



The Impacts of Universal ESA Vouchers: Arizona's Cautionary Tale



**Examining the Widespread Impacts of ESA
Vouchers One-Year into Arizona's
Universally Expanded Program**

November 2023

Introduction

Save Our Schools Arizona Network is committed to ensuring that all children in Arizona have the opportunity to attain an excellent education at a free, inclusive public school in their local community. In order to realize this goal, we urge our state leaders to examine and confront the detrimental impacts of recently enacted universal Empowerment Scholarship Account (ESA) vouchers on public schools, on Arizona's limited state budget, and on public education as a whole.

Arizona lawmakers passed the universal ESA voucher program by a slim margin in 2022, after voters overwhelmingly rejected the plan in 2018. On September 30, 2022, all students in Arizona became eligible for school vouchers. While the program was sold under the premise of choice for all, the realities of the program have led to limited and subpar choices for the low-income and rural families who most rely on their neighborhood public schools, exacerbating already existing inequities in schooling.

One year into this failed experiment, the out-of-control growth of Arizona's ESA voucher program spells economic crisis for the state, as well as the public schools that 92% of Arizona families choose. With exponential growth and the dilution of the public school system, ESA vouchers threaten to do what they were designed to do: dismantle public education in our state.



Universal Voucher Impact: AT A GLANCE

- After universal expansion, ESA vouchers are on track to cost Arizona over \$900 million in their second year (2023-24).
- This cost is nearly 1400% higher than projected.
- Costs for 2023-24 are on track to exceed their budget by \$300 million (nearly 50%); Arizona lacks a revenue surplus to cover these costs and faces a separate \$400 million deficit.
- Universal ESA vouchers are primarily being used by families who had already chosen private schooling options and were already able to afford these options; these vouchers represent an entirely new cost to the state.
- ESA vouchers are primarily benefiting more affluent families in wealthier zip codes and are concentrated in large, suburban areas. This leaves low-income and rural communities behind.
- ESA vouchers require parents to sign away federal protections, including rights under the federal statute that guarantees children with disabilities a Free and Appropriate Public Education (FAPE), and are leading to many instances of state-funded discrimination.

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What are ESA Vouchers?

In Arizona, ESA stands for “Empowerment Scholarship Accounts”; in many other states, the acronym doubles as “Education Savings Accounts.” Regardless of their moniker, ESAs function as publicly funded vouchers for private, unregulated schooling options.

In order to use an ESA voucher, a student must leave the public school system. The average ESA voucher amount in Arizona is currently \$9,800¹ (\$7,000 for universal eligibility and up to \$40,000 for students with special needs); these vouchers are funded by the state general fund. These public dollars are loaded into a personal account for parents to spend as they see fit on tuition, goods, and services.

ESA vouchers can be used in myriad settings, including private schools, microschoools, private tutoring services, private vendors, homeschooling, and homeschool co-ops.

Microschools and homeschool co-ops are voucher-funded “pods” that typically hold classes in living rooms, churches, libraries, backyards, office buildings, and garages. Unlike most other states, in Arizona, these providers do not need to be accredited in any way and are subject to zero oversight, safety standards, or accountability.

The state of Arizona, through the Arizona Department of Education, contracts with a third-party operator, Class Wallet, that oversees the distribution of ESA voucher funds and charges a fee to administer these personal accounts assigned to parents. Families can submit receipts for private school tuition, private educational services, goods, therapies, and tutoring to the state’s Department of Education for reimbursement, or they can use a debit card option through Class Wallet. The reimbursement process is designed to ensure taxpayer dollars are used for “educational” purposes, though this definition is subjective and leaves the program vulnerable to fraud, abuse, and misuse.

A Brief History of ESA Vouchers in Arizona

Arizona has long been a testing ground for a wide range of school privatization efforts.

The Arizona Supreme Court rejected the state's original vouchers in 2009² as a violation of Article 9, section 10 of the Arizona Constitution, also known as the "Aid Clause." The Aid Clause expressly states that "no tax shall be laid or appropriation of public money made in aid of any church, or private or sectarian school, or any public service corporation."³

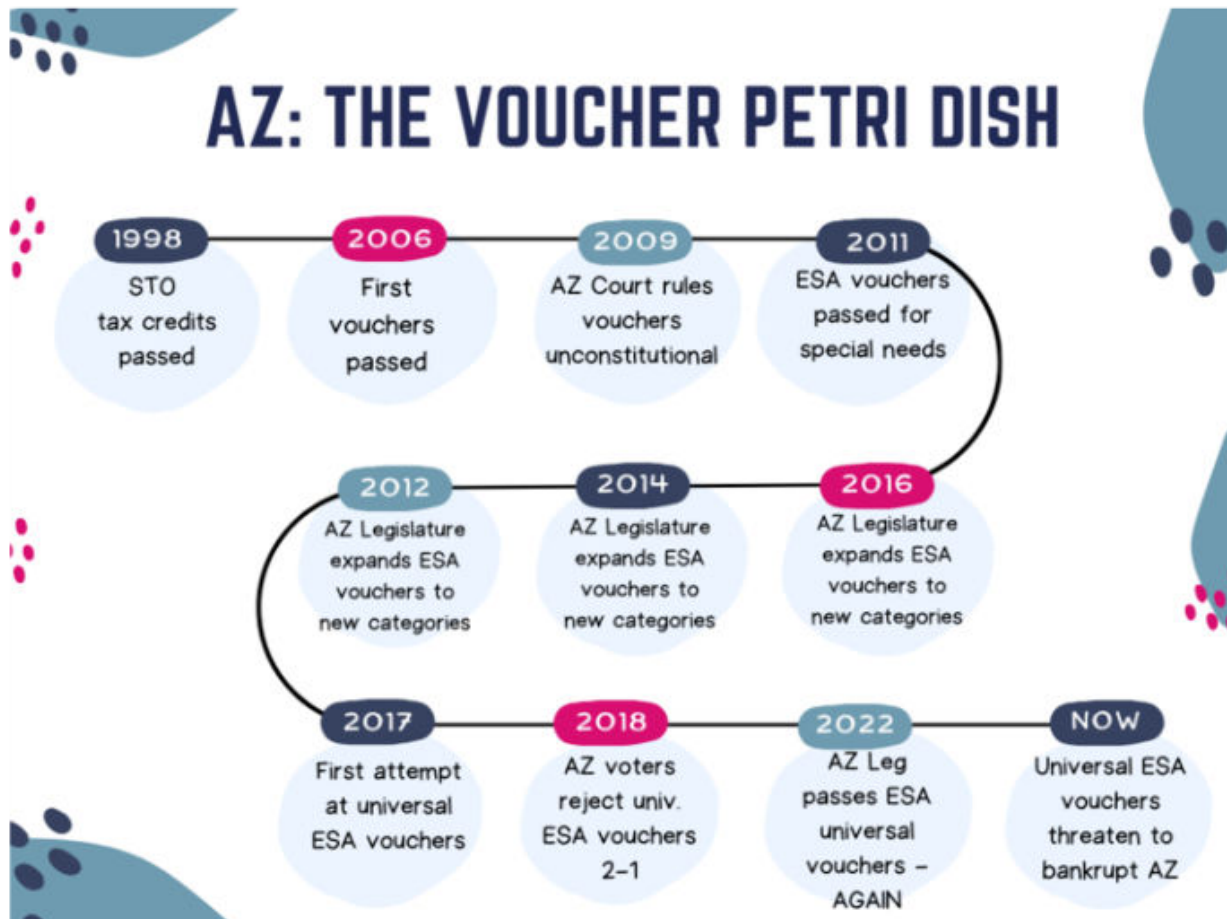


The court ruled that the voucher program undermined the state's public school system a) by creating an educational system that is not uniform and b) by diverting tax dollars from public to private and sectarian schools. "The framers plainly intended that Arizona have a strong public school system to provide mandatory education," wrote Justice Michael D. Ryan. "The Aid Clause furthers this goal by prohibiting appropriation of funds from the public treasury to private school."⁴

