



State of Arizona
Department of Education

Empowerment Scholarship Account

A Guide to Utilizing Your
Empowerment Scholarship Account

2015-2016 Edition

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Chapter 1: Introduction

The importance of providing a world-class education to all Arizona children cannot be overstated or hold more emphasis in our state today. Historically, Arizona has pioneered breakthrough programs that have grounded themselves in supporting district and charter school initiatives, expanding school choices, increasing transparency, and delivering a high quality education. Under the direction of the Arizona State Legislature, the Arizona Department of Education (ADE or the Department) has created the Empowerment Scholarship Account (ESA) Program to continue along the path of innovative education reform.

What is an Empowerment Scholarship Account?

An Empowerment Scholarship Account (ESA) is an account administered by ADE and funded fully by state tax dollars to provide options for the education of qualified students in this state.

90% of the student's State aide (does not include any federal funding or other funding) would be allocated to applicant parent of the qualified student to provide an education and must include at a minimum the following subjects: reading, grammar, mathematics, social studies and science. The ESA program allows parents of qualified students to utilize public monies to purchase other educational services from private schools, individuals, and vendors.

Accepting an Empowerment Scholarship Account

By accepting an ESA, the applicant of the qualified student(s), agrees to abide by an annually signed contract that includes (*not all terms are included here; please refer to your ESA contract for all terms and conditions*):

- Not enroll the student in a public school (includes charters and public online schools)
- Release the public school system from educating the student or providing services. School districts are released from their obligation and, unless stipulated in statute, may decline enrollment and assistance as long as the qualified student is under an ESA contract
- Not accept any School Tuition Organization (STO) scholarship or any tax credit scholarship
- Provide quarterly expense reports by a given deadline
- Spend a portion of the quarterly funds every quarter equally 25% of your yearly award by the end of the contract year

By opting out of the public school system, parents can seek a range of alternative educational services; such as private schools, education in the home, educational therapies (*special with disabilities only*), or tutoring to list a few. Funded by the state, tailored by the parent, individualized for the student—the ESA program provides a unique opportunity to prepare Arizona students to succeed in school and life.

With an ESA you...	
Receive a prepaid bank card with 90% of state aide funding.	Cannot attend public, charter, or public online school unless paying for services and or classes

Have control over the student’s education and utilize some resources that may not be available through the public school system.	Do not receive a high school diploma from a public school.
Take full legal responsibility for your child’s education. “with rights comes responsibilities”	Funding stops once a child completes the 12 th grade for ESA (all children move in a cohort from the grade they entered into ESA)
Must submit quarterly reports and adhere to an annual contract with ESA.	Cannot receive <u>any</u> School Tuition Organization (STO) scholarship OR tax credit based scholarships
Must spend a portion <u>every quarter</u> equaling to 25% of the yearly award.	Must spend funds on <u>approved</u> educational services, providers, or materials.

Handbook Purpose

The purpose of the ESA handbook is to establish and supply official instruction concerning policies, procedures, and implementation of the ESA program. Please note that policies are subject to change any time during the contract year in which ESA staff will notify parents of any change(s) and when that change(s) will become effective.

Handbook Updates and Renewal

The ESA handbook is reviewed by ESA staff under the guidance of ADE’s Legal Unit and the Attorney General’s office. Policies can and will be added and/or redacted in response to newly-enacted legislation, court decisions, and/or suggestions for best practices. The most up-to-date handbook is available electronically on the ESA website www.azed.gov/esa
For topics not covered in the handbook please contact your Program Specialist.

How to Stay Updated

ESA staff has a responsibility to ensure parents are given accurate information in a timely manner so parents can fulfill their responsibility to follow the rules and policies of the program. The Department may help parents access the appropriate information they need upon request.

We communicate officially via email (*official correspondence and any major policy and or statute changes/updates will be mailed to parents who are not able to provide us with an email*). If you need to update your email or want to make sure we have a valid email please contact your program specialist directly or email us at esa@azed.gov or by phone at 602-364-1969.

ESA Staff also offers other resources and serves our families by:

- Monthly Newsletter (English and Spanish)
- ESA Informational Meetings (English and Spanish)
- Emails
- Website www.azed.gov (English and Spanish)

Changes related to emails, addresses, and phone numbers

At any time while on the ESA program, if your email address changes, please notify your Program Specialist.

If your phone number or address changes please notify your Program Specialist and the issuing bank at 1-866-692-9374. ESA Staff is not allowed to update any bank related information.

Address Verification

In order to make sure that ESA funds are being utilized appropriately for the student residing in the state of Arizona, your Program Specialist may request address verification. An email or letter by mail will be sent out with a deadline to submit proof of address in the state of Arizona.

The applicant parent (account holder) must submit a current utility bill in his or her name. Failure to provide your Program Specialist with the requested document may result in termination from the ESA program.

Secure Information

The Department has the obligation, under the Family Educational Rights and Privacy Acts (FERPA) to ensure all information is kept confidential and secure. ESA staff will never release financial information or personal details (this includes contract information) regarding parents or students to private schools, providers, or vendors.

Private School and Homeschool Affidavits

A.R.S § 15-2402(B)(5) requires that the parent of a qualified student must not file an affidavit of intent to homeschool or private school. This means that the ESA contract serves as your “affidavit” or proof that the student is indeed receiving an education as required by Arizona law.

Chapter 2: Spending and Program Requirements

Hundreds of pages are dedicated in law to guide government spending that ensures transparency to the taxpayer; in education it is no different. Public schools have dozens of reports that must be submitted to show accountability throughout the system.

When the ESA program was passed into law, only one page was dedicated to guide parents on how to spend their child’s awarded funds to effectively carry out the same mission as a public school. Purposefully, the law was passed to “empower” parents to make the choices that would best serve their child’s needs with as little burden as possible.

Below are approved spending categories in Arizona law for the ESA program.

