

Issue: AZ Universal Voucher Program

Arizona's Universal ESA Voucher Program

Vouchers For All

Arizona's Republican legislature enacted a universal school voucher program in 2022, becoming the first state to provide approximately \$7,000 per child to 1.1 million students whose families opted out of the public school system. The program, called Empowerment Scholarship Accounts (ESAs), lets parents use the money to pay for private school tuition, home-schooling, tutoring and other expenses—with virtually no accountability.¹

Funding

Arizona's Department of Education administers the Empowerment Scholarship Accounts (ESAs), which are funded by state tax dollars. The department defines an ESA as consisting of "90% of the state funding that would have otherwise been allocated to the school district or charter school for the qualified student (does not include federal or local funding)."²

History

According to the Arizona Center for Economic Progress, "for over 20 years, some Arizona state legislators have been fighting to expand school vouchers and reduce funding for public schools."³ In 2011, the legislature adopted the first Empowerment Scholarship Accounts permitting students with disabilities to attend private schools. Over the next decade, the program expanded to include students with special needs, children of military parents, children of disabled parents, children in the foster care system and Native American students.⁴

Today, over 70,000 students participate in Arizona's voucher program, which will cost the state over \$900 million in 2024.⁵

In a 2023 report on the impact of the ESA Voucher Program, Save Our Schools Arizona pointed out that after just one year of "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."⁶

Who Uses ESA Vouchers: the Disparity between Rich and Poor

In 2024 the Brookings Institution looked at the socioeconomic status and college attainment rates of ESA funding recipients to determine whether the program is increasing or decreasing inequities among students. Using publicly available data, the Institution's researchers compared the socioeconomic status (SES) of program participants, concluding that "regardless of the SES measure used (poverty rate, median income, or educational attainment), [there are] similar patterns in who is obtaining ESA funding."⁷ Communities with greater advantages are obtaining a greater percentage of the ESA scholarships.⁸

Jennifer Jennings, Professor of Sociology and Public Affairs at Princeton University's School of Public and International Affairs, also analyzed the data on voucher participation and similarly concluded that voucher use is significantly higher even in districts with highly rated public schools. She also warned that "if the ESA voucher program's trajectory remains unaltered, it will put enough pressure on the state budget that programs designed to support low-income Arizonians end up on the chopping block."⁹

Runaway Costs

Cost Analysis by the Learning Policy Institute

In 2023, the nonprofit, nonpartisan Learning Policy Institute (LPI) undertook a financial review of the ESA voucher program to determine its impact on Arizona's education funding. Looking at state expenditures for the previous and new voucher programs and student enrollment, their findings include the following:

- Students who were previously enrolled in private schools and accepted ESA vouchers (71.2%) added significant costs to the education budget.¹⁰
- During the 2022-2023 school year, the number of students enrolled in the program grew from 12,127 to 61,689 students, a 409% increase, with an additional increase of 10,739 (17.4%) for the 2023-2024 school year.¹¹
- Although English language learners represent 9.2% of Arizona's public-school students, only 188 enrolled in the ESA program (0.6%).¹²
- About 2.4% of students received vouchers totaling \$587.5 million, an increase of \$398.7 million (211%) over the previous year's more targeted program.¹³
- Total Basic Student Aid funding for the 2022-2023 school year was \$6.7 billion, with the cost of the ESA program representing 8.8% of that amount.¹⁴

Budget analysts have estimated that the voucher program's original projected cost of \$64 million for the current fiscal year could go as high as \$900 million. The impact on the 2024 budget is significant, with a \$400 million deficit for the current budget year and another \$450 in the coming year.¹⁵

Democratic Gov. Katie Hobbs and Democratic legislators have a plan to overhaul the voucher program. But Republican Sen. John Kavanagh, chair of the Senate Appropriations Committee, said that "Hobbs' ideas for changing the voucher program won't have any chance of getting through the Legislature."¹⁶

In addition, in April 2024, Arizona's Board of Education under Superintendent Tom Horne, a Republican proponent of conservative values, rejected Gov. Katie Hobbs' plan to revise the ESA Voucher Handbook.¹⁷ The new handbook would have included safeguards to guarantee "responsible spending of taxpayer funds."¹⁸