However, the decision also outlined a road map for special interests to create a workaround called "Empowerment Scholarship Accounts" (ESAs or ESA vouchers); these private accounts designed to hold state dollars could be provided directly to parents to spend as they wish. The ESA voucher program was upheld in the Maricopa County Superior Court and the Court of Appeals in 2013, and the Arizona Supreme Court denied consideration, effectively upholding its constitutionality.⁵

The current system of ESA vouchers was first passed by the Arizona legislature in 2011 and was framed as a small program to serve students with disabilities.⁶ The initial cost was just over \$1 million per year. However, year after year, special interests such as the American Federation for Children, Goldwater Institute, and Center for Arizona Policy pushed the legislature to incrementally expand the ESA voucher

program eligibility to new populations of students, including students in foster care, on Native reservation lands, leaving D and F rated schools, in military families, and siblings of all of the above. From 2011 to 2022, prior to universal expansion, Arizona's ESA voucher program grew to 12,127 students total, at a cost to the state of approximately \$189 million per year.⁷



Arizona ESAs: The Nation's First Universal Voucher Program

In 2017, a consortium of special interests pressured the Republican-controlled legislature to pass universally eligible ESA vouchers – meaning every child in the state would be eligible for a taxpayer-funded voucher to use for private school tuition or homeschool expenses regardless of academic or financial need. Eligibility was tied to public school enrollment, to grow at no more than 0.5% of the total number of students in public schools per year.

Save Our Schools Arizona spearheaded the effort to collect signatures to refer the bill (SB1431) to the ballot for a voter referendum; In 2018, Arizona voters rejected the measure – and universal ESA vouchers – by a 2-1 margin. Despite this overwhelming defeat, special interests hand-in-hand with key legislators continued to attempt to expand vouchers at the legislature in 2019, 2020, and 2021.

They creatively tried to expand the materials eligible for ESA voucher subsidy, to expand populations eligible to receive vouchers, and to add new ways to redirect public funds into private pockets. Most, but not all, attempts were successfully repelled.

In 2022, lawmakers passed a full-scale version of universal ESA vouchers (House Bill 2853⁸) with no cap, no academic accountability, no additional financial transparency, and no student safety measures. Amendments to ensure non-discrimination and improve oversight of the program failed, while even minimal requirements for academic testing were amended out;⁹ attempts to adequately budget for the massive costs the program would incur were also rejected.



The bill passed along party lines by the narrowest of possible margins: one Republican vote in the Arizona Senate and one Republican vote in the Arizona House of Representatives. Governor Doug Ducey signed the bill into law on July 7, 2022, and celebrated by saying “Our kids will no longer be locked in under-performing schools,”¹⁰

signaling his disdain for public schools while underscoring his 8-year effort to achieve universal vouchers while simultaneously underfunding Arizona’s public school system. The law went into effect on September 30, 2022, at which point all students in Arizona became eligible for these vouchers.



School Privatizers Celebrating Universal Voucher Passage in AZ

“Gov. Doug Ducey is poised to sign the first universal school choice legislation in the nation, which will give every family in Arizona \$7,000 per child to attend any school of their choice.

Every red state in the country should follow his lead.”¹¹

- Christopher Rufo of the Manhattan Institute

“A major victory for kids and families in Arizona.”¹²

- Betsy DeVos, backer of pro-voucher organization American Federation for Children and former Education Secretary under President Trump

Fiscal Impacts of Universal ESA Vouchers in Arizona

ESA vouchers are funded from the state general fund and involve no federal or local dollars. Because every ESA voucher subtracts directly from the general fund, the program diverts needed funding away from not only public schools, but also public safety, roads and transportation, post-secondary education, and healthcare for the people of Arizona.

While the full fiscal impacts of universal ESA vouchers in Arizona are not yet realized, we can make realistic projections from the first year's records.

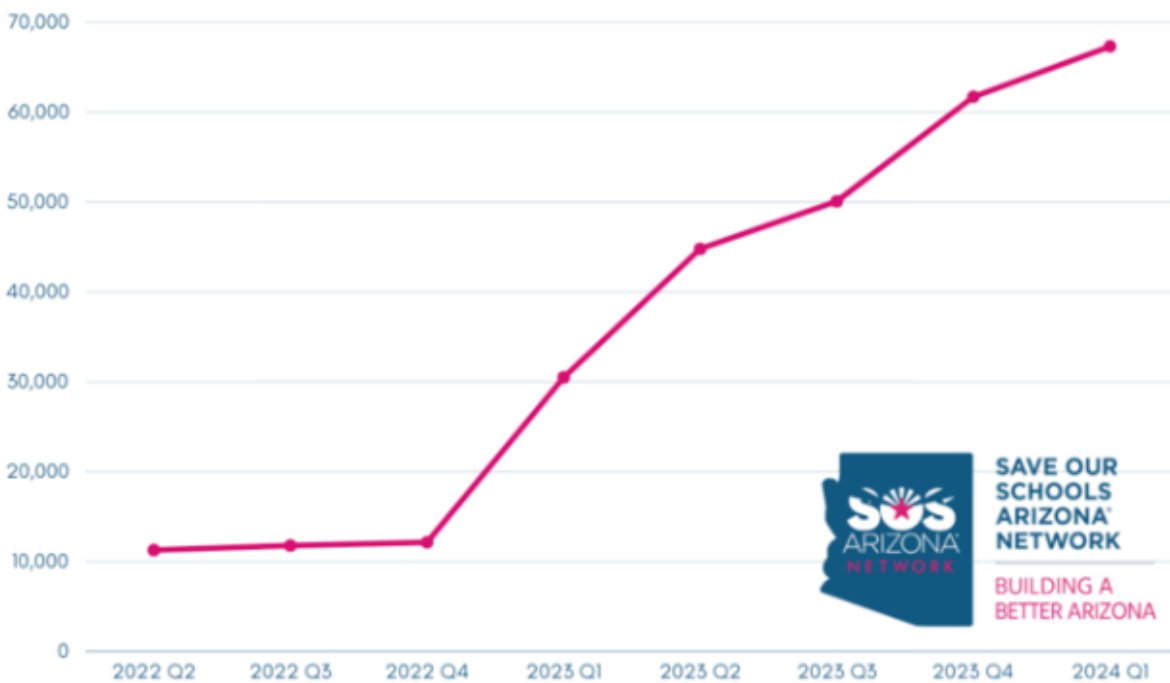


ESA Voucher Program Growth

The program has grown from 12,127 students in July 2022 to 69,593 students in October 2023, showing a 574% increase post-universal expansion. It is important to note that this massive growth in enrollment does not represent students leaving public schools.

The majority of students utilizing vouchers have either never attended public schools or were already enrolled in a private school or homeschooling. These students are now using this additional state funding to subsidize the private school tuition or homeschool costs their families were previously self-funding.

AZ ESA VOUCHER ENROLLMENT



Cost Projections vs. Reality

Arizona's ESA voucher costs are exponentially higher than originally estimated by the Joint Legislative Budget Committee (JLBC). The fiscal note attached to HB2853¹³ (Universal ESA Voucher Expansion) projected the program would cost Arizona taxpayers \$33.4 million in FY2023; that cost surpassed \$500 million.