Approved Spending Categories

<u>Approved Spending Categories</u>	<u>Description</u>
Tuition, fees and/or required textbooks at a qualified school	A qualified school is defined as: a private school in Arizona serving PK-12 th grades. The school must not discriminate on the basis of race, color or national origin.
Educational therapies and/or services	The therapy must be for the student from a licensed or accredited practitioner or provider; including licensed or accredited paraprofessionals or educational aides.
Tutoring services	All services must be delivered from an individual or provider who is accredited by a state, regional or national accrediting organization and whose accreditation is currently valid (not expired).
Curriculum	Defined as a complete course of study for a particular content area or grade level.
Tuition and/or fees for a private online learning program.	May be any online program nationwide.
Fees for nationally standardized norm-referenced achievement tests	Advanced Placement exams and/or other exams related to college or university admissions such as ACT or SAT.
Coverdell education savings account contributions	Authorized by 26 United States Code §530, for the benefit of the qualified student.
Tuition, fees and/or purchase of required textbooks	Must be acquired for the benefit of the student at public community college or university located in the state of Arizona.
Account fees	Charged by the bank administering the ESA.
Purchase of services provided by a public school	Approved individual classes and fees for extracurricular programs at a public school.

Disallowed Spending Categories

If an expense is not on the approved list, a parent is prohibited from purchasing that item or service with an ESA card. However, there are a few expenses specifically disallowed in law – they are:

<u>Disallowed Spending Categories</u>	<u>Description</u>
Consumable educational supplies	Paper, pencils, pens, markers, erasers, folders, backpacks, batteries, light bulbs, salt, sugar, etc.

Computer hardware & other technological devices	Laptops, iPads, Desktops, iPods, keyboard, mouse, USB drives, calculators, etc.
Transportation	Reimbursement for gasoline, buses, taxis, ride share, or transportation provided by the school, etc.

A Deeper Look at Spending

A.R.S. § 15-2403(H) states “The department may adopt rules and policies necessary for the administration of empowerment scholarship accounts...”

With thousands of options for parents to choose from, ESA cannot produce a list of all approved and non-approved expenses. In the following pages, this handbook will give some examples of the twelve approved spending categories listed above. Each one is addressed separately.

Tuition, Fees, and Required Textbooks at a Qualified Private School

Approximately 85% of families on the ESA program pay a private school. As an approved expense, tuition may only be used by a private school directly instructing the ESA student named on the ESA contract. Parent must request a **complete paid invoice** from the school which will be submitted with the expense report. Failure to submit a complete paid invoice will result in the parent having to repay the amount.

While tuition may be straight forward, fees are not. Many schools charge fees in areas that are not approved by the program (e.g., transportation, computer hardware, etc.). As a result, **all fees submitted must be itemized**. The following are a list of approved fees that may be charged by the private school:

- Registration fees
- Application/Enrollment fees
- Facility/Building fees
- Book fees
- Lab fees (Science labs, Math labs, etc.)
- Computer Lab fees (this fee is not a fee to allow the purchase of a personal notebook/computer)
- Supply fee (this fee does not include consumable items such as pens, paper, markers, art supplies, construction paper, pencils, folders, backpacks, etc.)
- Field Trip fees (must be educational, cannot be overnight trips and must be approved by your ESA program specialist)
- Lunch fees
- Tutoring fees

Please note: ESA funds will not pay for Late Payment fees because you failed to turn your expense report on or before the deadline to ESA OR “Late Pick-up” fees because the student was picked up late from school.

Transportation fees, supply fees (which include consumable items/materials), before and after school care, computers, technological devices (iPads, iPods, USB drives, notebooks, desktops, calculators, etc.), overnight field trips, non-educational field trips, and clothing other than required uniforms will NOT be approved.

Many schools may require students to purchase textbooks as part of their normal educational expenses or additional books to supplement the student’s curriculum. These purchases are approved for purchase with the ESA card.

Regardless of where the purchase is made, invoice or receipts must be submitted with the expense report. Failure to submit an invoice or receipt will result in the parent having to repay the amount of the purchase(s).

Educational Therapies and Services

Educational therapies or services are defined as: an individualized intervention and treatment plan designed to remediate learning problems through a combination of educational and therapeutic approaches.

A therapy is **for the benefit of a student who has been identified as a student with a disability through a current IEP or reevaluation (MET) from an Arizona public or charter school.**

Educational therapies or services must be provided by a licensed or accredited practitioner or provider. A copy of the therapist credentials must be on file with ESA in order for the therapy and therapist to be approved. Below is a list of currently approved therapies:

List of Approved Therapies

<u>Approved Therapies</u>	<u>Required Accreditation</u>
Physical Therapy	Physical Therapy license (PT assistants are approved)
Occupational Therapy	Occupational Therapy license (OT assistants are approved)
Speech Therapy	Speech Language Pathologist Therapy license (SLP assistants are approved)
Vision Therapy	Vision Therapy license or certification (will NOT approve an ophthalmologist or optometrist license alone)
Hand Therapy	Physical Therapy license; Occupational Therapy license or related therapy credential
Music Therapy	American Music Therapy Association (AMTA) Certification Board for Music Therapists (CBMT)
Equine Therapy; Hippotherapy; Therapeutic Riding	Professional Association of Therapeutic Horsemanship International (PATH) Equine Assisted Growth and Learning Association

