



State of Arizona  
Department of Education

**Empowerment Scholarship Account**

*A Guide to Utilizing Your  
Empowerment Scholarship Account*

School Year 2017-2018

Version 2

Published December 6, 2017



## Table of Contents

### Contents

Chapter 1: Introduction .....	4
1.1 What is an Empowerment Scholarship Account? .....	4
1.2 Accepting an Empowerment Scholarship Account .....	4
1.3 Handbook Purpose .....	5
1.4 How to Stay Updated .....	5
1.5 Address Verification .....	5
1.6 Secure Information.....	6
Chapter 2: Approved Spending and Program Requirements .....	7
2.1 Approved Spending Categories .....	7
2.1.1 Examples of Approved Therapies and Credentials .....	11
2.1.2 Approved Tutor/ Teacher and Credentials (For all ESA students).....	11
2.1.3 Extra-Curricular Tutors and Credentials .....	11
2.1.4 Approved Paraprofessional/Aide Credentials (For students identified with having a disability) .....	13
Chapter 3: Disallowed Spending.....	14
3.1 Disallowed Expenses (Misspending) .....	14
3.2 Disallowed Fees .....	15
3.3 Refunds.....	15
3.4 List of Non-Approved Therapies.....	15
3.5 Medical Insurance and Co-Pays.....	15
3.6 Half-Day Kindergarten Tuition.....	16
3.7 Uniforms.....	16
Chapter 4: Recap on Spending .....	16
Chapter 5: Debit Card and Funding .....	16
5.1 ESA Prepaid Bank Card .....	16
5.2 Merchant Category Codes (MCC) .....	17
5.3 Allowable Forms of Payment .....	17
5.4 Funding Dates.....	17
Chapter 6: Expense Reports .....	18
6.1 ESA Expense Report Submission .....	18
6.2 Expense Report Due Dates.....	19
6.3 Expense Report Required Documents.....	19
6.4 Failure to Submit Timely Expense Reports.....	20
6.5 Repayment .....	20



Chapter 7: Contract Renewal .....	20
7.1 Eligibility for Renewal .....	21
7.2 Returning Renewal Contracts .....	21
Chapter 8: Removal Process .....	21
8.1 Appeal Process .....	22
8.2 Reasons Applicants Are Terminated .....	22
8.2.1 Attending a Public or Charter School .....	23
8.2.2 Receiving an STO or Tax Credit Scholarships .....	23
Chapter 9: Exiting the ESA Program .....	23
9.1 Voluntary Withdrawal .....	24
9.2 Non-Renewal .....	24
9.3 Completing the ESA Program & Attestation.....	24



## Chapter 1: Introduction

### 1.1 What is an Empowerment Scholarship Account?

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

An ESA consists of 90% of the funds that would have otherwise been allocated to the district or charter school for the qualified student (does not include federal or local funding). The ESA is granted to the Account Holder of the qualified student to provide an education that must include at least the following subjects: reading, grammar, mathematics, social studies and science.

By opting out of the public-school system and accepting an ESA, applicants can seek a range of alternative educational services such as private schools, home-based education, tutoring, and educational therapies (*for students with disabilities only*) using state funds. Funded by the state, tailored by the applicant, and individualized for the student—the ESA program provides a unique opportunity to prepare Arizona students to succeed in school and life.

ESA contracts are between the applicant and the Arizona Department of Education-Empowerment Scholarship Account Program. What the applicant chooses to share with their enrolled school is at their discretion.

\* ESA cannot provide any advice or guidance to families regarding schools, programs or service providers to use or where to send their child to for school.

**The student must be withdrawn from public school upon signing an ESA contract and while remaining on ESA.**

### 1.2 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 states the terms and conditions. The Department reserves the right to revoke ESA funding for those found in violation of the contract. Terms and conditions include:

- Student cannot be enrolled in a public school (including charters and public onlineschools)
- Applicant releases the public-school system from educating the student and 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
- Student cannot receive any tax-credit or School Tuition Organization (STO) scholarship concurrently in the same year as receiving ESA funds
- Applicant shall submit quarterly expense reports, completed by given deadlines (section 5.4)
- Applicant shall spend a portion of the ESA funds annually to provide an education for the qualified student.

**Note:** *Not all terms are listed above; please refer to your ESA contract for all terms and conditions.*



## 1.3 Handbook Purpose

The purpose of the ESA handbook is to establish and supply official instruction concerning policies, procedures, and implementation of the ESA program.

### 1.3.1 Handbook Updates and Renewal

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

The ESA handbook is developed by the Department under the guidance of our Policy Team and the Attorney General’s office. Policies and procedures can and will be updated in response to newly-enacted legislation, court decisions, and/or suggestions for best practices. Policies are subject to change any time during the contract year in which the Department will notify applicants of change(s) and effective dates. The most up-to-date handbook is available electronically on the ESA website [www.azed.gov/esa](http://www.azed.gov/esa).

## 1.4 How to Stay Updated

It is strongly encouraged to stay informed by monitoring the [ESA Website \(www.azed.gov/esa\)](http://www.azed.gov/esa) and thoroughly reading all correspondence sent by the Department regarding the ESA Program.

Program staff is available during business hours of M-F 8:00 AM to 5:00 PM AZ time by calling the ESA hot line at (602) 364-1969 or by emailing [esa@azed.gov](mailto:esa@azed.gov).