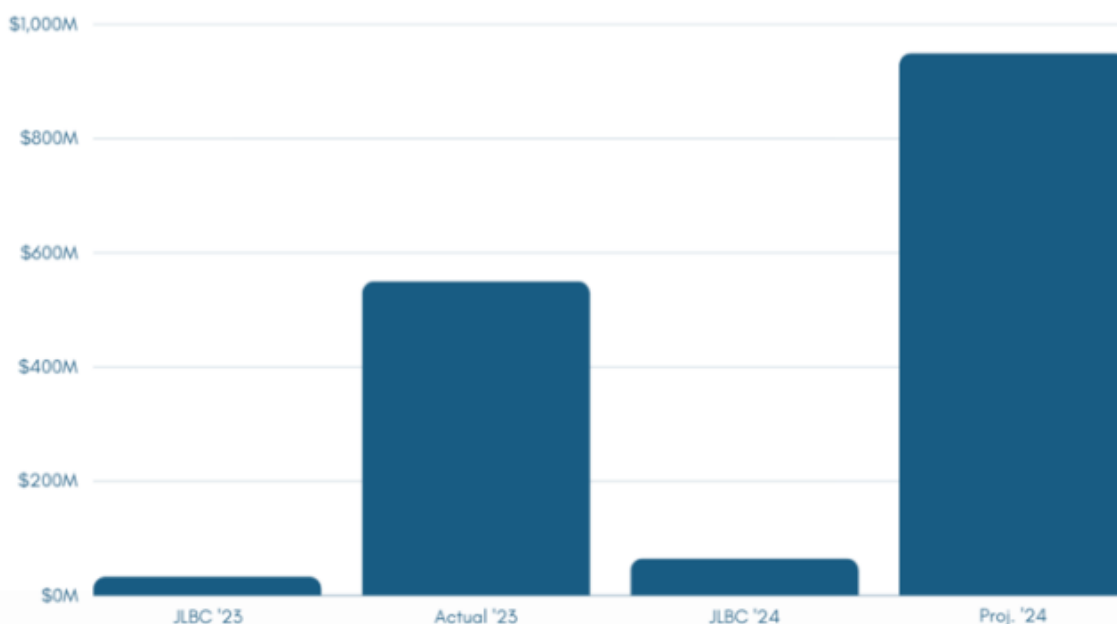
The fiscal note projected the second year of the program would cost the state \$65 million, but more recently, both the Arizona Department of Education and the Governor's Office of Strategic Budget and Planning projected the FY2024 cost would reach \$950 million.¹⁴ Now, the price tag of the voucher program has snowballed to more than 1,346% higher than its initial projected cost.¹⁵

PROJECTED VS. ACTUAL ESA VOUCHER COSTS



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ARIZONA
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BUILDING A
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ESA Voucher Enrollment Growth

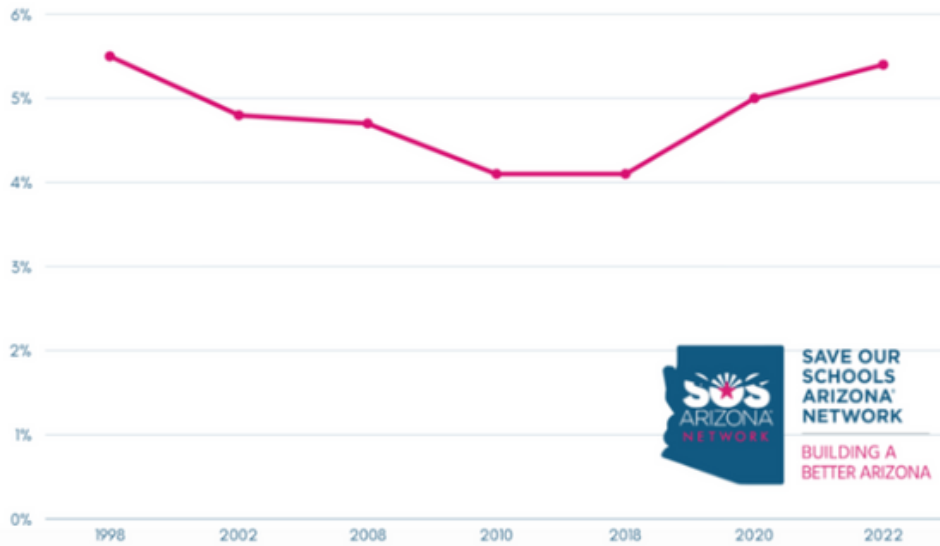
While some have predicted that the rate of growth of the ESA voucher program would slow considerably in 2023 (after the original surge of enrollment in the fall of 2022), Arizona has not seen a significant slowdown. Instead, the program continues to grow steadily at a rate of 559 students per week, with an associated cost of approximately \$5,320,000 more each week or \$23 million in increased costs per month.¹⁶

The average rate of growth in calendar year 2023 has been 2,236 students per 4-week period, or 559 students per week. This rate varied considerably from month to month, which is to be expected given the cyclical nature of student enrollment in schooling.

If these increases hold steady, enrollment in the ESA voucher program is on track to reach over 91,000 by the beginning of the next fiscal year, July 1, 2024. This would represent nearly 8% of Arizona students across grades K-12, the majority of whom were already enrolled in a private school or homeschooling prior to voucher expansion.

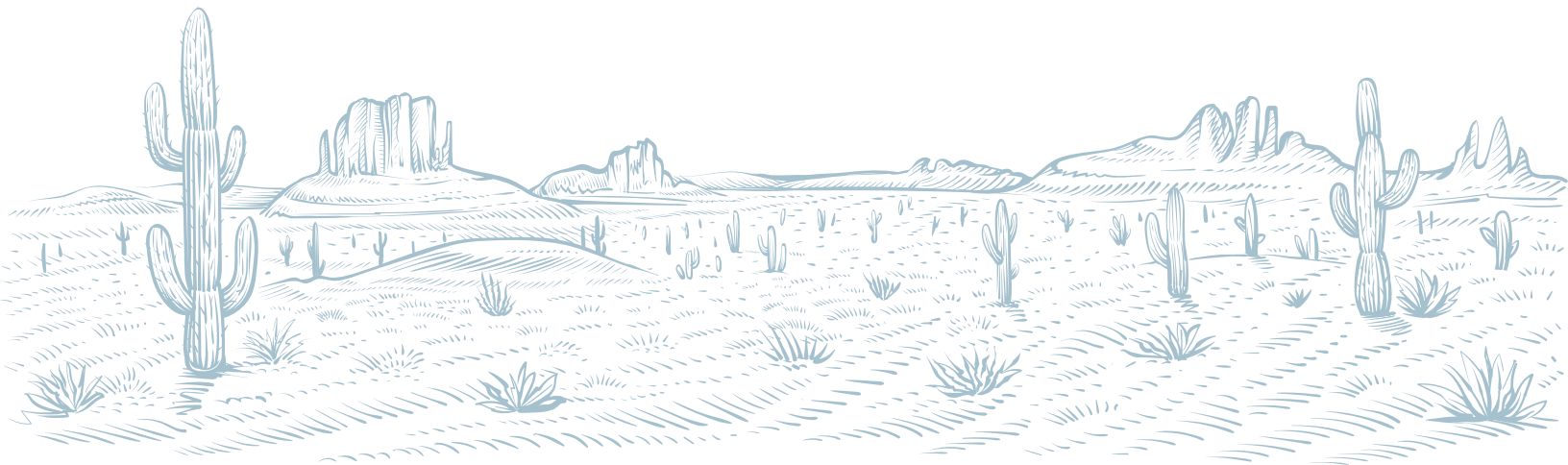
Date	Student Enrollment	4-Week Increase	Avg. Weekly Increase
11/13/23	70,173	1,316	329
10/16/23	68,857	2,092	523
9/18/23	66,765	3,085	771
8/21/23	63,680	3,119	780
7/24/23	60,561	1,700	425
6/26/23	58,861	1,174	294
5/29/23	57,687	3,742	936
5/1/23	53,945	2,697	674
4/3/23	51,248	2,450	613
3/6/23	48,798	2,011	503
2/6/23	46,787	1,206	302
1/9/23	45,581		
Average		2,236	559

AZ PRIVATE SCHOOL ENROLLMENT



While student enrollment data lags, estimates show that approximately 100,000 Arizona students are enrolled in private schools, microschoools, or homeschools – meaning that fewer than half are using an ESA voucher. Therefore, program enrollment can reasonably be expected to continue growing.

