv) Attending a school or school district that has been assigned a  
44 letter grade of D or F pursuant to section 15-241. ~~or~~

1 (v) A CHILD who is currently eligible to attend kindergarten and  
2 who resides within the attendance boundary of a school OR SCHOOL DISTRICT  
3 that has been assigned a letter grade of D or F pursuant to section  
4 15-241.

5 ~~(v)~~ (vi) A previous recipient of a scholarship issued pursuant to  
6 section 15-891 or this section, unless the qualified student's parent has  
7 been removed from eligibility in the program for failure to comply  
8 pursuant to section 15-2403, subsection C.

9 ~~(vi)~~ (vii) A child of a parent who is a member of the armed forces  
10 of the United States and who is on active duty or was killed in the line  
11 of duty. A child who meets the requirements of this item is not subject  
12 to subdivision (b) of this paragraph.

13 ~~(vii)~~ (viii) A child who is a ward of the juvenile court and who  
14 is residing with a prospective permanent placement pursuant to section  
15 8-862 and the case plan is adoption or permanent guardianship.

16 ~~(viii)~~ (ix) A child who was a ward of the juvenile court and who  
17 achieved permanency through adoption or permanent guardianship.

18 ~~(ix)~~ (x) A child who is the sibling of a current or previous  
19 empowerment scholarship account recipient or of an eligible qualified  
20 student who accepts the terms of and enrolls in ~~the~~ AN empowerment  
21 scholarship ~~program~~ ACCOUNT.

22 ~~(x)~~ (xi) A child who resides within the boundaries of an Indian  
23 reservation in this state as determined by the department of education or  
24 a tribal government.

25 ~~(xi)~~ (xii) A child of a parent who is legally blind ~~pursuant to~~  
26 ~~section 41-1973, subsection C~~ or IS deaf or hard of hearing ~~pursuant to AS~~  
27 ~~DEFINED IN~~ section 36-1941.

28 (xiii) BEGINNING IN THE 2017-2018 SCHOOL YEAR, A CHILD WHO  
29 CURRENTLY ATTENDS OR IS ELIGIBLE TO ATTEND A PUBLIC SCHOOL IN A  
30 KINDERGARTEN PROGRAM OR ANY OF GRADES ONE, SIX AND NINE.

31 (xiv) BEGINNING IN THE 2018-2019 SCHOOL YEAR, A CHILD WHO CURRENTLY  
32 ATTENDS OR IS ELIGIBLE TO ATTEND A PUBLIC SCHOOL IN A KINDERGARTEN PROGRAM  
33 OR ANY OF GRADES ONE, TWO, SIX, SEVEN, NINE AND TEN.

34 (xv) BEGINNING IN THE 2019-2020 SCHOOL YEAR, A CHILD WHO CURRENTLY  
35 ATTENDS OR IS ELIGIBLE TO ATTEND A PUBLIC SCHOOL IN A KINDERGARTEN PROGRAM  
36 OR ANY OF GRADES ONE THROUGH THREE AND GRADES SIX THROUGH ELEVEN.

37 (xvi) BEGINNING IN THE 2020-2021 SCHOOL YEAR, A CHILD WHO CURRENTLY  
38 ATTENDS OR IS ELIGIBLE TO ATTEND A PUBLIC SCHOOL IN A KINDERGARTEN PROGRAM  
39 OR ANY OF GRADES ONE THROUGH TWELVE.

40 (b) And, except as provided in subdivision (a), item ~~(vi)~~ (vii) of  
41 this paragraph, who meets any of the following requirements:

42 (i) Attended a governmental primary or secondary school as a  
43 full-time student as defined in section 15-901 for at least ~~the first~~ one  
44 hundred days of the prior fiscal year and who transferred from a  
45 governmental primary or secondary school under a contract to participate

1 in an empowerment scholarship account. First, second and third grade  
2 students who are enrolled in Arizona online instruction must receive four  
3 hundred hours of logged instruction to be eligible pursuant to this item.  
4 Fourth, fifth and sixth grade students who are enrolled in Arizona online  
5 instruction must receive five hundred hours of logged instruction to be  
6 eligible pursuant to this item. Seventh and eighth grade students who are  
7 enrolled in Arizona online instruction must receive five hundred fifty  
8 hours of logged instruction to be eligible pursuant to this item. High  
9 school students who are enrolled in Arizona online instruction must  
10 receive five hundred hours of logged instruction to be eligible pursuant  
11 to this item. THE DEPARTMENT MAY REQUEST A LOCAL EDUCATION AGENCY TO  
12 PROVIDE DOCUMENTATION OR CONFIRMATION OF THE STUDENT ATTENDANCE REQUIRED  
13 BY THIS ITEM, AND THE SCHOOL SHALL COMPLY WITH THE DEPARTMENT'S REQUEST  
14 WITHIN TEN DAYS.

15 (ii) Previously participated in ~~the~~ AN empowerment scholarship  
16 account ~~program~~.

17 (iii) Received a scholarship under section 43-1505 and who  
18 continues to attend a qualified school if the student attended a  
19 governmental primary or secondary school as a full-time student as defined  
20 in section 15-901 for at least ninety days of the prior fiscal year or one  
21 full semester prior to attending a qualified school.

22 (iv) Was eligible for an Arizona scholarship for pupils with  
23 disabilities and received monies from a school tuition organization  
24 pursuant to section 43-1505 or received an Arizona scholarship for pupils  
25 with disabilities but did not receive monies from a school tuition  
26 organization pursuant to section 43-1505 and who continues to attend a  
27 qualified school if the student attended a governmental primary or  
28 secondary school as a full-time student as defined in section 15-901 for  
29 at least ninety days of the prior fiscal year or one full semester prior  
30 to attending a qualified school.

31 (v) Has not previously attended a governmental primary or secondary  
32 school but is currently eligible to enroll in a kindergarten program in a  
33 school district or charter school in this state or attended a program for  
34 preschool children with disabilities. FOR THE PURPOSES OF THIS ITEM, A  
35 CHILD IS ELIGIBLE TO ENROLL IN A KINDERGARTEN PROGRAM IF THE CHILD IS AT  
36 LEAST FOUR BUT UNDER SEVEN YEARS OF AGE.

37 (vi) Has not previously attended a governmental primary or  
38 secondary school but is currently eligible to enroll in a program for  
39 preschool children with disabilities in this state.

40 8. "Treasurer" means the office of the state treasurer.

41 Sec. 2. Section 15-2402, Arizona Revised Statutes, is amended to  
42 read:

43 15-2402. Arizona empowerment scholarship accounts; funds

44 A. Arizona empowerment scholarship accounts are established to  
45 provide options for the education of students in this state.

1           B. To enroll a qualified student for an empowerment scholarship  
2 account, the parent of the qualified student must sign an agreement to do  
3 all of the following:

4           1. Use a portion of the empowerment scholarship account monies  
5 allocated annually to provide an education for the qualified student in at  
6 least the subjects of reading, grammar, mathematics, social studies and  
7 science.  ~~, unless the empowerment scholarship account is allocated monies~~  
8  ~~according to a transfer schedule other than quarterly transfers pursuant~~  
9  ~~to section 15-2403, subsection F.~~

10           2. Not enroll the qualified student in a school district or charter  
11 school and release the school district from all obligations to educate the  
12 qualified student. This paragraph does not relieve the school district or  
13 charter school that the qualified student previously attended from the  
14 obligation to conduct an evaluation pursuant to section 15-766.

