



State of Arizona  
Department of Education

## **ESA Newsletter from the Director**

**November 19, 2018**

In the statewide election held on November 6, Proposition 305 did not pass. This will mean that the ESA program will remain the same with no immediate changes to the laws governing the program. If you would like to review the current statutes that guide our administration of the program please see [A.R.S. § 15-2401](#), [15-2402](#), [15-2403](#), and [15-2404](#).

### **Parent Handbook:**

As the Auditor General's Office completed its 24-month follow-up audit of ESA earlier this year, one of its findings was that Venmo purchases should not be allowed because per its service agreement the Venmo platform is not to be used to pay for services or business transactions. As a result, ESA is no longer allowing the use of Venmo for purchases. Please try to utilize PayPal or Square if your service provider or vendor offers this as an alternative.

It has come to our attention that PayPal may have made some internal changes to their system and the MCC codes used to determine ESA transaction eligibility, which can result in the blocking of payments. Payments made via PayPal's "friends & family" option, which was previously being used to prevent some of the transaction charges parents were concerned with, is no longer working. This payment is now classified as a "wire transfer" and will no longer be allowed with ESA cards. Please make sure when using PayPal that you are sending money to a business for any services or purchases.

Coverdell 530 contributions, while technically allowed by law, are continuing to present challenges when parents try to fund them. This is because due to IRS changes, these accounts must be funded by cash or check; since ESA cards do not allow for cash withdrawals or cash back with purchases, an alternate method must be employed. Additionally, PayPal transactions to transfer money from the ESA prepaid card to a personal account before using those monies to fund the Coverdell 530 plan are no longer working. We believe this is related to the above-mentioned transaction/MCC code change classifying this as a "wire transfer," which is not allowed using the ESA card. Unfortunately, this may eliminate parents' ability to fund a Coverdell 530 account given the current IRS requirements and transactional restrictions.

A lack of physical education opportunities for students with disabilities has been a concern expressed by many parents. In consideration of that feedback, we have discussed the program's guidelines with Superintendent Douglas and it has been determined that one-on-one physical education activities and certain group sports that are non-competitive and taught/supervised by a certified/credentialed instructor will be considered approvable. ESA staff may ask for additional documentation for these expenses on a case-by-case basis to ensure program spending remains consistent with the intent of supporting the unique needs of students with disabilities.

Please be sure you are reading the [ESA Parent Handbook](#) for questions about the program and allowable spending.

### **Funding:**

ESA funds on the 15<sup>th</sup> and 30<sup>th</sup> of the first month in a quarter. It can take 5-7 days for the funds to be available on the ESA debit cards. You can setup an online Bank of America account to check your balance. Please see the funding schedule below:

Quarter 1: July, August, September (Funding July 15th and 30th, Expense Report Due September 20th)

Quarter 2: October, November, December (Funding October 15th and 30th, Expense Report Due December 20th)



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Quarter 3: January, February, March (Funding January 15th and 30th, Expense Report Due March 20th)

Quarter 4: April, May, June (Funding April 15th and 30th, Expense Report Due June 20th)

**Expense Reports:**

Expense Reports are due no later than the 20<sup>th</sup> of the third month in a quarter. At the end of the fourth quarter, all expenses must be reported through June 30 to ensure compliance with spending on the current year's contract. A reminder is sent out ahead of the due date; if you miss the due date, one more reminder is sent. On the 30<sup>th</sup> of the month, your card will be suspended until we receive your expense report. If an expense report is not received within 60 days, your account will be terminated, and you will not be eligible to reapply for ESA in the future.

Tips for your expense report:

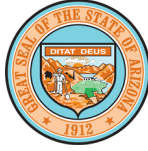
- Submitting your expense report through the portal is the fastest way to ensure it has been received by the due date. Always ensure you click the "Submit" button.
- Review the [Expense Report Guide and Tutorial](#) on our website for assistance.
- Try to log into the expense report portal as expenses occur; be sure to upload the receipt and if required a credential for the transaction.
- Scan in all receipts so that you have a copy.
- Ensure you have detailed invoices for your purchases. PayPal transfer confirmations are not considered receipts for services.
- If you email in your receipts, ensure you have an [expense report form](#) signed to go along with the receipts or they will not be accepted. All emails should be sent to [ESA@azed.gov](mailto:ESA@azed.gov).
- If you drop off or email in your completed expense report, our staff will manually enter in each transaction; please understand we do this as quickly as possible, but because of the additional time needed to process these reports funding on your account could potentially be delayed.
- The ESA Office will not accept incomplete expense reports.

**Allowable Expenses:**

Please ensure you refer to the Parent Handbook for guidance on allowable expenses. If a credential is required for a service, please provide it with your expense report. Our office is working to respond to all emails and phone calls in a timely manner as we have brought on additional staff in the past month. Please call or email in with your requests for allowable services or purchases. ESA does not provide a pre-approved list of expenses, both to avoid the possibility of having parents feel limited in their choices to those on a list we might provide and to avoid showing favoritism to a particular vendor or service.

**Disallowed Expenses:**

Our audit team is working hard to review expense reports. Please understand that due to the growth of the program and our limited administrative resources we currently do not have the staff to review over 5,500 expense reports in real time as they are received each quarter. Once your account is reviewed, if disallowed spending is found, you will be contacted with a letter. Our staff will work with you to collect the required documentation or repayment. Please contact our office if you have additional questions.



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**Account Closure:**

If you would like to close your ESA account, please submit all outstanding expenses on your expense report and provide the [close account request form](#) to our office before enrolling your student in public school. We will send a confirmation that we received the request and have reviewed the transactions and closed your account in good standing.

Please know that our goal is to assist all ESA families with issues or questions they may have while on the program. I know it has been very difficult to get through on the phones and via email in the past few months, but we have done everything we can to ensure that the issue has been corrected and look forward to again assisting ESA families in a timely manner.

Should you need assistance, you can contact our department Monday through Friday, 8am to 5pm at 602-364-1969 or via email at [esa@azed.gov](mailto:esa@azed.gov).

Sincerely,

Lindsay Hudson, M.B.A.

Director, Empowerment Scholarship Account (ESA) Program

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