	<p>(EAGALA)</p> <p>Recreational Therapy Certificate</p> <p>Certified Therapy Horse Association (CTHA)</p> <p>North American Handicap Riding Association (NAHRA)</p> <p>Equine Therapy Association (ETA)</p> <p>National Association of Certified Professionals of Equine (NACPET)</p>
Aquatic Therapy	<p>Aquatic Physical Therapy license</p> <p>Physical Therapy license</p> <p>Occupational Therapy license</p>
Martial Arts Therapy	<p>Occupational Therapy license</p> <p>Physical Therapy license</p> <p>State teaching certificate in Special Education</p> <p>American Taekwondo Association (ATA) certificate</p> <p>United States Martial Arts Association (USMA) certificate</p>
Gymnastics Therapy	<p>Occupational Therapy license</p> <p>Physical Therapy license</p> <p>State teaching certificate in Special Education</p> <p>USA Gymnastic certificate</p>
Applied Behavior Analysis and Verbal Behavior Analysis	<p>BCBA-D (Board Certified Behavioral Analyst – Doctorate)</p> <p>BCBA (Board Certified Behavioral Analyst)</p> <p>BCaBA (Board Certified Assistant Behavioral Analyst)</p> <p>Psychologist license</p>
Art Therapy	<p>American Art Therapy Association (AATA)</p> <p>Physical Therapy license</p> <p>Occupational Therapy license</p>
Recreational Therapy	<p>National Council for Therapeutic Recreation Certification (NCTRC)</p> <p>American Therapeutic Recreation Association (ATRA)</p> <p>Recreational Therapy License</p>
Relationship Development Intervention (RDI) Therapy	<p>ABA credential listed above for Applied Behavior Analysis and Verbal Behavior Analysis</p>

	RDI certificate
Social Group Therapy	Psychologist license Certification in Cognitive-Behavioral Therapy (CBT) Social Work Counselor Certificate Speech Therapy license

If you are interested in a therapy that is not listed above, please email your Program Specialist with a summary about the therapy, website(s), and credentials available.

If there is a credential that is not listed for a specific therapy, and you would like to see if it is accepted, please email your Program Specialist.

ESA funds cannot be used to pay for any fees or costs due to cancelled or missed appointments.

Credentials can be submitted prior to paying for services or with expense reports. Please keep in mind that quarterly funds will not be disbursed if the credentials for tutors or therapists are expired or not on file.

Please make sure that you are obtaining a complete invoice from your therapist (more details regarding expenses to follow in the next chapters of the handbook).

List of Non-Approved Therapies

Not Approved Therapies and Services	
Massage Therapy	Psychiatrists
Nutritionists	Chiropractors
Eye Exams	Craniosacral Therapy
Acupuncture	Physical Exams
Any type of Medical Services	Health Exams

Medical Insurances

Therapies provided to students must be “Educational Therapies” under the Arizona law for ESA. Under current ESA policy, co-pays, co-insurances, deductibles, or any forms of medical insurance cannot be used in combination with ESA funds.

If medical insurance is used in conjunction with ESA a, your account will be suspended; you will be asked to pay back the amount, and you will not be funded your next quarterly disbursement until total payment is collected.

Assistive Technology

Assistive technology is defined as assistive, adaptive, and rehabilitative devices which promote greater independence by enabling students to perform tasks they were formally not able to accomplish or had difficulty accomplishing.

ESA allows parents of children with disabilities (must have an MET or current IEP on file from an Arizona public or charter school) to rent equipment needed for therapies

- Parents must provide their Program Specialist with a renter's agreement for the equipment.
- ESA funds cannot be used to pay for equipment that is returned damaged or late.

Tutoring or Teaching Services

Tutoring or teaching services must be provided by an individual or facility accredited by a state, regional, or national accrediting organization. Before paying for tutoring services from a provider, please note:

- **Hiring of family members or other ESA parents and their family members is prohibited** – ESA funds cannot be used to hire family members or other ESA family members to provide approved tutoring services.
- **Required credentials** – Parents must submit credentials on behalf of the tutor, although a tutor or a facility can submit their credentials for the student, it is the parent's responsibility to make sure that the credential was submitted and approved.

A parent needs to only submit credentials once for each tutor (or accredited facility). If services are discontinued and a new tutor is hired, new credentials are required to be submitted

Credentials can be submitted prior or with expense reports. Please keep in mind that quarterly disbursements will not be disbursed if the credential(s) for a tutor or facility are expired or not on file.

In order for a tutor to be approved, one of the following must be submitted:

Approved Tutor/ Teacher Credentials

<u>Credential</u>	
Bachelor Degree or higher	Copy of degree or transcripts (official or unofficial) must be on file
State Teaching Certificate	Cannot be expired and a copy must be on file
State Substitute Teaching Certificate	Cannot be expired and copy must be on file

- Parents currently participating (years 2011-2014) on the program with authorize tutors under the prior 2014-2015 policy will be grandfathered.
- New ESA parents must adhere to the new policy.

Below is a list of pre-approved facilities; no credentials need to be submitted. Please note that these are not endorsed by ESA or ADE.

Approved Facilities

Credential	
Sylvan Tutoring Center	OnTrack Tutoring
Kumon Math and Reading Center	Tutor Time

- If the facility you are interested in attending is not on the list, please provide your Program Specialist with the facility’s credentials to tutor. This is not the same as a business license.

The following is a list of specific subjects that require a specific credential. In order to be approved, ONE of the following for each specific subject must be submitted.

Approved Credentials for Specific Subjects

Specific Subject	Approved Credentials
Physical Education (P.E.)	Certified Personal Trainer State Teaching Certificate with P.E. endorsement Sports Medicine Endorsement/Certificate Bachelor’s Degree or higher in P.E. or related field
Swimming	Water Safety Instruction (WSI) Certificate SWIM USA Certificate American Red Cross Certificate for Swimming and Water Training American Red Cross Certificate for Lifeguards
Driver’s Education	Teaching Certificate with Driver’s Ed Endorsement Three semester hour course taken from an accredited institution (certificate of completion must be submitted) 45 hours of state approved classes in each of the following safety education, driver and highway safety education, and driver’s education laboratory experience (submit official transcript or certificate with 45

	hours of state approved classes in each of the classes listed)
Dance	Dance Master of America Certificate National Association of School of Dance Certificate Dance Educators of America Certificate State Teaching Certificate with Dance endorsement Bachelor's degree or higher in Dance, Performance Arts, or related field
Music	State Teaching Certificate in Music Bachelor's degree or higher in Music or related field

Please make sure that you are obtaining a complete invoice from your tutor (more details regarding expenses to follow in the next chapters of the handbook).

