

OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION & ADVOCACY SECTION

Testimony to the Arizona House of Representatives
Bipartisan Task Force on the Private School Tax Credits Program

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Inquiry letters were sent to 19 School Tuition Organizations (STOs).

The 19 STOs, which include both individual tax credit STOs and corporate tax credit STOs, were selected based on the numbers reported in the 2008 report on School Tuition Organizations issued by the Arizona Department of Revenue.

The inquiry letters asked the STOs to confirm the amounts of their 2008 donations and scholarship awards and to provide any additional information or explanation for why their allocations were less than 90%.

Of the 19 STOs, two never responded.

The responses of the remaining 17 STOs can be broken down as follows:

- a. Money collected during one calendar year is spent during the subsequent year.
- b. A portion of the donations is set aside to pay for multiyear scholarships for specified students.
- c. A portion of the donations is set aside to pay for future scholarships for unspecified students, in case the Legislature does away with STOs or donations are less than expected.
- d. The STOs were unable to identify enough eligible scholarship applicants.

For the STOs unable to identify enough eligible scholarship applicants, the explanations include:

- a. Restrictions in the STO's bylaws limited eligible applications.
- b. Restrictions for corporate tax credit scholarships made it difficult to locate eligible applicants.

STO statutes in Arizona and several other states suggest some key provisions for any new or amended legislation could include:

- a. requiring family income eligibility;
- b. prohibiting donor designations;
- c. requiring separate accounts for scholarship funds and administrative funds;
- d. permitting STOs to carry over some donations to the next fiscal year;
- e. permitting STOs to transfer donations to other STOs with a demonstrated need;
- f. requiring funds not spent to revert to the State general treasury;
- g. requiring independent audits and more detailed reporting.