All program correspondence will be sent to the mailing address and/or the email address on file (based on your preferred method of contact). As such, it is imperative that Account Holders ensure their [contact information](#) is up to date at all times. Should you need to update your information, do not hesitate to contact ESA staff via phone to discuss with a Program Specialist. To update banking information for your Bank of America Account, you will have to contact Bank of America directly at 1-866-213-8564. ESA staff is not authorized to update any bank related information on behalf of an applicant.

The Department offers resources for our ESA families:

- Monthly Newsletter
- ESA Website: [www.azed.gov/esa](http://www.azed.gov/esa) (Tip of the Week)

## 1.5 Address Verification

Per Arizona Revised Statute 15-2401(5) and (7): both Parent (Account Holder) and qualified student must be a resident of the State of Arizona. Thus, the Department may request residency verification in writing at any time during the contract period.

In general, students will fall into one of two groups: (1) those whose parent or legal guardian is able to provide documentation bearing his or her name and address; and (2) those whose parent/legal guardian cannot document his or her own residence because of extenuating circumstances including, but not limited to, that the family’s household is multi-generational. Different documentation is required for each circumstance.



**Parent(s) or legal guardian(s) that maintains his or her own residence:** The Account Holder must provide **one** of the following documents, which bear the Account Holder's full name and residential address or physical description of the property where the student resides (no P.O. Boxes):

- Valid Arizona driver's license, Arizona identification card
- Valid Arizona motor vehicle registration
- Property deed
- Mortgage documents
- Property tax bill
- Rental agreement or lease (including Section 8 agreement)
- Utility bill (water, electric, gas, cable, phone)
- Bank or credit card statement
- W-2 wage statement
- Payroll stub
- Other documentation from a state, tribal, or federal agency (Social Security Administration, Veterans' Administration, Arizona Department of Economic Security, etc.)

## 1.6 Secure Information

The Department has the obligation, under the Family Educational Rights and Privacy Act (FERPA), to ensure all information is kept confidential and secure. The Department will never release personally identifiable information regarding the qualified student, including financial information or personal details (including contract information).

For the protection of your privacy, the Department encourages ESA Account Holders to use caution when providing their personal information to third parties. This includes, but is not limited to, social security numbers, dates of birth, ESA Bank of America account information, or ESA application information such as ESA Application IDs or ESA logins and account passwords. To further protect yourself against the possibility of fraud, it is also recommended that you not release the custody of your ESA Debit Card or the card number to a third-party (including schools).

Applicants are also encouraged to enroll for a Bank of America Online Banking account at: [www.bankofamerica.com/onlinebanking/online-banking.go](http://www.bankofamerica.com/onlinebanking/online-banking.go). Setting up an account gives cardholders the ability to track their purchases and is a good way to ensure fraud is not occurring on your account. This will also assist you in completing your quarterly expense report.



## Chapter 2: Approved Spending and Program Requirements

A.R.S § 15-2402(B)(4) lists the expenses that are explicitly permissible using ESA Funds.

### 2.1 Approved Spending Categories

Spending Category	Description
<p><b>Expenses at a Qualified School:</b></p> <ul style="list-style-type: none"> <li>- <b>Tuition</b></li> <li>- <b>Fees</b></li> <li>- <b>Required Textbooks</b></li> <li>- <b>Uniforms</b></li> </ul> <p><i>Tuition must be paid for within the current fiscal year; funds cannot be used to pay prior year expenses.</i></p>	<p>A Qualified School is defined as a private school in Arizona that serves PK-12<sup>th</sup> grades.</p> <p>Tuition shall be paid to a qualified private school directly, and only for the instruction of the ESA student (specified on the ESA contract).</p> <p>Uniforms are an allowed expense but must be purchased through or from a qualified school including school assigned vendors for uniform purchases.</p> <p>The following are examples of approved fees:</p> <ul style="list-style-type: none"> <li>• Registration fees</li> <li>• Application fees</li> <li>• Credit Card Processing fees</li> <li>• Facility fees</li> <li>• Book fees</li> <li>• Lab fees (Science labs, Math labs, etc.)</li> <li>• Tutoring fees</li> <li>• Supply fees (this does not include consumable items such as pens, paper, markers, art supplies, construction paper, pencils, folders, backpacks, etc.)</li> <li>• Computer Lab fees (this fee is not to allow the purchase of a personal notebook/computer)</li> </ul> <p>*See section 3.2 for Disallowed expenses (i.e. transportation and lunch fees)</p>