Paraprofessionals/ Aides

Paraprofessionals and aides are an approved expense for students with disabilities only (MET or current IEP from an Arizona public or charter school must be on file). Paraprofessionals are not the same as tutors/teachers; these individuals are there to assist the tutor/teacher or parent with the education of the student and have different required credentials to be approved.

Approved Paraprofessional/Aide Credentials

Credential	
Associate's degree or higher	Copy of degree or transcripts (official or unofficial) must be on file
60 or more college credit hours from an accredited university, college, or community college	Copy of transcripts (official or unofficial) must be on file
Pass 1 of the 3 paraprofessional tests	ParaPro ACT Workkeys Master Teacher's Para Educators Learning Network

Curriculum

Curriculum is defined as: a complete course of study for a particular content area or grade level.

Parents may utilize ESA funds to purchase curriculum for their students. As defined in this handbook, the Department will only accept curriculum that encompasses a complete course of study for a particular content area or grade level. Since there are no specific lists of approved curriculum (just guidelines), many parents have particular difficulty determining what is actually prohibited from being purchased and what is approved. This chapter gives examples and explanations regarding issues pertaining to curriculum purchase.

A Specific Grade Level or Content Area – This is often referred to as “*explicit curriculum*” and is the official, online, or written curriculum, which gives the basic lesson plan to be followed, including objectives, sequences, and materials, what is taught by the teacher/parent, methods used and the learning outcomes for the student. Curriculum is grade specific and is used to instruct a student in a subject for any given number of units, chapters, quarters, semesters or years.

Parents can use an assortment of curriculums and supplemental materials to educate their student(s) at home. Most curriculums will be approved by ESA, but when in doubt about a particular curriculum, please contact your Program Specialist. Below are some of the approved and non-approved materials, please note that all are not listed.

- Supplemental materials that are not approved:
 - Toys
 - Games
 - Puzzles
 - Dolls
 - Kits
 - Workshop
 - Consumable Supplies
 - Art Supplies

- Supplemental materials that can be approved: must be required by the curriculum and cannot be listed as an optional or alternative)
 - Science experiments
 - Manipulatives

- The following manipulatives will be approved (does not need a curriculum)
 - Counting base ten blocks (math)
 - Two color counters (math)
 - Pattern blocks (math)
 - Educational flashcards (math, reading, language arts, science, social studies)
 - Educational workbooks (math, reading, language arts, science, social studies)
 - Educational maps (social studies)
 - Periodic Table (science)
 - Time-Telling educational clocks for students
 - Money to teach students about bills and coins
 - Books (must be of appropriate content)

Many experiments or curriculums may call for items that can be classified consumable educational supplies. A general rule to remember regarding consumable materials is:

- **Single Use vs. Repurposing:**
 - Single Use is any items that can be used once and then be discarded
 - Repurposing: any items that can be used indefinite or be given another form of usage

Many materials purchased for educational use can be easily repurposed, including computers, magazines, lab equipment, iPads, pens, pencils, salt, sugar, batteries, light bulbs, matches, clocks, construction paper, pencils, color pencils, markers, etc. will not be approved.

Other material can be classified as Single Use items such as litmus paper, pipets, microscope, lens for microscope, protractor, etc. and may be approved. Always check with your Program Specialist before purchasing any supplemental items.

Educational field trips for children receiving education at home will be approved; currently, ESA will approve in state (Arizona) field trips to the following:

- Science Museums
- Art Museums

Under the new ESA policy, field trips to the zoo, farms, etc. will not be approved unless the student is participating in an educational class with a credentialed instructor. Out of state field trips and or over-night field trips will also not be approved.

Requesting a Curriculum

When in doubt about curriculum or supplemental material, please email your Program Specialist immediately with the following:

- Summary of the curriculum or supplemental material
 - Website regarding the curriculum or supplemental material
- Make sure that the web links sent do not require ESA staff to input their personal information such as names, emails, or phone numbers.***

Please allow up to 2 weeks for research to be completed and a decision to be emailed to you. There may be times during the school year that your Program Specialists will get back to you sooner than others. Please note that during the months of March through August, it may take your Program Specialist the full 2 weeks to reply to your request.

Tuition, Fees, and Required Textbooks for a Nonpublic Online Program

Some students learn better in the comfort of their home and at their own pace. ESA approves tuition, fees, and required textbooks for any private online school.

ESA also cover fees for online learning program. This is only for the student(s) who has been awarded an ESA. Please note that:

- ESA will not pay for family memberships that are not specific to the student on the ESA program
- ESA will pay for memberships up to 1 year for the online learning programs (if applicable) and only for the student on the ESA program
- If there are multiple students on the ESA program, each must purchase their own access or online learning program membership
- If purchasing a family online learning membership for multiple students on the ESA program, each card must be used (you may split payments).

Fees for Achievement and Placement Tests

Parents may utilize ESA funds to pay for their student to participate in a nationally standardized norm-referenced achievement test in order to help determine the student's ability to show mastery of appropriate grade level material, advance placement exams, or any exams related to college or university admission.

The following are some examples of assessments that are acceptable (but not limited to):

- California Achievement Test (CAT)
- TerraNova
- Iowa Test of Basic Skills (ITBS)
- Tests of Academic Proficiency (TAP)
- Metropolitan Achievement Test (MAT)
- Stanford Achievement Test (SAT)
- American College Test (ACT)

530 Coverdell Education Savings Accounts

A 530 Coverdell Education Savings Account is a tax advantage investment designed to encourage savings to cover future education expenses. More information regarding Coverdell accounts are found in section 530 of the Internal Revenue Code (26 U.S.C § 530).