15           3. Not accept a scholarship from a school tuition organization  
16 pursuant to title 43 concurrently with an empowerment scholarship account  
17 for the qualified student  ~~in DURING the same year a parent signs the~~  
18  ~~agreement pursuant to this section.~~ TIME THE QUALIFIED STUDENT IS ACTIVELY  
19 ENROLLED IN AN EMPOWERMENT SCHOLARSHIP ACCOUNT. THE DEPARTMENT MAY  
20 REQUEST THE QUALIFIED SCHOOL TO PROVIDE CONFIRMATION THAT THE QUALIFIED  
21 STUDENT IS IN COMPLIANCE WITH THIS PARAGRAPH.

22           4. Use the money deposited in the qualified student's Arizona  
23 empowerment scholarship account only for the following expenses of the  
24 qualified student:

25           (a) Tuition or fees at a qualified school.

26           (b) Textbooks required by a qualified school.

27           (c) If the qualified student meets any of the criteria specified in  
28 section 15-2401, paragraph ~~6~~ 7, subdivision (a), item (i), (ii) or (iii)  
29 as determined by a school district or by an independent third party  
30 pursuant to section 15-2403, subsection I, the qualified student may use  
31 the following additional services:

32           (i) Educational therapies from a licensed or accredited  
33 practitioner or provider.

34           (ii) A licensed or accredited paraprofessional or educational aide.

35           (iii) Tuition for vocational and life skills education approved by  
36 the department.

37           (iv) Associated services that include educational and psychological  
38 evaluations, assistive technology rentals and braille translation services  
39 approved by the department.

40           (d) Tutoring or teaching services provided by an individual or  
41 facility accredited by a state, regional or national accrediting  
42 organization.

43           (e) Curricula.

44           (f) Tuition or fees for a nonpublic online learning program.

1 (g) Fees for a nationally standardized norm-referenced achievement  
2 test, an advanced placement examination or any exams related to college or  
3 university admission OR ANY EXAMINATION PURSUANT TO PARAGRAPH 7 OF THIS  
4 SUBSECTION.

5 ~~(h) Contributions to a Coverdell education savings account~~  
6 ~~established pursuant to 26 United States Code section 530 for the benefit~~  
7 ~~of the qualified student, except that money used for elementary or~~  
8 ~~secondary education expenses must be for expenses otherwise allowed under~~  
9 ~~this section.~~

10 ~~(i)~~ (h) Tuition or fees at an eligible postsecondary institution.

11 ~~(j)~~ (i) Textbooks required by an eligible postsecondary  
12 institution.

13 ~~(k)~~ (j) Fees for management of the empowerment scholarship  
14 account.

15 ~~(l)~~ (k) Services provided by a public school, including individual  
16 classes and extracurricular programs.

17 ~~(m)~~ (l) Insurance or surety bond payments.

18 ~~(n)~~ (m) Uniforms purchased from or through a qualified school.

19 ~~(o) Beginning January 1, 2017, if the qualified student meets the~~  
20 ~~criteria specified in section 15-2401, paragraph 7, subdivision (a), item~~  
21 ~~(i), (ii) or (iii) and if the qualified student is in the second year~~  
22 ~~prior to the final year of a contract executed pursuant to this article,~~  
23 ~~costs associated with an annual education plan conducted by an independent~~  
24 ~~evaluation team. The department shall prescribe minimum qualifications~~  
25 ~~for independent evaluation teams pursuant to this subdivision and factors~~  
26 ~~that teams must use to determine whether the qualified student shall be~~  
27 ~~eligible to continue to receive monies pursuant to this article through~~  
28 ~~the school year in which the qualified student reaches twenty-two years of~~  
29 ~~age. An independent evaluation team that provides an annual education~~  
30 ~~plan pursuant to this subdivision shall submit a written report that~~  
31 ~~summarizes the results of the evaluation to the parent of the qualified~~  
32 ~~student and to the department on or before July 31. The written report~~  
33 ~~submitted by the independent evaluation team is valid for one year. If~~  
34 ~~the department determines that the qualified student meets the eligibility~~  
35 ~~criteria prescribed in the annual education plan, the qualified student is~~  
36 ~~eligible to continue to receive monies pursuant to this article until the~~  
37 ~~qualified student reaches twenty-two years of age, subject to annual~~  
38 ~~review. A parent may appeal the department's decision pursuant to title~~  
39 ~~41, chapter 6, article 10. As an addendum to a qualified student's final-~~  
40 ~~year contract, the department shall provide the following written~~  
41 ~~information to the parent of the qualified student:~~

42 ~~(i) That the qualified student will not be eligible to continue to~~  
43 ~~receive monies pursuant to this article unless the results of an annual~~  
44 ~~education plan conducted pursuant to this subdivision demonstrate that the~~

1 ~~qualified student meets the eligibility criteria prescribed in the annual~~  
2 ~~education plan.~~

3 ~~(ii) That the parent is entitled to obtain an annual education plan~~  
4 ~~pursuant to this subdivision to determine whether the qualified student~~  
5 ~~meets the eligibility criteria prescribed in the annual education plan.~~

6 ~~(iii) A list of independent evaluation teams that meet the minimum~~  
7 ~~qualifications prescribed by the department pursuant to this subdivision.~~

8 5. Not file an affidavit of intent to homeschool pursuant to  
9 section 15-802, subsection B, paragraph 2 or 3.

10 6. Not use monies deposited in the qualified student's account for  
11 any of the following:

12 (a) Computer hardware or other technological devices.

13 (b) Transportation of the pupil.

14 (c) Consumable educational supplies, including paper, pens or  
15 markers.

16 7. BEGINNING IN THE 2017-2018 SCHOOL YEAR AND EACH YEAR THEREAFTER,  
17 ANNUALLY HAVE A QUALIFIED STUDENT WHO PAYS TUITION AS A FULL-TIME STUDENT  
18 AT A QUALIFIED SCHOOL AND WHO IS IN ANY OF GRADES THREE THROUGH TWELVE  
19 TAKE ANY NATIONALLY STANDARDIZED NORM-REFERENCED ACHIEVEMENT EXAMINATION,  
20 AN ADVANCED PLACEMENT EXAMINATION THAT ASSESSES READING AND MATHEMATICS,  
21 THE STATEWIDE ASSESSMENT PURSUANT TO SECTION 15-741 OR ANY EXAMINATION  
22 RELATED TO COLLEGE OR UNIVERSITY ADMISSIONS THAT ASSESSES READING AND  
23 MATHEMATICS. A QUALIFIED STUDENT MAY MEET THE REQUIREMENTS OF THIS  
24 PARAGRAPH BY TAKING AN EXAMINATION THAT IS CHOSEN AND ADMINISTERED BY A  
25 QUALIFIED SCHOOL, OR A PARENT MAY CHOOSE A SEPARATE EXAMINATION PURSUANT  
26 TO THIS PARAGRAPH THAT IS ADMINISTERED OUTSIDE OF THE QUALIFIED SCHOOL.  
27 THE EXAMINATION RESULTS SHALL BE REPORTED TO THE PARENT OF THE STUDENT.  
28 THIS PARAGRAPH DOES NOT APPLY TO:

29 (a) A STUDENT WHO IS IDENTIFIED AS HAVING A DISABILITY UNDER  
30 SECTION 504 OF THE REHABILITATION ACT OF 1973 (29 UNITED STATES CODE  
31 SECTION 794).

32 (b) A STUDENT WHO IS IDENTIFIED BY A SCHOOL DISTRICT OR INDEPENDENT  
33 THIRD PARTY PURSUANT TO SECTION 15-2403, SUBSECTION I AS A CHILD WITH A  
34 DISABILITY AS DEFINED IN SECTION 15-731 OR 15-761.