Spending Category	Description
<p><b>Educational Therapies/ Services Paraprofessional/ Educational Aide</b></p> <p><i>Expenses in this section are applicable only to Students identified with a disability pursuant to A.R.S. § 15-2401(6)(a)(i), (ii), or (iii)</i></p>	<p>Educational therapies or services are individualized intervention and treatment plans designed to remediate learning problems through a combination of educational and therapeutic approaches.</p> <p>Therapies and services must be educational and provided by a licensed or accredited practitioner/provider, including licensed or accredited paraprofessionals or educational aides.</p>
<p><b>Vocational &amp; Life Skills Tuition</b></p> <p><i>Expenses in this section are applicable only to Students identified with a disability pursuant to A.R.S. § 15-2401(6)(a)(i), (ii), or (iii)</i></p>	<p>Vocational and Life Skills services are designed to help students develop skills or express interest in potential careers while learning necessary life skills that will enhance their ability to live and work more independently.</p>
<p><b>Educational/Psychological Evaluations</b></p> <p><i>Expenses in this section are applicable only to Students identified with a disability pursuant to A.R.S. § 15-2401(6)(a)(i), (ii), or (iii)</i></p>	<p>Psychological and educational evaluations, testing, and/or assessments offer an opportunity to help identify a child's strengths and unique needs and provide helpful and practical recommendations for improvement and success.</p>
<p><b>Assistive Technology Rentals</b></p> <p><i>Expenses in this section are applicable only to Students identified with a disability pursuant to A.R.S. § 15-2401(6)(a)(i), (ii), or (iii)</i></p>	<p>Assistive technology is assistive, adaptive, and rehabilitative devices that promote greater independence.</p>
<p><b>Braille Translation Services</b></p> <p><i>Expenses in this section are applicable only to Students identified with a disability pursuant to A.R.S. § 15-2401(6)(a)(i), (ii), or (iii)</i></p>	<p>This includes, but is not limited to Braille translation software.</p>
<p><b>Tutoring Services</b></p>	<p>See section 2.1.2 All services must be delivered from an individual or provider who is accredited by a state, regional or national accrediting organization; accreditation must be currently valid (not expired) and in a related field. <b>Hiring of family members is prohibited</b></p> <p>ESA funds cannot be used to hire family members or another ESA applicant to provide approved tutoring services. Parents/ families with questions about this prohibition should contact ESA.</p> <ul style="list-style-type: none"> <li>○ Students may attend a family-owned or operated school using ESA funds; however, funds cannot be refunded from the school to the family.</li> </ul>





<p><b>Curriculum &amp; Supplemental Materials</b></p>	<p>A.R.S § 15-2401(2): “Curriculum means a complete course of study for content areas or grade levels, including any supplemental materials required by the curriculum, approved by the department.”</p> <p>A.R.S § 15-2402 (1): “Use a portion of the empowerment scholarship account monies allocated annually to provide an education for the qualified student in AT LEAST the subjects of reading, grammar, mathematics, social studies and science...”</p> <p>Often, curriculum may require or recommend supplemental materials. Per A.R.S. § 15-2401(2), supplemental materials are approved when “required by the curriculum and approved by the Department,” and <b>not</b> specifically disallowed in ESA statute</p> <p>Curriculum is a prepackaged learning guide with pre-determined topics, chapters and tools for teaching.</p>
<p><b>Tuition and/or fees for a private online learning program.</b></p>	<p>ESA approves tuition, fees, and required textbooks for any private online school.</p> <ul style="list-style-type: none"> <li>• ESA will not pay for family memberships, only an individual membership with the student’s name on the account and receipt.</li> <li>• ESA will pay for memberships up to 1 year for online learning programs (if applicable) only for the student on the ESA program.</li> <li>• If there are multiple students on the ESA program, each student must purchase their own access or online learning program membership.</li> <li>• If purchasing a family online learning membership for multiple students on the ESA program, each card must be used (you may split payments).</li> </ul>
<p><b>Fees for nationally standardized norm-referenced achievement tests.</b></p>	<p>Advanced Placement exams and/or other exams related to college or university admissions such as ACT, SAT, etc.</p>
<p><b>Post-Secondary Expenses</b></p> <ul style="list-style-type: none"> <li>- Tuition</li> <li>- Fees</li> <li>- Required Textbooks</li> </ul>	<p>Per A.R.S § 15-2401(4): "Eligible postsecondary institution" means a community college as defined in section 15-1401, a university under the jurisdiction of the Arizona board of regents or an accredited private postsecondary institution.”</p> <p>ESA funds cannot be used for room-and-board or meals/meal plans.</p>



<b>Account Fees</b>	Charged by Bank of America for Card Replacement. <ul style="list-style-type: none"><li>• Lost Card Fee</li><li>• Expedited Shipping Fee</li></ul>
<b>Services provided by a Public School</b>	Includes individual classes and extracurricular programs such as drama club, band, cheerleading, sports, art, music, etc. Note that schools and districts are not under obligation to accept ESA students for these activities, even if paying for the services, classes, or extra-curricular activities.  If a school accepts an ESA student, ensure the following occurs to avoid suspension or termination from the ESA program: <ul style="list-style-type: none"><li>• Contact the district to ensure they accept students paying tuition and provide an invoice for programs.</li><li>• If the ESA student does attend and pays tuition, make sure the student is not enrolled as a district student, but as a tuition paying student.</li></ul>



### 2.1.1 Examples of Approved Therapies and Credentials

Below are examples of therapies for students identified with a disability and their respective acceptable credentials. This is intended to serve as guidance and is not a comprehensive list.

- **Required credentials** – Applicants are responsible for reviewing credentials to make sure that the credential is legitimate and unexpired. Copies of the credentials must be submitted with quarterly expense reports.