No Accountability

Arizona's voucher laws do not require private schools to disclose information about their finances, operations or measurements of student achievement. In fact, Arizona's voucher program is one of the country's least accountable, with parents using their ESA funds for a variety of non-academic expenses, including kayak and horseback riding lessons, home gyms and televisions.¹⁹ Democratic

Gov. Katie Hobbs has repeatedly told lawmakers that the program “lacks accountability and will likely bankrupt this state.”²⁰

Save Our Schools Arizona director Beth Lewis is also an outspoken critic of the voucher program. “It's very easy to set up a one-room shop in a strip mall,” she said, “and “give every kid a Chromebook and a plaid skirt, tell parents they're on an accelerated curriculum and take that \$7,000, but it's equally easy for those schools to close up shop whenever they want.”²¹

Voter Dissatisfaction with the Voucher Program

Stand for Children Arizona, an organization working to “empower parents to support their children’s education journey,” conducted a poll in 2023 asking voters to give their opinion on specific components of the state’s education system. Regarding universal vouchers, a majority of voters, once they learned about the program’s lack of transparency and oversight, were against the program. Asked about a ballot measure to reform the program and limit to students in need, 65% said they would vote yes.²²

“Arizonans deserve to know their money is being spent on educating students, not on handouts to unaccountable schools and unvetted vendors for luxury spending,” Gov. Hobbs said in a statement announcing her voucher reform agenda. ²³

How to Fix the Voucher Program

In her 2024 State of the State address, Gov. Hobbs outlined her plan to reform Arizona’s ESA voucher program. “My plan is simple: every school receiving taxpayer dollars must have basic standards to show they’re keeping our students safe and giving Arizona children the education they deserve.”²⁴ The plan will “protect taxpayer dollars and give parents and students the information they need to make an informed choice about their education.”²⁵

Gov. Hobbs’ plan, developed with Democratic legislators, will increase transparency, accountability and a safe learning environment in the following ways:

- **Increase Student Safety** by requiring all educators to pass a fingerprint background check.²⁶
- **Protect Rights for Students with Disabilities** by “requiring private schools to provide accommodations and services in accordance with an ESA student’s Individualized Learning Plan or Section 504 Plan.”²⁷
- **Require Accountability for Taxpayer Dollars** to ensure that all expenditures are used for academic purposes.²⁸
- **Expand Auditor General Authority** to monitor and report how private schools are spending ESA voucher money.²⁹
- **Prohibit Price Gouging** by private schools receiving vouchers that are raising tuition at a higher rate than inflation.³⁰
- **Raise Educational Standards** by requiring private schools to have minimum education requirements for ESA students.³¹

- **Establish Program Transparency** by requiring the Department of Education to “disclose the parental and student rights that are relinquished when leaving the public school system for the ESA voucher program and report graduation and chronic absenteeism rates.”³²
- **Reinstate Eligibility Requirements** so that students receiving voucher money “must have attended a public school for 100 days at any point in their education prior to becoming eligible for the ESA voucher program.”³³

House Democratic Leader Lupe Contreras urged the legislature to “pass these commonsense bills and deliver much-needed oversight for Arizona families.”³⁴

Unfortunately, none of the bills proposed by Gov. Hobbs and the Democratic legislators made it to the House or Senate floor.³⁵ Going forward, the only way to fix Arizona’s voucher program and preserve and strengthen the state’s education system is to elect Democrats and flip the legislature.

Appendix

The following bills demonstrate the Democratic legislators' attempts to reform the ESA voucher program, though in all cases, the legislature either did not take up the bills, or the bills did not pass. All of the descriptions below come straight from Save Our Schools Arizona's May 20, 2024 Weekly Education Report.³⁶

Senate Bills

SB1351, sponsored by Catherine Miranda (D-11), would require teachers paid with voucher funds to have a bachelor's degree, 3+ years of teaching experience, or subject matter expertise. Currently these "teachers" must have only a high school diploma.

SB1352, sponsored by Catherine Miranda (D-11), would require the Arizona Department of Education to notify parents in writing of the legal rights they surrender when accepting an ESA voucher.