A Coverdell account must:

- Be opened in the contract Holder's name only
- Be for the awarded ESA Student (beneficiary) only

The Coverdell account allows:

- A maximum contribution of \$2,000 per year
- Yearly contributions can only be made during July 1- June 30 (your contract year)

Parents must first provide an education to their child before using any unspent funds towards a Coverdell Education Savings Account. Please keep in mind that a maximum contribution of \$2,000 cannot be exceeded for the year.

The holder of the ESA account (parent who signed the ESA contract) must also be the signatory on the Coverdell account.

The purpose of a 530 Coverdell is primarily to save money for your student to attend college. However, should you need to use these funds you are still required to follow ESA guidelines. Any funds used from your 530 account can only be used on ESA approved expenses. Whenever you transfer funds into your 530 account, this must be reflected on your expense report for the appropriate quarter the money was deposited.

Opening a Coverdell Account Using an ESA

ESA does not allow parents to withdraw cash, cash advance, or obtain a cashier check to directly invest ESA monies into a private financial institution offering Coverdell accounts. The following guidelines should be followed to ensure your ESA funds are compliant to statute:

- **Make A Budget:** Determine or estimate your child’s overall education expenses. Take the remaining scholarship money and classify it as:
 - 1) **Coverdell college savings** or
 - 2) **Roll-over funds.**
- **College Savings Amounts:** The amount designated in your budget as college savings cannot be more than **\$2,000 per year (July 1 through June 30)**. Additional funds stay in the ESA account as roll-over funds if not used while the students remain on the ESA program.
- **Find An Approved Third Party:** Because of the restrictions to the ESA bank card, a third party is necessary to invest ESA funds in a Coverdell. “Grad Save” & “Gift of College” are 2 third party vendors that ESA families regularly use.
- **Required Documents:** As part of ESA accountability, ESA staff requires that all investments in a Coverdell be recorded and submitted as part of the expense report process. When opening an account for the first time, a parent must submit all account related documentation. This includes:
 - Student welcome page from third party
 - Student’s account overview from the financial institution
 - Account statements
- **Taxable Income:** Transferring ESA funds into a Federal 530 Coverdell in the qualified student’s name will make the funds taxable income. Before proceeding, parents must be aware that this may affect other state assistance programs such as DDD and AHCCCS.

Tuition, Fees, and Required Textbooks at an Eligible Postsecondary School

ESA funds can be used for the benefit of the qualified ESA student to pay for:

- Community College
- University
- Trade School
- Vocational School

ESA funds cannot be used for room and board OR meals, meal plans, or food

ESA funds can be used to purchase textbooks required by the university or college classes as well as any textbooks required by the trade school or vocational school.

Fees for Management of the ESA Accounts

The Arizona State Treasurer's Office works with the issuing bank to remove re-occurring account fees for ESA recipients. However, there are 2 types of fees that the issuing bank may charge:

- Lost Card fee: \$5.00
- Expedited Shipping fee: \$15.00

ESA funds can be used to offset these fees and must be logged on your expense report.

Services Provided by a Public School

ESA funds may be utilized to pay for individual classes and fees for extracurricular programs provided by a public school such as drama club, band, cheerleading, sports, art classes, music classes, etc.

Please note the schools and or schools districts are under no obligation to accept your child for these activities even if you are paying for the services, classes, or extra-curricular activities.

If a school accepts an ESA student, make sure that the following is done to avoid suspension of your ESA account OR termination from the ESA program:

- Contact your district and ensure they will accept a student paying tuition.
- If your ESA student does attend and pays tuition, make sure the student is not enrolled as a district student but as a tuition paying student
 - Enrolling in a public school as district student may lead to termination from the ESA program and repayment of used ESA funds
- Make sure that the school provides you with a complete paid invoice for all activities

Disallowed Expenses (Misspending)

To protect the funds of the program, ESA pursues any and all misspending. Additionally, the Department assumes a zero tolerance policy on misspending. Any amount not spent in an allowable category pursuant to the ESA agreement and Arizona statute will result in:

- An account suspension letter with repayment amount from your program specialist. At this time, your ESA account will be suspended. Your program specialist will give you 10 business days to contact them and/or provide them with any documentation to show any error OR to submit repayment
 - If a parent can provide documentation to show there was an error, the account will be unblocked within 1-3 business days.

- If the misspending cannot be satisfied, the account will remain suspended until repayment is made; repayment plans up to 6 months may be offered.
 - i. If the repayment is made in the form of a cashier's check OR money order, once repayment is received, funds will be unblocked; this may take 1-3 business days.
 - ii. If repayment is made in the form of a personal check, funds will remain suspended until the check has cleared with the Arizona State Treasurer's Office and the Arizona Department of Education; this may take up to 30 days.

Please note: quarterly funding will not be disbursed until the disallowed amount is paid back in full.

If within the 10 days, the account holder has not contacted the Department, your Program Specialist will send out a termination letter with your right to appeal. After 30 days from termination letter date, the account will be closed and any misspent funds not collected will be sent to the Arizona Attorney General's Office of Collections.

Chapter 3: Debit Card and Merchant Category Code (MCC Code)

Once accepted to the program, monies awarded to students are entrusted to parents in the form of a pre-paid bank card. The ESA card can be used to educate the awarded student only.

ESA Prepaid Bank Card

The ESA prepaid bank card will be sent to the mailing address provided on the ESA contract. Cards will begin to arrive anytime between July 15 through July 30.

Please do not contact ESA staff during that time regarding your card. If after July 30, you have not received your card, please contact your Program Specialist so he or she can follow up on the status of your card.

Your ESA bank card will arrive in a white envelope from Bank of America (please do not discard). If you accidentally happen to throw your card away, you must contact the bank for a new card. The number to contact for a new card is 1-866-692-9374. Please note that your Program Specialist cannot request a new replacement card for you or change your address with the bank.

Your ESA bank card may or may not arrive with your quarterly funds preloaded onto the card. If you are not funded by July 30, please contact your Program Specialist on July 31 so they he/she can follow up on the status of your card.