Approved Therapies	Required Accreditation
<b>Physical Therapy</b>	Physical Therapy license (includes Assistant License)
<b>Occupational Therapy</b>	Occupational Therapy license (includes Assistant License)
<b>Speech Therapy</b>	Speech Language Pathologist Therapy license (includes Assistant License)
<b>Vision Therapy</b>	Vision Therapy license or certification (will NOT approve an ophthalmologist or optometrist license alone)
<b>Hand Therapy</b>	Physical Therapy license Occupational Therapy license or related therapy credential
<b>Music Therapy</b>	American Music Therapy Association (AMTA) Certification Board for Music Therapists (CBMT)
<b>Equine Therapy; Hippotherapy; Therapeutic Riding</b>	Professional Association of Therapeutic Horsemanship International (PATH) Equine Assisted Growth and Learning Association (EAGALA) Recreational Therapy Certificate Certified Therapy Horse Association (CTHA) North American Handicap Riding Association (NAHRA) Equine Therapy Association (ETA) National Association of Certified Professionals of Equine (NACPET)
<b>Aquatic Therapy</b>	Aquatic Physical Therapy license Physical Therapy license Occupational Therapy license
<b>Martial Arts Therapy</b>	Occupational Therapy License Physical Therapy State teaching certificate in Special Education American Taekwondo Association (ATA) certificate United States Martial Arts Association (USMA) certificate
<b>Gymnastics Therapy</b>	Occupational Therapy License Physical Therapy State teaching certificate in Special Education USA Gymnastic certificate
<b>Applied Behavior Analysis and Verbal Behavior Analysis</b>	BCBA-D (Board Certified Behavioral Analyst – Doctorate) BCBA (Board Certified Behavioral Analyst) BCABA (Board Certified Assistant Behavioral Analyst) Psychologist license



<b>Applied Behavior Analysis and Verbal Behavior Analysis</b>	BCBA-D (Board Certified Behavioral Analyst – Doctorate) BCBA (Board Certified Behavioral Analyst) BCABA (Board Certified Assistant Behavioral Analyst) Psychologist license
<b>Art Therapy</b>	American Art Therapy Association (AATA) Physical Therapy license Occupational Therapy license
<b>Recreational Therapy</b>	National Council for Therapeutic Recreation Certification (NCTRC) American Therapeutic Recreation Association (ATRA) Recreational Therapy License
<b>Relationship Development Intervention (RDI) Therapy</b>	ABA credential listed above for Applied Behavior Analysis and Verbal Behavior Analysis RDI certificate
<b>Social Group Therapy</b>	Psychologist license Certification in Cognitive-Behavioral Therapy (CBT) Social Work Counselor Certificate Speech Therapy license

Refer to [Section 3.3](#) for therapies that are not covered by ESA and [Section 3.4](#) regarding medical insurance.

### 2.1.2 *Approved Tutor/ Teacher and Credentials* (For all ESA students)

Credential	
<b>Bachelor Degree or higher</b>	Copy of Degree
<b>State Teaching Certificate</b>	Copy of Certificate - Cannot be expired
<b>State Substitute Teaching Certificate</b>	Copy of Certificate - Cannot be expired

### 2.1.3 *Extra-Curricular Tutors and Credentials*

Listed below are examples of specific extra-curricular subjects and their respective acceptable credentials. This is intended to serve as a guideline and is not a comprehensive list.

A.R.S. § 15-2402(B)(4)(I), “Services provided by a public school, including individual classes and extracurricular programs.”

*\*Club sports are not part of public schools and would not be allowable expense on ESA.*

Specific Subject	Credential to Review
<b>Physical Education (P.E.)</b>	Certified Personal Trainer, AIA Training Certificate or NFHS Coaching Certificate <i>w/ DPS Fingerprint Clearance Card</i> State Teaching Certificate with P.E. endorsement Sports Medicine Endorsement/Certificate Bachelor’s Degree or higher in P.E. or related field
<b>Swimming</b>	Water Safety Instruction (WSI) Certificate SWIM USA Certificate American Red Cross Certificate for Swimming and Water Training American Red Cross Certificate for Lifeguards



<b>Driver's Education</b>	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)
<b>Dance</b>	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
<b>Music</b>	State Teaching Certificate in Music Bachelor's degree or higher in Music or related field Bachelor's Degree in Music



### 2.1.4 Approved Paraprofessional/Aide Credentials

(For students identified with having a disability)

Credential	Credential to Review
Associate's degree or higher	Degree or transcripts (official or unofficial)
60 or more college credit hours from an accredited university, college, or community college	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

\*ESA cannot advise on where to take these paraprofessional tests.

### 2.1.5 Consumable Materials

Experiments or curriculum may call for items classified as consumable educational supplies. A general rule regarding consumable materials:

- **Single Use vs. Repurposing:**
  - Single Use is any item(s) that can be used up and/or discarded. (Example: magazines, pens, pencils, salt, sugar, batteries, light bulbs, construction paper, pencils, colored pencils, markers, etc.). These items **are not** approved.
  - Repurposing is any item(s) that can be used indefinitely or be given another form of usage. (Example: pipettes, microscope, lens for microscope, protractor, etc.). These items may be approved if the curriculum states it is **required**.

### 2.2 530 Coverdell Education Savings Accounts

530 Coverdell Education Savings Accounts are tax-advantage investments designed to encourage savings for future educational 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
- Be reported to the IRS

Applicants should first provide an education to their child before using any unspent funds towards a Coverdell Education Savings Account. The holder of the ESA account (applicant 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 students to attend college and expenditures shall still adhere to ESA guidelines. Transferred funds must be reflected on the expense report for the appropriate quarter in which the money was deposited. The Department does not allow applicants to withdraw cash, cash advance, or obtain a cashier check to directly invest ESA monies into a private financial institution offering Coverdell accounts. A full paper trail from ESA account to the 530 Coverdell must be provided in the quarterly expense report and fees are not covered by ESA for these accounts.



