

What the Data Say About Arizona's Universal Empowerment Scholarship Account (ESA) Expansion

Max Goshert, Assistant Research Director

2022 was a blockbuster year for Arizona policy. Along with a record budget and a billion-dollar investment in water, Arizona passed the largest private school scholarship program in the country. Previously, only families who met certain conditions, such as having a student with a disability, a parent who served in the military, a student who attended a D or F school, a student who lives on a Native American reservation, or a sibling of one of these students, could participate in the Empowerment Scholarship Account (ESA) program.

HB 2853 establishes universal eligibility for the ESA program, meaning that any student attending grades K–12 can receive a scholarship, which is [estimated to average \\$6,966](#) in FY23 (certain circumstances, like disability status, can change the scholarship size). Unlike the [2017 expansion](#), which capped participation at 30,000 recipients, there is no limit on the number of students who can participate in the program.

Naturally, the polemic public debate resulting from the seismic shift in education has spawned a gamut of predictions on what the impact of this expansion will be. In an attempt to foster conversation that is grounded in fact, we address several questions about the ESA program by diving into the data.

How will the ESA expansion impact academic outcomes?

As with any policy that impacts education, the most important feature of the ESA expansion is how it impacts the quality of education that students receive. While the literature on the academic outcomes of participation in voucher programs is mixed, with some research reporting significant positive effects, several recent studies have found negative impacts on student achievement, especially in math, for statewide voucher programs in Ohio, Indiana, and Louisiana ([Mills and Wolf, p.8](#)). This is likely due to the rapid expansion of these voucher programs from smaller populations to the entire state, overwhelming existing private school infrastructure (p.43).

Arizona's expansion is the largest in the country, with the Joint Legislative Budget Committee (JLBC) estimating that [36,078 public school students](#) will begin participating in the ESA program. While some families may choose to homeschool given their new ESA eligibility, most will likely elect to attend a private school. Given that there are currently 59,171 private school students, Arizona private schools will see a 39% rise in

demand, a tremendous increase in a short period of time that threatens to overwhelm existing facilities. Consequentially, Arizona will likely see a similar decline in academic outcomes due to the inadequate supply of private schools.

What are the accountability requirements for ESAs?

While ESA participants 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 are not required to be accountable for the academic outcomes of their students. This contrasts sharply with Louisiana's voucher program, where private schools must apply to become voucher recipients and undergo site visits, financial audits, and health and safety assessments from the Louisiana Board of Elementary and Secondary Education ([Abdulkadiroglu et al, p. 4](#)). Private schools must maintain eligibility by administering annual state achievement tests to voucher recipients along with financial audits.

Who benefits the most from ESA expansion?

Of the 9,710 applicants to the ESA program for SY2023, approximately [77% do not have a history](#) of attending an Arizona public school. Effectively, these ESAs serve not to enable those attending public school to attend private school, but as a public subsidy for families that already had the means to pay for private schools or homeschooling. This is in line with a 2018 study by the Grand Canyon Institute which found that, while enrollment in the private school sector has been relatively flat, private school subsidies from Arizona's General Fund have increased [50-fold](#) from \$3 million in SY2000 to \$141 million in SY2016. As with other private school subsidies, the beneficiaries are largely those who are already attending private schools, not those attending public schools who would otherwise attend privates.

What are the limitations on ESA expenses?

ESA funding can be used to pay private school tuition, curriculum, homeschooling, and other educational expenses. The Arizona Department of Education (ADE) maintains a comprehensive list of [approved spending categories](#) and [ESA allowable items](#). However, because state statute on allowable items is broad, parents are able to use ESA dollars for expenses with questionable educational benefit. Uptown Jungle Peoria, an indoor playground, recently attracted attention when they advertised that they would [accept ESA money](#), an expenditure that ADE confirmed was appropriate. Parents may also use ESA dollars to purchase Lego kits, lawn darts, and croquet sets. ADE staff oversee ESA expenditures to ensure that they fall under program guidelines, yet allowable purchases that are more recreational may come at the expense of academic experience.

How much will the ESA expansion cost taxpayers?

[Initial estimates](#) from the JLBC are that taxpayers will spend \$33 million in FY23, \$65 million in FY24, and \$125 million in FY25 from empowerment scholarships. With 77% of the 9,710 enrollees this school year coming from outside of the public system, the cost of these students will likely be around \$52 million, very close to the JLBC estimate. As

participation in the ESA program proliferates due to public awareness in the coming years, the burden of the program on the General Fund will rise substantially.

How will the ESA expansion impact school choice

Arizona currently has [2,391 public schools](#) and [448 private schools](#). The estimated award for FY23 of \$6,966 covers the entire average cost of private elementary schools ([\\$6,710](#)), but only about a third of the cost of private secondary schools (\$18,590). Consequentially, families will have to pay around \$12,000 per student out of their own pocket once they reach high school, a financial barrier that will be too burdensome for those who rely on ESAs to pay for private school tuition. The families that experience the greatest expansion of school choice are those who are wealthy enough to pay the difference in tuition at the secondary education level.

The impact of school choice by the ESA expansion is further limited by the lack of public accountability of private schools, creating a vacuum of information on academic outcomes. With little means to determine how well private schools educate their students, parents must rely more on marketing and word-of-mouth, impairing their ability to make well-informed decisions for school choice.

HB 2853 is scheduled to go into effect on September 24 however that date could be put on hold if an initiative successfully gathers sufficient signatures to refer the issue to the November 2024 ballot.

For more information, contact:

Max Goshert, Assistant Research Director
mgoshert@azgci.org, (602) 595-1025 ext. 12

The Grand Canyon Institute (GCI) is a nonpartisan, nonprofit organization dedicated to informing and improving public policy in Arizona through evidence-based, independent, objective, nonpartisan research. GCI makes a good faith effort to ensure that findings are reliable, accurate, and based on reputable sources. While publications reflect the view of the Institute, they may not reflect the view of individual members of the Board.