35 (c) A CHILD WITH A DISABILITY WHO IS ELIGIBLE TO RECEIVE SERVICES  
36 FROM A SCHOOL DISTRICT UNDER SECTION 15-763.

37 C. In exchange for the parent's agreement pursuant to subsection B  
38 of this section, the department OF EDUCATION shall transfer from the  
39 monies that would otherwise be allocated to a recipient's prior school  
40 district OR CHARTER SCHOOL, or if the child is currently eligible to  
41 attend kindergarten, the monies that the department OF EDUCATION  
42 determines would otherwise be allocated to a recipient's expected school  
43 district of attendance, to the treasurer for deposit into an Arizona  
44 empowerment scholarship account an amount that is equivalent to ninety  
45 percent of the sum of the base support level and additional assistance

1 prescribed in sections 15-185 and 15-943 for that particular student ~~if~~  
2 ~~that student were attending a charter school~~ BASED ON WHETHER THE STUDENT  
3 WAS PREVIOUSLY ATTENDING EITHER A CHARTER SCHOOL OR A SCHOOL DISTRICT.  
4 NOTWITHSTANDING ANY OTHER LAW, THE FUNDING LEVEL FOR A STUDENT WHO IS A  
5 RECIPIENT OF AN EMPOWERMENT SCHOLARSHIP ACCOUNT ON OR BEFORE JUNE 30, 2017  
6 MAY NOT BE REDUCED. The department OF EDUCATION may retain up to five  
7 percent of the sum of the base support level and additional assistance  
8 prescribed in sections 15-185 and 15-943 for each student with an  
9 empowerment scholarship account for deposit in the department of education  
10 empowerment scholarship account fund established ~~in~~ BY subsection ~~D~~ E of  
11 this section, out of which the department OF EDUCATION shall transfer one  
12 percent of the sum of the base support level and additional assistance  
13 prescribed in sections 15-185 and 15-943 for each student with an  
14 empowerment scholarship account to the ~~state~~ treasurer for deposit in the  
15 state treasurer empowerment scholarship account fund established ~~in~~ BY  
16 subsection ~~E~~ F of this section AND OUT OF WHICH THE DEPARTMENT OF  
17 EDUCATION SHALL TRANSFER AN ADDITIONAL ONE PERCENT OF THE SUM OF THE BASE  
18 SUPPORT LEVEL AND ADDITIONAL ASSISTANCE PRESCRIBED IN SECTIONS 15-185 AND  
19 15-943 FOR EACH STUDENT WITH AN EMPOWERMENT SCHOLARSHIP ACCOUNT TO THE  
20 DEPARTMENT OF REVENUE FOR DEPOSIT IN THE DEPARTMENT OF REVENUE EMPOWERMENT  
21 SCHOLARSHIP ACCOUNT FUND ESTABLISHED BY SUBSECTION G OF THIS SECTION.

22 D. NOTWITHSTANDING SUBSECTION C OF THIS SECTION, FOR A STUDENT WHOM  
23 THE DEPARTMENT OF REVENUE DETERMINES TO BE A LOW-INCOME STUDENT, AND IN  
24 EXCHANGE FOR THE PARENT'S AGREEMENT PURSUANT TO SUBSECTION B OF THIS  
25 SECTION, THE DEPARTMENT OF EDUCATION SHALL TRANSFER FROM THE MONIES THAT  
26 WOULD OTHERWISE BE ALLOCATED TO A RECIPIENT'S PRIOR SCHOOL DISTRICT OR  
27 CHARTER SCHOOL, OR IF THE CHILD IS CURRENTLY ELIGIBLE TO ATTEND  
28 KINDERGARTEN, THE MONIES THAT THE DEPARTMENT OF EDUCATION DETERMINES WOULD  
29 OTHERWISE BE ALLOCATED TO A RECIPIENT'S EXPECTED SCHOOL DISTRICT OF  
30 ATTENDANCE, TO THE TREASURER FOR DEPOSIT IN AN ARIZONA EMPOWERMENT  
31 SCHOLARSHIP ACCOUNT AN AMOUNT THAT IS EQUIVALENT TO ONE HUNDRED PERCENT OF  
32 THE SUM OF THE BASE SUPPORT LEVEL AND ADDITIONAL ASSISTANCE PRESCRIBED IN  
33 SECTIONS 15-185 AND 15-943 FOR THAT PARTICULAR STUDENT BASED ON WHETHER  
34 THE STUDENT WAS PREVIOUSLY ATTENDING EITHER A CHARTER SCHOOL OR A SCHOOL  
35 DISTRICT.

36 ~~D~~. E. The department of education empowerment scholarship account  
37 fund is established consisting of monies retained by the department  
38 pursuant to subsection C of this section. The department shall administer  
39 the fund. Monies in the fund are subject to legislative appropriation.  
40 Monies in the fund shall be used for the department's costs in  
41 administering empowerment scholarship accounts under this chapter. Monies  
42 in the fund are exempt from the provisions of section 35-190 relating to  
43 lapsing of appropriations. If the number of empowerment scholarship  
44 accounts significantly increases after fiscal year 2012-2013, the  
45 department may request an increase in the amount appropriated to the fund

1 in any subsequent fiscal year in the budget estimate submitted pursuant to  
2 section 35-113.

3 ~~F.~~ F. The state treasurer empowerment scholarship account fund is  
4 established consisting of monies transferred by the department to the  
5 state treasurer pursuant to subsection C of this section. The state  
6 treasurer shall administer the fund. Monies in the fund shall be used for  
7 the state treasurer's costs in administering the empowerment scholarship  
8 accounts under this chapter. If the number of empowerment scholarship  
9 accounts significantly increases after fiscal year 2013-2014, the state  
10 treasurer may request an increase in the amount appropriated to the fund  
11 in any subsequent fiscal year in the budget estimate submitted pursuant to  
12 section 35-113. Monies in the fund are subject to legislative  
13 appropriation. Monies in the fund are exempt from the provisions of  
14 section 35-190 relating to lapsing of appropriations.

15 G. THE DEPARTMENT OF REVENUE EMPOWERMENT SCHOLARSHIP ACCOUNT FUND  
16 IS ESTABLISHED CONSISTING OF MONIES TRANSFERRED BY THE DEPARTMENT OF  
17 EDUCATION TO THE DEPARTMENT OF REVENUE PURSUANT TO SUBSECTION C OF THIS  
18 SECTION. THE DEPARTMENT OF REVENUE SHALL ADMINISTER THE FUND. MONIES IN  
19 THE FUND SHALL BE USED FOR THE DEPARTMENT OF REVENUE'S COSTS IN  
20 ADMINISTERING THE EMPOWERMENT SCHOLARSHIP ACCOUNTS UNDER THIS CHAPTER. IF  
21 THE NUMBER OF EMPOWERMENT SCHOLARSHIP ACCOUNTS SIGNIFICANTLY INCREASES,  
22 THE DEPARTMENT OF REVENUE MAY REQUEST AN INCREASE IN THE AMOUNT  
23 APPROPRIATED TO THE FUND IN ANY SUBSEQUENT FISCAL YEAR IN THE BUDGET  
24 ESTIMATE SUBMITTED PURSUANT TO SECTION 35-113. MONIES IN THE FUND ARE  
25 SUBJECT TO LEGISLATIVE APPROPRIATION. MONIES IN THE FUND ARE EXEMPT FROM  
26 THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