SB1353, sponsored by Christine Marsh (D-4), would require the Arizona Department of Education to provide the legislature with an estimate of how much funding it requires for ESA vouchers in advance for the upcoming fiscal year. Responsible budgeting is necessary for this program, which is set to siphon \$950 million away from local public schools this year.

SB1354, sponsored by Christine Marsh (D-4), would require schools that accept ESA vouchers to notify parents of whether they provide special-education services for their students, and to honor students' IEP and 504 plans unless the parents specifically waive those rights in writing. This provides needed protections for children with special needs in the ESA voucher program.

SB1355, sponsored by Christine Marsh (D-4), would allow ESA voucher funds to pay for special education evaluations.

SB1356, sponsored by Christine Marsh (D-4), would require those who take funding from ESA vouchers and have unsupervised access to children to undergo background checks, similar to what happens in public district and charter schools.

SB1396, sponsored by Mitzi Epstein (D-12), institutes anti-bullying policies for ESA voucher schools similar to those in place for public district and charter schools.

SB1399, sponsored by Mitzi Epstein (D-12), and **HB2705**, sponsored by Lupe Contreras (D-22), make many accountability and transparency changes to Arizona's ESA voucher program, including requiring fingerprinting, limiting luxury purchases, notifying parents of their legal rights, requiring voucher schools to report performance and financial metrics, and requiring ADE to budget appropriately for the program.

SB1486, sponsored by Sen. Eva Diaz (D-22), changes ESA voucher disbursements from quarterly to monthly, mirroring how Arizona public schools receive their funding.

SB1487, sponsored by Sen. Eva Diaz (D-12), would direct the Auditor General to conduct annual financial and compliance audits on the ESA voucher program and establish a financial transparency portal for voucher schools. It also requires the disclosure of the amount of ESA monies received that are spent in the classroom, similar to public schools.

House Bills

HB2462, sponsored by Jennifer Pawlik (D-13), would require schools that accept ESA vouchers to notify parents of whether they provide special-education services for their students, and sets up a complaint process with the State Board so schools are held accountable to parents.

HB2478, sponsored by Laura Terech (D-4), would require the Auditor General to perform an annual financial audit on schools that accept ESA vouchers.

HB2553, sponsored by Keith Seaman (D-16), would lower the administrative fee for STO vouchers from 10% to 5%. Currently, donations to School Tuition Organization tax credit voucher organizations have grown to over \$250 million per year that never reaches the General Fund. In Arizona, these organizations can keep 10% of donations for administration, meaning they pocket \$25 million each year in state taxpayer funds meant for education. Other states cap administration fees at 3%-5%.

HB2562, sponsored by Nancy Gutierrez (D-18), and **SBI314**, sponsored by Catherine Miranda (D-11), would establish a sunset date for the ESA program like that of every other statewide program, including the Departments of Child Safety, Corrections and Transportation, and require lawmakers to review it via a sunset committee of reference.

HB2563, sponsored by Nancy Gutierrez (D-18), and **SBI485**, sponsored by Eva Diaz (D-22), would prohibit purchases of luxury items using the ESA voucher program and would require increased oversight of high-dollar items.

HB2624, sponsored by Mariana Sandoval (D-23), would open schools that accept ESA vouchers to some of the same requirements as district and charter schools, including financial record-keeping and reporting, performance audits, and letter grades.

HB2626, sponsored by Quantá Crews (D-26), would ban schools that accept ESA vouchers from requiring families to disclose their ESA enrollment status or funding amount as a condition of enrollment.

HB2774, sponsored by Laura Terech (D-4), would require those who take funding from ESA vouchers and have unsupervised access to children to undergo background checks, similar to what happens in public district and charter schools.

HB2795, sponsored by Nancy Gutierrez (D-18), would require teachers paid with voucher funds to have a bachelor's degree, 3+ years of teaching experience, or subject matter expertise. Currently these "teachers" must have only a high school diploma.

HB2807, sponsored by Keith Seaman (D-16), would require the Arizona Department of Education to notify parents in writing of the legal rights they surrender when accepting an ESA voucher.

HB2809, sponsored by Jennifer Pawlik (D-13), would repeal the STO income tax credit voucher after December 31, 2024. This would save the state a projected \$185 million every year starting in FY2026.