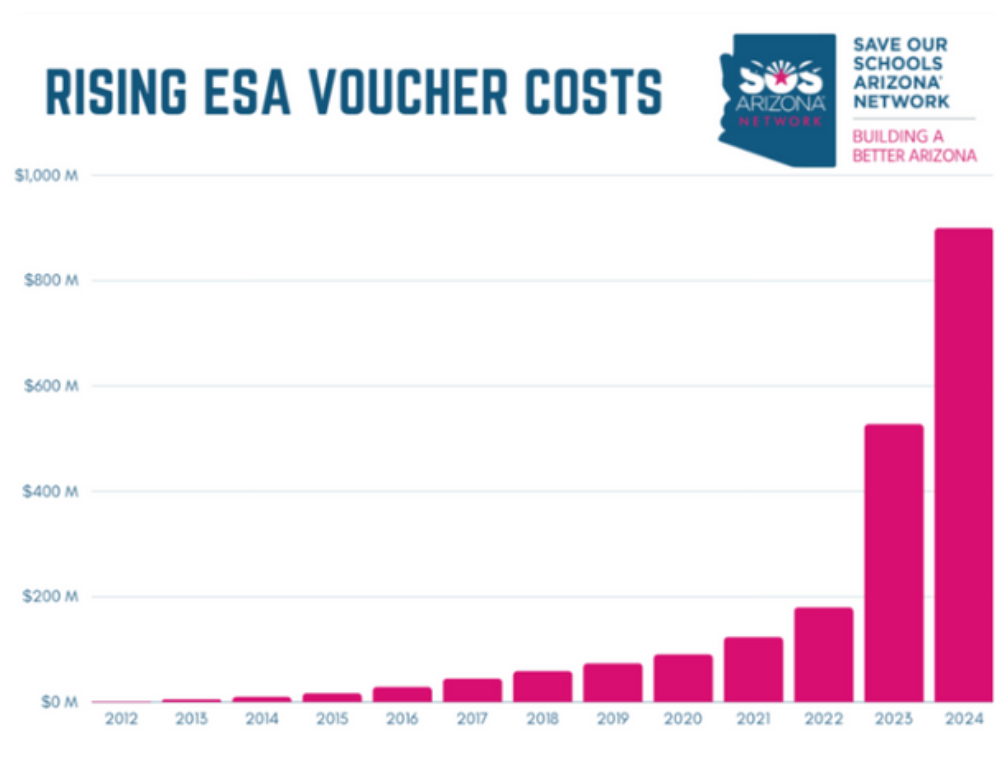
In addition, the \$10 million secured by Superintendent of Public Instruction Tom Horne to advertise the program¹⁷ and similar investments being made by school privatization groups such as the American Federation for Children, the Goldwater Institute, and Love Your School, it is reasonable to conclude that ESA voucher enrollment will continue to rise in Arizona.



ESA Voucher Costs

In May 2023, during the annual budgeting process, lawmakers siphoned dollars from the state's general fund surplus to cover approximately \$300 million in unbudgeted costs, bringing the total allocated budget for the ESA voucher program to \$624 million in the 2023-24 fiscal year.¹⁸ Education policy experts warned that costs would far exceed this amount. Now, less than halfway through the 2023-2024 school year, the program has already exceeded this budget. Even with only moderate program growth, the ESA voucher program budget could exceed \$950 million this fiscal year.

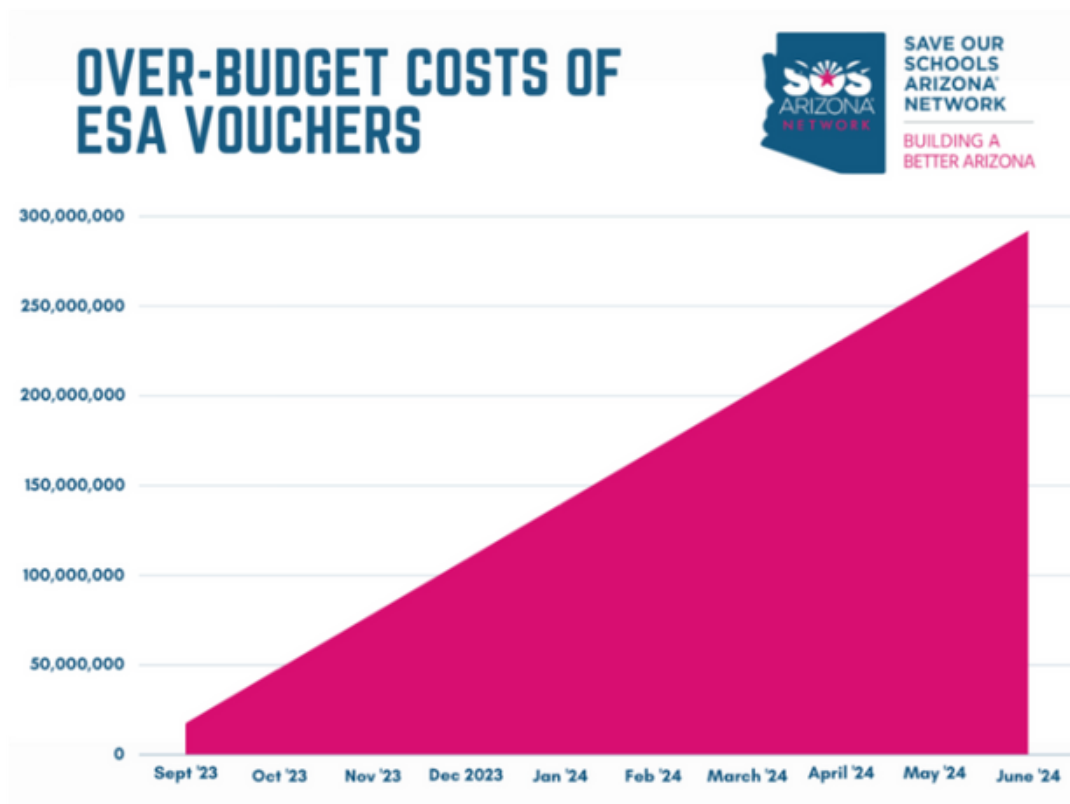
In July 2023, the Governor's Office released a memo estimating the total cost of the ESA voucher program for FY2024 at \$943,795,600.¹⁹ The memo was based on a projected enrollment of 97,580 students and an average voucher amount of \$10,414 (universal vouchers amount to \$7,000, but vouchers for students with special needs can reach \$40,000). This calculation is informed by various factors, including private school capacity and homeschool growth. The projections made by the Governor's Office align with the estimates produced by the Arizona Department of Education under Superintendent Horne.²⁰



As reported above, current enrollment in the ESA voucher program is growing by an average of 582 students per week. At that rate, enrollment will reach 91,000 students by July 1, 2024. This means that the program will likely cost the state over \$900 million by the end of the 2023-24 fiscal year – a full \$276 million more than the Arizona state legislature budgeted for this year.

This massive discrepancy in cost will be passed on to the state and will likely require an additional supplemental appropriation by the state legislature during the 2024 legislative session.

Unfortunately, projections from the non-partisan Joint Legislative Budget Committee (JLBC) project that Arizona will have a \$400 million revenue deficit this fiscal year.²¹ This means that the state will likely need to either cut funds from critical services such as public schools, public safety, transportation, or healthcare – or siphon funds from the state’s limited savings account, called the “Rainy Day Fund,” in order to cover these costs. Either solution is fiscally irresponsible and short-sighted.





It is critical to note that ESA voucher funding subtracts the funding available to all other state programs, which desperately need increased funding due to the state's diminished budget. The state was not able to provide teacher pay bonuses or other critical infrastructure projects due to these massive unbudgeted costs

Arizona public schools are currently ranked 48th in the nation in per-student spending,²² even with recent "historic" investments in K-12 education. Arizona's irresponsible universal voucher expansion is depleting critically needed funds that should be allocated to the schools that 92% of Arizona children attend.

If the ESA voucher program costs \$900,000,000 this fiscal year, that will represent a \$300,000 budget drain on average for every Arizona public school.

The Unbudgeted and Hidden Costs of ESA Vouchers

Voucher costs are hitting the state budget particularly hard because so many of the students using an ESA voucher have never attended public schools, and never had funding allocated to their K-12 education by the state; therefore, the cost of their voucher is an entirely new cost to the state.