### 2.2.1 Required Documents and Taxes

As part of ESA accountability, the Department requires all investments in a Coverdell account to be recorded and submitted with the expense report. When opening an account for the first time, an applicant must submit all account-related documentation. This includes:

- Student’s account overview from the financial institution
- Account statements

Transferring ESA funds into a Federal 530 Coverdell in the qualified student’s name will make the funds taxable income. Before proceeding, applicants should be aware that this may affect other state-assistance programs, such as DDD and AHCCCS.

Please contact a financial advisor or financial institution for questions regarding 530 Coverdell accounts. ESA Staff does not have the appropriate licensing and training to assist with questions regarding these accounts.

## Chapter 3: Disallowed Spending

The following expenses are specifically disallowed by law A.R.S § 15-2402(6):

Disallowed Spending Categories	Description
<b>Consumable Educational Supplies</b>	Paper, pencils, pens, markers, erasers, folders, backpacks, batteries, light bulbs, salt, sugar, etc.
<b>Computer Hardware &amp; other technological devices(rented from a therapist)</b>	Laptops, iPads, desktops, iPods, keyboards, mouse, USB drives, calculators, etc.
<b>Transportation</b>	Reimbursement for gasoline, buses, taxis, ride share, or transportation provided by the school, etc.
<b>Field Trips</b>	Field trips and transportation (To and From) are not allowed expenses.

### 3.1 Disallowed Expenses (Misspending)

If you have an expense report rejected; typically, credentials were not submitted for a specific expense, the expense was submitted incorrectly, the amount of the expense doesn’t match the bank statement, the expense was not itemized, or there is believed to be misspending on the ESA account which will need to be repaid to the Arizona Department of Education.

Any expenses within a disallowed category, pursuant to the ESA agreement and Arizona Statute A.R.S § 15-2402(B)(6), will result in an account suspension and request for repayment. Account holders have 10 business days to contact the ESA Department to either submit repayment, or provide documentation showing error. The account remains suspended until repayment is satisfied and ESA funding will be unavailable until the full amount is paid back. Acceptable forms of repayment include: money order, cashier’s check and personal check made out to: The Arizona Department of Education.



The ESA Department sends a suspension letter to the account holder if the applicant fails to initiate contact within 10 days of the notice of misspending. The account holder will have their card suspended and no additional quarterly funds will be disbursed until the account is in good standing. After 70 days, the account will be terminated and the applicant will not be eligible to hold any ESA accounts or to reapply for ESA in the future. The account holder has 60 days to appeal, as further explained in Section 8.1. On the 61<sup>st</sup> Day, if the account has not been remedied; the account will be terminated and the account holder will be ineligible to reapply.

### 3.2 Disallowed Fees

ESA funds cannot be used for:

- Late fee payments as a result of delayed funding when an expense report has been submitted late
- Childcare fees
  - This includes fees accrued by dropping a child off early, or picking a child up late, at school
- Transportation fees (ESA does not approve any transportation cost)
- Supply fees, including consumable items/materials. (If allowable should be itemized.)
- Fees from missing appointments or showing up late
- Lunch fees
- PayPal fees (all fees should be paid by the vendor) please use the *“Pay For Goods and Services”* option so the vendor pays the fee NOT *“Friends and Family”* (which will charge a payee the fee).
- Uniform expense not from a school or school specified vendor (i.e. Target, Walmart)

### 3.3 Refunds

- Should be issued when possible back to the prepaid visa card when an error is made or a charge is returned.
- If the merchant cannot issue a refund on the prepaid visa card, they should issue a check to the Arizona Department of Education with the student’s name and ESA application ID on the check.

### 3.4 List of Non-Approved Therapies

The following therapies are not approved for ESA students:

Not Approved Therapies and Services	
Massage Therapy	Psychiatrists
Nutritionists	Chiropractors
Eye Exams	Craniosacral Therapy
Acupuncture	Physical Exams

### 3.5 Medical Insurance and Co-Pays

Therapies provided to students must be “Educational Therapies” under A.R.S. § 15-2402(B)(4)(c). Under current Department 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, the account shall be suspended and funds must be repaid.





### 3.6 Half-Day Kindergarten Tuition

Account Holders cannot enroll a student for full-day Kindergarten at a public school that charges tuition for the second half of the day. In this situation, the school receives funds from both ESA and ADE, which is a violation of the contract.

### 3.7 Uniforms

Uniforms are an allowed expense but must be purchased through or from a qualified school; purchases made through an outside vendor, such as Walmart or Target, are not approved vendors. Example of Approved Vendors: Dennis Uniforms, Educational Outfitters, UniFirst uniform services as used per the school. Please have the vendor list the school's name on your receipt.

## Chapter 4: Recap on Spending

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

With so many options available for account holders to choose from, the Department cannot produce a list of all approved and non-approved expenses. This handbook provides examples of common usage of ESA funds; this is not a comprehensive list of allowable expenses and is to serve as a guideline to account holders, if you have specific questions, please call the ESA hotline at 602-364-1969.

## Chapter 5: Debit Card and Funding

Once accepted to the ESA program, funds awarded to students are entrusted to account holders in the form of a pre-paid bank card. The card lists both the student and the account holder but can only be used to educate the student.