27 ~~F.~~ H. A parent must renew the qualified student's empowerment  
28 scholarship account on an annual basis. ~~Notwithstanding any changes to~~  
29 ~~the student's multidisciplinary evaluation team plan,~~ A student who has  
30 previously qualified for an empowerment scholarship account ~~shall remain~~  
31 REMAINS eligible to apply for renewal until the student finishes GRADUATES  
32 FROM high school, OBTAINS A GENERAL EQUIVALENCY DIPLOMA OR REACHES  
33 TWENTY-TWO YEARS OF AGE IF THE STUDENT CONTINUES TO BE ENROLLED IN A  
34 QUALIFIED SCHOOL. THE DEPARTMENT MAY REQUEST CONFIRMATION OF A QUALIFIED  
35 STUDENT'S PROGRESS TOWARD GRADUATION FROM HIGH SCHOOL OR THE COMPLETION OF  
36 A GENERAL EQUIVALENCY DIPLOMA. A QUALIFIED STUDENT WHO IS AT LEAST  
37 EIGHTEEN YEARS OF AGE AND WHO HAS BEEN DEEMED ELIGIBLE TO RECEIVE  
38 EDUCATIONAL THERAPIES OR SERVICES PURSUANT TO SECTION 15-2403, SUBSECTION  
39 I OR HAS BEEN IDENTIFIED AS A STUDENT WITH A DISABILITY PURSUANT TO  
40 SECTION 15-2401, PARAGRAPH 7, SUBDIVISION (a), ITEM (i), (ii) OR (iii)  
41 REMAINS ELIGIBLE TO APPLY FOR RENEWAL UNTIL THE QUALIFIED STUDENT REACHES  
42 TWENTY-TWO YEARS OF AGE OR OBTAINS A GENERAL EQUIVALENCY DIPLOMA WITHOUT  
43 BEING ENROLLED IN A QUALIFIED SCHOOL IF THE QUALIFIED STUDENT CONTINUES TO  
44 USE AT LEAST FIFTY PERCENT OF AVAILABLE EMPOWERMENT SCHOLARSHIP ACCOUNT  
45 MONIES ANNUALLY FOR ELIGIBLE PURCHASES PURSUANT TO SUBSECTION B, PARAGRAPH

1 4, SUBDIVISION (c) OF THIS SECTION. THE DEPARTMENT MAY REMOVE QUALIFIED  
2 STUDENTS WHO ARE NOT IN COMPLIANCE WITH THIS SUBSECTION FROM THE PROGRAM  
3 IN THE SUBSEQUENT YEAR.

4 ~~G.~~ I. A signed agreement under this section constitutes school  
5 attendance required by section 15-802.

6 ~~H.~~ J. A qualified school or a provider of services purchased  
7 pursuant to subsection B, paragraph 4 of this section may not share,  
8 refund or rebate any Arizona empowerment scholarship account monies with  
9 the parent or qualified student in any manner.

10 ~~I.~~ K. On the qualified student's graduation from a postsecondary  
11 institution or after any period of four consecutive years after high  
12 school graduation in which the student is not enrolled in an eligible  
13 postsecondary institution, the qualified student's Arizona empowerment  
14 scholarship account shall be closed and any remaining funds shall be  
15 returned to the state.

16 ~~J.~~ L. Monies received pursuant to this article do not constitute  
17 taxable income to the parent of the qualified student.

18 M. THE DEPARTMENT OF REVENUE AND THE DEPARTMENT OF EDUCATION SHALL  
19 DEVELOP A PROCESS AND PROCEDURES TO DETERMINE WHETHER A STUDENT MAY BE  
20 CLASSIFIED AS A LOW-INCOME STUDENT FOR THE PURPOSES OF FUNDING LEVELS.  
21 THE DEPARTMENT OF EDUCATION MAY REQUEST THE DEPARTMENT OF REVENUE TO  
22 VERIFY THE INCOME LEVEL OF A PARENT USING ALREADY-AVAILABLE INFORMATION  
23 AND DATA AT THE DEPARTMENT OF REVENUE. THE DEPARTMENT OF REVENUE MAY  
24 VERIFY ONLY THE QUALIFIED STUDENT'S ELIGIBILITY OR INELIGIBILITY FOR  
25 INCREASED FUNDING AND MAY NOT TRANSFER ANY OTHER INCOME DATA TO THE  
26 DEPARTMENT OF EDUCATION. THE DEPARTMENT OF EDUCATION SHALL ALLOW  
27 APPLICANTS TO DESIGNATE WHETHER THEY WOULD LIKE TO BE CLASSIFIED AS  
28 LOW-INCOME FOR THE PURPOSES OF FUNDING FOR AN EMPOWERMENT SCHOLARSHIP  
29 ACCOUNT. THE DEPARTMENT OF REVENUE AND THE DEPARTMENT OF EDUCATION MAY  
30 DEVELOP ALTERNATIVE FORMS OF INCOME VERIFICATION FOR FAMILIES THAT ARE NOT  
31 REQUIRED BY LAW TO FILE STATE INCOME TAX RETURNS. IF THE DEPARTMENT OF  
32 REVENUE SUBSEQUENTLY RECEIVES INFORMATION THAT INDICATES A STUDENT SHOULD  
33 NOT HAVE BEEN CLASSIFIED AS A LOW-INCOME STUDENT, THE DEPARTMENT OF  
34 REVENUE SHALL NOTIFY THE DEPARTMENT OF EDUCATION. A STUDENT WHO IS  
35 SUBSEQUENTLY NOT CLASSIFIED AS LOW-INCOME SHALL BE FUNDED AT THE LEVEL  
36 PRESCRIBED PURSUANT TO SUBSECTION C OF THIS SECTION. A STUDENT MAY BEGIN  
37 AND CONTINUE TO RECEIVE THE REGULAR LEVEL OF FUNDING PURSUANT TO  
38 SUBSECTION C OF THIS SECTION ON SIGNING THE AGREEMENT TO ENROLL IN AN  
39 EMPOWERMENT SCHOLARSHIP ACCOUNT AND MAY BE SUBSEQUENTLY INCREASED TO THE  
40 LEVEL OF FUNDING PURSUANT TO SUBSECTION D OF THIS SECTION IF THE STUDENT  
41 IS DEEMED A LOW-INCOME STUDENT.

42 N. THE DEPARTMENT SHALL ALLOW AN APPLICANT FOR AN EMPOWERMENT  
43 SCHOLARSHIP ACCOUNT TO IDENTIFY ALL POTENTIALLY APPLICABLE ENROLLMENT  
44 ELIGIBILITY CRITERIA DURING THE APPLICATION PROCESS AND MAY NOT RESTRICT  
45 THE APPLICANT TO THE IDENTIFICATION OF A SINGLE ENROLLMENT ELIGIBILITY

1 CRITERION. BEGINNING OCTOBER 1, 2017, THE DEPARTMENT SHALL ALLOW AN  
2 APPLICANT FOR AN EMPOWERMENT SCHOLARSHIP ACCOUNT OR A CURRENT EMPOWERMENT  
3 SCHOLARSHIP ACCOUNT HOLDER TO GIVE WRITTEN CONSENT AND IDENTIFY A THIRD  
4 PARTY TO ASSIST THE APPLICANT OR QUALIFIED STUDENT IN THE APPLICATION  
5 PROCESS OR INTERACTING WITH THE DEPARTMENT ON THE APPLICANT'S OR ACCOUNT  
6 HOLDER'S BEHALF. FOR THE PURPOSES OF THIS SUBSECTION, "THIRD PARTY" MEANS  
7 ANY NONPROFIT OR PRIVATE ENTITY, INCLUDING A QUALIFIED SCHOOL.

