



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

VETOED
AMENDED

FACT SHEET FOR H.B. 2095

scholarships; requirements; foster care students

Purpose

Expands eligibility for educational scholarships and tuition grants awarded through the Credit for Contributions to Certified School Tuition Organizations (Switcher Credit) or the Credit for Contributions to School Tuition Organizations for Low-Income Students (Low-Income Credit) by including students who are placed in foster care before graduating from high school or obtaining a general equivalency diploma (GED) and meet specified requirements.

Background

A school tuition organization (STO) is a nonprofit organization exempt from federal taxation that allocates at least 90 percent of its revenue for educational scholarships or tuition grants (scholarships or grants) for students to attend nongovernmental elementary or secondary schools. Subject to specified limitations, there are four credits a corporation, insurer or individual may receive against income tax liability for contributions made to an STO: 1) the corporate and insurer Low-Income Credit; 2) the corporate and insurer Credit for Contributions to STOs for Displaced Students or Students with Disabilities; 3) the individual Credit for Contributions to STOs; and 4) the individual Switcher Credit. An STO that receives contributions for the purposes of the Low-Income Credit must only provide scholarships and grants to children whose family income does not exceed 185 percent of the income limit required to qualify for the Free-and-Reduced-Price Lunch Program. A student who has been placed in foster care is eligible to receive a scholarship or grant awarded through the Credit for Contributions to STOs for Displaced Students or Students with Disabilities.

A student receiving a scholarship or grant awarded through the Low-Income Credit or Switcher Credit must: 1) have transferred to a nongovernmental school after attending a governmental school full-time for at least 90 days of the prior fiscal year; 2) enroll in a kindergarten program in a qualified school or a preschool program for students with disabilities; 3) be a dependent of a U.S. Armed Forces member stationed in Arizona; 4) be homeschooled; 5) have moved to Arizona from out of state; 6) have participated in an empowerment scholarship account (ESA) and did not renew the account or accept the ESA; or 7) have previously received specified STO scholarships and continued to attend a qualified school. A student who transfers to a qualified school after one full semester is eligible to receive a scholarship or grant awarded through the Low-Income Credit in the same academic year.

For school year 2023-2024, a scholarship or grant awarded through the Low-Income Credit is subject to a cap of: 1) \$6,100 for students in a preschool program for students with disabilities, a kindergarten program or grades 1 through 8; or 2) \$7,900 for students in grades 9 through 12. The cap is annually increased by \$200 (A.R.S. §§ [43-1089](#); [43-1089.03](#); [43-1183](#); [43-1184](#); [43-1504](#); [43-1505](#); and [43-1603](#); [ADOR](#)).

The Joint Legislative Budget Committee (JLBC) fiscal note estimates that STO donations to the Switcher Credit program may increase by less than one percent, which would decrease state General Fund revenues by \$400,000 annually. The JLBC notes that the magnitude of the impact is difficult to predict with certainty ([JLBC fiscal note](#)).

Provisions

1. Adds students who are placed in Arizona foster care before graduating from high school or obtaining a GED to the student population that is eligible to receive a scholarship or grant awarded through the Switcher Credit or the Low-Income Credit.
2. Requires, for a student who is placed in Arizona foster care to be eligible to receive a scholarship or grant awarded through the Switcher Credit or the Low-Income Credit, the student to:
 - a) be unable to attend a governmental school as a full-time student;
 - b) not have attended a governmental school as a full-time student for at least 90 days of the prior fiscal year or one full semester before enrolling in a qualified school;
 - c) be unable to receive other STO scholarships or grants in an amount equal to the qualified school's cost of tuition; and
 - d) only consider the qualified school in which the student enrolls because a governmental school cannot meet the student's unique needs, such as medical or behavioral needs that require specialized programs.
3. Defines *unable to attend* to mean that:
 - a) the student has been expelled or asked not to return due to the student's behavior; or
 - b) the school is not able to provide necessary services to the student.
4. Makes conforming changes.
5. Becomes effective on the general effective date.

Amendments Adopted by Committee of the Whole

- Adds requirements to the eligibility criteria for a student who is placed in foster care to receive scholarships or grants through the Switcher Credit or the Low-Income Credit.

Amendments Adopted by Additional Committee of the Whole

- Defines *unable to attend*.

Governor's Veto Message

The Governor indicates in her [veto message](#) that H.B. 2095 would have an estimated impact on the state General Fund and should be considered in the full context of budget discussions, rather than as a standalone bill.

FACT SHEET – Amended/Vetoed

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House Action

ED	1/16/24	DP	6-4-0-0
3 rd Read	2/22/24		33-26-0-0-1
Final Read	5/15/24		31-27-2

Senate Action

ED	3/20/24	DP	4-2-1
3 rd Read	5/1/24		16-13-1

Vetoed by the Governor on 5/17/24

Prepared by Senate Research

May 28, 2024

MH/slp