Adding further impact, many of the new voucher recipients are in non-state aid districts, meaning that they reside in areas where property taxes are so high that the state does not contribute funding to their local public schools; the cost for a voucher in these areas is also an entirely new cost to the state. The financial impact of this fast-growing, unbudgeted program cannot be overstated.

ESA voucher costs are considered “unbudgeted” because 75-80%²³ of the families are not leaving public schools, but rather subsidizing private school or home education costs they had already been paying.²⁴

In these cases, the money does not “follow the child,” since children in private schools and homeschooling have not previously been allocated any public tax dollars.²⁵ Each of these students is an entirely new cost to taxpayers, and each ESA voucher represents a subtraction from the state budget used to fund public schools – with no identified revenue source for the state to cover those costs.

K-12 enrollment data released by the AZ Department of Education does not indicate significant enrollment declines in public schools, despite universal voucher eligibility. A comparison of Arizona’s 2021-22 public school enrollment with 2022-23 enrollment shows very little change.²⁶ ADE’s 2023 enrollment report showed only a 0.42% drop in K-12 enrollment (1,114,790 students to 1,110,075 students).



Every voucher taken is a direct subtraction from the local public school. And every subtraction hurts Arizona's 1.1 million public school students whose families choose their local public school.

If universal ESA vouchers were causing students to leave public school en masse, one would expect to see a dramatic drop in enrollment, but the data does not back that up. Roughly 55,000 students are now receiving ESA vouchers under the universal category (another ~15,000 are eligible under special categories that existed before 2022's expansion); the 4,715 students account for less than 9% of universally eligible students.

ESA vouchers are extremely costly. Because voucher amounts are based on 90% of charter school funding, the ESA voucher is worth more than a typical district student would receive. The minimum universal ESA voucher is worth \$424 more than district public schools receive for each elementary and middle school student and \$540 more for each high school student.²⁷

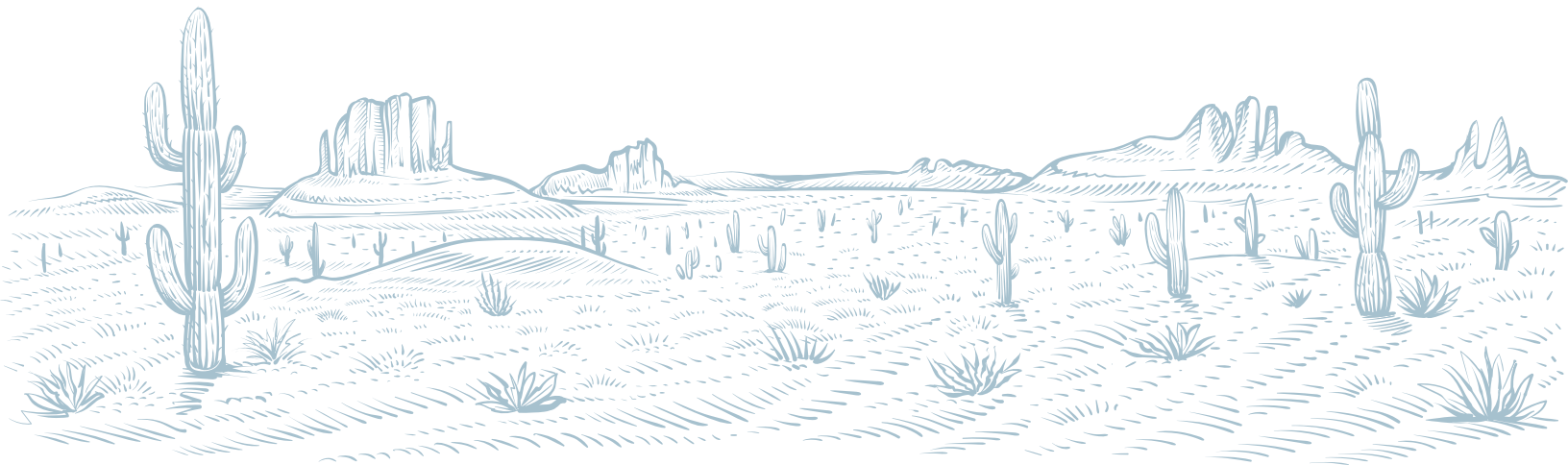
While the special interests pushing vouchers claim that school dollars "follow the child" and that they "belong to the parent," these arguments are overly simplified and misleading. Public education is built on economies of scale; funneling vast sums to an unregulated, separate private system with virtually no accountability is incredibly inefficient and expensive.

Most funding for public schools comes from taxpayers who do not have school-age children. When special interests claim that voucher users are "reclaiming their tax dollars," they ignore the fact that the average household in Arizona is only paying about \$3,000 into the state general fund per year via sales and income taxes;²⁸ only \$1,300 (43%) goes to public schools, while vouchers cost at least \$7,000 per child.



Saying the dollars “follow the child” also ignores the fixed costs of running a school. If 6 students in a school leave to use an ESA voucher, the burden on the school or district is equivalent to a full-time teacher's salary. There are no cost savings when it comes to instruction, facilities, or the number of principals, educators, psychologists, counselors, librarians, or nurses. In fact, there are next to no cost savings at all. The sad truth is that when ESA vouchers strip funds away from public schools, every public school student in the state misses out on critically needed funding.

The impact of this loss cannot be overstated, especially in a state like Arizona which has schools that are chronically underfunded to begin with. Over \$900 million drained from public education means every one of Arizona's public schools loses out on \$300,000 in desperately needed dollars that will likely result in teacher layoffs and suddenly unaffordable fixed costs such as repairing broken-down A/C and buses. The results for public schools in Arizona of this rampant misspending will be nothing short of catastrophic.



ESA Voucher Impacts on the State Budget

The universal ESA voucher program's fiscal impacts are massive, particularly in a state that has the third smallest budget per capita²⁹ and the third lowest-funded public schools in the nation. With Arizona's 2022 \$2.5 billion budget surplus projected to evaporate to a \$400 million budget deficit in 2024 due to the enactment of former Governor Doug Ducey's revenue-reducing flat tax and budget-busting ESA voucher expansion, there is currently no revenue source to cover the ballooning ESA voucher cost next fiscal year.

Adding further concern, federal COVID relief funds will end in September 2024. School districts have been relying on this funding to hire aides, provide tutoring and targeted academic interventions, and plug the many other holes left by the chronic lack of state funding along with addressing pandemic learning gaps. This, paired with only a one-time increase in K-12 spending in the 2023-24 state budget means school districts must prepare for a harsh impact for the 2024-25 school year. Already, the Dysart Unified School District has announced that they do not have the funding to continue funding social worker salaries and will be eliminating all positions at the end of the 2023-2024 school year.³⁰

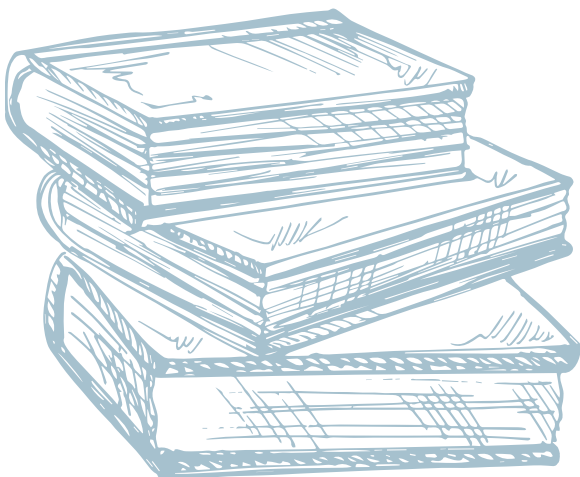


The next step on this path will involve slashing school budgets. Budget cuts ultimately mean teachers and staff will be let go, classrooms will close, and neighborhood schools will be shuttered.

Who Is Using Universal ESA Vouchers?