8 O. NOTWITHSTANDING SECTION 15-2404, A QUALIFIED SCHOOL THAT ENROLLS  
9 FIFTY OR MORE QUALIFIED STUDENTS AND THAT ADMINISTERS ANY NATIONALLY  
10 STANDARDIZED NORM-REFERENCED ACHIEVEMENT EXAMINATION, AN ADVANCED  
11 PLACEMENT EXAMINATION THAT ASSESSES READING AND MATHEMATICS, THE STATEWIDE  
12 ASSESSMENT PURSUANT TO SECTION 15-741 OR ANY EXAMINATION RELATED TO  
13 COLLEGE OR UNIVERSITY ADMISSIONS THAT ASSESSES READING AND MATHEMATICS  
14 SHALL ANNUALLY MAKE AVAILABLE TO THE PUBLIC ON REQUEST OR ON THE QUALIFIED  
15 SCHOOL'S WEBSITE THE AGGREGATE TEST SCORES OF ALL STUDENTS. A NETWORK OF  
16 QUALIFIED SCHOOLS MAY SATISFY THIS REQUIREMENT BY PUBLISHING THE AGGREGATE  
17 TEST SCORES BY GRADE LEVEL FOR ALL SCHOOLS WITHIN THE NETWORK.

18 P. BEGINNING IN FISCAL YEAR 2022-2023, THE NUMBER OF EMPOWERMENT  
19 SCHOLARSHIP ACCOUNTS APPROVED BY THE DEPARTMENT EACH FISCAL YEAR MAY NOT  
20 EXCEED THE TOTAL NUMBER OF EMPOWERMENT SCHOLARSHIP ACCOUNTS APPROVED BY  
21 THE DEPARTMENT DURING THE 2021-2022 SCHOOL YEAR.

22 Sec. 3. Section 15-2403, Arizona Revised Statutes, is amended to  
23 read:

24 15-2403. Empowerment scholarship accounts; administration;  
25 audits; policy handbook; posting

26 A. The treasurer ~~may~~ SHALL contract with private financial  
27 management firms to manage Arizona empowerment scholarship accounts. THE  
28 DEPARTMENT SHALL COOPERATE WITH THE TREASURER AND THE FINANCIAL MANAGEMENT  
29 FIRM CONTRACTED BY THE TREASURER.

30 B. The department shall conduct or contract for annual audits of  
31 empowerment scholarship accounts to ensure compliance with section  
32 15-2402, subsection B, paragraph 4. The department shall also conduct or  
33 contract for random, quarterly and annual audits of empowerment  
34 scholarship accounts as needed to ensure compliance with section 15-2402,  
35 subsection B, paragraph 4.

36 C. The department may remove any parent or qualified student from  
37 eligibility for an Arizona empowerment scholarship account if the parent  
38 or qualified student fails to comply with the terms of the contract or  
39 applicable laws, rules or orders or knowingly misuses monies or knowingly  
40 fails to comply with the terms of the contract with intent to defraud and  
41 shall notify the treasurer. The department shall notify the treasurer to  
42 suspend the account of a parent or qualified student and shall notify the  
43 parent or qualified student in writing that the account has been suspended  
44 and that no further transactions will be allowed or disbursements made.  
45 The notification shall specify the reason for the suspension and state

1 that the parent or qualified student has ten days, not including weekends,  
2 to respond and take corrective action. If the parent or qualified student  
3 refuses or fails to contact the department, furnish any information or  
4 make any report that may be required for reinstatement within the ten-day  
5 period, the department may remove the parent or qualified student pursuant  
6 to this subsection.

7 D. A parent may appeal, ~~the department's decision~~ pursuant to title  
8 41, chapter 6, article 10, AN ADMINISTRATIVE DECISION MADE BY THE  
9 DEPARTMENT PURSUANT TO THIS ARTICLE REGARDING DETERMINATIONS OF ALLOWABLE  
10 EXPENSES, REMOVAL FROM THE PROGRAM OR ENROLLMENT ELIGIBILITY. THE  
11 DEPARTMENT SHALL NOTIFY THE PARENT OF THE PARENT'S ABILITY TO APPEAL AN  
12 ADMINISTRATIVE DECISION AT THE SAME TIME THE PARENT IS NOTIFIED OF AN  
13 ADMINISTRATIVE DECISION.

14 E. The department may refer cases of substantial misuse of monies  
15 to the attorney general for the purpose of collection or for the purpose  
16 of a criminal investigation if the department obtains evidence of  
17 fraudulent use of an account.

18 F. BEGINNING JANUARY 1, 2018, the department shall make ~~quarterly~~  
19 MONTHLY transfers of the amount calculated pursuant to section 15-2402,  
20 subsection C OR D to the treasurer for deposit into the empowerment  
21 scholarship account of each qualified student, ~~except the department may~~  
22 ~~make transfers according to another transfer schedule if the department~~  
23 ~~determines a transfer schedule other than quarterly transfers is necessary~~  
24 ~~for the operation of the empowerment scholarship account.~~ THE DEPARTMENT  
25 MAY NOT DELAY THE DEPOSIT OF MONIES INTO AN EMPOWERMENT SCHOLARSHIP  
26 ACCOUNT UNTIL A SUBSEQUENT MONTH UNLESS MONIES WILL BE RETROACTIVELY  
27 PRORATED TO THE TIME THE PARENT AGREED TO THE TERMS AND CONDITIONS  
28 PRESCRIBED IN SECTION 15-2402.

29 G. The department shall accept applications between July 1 and June  
30 30 of each year. The department shall enroll and issue an award letter to  
31 ~~eligible applicants~~ within forty-five days AND, BEGINNING JANUARY 1, 2018,  
32 WITHIN THIRTY DAYS after receipt of a completed application and all  
33 required documentation. IF THE DEPARTMENT DETERMINES THAT AN APPLICANT IS  
34 INELIGIBLE FOR AN EMPOWERMENT SCHOLARSHIP ACCOUNT BECAUSE THE APPLICANT  
35 DOES NOT MEET THE REQUIREMENTS PRESCRIBED FOR AN QUALIFIED STUDENT, THE  
36 DEPARTMENT SHALL NOTIFY THE APPLICANT OF THE SPECIFIC STATUTORY  
37 DEFICIENCIES OF THE APPLICATION AND THE RATIONALE FOR THE DENIAL OF THE  
38 APPLICATION. On or before May 30 of each year, the department shall  
39 furnish to the joint legislative budget committee an estimate of the  
40 amount required to fund empowerment scholarship accounts for the following  
41 fiscal year. The department shall include in its budget request for the  
42 following fiscal year the amount estimated in section 15-2402, subsection  
43 C for each qualified student.

1 H. The department may adopt ~~rules and~~ policies AND PROCEDURES  
2 necessary for the administration of empowerment scholarship accounts. THE  
3 POLICIES AND PROCEDURES ADOPTED PURSUANT TO THIS SUBSECTION SHALL BE  
4 DEVELOPED AND IMPLEMENTED PURSUANT TO THE INTENT OF THE LAW AND BY GIVING  
5 STUDENTS THE MOST EDUCATIONAL OPTIONS AVAILABLE UNDER THE LAW, including:

6 1. Policies for conducting or contracting for examinations of the  
7 use of account monies.

8 2. Conducting or contracting for random, quarterly and annual  
9 reviews of accounts.

10 3. Establishing or contracting for the establishment of an online  
11 anonymous fraud reporting service.