Once you receive your card, please follow the instructions to activate. No pin number is associated with the bank card. No cash withdrawals, cash advances, or cashier checks can be issued with your ESA prepaid bank card.

We highly recommend that you set up online banking to track all spending, have access to your bank statements, and obtain up to the minute information regarding your account. You may also call the toll free number on the back for your card for balances. Please note that you cannot walk into a banking branch and request information about your ESA bank card.

ESA staff is not notified when quarterly disbursements have been made to your account, therefore, it is your responsibility to contact the bank or check your account online for quarterly disbursements.

MCC Code

ADE, along with the Arizona State Treasurer's Office, is entrusted with ensuring that public tax dollars are spent in accordance with the law. ESA bank card restrictions are put in place to ensure monies that flow from the ESA program are spent in accordance with state statute.

A Merchant Category Code (MCC) is a four-digit number assigned to a business by credit card companies or banks when a business is set up to accept credit cards as a form of payment. The MCC is used to classify the business by the type of goods and services it provides.

Approved MCC Codes

Vendors and private schools may change their MCC codes without notice to you, ESA, or the State's Treasurer's Office which may cause an interruption in service. Below is a list of approved spending categories.

- 5111- stationery, office supplies, printing and writing paper
- 5310- discount stores
- 5331- variety stores
- 5399-general merchandise
- 5734- computer software stores
- 5942- book stores
- 5943- stationery, office and school supply stores
- 5964-direct marketing-catalog merchant
- 5968-direct marketing-continuity/ subscription merchant
- 5969- direct marketing not elsewhere classified
- 7032-sports and recreational camps
- 7277- counseling services
- 7299- miscellaneous personal services not elsewhere classified
- 7392- management, consulting, and public relation services
- 7399- business services not elsewhere classified
- 7911-dance halls, studios, schools
- 7929- band, orchestra, and entertainer
- 7991- tourist attraction/ exhibits
- 7997- membership clubs for sports, recreation, and athletics
- 7999- recreation services not elsewhere classified
- 8011- doctors and physicians not elsewhere classified
- 8042- optometrists and ophthalmologists

- 8050- nursing and personal care facilities
- 8099-medical services and health practitioners not elsewhere classified
- 8211- elementary and secondary schools
- 8220- colleges, universities, professional schools, and junior colleges
- 8241- correspondence schools
- 8244- business and secretarial schools
- 8249- trade and vocational schools
- 8299- schools and educational services not elsewhere classified
- 8351-child care services
- 8398- charitable and social services organization
- 8641- civic, social, and fraternal associations
- 8661- religious organizations
- 8699- membership organizations not elsewhere classified
- 8999- professional services not elsewhere classified
- 9399- government services not elsewhere classified

Requesting an MCC Code Approval

If an MCC Code is not listed above, you may make a request to your program specialist. Please email your program specialist so he or she can get the proper form for you to fill out and submit. You will need to obtain the 4 digit MCC code from the vendor or provider. Not all requests will be approved. Should your request be approved, please allow up 2 weeks for the code to be opened up by the Arizona State Treasurer’s Office and authorizing bank.

Please keep in mind that even though educational items, tutors, providers, vendors, etc. may be approved; the MCC code may not.

Allowable Forms of Payment for ESA Card

As mentioned earlier, ESA does not allow a parent to withdraw cash, request a cash advance, or obtain cashier’s checks with the ESA prepaid bank card. If a parent wants to pay for services, monies from the ESA card must be sent directly to the private schools, vendors, tutors, or therapists from the ESA prepaid bank card.

ESA cards can only be used the following ways:

Forms of Payment	Description
Point of sale	Swiping the card or manually inputting card number
PayPal	An online payment service that is helpful for paying tutors and aides. However, some providers may need to be verified before receiving funds and may incur PayPal fees. If you have issues with PayPal, please contact: <ul style="list-style-type: none"> • Contact PayPal Customer Support at 1-888-211-1161;

School approved vendor tuition	Many schools use an online payment method to retrieve the funds
Square Method	Payment made through a smart phone or tablet. A parent is able to sign on the spot and have a receipt emailed to them from the provider.

Private schools and/or vendors cannot hold onto your card. Your ESA card must be in your possession at all times. If you have agreed to have funds deducted from your account without you being present to approve or sign for the payment or purchase, you and the private school and/or vendor must have a signed agreement between each other. ESA funds will not pay for late payments to the private school or vendors because you failed to turn an expense report in on or before the required deadline date.

Chapter 4: Expense Reports

When an ESA parent enters into a contract with the Department, an ESA parent is assuming the responsibility of reporting spending of all ESA funds on a quarterly basis as stated on the ESA contract that was signed by you and mailed to ESA.

The submission of expense reports every quarter is crucial in maintaining your child’s eligibility in the ESA program. This allows ESA to account for the educational spending of state funds to the taxpayers.

ESA funds may only be used on specific allowable expenses as discussed in the previous chapter which are authorized by statute. The Department is authorized to audit all expenditures and request further information if needed from the ESA cardholder.

To comply with legal requirements, an ESA cardholder must submit expense reports and documentation quarterly for verification prior to disbursement of the next quarter’s funding

ESA Expense Report Form and Verification Form

The ESA Expense Report Form and Verification Form are printable forms provided by ESA which allows parents to track their quarterly payments and purchases (expense). The account holder (name on ESA card) must fill out the Expense Report Form and sign the Attestation Form.

Two types of Expense Report Forms are available.

1. Students attending private school only (no other expenses)
2. Students with a mix (private school and tutors, therapists, curriculum, etc.)

Expense Reports Forms are located on our website at www.azed.gov/esa

1. Click Expense Report Submission
2. Click Expense Report Submission (again)
3. Click Required Documents

4. Click on #1 Expense Report Form (private school only) OR Expense Report Form (other)

Expense Report Schedule (deadlines)

In order to continue eligibility for the ESA program and receive quarter disbursements, the account holder (parent on ESA bank card) must submit quarterly expense (4 times a contract year).