HB2810, sponsored by Jennifer Pawlik (D-13), would allow ESA voucher funds to pay for special education evaluations.

¹ <https://www.nea.org/nea-today/all-news-articles/no-accountability-vouchers-wreak-havoc-states>

² <https://www.azed.gov/esa/esa-guidance>

³ <https://azeconcenter.org/arizona-school-vouchers-explained/>

⁴ <https://azeconcenter.org/arizona-school-vouchers-explained/>

⁵ <https://www.nea.org/nea-today/all-news-articles/no-accountability-vouchers-wreak-havoc-states>

⁶ <https://www.sosaznetwork.org/wp-content/uploads/2023/12/Impacts-of-Universal-Vouchers-Report-1.pdf>

⁷ <https://www.brookings.edu/articles/arizonas-universal-education-savings-account-program-has-become-a-handout-to-the-wealthy/>

⁸ <https://www.brookings.edu/articles/arizonas-universal-education-savings-account-program-has-become-a-handout-to-the-wealthy/>

⁹ <https://azmirror.com/2024/01/12/arizonas-school-vouchers-are-helping-the-wealthy-and-are-widening-educational-opportunity-gaps/>

¹⁰ <https://learningpolicyinstitute.org/product/understanding-cost-universal-vouchers-report>

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- ¹¹ <https://learningpolicyinstitute.org/product/understanding-cost-universal-vouchers-report>
- ¹² <https://learningpolicyinstitute.org/product/understanding-cost-universal-vouchers-report>
- ¹³ <https://learningpolicyinstitute.org/product/understanding-cost-universal-vouchers-report>
- ¹⁴ <https://learningpolicyinstitute.org/product/understanding-cost-universal-vouchers-report>
- ¹⁵ <https://www.azfamily.com/2024/01/09/arizona-governor-vows-rein-skyrocketing-school-voucher-program-update-groundwater-laws-2/>
- ¹⁶ <https://www.azfamily.com/2024/01/09/arizona-governor-vows-rein-skyrocketing-school-voucher-program-update-groundwater-laws-2/>
- ¹⁷ <https://www.publicnewsservice.org/2024-04-05/education/proposed-voucher-accountability-rules-nixed-by-az-republicans/a89666-1>
- ¹⁸ <https://www.publicnewsservice.org/2024-04-05/education/proposed-voucher-accountability-rules-nixed-by-az-republicans/a89666-1>
- ¹⁹ <https://www.nea.org/nea-today/all-news-articles/no-accountability-vouchers-wreak-havoc-states>
- ²⁰ <https://www.yahoo.com/news/arizona-parents-using-public-ed-121500653.html>
- ²¹ <https://www.salon.com/2022/07/01/schools-out-forever-arizona-moves-to-public-education-with-new-universal-voucher-law/?emci=cbl360c-52fa-ec11-b47a-281878b83d8a&emdi=fceaf7b6-5afa-ec11-b47a-281878b83d8a&ceid=8992262>
- ²² <https://stand.org/arizona/our-stories/arizonans-voice-discontent-and-demand-change/>
- ²³ <https://azmirror.com/2024/01/02/hobbs-announces-planned-reforms-to-arizonas-school-voucher-program/>
- ²⁴ <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-announces-plan-esa-accountability-and>
- ²⁵ <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-announces-plan-esa-accountability-and>
- ²⁶ <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-announces-plan-esa-accountability-and>
- ²⁷ <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-announces-plan-esa-accountability-and>
- ²⁸ <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-announces-plan-esa-accountability-and>
- ²⁹ <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-announces-plan-esa-accountability-and>
- ³⁰ <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-announces-plan-esa-accountability-and>
- ³¹ <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-announces-plan-esa-accountability-and>
- ³² <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-announces-plan-esa-accountability-and>
- ³³ <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-announces-plan-esa-accountability-and>
- ³⁴ <https://azgovernor.gov/office-arizona-governor/news/2024/01/governor-katie-hobbs-joins-senate-democratic-leader-epstein>
- ³⁵ See the appendix for a list of bills proposed by the Democratic leadership that have gone nowhere.
- ³⁶ <https://docs.google.com/document/d/1KhNBh4GNIA8QZIMYcv0S95vZeqspILXII6zQpC6kciM/edit>