12 4. Establishing an anonymous telephone hotline for fraud reporting.

13 5. Policies that require a surety bond or insurance for account  
14 holders.

15 6. POLICIES THAT ESTABLISH EXPENSE REPORTING, ELIGIBLE EXPENSES AND  
16 APPLICATION PROCEDURES. THE POLICIES REGARDING ELIGIBLE EXPENSES MAY NOT  
17 RESTRICT THE TYPES OR AMOUNTS OF CURRICULUM CHOICES MADE BY PARENTS FOR  
18 STUDENTS. THE DEPARTMENT SHALL REQUEST ADDITIONAL DOCUMENTATION AND  
19 INFORMATION REGARDING ELIGIBLE EXPENSES AND SHALL PROVIDE A PARENT AN  
20 OPPORTUNITY TO RESPOND BEFORE DENYING AN EXPENDITURE.

21 I. The department shall contract with an independent third party  
22 for the purposes of determining ~~if~~ WHETHER a qualified student is eligible  
23 to receive educational therapies or services pursuant to section 15-2402,  
24 subsection B, paragraph 4, subdivision (c).

25 J. THE DEPARTMENT SHALL DEVELOP AND PUBLISH AN APPLICANT AND  
26 PARTICIPANT POLICY HANDBOOK ON OR BEFORE JULY 1 OF EACH YEAR. THE POLICY  
27 HANDBOOK SHALL INCLUDE INFORMATION PERTAINING TO POLICIES RELATING TO  
28 INTERACTIONS AND PROCESSES OF EMPOWERMENT SCHOLARSHIP ACCOUNT APPLICANTS  
29 AND PARTICIPANTS ADOPTED BY THE DEPARTMENT TO ADMINISTER EMPOWERMENT  
30 SCHOLARSHIP ACCOUNTS. ONLY POLICIES THAT ARE INCLUDED IN THE POLICY  
31 HANDBOOK MAY BE ADMINISTERED. THE POLICY HANDBOOK DOES NOT APPLY TO  
32 INTERNAL AGENCY POLICIES AND PROCEDURES. THE DEPARTMENT MAY NOT PUBLISH  
33 THE POLICY HANDBOOK, MAKE ANY REVISIONS OR ENFORCE ANY NEW POLICY OR  
34 PROCEDURE BEFORE THE COMPLETION OF BOTH OF THE FOLLOWING:

35 1. THE COLLECTION OF PUBLIC COMMENTS FOR AT LEAST SIXTY DAYS. THE  
36 DEPARTMENT SHALL CONSIDER AND REASONABLY INCORPORATE THESE PUBLIC COMMENTS  
37 IN THE POLICY HANDBOOK.

38 2. THE SUBMISSION OF A COPY OF THE POLICY HANDBOOK AND ANY  
39 REVISIONS TO THE POLICY HANDBOOK TO THE GOVERNOR, THE PRESIDENT OF THE  
40 SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

41 K. THE DEPARTMENT SHALL POST ON THE DEPARTMENT'S WEBSITE  
42 INFORMATION AND DATA THAT ARE UPDATED MONTHLY REGARDING THE EMPOWERMENT  
43 SCHOLARSHIP ACCOUNTS, INCLUDING:

44 1. INFORMATION REGARDING ALL PURCHASES AND EXPENDITURES MADE WITH  
45 EMPOWERMENT SCHOLARSHIP ACCOUNT MONIES. THE INFORMATION INCLUDED PURSUANT

1 TO THIS PARAGRAPH MAY NOT VIOLATE THE PERSONAL PRIVACY OF ANY STUDENT OR  
2 FAMILY AND SHALL INCLUDE ONLY AGGREGATE DATA.

3 2. THE NUMBER OF ENROLLED STUDENTS DISAGGREGATED BY ELIGIBILITY.

4 3. ANY OTHER INFORMATION OR DATA THAT MAY BE PERTINENT TO PROMOTING  
5 TRANSPARENCY AND ACCOUNTABILITY OF EMPOWERMENT SCHOLARSHIP ACCOUNTS.

6 Sec. 4. Section 42-2003, Arizona Revised Statutes, is amended to  
7 read:

8 42-2003. Authorized disclosure of confidential information

9 A. Confidential information relating to:

10 1. A taxpayer may be disclosed to the taxpayer, its successor in  
11 interest or a designee of the taxpayer who is authorized in writing by the  
12 taxpayer. A principal corporate officer of a parent corporation may  
13 execute a written authorization for a controlled subsidiary.

14 2. A corporate taxpayer may be disclosed to any principal officer,  
15 any person designated by a principal officer or any person designated in a  
16 resolution by the corporate board of directors or other similar governing  
17 body.

18 3. A partnership may be disclosed to any partner of the  
19 partnership. This exception does not include disclosure of confidential  
20 information of a particular partner unless otherwise authorized.

21 4. An estate may be disclosed to the personal representative of the  
22 estate and to any heir, next of kin or beneficiary under the will of the  
23 decedent if the department finds that the heir, next of kin or beneficiary  
24 has a material interest that will be affected by the confidential  
25 information.

26 5. A trust may be disclosed to the trustee or trustees, jointly or  
27 separately, and to the grantor or any beneficiary of the trust if the  
28 department finds that the grantor or beneficiary has a material interest  
29 that will be affected by the confidential information.

30 6. Any taxpayer may be disclosed if the taxpayer has waived any  
31 rights to confidentiality either in writing or on the record in any  
32 administrative or judicial proceeding.

33 7. The name and taxpayer identification numbers of persons issued  
34 direct payment permits may be publicly disclosed.

35 B. Confidential information may be disclosed to:

36 1. Any employee of the department whose official duties involve tax  
37 administration.

38 2. The office of the attorney general solely for its use in  
39 preparation for, or in an investigation that may result in, any proceeding  
40 involving tax administration before the department or any other agency or  
41 board of this state, or before any grand jury or any state or federal  
42 court.

43 3. The department of liquor licenses and control for its use in  
44 determining whether a spirituous liquor licensee has paid all transaction  
45 privilege taxes and affiliated excise taxes incurred as a result of the

1 sale of spirituous liquor, as defined in section 4-101, at the licensed  
2 establishment and imposed on the licensed establishments by this state and  
3 its political subdivisions.

4 4. Other state tax officials whose official duties require the  
5 disclosure for proper tax administration purposes if the information is  
6 sought in connection with an investigation or any other proceeding  
7 conducted by the official. Any disclosure is limited to information of a  
8 taxpayer who is being investigated or who is a party to a proceeding  
9 conducted by the official.

10 5. The following agencies, officials and organizations, if they  
11 grant substantially similar privileges to the department for the type of  
12 information being sought, pursuant to statute and a written agreement  
13 between the department and the foreign country, agency, state, Indian  
14 tribe or organization:

15 (a) The United States internal revenue service, alcohol and tobacco  
16 tax and trade bureau of the United States treasury, United States bureau  
17 of alcohol, tobacco, firearms and explosives of the United States  
18 department of justice, United States drug enforcement agency and federal  
19 bureau of investigation.

20 (b) A state tax official of another state.

21 (c) An organization of states, federation of tax administrators or  
22 multistate tax commission that operates an information exchange for tax  
23 administration purposes.

24 (d) An agency, official or organization of a foreign country with  
25 responsibilities that are comparable to those listed in subdivision (a),  
26 (b) or (c) of this paragraph.

27 (e) An agency, official or organization of an Indian tribal  
28 government with responsibilities comparable to the responsibilities of the  
29 agencies, officials or organizations identified in subdivision (a), (b) or  
30 (c) of this paragraph.