### 5.1 ESA Prepaid Bank Card

The ESA prepaid bank card is sent to the mailing address provided on the ESA application. Once we have your signed contract we will request the card, this can take up to 30 days to be received at your address.

The ESA bank card will arrive in a white envelope from Bank of America (please do not discard). If the card is accidentally thrown away, contact the bank for a replacement card at the following phone number: 1-866-213-8564.

Follow the instructions on the back of the card to activate it. There is not a pin number associated with the bank card. The card does not permit cash withdrawals, cash advances, or the issuing of cashier checks.

Online banking is recommended for tracking spending and accessing bank statements and account information. For account balances, call the toll-free number located on the back the card; information about ESA cards cannot be obtained by walking into the bank.



**Attempting cash withdrawals may be grounds for removal/termination from the program.**

**5.2 Merchant Category Codes (MCC)**

The Department, along with the Arizona State Treasurer’s Office, is entrusted with ensuring that public tax dollars are spent in accordance with A.R.S. § 15-2401 - 2404.

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.

Vendors and private schools may change their MCC without notice, which may cause an interruption in service. **If an allowable purchase is denied, contact an ESA Program Specialist and if possible, have the MCC code of the merchant that was denied so we can research it further to assist you.**

**5.3 Allowable Forms of Payment**

ESA does not allow an applicant to withdraw cash, request a cash advance, or obtain cashier’s checks with the ESA prepaid bank card. Services paid for with an ESA card must be direct to the vendor. Purchases must be made using the ESA Bank Card, as out-of-pocket expenses will not be reimbursed.

Forms of Payment	Description
<b>Point of sale</b>	Card swipe / in-person payment
<b>PayPal</b>	Online payment service for paying tutors and aides; 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"> <li>• Contact PayPal Customer Support at 1-888-221-1161</li> </ul>
<b>Phone/Internet/Mail</b>	Purchasing materials by either entering card numbers online, on a paper mailing form, or verbally communicating them over the phone
<b>Square Method</b>	Payment made through a smart phone or tablet. An applicant can sign on the spot and have a receipt emailed to them from the Provider.

**5.4 Funding Dates**

Applicants that submit approved expense reports on time (refer to [Section 6.2](#)) will receive funding during the following time frame:

Funding Dates	
July 15-30	Quarter 1
October 15-30	Quarter 2
January 15-30	Quarter 3
April 15-30	Quarter 4

It is recommended to inform private schools of anticipated funding dates.



## Chapter 6: Expense Reports

Applicants are responsible for submitting itemized expense reports each quarter, as stipulated in the ESA contract that is signed and returned by the applicant. The submission of expense reports every quarter is crucial in maintaining eligibility in the ESA program. This allows ESA staff 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 any ESA cardholder.

To comply with legal requirements, ESA cardholders submit expense reports and documentation quarterly for verification prior to disbursement of the next quarter's funding.

Expense reports must be submitted on time to receive the next quarter's funding. Expense reports will always be due by the 20<sup>th</sup> of the last month in each quarter. Failure to submit your expense report by the 20<sup>th</sup> will result in a reminder letter to submit 10 days after it is due, a card suspension after 40 days and termination from the program at 70 days. Late expense Reports provided by the 30<sup>th</sup> of the first month in the quarter will be eligible for that quarterly funding, after this time the applicant will not receive funding until the following quarter.

### 6.1 ESA Expense Report Submission

During the 2016-2017 school year, the Department launched the online ESA Expense Reporting System. This system has been designed to provide an easier and more efficient Expense Report submission experience.

To use the online system, applicants will need to create their own personalized ESA Portal account to submit and track Expense Reports. Only one account is required for applicants with multiple students. Once you have created your account you will also have the ability to monitor the status of your expense report(s) and track past and future reports. Additionally, in-progress expense reports can be saved for later additions, editing, or submission. **To begin using the system, create a self-registration to access your ESA expense portal at**

<https://esa.azed.gov/ESA/Account>:

- Your username will be your email address and a temporary password will be sent to the email account on file. Your username email, and email provided in your application should be the same. The email will reference ADEConnect; ADEConnect is the platform hosting the portal.
  - If the email does not arrive within a few hours, check your Spam or Junk folder. We recommend adding [esa@azed.gov](mailto:esa@azed.gov) and [ims-notification@azed.gov](mailto:ims-notification@azed.gov) to your email contacts to avoid emails being delivered into the Spam or Junk folders.
- Upon receiving your password, you can log into the portal at <https://home.azed.gov/Portal/>.
- The portal works best when using either IE11, Microsoft Edge or Google Chrome web browsers. Please do not use tablets or phones, as it will not display correctly.



The Department has developed training to ensure applicants are successful when using the online expense reporting system. All training materials for the ESA Expense Report System can be located on our website at [www.azed.gov/esa/training/](http://www.azed.gov/esa/training/). To help you get started with the creation of your account, be sure to access the quick reference guide on Registering for the Applicant Portal. Additional training materials are also available to provide assistance with the creation and submission of your Expense Report(s).

## 6.2 Expense Report Due Dates

**Funding disbursements (listed in [Section 5.4](#)) are dependent upon whether or not expense reports are submitted by the deadline. Deadlines are 10 days before the end of the quarter.**

Reports submitted late are subject to delayed payment. Failure to submit an expense report within **70 days** of the deadline may result in termination from the program.