Because state law does not require it, the Arizona Department of Education collects minimal data about who is benefitting from vouchers. When families apply for or receive an ESA voucher, no data is collected regarding their racial or ethnic background, their family income, academic standing, or any previous public school attendance.

However, some data points can be utilized to determine who is using universal ESA vouchers. Arizona's non-partisan Grand Canyon Institute (GCI) analyzed zip code data in 2022 showing that the majority of initial beneficiaries were wealthier households.³¹



Nearly half (45%) of universal ESA voucher recipients reside in the wealthiest one-quarter of zip codes in the state. GCI also reports that only 32% of universal ESA voucher applicants are from families with a median income of less than \$60,000, which comprise just over half the students in the state. Only 3.5% of ESA voucher applicants came from zip codes that had a high school or 2 K-8 district schools with a D or F grade (which is statistically correlated with poverty).

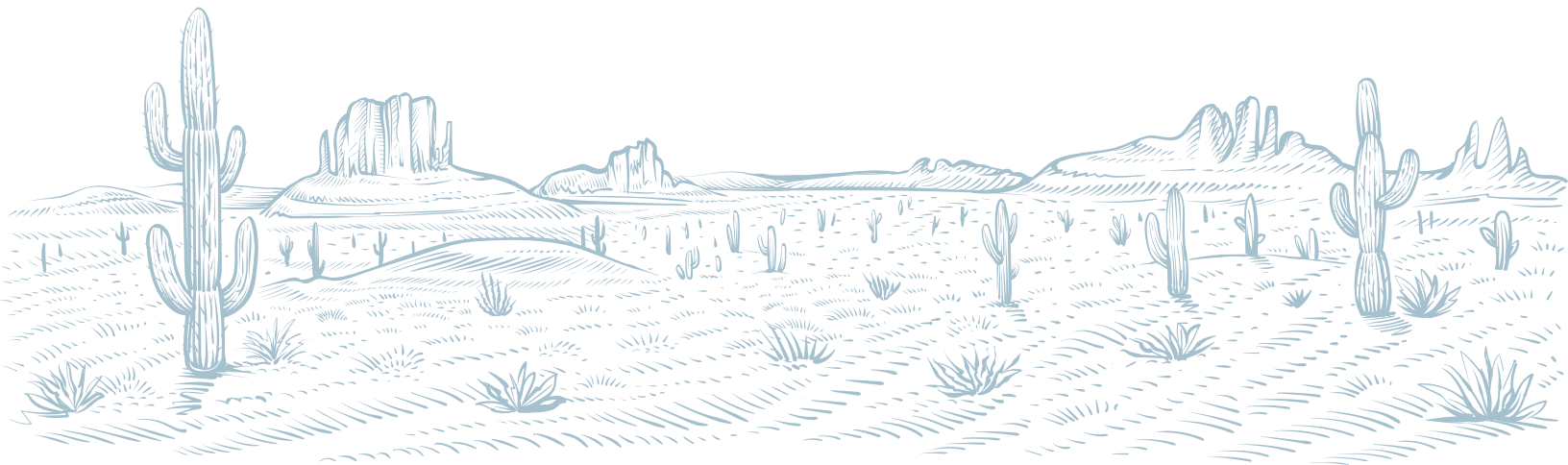
Other research shows that the preponderance of voucher recipients hail from the wealthiest zip codes in the state,³² such as Paradise Valley, Scottsdale, and Deer Valley. School districts in these areas depend entirely on local property taxes, not state tax monies. For every voucher in these districts, the cost comes from state taxpayer dollars rather than these local sources, resulting in a massive, direct cost to the general fund.



It should be additionally noted that ESA vouchers are often insufficient to pay the full cost of private school tuition, particularly for higher-quality, accredited schools that charge up to \$40,000 a year in tuition.

Arizona's average private school tuition is \$9,619 for elementary schools and \$13,766 for high schools.³³

Vouchers are statistically more likely to be used by those who can afford the difference as well as the added costs for materials, meals, books, club and sports fees, and transportation.



The Least Accountable Voucher Program in the Nation

Arizona's ESA voucher program is and was designed to be the least accountable voucher program in the nation.

Zero Academic Accountability or Safety Standards

Arizona does not require that private schools or microschools demonstrate any measure of quality or accuracy of instruction. Schools do not need to be accredited, teachers do not need to have any credentials or training, and schools do not need to teach to state standards. The state does not test any voucher students, and there is no indication whether students are learning and performing according to grade level.

While ESA voucher recipients are required to use a portion of the program funding in reading, grammar, mathematics, social studies, and science, there are no minimum standards of academic achievement, such as reading or math proficiency.

Private schools, vendors, tutors, and homeschools are not required in any way to be accountable for the academic outcomes of their students. Under Arizona law, private schools, vendors, and tutors funded by vouchers are not subject to any requirements for accreditation, registration, licensing, approval, or teacher certification.³⁴ There are also no requirements for these providers to serve special education students or English language learners.

The law requires zero measures to ensure students are kept safe; there are no site inspections for schools, no fingerprint or background checks for teachers or tutors, and no mandates to keep unsafe objects like firearms, sharp tools, pharmaceuticals, or alcohol away from children.





AZ'S ESA VOUCHER PROGRAM HAS THE LOWEST STANDARDS IN THE US

	AZ	D.C.	IN	LA	ME	MD	OH	VT	WI	CLE	MIL
Accreditation / State Approval	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Curriculum Standards	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Certified Teachers	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Background & Safety Checks	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
State Testing	✗	✓	✓	✓	✗	✗	✓	✓	✓	✓	✓
Regulated Hours / Days of School	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Parents who send their child to an ESA voucher-funded school, microschool, tutor, or vendor have no guarantees regarding their child's education. The Arizona Department of Education does not vet any of these providers; all schools are automatically approved and all vendors and tutors need only to submit a high school diploma. There is nothing stopping a bad actor from creating a "private school" or "microschool," accepting ESA voucher funds, and then disappearing, leaving the students high and dry.

Unlike Arizona's public schools, there are no mechanisms for reporting abuse, fraud, or misconduct, and no process for remedying or monitoring misuse of voucher funds. In July 2023, Arizona Attorney General Kris Mayes warned families to be aware that when they accept ESA voucher funds and leave the public school system, they give up rights under the federal statute that guarantees children with disabilities a Free and Appropriate Public Education (FAPE) and the federal statute that provides parents with the right to access their children's educational records (the Family Educational Rights and Privacy Act, or FERPA).³⁵

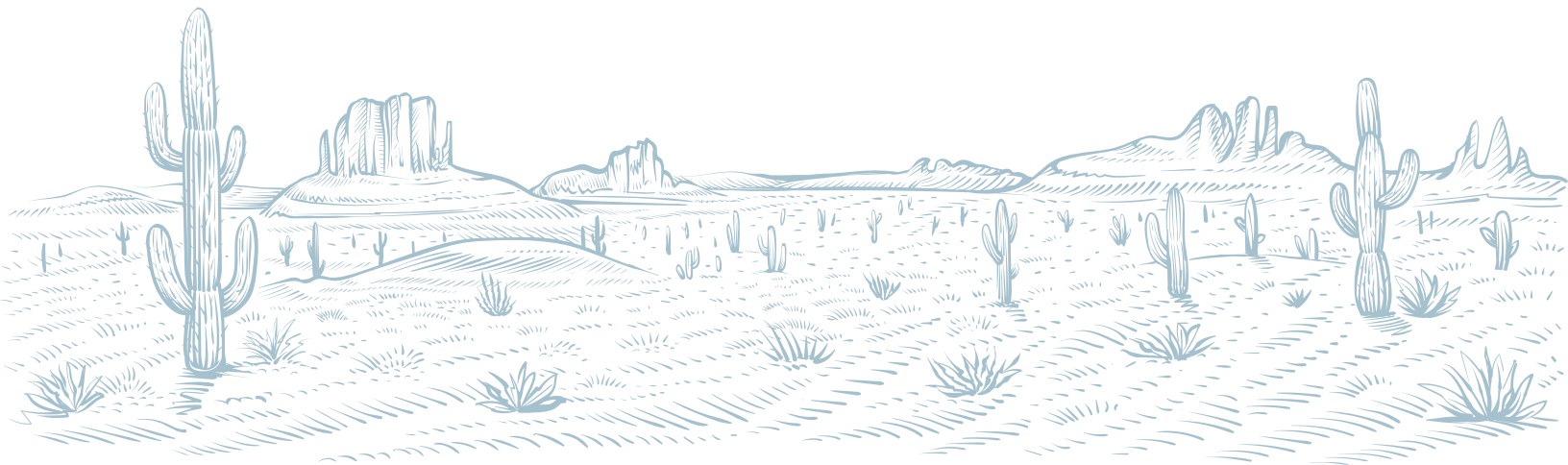


Zero Financial Transparency or Accountability

Arizona’s voucher program provides virtually zero information back to taxpayers about how tax dollars are being utilized. Voucher-funded schools, tutors and vendors, unlike public schools, do not have to open up their finances to the public despite receiving millions of dollars in public funds. There is no mechanism to return unused ESA voucher funds to public schools. Voucher-funded schools, tutors and vendors are not required to return funds they have already received for that quarter, even if the student returns to public school.