31 6. The auditor general, in connection with any audit of the  
32 department subject to the restrictions in section 42-2002, subsection D.

33 7. Any person to the extent necessary for effective tax  
34 administration in connection with:

35 (a) The processing, storage, transmission, destruction and  
36 reproduction of the information.

37 (b) The programming, maintenance, repair, testing and procurement  
38 of equipment for purposes of tax administration.

39 (c) The collection of the taxpayer's civil liability.

40 8. The office of administrative hearings relating to taxes  
41 administered by the department pursuant to section 42-1101, but the  
42 department shall not disclose any confidential information:

43 (a) Regarding income tax or withholding tax.

44 (b) On any tax issue relating to information associated with the  
45 reporting of income tax or withholding tax.

1           9. The United States treasury inspector general for tax  
2 administration for the purpose of reporting a violation of internal  
3 revenue code section 7213A (26 United States Code section 7213A),  
4 unauthorized inspection of returns or return information.

5           10. The financial management service of the United States treasury  
6 department for use in the treasury offset program.

7           11. The United States treasury department or its authorized agent  
8 for use in the state income tax levy program and in the electronic federal  
9 tax payment system.

10           12. The Arizona commerce authority for its use in:

11           (a) Qualifying renewable energy operations for the tax incentives  
12 under sections 42-12006, 43-1083.01 and 43-1164.01.

13           (b) Qualifying businesses with a qualified facility for income tax  
14 credits under sections 43-1083.03 and 43-1164.04.

15           (c) Fulfilling its annual reporting responsibility pursuant to  
16 section 41-1511, subsections U and V and section 41-1512, subsections U  
17 and V.

18           (d) Certifying computer data centers for tax relief under section  
19 41-1519.

20           13. A prosecutor for purposes of section 32-1164, subsection C.

21           14. The state fire marshal for use in determining compliance with  
22 and enforcing title 37, chapter 9, article 5.

23           15. The department of transportation for its use in administering  
24 taxes, surcharges and penalties prescribed by title 28.

25           16. The Arizona health care cost containment system administration  
26 for its use in administering nursing facility provider assessments.

27           17. THE DEPARTMENT OF EDUCATION FOR THE PURPOSE OF VERIFYING INCOME  
28 ELIGIBILITY TO BE CLASSIFIED AS A LOW-INCOME STUDENT PURSUANT TO SECTION  
29 15-2402, SUBSECTION M.

30           C. Confidential information may be disclosed in any state or  
31 federal judicial or administrative proceeding pertaining to tax  
32 administration pursuant to the following conditions:

33           1. One or more of the following circumstances must apply:

34           (a) The taxpayer is a party to the proceeding.

35           (b) The proceeding arose out of, or in connection with, determining  
36 the taxpayer's civil or criminal liability, or the collection of the  
37 taxpayer's civil liability, with respect to any tax imposed under this  
38 title or title 43.

39           (c) The treatment of an item reflected on the taxpayer's return is  
40 directly related to the resolution of an issue in the proceeding.

41           (d) Return information directly relates to a transactional  
42 relationship between a person who is a party to the proceeding and the  
43 taxpayer and directly affects the resolution of an issue in the  
44 proceeding.

1           2. Confidential information may not be disclosed under this  
2 subsection if the disclosure is prohibited by section 42-2002, subsection  
3 C or D.

4           D. Identity information may be disclosed for purposes of notifying  
5 persons entitled to tax refunds if the department is unable to locate the  
6 persons after reasonable effort.

7           E. The department, on the request of any person, shall provide the  
8 names and addresses of bingo licensees as defined in section 5-401, verify  
9 whether or not a person has a privilege license and number, a tobacco  
10 product distributor's license and number or a withholding license and  
11 number or disclose the information to be posted on the department's  
12 website or otherwise publicly accessible pursuant to section 42-1124,  
13 subsection F and section 42-3401.

14           F. A department employee, in connection with the official duties  
15 relating to any audit, collection activity or civil or criminal  
16 investigation, may disclose return information to the extent that  
17 disclosure is necessary to obtain information that is not otherwise  
18 reasonably available. These official duties include the correct  
19 determination of and liability for tax, the amount to be collected or the  
20 enforcement of other state tax revenue laws.

21           G. If an organization is exempt from this state's income tax as  
22 provided in section 43-1201 for any taxable year, the name and address of  
23 the organization and the application filed by the organization on which  
24 the department made its determination for exemption together with any  
25 papers submitted in support of the application and any letter or document  
26 issued by the department concerning the application are open to public  
27 inspection.

28           H. Confidential information relating to transaction privilege tax,  
29 use tax, severance tax, jet fuel excise and use tax and any other tax  
30 collected by the department on behalf of any jurisdiction may be disclosed  
31 to any county, city or town tax official if the information relates to a  
32 taxpayer who is or may be taxable by a county, city or town or who may be  
33 subject to audit by the department pursuant to section 42-6002. Any  
34 taxpayer information released by the department to the county, city or  
35 town:

36           1. May only be used for internal purposes, including audits.

37           2. May not be disclosed to the public in any manner that does not  
38 comply with confidentiality standards established by the department. The  
39 county, city or town shall agree in writing with the department that any  
40 release of confidential information that violates the confidentiality  
41 standards adopted by the department will result in the immediate  
42 suspension of any rights of the county, city or town to receive taxpayer  
43 information under this subsection.

1 I. The department may disclose statistical information gathered  
2 from confidential information if it does not disclose confidential  
3 information attributable to any one taxpayer. The department may disclose  
4 statistical information gathered from confidential information, even if it  
5 discloses confidential information attributable to a taxpayer, to:

6 1. The state treasurer in order to comply with the requirements of  
7 section 42-5029, subsection A, paragraph 3.

8 2. The joint legislative income tax credit review committee, the  
9 joint legislative budget committee staff and the legislative staff in  
10 order to comply with the requirements of section 43-221.

11 J. The department may disclose the aggregate amounts of any tax  
12 credit, tax deduction or tax exemption enacted after January 1, 1994.  
13 Information subject to disclosure under this subsection shall not be  
14 disclosed if a taxpayer demonstrates to the department that such  
15 information would give an unfair advantage to competitors.

16 K. Except as provided in section 42-2002, subsection C,  
17 confidential information, described in section 42-2001, paragraph 1,  
18 subdivision (a), item (ii), may be disclosed to law enforcement agencies  
19 for law enforcement purposes.

20 L. The department may provide transaction privilege tax license  
21 information to property tax officials in a county for the purpose of  
22 identification and verification of the tax status of commercial property.

23 M. The department may provide transaction privilege tax, luxury  
24 tax, use tax, property tax and severance tax information to the  
25 ombudsman-citizens aide pursuant to title 41, chapter 8, article 5.

26 N. Except as provided in section 42-2002, subsection D, a court may  
27 order the department to disclose confidential information pertaining to a  
28 party to an action. An order shall be made only on a showing of good  
29 cause and that the party seeking the information has made demand on the  
30 taxpayer for the information.

31 O. This section does not prohibit the disclosure by the department  
32 of any information or documents submitted to the department by a bingo  
33 licensee. Before disclosing the information the department shall obtain  
34 the name and address of the person requesting the information.

35 P. If the department is required or permitted to disclose  
36 confidential information, it may charge the person or agency requesting  
37 the information for the reasonable cost of its services.

