

Arkansas and Idaho Recovery

Since 2014, ClassWallet has been used to maximize the impact of over \$4.5+ billion in public funds. This includes supporting 9 states that have ESAs, as well as recovering two ESA programs (Arkansas and Idaho) from two separate ESA contractors in 2024 after very public challenges.



In its first year, Arkansas’s new school voucher program contracted with a Florida-based company called ClassWallet to run an online platform for voucher families to make payments to private schools and other vendors.

This spring, the state selected a new vendor, Indiana-based Student First Technologies, to run the platform in Year Two of the program. The selection followed a contentious bidding process in which ClassWallet sought to hold on to the contract. But only a couple months into the 2024-25 school year, Education Secretary Jacob Oliva said Arkansas would terminate its contract with Student First by the end of December and seek \$563,000 in penalties and damages due to missed deadlines and non-functioning systems.

Now, after a new round of bids, the state is going back to ClassWallet. A state agency that handles procurement for other departments posted notice of its “anticipation to award” the contract to Kleo Inc., the parent company of ClassWallet, on Wednesday afternoon.

The voucher program was created by Arkansas LEARNS, the sweeping K-12 education law championed by Gov. Sarah Sanders. Over 14,000 students statewide are now receiving vouchers, which use taxpayer funds to pay for private school tuition, fees and

other approved expenses. In [Year Two of the program](#), homeschool families are newly eligible to receive vouchers, which they can use for expenses including curricula, books, tutors, supplies and equipment, and more. A voucher is worth \$6,856 per student in the 2024-25 school.

It's a big job to coordinate the disbursement of tens of millions of dollars in public funds to hundreds of vendors on behalf of thousands of families, so the state is paying a third-party company to handle it. ClassWallet's proposal documents estimate it will cost the state just under \$14 million over the next seven years. That covers the payment portals for both the voucher program and a much smaller LEARNS program that provides literacy tutoring grants.

The \$14 million figure is lower than the estimated value of the contract awarded to Student First Technologies earlier this year, \$15.2 million. It's also significantly lower than the \$18.6 million quoted by ClassWallet during the spring bidding process in which it was rejected in favor of Student First.

Also worth noting: ClassWallet's proposal describes a 1.85% settlement fee assessed on payments to vendors and schools. That's less than the 2% transaction fee charged by Student First, and significantly less than the 2.5% fee ClassWallet charged during its first year as vendor in Arkansas.

ClassWallet outscored three competitors for the new bid: Primary Class, Inc., doing business as Odyssey; Merit International; and ACE Services, doing business as ACE Scholarships. A proposal from a fifth company, Trilogy Mentors Inc., doing business as Pearl, appears to have been rejected by the state without being scored.

The state doesn't expect to award a final contract until Nov. 18, according to a tentative timeline released with the Department of Education's request for proposals earlier this month.

Here's the [scoring sheet](#), and [here's the proposal](#) from ClassWallet.

BENJAMIN HARDY

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(UPDATED, 11:36 a.m. Thursday, with clarification on the State Board of Education’s 2023 review of Empowering Parents, and the state’s demands for interest from Odyssey.)

Two years in, state officials have made a big change in its Empowering Parents program.

Idaho has hired Hollywood, Fla.-based ClassWallet to manage the \$30 million microgrant program — which is designed to help families cover out-of-pocket education costs.

ClassWallet replaces Odyssey, a New York-based vendor [which had a spotty two-year track record in Idaho](#). In 2023, the state conducted two separate reviews of Odyssey, amid reports of improper, taxpayer-funded purchases made through Empowering Parents. The state also ordered Odyssey to pay back nearly \$479,000 in interest.

The contracting change, announced Wednesday, comes as the Empowering Parents program heads into its third year. The State Board of Education [expects to begin taking new grant applications in late October](#).

The Empowering Parents contractor serves as the conduit between thousands of grant applicants and the marketplace. The contractor sets up an online portal, where families can spend their state-funded grants on a variety of eligible purchases — from laptops and internet access to therapy to athletic uniforms and pay-to-play fees.

“ClassWallet will bring a new level of dedication and support to this program to help ensure the state’s funds are distributed efficiently to students across the state and have the maximum

intended impact,” company CEO Jamie Rosenberg said in a Wednesday news release announcing the contract.

ClassWallet could receive up to \$600,000 to oversee the Empowering Parents program this year, the State Board said Wednesday, in response to written questions from Idaho Education News. The vendor will receive a 2% service fee for purchases on its online portal.

Odyssey received \$890,000 to implement the program in 2023. Its original state contract, signed in 2022, was worth nearly \$1.5 million.

ClassWallet and Odyssey were among three bidders for the new contract. A fourth bidder submitted an initial bid, but did not submit a final proposal.

ClassWallet’s Idaho history

ClassWallet managed the predecessor to Empowering Parents: the 2020 Strong Families, Strong Students microgrant program. ClassWallet received a no-bid contract to administer the pandemic-era program, funded with \$50 million of federal coronavirus aid.

ClassWallet ultimately received about \$2.6 million for this contract, [the Idaho Capital Sun reported in 2022](#).

In 2022, ClassWallet bid for the Empowering Parents contract, and said it could run this program for about \$750,000. The state rejected ClassWallet’s bid, saying the vendor had failed to meet the deadline to submit cost estimates.

Odyssey’s Idaho history

Odyssey received the 2022 contract, [despite a lack of state-level operating experience](#).

Placed in charge of a \$50 million grant program — again bankrolled with federal COVID aid — Odyssey almost immediately ran into turbulence.

The State Board quickly began receiving reports that families were using taxpayer money for a host of improper purchases — such as clothes, TVs, smart watches and household cleaning items. An EdNews public records review uncovered other improper purchases, including a gun holster, a pickleball set, gaming equipment and a drone equipped with a camera. (On Wednesday, Odyssey said these purchases were denied.)

In April 2023, the State Board [launched an internal review](#). In June 2023, a frustrated Gov. Brad Little [ordered an external audit](#) of one of his top education priorities.

The [State Board review](#) determined that about 1% of purchases were ineligible for state grants, totaling \$180,000, the board said it would seek reimbursement from Odyssey. The state also ordered Odyssey to pay back \$478,656.22 in interest it had collected from Empowering Parents' federal funding.

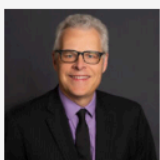
The external audit [was released in December 2023](#), with Little giving the program a clean bill of health, finding only .1% of purchases ineligible for state grants. By that time, Odyssey had begun its second year on the Empowering Parents program, this time overseeing the disbursement of \$30 million of state money.

Odyssey's track record — and ClassWallet's previous track record on Strong Families, Strong Students — played no role in the state's contract decision.

"The (request for proposal) process ... is limited to the scope of the RFP and submitted bids," the State Board said Wednesday.

Odyssey issued EdNews a statement Wednesday, in response to the ClassWallet announcement.

"Over the last several years, we've helped tens of thousands of students throughout the state receive the resources and opportunities necessary to improve their learning in conjunction with hundreds of local vendors," Odyssey said. "We look forward to continuing this important work with families across the country and partnering with the state in the future."



Kevin Richert

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