Once a private school, tutor or vendor receives ESA voucher funding, there are no further requirements or follow-ups from the Arizona Department of Education (ADE).

Under the current ESA guidelines, almost any materials can be purchased through the program if the parent can tie it to some type of “curriculum” and justify it as an “educational expense,”³⁶ which is ill-defined and open to interpretation. Parents are not required to spend ESA voucher dollars on core curriculum, leaving the program open for fraud and misuse.



According to the ADE's ESA Director, the department reviewed 252,000 orders during the most recent fiscal quarter, approving over 95%.³⁷ The ADE is approving hundreds of thousands of reimbursements each quarter, with minimal if any scrutiny, so taxpayers do not know whether these funds were used for educational expenses or for personal or home purchases.

Under state law, the ADE is responsible for overseeing the lawful distribution of ESA voucher funds. In January, Superintendent Horne bragged that his team had approved 111,000 expenditures in a single day and that the vast majority of these expenditures did not have proper receipts.³⁸

By contrast, thorough transparency is required of public schools, where taxpayers can view the salaries of teachers and administrators, the curriculum being used in each district, and what standards are being taught.³⁹ Through the Auditor General's yearly reports, every taxpayer can access the percentage of dollars used by each district for food, transportation, classroom instruction, administration, and more.



Analysis Shows Rampant Abuse of the ESA Voucher Program

What Arizona taxpayers do know about ESA voucher use has come from journalists who have analyzed the program by securing data through public records requests. In February 2023, the Guardian reported that Arizona's overly expansive universal ESA vouchers are being used for questionable purchases such as "chicken coops, ice-skating and cowboy roping lessons."⁴⁰

In October 2023, Arizona's local ABC investigative team issued a staggering expose showcasing the shocking misuse of taxpayer funds under Arizona's universal ESA voucher program.⁴¹ The three-part series provided an in-depth analysis of ESA voucher expenditures for the 2022-23 school year, during which time the program diverted over \$550 million in public funds.

The report showed that ADE is approving widespread funding for luxury items, like ski trips, pianos, and whale-watching excursions. Plus, ADE has been allowing voucher users to spend taxpayer dollars on unlimited summer camps, sports lessons, bounce memberships, gymnastics, martial arts, music lessons, horseback riding, aquarium visits, and even waterpark tickets - all purchases that public school families must pay for out of their own pockets.

ABC15 found receipts for many extravagant expenses, including:

- \$3,400 for one purchase at a golf store
- \$10,000 for one purchase at a sewing machine company
- \$19,000 for more than 100 passes to Arizona Snowbowl Ski Resort
- \$100,000 for extravagant appliances that freeze dry food which cost \$3,000 each
- \$350,000 for "Ninja Warrior" training centers, trampoline parks & climbing gyms
- \$400,000 for trendy, indoor hydroponic tower gardens that cost \$1,000 each
- \$1.2 million for martial arts instruction



Of the reimbursements the team analyzed, they found that \$304 million was spent on 682,000 taxpayer-funded payments to more than 14,000 unregulated, unvetted vendors (including schools, businesses, tutors, and a host of other services).⁴² While about 66% of the funds analyzed went to private schools for tuition and fees, \$79 million was approved for “non-school expenditures” with zero transparency for taxpayers.

The universal ESA voucher program was designed to be unaccountable.⁴³

Under Arizona law, ESA voucher users need only submit a receipt with a “curriculum” to receive reimbursement for purchases from the state. This “curriculum” is only loosely defined by ARS 15-2401 Section 2 as “a course of study for content areas or grade levels, including any supplemental materials required or recommended by the curriculum, approved by the department,”⁴⁴ and does not need to correlate to any state standards. It can be self-written, downloaded from the Internet, or even sourced from ChatGPT or another AI system.





Vouchers Create a Two-Tiered System

It's critical to recognize the two-tiered system of haves and have-nots ESA vouchers are creating. Our public schools are forced to scrounge for resources to the point that teachers and parents are crowdfunding for basics like printer paper and tissues.

When field trips do occur, it's due to tireless grant writing and arduous fundraising by already overworked educators. When extra "bells and whistles" are purchased for schools, they benefit large numbers of students for many years, and the money that makes those extra items possible often doesn't come from state funding, but from local dollars and separate fundraisers.




Vouchers Drain Funds from Rural Students

Vouchers are utilized disproportionately by suburban families while defunding rural schools and harming rural communities. ESA vouchers drain public education funding for the whole state – leaving rural schools in a lurch.

The “free market” of the ESA voucher system means that many profit-seekers see no reason to invest outside of lucrative urban and suburban locations. Approximately 135 of Arizona's 223 school districts are considered rural, serving about 35 percent of all students in the state.

In these districts, the public schools serve the entire range of student and community needs; vouchers used by urban and suburban students merely strip funding from rural schools.⁴⁵

ESA vouchers are predominantly being used in large, suburban communities where more quality private school options exist and where more families can afford to homeschool. Of Arizona's 224 school districts, the districts losing the most funding due to vouchers are all located in the two largest counties – Maricopa and Pima.⁴⁶

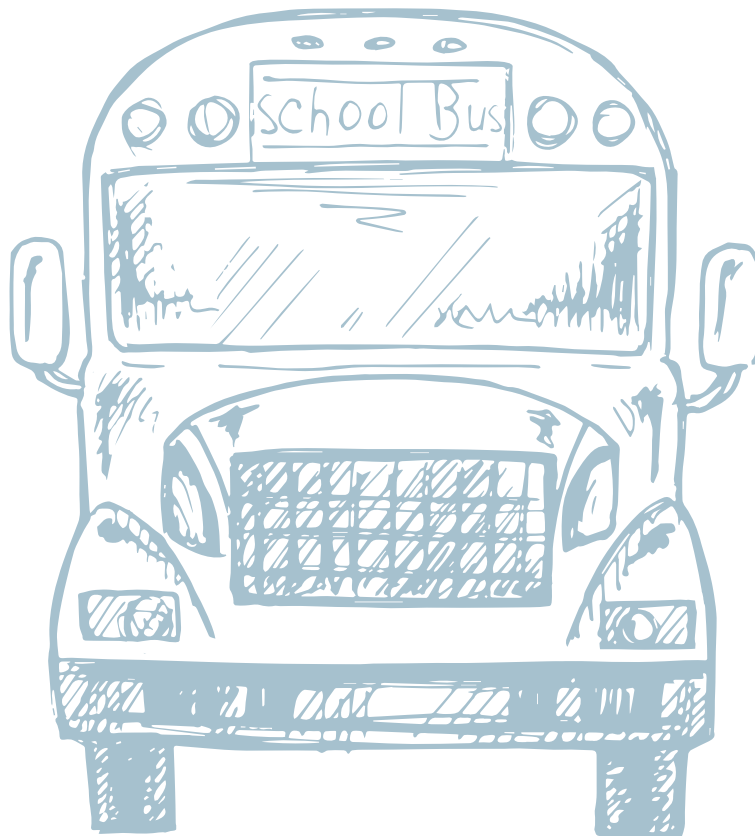


“ESAs are not beneficial to rural Arizona... so funding to make it the best possible place for an education should be a priority,”

- Don German, executive director of Arizona Rural Schools Association.⁴⁷

Out of the 20 districts losing the most funding to ESA vouchers, 18 are in Maricopa and Pima counties, and voucher monies for these 20 districts totaled \$355,832,000 – a full 61% of total ESA voucher funding for 2022-2023. This means 61% of ESA voucher funding is going to 10% of school districts concentrated in wealthy, suburban areas.