<u>Quarter</u>	<u>Disbursement</u> <i>(if expense report is submitted by due date)</i>	<u>Expense Report Due Date</u>
1	July 15-July 30	September 20
2	October 15-October 30	December 20
3	January 15-January 30	March 20
4	April 15- April 30	June 20

As a new ESA parent, Quarter 1 funding is disbursed any time between July 15-July 30 in “good faith”; as stated above Quarter 1’s expense report is due September 20 with Quarter 2’s funding disbursing any time between October 15-October 30 and so forth following the schedule outlined above.

Please make sure that if attending private school, your school knows that disbursements can be any time between the 15th and the 30th of the month that funding is due. (See calendar above).

Failure to submit an expense report within 90 days of the deadline may result in termination from the program.

Expense Report Submissions

ESA expense report can be submitted three different ways:

1. Email (esareports@azed.gov)
 - Any report not submitted to this email will be rejected and asked to resubmit again to the correct email
 - Once we receive a complete expense report, a confirmation email will be sent (this email does not mean your expenses were approved)
2. Online submission (<http://www.azed.gov/esa/expense-report-submission/>)
 - Automated email confirmation from the system administrator (not ESA)
 - ESA staff will try their best to send a confirmation email (no guarantees).
3. Mail or hand deliver
 - Delivery confirmation receipt upon request
 - If hand delivering, please contact ESA Staff to make sure someone will be available; we have new security rules at the Department

Expense Report Required Documents

When submitting an expense report, make sure all of the following are submitted:

1. Expense Report Form
2. Attestation Form
3. Paid Invoices and Receipts

Please note that **incomplete** expense reports will **not be accepted**. If an incomplete expense report is submitted, the report will be rejected completely and email will be sent to the parent to resubmit an entire complete expense report.

If additional information is needed, your Program Specialist will send you email regarding the missing information/documents.

Important to remember: Any unused ESA funds continue to roll-over on a quarterly basis. Therefore, parents are not required to spend all of their quarterly disbursement at one time, but parents are required to spend something (any dollar amount) every quarter which must equal 25% of the yearly award by the quarter 4 expense report date of June 20.

Chapter 5: Contract Renewal

In order for the ESA student to continue on the ESA program, a renewal contract must be submitted every year.

ESA staff will be email or mail to the applicant parent their renewal contract no later than May 30. If a contract is not received by May 30 5pm, please contact your Program Specialist the next day.

Deadline to submit your renewal contract is June 20. *Note: Quarter 4 expense report is also due that date.*

If an ESA renewal contract is not received by the deadline date, we will assume that you are no longer interested in receiving the scholarship and will be exited on July 1. Your account will be closed and all unspent funds will be unloaded.

Maintaining Eligibility for Renewal

In order to remain eligible to renew your ESA contract, you must have:

- Submitted Quarter 1 through 4 expense reports
- Spent 25% of your yearly funding
- Not owe the Department any monies for disallowed expenses (misspending).

Failure to spend a portion of your quarterly funds AND a total of 25% of your yearly funding may lead to termination from the program

Renewal contracts will be:

- Emailed to the email address on file (make sure your email is up to date) OR
- Mailed if no email address is on file.

All renewal contracts and any required forms if applicable at that time must be MAILED to the Department.

The deadline to submit your renewal contract is June 20. Please note that failure to provide a complete address such as the Bin # may result in your documents not being delivered on time to ESA.

Chapter 6: Removal Process

Pursuant to A.R.S. § 15-2403(C), the Department may remove any parent or qualified student from the ESA program if the parent or qualified student fails to comply with the terms of the contract, state law, rules or policies or misuses any ESA funds.

Your Program Specialist will:

- Issue a suspension letter for any contract or policy violation or any misuse of funds.
- Suspend your ESA account
- Not make any quarterly disbursements
- The account holder will be given a date and time to contact ESA reading the letter
- If the account holder refuses or fails to contact the department, submit any information or make any report that may be required for reinstatement within the ten-day period, the department will issue a final termination letter with your rights to appeal
- If the account holder wishes to appeal the termination, he/she must submit an appeals letter within 30 days of the date on the termination letter
- If the account holder is not heard from within the allotted time, the account will be closed, and any misspent funds or unaccounted funds will be sent to the Attorney General's Office of Collections.
- The account holder and student will not be eligible to apply in the future

Please note: If a parent is removed from the ESA program for any reason, your program specialist will send a termination letter stating the reason for termination. The letter will also outline the appeal process should you decide to appeal the Department's decision to terminate.

Appeal Process

Upon receipt of the termination letter, you may appeal by:

- Providing written notice of appeal to the Department within 30 days of the date on the termination letter and which must include
 - a. Account holder's name (as written on the ESA contract)
 - b. Current address (city, state, zip code)
 - c. Contact information (email and phone number)
 - d. A clear statement of the reason for your appeal.

This process is also outlined on the termination letter.

- Upon receipt of your appeal letter, the Department’s Legal Unit will contact you detailing next steps.
- The Department’s decision will become final if a notice of appeal and request for hearing is not received by the Department within 30 days of the date of the termination letter.
- The ESA account will remain suspended during the time of the appeal, and the account holder will not have access to any ESA funds during that time.
- If a request for a hearing is made, the Department’s Legal Unit will schedule a hearing at the Office of Administrative Hearings. At the conclusion of the hearing, the administrative law judge’s recommended decision will be forwarded to the Superintendent of Public Instruction who will accept, reject, or modify the recommended decision.
- If you choose to appeal, you may also request an informal settlement conference pursuant to A.R.S. § 41-1092.06 by submitting a written request to the Department no later than 20 days before a hearing scheduled in this matter.

Reasons Parents Are Terminated

There are three main reasons that parents are terminated from the ESA program.