Quarter	Dates	Application Deadline	New Contract Due Date for Funding	Expense Report Due Date
1	July 1- September 30	June 1st	July 30th	September 20th
2	October 1- December 31	September 1st	October 30th	December 20th
3	January 1-March 1	December 1st	January 30th	March 20th
4	April 1- June 30	March 1st	April 30th	June 20th

## 6.3 Expense Report Required Documents

When submitting an expense report, paid invoices and receipts are required. The electronic expense report system will allow these documents to be uploaded. It is important that all fees and materials purchased during the quarter are itemized; this may require requesting an itemized invoice. All receipts should include a student name, service type, item description or school name as pertains to the invoice. If no money is spent during the quarter, a zero-expense report must still be submitted.

Credentials are submitted with the expense report for students receiving tutoring or teaching services and for students with disabilities receiving educational therapies ([Section 2.1](#)). If additional information is required, applicants will receive an email specifying what additional documentation is necessary.

Unused ESA funds continue to roll-over on a quarterly basis. Therefore, applicants are not required to spend all their quarterly disbursement at one time. However, applicants are required to spend a portion of the ESA award each contract year.



## 6.4 Failure to Submit Timely Expense Reports

Failure to submit Quarterly Expense Reports by the deadlines provided above may result in termination from the program. The ESA Account will be suspended within 10 days of the missed deadline and the Account Holder will receive a suspension letter. The Account Holder has 60 business days to contact the Department to either submit the missing Expense Report, or provide necessary documentation. The account remains suspended and ESA funding will not be disbursed for the missing quarter.

The Department sends a termination letter to the account holder if the applicant fails to initiate contact within 60 days of the date printed on the suspension letter. The account holder has 30 days to appeal, as further explained in Section 8.1. On the 31<sup>st</sup> Day, if the account has not been remedied; the account will be terminated and the Account Holder will be ineligible to reapply.

## 6.5 Repayment

If you have misspending on your ESA account, you will be contacted and asked to reach out to the ESA department within 10 days to remedy the expense. Repayment plans can be set up if you are unable to immediately pay back the disallowed expense. ESA will ask you for a timeline for the repayment and schedule payment dates with you. While you are repaying disallowed expenses your prepaid visa card will be suspended and you will not be eligible to receive additional quarterly disbursements until the amount is paid back.

Checks can be made out to: The Arizona Department of Education  
Please include the applicant's name, student's name and ESA application ID

Mailed to:  
The Arizona Department of Education  
Empowerment Scholarship Account Program  
1535 W Jefferson Street, Bin #41  
Phoenix, Arizona 85007

## Chapter 7: Contract Renewal

Applicants choosing to remain on the ESA program are required to sign a new contract each fiscal year and **do not need to reapply**. These contract packets are emailed and/or mailed by the Department and must be returned by the applicant with all required documents. Required documents include: ESA Annual Contract and the Handbook Attestation Form. The exception to this is for account holders who have a Student transitioning from Preschool to Kindergarten who have an MET/IEP/Evaluation Report that has a service code of PS-D (preschool severe delay) or students that have a service code of DD (developmental delay) and are past the age of 10. In this case, a current MET/IEP/Evaluation Report is also required from a **public-school district** to continue to receive additional funds related to a service code.



If an ESA renewal contract is not received by the deadline of June 20, the Department will automatically close out the Student from the program on July 1. Unspent funds are returned to the Treasurer's Office, prepaid visa card is closed and the ESA account is closed in good standing assuming all expense reports have been submitted. Should this occur, the applicant will be required to reapply as a new account holder if they wish to return to the ESA Program (Reapplying does not guarantee continued eligibility).

## 7.1 Eligibility for Renewal

The following is required to remain eligible for renewing an ESA contract:

- Submitted all quarterly expense reports;
- Spent a portion of the Student's annual ESA Award;
- Any disallowed expenses were repaid; and
- Complied with terms and conditions of the contract.

\*Can apply as "Previous ESA recipient"

## 7.2 Returning Renewal Contracts

Contracts may be emailed to [esa@azed.gov](mailto:esa@azed.gov) or mailed or delivered to the Department of Education at:

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

## Chapter 8: Removal Process

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

Violation results in the following:

- Suspension letter stating violation(s) and 10 days to contact ESA and account is suspended
- Quarterly disbursements will be forfeited for quarters with late expense reports.
- Termination letter if no contact is made to ESA within 10 days of the suspension letter

Refusal or failure to contact and comply with the Department will result in termination from the program.

- If the account holder wishes to appeal the termination, they can submit an Appeal Letter within 30 days of the date specified on the termination letter.



- If the account holder is not heard from within the allotted time, the account is closed, and any misspent funds or unaccounted funds are sent to the Attorney General's Office of Collections.
- The account holder is not eligible to re-apply to the ESA program in the future.

## 8.1 Appeal Process

Upon receipt of the termination letter, the account holder has the right to appeal. This process is outlined in the termination letter or disallowed expense notification. To appeal a termination or disallowed expense:

- Provide written notice of appeal to the Department within 30 days of the date specified on the termination or disallowed expense letter. This notice includes:
  - Account holder's name (as written on ESA contract)
  - Current address (city, state, zip code)
  - Contact information (email and phone number)
  - A clear statement of reason for appeal
- Upon receipt of an appeal letter, the Department contacts the Applicant to explain the next steps.
- The Department receives a Notice of Appeal and Request for Hearing notice.
- If the Department does not receive notice within the 30 days, the termination decision is final.
- The ESA account remains suspended during the appeals process; account holder does not have access to account.
- The Department will schedule a hearing at the Office of Administrative Hearings. A judge provides a recommended decision to the Superintendent of Public Instruction, who will accept, reject, or modify the decision.