While voucher programs drain resources from all public schools, they disproportionately hurt rural public schools by exacerbating their very real challenges, including low teacher pay, lack of funding for school infrastructure and transportation services, limited ability to offer professional development for teachers and administrators, limited access to advanced coursework for students, a lack of extracurricular and enrichment programs, low college achievement rates, and more.⁴⁸



Unexpected Consequences of Universal ESA Vouchers

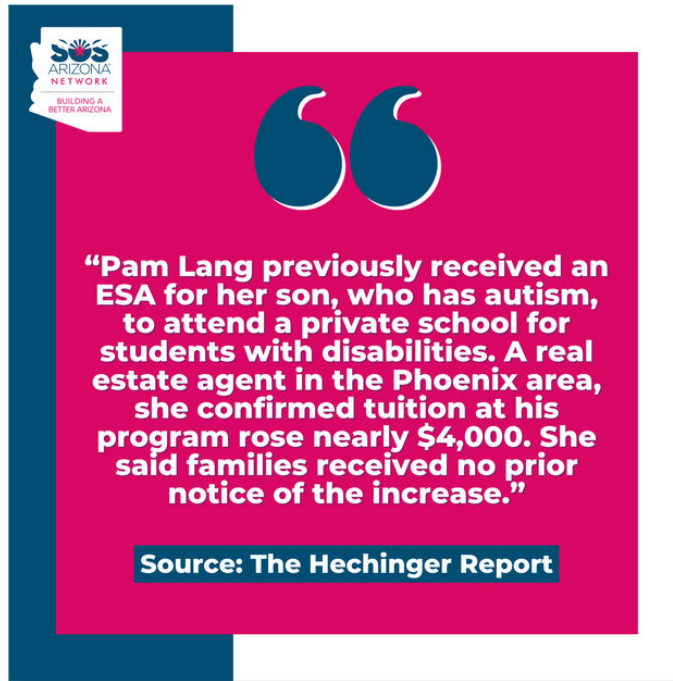
Because Arizona was the first state in the nation to universally expand ESA vouchers and because Arizona's laws are the most lax with regards to accountability and transparency, Arizona is a cautionary tale of what the program looks like as fully realized. As the first state in the nation to make all students eligible for vouchers, Arizona serves as the canary in the coal mine for many of the previously unanticipated consequences of a fully voucherized state system.

First, many of the options that are growing under the massively expanded voucher free market are extremely low quality. Schools are opening up in strip malls with no accreditation, no set curriculum, no qualified or accredited teachers, and few resources for students.

With no testing or state standards to guide learning, the only accountability rests with the parents, many of whom do not come from an education background and are not trained in pedagogy and therefore cannot readily assess learning deficits in their children.

Lucrative microschoools and homeschool co-ops have become a popular cottage industry, with many vendors popping up overnight. However, anecdotal evidence shows parent satisfaction is low and many parents are struggling to find quality affordable solutions for their children.

Arizona is also beginning to see increased tuition costs, as pricey private academies raise tuition and fees along with accepting state voucher dollars.⁴⁹ Research shows some private schools across Arizona are raising tuition by thousands of dollars now that ESA vouchers have been universally expanded, thus limiting options to wealthier families and those who already attended private institutions.



A Hechinger Report analysis of 55 private school websites revealed that nearly half of the schools increased tuition in at least some grades by 10 percent or more. In five of those cases, schools hiked tuition by more than 20 percent – well beyond what an ESA voucher could cover.

For example, the cost of middle school enrollment at Arrowhead Montessori in Peoria soared to \$15,000, an increase of \$4,200. In Mesa, tuition at Redeemer Christian School rose by nearly a quarter across most grades. Similarly, at Desert Garden Montessori, in Phoenix, middle and high school tuition is now \$16,000, nearly 24 percent higher than last year’s tuition rate of \$12,950.

Saint Theresa Catholic School in Phoenix reserved its biggest price hike of about \$1,800, or nearly 15 percent for non-Catholic students in the elementary grades. Tuition for those students is now more than \$14,000.

It remains to be seen what future consequences will result from universal ESA vouchers. Some charter schools are now opening private schools, opting for less accountability. Many schools will open and shut as they test the free market. Many students will be left behind by these sudden shifts in the market.

Discrimination Within the ESA Voucher Program

By design, private schools can and do deny enrollment to students for any reason they wish.⁵⁰ It's not "school choice"; it's the school's choice. Arizona statute even stipulates that a voucher-funded school "shall not be required to alter its creed, practices, admissions policy or curriculum in order to accept students whose parents pay tuition or fees."⁵¹

A growing number of private schools that are now being funded by ESA vouchers in Arizona have admissions processes that openly discriminate against LGBTQ+ students, families, and educators on the basis of sexual orientation and gender identity. Many schools explicitly exclude students, families, and staff who will not attest to statements of faith that align with these discriminatory viewpoints.

For example, Charlie Kirk's newly opened Turning Point Academy housed within Dream City Church has a Statement of Faith⁵² on its website requiring all students, families, and staff to attest that there are only two genders and that "rejection of one's biological sex is a rejection of the image of God within that person." The statement also says that "any form of sexual immorality... including homosexual behavior" is "sinful and offensive to God." Dream City Christian School is an approved ESA voucher recipient, meaning that parents must agree that their children will be indoctrinated with these tenets before they can spend taxpayer-funded ESA voucher dollars on tuition.

The pastor at an Arizona private school funded by ESA vouchers confronted two gay fathers, telling them that they were not welcome on campus and that their child would not have been allowed to enroll had the school known her parents were gay.⁵³ One of the fathers is quoted as saying he "felt very unsafe" and believed he was being threatened by the principal.



A recent federal lawsuit alleges a teacher at Valley Christian High School (VCS), an ESA-voucher-funded school, was wrongfully terminated days after speaking out about the school's discrimination against LGBTQ students.⁵⁴ According to the lawsuit, the principal held a meeting with the student unbeknownst to the parents, calling the child "sinful" and telling them "same-sex relations are an abomination to God."

On its website, VCS states that "rejection of one's biological gender is a rejection of the image of God within that person" and calls homosexuality a form of "sexual immorality" that is "sinful and offensive to God" and would likely result in a student's expulsion.⁵⁵

In a public district or charter school setting, children are admitted regardless of religious beliefs, sexual orientation, or gender identity, and parents cannot be barred from participating in their child's education.



Conclusion

Some may claim that the school funding crisis created by ESA voucher expansion will start to level off, but even so, data indicates that vouchers are positioned to drain well over \$1 billion before that occurs (roughly 12% of Arizona's public school budget).

With predatory special interests seeking to grow the program and starve public schools, Arizona's public schools are under siege. Already funded at 48th in the US for per-pupil spending, Arizona's public schools are doing more with less each year.

All evidence points to the fact that ESA vouchers are on track to bankrupt the state, with no end in sight. Unless the Arizona legislature significantly rolls back or caps the growth of the off-the-rails voucher program, Arizona is on a fast track to dismantling public schools and fully privatizing education.

It is time for Arizona leaders to prioritize funding our community-based public schools as the state Constitution requires, and in order to do that the legislature must roll back the ESA voucher program and dramatically increase transparency and accountability for the taxpayer dollars being diverted. Our schools, our future workforce, and our state economy depend on it.



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