38 Q. Except as provided in section 42-2002, subsection D, the  
39 department of revenue shall release confidential information as requested  
40 by the department of economic security pursuant to section 42-1122 or  
41 46-291. Information disclosed under this subsection is limited to the  
42 same type of information that the United States internal revenue service  
43 is authorized to disclose under section 6103(1)(6) of the internal revenue  
44 code.

1 R. Except as provided in section 42-2002, subsection D, the  
2 department of revenue shall release confidential information as requested  
3 by the courts and clerks of the court pursuant to section 42-1122.

4 S. To comply with the requirements of section 42-5031, the  
5 department may disclose to the state treasurer, to the county stadium  
6 district board of directors and to any city or town tax official that is  
7 part of the county stadium district confidential information attributable  
8 to a taxpayer's business activity conducted in the county stadium  
9 district.

10 T. The department shall release to the attorney general  
11 confidential information as requested by the attorney general for purposes  
12 of determining compliance with or enforcing any of the following:

13 1. Any public health control law relating to tobacco sales as  
14 provided under title 36, chapter 6, article 14.

15 2. Any law relating to reduced cigarette ignition propensity  
16 standards as provided under title 37, chapter 9, article 5.

17 3. Sections 44-7101 and 44-7111, the master settlement agreement  
18 referred to in those sections and all agreements regarding disputes under  
19 the master settlement agreement.

20 U. For proceedings before the department, the office of  
21 administrative hearings, the board of tax appeals or any state or federal  
22 court involving penalties that were assessed against a return preparer, an  
23 electronic return preparer or a payroll service company pursuant to  
24 section 42-1103.02, 42-1125.01 or 43-419, confidential information may be  
25 disclosed only before the judge or administrative law judge adjudicating  
26 the proceeding, the parties to the proceeding and the parties'  
27 representatives in the proceeding prior to its introduction into evidence  
28 in the proceeding. The confidential information may be introduced as  
29 evidence in the proceeding only if the taxpayer's name, the names of any  
30 dependents listed on the return, all social security numbers, the  
31 taxpayer's address, the taxpayer's signature and any attachments  
32 containing any of the foregoing information are redacted and if either:

33 1. The treatment of an item reflected on such return is or may be  
34 related to the resolution of an issue in the proceeding.

35 2. Such a return or the return information relates or may relate to  
36 a transactional relationship between a person who is a party to the  
37 proceeding and the taxpayer that directly affects the resolution of an  
38 issue in the proceeding.

39 3. The method of payment of the taxpayer's withholding tax  
40 liability or the method of filing the taxpayer's withholding tax return is  
41 an issue for the period.

42 V. The department and attorney general may share the information  
43 specified in subsection T of this section with any of the following:

44 1. Federal, state or local agencies for the purposes of enforcement  
45 of corresponding laws of other states.

1           2. A court, arbitrator, data clearinghouse or similar entity for  
2 the purpose of assessing compliance with or making calculations required  
3 by the master settlement agreement or agreements regarding disputes under  
4 the master settlement agreement, and with counsel for the parties or  
5 expert witnesses in any such proceeding, if the information otherwise  
6 remains confidential.

7           W. The department may provide the name and address of qualifying  
8 hospitals and qualifying health care organizations, as defined in section  
9 42-5001, to a business classified and reporting transaction privilege tax  
10 under the utilities classification.

11           X. The department may disclose to an official of any city, town or  
12 county in a current agreement or considering a prospective agreement with  
13 the department as described in section 42-5032.02, subsection F any  
14 information relating to amounts subject to distribution required by  
15 section 42-5032.02. Information disclosed by the department under this  
16 subsection:

17           1. May only be used by the city, town or county for internal  
18 purposes.

19           2. May not be disclosed to the public in any manner that does not  
20 comply with confidentiality standards established by the department. The  
21 city, town or county must agree with the department in writing that any  
22 release of confidential information that violates the confidentiality  
23 standards will result in the immediate suspension of any rights of the  
24 city, town or county to receive information under this subsection.

25           Y. Notwithstanding any other provision of this section, the  
26 department may not disclose information provided by an online lodging  
27 marketplace, as defined in section 42-5076, without the written consent of  
28 the online lodging marketplace, and the information may be disclosed only  
29 pursuant to subsection A, paragraphs 1 through 6, subsection B, paragraphs  
30 1, 2, 7 and 8 and subsections C and D of this section. Such information:

31           1. Is not subject to disclosure pursuant to title 39, relating to  
32 public records.

33           2. May not be disclosed to any agency of this state or of any  
34 county, city, town or other political subdivision of this state.

35           Sec. 5. Laws 2013, chapter 250, section 3 is amended to read:

36           Sec. 3. New empowerment scholarship accounts authorized in  
37                            2014 through 2022; delayed repeal

38           A. During 2014, 2015, 2016, 2017, 2018, ~~and~~ 2019, 2020, 2021 AND  
39 2022, the number of new empowerment scholarship accounts approved by the  
40 department of education each year shall not exceed 0.5 ~~percent~~ PERCENT of  
41 the total number of pupils enrolled in school districts and charter  
42 schools in this state during the previous school year.

43           B. This section is repealed from and after December 31, ~~2019~~ 2022.

- 1           Sec. 6. Empowerment scholarship account review council;  
2                     annual report; delayed repeal
- 3           A. The empowerment scholarship account review council is  
4 established consisting of the following members:
- 5           1. Six members who are parents of children who currently receive  
6 empowerment scholarship accounts and who have been enrolled in an  
7 empowerment scholarship account for at least two years. The governor  
8 shall appoint these members.
- 9           2. The chairpersons of the education committees of the senate and  
10 the house of representatives.
- 11          3. The superintendent of public instruction or the superintendent's  
12 designee.
- 13          B. Appointed members serve at the pleasure of the governor. The  
14 members of the council shall select a chairperson from the members  
15 appointed pursuant to subsection A, paragraph 1 of this section.
- 16          C. Council members are not eligible to receive compensation, but  
17 members appointed by the governor are eligible for reimbursement of  
18 expenses under title 38, chapter 4, article 2, Arizona Revised Statutes.
- 19          D. The council shall:
- 20           1. Review and make recommendations to the department of education  
21 regarding the administration of empowerment scholarship accounts.
- 22           2. Make recommendations to the legislature for changes to the laws  
23 regarding empowerment scholarship accounts.
- 24           3. Review any changes to the empowerment scholarship accounts  
25 policy handbook pursuant to section 15-2403, Arizona Revised Statutes, as  
26 amended by this act.
- 27           4. Submit a report regarding the council's activities and  
28 recommendations on or before December 15 of each year to the governor, the  
29 president of the senate and the speaker of the house of representatives  
30 and provide a copy of this report to the secretary of state.
- 31          E. The department of education shall provide technical assistance  
32 to the empowerment scholarship account review council.
- 33          F. This section is repealed from and after December 31, 2020.

**APPROVED BY THE GOVERNOR APRIL 6, 2017.**

**FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 7, 2017.**

Passed the House April 6, 2017,

Passed the Senate April 6, 2017,

by the following vote: 31 Ayes,

by the following vote: 16 Ayes,

28 Nays, 1 Not Voting

13 Nays, 1 Not Voting

[Signature]  
Speaker of the House  
*Pro Tempore*

[Signature]  
President of the Senate

[Signature]  
Chief Clerk of the House

[Signature]  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

6 day of April, 2017,

at 6:59 o'clock P. M.

[Signature]  
Secretary to the Governor

Approved this 6<sup>th</sup> day of

April, 2017,

at 10:20 o'clock P. M.

[Signature]  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 7 day of April, 2017,

at 2:24 o'clock P. M.

[Signature]  
Secretary of State

S.B. 1431