\*Documented proof is required by the applicant and shall be brought to the hearing.

The applicant can 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 scheduled hearing. Note that documented proof is required from the applicant.

## 8.2 Reasons Applicants Are Terminated

Below are common reasons that account holders are terminated from the ESA program (this is not an inclusive list of all possibilities):

1. Enrolling in and attending a public, charter, or public online school;
2. Attending summer school at a public, charter, or public online school and not paying tuition;
3. Receiving School Tuition Organization (STO) scholarships or tax credit scholarships concurrently with ESA funds;
4. Misspending funds;
5. Fraudulent activity or providing false information (application, contract, bank form, etc.);
6. Failure to submit an expense report within 70 days of due date; or
7. Not submitting required documents by set deadline.



### **8.2.1 Attending a Public or Charter School**

**Participating ESA students cannot enroll in any public school, charter school, or online public school, as stated 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.”

This includes summer school. Note that all charter schools, including online charter schools like Primavera, are funded by the state and are considered public schools.

### **8.2.2 Receiving an STO or Tax Credit Scholarships**

Participating ESA students cannot receive any STOs or tax credit scholarships at the same time as receiving ESA funds.

If the ESA funds do not cover the full cost of private school and it is uncertain how the remaining costs are paid, contact the private school to confirm the student is not receiving an STO or tax credit scholarship.

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.”

## **Chapter 9: Exiting the ESA Program**

A student may exit the ESA program in the following ways:

1. **Voluntary withdrawal:** Applicant chooses not to participate in the program and submits a Close Account Request Form.
2. **Non-renewal:** Applicant chooses not to renew the following year’s ESA contract.
3. **Completing the Program:** Student exits the program once reaching the age of 18 or 12<sup>th</sup> grade, whichever comes first, if the Student is not Attested (see [Section 9.3](#)).
4. **Removal:** ESA terminates Applicant from ESA program and applicant is no longer eligible to hold any ESA account or reapply (see [Section 8.0](#)).





## 9.1 Voluntary Withdrawal

An account holder may remove their child any time during the contract year from the ESA program. To remove a student from the ESA program, the Department requires written notice in the form of a Close Account Request Form that can be located at [www.azed.gov/esa/esa-forms/](http://www.azed.gov/esa/esa-forms/).

Upon receipt of the Close Account Request Form, the Department reviews the student's account to ensure all outstanding documentation has been submitted and completes a thorough review all account activity. Should this review result in any questions, disallowed expenses or any required repayment of ESA funds, the Department will formally notify the account holder in writing.

Once the Department is satisfied the account is in good standing the Close Account Request will be finalized, releasing the account holder from the ESA contract and the student may return to public school. The Department returns any remaining funds to the Treasurer's Office. The student and applicant remain eligible to reapply in the future.

## 9.2 Non-Renewal

Applicants may choose not to renew their annual ESA contract. Non-renewal of an ESA contract is not considered termination. The student and applicant remain eligible to reapply in the future. **On July 1, those who did not return a contract packet will have their ESA bank card closed and any unused funds will be swept.** If repayment of funds is necessary, the account holder will be notified in writing.

Applicants may reapply the following year, but funds previously rolled-over are not to be reinstated.

## 9.3 Completing the ESA Program & Attestation

When a student enters the ESA program, the student is moved in a cohort year. This means if the student enters the ESA program in 3<sup>rd</sup> grade, the following year the student moves into 4<sup>th</sup> grade for funding purposes, even if the Private School or Applicant decides to keep the student back a year. The student progresses one grade every year until reaching the 12<sup>th</sup> grade or the age of 18. All students are exited at the age of 18 or upon completion of their 12<sup>th</sup> grade cohort year, whichever comes first, unless the student is attested.

During the 4<sup>th</sup> quarter, the Department emails each applicant with a 12<sup>th</sup> grade cohort to inform them their student will exit the program and provide the date in which any leftover funds are removed from their account. Once exited from the program, the account holder has four years to use any remaining funds:

- Funds must still be used for the purpose of educating their child.
- Expenses must still comply with [approved expenses](#), ESA policy and law.
- Expense reports must be submitted every quarter for the remaining four years.
  - Failure to submit an expense report within 70 days of the due date results in termination from the program, which results in a loss of any remaining funds.



After completing the ESA program and exiting 12<sup>th</sup> grade, students are not explicitly prohibited from returning to public school. However, each county superintendent receives an annual list of ESA participants and each school district may have specific policies prohibiting re-enrollment of an ESA student beyond the age of 18, if it is determined the student completed their high school graduation requirements through the ESA program. If a 12<sup>th</sup> grade student returns to public school at any time after the completion of ESA program, unused ESA funds are returned to the Treasurer's Office. If the Department determines funds need to be paid back, the account holder will receive written notification.

\*While other outside resources may try to provide you with ESA information, please be sure to check with the ESA department before proceeding with any spending to ensure program compliance.