1. Enrolling and attending a public, charter, or public online school
2. Attending summer school at a public, charter, or public online school and not paying for it
3. Receiving School Tuition Organization (STO) scholarships OR tax credit scholarships

Attending a Public or Charter School

While a student is on an ESA contract for the year (July 1 through June 30), a parent (account holder) agrees not to enroll the eligible student in a public school, charter school, or public online school. This includes summer school for any reason.

As written in the ESA contract, “pursuant to A.R.S § 15-2402(B)(2), during the Term, Holder will not enroll student in a public school. Enrollment of the Student in a public school during the Term constitutes a violation of this Contract and will result in immediate termination of this Contract.”

Receiving an STO or Tax Credit Scholarships

While a student is receiving an ESA and under contract for the year (July 1 through June 30), a parent (account holder) agrees not to receive any STOs or tax credit scholarships.

If the ESA funds do not cover the full cost of the private school and you are unsure how the remaining costs are being paid, please contact your private school to make sure you are not signed up to receive an STO or tax credit scholarship.

If you are still not sure or believe you may have received an STO or tax credit scholarship, please contact our Program Specialist immediately.

As written in the ESA contract, “pursuant to A.R.S § 15-2402(B)(3), during the Term, Holder agrees not to accept a scholarship grant for Student from a School Tuition Organization (STO). Acceptance of a scholarship grant for Student from an STO during the Term constitutes a violation of this Contract and will result in immediate termination of this Contract.”

Other

Below are additional ways a parent may be terminated from their ESA program (this does not include all).

- Failure to submit an expense report within 90 days of the due date
- Providing false information (application, contract, bank form, etc.)
- Fraudulent activity
- Not spending monies each quarter equaling to 25% of the yearly amount at the end of quarter 4
- Not submitting required documents by the set deadline

Chapter 7: Exiting the ESA Program

A student may exit the ESA program 1 of 4 ways:

1. Voluntary withdrawal: parent chooses not to participate in the program
2. Non-renewal: Parent chooses not to renew the following year’s ESA contract
3. Completing the ESA program: student exits the program once he/she reaches the 12th grade cohort year
4. Removal: ESA terminates parent from the ESA program

Voluntary Withdrawal

ESA allows a parent, on a case-by-case basis, to remove their child any time during the contract year from the ESA program. If you wish to remove the student from the ESA program, simply email your Program Specialist the following information:

- Contract holder name
- Student’s name

Your Program Specialist will then decide whether a Close Account Request Form needs to be filled out by the contract holder and will send the form. Upon receipt of the Close Account Form, your Program Specialist will review the student’s file.

Please keep in mind that **parent may be asked to repay funds that have been used**. If so, your Program Specialist will send you a letter requesting repayment via email or mail if no email address is on file.

Once the ESA Director has approved the form, the parent will be released from the ESA contract and the student may return to public school. Your Program Specialist will conduct a complete

review your account and begin the process of unloading any remaining funds, seeking repayment (if applicable), and closing the ESA account.

Please note: Arizona law requires that a child between the ages of 6 and 16 be provided with an education. The exiting parent may enroll their child in public school at any time after withdrawing from the ESA program.

Non-Renewal

Parents may choose not to renew their annual ESA contract. Non-renewal of an ESA contract is not considered termination. The student and parent will remain eligible to reapply in the future.

On July 1, your ESA bank card will be closed and any unused funds will be unloaded. If repayment of funds is necessary, your Program Specialist will send you a letter requesting repayment and detailing why the funds must be repaid.

Parents may reapply the following year, but funds previously rolled-over will not be reinstated.

Completing the ESA Program

When a student enters the ESA program, the student will be moved in a cohort. This means if the student enters the ESA program in 3rd grade, the following year the student will move onto the 4th grade, even if the private school or the parent decides to keep the student back a year. The student progresses one grade every year until that student reaches 12th grade. All students are exited at 12th grade.

During the 4th quarter, your Program Specialist will email or mail the parent a letter stating that the student will exit from the program and the date any leftover funds will be unloaded.

Once exited from the ESA program, **the account holder will have four years to use any remaining funds that have rolled over from the past years to educate their child.** All policies and laws regarding ESA must still to be followed.

The account holder is still required to submit expense reports every quarter for the remaining four years as they have done in the years prior to exiting. Failure to submit an expense report within 90 days of the due date will result in termination from the program, which includes unloading any remaining funds.

After completing the ESA program and exiting at 12th grade, students are not explicitly prohibited from returning to their public school. However, each county superintendent receives an annual list of ESA participants and each school district may have specific district policies that may prohibit the re-enrollment of an ESA student beyond the age of 18 if it is determined that the student has completed their high school graduation requirements through the ESA program.

If a 12th grade student returns to public school at any time after the completion of ESA program, all unused ESA funds will be unloaded from the ESA bank card. Keep in mind that upon review of your account, should funds need to be paid back to the Department; your Program Specialist will

notify you by email or mail if no email address is provided. Failure to repay the requested funds may result in referral to the Arizona Attorney General's Office of Collections.

Removal

The Department and or ESA may remove a contract holder from the program for a variety of reasons as discussed in Chapter 6. If removed by the Department or ESA, the student and the parent may not reapply for the ESA program in the future.

Chapter 8: Questions and Approval Request

Any questions or approval requests for curriculum, tutors, therapists, etc. should be made in writing to your Program Specialist via email or mail

If you do not know who your program specialist is, please contact ESA staff at esa@azed.gov or 602-364-1969; and include your student's name.

ESA Contact Information

Listed below are the many ways that you can get in touch with us, please note that March through August are our busiest months and many times ESA staff may be on the phone assisting other parents or maybe in meetings with parents or Department meeting, if that is that case, please feel free to leave a message. In the message include your name, phone number, student's name, and the reason for your call.

Email

- esa@azed.gov (for general information)
- esareports@azed.gov (for submission of expense reports only)

Phone

- ESA mainline: 602-364-1969

Mail

Arizona Department of Education
Attn: ESA
1535 W. Jefferson St. Bin# 41
Phoenix, AZ 85007

